# ECBC

ECBC PUBLICATION
September 2026 - 21th edition

# ECBC: EUROPEAN COVERED BOND FACT BOOK 2026

EMF | ECBC
EUROPEAN MORTGAGE FEDERATION
EUROPEAN COVERED BOND COUNCIL

ECBC

FUNDING THE REAL ECONOMY

In collaboration with

AHE ASOCIACIÓN HIPOTECARIA ESPAÑOLA

COVERED BOND LABEL

FT LIVE

# 39[TH] ECBC Plenary Meeting

## & related events

21-23 September 2026

## Platinum Sponsors

DZ BANK

FINNOFLEET
NAVIGATING FINANCIAL HORIZONS

FitchRatings

Helaba

LBBW

vdpResearch

## Gold Sponsors

MOODY'S RATINGS

NORD/LB

This 21st edition of the ECBC European Covered Bond Fact Book builds on the success of previous editions. Chapter I presents an analysis of nine key themes of the year, offering an overview of the Industry's perspective on these, such as the latest developments on competitiveness in the covered bonds market, the real-economy impact of the covered bonds on SMEs and the introduction of European Secured Notes, sustainable, green and social covered bonds as well as the reporting requirements, and updates on investors' perspectives, liquidity and global trends in the covered bonds market.

Chapter II provides a detailed explanation of covered bond fundamentals, the state of play on the latest implementations of the Covered Bond Directive and of Basel III, the Capital Markets Union (CMU), the Liquidity Coverage Ratio (LCR), Solvency II, bail-in mechanisms (MREL and TLAC), and covered bond protection. This chapter also includes articles outlining the repo treatment of covered bonds by central banks, investigates the relationship between covered bonds and other asset classes, such as senior unsecured and government bonds, and describes the USD, GBP and domestic currency denominated covered bond markets.

Chapter III presents an overview of the legislation and markets in 43 different countries, demonstrating the worldwide success and recognition, and the continued spread of the asset class. Chapter IV sets out credit rating agencies' various covered bond methodologies. Chapter includes perspectives from the System Providers of the Covered Bond industry.

Chapter VI provides a description of trends in the covered bond market, as well as a complete set of covered bond statistics up to the end of 2025.

The ECBC welcomes the broad range of views expressed in this latest edition of the Fact Book and thanks all contributors whose enthusiasm and dedication have once again produced an outstanding publication. Particularly, we would like to express our gratitude to the Chairmen of the ECBC Fact Book and Statistics & Data Working Groups, Mr Sascha Kullig and Mr Joost Beaumont, respectively.

**Contact Details**

Luca Bertalot
Secretary General
**lbertalot@hypo.org**

Jennifer Johnson
Deputy Secretary General
**jjohnson@hypo.org**

Beatrice Marin
Policy Adviser
**bmarin@hypo.org**

Giulia Pastore
Policy Adviser
**gpastore@hypo.org**

EUROPEAN MORTGAGE FEDERATION – EUROPEAN COVERED BOND COUNCIL (EMF-ECBC)
Rue de la Science 14 A, 2nd Floor
B-1040 Brussels, Belgium
Tel: +32 2 285 40 30

# LIST OF EDITORS

Sascha Kullig
Chairman of the ECBC Fact Book Working Group
Member of the Management Board
ASSOCIATION OF GERMAN PFANDBRIEF
BANKS – vdp
**kullig@pfandbrief.de**

Luca Bertalot
Secretary General
EUROPEAN COVERED BOND COUNCIL
**lbertalot@hypo.org**

Jennifer Johnson
Deputy Secretary General
EUROPEAN COVERED BOND COUNCIL
**jjohnson@hypo.org**

Beatrice Marin
Policy Adviser
EUROPEAN COVERED BOND COUNCIL
**bmarin@hypo.org**

Zoe Dahmer
Data & Research Intern
EUROPEAN COVERED BOND COUNCIL
**zdahmer@hypo.org**

# DISCLAIMER

This publication has been prepared for information purposes only. It does not constitute an offer, advice or a solicitation to buy covered bonds or any other security and does not purport to be all-inclusive or to present all the information an investor may require. The contributions contained herein have been obtained from sources believed to be reliable but have not been verified by an internal or independent supervisor and no guarantee, representation of warranty, explicit or implied, are made by the European Mortgage Federation-European Covered Bond Council as to their accuracy, completeness or correctness. Readers are advised to satisfy themselves before making any investment and are highly recommended to complete their information by examining the local regulation applying to each covered bond issuer and the terms of each prospectus or legal documentation provided by the issuer relating to the issue of covered bonds.

Neither the European Mortgage Federation-European Covered Bond Council nor its members accept any liability whatsoever for any direct or consequential loss arising from any use of this publication or its contents. This document is for the use of intended recipients only and the contents may not be reproduced, redistributed, or copied in whole or in part for any purpose without European Mortgage Federation-European Covered Bond Council's explicit prior written consent. By receiving this document, the reader agrees to the conditions stipulated in this disclaimer.

© Copyright 2026 European Mortgage Federation-European Covered Bond Council. All rights reserved.

# TABLE OF CONTENTS

## CHAPTER 2 - GENERIC SECTION 107



## CHAPTER 3 - THE ISSUER'S PERSPECTIVE 199

# LIST OF CONTRIBUTORS

We are most grateful for the time, effort and expertise which the following contributors have lent to the production of this book.

## FOREWORD

Luca Bertalot
Secretary General
EUROPEAN COVERED BOND COUNCIL
**lbertalot@hypo.org**

## CHAPTER 1
## KEY THEMES OF THE YEAR

Sascha Kullig
Chairman of the ECBC Fact Book Working Group,
Head of Capital Markets and Investor Relations,
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**kullig@pfandbrief.de**

Sanna Eriksson
Chairwoman of the ECBC
Head of Investor Relations, OP Financial Group,
Managing Director
OP MORTGAGE BANK
**sanna.eriksson@op.fi**

Peter Jayaswal
Chairman of the EMF Economic Affairs Committee
Deputy Director
FINANCE DENMARK
**PJ@fida.dk**

Elisa Coletti
Head of Banking Research – Research Department
INTESA SANPAOLO
**elisa.coletti@intesasanpaolo.com**

Claudio Domingues
MLT Funding Department
MILLENNIUM bcp
**claudio.domingues@millenniumbcp.pt**

Oscar Meester
Head of Asset Based Funding
BNP PARIBAS FORTIS
**oscar.meester@bnpparibasfortis.com**

Stefano Patruno
Moderator of the ECBC European Secured Notes (ESN) Task Force
Head of Incoming Regulation Impact Assessment
INTESA SANPAOLO
**stefano.patruno@intesasanpaolo.com**

Ralf Berninger
Head of Investor Relations & Sustainability
SFIL
**ralf.berninger@sfil.fr**

Antonio Farina
Senior Director – Sector Lead
S&P GLOBAL RATINGS
**antonio.farina@spglobal.com**

Rodger Rinke, MBA
Executive Director Financials/Covered Bond/
Agencies Research
LANDESBANK BADEN-WÜRTTEMBERG
**rodger.rinke@lbbw.de**

Maureen Schuller
Head of Financials Sector Strategy
ING BANK N.V.
**maureen.schuller@ing.com**

Sabrina Miehs, CESGA
Head of Sustainable Finance
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**miehs@pfandbrief.de**

Sjors Hoppenbrouwers, CFA
Director Securitisation & Covered Bonds –
Debt Capital Markets
RABOBANK
**sjors.hoppenbrouwers@rabobank.com**

Elena Bortolotti
Chairwoman of the ECBC Rating Agency Approaches Working Group
Global Head of Covered Bonds and Head of
Covered Bond Structuring & Advisory
NATIXIS
**elena.bortolotti@natixis.com**

Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

Florian Eichert
Moderator of the ECBC Investor Task Force
Managing Director of SSA and Covered Bond Trading
CITI
**florian.eichert@citi.com**

Dr. Frederik Kunze
Head of International Sales
NORD/LB
**frederik.kunze@nordlb.de**

Niek Allon
Head of Treasury
NATIONALE-NEDERLANDEN BANK N.V
**niek.allon@NN.nl**

Thomas Cohrs
Head of Origination, Syndicate and Sales Fi and Ssa
HELABA
**thomas.cohrs@helaba.de**

Anamika Misra
Rates Strategist
SOCIÉTÉ GÉNÉRALE
**anamika.misra@sgcib.com**

Jonny Sylvén
Economist
ASSOCIATION OF SWEDISH COVERED BOND (ASCB)
**jonny.sylven@financesweden.se**

Florian Hillenbrand
Covered Bond Research
HELABA
**florian.hillenbrand@helaba.de**

Steffen Dahmer
Independent Consultant
DAHMER CONSULTING
**dahmer.consulting@gmx.de**

Nicholas Gudmund Hansen
Senior Consultant
FINANCE DENMARK
**ngh@fida.dk**

Theis Scheuer Jansen
Consultant
FINANCE DENMARK
**tja@fida.dk**

## CHAPTER 2
## GENERIC SECTION

Cristina Costa, CESGA
Director – Covered Bonds/SSA Research
BARCLAYS
**cristina.costa@barclays.com**

Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

Tim Lassen
Member of the Management Board
Department Head Cover Assets
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**lassen@pfandbrief.de**

Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

Florian Eichert
Moderator of the ECBC Investor Task Force
Managing Director of SSA and Covered Bond Trading
CITI
**florian.eichert@citi.com**

Florian Hillenbrand
Covered Bond Research
HELABA
**florian.hillenbrand@helaba.de**

Alexandra Schadow
Head of Corporates/Financials/Covered Bonds/
Agencies Research
LANDESBANK BADEN-WÜRTTEMBERG
**alexandra.schadow@lbbw.de**

Sanna Eriksson
Chairwoman of the ECBC
Head of Investor Relations, OP Financial Group,
Managing Director
OP MORTGAGE BANK
**sanna.eriksson@op.fi**

Maureen Schuller
Head of Financials Sector Strategy
ING BANK N.V.
**maureen.schuller@ing.com**

Sabrina Miehs, CESGA
Head of Sustainable Finance
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**miehs@pfandbrief.de**

Larissa de Barros Fritz
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**larissa.de.barros.fritz@nl.abnamro.com**

## CHAPTER 3
## THE ISSUER'S PERSPECTIVE

**ARMENIA**
Ani Gharajyan
Senior Legal Adviser
CENTRAL BANK OF ARMENIA
**ani.gharajyan@cba.am**

Edmond Vardumyan
CEO
NATIONAL MORTGAGE COMPANY RCO
**e.vardumyan@nmc.am**

**AUSTRALIA**
Chris Dalton
Chief Executive Officer
THE AUSTRALIAN SECURITISATION FORUM – ASF
**cdalton@securitisation.com.au**

Robert Gallimore
Policy Executive
THE AUSTRALIAN SECURITISATION FORUM – ASF
**rgallimore@securitisation.com.au**

**AUSTRIA**
Jochen Deiss
Treasurer
RAIFFEISEN-LANDESBANK STEIERMARK
**jochen.deiss@rlbstmk.at**

Heiko Langer
Senior Analyst – Financials & Covered Bonds
ERSTE GROUP BANG AG
**heiko.langer@erstegroup.com**

**BELGIUM**
Dries Janssens
Senior Structured Finance Advisor
BELFIUS BANK
**dries.dj.janssens@belfius.be**

**BRAZIL**
Filipe Pontual
ABECIP – Brazilian Association of Real Estate Loans
**filipepontual@abecip.org.br**

**BULGARIA**
Dr. Michael Teig
Director – Credit Strategist – Financials
UNICREDIT BANK
**michael.teig@unicredit.de**

Petar Ivanov
Principal Associate, Financial Services (Bulgaria)
EVERSHEDS SUTHERLAND
**Petar.Ivanov@eversheds-sutherland.bg**

Nikolay Bebov
Managing Partner, Co-Head of Financial Services (Bulgaria)
EVERSHEDS SUTHERLAND
**Nikolay.Bebov@eversheds-sutherland.bg**

Damyan Leshev
Partner, Co-Head of the Financial Services (Bulgaria)
EVERSHEDS SUTHERLAND
**Damyan.Leshev@eversheds-sutherland.bg**

**CANADA**
Lily Shum
Covered Bond Advisor
CANADA MORTGAGE AND HOUSING CORPORATION
**lshum@cmhc-schl.gc.ca**

**CHILE**
Patricia Perez
Head of ALM – Financial Management Division
BANCO SANTANDER CHILE
**patricia.perez@santander.cl**

Antonio Procopio
Head of Markets and Funding – Financial Management Division
BANCO SANTANDER CHILE
**antonio.procopio@santander.cl**

Fernanda Vasquez
Funding Associate – Financial Management Division
BANCO SANTANDER CHILE
**fernanda.vasquez@santander.cl**

**CROATIA**

Edin Karakaš
Partner
ŽURIĆ I PARTNERI KINSTELLAR
**edin.karakas@zuric-i-partneri.hr**

Sven Plašćar
Associate
ŽURIĆ I PARTNERI KINSTELLAR
**Sven.plascar@zuric-i-partneri.hr**

**CYPRUS**

Christina Kypri-Georgiadou
Manager Funding & Liquidity/Treasury Division
BANK OF CYPRUS
**christina.kyprigeorgiadou@bankofcyprus.com**

**CZECHIA**

Petr Vybíral
Partner
A&O Shearman
**petr.vybiral@aoshearman.com**

**DENMARK**

Mette Saaby Pedersen
Head of Department
FINANCE DENMARK
**msp@fida.dk**

Svend Bondorf
Chief Analyst
NYKREDIT GROUP TREASURY
**sbo@nykredit.dk**

Birna Arnbjarnardóttir
Chief Specialist, Attorney-at-law
NYKREDIT BANKING LEGAL CORPORATE & CAPITAL
**BBR@nykredit.dk**

**ESTONIA**

Jane Eespõld
Counsel – Advokaadibüroo
SORAINEN LAW FIRM
**jane.eespold@sorainen.com**

Oliver Ämarik
Senior Associate, Advokaadibüroo
SORAINEN LAW FIRM
**oliver.amarik@sorainen.com**

Merilyn Tihomirova
Assistant Lawyer
SORAINEN LAW FIRM
**merilyn.tihomirova@sorainen.com**

**FINLAND**

Timo Ruotsalainen
Head of Treasury
AKTIA BANK
**Timo.Ruotsalainen@aktia.fi**

**FRANCE**

Cristina Costa, CESGA
Director – Covered Bonds/SSA Research
BARCLAYS
**cristina.costa@barclays.com**

Jennifer Levy
Executive Director, Covered Bond Research
NATIXIS
**jennifer.levy@natixis.com**

Marc Nocart
Chief Executive Officer
CRH – CAISSE DE REFINANCEMENT DE L'HABITAT
**marc.nocart@crh-bonds.com**

Gregory Rousseau
Secretary General
CRÉDIT FONCIER
**gregory.rousseau@creditfoncier.fr**

**GEORGIA**

Rada Tomova
Head of Regional Policy Partnerships,
Capital and Financial Markets Development
EBRD
**TomovaR@ebrd.com**

David Abesadze
Head of Securities Market Supervision Department
NATIONAL BANK OF GEORGIA
**David.Abesadze@nbg.gov.ge**

**GERMANY**

Tim Lassen
Member of the Management Board
Department Head Cover Assets
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**lassen@pfandbrief.de**

Steffen Stachna
Senior Manager Capital Markets
Association of German Pfandbrief Banks (vdp)
**stachna@pfandbrief.de**

**GREECE**
Alexander Metallinos
Partner
POTAMITISVEKRIS
**alexander.metallinos@potamitisvekris.com**

**HUNGARY**
Rita Bozzai
Senior Advisor Capital Market and Investor Relations
MBH MORTGAGE BANK CO. PLC.
**bozzai.rita@mbhbank.hu**

Ádám Polt
In-House Counsel
LEGAL DEPARTMENT
OTP MORTGAGE BANK LTD.
**polt.adam@otpjzb.hu**

**ICELAND**
Kristín Erla Jónsdóttir
Funding Manager
ARION BANK hf.
**kristin.erla.jonsdottir@arionbanki.is**

Eiríkur Dór Jónsson
Head of Treasury Finance
ARION BANK hf.
**eirikur.jonsson@arionbanki.is**

**IRELAND**
Nick Pheifer
Head of Legal
DEPFA BANK plc
**nick.pheifer@depfa.com**

**ISRAEL**
Omer Ziv
Deputy CEO and Head of Capital Markets
BANK LEUMI
**Omer.Ziv@BankLeumi.co.il**

Elena Bortolotti
Chairwoman of the ECBC Rating Agency Approaches Working Group
Global Head of Covered Bonds and Head of Covered Bond Structuring & Advisory
NATIXIS
**elena.bortolotti@natixis.com**

**ITALY**
Marco Marino
Senior Analyst
ITALIAN BANKING ASSOCIATION
**marco.marino@abi.it**

**JAPAN**
Elena Bortolotti
Chairwoman of the ECBC Rating Agency Approaches Working Group

Hirokazu Tanaka
Head of Debt Strategy and Issuance group
Treasury Department
SUMITOMO MITSUI BANKING CORPORATION
**tanaka_hirokazu@dn.smbc.co.jp**

**LATVIA**
Santa Rubīna
Counsel
SORAINEN LAW FIRM
**santa.rubina@sorainen.com**

Agneta Rumpa
Senior Associate
SORAINEN LAW FIRM
**agneta.rumpa@sorainen.com**

Hannelora Voiciša
Assistant Lawyer
SORAINEN LAW FIRM
**hannelora.voicisa@sorainen.com**

Richard Kemmish
Founder
Richard Kemmish Consulting Limited
**richardkemmish@outlook.com**

Jacek Kubas
Head of EBRD Digital Hub
EUROPEAN BANK FOR RECONSTRUCTION AND DEVELOPMENT
**kubasj@ebrd.com**

**LIECHTENSTEIN**
Thomas Stern
Legal Counsel
BERGT LAW PARTNERS, VADUZ
**ts@bergt.law**

**LITHUANIA**
Dr Tomas Kontautas
Partner
SORAINEN LAW FIRM
**Tomas.Kontautas@sorainen.com**

Dr Lina Aleknaitė – van der Molen
Counsel
SORAINEN LAW FIRM
**lina.aleknaite@sorainen.com**

Andrius Pilitauskas
Associate
SORAINEN LAW FIRM
**andrius.pilitauskas@sorainen.com**

**LUXEMBOURG**
Dr. Frederik Kunze
Head of International Sales
NORD/LB
**frederik.kunze@nordlb.de**

Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

Dries Janssens
Senior Structured Finance Advisor
BELFIUS BANK
**dries.dj.janssens@belfius.be**

**THE NETHERLANDS**
Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

Cas Bonsema
Senior ABS & Covered Bond Analyst
RABOBANK
**cas.bonsema@rabobank.com**

Maureen Schuller
Head of Financials Sector Strategy
ING BANK N.V.
**maureen.schuller@ing.com**

**NEW ZEALAND**
Deemple Budhia
Partner
RUSSELL McVEAGH
**deemple.budhia@russellmcveagh.com**

**NORWAY**
Michael H. Cook
Chief Analyst – Banking and Capital Markets
FINANCE NORWAY
**michael.hurum.cook@finansnorge.no**

Kjartan M. Bremnes
Principal advisor/Attorney at law – Banking and Capital Markets
FINANCE NORWAY
**kjartan.bremnes@finansnorge.no**

**PANAMA**
Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

**POLAND**
Konrad Szymczyk
Asset and Liability Management Expert
mBANK HIPOTECZNY
**konrad.szymczyk@mhipoteczny.pl**

Dariusz Popiołek
Chief Executive Officer
PKO Bank Hipoteczny
**dariusz.popiolek@pkobh.pl**

**PORTUGAL**
Claudio Domingues
MLT Funding Department
MILLENNIUM bcp
**claudio.domingues@millenniumbcp.pt**

**ROMANIA**
Nicoleta Ruxandescu
Capital Markets Coordinator
UNICREDIT BANK ROMANIA
**nicoleta.ruxandescu@unicredit.ro**

**RUSSIA**
Tim Lassen
Member of the Management Board
Department Head Cover Assets
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**lassen@pfandbrief.de**

**SINGAPORE**
Chris Ngooi
Head of Wholesale Funding
Corporate Treasury
DBS BANK LTD
**chrisngooith@dbs.com**

**SLOVAKIA**
Slavomíra Páleníková
Senior Primary Issue Specialist
Treasury and ALM Department
VŠEOBECNÁ ÚVEROVÁ BANKA, a.s.
**spalenikova@vub.sk**

Andrej Zeher
Senior Lawyer
Legal Department
VŠEOBECNÁ ÚVEROVÁ BANKA, a.s.
**azeher@vub.sk**

Matej Krčmár
Expert Analyst of Financial Market Entities
Covered bonds supervision
NATIONAL BANK OF SLOVAKIA
**matej.krcmar@nbs.sk**

**SLOVENIA**
Dr. Michael Teig
Director – Credit Strategist – Financials
UNICREDIT BANK
**michael.teig@unicredit.de**

**SOUTH KOREA**
Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

Hoin Lee
Senior Foreign Attorney
KIM & CHANG
**hoin.lee@kimchang.com**

Jackie Yang
Foreign Attorney
KIM & CHANG
**jackie.yang@kimchang.com**

**SPAIN**
Gregorio Arranz
Former Secretary General
SPANISH MORTGAGE ASSOCIATION – AHE
**garranz@ahe.es**

**SWEDEN**
Jonny Sylvén
Economist
ASSOCIATION OF SWEDISH COVERED BOND (ASCB)
**jonny.sylven@financesweden.se**

**SWITZERLAND**
Robert Horat
Chief Executive Officer
PFANDBRIEFBANK SCHWEIZERISCHER
HYPOTHEKARINSTITUTE AG
**robert.horat@pfandbriefbank.ch**

Markus Müller
Managing Director, Global Head of Chief
Investment Office Private Bank
PFANDBRIEFBANK SCHWEIZERISCHER
HYPOTHEKARINSTITUTE AG
**Markus.Mueller@pfandbriefbank.ch**

Marco Brück
Head Treasury/ALM
VALIANT BANK AG
**marco.brueck@valiant.ch**

Paul Oates
Executive Director - Rating Advisory and Covered Bonds
UBS INVESTMENT BANK
**paul.oates@ubs.com**

**TURKEY**
James Taylor
Partner
Mayer Brown International LLP
**JTaylor@mayerbrown.com**

Güneş Yalçın
Partner
Özmen Yalçın Attorney Partnership
**gyalcin@ozmenyalcin.com**

**UNITED KINGDOM**
Ian Stewart
Executive Director
UK RCBC
**ian.stewart@ukrcbc.org**

**UNITED STATES**
Suraj Dey
Head of Global Covered Bond Strategy and UK Housing
Associations Research
J.P. MORGAN
**suraj.dey@jpmorgan.com**

# CHAPTER 4
# RATING AGENCIES & METHODOLOGY

Elena Bortolotti
Chairwoman of the ECBC Rating Agency Approaches Working Group, Global Head of Covered Bonds and Head of Covered Bond Structuring & Advisory
NATIXIS
**elena.bortolotti@natixis.com**

**MORNINGSTAR DBRS**
Tomas Rodriguez-Vigil Junco
Senior Vice President – Credit Analyst
MORNINGSTAR DBRS
**Tomas.Rodriguez-VigilJunco@morningstar.com**

Ketan Thaker
Managing Director – European Real Estate & NPL Ratings
MORNINGSTAR DBRS
**ketan.thaker@morningstar.com**

**FITCH RATINGS**
Cosme de Montpellier
Senior Director, Covered Bonds
FITCH RATINGS
**cosme.demontpellier@fitchratings.com**

Hélène Heberlein
Managing Director and Head of Covered Bonds
FITCH RATINGS
**helene.heberlein@fitchratings.com**

**MOODY'S**
Jane Soldera
Senior Vice President
MOODY'S INVESTORS SERVICE LTD
**jane.soldera@moodys.com**

Nicholas Lindstrom
Associate Managing Director
MOODY'S INVESTORS SERVICE LTD
**nicholas.lindstrom@moodys.com**

Juan Pablo Soriano
Managing Director
MOODY'S INVESTORS SERVICE LTD
**juanpablo.soriano@moodys.com**

**S&P GLOBAL RATINGS**
Stuart Clements
Managing Director & Analytical Manager
S&P GLOBAL RATINGS
**stuart.clements@spglobal.com**

Antonio Farina
Senior Director – Sector Lead
S&P GLOBAL RATINGS
**antonio.farina@spglobal.com**

**SCOPE RATINGS GmbH**
Karlo Stefan Fuchs
Managing Director, Head of Covered Bonds
SCOPE RATINGS GmbH
**k.fuchs@scoperatings.com**

Mathias Pleißner
Senior Director, Deputy Head of Covered Bonds
SCOPE RATINGS GmbH
**m.pleissner@scoperatings.com**

# CHAPTER 5
# SYSTEM PROVIDERS

**BLOOMBERG**
Sven Gerhardt
Team Leader Global Fixed Income Data
BLOOMBERG
**sgerhardt7@bloomberg.net**

Rene Foertsch
Credit Market Specialist
BLOOMBERG
**rfoertsch@bloomberg.net**

**HYPOPORT**
Daniel Goudsmit
Business Development Lead
HYPOPORT
**daniel.goudsmit@hypoport.com**

**FINNOFLEET TXS GmbH**
Matthias Neumann
Key Account Manager & Senior Consultant
TXS GmbH
**matthias.neumann@txs.de**

**EVITEC SOLUTIONS**
Nikke Ruokolainen
Product Manager
EVITEC
**nikke.ruokolainen@evitec.com**

# CHAPTER 6
# COVERED BOND STATISTICS

Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

Zoe Dahmer
Data & Research Intern
EUROPEAN COVERED BOND COUNCIL
**zdahmer@hypo.org**

**AUSTRALIA**
Robert Gallimore
Policy Executive
AUSTRALIAN SECURITISATION FORUM
**rgallimore@securitisation.com.au**

Andrea Manson
Marketing and Operations Executive
AUSTRALIAN SECURITISATION FORUM
**amanson@securitisation.com.au**

Martin Jacques
Head of Securitisation and Covered Bond Strategy
WESTPAC INSTITUTIONAL BANK
(a division of Westpac Banking Corporation)
**mjacques@westpac.com.au**

**AUSTRIA**
Patrick Mospointner
ALM Cover Pool Reporting & Projects Expert
ERSTE GROUP BANK AG
**patrick.mospointner@erstegroup.com**

Günther Kotowsky
Head of Balance Sheet Hedging and Cover Pool
ERSTE GROUP BANK AG
**guenther.kotowsky@erstegroup.com**

**BELGIUM**
Maureen Schuller
Head of Financials Sector Strategy
ING BANK N.V.
**maureen.schuller@ing.com**

**BRAZIL**
Filipe Pontual
ABECIP – Brazilian Association of Real Estate Loans
**filipepontual@abecip.org.br**

Priscila Zioli
ABECIP – Brazilian Association of Real Estate Loans
**priscila.zioli@abecip.org.br**

José Vilson da Cruz
ABECIP – Brazilian Association of Real Estate Loans
**jose.vilson@abecip.org.br**

Leonardo Rangel
ABECIP – Brazilian Association of Real Estate Loans
**leonardo@abecip.org.br**

**CANADA**
Lily Shum
Covered Bond Advisor
CANADA MORTGAGE AND HOUSING CORPORATION – CMHC
**lshum@cmhc-schl.gc.ca**

Andrea Low
Senior Analyst, Covered Bonds Monitoring
CANADA MORTGAGE HOUSING CORPORATION – CMHC
**alow@cmhc-schl.gc.ca**

**CYPRUS**
Nicoletta Papantoniou
ACA Officer Funding
BANK OF CYPRUS
**Nicoletta.Papantoniou@bankofcyprus.com**

Christina Peppi
BANK OF CYPRUS
**christina.peppi@bankofcyprus.com**

**CZECHIA**
Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

**DENMARK**
Lars Ravn Knudsen
Head of Department
FINANCE DENMARK
**lrk@fida.dk**

**ESTONIA**
Kaire Husu
Treasury, Risk and Project Unit Head
LUMINOR BANK AS
**Kaire.Husu@luminorgroup.com**

**FINLAND**
Salmi Olli
FINANCE FINLAND
**olli.salmi@financefinland.fi**

**FRANCE**
Florian Eichert
Moderator of the ECBC Investor Task Force
Managing Director of SSA and Covered Bond Trading
CITI
**florian.eichert@citi.com**

**GERMANY**
Steffen Stachna
Senior Manager Capital Markets
ASSOCIATION OF GERMAN PFANDBRIEF BANKS – vdp
**stachna@pfandbrief.de**

**GREECE**
Dimitrios Kalanidis
Capital Instruments and Securitisations Division
ALPHA BANK
**dimitrios.kalanidis@alpha.gr**

Maria Golegou
Capital Instruments and Securitisations Division
ALPHA BANK
**maria.golegou@alpha.gr**

**HUNGARY**
Dr. Márkó Gacsal
Chief Legal Advisor
HUNGARIAN BANKING ASSOCIATION
**marko.gacsal@hba.org.hu**

**ICELAND**
Eiríkur Dór Jónsson
Head of Treasury Finance
ARION BANK hf.
**eirikur.jonsson@arionbanki.is**

Kristín Erla Jónsdóttir
Funding Manager
ARION BANK hf.
**kristin.erla.jonsdottir@arionbanki.is**

**IRELAND**
Gavin Purtill
Head of Capital Markets
BANKING AND PAYMENTS FEDERATION IRELAND / ACS IRELAND
**gavin.purtill@bpfi.ie**

**ITALY**
Marco Marino
Senior Analyst
ITALIAN BANKING ASSOCIATION
**marco.marino@abi.it**

**JAPAN**
Elena Bortolotti
Chairwoman of the ECBC Rating Agency Approaches Working Group

Hirokazu Tanaka
Head of Debt Strategy and Issuance group
Treasury Department
SUMITOMO MITSUI BANKING CORPORATION
**tanaka_hirokazu@dn.smbc.co.jp**

**LATVIA**
Dr. Frederik Kunze
Head of International Sales
NORD/LB
**frederik.kunze@nordlb.de**

**LUXEMBOURG**
Dr. Frederik Kunze
Head of International Sales
NORD/LB
**frederik.kunze@nordlb.de**

**THE NETHERLANDS**
Maureen Schuller
Head of Financials Sector Strategy
ING BANK N.V.
**maureen.schuller@ing.com**

**NEW ZEALAND**
Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

**NORWAY**
Michael H. Cook
Chief Analyst – Banking and Capital Markets
FINANCE NORWAY
**michael.hurum.cook@finansnorge.no**

**PANAMA**
Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

**POLAND**
Michał Panasiuk
Head of Controlling Bureau
PKO Bank Hipoteczny Spółka Akcyjna
**michal.panasiuk@pkobh.pl**

**PORTUGAL**
Claudio Domingues
MLT Funding Department
MILLENNIUM bcp
**claudio.domingues@millenniumbcp.pt**

**RUSSIA**
Tim Lassen
Member of the Management Board
Department Head Cover Assets
ASSOCIATION OF GERMAN PFANDBRIEF BANKS
**lassen@pfandbrief.de**

**ROMANIA**
Nicoleta Ruxandescu
Capital Markets Coordinator
UNICREDIT BANK ROMANIA
**nicoleta.ruxandescu@unicredit.ro**

**SINGAPORE**
Colin YS Chen
Managing Director and co-Head, Financial Institutions and Structured Products, Global Fixed Income
DBS BANK Ltd
**colinchen@dbs.com**

**SLOVAKIA**
Matej Krčmár
Expert Analyst of Financial Market Entities / Covered bonds supervision
NATIONAL BANK OF SLOVAKIA
**matej.krcmar@nbs.sk**

**SOUTH KOREA**
Frank Will
Chairman of the ECBC EU Legislation Working Group
Global Head of SSA & Covered Bond Research
HSBC
**frank.will@hsbc.de**

**SPAIN**
Leyre López
Research
SPANISH MORTGAGE ASSOCIATION – AHE
**leyre.lopez@ahe.es**

**SWEDEN**
Christian Nilsson
Senior Adviser
Statistics and Reporting
ASSOCIATION OF SWEDISH COVERED BOND ISSUERS – ASCB
**christian.nilsson@swedishbankers.se**

**SWITZERLAND**
Robert Horat
Chief Executive Officer
PFANDBRIEFBANK SCHWEIZERISCHER HYPOTHEKARINSTITUTE AG
**robert.horat@pfandbriefbank.ch**

Markus Müller
Managing Director, Global Head of Chief Investment Office Private Bank
PFANDBRIEFBANK SCHWEIZERISCHER HYPOTHEKARINSTITUTE AG
**markus.mueller@pfandbriefbank.ch**

Paul Oates
Executive Director – Rating Advisory and Covered Bonds
UBS INVESTMENT BANK
**Paul.oates@ubs.com**

Andrea Montanari
Head of ABS and Covered Bond Structuring
UBS AG
**Andrea.Montanari@ubs.com**

**TURKEY**
Joost Beaumont
Chairman of the ECBC Statistics & Data Working Group
Senior Fixed Income Strategist
ABN AMRO BANK N.V.
**joost.beaumont@nl.abnamro.com**

**UNITED KINGDOM**
Ian Stewart
Executive Director
UK RCBC
**ian.stewart@UKRCBC.org**

# FOREWORD

Housing lays the foundation for freedom, dignity and opportunity, paving a solid path towards lasting peace and shared prosperity. Housing policies remain among the most powerful instruments for strengthening social cohesion, promoting social mobility and enabling every citizen to realise their aspirations. Alongside these policies, the development of resilient long-term funding strategies that facilitate lenders' access to capital markets remains indispensable. Efficient housing finance systems not only optimise public resources but also create the conditions for sustainable economic growth, financial stability and investment across Europe and beyond.

Today, however, housing has evolved beyond being solely a social priority. It has become one of the defining strategic challenges of our time.

Across advanced and emerging economies alike, governments face the same fundamental question: how can societies finance sufficient affordable, sustainable and resilient housing while operating within increasingly constrained public budgets? Demographic change, urbanisation, climate transition, geopolitical fragmentation and the need to strengthen economic competitiveness are placing unprecedented pressure on housing markets worldwide.

Public intervention alone cannot bridge this gap.

Mobilising private capital efficiently and responsibly has therefore become one of the greatest policy challenges of this generation.

Capital markets represent the essential bridge between citizens' savings and society's housing needs. They transform long-term investment into homes, communities, urban regeneration and energy transition. Well-functioning housing finance systems are therefore not merely financial infrastructures; they constitute strategic pillars supporting productivity, labour mobility, social cohesion and macroeconomic resilience.

The discussion surrounding housing can therefore no longer be confined to the real estate sector. It increasingly sits at the intersection of economic policy, financial regulation, industrial competitiveness and social inclusion.

This year's publication comes at an equally important moment for Europe.

The debate surrounding the Saving and Investments Union represents a unique opportunity to rethink the role of capital markets in supporting Europe's long-term strategic priorities. At the same time, the implementation of the new European political agenda, the evolution of prudential regulation and the growing recognition of housing affordability as a political priority create an unprecedented momentum for reform.

Rather than viewing housing finance through isolated policy initiatives, Europe now has the opportunity to build a genuine Housing Ecosystem capable of bringing together public institutions, financial markets, banks, institutional investors, multilateral organisations and private capital around one common objective: making housing more affordable, more sustainable and more accessible.

For more than two decades, the European Mortgage Federation – European Covered Bond Council has sought to contribute constructively to this objective.

Our role has never been limited to representing an industry.

Instead, we have sought to act as a platform where policymakers, regulators, supervisors, academics and market participants can jointly develop practical solutions capable of strengthening housing finance systems while preserving financial stability.

This collaborative approach has become increasingly international.

During the past year, the EMF-ECBC has continued to deepen its cooperation with European institutions while simultaneously expanding partnerships with global organisations, including the World Bank, UN-Habitat, the Organisation for Economic Co-operation and Development (OECD) and numerous public authorities across Europe and beyond. These collaborations reflect a growing recognition that housing challenges are increasingly global in nature and require international exchange of expertise and best practices.

Housing finance has become one of the few policy areas capable of simultaneously delivering economic growth, social cohesion, environmental transition and financial stability.

Against this backdrop, covered bonds continue to demonstrate their unique macroprudential characteristics.

For more than 250 years, they have consistently provided lenders with stable access to long-term funding throughout periods of financial stress. Their dual recourse structure, exceptional credit quality and remarkable resilience have repeatedly confirmed their role as one of the safest and most efficient funding instruments available to financial institutions.

At the same time, the future of housing finance cannot rely on a single instrument.

Covered bonds, securitisation, institutional investment, guarantee schemes and innovative funding solutions should increasingly be viewed as complementary components of a broader capital markets architecture. Together, these instruments can mobilise significantly greater investment capacity while preserving financial stability and expanding access to affordable housing.

The EMF-ECBC continues to promote this integrated vision through a growing ecosystem of market initiatives, including the Covered Bond Label, the Energy Efficient Mortgage Label, the International Secondary Mortgage Market Association (ISMMA), HOFINET and several new initiatives designed to strengthen transparency, market harmonisation and sustainable housing finance.

Our ambition extends beyond supporting existing markets.

We seek to contribute to shaping the future architecture of housing finance.

This includes developing new ideas capable of supporting Europe’s competitiveness, facilitating cross-border investment, improving mortgage accessibility for younger generations and strengthening the resilience of housing finance systems through enhanced cooperation between public and private sectors.

The debate is therefore no longer whether housing deserves political attention.

The real question is whether Europe is prepared to build a comprehensive Housing Ecosystem capable of transforming long-term savings into long-term prosperity.

The ECBC Covered Bond Fact Book has always sought to serve as more than a statistical publication.

It represents a unique source of market intelligence, legal analysis and international best practice. More importantly, it reflects the collective commitment of our members to transparency, cooperation and continuous market improvement.

As our industry continues to evolve, one principle remains unchanged.

Housing is ultimately about people.

Capital markets are simply the mechanism through which societies transform savings into opportunity, resilience and prosperity.

Our collective responsibility is therefore clear: to ensure that finance continues to serve society by making housing more affordable, more sustainable and more accessible for present and future generations.

On behalf of the EMF-ECBC, I would like to express my sincere gratitude to all contributors, members, partners and institutions whose continued commitment has made this publication possible. Your expertise, engagement and willingness to work together continue to demonstrate that the strength of our community lies not only in the resilience of its markets, but also in its shared commitment to building better housing solutions for citizens across Europe and around the world.

| Sanna Eriksson | Luca Bertalot |
| --- | --- |
| ECBC Chairwoman | EMF-ECBC Secretary General |

ECBC
EUROPEAN COVERED BOND COUNCIL

## ABOUT THE ECBC

The European Covered Bond Council (ECBC) is the platform that brings together covered bond market participants including covered bond issuers, analysts, investment bankers, rating agencies, systems providers and a wide range of other interested stakeholders. The ECBC was created by the European Mortgage Federation (EMF) in 2004. As of September 2025, the Council has over 120 members across 30 countries and many different market segments. ECBC members represent over 95% of covered bonds outstanding. In 2014, the ECBC and the EMF unified under a common umbrella entity, the Covered Bond & Mortgage Council (CBMC) with the intention to further develop synergies, share market best practices, achieve convergence across the whole value chain of the Industry, and, in parallel, to act as a market catalyst in origination and funding techniques.

Against this background, the ECBC seeks to represent and promote the interests of covered bond market participants at the international level. The ECBC's main objective is to be the point of reference for all matters regarding the covered bond industry and operate as a think-tank, as well as a lobbying and networking platform for covered bond market participants.

## ECBC STRUCTURE

The ECBC Plenary Meeting is a bi-annual discussion forum where all ECBC members gather to discuss issues and to establish strong networking links.

The ECBC Steering Committee, headed by the ECBC Chairman, and composed of representatives from the major covered bond issuing jurisdictions in Europe and industry experts, is responsible for the day-to-day activities of the ECBC. The Committee convenes once per quarter and addresses strategy related questions. Furthermore, the Steering Committee coordinates the programmes of work of the various ECBC working groups and task forces.

## ECBC WORKING GROUPS

> **The EU Legislation Working Group** has over the past years successfully lobbied at EU and international level to obtain appropriate treatment for covered bonds. As its name suggests, this Working Group monitors EU legislation with a specific relevance for covered bonds. Most recently, this has included Basel III and CRD IV/CRR, with a focus on the Net Stable Funding Requirement (NSFR) and the Fundamental Review of the Trading Book (FRTB).

> **The Technical Issues Working Group** represents the technical think-thank of the covered bond community, drawing on experts from across the Industry to tackle key issues for the sector. The Working Group tackles subjects relating to covered bonds such as the use and treatment of derivatives in the cover pool, bankruptcy remoteness and latest market developments. The Working Group manages and updates a database which provides an overview of covered bond frameworks across the EU and globally and enables their features to be compared (this is accessible at the ECBC Covered Bond Comparative Database – www.coveredbondlabel.com/legislation/comparative_database).

> **The Market Related Issues Working Group** discusses topics such as the MiFID review and conventions on trading standards and the market-making process.

> **The Statistics and Data Working Group** is responsible for collecting and publishing complete and up-to-date information on issuing activities and volumes outstanding of covered bonds in all market segments. With over 30 different covered bond jurisdictions and numerous issuers, the collection of data is of utmost importance, particularly given that the ECBC data is increasingly viewed as the key source of covered bond statistics.

> **The Covered Bond Fact Book Working Group** is responsible for the development and publication of the annual ECBC Covered Bond Fact Book. This publication covers market developments, as well as legislative frameworks in different countries and provides comprehensive market statistics.

> **The Rating Agency Approaches Working Group**, examines the rating approaches applied by credit rating agencies for covered bonds and, when necessary, convenes meetings and publishes position papers accordingly.

> **The Global Issues Working Group** focuses exclusively on covered bond issues from a global perspective in an effort to create synergies between traditional, new and emerging covered bond markets. The Working Group aims to allow the development of a more level playing field for all at a global level, helping to enhance transparency and convergence, and ensure a proper recognition of the macro prudential value of the covered bond asset class internationally.

## ECBC TASK FORCES

In addition to the working groups, the ECBC has established a number of topical Task Forces which consist of relevant covered bond market and legal experts from various jurisdictions at the EU and global levels: ECBC Implementation Task Force, ECBC Task Force on Extendable Maturity Structures, ECBC European Secured Notes (ESN) Task Force, ECBC Transparency Task Force, ECBC Liquidity Task Force, ECBC Swap Task Force, ECBC Investor Task Force and ECBC ESG Bonds Task Force.

The ECBC's overarching objective remains to further strengthen its role in facilitating communication amongst the different covered bond stakeholders, by working as a catalyst in defining the common features that characterise the asset class and in facilitating improvements in market practices, transparency and liquidity.

More information is available from https://hypo.org/ecbc/

Luca Bertalot,
EMF-ECBC Secretary General

## ECBC MEMBERS

A&O SHEARMAN

ABECIP – THE BRAZILIAN ASSOCIATION OF REAL ESTATE LOANS AND SAVINGS

ABN AMRO

AIB MORTGAGE BANKS

AKTIA BANK PLC

ALPHA BANK A.E.

ASN BANK NV

ASSOCIATION OF DANISH MORTGAGE BANKS (REALKREDITRÅDET – FINANS DANMARK)

ASSOCIATION OF SWEDISH COVERED BOND ISSUERS – ASCB

AUSTRALIAN SECURITISATION FORUM (ASF)

AXA HOME LOAN SFH

BANCO BPM S.P.A.

BANCO COMERCIAL PORTUGUÊS S.A. (GOH PORTUGAL)

BANK OF IRELAND MORTGAGE BANK

BANK OF MONTREAL (BMO) – CAPITAL MARKETS

BARCLAYS CAPITAL SERVICES LTD.

BAUSPARKASSE SCHWÄBBISCH HALL

BAYERISCHE LANDESBANK – BAYERN LB

BELFIUS BANK

BERLIN HYP AG

BLOOMBERG DATA

BNP PARIBAS

BNP PARIBAS FORTIS BELGIUM

BPIFRANCE

CAISSE DE REFINANCEMENT DE L’HABITAT – CRH

CAISSE FRANCAISE DE FINANCEMENT LOCAL – CAFFIL

CANADA MORTGAGE AND HOUSING CORPORATION – CMHC

CANADIAN IMPERIAL BANK OF COMMERCE – CIBC

CHIOMENTI

CITIGROUP GLOBAL MARKETS GERMANY

CLIFFORD CHANCE LLP

COMMERZBANK SECURITIES

CREDIT AGRICOLE CORPORATE AND INVESTMENT BANK

CREDIT AGRICOLE HOME LOAN SFH

CREDIT FONCIER DE FRANCE / COMPAGNIE DE FINANCEMENT FONCIER

CREDIT MUTUEL-CIC HOME LOAN SFH

CRÉDIT MUTUEL ARKÉA

CRELAN HOME LOAN

CRIF

DANISH SHIP FINANCE

DANSKE BANK

DBRS MORNINGSTAR CREDIT RATINGS

DEUTSCHE BANK AG

DLR KREDIT A/S

DNB BOLIGKREDITT

DUTCH ASSOCIATION OF COVERED BOND ISSUERS – DACB

DZ BANK

DZ HYP

EUROPEAN AVM ALLIANCE (EAA)

EUROPEAN DATAWAREHOUSE GMBH

EVITEC SOLUTIONS

FÉDÉRATION DES CAISSES DESJARDINS DU QUÉBEC

FINANCE FINLAND

FINANCE NORWAY – FNO

FITCH RATINGS LTD

FT LIVE

GROUPE BPCE

GRUPO BBVA

HSBC UK BANK PLC

HUNGARIAN BANKING ASSOCIATION

HYPOPORT/INTERTRUST

ING BELGIUM

ING GROUP

INTESA SANPAOLO

ISLANDSBANKI HF.

ITALIAN BANKING ASSOCIATION – ASSOCIAZIONE BANCARIA ITALIANA – ABI

JP MORGAN

JYSKE REALKREDIT A/S

KBC BANK

KOREA HOUSING FINANCE CORPORATION – KHFC

LA BANQUE POSTALE HOME LOAN SFH

LANDESBANK BADEN-WÜRTTEMBERG – LBBW

LANDESBANK HESSEN-THÜRINGEN – HELABA

LINKLATERS BUSINESS SERVICES LLP

LLOYDS BANKING GROUP

LUMINOR BANK AS

LUXEMBOURG BANKERS' ASSOCIATION – ABBL

MAYER BROWN

MBANK HIPOTECZNY

MODE FINANCE

MOODY'S

MÜNCHENER HYPOTHEKENBANK EG

NATIONAL BANK OF GREECE S.A. – NBG

NATIONAL HOME MORTGAGE FINANCE CORPORATION

NATIONALE NEDERLANDEN BANK N.V. (NN BANK)

NATIONWIDE BUILDING SOCIETY

NATIXIS

NATWEST MARKETS

NIBC BANK N.V.

NIEDERER KRAFT FREY LTD

NOMURA INTERNATIONAL PLC

NORDDEUTSCHE LANDESBANK GIROZENTRALE

NORDEA BANK AB

NYKREDIT A/S

OP MORTGAGE BANK

PBB DEUTSCHE PFANDBRIEFBANK AG

PFANDBRIEF & COVERED BOND FORUM AUSTRIA

PFANDBRIEFBANK SCHWEIZERISCHER HYPOTHEKARINSTITUTE

PKO BANK HIPOTECZNY

RABOBANK

REALKREDIT DANMARK A/S

ROYAL BANK OF CANADA – RBC

S-BANK PLC

S&P GLOBAL RATINGS

SANTANDER UK PLC

SCOPE GROUP

SOCIÉTÉ GÉNÉRALE CORPORATE & INVESTMENT BANKING

SOCIÉTÉ GÉNÉRALE SOCIÉTÉ DE CRÉDIT FONCIER – SG SCF

SP MORTGAGE BANK

SPANISH MORTGAGE ASSOCIATION – ASOCIACION HIPOTECARIA ESPAÑOLA – AHE

SUMITOMO MITSUI BANKING CORPORATION (SMBC)

SVENSKA HANDELSBANKEN – STADSHYPOTEK

SWEDBANK AB

TAO SOLUTIONS

THE ASSOCIATION OF BANKS IN SINGAPORE – ABS

THE MORTGAGE SOCIETY OF FINLAND

TXS GMBH

UBS

UK REGULATED COVERED BOND COUNCIL – UKRCBC

UNICREDIT GROUP

UNICREDIT ROMANIA

VALIANT BANK AG

VERBAND DEUTSCHER PFANDBRIEFBANKEN – VDP

September 2026

## COVERED BOND LABEL

The Covered Bond Label is a quality Label which responds to a market-wide request for common qualitative and quantitative standards and for an enhanced level of transparency and comparability in the European covered bond market.

The Label:

> Establishes a clear perimeter for the asset class and highlights the core standards and quality of covered bonds;

> Increases transparency;

> Improves access to information for investors, regulators and other market participants;

> Has the additional objective of improving liquidity in covered bonds

> Positions the covered bond asset class with respect to regulatory challenges (CRD IV/CRR, Solvency II, redesign of ECB repo rules, etc.).

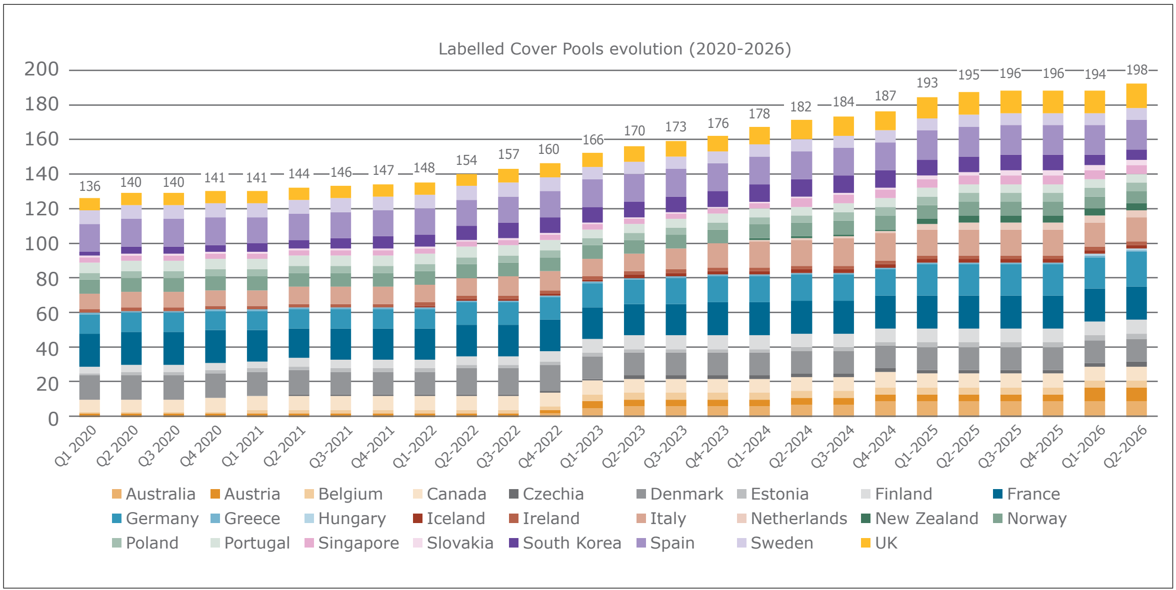
The Covered Bond Label Foundation (CBLF) was founded by the EMF-ECBC in 2012 and it was developed by the European issuer community, working in close cooperation with investors, regulators, and rating agencies and in consultation with all major stakeholders. The Label website became fully operational in January 2013, with the first Labels being granted since then.

As of August 2026, visitors can find the Harmonised Transparency Template (HTT) and 14 National Transparency Templates, 160 issuer profiles and information on 198 labelled cover pools with issuance data on more than 5,600 covered bonds amounting to a total face value of around EUR 2.53 tn.

The Label is based on the Covered Bond Label Convention (the one currently in force is 2026 Label Convention, please see below), which defines the core characteristics required for a covered bond programme to qualify for the Label.

The Covered Bond Label Foundation (CBLF) granted the first Non-European Economic Area (non-EEA) Label in 2015. In February 2016, the first non-EEA global issuer published the HTT. Currently, 49 out of 198 pools are from outside the EEA.

> FIGURE 1: EVOLUTION OF LABELLED COVER POOLS



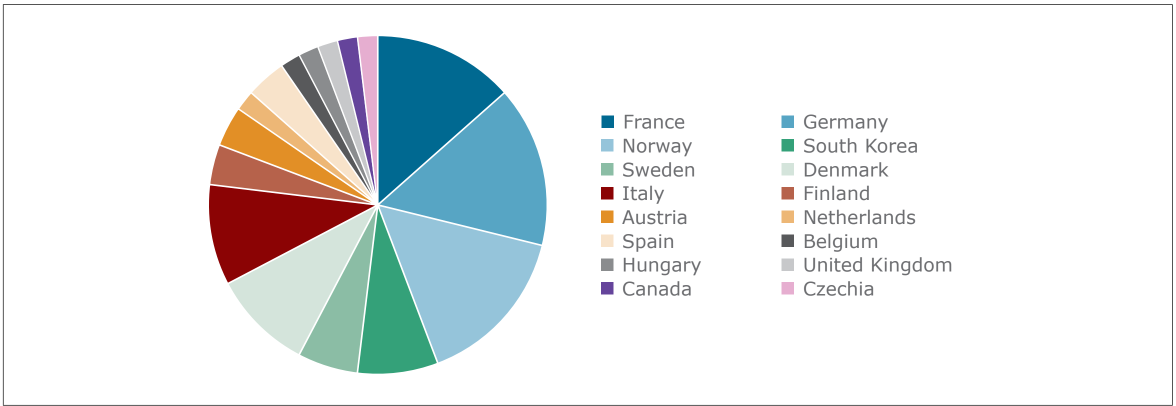
The HTT is the worldwide standardised, Excel-based form that issuers who have been granted the Covered Bond Label use to disclose information on their covered bond programmes. Definitions and format of the disclosed information are standardised to increase comparability and transparency between issuers and between jurisdictions. Standardisation facilitates investors' due diligence, enhancing overall transparency in the Covered Bond market. The HTT, designed to be fully compliant with the current legislative environment undergoes constant review, stirred by the Covered Bond Label Committee and the Covered Bond Label Advisory Council, so to be always up-to-date with regulatory and market requirements.

The HTT presents a significant achievement in terms of convergence of market best practices and a substantial step forward in enhancing transparency in the covered bond space both in Europe and across the globe. The HTT is a particularly positive step for the market and especially for global investors, who will be able to perform their due diligence activities more easily and obtain issuers' data ranging from asset and liability side information to legislative details from different countries in a more comparable way. Over the last couple of HTT revisions the HTT presents also various datapoints on the ESG dimension, such as data on EPC, age structure and energy demand of dwellings used as collateral for mortgages in the cover pool and information on CO2 emission. These additions prove the proactiveness of the Covered Bond Label Community to provide relevant and timely data in order to promote the high transparency and comparability standards for which the Label is known for.

The addition of ESG data in the HTT rests on the steadily growing attention being paid by our members to the issuance of sustainable covered bonds, which are becoming an increasingly important feature of the European financial landscape. What has started in 2017 as a just a self-certification operated by labelled covered bond issuers to flag with a green leaf on the covered bond label website those bonds which are considered sustainable has now reached significant proportions with over 210 outstanding bonds in 16 jurisdictions and 52 banks accounting for over EUR 135.3bn. From the latest figures available this volume amounts to nearly 5.3% of total covered bond outstanding in August 2026, and to 7.8% in terms of new issuances during the first half of 2026.

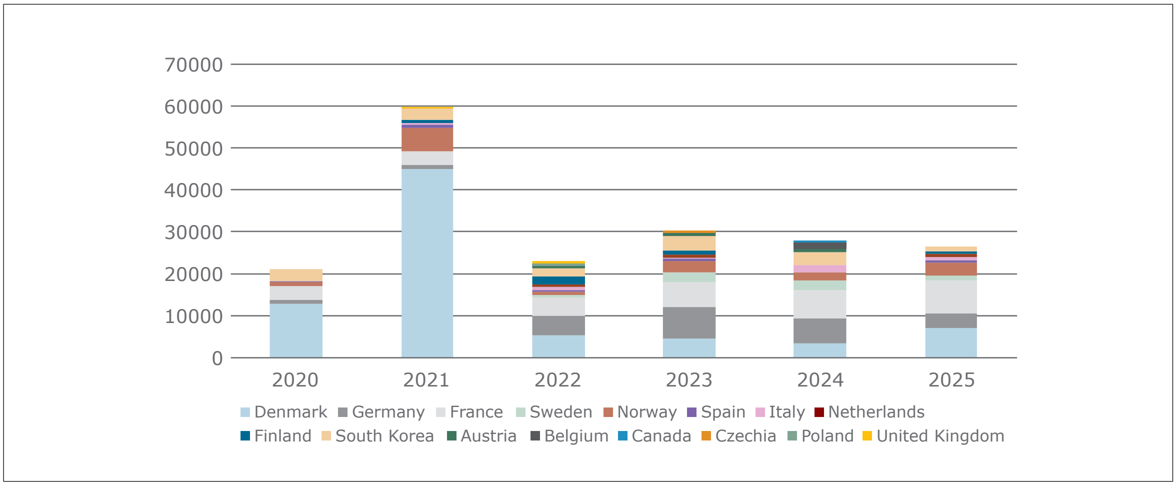
Considering these increasing numbers the Covered Bond Label aims as well to increase the data availability on both the ESG data in general and the underlying assets of sustainable covered bonds in particular.

> FIGURE 2A: OUTSTANDING SUSTAINABLE LABELED COVERED BONDS (STATUS AUGUST 2026)

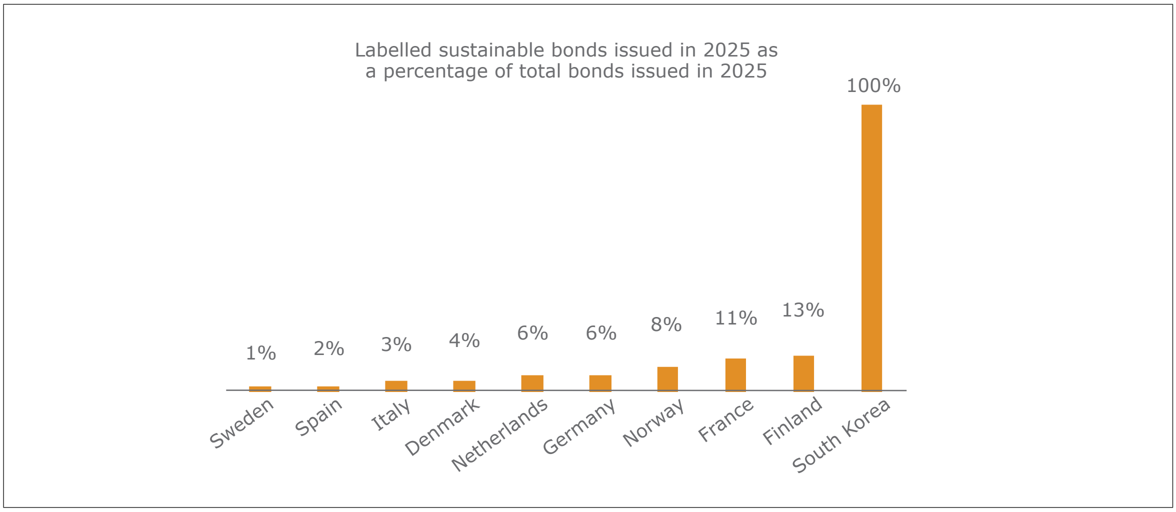



Source: Covered Bond Label

> Figure 2B: Sustainable Covered Bond issuance in EUR bn




> Figure 2C: Progression of sustainable Covered Bonds as a percentage of total issuance in 2025




Source: Covered Bond Label

**2026 Covered Bond Label Convention**

Following the structural changes of the Convention in 2022 in order to accommodate the Covered Bond Directive, for this year no particular changes have been included.

Here is the text of the 2026 Covered Bond Label Convention:

Covered bonds are debt securities, backed by mortgage, public sector or ship assets, and characterised by a twofold bondholders' protection mechanism rooted in a dedicated covered bond legal framework.

In more details:

**I. Legislation safeguards:**

a) The Covered Bond (CB) programme is embedded in a dedicated national CB legislation;

b) The bond is issued by or bondholders otherwise have full recourse, direct or indirect[1], to a credit institution which is subject to public regulation and supervision;

c) The obligations of the credit institution in respect of the cover pool are supervised by public supervisory authorities.

**II. Security features intrinsic to the CB product:**

a) Bondholders have a dual claim against:

i. The issuing credit institution as referred to in point I b);

ii. A cover pool of financial assets[2] (mortgage, public sector or ship assets), ranking senior to the unsecured creditors.

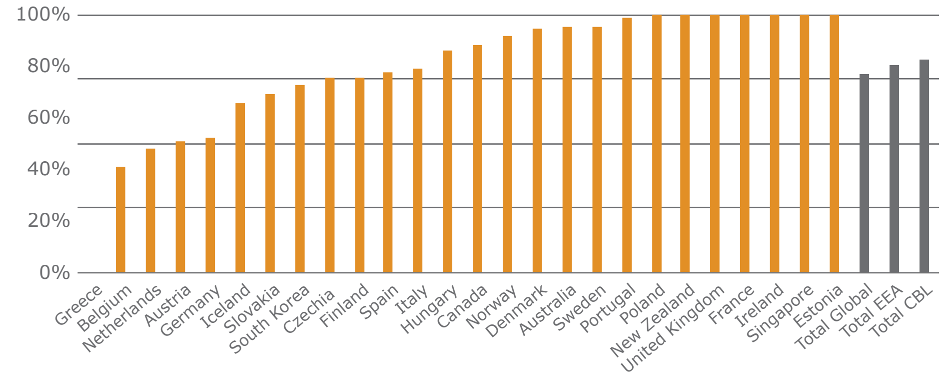
b) The credit institution has the ongoing obligation to maintain sufficient assets in the cover pool to satisfy the claims of covered bondholders at all times.

c) Issuers are committed to providing regular information enabling investors to analyse the cover pool, following the Harmonised Transparency Template[3] and in compliance with the transparency requirements of Article 14 of the Covered Bond Directive (Directive (EU) 2019/2162).

For further information on the Covered Bond Label Convention, visit https://www.coveredbondlabel.com/

Besides the Convention and the updates finalised on the website, a revised Comparative Database has been set-up where to analyse and compare the legislative texts and key features of covered bond laws throughout the globe.

> Figure 3A: Market share Covered Bond Label by outstanding

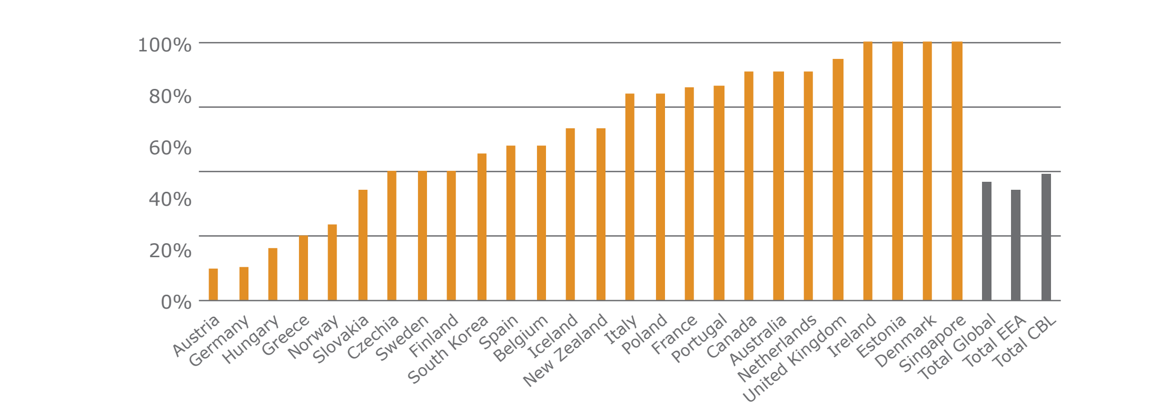



1 Including pooling models consisting only of covered bonds issued by credit institutions.

2 The financial assets eligible for the cover pool (including substitution assets and derivative instruments) and their characteristics are defined in the national covered bond legislation which complies with the requirements of the Covered Bond Directive (Directive (EU) 2019/2162, as well as those articles which specify its implementation, including a waiver for the requirement for the issuer to be based in the European Economic Area (EEA), allowing non-EEA LCR compliant covered bonds programmes to be eligible for the Label. Non-EEA Labels will be identified on the Covered Bond Label website in a different graphic solution to EEA Labels.

3 The enhanced Harmonised Transparency Template 2027 will enter into force at the end of the first quarter of 2027 and will be a binding requirement for the granting and renewal of the Covered Bond Label.

> Figure 3B: Market share Covered Bond Label by issuer




The data on the total covered bond market is based on end-2025 values, whereas data on the Covered Bond Label is based on data of August 2026.

## LABELLED COVER POOLS

### AUSTRALIA
Australia and New Zealand Banking Group Limited, *ANZ Covered Bond Programme*

Bank of Queensland Limited, *BOQ Covered Bond Programme*

Bank of Queensland Limited, *BOQ Soft Bullet Covered Bond Programme*

Bendigo and Adelaide Bank Limited, *BEN Covered Bond Programme*

Commonwealth Bank of Australia, *CBA Covered Bond Programme*

ING Bank (Australia) Limited, *IBAL Covered Bond Programme*

Macquarie Bank Limited, *Macquarie Bank Limited*

National Australia Bank, *NAB Covered Bond Programme*

Westpac Banking Corporation, *Westpac Covered Bond Programme*

### AUSTRIA
BAWAG, *BAWAG Dutch Cover Pool*

BAWAG, *BAWAG Mortgage Cover Pool*

BAWAG, *BAWAG Public Sector Cover Pool*

Erste Group Bank AG, *EGB Mortgage Cover Pool*

Erste Group Bank AG, *EGB Public Sector Cover Pool*

Erste Group Bank AG, *EGB Commercial Mortgage Cover Pool*

UniCredit Bank Austria AG, *Credit Mortgage*

UniCredit Bank Austria AG, *Credit Public Sector*

### BELGIUM
Argenta Spaarbank NV, *Argenta Spaarbank European Covered Bonds*

Belfius Bank NV/SA, *Belfius Mortgage Pandbrieven*

Belfius Bank NV/SA, *Belfius Public Pandbrieven*

BNP Paribas Fortis NV/SA, *BNP Paribas Fortis Mortgage Pandbrieven*

### CANADA
Bank of Montreal, *Bank of Montreal Cover Pool*

Canadian Imperial Bank of Commerce, *CIBC Legislative*

Equitable Bank, *EQB Covered Bond (Legislative) Programme*

Fédération des caisses Desjardins du Québec, *CCDQ Covered Bond (Legislative) Guarantor Limited Partnership*

HSBC Bank Canada, *HSBC Legislative Covered Bond Guarantor LP*

National Bank of Canada, *National Bank of Canada Legislative Covered Bonds*

Royal Bank of Canada, *RBC Covered Bond Guarantor LP*

The Bank of Nova Scotia, *Scotiabank Covered Bond Guarantor Limited Partnership*

The Toronto-Dominion Bank, *TD Legislative Covered Bonds*

### CZECHIA
Česká spořitelna, a.s., *CSHZL2*

Komercni banka, a.s., *Komercni_banka_HZL_EUR_0001*

UniCredit Bank Czech Republic and Slovakia, a.s., *HZL_UCB*

### DENMARK
Danish Ship Finance A/S, *Capital Center A*

Danish Ship Finance A/S, *General Capital Center*

Danske Bank A/S, *Cover Pool C - Commercial*

Danske Bank A/S, *Cover Pool D - Denmark*

Danske Bank A/S, *Cover Pool I - International*

DLR Kredit A/S, *Capital Centre B*

Jyske Realkredit A/S, *Capital Center E*

Nordea Kredit Realkreditaktieselskab A/S, *Nordea Kredit Capital Center 1*

Nordea Kredit Realkreditaktieselskab A/S, *Nordea Kredit Capital Center 2*

Nykredit Realkredit A/S, *Nykredit Capital Centre E*

Nykredit Realkredit A/S, *Nykredit Capital Centre H*

Realkredit Danmark A/S, *Capital Centre S*

Realkredit Danmark A/S, *Capital Centre T*

**ESTONIA**
Coop Pank AS, *Coop Pank AS Residential Mortgage Cover Pool*
LHV Pank AS, *LHV CB1*
Luminor Bank AS, *Luminor Bank AS Euro Medium Term Note and Covered Bond Programme*

**FINLAND**
Danske Mortgage Bank Plc, *Pool 1*
Nordea Mortgage Bank Plc, *Nordea Mortgage Bank cover pool*
Nordea Mortgage Bank Plc, *Nordea Mortgage Bank Cover Pool 2*
OP Mortgage Bank, *OP Mortgage Bank EMTCB*
OP Mortgage Bank, *OP Mortgage Bank EMTCN*
S-Bank Plc, *S-Bank Cover Pool*
Sp Mortgage Bank Plc, *SP-01*
Sp Mortgage Bank Plc, *SP-02*

**FRANCE**
Arkéa Home Loans SFH, *Arkéa Home Loans SFH*
Arkéa Public Sector SCF, *Arkéa Public Sector SCF*
AXA Home Loan SFH, *AXA Home Loan SFH*
BNP Paribas Home Loan SFH, *BNP Paribas Home Loan SFH*
BPCE SFH, *BPCE Home Loan SFH*
Caisse de Refinancement de l'Habitat, *CRH*
Caisse Française de Financement Local, *CAISSE FRANÇAISE DE FINANCEMENT LOCAL*
CCF SFH, *CCF SFH*
CIF Euromortgage, *CIF Euromortgage*
Compagnie de Financement Foncier, *Compagnie de Financement Foncier*
Crédit Agricole Financement de l'Habitat, *CA FH SFH*
Credit Agricole Home Loan SFH, *Credit Agricole Home Loan SFH*
Credit Agricole Public Sector SCF, *Credit Agricole Public Sector SCF*
Crédit Mutuel Home Loan SFH, *Crédit Mutuel Home Loan SFH*
Crelan Home Loan SCF, *Crelan Home Loan SCF*
La Banque Postale Home Loan SFH, *La Banque Postale Home Loan SFH*
MMB SCF, *MMB SCF*
SG SCF, *Société Générale SCF*
SG SFH, *Societe Generale SFH*

**GERMANY**
Bausparkasse Schwaebisch Hall AG, *BSH Mortgage Pfandbrief*
Bayerische Landesbank, *BayernLB Mortgage Pfandbriefe*
Bayerische Landesbank, *BayernLB Public Sector Pfandbriefe*
Berlin Hyp AG, *BHH Mortgage Pfandbrief*
Commerzbank AG, *CMZB Mortgage Pfandbriefe*
Commerzbank AG, *CMZB Public Sector Pfandbriefe*
Deutsche Pfandbriefbank AG, *pbb Mortgage Pfandbrief*
Deutsche Pfandbriefbank AG, *pbb Public Sector Pfandbrief*
DZ HYP AG, *DZ HYP Mortgage Pfandbrief*
DZ HYP AG, *DZ HYP Public Sector Pfandbrief*
Hamburger Sparkasse AG, *Haspa_Mortgage*
Hamburger Sparkasse AG, *Haspa_Public*
HCOB, *HYP Pool*
HCOB, *Ship*
Landesbank Baden-Württemberg, *LBBW Mortgage Pfandbrief*
Landesbank Baden-Württemberg, *LBBW Public Sector Pfandbrief*
Münchener Hypothekenbank eG, *MHB Mortgage Pfandbrief*
NATIXIS Pfandbriefbank AG, *NPB Mortgage Pfandbrief*
NORD/LB Norddeutsche Landesbank Girozentrale, *NORD/LB - Mortgage*
NORD/LB Norddeutsche Landesbank Girozentrale, *NORD/LB - Public Sector*
UniCredit Bank GmbH, *HVB Mortgage*
UniCredit Bank GmbH, *HVB Public*

**GREECE**
Alpha Bank S.A., *Alpha Bank Covered Bond Programme I*

**ICELAND**
Arion banki hf., *Sértryggð Skuldabréf - Covered Bonds Issued under the Icelandic Covered Bond Act no. 11/2008*
Landsbankinn hf., *Cover Pool*

**IRELAND**
AIB Mortgage Bank u.c., *ACS (Asset Covered Securities)*
Bank of Ireland Mortgage Bank, *ACS (Asset Covered Securities)*

**ITALY**
Banca Monte dei Paschi di Siena, *MPS Covered Bond*
Banca Popolare di Sondrio S.p.A., *POPSO Covered Bond*
Banca Sella S.p.A., *SELLA CB*
BANCO BPM, *Bpm OBG2*
Banco di Desio e della Brianza SpA, *Desio OBG*
Cassa di Risparmio di Bolzano SpA, *SPK OBG S.r.l.*
Crédit Agricole Italia S.p.A., *Crédit Agricole Italia OBG S.r.l.*
Credito Emiliano Spa, *Credem CB s.r.l.*
Iccrea Banca SpA, *Iccrea Covered Bond Srl*
Intesa Sanpaolo S.p.A., *ISP CB Ipotecario S.r.l.*
Intesa Sanpaolo S.p.A., *ISP OBG S.r.l.*
Intesa Sanpaolo S.p.A., *UBI FINANCE S.r.l.*
Mediobanca - Banca di Credito Finanziario S.p.A., *Mediobanca Covered Bond S.r.l*
Südtiroler Volksbank Banca Popolare dell'AltoAdige, *Voba CB S.r.l.*
UniCredit S.p.A., *UniCredit OBG srl*

**NETHERLANDS**
ABN AMRO Bank N.V., *ABN AMRO Covered Bond Programme*
Achmea Bank N.V., *Achmea Bank SB Cover Pool*
ASN Bank N.V., *ASN Covered Bond Company B.V.*
Coöperatieve Rabobank U.A., *Rabobank*
ING Bank N.V., *ING Bank*
ING Bank N.V., *ING Bank Soft Bullet*
Nationale-Nederlanden Bank N.V., *NN Bank Soft Bullet cover pool*
NIBC Bank N.V., *NIBC Conditional Pass-Through Covered Bond Programme*
NIBC Bank N.V., *NIBC Soft Bullet Covered Bond Programme*
Van Lanschot Kempen NV*, *Van Lanschot Kempen N.V. SB Covered Bond Programme*

**NEW ZEALAND**

ANZ Bank New Zealand Limited, *ANZ NZ Covered Bond Programme*

ASB Bank Ltd, *ASB Covered Bond Pool*

Bank of New Zealand, *BNZ Covered Bonds Programme*

Westpac New Zealand Limited, *WNZCBL*

**NORWAY**

DNB Boligkreditt AS, *DNB Boligkreditt mortgage cover pool*

Eika Boligkreditt AS, *Eika Boligkreditt AS (EIKBOL)*

Møre Boligkreditt AS, *Møre Boligkreditt mortgage cover pool*

Nordea Eiendomskreditt AS, *Nordea Eiendomskreditt cover pool*

SpareBank 1 Boligkreditt, *SpareBank 1 Boligkreditt (SpaBol)*

Sparebanken Norge Boligkreditt, *Sparebanken Norge Boligkreditt AS*

SR-Boligkreditt AS, *SR-Boligkreditt mortgage cover pool*

**POLAND**

ING Bank Hipoteczny S.A., *ING Bank Hipoteczny S.A.*

mBank Hipoteczny S.A., *Mortgage Cover Pool*

Pekao Bank Hipoteczny SA, *Pekao BH - mortgage*

Pekao Bank Hipoteczny SA, *Pekao BH - public sector*

PKO Bank Hipoteczny Spółka Akcyjna, *PKO Bank Hipoteczny SA*

**PORTUGAL**

Banco BPI, S.A., *BPI Mortgage Cover Pool*

Banco Comercial Português, *S.A., BCP Residential Mortgages*

Banco Santander Totta, S.A., *Banco Santander Totta, S.A.*

Caixa Económica Montepio Geral, *Montepio Soft-bullet Covered Bond Programme*

NOVO BANCO, S.A., *NOVO BANCO*

**REPUBLIC OF KOREA (SOUTH)**

KEB Hana Bank, *KEB Hana Bank USD5 billion Global Covered Bond Programme*

Korea Housing Finance Corporation, *KHFC 2021 EUR 1 billion Social Covered Bond due June 2026*

Korea Housing Finance Corporation, *KHFC 2021 EUR 550 million Social Covered Bond due October 2028*

Korea Housing Finance Corporation, *KHFC USD 15 billion Global Covered Bond Programme*

Kookmin Bank, *Kookmin Bank USD7 billion Global Covered Bond Programme*

Shinhan Bank, *Shinhan Bank USD5 billion Global Covered Bond Programme*

**SINGAPORE**

DBS Bank Ltd, *DBS Bank Limited USD 20 billion Global Covered Bond Programme*

Maybank Singapore Limited, *Maybank Singapore Limited USD 10 billion Global Covered Bond Programme*

Oversea-Chinese Banking Corporation Limited, *OCBC Limited USD 10b Global Covered Bond Programme*

Standard Chartered Bank (Singapore) Limited, *Standard Chartered Bank (Singapore) Limited USD 5 billion Covered Bond Programme*

United Overseas Bank Limited, *United Overseas Bank Limited USD15 billion Global Covered Bond Programme*

**SLOVAKIA**

Prima banka Slovensko, a.s., *PB Cover Pool 1*

Tatra banka, a.s., T*atra banka Mortgage CB*

Všeobecná úverová banka, a.s., *VUB CB Mortgage*

**SPAIN**

ABANCA Corporación Bancaria, S.A.*, ABANCA Corporación* Bancaria, *S.A.*

Banco de Sabadell, S.A.*, Covered Bond Programme Banco Sabadell*

Banco Santander S.A., *Santander Mortgage Covered Bonds*

Banco Santander S.A., *Santander ECA Covered Bonds*

Bankinter, S.A., *Bankinter, S.A.*

BBVA, *Covered Bond Programme*

BBVA, *Public Sector Covered Bond Programme*

BBVA, *Export Finance Covered Bond Programme*

CaixaBank SA, *Mortgages Loans CAIXABANK*

CaixaBank SA, *Public Loans CaixaBank S.A.*

Caja Rural de Navarra, Sociedad Coop. de Crédito, *Covered Bond*

Eurocaja Rural, *Eurocaja Rural*

Grupo Cooperativo Cajamar, *Cajamar Mortgage*

Grupo Cooperativo Cajamar, *Cajamar Sector Public*

Ibercaja Banco S.A., I*bercaja Banco S.A.*

Kutxabank S.A., *Kutxabank S.A.*

Unicaja Banco, S.A., *Unicaja Banco Mortgage Covered Bonds*

**SWEDEN**

Länsförsäkringar Hypotek AB, *Länsförsäkringar Hypotek AB*

Nordea Hypotek, N*ordea Hypotek cover pool*

Skandinaviska Enskilda Banken AB (publ), *SEB Cover Pool*

Stadshypotek AB (publ), *Stadshypotek Swedish Pool*

Stadshypotek AB (publ), *Stadshypotek Norwegian Pool*

Swedbank Mortgage AB, *Swedbank Mortgage cover pool*

The Swedish Covered Bond Corporation, *The Swedish Covered Bond Corporation*

**UNITED KINGDOM**

Barclays Bank UK Plc, *Barclays Bank UK Plc*

Coventry Building Society, *Coventry Building Society*

HSBC UK, *HSBC UK*

Leeds Building Society, *LBS Covered Bond Programme*

Lloyds Bank plc, *Lloyds Bank plc EUR60bn Global Covered Bond Programme*

National Westminster Bank Plc, *NatWest Covered Bond Programme*

Nationwide Building Society, *Nationwide Covered Bond LLP*

Paragon Bank PLC, *Paragon Covered Bond Programme*

Principality Building Society, *Principality Building Society*

Santander UK plc, *Santander UK plc*

Skipton Building Society, *Skipton Building Society*

TSB Bank plc, *TSB Covered Bonds LLP*

Yorkshire Building Society, *YBS Covered Bonds*

# CHAPTER 1 - KEY THEMES OF THE YEAR

## 1.1 FOREWORD

By Sascha Kullig, Chairman of the ECBC Fact Book Working Group,
Association of German Pfandbrief Banks (vdp)

The world shows no sign of settling down. Russia's war against Ukraine continues with undiminished ferocity, as do the conflicts in Gaza and Lebanon. Now, on top of that, there is the war against Iran, resulting in the blockade of the Strait of Hormuz which has had a significant impact on oil prices and the global economy. Overall, the geopolitical situation remains fragile, and economic growth is subdued in many countries. And what are the capital markets doing? They appear largely unfazed, and the covered bond market, in particular, is once again impressively demonstrating its resilience. This makes it all the more important, however, that the shift in priorities at European level that took place last year is finally translated into action. It is right that Europe's political leaders are placing greater emphasis on the competitiveness of the European banking sector. Yet the measures taken so far are insufficient. The first article in this year's section on key themes outlines where the focus must lie, particularly from the perspective of property finance. Meanwhile, for small and medium-sized enterprises (SMEs), European Secured Notes (ESN) could fill an important gap in bank refinancing. The introduction of the ESN remains on the political agenda, whilst the market continues to set the agenda. As in previous years, we continue to focus intensively on sustainable finance issues. The market for sustainable bonds is no longer growing as rapidly as in the early years, but it has become an integral part of the landscape. Meanwhile, the EHV/ECBC's Energy Efficient Mortgage Initiative has become firmly established.

Following the EBA's publication of its report on the Covered Bond Directive, we naturally examine its recommendations and potential implications in the Fact Book. It remains to be seen which EBA recommendations will be taken up by the European Commission, as the Commission has not yet taken a public stance. The EBA's recommendation to introduce a 'third-country equivalence regime' for covered bonds from third countries is the subject of particularly intense discussion in the market. Such a regime is likely to further boost the global development of the covered bond market. As the global perspective has always been a key concern for the ECBC, attention will be focused on this. Finally, the investors' perspective must not be overlooked. You can find out what matters most to investors. The chapter on key themes is rounded off with detailed information on the liquidity situation in the covered bond market.

I would like to thank all the authors for their hard work alongside their regular daily duties. This demonstrates their commitment to and enthusiasm for covered bonds. I hope you, dear reader, will enjoy reading this year's articles in this chapter and find them full of fascinating information.

## 1.2 COMPETITIVENESS IN THE COVERED BOND MARKET IN A CHANGING REGULATORY LANDSCAPE

By Sanna Eriksson, Chairwoman of the ECBC, OP Mortgage Bank, Sascha Kullig, Chairman of the ECBC Fact Book Working Group, Association of German Pfandbrief Banks (vdp), Peter Jayaswal, Chairman of the EMF Economic Affairs Committee, Finance Denmark

### EUROPEAN BANKING REGULATION IS INCREASINGLY PROVING TO BE A STUMBLING BLOCK

The international competitiveness and capability of European banks is under growing pressure. This is driven not only by the economic environment, but also by the digital and environmental transformation and intensifying competition from capital market players.

Yet the key problem lies deeper: Europe is not consistently implementing the final Basel III rules in line with actual needs, whilst in other parts of the world they are being introduced with delays, only partially, or with greater regulatory flexibility. The result is a competitive gap that is particularly noticeable in capital-intensive and economically significant financing. This is especially true of property financing. Although the Bank for International Settlements notes in its BIS/BCBS monitoring of implementation in member jurisdictions as at the end of September 2025 that the majority of the final Basel III elements are now in force in many countries, its monitoring also shows that implementation is not fully synchronised internationally and is not equally advanced everywhere. Furthermore, the US and the UK, among others, have announced that they do not intend to implement the requirements in full.

With the reform of the 2024 banking package, Europe has adopted CRR3, thereby transposing the final Basel III elements into EU law. A key element is the so-called output floor. It is intended to prevent banks from using internal models to push their risk-weighted assets too far below the level that would result from standardised approaches. At the end of a transitional phase, this output floor will stand at 72.5% of the capital requirements that would apply if standardised approaches were used. According to the EU, this phase-in and other transitional arrangements are intended to ensure that the implementation of global standards does not lead to a weakening of the competitiveness of the European banking system.

The sensitivity of this balance is particularly evident in real estate financing. Europe has historically developed comparatively robust covered bond and mortgage systems, conservative lending practices, and close links between bank financing, the housing market, and the real economy. This on-balance-sheet lending system has proven its worth over decades and is a key component of affordable and well-established lending to the real economy. However, this also means that European banks are hit particularly hard by the Basel regulations, whereas in the U.S. the impact is significantly less due to the off-balance-sheet principle. Therefore, the greater alignment of internal models with the standardised approach means that in Europe, due to the output floor, well-secured portfolios that have historically often incurred few losses will in future sometimes require significantly higher capital backing than is appropriate given their actual risk structure. This makes loans more expensive and diminishes the ability to offer large-volume financing. Furthermore, this creates global disadvantages compared to competitors from other jurisdictions with less stringent or slower implementation, or where implementation is adapted elsewhere to the standard financing model of the real economy and private households, as will be the case in the US.

This is particularly problematic in the case of residential property loans. The EU itself has acknowledged that the blanket Basel approach does not always adequately capture the specific characteristics of national property markets. For this reason, CRR3 provides for transitional arrangements for certain low risk property loans. Unfortunately, this relief is only temporary. It does not address the underlying problem but merely postpones it: once the transitional phase expires, capital requirements are likely to increase, particularly for low-risk residential property loans. This makes housing construction and home ownership financing more expensive at a time when Europe needs more investment in housing.

Pressure is also mounting for commercial property financing and for project-based financing of property developments. Project financing has come under greater regulatory scrutiny and is subject to higher capital requirements. A risk weighting of 150% effectively places these loans on a regulatory par with the non-defaulted portion of a loan subject to impairment and has a prohibitive effect. This undermines the goal of improving the energy efficiency of the commercial property stock, as energy efficiency measures for these types of properties are often carried out as total refurbishments, during which no cash flow is generated from the property and a 150% risk weight looms. This prohibitive capital requirement disproportionately affects European banks, which have traditionally played a central role in financing long-term infrastructure, energy, and real estate projects. If the regulatory framework places an excessive burden on these transactions, it is not only the competitive position of the institutions that suffers, but also the investment capacity of the European economy. Here, too, it is evident that an insufficiently adapted implementation of the final Basel III requirements fails to adequately reflect the specific characteristics of the European on-balance-sheet financing model.

Another important area concerns the treatment of covered bonds. Covered bonds are a well-tested, crisis-resilient refinancing instrument, particularly in Europe, and are closely linked to property financing. Accordingly, Article 129 of the CRR provides for preferential treatment of covered bonds. With the introduction of the Covered Bond Directive in 2019, common minimum requirements for European covered bonds were established, thereby reflecting their high significance and quality.

Covered bonds are characterised through their dual recourse, strict legal requirements and ongoing special public supervision. They have been established in the market for decades, enjoy a high level of investor trust and represent a highly efficient source of refinancing, which in turn secures long-term, low-interest mortgage loans for European borrowers. If this quality is not consistently recognised in capital adequacy regulation, there is a risk of distortion at the expense of a particularly secure funding instrument that is central to European real estate financing. This would be a problem not only for banks but also for borrowers, as rising funding costs would translate into higher borrowing costs.

Preserving a robust covered bond market is therefore essential to safeguard affordable credit, reduce reliance on external capital markets, and strengthen the EU's strategic autonomy, competitiveness, and financial resilience. The importance of a regulatory and financial framework that supports this role of covered bonds is essential for sustaining Europe's growth and global competitiveness. A step in this direction is to ensure an appropriate adjustment to the risk weights and LGD values for covered bonds. An adjustment of the risk weights and LGD values for covered bonds would be fully justified given the low risk of covered bonds.

In addition to capital requirements, the European banking sector suffers from a second burden: an exceptionally high level of bureaucracy and reporting requirements. This diagnosis has long since ceased to come solely from the industry itself. In 2025, the ECB specifically established a High-Level Task Force on Simplification to develop proposals for simplifying the European regulatory, supervisory and reporting framework. The EBA has also addressed the efficiency of the regulatory and supervisory framework. When even the supervisors and regulators so clearly identify the need for simplification, it sends a strong signal: the density of regulation has reached a point where it is diverting resources away from lending, innovation and customer service. This bureaucratic burden is by no means a marginal issue. It ties up IT budgets, management capacity and specialist staff. It lengthens processes, makes products more expensive and reduces institutions' ability to react quickly to market changes. It thus acts as an additional implicit tax on the European banking business. In the context of global competition, this is particularly problematic because non-European competitors often operate with leaner reporting, auditing and documentation requirements. Those who have to write more reports, manage more data silos and meet more detailed regulatory requirements have less scope to grant loans, support customers and deploy capital efficiently.

It is not without reason that the importance of the so-called shadow banking sector has grown significantly in recent years. As always, capital seeks its own path and attempts to find regulatory loopholes. The rise of 'private debt' is a good example of this, and recent developments highlight the risks this poses to financial stability.

The consequence of this must be a clear political agenda.

Firstly, Europe needs genuine bureaucratic streamlining. This does not mean deregulation at any cost, but rather systematic proportionality: fewer duplicate reports, fewer redundant data requirements, fewer parallel audit processes and greater trust in proven internal banking control systems.

