do your thing

# Sustainable covered bonds

## The ebbing tide of green regulation

16 September 2025

Maureen Schuller, ING Research

# Easing the thumbscrews on ESG legislation

# Simplification through Omnibus packages

26 Feb '25 — **Omnibus I** on sustainability

21 May '25 — **Omnibus IV** on small mid-caps and digitalisation

26 Feb '25 — **Omnibus II** on EU investments

20 June '25 — **Omnibus V** on defence readiness

20 May '25 — **Omnibus III** common agricultural policy

8 July '25 — **Omnibus VI** on chemicals

# Omnibus I package

| | |
|---|---|
| CSRD | CSDDD |
| Taxonomy | CBAM |

# Simplifying CSRD and CSDDD disclosures

## CSRD

1. **Scope reduction of 80%**
   - EU entities: >1000 employees and either Turnover > €50m or Balance sheet > €25m
   - Non-EU entities: Group level as of €450m generated in the EU and Branch level as of €50m
2. **Wave 2 & 3 reporting postponed by two years**
   - Large undertakings: FY 2027, reporting 2028
   - Listed SMEs: FY 2028, reporting 2029
3. **Value chain cap:** voluntary reporting standard (VSME) for out-of-scope entities to limit information requests
4. **ESRS revision** to reduce data points and improve clarity and consistency
5. **No sector-specific ESRS**
6. **No reasonable assurance standard**

## CSDDD

1. **More implementation time:**
   - Transposition deadline 1yr later at 26 July 2027
   - First phase application 1yr later by 26 July 2028
2. **Reduced frequency of periodic assessment:** monitoring intervals business partners prolonged from 1yr to 5yr
3. **Decrease trickle down effect**: data request from SME partners with <500 employees limited to VSME standard
4. **Due diligence focus on direct business partners,** unless it is plausible adverse impacts arise at indirect partners
5. **Removal of EU civil liability conditions:** defined by national law, with right for compensation preserved
6. **Review clause** on inclusion **financial services deleted**: banks, insurers and AM are out of scope of the CSDDD
7. **Climate transition plan adoption, no implementation:** seeking better alignment transition planning with CSRD

# On the EU Taxonomy

## CSRD

1. **Scope aligned to CSRD**
   - Entities >1000 employees
   - Net turnover > €50m, or
   - Balance sheet > €25m
2. **Taxonomy opt-in clause:**
   - Entities > 1000 employees, &
   - Net turnover < €450m

## Taxonomy

1. **GAR symmetry:** exclusion exposures to non-CSRD companies from both the numerator and denominator
2. **10% financial materiality threshold:** no Taxonomy assessment for up to 10% of financial assets
3. **Option of no GAR disclosures** until 2028, pending TSC review
4. **Postponement** of **Trading book, Fee & Commission KPIs** until 2028
5. **Template simplification:** for FI 89% reduction of reported data points
6. **Amendments** to the **DNSH** criteria **pollution prevention and control**

*Applicable per 1 January 2026 for immediate relief*

## Upcoming review TSC

1. Review **Disclosures Delegated Act**
   - Optional reporting on partial alignment for transition finance purposes
2. Review all **technical screening criteria,** particularly the **DNSH**
   - Seeking alignment with existing EU legislation to ease burden of proof

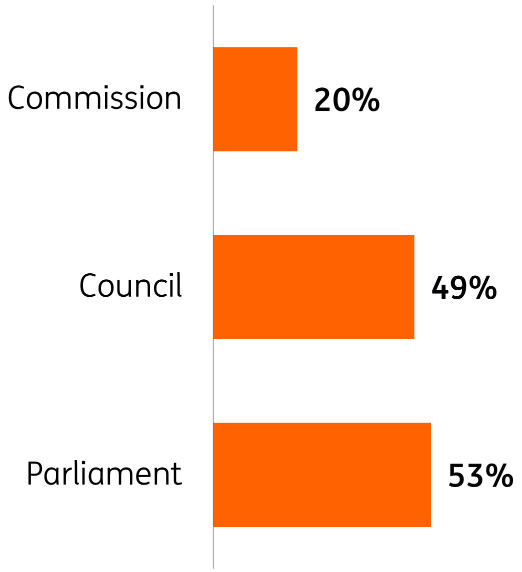
# Smaller banks may not provide Taxonomy disclosures

## CSRD reporting scope

| | | Current (2 of 3) | Commission | Council | Parliament |
|---|---|---|---|---|---|
| Employees | > | 250 | 1000 | 1000 | 3000 |
| | | | and | | |
| Net turnover | > | €50m | €50m | €450m | €450m |
| | | | or | | |
| Total assets | > | €25m | €25m | | |
| | | | | Commission | Council & Parliament |