Secondly, there needs to be a reduction in capital requirements, particularly where European specificities and empirically low default risks exist. It is important to clarify that a selective adjustment of risk weights is needed and enhanced legislative simplicity need not entail a trade off with risk sensitivity or resilience. A robust and coherent banking framework can achieve several objectives, including simplicity, risk sensitivity and resilience. This applies above all to low-risk residential property loans, but also to certain commercial property financing and project financing. Thus, it is necessary to make the transitional arrangements under Article 465(5) CRR permanent at the current level for residential mortgage exposures and to extend the permanent treatment in Article 465(5) to commercial mortgage exposures. The output floor should be set at the original starting level of 50%. This would not overburden the banks while fulfilling its function as a backstop. When Europe wishes to deepen its Capital Markets Union, finance the energy transition and facilitate the creation of more housing, there is a need for regulation tailored to the European banking and financial system.

Thirdly, to preserve a robust covered bond market, Europe must ensure appropriate adjustments to the risk weights and LGD-values for covered bonds within the Credit Quality Step 1 in the standardised approach and IRB approach, respectively.

Ultimately, this is about more than just banking regulatory technicalities. It is about whether Europe continues to view its banks as key financiers of housing, small and medium-sized enterprises, infrastructure and transformation. If that is the case, then regulation is needed with a sense of proportion: robust, but not excessive; compatible with international standards, but not one-sidedly burdensome; security-oriented, but growth-friendly. This is precisely what is currently lacking in some areas. The threat to the international competitiveness of European banks is therefore real — and it is particularly evident in property finance. Anyone wishing to avert this must now act on three fronts simultaneously: reducing bureaucracy, calibrating capital requirements to be more risk-sensitive, and strengthening the regulatory treatment of covered bonds.

## 1.3 SUPPORTING THE REAL ECONOMY AND SME FINANCING

By Elisa Coletti, Intesa Sanpaolo, Claudio Domingues, Millenium bpc,
Oscar Meester, BNP Paribas Fortis Belgium and Stefano Patruno, Moderator of the ECBC
European Secured Notes (ESN) Task Force, Intesa Sanpaolo

### THE EUROPEAN AWAKENING

Europe's postwar model, anchored in the imperative of the continent's reconstruction, offered social security, industrial strength, a harmonised legal and regulatory setting, while delivering prosperity and political stability, for decades. However, its heavy structures – suited to an era of slower change and national economies – are now coming under pressure from intensifying demographic trends, productivity languishing for years under the weight of an increasingly complex legal environment, and a shifting global order calling for a more competitive and self-reliant Europe.

Regarding competitiveness, concerns are not new, as business leaders have long warned of underinvestment, slow digital adoption, stringent ESG requirements, and declining industrial resilience. However, the publication of flagship reports by Mario Draghi, Enrico Letta, and Christian Noyer, led Brussels to officially frame this stagnation as a strategic emergency.[1] Unfortunately, since the publication of such reports and despite the urgency of action, few concrete initiatives were undertaken. A recent report issued in June 2026 by Oliver Wyman and the European Banking Federation, shows that the investment needs of the EU to restore its competitiveness has even risen to € 1.4 tn per year (up from the 800 bn estimated in the 2024 Draghi Report). This is because of higher defence spending and continued energy transition investment.

European defence, long treated as a marginal budget line, is since Russia's 2022 invasion of Ukraine and the strategic rupture emerged from Washington seen as a matter of sovereignty. The political response is converging and the firm commitment of both the EU and NATO members is concrete and on-going.[2]

On the regulatory front, the various *Omnibus* packages launched since 2025, aim to boost competitiveness and simplification in fields such as sustainable finance, digital and capital markets. Some of the measures shall reduce complexity of EU requirements for all businesses, notably SMEs and small mid-caps. At the time of writing, the publication of the EC report on the competitiveness of the EU banking sector was published in mid-July 2026. Such report, following a public consultation that concluded last April, suggests targeted interventions in the whole basket of EU legislation in order to boost its effectiveness, also vis-à-vis other economic aeras at global level. Legislative proposals with concrete interventions to reinforce the banking sector's resilience and effectiveness are expected to be published in 2027.

However, regulatory streamlining, while necessary, is not enough. In contrast to the U.S., where capital markets dominate, Europe remains a bank-financed economy, especially for SMEs. As a response, the *Capital Markets Union* developed into the broader *Savings and Investments Union* (SIU), with a more holistic approach encompassing the entire EU financial system, whereby capital markets and the banking sector together will enhance the efficient channelling of savings into investments.[3] Securitisation, with its legal framework currently under trialogue discussions among EU legislators, plays a role in placing traditional bank loans' underlying risk with capital market investors.

1 Mario Draghi, Future of European Competitiveness, European Commission, September 2024; Enrico Letta, Much more than a market, European Commission, April 2024; Christian Noyer, Developing European Capital Markets to Finance the Future - Proposals for a Savings and Investments Union, report for French Prime Minister, April 2024.

2 During the 2025 Nato Summit held at The Hague, NATO members agreed to step up their expenditure to 5% of GDP, of which 3.5% in military spending.

5 "Questions and answers on the Savings and Investments Union" (March 2025).

The creation of a business-friendly environment is crucial. The scale of required investments for the deployment of this new and enhanced industrial capacity means it’s hardly achievable without the private sector, financed by both the capital markets and the European banking sector.

That is why the attention is turning to Europe’s industrial backbone: its SMEs. Taking the defence sector for example, in the *Joint White Paper on European Defence Readiness 2030*, the European Commission identifies SMEs as key providers of innovation and agility in defence technologies. The €7.3 billion *European Defence Fund* (EDF) for 2021–27 explicitly supports SME participation, with €840 million estimated for the 2023–2027 period. Already, more than 2,500 SMEs are embedded in Europe’s defence supply chains[4].

Another sector where SMEs also play a key role in the production of components, combining advanced manufacturing, high technology, specialised services and scientific research, is the aerospace. The space economy is a fast-growing sector, where public support and banks financing is crucial, also through risk sharing mechanism.[5] More broadly, meeting the EU’s competitiveness, energy, technology, aerospace and defence ambitions will require an estimated €500 billion in additional annual investment.[6] This is a political and institutional challenge that will define Europe’s future.

In the next sections, we will examine how Europe might begin to close this gap: first, by understanding the needs and potential of SME financing; and second, by retooling its financial infrastructure through instruments like European Secured Notes (ESNs) and securitisation technology – so that European loans and savings can be converted into European investments, growth and prosperity.

## TRENDS IN FIRMS FINANCING

European firms, particularly small and medium-sized enterprises, still rely heavily on bank lending, but the ongoing trend towards diversification of funding sources is gradually leading to significant structural changes, in line with the objectives of the Savings and Investments Union (SIU).

2025 and the first part of 2026 saw a gradual recovery in bank lending to businesses. The growth rate of loans to non-financial corporations in the euro area accelerated to 3.0% year-on-year in December 2025 and to 4.0% in May 2026, up from 1.7% at the end of 2024, reflecting a widespread trend across the euro area countries. This trend was driven by lower interest rates, although the global economic and geopolitical environment remained characterised by high uncertainty, which held back fixed investment. Furthermore, there is evidence that the recovery in bank lending was more robust amongst larger firms, whilst lending to small and micro-enterprises remained weaker.

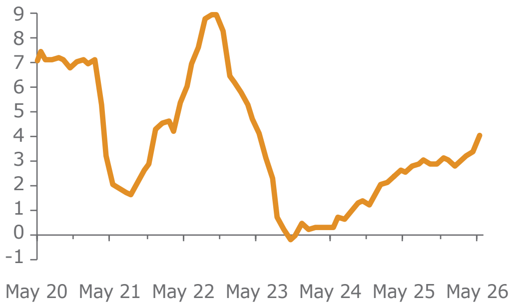
The ECB’s Survey on Access to Finance (SAFE) shows that demand for bank loans was more prevalent among large firms than among SMEs: specifically, in the first quarter of 2026, the proportion of large firms applying for bank loans stood at 27%, in line with the average for the previous three quarters, whilst for SMEs it remained at 17%. In both business size segments, loan demand in 2025 was stronger than that recorded by the survey in 2024. The low demand from smaller firms would appear to reflect a general aversion to risk and a preference for a cautious and gradual growth path rather than one supported by credit. This is indirectly demonstrated by the increased liquidity of firms, which continued to record robust growth in their bank deposits (+4% year-on-year at the end of 2025 and in May 2026).

4 European Commission, Joint White Paper on ReArm Europe Plan/Readiness 2030, April 2024.

5 According to the Space Foundation, the global space sector generated approximately $613 bn in economic value in 2024 and the market is expected to reach $800 bn by 2027 and $1tn by 2032. Additionally, an agreement has recently been publicly announced, signed by the EIB, the European Space Agency (ESA) and an Italian financial institution for the financing of SMEs active in the aerospace sector for € 300 mln of new facilities based on a risk-sharing mechanism with the EIB.

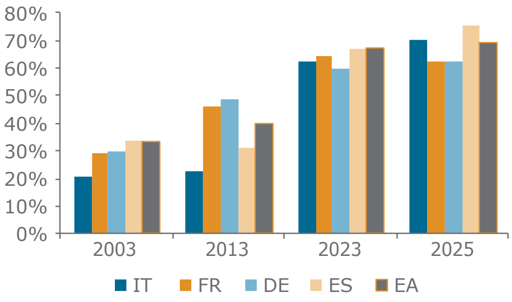
6 Estimates from European Investment Bank and European Commission, cited in Draghi Report (2024) and EIB Investment Report 2023–24.

> Figure 1: Trend in loans to non-financial corporations in the Euro area (yoy % change)




Source: ECB

> Figure 2: Evolution of the ratio of corporate deposits to bank loans (%) Data on non-financial firms, euro area and main countries




Source: calculations on ECB data

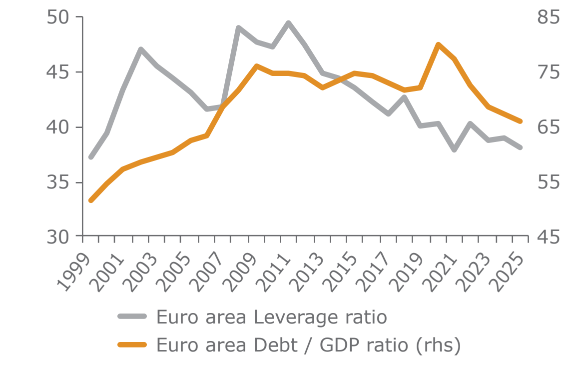
The most recent developments form part of a long-term trend which, since the Great Financial Crisis, has led to a substantial change in the financial structure of firms, characterised by a strengthening of capitalisation and a parallel reduction in financial leverage, accompanied by a restructuring of liabilities, following the increased issuance of corporate securities and credit sourced from non-bank financial intermediaries.

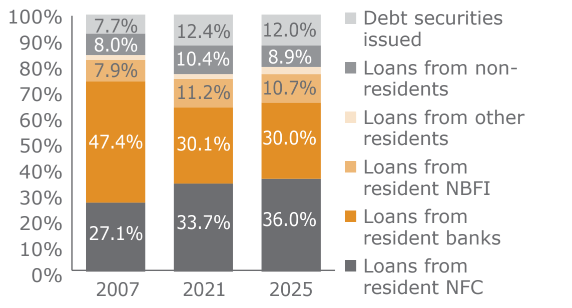
Financial leverage has fallen from 49.0% in 2008 to 38.1% in 2025 for non-financial companies in the euro area, thanks in part to their stronger capitalisation. In addition, the composition of financial debt has changed: between 2007 and 2025, the share of bonds has grown from 7.7% to 12% of total financial debt; bank financing has declined, from 47% in 2007 to 30% in 2025, whilst debt exposure to non-bank intermediaries (from 7.9% to 10.7%) and to foreign sources of financing has increased.

In recent years, we have also witnessed a significant and structural increase in the level of corporate liquidity, which has been observed across all countries and company sizes. In particular, firms in the euro area have, in recent years, saved more than they have allocated to fixed investment. The financial balance between flows of assets and liabilities has been positive overall, and self-financing has proved to be a key resource, especially during periods of stress. This has resulted in higher volumes of liquid assets on the asset side, as indicated by the strong and continuous increase in the ratio of deposits to loans, which has more than doubled for the euro area over the past twenty years, from 33% in 2003 to 73% in 2025, reflecting opposing long-term trends in the numerator and denominator and a common pattern across European countries and enterprise size categories.

> Figure 3: Debt of non-financial corporations as a ratio of total financial liabilities and Debt securities and loans as a ratio of GDP (%)

> Figure 4: Changes in the composition of corporate financial debt (%, Euro Area 20 data)




Source: ECB

Source: calculations on ECB data

Despite the significant changes currently taking place in the financial structure of businesses, bank loans remain the main source of external financing for businesses, given that loans from resident non-financial companies are likely to consist mainly of intra-group financing. Moreover, loans to businesses – and in particular those to SMEs – continue to account for a significant portion of banks' loan portfolios. In 2025, loans to SMEs accounted for 12.5% of total loans and advances by banks in the European Union and as much as 40% of loans to non-financial corporations (based on the sample of the EBA's Largest Reporting Institutions). These shares have remained broadly stable since the outbreak of the pandemic.

## SECURITISATION AND ESN AS VIABLE FINANCIAL TOOLS: HOW TO STRIKE THE RIGHT BALANCE

In this section we will address the refinancing of SME bank credit portfolios (SME assets) through complementary financial technologies and instruments, exploring the differences and the characteristics of both SME securitisation and European Secured Notes (meaning a dual recourse funding instrument collateralized by SME assets, to be regulated by a specific EU legal framework[7]).

Our intention is to demonstrate that these instruments are indeed compatible and complementary and align with the objectives of the SIU. As you will read in the following paragraphs, securitisation is typically a tool fit for capital management and for the refinancing of certain categories of assets, whereas ESN is the most cost-efficient and best suited to be a pure funding instrument.

### a) Peculiarity of SME assets and their treatment in structured finance transactions

SME assets typically have a short to medium maturity (compared, for instance, to mortgages), and therefore need refinancing at a higher pace. In securitisation, issued notes repayment follows the amortization profile of the underlying portfolio. Therefore, in order to obtain a longer tenor on the notes, the portfolio needs a pre-defined replenishment period, when expiring assets are replaced with new ones, thus extending the amortization period of the collateral portfolio.

7 Article 31(5) of the CBD mandates the European Commission to investigate a possible introduction of a legislative initiative on ESN as a dual recourse instrument. The ESN Task Force set up by the ECBC published in July 2024 a Blueprint, where reflections were made on certain aspects of the regulatory treatment of ESN, as well as the main characteristics of the product which need to be regulated in a specific EU legislation. In particular, the success of the ESN instrument lies primarily in the bail-in exemption (as for traditional covered bonds), a dedicated RW in the prudential framework and ECB eligibility.

Typically, in a securitisation the characteristics of the replacement assets are set in advance in order to ensure asset quality throughout the life of the transaction. The reason for adopting stringent criteria is the limited recourse nature of the issuance itself: the only claim that investors have is represented by the securitised portfolio, therefore its evolving composition needs to follow strict criteria to avoid its deterioration as the sole source to repay the notes.

Conversely, in a dual recourse transaction, like a covered bond – which ESNs aim to replicate – that feature, even if broadly inscribed in specific legislation, is somehow softened. This is because the features of CBs are different: (i) bonds are issued in the context of a programme, where its segregated portfolio (cover pool) must cover all issued notes, at all times (coverage requirement); (ii) the credit quality of the cover pool is managed dynamically by the issuer, adjusting the OC levels in order to ensure adequate protection for investors and also ensuring the coverage requirement is continuously met by performing assets only, thus not considering non-performing receivables (this is not the case in securitisation); (iii) investors enjoy a first recourse on the issuer and, in case of issuer insolvency, or other contractual events, they have exclusive recourse over the cover pool; (iv) repayment of the bonds is typically through either bullet or soft bullet structures, instead of the amortising notes typical of securitisations.

According to the Covered Bond Directive the cover pool must be continuously adequate and cover principal, interest, and ongoing expenses. The eligibility criteria for replenishing assets mirror the initial collateral quality but allow more flexibility than securitisations. A similar requirement would be needed for an ESN legal framework.

Why are these features important? From a financial perspective, conditions evolve over the years and, for example, the interest accruing on the bonds may also increase or decrease over time. It is therefore essential to ensure the overall coverage of the interest payments on the bonds by the interest accruing on the evolving cover pool. Such considerations apply also to ESN as a dual recourse instrument.

From a business perspective, the terms, sectors, and geographic distribution of SME loans may also change according to the bank's commercial strategies. The issuance programme therefore ensures portfolio quality over time while allowing certain features to be adapted. This is critical for providing long-term funding stability to the issuer. Once set up, and as long as sufficient collateral exists, the issuer can issue notes based on market opportunities and its funding strategy.

On the contrary, securitisations are bespoke transactions, typically structured for a single issuance. For the SME sector this difference is crucial, and it is clear dual-recourse funding instruments would enable refinancing the issuer's SME portfolio for longer periods of time, irrespective of changes in general financial conditions, or of how the issuer's origination business evolves. On the other hand, once certain conditions are met, securitisation allows the originating bank to free up regulatory capital, as well as meeting different risk appetites through the issuance of senior and more subordinated tranches. Securitisation is also an efficient way to refinance less standard SME loans, whereas ESN, acting as a programme on larger volumes of collateral assets, may favour more standardised SME portfolios.

In sum the two instruments – securitisation and ESN - are highly complementary and may both be used according to the objectives of the issuing bank and the respective market access windows.

**b) Requirements of the Securitisation legislative package**

The Securitisation legislative package (a specific Regulation complemented by the CRR prudential provisions) was published in 2019. Over time, EU institutions have promoted securitisation to help develop the Capital Markets Union, encourage risk sharing through financial markets, and support financing for the real economy. Finally, in June 2025 the Commission published a proposal in order to simplify the framework by removing unnecessary burdens that do not enhance product robustness and have so far hindered the securitisation market's recovery since the Great Financial Crisis.[8]

The legislative review aims at making the product more attractive for both issuers and investors, keeping a strong hand on prudential soundness. A new category of transactions has been introduced in the CRR (the resilient senior tranches), thus encouraging issuers in structuring transactions with such resilient features in order to achieve, inter alia, a less punitive prudential treatment. In the debate around the securitisation review, the importance of SRT transactions on SME and corporate assets has emerged and a more favourable prudential treatment would encourage lending to the SME and corporate sector.

The securitisation review is not completed yet (at the time of writing trilogues between the Commission, the Council of the EU and the European Parliament have just begun and will continue under the Irish Presidency), and EU institutions have rightfully intended to timely approve the new securitisation framework which is one of the main enabler of the SIU initiative.

There are a couple of aspects worth mentioning on the treatment of SME securitisations. So far, residential mortgage-backed securities have been the main asset class of traditional (funded or "cash") securitisation issuances. Rather complicated regulatory requirements have so far discouraged the execution of funded SME securitisations in many jurisdictions, while in some it has become an important asset class.[9] As a more recent trend, SMEs are one of the main asset classes used for synthetic securitisations, where typically originators keep the assets on their balance sheet and only sell part of the risk to specialised investors. Synthetic SME deals have proven to be an excellent means for financial institutions to manage their credit risk (allowing for significant risk transfer, SRT) and capital needs, while promoting the participation of market players interested in investing in SME exposures.[10]

### c) What role for ESN? And for securitisation?

An instrument governed by specific EU legislation and building on the dual recourse features, would appeal to both issuers and investors, with the dual protection conferring comfort to certain categories of investors, while allowing banks to issue lower risk bonds at spreads way lower than those expected for a securitisation deal or even for unsecured senior bond issuances. Let us briefly explore the motivations for issuers and investors.

ESN, as a pure funding instrument, would afford the issuer more time flexibility according to market opportunities (as do traditional covered bonds in the mortgage credit space), building on the ability of a dual recourse instrument to mitigate volatility in financial markets. In addition, ESN would allow adapting certain collateral characteristics over time, while preserving its overall main criteria and quality. Finally, it is important to mention that covered bond programmes require dedicated internal structures and specific control functions – entailing structural and running costs – and a constant dialogue with supervisors. This is the reason why, in most countries, issuers are larger and more complex institutions. ESN would be subject to much of these features and conditions.

---

8 According to AFME statistics, global European issuances amount globally to €252,3 bn at the end of 2025, whereas amounts issued were still higher just after the GFC (eg. €376.8 bn in 2011 – all figures including UK)

9 2024 figures on types of issuances show that the SME segment accounted only for € 9.8 bn of new funded issuances, out of total of € 244.9 bn (Source AFME).

10 In 2024, issuance of SRT transactions on SME and corporate loans accounted for € 107.5 bn out of a total of € 155.7 bn, (source AFME).

| | ESN | SME securitisation |
|---|---|---|
| Investor Security | dual recourse | recourse limited to the collateral portfolio |
| Cover SME Assets Suitability | for standard loans | for non-standard, alternative, more complex credit facilities |
| Bank Capital Relief Suitability | no | yes |
| Funding Cost / Investor Return | lower | higher |
| Investor Diversification | lower – single tranche | higher – multiple tranches with distinct risk profiles |
| Adaptability to bank's loan asset origination policies | higher – more principle-based asset eligibility | lower – stricter eligibility criteria |

On the other hand, banks wishing to achieve both funding and capital relief for their SME portfolio may also use securitisation (traditional or synthetic), through bespoke transactions. Securitisations may be executed by banks under specific circumstances to refinance specific portfolios. They are one-off transactions where costs are primarily incurred at inception. For small portfolios (and often small institutions), securitisations are more widely used, notwithstanding the higher yield on the notes typically demanded by investors. In addition, less standard credit assets are likely to be more efficiently financed through securitisation.

Investors are bound by their specific guidelines and their risk-reward appetite. Therefore, those investors focusing on dual recourse instruments would evaluate the issuer's strength and the analysis of the collateral would matter only for the recourse in case of issuer-related event of default. Investors specialized in securitisation, on the contrary, would focus on the collateral and on the structural features of the transaction, evaluating the specific risks embedded in the relevant transaction. A specific new EU legal framework for ESN would likely broaden the investor base, allowing also banks' treasuries to play an important role, as it is already the case in the covered bond space.

Finally, the first ESN issuances were launched in the financial markets between 2024 and 2026. Large institutions financing SMEs have been exploring all available tools to fund their portfolios, especially after the phase-out of the ECB's TLTROs, which supported lending for years. Synthetic securitisations already provide capital relief and allow new lending within existing capital, but also this instrument needs regulatory updates to unlock its full potential.

Although no dedicated EU legislation exists yet, some dual recourse transactions backed by SME portfolios have recently entered the market since 2024 and continued in 2025 and 2026, receiving public rating by major ECAIs. This shows a positive market reaction, long years since Commerzbank issued its only SME structured dual recourse € 500 mln bond more than a decade ago in a completely different financial environment. These recent deals demonstrate strong interest from issuers and investors in innovative SME-backed structures.

The pioneer was BPCE Group, which launched the first dual recourse SME backed deal in 2024, followed by the last transaction in 2025.[11] Those deals were all rated (depending on the transaction, by Fitch and Moody's) and all were privately placed, for a total amount of approx. € 1,15 bn.

Very recently, in May 2026, BPI France, owned by the French Government, published an ESN programme and marketed its first public transaction, rated by Moody's. The book was well oversubscribed and ultimately BPI printed a € 750 mln issuance. To note that, while BPCE transactions show a conditional pass-through structure, BPI France chose soft bullet.

11 Aval Master FCT (June 2024), Capitole Master FCT (December 2024) and Orama FCT (December 2025).

These deals demonstrate strong interest from issuers and investors in innovative SME-backed structures. Those transactions show the importance that financial institutions (and investors) attribute to such type of product. As no specific prudential treatment is foreseen yet,[12] bank investors are, ceteris paribus, less incentivised to enter into this type of investment. However, we estimate that new transactions would increase significantly if tailored legislation for ESN were to be introduced.

**CONCLUSION**

As outlined in the first part, the EU's vast needs for investments and innovation are crucial to maintaining competitiveness and strategic autonomy. The Union's advancements in decarbonisation and overall sustainability will further bolster its global leadership. Achieving these objectives relies significantly on the private sector's role in financing, channelling private savings and providing expertise and best practices.

SMEs are strategic due to their capacity for flexibility and innovation in international markets. The gradual extension of ESG targets to SMEs enables them to contribute to the transition while retaining agility. For instance, the Energy Performance of Buildings Directive's goals for buildings require financial backing from both banks, and SMEs leading the retrofitting implementation.

So, despite SMEs' lower loan financing needs resulting from their current high liquidity and improved access to capital markets (at least for the largest category of SMEs), the banking sector remains crucial for supporting their investments and innovation initiatives, and we encourage policymakers to introduce all necessary reforms in EU banking and financial markets regulation.

Initiatives like fostering SMEs' capital bases, promoting IPOs, boosting private equity, and directing private savings toward investments are essential. Yet, for SMEs in general and especially micro enterprises, bank credit is still a crucial tool, as direct capital market participation remains challenging. Thus, accessible and cost-efficient bank funding is vital, with ESNs and securitisation playing a complementary role in restoring EU competitiveness and financing of strategic sectors, where SME play a critical role.

The ECBC remains at the forefront of capital markets innovation and adaptation, promoting dual recourse instruments, which can be complementary to securitisations, favouring financial stability and lending to the economy. On 22nd of June a round table organised by ECBC and OMFIF was held in Brussels with stakeholders discussing the recent issuances of ESN in the market and possible evolution of the product.

12 In its Advice issued on 23 September 2025 following the 2023 Commission's Call for Advice on the Covered Bond Directive, the EBA did not make any specific recommendation on introducing a legislative initiative on ESN, albeit recognizing the importance this instrument may have on SME financing.

## 1.4 COVERED BONDS AS FINANCING INSTRUMENT FOR GREEN AND SOCIAL INVESTMENTS

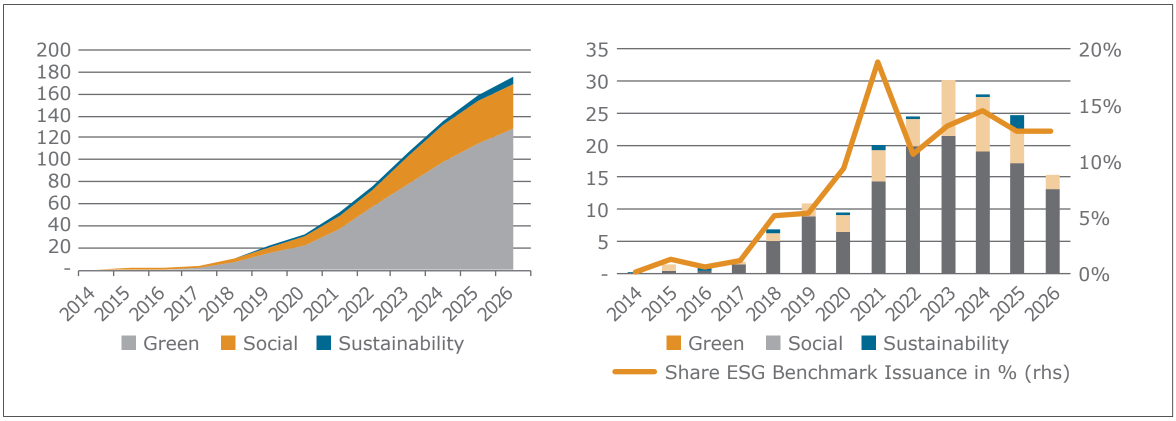
By Ralf Berninger, SFIL, Rodger Rinke, LBBW
Sjors Hoppenbrouwers, Rabobank, Maureen Schuller, ING,
Sabrina Miehs, Association of German Pfandbrief Banks (vdp)

### MARKET OVERVIEW

More than ten years after the first ESG covered bond came to market, the segment has become an established part of the covered bond universe rather than a niche add-on. What began in 2014 with a single ESG-labelled transaction has developed into a sizeable market across jurisdictions, currencies and issuer types. The first EUR benchmark ESG covered bond followed in 2015, and since then the product has gained a permanent role in the primary market. In the current year, ESG covered bonds account for around 11% of EUR benchmark covered bond issuance. This is below the 2024 peak of 13%, but still confirms that ESG supply remains a relevant pillar of the asset class.

Over this period, the issuer base has broadened substantially. So far, 88 issuers from 21 jurisdictions have entered the ESG covered bond market. Issuance activity reached at least EUR 25 bn in each of the last four years. In 2025, 49 ESG covered bonds were issued by 36 different issuers across public and private placements, different currencies and transaction sizes. Total issuance in 2025 reached roughly EUR 30bn equivalent. By the end of June 2026, publicly placed ESG covered bonds outstanding amounted to just under EUR 137bn. The market is clearly euro-dominated: ESG covered bonds have been issued in nine currencies, but EUR-denominated transactions represent more than 72% of the number of deals and 84% of outstanding volume. Private placements add more than EUR 19bn and extend the currency spectrum by three additional currencies.

> FIGURE 1: SUSTAINABLE COVERED BONDS: HISTORY OF MARKET GROWTH AND GROWING IMPORTANCE




Aggregated issue volume in EUR bn. Source: Bloomberg, LBBW Research

Despite this progress, the pace of further expansion remains constrained by the availability of eligible ESG assets. For many issuers, the volume of qualifying green or social collateral effectively sets the ceiling for repeat issuance. In addition, ESG covered bond supply is shaped by relative funding considerations, including the choice between senior and covered funding, achievable execution benefits, the potential greenium and overall issuance certainty.

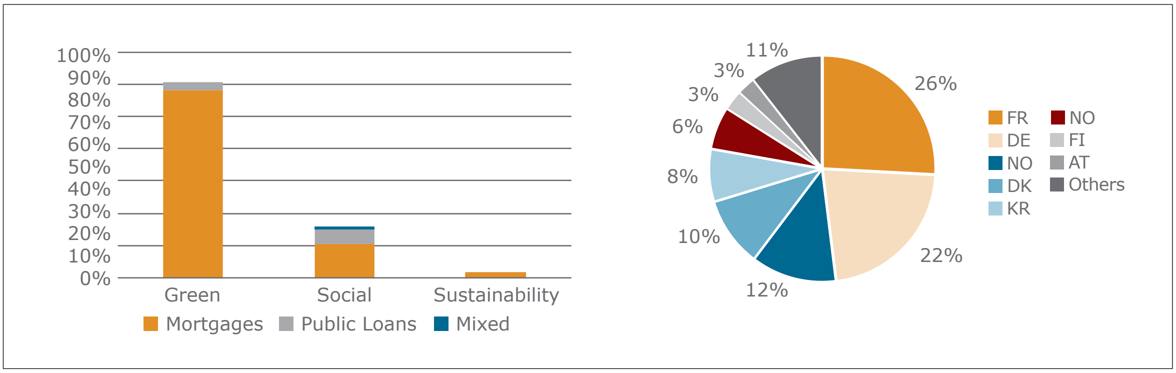
A particularly important milestone in the current year has been the arrival of covered bonds issued under the EU Green Bond Standard (EuGBS). Nordea Mortgage Bank opened this segment with a three-year transaction, marking the first EuGBS-labelled covered bond. BPCE SFH and Argenta Spaarbank followed with further EuGBS covered bond transactions. While issuance under the EU Green Bond Standard is still at an early stage, the first covered bond transactions mark an important milestone for the market. They show that covered bonds can be aligned with the more demanding EuGB framework, which offers a higher degree of regulatory standardisation than traditional ICMA-aligned green covered bonds, including requirements such as taxonomy alignment of the underlying assets and a pre-issuance factsheet.

In terms of ESG format, green covered bonds remain the dominant category. The proceeds of ESG covered bonds are primarily used to finance or refinance assets linked to the environmental transformation of the building sector on the one hand and to social housing on the other. However, the range of eligible uses is broader, including areas such as water supply, healthcare facilities and public transport. Green covered bonds account for around 73% of total ESG covered bond volume issued to date, compared with 23% for social covered bonds and around 3% for sustainability covered bonds.

The cover pool composition confirms the strong connection between ESG covered bonds and mortgage finance. Around 90% of ESG covered bonds outstanding are mortgage-backed, while public sector covered bonds represent approximately 9%. Mixed cover pools account for only around 1% of the market. The social covered bond segment is somewhat more diverse, with different types of cover assets used more frequently than in the green segment, reflecting the broader range of eligible use-of-proceeds categories.

From a country perspective, France has moved into the leading position and now represents around 26% of ESG covered bond issuance volume. Germany follows with roughly 22%, ahead of Norway with 12% and Denmark with 10%. This distribution highlights that the market is no longer driven solely by a small number of early movers. Instead, ESG covered bonds have become a cross-border funding format, with both European and non-European issuers contributing to market depth.

> FIGURE 2: TYPES OF COVER FOR ESG COVERED BONDS; COUNTRY DISTRIBUTION OF ESG ISSUANCE




Amount outstanding. Source: Bloomberg, LBBW Research

The index footprint of ESG covered bonds has also increased. In the iBoxx Euro Covered index, ESG covered bonds now account for 11.5%, compared with 8.4% at the end of 2023. The ESG covered bond volume included in the index has grown to EUR 108bn, confirming that ESG-labelled covered bonds have become a structural component of the benchmark universe rather than a marginal segment.

Overall, ESG covered bonds are now firmly established in the covered bond market. Future growth will depend primarily on eligible asset availability, funding considerations and the practical relevance of the EU Green Bond Standard. The first EU GBS covered bond transactions are unlikely to have a major impact on supply in the short term, but they set a useful precedent for future green covered bond issuance linked to taxonomy-aligned assets and transparent reporting.

## SUSTAINABLE COVERED BONDS FINANCE A BROAD VARIETY OF ASSETS

Sustainable covered bonds are mostly issued in accordance with the four pillars of ICMA's voluntary Green Bond Principles (GBP), Social Bond Principles (SBP) or Sustainability Bond Guidelines (SBG), and have a dedicated environmentally sustainable and/or a social use of proceeds. Sustainability-linked bonds (SLB) remain scarce in the banking segment and have not yet been issued in covered bond format.

These ICMA frameworks promote best practices through global guidelines, emphasizing the importance of impact and disclosure in the sustainable bond market.

> GBP were first introduced in 2014, marking the beginning of a structured approach to green finance in the bond market;

> SBP followed in 2017, replacing earlier guidance and addressing the growing need for financing projects with social impact;

> SBG were introduced in 2018 to support bonds that combine both green and social objectives.

The Principles put emphasis on transparency and integrity of the information that is disclosed and reported by issuers through four core components and two key recommendations.

> FIGURE 3: SUSTAINABLE COVERED BONDS SEEK ALIGNMENT WITH THE GBP, SBP AND SBG

| **Four components of alignment** | | | | | | |
|---|---|---|---|---|---|---|
| **I** | **Use of proceeds:** | | Demonstrate how the issuer will use proceeds from the issuance of the sustainable bonds | | | |
| | **Green** | | | **Social** | | |
| 1 | Renewable energy | √ | 1 | Affordable basic infrastructure | √ | |
| 2 | Energy efficiency | √ | 2 | Access to essential services | √ | |
| 3 | Pollution prevention and control | √ | **3** | **Affordable housing** | **√** | |
| 4 | Environmentally sustainable management of living natural resources and land use | √ | 4 | Employment generation, and programmes designed to prevent and/or alleviate unemployment stemming from socioeconomic crises, climate transition projects and/or other considerations for a "just transition" (such provision and/or promotion could include SME financing and microfinance) | √ | |
| 5 | Terrestrial and aquatic biodiversity | √ | | | | |
| 6 | Clean transportation | √ | | | | |
| 7 | Sustainable water and wastewater management | √ | | | | |
| 8 | Climate change adaptation | √ | | | | |
| 9 | Circular economy adapted products, production technologies and processes, and/or certified eco-efficient products | √ | 5 | Food security and sustainable food systems | √ | |
| | | | 6 | Socioeconomic advancement and empowerment | √ | |
| 10 | Green buildings | √ | | | | |
| **II** | **Process for project evaluation and selection:** | | Issuer to outline due diligence in terms of how it identifies and ultimately decides on suitable projects | | | |
| **III** | **Management of proceeds:** | | Clearly state how the proceeds from the sustainable bonds will be used | | | |
| **IV** | **Reporting:** | | The issuer of the sustainable bond should provide regular updates and transparent information concerning projects, proceed utilisation and allocation | | | |
| **Key recommendations for heightened transparency:** | | | | | | |
| i | Green, social or sustainability bond frameworks | | | | | |
| ii | External reviews | | | | | |

Source: ICMA

The ICMA promotes two recommendations for transparency.

(i) Issuers should explain the alignment of their sustainability bond with the four core criteria in an ESG bond framework. In doing so, issuers are encouraged to also incorporate any relevant information on their overall ESG strategy.

(ii) Issuers are recommended to seek pre- and post-issuance assessment by an external review provider to ensure that projects financed and the reporting are aligned with the use of proceeds and commitments set out in the bond framework. Also, issuers should consult the Guidelines for External Reviews for recommendations and explanations on the different types of reviews.

## The exclusivity of assets that secure green/social bonds versus non-exclusivity

A key feature of use of proceeds bonds is that they (re)finance an earmarked portfolio of new or existing eligible green and/or social assets. This portfolio may have an overlap with assets that are eligible as cover pool assets but does not necessarily have to.

The ICMA Principles make a clear distinction between secured green/social bonds where the net proceeds are used to (re)finance sustainable assets that exclusively secure the green/social bonds only (**secured green/social collateral bonds**) versus those where the (re)financed sustainable assets may or may not secure the specific bond in whole or in part (**secured green/social standard bonds**).

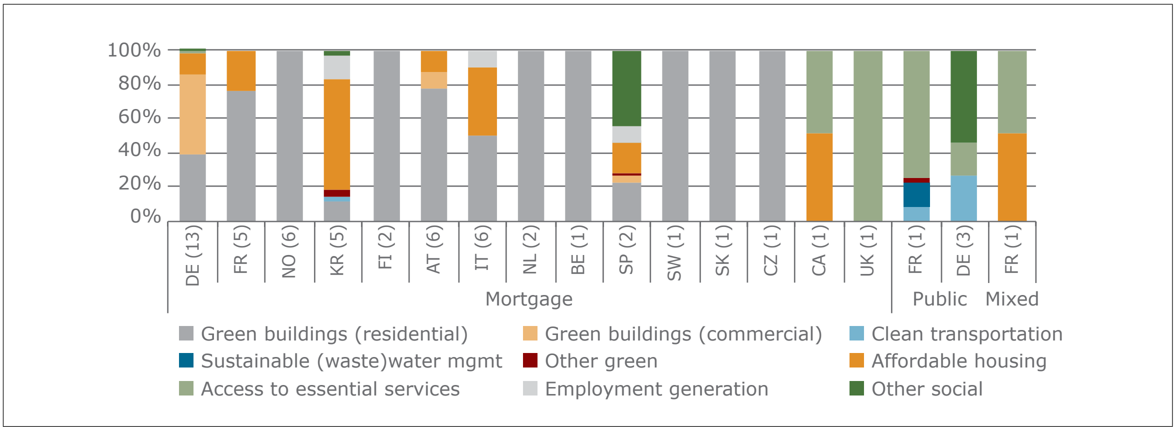
At this point only the social covered bonds issued by one of the South Korean covered bond issuers meet the definition of secured green/social collateral bond. All other sustainable covered bonds outstanding would fit into the category secured green/social standard bond.

Within the latter category of bonds, there are sustainable covered bonds that allocate proceeds to a portfolio of sustainable loans that are not part of the cover pool. A prominent example are the sustainable covered bonds issued by South Korean banks under the South Korean covered bond law. Separate from their use of proceeds, these sustainable covered bonds are secured by sufficient cover assets meeting the asset eligibility criteria stipulated by law and/or the bond programme documentation.

However, most sustainable "standard" covered bond issuers would generally strive to have sufficient eligible green and/or social loans in the cover pool to at least match the amount of sustainable covered bonds outstanding. For that reason, these loans not only have to meet the criteria stipulated in the sustainable bond framework, but also the asset eligibility criteria under the respective covered bond legislation or programme documentation. It is important to bear in mind that sustainable and vanilla covered bonds issued against one cover pool do have the same preferential claim on both the sustainable and non-sustainable assets that are part of the cover pool.

Some banks issue both green and social covered bonds against the same cover pool, either under one single sustainability bond framework, or via separate green and social frameworks. In turn, there is also an example of a covered bond issuer that issues both social public sector covered bonds and social mortgage covered bonds via the same social bond framework. Moreover, proceeds can be assigned to a distinct portfolio of assets per bond, or to a broader portfolio of sustainable assets (re)financed by multiple sustainable (covered) bonds (portfolio approach). The latter approach is most common.

> Figure 4: Use of proceeds sustainable EUR covered bonds*




* Shares of the sustainable proceeds allocations (bonds outstanding end of June 2026). Only EUR denominated covered bonds with a minimum EUR 250mn size are included. The number of issuers/pools per country are in brackets.
Source: Issuer information, ING

Green **mortgage covered bonds** primarily finance energy-efficient commercial or residential buildings (67% of all use of proceeds), with green residential real estate loans being the most important use of proceeds category (53%). Banks with mortgage cover pools (partly) comprised of social housing loans often issue social or sustainability mortgage covered bonds. Affordable housing loans represent 17% of the sustainable covered bond use of proceeds aggregate.

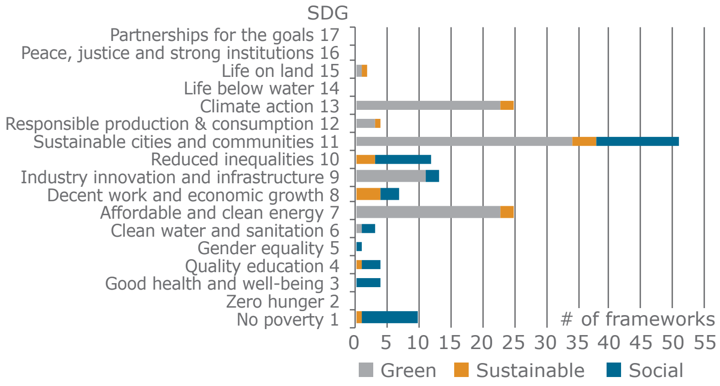
Access to essential services is the most important use of proceeds category for sustainable **public sector covered bonds** (8% of all use of proceeds). Public sector covered bonds were at first solely issued in social format to finance community projects in areas of healthcare and education. However, there are nowadays also public sector covered bonds outstanding with a green use of proceeds, (re)financing among others clean transportation projects (2% of all use of proceeds).

**Matching the use of proceeds with the sustainable development goals**

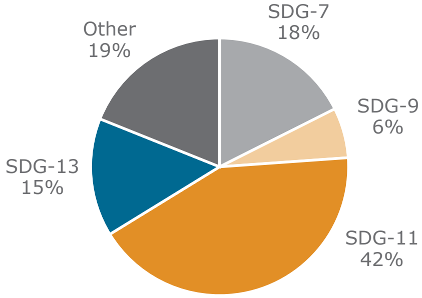
Sustainable covered bonds generally also aim to support the achievement of the United Nations sustainable development goals (SDG), established in 2015. Green use-of-proceeds bonds tend to align with a narrower set of SDGs compared to those focusing on social objectives. Among them, sustainable cities and communities (SDG 11) is the most frequently targeted goal.

While most sustainable bond frameworks indicate which SDGs are supported per use of proceeds category, only a few banks report the exact allocation of proceeds to specific SDGs. To estimate how sustainable covered bond proceeds are distributed across the SDGs, we applied a pro-rata matching of the reported proceeds allocations to the SDGs associated with each use of proceeds category. This analysis suggests that 42% of all sustainable covered bond proceeds support SDG 11 – sustainable cities and communities. This is followed, at a considerable distance, by SDG 7 – affordable and clean energy (18%), SDG 13 – climate action (15%) and SDG 9 – industry, innovation and infrastructure (6%).

> FIGURE 5: SDGS CONTRIBUTED TO BY SUSTAINABLE COVERED BONDS




> FIGURE 6: SHARE OF PROCEEDS ALLOCATIONS TO DIFFERENT SDGS




* Only for sustainable EUR covered bonds

Source: Issuer information, SPO providers, ING

## Impact reporting – Delivering the underlying impact ambition

Besides issuer disclosures on use of proceeds allocations, impact reporting for green and social covered bonds is a key instrument for ensuring the transparent and credible use of the funds raised. It allows investors, regulators and the public to understand how and to what extent environmental and/or social goals have been achieved. For issuers, it is about demonstrating transparency and credibility to investors.

If the covered bond issuer is a credit institution that issues other forms of green or social bonds, such as senior unsecured, rather than a specialised institution that issues only covered bonds, the impact report will often show data related to the whole green or social portfolio. In rare cases, the issuer discloses a separate impact report for the cover pool.

> Figure 7: Many issuers are guided by recognized frameworks such as:

| Standard | Description |
|---|---|
| ICMA GBP<br>ICMA SBP<br>ICMA SBG | Annual, transparent impact reporting as best practice is a key component.<br>Recommends:<br>- The use of qualitative and, where feasible, quantitative performance indicators<br>- The disclosure of the underlying methodology and/or assumptions used<br>- Adoption of guidance provided by the Harmonized Framework for Impact Reporting |
| ICMA Harmonised Framework for Impact Reporting (Green Bonds)<br>ICMA Harmonised Framework for Impact Reporting for Social Bonds | - Provides metric-specific KPIs and methods (e.g. $CO_2$ savings per EUR million invested)<br>- Provides qualitative and quantitative performance indicators (e.g. number of people who benefit) |
| Minimum standards for Green Pfandbrief<br>Minimum standards for Social Pfandbriefe | Based on GBP<br>Based on SBP<br>Impact report needs to be made available via link on vdp website to issuer's own website |
| SDG reference | Environmental impacts are often also assigned to the SDGs |
| EU Green Bond Standard (GBS)* | Binding for "European Green Bonds", including mandatory impact reporting |

*Until 30th June 2026 three covered bonds were issued as EuGB

Impact reporting involves presenting the environmental and social impact achieved by projects financed by green, social or sustainability bonds in quantitative and qualitative terms. As the objectives of financing green or social projects differ, the indicators used to measure the impact of the proceeds from issuance depend primarily on the intended use. While carbon performance is one of the key performance indicators for green covered bonds (whether they finance or refinance green buildings or green transport), the indicators for social covered bonds are more varied due to the vast range of potential projects that can be financed.

The ICMA Harmonised Framework for Impact Reporting (for green bonds) provides various core indicators to measure the energy and carbon performance, water efficiency and savings, waste management and certification standards of green buildings, where available. For green buildings, for example, the ICMA core indicators for energy and carbon performance are

> kWh/m² of gross building area (GBA) p.a.; and % of energy use reduced/avoided vs local baseline/building code

> kgCO2/m² of GBA p.a; and annual greenhouse gas (GHG) emissions reduced/avoided in tonnes of CO2 equiv. vs local baseline/baseline certification level; and/or

> % of carbon emissions reduced/avoided vs local baseline/baseline certification level.

The issuers of green covered bonds, which are used to finance or refinance green buildings, typically only report on the core indicators of energy and carbon performance.

Although the methodologies used to calculate impact metrics, which measure avoided energy use and GHG emissions, differ slightly from one another, covered bond issuers generally calculate impacts in a two-step process. For this, metrics such as energy consumption, a benchmark or reference value, energy sources, emission factors are necessary.

**Two-step process** (methodology principles):

1. Energy savings are calculated as the difference between the building energy consumption and the respective benchmark.
2. Determination of the avoided $CO_2$-emissions: Energy savings are multipiled with specific carbon emissions factors.

> Impact is typically calculated per m² and year. To calculate the total energy savings rescpectively, the total $CO_2$-savings, the calculated energy savings or the $CO_2$-savings per building are multiplied with the building area.

> As a last step the total $CO_2$-savings are multiplied by the LTV ratio (Loan balance to value of the collateral) to calculate the bank's financing share of the $CO_2$-savings.

To calculate these metrics, information on the energy consumption of the underlying property, benchmark or reference value, and the energy sources and emission factors is necessary.

The primary data source for the energy consumption of the collateral is the building's EPC. For buildings where banks are unable to obtain actual energy consumption figures, they typically estimate energy savings based on building certificate requirements, national building requirements, year of construction and/or floor area. To achieve this, a combination of different sources is often required.

The benchmark for specific energy consumption (kWh/m²) is usually determined based on the average energy demand of comparable building types, as provided by national data sources.

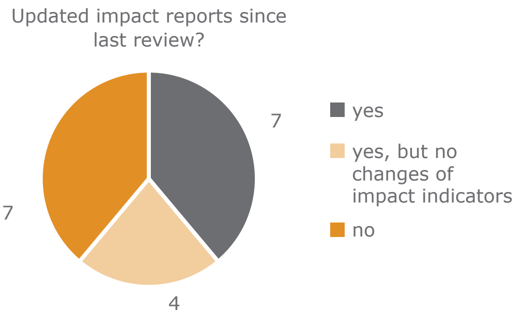
$CO_2$ emissions are calculated using standard conversion factors for specific energy sources (i.e. electricity mix and district heating supply) for a given region or country. Impact reports generally disclose the source of the emission factors and sometimes list the factors for various energy sources in a table, along with the applied factor(s). Sources range from national statistics created by federal agencies, industry initiatives or associations.

When it comes to the approaches used to assess and disclose GHG emissions, issuers either use national standards or those developed by the Partnership for Carbon Accounting Financials (PCAF), or they engage consultants who develop their own approaches.

When the performance indicators of a selected group of eighteen impact reports from the largest green covered bond issuers in twelve countries were re-examined, it was found that eleven reports had been updated since May 2025. Most of these reports showed changes in presentation, with some adding more transparency to the impact calculation methodology used and others making minor extensions to indicators of energy or carbon performance, which are not currently core. The following indicators were added:

- Energy consumption in kWh/m² p.a.
- Energy consumption in kWh/m² p.a. of the respective benchmark
- Energy savings (MWh/year) – financing share – per million euros
- GHG emissions ($tCO_2e$/year) – prorated

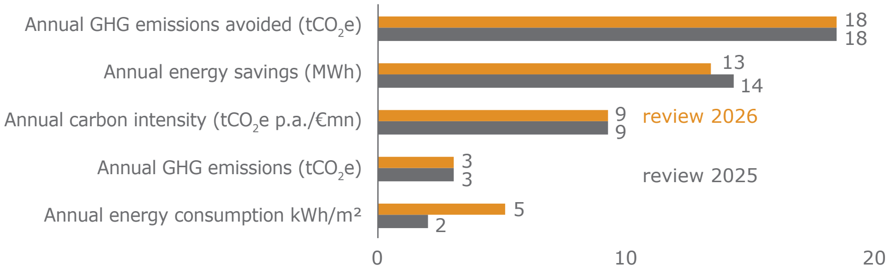
> Figure 8: Updated reports mostly show extension of indicators that are less common up to now




Number of reports that were renewed since the last review in June 2025
Source: 18 impact reports from issuers of green covered bonds located in AT, BE, CZ, FI, FR, DE, IT, NL, NO, SK, SP, SE, vdp

Issuers are, however, maintaining the indicators they have disclosed. Each issuer reported 'GHG emissions avoided ($tCO_2e$)' and fourteen reported on 'Annual energy saving (MWh/m² or kWh/m²).' Fewer than half of the reports indicated carbon impact intensity ($tCO_2e$ per million euros). Some reports even break these figures down by building type or provide additional data.

> Figure 9: Green buildings: Absolute annual GHG emissions ($tCO_2$/m²) are still rarely disclosed

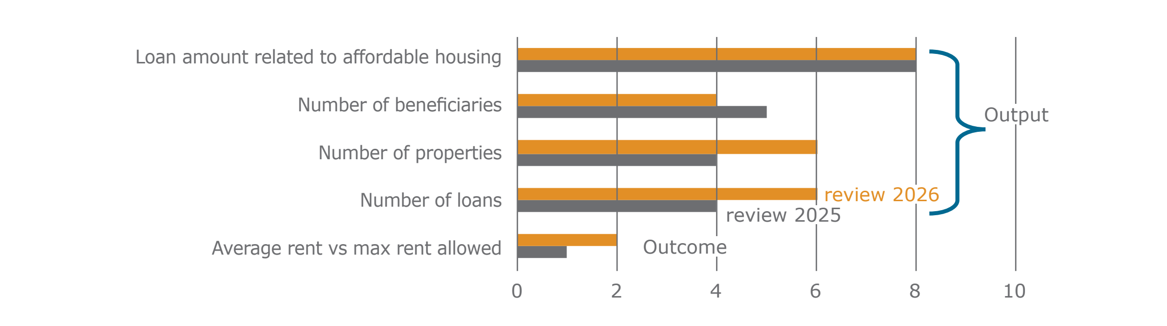



Number of green bond impact reports disclosing energy and carbon performance indicators
Source: 18 impact reports from issuers of green covered bonds located in AT, BE, CZ, FI, FR, DE, IT, NL, NO, SK, SP, SE, vdp

The review also revealed that sometimes it is unclear whether the disclosed energy or carbon performance indicators consider only the financing share of the issuer. For example, only ten of the eighteen reports made it clear in the indicator nomenclature that the disclosed annual GHG emissions avoided referred only to the financing share.

Finally, it was found that, only a few reports disclosed the absolute amount of GHG emissions in tonnes of $CO_2e$, either for the total allocated amount or per million Euro invested. Best practice reports and market standards will be developed further, and investor demands to meet reporting requirements may lead to further disclosure of data to deliver transparency.

> FIGURE 10: AFFORDABLE HOUSING: OUTPUT INDICATORS MORE FREQUENT, IMPACT INDICATORS STILL MISSING




Number of social/sustainability bond impact reports disclosing social indicators
Source: 8 impact reports from covered bond issuers from AT, CA, DE, SP, FR, SKO, SE

Impact reporting on social projects financed by a covered bond issuer refers to the ICMA Harmonised Framework for Impact Reporting on Social Bonds. This framework provides various indicators to measure the impact of social projects.

Output indicators typically focus on the number of people benefiting from relevant projects or the products resulting from an organisation's activities. For the category affordable housing, examples of output indicators include the number of individuals or families benefiting from subsidised housing, the number of affordable dwellings built, and the number of homeless people supported. Outcome indicators measure improvements or changes in this area, including rental costs compared to regional or national rent indices and reductions in the number of people experiencing poor housing and homelessness. Impact indicators address longer-term outcomes, such as those proposed by the framework for affordable housing: improved safety and shelter.

Upon re-examining a selected group of eight impact reports from large social covered bond issuers in seven countries (though the composition changed with regard to two issuers), refinancing projects of affordable housing, it was found that all reports specified the loan amount related to affordable housing. Typical output indicators, such as the number of beneficiaries and the number of properties or units financed, were also disclosed. Two reports included an outcome indicator. All of the reports that were reviewed last year have been updated and it has been found that some have increased the number of indicators. However, impact indicators are not yet being disclosed.

## MARKET DYNAMICS, PRICING AND RELATIVE VALUE

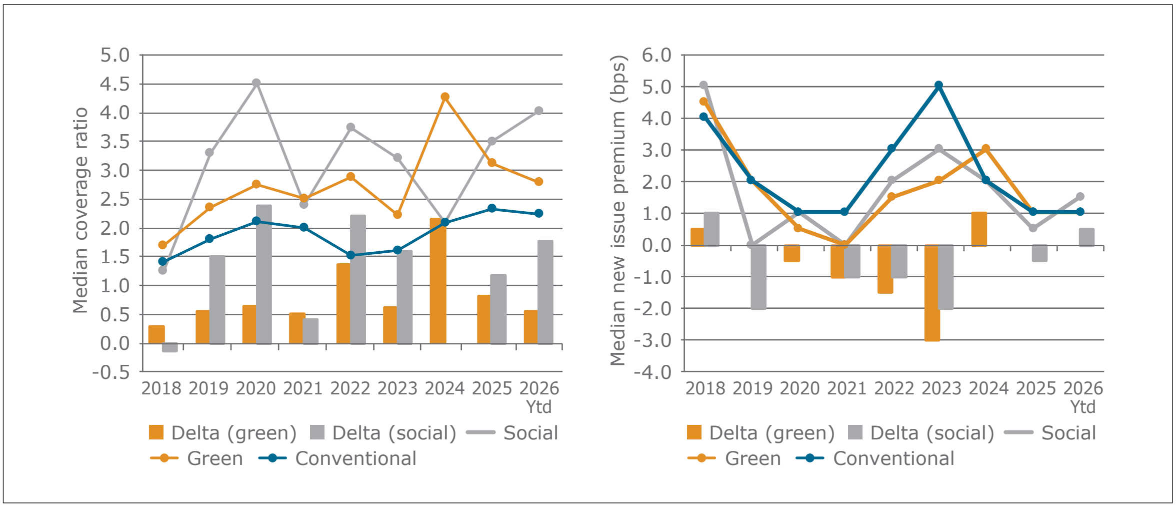
### Market dynamics:

Green and social covered bonds benefit from the same high security standards as regular covered bonds. At the same time, printing in green or social format involves additional costs for an issuer (i.e. additional ESG reporting, drafting and maintaining a framework, costs of SPO(s)). Hence one could assume that issuers are only willing to make these investments if printing a green or social bond compensates for these costs.

### Primary market data:

From figure 11 it can be derived that both green and social covered bonds – measured by the (median) coverage ratios of their order books – are able to attract larger order books than regular covered bonds and therefore have the benefit of reduced execution risk compared to conventional format. It is important to note, however, that the social covered bond market remains relatively small, and our findings for this subtype are based on a limited set of jurisdictions.

> FIGURE 11: MEDIAN COVERAGE RATIO AND MEDIAN NEW ISSUE PREMIUM ON EUR BENCHMARK COVERED BONDS (AUSTRIA, GERMANY, FRANCE, NETHERLANDS, FINLAND, NORWAY AND SWEDEN) VERSUS GREEN AND SOCIAL COVERED BONDS



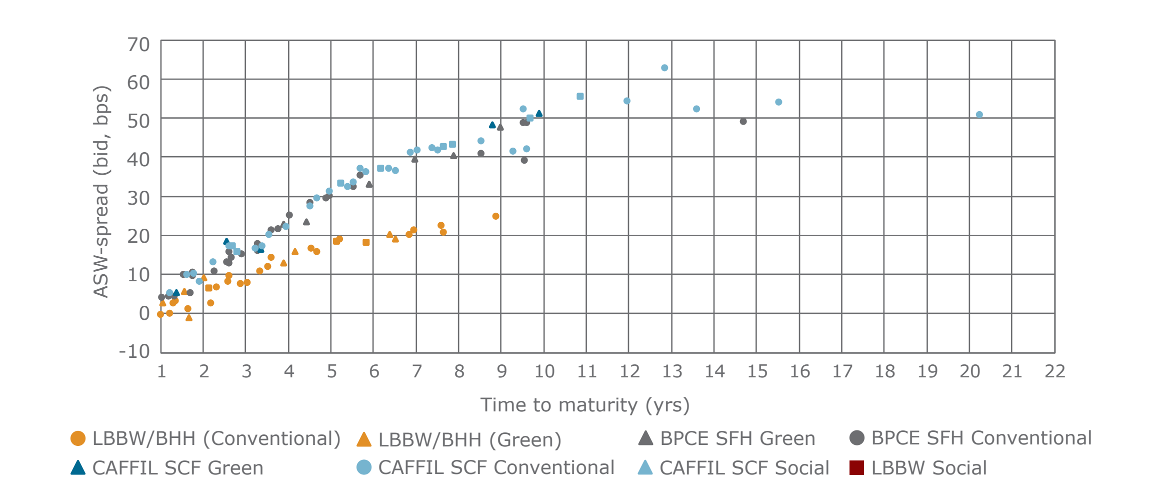

Source: Rabobank Research

At the same time, market data on new issue premiums (NIP) as displayed in figure 12 indicates that ESG-labelled covered bonds were able to benefit from lower NIPs compared to regular covered bonds between 2021 and 2023. However, since 2024 we observe a different story: the median NIP for green and social issuances is higher than for conventional bonds. This effect is mainly driven by timing differences and issuer-specific reasons. During 2024, NIPs were higher at the start of the year, a period with relatively more ESG-labelled covered bonds. Market conditions improved throughout the year and as a result less green issuance was printed when conditions improved and hence NIPs were lower. For both 2025 and 2026 YTD, the data indicates that ESG-labelled covered bonds have not benefitted from a meaningful pricing advantage over conventional covered bonds. The overall conclusion for the last 18 months is that there is no visible greenium.

**Secondary market data:**

A different perspective can be generated by studying secondary market data. We compared ASW-based average spreads as of 30 June 2026 for issuers with both ESG-labelled and conventional covered bonds outstanding. Overall, spread differentials remain limited, providing little evidence of a persistent green or social premium. Some issuer-specific differences can be observed depending on the maturity segment of the curve, although these are generally limited to around 1bp. The clearest example is BPCE, where two green covered bonds in the 4–6yr area trade approximately 1bp tighter than comparable conventional bonds. However, this differential gradually disappears at longer maturities. Overall, the secondary market evidence continues to suggest that investors do not consistently differentiate between ESG-labelled and conventional covered bonds in terms of pricing.

> FIGURE 12: A SELECTION OF FRENCH AND GERMAN ISSUERS WITH CONVENTIONAL COVERED BONDS AND GREEN OR SOCIAL COVERED BONDS OUTSTANDING




Source: Rabobank Research

## PUBLIC SECTOR COVERED BONDS AS A KEY INSTRUMENT TO FINANCE GREEN AND SOCIAL INVESTMENTS BY THE LOCAL PUBLIC SECTOR

### Introduction

In the European Union, local and regional governments are responsible for over 50% of total public investments. A significant part of these inestments contributes to achieving key social and environmental objectives in sectors such as education, public transportation, public healthcare, waste management and water management.

Local authorities primarily use the loan market to finance these investments. In many European countries, public sector covered bonds are used to refinance a significant share of these loans to local government entities.

### Eligibility of local government lending under european covered bond regulation

Loans to local authorities or guaranteed by local authorities within the European Union are eligible as cover pool assets compliant with the definition provided by article 129 of the CRR.

1. To be eligible for the preferential treatment …, covered bonds …shall be collateralized by any of the following eligible assets:

   (a) exposures to or guaranteed by central governments, ESCB central banks, public sector entities, regional governments or local authorities in the Union

   Additional conditions apply for loans to local authorities outside the European Union under the same article:

   (b) … exposures to or guaranteed by …third-country regional governments or third-country local authorities that are risk weighted as exposures to institutions or central governments and central banks … and that qualify for the credit quality step 1 …, and exposures within the meaning of this point that qualify as a minimum for the credit quality step 2 …, provided that they do not exceed 20% of the nominal amount of outstanding covered bonds of the issuing institutions.

*Financing green and social investments*

Local governments exercise a wide range of responsibilities across Europe. Key responsibilities include:

> Local infrastructure, including the local rail and road network;

> Primary and secondary education;

> Local and regional public transportation;

> Basic services such as drinking water supply, sewerage, waste collection and treatment;

> Urban planning and development;

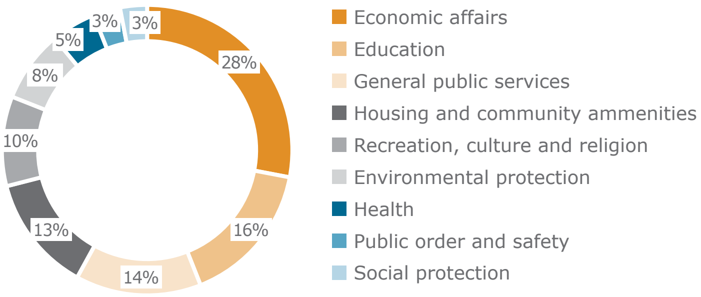
> Parts of the public health care system;

> Public order and safety, in particular municipal police forces, and emergency and fire-fighting services;

> Social housing.

The total volume of investments by local governments in the European Union amounted to EUR 304 bn for the year 2025[1]. A significant share of these investments has important social and environmental benefits. Public education represents 16% of total local government investments, environmental protection including waste management and water management stands around 8%, and public healthcare around 5%.

> Figure 13: 2025 European Union Local Government Investments by Function




Source: Eurostat, 2025 data

**Financing sources for local government investments**

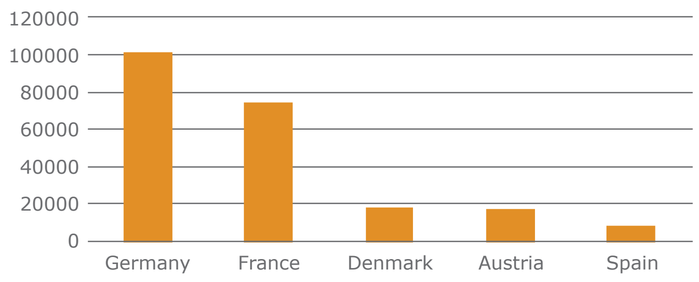
With a few exceptions, local governments generally lack the critical size for direct bond issuance on capital markets. Local governments across Europe generally rely almost exclusively on the loan market as a source of funding.

**Local government financing provided by covered bond issuers**

Covered bonds represent an attractive refinancing instrument for local government lenders. Covered bonds provide issuers with a possibility to provide small loans to a large number of local government borrowers, and to refinance these assets via the issuance of covered bonds. For investors, these instruments provide a high degree of liquidity and a strong credit quality. Germany and France are currently by far the largest markets with over EUR 175 bn outstanding public covered bonds for these two markets together, equivalent to well over 75% of the overall public sector covered bond market.

1 All data is limited to the local government level, and for example do not include German federal states.

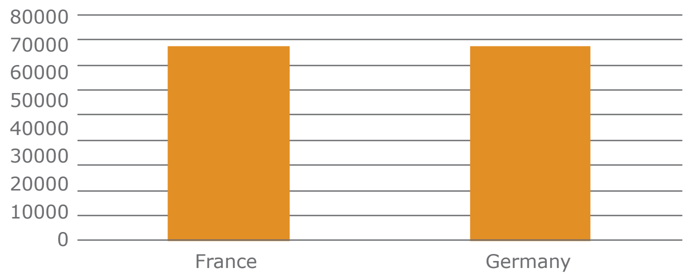
> FIGURE 14: OUTSTANDING PUBLIC SECTOR COVERED BONDS BY COUNTRY 2024 (EUR M)




Source: ECBC

These covered bonds play a key role for the financing of local government investments. French local government cover pool exposures for the main public sector covered bond issuers totaled EUR 77 bn[2] at the end of 2025. For German local government entities, total cover pool exposures at the end of 2025 amounted to EUR 78 bn.

> FIGURE 15: COVER POOL EXPOSURES TO LOCAL GOVERNMENT ENTITIES (EUR M, 31.12.2025)



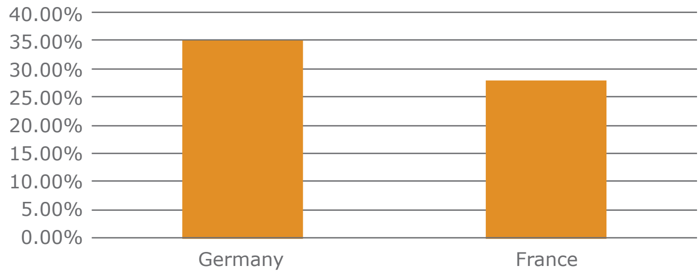

Source: Quarterly reporting published by vdp, Compagnie de Financement Foncier, SG SCF, Arkéa SCF, Caffil

Financing provided by covered bond issuers represents a significant share of the total financing raised by local government entities. For France, exposures by covered bond issuers represent close to 30% of total local government debt. For Germany, loans held in public sector cover pools are equivalent to around 35% of total German local government debt[3].

2 This figure includes both public sector and mixed cover pool exposures.

3 As there are important differences between local public sector and private sector accounting rules, these figures only represent estimations.

> FIGURE 16: ESTIMATED SHARE OF LOCAL GOVERNMENT DEBT REFINANCED VIA COVERED BONDS (AS OF 31.12.2025)




Source: Quarterly reporting published by vdp, Compagnie de Financement Foncier, SG SCF, Arkéa SCF, Caffil, Eurostat data

**Issuance of green and social public sector covered bonds**

Loans by public sector covered bond issuers will generally take the form of general-purpose loans financing the overall investment budget of a local authority.

In recent years, a number of issuers have set up frameworks for green and social public sector covered bonds. The main challenge has been to link the lending provided by covered bond issuers to specific green and social projects.

One potential solution is to set up specific loan contracts linked to local authorities' social or green investments. The loan contract will typically contain the necessary information to identify eligible investments, and to collect the appropriate impact reporting data.

An alternative approach for lenders to the local public sector is to provide financing to entities with activities strictly limited to activities with green or social objectives, for example public hospitals, public education facilities or municipal water boards.

Investments by local authorities often have both environmental and social objectives at the same time. As an example, the construction of a new school will be an investment in public education, but at the same time, it may also be considered a green project, if the construction is an energy efficient building. Another example would be the construction of a new tramway line with a focus on providing clean local public transportation, but at the same time providing important social benefits. Sustainable water management is another area where social and environmental objectives are closely linked.

Green and social public sector covered bonds have been issued with financing provided to areas including healthcare, water management, waste management and clean public transportation. However, green and social bond issuance under public sector covered bond format has remained relatively limited compared to issuance of green and social mortgage covered bonds.

*Green public sector covered bonds*

There are currently two issuers of green benchmark public sector covered bonds with a total of five outstanding benchmark transactions.

The proceeds of these transactions have been allocated to the following project categories:

- Clean transportation
- Sustainable water management

- Waste management
- Renewable energy
- Energy efficiency of construction

In addition, recent green public sector covered bond transactions have also included the financing of green export contracts benefitting from a public guarantee, in addition to green investments by local authorities.

*Social public sector covered bonds*

There are currently nine outstanding social public sector covered bond benchmark transactions by two issuers.

These transactions have financed social public sector investments across the following categories:

- Essential services including healthcare, education and research
- Social housing
- Public drinking water supply
- Social cohesion, including programmes for urban renewal and rural revitalization, and digital inclusion

In addition, recent social public sector covered bond transactions have been issued to finance social export contracts with social benefits, in addition to social local public sector transactions.

**Conclusion and perspectives**

Local governments in most European countries rely on lending provided by banks to finance new investments. Public sector covered bonds are an attractive tool for banks to provide a large number of small loans to local authorities, and to refinance these loans via the issuance of liquid bonds on international capital markets.

Over 75% of public sector covered bonds have been issued by French and German issuers. In these two countries, a very significant share of local authority investments is financed by public sector covered bond issuers.

Issuance volumes of green and social public sector covered bonds still significantly lag behind issuance of green and social mortgage covered bonds. This can be explained by the fact that lending to local authorities typically finances the overall budget of the local authority. To establish a link to green and social investments, public sector covered bond issuers will need to set up specific loan contracts to limit the financing to green and social projects. An alternative approach is to finance entities with an activity limited to social or environmental missions, for example in the area of water management or healthcare.

Recent green and social public sector covered bond transactions have been issued to finance green and social export contracts in addition to green and social projects by local public sector entities. Looking ahead, this type of issuance could boost overall issuance volumes of green and social public sector covered bonds.

## 1.5 A SUSTAINABLE HOUSING MARKET: BUILDING AN INTEGRATED ECOSYSTEM FOR EUROPE'S HOUSING TRANSITION

By EMF-ECBC Secretariat

Europe's housing sector now sits at the intersection of some of the European Union's most pressing priorities: competitiveness, affordability, energy security, climate resilience and sustainable growth. As housing has climbed to the top of the European political agenda, the focus is no longer solely on increasing the pace of renovation, but on ensuring that Europe's housing stock becomes more affordable, more sustainable and more resilient.

This shift is reflected in the growing prominence of housing within the European policy agenda. Alongside the continued implementation of the European Green Deal and the revised Energy Performance of Buildings Directive (EPBD), the European Commission's Affordable Housing Plan and the forthcoming Affordable Housing Act demonstrate a growing recognition that access to affordable, energy-efficient housing is fundamental not only to achieving climate objectives, but also to strengthening Europe's competitiveness, economic resilience and social cohesion.

Housing and housing finance therefore have a central role to play in Europe's transition economy. Buildings account for around 40% of energy-related emissions in Europe, while more than 220 million homes require improvements in their energy performance if the European Union is to achieve its long-term climate and energy objectives. Delivering this transformation will require unprecedented levels of investment that cannot be financed through public funding alone. Private finance must therefore play a central role in supporting the renovation of Europe's building stock, reducing household energy costs, addressing energy poverty and improving housing affordability, while simultaneously supporting economic growth and job creation.

Today, residential mortgage lending represents almost half of EU GDP, making mortgage lenders uniquely positioned to support this transformation. However, experience over the past decade has demonstrated that finance alone is insufficient to stimulate renovation at the scale required. While access to financing remains essential, homeowners also need trusted information, practical guidance, reliable renovation professionals, consistent market standards and confidence that the investment they are making will deliver long-term value.

It was in response to this challenge that the **Energy Efficient Mortgages Initiative (EEMI)** was established.

Since its launch, the EEMI has progressively evolved from a market-led initiative promoting energy efficient mortgage lending into a broader market ecosystem bringing together financial institutions, investors, valuers, public authorities, SMEs, technology providers and consumers. Rather than focusing solely on green mortgage products, the Initiative seeks to create the conditions that enable homeowners to undertake renovation with confidence by strengthening cooperation across the entire housing finance value chain.

The objective is straightforward: to transform what is often a fragmented and complex renovation process into a more coordinated customer journey supported by common market standards, trusted information, innovative financing solutions and collaboration between all actors involved in residential renovation. In doing so, the Initiative contributes not only to Europe's environmental ambitions but also to wider objectives relating to affordability, financial stability, competitiveness and consumer protection.

Over almost a decade, this vision has progressively taken shape through a series of complementary initiatives. At its heart sits the **Energy Efficient Mortgage Label (EEML)**, which provides a recognised market benchmark for energy efficient mortgage products and establishes common standards for transparency and disclosure. Around this foundation, successive initiatives, including the LIFE-funded DeliverEEM and OSSential projects (see below for more details), are strengthening the technical, behavioural and operational components needed to support the large-scale deployment of sustainable housing finance across Europe.

This evolution reflects an important lesson emerging across the European renovation market: successful renovation depends not on individual products or isolated policy measures, but on an integrated ecosystem capable of supporting consumers throughout the entire renovation journey. Finance, valuation, technical advice, trusted renovation professionals, digital tools and public policy must increasingly operate as complementary components of a single market framework if Europe is to achieve its housing, climate and competitiveness objectives.

## FROM VISION TO IMPLEMENTATION

To translate this vision into practical market solutions, the EEMI has progressively expanded beyond developing common market standards to supporting their implementation through collaborative European projects.

This evolution has enabled the Initiative to move from establishing principles and market frameworks towards delivering practical tools, methodologies and partnerships that support financial institutions, investors, valuers, SMEs and, ultimately, homeowners themselves. As a result, the EEMI is no longer simply promoting sustainable housing finance: it is actively building the market ecosystem needed to make it work in practice.

## FROM FRAMEWORK TO IMPLEMENTATION: DeliverEEM

Having established the foundations of the Energy Efficient Mortgage Ecosystem, the next stage has been to strengthen the market infrastructure needed to support its large-scale deployment.

To this end, the EEMI launched **DeliverEEM – Delivering the Energy Efficient Mortgage Ecosystem**, a project funded under the LIFE Programme. Rather than creating a new initiative, DeliverEEM builds directly on the foundations established by the EEMI and the Energy Efficient Mortgage Label, helping to translate the ecosystem from a market vision into practical solutions capable of supporting financial institutions, investors, valuers, SMEs and consumers.

Since its launch in October 2024, DeliverEEM has generated important advances across several areas that are fundamental to scaling sustainable housing finance across Europe.

One of the project's principal achievements has been strengthening the analytical foundations of energy efficient mortgage lending. Working with financial institutions, DeliverEEM has successfully developed and validated data-driven methodologies for identifying EU Taxonomy-aligned residential assets, testing these using both representative sample portfolios and live mortgage books. Alongside this work, a European benchmarking exercise has established the basis for a transparent and replicable methodology capable of supporting wider implementation across European mortgage markets. Building on previous EEMI research, the project has also begun extending its analysis of the relationship between building energy performance and mortgage credit risk while incorporating forward-looking physical climate risks into financial modelling. These developments contribute to improving the understanding of both transition and physical risks associated with residential mortgage portfolios.

DeliverEEM is also strengthening the integration of **environmental, social and governance (ESG)** considerations into residential property valuation. Survey work undertaken across six European countries has confirmed growing recognition within the valuation profession of the importance of energy performance and climate-related risks, while identifying practical challenges relating to data availability and methodological consistency. These findings are directly informing the development of an updated EEMI Valuation Checklist and Guidance, supporting greater consistency in valuation practices across European markets.

Recognising that the transition depends not only on finance but also on the capacity of the renovation market itself, DeliverEEM is supporting SMEs through the development of the **Green Print Sustainability Pathway**. By providing structured ESG assessments, sustainability analysis and decarbonisation planning, the project is helping renovation professionals strengthen operational resilience, improve ESG performance and prepare for future market opportunities. This work contributes to building a stronger, more transparent and more resilient renovation supply chain capable of supporting homeowners throughout their renovation journey.

DeliverEEM also places particular emphasis on **generating and sustaining consumer demand**. Behavioural research undertaken with participating financial institutions has demonstrated that barriers to renovation are frequently behavioural rather than purely financial. While financing products continue to evolve, many households remain uncertain about where to start, which renovation measures to prioritise and whom to trust. Working directly with lenders, DeliverEEM has therefore developed practical behavioural solutions designed to improve customer journeys, strengthen advisory processes, enhance communication and support financial institutions in engaging more effectively with homeowners. These approaches are now being incorporated into participating institutions' business models and customer interfaces, helping to transform research findings into practical market innovation.

Alongside these activities, DeliverEEM continues to strengthen the Energy Efficient Mortgage Label itself. Through the annual review of the Harmonised Disclosure Template and ongoing work on the technical framework underpinning the Label, the project is ensuring that the Label remains aligned with evolving European legislation while maintaining the transparency, comparability and market confidence expected by lenders, investors and regulators alike.

Taken together, these activities demonstrate the continued evolution of the Energy Efficient Mortgage Ecosystem. DeliverEEM is not simply developing new methodologies or technical tools; it is reinforcing the market infrastructure needed to support sustainable housing finance at scale. By combining advances in risk analysis, valuation, disclosure, consumer engagement and supply-chain capacity, the project is helping to create the conditions in which sustainable housing finance can become an increasingly mainstream component of European mortgage markets.

### OPERATIONALISING THE ECOSYSTEM: OSSENTIAL

While DeliverEEM is strengthening the technical and market foundations of the ecosystem, the next stage of its evolution focuses on bringing these developments closer to citizens.

To this end, the EEMI has secured further LIFE Programme funding through **OSSential**, a project commencing in October 2026 that seeks to operationalise the ecosystem through a new generation of One-Stop Shops (OSS). The project addresses one of the most persistent barriers to residential renovation: the fragmentation of the renovation value chain. Homeowners frequently face a complex landscape of technical advisers, contractors, financial institutions and public support schemes, making it difficult to navigate renovation projects with confidence.

OSSential seeks to overcome this fragmentation by bringing together actors from across the renovation value chain within a coordinated local framework. Recognising that "trust is local", the project places One-Stop Shops at the centre of the customer journey, enabling homeowners to access technical advice, trusted renovation professionals, financing solutions and information on available public support through a single, integrated entry point.

Building directly on the work undertaken through DeliverEEM, OSSential will also strengthen cooperation between local authorities, financial institutions, SMEs and other market participants. The project's Navigator will help consumers identify trusted renovation experts and financing partners, while drawing on the ESG guidance and market tools developed through earlier EEMI initiatives. Through demonstration activities in Parma, the project will test how this integrated approach can accelerate renovation while improving the customer experience and strengthening collaboration across the entire value chain.

Together, DeliverEEM and OSSential demonstrate how the EEMI has evolved from establishing common market standards to supporting their practical implementation. They reinforce the Energy Efficient Mortgage Label, strengthen cooperation across the housing finance ecosystem and contribute to creating a more integrated, transparent and consumer-centred market for sustainable housing finance.

## THE ENERGY EFFICIENT MORTGAGE LABEL: THE FOUNDATION OF THE ECOSYSTEM

At the heart of the Energy Efficient Mortgage Ecosystem lies the **Energy Efficient Mortgage Label (EEML)**, launched in 2021 as a voluntary quality benchmark designed to promote transparency, consistency and confidence in the market for energy efficient mortgage lending. Building on almost a decade of work under the Energy Efficient Mortgages Initiative, the Label provides a common market framework that supports lenders, investors, regulators and consumers while encouraging greater harmonisation across European mortgage markets.

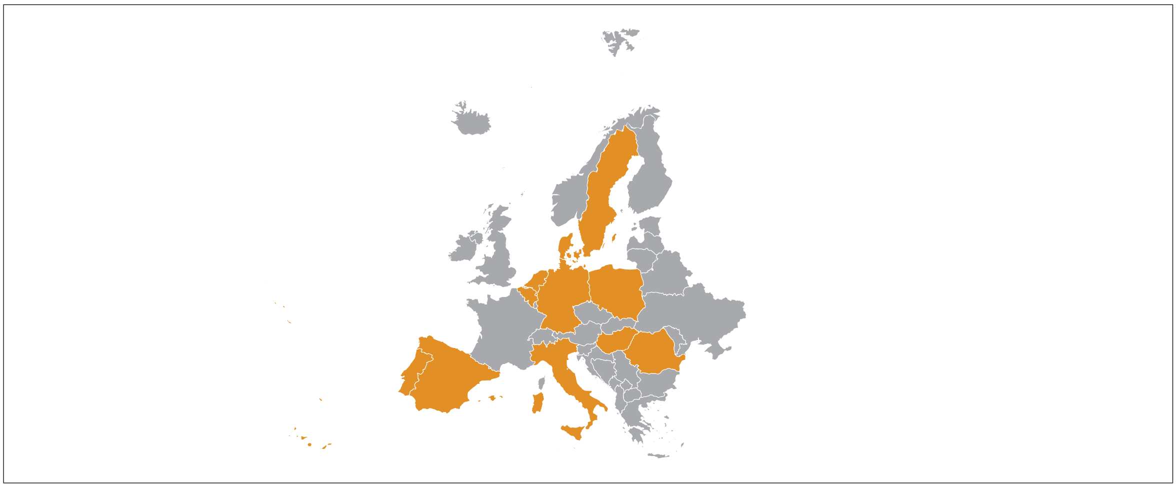
Developed using the internationally recognised Covered Bond Label as its blueprint, the EEML applies the same market-led philosophy of transparency, standardisation and self-certification. Through common disclosure standards and publicly available information, the Label enables market participants to identify energy efficient mortgage products that meet agreed market principles while supporting investor due diligence, reducing information asymmetries and reinforcing confidence in sustainable housing finance.

Today, however, the Label performs a broader role than simply recognising eligible products. It has become the common framework around which the wider Energy Efficient Mortgage Ecosystem continues to evolve. DeliverEEM strengthens its analytical foundations through improved methodologies, valuation guidance and disclosure practices, while OSSential extends these principles into the practical delivery of renovation support through trusted local partnerships. In this way, the Label acts as the anchor that ensures consistency, transparency and market confidence across the growing ecosystem.

The Label is built around the **EEML Convention** and a robust process of self-certification, supported by a governance structure comprising the Label Committee, the Label Secretariat and the Label Advisory Council. This governance framework ensures that the Label continues to evolve alongside market developments while preserving the transparency and credibility that underpin its success.

As of July 2026, the Label brings together **15 pioneering lending institutions from 9 countries**, demonstrating growing market acceptance across a diverse range of banking models, from large international lenders to regional institutions and FinTech platforms. This broad participation reflects increasing recognition that common market standards are essential for scaling sustainable housing finance across Europe.

> FIGURE 1: GEOGRAPHICAL BREAKDOWN OF EEM LABEL LENDING INSTITUTIONS



Source: EEM Label Data

## KEY ELEMENTS OF THE ENERGY EFFICIENT MORTGAGE LABEL

Participation in the EEML is based on voluntary self-certification. Lending institutions wishing to obtain the Label commit to complying with the EEML Convention and to providing regular, transparent disclosure through the Harmonised Disclosure Template (HDT) or, where appropriate, the Harmonised Reporting Template (HRT) for retrofitting loans. These disclosures provide investors, regulators and other market participants with consistent information regarding labelled products, while supporting comparability across jurisdictions and strengthening confidence in the asset class.

### The EEM Definition and the Label Convention

The EEM Definition, first introduced in 2018, establishes the principles underpinning the Label and provides the technical benchmark for determining eligibility. It defines Energy Efficient Mortgages as loans financing the purchase, construction or renovation of residential and commercial buildings that either meet recognised market best practice for energy performance or achieve a minimum 30% improvement in energy performance following renovation.

Evidence supporting eligibility is provided through a recent Energy Performance Certificate (EPC), complemented by an appropriate property valuation undertaken in accordance with the EEM Valuation & Energy Efficiency Checklist. Participating lending institutions further commit to providing regular disclosure through the HDT or HRT, ensuring ongoing transparency throughout the life of the labelled product.

Reflecting the dynamic nature of both European legislation and sustainable finance markets, the Label Committee continues to review and update the Definition and Convention to maintain alignment with developments such as the EU Taxonomy and the broader sustainable finance framework.

## TRANSPARENCY THROUGH HARMONISED DISCLOSURE

Transparency remains one of the defining principles of the Energy Efficient Mortgage Label.

As sustainable finance continues to evolve, market participants increasingly require high-quality, consistent and comparable information. The Harmonised Disclosure Template (HDT) addresses this need by providing a common framework through which lending institutions disclose both portfolio-level and product-level information relating to their energy efficient mortgage activities. This facilitates investor due diligence, supports regulatory reporting and contributes to greater market transparency while helping to mitigate the risk of greenwashing.

The HDT also promotes greater consistency in the collection and management of mortgage, property and energy performance data, creating a common language across the European mortgage market. While maintaining a harmonised structure, the framework retains sufficient flexibility to accommodate national market characteristics through the work of National Coordinators and the annual review process undertaken by the Disclosure Working Group. This ensures that the template remains responsive to both market innovation and evolving regulatory requirements.

Recognising that sustainable finance regulation continues to develop rapidly, the HDT undergoes annual review. DeliverEEM contributes directly to this process, helping ensure that the Label remains aligned with emerging European legislation while preserving the transparency, stability and comparability that market participants expect.

> FIGURE 2: HDT DATA PRESENTATION ON THE EEML WEBSITE


Source: EEM Label website: https://www.energy-efficient-mortgage-label.org/products

## THE HARMONISED REPORTING TEMPLATE

Complementing the HDT, the Harmonised Reporting Template (HRT) provides a dedicated reporting framework for retrofitting loans that support improvements in the energy performance or environmental resilience of existing buildings.

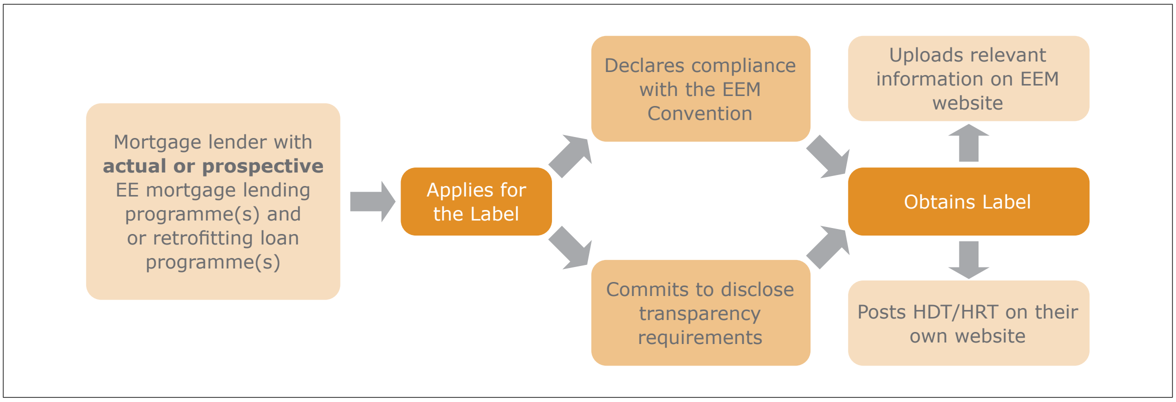
The HRT applies the same principles of transparency and standardisation while recognising the specific characteristics of renovation lending. By collecting consistent information relating to targeted loans, non-targeted loans and leasing products, it strengthens the market’s understanding of financing dedicated to residential renovation and contributes to the continued development of sustainable housing finance across Europe.

## SELF-CERTIFICATION: A MARKET-LED MODEL

As with the Covered Bond Label, the Energy Efficient Mortgage Label is founded on a process of self-certification.

Participating lending institutions declare compliance with the EEML Convention and commit to maintaining the transparency requirements established by the Label. Public disclosure through the HDT and HRT enables ongoing scrutiny by investors, rating agencies and other market participants, creating a market-led mechanism that reinforces credibility and significantly reduces the risk of greenwashing. In practice, the reputational importance of maintaining accurate disclosures provides a strong incentive for continued compliance and has proved an effective approach in supporting market confidence.

> Figure 3: EEM Label Self–Certification Process




Source: Energy Efficient Mortgage Label

## CONCLUSION

The Energy Efficient Mortgages Initiative (EEMI) has evolved into one of Europe's leading market-led collaborations supporting the transition towards a more sustainable, affordable and resilient housing market. Over almost a decade, it has brought together financial institutions, investors, valuers, public authorities, technology providers, SMEs and consumers to develop common standards, practical tools and innovative solutions that strengthen the entire housing finance value chain.

This evolution reflects an important lesson emerging across Europe: achieving the housing transition is not simply about developing new financial products. While sustainable finance remains essential, successful renovation depends upon the interaction of many complementary elements, including transparent market standards, robust valuation methodologies, trusted renovation professionals, consumer engagement, behavioural insights and effective local delivery mechanisms. The Energy Efficient Mortgage Ecosystem seeks to bring these elements together within a coherent market framework capable of supporting homeowners throughout the renovation journey.

The Energy Efficient Mortgage Label provides the common foundation for this ecosystem, promoting transparency, comparability and confidence across the market. Building on this foundation, DeliverEEM is strengthening the analytical, technical and behavioural components needed to support the large-scale deployment of sustainable housing finance, while OSSential represents the next step by bringing these innovations closer to citizens through trusted local partnerships and integrated renovation support.

Together, these initiatives demonstrate how public policy, market innovation and private finance can work in partnership to accelerate Europe's housing transition. They also illustrate how the mortgage sector can contribute not only to climate objectives, but equally to improving housing affordability, reducing household energy costs, supporting economic competitiveness and strengthening long-term financial stability.

Yet, throughout this transformation, it is important to remember that the real decision-makers are homeowners themselves. Every renovation ultimately depends upon an individual or family deciding that improving their home is worthwhile. This decision must therefore be supported not only by appropriate regulation and public incentives, but also by clear information, trusted advice, accessible financing and confidence that the benefits will outweigh the costs.

The transition should not become the preserve of those households already able to invest in sustainability. On the contrary, it should create tangible benefits for those who need them most: families facing high energy costs, vulnerable households living in inefficient homes and citizens seeking greater comfort, resilience and affordability. Making sustainable housing both accessible and financially attractive is therefore fundamental to ensuring that the transition is socially inclusive as well as environmentally successful.

Indeed, our homes, the places where we raise our families, build our communities and shape our future, lie at the very heart of our economy. It is perhaps no coincidence that the ancient Greek word *oikos*, meaning "home", also forms the root of the word *economy*. A truly sustainable economy must therefore be built around the home, placing citizens at the centre of the transition and creating an ecosystem that promotes affordability, sustainability, resilience and long-term prosperity.

Through the Energy Efficient Mortgages Initiative and the wider Energy Efficient Mortgage Ecosystem, the mortgage and covered bond industries are helping to lay the foundations for precisely this new market paradigm. By combining market standards, innovation, transparency and collaboration across the housing finance value chain, the Initiative is contributing to a European housing market that is better equipped to meet the challenges of the future while supporting economic growth, financial stability and improved quality of life for citizens across Europe.

## 1.6 THE SUCCESS STORY OF THE COVERED BONDS DIRECTIVE: WHAT SHOULD WE EXPECT NEXT?

By Elena Bortolotti, Chairwoman of the ECBC Rating Agency Approaches Working Group and Natixis,
Joost Beaumont, Chairman of the ECBC Statistics & Data Working Group and ABN AMRO,
Claudio Domingues, Millennium bcp and Antonio Farina, S&P Global Ratings

### INTRODUCTION

Few areas of EU financial regulation can claim the same coherence and market acceptance as the covered bond framework. The 2019 Covered Bond Directive (CBD or Directive) brought national regimes under a shared architectural logic – consistent standards on asset quality, liquidity, overcollateralisation and public supervision – while preserving the market variety that has long characterised the product across jurisdictions.

Article 31 of the Directive was designed to ensure its performance would not go unexamined. It mandated the European Commission (EC), working closely with the EBA, to assess how the rules were functioning in practice and report back to the co-legislators. Acting on a formal Call for Advice (CfA) issued in July 2023, the EBA published its advice on 23 September 2025. This was the first systematic review of the framework since transposition was completed. The Commission, which was required to submit its own report to the European Parliament and Council by July 2025, is understood to still be preparing it, with any legislative follow-up to be determined.

The EBA's headline conclusion is unambiguous: the framework is working. Across harmonisation, investor protection, CBD/CRR alignment and scope, the advice confirms that the architecture put in place by the CBD has broadly delivered on its objectives. Where the EBA identifies divergences, these are largely a function of the Directive's principle-based design, which was an intentional feature and not an oversight. The recommendations that follow are correspondingly targeted. On cover pool assets, it proposes restricting eligible categories to those defined under Article 129 CRR, tidying up provisions that have seen negligible practical use. On extendable maturity structures – with soft bullet maturities now firmly one of the market standards – it calls for extension triggers to be clearly and objectively defined in national law, bringing greater supervisory consistency to soft bullet mechanisms. Overcollateralisation thresholds, liquidity buffer effectiveness and the treatment of derivatives in cover pools each attract refinements rather than structural overhaul.

On the larger questions, the EBA endorses, even if with conditions, a third-country equivalence regime, and calls for a reopening of the European Secured Notes (ESNs) debate subject to a renewed political interest following the first issuance of the instrument in June 2026. Finally, ESG disclosure in cover pools is also addressed, with targeted proposals on climate risk metrics for immovable property assets.

As we await whether the EC will accompany its report with legislative proposals, the overall message from the EBA seems one of calibrated continuity. The sections that follow examines the state of play across five areas where the advice is consequential: extendable maturity features, liquidity buffer requirements, the European Covered Bond label, the treatment of derivatives in cover pools, and the proposed third-country equivalence regime. Furthermore, we have included a section on how the CBD has reshaped the covered bond market and preferred issuance formats.

### EXTENDABLE MATURITIES FEATURES

As part of the harmonisation effort, the CBD introduced for the first time European-wide legislation for the concept of extendable maturities, and in particular the need to harmonise the various extension options that many covered bond programmes had contractually introduced. To assure investor protection, Art.17 of the CBD clearly outlines the requirements issuers need to meet to be able to issue covered bonds with extendable maturities. Namely, the CBD requires Member States to include objective triggers specified in national law, that are not at the discretion of the issuer, as conditions for covered bonds to extend.

Looking at how the extension features have been transposed into national covered bond frameworks, we can group the triggers into two main groups: (i) countries where the extension is a tool available for the cover pool administrator to avoid the insolvency of the issuing entity, and (ii) countries where the extension can occur, or be decided upon, prior to the insolvency of the issuing bank, and will be triggered simply via non-payment of principal or interest on the covered bonds, even if still subject to conditions. It is not surprising that each Member State has identified slightly different triggers; finding one solution fits all would have been arduous mainly since across Member States we have at least three covered bond issuance models: ring-fencing on balance sheet, specialist banking model and SPV guarantor structure.

The EBA, on the other hand, found that the circumstances that initiate an extension process prior to the issuer's insolvency are often unclear and left to the discretion of the issuer. Therefore, it recommends Member States define clearly the extension triggers with an objective and finite list of events, furthermore, suggesting that the National Competent Authorities (NCAs) perform an assessment of the involvement of the issuer before the realisation of the extension trigger, if the extension can occur prior to the issuer's insolvency. Finally, the EBA suggests the need to introduce requirements aimed at involving investors in the running-up of an extension with the aim of performing an unlikely to pay assessment. It will be interesting to see what the EC decides and in fact if it will require more harmonisation and standardisation.

## LIQUIDITY BUFFER REQUIREMENTS

Linked to the maturity extension triggers is the calculation of the liquidity buffer while Art.16 paragraph 2 of the CBD prescribes how the liquidity buffer should be calculated stating that the cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days, discretion was left to the national regulators to assess if the expected or the extended maturity date should be considered when including principal payments in the programme outflows. We focused our analysis on the top 12 Member States by covered bond issuance volumes and can report that only 3 countries being Denmark, Germany and Spain include covered bond principal payments as outflows at all times in the liquidity buffer calculation while the other 9 all allow issuers to calculate the liquidity buffer using the extended maturity date in case of soft bullet or conditional pass-through covered bonds.

The liquidity requirement introduced in Art.16 of the CBD was another feature under scrutiny in the EBA report. The EBA focused on the discretion used when calculating the buffer and in particular the inclusion of principal outflows. The EBA's recommendation is to introduce additional conditions to continue using the discretion prior to an Issuer event with the aim of guaranteeing sufficient liquidity in the interest of the investor. Furthermore, where an extension trigger could be used prior to the issuer's insolvency, the EBA suggests introducing a protection scheme or a plan to replenish the buffer in case it has been depleted.

## MINIMUM OVERCOLLATERALIZATION

Another requirement that was left to transpose at the national regulators' discretion was the minimum overcollateralization amount. Regulation (EU) 2019/2160 allows national regulators to set the minimum level of overcollateralization between 2% and 5%. Our analysis shows that various Member States have introduced distinct levels of overcollateralization for different types of cover pool assets, for example in Germany, the nominal overcollateralization required is 2% if the cover pool assets are either mortgages or public sector assets while for shipping and aircraft cover pools the overcollateralization requirement in 5%. Focusing on cover pools backed by residential mortgages, out of the 12 jurisdictions assessed, Denmark, Germany, Sweden, Austria and Finland have transposed a 2% minimum overcollateralization amount while for the remaining seven (i.e. France, Spain, Netherlands, Italy, Norway, Belgium and Portugal) require a 5% overcollateralization amount. It is worth noting how in some jurisdictions the statutory overcollateralization is higher than what the rating agencies require to assign the rating to the covered bond.

## EUROPEAN COVERED BOND LABEL

When looking at how each Member State has transposed the labelling requirement (Art.27 CBD) it is clear that each national regulator has focused on giving the ability to their issuers to issue European Covered Bonds (Premium) or European Covered Bonds (Ordinary). European Covered Bonds (Premium) are covered bonds which are complaint with both the CBD and Art. 129 of the Capital Requirements Regulation (CRR) while European Covered Bond (Ordinary) only comply with the requirements of the CDB. Furthermore, we note that of the 12 Member States analysed none seem to have transposed the ability to issue European Covered Bonds backed by assets such as auto loans or public undertakings. Finally, we have seen divergence amongst Member States on how grandfathered covered bonds (which continue to benefit from preferential risk-weighting) should be labelled, there are some jurisdictions like Spain and Belgium where once the covered bond programmes have been updated to become CBD and CRR compliant, all covered bonds issued from the programme pre or post 8 July 2022 have been/can be labelled as European Covered Bond (Premium) while in most other jurisdictions only covered bonds issued post the update of the programme to comply with the new covered bond package can benefit from the European Covered Bond (Premium) label.

The transposition of the CBD in national laws also implied that regulators needed to publish publicly the details of covered bonds/covered bond programmes in their respective jurisdictions, including details of the label that they carry. Most covered bonds have the Premium Label given that they comply with the CBD as well as article 129 of the CRR. Overall, the transition to the Premium Label has gone smoothly, with the first Premium-labelled euro benchmark covered bond was issued on 18 July 2022 by German bank LBBW and many more since then. In fact, almost all euro benchmark covered bonds that were issued after 8 July 2022 have the Premium label, while in some countries also covered bonds issued before 8 July 2022 have been labelled Premium following an update of the issuers' covered bond programmes. As such, a large portion of the index already consists of Premium-labelled covered bonds, and this will only grow over time.

## TREATMENT OF DERIVATIVES

The use of derivatives in covered bond programmes across Member States varies and is very dependent on the type of issuance structure as well as on the rating of the issuer. Some programmes still cater for both asset and liability swaps while on the opposite spectrum we have programmes with no derivatives in place at all. Furthermore, there are programmes where the swaps are internal and others where the swapcounterparty is an external eligible counterparty.

While the EBA acknowledges that covered bond issuers use derivatives solely for risk hedging purposes in accordance with Article 11 of the CBD, it is concerned about the potential consequences of early termination of these contracts in the event of issuer insolvency.

The EBA's key recommendations are as follows:

1. Eligible Collateral: The EBA recommends that counterparties post collateral either in cash or in highly liquid securities issued by Credit Quality Step 1 (CQS 1) central governments.
2. Collateral Segregation: The EBA advises that cash collateral should be held in a registered, segregated account with an independent party, rather than simply being registered within the cover pool.
3. Internal Hedges: The EBA recommends that a committed substitute counterparty be available to step into any internal hedge derivative contract that is terminated, or alternatively, that the internal hedge be replaced with a hedge from an external eligible counterparty. This substitution should replicate the material terms of the original internal hedge and must occur if the credit quality step of the internal hedge's counterparty to the covered bond estate or segregation SPV falls below CQS 2.

| Issuer Country | OC Requirement | | Liquidity Buffer Calculation | Extension Triggers |
|---|---|---|---|---|
| Denmark | 2% nominal<br>2% nominal<br>2% nominal | CRR Compliant - Residential<br>CRR Compliant - Commercial<br>CRR Compliant - Ships | > Principal included at all times | > A refinancing failure trigger and an interest rate trigger |
| Germany | 2% NPV + Nominal 2%<br>2% NPV + Nominal 2%<br>5% NPV + Nominal 5%<br>5% NPV + Nominal 5% | Public Sector<br>Mortgage<br>Ship<br>Aircraft | > Principal included at all times | > Following an Issuer bankruptcy/resolution |
| France | 5% nominal<br>5% nominal | All types | > If the Issuer issues soft bullet covered bonds then the extended maturity date will be used to calculate the liquidity buffer | > Issuer bankruptcy/resolution<br>> Lack of liquidity: breach of liquidity rules<br>> Issuer failure to pay |
| Spain | 5% nominal<br>5% nominal | Mortgage<br>Public Sector | > For soft bullet covered bonds, the final maturity date is used to calculate the liquidity buffer | > Issuer bankruptcy/resolution<br>> Lack of liquidity; breach of liquidity rules<br>> Other: The declaration of non-viability of the issuer in accordance with Art. 8 of Law 11/2015 of 18 June 2015 on the recovery and resolution of credit institutions and investment services firms The existence of serious disturbances affecting the national financial markets, where this has been assessed by the Macroprudential Authority Financial Stability Board (AMCESFI) by means of a public communication. |
| Sweden | 2% nominal and NPV | All types | > If the Issuer issues soft bullet covered bonds then the extended maturity date will be used to calculate the liquidity buffer | > The maturity may be extended subject to such extension being permitted by the Swedish FSA as a result of it being deemed likely that the extension will prevent insolvency. |
| Netherlands | 5% nominal | Taking CRR LTV cut-off limits into account | > Calculation of the net liquidity outflow shall be assumed that the principal amount of the covered bonds is to be repaid on the extended maturity date | > Issuer bankruptcy/resolution<br>> Issuer failure to pay |
| Italy | 5% nominal | Residential | > Principal included only if covered bonds extend | > Issuer event of default (includes failure to pay)<br>> The Guarantor has insufficient moneys available under the Priority of Payments to pay the guaranteed amounts corresponding to the final redemption amount in full, in respect of the relevant series of OBG. |
| Norway | 5% nominal<br>2% nominal | Mortgage or commercial real estate<br>Public sector | > Calculation of the liquidity buffer requirement for covered bonds allowing for maturity extensions may be based on the extended maturity date | > Issuer bankruptcy/resolution<br>> Other<br>> The Issuer is likely to fail in the near future and there is no reasonable prospect that any alternative measures can prevent the issuer from failing. |
| Austria | 2% nominal (or optional 2% PV) | All types | > Calculation of the liquidity buffer requirement for covered bonds allowing for maturity extensions may be based on the extended maturity date | > Issuer bankruptcy/resolution |
| Finland | 2% market value<br>5% market value | If CRR 129 article 3a met<br>If not met | > Calculation of the liquidity buffer requirement for covered bonds allowing for maturity extensions may be based on the extended maturity date | > Lack of liquidity; actual/potential breach of liquidity rules<br>> Other: Issuer unable to obtain conventional long-term funding |
| Belgium | 5% value of cover asset basis | On a value of Cover Asset basis | > If the Issuer issues soft bullet covered bonds then the extended maturity date will be used to calculate the liquidity buffer | > Issuer bankruptcy/resolution<br>> Issuer failure to pay |
| Portugal | 5% nominal<br>10% nominal<br>10% nominal | Mortgages and public sector (CRR Compliant)*<br>Mortgages (CRR Compliant) backed by commercial mortgages allowing maximum LTV of 70%*<br>Public Sector (non-CRR-compliant)<br>** pursuant to CRR requirements* | > Principal included only if covered bonds extend | > Issuer failure to pay<br>> Other: Withdrawal of the issuer's banking licence. CMVM can object to maturity extension. |

Source: https://compare.coveredbondlabel.com/frameworks

Some of these proposals may negatively affect issuance volumes and risk hedging capabilities. Maintaining current rating levels would likely require higher overcollateralisation, increasing balance sheet encumbrance. These impacts would be especially pronounced in lower-rated jurisdictions and those outside the Euro Area, where derivatives are also used to mitigate currency risks when issuing in euros.

## THIRD-COUNTRY EQUIVALENCE

There have been a lot of discussions around third-country equivalence and what the requirements will be for non EEA covered bonds to be considered as equivalent. The EBA supports introducing an equivalence regime for covered bonds from third countries. Currently, covered bonds issued by non-EU credit institutions and purchased by EU credit institutions receive less favorable regulatory treatment than those issued and purchased within the EU. An equivalence decision would allow eligible third-country covered bonds to benefit from reduced risk weights and classification as level 2A assets for LCR purposes, without requiring individual assessments (see also: "Covered Bonds: A Global Perspective").

## HOW THE CBD HAS RESHAPED THE MARKET

The section that follows gives an overview of how the extension formats introduced via the CBD are shaping the covered bond market.

### Soft bullet dominant structure

One of the key features of the CBD was the inclusion of conditions governing extendable maturity structures. These conditions were incorporated into the CfA to assess whether these extension features are sufficiently disclosed, allowing investors to properly assess both the risks and benefits of extendable covered bonds.

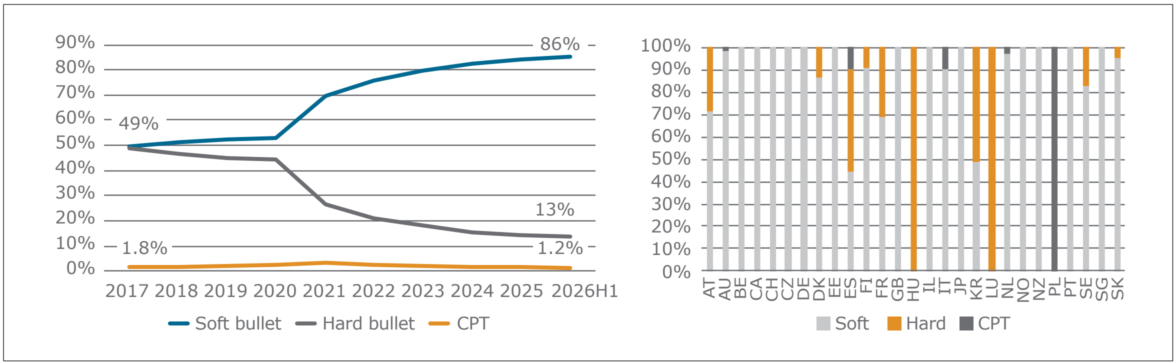
Below, we examine the current market landscape for covered bonds with extendable maturities, as well as the investor perspective. The data shows that the share of covered bonds with extendable maturities—either in soft bullet or conditional pass-through (CPT) format—had already begun to increase prior to the completion of the CBD in 2019. As early as 2017, 49% of euro benchmark covered bonds in the iBoxx index featured a soft bullet structure, while 1.8% were issued in CPT format, leaving roughly 49% as traditional hard bullet covered bonds.

By June 2026, however, the composition had shifted dramatically. Hard bullet covered bonds accounted for only 13% of the iBoxx euro covered bond index, while soft bullet structures dominated with an 86% share, and CPT structures remaining with only 1%. This evolution suggests that the transposition of the CBD into national covered bond laws has accelerated the adoption of extendable maturity structures, as more jurisdictions have explicitly permitted such features within their legal frameworks.

As a result, soft bullet covered bonds have become the dominant structure in the market. A notable example is the German Pfandbrief market, which represents nearly 20% of the total index. In 2021, German Pfandbriefe transitioned from hard bullet to soft bullet structures in a single step, significantly contributing to this broader shift.

Overall, the gap between hard and soft bullet structures has widened substantially. While their shares were roughly equal at the end of 2017, the difference had expanded to 73 percentage points by June 2026, underscoring the decisive market shift toward extendable maturity formats.

> FIGURE 1: OUTSTANDING AMOUNTS OF COVERED BONDS IN IBOXX EURO COVERED BOND INDEX BY MATURITY STRUCTURE OVER THE YEARS (LEFT, % SHARE IN TOTAL) AND BY COUNTRY (JUNE 2026 INDEX, % SHARE)




Source: Bloomberg, ABN AMRO, 2025 data is June index

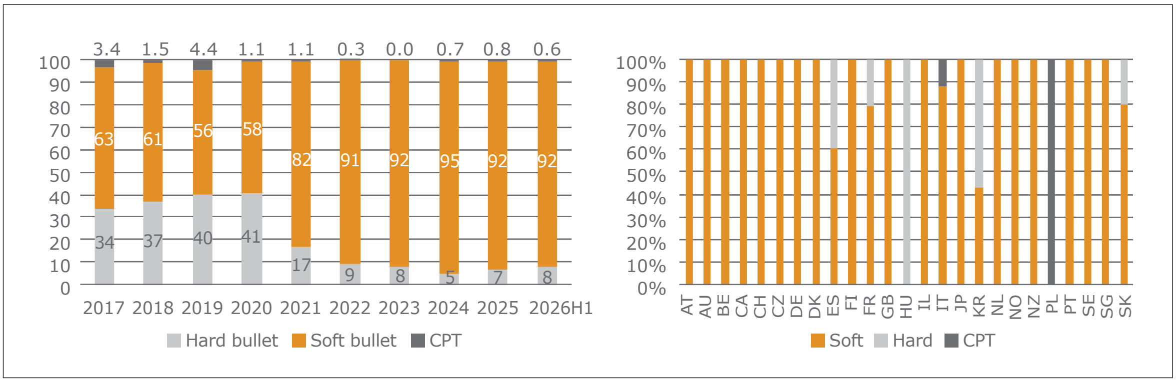
A breakdown of outstanding covered bonds by maturity type and country shows that Luxembourg and Hungary are jurisdictions with only hard bullet covered bonds outstanding (but only a few bonds in total), while in Spain and South Korea around 50% of outstanding covered bonds are still in hard bullet format. Meanwhile, Austria and France are jurisdictions where around one third of outstanding euro benchmark covered bonds are hard bullets. Finally, Denmark, Sweden, Finland and Slovakia also have issuers that issue hard bullet covered bonds, but their share in the total is limited.

However, around half of the jurisdictions that are included in the index have only soft bullet covered bonds outstanding, while some (four in total) have a combination of only soft bullet and CPT covered bonds, although the share of the latter remains limited. Indeed, CPT covered bonds have remained a niche, except for Poland where all covered bonds have CPT structures, as it is a requirement by their covered bond law.

As said, the CBD has stimulated more and more countries to embrace the maturity extension structure when transposing the CBD into national law. As a result, soft bullet covered bonds will further enlarge their footprint, with CPT covered bonds slowly disappearing. Having said that, some issuers continue to prefer to issue hard bullet covered bonds, which implies that this structure will remain having a place in the covered bond market. These trends have also been reflected in the issuance data. In 2020, 58% of the total volume of new supply were soft bullet covered bonds, while still 41% had a hard bullet structure.

Last year, the share of soft bullet covered bonds in total issuance was 92%, with 7% having a hard bullet structure and 1% a CPT structure. In H1 2026, the share of soft bullets was 91% while that of hard bullet covered bonds rose slightly to 8%. The latter was related to large volumes of supply of a large French hard bullet covered bond issuer and few CEE banks that came to the market with covered bonds in hard bullet format. This confirms that hard bullet covered bonds will continue to play a meaningful role in the covered bond market, although soft bullet covered bonds will remain by far the dominant structure.

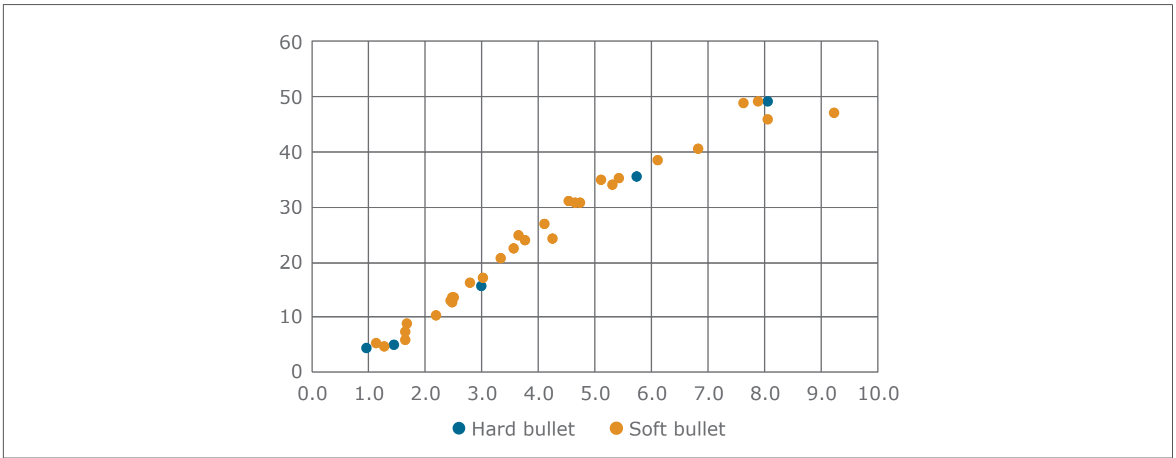
> Figure 2: New issuances of covered bonds in iBoxx euro covered bond index by maturity structure over the years (left, % in total) and by country (in H1 2026, % share)




Source: Bloomberg, ABN AMRO

The increasing dominance of soft bullet covered bonds has gone hand in hand with investor confidence in investing in covered bonds with maturity extension features. A couple of issuers have both hard and soft bullet covered bonds in the iBoxx index, which allows for a good comparison of any price differences between both structures. The chart below, taken from a French issuer, shows that there seems to be no price difference between hard and soft bullet covered bonds, underlining that investors do not see any difference in the risks attached to these bonds. A similar picture arises when looking at other issuers. This underlines that covered bonds with extendable maturities have become well established and well accepted.

> Figure 3: Pricing soft bullet covered bonds of one French issuer, x-axis is years-to-modified duration, y-axis: z-spreads in bps




Source: Bloomberg, ABN AMRO

## CONCLUSION

Twenty-seven member states, each with its own legal tradition and covered bond history – some centuries old, others barely a generation – made harmonisation look like an unlikely ambition at the outset. Full transposition of the Covered Bond Directive has turned that ambition into a real achievement, a reading the EBA now backs directly: its long-awaited advice states plainly that the framework is delivering. Much of this owes to the

CBD's principle-based design and to the European Commission's engagement with industry expertise, such as through the ECBC and its working groups, a combination that has proven both pragmatic and forward-looking.

Under the Directive, a shared understanding of covered bonds has taken hold even as Member States retain real discretion over overcollateralisation, liquidity buffers and maturity extension. The market shows it: soft bullet structures, roughly half the euro benchmark index in 2017, now make up 86% as of June 2026; the "Premium" label has spread widely; and investors have absorbed these changes without pricing any gap between hard and soft bullet issuance. The story isn't finished, though.

With the CfA now answered, the EBA has set the next round of fine-tuning: clearer, objective extension triggers, tighter conditions on liquidity buffer discretion, and stricter rules on collateralization, asset segregation and derivatives. On broader questions, it backs a third-country equivalence regime and reviving the European Secured Note debate, given new relevance by the instrument's first issuance in June 2026. Still missing is the EC's own overdue report, and with it, clarity on any legislative follow-through.

Against ongoing geopolitical flux and the fragmentation the Savings and Investment Union aims to address, the CBD stands as a model of regulatory cooperation. The EBA's framing – calibration, not overhaul – suggests that legacy holds, resting as much on the dialogue it built among regulators, legislators and market participants as on the harmonisation itself.

## 1.7 COVERED BOND INVESTORS – SOLID DEMAND DESPITE (OR BECAUSE OF) A VOLATILE GEOPOLITICAL AND RATES BACKDROP

By Florian Eichert, Moderator of the ECBC Investor Task Force and Citigroup Global Markets Europe AG, Dr. Frederik Kunze, Nord/LB and Niek Allon, Nationale-Nederlanden Bank

### INTRODUCTION

Despite announcing stable or even lower funding plans for 2026, covered bond supply has been running well ahead of 2025 levels, thus most likely producing a fifth year running with net positive supply. Still, the asset class has weathered volatile geopolitics and broader rates markets volatility and interest in the asset class has remained high from a broad range of investors. While many of the 2023 and 2024 newcomers from credit space have been monitoring rather than buying in size this year, it has been central bank / official institutions out to 5Y as well as insurance / pension fund buyers at the long end who have become more active than in 2025 and these themes have carried over into 2026.

While analysing the evolution of primary market distribution statistics is crucial to get an idea about high level shifts in demand, they only tell some of the story. Hence, as in recent years, we have decided to run a broader investor survey that allows us to go into more detail and to give you as complete a picture of the covered bond buyer base and their preferences as possible. After all, covered bond investors are looking at wide spreads vs swaps on the one hand but at the same time, they are faced with more public sector supply. And while discussions around de-dollarisation or a shift away from US Treasuries have proven supportive for EUR as well as USD covered bonds (we have even seen USD covered bond supply from Austria for the first time), higher Bund supply and possible tighter Bund-ASW spreads would prove damaging to at least covered bond spreads vs swaps. In other words, we're living through volatile times and are looking at a number of potential structural breaks. And as covered bonds have proven over the years, they are a really good place to hide, sit and wait.

### OVERVIEW OF COVERED BOND INVESTOR BASE

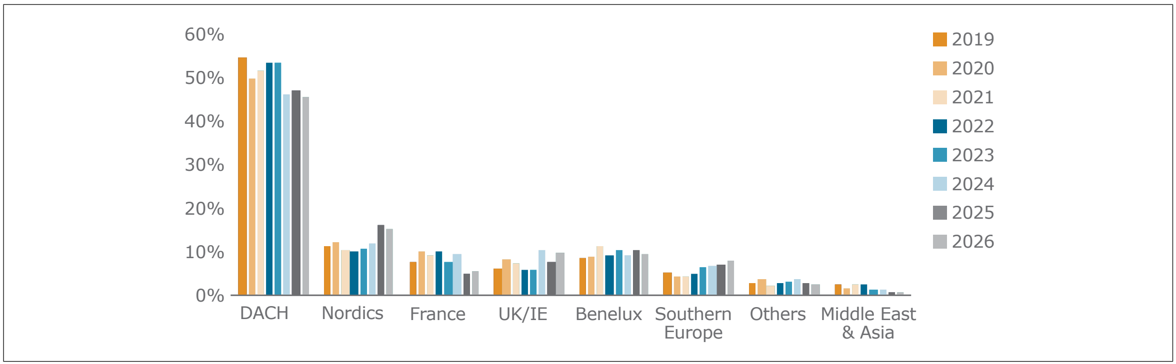
While looking at the high-level data of the investor base for covered bonds in EUR benchmark format the general characteristics of the primary market demand side have been rather stable lately. In this article, we refer to the allocations of deals reported for primary market transactions. We are focussing on the EUR benchmark segment as the largest submarket in the covered bond universe. In terms of allocation by region, it is obvious that the major share of the newly placed benchmarks goes to accounts in the DACH region (mainly Germany). However, the level of the allocations in the direction of the DACH region did drop a bit compared to the previous year. In 2026 so far, 45.4% of deal volumes have been allocated to the DACH Region (2025: 47,0%). Furthermore, the Nordics maintained the above average share with 15,5% (after 16,1% in 2024) For UK & Ireland, France as well as Southern Europe upward movements can be observed compared to 2025. Here, the share of investors from UK & Ireland did rise by 2.5% percentage points and ranks now on third place. This move can be inter alia explained by stronger buying activity from bank treasuries in Ireland as well as selective buying from Official Institutions & Central Banks.

Regarding the distribution of the allocation volume by investor type the "Central Banks & Official Institutions" category did hold rather steady, whereas "Banks" did maintain the largest share so far this year with 44.6% This means also that bank treasuries are still the most dominant investor group in the covered bond EUR benchmark segment. The category "Asset Managers & Funds" comes in a bit weaker in the year to date view (-1.6 percentage points compared to full year 2025), whereas "Insurance & Pension Funds" saw a rise from 5,7% to 7.1%.

The investor category "Banks" had the largest shares in all tenor buckets but are less dominant in the very short end and for the longer deals. Of course, , given the small number of primary market transactions in these buckets, conclusions that can be drawn from the data are less robust than they are in the 3-10Y part of the curve. In the "1Y-3Y" we counted one deal so far in the EUR benchmark segment and in the bucket ">10Y" we are looking back to four deals. The Asset Manager category has a comparably high share when it comes to the deals in the “3Y-5Y” bucket, whereas a share of 20.7% in the “>10Y” bucket clearly signals the investment preferences of the category “Insurances & Pension Funds”.

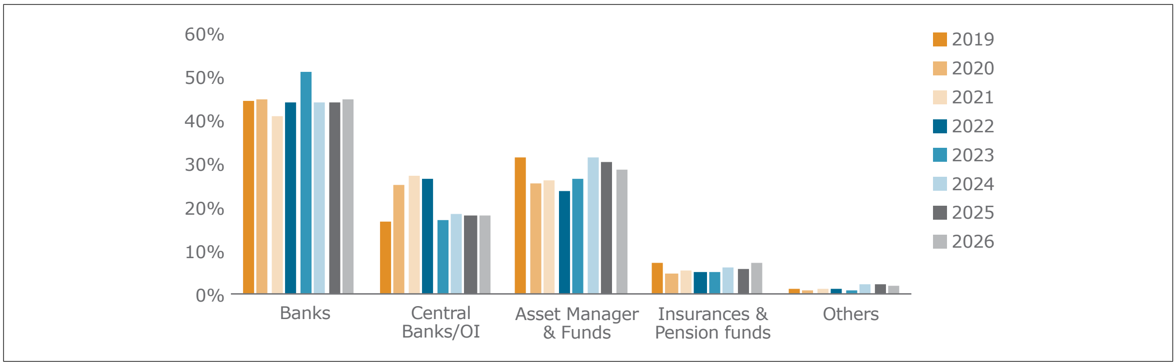
To sum up, across the analytical dimensions addressed, there have been no discernible changes compared to earlier years.

> Figure 1: Investors from DACH region still dominate



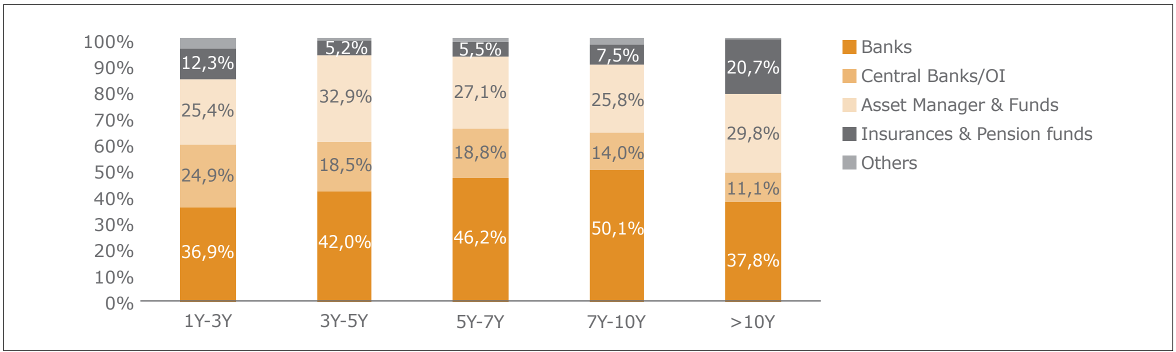

Source: Nord/LB

> Figure 2: Banks still with largest investor share




Source: Nord/LB

> Figure 3: Investor distribution by initial maturity bucket (2026 ytd)




Source: Nord/LB

## INVESTOR SURVEY

To get systematic feedback on a number of topics, we conducted an online investor survey during the month of May. We received responses from 34 covered bond investors covering a broad range of investor types and regions. The questions focussed on (1) investors' level of activity and how they assess relative value in covered bond markets, (2) their main concerns, (3) third country equivalence and (4) what role ESG plays in their day to day covered bond investments.

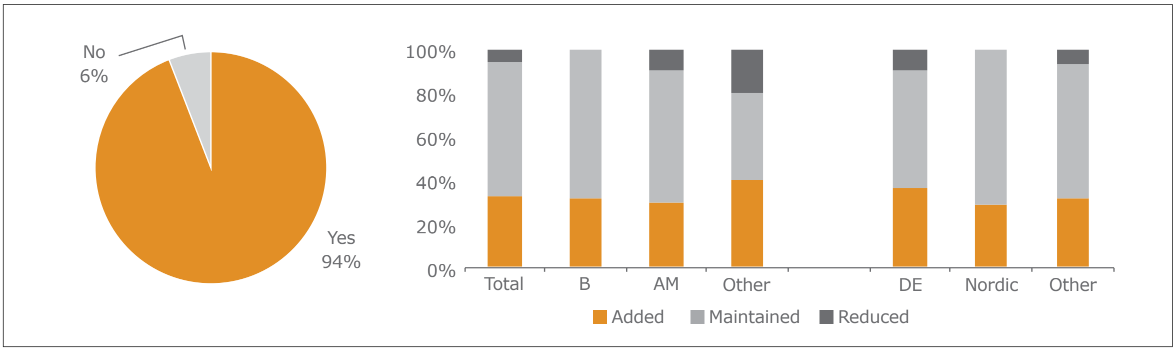
### Activity levels

Investors have been increasing their exposure to covered bonds since 2022, first bank treasuries and just as they began to slow down into H2 2023 and again in 2024, we saw asset management buying pick up. In 2025 and the first half of 2026, it has been central banks and official institutions that have been stepping up to the plate, some diversifying their currency reserves around the edges away from USD and US Treasuries and seeking high quality, AAA alternatives.

2026 most likely being the fifth year with net positive supply and valuations vs EGBs and SSAs fairly tight in some sectors, it is no wonder that investors are no longer adding in huge quantities. In our survey in 2024, almost 80% of the investors we surveyed still stated they were building up exposure. This number dropped to 65% in last year's edition and in this year's survey, we are talking about around one third stating they still built up exposures in H1 2026.

More importantly, though, 94% of those we surveyed stated that during the geopolitical and also market turmoil in H1 2026, covered bonds did live up to their safe haven status with little differentiation in responses across investor types or geographic location. And this ties in nicely with our findings that only around 5% of investors answered that they had reduced exposure to the asset class. In other words, the vast majority of those we surveyed is perfectly happy with the asset class and is going nowhere.

> FIGURE 4 & 5: HAVE COVERED BONDS LIVED UP TO THEIR SAFE HAVEN STATUS DURING THE TURMOIL OF H1 2026 AND HAVE YOU ADDED, REDUCED OR MAINTAINED YOUR EXPOSURES TO COVERED BONDS IN H1?

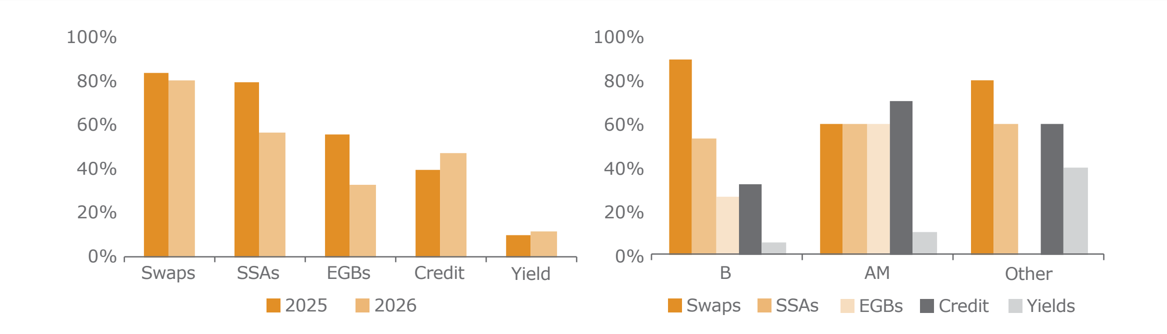



Source: Citigroup Global Markets Europe AG

Last but not least, with so many different investors active in covered bond markets these days, we wanted to get a feel for the most relevant benchmarks or ways to assess relative value. The most common angle still is valuations against swaps as well as SSAs, the classic approach taken by bank treasuries. Amongst asset managers, valuations against EGBs and credit are relevant too, and especially for aggregate portfolio managers, this angle does make sense. While outright yields are relevant for insurance and some bank treasury buyers, the answer did not have any relevance in our survey.

Compared to last year's survey results we did have a few shifts, though. Looking at covered bonds vs swaps has remained virtually unchanged. However, as spread levels vs SSAs have become very tight, especially in long-end core sectors, it almost seems that some investors have rather shifted their angle to assess valuations rather than make the switch to SSAs in size. Equally, as for example French covered bonds have moved well inside their own sovereign, the angle to assess covered bonds vs EGBs has lost some relevance vs 2025. The one angle that has gained some relevance is valuations against credit. We are not talking about a big jump but rather a marginal increase. However, this ties in with our experience that while many credit investors are still hesitating to move into covered bonds in bigger size, many are monitoring the RV between both asset classes.

> Figure 6 &7: How do you currently assess relative value of covered bonds (multiple answers possible)?



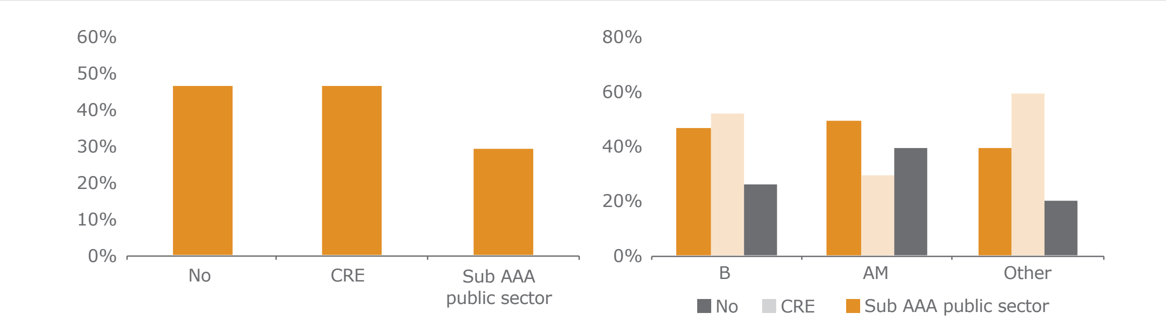

Source: Citigroup Global Markets Europe AG

## Concerns

Looking at the world today, there are plenty of potential concerns that even investors in a high quality asset class such as covered bonds cannot fully ignore. The responses in our survey actually highlight both the volatile world as well as the stability of the covered bond asset class. In last year's survey we highlighted that issuer quality is not a concern for the vast majority of investors and that it is more about covered bonds potentially getting crowded out by public sector supply spiking on the back of additional infrastructure and military expenditures in the coming years.

Investors really only need to rely on the cover pool once the issuer is out of the picture. However, of course, investors do analyse and place value on the underlying collateral. Over the years, the main concern has often been commercial real estate (CRE) assets and specialised CRE lenders have had to pay up for their covered bond issuances as a result. This has not changed in this year's survey. While around half of the investors we surveyed have no major concerns around pool quality in covered bond markets, virtually all of those who said they do mentioned CRE assets. Given developments in countries such as France as well as a number of big elections looming in 2027, around one third of the investors in our survey also voiced concerns around public sector assets from sub-AAA rated countries. We are clearly not talking about a majority and in a market such as the German one, spread differentials between residential mortgage and public sector backed Pfandbriefe are virtually non-existent (and if so more down to relative levels of liquidity). In the one country that features sizeable public sector as well as mortgage backed covered bonds – France – there is a small spread differential between the classic French public sector backed programmes and the home loan ones.

> FIGURE 8: DO YOU CURRENTLY HAVE ANY CONCERNS AROUND COVER POOL QUALITY?




Source: Citigroup Global Markets Europe AG

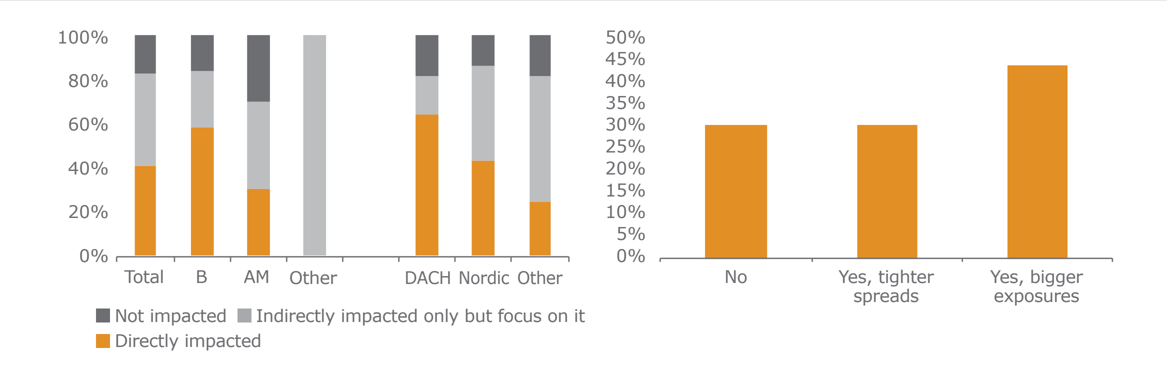
**Third country covered bond equivalence**

With the Covered Bond Directive (CBD) implementation a few years behind us, the focus on the regulatory side has clearly been on third country covered bond equivalence, not only since the shock announcements and then pausing of proposed rules by the UK PRA a few years ago.

Regulatory treatment simply matters a great deal to covered bond investors with less than 20% of investors in our survey stating they do not care too much for it. Bank treasuries are of course most directly impacted but even one third of the asset managers we surveyed state it directly impacts them (most likely we are talking about externally managed LCR funds here). For many investors not directly impacted by it, regulatory treatment still plays an indirect role in their investment decisions. This is especially true when assessing the liquidity and market depth when it comes to selling positions.

Hence, third country equivalence does matter. With timing uncertain it is not yet playing a major role in today's market. However, similar to the survey responses of the last two years, this year's edition shows that third country covered bonds getting better regulatory treatment would change the way investors look at them, especially bank treasuries. If banks can work with lower risk weights or LCR haircuts, the costs of carrying a position drops and so does the required spread. Throughout the first half of 2026, we did reached fairly tight spread levels between Canadian or Australian and core European covered bonds. Hence, only around one third of the investors we surveyed said they would accept even tighter spreads between third country and EEA based ones. However, almost half said they would be able to increase exposures (again) and this matches with our own personal experience having spoken to many banks in recent months who had to slow down buying third country covered bonds because of punitively high risk weights under the internal ratings based approach.

> FIGURE 9&10: DOES BANKING REGULATION IMPACT THE WAY YOU LOOK AT THIRD COUNTRY COVERED BONDS VS EUROPEAN ONES AND WOULD THIRD COUNTRY COVERED BOND EQUIVALENCE IMPACT YOUR INVESTMENT CHOICES?



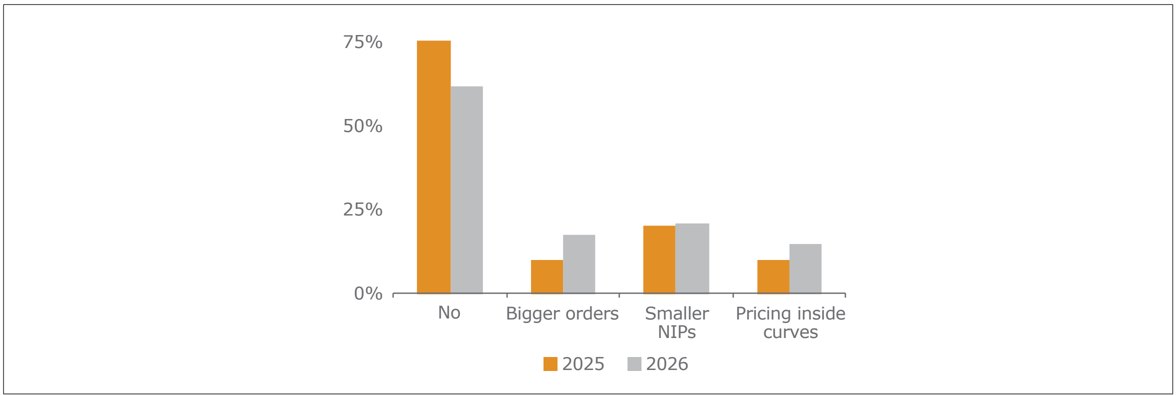

Source: Citigroup Global Markets Europe AG

## ESG

While the outstanding amounts of green, social or sustainable covered bonds has been growing in recent years, it still only represents a small share in overall volumes. Often, the availability of data on the ESG credentials of balance sheet assets has been a constraining factor. With spread differentials between ESG and conventional covered bonds negligible, banks have also often chosen to use these assets for senior preferred, non-preferred or even tier 2 issuance rather than covered bonds.

Looking at the results from our investor survey, this is unlikely to change in a meaningful way. Looking at data from primary markets, ESG covered bonds have tended to have stronger order books and slightly smaller new issue premiums. However, they have often failed to trade at materially tighter spreads vs conventional ones. The survey results reflect this as well. Two third of the investors we surveyed do not make any difference between ESG and conventional covered bonds when it comes to assessing relative value, or order sizing. A mere 15% accept smaller NIPs but less than 10% would buy in bigger size and / or accept tighter secondary market spreads. This is slightly more favourable to ESG covered bonds than in last year's survey but we are not talking about seismic shifts.

> FIGURE 11: DOES IT MAKE A DIFFERENCE FOR YOU WHETHER OR NOT COVERED BONDS ARE ISSUED AS SOCIAL / GREEN OR CONVENTIONAL?




Source: Citigroup Global Markets Europe AG

## THE BOTTOM LINE

Despite many issuers working with stable if not slightly lower funding targets for the year, covered bond supply has been running well above the pace of 2025 as more front-loading as well as a growing issuer universe have supported volumes. We are effectively looking at a net positive pace for the fifth year running. While 2025 and 2026 have not seen a similar surge in the number of new investors as 2024, demand has continued to be strong for the asset class. After real money accounts stepped up their pace in 2024, it has rather been central banks / official institutions out to 5Y and insurance / pension buyers at the long end to pick up the pace with banks focussing a little more on SSA sectors for much of 2025 and 2026.

Looking at the results of our investor survey, we are talking about a smaller percentage of accounts building up net holdings in covered bond markets for the second year running. Only around one third stated they had added in H1 when the number was still closer to 80% in 2024. However, at the same time, more than 90% also stressed that covered bonds have lived up to their safe haven status during the geopolitical and rates market turmoil during the first half of 2026 and consequently, virtually no one said hey had reduced holdings in the asset class either. What has changed slightly is the way investors look at relative value. Spreads vs swaps is still the by far more relevant angle to take and this has not changed from previous years. However, with valuations of some core sectors getting increasingly tight vs SSAs, this metric has become less relevant rather than investors switching to SSAs in bigger size. Equally, with French covered bonds now well established inside the French sovereign curve at the long end, relative value vs EGBs has lost some relevance in assessing value. When it comes to cover pool concerns, they are still predominantly focussed on commercial real estate assets (half of the survey responses). However, most likely thanks to the situation in France, the number of survey responses focussed on sub-AAA rated public sector exposures has increased somewhat vs 2025 (around one third of responses). Turning to regulation, a third country equivalence regime for covered bonds would be welcomed by investors. After all, even for most investors not directly impacted by it, regulation is an important factor when looking at covered bonds. Equivalence would lead less to a reassessment of relative value from current levels but it would allow to some extent larger holdings above all amongst bank treasuries who would cherish the opportunity for further diversification of their holdings. Last but not least, outstanding ESG covered bond volumes have been growing but the segment is still relatively small as issuers often chose to use eligible assets for issuance further down the capital structure. On the investor side, similar to last years' surveys, most do not materially differ between conventional and ESG covered bonds when it comes to spread valuations. Smaller new issue premiums are accepted by some and there are accounts happy to buy in bigger size but only few are happy to buy ESG covered bonds inside conventional ones.

## 1.8 COVERED BONDS: A GLOBAL PERSPECTIVE

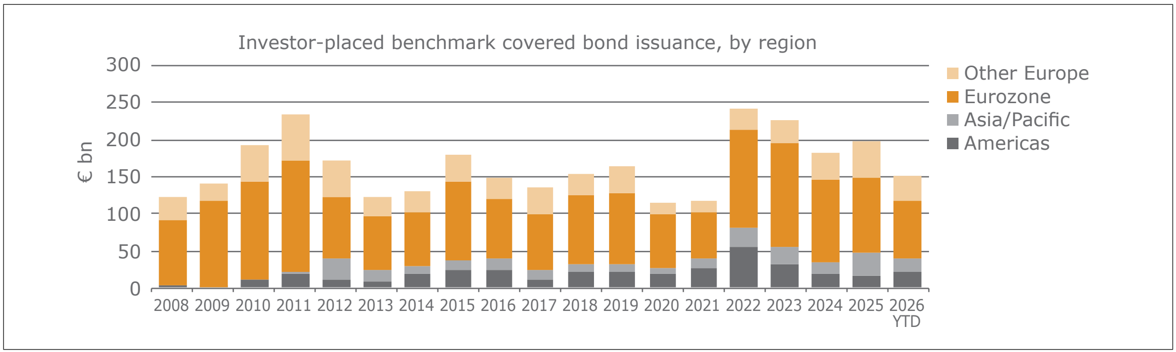
By Antonio Farina, S&P Global Ratings, Maureen Schuller, ING Bank N.V., Thomas Cohrs, Helaba, and Anamika Misra, SGCIB

### ISSUANCE STRONG DESPITE MIDDLE EAST CONFLICT

Global investor-placed benchmark covered bond issuance exceeded EUR 152 billion in the first half of 2026, up 27% from EUR 120 billion in the equivalent period in 2025, despite the outbreak of the conflict in the Middle East. While European issuance increased by 18%, issuance by non-European banks increased more than 60% to approximately EUR 39 billion.

We expect global issuance to remain robust in the rest of 2026, reaching similar levels to 2022 and 2023, unless higher inflation and interest rates significantly slow down asset origination.

> FIGURE 1: GLOBAL ISSUANCE UP 27% IN THE FIRST HALF OF 2026




Year-to-date figures are as of June 29. Source: S&P Global Ratings.

### REGULATORY INITIATIVES SUPPORT ISSUANCE IN CENTRAL AND EASTER EUROPE

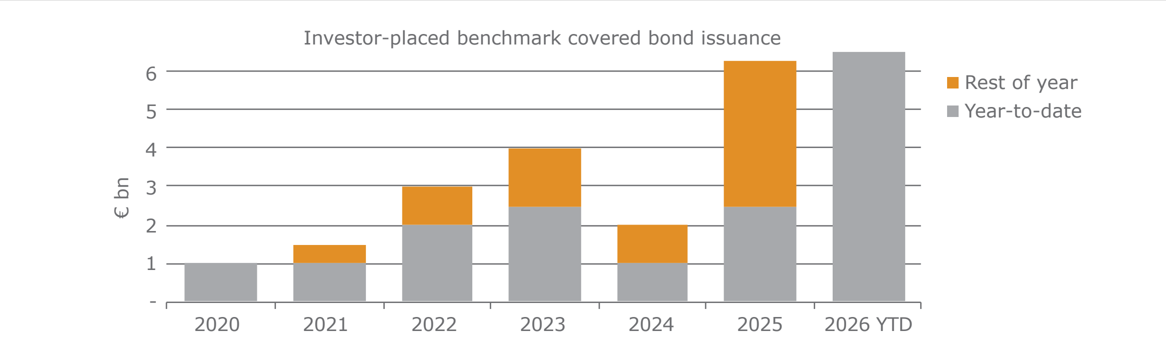
Benchmark covered bond issuance in Central and Eastern Europe (CEE) reached record levels in 2025 and remained strong in the first half of 2026, driven by a notable pickup in non-eurozone markets, including the Czech Republic, Hungary, and Poland.

After years of absence, Polish and Hungarian banks returned to the market in mid-2025, issuing since then EUR 1 billion and EUR 2.0 billion of euro benchmark covered bonds, respectively. Over the same period, Czech banks issued EUR 3.25 billion. Repeat issuance suggests strong investor demand and issuer efforts to establish a regular presence in international markets.

Robust loan growth and regulatory measures supported issuance in the region, but bank liquidity may constrain further growth. Poland and Hungary require banks to fund a minimum share of household mortgages with long-term liabilities, including mortgage-backed bonds. In the Czech Republic, tighter regulatory focus on foreign-currency lending and funding risks has also supported euro issuance.

Over the medium term, Slovak banks remain the most active issuers in the euro benchmark segment, with EUR 13 billion issued since 2020, followed by Czech banks with approximately EUR 6 billion.

> FIGURE 2: ISSUANCE IN CENTRAL AND EASTERN EUROPE IS WELL ABOVE THE LONG-TERM AVERAGE




Year-to-date figures are as of June 29 each year. Source: S&P Global Ratings.

The EU Covered Bond Directive – which introduced a common definition of covered bonds across Europe – has not yet led to public issuance in EU countries that previously lacked dedicated legislation, such as Croatia and Bulgaria. Despite joining the euro area in 2023 and 2026, respectively, banks in these countries have not established benchmark programs, with ample liquidity reducing the need for covered bonds.

Several countries pursuing EU accession may introduce covered bond legislation as part of regulatory alignment. However, international issuance is unlikely in the near term given the length and uncertainty of the accession process and the small size of local banking systems.

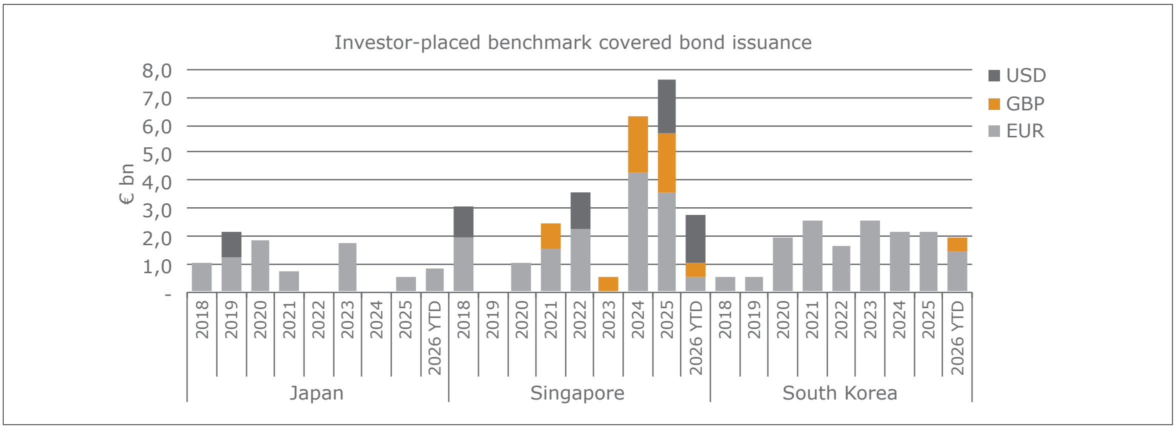
Georgia introduced a covered bond framework in 2022 but has not yet seen issuance, while Ukraine is considering a combined securitization and covered bond law.

## LEGISLATIVE DEVELOPMENTS WILL DRIVE GROWTH OUTSIDE EUROPE

Korea and Singapore pioneered covered bond issuance in developed Asia. As local banks' primary funding source is customer deposits, their main motivation in establishing covered bond programs was to manage asset-liability mismatch risk and diversify their funding sources. In 2018, the first covered bond program was set up in Japan. Because there is no dedicated local covered bond legislation, the program was based on a contractual structure.

Despite abundant liquidity, Asian banks remained active in the covered bond market. This is testament to the strategic importance that covered bonds play in their funding strategies.

> FIGURE 3: ISSUANCE IN ASIA IS STRONG DESPITE ABUNDANT LIQUIDITY




Year-to-date figures are as of June 29. Source: S&P Global Ratings.

We expect that the availability of customer deposits and limited loan book growth will continue to constrain issuance in developed Asia. In developed markets growth will probably come from new issuers entering existing markets, as well as legislative and regulatory initiatives. For example, in Japan, dedicated regulation or legislation could incentivize new banks to set up programs. But we see greater growth potential in developing countries, in Asian and beyond, where we expect housing finance needs to grow substantially, but legislative developments will be essential.

In 2022, almost a decade after the introduction of the draft law, Morocco approved the first dedicated covered bond framework in Africa. While covered bonds can play a significant role in supporting housing finance in the continent, the experience in Morocco shows that the legislative process can take longer than expected. Georgia also approved dedicated covered bond legislation in 2022. We understand that covered bonds will initially be used as collateral under existing funding operations with the central bank and only at a later stage will they be distributed to private investors, probably initially domestic ones. This points to the challenges that traditional covered bonds may experience as they expand outside Europe.

Covered bonds – an overwhelmingly European phenomenon for most of their more than 250-year history – have recently proved very popular in new markets such as Australia, Canada, Korea and Singapore. These developed economies aligned their models to European best-practice: local banks typically issue 'AAA'-rated covered bonds, backed by prime residential mortgage loans, and under an established legal framework. But the greatest growth potential is probably in emerging markets, where the middle-class will expand the most in the coming decades. Countries such as China, India, Mexico, and Indonesia could greatly benefit from a dual recourse instrument helping them mobilize private capital toward financing their growing economies. But as dual recourse financing expands in these markets, we can expect to see new issuers, assets, structures, and ultimately investors, challenging the established definition of what constitutes a covered bond.

While covered bonds in new markets have so far primarily targeted the traditional European investor base, Brazilian covered bonds have initially attracted domestic investors. And we have seen how Georgian banks will initially use covered bonds as collateral under the local central bank's liquidity facility, rather than placing them with international investors. More generally, we can expect that a larger share of covered bonds issued outside Europe will target domestic investors, at least initially. While covered bonds are typically issued by banks, we anticipate an increasing interest from non-bank financial institutions, such as housing finance companies, or even non-financial entities. And some of these new issuers will consider covered bonds backed by non-traditional assets, such as Indian covered bond style bonds secured by gold loans or vehicle loans, or Turkish covered bonds backed by unsecured loans to small and mid-sized enterprises (SMEs). Issuers may consider covered bonds backed by assets that are not eligible under the local framework, or even in the absence of a local framework. This is because in certain legal contexts covered bonds can be issued without a dedicated legal framework. Issuers can establish programs that replicate the main features of legislation-enabled covered bonds by means of contractual arrangements (so-called structured covered bond programs). For example, the first two Japanese programs have been established based on a contractual structure, due to the lack of a dedicated legislation. Similarly, an Israeli bank established the first structured covered bond program in the country in 2025. Such contractual arrangements grant greater flexibility outside of an established legal framework, for example in terms of eligible collateral.

The global success of covered bonds will lead more issuers to use the covered bond label for their dual-recourse issuance. This will create benefits but also risks. New issuers and investors will benefit the entire covered bond market – by increasing its depth and systemic importance –, the development of local capital markets – by improving liquidity and broadening the investor basis –, and society at large – by funding the growth of housing markets and economies. But new issuers, assets, and structures may also introduce risks to an asset class characterized by an unblemished credit history. In Europe, the Covered Bond Directive mitigates this threat, by introducing a common definition aligned with regional best practices. Outside Europe, market participants and regulators may be tempted to align their frameworks to the definitions of the Directive, especially if European regulatory authorities decide to grant equivalent treatment to covered bonds issued by credit institutions outside the European Economic Area.

## THIRD COUNTRY EQUIVALENCE

Since July 2022, the regulatory treatment of covered bonds within the European Union (EU) is based on a harmonization framework which consists of a directive, that introduces a common definition of covered bonds, and a regulation, that amends the EU's Capital Requirements Regulation. In July 2023 the EC issued a call for advice (CfA) to the Banking Authority (EBA)on the performance and review of the EU Covered Bond Directive, including third-country equivalence.

The EBA published its response to this CfA in September 2025. The EBA supports the introduction of an equivalence regime for covered bonds from third countries. Currently, covered bonds issued by credit institutions outside the EU and purchased by EU credit institutions receive a less favourable regulatory treatment than covered bonds issued by EU credit institutions and purchased by other EU credit institutions.

The EBA proposes to grant third country covered bonds preferential treatment along three dimensions:

> *CRR*: Eligible third-country covered bonds could receive a 10% risk weight (vs. 20%).

> *Liquidity coverage ratio (LCR)*: An equivalence decision would allow classification as level 2A assets without individual assessments.

> *European Central Bank (ECB) repo transactions*: An equivalence decision would allow classification as Category II and III assets without individual investor assessments.

While a positive equivalence decision would lead to a lower risk weighting for bank investors' regulatory capital purposes, it does not appear to allow third country covered bonds to advance to level 1 assets in the LCR, nor does it lift the ECB's restrictions on accepting covered bonds only from G10 countries outside Europe.

The EBA recommends that the assessment of the equivalence regime should be based on the main CBD principles, such as dual recourse, asset quality, segregation, coverage, supervision, and disclosure. It also recommends further alignment in terms of preferential risk treatment within the CRR. Subject to these conditions, third country covered bonds may be treated as "European Covered Bond (Premium)" bonds. In order to achieve this, third country supervisory authorities would need to maintain a list of CRR-eligible covered bonds or investors should seek legal advice from a recognized law firm.

To initiate the equivalence process, the third country will need to produce a self-assessment of the degree of similarity of the regulatory and supervisory framework, the maturity of the home country market, and a declaration of intent to cooperate under the principle of reciprocity. While we expect that an equivalence regime would mostly benefit non-EU issuers and European investors--the biggest buyers of both EU and non-EU covered bonds--the EBA focuses also on the benefits for EU issuers and hence, the emphasis on reciprocity and on the maturity of the local market. Reciprocity is the overarching principle for the equivalence exercise, and preferential treatment in the EU would only be granted to covered bonds from those third countries where domestic and non-domestic covered bonds receive similar treatment.

## RECIPROCITY AND GLOBAL DEVELOPMENTS ON REGULATORY TREATMENT

With the implementation of the Basel III reforms, most non-EEA jurisdictions introduced preferential risk weight treatment for covered bonds. In many cases, this treatment applies equally to domestic and third country covered bonds, thereby broadly meeting the reciprocity condition. Only the EEA and UK currently grant a more favourable treatment to domestic covered bonds. Meanwhile, several third countries are taking steps to improve their positioning for future equivalence recognition in the EU, including by amending the risk weight or LCR treatment of domestic or third country covered bonds, or by aligning their regulatory framework more closely with the EU Covered Bond Directive.

**Risk weight treatment of covered bonds outside the EU**

In Canada, OSFI adopted the asset eligibility and disclosure requirements for covered bonds of the Basel reforms, but with a 5% minimum overcollateralisation requirement. Credit quality step (CQS) 1 rated covered bonds meeting these requirements currently receive a 20% risk weight. From November 2026, OSFI intends to lower this risk weight for covered bonds issued by Canadian D-SIBs to 15%. Category I and II small and medium-sized deposit-taking institutions (SMSBs), using the simplified Standardised Approach, may also apply a 15% risk weight to covered bonds, provided that their total covered bond exposures do not exceed CAD500m and the eligibility criteria are met.

The UK defines "CRR covered bonds", within the meaning of Article 129 of the CRR, as bonds issued by UK credit institutions and subject to special supervision. In February 2026, HM Treasury published draft regulations for an Overseas Prudential Requirements Regime (OPRR), due to enter into force on 1 January 2027. These regulations establish the basis for overseas covered bonds to receive preferential risk weight treatment comparable to that of UK covered bonds, although no firm commitment or timeline for such designation has yet been provided.

Singapore, South Korea and Japan already apply a 10% preferential risk weight to both domestic and third-country covered bonds under the Standardised Approach. Australia also grants preferential treatment to rated covered bonds. Switzerland distinguishes between Swiss legislative covered bonds and foreign covered bonds. Covered bonds issued under the Swiss Pfandbriefgesetz benefit from a 10% risk weight under the Standardised Approach, while foreign covered bonds receive preferential risk weight treatment broadly in line with the BCBS criteria.

New Zealand does not have separate risk weights for covered bonds. Covered bonds are risk weighted as claims on banks according to their rating grade.

> Figure 4: Applicable risk weight treatment to rated covered bonds in a selection of global covered bond regions

| External covered bond rating | AAA to AA- | A+ to A- | BBB+ to BBB- | BB+ to BB- | B+ to B- | Below B- | Asset eligibility | Min OC | Disclosure | Effective | Effective as per Basel III reforms |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Australia | 10% | 20% | 20% | 50% | 50% | 100% | √ | 10% | √ | | 1 Jan '23 |
| Canada | 20% | 30% | 50% | 100% | 100% | 150% | √ | 5% | √ | | 1 Feb '23 |
| Canadian D-SIBs | 15% | | | | | | | | | | 1 Nov '26 |
| Japan | 10% | 20% | 20% | 50% | 50% | 100% | √ | 10% | √ | | 31 Mar '24 |
| New Zealand | 20% | 50% | 50% | 100% | 100% | 150% | - | - | - | 1 Oct '26 | - |
| Singapore | 10% | 20% | 20% | 50% | 50% | 100% | √ | 10% | √ | | 1 Jul '24 |
| South Korea | 10% | 20% | 20% | 50% | 50% | 100% | √ | 10% | √ | | 1 Jan '23 |
| Switzerland | 10% | 20% | 20% | 50% | 50% | 100% | √ | 10% | √ | | 1 Jan '25 |
| UK | 10% | 20% | 20% | 50% | 50% | 100% | √ | - | √ | 1 Jan '21 | 1 Jan '27 |
| EEA | 10% | 20% | 20% | 50% | 50% | 100% | √ | 5% | √ | 8 Jul '22 | 1 Jan '25 |

Source: National regulators, ING

**The LCR treatment of covered bonds outside the EU**

Most major covered bond jurisdictions outside Europe recognize covered bonds as level 2a qualifying liquid assets (subject to a 15% haircut). Nonetheless, supervisory authorities do not always accept them as qualifying liquid assets in practice. Australia is a case in point. While APS 210 provides for covered bonds to qualify as 2a assets for LCR purposes, APRA currently does not recognise any level 2 assets as HQLA. However, APRA is considering broadening HQLA eligibility, including to covered bonds.

The UK Prudential Regulation Authority (PRA) treats eligible UK covered bonds as level 1 assets subject to a 7% haircut, and eligible non-UK covered bonds as level 2a assets subject to a 15% haircut, provided they meet the relevant requirements. In July 2025, the UK PRA confirmed that, pending the possible introduction of an equivalence regime for non-UK covered bonds, the current treatment of eligible non-UK covered bonds as Level 2a HQLA will remain intact.

In Canada, OSFI aims to introduce a new category of level 1B assets in the 2027 Liquidity Adequacy Requirements (LAR), subject to a 7% haircut and a 70% cap. Covered bonds rated AA- or better, not issued or hedged by the issuing institution itself and with a minimum size of CAD750m could become eligible as level 1B assets. Covered bonds that do not meet the minimum size requirement would remain eligible as level 2a assets. This would make Canada the third jurisdiction, alongside the EEA and the UK, to grant level 1 recognition to covered bonds for LCR purposes. Unlike the EEA and the UK, Canada would also allow third country covered bonds to qualify as level 1B assets.

> Figure 5: Haircut treatment of covered bonds for liquidity coverage ratio (LCR) requirements in different countries

| HQLA | Minimum rating | EU | UK | Minimum rating | Australia | Canada | Japan | Singapore | South Korea | Switzer-land | Minimum rating | New Zealand |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Level 1B | AA- | 7% | 7% | AA- | | 7%* | | | | | | |
| Level 2A | A- (AA- 3rd country) | 15% | 15% | AA- | 15% | 15% | 15% | 15% | 15% | 15% | AAA | 19%** |
| Level 2B | - | 30% | 30% | | | | | | | | | |

*OSFI proposal to apply from May 2027

**The 19% haircut applies to covered bonds issued on a single name basis. Liquid asset eligibility varies from 0-5% subject to an asset encumbrance ratio. New Zealand is in the process of replacing the PSLA regime with Level 1 and Level 2 liquid assets, for which covered bonds will no longer qualify.

Source: National regulators, ING

New Zealand has not adopted the Basel LCR and NSFR metrics, instead relying on its own one-week and one-month mismatch ratio (MMR) and one-year core funding ratio (CFR). 'AAA' rated residential mortgage-backed securities, including covered bonds, currently qualify as primary liquid assets (PLA). However, the Reserve Bank of New Zealand (RBNZ) is revising this framework, retaining the MRR and CFR, but tightening the definition of liquid assets through two new Level 1 and Level 2 categories. Covered bonds are not expected to qualify as Level 1 or Level 2 assets under the new regime but are likely to be eligible for the new Committed Liquidity Facility (CLF). The final Liquidity Standard is expected to be issued in May 2027, with the CLF becoming operational in December 2028.

## CURRENT ALIGNMENT WITH THE CBD AND EBA RECOMMENDATIONS

Established in 2015, the European Covered Bond Council's Global Issues Working Group (GIWG) aims to promote a better global understanding of covered bonds and foster convergence between countries towards similar market solutions, infrastructure, and regulatory treatment.

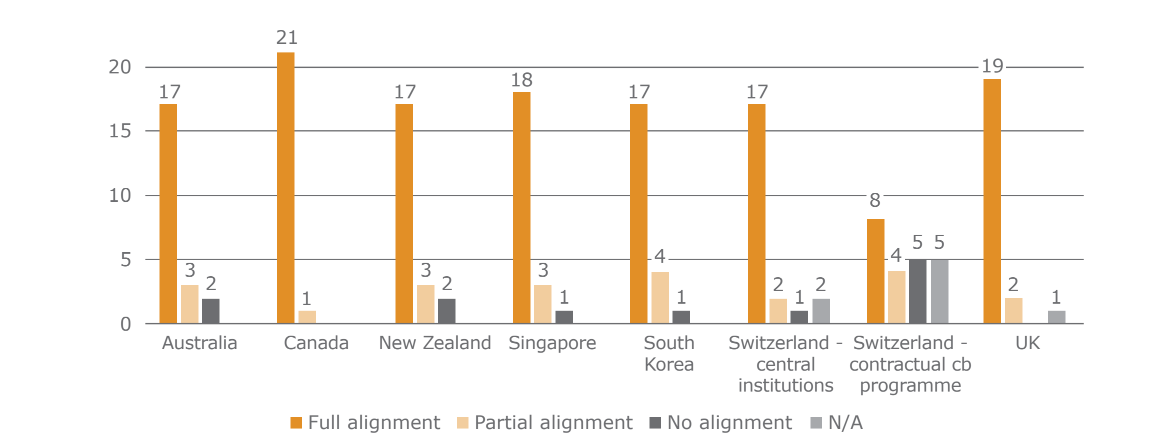
Over the past few years, the GIWG has assessed the alignment of global covered bond regimes with the European Covered Bond Directive. The most recent comparative study (May 2026) benchmarks seven non-EU covered bond frameworks against the Covered Bond Directive and EBA recommendations on third country equivalence. The work draws on input from market and regional experts, including issuing institutions, investment banks, law firms, rating agencies and financial analysts.

The review shows that non-EU legal frameworks are aligned with core covered bond provisions, including on the nature of the issuer, covered bond definition, dual recourse, bankruptcy remoteness, and asset segregation and eligibility. Coverage requirements are typically met through legislation and contractual arrangements, although not all countries fully comply with CRR Article 129.

The conditions for extendable maturities are generally embedded in contractual terms, or in some cases the legal framework, providing safeguards against discretionary extension by issuers. Liquidity buffer requirements are only partially met, as most jurisdictions lack a 180-day liquidity rule. They often rely on alternative measures such as 90-day interest coverage or pre-maturity tests only for hard bullet redemptions.

While covered bond public supervision is in place, not all countries disclose lists of eligible domestic issuers or covered bonds compliant with national legislation.

> Figure 6: CBD compliance - Distribution per Country




Source: ECBC GIWG

The maturity of a third country covered bond market is also a key EBA precondition for initiating the equivalences assessment. Not all jurisdictions meet this requirement, particularly where favourable prudential treatment or repo eligibility is absent, or domestic investor demand for covered bonds is negligible.

**IN SUMMARY**

Regardless of the constructive developments towards equivalence, meeting EBA's proposed conditions may still prove challenging for many non-EU countries. For example, the EU has still not recognized the UK's supervisory regime as CRR equivalent, and therefore UK covered bonds are not considered as issued by an accepted credit institution. The UK has announced it is considering introducing its own equivalence regime for covered bonds, which could facilitate negotiations with EU authorities. Also, some countries may struggle to demonstrate the maturity of their markets, a condition that EBA considers necessary for broadening demand for European covered bonds. Criteria include the share of domestic investors, the share of euro-denominated bonds, the eligibility of domestic covered bonds for repo operations, the presence of favourable prudential treatment within the country, and the dynamics of the domestic market. While the UK should meet these criteria, other countries may struggle to prove the relevance of a domestic investor basis. Finally, in some countries, such as Canada and New Zealand, even covered bonds issued by domestic banks do, at this stage, not receive preferential regulatory treatment comparable to the EU.

**To access the ECBC Global Concept Note on Third Country Equivalence for Covered Bonds and other interesting publications, scan the QR code below.**

## 1.9 LIQUIDITY AND TRADING VOLUME IN THE EU COVERED BOND MARKETS

By Joost Beaumont, Chairman of the ECBC Statistics & Data Working Group and ABN AMRO,
Jonny Sylvén, ASCB, Lars Ravn Knudsen, Finance Denmark,
Florian Hillenbrand, HELABA, Steffen Dahmer, Independent Consultant,
Nicholas Gudmund Hansen and Theis Scheuer Jansen, Finance Denmark

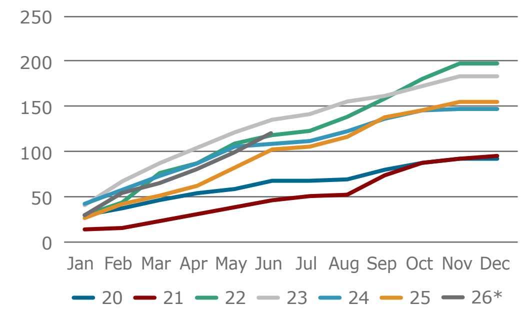
### INTRODUCTION

The international covered bond benchmark segment, which started as an interbanking market-making (head-to-head) market in the 90s, transformed into a pure investor market-making market. A functional repo market constantly enhances the liquidity of the covered bond market, making the covered bond benchmark market one of the most significant and liquid market segments. Covered bonds are viewed in different ways: thanks to their nature and rating, some view them as part of the rates world, others clearly see credit elements and consider covered bonds as the strongest product in the credit world.

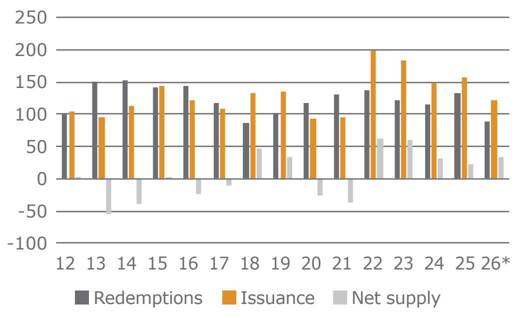
As is the case for any other market in the rates or credit world, the covered bond market faces regulatory requirements which result in a more prudent approach to trading books in terms of balance sheet allocation. In short, while bank inventories have declined in general, investors have continued access to competitive pricing for significant trade sizes through committed liquidity providers.

Furthermore, the covered bond market has started to grow again since 2022, with the expansion up until H1 of 2026 amounting to more than EUR 200bn. Meanwhile, the Eurosystem stopped its covered bond purchases under its purchase programmes in the primary market from March 2023 onward, while it completely withdrew from the covered bond market in July 2023. At the same time, issuers have increased the average new issue size of new deals in recent years, with most new deals having a size of more than EUR 1bn. Their share has remained broadly stable in the past couple of years and is comparable to that of the GBP covered bond market, where issue sizes have increased. Since 2019, more than half of new deals had a minimum issue size of GBP 1bn, compared with GBP 500-750mn previously. Meanwhile, in USD's the "regS only" market often targets 600mn (to match the regulatory important 500mn + EUR equivalent) while 144a or SEC registered deals are often at least USD 1bn, if not larger. Swedish or Danish Kroner Covered benchmarks can grow over time to significant volumes often exceeding those Euro or Dollar benchmarks. As expected smaller benchmark issue sizes generally result in lower secondary turnover given that the various covered bond markets are dominated by significant buy and hold investors.

> Figure 1: Issuance of euro benchmark covered bonds, benchmark cumulative EUR bn




> Figure 2: Gross and net supply of euro covered bonds, EUR bn



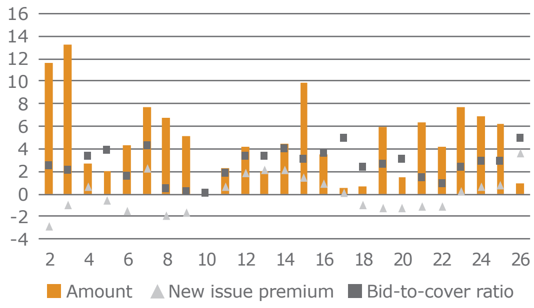

Source: ABN AMRO, Bloomberg, *H1 2026

In summary, liquidity conditions indeed appear to be improving further after having been negatively affected by several years of negative net supply, smaller issue sizes, change in regulatory requirements and the composition of the investor base, particularly the ECB as major buy and hold investor. In fact, many traditional investors now perceive the covered bond benchmark market significantly more liquid and tradeable, subject to the caveat discussed later. Gross supply of euro benchmark covered bonds was around EUR 122bn during the first half of 2026, which was the second-highest level in 15 years and the third-largest amount ever. The issuance of covered bonds has been supported in recent years by rising refinancing needs due to redeeming covered bonds, a growing number of new entrants to the covered bond market as well as favourable new issue conditions in the covered bond market. The latter was reflected by ongoing strong demand for covered bonds, underlined by order books on average being 2.5 times the size of new deals in H1 2026, which allowed issuers to pay minimal to even negative new issue premiums.

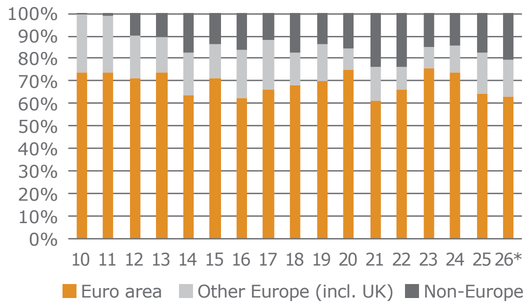
This was even more remarkable given that net supply was more than EUR 30bn positive in 2026 H1, implying that the additional volumes of new supply were smoothly absorbed by the market. This, in turn, underlines the broad and diversified (and growing) investor base of covered bonds. Although we expect net supply to be less positive in 2026, we forecast the market to continue to grow by EUR 5-10bn in 2026 as whole. As mentioned, this would imply that the covered bond market would have expanded by around EUR 200bn in the previous five years, which should have supported liquidity.

The covered bond market has also been a beacon of stability in a world where geopolitical risks have been rising. Not only were covered bonds the asset class to reopen the primary market following the market turmoil after the US tariff announcements in April 2025, but this was again the case after the escalation of the conflict in the Middle East in March 2026. Moreover, new issue conditions remained rather good, reflected by new issue premiums staying low and demand solid, as shown in the chart below left. As such, the asset class has continued to underline its crisis proof nature, with the covered bond market functioning well during times of stress.

> Figure 3: Primary market dynamics: weekly amount issued, average new issue premium and bid-to-cover ratio




> Figure 4: Issuance of euro benchmark covered bonds by region, % share in total issuance



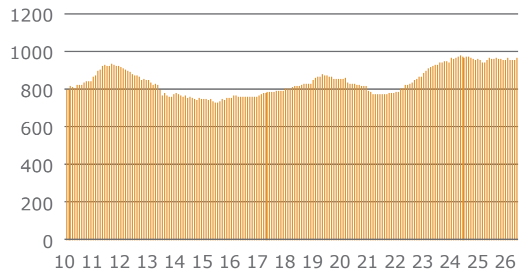

Source: ABN AMRO, Bloomberg, *H1 2026

A regional breakdown of euro benchmark covered bond issuance (see chart above right) shows that euro area issuers continue to account for most new supply. However, their share has declined to slightly above 60% in 2025 and H1 2026, compared with an average of 70% between 2019 and 2024 and 73% during 2010–2013. This trend highlights the increasingly international nature of the covered bond market. Still, France and Germany remain the largest issuing countries, together accounting for around 40% of total euro benchmark covered bond issuance over the past two years. Other key contributors during the past five years have included issuers from Canada, Italy, the Netherlands, Norway, Austria and Australia. Meanwhile, the share of non-

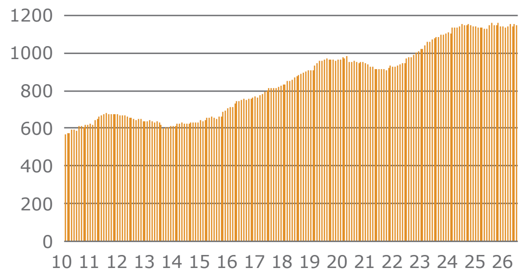
European issuers rose to 21% in H1 2026, up from 18% in 2025, while the proportion of issuance from other EU countries declined slightly to 16%, from 20% in 2025. From a liquidity perspective, a broader geographic issuer base has increased market depth, diversification and investor participation, thereby supporting the development of a more liquid and internationally focused covered bond market.

The fact that the covered bond market grew so strongly in recent years has also been reflected by a rise in the total outstanding volume of euro benchmarks in the covered bond indices. The Bloomberg-Barclays euro covered bond index had, for instance, an outstanding amount of EUR 964bn in June 2026. Although this is a similar number as a year ago, it marks a 22% increase versus the start of 2022, while the number still hoovers at historically high levels. The number of bonds in the index stood at 1146, also close to the highest number ever (1156 in October 2025).

> Figure 5: Outstanding amount in the Bloomberg-Barclays EUR covered bond index, EUR bn




> Figure 6: Number of bonds in the Bloomberg-Barclays EUR covered bond index

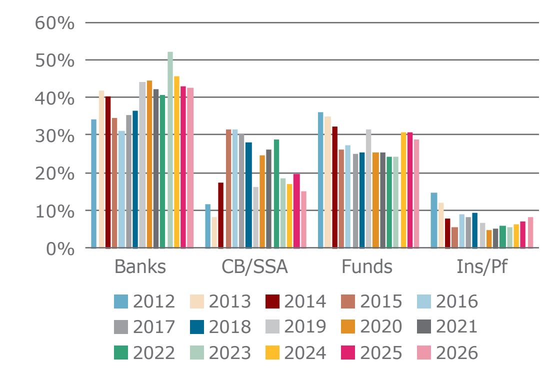



Source: Bloomberg

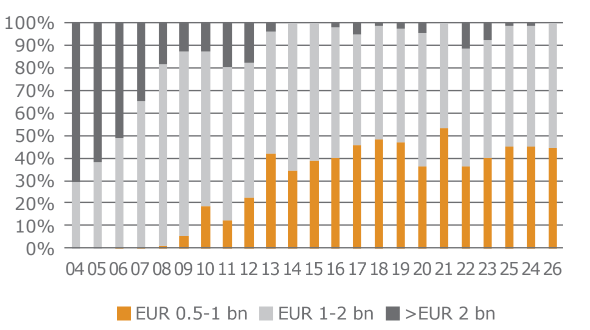
Let us again look at the evolution of the investor base as an angle for liquidity. If the share of buy-and-hold investors has risen in the past few years, this should have reduced liquidity of covered bonds. Figure 7 shows the average allocation share per investor type in new euro benchmark deals. The graph illustrates the impact of the Eurosystem's end of its purchases in the covered bond market in 2023 when the share of central banks/SSAs dropped to 17% in 2024, down from 29% in 2022 (when the Eurosystem was still an active buyer of covered bonds). This was mirrored by a rise in the share of fund managers to 31% (up from 24% in 2023). In fact, their share has remained stable ever since. This likely reflects the increased relative value that covered bonds offer versus senior bank debt since covered bonds have underperformed senior preferred bonds since 2023. This has reduced the additional compensation that investors get from investing in senior preferred bonds, which are riskier than covered bonds. As asset managers can be regarded as the most active portfolio managers, it seems fair to conclude that the change in the investor base should have supported liquidity of covered bonds.

Still, banks are the largest investors in covered bonds with an allocation share in new deals of 43% in 2025 and H1 2026. Although this is well below the 52% share in 2023, it confirms that covered bonds are an attractive asset class in their LCR portfolios. Unfortunately, most banks are buy-and-hold investors, so this does not support liquidity in the end.