Taxonomy opt-in equivalents

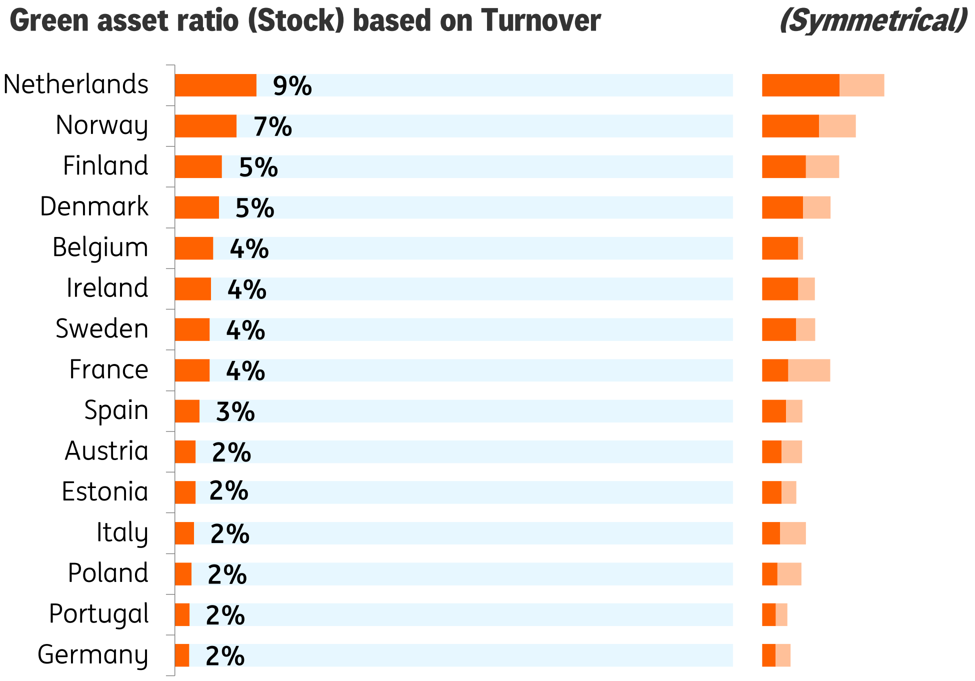
### Banks out of scope



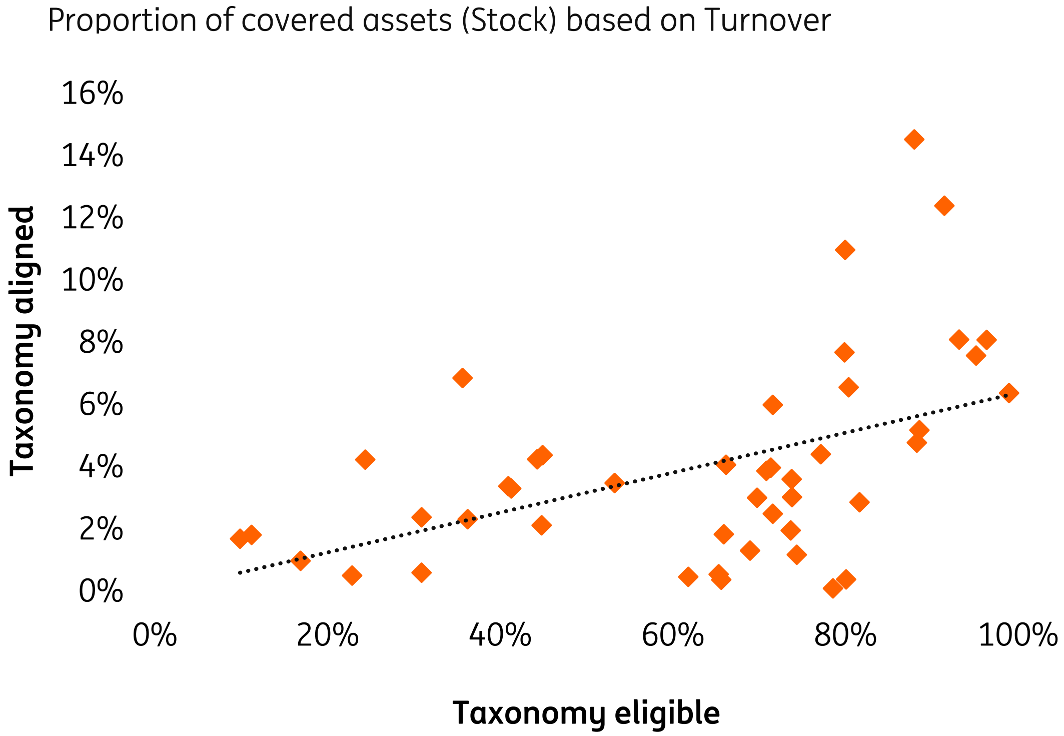

*Based on a sample of 424 EEA banks that have issued bonds*

# Green asset ratio disclosures

## Green asset ratio disclosures by EU banks remain low




## Taxonomy alignment rises modestly with higher eligibility



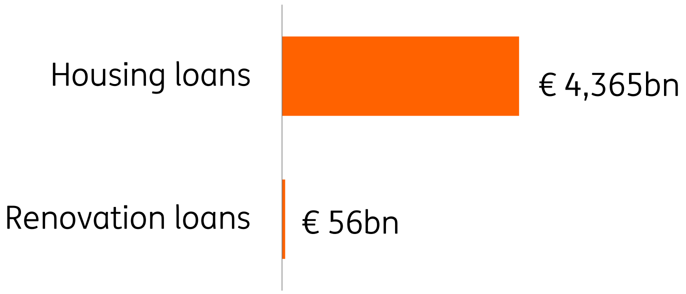