> Figure 7: New euro benchmark covered bond deals, broken down by investor type, % share




> Figure 8: New euro benchmark covered bond deals, broken down by issue size, % share




Source: ABN AMRO, Bloomberg

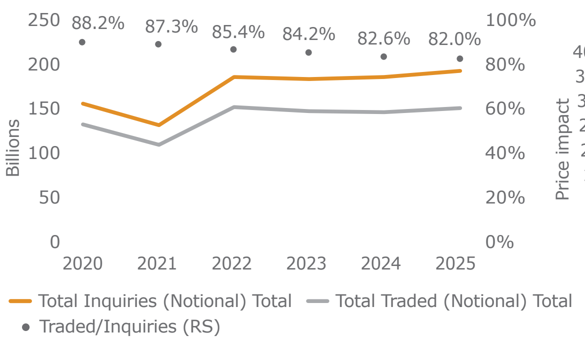
Finally, the larger the issue size, the better the liquidity. In this respect, the good news is that most new deals have an issue size of at least EUR 1bn, as their share was around 55% in 2025 and 2026 and has been above 50% since 2022. This masks that in 2026 no new deals with a size of above EUR 2bn were issued, which was the case in previous few years. Nevertheless, liquidity conditions seem to be improving as the share of new deals with outstanding amounts of EUR 1bn and above has been steadily rising since 2022.

**Liquidity in a simple form vs. understanding it as a 3D Problem**

When asking issuers about liquidity, they often view it as the volume of new issuance the market can absorb. Investors, on the other hand, typically interpret liquidity as how large a position can be cleared in an adverse market environment.

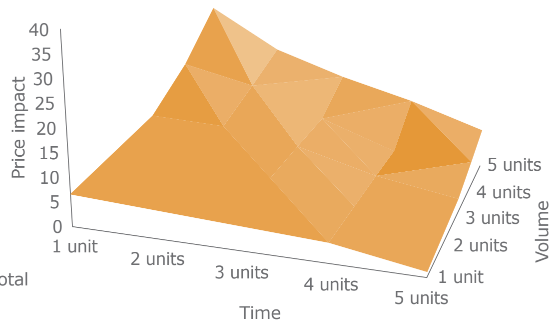
The foundation for these views is mostly rooted in a very basic idea about liquidity: increasing net issuance leads to more tradeable material, which in turn leads to higher turnover. In other words, liquidity may be understood as tradable volume. As displayed in Figure 2, gross issuance has increased over the past few years, while aggregate net new issuance has hovered around EUR 200bn over the past five years, albeit on a downward path. As such, liquidity is poised to decrease. This conclusion, however, leaves aside buy-side aspects: it does not take into account a growing or shrinking investor base, or changes in investor profiles (e.g., shifts toward or away from buy-and-hold investors). In other words, deriving the degree of market liquidity solely by looking at issuance volumes is a one-sided approach, and such conclusions are likely to fail the reality test. In fact, reality means day-to-day trading, which brings us to the second simple approach.

> Figure 9: Covered Bond Turnover,
Trade inquiries vs. Traded Volume




Source: Bloomberg, JP Morgan, Helaba Capital Markets

> Figure 10: Stilized Liquidity Model
time-to-execute vs. volume vs. price impact




Source: Helaba Research

One could also argue that if an asset is liquid, its turnover should be high. In other words, liquidity may be understood as traded volume. In this context, electronic trading platforms enhance our insight into liquidity by providing not only the actual turnover but also the number of inquiries leading to it, based on trading data from the largest electronic platforms. As displayed in Figure 9, the development of inquiries and turnover appears rather stable, with an understandable dip during the COVID-19 crisis. However, this approach to assessing liquidity similarly fails to account for changes in the structure of supply and demand, nor does it consider aspects regarding the pace of turnover or the price impact of these inquiries.

Although tradable and traded volumes are valid proxies, a complete picture requires additional dimensions. Traded volume alone fails to reflect the time required to turn a position around. Likewise, the amount issued and absorbed by the market reveals nothing about the price impact of executing such trades. In a nutshell

> "What quantity can be traded at what cost and within what time-frame?"

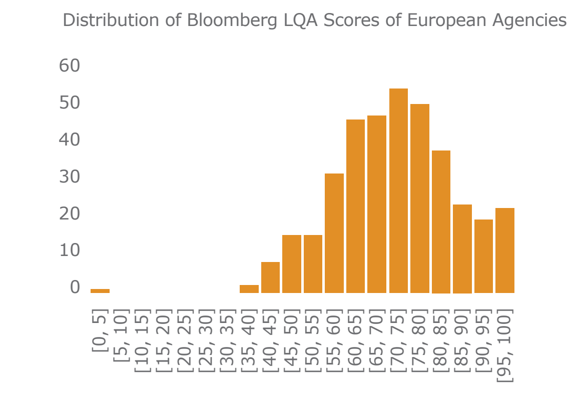
In this context, "cost" should be understood as the upward pressure a "buy order" or the downward pressure a "sell order" of a given quantity exerts on secondary market price levels.

The more rapidly (x-axis) a given quantity (y-axis) needs to be executed, the greater the potential price impact (z-axis). The larger the quantity that needs to be turned around during a given time-frame, the higher the potential impact on price. This interdependence is illustrated in the chart below:

A prime example of this logic in practice is Bloomberg's Liquidity Assessment (LQA) Score, which evaluates securities based on relative liquidity rather than absolute metrics. Represented as a centile rank from 1 to 100 (where 100 is the most liquid), it compares assets on a like-for-like basis within specific peer groups. Mathematically, Bloomberg addresses the three-dimensional liquidity surface by fixing the time horizon at one day. By holding time constant, the 3D surface collapses into a two-dimensional curve mapping volume against cost. This approach is tailored across asset classes. With respect to Fixed Income, the score reflects the probability that the liquidation cost for a fixed position remains below 20bp over the one-day horizon. This fixed position is set at USD 10mn equivalent for US and EMEA sovereign bonds (including Agencies), and USD 1mn equivalent for all other securities (including Covered Bonds). Consequently, Bloomberg's framework proves that practical liquidity analysis requires locking down specific dimensions to make cross-asset comparisons meaningful.

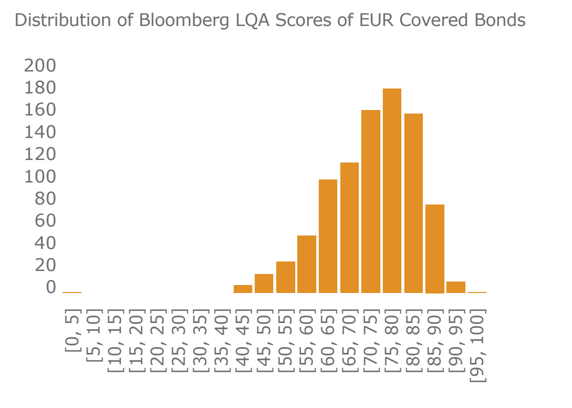
In the charts below, we plot the Liquidity Score distributions of Covered Bonds and Agencies. The distribution for Agencies shows a denser population at the very high end (>90%), reflecting their active, global secondary market. Conversely, the modal bracket for Covered Bonds sits at 75–80% (compared to 70–75% for Agencies), and their median score is slightly higher at 74% (vs. 73% for Agencies). This demonstrates that while the typical Covered Bond enjoys remarkably stable and solid baseline liquidity, it rarely reaches the absolute top-tier scores. This capping effect is driven by the structural 'buy-and-hold' nature of the Covered Bond market, where a vast portion of outstanding paper is locked away by long-term institutional investors. Despite this structural drag, the two overall distributions remain remarkably similar.

> FIGURE 11: COVERED BOND TURNOVER, LQA SCORES OF EUROPEAN AGENCIES




Source: Bloomberg, Helaba Research

> FIGURE 12: STILIZED LIQUIDITY MODEL LQA SCORES OF EUROPEAN COVERED BONDS




Source Bloomberg, Helaba Research

This striking similarity reveals a profound structural insight when cross-referenced with Bloomberg's methodology. Since Agencies are tested against a USD 10MM horizon while Covered Bonds are evaluated at just USD 1MM, these near-identical figures suggest that the model views a USD 1MM Covered Bond trade as methodologically equivalent in risk to a USD 10MM Agency trade. Consequently, the headline LQA Score penalizes the lower baseline turnover of the Covered Bond segment, understating its actual liquidity depth. In reality, the Bloomberg framework may not fully capture the covered bond market's underlying liquidity resilience, which is supported by consistently tight bid-offer spreads and strong dealer market-making despite comparatively modest secondary-market.

## THE SWEDISH COVERED BOND MARKET

The Swedish domestic covered bond market is of considerable importance to the domestic capital market and represents a central source of funding for Swedish banks. Even before the introduction of dedicated covered bond legislation in 2004, Sweden had a well-established and liquid mortgage bond market, dating back at least to the early 1980s. At year-end 2025, the outstanding volume of SEK-denominated covered bonds amounted to EUR 206.3 billion, which was more than twice the outstanding volume of Swedish government bonds.

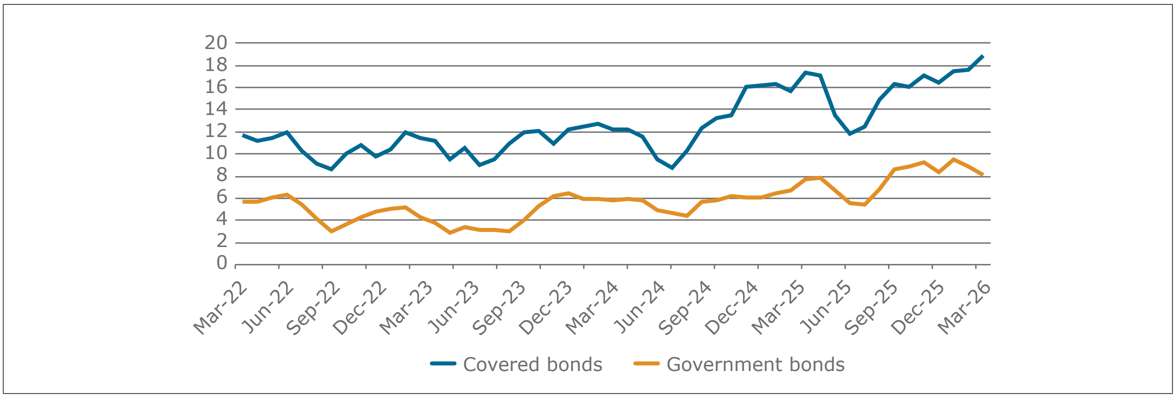
Liquidity is highly valued by investors in the Swedish bond market. The major banks issue covered bonds in benchmark format, involving large issue volumes and the appointment of several dealers to quote both bid and offer prices. Only benchmark bonds are deliverable in the futures market. When a new benchmark bond is issued, the issuer ensures that the initial volume meets the requirements for a benchmark-sized transaction. Following the initial issuance, the issuer may increase the outstanding amount through tap issuance without further notice. Benchmark bonds may reach volumes of SEK 60 bn or more.

Sweden also has a liquid and well-functioning repo market, in which almost all banks participate. In the domestic bond market, repo transactions are conducted primarily in covered bonds and government bonds. In recent years, covered bonds have become the more commonly used asset in repo transactions. Daily turnover in the covered bond repo market is approximately three times higher than turnover in the spot market. Issuers provide their market makers with repo facilities in their own bonds. Repo transactions are treated as sell-buy-back or buy-sell-back transactions, and ownership of the security must therefore be transferred.

Overall, this market structure has functioned effectively over an extended period. Recent legislative changes have not had any significant observable impact on liquidity in the Swedish covered bond market. Liquidity did, however, deteriorate during the pandemic, partly as a result of extensive quantitative easing, and many foreign investors reduced their exposure to the Swedish market. Since autumn 2024, a substantial number of investors have returned, contributing to an improvement in market liquidity. During spring 2026, turnover continued to increase, primarily as a result of higher client-related trading activity. By contrast, primary-market activity and interbank trading have remained smaller parts of the market and have not expanded to the same extent.

The Riksbank has been reducing its holdings of covered bonds for several years under quantitative tightening and currently holds approximately 4 percent of the outstanding volume. Swedish banks' holdings of covered bonds are also limited, amounting to around 15 percent of the outstanding stock. More than one third of outstanding Swedish covered bonds are held by foreign investors. Average daily turnover in the covered bond spot market amounted to SEK 15.4 bn in 2025, compared with SEK 55.4 bn in the repo market. At the beginning of 2026, average daily turnover in the spot market increased further, reaching SEK 17.6 bn.

> Figure 13: Daily turnover, 3m moving average, without repos, SEK bn




Source: Riksbanken

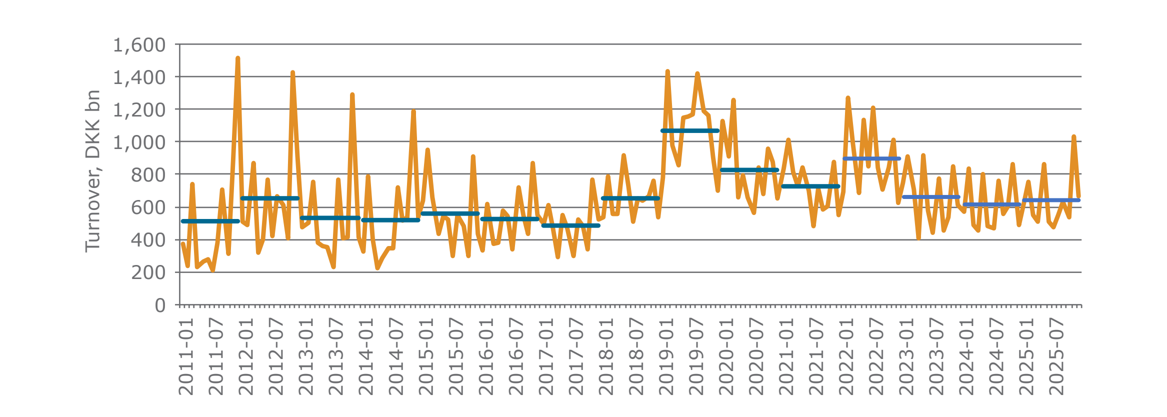
## THE DANISH COVERED BOND MARKET

The type of bonds making up the Danish covered bond market fall into three major segments: callable bonds, bullet bonds and floaters with or without a cap. The market comprises a great number of securities, but the vast majority of the nominal value is concentrated on a relatively small number of large series. With an outstanding volume of EUR 480 bn the Danish covered bond market is one of the largest in Europe. Trades in mortgage covered bonds are reported to Nasdaq Copenhagen, including over the counter trades and excluding repos.

Average monthly turnover reported to Nasdaq Copenhagen including over the counter trades and excluding repos in the period 2011 – 2025 came in at around DKK 655 bn (app. EUR 88 bn). In 2025 average monthly turnover was DKK 637 bn (app. EUR 86 bn), cf. Figure 14. On average this means that approximately 18 percent of the outstanding volume was traded every month of 2025.

In 2025, the turnover in Danish covered bonds was slightly higher than in 2024. The market maker function of universal banks is handed a central role providing liquidity in the covered bond market, as professional investors are mostly unwilling to buy in small batches. Market makers are the main source of liquidity in the Danish covered bond market.

> Figure 14: Turnover in Danish covered bonds, monthly turnover in DKK bn.




Source: Nasdaq Copenhagen
Note: Data is for nominal value Non-Repo Mortgage Covered Bond transactions including OTC. Horizontal lines indicate yearly averages. From 2018 a new transaction reporting was implemented. Data before and after 2018 is not directly comparable.

Pass through, tap issuance, quarterly refinancing auctions and frequent early repayment activity are all characteristics of the Danish covered bond market, which among other more universal factors affect the level of market turnover. The strict balance principle deployed by Danish mortgage banks incorporates pass through of payments between borrowers and investors. Covered bonds are tap issued and sold in the market on a daily basis in sync with borrowers’ demand for mortgage loans. Following the initial tap issuance, mainly bullet bonds and to an extent floaters, are refinanced by the issuance of new bonds at refinancing auctions over the life of the loan.

Borrowers’ early repayments influence liquidity in the Danish covered bond market. Any Danish covered bond can be bought back by the borrower at the current market price and delivered to the issuing mortgage bank – the buyback option – or in the case of fixed rate mortgages it is also possible to redeem at par. This type of early redemption activity gives rise to an increase in transactions both when bonds are bought back (the buyback option), and when new bonds are issued.

# CHAPTER 2 - GENERIC SECTION

## 2.1 OVERVIEW OF COVERED BONDS

By Joost Beaumont, Chairman of the ECBC Statistics & Data Working Group and ABN AMRO, Cristina Costa, Barclays, Tim Lassen, Association of German Pfandbrief Banks (vdp)

### I. INTRODUCTION

Covered bonds are one of the key components of European capital markets, providing a stable funding tool to banks and a high-quality investment to investors. The volume of covered bonds outstanding at the end of 2025 amounted to over 3 tn EUR (covered bonds covered by mortgage loans, public-sector loans and ship loans). In descending order, the three largest covered bond jurisdictions in the EU in 2025 were Denmark, Germany, and France. but the share of non-EEA covered bond markets continues to grow. Please refer to Figure 5 at the end of this chapter for a table of volume outstanding of covered bonds by jurisdiction.

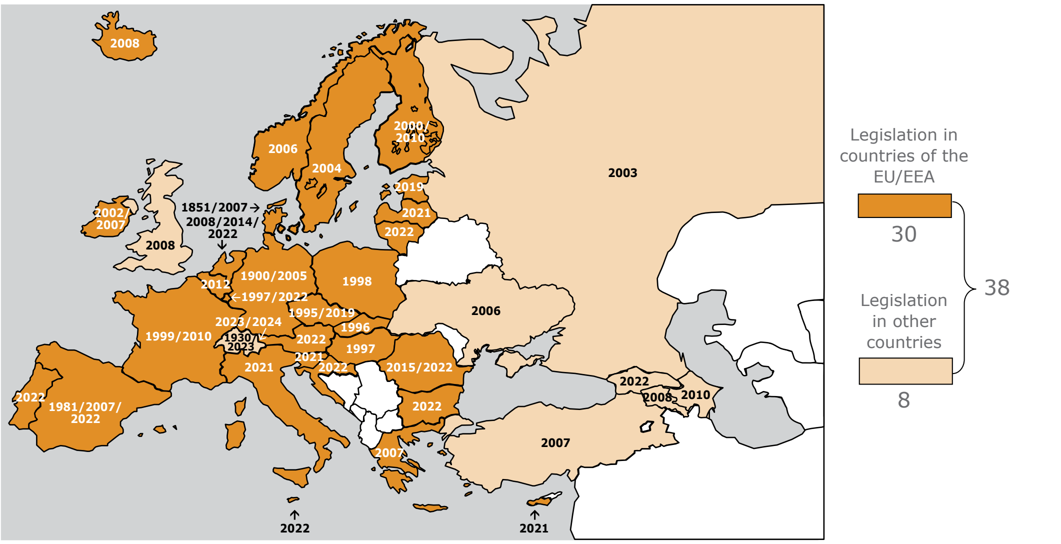
Covered bonds play an important role in the financial system and thereby contribute to the efficient allocation of capital and ultimately economic development and prosperity. The importance of covered bonds is also evidenced by the broad variety of different bond formats and currencies under which the product is issued and by the large investor base. Both subjects are addressed in the key themes section, while all can be found in the statistics section.

The covered bond is a pan-European product with a long-standing history. Decisive milestones in its development were laid in Prussia (1770), Denmark (1797) and France (1852). After all, regulations governing covered bonds existed in nearly all European countries during the 19th and 20th centuries.[1] Traditional issuers ranged from public law "Landschaften" to private mortgage banks with the covered bond instrument over time evolving from a fungible mortgage instrument to a bond, issued by a bank. Initially, the instrument's aim was to finance agriculture, but it later concentrated more on housing and commercial real estate as well as financing public sector loans.

Over the past 25 years, the covered bond market has developed into the most important segment of privately issued bonds on Europe's capital markets. Today, there are active covered bond markets in about 30 different European countries. The covered bond market has also expanded beyond European borders to become more and more a global product: countries such as Australia, Brazil, Canada, Croatia, Georgia, New Zealand, Singapore, South Korea, have established covered bond legislation, and others are looking to establish CB frameworks.

1 Even including Russia, where the first institutions authorized to issue covered bonds (*zakladnye listy*) were established in 1861, see ECBC: CB Fact Book, 2014, p. 391, 392.

> Figure 1: Covered bond legislation in Europe (as of May 2026)




Source: vdp

## Why are covered bonds so popular?

Covered bonds play an important role in bank wholesale funding, as they provide lenders with a cost-efficient instrument of long-term funding for mortgage or public-sector loans and offer investors good quality credit exposure on credit institutions. Furthermore, the instrument has proved its resilience as a funding instrument at various occasions in times of market stress, such as during the financial and sovereign crisis and during the COVID-19 pandemic. Most recently, during the financial turbulence following the collapses of Silicon Valley Bank and Credit Suisse in early 2023 – as well as during most recent geopolitical tensions in Ukraine and the Middle East – covered bonds have shown their safe haven status and proved to be one of the only asset classes able to restore investor confidence and ensure issuers access to the debt capital markets in volatile times. The high importance of covered bonds for the financial system is demonstrated by the regulatory privileges these instruments enjoy in various areas of EU financial market regulation. The new EU legislation on covered bonds effective from July 2022 further reinforced the conditions for granting preferential capital treatment to covered bonds by adding more requirements. At national level, in addition to the introduction of new covered bond legislations, there have been continuous evolutions/amendments to existing legislations, underlying the commitment of issuers, investors and regulators to take on board the best practice standards and further reinforce and enhance the quality of the asset class.

## Covered bonds as a long-term funding tool for the real-economy: the example of housing finance

Covered bonds are an effective tool to channel long-term financing for high quality assets at reasonable cost. They improve banks' ability to borrow and lend at long-term horizons and, hence, represent a stable source of funding for key banking functions such as housing loans and public infrastructure, including defense. In this regard, covered bonds represent a key funding tool for the (European) banking industry.

The use of covered bonds as a funding tool depends largely on the size of the domestic mortgage market, and the availability of alternative funding tools for banks (and their costs). The figure below shows that in most countries mortgage backed covered bonds account for at least 30% of outstanding mortgage loans. Most of the countries have now reached stable relative size of the covered bond market after a phase of strong growth in 2007/2008, and a more moderate growth subsequently.

Prerequisites of a covered bond system are:

> Specific legislation on Covered Bonds,

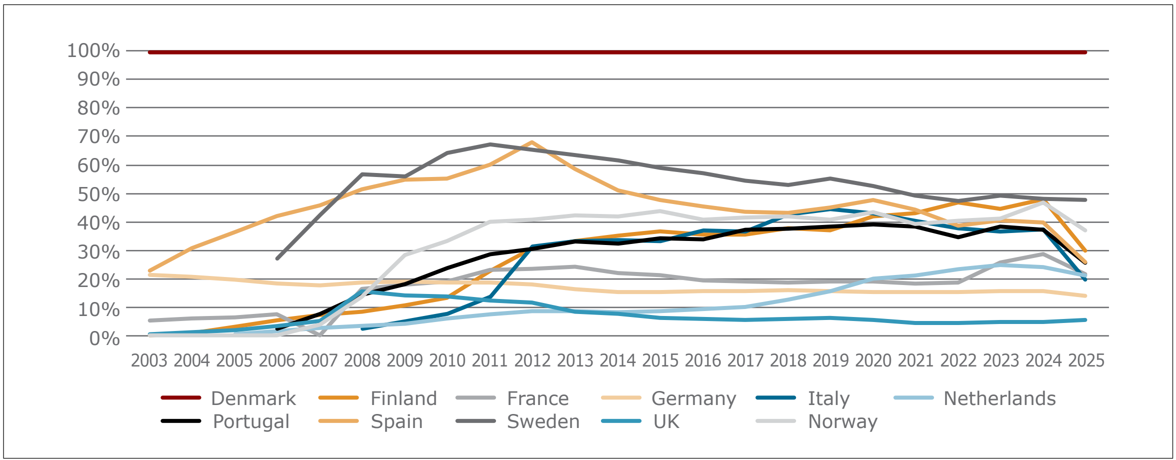
> Independent and specific (government) oversight,

> Specific regulatory support,

> Equal tax treatment with government bonds,

> Specific protection of covered assets.[2]

> Figure 2: Mortgage backed covered bonds as % of residential mortgage loans




Source: EMF-ECBC

## Benefits of covered bonds

**From an issuer's perspective**, covered bonds enable banks to enhance their funding profile and manage their liquidity. Benefits provided by covered bonds include:

> Providing banks a diversification of their funding mix, allowing asset liability management (ALM) teams to better adapt their funding strategy to market conditions;

> Extending the maturity profile of the liabilities, allowing banks to better match their long(er)-term asset portfolios;

> Enabling issuers to increase diversification of the investor base, both in terms of geography and investor type, in particular to the more conservative investors. This phenomenon can also be evidenced by issuers turning to the issuance of ESG covered bonds, as they seek to broaden their investor base;

> Transforming less liquid mortgage loans into covered bonds which are eligible as collateral for central bank liquidity (including own use); and

> Servicing the industry as one of the most reliable funding tools, even in times of turmoil.

2 Including – among others – efficient systems for (1) registration of real estate and pledges over real estate, (2) foreclosure and (3) bankruptcy. With these questions in detail deals the Round Table "Security Rights over Immoveable Property (www.vdpmorrtgage.com).

**From an investor's perspective**, the major strengths and regulatory advantages of covered bonds can be summarized as follows (for further details please see ECBC: CB FB, 2025, p. 125):

> Dual recourse to the issuer and a cover pool of high-quality assets (and therefore higher recovery in case of liquidation of the CB issuer);

> Higher rating and higher rating stability than unsecured debt;

> Lower risk-weighting for EEA covered bonds bought by EEA banks under the EU's CRR;

> Eligible as liquid assets under the EU LCR regulation;

> Exemption from bail-in under EU's BRRD;

> Privileged treatment of covered bonds under the EU large exposure rules;

> Favourable treatment under Solvency II;

> Higher investment share for funds in UCITS Directive;

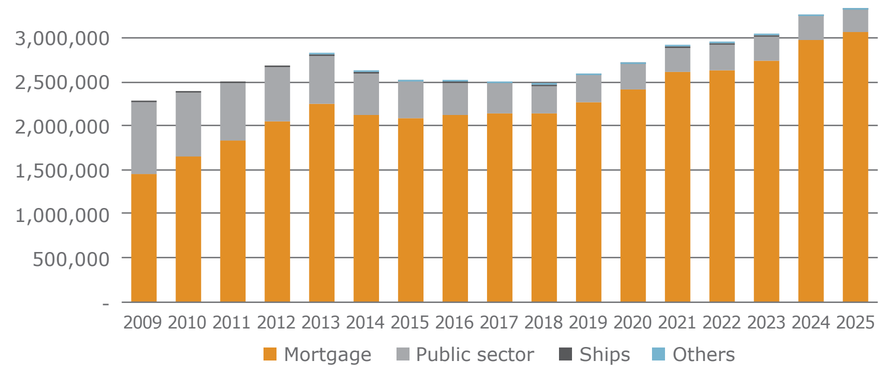
> Favourable repo treatment at the European Central Bank (ECB) and other central banks (for further details please refer to ECBC Factbook chapter on 'The Repo Treatment of Covered Bonds by Central Banks').

**Resilient bank funding instrument**

Covered bonds are the most reliable funding source, as they make banks less susceptible to adverse market conditions. They often offer issuers better wholesale capital market access, lower transaction execution risk, and decrease the reliance on senior unsecured funding and interbank markets. This is especially true during times of crises. During the European sovereign crisis of 2011-2012, and even more recently, covered bond issuers of some jurisdictions (e.g. France) had, for instance, cheaper access to wholesale funding markets via covered bonds than their respective sovereigns.

The development of covered bonds has also been shaped by regulation. The 2014 EU Liquidity Coverage Directive established covered bonds as eligible for Level 1 and Level 2A High Quality Liquid Assets (HQLA). As a result, bank treasuries have become regular buyers of covered bonds to include in their liquidity portfolios.

> FIGURE 3: TOTAL OUTSTANDING COVERED BONDS BY UNDERLYING ASSETS, 2009 TO 2025




Source: EMF-ECBC – Covered bonds outstanding at the end of 2025.

## II. EU HARMONISATION OF COVERED BONDS

On 7 January 2020, the legislative package for the EU-wide principle-based harmonisation of covered bond (CB) frameworks entered into force, with the new measures having become effective from 8 July 2022.

The harmonisation package consists of a Covered Bond Directive (CBD) and an amendment of Article 129 CRR, which distinguishes the core group of traditional secured bonds issued by a credit institution more clearly from other kinds of covered bonds.

Since its adoption in 2019 and full application in 2022, the CBD has delivered a number of significant outcomes including establishment of harmonized EU-wide framework, significant improvements in investor protection mechanisms in some jurisdictions, successful introduction and uptake of 'European Covered Bond' labels, strengthened liquidity requirements through mandatory buffers and enhanced alignments with prudential frameworks.

### 1. Principle-based harmonisation

The regulatory discussion on the creation of the CB harmonisation package was characterised by the "principle- based harmonisation" aimed at by the EU regulatory framework. This means that the EU provisions lay down the minimum requirements for secured bonds issued by credit institutions and, in a number of ways, leave room for particularities and detailed regulations at the national level; this has also been the (almost) unanimous petition of CB issuers and other market participants. This is of fundamental importance both for understanding the regulatory package and for interpreting the individual provisions.

While the CBD builds on the essential traditional quality features of covered bonds, it leaves national legislators a wide margin of leeway in shaping their national CB laws. This is also illustrated by the fact that the CBD contains both mandatory and optional provisions. Some mandatory provisions also contain optional elements, and vice-versa.

### 2. Covered Bond – Directive

The recitals of both parts of the CB harmonisation package are worth reading, as they explain the aim of the harmonisation project and locate the new rules within the existing set of rules for covered bonds. The definitions listed in Article 3 of the CBD are also important for understanding individual provisions.

#### 2.1 Dual recourse

Article 4 CBD describes the most important element of covered bonds, dual recourse. In fact, there are three components:

a) a claim against the credit institution (the CB issuer); this is the most important difference to securitisations (such as asset-backed securities and mortgage-backed securities) where the investor has a claim against an SPV as a non-bank;

b) in the case of the insolvency of the CB issuer, a claim against the cover pool; and

c) if the cover pool is insufficient, a claim against the insolvency estate of the CB issuer. If this third claim is regarded simply as a consequence of a), then "dual recourse" is the correct term, otherwise "triple recourse" would be more precise.

#### 2.2 Bankruptcy remoteness of covered bonds

Article 5 CBD makes only brief mention of the fact that payment obligations attached to covered bonds are not subject to automatic acceleration upon the insolvency or resolution of the CB issuer.

This ensures that investors will receive their principal and interest payments at the time specified in the terms and conditions of the issuance, even if the CB issuer becomes insolvent. This "timely payment" is a key requirement in investors accepting low interest rates and in rating agencies granting covered bonds high ratings.

## 2.3 Eligible cover assets

Article 129 CRR establishes the uniform, EU-wide, and directly binding provision on which cover assets could be used to back a covered bond in order to achieve a favourable risk weighting. These requirements continue to apply.

a) Article 6 CBD goes beyond the framework of Article 129 CRR and allows for additional cover assets. If such cover assets (going beyond Art. 129 CRR) are included in a cover pool, the covered bonds issued on this basis would lose their preferential treatment in accordance with Article 129 CRR, but can make use of the other special provisions directly linked to the CBD or other EU directives that refer to the CBD.

   Furthermore, according to Article 27 of the CBD, a covered bond whose cover assets meet the requirements of Article 129 of the CRR may be labelled as a "European Covered Bond (Premium)". However, the term "Premium" may not be used for covered bonds that go beyond this group of cover assets.

b) Article 6(1) of the CBD provides for four categories of eligible cover assets (for more details please refer to ECBC: CB FB 2025, p. 128-130[3]):

   (1) Assets that are eligible pursuant to Article 129 of the CRR: These are mainly traditional assets, especially claims related to property financing, public financing, and ship financing. In this context, the following LTV ratios apply to property and ship assets: residential immovable property mortgages 80%; commercial immovable property mortgages 60%;[4] and maritime liens on ships 60%.

   (2) High-quality cover assets: exact criteria for the high quality of cover assets are not provided. Rather, it lists requirements that a cover asset has to fulfil by consisting of a claim for payment[5] and a collateral asset.

   (3) Public undertakings:[6] these include claims on loans to or guarantees by public undertakings within the meaning of Article 2 of the Transparency Directive.

   (4) Claims when the counterparty is subject to ongoing public supervision of its operational soundness and financial solvability (what covers credit institutions and insurance undertakings).

c) Given the multitude of conceivable cover assets, Article 10 CBD aims to make covered bonds more or less uniform in order to ensure homogeneity in the national transposition by the EU Member States, without however defining how this is to be interpreted.

d) The topic of allowing derivative contracts in the cover pool is regulated separately in Article 11 of the CBD.

## 2.4 Segregation of cover assets

Article 12 of the CBD prescribes the segregation of cover assets but does not regulate it. It is thus left to Member States or, at their discretion, even to the issuers to ensure segregation.

a) The legal structures of covered bonds cannot be harmonised:

   The basic legal structures of covered bonds vary widely and have developed over many years (in some cases centuries). In order to make it easier to compare and contrast these diverse forms, they are usually categorised in five different CB models based on the issuer: specialised funding institutions (vehicles), traditional specialized credit institutions, universal credit institutions, SPV models, and pooling models.

3 For registration due to Article 6(3)(a) CBD as well as registration of ships and airplanes see: Lassen, An international comparison of the registration of liens on movable property, HFI, Summer 2025, pp. 48-62.

4 This can be exceeded up to a maximum level of 70% if the total assets pledged as collateral for the covered bonds exceed the nominal amount of CB outstanding by at least 10%.

5 In the case of a mortgage loan, eligible claims for payment would be, for example, claims for payment of interest and principal.

6 Point (c) of Article 6(1) and Article 6(4) of the CBD.

For different CB models: Round Table Covered Bond Legislation (www.vdpcoveredbonds.com), Chapter 2 – Covered Bond Models.

The fundamental differences are particularly evident in the rules governing the link between covered bonds and their cover assets (the "CB business"), which are crucial for the segregation in the event of insolvency of a CB issuer from the remaining assets of a CB issuer.

For more details and discussions during legislative process: ECBC, CB FB 2025, p. 130, 131.

Article 12(1) CBD only provides the following:

> All cover assets have to be identifiable. This can be done through entry in a cover register, as stipulated in most CB laws in EU Member States. This can also be achieved by establishing a separate legal entity for the cover pool[7] or even as CB issuer,[8] so that the cover pool and total assets of this fully specialised company are basically identical; a cover register to decide on the distribution between the cover pool and the insolvency assets in the event of CB issuer insolvency is thus not necessary.

> The respective CB law has to provide for segregation of assets.

> The cover assets have to be protected from any third-party claims.

Limiting the provisions to these basic statements means that principle-based harmonisation also applies here, and the design is left to the national CB legislators.

b) Foreign cover assets and segregation of assets

Article 7(1) of the CBD explicitly allows EU Member States to include assets from third countries as cover assets. Although Article 7(2) of the CBD contains requirements for comparability, these relate to collateral assets and their enforceability.

The most challenging element in this context focuses on the questions of whether and to what extent foreign cover assets can be integrated into a cover pool or segregated under insolvency law – or, in other words, whether the protection of CB investors regulated by national law also extends to cover assets located abroad.

All CB laws aim to protect CB investors in the event of the insolvency of the CB issuer. If the registered office of the CB issuer is in the same country as the cover assets, the legislator may regulate the allocation of cover assets to the covered bonds because both are located in its territory and therefore subject to its regulatory competence.

The scope for flexibility in this area is also a consequence of principle-based CB harmonisation.

(1) Cover assets from EU Member States

In answering these questions, the creation of the Directive on the Reorganisation and Winding-up of Credit Institutions[9] is of great importance for the legal area of the EU.

(2) Cover assets from third countries

The legal situation becomes more complicated with respect to cover assets located in third countries (outside the EU and the EEA). Neither national nor EU legislators can create regulations that impact third countries and override international enforcement and insolvency law or directly interfere with regulatory sovereignty

7 This is the case with the CB SPV models in Italy, the Netherlands, and the United Kingdom; here, the SPV is not a credit institution, but guarantees the covered bonds issuances of the universal credit institution with its assets acquired from the universal credit institution. This is also the preferred CB model outside Europe (e.g., in Australia, Canada, New Zealand, and Singapore).

8 France and Norway bear mentioning here. In these countries, the special purpose company is a credit institution that acquires the cover assets from a universal bank parent company and issues the covered bonds itself.

9 Directive 2001/24/EC of the European Parliament and of the Council dated 4 April 2001 on the reorganisation and winding up of credit institutions, OJ EU, 5 May 2001, L 125/15.

of third countries. Consequently, attachment and secondary bankruptcy proceedings in third countries cannot be excluded by EU or national legal measures.

### 2.5 Cover pool monitors and public supervision

The provisions of Article 13 CBD on the "cover pool monitor" and, in particular, of Articles 18 to 26 CBD on "covered bond public supervision" are groundbreaking, as there has been nothing comparable on covered bonds in EU law before.[10]

The very fact that Article 13 is located in Title II of the CBD (i.e. Structural features of covered bonds), and Articles 18 et seq. are located in Title III of the CBD (i.e. Covered bond public supervision), shows the decision of the EU legislator that the activity of a cover pool monitor cannot be considered part of public supervision.

For discussions and arguments during legislative process: ECBC, CB FB 2025, p. 132, 133.

Regarding interpretation of this CBD provision, it is reported that there is the opinion that a cover pool monitor system is out of the scope of Art. 13 CBD, if the FSA appoints the cover pool monitor, whereas Art. 13 (1) 1 CBD says: "Member States may require that credit institutions issuing covered bonds appoint a cover pool monitor …". This would mean that the binding rules of Art. 13 CBD do not apply, although cover pool monitors exist.

### 2.6 Investor information

The provisions included in Article 14 CBD have been largely taken from Article 129(7) CRR, which requires covered bond issuers to regularly publish information on credit risks into national CB law.

Here too, the CBD aims at principle-based harmonisation. As such, if it does not regulate its objectives in detail, rather, it is up to the national CB legislators to decide on the details and scope, which will be based on existing standards.

### 2.7 Coverage requirements

Article 15 CBD contains provisions on coverage principles and coverage calculation. Although the nominal principle is provided for in general, national CB legislators may also allow for other principles of calculation, the details of which have to be regulated in national CB laws.

Winding-down costs are to be taken into account in the coverage calculation: "the expected costs related to maintenance and administration for the winding-down of the covered bond programme."

EU Member States may allow their national CB laws to calculate these winding-down costs on the basis of a "lump sum calculation".

The European Commission has confirmed that the minimum overcollateralization already provided for in many countries can be used as this lump sum. However, these lump sums cannot be used twice. Thus, anyone using a statutory overcollateralisation provision to cover winding-down costs cannot use the same amount again to meet the overcollateralisation provisions of Article 129 of the CRR. This is already apparent from the fact that the calculation of coverage and the calculation of overcollateralisation are regulated by different pieces of legislation (i.e., the CBD and Article 129 of the CRR).

### 2.8 Requirement for a cover pool liquidity buffer

Article 16 CBD stipulates the requirement to maintain a liquidity buffer for the "next 180 days". The aim of this provision is to enhance the quality of covered bonds by increasing the probability that CB creditors will receive timely payment in the event of the insolvency of a CB issuer.

Article 16 CBD is in line with the LCR requirements[11] of general banking supervision law,[12] which lay down criteria for the eligibility of covered bonds as "liquid assets":

10 Article 52(4) of the UCITS Directive and all EU provisions on covered bonds that use the same wording or refer to it only contain the provision that there has to be "special public supervision". However, it has never been clarified how the terms "special" and "public" should be interpreted.

The amended LCR[13] delegated regulation addresses the double-counting issue in the liquidity buffer by treating liquid assets in the cover pool that are held as part of the liquidity buffer up to the amount of the net liquidity outflow within the next 30 days as unencumbered.

Article 16(5) of the CBD simplifies matters further by permitting national CB legislators to allow maturity extension provisions to be taken into account in the calculation of the liquidity buffer. This also means that the liquidity buffer would only be required for interest liabilities falling due in the next 180 days if either no principal amounts fall due in this period or if principal amounts falling due according to the original payment schedule could be postponed by at least this period.[14]

## 2.9 Conditions for extendable maturity structures

For a number of years now, numerous CB issuers throughout Europe have outlined in their terms and conditions of issuance that the maturity of their covered bonds may be extended under certain conditions.[15] Given the major significance of this development, it was necessary to include the topic in the CBD.

Article 17 CBD grants EU Member States the possibility of allowing the issuance of covered bonds with extendable maturity structures; this is therefore an optional provision. However, at the same time, mandatory requirements apply to these provisions if they are used. The national CB laws can either regulate all details of maturity extension themselves,[16] or limit themselves to the basic principles and leave further design to the CB issuers.

A minimum requirement is that the national CB law has to specify the objective triggers for maturity extension (i.e., these may not be at the discretion of the CB issuer). These maturity extension triggers are to be specified in the contractual terms and conditions of the covered bond.

A provision is also required whereby a maturity extension does not affect the ranking of CB investors or invert the sequencing of the original maturity schedule. In this respect, it has already been intensively discussed whether this would exclude any change in the sequencing of the servicing of covered bonds in the event of the insolvency of a CB issuer.

## 2.10 Labelling

Article 27 of the CBD lists two protected labels:

The label "European Covered Bond" may be used for covered bonds that meet the provisions of national law transposing the binding rules of the CBD that apply in the country where the CB issuer has its registered office; and

The label "European Covered Bond (Premium)" may only be used for covered bonds that in addition also meet the requirements of Article 129 of the CRR.

Not every national CB law has to explicitly protect the labelling in the languages of all other EU countries. It is sufficient when a general provision is selected, such as that contained within Article 27 of the CBD.

For Transitional Measures please see ECBC FB 2025, pp. 141, 142.

---

11 Liquidity coverage ratio. Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 to supplement Regulation (EU) No 575/2013 of the European Parliament and the Council with regard to liquidity coverage requirement for Credit Institutions.

12 Article 412 of the CRR regulates the requirement that banks have to be able to provide liquidity for the next thirty days even under stressed conditions.

13 Commission Delegated Regulation (EU) 2022/786 of 10 February 2022 amending Commission Delegated Regulation (EU) 2015/61 to supplement Regulation (EU) No 575/2013; Official Journal L 141/1 – 5 dated 20 May 2022.

14 In the CB issuance practices of soft-bullet covered bonds to date, a maturity extension of one year is common, and some even go beyond that. Polish CB law also regulates maturity extensions of one year. There are no known provisions on extensions for less than 180 days.

15 For an overview of this topic, see Rudolf, Extendable maturity structures – the new standard, ECBC, European Covered Bond Fact Book 2019, pp. 85 et seq.

16 The first country to include detailed provisions for maturity extensions in its CB law was Poland, which did so in 2016.

## 2.11 Minimum level of overcollateralization

Article 129 CRR regulates the provision on the minimum level of overcollateralisation. This minimum level of overcollateralisation is to be calculated based on the liabilities referred to in Article 15(2) and (3) of the CBD.[17]

The minimum level of overcollateralisation is to be 5%. Here too, principle-based harmonisation comes into play, as the CRR grants the EU Member States the authority to set a lower level of overcollateralisation or to authorise their competent authorities to set such a level, provided that the minimum level of overcollateralisation is not lower than 2%.

The reduction applies to all immovable property cover assets whose valuation is subject to the mortgage lending value. For other cover assets, "the calculation of overcollateralisation is based on a formal approach where the underlying risk of the assets is taken into account";[18] such a reduction must therefore be risk-adjusted.

For Grandfarthering please see ECBC, FB, 2025, p. 144.

## 2.12 Valuation and Upward revision of values[19]

Regulation (EU) 2024/1623 introduced the concept of "property value" (PV) into the CRR. Question is, what are the implications for the CB.

1. Valuation methods

Generally due to Art. 229(1)(b) CRR for asset valuation for new loans, the property value (PV) has to be used.

For CB funding purposes the different tasks of CBD and CRR have to be taken into account:

The CRR uses the PV for risk weighting purposes of the mortgage secured loan.

The CBD sets the rules for CB eligibility[20]: Thus for valuation for funding still the Market Value (MV) or the Mortgage Lending Value (MLV) has to be used;[21].[22] Art. 129 CRR as decisive rule for CB risk weighting preferential treatment[23] does not stipulate other valuation rules for CB purposes than the CBD. In other words: For preferential treatment of the CB, the CRR does not claim a PV valuation – other than for risk weithing of the loan itself.

As a result the CB-issuing bank has to apply different values for the same property: (1) PV of the mortgage object for risk weighting of the respective loan; (2) MV or MLV of this mortgage object for funding of this loan by CB. To avoid doubts: Also when the loan is funded by CB, this differentiation of values (PV and MV/MLV) has to maintained for regulatory reasons until repayment of the loan.

2. Upward revision of values

In addition to the CBD in the CRR are introduced monitoring and review requirements for cover assets' valuation.[24]

17 Article 129(3a)(1) CRR, Article 3(14), 15 CBD.

18 Point (a) of the third sentence of Article 129(3a) of the CRR.

19 Art. 129(3)(2) CRR, introduced by pt. 59(b) of Regulation (EU) 2024/1623 of the European Parliament and of the Council of 31 May 2024 amending Regulation (EU) No 575/2013 as regards requirements for credit risk, credit valuation adjustment risk, operational risk, market risk and the output floor (OJ L, 2024/1623, 19.6.2024; CRR III).

20 So called "lex generalis".

21 Art. 6(5)(a) CBD.

22 Voluntarily the PV might be used, if it is lower than MV or MLV: "a current valuation at or at less than market value or mortgage lending value" (Art. 6(5) CBD).

23 So called "lex specialis".

24 Art. 129 (3)(1), 208 CRR.

CBD and CRR do not exclude an upward revision of the value of cover assets.[25] This upward revision may be limited by a backward looking approach.[26]

If the property is valued at or at less than the market value or the mortgage lending value,[27] it is in the national discretion *not* to use this backward looking limitation.[28]

It is surprising to admit, that this approach to upward revisions includes a derogation of a subarticle (Art. 229(1)(e) CRR), when at the same time Art. 229 CRR as a whole is not applicable for CB-funding purposes.[29]

### 2.13 Transitional Measures and Grandfathering

For Transitional Measures and Grandfathering upon introduction of the Covered bond legislative package: ECBC, CB FB 2025, pp135, 136, 137.

## 3. EBA Report

Article 31 of the CBD gave several tasks to the European Commission and the EBA, among others assessing the transposition of the CBD into national covered bond frameworks and various other topics related to covered bond legislation. In September 2025 the EBA published its "EBA Advice on the Review of the EU Covered Bond Framework", confirming covered bonds as a core and resilient source of bank funding in the EU. The report discusses further harmonisation of cover asset eligibility and cover pool composition, liquidity and extendable maturity structures, derivative safeguards, overcollateralisation and coverage requirements, transparency and investor disclosures (including climate-risk metrics), and the role and independence of cover pool monitors. It also examines alignment between the Covered Bond Directive and the CRR, asset encumbrance, green covered bonds, and third-country equivalence for covered bonds.

Please see section XX of this Fact Book for additional information on the EBA report and see ECBC, CB FB 2025, p. 138, 139 for earlier discussions during the "CfA" process.

## III. ECBC COMPARATIVE DATABASE

The implementation of the CBD has also implied that the ECBC's legislative comparative database (see here https://compare.coveredbondlabel.com/) needed to be updated. The database provides a comprehensive overview of the key legal details of the new/ updated covered bond legislation in individual countries. As such, it improves transparency about how national legislators have transposed the CBD into national laws, given the highly principle-based character of the CBD. It also includes links to national covered bond legislation and in some cases also links to lists of European (Premium) labelled covered bonds.

In Summer 2024 the database of the international project "Round Table Covered Bond Legislation" went public (www.vdpcoveredbonds.com). In order to improve understanding of the national law on Covered Bonds, the vdp together with the members of the Round Table Covered Bond Legislation (RTCBL), have developed this public database. The Database contains comprehensive information about the present legal regime applica-ble to issuers of Covered Bonds in more than 20 countries. This complex material is presented in a series of maps on which countries which take the same approach are coloured the same. This allows the user to see the similarities and differences between legal systems at a glance in an overview. The Round Table Covered Bond Legislation aims to make a scholarly contribution to comparative examination of the areas of law which are significant for Covered Bonds.

25 Art. 6(5) CBD, 208 CRR.

26 Art. 129(3)(2), 229(1)(e) CRR.

27 If rigorous criteria for the assessment of MLV have been laid down in statutory or regulatory provisions.

28 Due to Art. 129(3)(2) CRR.

29 The CBD package (Art. 1(1)(c) Regulation 2019/2160) replaced the former Art. 129(3) CRR, which included at that time a reference to Art. 229 CRR.

> Figure 4: Volume outstanding covered bonds end of 2025 in EUR million

| | Public Sector | Mortgage | Ships | Others | Mixed Assets | TOTAL |
|---|---|---|---|---|---|---|
| Austria | 16,323 | 103,567 | - | - | - | 119,890 |
| Belgium | 1,711 | 60,327 | - | - | - | 62,038 |
| Cyprus | - | 650 | - | - | - | 650 |
| Czechia | - | 14,155 | - | - | - | 14,155 |
| Denmark | 18,923 | 450,075 | 4,963 | - | - | 473,961 |
| Estonia | - | 3,450 | - | - | - | 3,450 |
| Finland | - | 52,999 | - | - | - | 52,999 |
| France | 81,100 | 391,882 | - | - | 49,868 | 522,850 |
| Germany | 106,843 | 303,274 | 777 | - | - | 410,893 |
| Greece | - | 9,693 | - | - | - | 9,693 |
| Hungary | - | 6,330 | - | - | - | 6,330 |
| Ireland | - | 12,893 | - | - | - | 12,893 |
| Italy | - | 160,435 | - | - | - | 160,435 |
| Latvia | - | - | - | - | - | - |
| Luxembourg | 2,372 | - | - | - | - | 2,372 |
| The Netherlands | - | 239,384 | - | - | - | 239,384 |
| Poland | 107 | 4,912 | - | - | - | 5,019 |
| Portugal | 600 | 43,231 | - | - | - | 43,831 |
| Romania | - | - | - | - | - | - |
| Slovakia | - | 17,345 | - | - | - | 17,345 |
| Spain | 6,790 | 183,902 | - | 11,810 | - | 202,502 |
| Sweden | - | 242,058 | - | - | - | 242,058 |
| Total EU | 234,769 | 2,300,561 | 5,740 | 11,810 | 49,868 | 2,602,748 |
| Iceland | - | 6,891 | - | - | - | 6,891 |
| Norway | 1,938 | 152,519 | - | - | - | 154,456 |
| Total EEA | 227,687 | 2,364,008 | 5,740 | 11,810 | 49,868 | 2,764,096 |
| Australia | - | 75,649 | - | - | - | 75,649 |
| Brazil | 589 | 16,265 | - | - | - | 16,854 |
| Canada | - | 182,661 | - | - | - | 182,661 |
| Japan | - | 5,100 | - | - | - | 5,100 |
| New Zealand | - | 9,222 | - | - | - | 9,222 |
| Panama | - | - | - | - | - | - |
| Singapore | - | 21,075 | - | - | - | 21,075 |
| South Korea | - | 14,474 | - | - | - | 14,474 |
| Switzerland | - | 233,556 | - | - | - | 233,556 |
| Turkey | - | - | - | - | - | - |
| United Kingdom | - | 109,522 | - | - | - | 109,522 |
| United States | - | - | - | - | - | - |
| Total non EU | 2,527 | 826,934 | - | - | - | 829,461 |
| Total non EEA | 589 | 667,524 | - | - | - | 668,113 |
| **Grand Total** | **237,296** | **3,127,495** | **5,740** | **11,810** | **49,868** | **3,432,209** |

Source: EMF-ECBC

Notes: Please refer to section 6 for additional information on the ECBC statistics.

## 2.2 REGULATORY ISSUES

### 2.2.1 COVERED BONDS AND EU BANKING REGULATIONS

By Frank Will, Chairman of the ECBC EU Legislation Working Group and HSBC

Over the last two decades, covered bonds were able to ensure a preferential regulatory treatment compared to many other asset classes reflecting the strengths and low risks of the product. The most important regulatory rules include the Bank Recovery and Resolution Directive (BRRD) which exempts covered bonds from bail-in, the Liquidity Coverage Ratio (LCR) which categorises covered bonds as highly liquid assets and Solvency II which grants low spread risk factors to covered bonds. Arguably, the most important piece of legislation is the European Covered Bond Directive and the amendments of the Capital Requirements Regulation (CRR) which came into force on 8 July 2022 and has further harmonised the covered bond market in Europe. The CRR assigns low risk weights to qualifying covered bonds. The risk weightings are a very important factor in the investment decision of banks which have become again the largest buyer segment of new EUR covered bond issues following the withdrawal of the ECB over the last few years.

In addition, there are currently several other initiatives by European and global regulators under way which could have wider implications for the covered bond product and the issuers of covered bonds. Below we provide an overview of the planned or currently discussed major regulatory amendments which could affect covered bonds.

#### I. COVERED BOND HARMONISATION

In January 2020, the covered bond harmonisation package entered in force and the EU member states had until 8 July 2021 to transpose it into national law, leaving scope for limited national discretion. The provisions of the national laws had to apply at latest 12 months after the transposition deadline, i.e. the amended national laws had to apply from 8 July 2022. Several EU member states missed that deadline but in the meantime of all major covered bond countries have implemented the relevant primary and secondary legislation. The CRR amendments on the other hand did not have to be transposed into national law (as EU regulation is directly applicable) and applied from 8 July 2022. The EU approach in harmonising the covered bond market is largely principle-based and consists of two parts:

> The EU directive on covered bonds replaced the provisions of Art. 52 UCITS and defines the key structural elements that should be common to all EU Covered Bonds. The covered bond directive acts as the point of reference for prudential regulatory purposes. It also introduces a European covered bond label.

> Amendments to Art. 129 CRR include additional requirements that covered bonds have to fulfill in order to benefit from a preferential capital treatment. This includes a new 5% minimum overcollateralisation (OC) requirement. National regulators may, however, apply a lower minimum OC if certain conditions are met. The limit cannot, however, be lower than 2%.

Figure 1 summarises the key features of the directive and the CRR amendments.

FIGURE 1: COVERED BOND HARMONISATION BY THE EUROPEAN COMMISSION

| Covered Bond Directive | Amendments of Art. 129 CRR |
|---|---|
| > Requirements for regulatory recognition of covered bonds; replacement of Art. 52 (4) UCITS<br>> Base-line covered bond definition (dual recourse, segregation of assets, bankruptcy remoteness, public supervision, liquidity buffer)<br>> Structural features include soft bullet and CPT features<br>> Extended transparency requirements (moved from CRR) | > Enhanced requirements for preferential capital treatment<br>> Credit risk related features:<br>- eligibility of cover assets<br>- substitution assets<br>- LTV limits<br>- minimum OC between 2-5% |

Source: HSBC, EBA

**Assessment by the European Commission of the performance of the EU Covered Bond Directive**

In 2023, the European Commission asked the EBA for technical advice on the assessment on the topics the European Commission is required to conduct according to Article 31(2) of the Covered Bond Directive (CBD). These topics include an (i) evaluation of the performance and functioning of EU covered bond markets as well as assessments (ii) on whether the coverage and liquidity requirements have contributed to mitigating the liquidity risks associated with covered bonds, (iii) on the risks and benefits of the various form of collateral, (iv) on asset encumbrance levels (and trends) and the contribution of covered bonds to those levels and (v) on the overall implementation of the CBD carried out by EEA member states, with a particular focus on the use of national discretions.

The Commission also asked EBA to provide advice on several other topics that the Commission is due to assess. According to Art. 31 (1) CBD, the Commission must conduct an assessment of (1) third country equivalence, (2) European Secured Notes (ESN) and (3) covered bonds with extendable maturities. The Commission also added 'Green covered bonds and ESG risks of cover pools of covered bonds' to the list of topics. The original deadline for the EBA report was 30 June 2025.

In 2025, the EBA published its report. The report incorporates feedback received from national competent authorities and the industry. It focused on (1) the harmonisation of the eligibility of cover assets in the Covered Bond Directive, (2) the establishing a third-country regime based on reciprocity, (3) an update on EBA's conclusions on ESNs, (4) the potential introduction of further safeguards on covered bonds with extendable maturities, (5) the introduction of principle-based disclosure on climate risks for real estate cover assets and (6) on harmonising the treatment of assets in the Covered Bond Directive with the general credit risk framework.

Regarding the establishment of a third country equivalence regimes, EBA's cost-benefit analysis essentially supports the introduction of these regimes. According to the EBA, an overarching principle will be the reciprocity of these treatments with third country authorities. Fundamentally, the main scope of the equivalence assessment will be the principles of the Covered Bond Directive. However, compliance with CRR provisions to obtain the Premium label can be added on top of these requirements by contractual checks on the list of covered bonds provided by the third country authority. Prerequisites for the initiation the assessment will the comparability of the third country's definition of credit institutions and the quality of supervisory framework. The assessment of technical aspects are then the next steps in the process. This includes an assessment of maturity of the third country covered bond market.

Regarding extendable maturities, the EBA suggest the introduction of additional safeguards for covered bonds with extendable maturities and an enhanced involvement of the national competent authority in the maturity extension process. This includes ensuring the objectivity of the triggers for extending maturity and inquiring the role of the issuer in the run-up to the realisation of the trigger (i.e., its unavoidability). There could be also stricter requirements for the use of the final maturity in the calculation of the liquidity buffer and a proposal of a plan for its reconstitution in case of depletion

Regarding European Secured Notes (ESN), EBA acknowledges that there are opportunities and interest for the development of ESN instruments. However, the lack of harmonisation and capital mobility typical of SME loans calls for a cautious approach, EBA's opinion.

One of the main takeaways from the EBA report is EBA's perception of the EU covered bond market as an important funding tool for EU credit institutions which has proven to be well-functioning and resilient. At the same time, the EBA highlighted that the EU covered bond legal frameworks are still not fully harmonised across member states. This creates opportunities for further alignment, in terms of understanding and comparability of the national systems, thereby allowing for a more integrated covered bonds market. The EBA also suggests a harmonised and consistent climate risk disclosure at cover pool level in a proportionate manner.

The EBA also suggested to align certain aspects with the general credit risk framework of the CRR III. These aspects include the eligibility for preferential risk treatment of cover assets in the form of mortgages, in particular the alignment of the requirements for Premium covered bonds with the general credit risk treatment (e.g., limitations on the use of real estate under construction). The valuation methods applied to immovable properties and the treatment of covered bonds in case of of defaulted issuer are other points.

## II. BASEL III

In 2017, the Basel Committee on Banking Supervision (BCBS) published the Basel III reform package. It encompasses a long list of changes including a revision to the Standardised Approach, a cutback on the (advanced) internal ratings-based approach and the introduction of an output floor which will be phased in over five years from 50% in 2023 to 72.5% in 2028. The output floor limits the extent to which banks' risk-weighted assets generated by internal models can be lower than calculated by the standardised approaches. The EU updated the Capital Requirements Regulation (CRR) to reflect the amendments at Basel level. The revised Basel III standard took effect in 2023. As regards the European Union, the amended Capital Requirements Regulation entered into force on 1 January 2025 with the exception of the FRTB (Fundamental Review of the Trading Book), which has been postponed to 1 January 2027. The output floor started at the beginning of 2025 with reduced percentage of 50% and will gradually increase to 72.5% in 2030.

Moreover, the reforms introduced preferential risk weights for covered bonds and define the minimum standards that covered bonds must fulfil: According to the Basel document, "covered bonds are bonds issued by a bank or mortgage institution that are subject by law to special public supervision designed to protect bond holders. Proceeds deriving from the issue of these bonds must be invested in conformity with the law in assets which, during the whole period of the validity of the bonds, are capable of covering claims attached to the bonds and which, in the event of the failure of the issuer, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest."

In order to be eligible for the lower risk weights, cover assets are limited by the Basel Committee to:

- claims on, or guaranteed by, sovereigns, their central banks, public sector entities or multilateral development banks;
- claims secured by residential real estate with a LTV ratio of 80% or lower;
- claims secured by commercial real estate with a LTV ratio of 60% or lower; or
- claims on, or guaranteed by banks that qualify for a 30% or lower risk weight. However, such assets cannot exceed 15% of covered bond issuances.

That means covered bonds backed by ship or aircraft loans do not benefit from a preferential risk weight under the Basel rules. Moreover, the required minimum overcollateralisation (OC) is set at 10% on a nominal basis. Importantly, the 10% level does not have to be required by law. However, if the minimum OC is not required by law, the issuer has to publicly disclose on a regular basis that its cover pool meets the required 10% minimum OC.

Moreover, "substitution assets (cash or short-term liquid and secure assets held in substitution of the primary assets to top up the cover pool for management purposes) and derivatives entered into for the purposes of hedging the risks arising in the covered bond program" may form part of the cover pool.

Finally, the Basel Committee sets out minimum disclosure requirements. The bank investing into covered bonds must demonstrate to its national supervisors that:

(a) it receives portfolio information at least on: (i) the value of the cover pool and outstanding covered bonds; (ii) the geographical distribution and type of cover assets, loan size, interest rate and currency risks; (iii) the maturity structure of cover assets and covered bonds; and (iv) the percentage of loans more than 90 days past due;

(b) the issuer makes the information referred to in point (a) available to the bank at least semi-annually.

**Risk weights**

Should the covered bond fulfill the requirements set out above, the risk weight should be determined by the issue-specific rating or – if the covered bond itself is unrated – by the risk weight of the issuer as set out in figures 2 and 3.

Figure 2: Risk weights for rated and unrated covered bond exposures

| Rated Covered Bonds: | | | | | |
|---|---|---|---|---|---|
| **Issue-specific covered bond rating** | **AAA to AA-** | **A+ to A-** | **BBB+ to BBB-** | **BB+ to B-** | **Below B-** |
| "Base" risk weight | 10% | 20% | 20% | 50% | 100% |

| Unrated Covered Bonds: | | | | | | | |
|---|---|---|---|---|---|---|---|
| **Risk weight of the issuing bank** | **20%** | **30%** | **40%** | **50%** | **75%** | **100%** | **150%** |
| "Base" risk weight | 10% | 15% | 20% | 25% | 35% | 50% | 100% |

Source: BIS, HSBC

However, to reduce the dependence on external ratings, "banks must perform due diligence to ensure that the external ratings appropriately and conservatively reflect the creditworthiness of the covered bond and the issuing bank. If the due diligence analysis reflects higher risk characteristics than that implied by the external rating bucket of the exposure (ie AAA to AA-; A+ to A- etc), the bank must assign a risk weight at least one bucket higher than the "base" risk weight determined by the external rating. Due diligence analysis must never result in the application of a lower risk weight than that determined by the external rating". Therefore, in some cases a higher risk weight than shown in figure 1 might be applicable.

**Market impact**

As most benchmark programmes already fulfil most of the necessary requirements – only the OC is slightly lower in some cases – the additional efforts by covered bond issuers to meet the Basel requirements should be manageable. Regarding investor demand, the new rules – which apply since 2023 – should help to further broaden the investor base for covered bonds on a global scale. In light of the shrinking covered bond holding under the ECB's purchase programmes, demand by European bank treasuries plays a more important role for the covered bond market. The preferential risk weights of covered bonds under Basel III should broaden the non-European investors base and should support the growth of global covered bond markets.

## III. CAPITAL MARKET UNION: EUROPEAN SECURED NOTES (ESN)

Back in 2015, the European Commission published a Green Paper on "Building a Capital Markets Union". The aim of the Capital Markets Union (CMU) is to improve long-term financing of the European economy by overcoming the adverse effects of financial fragmentation in Europe and to achieve a better allocation of financial resources across Europe. The Green Paper focuses, in particular, on the SME sector in Europe and argues for a much broader approach on long-term financing going well beyond traditional funding provided by banks.

In response to the European Commission initiative, the European Covered Bond Council (ECBC) suggested the introduction of a new dual recourse financial instrument in the European Union to address a funding segment located between the traditional covered bond and high-quality securitisation: the so-called European Secured Notes (ESN). The ESN benefit from the market best practices of both traditional covered bonds (for funding purposes) and securitisation (for funding and risk-sharing purposes). Such an instrument could be backed by SME loans or other types of assets, such as infrastructure loans, and could contribute to the CMU growth objective. In June 2026, Bpifrance issued the first ever European Secured Note backed by SME loans.

In 2018, the European Banking Authority (EBA) published its recommendations on ESNs. The EBA emphasised the importance of separating ESNs from traditional covered bonds and estimated that the aggregated pool of collateral (SME and infrastructure exposures) that would be available for re-financing through ESNs could be as high as EUR 4 tn. As SME ESNs would be structured as dual recourse instruments, the EBA considers – with some adjustments – all of its Best Practices Guidelines on covered bonds to be appropriate for SME ESNs. The EBA proposed stricter cover asset eligibility criteria compared to covered bonds – both at loan and pool levels – to account for the higher risk of SME exposures compared to traditional collateral for covered bonds. Moreover, the EBA recommended a mandatory overcollateralisation of at least 30%.

According to the EBA, a preferential risk weight under the CRR would not be appropriate based exclusively on the underlying assets. However, given the structure of the ESN, a different risk weight requirement compared with unsecured exposure could be considered, which should take into account:

> The dual-recourse character of the instrument;

> The overall consistency of the CRR capital framework between exposure classes;

> A clear distinction between SME ESNs and covered bonds that should be maintained to avoid potential negative side effects on the covered bond market.

In its report "Advice on the Review of the EU Covered Bond Framework", the EBA explained that allowing for SMES loans to be eligible as cover assets would have the merit of increasing the possibility for issuers to secure a relatively cheaper source of funding to foster SMEs financing with an instrument that may appear more suitable than more complex instruments such as securitisation. At the same time, the EBA highlighted concerns about the potential quality and the resilience of such an instrument (and the subsequent reputational spill over on an already well-functioning covered bond market). The EBA has therefore called for a cautious approach and advocates a reopening of the debate in the medium term subject to a renewed political interest and build-up of actual market experience ('track record') for such type of instrument.

Against this backdrop, the ECBC – via its ESN Task Force – has accelerated its work on the ESN concept through dialogue with ECBC member institutions as well as important external stakeholders such as the European Bank for Reconstruction and Development (EBRD), the European Investment Bank (EIB) and a wide array of other interested parties including investors, issuers, rating agencies and business associations. In 2021, the ECBC prepared the ESN Blueprint highlighting areas where a common understanding has been achieved amongst ECBC members and stakeholders from across the EU based on market analysis and best practices. The Blueprint focuses on three main areas: (i) the business case, (ii) eligibility criteria and (iii) the analysis of structural features.

From a banking industry perspective, the introduction of ESNs as standardised dual-recourse funding tool to refinance SME loans would be an interesting funding alternative for banks. While it may be of limited added value in the current compressed yield environment, it can gain in importance if the market levels start to normalise and the risk premiums demanded by market participants increase. As highlighted by the EBA it is crucial to maintain a clear distinction between ESNs and covered bonds given the higher risk of the underlying SME collateral compared to mortgage and public sector assets. Crucial for the success of such a tool in terms of new issue volumes and achievable funding levels would also be a positive regulatory recognition of this financial instrument.

## IV. NET-STABLE FUNDING RATIO (NSFR)

The Basel III framework and the Capital Requirement Regulation (CRR) introduced two liquidity standards: The Liquidity Coverage Requirement (LCR) and the Net-Stable Funding Ratio (NSFR). While the LCR rules have been phased-in in Europe since October 2015, the NSFR rules enter into force in June 2021. At the Basel level, the NSFR came into force for internationally active banks on 1 January 2018.
Principally, the NSFR is calculated as the ratio of Available Stable Funding (ASF) to Required Stable Funding (RSF), which has to be greater than 100%. ASF and RSF are calculated on the liabilities and assets, respec-

tively, weighed by specific factors. These factors depend among others on the remaining maturity, the type of assets and the encumbrance status.

$$\text{NSFR} = \frac{\text{Available Stable Funding (ASF)}}{\text{Required Stable Funding (RSF)}} \geq 100\%$$

Covered Bonds with a maturity of more than 1 year benefit from a very favorable ASF ratio of 100%. The table below provides a sample of ASF ratios.

| Liabilities | ASF ratio |
|---|---|
| Own funds | 100% |
| Covered Bonds (maturity > 1 year) | 100% |
| Deposits | 90% |
| Covered Bonds (maturity > 6 months but < 1 year) | 50% |
| Covered Bonds (maturity < 6 months) | 0% |

## V. LIQUIDITY COVERAGE RATIO (LCR)

In 2014, the European Commission published its delegated act on the liquidity coverage ratio (LCR) which requires banks to hold a certain amount of liquid assets to cover their net cash outflows over 30 days. The LCR has been phased-in since October 2015 and was fully implemented at the beginning of 2018 which was one year earlier than demanded by the Basel standard.

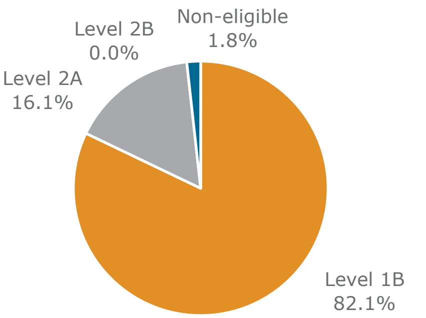
In a stress scenario when a bank needs its liquid assets, its LCR levels could (temporarily) fall below 100%. However, the bank would be required to immediately notify the competent authorities and submit a plan for the timely restoration of the LCR to above the 100% threshold.

As the liquidity buffer is to reach a considerable level of a bank's balance sheet (10% or more of the total assets of an average EU bank according to European Banking Authority (EBA) estimates), the implementation of the LCR is likely to sustain the demand for eligible bonds.

Figure 3 provides a breakdown of the EUR benchmark covered market by LCR level. As of July 2025, more than four-fifths of the covered bonds are Level 1, 16% are Level 2A and 0% are Level 2B following the redemption of the last Greek covered bond. Just 2% of the EUR benchmark covered bonds are not LCR eligible.

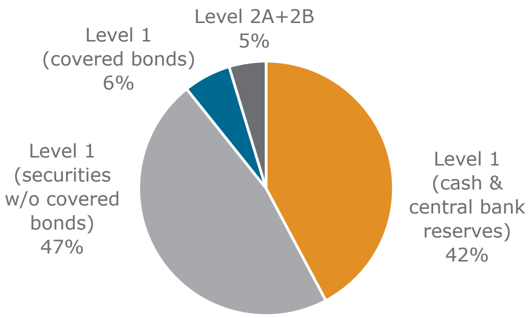
The breakdown of the actual liquidity buffers shows that the share of covered bonds in the LCR portfolios is relatively small as most banks tend to focus on cash, central bank reserves and government bonds to fulfil their LCR requirements. According to the European Banking Authority (EBA) figures as of the year-end 2024, Level 1 assets (excluding covered bonds) made up about 88% of the liquid buffers, including 47% cash & central bank reserves and 41% other eligible Level 1 securities. In contrast, the share of Level 1 covered bonds amounted to 7% while Level 2A and Level 2B assets (including but not limited to covered bonds) added up to about 5% (Figure 4).

> Figure 3: Classification of covered bonds




Source: HSBC, Bloomberg (only EUR benchmark covered bonds; as of 30 July 2026)

> Figure 4: Usage of Covered Bonds




Source: EBA, as of Q1 2026

## Quick overview of the various LCR classifications

Level 1 assets ('Extremely High Quality Liquid Assets') include cash, deposits at the central bank, all types of bonds issued or guaranteed by the EU Member States' central government, covered bonds that meet certain conditions, as well as certain agency and supranational issues. Regarding the classification of EU sovereign bonds, no distinction was made between member states as that could have led to a fragmentation of the internal market and potential contagion risk.

Level 2A assets ('High Quality Liquid Assets') include exposures to regional governments, local authorities or public sector entities (PSEs) with a risk weight of 20% and covered bonds with a credit quality step 2 rating (at least A-) and non-EU covered bonds rated at credit quality step 1 (at least AA-). Corporate bonds with at least credit quality step 1, a minimum issue size of EUR250m and maximum maturity of 10 years at the time of issuance are also classified as Level 2A.

Level 2B assets ('High Quality Liquid Assets') incorporate high quality securitisations for RMBS, auto, SME and consumer loans and high quality covered bonds that do not meet the rating threshold of Level 1 and 2A. Shares meeting certain conditions and corporate bonds with at least credit quality step 3 (at least BBB-), a minimum issue size of EUR250m and maximum maturity of 10 years at the time of issuance are accepted as Level 2B.

## Classification of covered bonds

**Level 1 HQLAs** include covered bonds that meet certain conditions, including being issued by an issuer in the European Economic Area (EEA), having a credit quality step 1 (at least AA-), a minimum size of EUR500m equivalent and a minimum overcollateralisation of 2%. The rating threshold will be based on a second-best rating approach in line with capital requirement rules (CRR) rather than on the ECB's best rating rule. Whilst other Level 1 assets are not subject to either liquidity buffer limits or to a haircut to their market value, Level 1 covered bonds will be subject to a 70% cap in the liquidity buffer and a 7% haircut.

**Level 2A HQLAs** include:

> EEA covered bonds with a credit quality step 2 rating (A- or better), a minimum size of EUR250m equivalent and minimum overcollateralisation of 7%;

> EEA covered bonds with a credit quality step 1 rating (AA- or better) and an issue size below the EUR500m threshold (but still meeting the minimum size of EUR250m equivalent) need a lower minimum overcollateralisation of 2%;

> Non-EEA covered bonds rated at credit quality step 1 (AA- or better) with a minimum overcollateralisation of 7%. There is no minimum size requirement. However, bonds with a size of EUR500m equivalent

or more only need a minimum overcollateralisation of 2%. Moreover, the national covered bond law has to fulfil the CRR or UCITS requirements other than the issuer being based in EU.

Level 2A covered bonds can be used for up to a maximum of 40% in the liquidity buffer and are subject to a 15% haircut.

**Level 2B HQLAs** can be used for up to a maximum of 15% in the liquidity buffer and are subject to a minimum haircut varying between 25% and 50%. High quality EEA covered bonds that do not meet the rating threshold of Level 1 and 2A fall under this category. There are additional requirements for the cover assets which are limited to public sector and central bank exposures in EEA countries, residential mortgages (max 80% LTV) and guaranteed residential mortgages. The haircut for these covered bonds is relatively high at 30% and the cap is set at 15%.

Furthermore, in order to qualify, EEA covered bonds must be UCITS or CRR compliant. Non-EEA covered bonds must have a national covered bond law. In addition, all covered bonds must fulfil the transparency requirements of Article 129 (7) CRR.

**Basel's LCR rules are less favourable**

The BCBS LCR rules are less favourable than the EU regulation. Under the Basel rules, covered bonds are defined as bonds issued and owned by a bank or mortgage institution that are subject by law to special public supervision designed to protect bondholders. Issue proceeds must be invested in conformity with the law in assets which, during the entire period until the maturity of the bonds, are capable of covering the preferential claims of the covered bond investors.

On top of that, covered bonds have to (i) be rated AA- (second-highest rating), (ii) have a proven track record as a reliable source of liquidity reflected by a maximum price drop of 10% over 30-day period of stress, (iii) be traded in large, deep and active repo/cash markets with a low level of concentration, and (iv) cannot be issued by the submitting bank itself. Covered bonds meeting these criteria qualify as Level 2A assets rather than Level 1 as under the EU rules and are therefore subject to a haircut of 15% and a cap of 40%.

In July 2017, the BCBS stated that the LCR rules in the EU are not fully aligned with international standards. In particular, the inclusion of high-quality covered bonds as Level 1 assets was criticised. The EU responded to the BCBS comment by highlighting that "the limited broadening of HQLA definition reflects European or national specificities and remains largely consistent with the Basel III LCR Standards. In particular, evidence demonstrates the equivalent liquidity of the additional assets included and, therefore, the choice made is fully consistent with the spirit of the Basel Committee's agreement. [..] The inclusion, under strict conditions, of extremely high-quality covered bonds in Level 1 is motivated by the liquidity patterns of these instruments, which, over long periods of observation, including times of stress, have exhibited liquidity characteristics equivalent to other eligible Level 1 assets".[1]

## VI. LEVERAGE RATIO

In order to "prevent institutions from excessively increasing leverage" (European Commission, November 2016), the Basel Committee and the EU have created an additional defence line: the leverage ratio. The leverage ratio complements the risk-weighted capital requirements "by providing a safeguard against unsustainable levels of leverage and by mitigating gaming and model risk across both internal models and standardised risk measurement approaches" (Basel Committee, December 2017). The BCBS requires banks to maintain a leverage ratio of 3%. Global Systemically Important Banks (G-SIBs) are subject to even higher ratios. EU banks had been required to disclose the leverage ratio since the beginning of 2015 and the 3% leverage ratio became binding in the EU on 28 June 2021.

1 Basel Committee on Banking Supervision: Assessment of Basel III LCR regulations – European Union, July 2017.

## VII. CAPITAL REQUIREMENT REGULATION (CRR)

The CRR came into force on 1 January 2014. It assigns relatively low risk weights to covered bonds meeting certain criteria. As part of the covered bond harmonisation process, the covered bond section in the CRR was overhauled. The CRR amendments entered into force on 8 July 2022. Under current rules, only secured securities that qualify as covered bonds under the new EU Covered Bond Directive are eligible for the preferential risk weights of the CRR. On top of that, these covered bonds have to meet the additional eligibility criteria for cover assets of Article 129 CRR.

These encompass a comprehensive list of eligible cover assets in Article 129 (1) and include loan-to-value (LTV) limits for real estate loans and ship mortgages as well as minimum rating requirements for credit institution exposures. Article 129 (3a) defines the required minimum overcollateralization of 5% (national regulators may, however, apply a lower minimum OC of not less than 2% if certain conditions are met).

### Standardised Approach

Covered bonds fulfilling the aforementioned criteria are eligible for a preferential risk weight under the CRR. In contrast to previous regulation, the risk weights under the Standardised Approach are based on the covered bond ratings rather than the issuer ratings. Figure 5 shows that covered bonds rated at least AA-/Aa3 qualify for a 10% risk weighting which increases to 20% for bonds being rated from A+/A1 to BBB-/Baa3. For non-investment grade covered bonds rated at least B-/B3 the risk weight is 50%.

Figure 5: Risk weightings of rated covered bonds under the Standardised Approach

| Credit quality step (covered bonds) | 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|
| **Covered bond rating** | **AAA to AA-** | **A+ to A-** | **BBB+ to BBB-** | **BB+ to BB-** | **B+ to B-** | **below B-** |
| **Covered bond risk weight** | 10% | 20% | 20% | 50% | 50% | 100% |

Source: EU, HSBC (Mapping of credit quality steps to rating is based on the second-highest eligible rating in case of split-ratings)

In case of unrated covered bonds, the risk weighting is linked to the issuer rating. However, the risk weights of the covered bonds are significantly lower than those for senior unsecured exposures. As of 1 January 2025, the following risk weight table of unrated covered bonds applies (Article 129 (5) CRR):

Figure 6: Risk weightings of unrated covered bonds under the Standardised Approach

| Risk weight of the exposures to the institution | Risk weight of covered bonds |
|---|---|
| 20% | 10% |
| 30% | 15% |
| 40% | 20% |
| 50% | 25% |
| 75% | 35% |
| 100% | 50% |
| 150% | 100% |

Source: EU, HSBC

Non-CRR compliant covered bonds are generally treated as exposures to credit institutions according to Art. 120 CRR. The risk weighting of the bonds, however, will be based on the actual issue/programme rating rather than the issuer rating (Art 139 (1) CRR). This means that a AAA-rated non-CRR compliant covered bond issued by a single-A rated issuer would have a 20% risk weight (rather than a 30% risk weight).

## The Internal Ratings-Based Approach (IRBA)

Under the CRR, banks can opt for using approaches based on internal ratings. Under these Internal Ratings-Based Approaches (IRBA), risk weight calculations are based upon a complex formula. This formula uses as inputs the probability of default within a one-year horizon (PD), the loss given default (LGD), the exposure at default (EAD) and the effective time to maturity (M) of the individual securities.

Under the Foundation IRB (FIRB), financial institutions have to estimate PD based upon their internal risk-scoring models; PD refers to the exposure to the corporate/institution, not the bond itself, and is floored at 0.03%. M should be set to 0.5 years in case of repo transactions and to 2.5 years when assessing all other exposures; M can upon approval from the regulator also be fixed at actual maturity but not shorter than one year and not longer than five. Covered bonds meeting the aforementioned eligibility criteria may be assigned an LGD value of 11.25%.

If a financial institution opts for the Advanced IRB (AIRB) instead, it will have to assess all risk components on an individual basis. Under both approaches, irrespective of the country or region within which the bank holding the covered bond is incorporated, the PD to be employed will always only reflect the PD of the issuer. The PD of the collateral pool is not relevant. In no case can the PD be less than 0.03%. Institutions that opt for the advanced approach may use an LGD lower than 11.25%. Those banks will also use the actual M, though the value will be capped for value below 1 and value above 5.

Figure 7 below shows the risk weighting for different PD assumptions and maturities. In all cases, the LGD is set at 11.25%. In case of the FIRB, the maturity is set at M = 2.5 years – this is highlighted in grey in the figure. The PD is based on Moody's default statistics (for the years 1983-2019), floored at 0.03%. A covered bond issued by a bank with an internal issuer rating equivalent to single-A (which translates into a 1-year PD of 0.06%) and a maturity of 5 years would have a risk weight of 5.81% under the FIRB and of 9.81% under the AIRB.

Figure 7: Internal risk weights of covered bonds under the FIRB and the AIRB

| Issuer rating equivalent | PD used | Maturity in years | | | | | |
|---|---|---|---|---|---|---|---|
| | | 1 | 2 | 2.5 | 3 | 4 | 5 |
| Aaa/AAA | 0.03% | 2.01% | 3.22% | 3.83% | 4.43% | 5.65% | 6.86% |
| Aa/AA | 0.03% | 2.01% | 3.22% | 3.83% | 4.43% | 5.65% | 6.86% |
| A/A | 0.06% | 3.41% | 5.01% | 5.81% | 6.61% | 8.21% | 9.81% |
| Baa/BBB | 0.17% | 7.14% | 9.47% | 10.64% | 11.80% | 14.13% | 16.46% |
| Ba/BB | 0.85% | 18.05% | 21.37% | 23.04% | 24.70% | 28.02% | 31.34% |
| B/B | 3.21% | 29.79% | 33.05% | 34.69% | 36.32% | 39.59% | 42.85% |
| below B | 9.52% | 45.63% | 48.70% | 50.24% | 51.78% | 54.85% | 57.93% |

Source: EU, Moody's, HSBC (FIRB: M= 2.5 years; PD is based on Moody's figures and is floored at 0.03%)
With regard to the relevant insurance regulation at European level, please refer to the following article.

## UK regulatory treatment of non-UK covered bonds

In July 2025, the UK Prudential Regulation Authority (PRA) and the His Majesty's Treasury (HM Treasury) provided updates on the prudential treatment of non-UK covered bonds under UK capital and liquidity rules. This could have an impact on the third-country equivalence recommendations by the European Banking Authority (EBA) and subsequent decisions by the European Commission which among other factors will likely be based on reciprocity.

In July 2025, The PRA also announced its decision to not proceed with the Modification by Consent (MbC) process which was paused on 17 April 2025. To recap, on 8 April 2025, the PRA offered an MbC to amend Article 11 (1) (d) of the Liquidity Coverage Ratio (LCR) part of the PRA Rulebook, allowing UK banks that incorrectly applied a rule regarding the inclusion of third-country covered bonds as Level 2A High Quality Liquid Assets (HQLA) to continue using non-UK covered bonds as HQLA which were held at the end January 2025. However, newly non-UK covered bonds did not fall under this exemption. In light of the market feedback, the PRA decided on 17 April 2025 to pause the process to consider technical comments and requests for clarification from stakeholders. In light of HM Treasury's policy update on the future prudential treatment of non-UK covered bonds on 15 July 2025, the PRA decided not to re-launch the MbC. Pending finalisation by HM Treasury's long-term approach to equivalence of non-UK covered bonds, the PRA does not expect UK banks to alter their approach to LCR inclusion of non-UK covered bonds, including for new issuances.

Also on 15 July 2025, HM Treasury published a Policy Update of its 'Applying the Financial Services and Markets Act 2000 model of regulation to the UK Capital Requirements Regulation'. The new Policy Update explains the next steps which HM Treasury plans to take to implement the Basel 3.1 standards and revoke parts of the UK Capital Requirements Regulation (CRR). It also considers introducing Overseas Prudential Requirements Regimes (OPRR) that will clarify the equivalence of non-UK covered bonds and their prudential treatment under UK capital and liquidity rules.

Under current UK CRR rules, a large number of equivalence regimes specify which activities or exposures in non-UK jurisdictions are deemed equivalent. Following Brexit, more than 270 EU equivalence decisions and 40 EU equivalence regimes were 'onshored' into UK law, according to HM Treasury. The UK plans to replace existing equivalence regimes inherited from the EU with UK-tailored 'Overseas Recognition Regimes'. HM Treasury "intends to restate existing equivalence decisions made under [the old] equivalence regimes so that jurisdictions currently deemed equivalent are treated as designated under the Overseas Prudential Requirements Regimes and the effect of the current decisions is preserved" (HM Treasury, July 2025). The new rules should also be sufficiently flexible to allow the recognition of additional exposures or activities in the future. In terms of covered bonds, HM Treasury is considering whether covered bonds should be designated under the new Overseas Prudential Requirements Regimes (OPRR).

Currently, the preferential regulatory treatment of covered bonds in the UK is essentially limited to UK covered bonds. However, HM Treasury is considering to potentially widen this approach to non-UK covered bonds where "the regulation and supervision of covered bonds in overseas jurisdictions may result in similar levels of investor protection" (HM Treasury, July 2025). According to HM Treasury, this could strengthen the financial stability, the safety and the soundness of the UK banking sector. It could also help to improve the liquidity of the UK market for non-UK covered bonds and enhance the UK's competitiveness as a financial services hub. The new OPRR might grant a more favourable prudential treatment of designated non-UK covered bonds in terms of capital as well as liquidity requirements. Moreover, HM Treasury stated that it "would ensure [that] any designation under the Overseas Prudential Requirements Regime did not create cliff edges in treatment for overseas covered bonds issued prior to the designation".

## 2.2.2 INSURANCE REGULATION – SOLVENCY II

By Florian Eichert, Moderator of the ECBC Investor Task Force and Citigroup Global Markets Europe AG

The Solvency II Directive (2009/138/EC) is what the Capital Requirements Directive (CRD) IV is for the banking world – a regulatory regime that introduces risk based capital charges. It was adopted by the European Parliament and the Council of the European Union in November 2009. Implementing the directive was, however, far from done at this point with multiple delays occurring over the following years. During this period, a number of amendments to the original Solvency II Directive had become necessary to be in line with EU's implementing measures according to the Lisbon Treaty of 2009 and EU's new supervisory structure by introducing the European Insurance and Occupational Pensions Authority (EIOPA). These amendments were implemented through the so-called Omnibus II Directive, which was passed by the European Parliament on 11 March 2014. The EC finally adopted the Delegated Regulation (EU 2015/35) containing implementing rules for Solvency in October 2014. The first set of implementing rules was then adopted in March 2015, with the second set of guidelines following suit in the third quarter of 2015. Solvency II finally then came into effect on 1 January 2016.

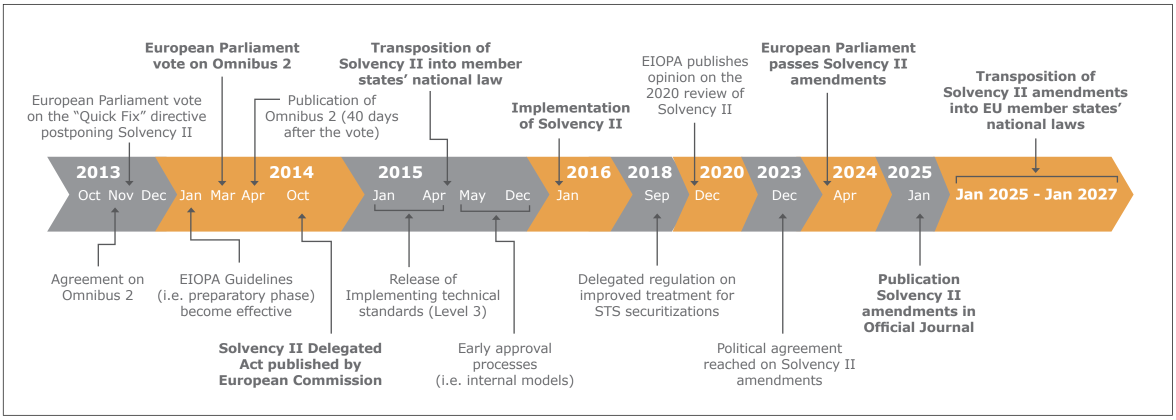
What is true in football also applies to regulation and after the game is typically before the game. Hence, the Solvency II Directive asked the European Commission to review certain areas by January 2021. EIOPA published an opinion on the review in December 2020 stating that "From a prudential perspective, EIOPA is of the view that overall the Solvency II framework is working well and no fundamental changes are needed at this point in time, but a number of amendments are required to ensure that the regulatory framework continues as a well-functioning risk-based regime."

Proposed amendments of the Solvency II Directive focused on promoting long-term investments, simplifying requirements for small and non-complex undertakings, address sustainability and climate risks as well as introduce macro-prudential rules around liquidity risk and recovery and resolution planning to prevent systemic risk.