Based upon the December 2024 Pillar 3 disclosures of 45 EU banks

**Taxonomy eligible:** Economic activities covered by the EU Taxonomy (EUT)

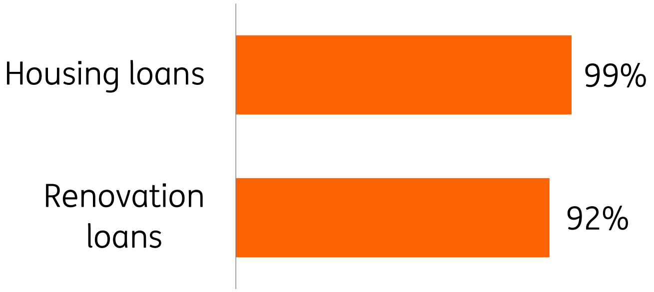
**Taxonomy aligned:** Taxonomy eligible activities compliant with criteria EUT delegated acts

# Taxonomy alignment of housing loans

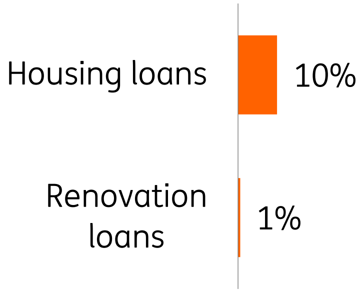
**Few loans for building renovations**
Amount of loans outstanding




**Most housing loans are Taxonomy eligible**
Share of Taxonomy eligible versus total loans




**But not many are Taxonomy aligned**
Share Taxonomy aligned versus eligible loans




Based upon the December 2024 Pillar 3 disclosures of 45 European banks

# The EBA's response to Omnibus I

# What are the EBA's draft Pillar 3 ITS about?

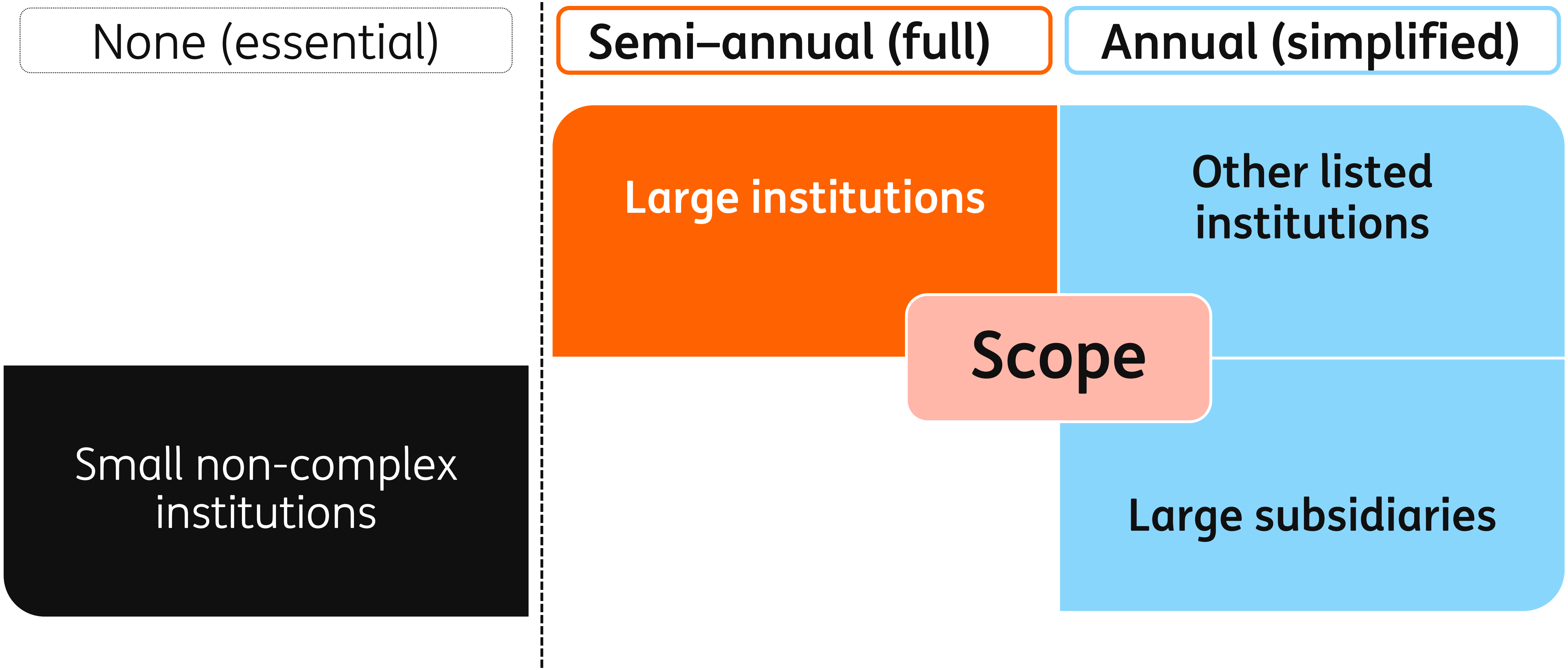
## May 2025

- Proportionate **extension** of CRR **ESG disclosures** from large, listed to all institutions
- **Reporting alignment** with the EU Taxonomy Regulation – only large institutions report GAR
- Phasing in disclosures – **until end of 2026 no GAR disclosures**, after 2026 all disclose
- Reference to mortgage assets included in the **cover pool** in Template 2 – transition risks
- Potential inclusion of **EPC label estimates** in Template 2, but questioning estimates on energy scores

***Cover pool ESG disclosures may still become part of CBD Article 14 Transparency requirements***

# Cover pool disclosures – in Pillar 3 and on transition risk?

## Differences in disclosure frequency



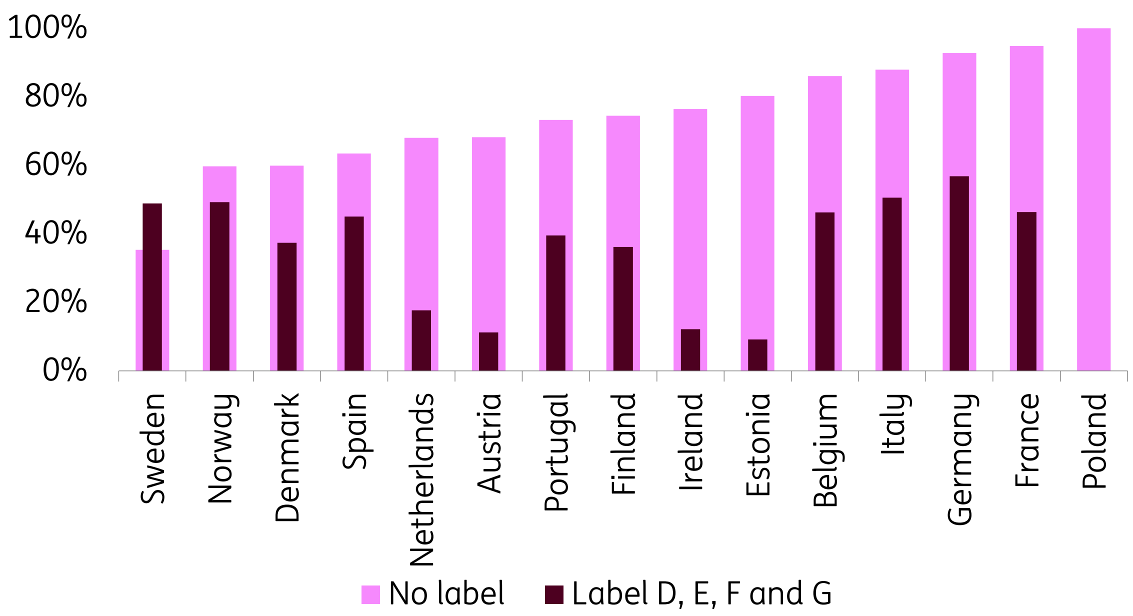
# Pillar 3 disclosures: energy performance of real estate