After political agreement in December 2023 and approval in the European Parliament in April 2024, the amendments to Solvency II were published in the Official Journal of the European Union on 8 January 2025. Member States will have two years to transpose the rules with measures to apply from 30 January 2027 the latest.

For the spread risk sub module, which impacts covered bonds directly, the amended rules do not contain any material changes, though.

FIGURE 1: TIMELINE OF IMPLEMENTATION SOLVENCY II




Source: European Commission, Crédit Agricole CIB

1 https://www.eiopa.europa.eu/publications/opinion-2020-review-solvency-ii_en

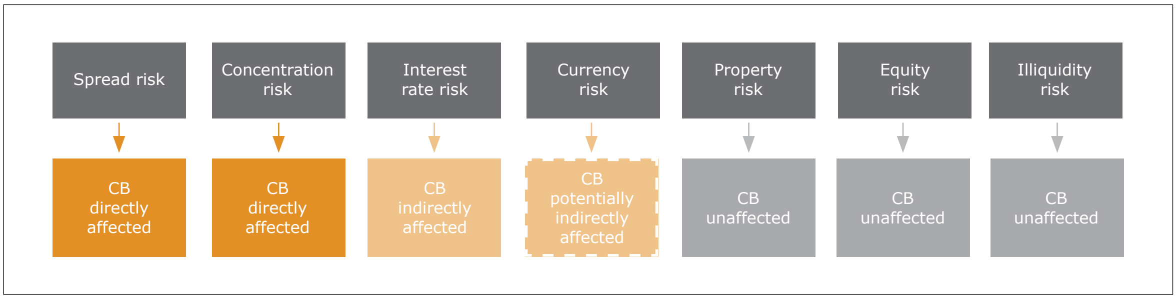
## OVERVIEW OF SOLVENCY II – WHERE ARE COVERED BONDS IMPACTED?

Solvency II is a highly complex framework which addresses a vast number of different sources of risks that all interact with each other to come up with a final solvency capital requirement (SCR). Risks range from market risk to underwriting risk, longevity risk or default risk on loan exposures.

Covered bonds are mainly affected by the market risk section and specifically mentioned in the spread risk and concentration risk modules.

One last word on definitions. Historically, Solvency II referenced the old UCITS 52(4) definition of covered bonds. This was still the case years after the introduction of the Covered Bond Directive and corresponding reference changes in banking regulation. The Delegated Regulation (EU) 2026/269 of 29 October 2025 has finally updated the references also for insurance companies. Preferential treatment in the context of Solvency II is now given to "covered bonds that are in line with Article 3, point (1), of Directive (EU) 2019/2162 which have been assigned to credit quality step 0 or 1".

> FIGURE 2: MARKET RISK MODULES IN SOLVENCY II AND THEIR RELEVANCE FOR COVERED BONDS




Source: EIOPA, Crédit Agricole CIB

## SPREAD RISK MODULE

The spread risk module is the biggest single investment specific driver of capital charges under Solvency II. Interest rate risk is an even bigger driver of capital charges overall but other than spread risk is driven by the overall asset and liability structure of an insurance company and not by the individual asset purchased.

EIOPA describes spread risks as the "results from the sensitivity of the value of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure." In other words, we are talking about the spread vulnerability in volatile scenarios. Spread risk applies to virtually all fixed income instruments apart from sovereign debt rated AA- and better.

Since insurance companies are longer-term investors than banks, capital charges for investments are also significantly higher than they are for banks. In addition to this, they are not only driven by credit risk, as is the case for the standardised approach in banking regulation, but are also determined by a combination of rating and duration. The weaker the rating and the longer the investment, the higher the capital charge. The spread risk module capital charges are expressed as a charge per year of duration.

The Solvency II review we mentioned above has not resulted in further changes to spread risk capital charges for fixed income investments. We did have a number of adjustments lower for securitisation assets over the years. After the introduction of simple, transparent and standardised securitisation products (STS) in place since December 2017, Solvency II capital charges were lowered for STS products in September 2018 via a delegated regulation for example.

The treatment of covered bonds has not changed since the introduction of Solvency II in 2016. They receive preferential treatment under the spread risk module if they comply with the following criteria:

> They have a credit quality step 0 or 1 which means a minimum rating of AA-;

> They meet the requirements defined in Article 52(4) of the UCITS Directive 2009/65/EC (as mentioned above, there has not been an amendment of the Solvency II delegated act to reflect the existence of the Covered Bond Directive).

For covered bonds that fulfil the UCITS Directive and are rated AAA, a spread risk factor of 0.7% applies per year of duration up to 5Y while AA- to AA+ rated ones have a factor of 0.9%. Covered bonds that do not meet these requirements are treated as senior unsecured exposure. Capital charges are 0.2% higher per duration year.

Determining the duration of a bond is straightforward when it comes to hard bullet covered bonds. Soft bullet structures (as well as to a much lesser extent) conditional pass through (CPT) covered bonds have however become more common often raising the question which maturity is the relevant one. As far as we are aware, Solvency II looks at the extended maturity when determining the spread risk capital charge in the standardised approach. In the IRB approaches investors can work with an expected final maturity date. For soft bullet covered bonds the extra 12 months are thus not major, especially under an IRB approach. For CPT deals that can in theory extend by up to 38 years the story looks slightly different though. Even in an IRB approach, spread risk capital charges under Solvency II will be higher for a comparable hard bullet covered bond with the same original maturity and one reason why some CPT issuers recently switched to issuing soft bullet covered bonds was to be able to extend further out the curve.

When looking at the numbers it is also important to mention that the percentages do not relate to 8% of the invested notional as is the case in the banking world but to the actual invested notional. A 10% risk-weight on covered bonds essentially means a 0.8% capital charge for a bank. Talking about 0.7% capital charge in Solvency II for an equally rated 1Y covered bond also means 0.7% capital relative to the invested notional. The longer the duration of the bond is, the higher the Solvency charge becomes in both absolute terms as well as relative to bank capital charges. While the AAA covered bond with a 1Y maturity is treated slightly better under Solvency II, (0.7% vs. 0.8%), the relationship reverses from year 2 onwards. For an AAA rated 10Y covered bond, insurance companies have to hold 6% of the invested notional in capital, which is 7.5 times as much as banks.

> Figure 3: Formulas for the Solvency II capital charge calculations for covered bonds and other asset classes

| Credit quality | Up to 5 years | 5 to 10 years | 10 to 15 years | 15 to 20 years | 20 years + |
|---|---|---|---|---|---|
| **AAA covered** | 0.7% * D | 3.5% + 0.5% * (D -5) | 6% + 0.5% * (D -10) | 8.5% + 0.5% * (D -15) | 11% + 0.5% * (D -20) |
| **AA + to AA- covered** | 0.9% * D | 4.5% + 0.5% * (D -5) | 7% + 0.5% * (D -10) | 9.5% + 0.5% * (D -15) | 12% + 0.5% * (D -20) |
| **A+ to A- covered** | 1.4% * D | 7% + 0.7% * (D -5) | 10.5% + 0.5% * (D -10) | 13% + 0.5% * (D -15) | 15.5% + 0.5% * (D -20) |
| **BBB+ to BBB- covered** | 2.5% * D | 12.5% + 1.5% * (D -5) | 20% + 1% * (D -10) | 25% + 1% * (D -15) | 30% + 0.5% * (D -20) |
| **BB+ to BB- covered** | 4.5% * D | 22.5% + 2.5% * (D -5) | 35% + 1.8% * (D -10) | 44% + 0.5% * (D -15) | 46.6% + 0.5% * (D -20) |
| **Unrated covered** | 3.0% * D | 15% + 1.7% * (D -5) | 23.5% + 1.2% * (D -10) | 29.5% + 1.2% * (D -15) | 35.5% + 0.5% * (D -20) |
| **EU member states' direct central government exposure / guaranteed by EU member central governments (irrespective of rating)** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **AAA to AA- sovereign third country** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **A+ to A- sovereign** | 1.1% * D | 5.5% + 0.6% * (D -5) | 8.4% + 0.5% * (D -10) | 10.9% + 0.5% * (D -15) | 13.4% + 0.5% * (D -20) |
| **BBB+ to BBB- sovereign** | 1.4% * D | 7% + 0.7% * (D -5) | 10.5% + 0.5% * (D -10) | 13% + 0.5% * (D -15) | 15.5% + 0.5% * (D -20) |
| **BB+ to BB- sovereign** | 2.5% * D | 12.5% + 1.5% * (D -5) | 20% + 1% * (D -10) | 25% + 1% * (D -15) | 30% + 0.5% * (D -20) |

| Credit quality | Up to 5 years | 5 to 10 years | 10 to 15 years | 15 to 20 years | 20 years + |
|---|---|---|---|---|---|
| **AAA corporate** | 0.9% * D | 4.5% + 0.5% * (D -5) | 7.0% + 0.5% * (D -10) | 9.7% + 0.5% * (D -15) | 12.0% + 0.5% * (D -20) |
| **AA+ to AA- corporate** | 1.1% * D | 5.5% + 0.6% * (D -5) | 8.4% + 0.5% * (D -10) | 10.9% + 0.5% * (D -15) | 13.4% + 0.5% * (D -20) |
| **A+ to A- corporate** | 1.4% * D | 7% + 0.7% * (D -5) | 10.5% + 0.5% * (D -10) | 13% + 0.5% * (D -15) | 15.5% + 0.5% * (D -20) |
| **BBB+ to BBB- corporate** | 2.5% * D | 12.5% + 1.5% * (D -5) | 20% + 1% * (D -10) | 25% + 1% * (D -15) | 30% + 0.5% * (D -20) |
| **BB+ to BB- corporate** | 4.5% * D | 22.5% + 2.5% * (D -5) | 35% + 1.8% * (D -10) | 44% + 0.5% * (D -15) | 46.6% + 0.5% * (D -20) |
| **AAA STS securization** | 1.0% * D | 5.0% + 0.6% * (D -5) | 8.0% + 0.6% * (D -10) | 11% + 0.6% * (D -15) | 14.0% + 0.6% * (D -20) |
| **AA + to AA- STS securization** | 1.2% * D | 6.0% + 0.7% * (D -5) | 9.5% + 0.5% * (D -10) | 12.0% + 0.5% * (D -15) | 14.5% + 0.5% * (D -20) |
| **A+ to A- STS securization** | 1.6% * D | 8% + 0.8% * (D -5) | 12.0% + 0.6% * (D -10) | 15% + 0.6% * (D -15) | 18.0% + 0.6% * (D -20) |
| **BBB+ to BBB- STS securization** | 2.8% * D | 14.0% + 1.7% * (D -5) | 22.5% + 1.1% * (D -10) | 28% + 1.1% * (D -15) | 33.5% + 0.6% * (D -20) |
| **BB+ to BB- STS securization** | 5.6% * D | 28.0% + 3.1% * (D -5) | 43.5% + 2.2% * (D -10) | 54.5% + 0.6% * (D -15) | 57.5% + 0.6% * (D -20) |

Source: EIOPA, Crédit Agricole CIB

> Figure 4: Solvency II capital charges for covered bonds and other asset classes

| Credit quality | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 10 | 11 | 12 | 13 | 14 | 15 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **AAA covered** | 0.7% | 1.4% | 2.1% | 2.8% | 3.5% | 4.0% | 4.5% | 5.0% | 5.5% | 6.0% | 6.5% | 7.0% | 7.5% | 8.0% | 8.5% |
| **AA + to AA- covered** | 0.9% | 1.8% | 2.7% | 3.6% | 4.5% | 5.0% | 5.5% | 6.0% | 6.5% | 7.0% | 7.5% | 8.0% | 8.5% | 9.0% | 9.5% |
| **A+ to A- covered** | 1.4% | 2.8% | 4.2% | 5.6% | 7.0% | 7.7% | 8.4% | 9.1% | 9.8% | 10.5% | 11.0% | 11.5% | 12.0% | 12.5% | 13.0% |
| **BBB+ to BBB- covered** | 2.5% | 5.0% | 7.5% | 10.0% | 12.5% | 14.0% | 15.5% | 17.0% | 18.5% | 20.0% | 21.0% | 22.0% | 23.0% | 24.0% | 25.0% |
| **BB+ to BB- covered** | 4.5% | 9.0% | 13.5% | 18.0% | 22.5% | 25.0% | 27.5% | 30.0% | 32.5% | 35.0% | 36.8% | 38.6% | 40.4% | 42.2% | 44.0% |
| **Unrated covered** | 3.0% | 6.0% | 9.0% | 12.0% | 15.0% | 16.7% | 18.4% | 20.1% | 21.8% | 23.5% | 24.7% | 25.9% | 27.1% | 28.3% | 29.5% |
| **AAA to AA- EU sovereign** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **A+ to A- EU sovereign** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **BBB+ to BBB- EU sovereign** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **BB+ to BB- EU sovereign** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **AAA to AA- sovereign** | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% | 0.0% |
| **A+ to A- sovereign** | 1.1% | 2.2% | 3.3% | 4.4% | 5.5% | 6.1% | 6.7% | 7.3% | 7.9% | 8.5% | 8.9% | 9.4% | 9.9% | 10.4% | 10.9% |
| **BBB+ to BBB- sovereign** | 1.4% | 2.8% | 4.2% | 5.6% | 7.0% | 7.7% | 8.4% | 9.1% | 9.8% | 10.5% | 11.0% | 11.5% | 12.0% | 12.5% | 13.0% |
| **BB+ to BB- sovereign** | 2.5% | 5.0% | 7.5% | 10.0% | 12.5% | 14.0% | 15.5% | 17.0% | 18.5% | 20.0% | 20.5% | 22.0% | 23.0% | 24.0% | 25.0% |
| **AAA corporate** | 0.9% | 1.8% | 2.7% | 3.6% | 4.5% | 5.0% | 5.5% | 6.0% | 6.5% | 7.0% | 7.5% | 8.0% | 8.5% | 9.0% | 9.5% |
| **AA+ to AA- corporate** | 1.1% | 2.2% | 3.3% | 4.4% | 5.5% | 6.1% | 6.7% | 7.3% | 7.9% | 8.4% | 8.9% | 9.4% | 9.9% | 10.4% | 10.9% |
| **A+ to A- corporate** | 1.4% | 2.8% | 4.2% | 5.6% | 7.0% | 7.7% | 8.4% | 9.1% | 9.8% | 10.5% | 11.0% | 11.5% | 12.0% | 12.5% | 13.0% |
| **BBB+ to BBB- corporate** | 2.5% | 5.0% | 7.5% | 10.0% | 12.5% | 14.0% | 15.5% | 17.0% | 18.5% | 20.0% | 21.0% | 22.0% | 23.0% | 24.0% | 25.0% |
| **BB+ to BB- corporate** | 4.5% | 9.0% | 13.5% | 18.0% | 22.5% | 25.0% | 27.5% | 30.0% | 32.5% | 35.0% | 36.8% | 38.6% | 40.4% | 42.2% | 44.0% |
| **AAA STS securization** | 1.0% | 2.0% | 3.0% | 4.0% | 5.0% | 5.6% | 6.2% | 6.8% | 7.4% | 8.0% | 8.6% | 9.2% | 9.8% | 10.4% | 11.0% |
| **AA + to AA- STS securization** | 1.2% | 2.4% | 3.6% | 4.8% | 6.0% | 6.7% | 7.4% | 8.1% | 8.8% | 9.5% | 10.0% | 10.5% | 11.0% | 11.5% | 12.0% |
| **A+ to A- STS securization** | 1.6% | 3.2% | 4.8% | 6.4% | 8.0% | 8.8% | 9.6% | 10.4% | 11.2% | 12.0% | 12.6% | 13.2% | 13.8% | 14.4% | 15.0% |
| **BBB+ to BBB- STS securization** | 2.8% | 5.6% | 8.4% | 11.2% | 14.0% | 15.7% | 17.4% | 19.1% | 20.8% | 22.5% | 23.6% | 24.7% | 25.8% | 26.9% | 28.0% |
| **BB+ to BB- STS securization** | 5.6% | 11.2% | 16.8% | 22.4% | 28.0% | 31.1% | 34.2% | 37.3% | 40.4% | 43.5% | 45.7% | 47.9% | 50.1% | 52.3% | 54.5% |

Source: EIOPA, Crédit Agricole CIB

The capital charge differences between AAA and AA rated covered bonds are noticeable but not huge (1% difference for 10Y). The moment covered bonds drop into single A space and thus lose their preferential treatment, differences start to become very pronounced though (4.5% difference for 10Y) and with BBB (14.0% difference for 10Y) and BB covered bonds (29% difference for 10Y) they become massive.

When looking across asset classes, it becomes apparent that Solvency II favours sovereign debt over corporate and covered bonds. Nonetheless, differences between corporates and equally rated covered bonds are not massive (1.2% difference for 10Y AAA).

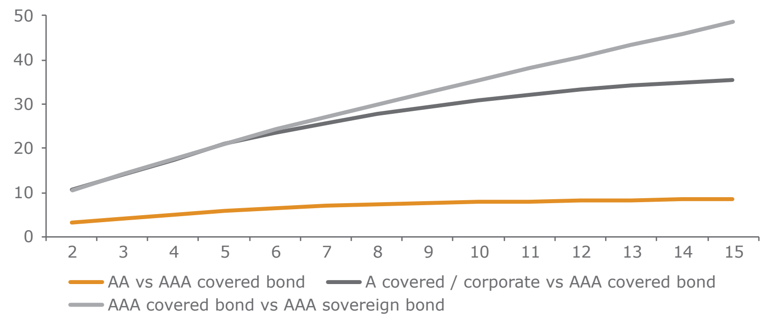
Despite improvements in how securitisation deals are treated, the highest quality securitisation have around three times the capital requirement of AAA covered bonds in 5Y (10.5% vs. 3.5%) and three and a half times in 10Y (21% vs. 6%). For lower rated ABS, the difference to equally rated covered bonds in for example 10Y is 23% (30% vs. 7%).

Trying to translate the different capital requirements into spread numbers that one product has to yield in excess of another is not a straightforward exercise. After all, spread risk is merely one factor and there are many others driving the final SCR. It also depends on the return on equity an insurance investor needs to generate. Nonetheless, we have tried to estimate the additional yield required to cover the extra capital from this risk module.

> We have calculated the average capital charge for a buy-and-hold investor over the whole life of the investment;

> We have assumed a ROE of 10% to calculate the extra return needed to fulfil this return requirement.

> Figures 5: Spread in bp needed to compensate for additional capital between differently rated covered bonds, corporates and sovereign bonds (bp)




Source: EIOPA, Crédit Agricole CIB

## CONCENTRATION RISK MODULE

The concentration risk is defined by the EIOPA as "the risk regarding the accumulation of exposures with the same counterparty" which means that large exposures on a single issuer should be limited. Other concentration types dealing with geographical area, industry sector or the like are not considered though.

Similar to the spread risk module, covered bonds receive a preferential treatment here in the sense that the concentration threshold is much higher at 15% than it would be for equally rated corporate debt for which exposure to a single counterparty is limited to 3%. In addition to this covered bonds are considered as a distinct single name exposure, regardless of other exposures to the same counterparty. In other words, buying covered bonds does not impact the ability or limit the quantity of unsecured exposure towards the issuer an insurance company can buy.

> Figure 6: Concentration risk thresholds by bond type and rating

| Type of bond | Rating | Concentration threshold |
|---|---|---|
| **Corporate bonds, sub + hybrid debt, ABS, CDO** | AAA – AA | 3.0% |
| | A | 3.0% |
| | BBB | 1.5% |
| | BB or lower | 1.5% |
| **Covered Bonds** | AAA – AA | 15.0% |
| **Exposure to EEA state, multilateral development banks, international organisations, ECB** | – | none |

Source: EIOPA, Crédit Agricole CIB

## BOTTOM LINE

Solvency II (SII) is probably the regulatory regime in which ratings still play the biggest role and in which sovereign debt is given the biggest advantage over private-sector debt. It is true that in bank regulation EU member states do still have a 0% RW; but since Solvency II is calibrated for long-term investors and covers credit risk as well as market volatility risk, the absolute capital charges are a multiple of those for banks and relative differences are magnified.

Apart from the comparison with sovereign debt, highly rated Covered Bond Directive (CBD) compliant covered bonds do fare relatively well overall. They get preferential treatment in both the spread risk and concentration risk modules as long as they are rated at least AA−.

Non-CBD-compliant covered bonds are treated as senior unsecured exposure but as long as they are highly rated, capital charge differences to CBD-compliant ones are not major. Capital charges for covered bonds do, however, start to go up the moment ratings drop to below AA−. After all, even CBD-compliant covered bonds are then treated as senior unsecured exposure without any preferential treatment. While the step to single-A ratings is still manageable, dropping to BBB and below means that capital charges become very onerous. Fortunately, there are virtually no covered bonds left in these rating categories these days.

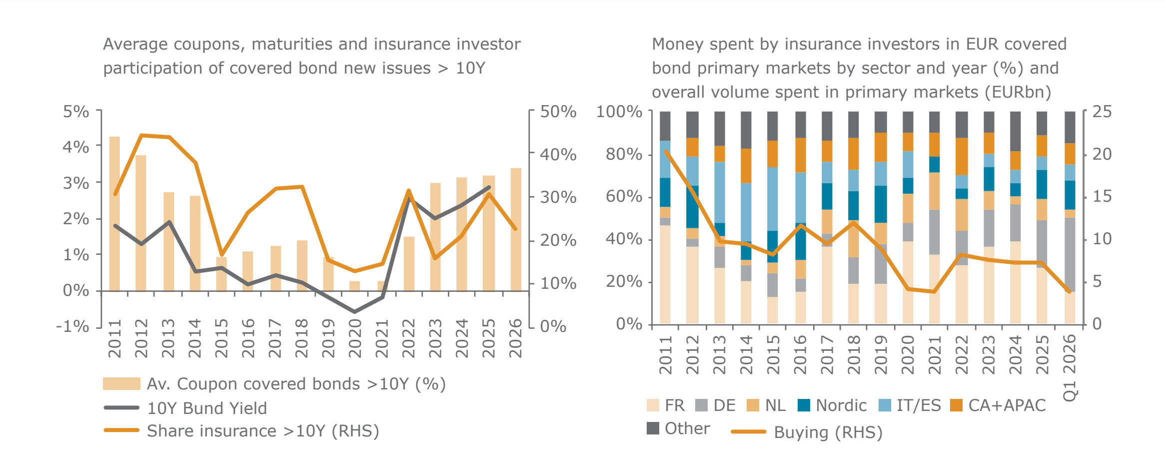
In addition to the spread risk capital treatment, overall capital charges under Solvency II are also determined by the size of the asset–liability mismatch. Long-dated covered bonds are an asset class that is able to close the gap to insurance companies' long-dated liabilities while giving the added security of the underlying framework, product support and collateral.

In any case, for insurance companies, the far bigger problem in the years up to 2022 had been the low absolute yields, tight spreads and flat spreads curves in EUR markets. Before the CBPP 3 started in 2014, insurance companies' share in covered bond new issues with maturities longer than 10Y was as high as 45% (2013). In 2021, new issues above 10Y had an average maturity of 17.5 years, yet, average coupons dropped to 0.3%. As a consequence, the average insurance sector participation at the long-end was as low as 14%.

Since 2022, we have seen yields and consequently coupons surge. We also no longer have inverted swap curves and average covered bond coupons of new issues longer than 10Y have been at or above 3% since 2023. Hence, for those accounts with money to invest, covered bonds have offered diversification benefits and a still meaningful pick-up above EGBs despite tighter Bund-ASW spreads. As a result, insurance sector buying in covered bond markets has picked up again. In 2024, 10Y+ new issues saw 20% participation from the sector, while this figure surpassed the 30% mark in 2025.

While the share of insurance buyers in new issues has risen over the past few years, absolute amounts spent on covered bonds in primary markets have hovered around the EUR7-8bn mark. While this is around double the amounts spent in 2020 and 2021, it is still well below the amounts spend pre-QE. After all, insurance companies are still faced with: (1) limited inflows and hence fresh money to deploy in covered bond markets, (2) existing holdings often trading well below par making switches difficult without realising losses on existing positions and (3) still some commitments in alternative asset space that need to be serviced before deploying money in classic fixed income markets. However, looking at the first quarter of 2026, we are almost at half the full year-amounts purchased in EUR benchmark covered bond markets from last year. And while purchases of French covered bonds are still behind historic amounts despite long-end supply from the country, insurance companies have bought sizeable amounts of German, Nordic and even Canadian and APAC covered bonds.

> FIGURE 7: INSURANCE PARTICIPATION IN EUR BENCHMARK COVERED BOND NEW ISSUES




Source: Bloomberg, Covered Bond Report, Crédit Agricole CIB

### 2.2.3 MREL AND TLAC AND PROTECTED COVERED BONDS

By Alexandra Schadow, LBBW

**Bail-in framework is further strengthened**

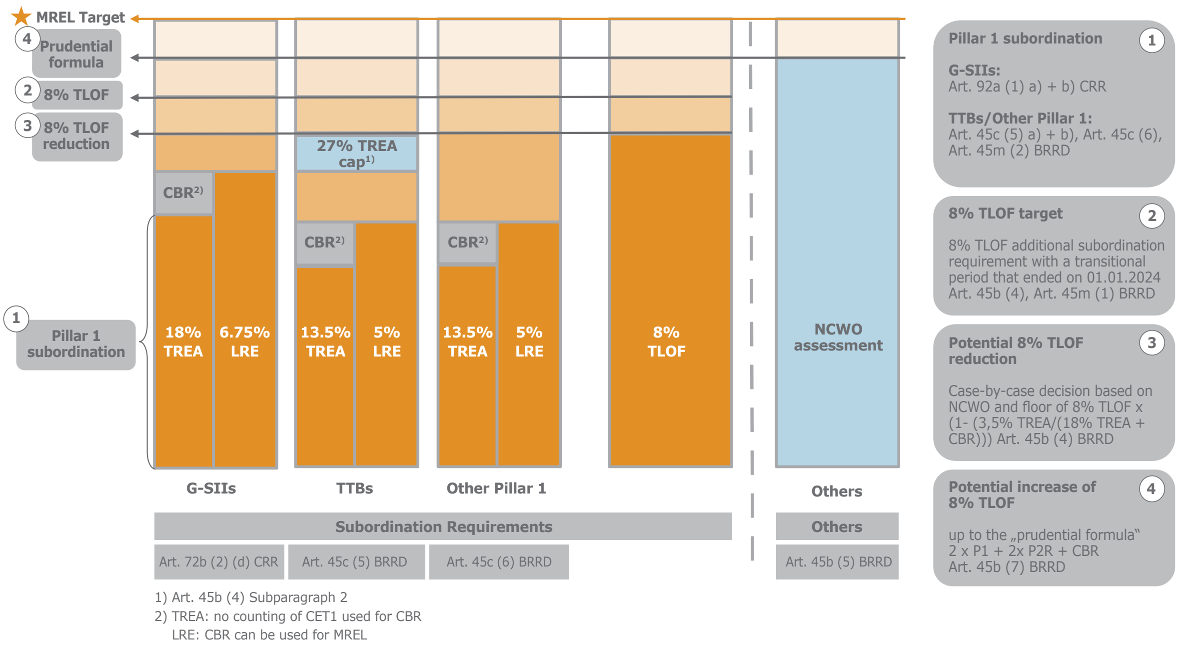
If a financial institution finds itself in difficulty and the supervisory authority determines that it is "failing or likely to fail", the bank may be put into resolution if certain conditions are met. Four tools are available under resolution: sale, bridge institutions, asset separation, and bail-in. Under a bail-in, the resolution authority is given powers to write down liabilities or convert them into equity in order to absorb losses and carry out recapitalization measures. This approach presupposes that all institutions have sufficient "bail-in-able" capital. To this end, Article 45 of the first BRRD (Bank Recovery and Resolution Directive; Directive 2014/59/EU) defined a separate minimum requirement for own funds and eligible liabilities (MREL). The same idea underlies the total loss absorbing capacity (TLAC) requirement, which in 2015, through FSB (Financial Stability Board), applied only to global systemically important institutions (G-SII). In its reform package of 23 November 2016, the EU Commission presented proposals for numerous amendments to CRD (Capital Requirements Directive; Directive 2013/36/EU), CRR (Capital Requirements Regulation; Regulation 575/2013), BRRD, and SRMR (Single Resolution Mechanism Regulation; Regulation 806/2014), also called the "banking package". A key issue in this connection was the integration of TLAC requirements into the European legislative framework and their interaction with MREL. A key objective in this context was the introduction of a new asset class, "senior non-preferred", and the clarification of its position in the insolvency hierarchy. By means of an urgent procedure, Article 108 BRRD II was adopted on 12 December 2017 to create this new asset class throughout Europe and define the insolvency hierarchy. The directive (Directive 2017/2399/EU) focuses primarily on two forms of subordination – contractual and structural. The directive had to be transposed into national law by 29 December 2018.

After the whole banking package was adopted on 20 May 2019, publication in the European Official Journal followed on 7 June 2019. The amendments of BRRD, CRD, CRR, and SRMR came into force on 27 June 2019. While CRR II was directly applicable, SRMR II should only be applied from 28 December 2020. The BRRD II and CRD V directives had to be transposed into national law also by 28 December 2020. On 18 April 2023, the EU Commission presented proposals to amend the BRRD, the SRMR and the DGS (Deposit Guarantee Scheme) as part of the Crisis Management and Deposit Insurance (CMDI) framework. The goal is to strengthen the bail-in framework further. The Council and the EU Parliament has reached an agreement on 25 June 2025. The vote in the EU Parliament took place on 30 March 2026, and the amendments to BRRD, SRMR, and DGS were published in the EU Official Journal on 20 April 2026. In addition, the EU Council and the EU Parliament reached a trilogue agreement on 11 December 2023 on amendments to the CRR and CRD, which primarily relates to Basel III. The final legal texts for CRR III/CRD VI were published in the EU Official Journal on 19 June 2024. Both legislative packages came into force 20 days later.

A significant idea regarding the combination of TLAC and MREL was the different treatment of various institutions. For this there are the categories G-SIIs, top-tier banks (TTBs) with total assets of more than EUR 100 bn, other Pillar 1 banks with a potentially systemic risk, and all other institutions. A harmonized minimum level applies to G-SIIs as in the case of TLAC. This is to become a Pillar 1 requirement and is found in the CRR. From January 2022 onwards, G-SIIs have to maintain TLAC corresponding to 18% of total risk exposure amount (TREA) and 6.75% of the leverage ratio exposure measure (LRE) as a minimum. However, EU rules with minimum subordination requirements go beyond this. G-SIIs must fulfil the maximum of the following different ratios: the higher of 18% TREA + combined buffer requirements (CBR); 6.75% of LRE; or 8% total liabilities and own funds (TLOF), with the possibility for supervisory authorities to permit a lower level, but greater than 8% TLOF x (1-(3.5% TREA/(18% TREA + CBR))). Moreover, institution-specific add-ons are possible. These are, however, included in BRRD and SRMR as Pillar 2 requirements. For top-tier banks, the Pillar 1 requirement will be the higher of 13.5% TREA + CBR; 5.0% of LRE; or 8% TLOF with the possibility of a lower level but limited to 8% TLOF x (1-(3,5% TREA/(18% TREA + CBR))). Furthermore, there will be a cap at 27%

TREA. By contrast, other institutions are not subject to an exact ratio for MREL. This is only a Pillar 2 requirement, which is determined on a case-by-case basis for each bank and which is set out in detail in BRRD and SRMR. While the methods used to calculate the two requirements were harmonized – namely, the two points of reference total risk exposure amount and leverage ratio exposure measure – they still differ considerably in terms of subordination. In contrast to TLAC, liabilities still do not generally have to be subordinated to count towards MREL. A general subordination requirement will be explicitly introduced for G-SIIs. Especially for other banks, the authority may demand this on a case-by-case basis. It is also worth noting that all banks including G-SIIs may use senior preferred instruments of up to 3.5% of RWA to meet MREL, subject to approval by the resolution authority. However, this rule is used very differently depending on the country. The complexity of the regulations for the various institutions has increased dramatically in the course of the legislative process. This is likely to further intensify the proposed amendments now being put forward. In addition, the resolution authorities are granted a high degree of further flexibility to impose additional requirements.

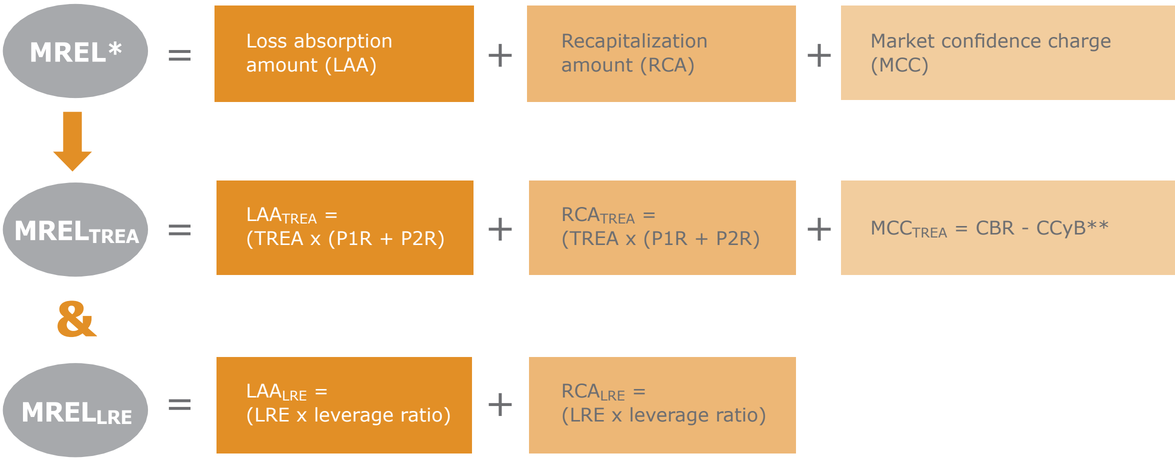
> Figure 1: MREL Overview for G-SIIs, TTBs, other Pillar 1 banks and other institutions (Banking package)




Sources: Banking package, SRB, LBBW Research

It is the task of SRB (Single Resolution Board), which is based on BRRD, SRMR, and the Delegated Act 2016/1450 of 23 May 2016, to set MREL requirements for each institution. The currently valid SRB policy under the banking package was published on 13 May 2024. The two components – loss absorption and recapitalization – remain the main drivers of the MREL requirements. Both MREL requirements loss absorption amount (LAA) and recapitalization amount (RCA) must be fulfilled in the measured variables of LRE and TREA. Within RCA expressed in TREA there may also be a component to maintain market confidence referred to as the "market confidence charge" (MCC). The main components are the minimum Supervisory Pillar 1 requirements (P1R) and the Supervisory Pillar 2 requirement (P2R), which are based on the individual SREP process of a single institution. While LAA must be met by each bank, RCA can be set at zero. However, this applies only to banks that are subject to liquidation under regular insolvency proceedings. All components are added up and result in the overall requirement. The final MREL target had to be achieved by January 1, 2024. The overwhelming majority of banks have already closed their shortfalls according to the SRB Dashboard from H2 2025. The average MREL final target stood at 27.8% TREA (incl. CBR). The remaining MREL shortfall amounted to EUR 187 million and was entirely attributable to non-Pillar 1 banks.

> Figure 2: Simplified approach for MREL requirements on the basis of SRB policy 2024




Legend:
*SRB default formula
**SRB policy May 2024
TREA = Total risk exposure amount; Article 92 (3) CRR
LRE = Leverage ratio exposure measure; Article 429 and 429a CRR
P1R = Supervisory Pillar 1 requirement; Article 92 (1) CRR
P2R = Supervisory Pillar 2 requirement; Article 104a CRD
CBR = Combined buffer requirement; Article 128 CRD
CCyB = Countercyclical Capital Buffer, Article 128 CRD

Sources: Banking package, SRB, LBBW Research

## Covered bonds in light of TLAC and MREL

Covered bonds are explicitly excluded from bail-in by the rules of Article 44 (2) b) BRRD. This includes covered bonds as defined in Art. 3 (1) of Directive (EU) 2019/2162 or, with regard to a bond that was issued before 8 July 2022, covered bonds that are UCITS-compliant (Directive 2009/65/EC Article 52 (4)). There is just one restriction that allows covered bonds to be bailed in: Namely, if the liabilities from the covered bond exceed the corresponding collateral in the cover pool and the resolution authority believes a bail-in for the "uncovered" part is appropriate. This would, however, correspond to a cover shortfall, which is not permitted on a lasting basis under the applicable covered bond legislation. The covered bond exception in Article 44 (2) b) BRRD is unaffected by the proposed changes to BRRD. Covered bonds will continue to enjoy special protection.

Regarding TLAC and MREL, the EU banking package includes a category of "eligible liabilities" in Chapter 5a of CRR. Under Article 72a (2) (e) CRR of this chapter, covered bonds are classified as being not eligible. This means that covered bonds, being exempted from bail-in, are not eligible to fulfil MREL. However, EU legislation (Article 3 Delegated Regulation 2016/1450) requires that the resolution authority must identify all liabilities that are excluded from bail-in. When calibrating MREL, resolution authorities must take all such bail-in exclusions into account to ensure that sufficient bail-in-able liabilities are available so that exempted liabilities do not have to be written down or converted.

In general, a standardized approach applies to the measurement of MREL. Nevertheless, the resolution authority may adjust the standardized approach to take account of the institution's business model, funding profile, and overall risk profile. This decision is based on the results of the SREP process. An upward or downward adjustment may be made. It must, however, reasonably reflect the institution's resolvability. In terms of business models, the MREL framework allows mortgage credit institutions to be treated differently. However, there is one exception in BRRD for mortgage credit institutions financed by covered bonds. If they are not allowed to receive deposits, the resolution authority may exclude them from the MREL requirement. This, in turn, is only possible in a realizable winding-up under a national insolvency procedure or other types of measures in accordance with BRRD resolution tools and in line with the resolution objectives. This exception is found in Article 45a (1) BRRD.

Overall, covered bonds retain their privileged status as a funding instrument. Covered bonds will remain an important part of the liability side of banks. The costs of refinancing covered bonds are still very attractive for issuers and, in our opinion, create a counterweight to the relatively expensive senior non-preferred bonds. Moreover, in the current market environment, covered bonds once again demonstrate their character as a safe haven instrument with comparatively low spread volatility. Ultimately, the larger a bank’s MREL cushion, the better protected its covered bonds are.

## 2.3 THE REPO TREATMENT OF COVERED BONDS BY CENTRAL BANKS

By Frank Will, Chairman of the ECBC EU Legislation Working Group and HSBC, and Florian Hillenbrand, Helaba

### I. CENTRAL BANK REPOS: THE SAFETY NET FOR THE BANKING SYSTEM

As part of their monetary policy, central banks across the globe provide liquidity to the banking sector. This is often done in form of repo transactions which require the eligible counterparties to provide collateral in order to receive liquidity from the central banks. The central banks typically have strict eligibility criteria for these collateral assets and demand different haircuts for certain assets, depending on the credit quality of the assets and their maturity.

The role of covered bonds in monetary operations varies by jurisdiction, not least since the nature of those operations is quite heterogeneous across jurisdictions. Broadly speaking, covered bonds receive a more favourable treatment amongst those countries in which they play a more pivotal role in the funding of the domestic banking sector. This can be seen in terms of eligibility of covered bonds as collateral for repo operations, but also in terms of the haircuts. At many of the major central banks (at least some types of) covered bonds are eligible as collateral in the discount window for emergency lending. During the COVID-19 pandemic many central banks broadened their eligibility criteria, set up asset purchase programmes or term funding facilities to support their domestic banking sector. However, most of these measures have already ended or are running out.

> FIGURE 1: COMPARING THE ELIGIBILITY OF COVERED BONDS FOR MONETARY POLICY OPERATIONS

| Central Bank | Operation | Covered Bonds eligible? | Eligible Covered Bonds | Currency | Minimum Rating | Rating Treatment | Minimum Size | Own-name Covered bonds? |
|---|---|---|---|---|---|---|---|---|
| **ECB** | Repo Operations (Main and Long term refinancing operations) | Yes | Legislative Covered bonds (EEA and non-EEA G10 countries) | EUR, USD, GBP, JPY[1] | BBB- | Best Rating | n/a | Yes |
| **Fed** | SOMA Operations | No | None | USD | n/a | n/a | n/a | n/a |
| | Discount Window | Yes | German Pfandbriefe | AUD, CAD, CHF, DNK, EUR, GBP, JPY, SEK | AAA | Lowest Rating | n/a | No |
| **BoE** | Operating Standing Facilities, Short term OMOs | No | n/a | GBP, EUR, USD, AUD, CAD, CHF, SEK | n/a | n/a | n/a | n/a |
| | Level B Collateral (ILTR, DWF, CTRF and FLS) | Yes | UK, French, German regulated covered bonds | | Broadly equivalent to AAA | Rating references are indicative. Bank of England forms its own independent view | GBP 500m or EUR 500m (depending on issuance currency) | No |
| | Level C Collateral (ILTR, DWF, CTRF and FLS) | Yes | UK, US[2] & EEA (based on the location of the underlying assets) | | Broadly equivalent to A-/A3 | | None | Yes |

1 Under the ECB's General Framework, in force since 30 March 2026, foreign currency-denominated debt instruments from EEA based issuers constitute eligible collateral for Eurosystem credit operations. In addition to the haircuts applicable to similar EUR-denominated securities, a further mark-down will be applied (16% for USD and GBP, 26% for JPY).

2 Only in case of SME loans, commercial real estate loans and certain Export Credit Agency guarantee loans.

| Central Bank | Operation | Covered Bonds eligible? | Eligible Covered Bonds | Currency | Minimum Rating | Rating Treatment | Minimum Size | Own-name Covered bonds? |
|---|---|---|---|---|---|---|---|---|
| **SNB** | Repo operations, Standing Facilities | Yes<br>From 2015 on, Covered Bonds must be eligible under the Swiss LCR framework | Any covered fulfilling the eligible security and rating criteria, but not issued by a Swiss bank | CHF | Security and issuer's country: AA-/Aa3 | Second-highest Rating | CHF 100 m | No |
| | | | Any covered fulfilling the eligible security and rating criteria, but not issued by a Swiss bank | EUR, USD, GBP, DKK, SEK, NOK | Security: AA-/Aa3 with various exceptions<br>Issuer's country: AA-/Aa3 | | EUR 1 bn<br>USD 1 bn<br>GBP 750 m<br>DKK 7.5 bn<br>SEK 10 bn<br>NOK 10 bn | |
| **Norges Bank** | Repo Operations | Yes | Any covered fulfilling the eligible security criteria | NOK, SEK, DKK, EUR, USD, GBP, JPY, AUD, NZD, CHF, CAD | Domestic currency: None but BBB- for favourable liquidity category (II not III) | Second-highest-Rating | Domestic currency: NOK 300 m | Yes |
| | | | | | Foreign Bonds: A/A2 | | Foreign currency: equivalent to EUR 100 m | |
| **Reserve Bank of Australia (RBA)** | Repo Operations | Yes | Any covered bond fulfilling the eligible security criteria | AUD | AAA or BBB- for domestic covered bonds >1Y | Lowest rating (of at least two rating agencies) | None | No |
| **Reserve Bank of New Zealand (RBNZ)** | Repo and/or Swap of NZ Government Bonds | No | None | n/a | n/a | n/a | n/a | n/a |
| | Overnight Repo Operations, Bond Lending Facilities | Yes | Any covered bond fulfilling the eligible criteria on the cover pool composition | NZD | AAA from at least two rating agencies.<br>If more than two ratings, then at least two agencies must rate the issue AAA, and no rating is below AA+ | | None | No |
| **Bank of Canada** | Standing Liquidity Facility | Yes | Canadian covered bonds | CAD | AAA (sufficiently high quality) | | n/a | No |
| **Danmark National-bank** | Credit facilities | Yes | Danish covered bonds | DKK / EUR | n/a | | EUR 1 bn or equivalent in DKK (higher haircut for smaller issue size) | n/a |
| **Riksbank** | Repo operations, Standing Facilities | Yes | EEA (based on the location of the underlying assets) | SEK USD, GBP, DKK, EUR, JPY, NOK | AA- | Lowest rating | SEK 100 m (or the equivalent in foreign currency) | n/a |

Source: HSBC, Central Banks

## II. EURO AREA: ELIGIBILITY CRITERIA FOR COLLATERAL IN EUROSYSTEM OPERATIONS

The ECB has been a key source of liquidity for banks in the Eurosystem during the credit crunch, the European debt crisis and the COVID-19 pandemic through its repo operations. Within the ECB's liquidity operations, covered bonds play a very important role. While the benchmark covered bond market was shut to many issuers from Europe's periphery during certain periods of the sovereign and banking crisis, the ECB continued to provide liquidity to those banks that were able to post their own covered bonds as collateral. Many covered bond programmes have therefore been set up not just as an additional funding channel for the banks, but also in order to allow those banks to use the repo facilities at the ECB as means to access liquidity in a closed wholesale market. Since the onset of the COVID-19 pandemic, the TLTRO programme allowed Eurozone banks to lower their funding costs. Many of them used retained covered bonds as collateral for the TLTRO programme.

In March 2023, the ECB began quantitative tightening (QT) and did not reinvest a monthly amount of EUR15bn of the redemptions under the asset purchase programme (APP) until June 2023. Since July 2023, the entire amount of APP redemptions including any maturing covered bonds under the CBPP3 are no longer reinvested by the ECB.

**ECB repo operations**

Article 18.1 of the Statute of the European System of Central Banks and of the European Central Bank states that the ECB and the national central banks may conduct credit operations with credit institutions and other market participants, as long as lending is "based on adequate collateral"[3]. According to the ECB, adequacy means firstly that collateral must protect against losses in credit operations, and secondly, that there must be sufficient collateral potentially available to ensure that the Eurosystem can carry out its tasks.

Consequently, underlying assets have to fulfil certain criteria in order to be eligible for Eurosystem monetary policy operations. The Eurosystem has developed a single framework for eligible assets common to all Eurosystem credit operations (the "single list"). There is no collateral differentiation between monetary policy instruments or intraday credit, and a single auction rate is applicable to different types of collateral in tender operations. The scope of eligible collateral is broad and includes secured assets like covered bonds and ABS, the latter of which can be backed by receivables such as residential and commercial loans (secured and unsecured), auto loans, lease receivables etc., provided they satisfy certain eligibility criteria (set out below), as well as unsecured claims against governments, credit institutions or corporates.

The Eurosystem additionally applies risk control measures in the valuation of underlying assets. The value of the underlying asset is calculated as the market value of the asset less a certain percentage ("valuation haircut"). The haircut-adjusted market value of the underlying assets used in its liquidity-providing reverse transactions must be maintained over time. This implies that if the value of the underlying assets, measured on a regular basis, falls below a certain level, the national central bank will require the counterparty to supply additional assets or cash (via a margin call). Similarly, if the value of the underlying assets, following their revaluation, exceeds a certain level, the counterparty may retrieve the excess assets or cash. The current eligibility of assets in the ECB framework and recent changes to this are set out below:

> Figure 2: Eligibility of assets in the ECB framework

| Criteria | Standard Collateral Rules |
|---|---|
| **Type of Asset** | > Debt instrument, including covered bonds with (a) a fixed, unconditional principal amount (except for ABS) or (b) an unconditional principal amount that is linked to only one euro area inflation index at a single point in time, containing no other complex structures<br>> Coupon should be zero coupon, fixed-rate coupon, multi-step coupon or floating-rate coupon linked to an interest rate reference or yield of one euro area government bond with a maturity of one year or less or inflation indexed |
| **Definition of Covered Bonds** | > Legislative covered bonds include EEA covered bond and non-EEA G10 covered bonds (issued in accordance with their national covered bond law)<br>> Covered bonds with external, non-intra group MBS as well as both internal and external public sector ABS in the cover pool are no longer eligible as collateral for repo transactions<br>> Covered bonds which are neither legislative covered bonds nor multi cédulas, became ineligible 1 January 2021 |
| **Rating** | > The minimum rating threshold is BBB- (S&P) / Baa3 (Moody's) / BBB- (Fitch) / BBBL (DBRS) / BBB- (Scope Ratings) based on a "best rating approach", so only one rating at this level is required for eligibility<br>> The use of third-party rating tools will be phased out |
| **Place of Issue** | > European Economic Area (EEA) |
| **Settlement Procedures** | > Transferable in book-entry form<br>> Held and settled in the euro area |

3 Protocol on the Statute of the European System of Central Banks and of the ECB, Article 18.1.

| Criteria | Standard Collateral Rules |
|---|---|
| **Acceptable Market** | > Debt instrument must be admitted to trading on a regulated market or a non-regulated market as specified by the ECB |
| **Type of Issuer/ Guarantor** | > Central banks, public sector entities, agencies[4], credit institutions, financial corporations other than credit institutions, non-financial corporations, multi-lateral development banks or international organisations<br>> The recognition of an entity as multilateral development bank or international organisation based on an ECB assessment is no longer possible |
| **Place of Establishment of the Issuer/ Guarantor** | > Issuer must be established in the EEA or in non-EEA G10 countries/guarantors must be established in the EEA |
| **Currency of Denomination** | > EUR, USD, GBP, JPY[5] |

Source: HSBC, ECB

In 2017 the ECB announced several fundamental changes to its eligibility criteria which entered into force in April 2018.

> The ECB removed the favourable treatment of floating rate assets. Instead of applying a low uniform haircut to all variable assets, the new valuation haircuts are based on the residual maturity of the assets.

> The residual maturity for own-use covered bonds will be defined as the maximum legal maturity, taking into account any extension periods of soft bullets and conditional pass-through covered bonds.

> Unsecured bank bonds issued after 16 April 2018 that are subject to statutory, contractual or structural subordination as well as unsecured bank debt from non-EEA issuers are ineligible as repo collateral. Senior preferred unsecured bank bonds remain eligible as collateral.

> Commercial mortgage-backed securities (CMBSs) lost their collateral eligibility, owing to their relatively complex nature.

In 2022, the ECB announced the results of the review of its collateral risk framework and decided on several measures to improve the overall consistency of the framework, which took effect in June 2023.

> Valuation haircuts for own-use covered bonds were set to 8% (Credit Quality Steps 1&2) and 12% (Credit Quality Step 3).

> Valuation haircuts for marketable and non-marketable assets were set to pre-pandemic levels.

> The longest residual maturity category (prev. >10Y) was split into three new categories, 10 to 15Y, 15-30Y, and more than 30Y.

> The flat 5% theoretical valuation markdown was replaced with a maturity-graduated markdown schedule (this extended its application to all theoretically value marketable assets except those falling under haircut category I)

> The distinction between jumbo and other covered bonds was phased out, assigning all covered bonds and multi-cédulas to category II.

> Reassign EU-Bonds to category I from category II. According to the ECB, this move reflects the higher liquidity of EU-Bonds.

4 "agencies" are issuers or guarantors of debt instruments that the ECB has classified as agencies.

5 Under the ECB's General Framework, in force since 30 March 2026, foreign currency-denominated debt instruments from EEA based issuers constitute eligible collateral for Eurosystem credit operations. In addition to the haircuts applicable to similar EUR-denominated securities, a further mark-down will be applied (16% for USD and GBP, 26% for JPY).

In November 2023, the ECB accepted Scope Ratings as the fifth rating agency in the Eurosystem Credit Assessment Framework (ECAF). The acceptance included sovereign, corporate, financial institutions and covered bonds ratings. In June 2024, ABS for added to the list of eligible assets.

In February 2025, the ECB decided to change the rules on the use of external credit ratings. Historically, the ECB applied the first-best rating approach for private and public sector assets. Under the new rules, the second-best rating will apply for private sector assets such as unsecured bank bonds, covered bonds and assets issued by non-financial corporations as well as non-eurozone public sector assets. For private sector assets with only one rating, where the second-best rule therefore cannot be applied, a one-notch downgrade will be applied to the available rating. For eurozone public sector assets, the first-best rating approach will continue to apply. The new rating rules will enter into force no earlier than 18 months from the publication date of the press release, which was 21 February 2025. The date will be announced well in advance to allow for implementation in the Eurosystem IT infrastructure.

In June 2025 the ECB announced the launch of a single collateral management system consolidating the previously existing 20 collateral management systems operated by the national central bank.

In November 2025, as part of the ECB's review of its risk control framework for collateralized credit operations, it announced that a new haircut schedule would enter into force in November 2026 at earliest. For own-used covered bonds, this means that the current add-on approach will be replaced with a separate haircut schedule.

Since June 2026, the ECB has also rolled out a "climate factor", designed to protect Eurosystem against a potential decline in value of collateral in the case of adverse climate-related shocks. Covered bonds are not currently included in this scope, only marketable assets issued by non-financial corporations.

> FIGURE 3: ECB HAIRCUTS BY LIQUIDITY CATEGORY AND RESIDUAL MATURITY

| Credit Quality | Residual maturity (years) | Category I (Government Bonds, EU Bonds, ECB debt certificates) | | Category II (Local & Regional Govt, Supras & Agencies, legislative Covered Bonds*, Multi-cédulas*) | | Category III (Debt instruments issued by non-financial corp.*) | | Category IV (Unsecured Bank Bonds*) | | Category V (Asset-backed securities*) |
|---|---|---|---|---|---|---|---|---|---|---|
| | | fixed or floating | zero | fixed or floating | zero | fixed or floating | zero | fixed or floating | zero | |
| Step 1 and 2 (A- or higher) | 0-1 | 0.5 | 0.5 | 1.0 | 1.0 | 1.0 | 1.0 | 7.5 | 7.5 | 4.0 |
| | 1-3 | 1.0 | 2.0 | 1.5 | 2.5 | 2.0 | 3.0 | 10.0 | 11.5 | 5.0 |
| | 3-5 | 1.5 | 2.5 | 2.5 | 3.5 | 3.0 | 4.5 | 12.0 | 13.0 | 7.0 |
| | 5-7 | 2.0 | 3.0 | 3.5 | 4.5 | 4.5 | 6.0 | 14.0 | 15.0 | 9.0 |
| | 7-10 | 3.0 | 4.0 | 4.5 | 6.5 | 6.0 | 8.0 | 16.0 | 17.5 | 12.0 |
| | 10-15 | 4.0 | 5.0 | 6.5 | 8.5 | 7.5 | 10.0 | 18.0 | 22.5 | 18.0 |
| | 15-30 | 5.0 | 6.0 | 8.0 | 11.5 | 9.0 | 13.0 | 21.0 | 25.0 | 20.0 |
| | >30 | 6.0 | 9.0 | 10.0 | 13.0 | 11.0 | 16.0 | 24.0 | 31.5 | 22.0 |
| Step 3 (BBB+ to BBB-) | 0-1 | 5.0 | 5.0 | 5.5 | 5.5 | 6.5 | 6.5 | 11.5 | 11.5 | |
| | 1-3 | 6.0 | 7.0 | 7.5 | 10.5 | 9.5 | 12.0 | 18.5 | 20.0 | |
| | 3-5 | 8.5 | 10.0 | 11.0 | 16.0 | 13.0 | 18.0 | 23.0 | 27.0 | |
| | 5-7 | 10.0 | 11.5 | 12.5 | 17.0 | 15.0 | 21.5 | 25.5 | 29.5 | |
| | 7-10 | 11.5 | 13.0 | 14.0 | 21.0 | 17.0 | 23.5 | 26.5 | 31.5 | |
| | 10-15 | 12.5 | 14.0 | 17.0 | 25.5 | 19.5 | 28.0 | 28.5 | 35.0 | |
| | 15-30 | 13.5 | 15.0 | 20.0 | 28.5 | 22.0 | 31.0 | 31.5 | 39.0 | |
| | >30 | 14.0 | 17.0 | 22.0 | 32.5 | 25.0 | 35.5 | 34.5 | 43.0 | |

Source: ECB (as of July 2026, last change March 2023)

(*Assets that are theoretically valued will be subject to an additional haircut depending on the expected residual maturity or in the case of Category V, the weighted average life of the asset (additional haircuts are, in increments as above: 1.5%, 2.5%, 3%, 3.5%, 4.5%, 6%, 8%, 13%); additional valuation markdowns for own- use covered bonds of 8% for Credit Quality Step 1&2 and of 12% for Credit Quality Step 3).

Following the UK’s withdrawal from the EU, the following assets are no longer eligible:

> unsecured debt instruments issued by credit institutions or investment firms, or by their closely-linked entities, that are established in the UK

> ABS whose issuer or originator is established in the UK

> ABS in which the acquisition of the cash-flow generating assets by the SPV is governed by UK law

> ABS in which clawback rules are governed by UK law (Article 76 of the General framework)

> assets denominated in GBP, JPY or USD whose issuer is established in the UK

> assets with guarantees governed by UK law or where the guarantor is established in the UK, unless the guarantee is not needed to establish the credit quality requirements for the specific debt instrument

> credit claims for which the facility agent is a credit institution located in the UK

Based on the UK’s status as a non-EEA G10 country, euro-denominated debt instruments issued by entities established in the UK, but which do not fall into the categories listed above, will continue to be accepted as eligible collateral.

Debt instruments listed on the London Stock Exchange must also be admitted to trading on at least one acceptable market as defined by Article 68(1) of the General framework in order to remain eligible for collateral purposes, provided all other eligibility criteria are met.

**Classification of covered bonds within the Eurosystem operations**

The ECB considers covered bonds to be a liquid asset class. Hence, covered bonds benefit from a preferential liquidity classification and favourable haircut valuations for repo transactions with the ECB when compared with other asset classes such as ABS. Moreover, unlike senior bank debt, the ECB will accept self-issued “covered bank bonds” as collateral (see below for more information on this). Thus, like certain forms of ABS, covered bonds allow issuers to make assets held on their balance sheets eligible for the ECB’s liquidity operations. This is very much in line with previous ECB statements which note that “covered bonds possess a number of attractive features from the perspective of financial stability”.

The Eurosystem does currently not provide an official definition of what classifies as “covered bond”. In general, the Eurosystem accepts EEA legislative covered bonds and non-EEA G10 covered bonds (issued in accordance with their national covered bond law) as collateral as long as they otherwise fulfil the general eligibility criteria. As of June 2023, the ECB categorized covered bonds as having haircut category II, removing the previous distinction between jumbo and non-jumbo covered bonds.

**Covered bonds and “close link” exemption**

Covered bonds also benefit from certain preferential treatments compared with other bank debt when it comes to self-issued bonds. The ECB states that “irrespective of the fact that a marketable or non-marketable asset fulfils all eligibility criteria, a counterparty may not submit as collateral any asset issued or guaranteed by itself or by any other entity with which it has close links”[6]. This means that banks cannot, for example, use their own senior unsecured debt directly as collateral with the ECB.

The main exemptions from the “close links” rule remain “EEA-legislative covered bonds”. Self-issued covered bonds can be used by counterparties as collateral, i.e. an issuer can use its own covered bonds and there are

6 “Close links” means the counterparty is linked to an issuer/debtor/guarantor of eligible assets by one of the following forms: (i) the counterparty owns directly, or indirectly, through one or more other undertakings, 20 % or more of the capital of the issuer/debtor/guarantor; or (ii) the issuer/debtor/guarantor owns directly, or indirectly through one or more other undertakings, 20 % or more of the capital of the counterparty; or (iii) a third party owns more than 20 % of the capital of the counterparty and more than 20 % of the capital of the issuer/debtor/guarantor, either directly or indirectly, through one or more undertakings [ECB, “The Implementation on Monetary Policy in the Euro Area”, February 2011]

no close link prohibitions. Since February 2020, such covered bonds must have an issue rating. Additionally, in November 2025 the ECB announced that own-used covered bonds would receive a separate haircut schedule, instead of the current add-on approach, to be implemented in November 2026 earliest.

### Conclusion on covered bond treatment

The ECB, to a greater extent than any of its central bank peers, has both outlined and demonstrated its support for the covered bond market in the past. This was most obviously the case with its three covered bond purchase programmes since 2009. Perhaps even more important is the ECB's positive stance towards covered bonds, which the institution maintains for several reasons.

Firstly, the ECB has focused on the importance of covered bonds as a means for banks to access long-term funding: "Issuing covered bonds enhances a bank's ability to match the duration of its liabilities to that of its mortgage loan portfolio, enabling a better management of its exposure to interest rate risk. Other secured funding products, such as repos, are unlikely to have the same asset-liability matching attributes offered by covered bonds. These factors are all the more pertinent today given the increasing role of short-term refinancing on banks' balance sheets. While rolling over short-term funding might sometimes be less expensive or preferable for reputational reasons, it can create asset and liability management challenges over time. In addition, to improving banks' structural asset-liability mismatch, covered bonds offer a wider geographical diversification, as issuers tap into a larger European market."[7] Moreover, a further key advantage comes from the absence of effective risk transfer and the desirable incentives this creates for the originating banks. As former ECB president Trichet noted: "Importantly, covered bonds do not involve the transfer of the credit risk implied by underlying assets from the issuer to the investor. The credit risk stays with the originator, preserving the incentives for prudent credit risk evaluation and monitoring."[8] Such positive attitude is still reflected in the ECB's current favourable treatment of covered bonds within its repo operations as they are allocated in a very favourable liquidity category (as covered bonds rank alongside the debt of issuers such as the ESM, EIB and the explicitly guaranteed German agency KfW).

## III. THE UK: ELIGIBILITY CRITERIA FOR BANK OF ENGLAND OPERATIONS

### Latest changes to the framework

In 2014, the Bank of England introduced the concept of collateral pooling to simplify the management of the collateral it received by the banks for its monetary operations. Instead of providing liquidity against collateral by way of repurchase transactions, participants can pool their collateral across certain facilities (e.g. Short-Term Repo, Operational Standing Facility (OSF), Indexed Long Term Repo (ILTR) and Discount Window Facility (DWF)). According to the Bank of England, the pooling model serves to simplify the process for managing the collateral, to enhance operational efficiency and to reduce operational risks.

Before the introduction of the Single Collateral Pool (SCP) model, the Bank of England's SMF and intraday liquidity operations were repo transactions whereby individual securities were held as collateral against the central bank's exposures to that participant. The SCP model aggregates a participant's collateral position, thereby significantly reducing the volume and frequency of transactions needed to provide collateral to the Bank of England.

### Covered bonds under the Sterling monetary framework

The Bank of England operates a stricter regime than the ECB in terms of eligible collateral within the Sterling Monetary Framework. The BoE defines three collateral sets, which are eligible to varying degrees for its monetary operations: (1) level A collateral set, (2) level B collateral set, (3) level C collateral securities as well as level C loan collateral.

7 European Central Bank, "Covered Bonds in the EU Financial System", December 2008.

8 Keynote address by Jean-Claude Trichet, Munich, 13 July 2009.

Within the Sterling monetary framework operations, covered bonds are only included within the Level B and Level C collateral securities sets, both of which are eligible for the following facilities: (1) Indexed Long-Term Repo OMOs, (1) Discount Window Facility, (3) Contingent Term Repo Facility as well as (4) the various term funding schemes.

The eligibility criteria for covered bond inclusion can be found below:

> Figure 4: Bank of England's covered bond eligibility criteria

| | Level B | Level C Collateral Securities |
|---|---|---|
| **Eligible currencies** | GBP, EUR | GBP, EUR, USD, AUD, CAD, SEK, CHF |
| **Geography** | UK, French and German regulated Covered Bonds | UK, US and EEA covered bonds |
| **Rating Requirements** | Broadly equivalent to AAA | Broadly equivalent to A3/A- or higher |
| **Minimum Size** | At least £500m or EUR500m (depending on issue currency) | n/a |
| **Own Name Covered Bonds** | No | Yes |
| **Underlying assets** | UK/EEA prime residential mortgages, social housing loans or public sector debt | UK/US*/EEA public sector debt, social housing loans, SME loans, commercial real estate loans, UK/EEA residential mortgages |

Source: Bank of England, HSBC (as of July 2026, latest change June 2026) *backed by Export Credit Agency guarantee loans

Rating references are only used to indicate the broad standards of credit quality that are expected by the Bank of England and are no longer prerequisites for eligibility. The BoE rather forms its own independent view of the risk in the collateral taken and only accepts collateral that it can value and where the risk can be effectively managed.

For the Level B collateral set, only a subset of the covered bond universe is eligible. The criteria are based on a combination of both credit quality (hence underlined by the AAA rating-equivalent requirement) and liquidity.

For example, covered bonds from Nordic issuers, one of the core covered bond markets with an acknowledged safe haven status, are not included in the Level B collateral set. In the past, Spanish covered bonds that fulfilled the rating requirement were included but have since been removed from the list of eligible assets.

Covered bonds do not qualify for the Bank of England's Level A collateral set which is restricted to Gilts (including gilt strips), Sterling Treasury bills, Bank of England securities, HM Government non-sterling marketable debt and Sterling, euro, US dollar and Canadian dollar-denominated securities (including associated strips) issued by the governments and central banks of Canada, France, Germany, the Netherlands and the US.

> Figure 5: Haircuts for various covered bond types*

| | float. | <1 yr | 1-3 yrs | 3-5 yrs | 5-10 yrs | 10-20 yrs | 20-30 yrs | >30 yrs |
|---|---|---|---|---|---|---|---|---|
| Covered bonds (backed by UK or EEA public sector debt, social housing loans or residential mortgages) | 12 | 12 | 14 | 15 | 17 | 19 | 22 | 24 |
| UK, EEA or US covered bonds (backed by SME loans or commercial mortgages) | 25 | 25 | 27 | 28 | 30 | 32 | 35 | 37 |
| UK, EEA or US covered bonds (backed by ECA guaranteed loans) | 3 | 3 | 5 | 6 | 8 | 10 | 13 | 15 |

Source: Bank of England, HSBC (as of July 2026) *an additional haircut of 5% will be applied for own-use covered bonds

As mentioned above, the Bank of England conducts a number of different monetary policy and liquidity insurance operations. Figure 6 shows the eligibility of different collateral sets for the various operations and facilities:

> Figure 6: Eligibility of different collateral sets for the various operations and facilities

| Sterling Monetary Framework operations & lending facilities | Level A | Level B | Level C |
|---|---|---|---|
| Intraday Liquidity | Yes | No | No |
| Operational Standing Facilities | Yes | No | No |
| Short-term Repo | Yes | No | No |
| Indexed Long-term Repo | Yes | Yes | Yes |
| Discount-Window Facility | Yes | Yes | Yes |
| Contingent Term Repo Facility | Yes | Yes | Yes |
| US Dollar Repo | Yes | Yes | Yes |
| TFSME Lending Facility | Yes | Yes | Yes |

Source: Bank of England, HSBC (as of July 2026)

## Operational standing facilities

The Operational Standing Lending Facility provides a ceiling for the overnight interest rates through its overnight lending facility (against the Level A collateral set), which is usually set at 15bps above the Bank of England rate. The Operational Standing Deposit Facility is an unsecured overnight deposit with the central bank, which is currently set 15bps below the Bank of England rate. This is designed to limit volatility in overnight interest rates by providing an arbitrage mechanism to prevent money market rates moving far from the bank rate and allowing participating banks to manage unexpected frictional payment shocks.

## Indexed long-term repo operations

Indexed long-term repo operations are provided by the Bank of England to provide indexed liquidity insurance without distorting banks' incentives for prudent liquidity management and to minimise the risk being taken onto the BoE's balance sheet. These operations are indexed to the bank rate, allowing counterparties to use the facility without having to take a view on the future path of the Bank rate (and also reducing the BoE's exposure to market risk). In these operations banks can borrow against three collateral sets: Levels A, B and C. Levels B and C include covered bonds meeting the aforementioned criteria. Level C securities must be delivered to the Bank in advance of the operation, and all loan collateral must be pre-positioned.

The BoE typically offers funds in long-term repo operations once a month for period of six months, though the frequency can be adjusted to provide flexibility. Currently, ILTR auctions take place weekly.

The BoE does not provide a simple schedule of long-term operations, as is the case with the ECB. Instead, it operates through a unique auction design. Participants submit bids for a nominal amount of liquidity and a spread in basis points to the bank rate. Banks can submit separate bids against Level A collateral or against Level B and C col lateral (where covered bonds are eligible). Multiple bids can be placed against any of the three collateral sets[9].

The auction then prices using a "uniform price" format, meaning all successful bidders (those bidding for liquidity at a higher price than the clearing spread) ultimately pay only the clearing spread.[10] The BoE specifies the clearing spreads for all the three collateral sets. Bids are ranked and accepted in descending order of the bid spread until the BoE's supply preferences have been met. Thus, when pledging covered bonds in the BoE's long-term indexed repo operations, the ultimate cost to a bank will depend on the spread set for the Levels B and collateral sets in the auction. Crucially, the auction is flexible as both the proportion of the total amount

9 There is no restriction on the number of bids, the aggregate value of bids or the total value of bids received from a single participant.
10 The rationale here is to avoid participants basing their bids on assumptions about others' behaviour.

allocated to each collateral set as well as the total quantity of funds are based on the pattern of bids received. This determines the amount of liquidity, against which covered bonds can potentially be pledged. So, in this system the amount of liquidity on offer against the Level B and C collateral sets depends not only on demand for long-term repos on these assets but also on those in the Level A collateral set.

### Discount window facility

The discount window is a bilateral facility used for emergency lending to an institution; providing liquidity insurance. It allows participants to borrow Gilts (or in certain cases even cash) against a wider range of potentially less liquid collateral. Fees are paid when the Gilts are returned to the BoE in return for the original assets. Drawings have a 30-day maturity and can be rolled for longer temporary liquidity needs.

Collateral, which can be pledged, encompasses all the collateral sets (Level A, B and C). The fees charged for the discount window depend upon the type of collateral used: Level A: +15bp, Level B: +25bp and Level C: +50bp.

### Contingent term repo facility (CTRF)

The CTRF is a contingency liquidity facility that the BoE can activate in response to actual or prospective exceptional market-wide stress to undertake operations against the full range of eligible collateral (Levels A, B, C). This includes own-name covered bonds. Collateral is expected to be pre-positioned prior to an operation. The BoE activated the CTRF in March 2020 in the light of the Covid-19 pandemic. The size of the operation was unlimited at a fixed rate of Bank Rate plus 15bps. The final operation took place in June 2020.

> Figure 7: Summary of the BoE's monetary operations

| | Operational Standing Facilities | Indexed Long-term Repo | Discount Window Facility (DWF) |
|---|---|---|---|
| **What is the primary purpose of the operation?** | Monetary policy implementation; Bilateral liquidity insurance to deal with frictional payment shocks | Liquidity insurance | Bilateral liquidity insurance |
| **What is being borrowed?** | Deposit facility: n/a<br>Lending facility: sterling cash | Sterling cash | Gilts (in certain circumstances also cash) |
| **Eligible Collateral** | Deposit facility: n/a<br>Lending facility: Level A | Level A, B and C | Level A, B and C |
| **Fee** | Deposit facility: 15 bp above bank rate<br>Lending facility: 15 bp below bank rate | Auction determined uniform spread indexed to Bank Rate | Level A: +15bp<br>Level B: +25bp<br>Level C: +50bp |
| **Maturity** | Overnight | 6 months | 30 days |
| **Frequency** | Available daily | Weekly | Available daily |

Source: Bank of England, HSBC (as of July 2026)

### Additional disclosure requirements for residential mortgage covered bonds

The Bank of England requires additional disclosure and transparency for RMBS and covered bonds backed by residential mortgages. The BoE requirements include anonymised loan level information for securities from these two asset classes. This must be provided for investors, potential investors and "certain other market professionals acting on their behalf." The information must be provided on at least a quarterly basis and within one month of an interest payment date. Since December 2012, any covered bonds backed by mortgages which do not fulfil the criteria became ineligible for use in any of the Bank of England's monetary policy operations.

Loan-level reporting also includes "the requirement for credit bureau score data" to be made available. This needs to be provided within a three-month period of the transaction's origination and must be updated on a quarterly basis to enhance comparability between the various providers.

## IV. THE US: ELIGIBILITY CRITERIA FOR FEDERAL RESERVE OPERATIONS

The monetary policy operations of the Federal Reserve System work rather differently to those at the ECB or the Bank of England. The Federal Reserve Bank of New York implements monetary policy on behalf of the Federal Reserve System, as mandated by the Federal Open Market Committee (FOMC). Monetary policy is implemented through sales and purchases on the System Open Market Account (SOMA) at the Federal Reserve Bank of New York. This account is used both to maintain the overnight target rate for the federal funds rate (i.e. the US policy rate), as well as to undertake large scale asset purchase programmes decided upon by the FOMC. In particular, the three rounds of asset purchases (quantitative easing), the first consisting of Treasury securities, GSE debt and GSE-guaranteed MBS, the second solely of Treasuries and the third of agency MBSs, as well as the reinvestment of the coupons and principal payments received from the first round of QE, have all gone through this account. Currently, covered bonds are not eligible for any SOMA operations, which are restricted to US Treasury Bills, Notes and Bonds (including TIPS), Federal Agency securities[11] and MBS guaranteed by Fannie Mae, Freddie Mac and Ginnie Mae; all of which must be denominated in USD. None of the additional operations put in place during the first stage of the financial crisis are currently still in place, meaning the only significant other monetary operation is the discount window.

### Covered bonds and the discount window

Following the redemption of the last US covered bond in November 2016, only AAA-rated Jumbo German Pfandbriefe are eligible for the discount window. For the AAA requirement, the lowest rating of S&P, Moody's and Fitch is relevant.

"In general, the Federal Reserve seeks to value securities collateral at a fair market value estimate. Margins are applied to the Federal Reserve's fair market value estimates and are designed to account for the volatility of the value of the pledged security over an estimated liquidation period. Securities are valued using prices supplied by external vendors. Securities for which a price is unavailable from the Federal Reserve's external vendors will receive zero collateral value."[12]

The haircuts applied to the various assets eligible for use in the discount window are outlined below. Notably the foreign currencies eligible for the discount window are AUD, CAD, CHF, DKK, EUR, GBP, JPY and SEK.

The haircuts applied to covered bonds in the discount window operations are not very high and only marginally higher than those for Treasuries. For example, for tenors of 5-10 years, USD-denominated Pfandbriefe are subject to a haircut of only 4%, the same as supranational paper or GSE bonds. Nonetheless, the eligibility criteria for foreign-issued covered bonds are very strict, including solely German Pfandbriefe. All other covered bonds effectively appear to be treated in the same manner as unsecured bank debt, i.e. they are excluded from the discount window. Even other well-developed legislation-based covered bond types, such as Obligations Foncières or any of the various Nordic covered bonds, have not been included.

> FIGURE 8: OVERVIEW OF THE MARGINS FOR SECURITIES IN THE DISCOUNT WINDOW

<table>
<tr><th></th><th></th><th colspan="5">Margins for securities (by Maturity in yrs)</th></tr>
<tr><th>Asset Class</th><th>Asset Type</th><th>0-1</th><th>>1-3</th><th>>3-5</th><th>>5-10</th><th>>10</th></tr>
<tr><td rowspan="2">US Treasuries</td><td>Bills/Notes/Bonds/Floating Rate Notes/Inflation Indexed</td><td>1</td><td>1</td><td>2</td><td>3</td><td>5</td></tr>
<tr><td>STRIPs</td><td colspan="4">4</td><td>6</td></tr>
<tr><td>GSEs</td><td>Bills/Notes/Bonds</td><td>2</td><td>2</td><td>3</td><td>4</td><td>6</td></tr>
<tr><td rowspan="2">Foreign Government Agencies</td><td>AAA-BBB rated USD denominated</td><td>2</td><td>2</td><td>3</td><td>4</td><td>6</td></tr>
<tr><td>AAA rated foreign denominated</td><td>6</td><td>6</td><td>7</td><td>7</td><td>9</td></tr>
</table>

11 Fannie Mae, Freddie Mac and Federal Home Loan Bank.

12 Federal Reserve Collateral Guidelines as 26 March 2018.

| | | Margins for securities (by Maturity in yrs) | | | | |
|---|---|---|---|---|---|---|
| **Asset Class** | **Asset Type** | **0-1** | **>1-3** | **>3-5** | **>5-10** | **>10** |
| Foreign Government, Foreign Government Guaranteed and Brady Bonds | AAA-A rated USD denominated | 2 | 2 | 3 | 4 | 7 |
| | BBB rated USD denominated | 3 | 3 | 4 | 5 | 8 |
| | AAA-BBB foreign denominated | 6 | 6 | 7 | 8 | 10 |
| Supranationals | Bills/Notes/Bonds USD denominated | 3 | | | 4 | 6 |
| | AAA rated foreign denominated | 6 | 6 | 7 | 8 | 11 |
| Corporate Bonds (Non-Financial) | AAA-A rated USD denominated | 2 | 3 | 4 | 6 | 8 |
| | BBB rated USD denominated | 3 | 4 | 6 | 8 | 10 |
| | AAA rated foreign denominated | 7 | 8 | 8 | 10 | 13 |
| **German Jumbo Pfandbriefe** | **AAA rated USD denominated** | **2** | **2** | **3** | **4** | **6** |
| | **AAA rated foreign denominated** | **6** | **6** | **7** | **9** | **10** |
| Asset Backed Securities | AAA-A rated | 2 | 2 | 4 | 9 | 10 |
| | BBB rated | 3 | 4 | 5 | 10 | 12 |
| | CDOs- AAA rated | 13 | | 15 | 23 | 36 |
| | CLO- AAA rated | 9 | | 13 | 27 | 30 |
| Agency Backed Mortgages | Pass-throughs | 2 | 2 | 3 | 4 | 6 |
| | CMOs | 3 | | | 4 | 6 |
| | CMBs | 2 | 2 | 3 | 4 | 6 |

Source: Fed (applicable as of July 2026, last change: 1 July 2026)

There is also a separate schedule for the percentage margin applied to loans, of which some are also eligible for the discount window facility. A further stipulation from the Fed is that obligations of the pledging depository institution (or of an affiliate) are not eligible collateral, ruling out own-name covered bonds.

## V. SWITZERLAND: ELIGIBILITY CRITERIA FOR SWISS NATIONAL BANK (SNB) OPERATIONS

### SNB monetary policy operations

In 2019, the Swiss National Bank (SNB) introduce the SNB policy rate which it uses in taking and communicating its monetary policy decisions. Repos are its preferred open market operation, which are partly conducted by auctions, typically held every day, either in the form of a volume tender (fixed rate tender, which is the norm) or by variable rate tender. The SNB can also conduct bilateral repo operations to affect money market operations during the course of the day. All these repo transactions must be 100% collateral ised. The terms are set on a daily basis and the maturity of the operations may vary from one day to several months. Hence, the SNB does not have distinct long-term repo operations in the same manner as the ECB or the BoE. Furthermore, the SNB can issue its own debt certificates (SNB Bills) as a means of absorbing liquidity through its money market operations when targeting the policy rate (or range). Such debt certificates can also be posted back to the SNB in the context of its repo operations (but cannot be used by banks to satisfy their minimum reserve requirements).

In the SNB's standard volume tender, each counterparty submits a bid stating how much liquidity it is prepared to provide at a specified repo rate.

If the total volume of offers exceeds the SNB's predetermined allotment volume, the SNB reduces the amounts offered proportionally. Each one of the counterparties receives the interest rate they bid. SNB Bill auctions are, as a rule, conducted in the form of a variable rate tender. Counterparties submit their offers comprising the amount of liquidity they are willing to provide and price at which they would do so. Counterparties can submit multiple bids, including at different interest rates. The SNB obtains liquidity from the participants that have made offers at or below the highest interest rate accepted by the SNB, paying the participants the interest rate stated in their offers.

In addition, the SNB provides standing facilities (a liquidity shortage facility and an intraday facility). For such facilities the SNB does not actively intervene in the market but rather "merely specifies the conditions at which counterparties can obtain liquidity[13]." Repo transactions within the context of standing facilities must cover at least 110% of the funds obtained. The remaining monetary policy operations used by the SNB are an intraday facility for banks, foreign exchange swaps with various central banks, as well as foreign exchange purchases (a means of intervening into foreign exchange markets affecting CHF). The SNB can also create, purchase or sell derivatives on receivables, securities, precious metals and currency pairs.

**Covered bonds and other collateral eligible for SNB repo operations**

For monetary policy operations the SNB has a standard collateral set which does not distinguish between collateral eligible for different operations. This is in line with the ECB but in contrast to the BoE policy. The SNB accepts a slightly wider set of collateral for its operations. In this sense, the SNB operates much more like the ECB than the Fed or BoE, with the latter restricting eligible assets of short-term monetary policy operations to only the highest-quality liquid government securities, with the exclusion of covered bonds.

Following the adoption of the Swiss Liquidity Ordinance which translates the LCR framework into Swiss law, the SNB has also redefined its collateral policy aligning it to the new liquidity provisions from 2015 onwards. The changes should ensure that all collateral eligible for SNB repos also fulfils the criteria for high-quality liquid assets (HQLA).

Only collateral included in the list of eligible collateral for SNB repos may be pledged in the repo transactions. In order to be eligible, the collateral assets must fulfil the following criteria:

> be issued by central banks, public sector entities, international or supranational institutions, multilateral development banks and private sector entities

> securities issued by financial institutions are generally not eligible. However, covered bonds issued by financial institutions are eligible, provided the issuer is not a domestic financial institution or its foreign subsidiary. Moreover, securities issued by Pfandbriefbank schweizerischer Hypothekarinstitute AG and Pfandbriefzentrale der schweizerischen Kantonalbanken AG are also eligible.

> the securities have to be denominated in CHF, EUR, USD, GBP, DKK, SEK or NOK.

> the issuer must be domiciled in Switzerland, in the European Economic Area (EEA), or in the UK, if the security is denominated in a foreign currency. Securities issued by international or supranational organisations may be admitted as eligible collateral even if the issuer is domiciled in a third country.

> have a fixed principal amount with an unconditional redemption,

> have a fixed rate, floating rate or zero coupon,

> have a minimum volume of CHF 100 mln for securities denominated in Swiss Francs; for foreign currencies minimum volumes are listed below,

> be traded on a recognised exchange or a representative market in Switzerland, a EEA member state or in the UK with price data published on a regular basis. The same requirements apply to distributed ledger technology (DLT) securities.; and

> fulfil the country, securities and issuer rating requirements (second-highest rating of the three rating agencies S&P, Moody's and Fitch is at least AA-/Aa3. If only one credit rating is available, this shall be used).

> Securities can be delivered through SIS, with Switzerland, the UK, EU or an EEA member state as intermediate and ultimate securities deposit.

13 Guidelines of Swiss National Bank (SNB) on Monetary Policy Instruments.

As such, covered bonds are eligible, as long as they are not issued by a domestic Swiss bank (or a subsidiary abroad) with the exception of the Swiss Pfandbrief institutions. The criteria for the various classes of eligible assets are further split between foreign and Swiss Franc denominated criteria:

> FIGURE 9: ELIGIBILITY CRITERIA FOR SWISS FRANC AND FOREIGN CURRENCY SECURITIES

| | Currency of Issue | Min. Rating of Creditor's Country of Domicile | Min. Rating of Security | Minimum issue size | Additional Criteria |
|---|---|---|---|---|---|
| Swiss Franc Securities | CHF | AA-/Aa3* | AA-/Aa3** | 100 CHF m | Securities of foreign issuers must be listed on SIX Swiss Exchange |
| Foreign Currency Securities | EUR, USD, GBP, DKK, SEK, NOK | AA-/Aa3* (and must be domiciled in Switzerland, the UK or an EEA member state) | AA-/Aa3** | 1.0 bn EUR; 1.0 bn USD; 750 m GBP; 7.5 bn DKK; 10.0 bn SEK; 10.0 bn NOK | – |

* Securities of supranational organisations may be eligible irrespective of rating of country of domicile.

** Based on the second-highest rating; if only one credit rating is available, this shall be used. For securities issued by public sector entities and the Swiss Pfandbrief institutions which do not have a securities rating, the issuer rating may be used instead. Swiss public authorities, Swiss Pfandbrief institutions, the central issuing office of Swiss municipalities and Swiss issuers with explicit guarantee from Swiss Confederation are excluded from this requirement.

Source: SNB, HSBC (as of July 2026, last change: December 2023)

All securities contained in the list of collateral eligible for SNB repos form part of the SNB GC Basket and fulfil the criteria for high-quality liquid assets (HQLA) as defined in the Liquidity Ordinance. Based on their characteristics, the securities in this collective basket are assigned to additional baskets. The L1 Basket contains Swiss franc and foreign currency securities issued by, as a rule, central banks, public sector entities and multilateral development banks. The L2A Basket contains all other securities from the SNB GC Basket. In addition, Swiss franc securities are pooled in an L1 CHF Basket and an L2A CHF Basket. As is the case with all central banks, the SNB can decide on a case-by-case basis which securities are eligible for its repo operations. Its rules explicitly state that it "may reject the inclusion of securities or withdraw securities that were previously included in the list, without providing any justification."

### Own-name covered bonds

The SNB publicly states that it does not accept counterparties' own securities or "those issued by persons or companies which, directly or indirectly, hold at least 20% of the capital or the voting rights in a counterparty or, conversely, in which the counterparty holds such rights". Nonetheless it explicitly states that "this 20% rule does not apply to participations in Swiss Pfandbrief institutions". Although it is not explicitly stated in official documents, SNB officials confirmed to us that own-name covered bonds cannot be included within the boundaries set by the definition of eligible collateral.

## VI. NORWAY: ELIGIBILITY CRITERIA FOR NORGES BANK OPERATIONS

### Norges Bank monetary policy operations

The policy rate of Norges Bank is the sight deposit rate: the rate of interest banks receives on their overnight deposits (up to a quota) at Norges Bank. In October 2011, quotas were introduced defining the size of deposits banks could hold with Norges Bank on sight deposit rate terms. Banks' reserves with Norges Bank in excess of the quota were remunerated at a rate equal to the sight deposit rate minus 100bp, giving banks a strong incentive to holding surplus reserves at the low reserve rate. Unlike other central banks, the key policy rate is not a target for overnight interest rates realised in money markets. Instead, the sight deposit rate forms a floor for very short-term money rates, whilst the overnight lending rate charged to banks for overnight loans (for "D-Loans", see below) is the other though less important interest rate, which forms a ceiling for very short-term money rates. This is typically set 100bp above the key policy rate. Norges Bank uses F-deposits (fixed-rate deposits) to remove unwanted liquidity from the system.

In terms of providing liquidity, Norges Bank provides intraday and overnight loans ("D-Loans"), which must be 100% collateralised. The bank also provides longer term liquidity through "F-loans" (fixed-rate loans), repurchase agreements and currency swaps. F-loans are ordinary fixed-rate loans with a given maturity provided against acceptable collateral "in the form of approved securities." The interest payable on such loans is deterined by a multi-price ('American') auction. Just as in the case of the SNB, Norges Bank determines the total amount to be allotted in such an operation. Bids for the loans are ranked in decreasing order and allotments are made until the total amount is distributed, with all counterparties paying their respective bid price. Such loans also must be 100% collateralised.

Norges Bank has primarily granted "F-loans" to financial institutions rather than longer-term repo operations, following previously unsuccessful attempts to encourage the use of repo facilities. F-loans are provided for a number of different maturities, much like the longer-term ECB-refinancing operations. Longer maturity F-loans were provided during the credit crunch.

The collateral set eligible for short-term "D-loans" at Norges Bank is identical to that for the longer-term "F-loans" as Norges Bank only uses a single collateral set for all its operations. Its collateral rules group differ ent securities into various liquidity categories, much like the ECB (see below for further details).

**Covered bonds and other collateral eligible for Norges Bank repo operations**

In order to be eligible as collateral, securities must be listed on Norges Bank's website and have to fulfil the following eligibility criteria:

**Type and Jurisdiction**

> Bonds, notes and short-term paper issued from Norwegian and foreign issuers
> Securities issued outside the EEA may be accepted provided that Norges Bank has legal confirmation that there are no problems associated with the realising of the collateral
> Norwegian bond and money market funds (confined to investing in bonds, notes and short-term paper that are eligible under the current rules) are eligible as collateral provided that they are managed by a management company registered in Norway whose unit holdings are registered with the Norwegian Central Securities Depository (VPS) and that Norges Bank has access to price information from Oslo Børs Informasjon
> Securities must be registered either in the VPS or at Euroclear Bank or Clearstream Banking

**Credit rating**

> Securities issued by foreign issuers and bonds, notes and short-term paper issued by Norwegian private entities are subject to credit rating requirements.
> For securities issued by Norwegian entities a credit rating of the issuer is sufficient in the absence of a credit rating of the securities instrument. This does not apply to covered bonds.

- > Norges Bank accepts credit ratings from S&P, Fitch, Moody's, Scope or Nordic Credit Rating (NCR) whereby the second-best credit rating will apply if a security or issuer has more than one rating. The lowest acceptable credit rating for bonds with foreign issuers is A/A2, while the lowest acceptable credit rating for bonds issued by Norwegian issuers is BBB-/Baa3[14].

**Listing**

Securities issued by private entities are subject to listing requirements.

- > Securities issued by private entities must be listed on a stock exchange or other market places approved by Norges Bank.
- > The listing requirement does not apply to notes and short-term paper.

**Requirements relating to minimum volume outstanding**

Securities issued by private entities are subject to requirements relating to minimum volume outstanding. In light of the Covid-19 crisis, the following temporary measures apply:

- > Securities in NOK must have a minimum outstanding volume of NOK 300 m, whilst securities in a foreign currency must have a minimum volume equivalent to EUR 100 m.
- > For securities other than Norwegian government securities, a borrower may not pledge more than 20% of the issue's (ISIN) volume outstanding (this was temporarily increased to 100% in light of the COVID-19 pandemic).

**Currency restrictions**

- > Securities shall be denominated in NOK, SEK, DKK, EUR, USD, GBP, JPY, AUD, NZD, CAD or CHF. For securities denominated in a currency other than NOK an additional haircut of 6-8% (depending on the currency) is applied.