## Potentially improving EPC label disclosures by adding estimates

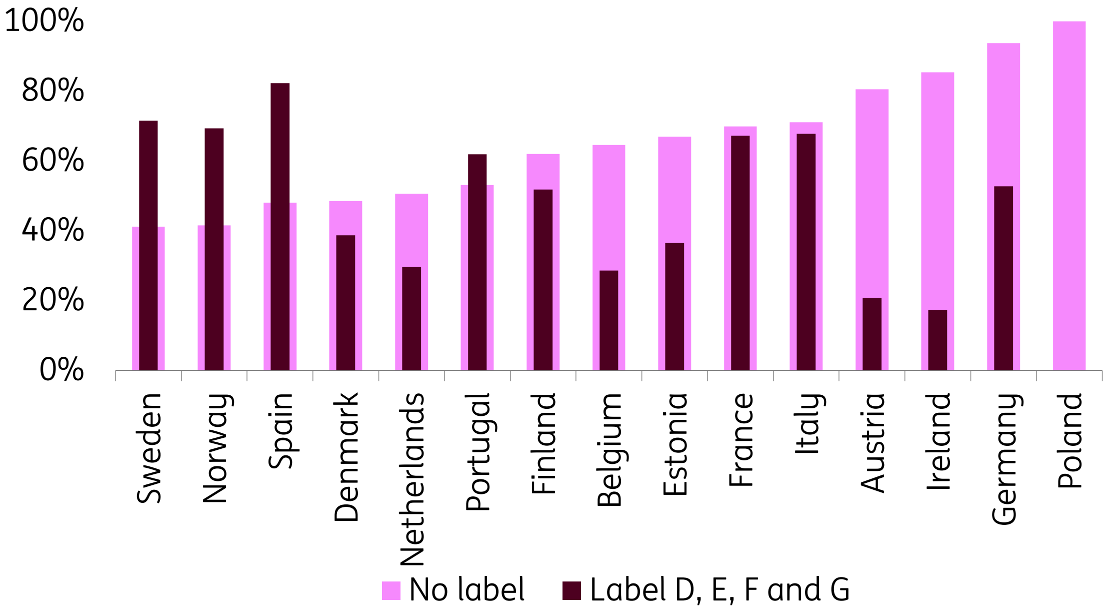
### Better EPC label availability for residential versus commercial real estate loans coincides with higher share of low EPC labels

Shares of D, E, F and G labels as percentage of labelled properties

**CRE properties**




**RRE properties**




Based on the December 2024 Pillar 3 disclosures of 45 European banks

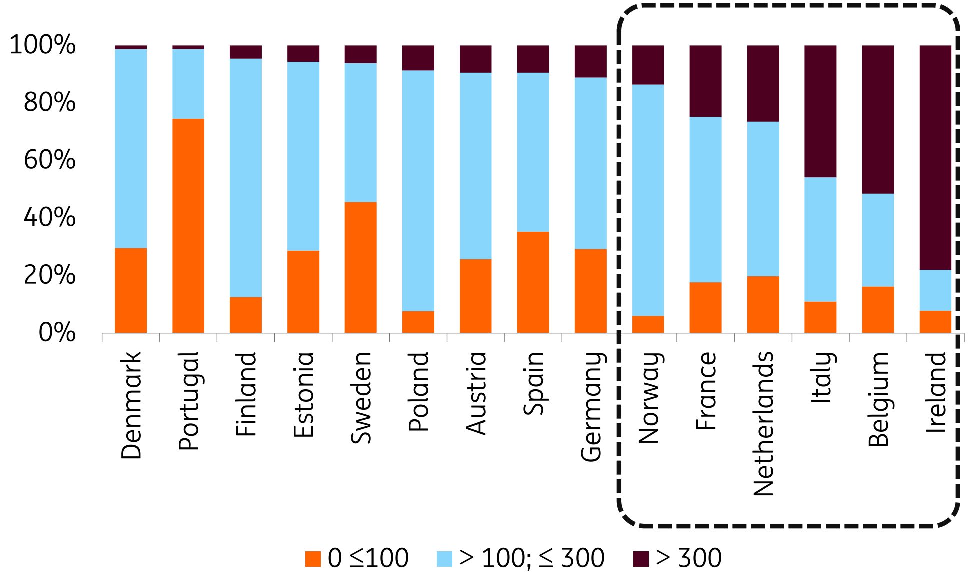
# Pillar 3 disclosures: energy performance of real estate

## Questioning the inclusion of estimates in energy performance scores

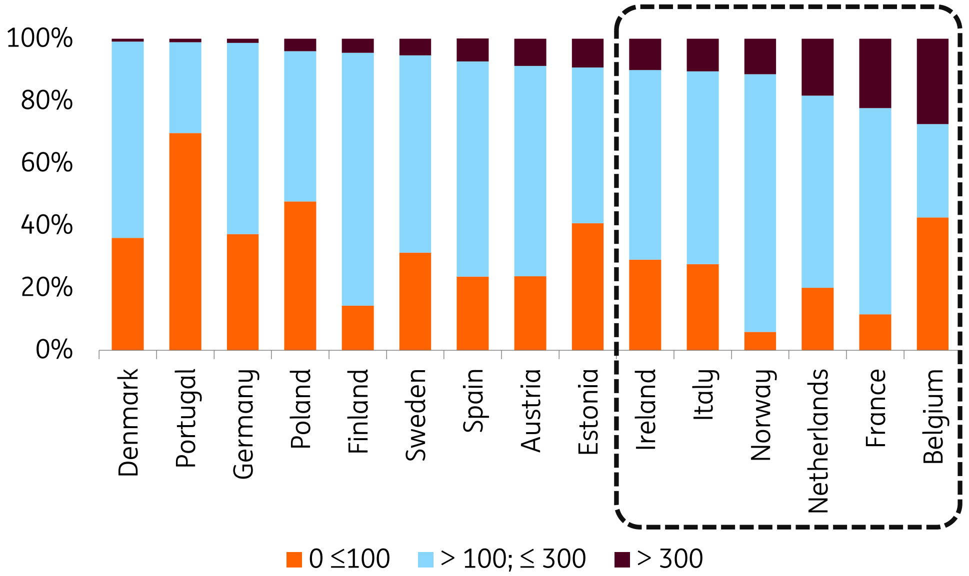
### Energy performance scores real estate collateral see most transition risks for eg Belgian, Dutch, French and Italian banks

Energy performance in kWh/m2

**CRE properties**




**RRE properties**

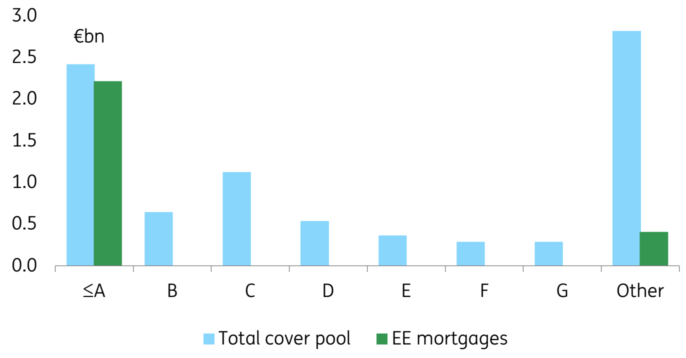



Based on the December 2024 Pillar 3 disclosures of 45 European banks

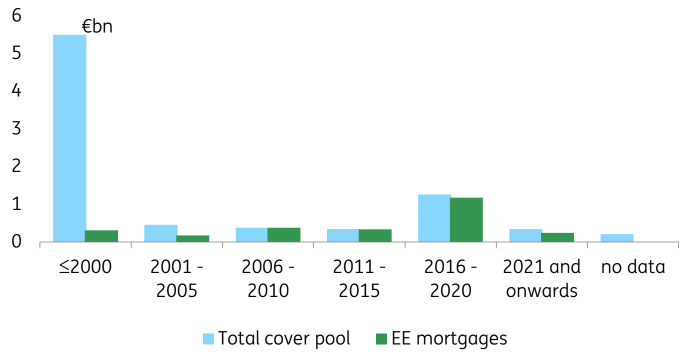
# Voluntary ESG disclosures via the HTT add value