**Multilateral development banks, government-guaranteed and regional debt securities**

Norges Bank may, subject to an assessment, exempt securities with irrevocable and unconditional government guarantees from the listing and minimum outstanding volume requirements.

**ABS and other restrictions**

- > Asset Backed Securities (ABS) must have a AAA credit rating from S&P, Fitch, Moody's or Scope at the time of collateralisation and must be assessed by Norges Bank as what are termed "true sale" ABSs and must not be secured on commercial property loans.
- > Only the most senior tranche will be accepted as collateral and the borrower cannot pledge more than 20% of the volume outstanding of any deal.
- > Securities that are directly or indirectly linked to credit derivatives are not eligible as collateral. Nor will instruments such as convertible bonds, inflation-linked bonds, inverse floating rate bonds, FRN Caps or subordinated loans be eligible.
- > Covered bonds may account for a maximum of 70% of the market value of the pledged securities after haircut for each borrower.

14 The lowest acceptable credit rating for notes and short-term paper issued by foreign entities is A-1 from S&P or the equivalent rating from Fitch or Moody's, while the lowest acceptable credit rating for notes and short-term paper from Norwegian issuers is A-3 from S&P or the equivalent rating from Fitch or Moody's.

### Own-name covered bonds

A bank may pledge covered bonds and ABS as collateral even if the securities are issued by the bank itself or by an entity that is part of the same corporate group as the bank. Own-name covered bonds are subject to an additional haircut of 5%.

### Haircuts

The haircuts applied to the market value of a security are set out by category below:

> FIGURE 10: NORGES BANK HAIRCUTS BY CATEGORY AND RESIDUAL MATURITY (% OF MARKET VALUE)

| **Liquidity Category** | **Liquidity Category I** | | **Liquidity Category II** | | **Liquidity Category III** | | **Liquidity Category IV** | |
|---|---|---|---|---|---|---|---|---|
| **Eligible Collateral** | > AAA rated Government Bonds<br>> Money market and bond funds confined to investments in the above securities | | > Government bonds rated AA+ to A<br>> *Covered bonds (AAA to AA-)*<br>> Norwegian local government paper (AAA to BBB-)<br>> Foreign local government paper (AAA to A)<br>> Government-guaranteed paper<br>> AAA rated corporates | | > *Covered bonds rated A+ to A*<br>> Norwegian local government paper (no rating requirement)<br>> Corporate bonds rated AA+ to A<br>> Units in eligible money market and bond funds not included in Category 1 | | > *Covered bonds (A- to BBB-)*<br>> Norwegian corporate bonds rated A- to BBB- | |
| **Maturity** | Fixed | Floating | Fixed | Floating | Fixed | Floating | Fixed | Floating |
| 0-1 year | 1 | 1 | 3 | 3 | 4 | 4 | 8 | 8 |
| 1-3 years | 3 | 1 | 5 | 4 | 6 | 5 | 11 | 10 |
| 3-7 years | 5 | 1 | 7 | 5 | 10 | 7 | 17 | 14 |
| 7-15 years | 7 | 1 | 10 | 6 | 13 | 9 | 22 | 17 |
| 15+ years | 10 | 1 | 15 | 7 | 20 | 12 | 30 | 25 |

Source: HSBC, Norges Bank (as of July 2026, last change: October 2024)

Notes: There is a maximum limit for covered bonds of 70%. Securities in foreign currencies are subject to a further 6-8% haircut depending on the currencies, own-name covered bonds to a further 5% haircut. If Norges Bank does not have sufficient price information on securities, the value will be determined on the basis of the nominal value, less an additional haircut depending on the bond's rating.

If Norges Bank does not have sufficient price information on securities [registered in a foreign securities depository], the value will be determined on the basis of the nominal value, less an additional haircut depending on the bond's rating. The additional haircut is determined as follows:

> 15 percentage points for a rating of AAA from S&P or the equivalent rating from Fitch, Moody's, NCR or Scope.

> 20 percentage points for a rating of AA+, AA or AA- from S&P or the equivalent rating from Fitch, Moody's, NCR or Scope.

> 30 percentage points for a rating of A+ or A from S&P or the equivalent rating from Fitch, Moody's, NCR or Scope.

## VII. AUSTRALIA: ELIGIBILITY CRITERIA FOR RESERVE BANK OF AUSTRALIA (RBA) OPERATIONS

The Reserve Bank of Australia (RBA) expresses its desired stance on monetary policy through an operating target for the cash rate, the money market rate on overnight interbank funds. The RBA targets this through its short-term open-market operations ("domestic market operations"). The same collateral set is also applicable to the longer-term operations provided.

When the RBA buys securities under repurchase agreement, it does so in two broad classes of securities: government-related securities and private securities. Since the mid-1990s, the RBA has gradually widened the range of highly-rated securities that it is prepared to accept in response to the decline in available government debt and taking into account the changing structure of financial markets.

### Covered bonds and RBA eligible securities for reverse repos

To be considered as eligible by the RBA, all securities, including covered bonds, must fulfil the following criteria:

> **Currency**: The security is denominated in Australian dollars and traded in Austraclear. The RBA will not accept securities that trade as Euro-entitlements.

> **Rating**: The lowest credit rating assigned to a security or its issuer by Moody's, S&P and Fitch will be used to assess eligibility and eventual haircut. For covered bonds only, security ratings are considered as long as at least two ratings are available. Otherwise, the issuer ratings will be considered.

> **Structured bonds**: "Highly structured" securities are not eligible.

> **Own name bonds**: "Unless otherwise advised" securities issued by the bank itself or related entities are not eligible. A related party is deemed to be an institution that has a significant relationship to the credit quality of the security, including members of the same group and where one entity owns more than 15% of another. The list of eligible securities denotes the related parties for specific securities or programmes. This 'related party exemption' also applies to covered bonds and, as such, "own name covered bonds" are not eligible for RBA repo operations.

The current set of eligible securities and the respective minimum rating requirements are given below:

> Figure 11: Eligible securities and minimum rating requirements

| | Minimum Rating |
|---|---|
| **General Collateral** | |
| Australian Government Securities | no minimum rating required |
| New Zealand Government Securities | no minimum rating required |
| Semi-governments Securities | no minimum rating required |
| Issues by Supranationals and Foreign Governments | AAA* |
| Securities with an Australian or New Zealand Government Guarantee | no minimum rating required |
| Securities with a Foreign Sovereign Government Guarantee | AAA* |
| **Private Securities** | |
| ***Securities (including Covered Bonds) issued by authorised deposit-taking institutions (ADIs)*** | |
| - residual maturity of 1Y or less | Any public rating |
| - residual maturity > 1Y | BBB- (min. 2 ratings) |
| Asset Backed Securities | AAA |
| Commercial paper (residual maturity 1Y or less) | BBB/A-3 (min. 1 rating), BBB- (min. 2 ratings) |
| Corporate bonds (residual maturity >1Y) | BBB (min. 1 rating), BBB- (min. 2 ratings) |
| Other securities | AAA |

* Minimum rating requirement waived for securities issued and/or guaranteed by the New Zealand government

Source: RBA, HSBC, (as of July 2026)

These include covered bonds denominated in AUD which have to be issued in the Kangaroo market (i.e. onshore) to be eligible for Repo transactions with the RBA. The RBA is willing to accept "other AAA assets" which include covered bonds, as well as senior unsecured bank debt as long as it is rated AAA and denominated in AUD. The RBA accepts both legislative and structured covered bonds. As is the case with all central banks, the RBA retains the right to reject any particular security or securities from any issuer and specifically states that it will not accept "highly structured" securities. This does not apply to covered bonds, but to CDOs or similar structures.

Figure 12 below shows the margin ratios used by the RBA to discount the market value of securities purchased under reverse repos. They are applied according to the following formula:

***purchase price = market value / (1 + margin / 100)***

> Figure 12: Margin ratios of securities purchased under reverse repos

| | Minimum Rating | Margins | | | |
|---|---|---|---|---|---|
| | | 0-1 years | 1-5 years | 5-10 years | >10 years |
| **Government-related Securities** | | | | | |
| Australian Government Securities | n/a | 1 | 2 | 2 | 2 |
| Semi-Government Securities | n/a | 1 | 2 | 2 | 2 |
| Securities Issued by Supranationals & Foreign Governments | AAA | 2 | 3 | 4 | 4 |
| Securities with an Australian Government Guarantee | n/a | 2 | 3 | 4 | 4 |
| Securities with a Foreign Government Guarantee | AAA | 2 | 3 | 4 | 4 |
| **Private Securities** | | | | | |
| ADI-issued Securities including Australian Covered Bonds | AAA | 6 | 7 | 8 | 10 |
| | AA– | 10 | 12 | 14 | 16 |
| | A– | 12 | 14 | 16 | 18 |
| | BBB- | 18 | 22 | 26 | 30 |
| | Public credit rating | 24 | n/a | n/a | n/a |
| **Asset-backed Securities** | | | | | |
| > Standard | A-1 or AAA | 10-15 | 10-15 | 10-15 | 10-15 |
| > Other | A-1 or AAA | 15-40 | 15-40 | 15-40 | 15-40 |
| **Other Private Securities** | AAA | 6 | 7 | 8 | 10 |

Source: RBA, HSBC (as of July 2026, last change: March 2023)

An additional 3% haircut may apply to asset-backed securities if no market price is available.

## VIII. NEW ZEALAND: ELIGIBILITY CRITERIA FOR RESERVE BANK OF NEW ZEALAND (RBNZ) OPERATIONS

### RBNZ monetary policy operations

Since March 1999 the RBNZ has implemented monetary policy by setting the Official Cash Rate (OCR), which is reviewed seven times a year. The monetary operations of New Zealand are composed of (a) Liquidity Opera tions, (b) Standing Facilities and (c) Other Domestic Operations. The Open Market Operations (OMO) of the Reserve Bank of New Zealand (RBNZ), including overnight repo transactions and issuance of RBNZ bills (to remove unwanted liquidity) fall within the "Liquidity Operations", as do FX Swaps and Basis Swaps operations. The Standing facilities are made up of the Overnight Reverse Repo Facility and a Bond Lending Facility. Finally, "Other Domestic Operations" consist of the repurchase or swapping of New Zealand government securities.

The following securities are eligible for the RBNZ's overnight repo transactions within the Liquidity Operations and the Bond Lending Facilities (part of the Standing Facilities):

> New Zealand Government Treasury bills;

> New Zealand Government bonds;

> New Zealand Government inflation-indexed bonds; and

> Other (non-New Zealand Government) Securities as approved by the RBNZ.

Covered bonds fall within this final definition, as long as they comply with the eligibility criteria. These are set out in the section below. Covered bonds are not eligible for other RBNZ monetary operations. The eligibility of securities for the 'Overnight Reverse Repo' under the RBNZ Standing Facilities is restricted solely to New Zealand Government bonds, Treasury bills and RBNZ bills. For the "Other Domestic Operations", the RBNZ from time to time offers to either repurchase and/or swap New Zealand Government securities. Purchases may be for the RBNZ's own account or on behalf of the Crown.

**Covered bond eligibility for RBNZ operations**

As explained above, covered bonds are eligible for the RBNZ's overnight repo transactions within the Liquidity Operations and the Bond Lending Facilities, as long as they fit the following criteria:

**Rating**

> Issues are rated AAA by at least two acceptable rating agencies. In case of more than two issue ratings, at least two agencies must rate the issue AAA, and no rating should be lower than AA+.

> The issuer has a credit rating from at least two acceptable rating agencies.

**Cover pool**

> The cover pool must be comprised of New Zealand originated first registered mortgages on New Zealand residential properties.

> The mortgage collateral is owned by a special purpose vehicle (SPV) that is bankruptcy remote from the originator.

> The loan-to-value ratio for each individual mortgage does not exceed 80%.

> Mortgages with loan to value ratios that exceed the 80% level will be removed from the cover pool and replaced with qualifying mortgages.

> For all loans the originator has, before approval, documented, assessed and verified the ability of the borrower to meet repayment obligations.

> Only loans that are performing have been included in the pool (non-performing loans are defined as those that are 90 days or more past due).

> "Asset monitors" independent from the trustee and the originator verify calculations relating to asset coverage tests and any other key ratios and provide these, and any other relevant reports, to the RBNZ on a regular basis.

**Price sources**

> Covered bond pricing is available on at least 80% of days via the NZFMA's NZ Credit Market Daily Pricing Service. Pricing is available at all month-ends.

**Currency**

> Issues are denominated in New Zealand dollars (NZD) only.

**Settlement**

> Covered bonds are lodged and settled in NZClear. Eligibility criteria for lodgement into NZClear include having a suitable registrar and paying agent.

**Own-name bonds**

> Covered bonds are repo-eligible on a two-name basis only, thus removing the possibility of issuers posting 'own-name' covered bonds to the RBNZ.

Of course, as is the case for all central banks, the RBNZ reserves the right to refuse an asset for any reason and is not required to disclose such reasons. In particular, "it should be noted that if the credit rating of the issue falls below the Reserve Bank's threshold, then the issue will cease to be eligible in the Reserve Banks' operations."

Thus, the RBNZ applies relatively strict criteria in setting eligibility for covered bonds. In particular, the requirement that the cover pool can only comprise New Zealand originated for registered mortgages on New Zealand residential properties currently restricts the use of the repo facility to covered bonds issued by domestic banks (or New Zealand subsidiaries of foreign banks using domestic loans). Nonetheless, if a foreign issuer were to have eligible loans in the pool (and fulfil all the other criteria), their covered bonds could also be eligible. Covered bonds are also subject to the strict requirement of being NZD-denominated, consistently with the rules for all other securities; even bonds issued or guaranteed by foreign governments must be NZD-denominated. Therefore, US Treasuries or Bunds in their domestic currencies would technically not be eligible for the RBNZ's operations.

The full haircuts matrix can be found below. It shows that NZD Covered bonds receive relatively benign haircuts, in line with two-name basis NZD-denominated RMBS, but significantly better than single-name RMBS. Ultimately, the eligibility criteria for repo are strict but eligible covered bonds receive a highly favourable treatment.

> Figure 13: Haircut matrix

| Eligible Security | Minimum Rating | Haircut | | |
|---|---|---|---|---|
| | | 0 ≤ 1 yr | 1 – 5 yrs | ≥ 5 yrs |
| ***NZ Government & RBNZ*** | | | | |
| Treasury Bills<br>Bonds<br>Inflation-linked Bonds | AA+ | 1% | 2% | 3% |
| RBNZ Bills | n/a | 1% | 2% | n/a |
| Green Bonds | AA+ | 1% | 2% | 3% |
| ***Acceptable Kauri issues (NZD)*** | | | | |
| Liquidity Category 1 Country* | AAA | 3% | 4% | 5% |
| | AA- to AA+ | 6% | 7% | 8% |
| Liquidity Category 2 Country** | AAA | 4% | 5% | 6% |
| | AA- to AA+ | 7% | 8% | 9% |
| ***Bank Securities (NZD)*** | | | | |
| Bank bonds – NZ Registered Banks only | AAA | 5% | 6% | 8% |
| | AA- to AA+ | 8% | 9% | 10% |
| | A- to A+ | 10% | 12% | 15% |
| | BBB- to BBB+ | 15% | 17% | 20% |
| NZ Registered Bank RCD's | A-1 and above | 10% | n/a | n/a |
| | A-2 | 20% | n/a | n/a |
| ***Local Authorities (NZD)*** | | | | |
| Bonds | AAA | 3% | 4% | 5% |
| | AA- to AA+ | 6% | 7% | 8% |
| | A- to A+ | 10% | 12% | 15% |
| | BBB- to BBB+ | 15% | 17% | 20% |
| CP | A-1 and above | 6% | n/a | n/a |
| | A-2 | 15% | n/a | n/a |

| Eligible Security | Minimum Rating | Haircut | | |
|---|---|---|---|---|
| | | 0 ≤ 1 yr | 1 – 5 yrs | ≥ 5 yrs |
| ***State-Owned Enterprises (NZD)*** | | | | |
| Bonds | AAA | 5% | 6% | 8% |
| | AA- to AA+ | 8% | 9% | 10% |
| | A- to A+ | 10% | 12% | 15% |
| | BBB- to BBB+ | 15% | 17% | 20% |
| CP | A-1 and above | 10% | n/a | n/a |
| | A-2 | 20% | n/a | n/a |
| ***Corporate Securities (NZD)*** | | | | |
| Bonds | AAA | 5% | 6% | 8% |
| | AA- to AA+ | 8% | 9% | 10% |
| | A- to A+ | 10% | 12% | 15% |
| | BBB- to BBB+ | 15% | 17% | 20% |
| CP | A-1 and above | 10% | n/a | n/a |
| | A-2 | 20% | n/a | n/a |
| ***Securities issued/guaranteed by Foreign governments*** | | | | |
| NZD Denominated | AA+ to AAA<br>A-1+ | 6% | 7% | 8% |

Source: RBNZ, HSBC (as of July 2026, last change: December 2022)

* Liquidity Category 1: Austria, Australia, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Luxembourg, Netherlands, Norway, Singapore, Sweden, Switzerland, United Kingdom and United States.

** Liquidity Category 2: Czechia, Hong Kong, Ireland, Malta, Spain and South Korea.

> Figure 14: Haircut matrix

| Eligible Security | Minimum Rating | Haircut | |
|---|---|---|---|
| | | < 3 years | ≥ 3 years |
| ***Asset Backed Securities (NZD)**** | | | |
| Bonds | AAA | 10% | 15% |
| CP | A-1+ | 10% | n/a |
| ***RMBS (NZD; on a single name basis)**** | | | |
| Bonds<br>CP | AAA/A-1+ | 19% | 19% |
| ***RMBS (NZD; on a two name basis)*** | | | |
| Bonds<br>CP | AAA/A-1+ | 5% | 8% |
| ***Covered Bonds (NZD)*** | | | |
| Bonds | AAA | 5% | 8% |

Source: RBNZ, HSBC (as of July 2026, last change: December 2022)

* The RBNZ assumes that these are not traded in the secondary market and no market price is available;

** The Reserve Bank will not accept securities from an institution which is obliged to provide more than 50% of the liquidity provision.

## IX. CANADA: ELIGIBILITY CRITERIA FOR BANK OF CANADA MARKET OPERATIONS

The Bank of Canada uses a number of permanent facilities to conduct market operations:

> **OR/ORR**: The Bank conducts Overnight Repo (OR) and Overnight Reverse Repo (ORR) operations are conducted to further support the effective implementation of monetary policy. OR inject liquidity intraday while ORR withdraw liquidity intraday.

> **Overnight Standing Repo Facility**: The Bank makes this standing facility available to Primary Dealers on an overnight basis at the upper limit of the operating band (Bank Rate).

> **Term Repo Operations**: These operations, where assets are acquired temporarily through the secondary market, are conducted to manage the Bank of Canada's balance sheet and to promote the orderly functioning of Canadian financial markets.

> **Standing Liquidity Facility**: The Bank of Canada provides access to liquidity through its Standing Liquidity Facility (SLF), to institutions participating directly in Lynx. Under the provisions of the Bank of Canada Act, the Lynx advances (the overdraft loans) are required to be made on a secured basis. The collateral used to secure these loans must be acceptable to the Bank of Canada, and an appropriate margin is applied. Notwithstanding the eligibility criteria listed below, the Bank of Canada retains the right of refusal for any asset.

> **Standing Term Liquidity Facility (STLF)**: Under the Standing Term Liquidity Facility (STLF), the Bank of Canada can provide loans to eligible financial institutions in need of temporary liquidity support if the Bank has no concerns about the institution's financial soundness. This programme is an addition to the standing liquidity facility and functions very similarly to the latter. However, it is characterized by a greater range of eligible collateral.

Canadian covered bonds as eligible collateral of the Standing Liquidity Facility. The covered bonds have to fulfil the following criteria and conditions, which apply equally to the Standing Term Liquidity Facility:

> Only covered bonds from programmes that are registered with the Covered Bond Registrar (CMHC) and are compliant with the federal legislative framework for covered bonds are eligible, i.e. Canadian Registered Covered Bonds.

> The Covered Bonds must be rated equivalently to a rating of AAA.

> Eligibility is restricted to covered bonds denominated in Canadian Dollars and US Dollars.

> Covered bonds typically count towards the 5% issuer concentration limit. The combined amount of covered bonds, term ABS and ABBCP originated or sponsored by a single institution pledged by a Lynx participant cannot be more than 5% of the total collateral value of that participant. No more than 20% of an institution's pledged collateral may be comprised of municipal government or private sector securities including covered bonds. Banks cannot submit their own covered bonds as collateral.

> Soft-bullet covered bonds are eligible as collateral.

> Figure 15: Haircuts for various asset classes and maturity brackets

| Collateral type | up to 3 months | >3-12 months | >1-3 years | >3-5 years | >5-10 years | >10-20 years | >20-35 years | >35 years |
|---|---|---|---|---|---|---|---|---|
| Securities issued by the Government of Canada* | 0.25% | 0.5% | 1.0% | 1.5% | 2.0% | 3.5% | 6.0% | 6.5% |
| Government of Canada – stripped coupons and residuals | 0.25% | 0.5% | 1.5% | 2% | 2.5% | 4.5% | 7.0% | 9.5% |
| Securities guaranteed by the Government of Canada (excl. NHA mortgage-backed securities)* | 1.25% | 1.5% | 2.0% | 2.5% | 3.0% | 4.5% | 8.0% | 8.5% |
| NHA mortgage-backed securities | 2.25% | 2.5% | 3.0% | 3.5% | 4.0% | 5.5% | 9.0% | 9.5% |
| Government of Canada guaranteed – stripped coupons and residuals | 1.25% | 1.5% | 2.5% | 3.0% | 3.5% | 5.0% | 8.5% | 10.0% |
| Securities issued by a provincial government* | 1.5% | 1.75% | 2.5% | 3.0% | 3.5% | 5.0% | 8.5% | 9.0% |

| Collateral type | up to 3 months | >3-12 months | >1-3 years | >3-5 years | >5-10 years | >10-20 years | >20-35 years | >35 years |
|---|---|---|---|---|---|---|---|---|
| Provincial government – stripped coupons and residuals | 1.5% | 1.75% | 3.0% | 3.5% | 4.0% | 5.5% | 9.0% | 16.0% |
| Securities guaranteed by a provincial government* | 1.75% | 2.0% | 3.0% | 3.5% | 4.0% | 5.5% | 9.0% | 9.5% |
| Provincial government guaranteed – stripped coupons and residuals | 1.75% | 2.0% | 3.5% | 4.0% | 4.5% | 6.0% | 9.5% | 17.5% |
| Securities issued by a municipal government | 2.0% | 2.25% | 3.5% | 4.0% | 4.5% | 6.0% | 10.5% | 11.0% |
| Bankers' acceptances, promissory notes, commercial paper, including those of foreign | 2.25% | 2.5% | – | – | – | – | - | – |
| Term Asset-backed securities | 3.75% | 7.5% | 8.0% | 9.0% | 12.0% | 16.0% | 16.5% | 17.0% |
| Asset-backed CP | 3.75% | 7.5% | – | – | – | – | - | – |
| **Covered bonds*** | **2.25%** | **2.5%** | **4.0%** | **5.5%** | **6.0%** | **9.0%** | **15.0%** | **15.5%** |
| Corporate and foreign-issuer bonds | 2.25% | 2.5% | 4.0% | 5.5% | 6.0% | 9.0% | 15.0% | 15.5% |
| Securities issued by the US Treasury* | 1.0% | 1.25% | 1.75% | 2.25% | 3.5% | 6.0% | 9.0% | – |

Source: Bank of Canada, HSBC (as of July 2026; last change: March 2026)

* An additional 4% will be added to the margin requirements for USD-denominated securities to account for foreign exchange risk.

## X. DENMARK: ELIGIBILITY CRITERIA FOR DANMARKS NATIONALBANK

Eligible counterparties can pledge securities as collateral which comprises of securities issued or guaranteed by the Kingdom of Denmark, bonds issued by KommuneKredit as well as the Danish covered bonds. Moreover, bonds issued by Føroya Landstýri (the government of the Faroe Islands) also qualify. The securities must be registered with Euronext Securities and traded at NASDAQ OMX Copenhagen. The securities must be denominated in DKK or EUR, in the latter case an additional exchange-rate haircut of 3% is deducted. At the request of the account holders and subject to specific assessment, Danmarks Nationalbank may also include other assets in the collateral basis for credit facilities in DKK.

The collateral value of the securities is calculated on the basis of their official price on NASDAQ OMX Copenhagen on the preceding day, including accrued interest, less a securities-specific valuation haircut. If an asset has not been traded on the previous banking day, a theoretical price set by Danmarks Nationalbank is used for the calculation of its collateral value. The haircut applied by Danmarks Nationalbank for eligible securities depends on the liquidity category and the remaining maturity:

> **Category 1**: Securities issued by the Kingdom of Denmark

> **Category 2***: Mortgage bonds (ROs), covered bonds (SDOs) and covered mortgage bonds (SDROs) with a circulating volume of more than 1 bn euro or the equivalent value in Danish kroner. The bonds must also be comprised by a price-quoting system approved by Danmarks Nationalbank for this purpose and have at least three price quoters

> **Category 3**: Other ROs, SDOs and SDROs, as well as bonds guaranteed by the Kingdom of Denmark and bonds issued by KommuneKredit

> **Category 4**: Bonds issued by the government of the Faroe Islands.

> Figure 16: Haircuts for eligible securities with fixed or variable coupon rate**

| Remaining maturity | Category 1 | Category 2* | Category 3 | Category 4 |
|---|---|---|---|---|
| 0-1 year | 0.5% | 1.0% | 1.5% | 4.0% |
| 1-3 years | 1.0% | 1.5% | 2.0% | 6.0% |
| 3-5 years | 1.5% | 2.5% | 3.5% | 8.0% |
| 5-7 years | 2.0% | 3.5% | 4.5% | 10.0% |
| 7-10 years | 3.0% | 4.5% | 5.5% | 12.0% |
| > 10 years | 5.0% | 8.0% | 8.0% | 14.0% |

Source: Danmarks Nationalbank, HSBC (as of July 2026)

* Inactive as of July 2026

** When a theoretical price is used, an additional haircut of 5% is deducted for all types of securities, except for securities issued by the Kingdom of Denmark. An exchange-rate haircut of 3% is deducted when securities in euro are pledged as collateral for credit facilities in DKK.

## XI. SWEDEN: ELIGIBILITY CRITERIA FOR THE RIKSBANK

The Central Bank of Sweden, the Riksbank is accepting covered bonds as collateral for Open Market Operations. This includes loans on an intraday and overnight basis as well as Repos with longer maturities.

### Eligibility of assets

In order for an asset to be accepted as collateral, the outstanding volume for each issue must be at least SEK 100 mn (or the equivalent in another currency). Also, the securities must be denominated in one of the following currencies: USD, GBP, DKK, EUR, JPY, NOK or of course the Swedish Krona (SEK). The issuer must be domiciled in either the USA, Australia Belgium, Denmark, Finland, France, Greece, Ireland, Italy, Japan, Canada, Luxembourg, Netherlands, Norway, New Zealand, Portugal, Switzerland, Spain, United Kingdom, Sweden, Germany or Austria.

The asset also ought to meet the following criteria concerning its credit rating:

> It must have at least a credit rating of AA-

> The credit rating must be confirmed by the credit rating agencies that the Riksbank acknowledges: Standard & Poor’s, Moody’s and Fitch Rating

> It is not possible to replace the credit rating of a security through a possible guarantor's credit rating.

> For securities which are not issued by credit institutions, confirmation of only the issuer’s credit rating is acceptable

> If there are several credit ratings, at least two of the credit ratings must meet the Riksbank's rating requirements

> The Riksbank can always chose to assess the credit quality in a way different from the rating agencies to decide whether an asset may be utilized as collateral

### Covered Bonds

Covered Securities, such as Covered Bonds, must meet the requirements in Article 52.4 of Directive 2009/65/ EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investments in transferable securities (UCITS). This means that, covered assets outside of the EEA cannot be regarded as such and can therefore not be seen as collateral.

Collateral value of covered bonds (market value with a haircut) may amount to 100%, previously 60%, of the total collateral value since April 2026. The value issued by an individual issuer or a group may amount to a maximum of 50% of total collateral value. In addition, own-issue covered bonds are not accepted as collateral.

### Valuation of the collateral

When it comes to the asset valuation for both the Intraday Credits as well as the Repo-operations, the Riksbank differentiates between three major categories of assets, called 'liquidity classes'.

> Figure 17: Liquidity classes as defined by the Riksbank

| Liquidity class | Category 1 | Category 2 | Category 3 |
|---|---|---|---|
| Types of assets | - securities issued by governments<br>- securities issued by central banks<br>- other receivables at central banks | - securities issued by international organizations<br>- securities guaranteed by governments<br>- securities issued or guaranteed by municipalities, county councils or equivalent foreign local authorities<br>- covered securities*<br>- securities issued by so-called agencies** | Other eligible securities |

Source: Riksbank, HSBC

* Such as covered bonds

** The following are considered to be agencies: Agence francaise de developpement (France), BNG Bank (Netherlands), Bpifrance Financement (France), CADES (France), CDC (France), Erste Abwicklungsanstalt (Germany), European Financial Stability Facility (EFSF) (Luxembourg), Federal Home Loan Mortgage Corporation (USA), Federal National Mortgage Association (USA), FMS Wertmanagement (Germany), Fondo de Reestructuración Ordenada Bancaria (FROB) (Spain), Instituto de Crédito Oficial (Spain), KfW (Germany), L-Bank Baden-Württemberg (Germany), Landwirtschaftliche Rentenbank (Germany), Nedwatershaps Bank (Netherlands), NRW.Bank (Germany), Union Nationale Interprofessionelle pour l'Emploi dans l'industrie et le Commerce (France).

On the basis on the classification outlined in Figure 18, the following haircuts (Figure 18) are applied. It is noteworthy, however, that extra haircuts will be applied if the asset is valued theoretically. This is not the case if it has been issued by the Riksbank. Also, for assets denominated in a currency other than the Swedish Krona, a further haircut is applied to reflect the foreign exchange risk (4% for EUR, DKK and NOK; 5% for GBP; 6% for USD and 9% for JPY).

> Figure 18: Haircuts applied to securities by the Riksbank*

| Remaining maturity | Category 1 | | | Category 2 | | | Category 3 | | |
|---|---|---|---|---|---|---|---|---|---|
| | Fixed rate | Variable rate | Zero coupon | Fixed rate | Variable rate | Zero coupon | Fixed rate | Variable rate | Zero coupon |
| 0-3 year | 3.0% | 1.0% | 3.0% | 3.0% | 3.0% | 5.0% | 8.5% | 6.0% | 9.0% |
| 3-5 years | 4.0% | 2.0% | 7.0% | 5.0% | 4.0% | 10.0% | 11.0% | 8.5% | 14.0% |
| 5-7 years | 5.0% | 5.0% | 9.0% | 7.0% | 6.0% | 15.0% | 15.0% | 12.0% | 27.0% |
| 7-10 years | 6.0% | 6.0% | 12.0% | 10.0% | 10.0% | 20.0% | 20.0% | 17.0% | 35.0% |
| > 10 years | 7.0% | 7.0% | 20.0% | 15.0% | 14.0% | 25.0% | 35.0% | 30.0% | 40.0% |

Source: Riksbank (as of July 2026; last update: April 2026)

* A haircut of 0.5% will be applied to account balances with central banks. Haircuts are not applied to account balances with the Riksbank and to securities issued by the Riksbank.

## XII. COVERED BONDS AND REPOS: CONCLUSION

The comparison of the various treatments of covered bonds by some of the major central banks underlines the special status of covered bonds. In our opinion, this is driven by the macro-economic benefits of covered bonds through the provision of cheap residential (and commercial) mortgages and by giving banks a stable and relatively low-cost additional funding channel. However, there is no uniform approach and stances by the various central banks towards covered bonds differ considerably. Broadly speaking, covered bonds receive more favourable treatment in those countries where they play a more pivotal role in the funding of the domestic banking sector. This applies primarily in terms of eligibility of covered bonds as collateral for repo operations, but also in terms of haircuts.

## 2.4 COVERED BONDS VS. OTHER ASSET CLASSES

By Florian Eichert, Moderator of the ECBC Investor Task Force and Citigroup Global Markets Europe AG,
Frank Will, Chairman of the ECBC EU Legislation Working Group and HSBC

### I. INTRODUCTION

Historically, we have observed a clear ranking of the various asset classes with sovereign bonds trading at the tightest levels followed by sub-sovereigns and agencies, and then covered bonds followed by senior unsecured debt. However, with the financial crisis, the subsequent sovereign debt crisis, quantitative easing (QE) by the Eurosystem followed by quantitative tightening (QT) and last but not least expectations for higher public sector debt to finance defense, infrastructure projects and the fallout from the Iran war, this ranking as well as the spread differences have at times been profoundly shaken up with covered bonds at times becoming the tightest asset class in especially some of the lower-rated countries. During the COVID-19 pandemic, senior unsecured debt on the other hand widened to levels vs. covered bonds well in excess of their pre-crisis levels only to come back to trade exceptionally close to covered bonds. Moreover, investors viewed the emergence of non-preferred senior debt as additional protection for senior preferred while at the same time, materially reducing senior preferred issuance volumes.

In this article, we do not want to focus too much on the very latest developments. Instead, we will take a look at how spreads have evolved across these products over longer periods of time, assess what the rationale is for the differences and show how investors decide between them.

### II. SPREAD OVERVIEW COVERED BONDS VS. SOVEREIGN DEBT AND SENIOR UNSECURED

Since 2014, spreads between covered bonds and sovereign / SSA debt in EUR markets have been driven to a large extent by the monetary policy stance of the European Central Bank (ECB). When the first round of QE started in October 2014 the ECB only included covered bonds and ABS in the scope of eligible purchases. This led to a substantial tightening of spreads between covered bonds and public sector debt. When the Eurosystem then announced the expansion of QE to public sector debt, the differences widened again.

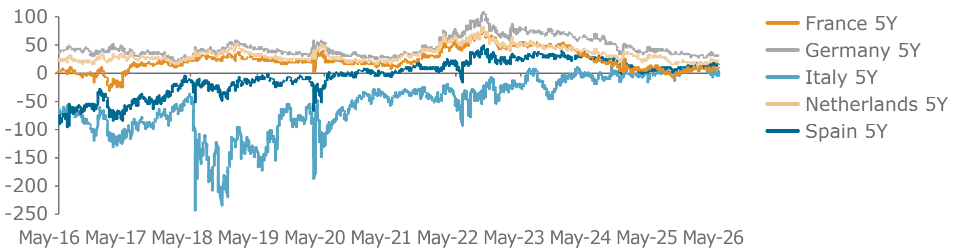
With the emergence of deeply negative EUR rates in 2019, covered bonds then struggled to follow sovereign debt (EGB) down into the rabbit hole and their spreads to core EGBs especially at the short end moved materially wider initially. However, as investors adjusted to the new situation, their reluctance to buy also covered bonds below 0% yield faded and spreads to EGBs and SSA bonds normalised again.

The beginning of the COVID-19 crisis early 2020 then yet again changed the dynamics. On the one hand monetary policy became even more accommodative and the newly introduced PEPP focused primarily on public sector purchases. At the same time, however, primary market dynamics changed with covered bond issuance dropping on the back of rising deposits and long-term central bank liquidity facilities. From 2022, banks beginning to repay TLTRO liquidity led to a surge in covered bond supply and coupled with collateral scarcity on Bunds pushing sovereign bonds to record tight levels vs swap, covered bonds ended up trading at record wide levels vs sovereign debt.

Last but not least, with the ECB stepping back as well as expectations for high public sector debt issuance to finance defense and infrastructure projects, swap spreads turned negative with rates products across EGB, SSA and covered bonds widening vs swaps. In general, the more expansionary fiscal stance in Germany around military and infrastructure spending changed the reaction function of Bunds to risk-off events.

In short, it has been quite a rollercoaster ride in recent years. Yet, in early 2026, yield differentials between the various rates asset classes are back to being close to their long-term average.

> Figure 1: Average asset swap spreads 10Y spanish covered and sovereign bonds bp



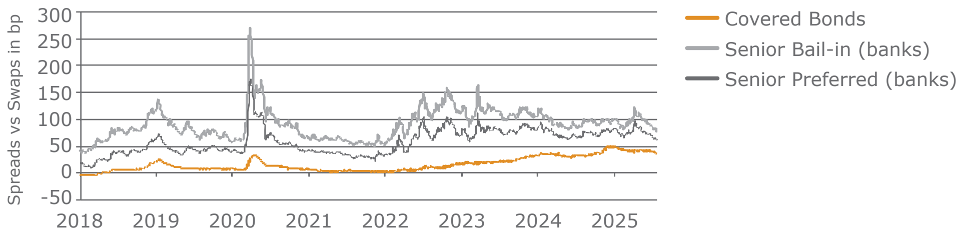

Sources: Bloomberg, Crédit Agricole CIB

Bank treasuries generally have a broad range of funding channels available including deposits, covered bonds, securitisation and unsecured funding. All of these various funding tools have their pros and cons from an issuer perspective. Senior unsecured funding is probably the most flexible form as it does not restrict the composition of the asset side. Covered bonds on the other hand require the issuers to maintain a cover pool of high quality assets backing the bonds. Moreover, regulatory rules and rating agencies often require that the mismatch between the cover assets and outstanding covered bonds is limited and that the covered bond issuer holds a certain amount of overcollateralisation (OC). In particular, the rating agencies often demand high OC level going well beyond the legal requirements.

From an investor perspective, the secured character of covered bonds combined with their favourable regulatory treatment (low risk weights, exemption from bail-in under BRRD, LCR-eligibility, etc.) make them an attractive investment usually reflected in significantly lower spread levels than senior unsecured debt.

In a risk-on environment, the spread differentials between senior unsecured bank debt and covered bonds tend to be relatively low. In a compressed yield environment, investors in search of yield are inclined to accept the higher risk of unsecured paper in return for a relatively small risk premium. This is particularly true for shorter-dated senior unsecured paper and for bonds issued by strong institutions, where the downside risks are often regarded as being smaller. However, if the market is in risk-off mode the yield differentials between both asset classes tend to be higher as well as more volatile. Figure 2 shows the divergent spread impact of the COVID-19 crisis on the spreads of covered bonds on the one hand and on those on senior non-preferred and senior preferred bonds on the other hand. During risk off periods, unsecured bank debt tend to underperform covered bonds which was for instance the case during the market turmoil surrounding the closure of Silicon Valley Bank (SVB) in the US and the takeover of Credit Suisse by UBS in March and April 2023.

> Figure 2: Covered Bonds vs Senior Prefered and Senior Non-Preferred Bank Bonds




Source: S&P Dow Jones Indices, HSBC

From an issuers' perspective the choice between the various funding instruments has become more complex and is no longer simply a function of lower funding costs. In the world of TLAC (Total Loss-Absorbing Capacity) and MREL (Minimum Requirement for Own Funds and Eligible Liabilities), bank treasuries have to ensure a minimum level of bail-in-able debt, which could be achieved by issuing unsecured debt. Many EU banks, for instance, issue senior non-preferred debt to fulfil the requirements for bail-in-able debt. Moreover, covered bonds limit the issuer's flexibility regarding the underlying cover assets and cause higher administrative costs (e.g. hedging, additional ratings, cover pool administrator) compared to senior unsecured bonds. If the spread between both asset classes is lower than the difference in administrative costs and the costs for the reduced flexibility, then it is often more attractive to issue senior unsecured debt. This holds even more true if an issuer needs to raise the amount of bail-in-able liabilities.

The observed generally low spread differentials between covered bonds and senior unsecured bonds are in stark contrast to the regulatory developments over the last few years. Covered bonds are exempted from bail-in under the Bank Recovery and Resolution Directive (BRRD) which is also reflected in the more covered bond-friendly rating methodologies of the major rating agencies (see separate section below). However, we believe these factors continue to have only a limited impact on spreads, as technicals (supply volumes, absolute yield levels and central bank policies) will remain the dominant spread drivers. Moreover, even with BRRD and Single Resolution Mechanism (SRM) in place, many senior unsecured investors still view it as unlikely that there will be a senior bail-in of large, systemically important institutions, especially since many issuers had to build up a buffer of senior non-preferred bonds, making a bail-in of senior preferred bonds less likely. The senior unsecured ratings of many covered bond issuers have already been upgraded due to the increase of bail-in-able securities on the issuers' balance sheets.

## III. WHICH FUNDAMENTAL FACTORS DRIVE COVERED BONDS VS. SENIOR UNSECURED?

Buying either covered bonds or senior unsecured bank debt is ultimately a choice of where to invest within a bank's capital structure. Both asset classes are senior bank liabilities. Senior unsecured debt is structurally subordinate to covered bonds due to covered bond holders' preferential claim on the cover pool, on which senior unsecured creditors have a claim on only after covered bond holders and other preferred creditors have been fully repaid.

The relative value between both asset classes is driven by various aspects:

> **Probability of default**: Covered bonds are structured to survive an issuer event of default and not to accelerate automatically. As a result, the *conditional* probability of default (PD) of a covered bond (i.e. probability of payment interruptions on the covered bonds post issuer default) should typically be lower than the senior unsecured PD, which represents the cap for the covered bond PD. The strength of the covered bond framework plays a major role here. This includes provisions for an effective segregation of cover assets and privileged derivatives in an insolvency scenario as well as (structural) features to mitigate liquidity risks such as liquidity buffers or different repayment structures. The introduction of senior non-preferred debt in many European countries has created an additional buffer for senior preferred debt, reducing the PD of such instruments.

> **Recovery rate**: Different recovery rates are a major determinant between covered bonds and senior unsecured paper. In a default scenario, covered bond holders benefit from the double recourse to both the cover pool and to the issuing bank, ranking pari-passu with senior unsecured investors should the cover pool be insufficient for a full recovery. Senior secured issuance structurally subordinates senior unsecured creditors, reducing their recovery expectations. Both the overcollateralisation (OC) level and the quality of the collateral are decisive factors for the expected recovery of a covered bond relative to senior unsecured bonds. As normally only high-quality assets are included in the cover pool and the

sometimes very high levels of OC reduce both the quantity and the quality of the assets (directly) available to senior unsecured bondholders.

> **Bail-in risk**: Systemic support has been the main determinant for the very low default rates on senior unsecured bonds despite a number of bank failures that occurred during the financial crisis. However, bail-in risk has become a new factor to the relative value equation. While covered bonds have been generally exempted from bail-in under the European bank resolution framework (with the exception of any undercollateralised part), senior unsecured creditors can be subject to bail-in under the Bank Recovery and Resolution Directive (BRRD) before resolution funds are tapped or taxpayer money is injected. However, as mentioned above, senior non-preferred bonds are subordinated to the traditional senior unsecured debt, which reduces the bail-in risk for senior preferred unsecured investors.

> **Regulatory treatment**: Covered bonds are treated favourably to senior unsecured paper in a number of regulatory frameworks, such as the Capital Requirements Regulation (CRR) where lower risk-weights are assigned to covered bonds, the liquidity coverage framework where senior unsecured paper are not eligible while most covered bonds qualify as either Level 1B or 2A (Level 2B does not really play a role anymore), and Solvency II where covered bonds benefit from lower risk factors or the UCITS Directive allowing for higher investment limits in covered bonds. Unfavourable regulatory treatment can either exclude certain investor groups or lead to higher spreads being demanded as compensation for additional cost of holding senior debt compared to covered bonds.

> **Central bank repo eligibility and haircuts**: For bank investors, central bank repo eligibility is an important factor when structuring their liquidity portfolios. If eligible, central banks apply higher haircuts to senior unsecured bank paper than covered bonds. Higher haircuts increase banks' funding costs as the haircut part of the bond posted as collateral needs to be funded using alternative sources.

> **Rating stability and differential**: Rating agencies used to link their ratings on covered bonds to the issuer/senior unsecured ratings. Historically, the senior unsecured rating was the floor for the covered bond rating, with the uplift depending on asset-liability mismatches, recovery rates, and legal and structural aspects. Following the introduction of the BRRD, all major rating agencies developed new frameworks, which at least partly decouple covered bond ratings from the issuer rating. In essence, senior unsecured ratings benefit less from government support, while the gap between covered bonds and the issuer rating is wider. While even in the past covered bond ratings tended to be less volatile than senior unsecured bonds, this is the case even more under the revised criteria.

> FIGURE 3: PROS & CONS OF COVERED BONDS VS. SENIOR UNSECURED FROM AN INVESTOR'S POINT OF VIEW

| Advantages of Covered Bonds | Advantages of Senior Unsecured Debt |
|---|---|
| > Double recourse to issuer and cover pool<br>> Higher rating than unsecured debt<br>> Lower risk weighting for CRR-eligible Covered Bonds bought by EEA banks<br>> Favourable treatment under Solvency II<br>> Generally better liquidity through larger issue size<br>> Favourable repo treatment at ECB and other central banks<br>> Most covered bonds are eligible as liquid assets under the CRR<br>> No risk of bailing-in of the secured claim | > Higher yield levels (although 'spread give up' is at low levels at least at the short end of the curve)<br>> Improved investor protection through higher capital requirements and implementation of senior non-preferred buffer<br>> Often high turnover despite smaller deal sizes (due to lower portion of buy-and-hold investors) |

Source: HSBC

## 1. Differences in regulatory treatment

### Liquidity Coverage Ratio (LCR)

The liquidity coverage ratio which was first introduced by the Basel Committee on Banking Supervision in December 2009 requires banks to hold a stock of unencumbered high quality liquid assets to meet 30 days cash outflows under an acute stress scenario. Meanwhile, the net stable funding ratio (NSFR) measures the amount of longer-term, stable sources of funding employed by a bank relative to the liquidity profiles of the assets and the potential for contingent calls on funding liquidity arising from off-balance sheet commitments and obligations.

While highly-rated covered bonds form part of the set of liquid assets, senior unsecured bank bonds do not qualify. Next to cash, deposits at central banks, all types of bonds issued or guaranteed by EU Member States' central government, certain agency and supranational issues, Level 1 HQLAs (High Quality Liquid Assets) include covered bonds that meet certain conditions: They must be issued by an institution out of the European Economic Area, be credit quality step 1 (i.e. a rating of AA- or better), have a minimum size of EUR 500m as well as a minimum overcollateralisation of 2%. Whilst other Level 1 assets are not subject to liquidity buffer limits or haircuts to their market value, Level 1 covered bonds will be subject to a 70% cap in the liquidity buffer and to a 7% haircut.

Level 2A assets include regional governments, local authorities or public-sector entities with a risk weight of 20% and covered bonds with a credit quality step 2 rating and non-EU covered bonds rated at credit quality step 1. Also, corporate bonds with at least credit quality step 1, a minimum issue size of EUR 250mn and maximum maturity of 10 years at the time of issuance are classified as Level 2A.

Level 2B incorporates high quality securitisations for RMBS, auto, SME and consumer loans and high quality covered bonds that do not meet the rating threshold of Level 1 and 2A. Shares meeting certain conditions and corporate bonds with at least credit quality step 3, a minimum issue size of EUR 250mn and maximum maturity of 10 years at the time of issuance are accepted as Level 2B.

The classification of covered bonds as Level 1 and Level 2 means that many European bank treasuries use covered bonds in addition to sovereign, agency and supranational debt in order to optimise their liquid asset portfolio under both liquidity and risk-return considerations. The spread impact on covered bonds, however, has been limited – even after the end of the CBPP3 purchases and the larger fragmentation of the market – as spreads in covered bond sector are mainly driven by other factors such as the quality and risks of the underlying assets.

### Risk-weights

In times of rising minimum requirements for regulatory capital, risk-weights applied for the calculation of a bank's stock of risk-weighted assets have gained further importance. Regulatory capital is a bank's most expensive source of funding and bank investors are optimising their portfolios taking into account the capital consumption of their positions.

Bank investors based in the European Economic Area (EEA) can apply preferential risk-weights for covered bonds, fulfilling the criteria laid down in Article 129 CRR compared to senior unsecured bank bonds. A lower risk-weight means that banks have to hold less regulatory capital to hold a certain asset. This means that the costs for holding these bonds on a bank's balance sheet are lower. Banks therefore tend to demand lower spread premiums for qualifying covered bonds. Covered bonds not fulfilling those criteria receive the same treatment as senior unsecured bonds. *Please refer to Article 2.2 of the Generic Section, for details on the determination of risk-weights for covered bonds*.

### Bail-in

In the EU, the Bank Recovery and Resolution Directive (BRRD) was adopted in 2014 together with the Single Resolution Mechanism (SRM). The BRRD defines the triggers for a resolution of a failing bank in the EU and provides the necessary tools while the SRM centralises the decision-making process for the large and cross-border banks in the Euro Area. At the heart of the BRRD lies the bail-in tool. The bail-in tool, which aims to ensure that shareholders, sub-debt and senior unsecured investors will bear the losses of a struggling bank rather than the taxpayers, has become available to most EU governments as of the beginning of 2016. The possibilities for governments to support banks will be narrowed considerably and senior unsecured is at risk of burden-sharing after equity, sub debt and senior non-preferred.

Covered bonds have been excluded from the list of bail-in-able liabilities. Where appropriate, resolution authorities could exercise bail-in powers to a part of a secured liability that exceeds the value of the assets, i.e. any under-collateralised part or senior unsecured residual claim.

**BRRD/SRM implementation: Most countries follow in France's footsteps**

The BRRD/SRM is implemented at national level since the insolvency laws vary from country-to-country, making a one-size-fits-all solution for all European banks complicated. France was one of the first countries to implement the new European bail-in directive by modifying the hierarchy of claims in case of a resolution and introducing a new category of senior debt that counts toward Total Loss Absorbing Capital (TLAC)/MREL. This new category of senior debt is referred to as senior non-preferred (SNP) and is subordinated to other senior obligations but ranking senior to the traditional subordinated debt. The French banks continue to be able to issue traditional senior debt. Many other European countries such as Spain, Italy, Austria, Denmark or and Sweden have followed into France's footsteps and also introduced MREL/TLAC-eligible senior non-preferred bonds as new asset class, ranking below senior-unsecured bonds.

Germany initially opted for a different approach but has amended its approach in the meantime. Since 21 July 2018 German banks are able to decide whether to opt for senior preferred or senior non-preferred debt. Plain vanilla senior unsecured bonds issued before that date are subordinated to the new senior preferred debt (but rank pari passu to senior non-preferred debt) and structured senior unsecured instruments. According to Article 64 of the ECB guidelines, in order to be eligible as repo collateral, marketable debt instruments cannot be subordinated to other debt instruments of the same issuer. Thus outstanding German plain-vanilla senior unsecured bank bonds, which had been issued before 21 July 2018, lost their ECB repo eligibility at the end of 2018.

In order to build up a sufficient capital buffer, banks have actively issued non-preferred bonds. That reduced the remaining wholesale funding needs and thereby negatively affected supply in (preferred) senior unsecured and to a certain extent even in covered bonds. Moreover, the introduction of the new asset class already had a positive impact on senior unsecured ratings as the senior non-preferred buffer offers additional protection from bail-in for senior unsecured investors. This probably explains the general reduction in the spreads between senior unsecured bonds and covered bonds observable over the last decade.

**UK: ring fencing of covered bonds**

Since 2019, UK banks with a three-year average in retail deposits of over GBP 25bn must legally separate their core retail banking services from their investment and non-EEA banking activities. The goal of this structural reform was to support financial stability by making banking groups simpler and easier to 'resolve', ensuring that "if either the ring-fenced or the non-ring-fenced part of the bank fails, it will be easier to manage the failure in an orderly way without the need for a government bail-out". Building societies are exempted from ring-fencing.

The ring-fenced part primarily includes the domestic UK retail business, while the non-ring-fenced part mainly comprises the corporate and investment banking business of the banks. The residential mortgage business remains part of the ring-fenced bank and the covered bonds are issued out of the ring-fenced entity. Rating agencies reacted and the issuer ratings of several ring fenced entities were upgraded, while the non-ring-fenced entities were downgraded.

Moreover, Moody's stated in a sector comment that the inclusion of UK covered bonds within the ring-fenced banks (RFBs) "is credit positive for covered bonds as the RFB structure decreases the likelihood of bank failure and, as a consequence, the likelihood that banks will cease making payments under the covered bonds". Moody's emphasised the importance of the credit strengths of the issuers as one of the key drivers of the covered bond ratings and indicated that "the credit profiles of RFBs will be in line with or stronger than those of the existing banks, reflecting the less complex and less diversified business models of the RFBs relative to existing banks".

## 2. Ratings

### Amended rating methodologies

In light of the bank resolution regimes, the major rating agencies have introduced amended methodologies for covered bonds. As a result, the average gap between issuer and covered bond ratings has widened. On the one hand, covered bonds are explicitly exempted from bail-in and the changes of the rating methodologies by the agencies reflect the preferential treatment of covered bonds under the new resolution regimes. On the other hand, issuer downgrades in some cases partly offset this positive effect. Nevertheless, the overall net effect of the introduction of the bail-in rules has been positive for the covered bond ratings.

From an analytical perspective, it is crucial that the starting point of the covered bond ratings is not the senior unsecured rating as the bailing-in of senior unsecured debt no longer automatically triggers an issuer default. The resolution measures principally aim at maintaining a going-concern entity. The fact that covered bonds are exempted from bail-in measures means that a different starting point for the covered bond rating, which has been reflected in changes of the covered bond rating methodologies.

### Structural subordination

Differences in recovery expectations are another main determinant of the relative value between covered bonds and senior unsecured. Against this backdrop, rising concerns from senior unsecured investors about structural subordination have been a factor supporting the covered bond market. The increased use of covered bond funding by banks over the last several years means that more assets were ring-fenced. As assets in the cover pool are not available to cover the claims of senior unsecured investors in case of issuer insolvency[1], market participants have started to worry about the growth in covered bond issuance and the subsequent reduction of assets available to unsecured investors in an insolvency scenario. This problem has been exacerbated by rating agencies' demands for higher overcollateralisation levels, which in most cases significantly exceed the legal overcollateralisation requirements and further reduce the amount of assets available for investors outside the cover pool.

While we understand the concerns in the market, we think asset encumbrance discussions often tend to overstate the problem arising from structural subordination through covered bonds while ignoring other sources of encumbrance (including contingent encumbrance when a bank's financial situation deteriorates) such as central bank repos/liquidity assistance as well as ignoring offsetting factors. The use of covered bonds usually results in lower funding costs for the banks and significantly broadens the investor base allowing issuers to tap rates investors such as central banks. In addition, it is a more stable funding base. Even if the unsecured market is closed for an issuer, the bank may still be able to access the wholesale markets by using covered bonds or, in a worst case scenario, it can retain the bonds to repo them with central banks such as the ECB. Moreover, the potential issuance volume of covered bonds is not unlimited. The availability of eligible assets is a restricting factor for covered bond issuance, putting a cap on the actual issuance potential. Also, the aforementioned requirements from rating agencies of high overcollateralisation levels further reduce the available headroom for covered bond issuance.

1 If all the covered bonds of an insolvent issuer have been repaid and the claims of all covered bond investors have been satisfied, the remaining assets in the respective cover pool would generally be made available on a pro-rata basis to the senior unsecured investors. Moreover, in some jurisdictions, such as Germany, in case of issuer insolvency senior unsecured investors would have access to assets in the cover pool that are obviously not necessary to cover the outstanding covered bonds and related liabilities. Given the dynamic character of the market, a very high hurdle must be overcome in order for this process to trigger, and we would expect that only in very few, selected cases the insolvency administrator of the cover pool would agree to such a transfer.

## IV. WHICH FUNDAMENTAL FACTORS DRIVE COVERED BONDS VS. SOVEREIGN AND SUPRA/AGENCY DEBT…?

Despite the fact that covered bonds in a number of countries trade at times well inside their sovereigns, sovereign risk does fundamentally impact covered bonds. In fact, it impacts them in all aspects – quality of the issuer, cover pool quality, liquidity and refinancing risk as well as ratings.

> Issuers especially those with a strong domestic presence are directly impacted by a weakening sovereign. Their business prospects deteriorate as a weaker sovereign and a weaker economic situation go hand in hand. In addition to this, many bank treasuries hold substantial volumes of their own sovereign debt making them directly susceptible to widening sovereign spreads.

> Cover pool assets are impacted as weaker economic growth usually means higher unemployment and thus higher NPL ratios.

> With very few exceptions, covered bonds are not pass-through securities. Hence bullet bonds refinance granular loan portfolios and there are mismatches that need to be refinanced. Should a sovereign run into trouble, issuers will find it harder and harder to refinance liquidity mismatches either via further issuance, third-party liquidity lines or portfolio sales. Covered bond programmes backed by pools that might not even have any problems credit quality wise could thus be impacted negatively.

> For rating agencies sovereigns play a major role in rating covered bonds. They link issuer ratings to that of the sovereign unless an issuer has a substantial presence in other countries as well. They factor in sovereign bond spreads into their cash flow cover pool models thus driving up OC requirements in times of sovereign stress. And last but not least, Fitch, Moody's and S&P all operate with sovereign ceilings for structured finance instruments including covered bonds.

Bottom line is that sovereign risk plays too big of a role for covered bonds to ignore it. Nonetheless, there are reasons why at times covered bonds can very well trade inside their respective sovereign bond curves that go beyond merely differences in regulatory treatment. We have listed the main points below. Unlike in previous years, we no longer include the ECB's bond purchases as a factor given that QT has driven the Eurosystem's share in the eligible benchmark universe from as high as 46% to below 20% in 2026.

**Rating stability**

Despite rating agencies factoring in sovereign ratings into covered bond ratings, they allow for rating uplift above the sovereign. The maximum depends on the agency and collateral type but it can reach up to six notches with Moody's or Fitch. Covered bond ratings can thus withstand pressure on sovereign ratings. Only once the maximum uplift above the sovereign is used up do they start to move lower as well.

Italian covered bond ratings for example have been much more stable historically than the Italian sovereign itself. The same is true for French covered bonds which were not downgraded in line with the French sovereign in recent years. In turn, in Portugal, investors who were prohibited from holding non-investment grade debt had Portuguese covered bonds as the sole alternative and spreads of Portuguese covered bonds thus traded as much as 200bp inside the Portuguese sovereign. As Portugal was upgraded into investment grade again in 2018, Portuguese covered spreads moved back into positive territory vs the sovereign.

> Figure 4: Covered bond vs. sovereign bond ratings

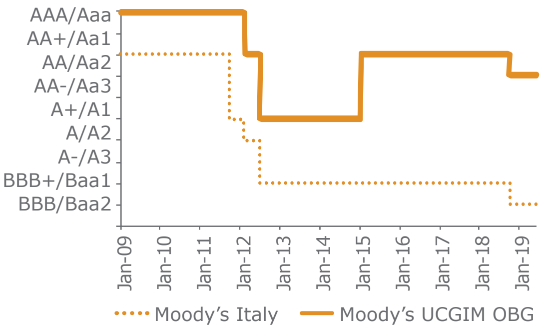
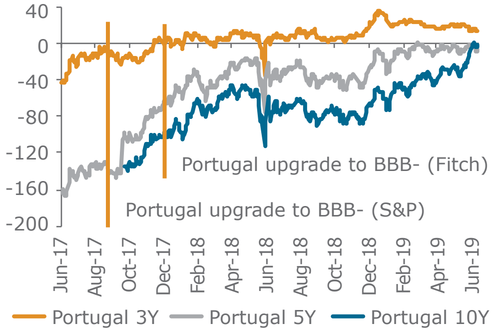



Figure 5: Portuguese covered bond vs sovereign spread (BP)




Sources: Bloomberg, CréditAgricole CIB

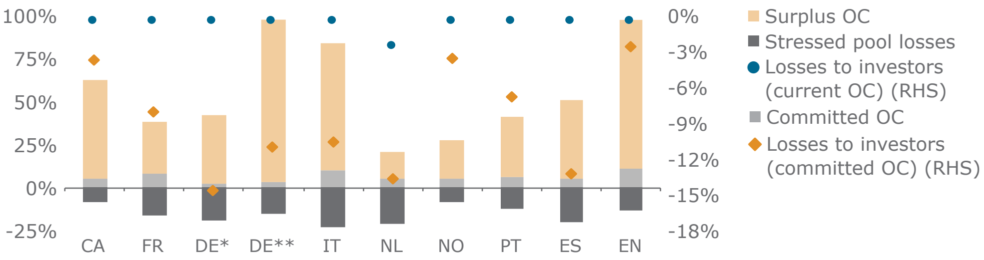
**Tail risk – expected recoveries**

Especially for buy-and-hold investors, an argument to defend negative covered-sovereign bond spreads is the expectation that tail risks for covered bond investments are smaller than they are for sovereign debt. Especially during the sovereign crisis, long-term investors began to feel more comfortable with the collateralised claim of covered bonds than sovereign debt itself.

However, the validity of this statement does depend on the cover pool, the covered bond framework and the issuer itself. High quality residential mortgage backed covered bonds from a country with a strong framework that are issued by a systemically important bank will stand a much better chance than lower quality public sector backed covered bonds issued by a small issuer. It is also important to stress that the weaker a sovereign is, the more relevant these tail-risk considerations become. For stronger sovereigns, better liquidity and regulatory treatment of their bonds are the main drivers for the spread to covered bonds.

It is hard to estimate cover pool recoveries based on issuer reporting. However, rating agencies such as Moody's publish the results of their own cash flow modelling of cover pool assets and liabilities. Moody's stressed pool losses are the loss the agency expects should a cover pool be wound down. One can use this number and apply it to a pool which is left with legal minimum OC to come up with an estimated recovery rate. For Italian mortgage cover pools for example the estimated loss is just above 10% if the bond was purchased at par (average committed OC of 11% and stressed pool losses of 23%).

> Figure 6: OC vs Moody's stressed pool losses Q2 2025, estimating loss given defaults on covered bond exposures (%)




Sources: Moody's, Crédit Agricole CIB *German pools with less than 15% CRE exposure; ** German pools with more than 15% CRE exposure

These estimated pool recovery figures can be used either to estimate cash prices below which a purchase should result in a positive return even if the bank and the covered bonds were to default. It can, however, also be used as a proxy for the required haircut on a sovereign bond that would make the covered bond the better option. In the Italian case, should a sovereign haircut on Italy be in excess of 10%, the expected recovery on the OBG would be higher, if not, sovereign debt would be the better option.

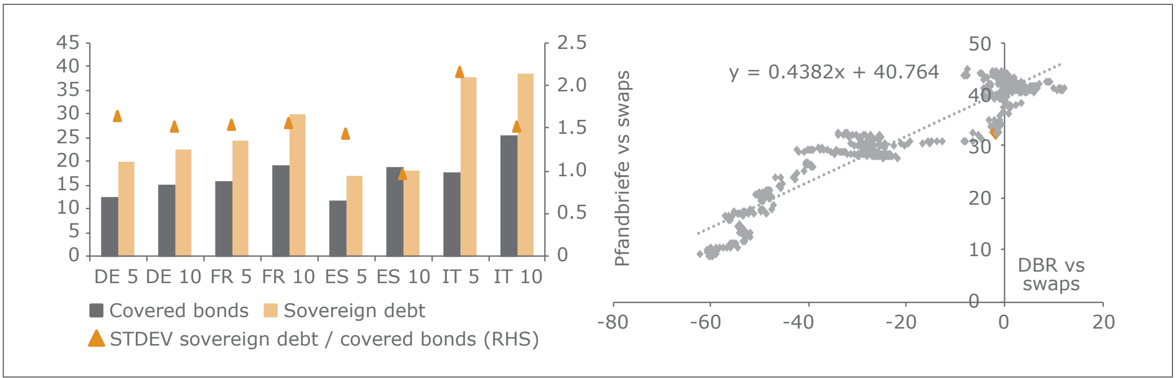
What this calculation does not take into account though is the probability that some banks can very well survive a sovereign debt restructuring and that, irrespective of potential pool recoveries, covered bonds could be the better choice. Countries need to maintain a basic level of banking services after all during and after a sovereign debt restructuring. National Bank of Greece is the best example for this.

Of course, recoveries based investing took place above all at the height of the sovereign crisis when peripheral covered bonds were trading well below par. At the current prices, the investors who focused on this have long moved on from covered bond markets. However, for long-term investors that want to assess tail risks, the recovery assessment vs. sovereign debt can still make sense.

**Spread stability**

A main argument pro-covered bonds over the years is their spread stability relative to virtually all other products. While even German Bunds experienced intra-day volatility of 20bp and more over the past few years, covered bonds have remained extremely stable with volatility only a fraction of the corresponding EGBs. Looking at this relationship from a slightly different angle, the beta between covered bonds and Bund valuations vs swaps has historically been around 0.4, meaning 10bp widening of Bunds against swaps leads to around 4bp widening of covered bonds against swaps and 6bp tightening against Bunds. In other words, while covered bonds cannot decouple fully from sovereign debt, they are typically less volatile and tend to outperform EGBs in a spread widening environment.

> Figure 7: 2019-2026 Standard deviation ASW spreads covered bond vs. sovereign bond (BP) and relationship between pfandbrief valuations vs swaps and swap spreads 2023-2026 (BP)




Source: Bloomberg, Crédit Agricole CIB

Spread volatility is less of a problem for long-term buy-and-hold investors but certainly causes problems for asset managers valuing their funds' assets. It also causes problems for banks VAR calculations. While European banks do not have to hold capital for European sovereign debt, they do have to hold capital to cover the volatility of their trading assets. And the more volatile an asset is the more capital banks have to hold. Spread stability of covered bonds thus reduces the capital consumption difference to sovereign debt.

One of the reasons for this lagging of covered bonds is certainly the different investor base and less active trading, which were factors even long before QE. Buy-and-hold investors traditionally play a more important role in covered bond markets while trading accounts are more active in EGB markets and it has at times needed new issuance to lead to a repricing of covered bond spreads. The end of net settlements for the APP and PEPP as well as surge in issuance volumes has improved broader liquidity also in covered bond markets. However, this is above all valid for the more recent vintages as the older stock pre-2021 is still and will continue to be owned by the Eurosystem leaving a meagre tradeable free-float.

**Regulatory treatment**

Differences in regulatory treatment between covered bonds and other asset classes are described at length in the respective chapters, there is no need to repeat this here. When it comes to the difference to 0% risk weighted sovereign and SSA exposure, a bank treasurer owning 10% risk weighted (RW) covered bonds needs to factor in an extra 10% capital charge as well as higher LCR haircuts. For a target ROE of 10% we are thus talking about roughly 8bp of extra capital cost while the higher LCR haircut requires more covered bond holdings to achieve the same LCR result and thus some extra funding and again some extra capital. Taken together, the combined effect for banks are typically between around 10-15bp for level 1, 10% RW covered bonds or around 20-30bp for level 2A, 20% RW ones. For covered bonds that are not repo eligible with central banks such as the ECB, banks typically factor in an extra element of liquidity cost vs sovereign / SSA debt.

Solvency II does have an even more pronounced capital related effect on covered bond spreads vs EGBs / SSAs for insurance companies. However, given their much lower level of activity in covered bond markets in recent years, issuers have been able to price long-end new issues almost flat to shorter dated debt relying on bank treasuries and asset management accounts instead.

## V. HOW DO INVESTORS MANEUVER BETWEEN THE PRODUCTS?

**Covered-senior**

We believe that one of the reasons for dislocations in spreads between unsecured and secured bank debt has been the limited overlap of senior unsecured and covered bond investors. Many investors still cannot directly play opportunities that arise between both asset classes. The main reasons for the limited overlap are in our view: (1) central banks and sovereign wealth funds are large buyers of covered bonds but not of senior unsecured debt, (2) banks are one of the biggest investor groups in covered bonds and regulatory provisions favour covered bonds, (3) asset managers and pension funds often have higher limits for covered bonds than for senior unsecured bank debt, and (4) both asset classes are usually bought for different dedicated portfolios. In addition, covered bonds are sometimes used to enhance the yield of sovereign bond portfolios without diluting the average rating, or added to genuine credit portfolios to improve the portfolio rating quality.

Anecdotal evidence from analysing order books over time, however, suggests that the overlap in the investor base has increased in recent years due to a higher participation of credit investors in new covered bond issues. We expect this trend to continue over the coming years and credit investors to account for a growing portion of covered bond order books going forward, not least because of the bail-in risk for European senior unsecured debt and the relative value opportunities this will create between these two asset classes.

**Covered-sovereign / SSA**

There is a material overlap in the investor bases between covered bonds and EGB / SSA debt. After all, for bank treasuries, they are all LCR eligible assets and thus compete with each other with the difference in regulatory (higher capital charges and LCR haircuts), central bank treatment (higher repo haircuts and different purchase programme dynamics) and liquidity being main drivers.

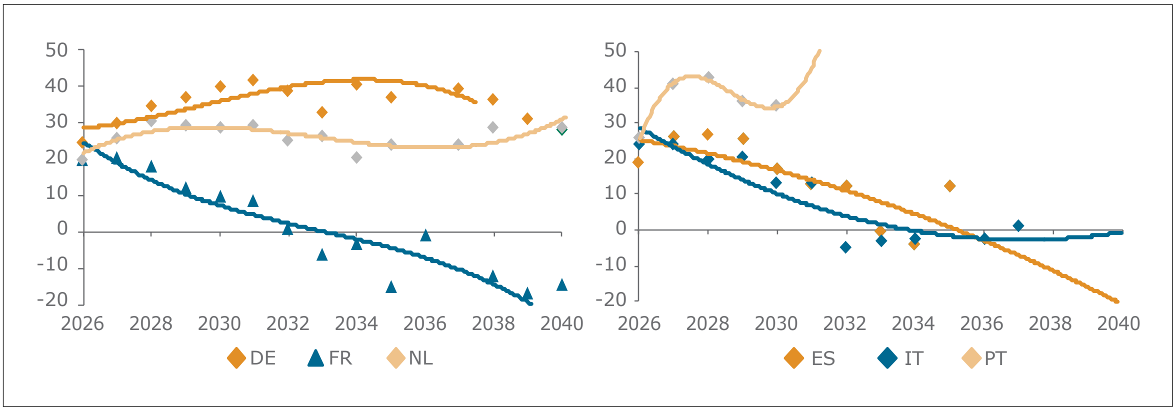
We mentioned the different regulatory costs above. While they are often not the main driver between EGB and covered bonds (often spreads between the two are well in excess of the regulatory costs and levels of liquidity are just too different), the approach is very valid vs SSAs. At covered-SSA spreads well above the regulatory minimum costs, banks tend to go for covered bonds, at spreads inside this, they typically prefer the more liquid SSAs such as the EU, KFW or EIB or less liquid SSAs such as German Länder with the better regulatory treatment.

There has been less overlap between covered bonds and sovereign / SSA markets in recent years for asset managers (AM). There are of course externally managed LCR funds in countries such as Germany or France for which covered bonds are eligible investments in the same way they are for banks directly. However, bigger rates portfolios have typically focused more on EGBs at the wider spreads vs swaps and higher yields or they have traded liquid SSAs such as the EU. Covered bond outperformance against Bunds have left them looking less stand-out as they did when swap spreads were closer to 100bp in 2022. However, the tighter valuations of credit against covered bonds have led to more aggregate portfolios also looking at covered bonds.

When comparing covered bonds to EGBs using a very simplified approach, on the one end there is the higher liquidity of sovereign debt and lower capital charges compared to covered bonds while on the other end, spread stability and potentially higher ratings and recoveries can speak in favour of covered bonds. The liquidity and capital charge arguments pro EGBs are valid across the curve. However, while spread stability as well as recoveries are no major topics at the very short end, they become more relevant the longer the bond's tenor. As a result, covered bond – EGB spread curves typically slope downwards with countries such as Germany or the Netherlands being exceptions. After all, the 10Y Bund is being used as a liquid flight-to-quality instrument leading to rather wide spreads of Pfandbriefe at the long end too.

> Figure 8: Covered govie spread curves per country (bp)

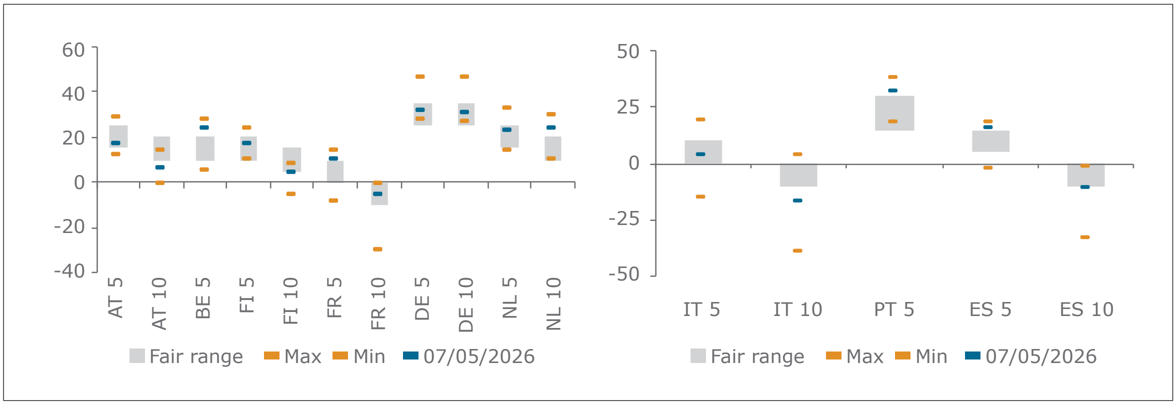
> Figure 9: Covered govie spread curves per country (bp)




Sources: Bloomberg, Crédit Agricole CIB

Below we show our estimate fair value ranges between covered bond and sovereign debt by country.

> FIGURE 10: 5Y /10Y EUR COVERED BONDS VS. LOCAL SOVEREIGN DEBT (BP)




Sources: Bloomberg, Crédit Agricole CIB

## VI. WRAP UP

While there is a material overlap in the investor base between covered bonds and sovereign / SSA debt, this overlap is less pronounced for senior preferred debt. After all, covered bonds are LCR eligible assets that sit in the same bank portfolios as sovereign / SSA debt while for asset managers they can serve as higher yielding but still highly rated and stable alternatives in aggregate portfolios. However, while in the past, QE, low yields, tight spreads and little issuance drove credit investors to focus further down the capital structure than pay much attention to covered bonds, this has changed with the start of QT and the rise in yields and spreads, making covered bonds more attractive for a broader range of investors. At the same time, elevated funding needs from SSA issuers such as the EU have attracted interest from rates investors and EGBs also look more attractive vs swaps than in previous years. Still, covered bonds continue to offer a lower beta vs swaps than EGBs and are thus a good alternative for those expecting elevated public sector supply to finance defence and infrastructure projects in the coming years and hence further Bund weakness against swaps.

Despite many distortions over the past few years, the fundamental drivers of the relationship between covered bonds and EGBs / SSAs as well as senior debt, have not gone away. They may sometimes be less visible but they will not lose their long-term relevance.

In the same way, covered bonds will remain an important product for a wide range of investors. In fact, at present, they sit rather comfortably between the other asset classes with the pick-up over EGBs offering an incentive while the stability argument shines especially strongly in a market that is facing structural breaks driven by geopolitical events. We wrote in last year's ECBC fact-book that covered bonds are too strategic a product for investors to abandon permanently. And while we did see investors move into either credit or EGBs / SSAs in the past, many of them have indeed come back over the last couple of years in light of higher yields, wider spreads and more supply.

## 2.5 ESG REGULATORY

By Sanna Eriksson, Chairwoman of the ECBC, OP Mortgage Bank, Maureen Schuller, ING Bank N.V., Sabrina Miehs, Association of German Pfandbrief Banks (vdp), Larissa De Barros Fritz, ABN AMRO Bank N.V.

### I. INTRODUCTION

Since the European Commission launched its Sustainable Finance Action Plan in 2018, covered bond issuers have been increasingly navigating the growing landscape of regulatory requirements designed to enhance transparency and accountability around the disclosure of sustainability-related data. Key building blocks include the EU Taxonomy Regulation (EUT), Sustainable Finance Disclosure Regulation (SFDR), Corporate Sustainability Due Diligence Directive (CS3D), Energy Performance of Buildings Directive (EPBD) and Corporate Sustainability Reporting Directive (CSRD). Overall, these regulations represent a comprehensive reform of sustainability risk analysis and reporting, ensuring a consistent flow of ESG information throughout the financial system and the broader economy. In February 2026, the European Commission released a legislative package (Omnibus I) to simplify requirements in the field of sustainable finance reporting and due diligence. This initiative aims to enhance the competitiveness of EU companies by reducing regulatory burdens. The Omnibus came into force in March 2026.

This section provides a comprehensive overview of the existing sustainability regulations most relevant for covered bond issuers. By highlighting the regulatory requirements and recent developments, we aim to support issuers in understanding their obligations and the implications of integrating sustainability into their funding strategies.

### II. EU TAXONOMY

#### The EU Taxonomy regulation in a nutshell

The EU Taxonomy came into force in July 2020. It provides a unified classification system for sustainable activities and is an important pillar within the EU sustainable finance framework.

At this point, the EU Taxonomy identifies six environmental objectives. An economic activity is considered environmentally sustainable and thus EU Taxonomy-aligned if it:

- **Contributes substantially** to one of the six environmental objectives identified:
  1. Climate change mitigation;
  2. Climate change adaptation;
  3. Sustainable use and protection of water and marine resources;
  4. Transition to a circular economy, waste prevention and recycling;
  5. Pollution prevention and control;
  6. Protection and restoration of biodiversity and ecosystems.
- **Does not significantly harm** (DNSH) any of these environmental objectives;
- Is carried out in compliance with the **minimum safeguards** (MS); and
- Complies with the technical screening criteria (TSC) for substantial contribution (SC) and for DNSH to the other environmental objectives.

The climate delegated act of June 2021 sets the TSC for the climate mitigation and climate adaptation objectives (1-2) and the conditions for avoiding significant harm to the other objectives (including 3-6). These criteria became applicable per 1 January 2022. The environmental delegated act of June 2023 defines the criteria for making a substantial contribution and doing no significant harm to the remaining four environmental objectives and has been applicable since 1 January 2024. In March 2026, the European Commission published draft revisions to the EU Taxonomy's technical screening criteria for public feedback. The revised criteria are set to enter into force on 1 January 2027.

> FIGURE 1: THE IDENTIFIED ECONOMIC ACTIVITIES PER ENVIRONMENTAL OBJECTIVE 1-6

| | Economic activities | Environmental objectives 1 | 2 | 3 | 4 | 5 | 6 |
|---|---|---|---|---|---|---|---|
| 1 | Forestry | √ | √ | | | | |
| 2 | Environmental protection and restoration activities | √ | √ | | | | √ |
| 3 | Manufacturing | √ | √ | √ | √ | √ | |
| 4 | Energy | √ | √ | | | | |
| 5 | Water supply, sewerage, waste management and remediation | √ | √ | √ | √ | √ | |
| 6 | Transport | √ | √ | | | | |
| **7** | **Construction and real estate activities** | √ | √ | | √ | | |
| 8 | Information and communication | √ | √ | √ | √ | | |
| 9 | Professional, scientific and technical activities | √ | √ | | | | |
| 10 | Financial and insurance activities | | √ | | | | |
| 11 | Education | | √ | | | | |
| 12 | Human health and social work activities | | √ | | | | |
| 13 | Arts, entertainment and recreation | | √ | | | | |
| 14 | Disaster risk management | | √ | √ | | | |
| 15 | Services | | | | √ | | |
| 16 | Accommodation activities | | | | | | √ |

Source: European Commission, ING

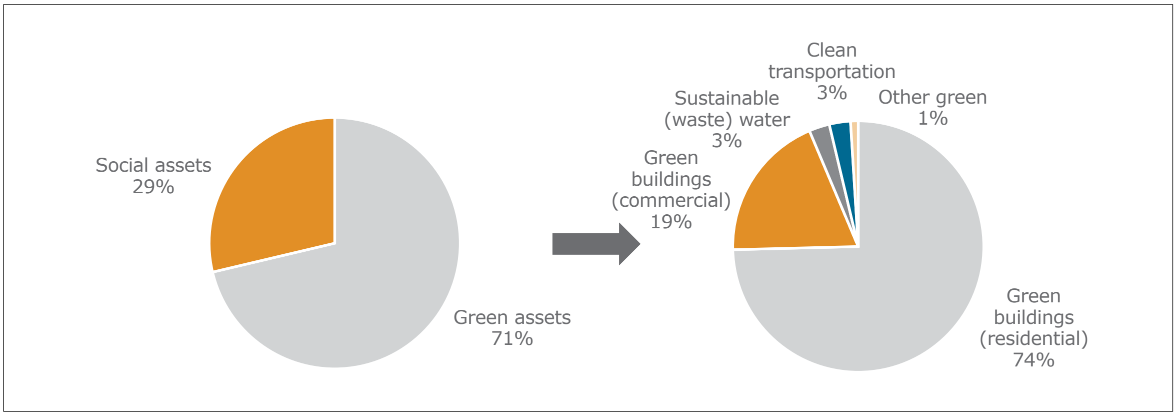
## Real estate activities

Due to the dominance of mortgage assets in covered bond collateral pools, the TSC for **construction and real estate activities** are the most relevant for green covered bonds. Under the EU Taxonomy, real estate activities can contribute substantially to climate change mitigation, climate change adaptation or to the transition to a circular economy, with climate change mitigation being the most important objective for green covered bond issuance.

Figure 3 confirms that of all the EUR sustainable covered bond green asset allocations, 94% finance energy-efficient building loans.

> FIGURE 2: ASSET ALLOCATIONS BY TYPE (COVERED € 92 BN)*

> FIGURE 3: GREEN ASSET ALLOCATIONS BY TYPE (COVERED € 68 BN)*




*Covered EUR supply (size ≥ € 250 mn)
Source: Issuer allocation reports, ING

The climate delegated act divides the construction and real estate activities into seven sub-categories. Two of them are **low-carbon activities** that themselves contribute substantially to one of the Taxonomy's environmental objectives. These are generally most important for the selection of green real estate assets:

> Construction of new buildings.

> Acquisition and ownership of buildings.

One is a **transitional activity**:

> Renovation of existing buildings.

The remaining four activities are all **enabling activities**. These include the installation, maintenance and repair of:

> Energy-efficiency equipment

> Charging stations for electric vehicles in buildings (and parking spaces attached to buildings)

> Instruments/devices for measuring, regulation and controlling energy performance of buildings

> Renewable energy technologies.

Figure 4 summarises the current and newly proposed TSC for the climate change mitigation, climate change adaptation, and transition to circular economy objectives. The overview only shows a subset of the criteria for substantial contribution, solely for the low-carbon and transitional construction and real estate activities.

> FIGURE 4: SELECTION OF TSC FOR CONSTRUCTION AND REAL ESTATE ACTIVITIES

| Substantial contribution (current) | | | Substantial contribution (new proposal) | | |
|---|---|---|---|---|---|
| **Climate change mitigation** | **Climate change adaptation** | **Transition to a circular economy** | **Climate change mitigation** | **Climate change adaptation** | **Transition to a circular economy** |
| **New buildings**<br>> PED ≤ NZEB -10%; as built EPC<br>> Buildings ≥ 5000 m²: thermal integrity testing, calculation life-cycle GWP | **New buildings**<br>> Implementation of physical and non-physical adaptation solutions for material physical climate risks (identified via CRVA) | **New constructions**<br>> ≥ 90% non-hazardous waste is recyclable<br>> Calculation life-cycle GWP<br>> Cap on use (non-recycled) primary raw materials (eg 70% concrete, bricks, glass, 65% gypsum) | **New buildings**<br>> ZEB requirements<br>> Buildings ≥ 1000 m²: thermal integrity testing<br>> Calculation life-cycle GWP, (≥ 1 Jan '28 EPBD Art. 7(2)) | **New buildings**<br>> 1. screening for significant climate-related hazards, 2. climate risk assessment on significance, 3 implementation of adaption solutions for significant risks, 4. adaptation plan monitoring | **New constructions**<br>> ≥ 90% non-hazardous waste is recyclable<br>> Calculation life-cycle GWP<br>> Cap on use (non-recycled) primary raw materials (eg 70% concrete, bricks, glass, 80% gypsum) |
| **Renovations**<br>> Compliance with EU rules for major renovations, incl. on cost-optimal minimum energy performance<br>> 30% PED improvement | **Renovations**<br>> Implementation of physical and non-physical adaptation solutions for material physical climate risks (identified via CRVA) | **Renovations**<br>> ≥ 70% non-hazardous waste is recyclable,<br>> Calculation life-cycle GWP<br>> Cap primary raw materials (85% concrete, bricks, glass)<br>> ≥ 50% is original building | **Renovations**<br>> Compliance EPBD 2024/1275 major renovations, incl. cost-optimal minimum energy performance<br>> 30% PED improvement | **Renovations**<br>> 1. screening for significant climate-related hazards, 2. climate risk assessment on significance, 3 implementation of adaption solutions for significant risks, 4. adaptation plan monitoring | **Renovations**<br>> ≥ 70% non-hazardous waste is recyclable<br>> Calculation life-cycle GWP<br>> Cap primary raw materials (85% concrete, bricks, glass)<br>> ≥ 50% is original building |
| **Acquisition & ownership**<br>> EPC = A, Top 15% building stock (PED)<br>> Buildings built per 2021: Criteria for new buildings at time of acquisition | **Acquisition & ownership**<br>> Implementation of physical and non-physical adaptation solutions for material physical climate risks (identified via CRVA) | | **Acquisition & ownership**<br>> EPC = A, Top 15% building stock (PED), PED reduction ≥ 60% over ≤ 10 years<br>> Buildings built per 2021: Criteria for new buildings at time of acquisition | **Acquisition & ownership**<br>> 1. screening for significant climate-related hazards, 2. climate risk assessment on significance, 3 implementation of adaption solutions for significant risks, 4. adaptation plan monitoring | |

Source: European Commission, ING

To contribute to the climate change mitigation objective, buildings built as of 2021 should have a primary energy demand that is 10% lower than a country's threshold for 'nearly zero-energy buildings' (NZEB) applicable for new buildings in the EU per 2021. Under the TSC revisions, newly constructed buildings must meet, from 2027, the zero-emission building (ZEB) requirements. This brings the Taxonomy requirements in line with the EPBD, under which all new buildings must be ZEB from 1 January 2030, with the maximum energy demand threshold for ZEB set at levels at least 10% below the NZEB benchmark of 28 May 2024.

Buildings built before 31 December 2020 should have an energy performance certificate (EPC) class A. These buildings are also Taxonomy compliant if they belong to the top 15% most energy efficient buildings of the regional or national building stock built before 2021. These criteria are expanded under the TSC revisions to include buildings with a primary energy demand reduction of at least 60% over 10 years or less, enabling more frequent recognition of whole bank loan volumes for renovated buildings compared to the 30% PED reduction rule applicable under the Taxonomy for renovations.

Even if an economic activity contributes substantially to the climate change mitigation objective, Taxonomy alignment also requires that no significant harm is done to the other environmental objectives. Doing no significant harm to the climate change adaptation objective is most crucial, as these DNSH criteria apply to all construction and real estate activities. They require a climate risk and vulnerability assessment (CRVA) to identify physical climate risks such as floods and an adaptation solutions plan to reduce these risks if material. The proposed changes to the DNSH criteria will streamline this into four steps: screening, climate risk assessment, adaptation planning and implementation. References to "material physical climate risks" are replaced with "significant climate-related hazards", while the CRVA is simplified to a climate risk assessment based on observed and projected data.

Meeting the DNSH criteria is most challenging for the construction of new buildings and the renovation of existing buildings, as these criteria stretch well beyond doing no significant harm to the climate change adaptation objective alone. They also require for instance that no significant harm is done to the transition to a circular economy. This means among other things that 70% of the non-hazardous construction and demolition waste must be recycled. The revised DNSH criteria will raise this requirement to 85%.

Sustainable economic activities must also comply with the OECD Guidelines for Multinational Enterprises and UN Guiding Principles on Business and Human Rights, including the ILO declaration on the Fundamental Principles and Rights at Work, the eight fundamental conventions of the ILO and the International Bill on Human Rights (minimum safeguards). The Platform on Sustainable Finance clarified in October 2022 that households are not deemed to be covered by the minimum safeguards under the EU Taxonomy. However, the European Commission Notice C/2024/6691 of November 2024 (FAQ37) on the compliance with the TSC and minimum safeguards by producers of goods and providers of services to retail clients, left some uncertainty as to whether alignment could be claimed for borrowers that purchased their house from contractors. In February 2025 the Platform on Sustainable Finance reiterated though that credit institutions should be relieved from a minimum safeguards assessment on their retail exposures, e.g. through the clarification that this obligation should only apply to direct corporate clients.

> Figure 5: Mitigating climate change through construction and real estate activities
> The 'do no significant harm' criteria that construction and real estate activities should meet

| | Construction of new buildings | Renovation of existing building | Energy efficiency equipment | Charging stations | Devices for energy performance regulation | Renewable energy technologies | Acquisition & ownership of buildings |
|---|---|---|---|---|---|---|---|
| Climate change mitigation | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ | ✔ |
| Climate change adaptation | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| Sustainable use and protection of water and marine resources | ✓ | ✓ | | | | | |
| Transitions to a circular economy, waste prevention and recycling | ✓ | ✓ | | | | | |
| Pollution prevention and control | ✓ | ✓ | ✓ | | | | |
| Protection and restoration of biodiversity and ecosystems | ✓ | | | | | | |

✔ = Contributing substantially to ✓ = Doing no significant harm to

Source: European Commission, ING

## III. THE EUROPEAN GREEN BOND STANDARD (EUGBS)

The EuGBS is a voluntary standard introduced as part of the broader EU Action Plan on Financing Sustainable Growth, with the regulation applying from 21 December 2024. Its main features encompass rules on the use of proceeds, transparency and independent external verification.