## Dutch example

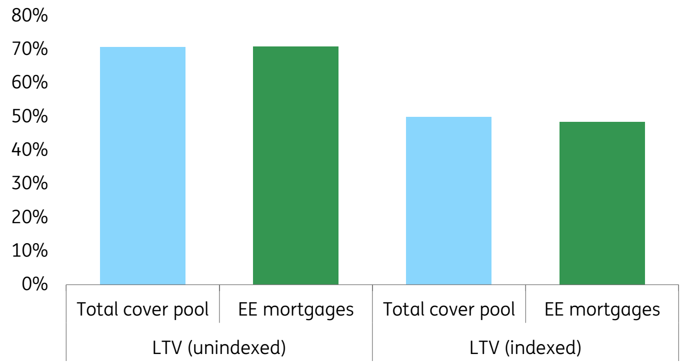
### Distribution by EPC label




### Year of construction

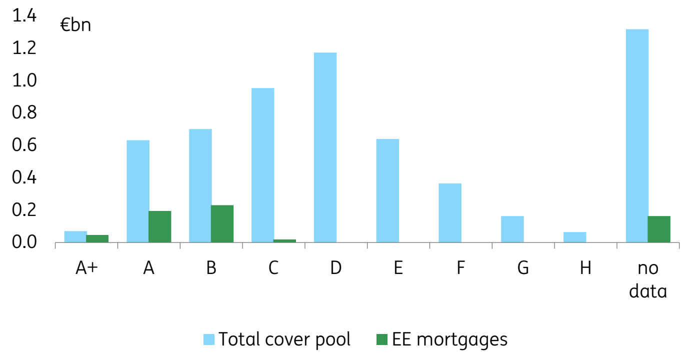



### LTV levels green and total pool

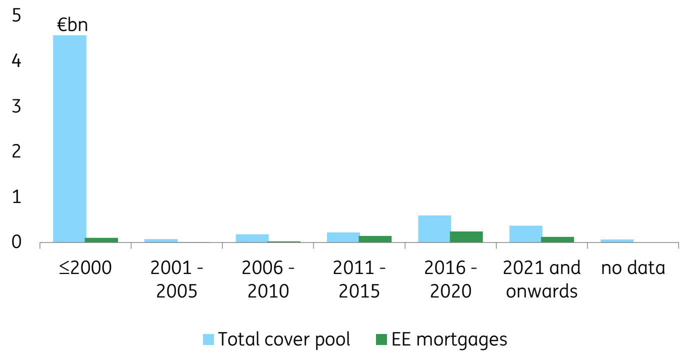



## German example

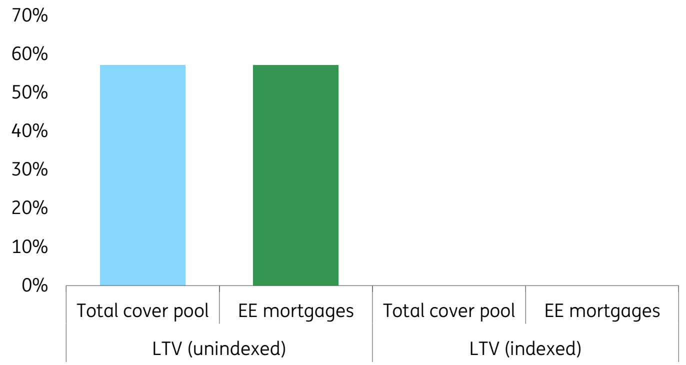
### Distribution by EPC label




### Year of construction




### LTV levels green and total pool



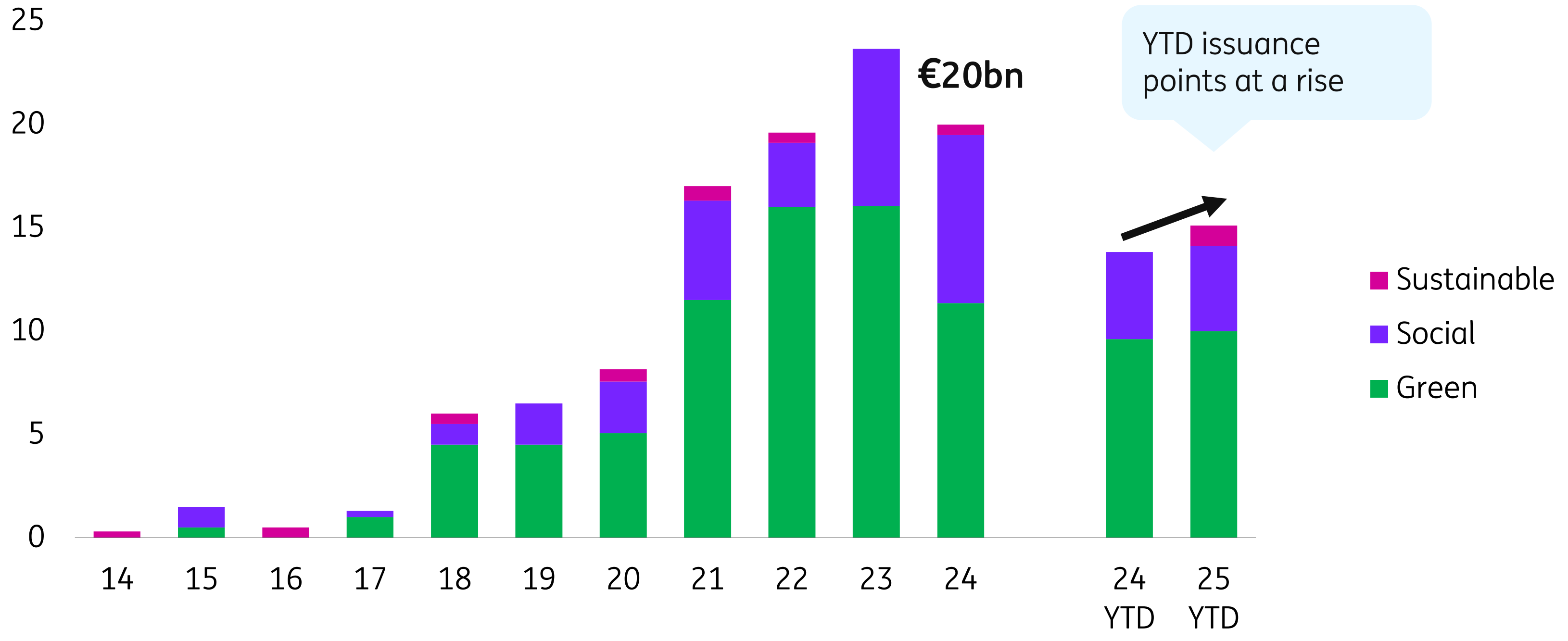

Issuer Harmonised Transparency Templates (HTT)

# Market implications for green covered bonds

# Sustainable EUR covered bond supply

## Sustainable covered bond supply is accelerating again in 2025

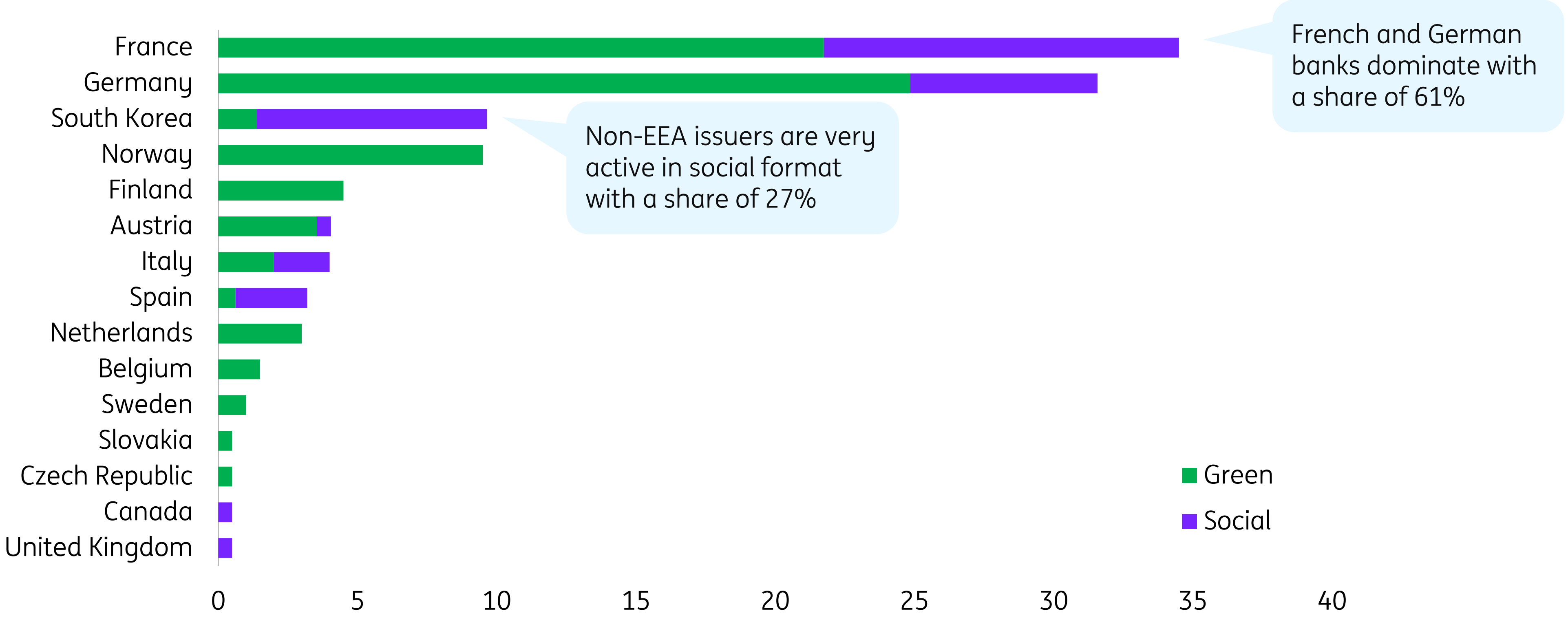
ESG supply **by use of proceeds**, in €bn



# Sustainable EUR covered bond markets

## €108bn in EUR sustainable covered bonds outstanding

ESG supply **per country by use of proceeds**, in €bn



# In summary

## The simplification & cover pool ESG disclosure implications

1. **Majority of smaller banks falling out of scope**
   - **And 1/8 of significant** banks out of scope (ECB)
2. **Reduced reporting burden but less data accessibility**
   - **No** possible reliance on broader **access to corporates data**
   - **Solutions: bilateral agreements** or proxies' use
3. **Readjustment of the GAR**
   - Scope reduction & **lowering of GAR's asymmetry**
   - **Materiality threshold** = bank mainly report on mortgage portfolio
   - **Impact: GAR expected to modestly increase** & become a mortgage GAR

4. **Slower growth green loan portfolios**
   - **Less** institutions in **reporting scope**
   - **Data availability** deteriorates
5. **Issuance under EU GBS to remain negligible**
   - In anticipation of further **review TSC**
   - **GAR disclosures on hold**
   - But **substantial contribution** criteria remain **leading** for green covered supply
6. **Better future comparability of GARs**
   - Relevant for vanilla bonds
7. **Pros & cons to cover pool ESG disclosures in Pillar 3**
   - No risk weight / LCR ramifications
   - More due diligence complexity for investors

do your thing

www.ing.com

# Disclaimer

*This document has been prepared by the FICC Research department of ING Bank N.V. (“ING”) solely for information purposes without regard to any particular user's investment objectives, financial situation, or means. ING forms part of ING Group (being for this purpose ING Group N.V. and its subsidiary and affiliated companies). The information in this document is not an investment recommendation and it is not investment, legal or tax advice or an offer or solicitation to purchase or sell any financial instrument. Reasonable care has been taken to ensure that this document is not untrue or misleading when published, but ING does not represent that it is accurate or complete. ING does not accept any liability for any direct, indirect or consequential loss arising from any use of this document. Unless otherwise stated, any views, forecasts, or estimates are solely those of the author(s), as of the date of the document and are subject to change without notice.*
*The distribution of this document may be restricted by law or regulation in different jurisdictions and persons into whose possession this document comes should inform themselves about, and observe, such restrictions.*