At the core of the EuGBS lies the requirement that proceeds must be fully aligned with the EU Taxonomy. Allocation of proceeds can be done following either the gradual (also called bond-by-bond) or the portfolio approach. In the portfolio approach, proceeds are in the form of fixed or financial assets (such as loans and mortgages) created within five years after the bond issuance and allocated on an aggregate basis. In this case, issuers must ensure that the total value of the portfolio exceeds the value of EuGBS-aligned bonds (EuGB). Financial institutions are mostly expected to make use of the portfolio approach. For EuGB-covered bonds, proceeds should be allocated to financial assets, but the associated loans are not required to be included in the cover pool. Under the gradual approach, proceeds may also be directed toward capital and operating expenditures. Issuers are only required to ensure alignment with the EU Taxonomy by the time the bond reaches maturity.

When using the gradual approach, EuGBS allows issuers to only have 85% of proceeds aligned with the EU Taxonomy (flexibility pocket). In this case, the remaining 15% must be allocated to activities in the context of international support in accordance with certain internationally agreed guidelines, or to economic activities that comply with the EU Taxonomy apart from the TSC.

The EuGBS includes a grandfathering clause if the TSC and DNSH are amended. If the proceeds are allocated using the portfolio approach, assets not meeting the amended TSC can remain part of the portfolio for seven years at most after the application of the amended TSC. This clause has gained practical relevance given the amendments to the Taxonomy's technical screening criteria adopted under the simplification Delegated Act discussed in Part V below.

The table below summarises the main requirements of the EuGBS in comparison to the ICMA Green Bond Principles. The EuGBS subjects issuers of European green bonds for instance to stricter transparency requirements. The required (pre-issuance) green bond factsheet and (post-issuance) allocation and impact reports will only provide information on the level of the green asset portfolio. Hence, for EuGB covered bonds, disclosure must not be done at the cover pool level unless the entire cover pool refers to the green asset portfolio. The EuGBS also has specific disclosure and exclusion requirements for securitisation notes. These include information on the Taxonomy eligibility and alignment, and compliance with the DNSH criteria of the underlying assets.

The EuGBS also offers an optional disclosure regime for issuers that choose to make use of the EuGB (pre- and post-issuance) templates under regular green bond issuances. This regime allows for reporting in a standard-ised way, providing investors with easily accessible and comparable information. The voluntary templates for pre- and post-issuance have both become available since July 2025.

Because the EuGBS uses the EU Taxonomy as its alignment yardstick, the Taxonomy simplification adopted under Omnibus I (see Part V) feeds through to how EuGB alignment is demonstrated rather than altering the standard itself. The Commission's Q&As of December 2025 confirm that bonds issued under the EuGB Regulation, and bonds using the optional templates, continue to reference the Taxonomy for the purpose of substantiating alignment. The streamlining of the underlying Taxonomy reporting framework therefore eases the demonstration of alignment without changing the EuGBS's 100%-alignment core.

> Figure 6: Comparison between EuGBS and ICMA Green Bond Principles

| | EU GBS green bond | ICMA green bond |
|---|---|---|
| **Eligibility** | Proceeds must be invested in activities that 100% align with the EU Taxonomy. Under flexibility rules, up to 15% of proceeds can be invested in economic activities that meet, but are not officially covered by, the taxonomy requirements | Proceeds must be invested in projects with environmental benefits, with an indicative list of categories provided |
| **Timing for allocation** | Full allocation before maturity (gradual approach) or full allocation before issuance (if using the portfolio approach, which is only applicable to fixed or financial assets) | No requirement of allocation before maturity |
| **Types of assets/ expenditures** | Fixed assets, capex, opex (incurred no more than 3yrs before issuance), financial assets (created no later than Sy after issuance) and assets and expenditure of households | Assets, investments and other related and supporting expenditures such as R&D |
| **Process for Evaluation & Selection** | Issuer must inform how issuance contributes to (i) the broader environmental strategy of issuer, with a clear link to its transition plans (the latter only if applicable), and (ii) the iissuer's KPIs for Taxonomy-aligned assets and expenditures (if applicable) | Issuer must inform investors about the environmental sustainability goals of the green projects, the criteria used to categorize these projects, and the methods employed to identify and manage any associated social and environmental risks |
| **Management of proceeds** | Proceeds can be managed on a bond-by-bond basis, or on aggregate (portfolio approach) if proceeds are allocated in full on issuance | Proceeds can be managed on a bond-by-bond basis, or on aggregate (portfolio approach)<br>Proceeds should be tracked by the issuer in an appropriate manner and attested to by the issuer in a formal internal process |
| **Pre-issuance documentation** | European green bond factsheet | Green bond framework |
| **Pre-issuance verification** | Mandatory | Recommended |
| **Prospectus** | Issuer need to publish a prospectus using the term European green bond or EuGB | Use of proceeds towards green projects should be appropriately described in the bond's legal documentation |
| **Allocation report** | Annually until full allocation, which should include update on Cap Ex plan if applicable. If using the portfolio approach issuers must demonstrate that the total value of "green" assets exceed the total value of o/s EU GBS bonds | Annually until full allocation |
| **Impact report** | Only required after full allocation of proceeds | Annually until full allocation |
| **Post-issuance verification** | Mandatory on allocation report; optional for impact report | Recommended |
| **Additional documentation** | If allocation towards capex or opex, the issuer must publish a Cap Ex plan, which needs to be reviewed by an external reviewer | |

Source: ABN AMRO

### First experience with bank issuance

Experience with bank issuance under the EuGBS to date (9 banks as of the end of June 2026, whereby Nordea, BPCE and Argenta Spaarbank issued the first three covered bonds under the EuGBS) suggests that the standard is primarily being used as a highly transparent, Taxonomy-based extension of established ICMA Green Bond Principles market practice rather than as a fundamentally different funding instrument.

> FIGURE 7: ACTIVITIES TO BE FINANCED BY BANKS THAT ISSUED BONDS UNDER THE EUGBS

| | Objective | Renewable energy | | | | Construction and real estate | | |
|---|---|---|---|---|---|---|---|---|
| | | 4.1 Solar photo-volataic technology | 4.3 Wind power | 4.5 Hydropower | 4.8 Bioenergy | 7.1 Construction of new buildings | 7.2 Renovation of existing buildings | 7.7 Acquisition & ownership of buildings |
| Argenta Spaarbank | CCM | | | | | | | ✓ |
| Nordea Mortgage Bank | CCM | | | | | | | ✓ |
| BPCE SFH | CCM | | | | | | | ✓ |
| Deutsche Bank | CCM | | | | | | | ✓ |
| Deutsche Kredit Bank | CCM | ✓ | | | | | | |
| Banco BPM | CCM | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ | ✓ |
| ABN AMRO Bank | CCM | ✓ | | | | | | ✓ |
| ASN Bank | CCM | | | | | | | ✓ |
| Länsförsäkringar Bank | CCM | | | | | | | ✓ |

Source: Issuer European Green Bond Factsheets, ING

Banks have so far relied exclusively on the portfolio approach, supported by dedicated green asset portfolios and documented through the mandatory EuGB factsheet, external review process, and post-issuance allocation and impact reporting.

Issuance has been concentrated on assets contributing to the EU Taxonomy's climate change mitigation objective, with proceeds predominantly allocated to renewable energy and real estate-related activities. Within banks' portfolios, the dominant use of proceeds has been the refinancing of exposures linked to the acquisition and ownership of buildings under Article 7.7 of Annex I of the Climate Delegated Act. This reflects both the significant share of mortgage lending on bank balance sheets and the comparatively straightforward application of the Taxonomy criteria to such assets.

As a result, early EuGB issuance illustrates how banks are leveraging existing Taxonomy-aligned mortgage and loan portfolios to meet the more stringent EuGBS requirements while maintaining issuance structures that remain broadly familiar to investors accustomed to ICMA Green Bond Principles.

## IV. THE ENERGY PERFORMANCE OF BUILDINGS DIRECTIVE (EPBD)

The revised EPBD entered into force in all EU countries in May 2024. The EPBD is a cornerstone of the European Union's strategy to enhance energy efficiency and reduce greenhouse gas emissions in the building sector. Buildings are the largest energy consumers in Europe, accounting for approximately 40% of energy use and over one-third of energy-related greenhouse gas emissions. The EPBD aims to address these challenges by setting ambitious targets and standards for both new and existing buildings. The overall goal to achieve is zero-emission and a fully decarbonised building stock by 2050.

GHG Emissions Reduction: Cut greenhouse gas emissions from buildings by at least 60% by 2030 compared to 2015 levels.

Residential Buildings:

> Each Member State must define a national trajectory to reduce average primary energy use by 16% by 2030, and 20–22% by 2035. At least 55% of the reduction must come from renovating the worst-performing buildings.

Non-Residential Buildings:

> Introduce Minimum Energy Performance Standards (MEPS) to renovate:

- 16% of the worst-performing buildings by 2030, 26% by 2033

New Buildings:

> All new buildings must be zero-emission:

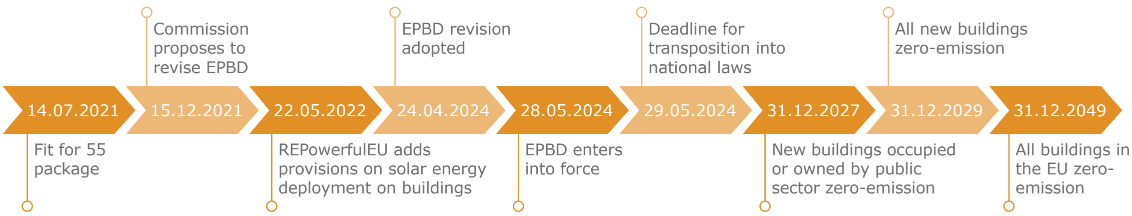
- From 2028 for publicly owned buildings
- From 2030 for all other new building

**Energy Performance Certificate (EPC) Labelling System**

The EPC labelling system is a critical component of the EPBD, providing a standardised measure of a building's energy efficiency:

1. **Purpose**: The EPC labels provide clear information on the energy performance of buildings, helping owners, tenants, and potential buyers to make informed decisions. They also play a crucial role in identifying buildings that require energy efficiency improvements.
2. **Classification**: Buildings are rated on a scale from A (most energy-efficient) to G (least energy-efficient). This reflects the building's energy consumption and efficiency measures.
3. **Impact on Green Assets**: The EPC system directly impacts the classification of green assets. Buildings with higher EPC ratings are more likely to be considered Taxonomy eligible/aligned, meaning they meet the criteria set out by the EU Taxonomy for sustainable investments.

> Figure 8: EPBD Implementation timeline




Source: EPRS, vdp

## V. SUSTAINABILITY REPORTING

The Omnibus I package, underlying several changes to existing ESG regulations, was approved by the European Council in February 2026 and entered into force in March. The final text cut reporting and due-diligence obligations more deeply than the Commission’s original 2025 proposal. The sustainability reporting regulations highlighted below already reflect the changes implemented by the Omnibus.

### Corporate Sustainability Reporting Directive (CSRD)

The CSRD entered into force on January 5, 2023 and was introduced in response to a revision of the Non-financial Reporting Directive (NFRD). It marks a further expansion of both the scope of reporting as well as the number of companies required to report. Most importantly it paves the way for establishing European sustainability reporting standards (ESRS) and integrates sustainability reporting in the annual report. Companies subject to the CSRD will have to report according to the ESRS.

The Omnibus introduced higher thresholds that companies must meet in order to fall under the scope of the CSRD. Specifically, the CSRD now applies only to companies with more than 1,000 employees and a net turnover above EUR 450m, against the previous thresholds of EUR 50m net turnover, EUR 25m balance sheet and 250 employees set in the original CSRD regulation. For third-country undertakings, the requirements apply where the EU parent has net turnover above EUR 450m and an EU subsidiary or branch generates more than EUR 200m. The change is estimated to remove roughly 80% of companies from the scope of the CSRD.

The CSRD amendments apply to financial years starting from 1 January 2027, with first reports due in 2028. “Wave one” companies that began reporting for financial year 2024 but fall outside the revised thresholds may be exempted by Member States from reporting for financial years 2025 and 2026. A value-chain protection was also introduced: so-called “protected undertakings” (those with fewer than 1,000 employees) may decline value-chain information requests that exceed the content of the voluntary sustainability reporting standards.

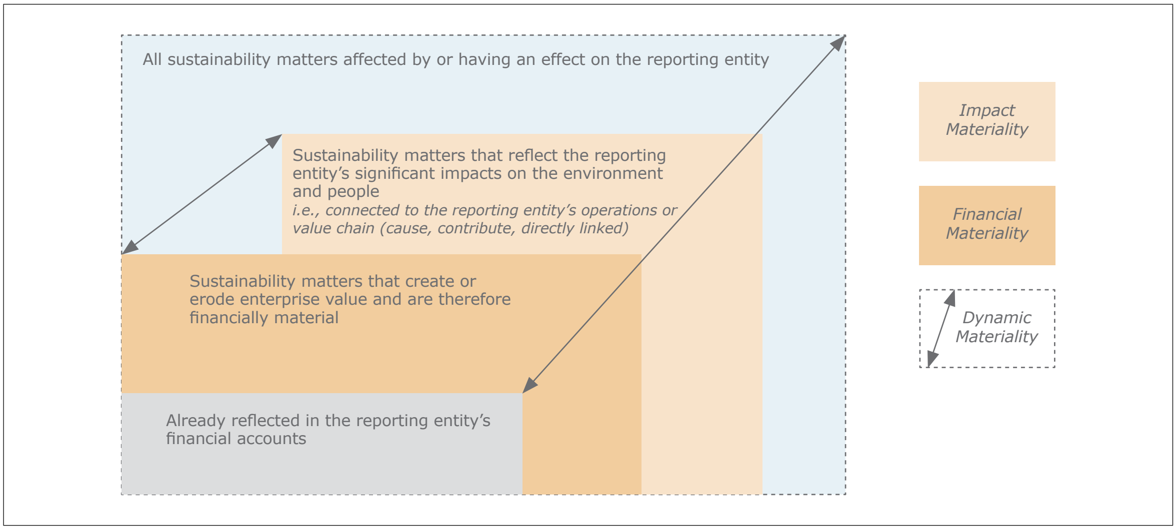
### European Sustainability Reporting Standards (ESRS)

In the ESRS context, IRO stands for Impacts, Risks and Opportunities. It is a core concept used in the Double Materiality Assessment (DMA) to determine which sustainability topics are material and must be reported.

> **Impacts (Inside-Out Perspective)**
>
> The positive or negative effects that a company has on people, society, and the environment through its activities, products, or services.
>
> **Risks (Outside-In Perspective)**
>
> Sustainability-related factors that could negatively affect the company's financial performance, business model, operations, reputation, or access to capital.
>
> **Opportunities (Outside-In Perspective)**
>
> Sustainability-related trends or developments that could create business value, enhance competitiveness, generate revenue, or reduce costs.

European sustainability reporting is based on the concept of double materiality. This means that a company should account both for material financial effects that sustainability matters result in (“outside in”) as well as the material impact on the individual, society and the environment that result from its operations (“inside out”). In the ESRS the “outside in” perspective is represented by Risk, the “inside out” perspective by Impacts and any positive potential effects from the transition to a sustainable economy by Opportunities.

> FIGURE 9: THE CONCEPT OF DOUBLE MATERIALITY




Source: EFRAG Final Report on the Proposals for a relevant and dynamic EU Sustainability Reporting Standard-setting, ABN AMRO Group Economics

The ESRS widens the scope of sustainability disclosures to not only the scope of operations, but also to the whole value chain (upstream and downstream). The ESRS as a starting point is based on a materiality assessment, where only material IROs need to be disclosed. However, it also contains certain mandatory disclosures which companies need to provide regardless of whether these are deemed material or not. These mandatory disclosures belong to the fields of due diligence processes, principal adverse impacts, incentive schemes linked to sustainability matters and provisions for value chain information.

The information gathered and reported under the ESRS is also relevant for other regulatory initiatives. For example, financial institutions can use the reported information to, in turn, disclose the **Principal Adverse Impact** (PAI) indicators under the Sustainable Finance Disclosure Regulation (SFDR), and report on environmental impacts under the Pillar III of the Capital Requirements Regulation.

The ESRS consists of two standards: the ESRS 1 (General Requirements) and ESRS 2 (General Disclosures). Within these, the ESRS involves two layers of disclosure. These are:

(i) sector agnostic, that apply to all; and

(ii) entity level, which is supposed to capture any material IROs that are not captured by the other layer.

In the Omnibus, the requirement for the Commission to adopt mandatory sector-specific ESRS has been replaced with an option for the Commission to issue non-binding sector guidance illustrating how the standards apply.

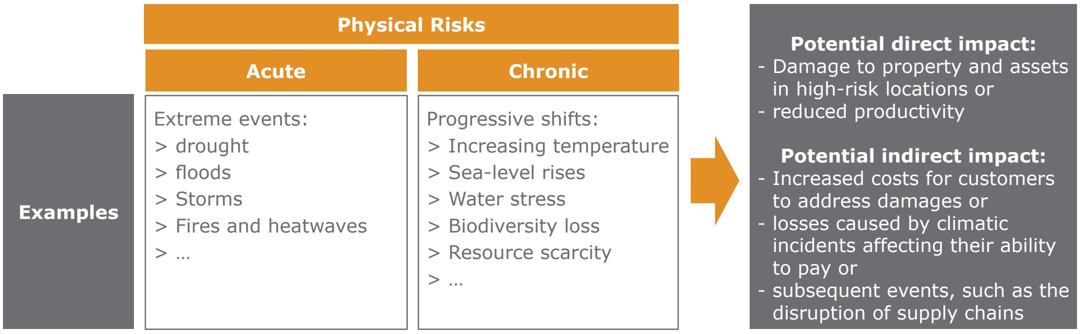
Each layer also covers all three sustainability matters (E, S and G) and reflects reporting areas under three key management dimensions: strategy, implementation, and performance measurement.

Under the Omnibus, the sector-agnostic standard has been revised to substantially reduce the number of data points. Mandatory data points are cut by approximately 61% relative to the original ESRS, and all voluntary data points are removed, taking the total reduction beyond 70% (from roughly 1,070 to around 320 data points, where material). The double materiality assessment is streamlined into a more principle-based, top-down approach, and the standards are more closely aligned with the ISSB's IFRS S1 and S2.

The Commission adopted the delegated act revising this first set of ESRS on 3 July 2026, with application for financial years beginning on or after 1 January 2027 and optional early application for 2026. Until then, companies already reporting continue to apply the ESRS as adopted in 2023, together with the reliefs introduced in 2025.

Under the CSRD/ESRS, there are important parts of the disclosures that apply to covered bonds. For instance, acute and chronic physical risks are highly relevant topics for the value and insurability of the collateral assets that back the bonds (see Figure 10).

> Figure 10: Examples of physical risks




Source: EBA report on management and supervision of ESG risks for credit institutions and investment firms EBA/REP/2021/18, ECB: Guide on climate-related and environmental risks, November 2020, Helaba Research & Advisory

## Green Asset Ratio / Pillar III and the Taxonomy simplification

Companies within the scope of the CSRD are also required to make disclosures under the Taxonomy regulation. These refer to mainly the proportion of activities that align with the EU Taxonomy. For financial institutions, this is reflected in the form of the **Green Asset Ratio (GAR)**, which measures the proportion of Taxonomy-aligned assets to total covered assets in a credit institution's current (GAR stock) and future portfolios (GAR flow). Under the proposed Omnibus package I, loans to SMEs are excluded from the denominator of the GAR, resolving the asymmetry issues of the ratio.

A new dedicated Taxonomy Delegated Act, which entered into force in January 2026, delivered a 10% materiality relief and a streamlining of Taxonomy reporting. More specifically, the Delegated Act sets out that:

> If activities/exposures are financially immaterial – that is, they represent less than 10% of turnover, capex or opex – undertakings are allowed to skip the Taxonomy assessment. Specifically for banks, Taxonomy assessment can be skipped for financial assets *where the use of proceeds is known* that represent less than 10% of the relevant KPI denominator.

> Required data points were cut by approximately 64% for non-financial undertakings and 89% for financial undertakings, and separate fossil-gas and nuclear templates were folded into the general templates.

> Financial undertakings now have an optional two-year deferral until 31 December 2027 to report detailed Taxonomy KPIs provided they do not claim Taxonomy alignment.

> The technical screening criteria for pollution prevention and control were simplified, reducing the number of substances to be assessed.

A further, more technical, review of the Disclosures Delegated Act is underway: the Commission issued a call for advice to the ESAs in March 2026 and aims to complete the review by Q1 2027, with new measures in force by Q3 2027, before the financial-undertaking transitional relief expires at the end of 2027.

The GAR, along with other sustainability KPIs such as the Banking Book Taxonomy Alignment Ratio (BTAR), is also included in the **Pillar III** disclosure requirements on ESG risks. These are developed by the European Banking Authority (EBA) as part of their mandate under the Capital Requirements Regulation (CRR). The Pillar III ESG disclosures, which apply exclusively to banks, are statistical rather than risk based. They require the collection of data from customers not covered by ESRS reporting, such as households and micro companies.

In line with European Commission's simplification agenda, the EBA updated end of June 2026 its final draft of the implementing technical standards (ITS) of the Pillar 3 disclosure requirements related to ESG risks. It includes a proportionate approach for the ESG disclosures based on the institution's type, size and complexity, as well as alignment of the scope and definition of the GAR with the EUT. Despite earlier proposals, the ESG disclosure template will not be extended to include ESG risks associated with covered bond collateral. The EBA is still assessing where cover pool ESG information should best be disclosed, with the ESG supervisory reporting framework being among the options.

**Sustainable Finance Disclosure Regulation (SFDR)**

The **SFDR** is also an important regulatory initiative within the EU. Effective from early 2021, it applies to financial institutions operating in the EU that (i) provide investment or insurance advice, (ii) produce and sell financial goods, or (iii) provide portfolio management services.

The foundation of SFDR is the PAI (Principal Adverse Impact), which consists of a list of sustainability metrics that need to be reported on and incorporated into the financial institution's investment policies and decisions. While covered bonds do not fall under the definition of a "financial product" as per the SFDR, investments in those instruments are considered "direct investment in investee companies" and are therefore part of entity-level PAI disclosures. In other words: investors will not be required to disclose, for example, how the covered bond considers PAI on sustainability factors (product-level disclosures), but they will have to disclose how their investment strategy in general considers PAIs on sustainability factors (and this should include investments in covered bonds). Furthermore, as per the SFDR, sustainable investments must ensure that the investee company (i.e. the covered bond issuer) follows good governance practices and does no significant harm to environmental or social objectives, as defined by the investor.

In November 2025, the Commission published a proposal to revise the SFDR, called SFDR 2.0. Key elements include the deletion of entity-level PAI disclosure requirements for financial market participants and the introduction of three product categories – "Sustainable", "Transition" and "ESG basics" – underpinned by minimum criteria. Categorised products would need a high portion of the portfolio (around 70%) supporting the chosen sustainability strategy and would have to exclude harmful activities. The ECON committee is expected to vote on the SFDR 2.0 after summer 2026 with trilogue negotiations to start thereafter.

**Corporate Sustainability Due Diligence Directive (CS3D)**

The CS3D codifies the requirements for companies (including those in financial services) to respect human rights and to identify, end, prevent or mitigate human rights violations and environmental effects in the company's own operations. This also introduces a requirement for the directors of EU companies to set up and oversee due diligence processes integrating them into corporate strategy. Key to the CS3D is also the requirement for entities to develop and implement a climate change mitigation transition plan.

The Omnibus I package amends the CS3D as follows:

> CS3D applies to EU companies with more than 5,000 employees and net turnover above EUR 1.5bn, and to non-EU companies with EU turnover above EUR 1.5bn. These thresholds sit above the CSRD's, so the two directives capture different populations of companies.

> The obligation to adopt and implement a climate-change-mitigation transition plan under CS3D has been removed. The CSRD requirement to disclose a transition plan, where a company has one, remains.

> The EU-level civil-liability regime and the mandatory conflict-of-law rules were removed; liability is now governed by national law, with administrative fines capped at 3% of net worldwide turnover.

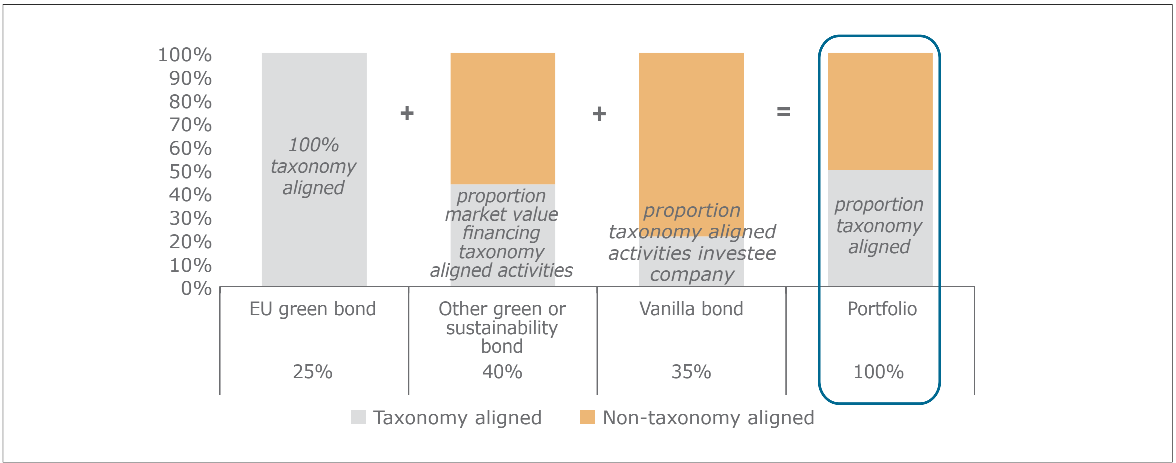
> Transposition of the CSRD into national laws is delayed by a further year, to July 2028, with application to in-scope companies from July 2029.

**The importance of Taxonomy compliance for green covered bonds**

As we previously discussed, the Taxonomy regulation forms an integral part of not only the EuGBS, but also EU regulation promoting sustainable reporting via the SFDR and CSRD. These disclosure regulations have the consequential side-effect that companies (including banks) face increased scrutiny on the sustainability of their activities, among others from investors that must show to what extent their investments consider sustainability aspects. Banks therefore have good reasons to strive for the best possible Taxonomy alignment of their green assets. These stretch well beyond the purpose of green bond issuance.

For Taxonomy disclosure purposes, the SFDR, CSRD and EU GBS work as communicating vessels. This is illustrated by an indicative investment portfolio comprised of bonds in figure 11 based on the regulatory technical standards on disclosures under the SFDR. These apply since 1 January 2023 to financial market participants such as insurance companies, pension funds, and investment firms.

> Figure 11: EU Taxonomy related disclosures will impact green and vanilla bonds differently




Source: European Commission, regulatory technical standards adopted on 6 April 2022, ING

The key performance indicator measuring the Taxonomy compliance of financial products is calculated as the ratio of the market value of investments in environmentally sustainable (i.e. Taxonomy-aligned) activities versus the market value of all investments. Environmentally sustainable investments can (among others) include the following:

> **Bonds** issued under the future voluntary **EU GBS** = 100% market value;

> **Other debt securities** where a proportion of the proceeds is used exclusively on **environmentally sustainable activities** = proportion of the market value corresponding to the share of the proceeds used to finance Taxonomy-aligned economic activities;

> **Debt instruments** and equities in **investee companies** = market value of the proportion of debt instruments/equities reflecting the proportion of activities of the investee companies that is associated with environmentally sustainable economic activities.

For banks, this proportion comes down to the share of environmentally sustainable economic activities as disclosed under the Green Asset Ratio.

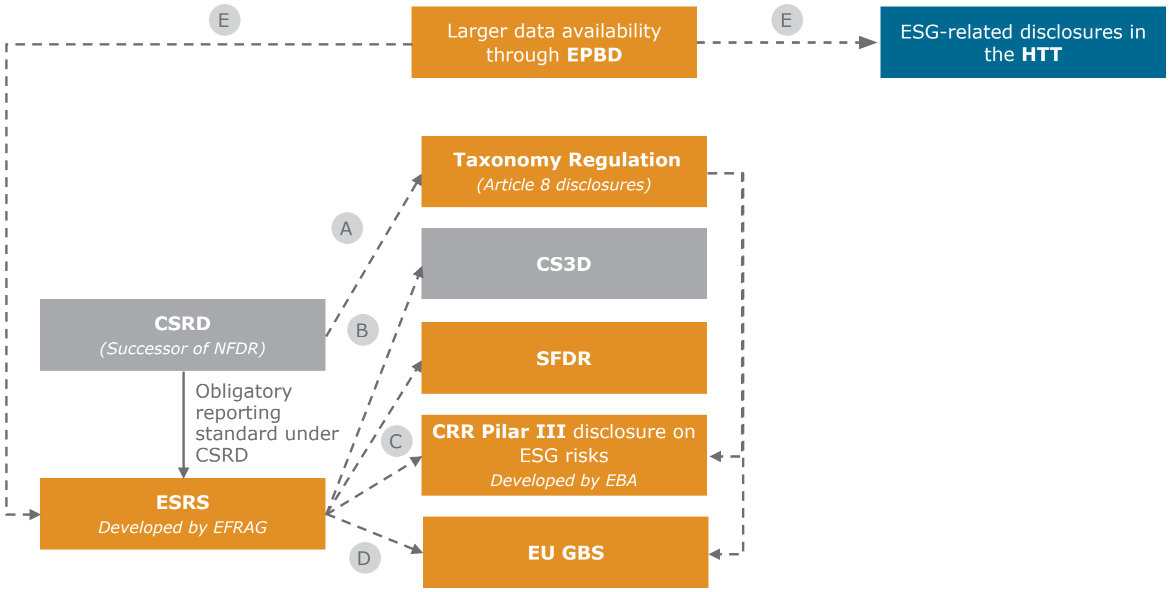
This illustrates that the Taxonomy-related disclosure requirements may impact all bonds, whether marketed with a sustainable use of proceeds or not. The Taxonomy compliance of vanilla bonds will also be considered via the issuer's overall portion of environmentally sustainable activities.

The ECB and the ESAs have also repeatedly supported more consistent and harmonised climate-related disclosures for assets outside the scope of the CSRD, such as covered bonds and asset-backed securities.

In its September 2025 response to the European Commission’s Call for Advice (CfA) on the EU covered bond framework, the EBA proposed introducing annual ESG disclosures for cover pools under Article 14 of the Covered Bond Directive. These would cover both transition and physical climate risks, but not Taxonomy-related information. The EBA did not prescribe detailed modalities but stressed that reporting should be limited to cover assets for which relevant climate-related data is available.

This does not exclude the possibility that banks may, in the meantime, still be required to report on cover pool exposures to climate change transition risk under the Pillar 3 framework and/or through supervisory reporting. This would reflect the EBA’s May 2025 draft ITS on Pillar 3 ESG disclosures and its April 2026 consultation on ESG supervisory reporting.

> FIGURE 12: THE SUSTAINABILITY REGULATORY LANDSCAPE




- A Information reported by NFDR companies will feed into Taxonomy regulation disclosures
- B The ESRS due diligence disclosures will lay the foundation and be part of the reporting under the CS3D
- C Information reported through the ESRS/CSRD will also be used for reporting requirements under the SFDR and the CRR Pillar IIII
- D There is overlap between some of the reporting requirement under the ESRS/CSRD (such as on transition plans), which is also part of the EU GBS
- E The EPBD is expected to enhance data availability and reliability, which in turn can be used for reporting requirements (which could be as per EU regulation, such as the ESRS/CSRD, or product-specific, such as the HTT for covered bonds and the STS templated for securitisations)

Source: ABN AMRO. Orange boxes indicate Regulation, grey boxes indicate Directives, blue box indicates other market or regulatory initiatives.

# CHAPTER 3 - THE ISSUER'S PERSPECTIVE

## 3.1 ARMENIA

By Ani Gharajyan, Central Bank of Armenia and Edmond Vardumyan, National Mortgage Company RCO

### I. FRAMEWORK

Covered bonds are issued in Armenia according to the Law on Covered Mortgage Bonds (hereinafter Law) adopted in 2008 and majorly reformed in 2018 with expert support from KfW, modernizing the framework in line with international best practices.

Major changes that the reform introduced were:

> regulation of centralized covered bond issuance.

> updated and redefined list of assets eligible for the pool. The Law clearly defines the assets that can be used as substitute assets and what the maximum percentage of such assets in the whole pool may be.

> clarification of the asset valuation and revaluation processes. It introduced rules for the case of a significant collateral value decline. Earlier, a reform on mortgage consumer protection had introduced early repayment rules for mortgage loans that permit yield maintenance indemnities and thus improved the matching of cover assets and liabilities.

> establishment of a public cover asset register and refining the functions of the cover pool controller.

> ensuring the ring-fencing of assets in case of insolvency of issuer (in centralized scenario, that of participants as well) by changing the Law on Bankruptcy of Banks, Credit Organizations, Investment Companies, Investment Fund Managers and Insurance Companies.

### II. STRUCTURE OF THE ISSUER

According to the Law, the issuer can be either a bank or a credit organization. Those institutions are regulated and supervised by the Central Bank of Armenia and are subject to license requirement, capital requirement, liquidity requirement etc.

There are two scenarios of covered bond issues: a standard structure and a centralized structure.

In the standard one the issuer of the covered bonds, an individual bank or credit organization, uses its own assets to create a cover pool and issue the bonds.

In centralized issuance scenario the issuer may use other banks' or credit organizations' (called "participants") mortgage assets as collateral in order to create a cover pool and issue the covered bonds. The cover pool of a centralized issuer consists of refinancing loans to the participants. The mortgage loans posted by the participants to back the refinancing loans must fulfil all the requirements just as if the participants were individual covered bond issuers. The law provides for segregation of assets in case of participant's insolvency and thus the respective pool of mortgage loans backing the refinancing loans are moved from participant's balance sheet to that of central issuer (or to other issuer, including participant as the case may be) without entering the insolvency process.

### III. COVER ASSETS

#### Main assets

The assets that are eligible for covered assets pool are mortgages that comply with the following:

1) the real estate subject to mortgage is located on the territory of the Republic of Armenia, or the security of the mortgage is a right for construction of real estate on the territory of the Republic of Armenia;
2) the mortgage represents a primary collateral on the underlying asset;
3) the amount of the loan at the time of inclusion into the pool does not exceed 70% of the estimated market value of the collateral (real estate);

4) The mortgage contract includes early repayment clause in accordance with the Law on Housing Mortgage Credit.

**Substitute assets**

Where cover assets are to be removed from the asset pool prior to full fulfilment of obligations on mortgage bonds on grounds listed below, the issuer will have the right to include substitute assets in the pool. However, those assets should not at any time exceed 10% of all the assets. The law clearly defines what those substitute assets can be: cash, bonds issued by or guaranteed for timely payment by the Republic of Armenia, and other assets defined by normative acts of the Central Bank of Armenia.

**Limitations**

In any case the Law provides for some limitations for derivative instruments which may be used in the asset pool. Only the following derivatives may be used:

1) the derivative serves to reduce asset-liability management risks between cover assets and covered bonds issued;
2) the derivative does not require the cover pool estate to post maintenance margin and observe margin calls;
3) upon insolvency of the issuer the derivative excludes netting for the benefit of the derivative counterparty with other claims against the issuer or other derivatives in the cover;
4) upon insolvency of the issuer the derivative is not terminated.

**Removing assets from the asset pool**

The asset is removed from the asset pool when the asset is terminated (including early repayment of loan, amortization etc.), the asset has been categorized as non-standard, doubtful or loss according to Armenian legislation, or the asset does not meet the eligibility requirements of the Law on covered bonds. The assets must be substituted by other eligible assets (main or substitute). The assets may be removed from the registry without the obligation to substitute them by other assets only when the removal does not amount to breach of adequacy of cover requirement and the remaining cover assets comply with the requirement of the law on covered bonds.

## IV. VALUATION AND LTV CRITERIA

**Valuation and revaluation**

The valuation of real estate is to be performed by a person who:

> is licensed for real estate valuation in accordance with Armenian legislation
> has at least 2 years of experience
> has not been involved in the process of loan provision
> has a professional liability risk insurance for at least the amount equal to five thousand times the minimum wage

The Central Bank may by its normative acts introduce additional rules and methods for valuation of real estate for the purposes of including them into the cover assets pool. In case the valuation may be performed in more than one way and those provide for different results, the lowest value shall be used.

The real estate is to be revaluated at least once in three years, and if the real estate has a commercial purpose – once a year.

Besides, the real estate has to be revaluated, by a licensed real estate appraiser or according to real estate price index calculated in the manner prescribed by the Central Bank of Armenia, if the real estate prices have substantially fallen (i.e. more than 10%) in the market.

### Loan to Value

The amount of the loan at the time of inclusion into the pool should not exceed 70% of the estimated market value of the collateral (real estate).

If the amount of a mortgage loan registered in the cover pool exceeds 85% of current mortgage lending value of collateral (real estate), the issuer may either post additional assets for the excess of 85% as additional collateral or reduce the loan amount funded by the cover to 85%. In case of posting additional assets, the cash flows derived from these assets do not accrue to the bondholders except for the case of the insolvency of the issuer.

## V. ASSET – LIABILITY MANAGEMENT

Covered bonds will be backed by dynamic mortgage pools and hence covered bond programs will be subject to asset-liability mismatches. A number of asset-liability management rules have been introduced to mitigate the associated risks and improve risk transparency.

The amount of outstanding liabilities on mortgage bonds must be backed by adequate cover:

1) the total nominal value of assets within cover pool must be at least equal to the total nominal value of mortgage bonds;
2) the receivable amounts on cover assets must be at least equal to the payable amounts against mortgage bonds;
3) the net present value of cover assets must at any moment exceed at least by 1 percent the net present value of all liabilities on mortgage bonds.

The Central Bank has determined stress-testing methodology for the issuers. For the stress test the yield curve is shifted upwards and downwards based on the volatility of interest rates for selected maturities, but not less than 2%. Stress test horizon is 25 days and the confidence level is defined to be 99%.

The bonds issued should be denominated in the currency in which the cover assets are denominated. The assets comprising a single asset pool should be denominated in the same currency.

The issuer of covered bonds is required to maintain a schedule of cash flows, both actual and expected, on the assets included in the cover pool, which, inter alia, includes information on early repayments and overdue payments. The cash flow information shown in the schedule must allow identifying assets, including mortgages, substitute assets and derivatives from which those cash flows have been received.

The schedule must also include projections regarding future unanticipated payments, namely for early repayments of loans, or early performance of obligations arising out of bonds or derivative instruments.

The outstanding liabilities on covered bonds must be at any moment backed by adequate cover on a present value basis after stress-testing, and the expected duration gap, i.e. expected aggregate duration of assets minus expected aggregate duration of liabilities, must exceed liabilities by at least 3 months to avoid negative maturity transformation risk.

## VI. TRANSPARENCY

### The registry

The Central Bank maintains the registry of the cover assets of the covered bond program. The registry maintains information on all the assets comprised in the cover pool, namely:

> for land and building or for the permission for construction – Cadastre number, the duration for the permission for construction, its number and date, land/building address, limitation on use of land, if any;

- > for mortgage loans – loan agreement number and date, loan register code, loan ID, purpose of the loan, loan amount, loan currency, repayment schedule and maturity date, annual interest rate, secured asset (real estate) value, borrower identification;
- > for covered refinancing loans – information as referred to in point above, in addition segregation rights for the benefit of central issuer in case of centralized issue;
- > for derivatives – type of derivatives, nominal amount for each type of contract, intrinsic value of each type of derivatives, market value/net present value of derivatives, as well as information on the transaction counterparty;
- > other information defined by the Central Bank normative legal acts.

All parties concerned may have access to information, contained in the cover register, on collateralization of assets.

Access to other information contained in the cover register is restricted to the Central Bank, to the Cover Pool controller, the issuer and the Mortgage Administrator.

Information constituting banking secrecy, contained in the cover register, can only be disclosed in the manner prescribed by law.

The controller of the pool performs the control of the registry. The controller must give their approval in order for the asset to be registered in the pool. Registration of asset without such approval is void.

**Information by the issuer**

The issuer must prepare, file to the Central Bank and place on its website monthly statements on issuance of mortgage bonds.

Monthly statements must include information on loans comprising the asset pool and information on the real estate, which is the secured asset for those loans.

In the centralized issuance mode, the monthly statements must in addition provide information on the refinancing loans.

Monthly statements must contain the following aggregate information:

1) information about real estate collateral:
    - > Property type
    - > Property values
    - > Purpose of use
    - > Property location
2) Information about assets:
    - > Cover assets breakdown by nominal amount, loan amount to property value ratio, maturity, expected duration, seasoning, coupon, interest rate reference rate for floating rate loans, region, purpose of loan, and type of collateral
    - > Number and amount of cover assets fully and partially repaid during the reporting period
    - > Number and amount of substituted assets during the reporting period
    - > Reason of substitution by number and amount of assets during the reporting period
    - > Loans with higher than 85 percent loan amount in the cover to property value ratio at the end of the reporting period, which were not substituted.
    - > Size of the corresponding cash collateral account
    - > Number and amount of assets added to cover pool during the reporting period

> Net present value of assets at the end of the reporting period

> Change in net present value of assets from the last reporting period

3) Information about Derivatives:

> Types of derivatives contracts

> Nominal amount of each type of contract at the end of the reporting period

> Intrinsic value of each type of derivatives at the end of the reporting period

> Change in intrinsic value of derivative portfolio from the last reporting period

> Change in net present value of derivatives from the last reporting period

4) Information about Liabilities:

> Covered bond breakdown by maturity or first call date for bonds with embedded options, type of covered mortgage bond issued (fixed or floating), coupon, and duration

> Net present value of covered bonds

5) Information about assets & liabilities management:

> Nominal coverage test, yield coverage test, duration gap, net present value ratio of assets and liabilities

6) Other information defined by the Central Bank's normative legal acts

The participants must also provide loan-by-loan information on historic and scheduled cash flows as well as other information to the centralized issuer enabling it to fulfil its duties defined by law.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### Controller and its Function

The law provides for the notion of controller of the asset pool and their functions.

The controller of the asset pool is the person whose activity is aimed at protecting the bondholders' rights. He imposes control over the cover register and the adequacy of cover assets to liabilities on mortgage bonds, ensuring the bonds are at all times covered adequately, assets are able to be identified and segregated.

The controller checks the compliance with eligibility requirements of the asset before including it into asset pool. He analyses the real estate valuation reports and may demand that only a part of value of the real estate be included in the asset pool.

As soon as a derivative instrument is registered in the registry, the controller informs all the counterparties of the issuer that have signed a derivative instrument with him.

The controller is also responsible for informing the Central Bank about breaches made by the issuer.

The controller inter alia follows the real estate market prices and when notices a substantial (i.e. more than 10%) fall, requires the issuer to reevaluate the real estate comprised in asset pool.

The law obliges the controller to act in the best interests of the bondholders.

### Access to information

The law provides for the necessary access to information by controller. For instance, the issuer is obliged to monthly provide the schedule of cash flows to the controller. The issuer is also obliged to form an expectation of the aggregate duration of assets and liabilities and report the expected aggregate duration gap to the Cover Pool controller. Concerning the requirement for expected aggregate duration of assets exceeding that of liabilities by 3 months, the issuer is obliged to report on it to the controller at least weekly.

The controller may at any time check all the documents concerning the covered bonds and asset pool maintained by the issuer.

Upon the request by the controller the issuer is obliged to provide information on the payments made on loans, as well as any change concerning the assets that might be of interest for the bond-holders.

**Controller requirements and appointment**

The controller is appointed by the issuer. Every issuer must have a controller. The controller may control multiple asset pools of the same issuer.

The Law provides for clear eligibility criteria for the controller, to insure the person is bona fide and that there is no conflict of interest.

The Central Bank is to establish the cover pool controller’s evaluation procedure and professional adequacy criteria.

**Supervision of controller**

The controller is supervised by the Central Bank of the Republic of Armenia.

**Central Bank supervision**

The Central Bank of Armenia is the mega-regulator of the financial sector in the Republic of Armenia, which means CBA is the authority for regulation and supervision of the whole financial sector, including banks and credit organizations.

The Law includes special provisions empowering the Central Bank to supervise banks and credit organizations in the context of covered bond issuance.

Besides the issuers, the Central Bank supervises the controllers as well.

The Central Bank may impose sanctions on issuers and/or its management if:

1) The information contained in the registry is incorrect or inconsistent;
2) The adequacy of cover assets or their eligibility requirements were violated;
3) norms, deadlines and public disclosure procedures on reports were violated, and/or the reports contained untrue or inconsistent information;
4) Issuer did not disclose information subject to disclosure by law on covered bonds;
5) Issuer failed to fulfil an assignment provided by the Central Bank in a manner established by the law on covered bonds;
6) provisions of the law on covered bonds, other normative legal acts on its basis and internal statutory acts of Issuer were violated.

Upon discovering such violations, the Central Bank of Armenia may impose warning and order (to cease the violation, to recover etc.), fine (may not exceed 1% of the nominal capital of the issuer), revocation of Administrator’s license.

**VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS**

The law provides that the issuer may not dispose of the cover assets, except in cases of substituting assets in cases provided by the law. The controller controls that each of the assets may be identified at all times and ensure it can be segregated in case of insolvency of issuer (or a participant, in case of centralized issue).

In case of insolvency or ceasing of license of the issuer, the Central bank appoints a duly qualified mortgage administrator to manage the covered assets.

The mortgage administrator has a fiduciary duty towards the bondholders and is obliged to act in their best interests.

From the moment of ceasing of the license or insolvency decision, the administrator must ensure that all the payment received in connection with covered assets are segregated from issuer's other assets and are paid to a special account opened for these purposes.

The administrator may cease the payments to bondholders or participants for up to three months. In the interests of bondholders, the Central Bank may extend this period for another three months.

In the centralized issuer case, at the time of registration of the refinancing loan by the central issuer in the registry, the first-preference right to the segregated assets in case of participant's insolvency is registered as well. As soon as the participant is insolvent, those assets are segregated and may either be registered on central issuer's name or, by central issuer's consent to another issuer.

The bondholders retain the claim towards the refinancing loans and have the first-preference rights for:

> refinancing loans included in the cover pool and any cash flow deriving from those loans;

> and the mortgage loans which are in the balance sheet of the participant organization and their underlying secured assets (real estate).

The assets included in the centralized issuer's cover pool and their cash flows may be disposed of solely to satisfy the claims of the bondholders and no other creditor of the centralized issuer will have any claims over the assets included in the cover pool and their cash flows until all the claims by bondholders are satisfied. After satisfaction of all the claims by the bondholders, the remaining assets, if any, are returned to the insolvency estate of the insolvent organization for other creditors' claims.

The bondholders are paid on pari passu basis. If the assets comprised in the asset pool are not sufficient to satisfy the claims of bondholders, the latter become unsecured creditors for the purposes of insolvency proceedings for the remaining, unsatisfied part of their claims.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Armenia is not a member of the European Union and it is developing its own risk-weighting regime for covered bonds. There is currently no special regulation for the risk weighting for covered bonds. The most severe risk weight of covered bond denominated in AMD is 100% and 150% for covered bond denominated in FX. At the same time, depending on the issuers' external rating the risk weight can be lesser.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.2 AUSTRALIA

By Chris Dalton and Robert Gallimore, Australian Securitisation Forum

### I. FRAMEWORK

The legal framework is principally contractual, with a statutory overlay enshrined in the Australian Banking Act (Cth) 1959 (Banking Act). The Banking Act contains certain minimum requirements for a covered bond programme (which are discussed in greater detail below) including requirements as to the assets eligible for inclusion in the cover pool, the appointment of a cover pool monitor, the requisite qualifications for a cover pool monitor, minimum overcollateralisation requirements and a cap on issuance. The Banking Act also empowers the Australian bank regulator, the Australian Prudential Regulation Authority (APRA), with certain powers including the power to determine Prudential Standards in relation to covered bonds.

### II. STRUCTURE OF THE ISSUER

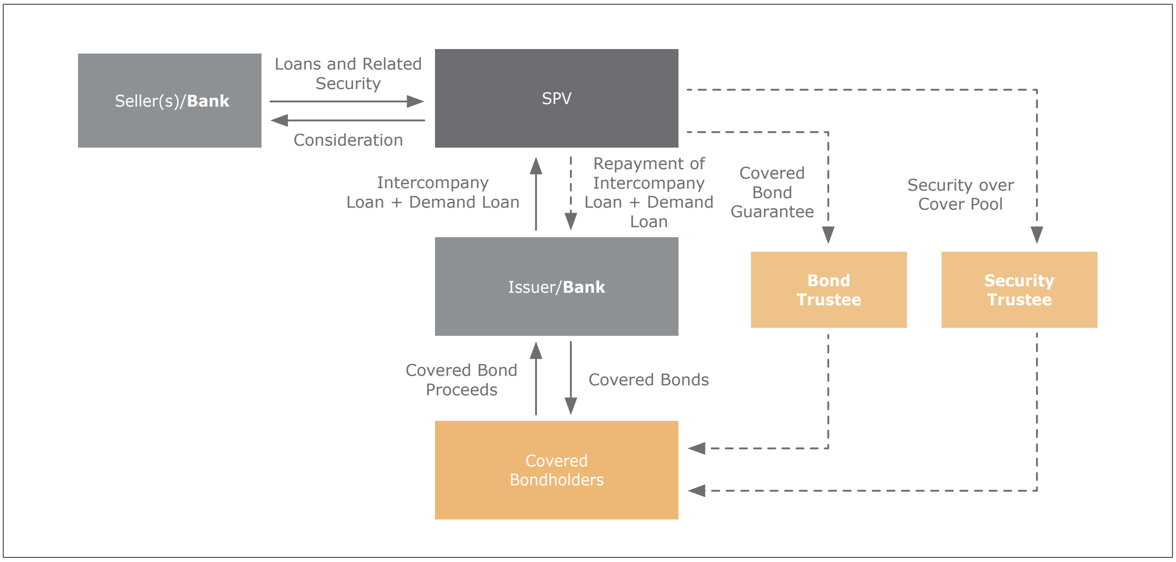
Australian banks, referred to under the Banking Act as "authorised deposit-taking institutions" or "ADIs", are the issuers of covered bonds; not SPVs or any other entity. However, a covered bond special purpose vehicle (the Covered Bond Guarantor) is established which holds the cover pool assets acquired by a true sale from the issuer. The Covered Bond Guarantor is in the form of a trust. It provides a guarantee over the issuer's obligations in respect of issued covered bonds, which guarantee is secured by the granting of a security interest over the cover pool assets in favour of a security trustee.

The guarantee will be called upon if an event of default in respect of the issuer were to occur. At such time, the Covered Bond Guarantor will be required to pay interest and principal on the covered bonds in accordance with the original payment schedule and payments under the covered bonds will not be accelerated. In addition, at such time, the bond trustee (on behalf of the covered bondholders) will make a claim, as an unsecured creditor, against the insolvency estate of the issuer bank. Any amount recovered against the insolvency estate of the issuer bank will be paid to the Covered Bond Guarantor to be held as additional collateral in the cover pool and to be used to make payments under the guarantee.

If an event of default were to occur in respect of the Covered Bond Guarantor, payments under the covered bonds would then be accelerated and become immediately due and payable.

Under the Banking Act, an issuer bank must not issue covered bonds if the value of the assets in the cover pool exceeds 8% of the issuer bank's assets in Australia. Further, if the issuer bank exceeds the 8% cap on issuance in breach of the Banking Act, it will also attract a deduction from its regulatory capital base equal to the value that exceeds 8%.

> Figure 1: Structure




Source: Australian Securitisation Forum

## III. COVER ASSETS

Section 31[1] of the Banking Act sets out the assets that can be included in the cover pool. These are:

a. an at call deposit held with an ADI and convertible into cash within 2 business days;

b. a bank accepted bill or certificate of deposit that:

   1. matures within 100 days; and
   2. is eligible for repurchase transactions with the Reserve Bank; and
   3. was not issued by the ADI that issued the covered bonds secured by the assets in the cover pool;

c. a bond, note, debenture or other instrument issued or guaranteed by the Commonwealth, a State or a Territory;

d. a loan secured by a mortgage, charge or other security interest over residential property in Australia;

e. a loan secured by a mortgage, charge or other security interest over commercial property in Australia;

f. a mortgage insurance policy or other asset related to a loan covered by paragraph (d) or (e);

g. a contractual right relating to the holding or management of another asset in the cover pool;

h. a derivative held for one or more of the following purposes:

   1. to protect the value of another asset in the cover pool; and
   2. to hedge risks in relation to another asset in the cover pool;
   3. to hedge risks in relation to liabilities secured by the assets in the cover pool.

The value of assets in the cover pool which are bank accepted bills or certificates of deposit as referred to in paragraph (b) above must not exceed 15% of the face value of the issued covered bonds.

At the time of publication, all Australian covered bond issuers have limited their programmes to residential mortgage collateral for their cover pools and no such programmes include commercial mortgages.

1 http://www.austlii.edu.au/au/legis/cth/consol_act/ba195972/s31.html.

## IV. VALUATION AND LTV CRITERIA

Contractually, cover pool assets are subject to revaluation every month by way of indexation, which varies between programmes. Please refer to each issuer's individual website for details of the index used and the methodology applied.

LTV criteria – in addition to indexation, for the purposes of calculating the minimum overcollateralisation requirements contained in Section 31A[2] of the Banking Act as well as the monthly asset coverage testing, the following LTV requirements apply:

> Residential mortgages – if the mortgage loan exceeds 80% of the value of the mortgaged property securing that loan then the value of the loan is reduced by the amount of the excess; and

> Commercial mortgages – if the mortgage loan exceeds 60% of the value of the mortgaged property securing that loan then the value of the loan is reduced by the amount of the excess.

## V. ASSET – LIABILITY MANAGEMENT

This is principally a matter for the credit rating agencies in relation to timely payment and their opinions on the value of the pool in liquidation scenarios. The issuers have regard to ECAI's methodologies and criteria to seek to ensure maintenance of AAA ratings.

## VI. TRANSPARENCY

As of January 2026, eight of the nine Australian covered bonds issuers (Australia and New Zealand Banking Group Limited, Bank of Queensland Limited, Bendigo and Adelaide Bank Limited, Commonwealth Bank of Australia, ING Bank (Australia) Limited, Macquarie Bank Limited, National Australia Bank, Westpac Banking Corporation) have adopted the Covered Bond Label.[3]

Since September 2024, the Covered Bond Label Foundation has announced the formal adoption of the Harmonised Transparency Template which is mandatory for all Covered Bond Label issuers. The Harmonised Transparency Template is in line with the Covered Bond Directive, and covers the following areas of each issuer's programme:

> Maturity

> Ratings

> Parties

> Prepayments

> Pool Summary

> Mortgage Pool

> Compliance Tests

> Bond Issuance

> Asset Coverage Tests

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The Banking Act requires that a cover pool monitor be appointed in respect of a cover pool. The cover pool monitor must either be a registered auditor or hold an Australian financial services licence that covers the provision of financial services as the cover pool monitor. The cover pool monitor is appointed by the bank issuer but must be independent and must provide reports in respect of the cover pool to, amongst others, APRA on request. The Banking Act requires the cover pool monitor to undertake specific functions, and report on such functions, biannually. Those functions involve assessing and reporting on the following:

> compliance with the 103% statutory minimum overcollateralisation requirement;

> compliance of the assets in the cover pool with the eligibility requirements under the Banking Act; and

> accuracy of cover pool asset register.

2 http://www6.austlii.edu.au/cgi-bin/viewdoc/au/legis/cth/consol_act/ba195972/s31a.html.

3 https://compare.coveredbondlabel.com/issuers/national/50-au.

In addition, the cover pool monitor is also required contractually to check the arithmetic accuracy of the asset coverage tests on an annual basis.

As the regulator of banks in Australia, APRA has some general powers under the Banking Act with respect to bank issuers but not the Covered Bond Guarantor. For example, under section 11CA(2) of the Banking Act APRA may give a direction to a bank issuer not to transfer any amount or asset to a cover pool. However, APRA may only give such directions in specific and limited circumstances including when APRA has reason to believe that the bank issuer is unable to meet its liabilities, there has been a material deterioration in the bank issuer's financial condition, the bank issuer is conducting its affairs in an improper or financially unsound way, the failure to issue a direction would materially prejudice the interests of the bank issuer's depositors, or the bank issuer is conducting its affairs in a way that may cause or promote instability of the Australian financial system.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Cover pool assets are sold by the bank issuer to the Covered Bond Guarantor, which is a special purpose trust. The sale is a true sale and will be enforceable against the issuer in the event of its insolvency. In addition, the Covered Bond Guarantor will grant a security interest over the cover pool assets in favour of a security trustee which will be recognised at law and will not be enforceable against the Covered Bond Guarantor in the event of its insolvency.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Not in compliance with UCITS because Australian issuers are not domiciled in member states of the EEA.

Risk weighting varies depending upon the jurisdiction concerned, pending standardised risk-weights from the EBA and the outcome of the current Basel consultation.

Covered bonds issued by Australian issuers are currently not eligible assets for repurchase agreements with the ECB or NCBs, or the BoE. There is, however, a view that some Australian covered bonds may be eligible for inclusion in the calculation of LCR in some regulatory jurisdictions.

Covered bonds issued by Australian issuers and denominated in Australian dollars are repo eligible with the Reserve Bank of Australia subject to satisfying an assessment by the Reserve Bank of Australia and the issuer meeting disclosure requirements on an ongoing basis. Furthermore, covered bonds may qualify as Level 2 High Quality Liquid Assets (HQLA2A) for liquidity purposes under APRA's implementation of Basel III LCR guidelines.

There are no special Australian federal or state investment regulations regarding Australian covered bonds.

## X. ADDITIONAL INFORMATION

The development of the Australian covered bond market largely came about due to the financial crisis and the effective seizure of non-sovereign global capital markets through this period. After the events of 2008 and 2009, the Australian Federal government recognised the need for increasing funding diversity within the Australian banking system. The Australian Federal government subsequently passed changes to the Banking Act, enabling banks to issue covered bonds in the form prescribed by the Banking Act. The first covered bond issuances from Australian banks occurred in late 2011. Issuance volumes subsequently increased dramatically through 2012 as issuers properly established their programmes in global bond markets.

In principle, Australian ADIs have three primary term funding options for their balance sheets: senior unsecured bonds, residential mortgage backed securitisation and covered bonds. In practice, the larger institutions have effective access to all three options while smaller institutions principally issue senior unsecured bonds and residential mortgage backed securities for term funding.

It is expected that Australian covered bond issuers will continue to use their issuance capacity sparingly; balancing maintaining a global market presence against the higher all-in funding costs associated with covered bonds and program management costs (in comparison to funding through senior unsecured bonds or residential mortgage backed securities), and the need to be able to respond quickly to deterioration in funding conditions. Feedback from a range of market participants suggests that this funding strategy may drive a scarcity premium in terms of the relative valuation of Australian covered bonds against other forms of Australian bank secured financing and other global covered bond markets.

**Issuers:** There are nine issuers of Australian covered bonds. These are Westpac Banking Corporation, National Australia Bank Limited, Australia and New Zealand Banking Group Limited, Commonwealth Bank of Australia, Suncorp Bank Limited, Macquarie Bank Limited, Bank of Queensland Limited, ING Bank Australia Limited and Bendigo and Adelaide Bank Limited. These nine Australian based banks have primarily issued soft bullet covered bonds other than Bank of Queensland Limited which has issued conditional pass-through covered bonds (CPTCB) in the past and was the first and only Australian ADI to issue a covered bond in that format.

Covered Bond Label : Australia and New Zealand Banking Group Limited (1 pool), Bank of Queensland Limited (1 pool), Bendigo and Adelaide Bank Limited (1 pool), Commonwealth Bank of Australia (1 pool), ING Bank (Australia) Limited (1 pool), Macquarie Bank Limited (1 pool), National Australia Bank (1 pool), Westpac Banking Corporation (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.3 AUSTRIA

By Jochen Deiss, Raiffeisen-Landesbank Steiermark AG, and Heiko Langer, Erste Group Bank AG

### I. FRAMEWORK

The legal basis for the issuance of covered bonds in Austria is the Mortgage Bond Act "Pfandbriefgesetz – PfandBG[1]", which came into effect on July 8th, 2022. This law replaced the previous frameworks of:

1. Hypothekenbankgesetz: Mortgage Banking Act (Law of 7/13/1899) – HypBG "Pfandbriefe"
2. Gesetz betreffend fundierte Bankschuldverschreibungen:
   Law on Secured Bank Bonds (Law of 12/27/1905) – FBSchVG „Fundierte Bankschuldverschreibungen"
3. Pfandbriefgesetz: Mortgage Bond Act (Law of 12/21/1927) – PfandbriefG "Pfandbriefe"

Replacing the three frameworks with a single Mortgage Bond Act brought increased transparency and reduced complexity. Further improvements included features, such as the introduced risk management system, improved supervision by national authorities and a standardised reporting that is geared to the ECBC Harmonised Transparency Template.

### II. STRUCTURE OF THE ISSUER

Only duly authorised credit institutions, with a special license to such effect, have the right to issue covered bonds. Credit institutions that had already issued covered bonds under the legacy framework were allowed to retain their concession under the Mortgage Bond Act. However, to issue new Pfandbriefe under the new Mortgage Bond Act, they were required to formally apply for supervisory authority approval of their cover pool programmes. The issuer either holds the cover assets on its balance sheet or uses another bank's eligible claims as cover assets, which is permitted under joint funding rules. The assets are not transferred to a separate legal entity anyway. The following principles are the corner stones of the investor protection offered to holders of Austrian covered bonds:

1. Dual recourse, meaning that covered bond investors have both a claim against the issuer and, in case of insolvency or resolution of the issuer, a priority claim against the principal and any accrued and future interest on covered bonds,
2. Bankruptcy remoteness, meaning that covered bonds are not subject to automatic acceleration upon insolvency or resolution of the issuer, and
3. Special administrator, meaning a person or entity appointed to administrate a covered bond programme in the event of the insolvency of the issuer.

### III. COVER ASSETS

The Mortgage Bond Act defines two different qualities of eligible cover pool assets:

1) Assets subject to CRR[2] Art 129 (1) that conform to CRR Art 129 (1a) – (3), e.g. risk positions vis-à-vis or guaranteed by public sector entities (central governments, central banks, regional governments or local authorities), loans secured by residential or commercial property and loans secured by ship liens or
2) high-quality cover assets that constitute a claim for payment which is secured by physical collateral assets recorded in a public register.

Only Covered Bonds covered by assets of the first quality category (CRR Art 129 compliant) qualify themselves to be labelled as "European Covered Bond (Premium)" and can hereby be seen as the legitimate successor of all legacy Austrian Covered Bonds. However, both quality types may only be used in separated cover pools.

1 Austrian Federal Law Gazette 2021/I/199

2 Directive (EU) 575/2013 as amended by December 2019 and legally effective as of July 8th, 2022

The Mortgage Bond Act also defines three distinct types of covered bonds, depending on the cover assets used as collateral. Covered bonds backed by mortgage loans are referred to as "Hypothekenpfandbriefe", while covered bonds backed by public sector or public sector guaranteed assets are referred to as "Öffentliche Pfandbriefe". Covered bonds backed by loans secured by ship liens are referred to as "Schiffspfandbriefe". For each of these types, the issuer has to form at least one separate cover pool. However, an issuer has the possibility to form more than one cover pool within a certain covered bond type and hereby create distinct pools for sub-categories (e.g. just retail mortgage loans).

The quoted primary cover assets for each type (i.e. public sector debt, mortgage loans or ship liens) have to represent at least 85% of the collateral required to secure the outstanding covered bonds. The remaining 15% can consist of substitute cover assets that meet the requirements of Art. 129 par. 1 of the CRR.

The geographical scope of eligible mortgage assets is restricted to EU / EEA countries, Switzerland and the United Kingdom.

Derivative contracts are allowed in the cover pool if they are entered to hedge interest rate, currency and credit default risks. Derivatives are only allowed for hedging and there is no limit in place on the volume of derivatives in the cover pool. However, the volume of derivatives in the cover pool has to be adjusted or eliminated if the underlying risk decreases or ceases to exist.

## IV. VALUATION AND LTV CRITERIA

The Mortgage Bond Act stipulates conditions for physical property valuation that are modelled on CRR Art 229. It determines that the valuation must be carried out by an appraiser with necessary qualifications who is independent from the lending process. He may not take into account speculative elements in the assessment of the mortgage lending value and has to document that value in a transparent and clear manner. At the time of inclusion of the cover assets in the cover pool, the (reviewed) property value may not be older than one year, in compliance with CRR Art 129 (3).

LTV (loan to value) limits are not explicitly addressed by the Mortgage Bond Act, but deduced from CRR Art 129 (1) lit d, f and g. For residential mortgages, an 80% LTV limit applies. The LTV limit for commercial mortgage loans is set at 60%. The same 60% limit applies to ship liens.

Issuing banks may legally commit themselves to lower LTV limits for their covered bond programmes by recording in the statutes of the issuing institution.

## V. ASSET – LIABILITY MANAGEMENT

Austrian covered bonds are subject to a matching principle whereby the total volume of assets in the cover pool must at least cover the total nominal amount of outstanding covered bonds as well as net interest liabilities from the covered bonds, net liabilities from derivatives and expected costs related to maintenance and administration for the winding-down of the covered bond programme. In addition, nominal overcollateralization of 2% of the outstanding amount of covered bonds must be maintained. The excess cover can be provided by primary cover, substitute cover, liquid funds eligible for the liquidity buffer or derivative claims. Issuers can voluntarily commit themselves to net present value cover calculations by statute. This also includes a minimum overcollateralization of 2%. The requirements of the nominal cover calculation and overcollateralization must also be met in this case.

The Mortgage Bond Act contains an obligation for issuers to maintain a liquidity buffer. The liquidity buffer is intended to cover the net liquidity outflows of the programme (related to cover pool and outstanding covered bonds) for the next 180 days. Assets that meet the requirements of Level 1, 2a or 2b of the EU Liquidity Coverage Requirement (LCR) Regulation can be used to fill the buffer. Unsecured exposures to credit institutions that also meet the criteria for substitute cover are also permitted. However, these may account only for a maximum of 15% of the liquidity buffer. To prevent a double burden for issuing banks caused by overlapping liquidity buffer requirements (Covered Bond Directive vs. LCR-DelReg[3]), the EU Commission amended the LCR-DelReg (legally effective as of July 8th, 2022) such that the required liquidity buffer assets held in the cover pool shall be deemed to be unencumbered during the 30 calendar day LCR stress period.

Issuers can opt to issue covered bonds that provide for a potential 12-months maturity extension in the event of an insolvency of the issuer (soft bullet). The postponement may not be at the discretion of the issuer. In the event of insolvency, the special administrator may trigger the postponement if he is convinced that the liabilities can be serviced in full at the extended maturity date.

If an institution issues covered bonds with a possible maturity extension, the following information must be provided in the bond terms and conditions:

> Trigger event of the maturity extension;
> Maximum period of maturity extension of the covered bond;
> Possible effects of the insolvency of the issuer;
> Role of the supervisory authority and the special administrator.

## VI. TRANSPARENCY

Issuers are legally required to publish information about their programmes on their websites on a quarterly basis. The following information must be published according to the Mortgage Bond Act:

> Amount of cover pool and outstanding bonds;
> Listing of ISIN numbers of all issues made;
> Geographic distribution and type of cover assets, size of loans, and valuation method;
> Information on market risk, including interest rate risk and currency risk, as well as credit and liquidity risks;
> Maturity structure of cover assets and outstanding bonds; overview of maturity extension triggers, if applicable;
> Amount of required and available coverage, including amount of statutory, contractual and voluntary overcollateralization;
> Share of loans defaulted in accordance with CRR Art 178 and in any case share of non-performing loans in the cover pool.

Quarterly cover pool reports published by the Austrian issuers organized in the Austrian Covered Bond Forum can be found at the forum’s website: https://www.wko.at/oe/pfandbriefforum/start.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The cover pool is monitored by a trustee (“Treuhänder”), who is appointed by the credit institution and is notified to the Austrian Finance Market Authority. The trustee is liable according to the Austrian Civil Code. The trustee has to ensure that the prescribed cover for the covered bonds exists at all times and that the cover assets are recorded correctly in the cover register. Without his or her approval, no assets may be removed from the cover pool. Before the issuance of a covered bond, the trustee has to certify that both sufficient coverage and correct recording in the cover register exist. Any disputes between the issuer and the trustee would be settled by the regulator.

3 Commission Delegated Regulation (EU) 2015/61

In case of insolvency proceedings, the Bankruptcy Court must appoint a joint special representative of the covered bond creditors ("Kurator") according to the Austrian insolvency regime.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The Cover Register ("Deckungsregister") in which all cover assets are entered permits the identification of the cover assets. All mortgages, public-sector loans, ship liens, substitute cover assets and derivative contracts which form part of the cover must be registered in the cover register.

The issuers must not include a loan (or derivative contract) in the cover pool before the debtor (or the counterparties of derivative contracts) has agreed with this. The issuer must also notify the debtor of his intention to include a loan in the cover pool before doing so and that it is not allowed to discharge his debt through any set-off. An exemption from the general prohibition of set-off applies to derivative contracts, when the set-off (or netting) occurs in respect of receivables arising under one and the same Master Agreement (i.e. pertaining to the cover assets).

The legal effect of registration is that, in the case of insolvency of the issuer, the assets which form part of the separate legal estate (the so-called "Sondermasse") can be identified: All values contained in the register would be qualified as part of the separate legal estate.

While the bank carries out the daily administration of the cover register, it is the cover pool monitor who supervises the required cover und registration in the cover register.

### Asset segregation

Cover assets may only be enforced by the covered bond creditors (or counterparties of derivative contracts which form part of the cover pool).

If the issuer becomes insolvent, the cover assets are segregated from the remainder of its assets. The cover assets form what is known as "Sondermasse" (pool of special assets) and are earmarked for the claims of the covered bond holders. Any voluntary overcollateralization is also bankruptcy-remote. Only cover assets that are evidently not needed to satisfy the claims of the covered bond holders are passed back to the issuer's general insolvency estate.

The cover assets are managed by a special administrator ("besonderer Verwalter"), who is appointed by the bankruptcy court after consultation with the Austrian regulator (the FMA). The special administrator has the right to manage and dispose of the recorded assets.

### Impact of insolvency proceedings on covered bonds and derivatives

Covered bonds are not automatically accelerated in case of insolvency of the issuer, but will be repaid at the time of their contractual maturity. The cover assets are administered in favour of the bond holders and any claims of the covered bond holders in respect of interest or principal repayments are to be paid (primarily) from the cover assets. Equally, in respect of derivatives which belong to the pool, there is no (immediate) legal consequence of insolvency and the counterparty claims as derivative transactions rank pari passu with the claims of the covered bond holders.

### Preferential treatment of covered bond holders

Covered bond holders enjoy preferential treatment, as the law stipulates the separation of the cover assets on the one hand and the insolvency estate on the other hand. To the extent that they are not satisfied from the cover assets, the covered bond holders may also participate in the issuer's general insolvency proceedings. Only if the cover assets do not suffice to satisfy the covered bond creditors are the covered bonds accelerated.

**Access to liquidity in case of insolvency**

Once appointed, the special administrator for the cover pool has the duty to manage the cover pool in order to satisfy the claims of the covered bond holders. The administrator may, for example, sell assets in the cover pool or enter into a bridge loan in order to create liquidity to service the bonds in issue.

The administrator also has access to any voluntary overcollateralization, which is considered bankruptcy-remote. Any surplus collateral may only be transferred back to the insolvency estate to the extent that it is evident that it will not be needed to cover the claims of the covered bond holders.

**Sale and transfer of mortgage assets to other issuers**

By virtue of his or her appointment, the special administrator has the right to manage and dispose of the cover assets. In particular, the special administrator must collect the cover assets according to their contractual maturity.

The special administrator is also entitled to sell the assets collectively to a separate credit institution. This institution must then take over all liabilities with regard to the covered bonds. In fact, one of the tasks of the special administrator is to find a suitable credit institution that will buy the assets collectively. If a sale is not feasible, the cover pool administrator has to continue the servicing of the cover pool and the outstanding covered bonds.

**IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

The legislation, when taken together with the practices, processes and procedures across the industry falls within the criteria of Article 129 of the CRR. Austrian covered bonds fulfil the criteria of Article 52(4) of the UCITS Directive as well as those of Article 129 of the CRR. This results in a 10% risk-weighting in Austria and other European jurisdictions where a 10% risk-weighting is allowed.

Austrian covered bonds are eligible in repo transactions with the National Central Bank.

**Issuers:** BAWAG P.S.K. Bank für Arbeit und Wirtschaft und Österreichische Postsparkasse AG, Erste Group Bank AG, Allgemeine Sparkasse Oberösterreich Bank AG, Bausparkasse der österreichischen Sparkassen AG, Volksbank Wien AG, Kommunalkredit Austria AG, Raiffeisen Bank International AG, Raiffeisenlandesbank Oberösterreich AG, Raiffeisenlandesbank Niederösterreich-Wien AG, Raiffeisen-Landesbank Steiermark AG, Raiffeisen-Landesbank Tirol AG, Raiffeisenverband Salzburg, Raiffeisenlandesbank Vorarlberg, UniCredit Bank Austria AG, HYPO NOE Landesbank AG, HYPO Tirol Bank AG, Hypo Vorarlberg Bank AG, HYPO Bank Burgenland AG, Austrian Anadi Bank AG, Hypo Oberösterreich, BKS Bank AG, Oberbank AG, BTV-Bank für Tirol und Vorarlberg AG, Bausparkasse Wüstenrot.

COVERED BOND LABEL: UniCredit Bank Austria AG (2 pools), Erste Group Bank AG (2 pools).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.4 BELGIUM

By Dries Janssens, Belfius Bank

### I. FRAMEWORK

The legal basis for Belgian covered bonds is incorporated into the banking law, meaning the law of 25 April 2014 on the status and the supervision of credit institutions (the "Banking Law"). The legislation with respect to Belgian covered bonds has been supplemented by two Royal Decrees and several regulations.

The following gives an overview of the legislative framework for Belgian covered bonds:

> The Law of 25 April 2014 on the status and supervision of credit institutions (*Wet van 25 april 2014 op het statuut van en het toezicht op kredietinstellingen/Loi du 25 avril 2014 relative au statut et au contrôle des établissements de crédit*), as amended by the Law of 26 November 2021 (the "**Banking Law**");

> The Law of 3 August 2012 on various measures to facilitate the mobilization of claims in the financial sector (the "**Mobilisation Law**");

> The Royal Decree of 11 October 2012 on the issuance of Belgian covered bonds by Belgian credit institutions"), as amended by the Royal Decree of 15 February 2022 (the "**Covered Bond Royal Decree**");

> The Royal Decree of 11 October 2012 on the cover pool administrator in the context of the issuance of Belgian covered bonds by a Belgian credit institution, as amended by the Royal Decree of 15 February 2022 (the "**Cover Pool Administrator Royal Decree**");

> The Regulation of the National Bank of Belgium ("NBB") concerning the practical modalities for the application of the Law of 25 April 2014 as amended by the law of 26 November 2021 in view of transposing Directive (EU) 2019/2162 (the "**NBB Covered Bonds Regulation**"); and

> The Regulation of the NBB addressed to the cover pool monitors of Belgian credit institutions that issue of Belgian covered bonds (the "**NBB Cover Pool Monitor Regulation**").

### II. STRUCTURE OF THE ISSUER

Belgian covered bonds can be issued by credit institutions established in Belgium. However, such institutions first need to be licensed by the NBB as covered bond issuer (general authorization as issuer) and also the covered bond program itself needs to get approval from the NBB (specific program license).

An extensive issuer license file detailing aspect like its strategy, solvency, risk management, asset encumbrance, IT systems, internal audit, etc. needs to be submitted. At program level the issuer has to detail the impact of the covered bond issuance on its overall liquidity, the quality of the cover assets and maturity matching of assets/liabilities in the program. The statutory auditor of the issuer has to report to the NBB on the organizational capacity of the credit institution to issue and follow up the covered bonds.

The license is conditional upon respecting the program limits that the NBB has approved. If licensed, the issuer and the program(s) are added to specific lists that are available for consultation on NBB's website.

The NBB can impose an issuance limit on covered bonds to protect the other creditors of the issuer.

At program level a distinction is made between Article 129 CRR-compliant European covered bonds (premium), i.e. "Belgian pandbrieven/lettres de gage", and non-Article 129 CRR-compliant European covered bonds, i.e. "Belgian covered bonds". The denomination of both terms is protected by law. However, the way that the Banking Law and the Royal Decree are stipulated, makes that in practice the Belgian credit institutions are only able to issue Article 129 CRR-compliant European covered bonds (premium). Therefore, in what follows we will only concentrate on the Belgian pandbrieven.

Consultation of the NBB's website will hence give an overview of:

- Belgian credit institutions licensed to issue covered bonds
- Belgian pandbrieven programs and their specific issuances, confirming as well their status as European covered bonds (premium)

When a credit institution issues Belgian pandbrieven, its assets consist by operation of law of its general estate on the one hand and (one or more) separate, ringfenced "special estate(s)" on the other hand. Assets become part of the cover pool upon registration in a register held by the issuer for such purpose. As of that moment these assets form part of the special estate and are excluded from general bankruptcy claw back risk.

The Belgian pandbrieven investors have a direct recourse to (i) the general estate of the issuing credit institution (i.e. repayment of the Belgian pandbrieven is an obligation of the issuing bank as a whole) and (ii) the special estate, that comprises the cover pool that is exclusively reserved for the Belgian pandbrieven investors under the specific program to which the special estate is attached and for the claims of other parties that are or can be identified in the issue conditions.

When insolvency proceedings or resolution proceedings are opened with regard to the issuing credit institution, by operation of law, Belgian pandbrieven investors fall back on the cover pool assets (= the special estate) for the timely payment of their bonds but at the same time they continue to have a claim against the insolvent general estate. Creditors that are not related to the special estate do not have any recourse to these cover pool assets.

## III. COVER ASSETS

All assets and instruments that are legally segregated for the benefit of the Belgian pandbrieven investors in a segregated estate constitute the cover pool. The cover pool can be composed of assets that are part of any of the following categories:

- category 1: residential mortgage loans
- category 2: commercial mortgage loans
- category 3: exposure to the public sector
- category 4: exposure on financial institutions, in the form of short-term notes (max 3 months), short-term deposits (maximum initial term 100 days) or derivatives

These four general categories are subject to further eligibility criteria:

- geographical scope: OECD, except for category 1 and 2 that are further restricted to EEA;
- for the mortgage loans mentioned in category 1 and 2: the loans need to be guaranteed by first line (and subsequent lower ranking) mortgages on residential respectively commercial properties located in the EEA. Mortgage loans with properties under construction/in development can only be added to the cover pool if they do not represent more than 15% of all the mortgage loans taken up in the cover pool. Residential real estate is defined as real estate property that is destined for housing or for leasing as housing by the owner. Commercial real estate is real estate property that is primarily used for industrial or commercial purposes or for other professional activities such as offices or other premises intended for the exercise of a commercial or services activity;
- for category 3: exposure to the public sector can only be (i) exposure to or guaranteed by central governments, central banks, public sector entities, regional governments and local authorities or (ii) exposure to or guaranteed by multilateral development banks or international organizations that qualify as a minimum for a 0% risk weighting as set out in article 117 and 118 CRR;

> for category 4: only exposures to counterparties with credit quality step 1 or step 2 as set out in Article 136 CRR. Maximum 10% exposure to credit quality step 2. Total exposure to category 4 maximum 15%. For derivatives, (i) they cannot be terminated upon insolvency/resolution of the issuing credit institution; (ii) they must be under a separate credit support annex (CSA); (iii) group related entities are not eligible; (iv) only LCR level 1 assets are eligible for collateral posting; and (v) they can only be used to cover interest rate risk or currency risk.

The cover pool can be composed of assets out of each of the four categories. But for each program (and accordingly for each segregated estate), assets out of one of the first three categories (so either residential mortgage loans, commercial mortgage loans or exposure to public sector) need to represent a value of at least 85% of the nominal amount of Belgian pandbrieven outstanding under such program. In practice this comes down to three types of Belgian pandbrieven programs that can be set up: residential mortgage covered bond program, commercial mortgage covered bond program or public covered bond program. How such value is determined, is explained in the following chapter.

## IV. VALUATION AND LTV CRITERIA

The valuation rules of the cover assets determine the maximum amount of Belgian pandbrieven that can be issued. The value of the cover assets of each of the categories as mentioned in the section above will be determined as follows:

> category 1: minimum of [the outstanding loan amount, 80% of the value of the mortgaged property, the mortgage inscription amount (which can include Belgian mortgage mandates but upon the condition that there is a first lien mortgage inscription of at least 60% related to one and the same property].

> category 2: minimum of [the outstanding loan amount, 60% of the value of the mortgaged property, the mortgage inscription amount].

> category 3: value is equal to the book value (nominal amount outstanding).

> category 4: for derivative exposure, the value is based on the close-out amount. For short-term deposits and short-term notes the value is based on the book value.

Additional valuation rule applicable to any category: in case of delinquencies above 30 days, the value as determined per category is reduced by 50%. In case of default, no value can be given anymore.

When it comes to property valuation (applicable to cat 1 and cat 2), the royal decree stipulates that this should be done at or below market value. The value of the real estate has to be controlled at least annually.

## V. ASSET-LIABILITY MANAGEMENT

Each issuer is required to perform several asset cover tests. The first one has been already mentioned in section III and requires that the value of either category 1, 2 or 3 is at least 85% of the nominal amount of Belgian pandbrieven (the "**85% asset coverage test**"). Secondly the value of the cover assets has to exceed the nominal amount of Belgian pandbrieven by 5% at all times (5% overcollateralisation) (the "**overcollateralisation test**"). Finally, the sum of the interest, principal and other revenues has to be sufficiently high to cover for the sum of interests, principal and other costs due under/with regard to the Belgian pandbrieven, as well as any other obligation of the Belgian pandbrieven program (the "amortization test").

Next to the asset cover tests, a liquidity test has to be performed whereby the issuer calculates its maximum net liquidity outflow within the next 180 days (the "**liquidity test**"). This amount has to be covered by (sufficiently) liquid cover assets. Liquid assets are assets that (i) meet the cover asset eligibility criteria and (ii) qualify as Level 1 LCR assets or category 4 short-term notes or category 4 short-term paper.

If an issuing credit institution fails to meet the requirements of the liquidity test, it has 14 days to take the necessary redress measures. As long as an issuing credit institution has not taken the necessary redress measures, it is not allowed to issue new Belgian covered bonds.

The issuer is also required to manage and limit its interest and currency risk related to the program and will be able to sustain severe & adverse interest/exchange rate movements.

Finally, it is important to highlight that the tests have to be met on a daily basis. It is the task of the cover pool monitor to verify at least once a month whether the issuer is compliant with all the tests.

An issuer will have the possibility to create retained Belgian pandbrieven for liquidity purposes.

## VI. TRANSPARENCY

The royal decree imposes monthly investor reporting. It sets minimum disclosure criteria.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

A Belgian credit institution licensed to issue Belgian pandbrieven is subject to special supervision by the NBB as well as the permanent control by a cover pool monitor.

The cover pool monitor:

> is chosen by the issuer from those persons appearing on the official list of certified/statutory auditors established by the NBB;

> shall be appointed subject to prior approval from the NBB;

> cannot be the certified/statutory auditor of the issuer.

The main tasks of a cover pool monitor consist of ensuring compliance with legal and regulatory requirements, e.g. are the cover assets duly recorded in the register, do the cover assets fulfil the eligibility criteria, is the value correctly registered, etc. The cover pool monitor is required to perform these tasks not only on an ongoing basis, but also prior to the first issuance of Belgian pandbrieven by the credit institution. The ongoing verifications must be done at least once a month.

Next to that the cover pool monitor has a reporting obligation towards the NBB on several aspects such as level of overcollateralisation and results of the different tests that have to be performed. The issuer is obliged to provide full cooperation to the cover pool monitor and shall give the cover pool monitor the right to review the register, loan documents, accounting book, or any other document. The NBB at its discretion can ask the cover pool monitor to perform other tasks and verifications.

If the NBB considers that a category of Belgian pandbrieven no longer fulfills the criteria or the issuer no longer fulfills its obligations, it can withdraw the license of the issuer and consequently withdraw the issuer from the list of Belgian covered bond issuers. Such a deletion from the list will be reported to the European Commission but does not have consequences for existing Belgian pandbrieven holders.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Assets need to be registered before they form part of the segregated estate. The law protects these registered assets (including all collateral and guarantees related to such assets) from a claim of the creditors of the insolvent general estate and therefore they are not affected by the start of insolvency proceedings against the issuer. Also, any assets that would be posted via a CSA that is in place would be protected from insolvency proceedings as it is required to register these types of assets as well, although as explained before one cannot consider those as pure cover assets.

The cover assets once registered are exclusively and by operation of law reserved for the benefit of the Belgian pandbrieven investors and other creditors that might be linked to the program (e.g. a swap counterparty of which the derivative is included in the cover pool). These creditors also have a claim on the general estate. Only when all obligations at program level have been satisfied, will any remainder of assets of the segregated estate return to the general estate of the issuer. Before such time, the bankruptcy receiver of the credit institution, in consultation with the NBB, could ask the restitution of cover assets if and when there is certainty that not all assets will be necessary to satisfy the obligations under the Belgian pandbrieven program.

Commingling risk has been addressed in the Belgian framework both pre- and post-insolvency. Collections received from cover assets as of the date of bankruptcy will by law be excluded from the insolvent general estate. Registered collections received from the cover assets before the date of bankruptcy are part of the segregated estate and legally protected via the right of 'revindication'. Pursuant to this mechanism, if collections from the cover assets cannot be identified in the general estate, unencumbered assets in the general estate will be selected by taking into account criteria specified in the issue conditions. Set-off and claw back risk have been addressed by the Mobilisation Law.

Upon the initiation of bankruptcy proceedings or the instruction of an exceptional recovery measure by the competent supervisor with regard to the credit institution, or even before whenever the NBB considers it to be necessary (e.g. at the moment the license is withdrawn), a cover pool administrator ("gestionnaire de portefeuille") will be appointed that will take over the management of the Belgian pandbrieven program from the credit institution. The cover pool administrator (appointed by the NBB) is legally entrusted with all powers that are necessary for the management of the segregated estate, and can take all such actions (some in consultation with/upon approval of both the NBB and the representative of the noteholders) required to fulfill in a timely manner the obligations under the Belgian pandbrieven. Such actions could consist in a (partial) sale of the underlying cover assets, taking out a loan, issuance of new bonds to use for ECB purposes or any other action that might be needed to fulfill the obligations. Acceleration of the Belgian pandbrieven is not possible, unless after the appointment of a cover pool administrator:

> noteholders would decide otherwise;

> (after consultation with the noteholders' representative and with the consent of the NBB) it is clear that further deterioration of the cover assets would lead to a situation whereby it is impossible to satisfy the obligations under the Belgian pandbrieven (i.e. in a situation of insolvency of the cover pool).

The bankruptcy receiver has a legal obligation to cooperate with the NBB and the cover pool administrator in order to enable them to manage the special estate in accordance with the law.

The Cover Pool Administrator Royal Decree specifies the tasks of the cover pool administrator. These include, amongst other things, to procure the payment of interest and principal on the Belgian covered bonds, collection of moneys from the cover assets (including any enforcement), entering into relevant hedging and liquidity transactions and carrying out of certain administrative tasks. The cover pool administrator will also have to test compliance with the cover tests and inform the NBB and the noteholders' representative thereof.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation when taken together with the practices, processes and procedures across the industry should fall within the criteria of Article 129 CRR.[1] Belgian pandbrieven comply with the requirements of Article 129 CRR if and to the extent they are listed by the NBB as such.

**Issuers:** Argenta Spaarbank, Belfius, BNP Paribas Fortis, KBC and ING Belgium.

Covered Bond Label **:** Argenta Spaarbank NV/SA (1 pool), Belfius Bank (2 pools) and BNP Paribas Fortis NV/SA (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.5 BRAZIL

By ABECIP – The Brazilian Association of Real Estate Loans

### I. LEGAL FRAMEWORK

On 19 January 2015, the Letra Imobiliária Garantida ("LIG") – Brazilian Covered Bonds – was created by Law 13.097 (Articles 63 to 94), which defined their main characteristics and structure, with due regard for CBs best international practices. The LIG is a transferrable, freely tradable security issued directly and exclusively by financial institutions approved by the BCB and registered with a central depositary, also approved by the BCB.

This law delegated to the National Monetary Council ("CMN"), and the Central Bank of Brazil ("BCB"), the secondary regulations for LIGs. The CMN, in turn, edited in 2017, among others, Resolution 4.598, detailing the regulations for issuers and fiduciary agents of LIGs. Resolutions CMN 5.001 (March 2022) and BCB 225 (April 2022) consolidated the previous rules, with no material change. As secondary regulations, the BCB edited Circulars 3.866 and 3.872, in 2017, 3.891, 3.895 and 3.896, in 2018.

This law also attributed to the Brazilian Securities and Exchange Commission ("CVM") the regulation for public offerings of LIGs in the local Market, which was implemented through CVM resolution nº 8 of 2020.

Brazilian financial institutions are regulated by the National Monetary Council in its capacity as the collegiate regulator of the National Financial System, and by the BCB which also supervises them.

### II. STRUCTURE OF THE ISSUER

In addition to the issuing institution's direct responsibility for their redemption, LIGs are collateralised by financial assets owned by the financial institution, and which must be identified and segregated from its regular assets, thereby comprising segregated assets referred to as the Cover Pool, protected by a trust scheme for legal purposes called "Regime Fiduciário" (Fiduciary Regime). Although these remain under the management of the issuing institution, they must have their own controls and bookkeeping. The composition of the Cover Pool must comply with the specifications and limits stipulated in the law and regulations already mentioned, and their management by the issuing institution is subject to monitoring by a Fiduciary Agent approved by the monetary authority for that purpose, in addition to supervision by the Central Bank of Brazil of the issuing institution's role as the trustee.

### III. COVER POOL

The Cover Pool can only be composed of:

(i) Mortgage loans,

(ii) National Treasury securities,

(iii) derivatives instruments (for hedging purposes only) and

(iv) cash and cash flows arising from the assets that are part of the Cover Pool.

i.1) Mortgage loans mean loans resulting from the following transactions:

a) financing for the acquisition of residential or non-residential property,

b) financing for the construction of residential or non-residential property,

c) financing for legal entities to produce residential or non-residential property, and

d) personal loans guaranteed by a mortgage or fiduciary lien on residential properties and insurance cover ("home equity").

i.2) However, mortgage loans can only be included in the Cover Pool if the following criteria are met:

a) performing credits only,

b) free of any type of encumbrance,

c) guaranteed by a first-degree mortgage or by a secured fiduciary lien on the property,

d) financing for construction, only if the property development is subject to a special regime which segregates a specific construction financing from all other liabilities of the developer, and

e) the credit risk rating of the transaction is not less than "B" (in a scale that goes from AA to H).

It should be emphasized that the Cover Pool should have an over-collateral of no less than 5% of the LIGs issued, while the mortgage loans should represent at least 80% of the total amount of the Cover Pool.

## IV. VALUATION AND LTV CRITERIA

The LIG issuer may incorporate into the contract the revaluation and the LTV limits criteria.

The LTV criteria for the property given as collateral for the credits linked to the real estate assets of the LIG shall abide by the following maximum percentages:

> Residential financing – 80% of the value of the property evaluation;

> Commercial financing – 60% of the value of the property evaluation;

> Home equity – 60% of the value of the property evaluation; and

> Financing for construction – 80% of the ratio between the restated nominal amount of the financing, and the property's production cost.

The value of the guarantees in order to check the LTV will be verified, as mentioned above, by the issuer at the most every three years.

## V. ASSET AND LIABILITY MANAGEMENT

The issuing institution must undertake stress testing capable of measuring the impact of the main risk factors to which the Cover Pool is exposed in relation to the sufficiency requirement.

To comply with this rule, at least the interest rate risk and, when applicable, the currency risk must be factored in. The frequency of the stress testing and the holding period must be at least quarterly.

These stress tests must be carried out by the issuing institution using its own methodology based on consistent, documented and verifiable criteria, assumptions and procedures, especially bearing in mind:

> rates, indices, terms and other material information involving the nature and complexity of the Cover Pool and the LIGs guaranteed by it;

> individual effects of the risk factors, as well as the interaction between these factors;

> historical elements represented by historical series of the values of each risk factor, covering at least the five years preceding the date when the test is carried out;

> hypothetical elements that consider new information and the possibility of emerging risks not incorporated by the historical elements;

> effects arising from scenarios that simulate extreme market conditions on each risk factor, incorporating the correlation effects;

> forward interest rate structure as a risk factor, using at least the same vertexes defined when calculating the present values;

> asymmetries, non-linearities, correlation breakages and other assumptions; and

> counterparty risk involving derivative instruments, when applicable.

Regarding the liquidity requirement, the assets portfolio shall contain liquid assets in an amount equivalent to the LIG-related commitments secured by the Portfolio and falling due in the next 180 days.

## VI. TRANSPARENCY

The Brazilian legislation requires a series of reports and records that must be kept up to date and monitored by the issuer, the LIG trustee and by the BCB, among which we would draw attention to:

(i) The Issuer, in managing the Cover Pool, must:

> make available on the internet documentation about the methodologies adopted for complying with the requisites of the Cover Pool;

> disclose on a quarterly basis, in the notes to the financial statements, information showing the status of the Cover Pool, as well as the percentage ratio of the sum of the assets comprising the Cover Pool, to the institution's total assets;

> send to the trustee, on the fifth business day of each month, the information referring to verification of compliance with the requisites of the Cover Pool;

(ii) The local rules also contain requirements which it are mandatory in the instruments of issuance such as:

> Issuer name and holder name;

> sequential number, place and date of issuance;

> face value; maturity date; and fixed or floating interest rate;

> exchange rate variance adjustment clause, as the case may be;

> manner, frequency and place of payment;

> identification of the Cover Pool;

> identification and amount of the mortgage loans and other assets comprising the Cover Pool;

> identification of the trustee, indicating their obligations, responsibilities and remuneration, in addition to the situations, conditions and way in which they can be removed from office or substituted, and the other conditions of their position;

> amortisation regime;

> Cover Pool management transition plan;

> rules for the general meetings of investors holding the LIG.

BCB's Circular No. 3.872 (of 12/2017) specifies more transparency requirements for LIG issuance such as: issuing institution must publish the Asset Portfolio Statement (DCA) on its website;

(i) the distribution of assets included in the asset portfolio by maturity bands, detailing the type of assets, updated nominal value and percentage participation in the total value of the asset portfolio;

(ii) the notional value of derivative instruments;

(iii) the distribution of residential and non-residential mortgage loans, with updated nominal value and percentage participation in the total value of the mortgage loans;

(iv) Detailed report on the relevant acts or facts that have occurred or may represent a significant change in the situation of the asset portfolio and the LIGs guaranteed by it.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The Cover Pool, along with the LIGs themselves, are registered with an entity approved by the Central Bank of Brazil under the fiduciary regime to which they were submitted, representing segregated assets linked to the LIGs they must guarantee. Its management, for which the issuing institution is responsible, and compliance with the legal requisites of eligibility and sufficiency of the underlying assets are monitored by the Fiduciar

Agent which is specifically authorized by the Central Bank to engage in this role. In turn, the Fiduciary Agent's performance is supervised by the monetary authority, which accumulates the overall power for supervising the financial institutions.

The Brazilian Central Bank carries out assessment of the issuers as part of banking supervision activity, supervises the Fiduciary Agent's performance and has legal power to take appropriate measures.

## VIII. SEGREGATION OF THE COVER POOL AND THE REMOTE CHANCE OF BANKRUPTCY OF THE COVERED BONDS

Under Brazilian legislation (Law 6.024 dated 13 March 1974) in the event of default or even financial imbalance, financial institutions face administrative intervention proceedings or extrajudicial liquidation. In the first case, the Central Bank appoints an administrator to run the institution which, if recovered, will see management returned to its owners. In the second case, where insolvency is detected, and recovery is considered unviable, the monetary authority appoints a liquidator to realize the assets and liabilities. The liquidator may file for the bankruptcy of the entity when its assets are insufficient to cover at least half of the amount of unsecured credits or, additionally, when there is hard evidence of bankruptcy fraud.

In the case of intervention, liquidation or even bankruptcy of the Issuer, management of the asset portfolio is immediately transferred to the Fiduciary Agent, who will have full and wide-ranging powers to manage it, in addition to undertaking the redemption of the LIGs with the respective investors who will also become involved in this process through a general meeting specifically convened by the Fiduciary Agent.

The main legal effect of the fiduciary agent regime and the asset segregation that characterises it is the absolute ring-fencing in relation to the regular assets of the issuing financial institution. So, in the event of one of the situations described above, the trustee takes over management of the Cover Pool in order to redeem the LIGs, thereby ensuring that those assets will not be affected by the administrative intervention procedures or extrajudicial liquidation by the monetary authority, nor by the bankruptcy court proceedings, and are therefore exempted from competing with the issuing institution's other creditors, whether of an unsecured, fiscal or labour law nature.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The LIGs issued directly by financial institutions with registered offices in Brazil are neither CRR nor UCITS-compliant as both frameworks require the issuer to be based in the EU. Thus, LIGs do not benefit from the lower risk weighting for bank treasuries in the EU.

The LIGs are issued under specific Brazilian legislation which has not yet established specific prudential regulations for the purchase of LIGs by other financial institutions. However, the banking authority ("BCB") has indicated that it will abide by the international standards on this subject matter, as it has done with other risk issues.

**Issuers:** Banco Santander Brazil, Banco Inter, Itaú Unibanco and Banco Bradesco.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.6 BULGARIA

By Dr. Michael Teig, UniCredit, Petar Ivanov, Nikolay Bebov, Damyan Leshev,
Eversheds Sutherland (Bulgaria)

### I. FRAMEWORK

The legal basis for the issue of covered bonds in Bulgaria is the Covered Bonds Act (CBA), which entered into force on 8 July 2022. The CBA transposed the EU Covered Bond Directive (CBD) in Bulgarian law and repealed the previous Mortgage-Backed Bonds Law adopted in 2000. Under delegation of the CBA, the Bulgarian National Bank (BNB) issued Ordinance No 42 dated 21 June 2022 on the Procedures and Conditions for the Issue of Covered Bonds (Ordinance No. 42). The CBA designates the BNB as the national competent authority for public supervision of covered bonds.

Pursuant to the CBA, covered bonds are debt securities that are issued in accordance with the CBA or in accordance with the national law of another Member State transposing the CBD that are secured by assets which serve to satisfy covered bond investors as preferred creditors.

### II. STRUCTURE OF THE ISSUER

The CBA follows the on-balance-sheet approach of issuing covered bonds. This means that covered bonds may be issued directly by a bank that has been granted a banking license under the Bulgarian Credit Institutions Act and has received prior permission by the BNB. The procedure and the necessary documents for obtaining permission to issue covered bonds, either as part of a programme or on a standalone basis, are set out in the CBA and are based on the minimum requirements of the CBA.

### III. COVER ASSETS

The covered bonds' cover pool may consist of the following eligible assets of the issuing bank:

> **Primary assets** under Art.129, (1), letters (a), (b), (d) to (g) of the EU Capital Requirement Regulation (CRR).

> **Substitution assets** under Art. 129, (1), letter (c) of CRR;

Primary assets shall form at least 85% of the outstanding covered bond principal, and shall generally be of the same type, whereas the assets referred to in each of letters (a) to (g) of Art.129, (1) of CRR shall constitute **a separate asset type**.

Upon approval by the BNB the issuing bank may also issue mixed asset covered bonds, which include another type of Art. 129 CRR primary assets which have similar features, maturity structure and risk profile with the other type of primary assets to be included in the cover pool.

To fulfil the coverage requirement of the Covered Bonds Act the issuing bank may include in the cover pool substitution assets, as well as any other type of primary assets, up to an amount not exceeding 15% of the outstanding covered bond principal.

The cover assets shall meet the requirements of Art. 129, (1a) – (3) of CRR.

The tangible assets securing the primary assets (e.g. residential property) shall have received permission for use and any other applicable authorizations for proper operation. In addition, there should be generally accepted valuation methods for estimating the tangible assets' value and the acts or documents for transfer of ownership over such assets should be entered in the Property Registry (for immovable property), the Unified Ships Register (for ships), or the respective public register of the country (Member State or certain third countries) where the respective asset is situated or registered.

Banks may also issue covered bonds using **intragroup pooled covered bond structures**, whereby the covered bonds issued by a bank from a particular group ("**internally issued covered bonds**") are included in the cover pool of covered bonds issued by another bank that belongs to the same group ("**externally issued covered bonds**") subject to certain requirements under Section III of Chapter II of CBA, such as:

> the bank issuing externally issued covered bonds has acquired the internally issued covered bonds and has recorded them on its balance sheet prior to or simultaneously with their inclusion in the cover pool of the externally issued covered bonds

> the cover pool of the externally issued covered bonds includes only internally issued covered bonds of one bank from within the group

> the externally issued covered bonds are designated for placing to external investors not part of the issuer's group

> the externally and internally issued covered bonds shall meet, at the time of issuance, the requirements for CRR credit quality step 1, or in case of subsequent change in the credit quality – CRR credit quality step 2, provided the BNB grants permission on the basis of a determination that such quality change is not the result from a breach of the requirements of CBA for issue of covered bonds.

Intragroup pooled covered bond structures can also be used in a cross-border context, whether the Bulgarian bank acts as issuer of the internally or the externally issued covered bonds.

**Derivative contracts** can be included in the cover pool where the following conditions are cumulatively met:

1. the derivative contracts are concluded under a derivatives master agreement, which is separate from any other master agreements of the issuing bank
2. the derivative contracts cannot be terminated upon the insolvency or resolution of the issuing bank and are not included in a netting set together with derivative contracts concluded outside their master agreement
3. the derivative contracts are entered into exclusively for the purposes of hedging interest rate or currency risks associated with the cover assets and contain provisions ensuring that in the case of a reduction in the hedged risk the exposures under the contracts are adjusted, as well as that the hedge is closed out when the hedged risk cases to exist, and
4. the derivative contracts are enforceable in accordance with their terms.

The eligible counterparties to cover pool derivatives contracts include EU/OECD central banks and certain multilateral development banks, as well as credit institutions which qualify for credit quality step 1 or 2 under the CRR. With the BNB's prior approval, an issuer may transact with a credit institution of lesser credit quality or another type of counterparty.

**Requirements for coverage, overcollateralization and liquidity**

All present and future covered bond liabilities must be covered by claims for payment attached to eligible cover assets. Said **liabilities** comprise of obligations for:

> payment of the principal amount of the covered bonds

> payment of interest and other monetary liabilities attached to the covered bonds

> payment attached to derivative contracts included in the cover pool, and

> costs related to the maintenance and administration of the covered bonds and cover assets in the event the covered bonds are placed under separate administration pursuant to Chapter Eight of CBA.

The **eligible cover assets to cover these liabilities** are:

> primary assets
> substitution assets
> assets included in the liquidity buffer, and
> receivables of the issuer under derivative contracts included in the cover pool.

The cover assets may not include any assets in respect of which a default is considered to have occurred within the meaning given by Art. 178 of the CRR.

The issuing bank shall ensure that the aggregate principal amount of all cover assets recorded in the cover register is at all times at least equal to the aggregate principal amount of outstanding covered bonds ("nominal principle") and shall furthermore maintain at all times a minimum level of 5% of statutory overcollateralisation calculated under the nominal principle. The BNB may set a higher minimum level of mandatory overcollateralisation. The covered bonds terms and conditions may provide for a level of voluntary overcollateralisation that is higher than the mandatory minimum requirements.

## IV. VALUATION AND LTV CRITERIA

### Valuation

The valuation of the cover assets shall be carried out in accordance with the applicable accounting standards.

The value of primary assets included in the cover pool shall follow their outstanding principal amount, but shall not exceed the values determined in Art. 129, (1) of CRR for the different asset types. For valuation of the tangible assets securing primary assets, the issuing bank shall use an up-to-date valuation performed by an independent appraiser, who is independent from the credit decision process, and shall not exceed the tangible asset's market value or mortgage lending value, as the case may be. The valuation of real estate shall follow the comparison approach, income approach or cost approach, together with the generally accepted methods related to these approaches. The monitoring of the value and the need for revaluation of real estate shall be done in accordance with applicable banking regulations, in particular Art. 129, (3) and Art. 208, (3) of CRR.

### LTV criteria

The LTV criteria for the cover assets shall be as generally defined in the banks' own lending policies depending on their risk appetite and their internal rules. No specific legal requirements are imposed by local banking law.

Primary assets can contribute towards the fulfilment of the coverage requirement of the CBA only up to the amounts specified in Art. 129, (1) of CRR, which – most notably – provide for an LTV ratio of 80% for primary assets that are residential mortgage loans, 60% for loans secured by commercial real estate, or 60% for loans secured by maritime mortgages on ships.

## V. ASSET – LIABILITY MANAGEMENT

The covered bond issuer shall adopt separate rules and procedures for management of the risk associated with the issue of covered bonds, including for the performance of periodic stress tests of the cover pool and liquidity management. The stress tests of the cover pool shall be performed at least once every quarter in order to assess whether the value of the cover pool will continue to meet the requirements for coverage and applicable level of overcollateralisation in the event of a sharp deterioration of market conditions, as well as ad hoc stress tests depending on the prevailing market conditions. If during a stress test the value of the cover pool falls below the required coverage amount, the cover pool shall be replenished within one month with cover assets in an amount at least equalling the shortage identified during the stress test.

The issuing bank shall record all cover assets that form part of the cover pool in a cover register maintained for the covered bonds. An asset shall be deemed included in the cover pool and thus separately booked and recorded on banks' balance sheet from the time of recording of the said asset in the cover register.

The removal of an asset from the cover register, including the replacement of an asset with another asset, shall be effected according to a procedure approved by the BNB or the cover pool monitor, where such is appointed. Any deregistration effected in conflict with such procedures shall be ineffective.

Covered bond liabilities shall be collateralised by a first-ranking registered pledge over the pool of assets recorded in the cover register. The pledge must be recorded in Bulgaria's Central Register of Special Pledges (CRSP), except in the cases of a pledge on dematerialised internally issued covered bonds which shall be recorded in the Central Register of Securities kept by the Bulgarian Central Depository AD, or in another relevant central securities depository where the internally issued covered bonds are registered. The pledges shall name as pledgee the security agent designated in the covered bonds' terms and conditions.

The pledge shall be perfected in respect of every cover asset upon the initial registration of the pledge in the CRSP or upon a subsequent inclusion of an asset in the cover register maintained for the bonds. The issuing bank shall record the original cover pool in the cover register on the day of issue of the covered bonds and on the same day shall provide the BNB and the cover pool monitor, where such has been appointed, with the necessary data regarding the cover pool and proof that the recording has been effected. No subsequent registrations in the CRSP are required to reflect changes in the cover assets taking place during the life of covered bonds – such changes should be recorded only in the cover register.

## VI. TRANSPARENCY

The issuing bank shall publish, within 30 days of the end of each calendar quarter, detailed information on each covered bond programme or standalone covered bond issue.

In the case of externally issued covered bonds, the issuing bank shall also provide investors with information on the internally issued covered bonds included in the cover pool at least on an aggregated basis or via a link to a website, where such information is available.

The issuing bank shall publish the information in a separate section on its website and keep it for a period of at least five years after all obligations attached to the covered bonds are settled.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Under the CBA, issuers may but are not required to appoint a cover pool monitor. Still the appointment of a cover pool monitor is likely to be the rule for benchmark covered bond issues. A cover pool monitor may be a bank authorised in the Republic of Bulgaria or in another Member State, including where such bank was appointed as security agent, or an audit firm according to the Independent Financial Audit Act. An audit firm that has audited the issuing bank may not be cover pool monitor before the lapse of two years after completion of the audit engagement under Art. 76 of the Credit Institutions Act. The choice of a cover pool monitor shall be coordinated with the BNB in the covered bonds permission procedure.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The issuing bank shall account for the assets recorded in a cover register separately on its balance sheet, in a manner that makes them identifiable at all times. The cover assets shall not be affected by the opening or continuation of winding-up proceedings or reorganisation measures with regard to the issuing bank and shall not fall within the scope of any such proceedings or measures. In case bankruptcy proceedings are opened against the issuing bank, assets recorded in the cover register as at the date of the decision to initiate bankruptcy proceedings as well as the proceeds from any payments on or in connection with such assets effected after the date of the decision to initiate bankruptcy proceedings shall not form part of the bankruptcy estate.

Any obligations for payment attached to the covered bonds shall not be subject to automatic acceleration and shall not be otherwise affected by the opening or continuing of winding-up proceedings or reorganisation measures with regard to the issuing bank, shall not fall within the scope of any such proceedings or measures, and shall continue to originate, to be serviced and enforced in accordance with their terms and conditions.

Any actions connected with the issuing of covered bonds, the recording and removing of assets in and from the cover register, as well as the discharging of covered bond liabilities, taken before or on the date of commencement of winding-up proceedings or the imposition of a reorganisation measure, shall not be null and void, unenforceable or voidable and may not be reversed by a competent authority or party in the winding-up proceedings or the reorganisation measure concerning the issuing bank.

The BNB shall place covered bonds under separate administration from the rest of the estate of the issuing bank and appoint a special administrator of the covered bonds upon withdrawal of the banking license of the issuer or after the issuer has obtained permission for voluntary liquidation in accordance with the Credit Institutions Act.

When the BNB determines that this is necessary in order to ensure the due discharge of the covered bond liabilities, the BNB has the right, but not the obligation, to place covered bonds under separate administration and appoint a special administrator in the following cases:

> a decision has been taken determining that the deposits in the issuing bank are unavailable

> early intervention measures or resolution actions have been taken in respect of the issuing bank in accordance with the Recovery and Resolution of Credit Institutions and Investment Firms Act

> the issuing bank has defaulted on a due obligation for payment of interest or principal under the covered bonds or on a due payment under a cover pool derivative contract, or

> there are other circumstances that give rise to well-founded concerns about the continuous and sound administration of the covered bonds by the issuing bank.

As special administrator may serve one or two natural persons who meet the requirements for a bankruptcy trustee under the Bulgarian Bank Bankruptcy Act. Upon appointment of the special administrator, all powers of the management and supervisory bodies of the issuing bank related to the administration of the covered bonds and the cover pool shall be suspended and shall be exercised by the special administrator, unless the decision on the appointment thereof provides for any restrictions.

In the event of separate administration, claims attached to cover bonds shall be satisfied as preferred claims from the proceeds from cover assets, including from the proceeds upon the realisation of the collateral. Cover assets and the funds left, if any, after the claims attached to cover bonds have been satisfied in full shall be restored to the estate of the issuing bank. Any covered bond liabilities that are not satisfied in full shall take part in the winding-up proceedings in respect of the issuing bank as common unsecured (senior preferred) claims.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The CBA transposes the Covered Bond Directive into Bulgarian law. The legislation when taken together with the practices, processes and procedures across the industry will fall within the criteria for preferable capital treatment of Art. 129 of CRR.

## X. ADDITIONAL INFORMATION

The BNB, as the authority exercising covered bond public supervision, shall cooperate, inter alia by exchanging information, with the Bulgarian Financial Supervision Commission (FSC), with the respective competent authorities of the other Member States performing covered bond public supervision, with the European Banking Authority and the European Securities and Markets Authority.

The provisions of the Public Offering of Securities Act (POSA), the statutory instruments for the application thereof, the EU Prospectus Regulation and the other applicable acts of EU shall apply when covered bonds are offered to the public, as well as where covered bonds are admitted to trading on a regulated market.

Where the **publishing of a prospectus is required** under applicable law, a bank shall apply for permission to issue covered bonds with the BNB in good time, but not later than 60 days before the submission of an application for approval of the covered bonds prospectus by the FSC. In such cases, the issuer shall provide the drawn-up prospectus to the BNB simultaneously with the submission of the application for approval of the prospectus by the FSC.

Where covered bonds are **offered without a requirement to publish a prospectus**, an offering circular shall be drawn up for subscription for covered bonds according to the procedure established by the Commercial Act or, respectively, an offer document according to the procedure established by Art. 89 (c) or 89 (d) of the POSA.

The prospectus or, respectively, the offering circular for subscription of covered bonds, shall also contain the following **additional information**:

1. Information on the rules and measures taken by the issuing bank for recording and keeping information in the cover register and for access to the cover register
2. Information on the cover pool, including:

(a) data on the value of the cover pool;

(b) the geographical distribution and type of cover assets;

(c) the maturity structure of cover assets;

(d) the minimum level of required coverage and the minimum level of required overcollateralisation;

(e) information on the outstanding principal amount of each cover asset at the time of origination of the said asset and by the end of the last full calendar quarter;

(f) total valuation of the assets securing cover assets and ratio of the outstanding principal amount and the valuation at the time of origination of the cover assets and by the end of the last full calendar quarter, as well as the valuation method used to carry out the valuation;

(g) characteristics of cover assets, including applicable interest rates, fees and commissions;

(h) the risks associated with cover assets by the end of each calendar year, from the time of the origination of the said assets and by the end of the last full calendar quarter.

**Bulgarian covered bond market information**

Under the Covered Bonds Act the BNB is required to maintain public registers of the banks authorised to issue covered bonds in Bulgaria and of the covered bond issues or programmes currently outstanding.

On 30 July 2025, Eurobank Bulgaria AD became the debut issuer of covered bonds under the new regime. The EUR 500mn issuance due 2032 qualifies for the labels "Residential Covered Bonds" and "European Covered Bonds (premium)" and is listed on the Luxembourg Stock Exchange. The issue has not been offered to investors and has been fully subscribed by Eurobank Bulgaria for own use as additional liquidity buffer.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.7 CANADA

By Lily Shum, Canada Mortgage and Housing Corporation (CMHC)

### I. FRAMEWORK

Canada has dedicated covered bond legislation under Part I.1 of the National Housing Act (Canada) (NHA),[1] which together with the Canadian Registered Covered Bond Program Guide (as modified by advisories from Canada Mortgage and Housing Corporation (CMHC), the CMHC Guide),[2] forms the legal framework for Canadian registered covered bonds.[3] The CMHC Guide is published by CMHC as the administrator of Canada's legal framework for covered bonds. The CMHC Guide prescribes detailed requirements for Canadian registered issuers and their registered covered bond programmes. The legal framework provides for registration of the issuer and its covered bond programme, statutory protection for covered bond investors that invest in such covered bonds, prescribes eligible issuers, programmes and cover pool collateral for registered programmes, and establishes a high standard of disclosure.

In order for a Canadian issuer to issue covered bonds under a registered programme, the issuer must submit applications to CMHC to obtain registered issuer and registered programme status. Issuers and programmes that meet the minimum requirements for registration and are approved by CMHC are added to the Canadian Covered Bonds Registry maintained by CMHC. CMHC has the power to suspend a registered issuer's right to issue further registered covered bonds.

All of the current Canadian covered bond issuers, except for one issuer regulated by the Quebec Autorité des marchés financiers (AMF), are regulated by the Office of the Superintendent of Financial Institutions (OSFI) that regulates Canadian federally incorporated financial institutions. Under OSFI and AMF regulatory requirements, total assets pledged for covered bonds must not, at any time, represent more than 5.5% of a deposit-taking institution's total on-balance sheet assets.

### II. STRUCTURE OF THE ISSUER

Only banks[4], trust and loan companies, cooperative credit associations and insurance companies in Canada are eligible to register as issuers under the Canadian covered bonds legislative framework. The framework requires that at least one rating agency provide current ratings at all times for at least one series or tranche of covered bonds outstanding.

Canadian registered covered bonds are direct obligations of the issuer. In addition, in the event of issuer insolvency or default, investors have a claim over the pool of cover assets. The cover assets are held in a bankruptcy-remote special-purpose guarantor entity, which provides an irrevocable guarantee in respect of interest and principal payments due and payable under the covered bonds that would otherwise be at risk from an insolvency or default by the respective issuer. Currently, all registered programmes use a limited partnership (LP) as the guarantor entity. A bond trustee (which has to be arm's length and bankruptcy remote from the issuer) must be designated by the issuer for its registered covered bond programme to represent the views and interests (and enforce the rights) of the covered bond holders.

Cover assets are segregated from the issuer through a contractual true sale of such assets to the guarantor entity. However, registered legal title to mortgages forming part of the cover assets typically remains with the issuer or seller from which they are purchased by the guarantor until the earliest of material breach or default by the issuer or servicer, impending or actual insolvency of the issuer or other events prescribed in the issuer's

1 See Part I.1 of National Housing Act R.S.C., 1985, c. N-11.

2 See CMHC's Canadian Registered Covered Bond Programs Guide and Advice to Registered Issuers (www.cmhc-schl.gc.ca).

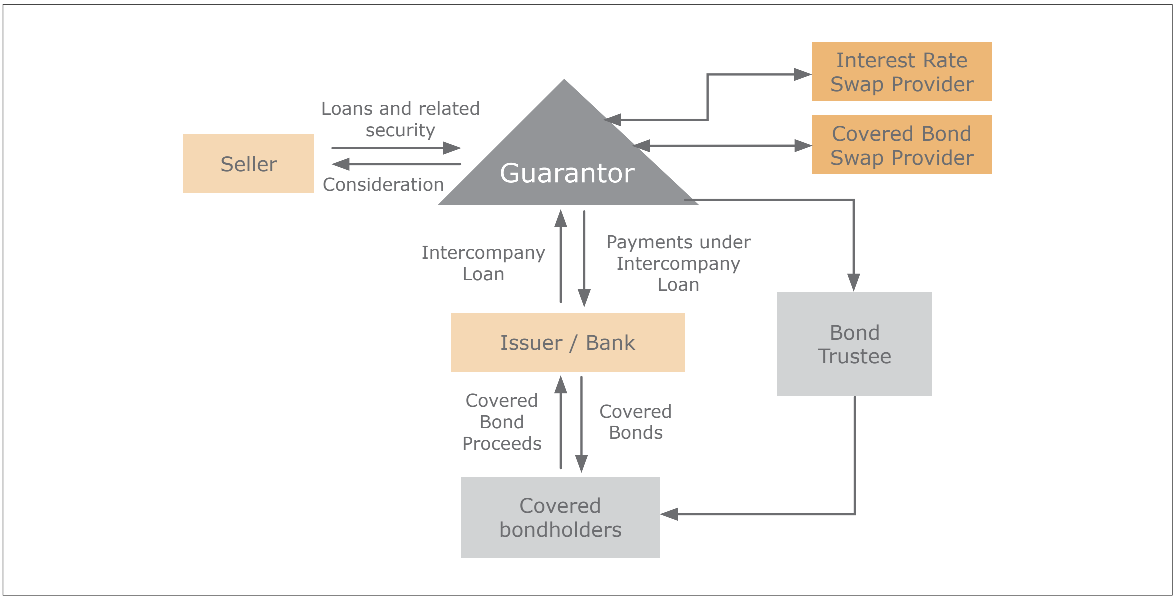
3 Issuance of covered bonds by Canadian issuers between 2007 (when they were first issued by Canadian issuers) and June 2012, was pursuant to a contractual framework, outside of the legal framework which was implemented in 2012.

4 Canadian domestic banks and subsidiaries of foreign banks that are Schedule I or Schedule II banks under the Bank Act (Canada).

covered bond programme transaction documents, unless the prudential regulator or supervisory authority of the registered issuer receives satisfactory assurances that such transfer can be delayed until such assets are sold to a third party or dealt with in respect of enforcement of security or otherwise required to be dealt with. Each registered issuer must engage an arm's length bankruptcy-remote custodian with appropriate systems and knowledge of handling mortgages. The issuer must provide the custodian with the details of eligible loans and substitute assets forming part of the cover assets, and quarterly updates thereof.

An intercompany loan is provided by the issuer to the guarantor to acquire all rights, title, interests in and certain records related to a specific pool of mortgage loans originated by the seller (generally the issuer or an affiliate) which form part of the cover assets. The intercompany loan, denominated in Canadian dollars, is comprised of a guarantee loan and demand loan. The guarantee loan amount must be equal to the sum of the Canadian dollar amount of all covered bonds outstanding and the overcollateralisation required for the Asset Coverage Test to be met at any relevant time. The demand loan is a revolving credit facility equal to the difference between the intercompany loan and the guarantee loan. The Guarantor enters into swaps or collateral hedges to minimize interest rate and FX mismatches (see section V – Asset-Liability Management).

> Figure 1: General Covered Bond Structure




Source: CMHC

## III. COVER ASSETS

Eligible assets for Canadian registered covered bonds are:

> Eligible loans, comprised of Canadian residential loans on properties with 1-4 units that:

- are not insured against borrower default;
- are first ranking mortgages;
- have a maximum 80% loan-to-value (LTV);
- are not in arrears at the time of transfer to the Guarantor and have had at least one payment made (blended payments of principal and interest) and is amortizing with regular blended payments of principal and interest in accordance with the terms of the loan;
- are not the subject of any dispute, proceeding, set-off, counterclaim or defence;

- include an express waiver of set-off on the part of the borrower[5]
- are originated by the issuer or otherwise comply with the issuer's (or, if applicable, its affiliated lender's) underwriting policies; and
- are not revolving or available to the borrower to make further drawings or obtain further advances on that loan.

> Substitute assets up to the prescribed limit (10%) of total value of cover pool assets. They must be Canadian government bonds or other prescribed assets.

> Cash in an amount not exceeding the amount necessary to satisfy the guarantor entity's payment or reserve fund obligations for the next six months.

Where a mortgage securing an eligible loan also secures other indebtedness (which may be revolving or otherwise available to the borrower to be further drawn upon), such other indebtedness must (i) be owned by the same lender, (ii) be the subject of a release of security and (iii) have the benefit of a cross default provision with the eligible loan that is enforceable against the borrower (or a covenant to call such loan in such circumstances where the related indebtedness is payable on demand). Only eligible loans may be transferred to the guarantor entity. Any loan that did not meet the eligibility requirements at the time of transfer must be repurchased by the issuer.

## IV. VALUATION AND LTV CRITERIA

As noted above, the maximum LTV at the time of transfer of a loan to the guarantor is 80%. In Canada, prudential regulators require property values to be assessed during the underwriting process prior to making a mortgage loan. Property valuation is either performed by an accredited third-party property appraiser or an independently maintained valuation/risking model is used to assess the stated property value based on similar properties recently sold in the same area. Property values of cover assets in a registered covered bond programme must be indexed at least on a quarterly basis for the purposes of valuing the covered bond collateral. The indexation methodology for a covered bond programme is disclosed to investors in the covered bond programme prospectus and must be in line with any regulatory requirement.

## V. ASSET – LIABILITY MANAGEMENT

### Overcollateralisation and Coverage Tests

The covered bond framework requires issuers to establish a contractual minimum and maximum level of overcollateralisation by adopting a minimum and maximum value for the Asset Percentage (AP) used to discount mortgage loans in the cover pool as part of the Asset Coverage Test (described below). The CMHC Guide also stipulates that cover pool collateral assets shall be at least 105% of the outstanding Canadian dollar equivalent nominal amount of covered bonds secured at all times. As with market practice in other jurisdictions, issuers tend to maintain an OC level higher than the regulatory minimum OC level required.

Typical of SPV structures, Canadian issuers must meet the following tests:

> Asset Coverage Test (ACT): Conducted on a monthly basis, the ACT ensures that sufficient assets are available to cover the outstanding amount of covered bonds plus a level of OC. An asset monitor also tests the arithmetical accuracy of the ACT calculation yearly, or more frequently under specific circumstances.

> Valuation Calculation (VC): Conducted on a monthly basis, the VC ensures a covered bond programme's exposure to market risk (namely, volatility in interest rates and currency exchange rate) is monitored. The VC measures the present value to the covered bond collateral relative to the Canadian dollar equivalent of the market value of the outstanding covered bonds guaranteed by it.

5 Mortgage loans originated prior to July 2014 were not required to include an express waiver of set-off on the part the borrower (but could not afford include an express right of set-off in favour of the borrower).

> Pre-Maturity Test (PMT): In respect to hard-bullet covered bonds, at programme specific ratings' triggers, the PMT ensures that the covered bond collateral includes sufficient cash to meet in full all principal payments due under the maturing hard-bullet series covered bonds (together with all other payment obligations ranking in priority) for a period prescribed in the transaction documents of the specific programme.

> Amortisation Test (AT): Following an issuer event of default, the AT ensures that the notional value of cover assets is at least equal to the outstanding Canadian Dollar equivalent covered bonds principal.

**Covered Bond Collateral Hedges and Ratings Triggers**

Furthermore, the issuer is required to have in place covered bond collateral hedges for the guarantor at the time of each transfer of covered bond collateral and covered bond issue in order to minimise interest rate or FX mismatches which may include contingent covered bond collateral hedges, which become effective, e.g., in case of an event of default of the registered issuer or the ratings of the hedge counterparty falling below certain prescribed ratings. The volume of such hedges must be adjusted in the case of a reduction in the hedged risk and must be removed when the hedged risk ceases to exist. The guarantor carries out monthly valuations to assess market risks (see above). Hedging counterparties must meet the counterparty requirements set out in the CMHC Guide, including minimum standards established by rating agencies. Where registered issuers meet these minimum requirements, they will serve as the hedge counterparty. Issuers of registered covered bond programmes that do not meet the minimum hedging counterparty ratings requirements will use third party hedging counterparties that meet those requirements. The terms of each transaction document must explicitly state that the guarantor may (and must do so if the guarantor entity is not independently controlled and governed (as prescribed by the CMHC Guide)) replace a specific counterparty upon rating triggers or in case of an event of default of the registered issuer. CMHC must be informed of counterparty replacement, termination or resignation. Swap counterparties rank pari passu with covered bondholders prior to issuer default.

The framework requires a rating trigger for the establishment of a reserve fund (of cash and substitute assets) for the benefit of the guarantor sufficient to meet in full all interest payments due on outstanding covered bonds for a period of time specified by the issuer in its transaction documents together with all payment obligations of the guarantor entity ranking prior to such interest payments. Following an issuer event of default, the reserve fund is available to be used by the guarantor to meet its obligations under the covered bond guarantee.

## VI. TRANSPARENCY

The Canadian covered bond legal framework is prescriptive and comprehensive in terms of information disclosure and reporting frequency. All material information and transaction documents related to a registered issuer and covered bond programme must be accessible on an ongoing basis, mainly through a dedicated website set up by the issuer. A monthly report must be prepared within 15 business days following the end of each month and include detailed information on the covered bond programme.

As of April 2026, there are nine registered Canadian covered bond issuers, eight of which had joined ECBC Covered Bond Label and published its Harmonised Transparency Template (HTT).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

In Canada, federal financial institutions are prudentially regulated by OSFI. Provincially regulated financial institutions are subject to prudential regulation by the applicable provincial entity, including, in the case of provincially regulated issuers in Quebec, the AMF.

As administrator, CMHC takes the lead role in assessing and monitoring compliance with the Canadian legal covered bond framework requirements. A registered issuer is required to deliver a certificate to CMHC signed by the issuer's executive officer attesting that the Issuer has complied with the requirements of the Canadian covered bonds legal framework on an annual basis. Notification to CMHC of material change to an issuer's registered covered bond programme or terms of covered bonds is required. Registered issuers must also provide immediate notice to the CMHC in case of: (1) a failed ACT and/or AT; (2) awareness of a rating downgrade/withdrawal/trigger; (3) a breach or default under the terms of the covered bond programme; and (4) breach or default under the covered bonds legal framework.

Issuers are required to appoint an independent third-party cover pool monitor (CPM) with adequate qualifications. The responsibilities of the CPM consist of ensuring the accuracy of the records regarding the cover pool and arithmetical accuracy of the required tests particularly the Asset Coverage Test. Issuers are required to make available all information needed by the CPM. Following issuer insolvency, the CPM remains in place for the benefit of the guarantor.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The guarantor is structured as a bankruptcy-remote, special-purpose entity and, as such, following insolvency of the issuer, all the assets of the guarantor are segregated from those of the bankrupt estate of the issuer. Covered bond holders retain a claim against the issuer for any deficiency in the repayment of all principal, interest and other amounts owing thereunder, and such covered bond holders rank pari passu with the ordinary depositors of the issuer.

> Upon an issuer event of default, the covered bonds will accelerate in respect of the payment obligations of the issuer, but will not accelerate the payment obligations of the covered bonds to investors and the guarantor will be required to meet the covered bond obligations using the cash flows generated from the cover assets. In case of insufficient cash, the guarantor is permitted to sell the cover assets, find alternative funding or enter repos. The entire pool of cover assets is available as security for all the outstanding covered bonds issued under the programme, so there is no direct link between particular assets and a specific series of covered bonds.

> Upon a guarantor event of default, covered bonds accelerate. Preferential rights are limited to the guarantor's assets. Payments are made in accordance with the applicable order of priority.

An issuer or guarantor event of default include at a minimum (other events maybe prescribed in the documentation) the following: (1) impending or actual insolvency; (2) failure to pay principal, interest or any other amount due under the covered bond programme when due; (3) failure to comply with the remedial action following a rating trigger; and (4) failure to meet the AT by a guarantor on a calculation date. An issuer's transaction documents can provide a remedy period of up to 10 business days for a failure to pay principal, and up to 30 days for failure to pay interest or other payment under the covered bonds.

Covered bonds are specifically excluded from a bail-in conversion under the Bank Recapitalisation (Bail-in) Conversion Regulations, SOR/2018-57, under the Bank Act and CDIC Act (Bail-in Regulations), which specify the prescribed shares and liabilities that are eligible for bail-in conversion. Similarly, the AMF has excluded covered bonds from the prescribed debts eligible for conversion as part of the recapitalization of a Quebec-regulated domestic systemically important financial institution in its Regulation Respecting the Classes Of Negotiable And Transferable Unsecured Debts And The Issuance Of Such Debts And Of Shares pursuant to section 40.50 of the Quebec Deposit Institutions and Deposit Protection Act (chapter A-26).

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Canadian regulated covered bonds may be eligible to be used as liquid assets (Level 2A) under the European Union's implementation of the Basel liquidity coverage ratio requirements provided for in Regulation (EU) No 575/2013, as amended (Capital Requirements Regulation – CRR), as supplemented by Commission Delegated Regulation (EU) 2015/61, as amended (LCR Delegated Regulation), provided that they are assigned a credit assessment by an external credit assessment institution (ECAI) which is at least credit quality step 1 or have otherwise been assigned a 10% risk weight under Article 129 of the CRR and provided that they also comply with the other requirements set out in the LCR Delegated Regulation. As of 1 September 2023, those other requirements include that covered bonds issued by credit institutions in third countries comply with the transparency requirements laid down in Article 14 of Directive (EU) 2019/2162. In the case of Canadian registered covered bonds programmes, compliance with the disclosure requirements in the Canadian legal framework will result in the requirements in Article 14 of Directive (EU) 2019/2162 being met, provided issuers voluntarily provide additional disclosure, at least quarterly, of loans where a default is considered to have occurred based on the indications in Article 178(3)(a) of CRR. Canadian regulated covered bonds may be eligible for the same risk-weighting as unsecured bank debt for purposes of calculating regulatory capital ratios under Article 120 or 121 of the CRR and may be eligible for the same loss given default (LGD) value as unsecured exposures to financial sector entities under Article 161 of CRR.

If denominated in euro and admitted to trading on certain markets, Canadian covered bonds may be eligible as collateral for Eurosystem credit operations as a haircut category III asset pursuant to Guidelines 2015/510 and 2016/65 of the European Central Bank (ECB) on the implementation of the Eurosystem monetary policy framework, as amended. Valuation haircuts are generally based on credit quality, residual maturity and coupon structure of the covered bond.

Canadian covered bonds are subject to the same spread risk factors and concentration thresholds as unsecured bonds or loans pursuant to Articles 176 and 185 of Commission Delegated Regulation (EU) 2015/35 that supplements Directive 2009/138/EC, as amended on the taking-up and pursuit of the business of Insurance and Reinsurance (Solvency II). Canadian covered bonds are not covered by Article 52 (4) of Directive 2009/65/EC on undertakings for collective investment in transferable securities (UCITS) because Canadian issuers do not have their registered head office in an EU member state and Canadian covered bonds are not issued in accordance with the provisions of a national law implementing Directive (EU) 2019/2162, as amended (Covered Bonds Directive – CBD). Therefore, they do not benefit from either the more preferential risk weighting under Article 129 (4) and (5) of the CRR or the more favourable LGD value under Article 161(d) of the CRR, and are not eligible for the preferential risk factors and concentration thresholds in Articles 180 (1) and 187 (1) of Commission Delegated Regulation (EU) 2015/35.

## X. ADDITIONAL INFORMATION

### X.1. Regulatory Treatment in Canada: Liquidity, capital and Bank of Canada programs

*Liquidity and Capital Guidelines*

For purposes of the OSFI Guidelines described below, reference to covered bonds is to covered bonds that are issued by bank or mortgage institution, are subject to a dedicated covered bond legislation, or more specifically subject by law to special public supervision designed to protect bond holders. Proceeds deriving from the issue of such covered bonds must be invested in conformity with the law in assets which, during the whole period of the validity of such covered bonds, are capable of covering claims attached to such covered bonds and which, in the event of the failure of the issuer of such covered bonds, would be used on a priority basis for the reimbursement of the principal and payment of the accrued interest.

Under OSFI's Liquidity Adequacy Requirements (LAR) Guidelines (Chapter 2 – Liquidity Coverage Ratio), covered bonds may be included as Level 2A assets for the Liquidity Coverage Ratio (LCR), pursuant to provided they satisfy the following conditions-:

> Not issued by the institution itself or any of its affiliated entities;

> Either (i) have a long-term credit rating from a recognised external credit assessment institution (ECAI) of at least AA- or in the absence of a long-term rating, a short-term rating equivalent in quality to the long-term rating; or (ii) do not have a credit assessment by a recognised ECAI but are internally rated as having a probability of default (PD) corresponding to a credit rating of at least AA- (and, in the event of split ratings, the applicable rating should be determined according to the method used in Basel II's Standardised Approach for credit risk. Local rating scales (rather than international ratings) of a supervi-

sor-approved ECAI that meet the eligibility criteria outlined in paragraph 21.2 of the Basel Consolidated Framework [CRE 21.2] can be recognised if covered bonds are held by an institution for local currency liquidity needs arising from its operations in that local jurisdiction);

> Traded in large, deep and active repo or cash markets characterised by a low level of concentration; and

> Have a proven record as a reliable source of liquidity in the markets (repo or sale) even during stressed market conditions: i.e. maximum decline of price or increase in haircut over a 30-day period during a relevant period of significant liquidity stress not exceeding 10%.

Under OSFI's LAR Guidelines (Chapter 3 – Net Stable Funding Ratio), unencumbered covered bonds with a credit rating equal or equivalent to at least -AA are a 15% required stable funding (RSF) factor.

Under OSFI's Capital Adequacy Requirements (CAR) Guidelines, covered bonds that meet the asset and disclosure requirements specified in the CAR Guidelines and have an issue-specific rating of AAA to AA-, are eligible for a 20% risk weight (with risk weights ranging from 30% to 150% for eligible covered bonds with issue-specific ratings from A+ to below B-). Unrated covered bonds are eligible for a risk weight inferred from the external credit risk assessment approach or standardized credit risk assessment approach risk weight provided in the CAR Guidelines. Asset eligibility and disclosure requirements under the CAR Guidelines are consistent with those in the Basel Framework except that the minimum overcollateralization is 5% instead of the 10% minimum overcollateralization requirement under the Basel Framework.

*Bank of Canada Programs*

Eligible covered bonds may be used as collateral under the Bank of Canada's (BoC) Standing Liquidity Facility, Standing Term Liquidity Facility and Emergency Lending Assistance, subject to concentration limits. Eligible covered bonds are Canadian and U.S. dollar denominated covered bonds that are compliant with the federal legislative framework for covered bonds, and of sufficiently high quality as determined by BoC (which is considered to be broadly equivalent to a rating of AAA). The concentration limits applicable to covered bonds for such programs include restrictions on any participant having over 5% of its pledged collateral (including covered bonds) from a single issuer or related party and on any Lynx participant having more than 5% of its pledged collateral consist of covered bonds, asset-backed commercial paper, term asset-backed securities and secured general collateral (SGC) notes originated or sponsored by a single issuer. In addition, depending on whether a participant pledges its non-mortgage loan portfolio (NMLP), aggregate limits of 20% when NMLP is pledged and 40% where NMLP is not pledged, apply for pledged collateral consisting of covered bonds and other private sector and municipal securities.

## X.2. Market Overview

Canadian banks remain key participants in international covered bond markets, issuing in the CAD, EUR, USD, GBP, CHF, NOK and AUD markets upon favourable basis swaps and strong market technicals.

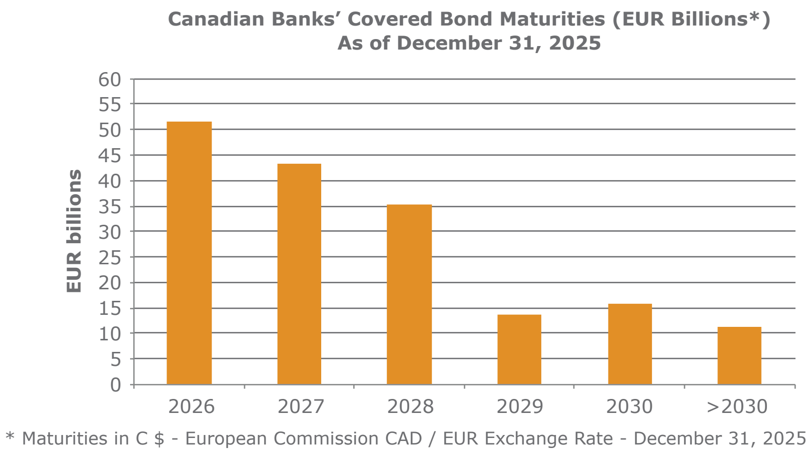
Figure 2: Canadian Banks' Covered Bond Issuances

| At 31 December 2025 (C$ bn) | BMO | BNS | EQB | FCDQ | CIBC | LBC | NBC | RBC | TD | Total |
|---|---|---|---|---|---|---|---|---|---|---|
| OSFI 5.5% covered bond encumbrance limit | 81.2 | 80.3 | 2.9 | 28.2 | 61.4 | 2.8 | 31.7 | 127.8 | 115.2 | 531.6 |
| Outstanding covered bonds | 20.0 | 51.0 | 2.0 | 16.7 | 43.9 | 0.5 | 9.0 | 60.7 | 70.5 | 274.3 |
| OSFI Covered Bond Ratio Limit | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | 5.5% | |
| **Covered Bond Ratio (%) | 1.5% | 3.7% | 4.1% | 3.4% | 4.2% | 1.1% | 1.7% | 2.8% | 3.5% | |
| **Remaining encumbrance capacity** | **4.0%** | **1.8%** | **1.4%** | **2.1%** | **1.3%** | **4.4%** | **3.8%** | **2.7%** | **2.0%** | |

Source: CMHC

** Covered Bond Ratio refers to total assets pledged for covered bonds relative to total on-balance sheet assets.

> FIGURE 3: CANADIAN ISSUERS' COVERED BOND REDEMPTIONS (AS OF 31 DECEMBER 2025, EUR BN)




Source: CMHC

**Issuers:** Royal Bank of Canada (RBC), Bank of Montreal (BMO), Bank of Nova Scotia (BNS), Canadian Imperial Bank of Commerce (CIBC), Fédération des Caisses Desjardins du Québec(FCDQ), National Bank of Canada (NBC), Toronto Dominion Bank (TD), Laurentian Bank (LBC), Equitable Bank (EQB).

COVERED BOND LABEL : Royal Bank of Canada (1 pool), The Toronto-Dominion Bank (1 pool), The Bank of Nova Scotia (1 pool), Fédération des caisses Desjardins du Québec (1 pool), National Bank of Canada (1 pool), Canadian Imperial Bank of Commerce (1 pool), Bank of Montreal (1 pool), Equitable Bank (EQB).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.8 CHILE

By Patricia Perez, Antonio Procopio and Fernanda Vasquez, Banco Santander Chile

### I. FRAMEWORK

The legal framework for Chilean covered bonds (*Bonos Hipotecarios*, also mortgage bonds) is determined by:

> The General Banking Law (Ley General de Bancos, LGB): Article 69, n°2, Mortgage bond issuances; and Articles 125, 126 and 134, special treatment of banking entities under bankruptcy.

> The Chilean Central Bank: Financial Regulation Compendium (*Compendio de Normas Financieras*, CNF), Chapter II.A.2, Chilean Central Bank complementary rules.

> Financial Markets Commission (*Comisión para el Mercado Financiero*, CMF): *Recopilación Actualizada de Normas* (RAN), Chapter 9-2, Complementary rules of the Chilean banking regulatory agency.

In 2010, Law 20.448 – also called MKIII, the third reform to the Capital Markets Law – introduced a series of changes in terms of liquidity, innovation and integration of the capital markets. Among them was the amendment of Article 69, n°2 of the LGB which enabled banks to issue bonds with specific guarantees, called mortgage bonds. These securities are specifically aimed to raise funds for the origination of mortgage loans (mutuos hipotecarios) used to finance the acquisition, construction, reparation or extension of residential properties. Only residential mortgages for these purposes are accepted as collateral, excluding commercial, public or other types of loans. Additionally, only new origination of mortgages can be used as collateral, with a maximum limit of 18 months for the total amount to be completed. In case of insufficient origination, mortgage bonds also have an anticipated rescue clause for a proportional prepayment of the bond that was not collateralized. The issuer then has an additional one-month period at the end of this 18-month period and at the end of each month along the life of the bond to incorporate new mortgage loans of the same nature and quality to comply with the covered asset limit and balance principle.

Under an eventual credit event/default of an issuer, Articles 125, 126 and 134 of the LGB give mortgage bonds the same treatment and current legal status as that of outstanding Letras Hipotecarias (LH), a type of mortgage bond frequently used by Chilean banks in the past to finance their mortgage business. These articles regulate the procedures in such case and the mechanisms for the tender process and subsequent transference of eligible loans/assets and liabilities from the defaulted issuer to a new entity.

In September 2012, a new regulation was published in a joint statement by the Chilean Central Bank and the SBIF (now known as the CMF), describing mortgage bonds as a new source of long-term funding for banking entities, thus allowing better conditions for clients as well as a new investment alternative for institutional investors. At the same time, it explicitly incorporated a prudential regulation associated with financial stability objectives. In particular, it stated the obligation of periodic reporting of both bonds and loans, the definition of certain credit indicator limits, specific policies to grant loans and other transparency objectives for the benefit of both clients and investors.

In January 2019 a new Banking Law was published and included a new restriction regarding mortgage eligibility. This new law established that loans granted by the issuer twelve months prior to the issuance of the mortgage bond would be accepted as eligible collateral.

Chapter II.A.2 of the CNF from the Central Bank regulates issues related with eligible loans, as well as investments in fixed income securities as substitute collateral since the date of issuance during the period of loan origination, specifying limits for compliance during the whole life of the bond.

The CMF's RAN mainly regulates the issuance of mortgage bonds, the relationship between bonds and loans, and the establishment of a special Register for further control which includes detailed up-to-date information to comply with transparency and monthly reporting objectives.

## II. STRUCTURE OF THE ISSUER

Under current legislation only banking entities are allowed to issue mortgage bonds. Covered assets are held within the balance sheet with the proper internal controls to monitor the covered pool with its related ratios and limits over time.

Banco Santander Chile issued the first ever local covered mortgage bond. The first covered bond programme was for a total amount of UF 3 million (approx. USD 116 million), and the first issuance out of the programme was on 1 August 2013 for a total amount of UF 1.5 million (approx. USD 58 million), with a second issuance on 20 November 2013. Both issuances generated a great appetite from local investors and the result was a spread of 15 bps lower than the senior unsecured debt outstanding. In 2014 Banco Santander Chile successfully registered a second covered bond programme for a total amount of UF 5 million and issued an amount of UF 1.5 million in September 2014.

As of 31 December 2023, Santander Chile is still the only active issuer of covered bonds in the Chilean market.

## III. COVER ASSETS

Regulation states that issuers can consider eligible mortgages already granted twelve months prior to the bond's date of issuance to allocate to the mortgage bond. After that period, at the end of each month during the life of the mortgage bond, the outstanding balance of mortgages, excluding amounts in arrears, should not be lower than 90% of the outstanding balance of the respective bonds. Any difference between the outstanding amounts of the mortgages and the bonds must be covered by high credit quality fixed income instruments.

Figure 1: Fixed income substitute collateral: minimum 80% in sovereign bonds (Categories: I. and II.)

| | | |
|---|---|---|
| **I.** | Sovereign bonds | Fixed income instruments issued by Chilean Central Bank. |
| **II.** | Sovereign bonds | Fixed income instruments issued by Chilean Treasury. |
| **III.** | Corporate bonds | Local Corporate bonds rated AA+ or higher (by at least two rating agencies). Sublimit of up to 10% of the total of funds by each *mortgage bond* issuance. |
| **IV.** | Mortgage bonds | Mortgage bonds issued by other banking entities. |
| **V.** | Term deposits | Time deposits originated by high rated banks established in Chile, excluding those of the issuer of the covered bonds. |
| **VI.** | LCH | Housing LH: Letras De Crédito Hipotecario issued for housing purposes by other banking entities. |
| **VII.** | Unsecured bank bonds | Unsecured bank bonds rated AA+ or higher (by at least two rating agencies), excluding those of own issuance. |

Source: Chilean Central Bank, Banco Santander Chile

## IV. VALUATION AND LTV CRITERIA

Eligible loans are only accepted as collateral for the corresponding issued bond once the accredited third-party property appraiser has finished the valuation process and after it has been registered at the corresponding CBR (*Conservador de Bienes Raíces*) – the local entities that certify legal dominion of properties.

The minimum loan-to-value (LTV) defined by law is 80%. Conditions for valuation are also subject to performing or non-performing status of loans. The maximum accepted number of arrears of any single loan in the pool is 10. Above that, the loan must be replaced with a new one of the same nature. As explained before for the cover-to-bond outstanding balance ratio, all amounts in arrears are excluded.

LTV alone is not enough for eligibility of mortgage loans. In addition, a maximum debt-to-income ratio of 25% is demanded.

## V. ASSET – LIABILITY MANAGEMENT

Current legislation does not prescribe overcollateralisation for the issuance of covered bonds.

Under a balance principle the nominal amount of covered assets must always be at least equal to the outstanding amount of related *Bonos Hipotecarios* and loans in arrears or prepaid should be replaced always under the restriction that only new mortgages are potentially eligible as collateral for mortgage bonds.

Banks are free to structure the covered bonds according to their own needs and criteria. Banco Santander's first programme bond was a 15-year amortising structure reflecting the expected amortisation schedule of the underlying loan portfolio adjusted by the empirical loan prepayment rate. The second registered bond programme was an 18-year amortising structure reflecting the expected amortisation schedule and the empirical prepayment rate of the new loan portfolio.

## VI. TRANSPARENCY

Current regulation includes a prudential approach associated with financial stability objectives: mandatory monthly reports of assets and liabilities in the Register and compliance of required ratios; a specific Credit Policy for mortgage eligibility which must be approved by the Board of Directors and published on the issuer's webpage; and client's LTV and debt-to-income ratios reported on a monthly basis.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Article 69, n°2 of the LGB mandates banks to maintain a special mortgage register (*Registro de Mutuos Hipotecarios*) for the identification and control of the relation between mortgages and their respective mortgage bond issuances.

CMF's RAN 9.2, n°5, sets conditions for the inscription of mortgages on the Register and the required information including: identification of bond issuance and loans; dates of inscriptions; original and substitute loans; identification of fixed income assets held as substitute collateral; and elimination from the register by number of arrears or property value deterioration.

Central Bank's CNF Chapter II.A.2, n°18, within its explicit transparency and information objectives, details monthly reporting data including: up-to-date average debt-to-income ratios of clients with eligible loans for each series of mortgage bond issuances; average value of properties linked to the mortgage bonds at the date the credit was granted; LTV of the pool updated by loan replacements; loan characteristics (maturity, interest rates, fixed, floating or mixed type, currency denomination, inflation link mechanism and loan prepayment conditions); outstanding balances of loan portfolios and associated mortgage loan issuances and, finally, the total amount of fixed income assets and its general characteristics.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

There are two main issues related with bankruptcy in the mortgage bond legislation:

1) Since only new loans are accepted as collateral, this avoids the possibility of structuring mortgage bonds with a selection of the best quality assets which could be against the interests of other creditors such as depositors in case of bankruptcy.
2) In the case of bankruptcy, a special procedure in the way of a separated auction or tender process is triggered for those assets and liabilities clearly identified and associated with mortgage bonds in the Register. Eligible bidders are other public or private financial institutions, and the final buyer must take care of mortgage bond payments. This process is thoroughly covered in the LGB, same as for Letras de Crédito Hipotecarias (LH).

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Chile is not a member of the European Union. Therefore, Chilean mortgage bonds are issued under the existence of a specific country legislation – which is a requirement for these matters – no special treatment or benefit is granted in terms of preferred risk-weighting for regulatory capital purposes.

## X. ADDITIONAL INFORMATION

In a clear intent to provide these Bonds with more liquidity, the Chilean Central Bank announced on 28 March 2013 a special Repo programme ("Repo mortgage bonds") which accepts exclusively mortgage bonds as collateral. The Repo mortgage bonds is offered for up to 14 days at a floating rate equivalent to the current monetary policy rate (MPR) of each day plus 25 basis points. Eligible mortgage bonds will be subject to the credit rating of the mortgage bond issuer banking entity which must be in AAA, AA or A.

On top of this, in July 2015 the SBIF (now CMF) announced a change in the regulation for Liquidity Management. This amendment introduces the compulsory measurement and reporting of the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR). This local LCR ratio recognises mortgage bonds as high-quality liquid assets, which could promote the appetite of financial institutions for this asset class.

In an additional attempt to promote the issuance of this type of instruments, the CMF announced on 31 January 2017 an amendment on Chapter 9-2, n°5.1 of the RAN, allowing mortgage loans issued before the bond's date of issuance to be eligible for the covered pool as long as they were granted after the beginning of the interest accrual period stated in the amortisation schedule of such bond and after the registration certificate of such bond is published by the issuer on its website. The main objective of this amendment is to make the covered pool easier to build in the 18-month time limit after the date of issuance of the mortgage bond.

Additionally, on 12 January 2019 a new Banking Law was published to start the process of transitioning into Basel III. In 2020, a new regulation about capital requirements entered in vigor affecting the mortgage bonds, among various other topics. In the calculation of the risk weighted assets there was a decrease in the weighting of mortgages to 10% from 20% for AAA issuers. At the same time, this weighting is lower for mortgage bonds than a senior corporate bond.

Despite these incentives, there have not been mortgage bond issuances in the Chilean market other than the ones issued by Santander Chile. This lack of activity can be explained by the fact that the more relevant Chilean issuers already have the maximum credit risk rating (AAA), and therefore the double recourse guarantee provided by the mortgage bonds is currently not as valuable for the potential investors, specifically for banks.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.9 CROATIA

By Edin Karakaš and Sven Plašćar, Žurić i partneri Kinstellar

### I. FRAMEWORK

On 14 May 2022, the new Croatian covered bond law came into force – Issuance of Covered Bonds and Public Supervision of Covered Bonds Act (Zakon o izdavanju pokrivenih obveznica i javnom nadzoru pokrivenih obveznica – Official Gazette 53/2022, the "Covered Bonds Act"). The Covered Bonds Act is a first piece of legislation that regulates issuance of covered bonds in Croatia. In addition, generally applicable legislation should be taken into account regarding certain aspects of covered bonds – such as Capital Markets Act, Credit Institutions Act, Resolution of Credit Institutions and Investment Companies Act or Compulsory Liquidation of Credit Institutions Act.

It should be noted that the first amendment to the initially published law was introduced and has been in force since 23 December 2025. The amendment was made to align the Croatian covered bond regime with EU transparency requirements connected to the European Single Access Point (ESAP), thereby strengthening standardised, EU-wide access to covered bond information.

Croatian Agency for Supervision of Financial Services ("HANFA") is supervisory authority charged with supervision of Credit Institutions Act. Apart from HANFA; Croatian National Bank ("CNB") as banking supervisor has certain duties under the Covered Bonds Act. The act envisages their cooperation in discharging their duties and competences set out by Covered Bonds Act.

HANFA is yet to adopt subordinate legislation under the Covered Bonds Act, while CNB adopted Ordinance on obligations of credit institutions when issuing covered bonds (OG 81/2023 – CNB Ordinance).

The Covered Bonds Act represents a modern and suitable general legal framework for the issuance of covered bonds in Croatia implementing the European Covered Bonds Directive. However, there have been no covered bond issuances on the Croatian market yet. In order to enable issuance of covered bonds, the Covered Bonds Act requires adoption of its implementing subordinate legislation. Hence, issuance of covered bonds can be reasonably expected once such subordinate legislation is adopted, strengthening, and completing the regulatory and supervisory framework for the issuance and supervision of covered bonds.

### II. STRUCTURE OF THE ISSUER

Covered bonds under the Covered Bonds Act can be issued by credit institutions with seat in the Republic of Croatia. A credit institution which intends to issue covered bonds must:

- Obtain from CNB a preliminary opinion on business plan that governs issuance of covered bonds and, upon obtaining such opinion
- Obtain from HANFA approval for issuance of covered bonds program.

In order to obtain a special license for the issuance of covered bonds, issuing credit institution must prove that:

- the covered bond issuance program contains an appropriate business plan that governs the issuance of covered bonds, including a risk analysis, from which it is clearly visible that the issuance of covered bonds will not jeopardize the long-term viability of the credit institution's operations or its ability to meet regulatory requirements;
- the covered bond issuance program contains appropriate policies, procedures and methodologies related to the issuance of approvals, the procedure for changing conditions, extending the repayment period and refinancing loans included in the cover pool, and serves to protect investors;

> the management and staff in charge of the covered bond program must have appropriate qualifications and knowledge about the issuance of covered bonds and the management of the covered bond program, and a sufficient number of employees with the professional qualifications necessary to conduct business with covered bonds;

> the chosen cover pool monitor meets the conditions prescribed by the Covered Bonds Act;

> the covered bonds issuance program fulfills the requirements prescribed by Covered Bonds Act regarding the structure of the cover pool;

> has an established risk management system for risks arising out of covered bonds.

**III. COVER ASSETS**

Cover pool can consist of assets that are eligible pursuant to Article 129(1) of Regulation (EU) No 575/2013, provided that the credit institution issuing the covered bonds meets the requirements of paragraphs 1a to 3 of Article 129 of that Regulation. Money and monetary income from these cover pool assets is also included in the cover pool.

Liquid assets can be included in the cover pool as liquidity buffer. Liquidity buffer must cover net liquidity outflow of the covered bonds program over the next 6 months. The liquid assets covering the liquidity buffer must comprise of the following:

> assets qualifying as level 1, level 2A or level 2B assets pursuant to the applicable delegated regulation adopted pursuant to Article 460 of Regulation (EU) No 575/2013, that are valued in accordance with that delegated regulation, and are not issued by the credit institution issuing the covered bonds itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links;

> short-term exposures to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3, in accordance with point (c) of Article 129(1) of Regulation (EU) No 575/2013.

Derivatives, subject to the conditions set out by the Covered Bonds Act, including that they are included for risk hedging purposes, their volume is adjusted in the case of a reduction in the hedged risk and they are removed when the hedged risk ceases to exist. Other eligibility criteria for derivatives are aligned with Article 11 of the Covered Bonds Directive.

**IV. VALUATION AND LTV CRITERIA**

All obligations arising from covered bonds issued under the same program must be covered by claims arising from assets included in the cover pool, which includes:

1. outstanding principal amount arising from covered bonds

2. outstanding interest amounts arising from covered bonds

3. payment obligations related to derivative contracts that meet the requirements of Article 10 of this Act

4. expected costs related to the maintenance and management of the covered bond program in the event of liquidation, which include the foreseeable costs of the cover pool monitor and the special administrator until the longest possible duration of the covered bond program – which could be set as a lump sum.

The total nominal amount of the principal of all assets included in the cover pool must be at least 5% higher than the total nominal amount of the principal of outstanding obligations arising from the covered bonds (nominal amount principle).

When evaluating physical collateral, the issuer must abide by the following rules:

a) for each physical collateral asset, that a current valuation at or at less than market value or mortgage lending value exists at the moment of inclusion of the cover asset in the cover pool;

b) that the valuation is carried out by a valuer who possesses the necessary qualifications, ability and experience; and

c) that the valuer is independent from the credit decision process, does not take into account speculative elements in the assessment of the value of the physical collateral asset, and documents the value of the physical collateral asset in a transparent and clear manner.

Real estate valuation, in principle, must be done in accordance with the real estate valuation legislation.

## V. ASSET – LIABILITY MANAGEMENT

Article 23 of the Covered Bonds Act states that the issuer must have an appropriate risk management system for dealing with covered bonds.

The risk management system must be established to ensure the identification, assessment, control and monitoring of all risks associated with operations with covered bonds, particularly counterparty risk, interest rate risk, currency risk, market risk, operational risk and liquidity risk.

Furthermore, the issuer must ensure the protection of investors in such a way that the cover pool at all times includes a protective layer of liquidity consisting of liquid assets available to cover net liquidity outflows within the covered bond program.

The liquidity buffer of the cover pool must at all times cover the largest cumulative net liquidity outflow for the next six months. It is important to note that in the event of an extension of the maturity date of the covered bonds, to calculate the principal for the liquidity outflow, the final maturity date is taken into account.

Covered bonds may be issued with a fixed maturity date or as covered bonds with extendable maturity date. The extension of the maturity date of covered bonds is only possible if bonds are issued as bonds with an "extension of the maturity date". The Cover Bond Act specifically provides that the triggers for extension may be either the initiation of the mandatory winding up procedure or the rehabilitation procedure over the issuer.

The maturity of extendable covered bonds may be extended only in if the following conditions are met:

a) such an extension of the maturity date is provided for in the contractual conditions of the covered bond;

b) HANFA, the CNB, and the Croatian Deposit Insurance Agency was informed about the extension and the reasons behind it;

c) the information on the structure regarding maturity dates provided to investors is sufficient to enable them to determine the risk of the covered bond and contains a detailed description of the events triggering the extension of the maturity date and the consequences of mandatory winding up or rehabilitation of the issuer on the extension of the maturity date, as well as the role of the special manager with regard to the extension of the maturity date;

d) the final maturity date of the covered bond is determinable at all times;

e) in case of insolvency, mandatory winding up or rehabilitation of the issuer, the extension of the maturity date does not affect the order of payment of investors in covered bonds, nor does it reverse the order of the original schedule of the maturity program of covered bonds;

The Covered Bonds Act does not include explicit guidelines concerning the decision-making process for determining whether the conditions for extending the maturity period have been met, hence it is up to the program of the covered bonds issuance and terms of the issue to adopt relevant mechanisms to reviewed by regulators on approval of the program.

## VI. TRANSPARENCY

According to Article 13(8) of the Covered Bonds Act, issuers are obliged to provide on their websites detailed information every three months to investors. The information about the covered bond program must be sufficiently detailed to enable investors to assess the profile and risks of that program and conduct due diligence on the program.

The covered bond program is very extensive in this regard and should include various details about the value of the cover pool and outstanding obligations from covered bonds, the list of international securities identification numbers (ISINs) for all issued covered bonds in the program, and geographic distribution and asset types for coverage, along with credit, market, and liquidity risks, among other aspects. Additionally, it covers the structure of assets and covered bonds regarding maturity dates, required and available coverage levels, and the percentage of loans in default for over three months, as well as the bondholders' assembly details.

Moreover, issuers must regularly provide to HANFA and the Croatian National Bank information about covered bonds program, including details on asset eligibility, allocation, coverage requirements, liquidity protection, and any conditions for maturity extensions. Issuers are under obligation to provide reports and information essential for investors' protection and supervision over the issuer when requested by HANFA.

The cover pool monitor is charged with a duty to continuously monitor whether the issuer and the cover pool meet the conditions prescribed by the Covered Bonds Act, as well as the contractual conditions of the covered bonds regarding the sufficiency of information for investors.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### Cover pool register

Each issuing credit institution must keep a cover pool register (Article 12 (2) of the Covered Bond Act) for each cover bond program issued, in which all the cover assets are registered. Assets in the cover pool register are legally separated from the issuer's assets, protected from claims, and excluded from liquidation until investors' claims are settled.

The issuer compiles the cover pool register and registers all the assets that are included in the cover pool before issuing the covered bonds. The cover pool register must contain information on the assets so that they can be identified at any time, as well as their value and the collateral by which they are secured.

Before requesting approval for the covered bond program, the issuer must appoint a cover pool monitor, who confirms in writing that there is a sufficient cover pool when issuing the covered bonds and that it is entered in the cover pool register.

### Cover pool monitor

A cover pool monitor ensures that the cover pool register is maintained in accordance with the provisions of the Covered Bond Act and its subordinate legislation. Only a person who is a certified auditor and has been registered with the register of the Croatian Audit Chamber, can be appointed as a cover pool monitor. Moreover, the cover pool monitor cannot be issuer or the issuer's auditor but a separate person, as well as independent of the issuer and its auditor. The cover pool monitor must have relevant experience in auditing credit institutions, financial institutions, capital market infrastructures, investment fund management companies, pension companies or pension insurance companies, or have relevant experience in performing comparable tasks in financial sector entities. (Article 13 of the Covered Bonds Act).

The duties and obligations of a cover pool monitor are, among others, as follows:

> to monitor the compliance of the issuer and the cover pool with the prescribed conditions of the covered bond legislation, until the covered bonds are repaid in full in order to ensure that the issuer maintains the value of the cover pool;

> to ensure and verify coverage and liquidity calculations;

> to confirm the accuracy of the asset valuation in the cover pool;

> to perform random audits of assets in the cover pool;

> to approve the Issuer's disposal of assets included in the cover pool;

> to submit a report to the Croatian National Bank and the HANFA every six months confirming that the cover pool complies with legal and regulatory requirements.

The issuer may not dispose of assets included in the cover pool without the approval of the cover pool monitor. The cover pool monitor must also approve the deletion, replacement and addition of assets to the cover pool register.

**Supervision**

HANFA is the competent authority and is responsible for supervising the issuer with regard to the issuance, management and repayment of the covered bonds. HANFA and CNB cooperate when discharging their duties under the Covered Bonds Act.

While HANFA approves the covered bond program, the issuer must first obtain a positive preliminary opinion from the CNB on the business plan for the issuance of the covered bonds. The CNB ordinance prescribes:

> required content of the request for the issuance of a preliminary opinion

> criteria for evaluation of the issuer's business plan

> criteria for assessing whether change to the issuer's business plan is significant.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

**Segregation of cover assets**

The Covered Bonds Act introduces important layers of investor protection, that are essential to ensure investor interest in the investment program. Even in the event of economic difficulties and the opening of insolvency proceedings against the credit institution in whose covered bonds they have invested, the repayment should be considered reasonably secure, which is rarely the case with most of the traditional instruments. The investors are protected by so called double recourse mechanism: they have a preferred claim over the assets in the cover pool, while maintaining the general creditor status.

The assets in the cover pool are typically high-quality assets in themselves as they must meet the quality requirements of Article 129 (1) of the Regulation 575/2013/EU. The Covered Bonds Act sets out rules for the establishment of a pool of these assets that are legally separate from the issuers' other assets and are specifically intended to secure repayment to investors.

By registering assets in the cover pool register, the cover assets are legally segregated from all other assets of the issuer, and by this separation, the cover assets are protected from all claims except those of the investors that arise from covered bonds. These assets cannot be subject to enforcement, nor are they considered to be part of the issuer's liquidation assets, at least not until all the investors' receivables under the covered bonds program have been settled.

The assets constituting the cover pool may not be used for any purpose other than to meet obligations to investors in covered bonds, other counterparties to derivative contracts and obligations arising out of the cover pool itself until all claims under the covered bonds have been fully satisfied.

As mentioned, the investors in covered bonds are general creditors of the issuer: they have a claim against the issuer in the amount of the principal amount of the issued covered bond and the associated interest, in addition to preferential rights to repayment of the principal and all accrued and future interest from the cover assets in the event of rehabilitation or mandatory winding up.

**Bankruptcy remoteness of covered bonds**

According to Article 6 of the Covered Bonds Act, payment obligations in respect of covered bonds are not subject to automatic acceleration in the event of the insolvency, mandatory winding up or rehabilitation of the issuer, nor can they be subject to automatic acceleration by way of a declaration of will by investors in covered bonds solely by reason of insolvency, opening of the mandatory winding up or rehabilitation of the issuer.

This is due to bankruptcy remoteness of the cover pool, which should be able to continue making payments to the investors regardless of the issuer's status. The claims of investors from covered bonds and other counterparties to derivative contracts are paid out of the cover pool in accordance with the Covered Bonds Act, and the cover pool isn't part of the liquidation mass of the issuer.

In the event of a mandatory winding up of the issuer, HANFA will propose to the court one or more special cover pool administrators. Upon the appointment of a special administrator, the special administrator assumes the duties and powers of the cover pool monitor, which consequently terminates the function of the cover pool monitor. The special administrator collects due claims from the cover pool and pays covered bonds holders due claims in accordance with the terms of their issue, as well as performs all legal acts necessary to collect money from the assets in the cover pool or to sell or refinance them if that is in the best interest of the covered bonds holders.

The special administrator ensures that all assets included in the cover pool are separated from the issuer's other assets, and for this purpose, he is authorized to open special accounts and undertake all legal actions necessary for the complete segregation of the cover pool assets from the liquidation mass.

On the other hand, the liquidator has no authority over the cover pool or the covered bonds and is not authorized to dispose of them in any way. It is expected of the liquidator and the special administrator to exchange the information necessary for the performance of their duties.

It should also be noted that the subordinate legislation is yet to be adopted, which will further regulate the rights and duties of the special administrator during the liquidation process, as well as the regular reports of the special manager.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The new Cover the European Covered Bond Directive into national law and is in force since 14 May 2022. The risk-weighting of is regulated directly by Capital Requirements Regulation (CRR). The label "European covered bond" can only be used for covered bonds that meet the requirements of the Covered Bond Act. The label "European covered bond (premium)" is used only for covered bonds that meet the requirements of the Covered Bond Act and the requirements of Article 129 of Regulation 575/2013/EU, as amended.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.10 CYPRUS

By Christina Kypri-Georgiadou, Bank of Cyprus

### I. FRAMEWORK

Cyprus first introduced the covered bond legislation in December 2010, with the Covered Bond Law of 2010, (130 (I)/2010), which came into force on December 23, 2010 (the "Law"). On the same day, the CBC issued a Directive (526/2010) under the provisions of the Law, which constitutes the regulatory framework for the issue of covered bonds (the "Directive").
The Law and the Directive (the "Cypriot Legal Framework") are further supplemented by other laws (e.g. the Bankruptcy Law, the Banking Business Law, the Companies Law etc.) as referenced by the Law.
The Cypriot Legal Framework has been finalized in consultation with and following the positive opinion of the ECB, dated 14 October 2010 and 23 March 2011 related links are:
http://www.ecb.int/ecb/legal/pdf/en_con_2011_27_f_sign.pdf and
https://eur-lex.europa.eu/legal-content/CS/ALL/?uri=CELEX:52010AB0073.

In November 2019, EU Directive 2019/2162 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU was published.

For the purposes of harmonisation with the EU Directive, the Law on the Issue of Covered Bonds and Covered Bond Public Supervision and Related Matters of 2021 (166(I)/2021) and the CBC Directive on the Issue and Supervision of Covered Bonds of 2021 (RAA 456/2021) were issued. The Law and the Directive apply from July 8, 2022, at which time the 2010 Law and Directive was repealed.

### II. STRUCTURE OF THE ISSUER

Under the Cypriot Legal Framework, Credit Institutions which have been approved by the Competent Authority (i.e. the CBC), are only allowed to issue covered bonds using the direct issuance route.

Approved Institutions are those Cypriot Credit Institutions which have been registered in the Register of Approved Institutions, (publicly available at the following link:
https://www.centralbank.cy/en/licensing-supervision/banks/register-of-credit-institutions-operating-in-cyprus) following a relevant application to the Competent Authority.

Approval of such application is granted only after the Credit Institution has successfully demonstrated its ability to carry out the legal obligations of an Approved Institution, and that it fulfils the criteria and conditions determined by the Competent Authority.

With respect to individual covered bond issuance, Approved Institutions must subsequently apply to the Competent Authority for registration of such new issue in the Covered Bonds Register (publicly available at the following link: http://www.centralbank.gov.cy/nqcontent.cfm?a_id=11439&tt=article&lang=en).

### III. COVER ASSETS

As per the provisions of the new legislation that came into force July 8, 2022, the covered bonds must be at all times secured by:

(a) assets that are eligible pursuant to Article 129, paragraph 1, of Regulation (EU) No 575/2013, provided that the credit institution issuing the covered bonds meets the requirements of paragraphs 1a to 3 of Article 129 of that Regulation;

(b) high-quality cover assets that ensure that the credit institution issuing the covered bonds has a claim for payment and are secured by collateral assets, subject to certain conditions as described in the legislation; or

(c) assets in the form of loans to or guaranteed by public undertakings, subject to certain conditions as described in the legislation.

Primary assets may include:

> Public claims;
> residential loans;
> commercial loans;
> maritime loans; or
> other asset that the competent authority may determine as primary asset.

Hedging contracts may also be included in the cover pool, only to the extent that they are used exclusively for the purpose of hedging any type of risk that may adversely affect the value of the cover assets.

Finally, apart for the Primary Assets, Substitution Assets may also be included in the cover pool, as prescribed in the legislation with certain limitations such as the total value of substitution assets included in the cover pool and counted in the measurement of the Basic Collateralisation, not to exceed 15% of the total value of covered bonds.

## IV. VALUATION AND LTV CRITERIA

The Approved ACI follows the methodology and procedures for valuing the value of the tangible assets securing the cover assets as set out in the Central Bank's Directive issued to Credit Institutions on Credit Granting and Review Processes.

Additionally, and pursuant to the legislation, the Covered Bond Monitor ("CBM") has a duty to examine the valuation process in relation to the valuation of the cover assets.

## V. ASSETS – LIABILITY MANAGEMENT

### Nominal Value and Present Value Tests

As per the provisions of the new legislation that came into force July 8, 2022, a credit institution shall include in the cover pool primary assets, substitution assets and derivatives contracts of which:

(a) the total value covers the value of the outstanding amount of the covered bonds by 105%; and

(b) the total present value covers the total present value of the payments to cover pool investors and other cover pool creditors by 105%.

The value of a cover asset counted for the purposes of point (a) is equal to:

a) for a cover asset that is a residential, commercial or maritime loan secured by a mortgage or other equivalent collateral, in accordance with the Central Bank's Directive issued to Credit Institutions on Credit Granting and Review Processes, and

   (i) in case where it is not subject to set-off, the lower of (a) the loan balance corresponding to the LTV determined by Article 129 of Regulation (EU) No 575/2013; and (b) the loan balance

   (ii) in case where it is subject to set-off, the lower of (a) the loan balance corresponding to the LTV determined by Article 129 of Regulation (EU) No 575/2013; and (b) the net loan balance, where the net loan balance equals to the balance net of the set-off amount.

b) for a cover asset that is a claim against a public or credit institution or other entity referred to in Article 129(1)(b) of Regulation (EU) No 575/2013:

   (i) in case where it is not subject to set-off, the value of the public claim;

(ii) in case where it is subject to set-off, the value of the public claim net of the set-off amount.

The effect of any hedging contract included in the cover pool is taken into account.

The present value of a cover asset counted for the purposes of point (b) is estimated:

(i) in case where the cover asset is not subject to set-off, on basis of the nominal value;

(ii) in case where the cover asset is subject to set-off, on the basis of the nominal value net of the set-off amount.

The above 105% condition must also be met in the following scenarios:

(a) Parallel interest rate shift of +200 and -200 basis points;

(b) Interest rate shifts determined by a 99% 6-month confidence interval using daily changes for the last 365 days;

(c) Exchange rate changes:

> Euro and member-state currencies: 10%;

> Currencies of the United States, Canada, Japan, Switzerland, Australia: 15%; and

> Other currencies: 25%.

(d) Exchange rate shifts determined by a 99% 6-month confidence interval using daily changes for the last 365 days.

**Weighted Average Life Test**

The weighted average life of cover assets counted in the measurement of basic collateralisation and the supervisory overcollateralization must be longer than the weighted average life of the covered bonds.

**Liquidity Buffer**

The cover pool includes at all times a liquidity buffer composed of liquid assets available to cover the net liquidity outflow of the covered bond programme. The cover pool liquidity reserve shall cover the maximum cumulative net liquidity outflow over the next 180 days. The types of assets that can be used to cover the cover pool liquidity reserve are described in detail in the legislation.

Additionally to the above statutory tests, and with a view to protect the depositors and all other unsecured creditors in case of insolvency proceedings, and to potentially provide for a reserve of assets that may be used in the future to sustain further stresses, the Directive provides that an Approved Institution is not permitted to issue covered bonds, if such an issue would result in:

> the total value of the primary assets which are required to be included in the institution's cover pools for each cover bond category, to exceed 90% of total value of the institution's eligible primary assets for that cover bond category, or

> the total value of the cover assets included in all cover pools and counted in the cover pool adequacy, to exceed 25% of the total value of the institution's assets.

## VI. TRANSPARENCY

Transparency is ensured through a series of reporting and registers that need to be maintained, updated and monitored by the covered bond issuers as well as by the Competent Authority.

Covered bond Issuers are required to maintain a cover pool register for each covered bond issue or programme outstanding. Specific conditions for maintaining such Cover Pool Register (e.g. form, content, entry recording etc.) are outlined in the Directive. The Cover Pool Register is to be updated whenever an asset is included or excluded from the cover pool (and at least on a monthly basis) and shared with the Competent Authority and the CBM.

Specifically, the Directive set further transparency obligations to the covered bond issuers, requiring them to disclose, on a quarterly basis and in a publicly accessible area (e.g. their websites), specific statistical information relating to their outstanding covered bonds, in the form determined therein.

With respect to the covered bond issuers and the covered bonds issued and outstanding in Cyprus, transparency is ensured through the maintenance of a Register of Approved Institutions as a well as a Covered Bonds Register by the Competent Authority. Both registers are kept in an electronic form and are publicly accessible in the website of the Competent Authority.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The Cypriot Legal Framework is structured in a manner which ensures very vigilant regulatory supervision of covered bond issuers. In accordance with the Law, each institution applying for registration in the Register of Approved Institutions, is required to appoint a qualified entity (e.g. an audit fi not associated with the covered bond issuer) as a Covered Bond Monitor (the "CBM"), such appointment being subject to the approval of the Competent Authority. The CBM must possess the necessary knowledge, experience and ability for the effective discharge of its functions and have the necessary qualifications outlined in the Directive. To the extent that, for any reason, the covered bond issuer has not managed to appoint a CBM, the Competent Authority is entitled to appoint one.

The duties of the CBM include a broad range of responsibilities, ranging from verifying to the Competent Authority, ahead of the application for the registration of bonds in the Covered Bonds Register, that the institution fulfils the conditions for registration as an approved institution, to submitting information and regular reports to the Competent Authority.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Investors in cover bonds and counterparties of derivative contracts are entitled to the following claims:

(a) a claim against the credit institution issuing the covered bonds;

(b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a priority claim against the principal and any accrued and future interest on cover assets;

(c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the priority claim as referred to in subparagraph (b) cannot be fully satisfied, a claim against the insolvency estate of that credit institution, which ranks pari passu with the claims of the credit institution's ordinary unsecured creditors determined in accordance with The Companies Law and The Business of Credit Institutions Law.

The claims referred to above shall be limited to the full payment obligations attached to the covered bonds.

The payment obligations attached to covered bonds are not subject to automatic acceleration upon the insolvency or resolution of the ACI issuing the covered bonds.

The fact that an ACI with covered bond obligations is subject to dissolution proceedings does not affect

(a) the claims and rights of covered bond investors, and other cover pool creditors;

(b) the claims and rights that a counterparty has under any derivative contract entered into by the credit institution as long as these contracts are included in the cover pool.

The obligations of a credit institution with covered bond obligations towards covered bond investors, and other cover pool creditors, continue to be in effect and are enforceable irrespective of the fact that the credit institution is subject to a dissolution proceedings.

Where an ACI with covered bond obligations is subject to dissolution proceedings, the powers of the Central Bank, as a competent authority to appoint a special administrator and cover pool and covered bond monitor continue to be in force until the claims of all covered bond investors and other cover pool creditors are satisfied.

Until all legal claims of covered bond investors, and other cover pool creditors have been fully satisfied, the cover assets shall not be part of the assets available to meet the claims of all other creditors, members and contributories of the credit institution with covered bond obligations that are subject to dissolution.

The cover assets are not liable to attachment, sequestration or other form of seizure by any person other than the special administrator, as long as the legal claims of covered bond investors and other cover pool creditors remain unsatisfied.

In case where the cover assets or cover pool are sold or otherwise disposed of, the cover pool creditors, covered bond investors, and other cover pool creditors may, satisfy their claims and rights, in accordance with the terms of the issue, contract, or appointment, from the proceeds of the sale or other form of disposal in priority of all other creditors, members, and contributories of the credit institution with covered bond obliga tions subject to dissolution proceedings.

Provided that, this section applies irrespective of whether the claims of creditors other than covered bond investors, and cover pool creditors are preferred under any other law and irrespective of whether those claims are secured or unsecured.

In case where the claims of covered bond investors and other cover pool creditors are not satisfied in full from the proceeds of the sale or other form of disposal of the cover pool, those creditors are, with respect to the unsatisfied part of their claims, unsecured creditors, pari passu with the other unsecured creditors of the credit institution with covered bond obligations subject to dissolution proceedings.

Notwithstanding the provisions of any other law in force in the Republic, where the collateral assets held by credit institution with covered bond obligations or by a special administrator in connection with a cover asset counted in the cover pool adequacy criteria, as provided for in the legislation, is also held by a credit institution in connection with an asset not included in the cover pool, any amount resulting from the security, guarantee, indemnity or insurance, as the case may be, shall be applied in priority to discharge the cover asset.

In addition, where a covered bond Issuer is subject to dissolution proceedings, a Covered Bond Business Administrator (the "CBBA") is appointed by the Competent Authority (as per Article 59(1) of the Law), who takes all necessary measures to assume the control and the management of the cover pool and carries out the covered bond business. Any Cover assets not counted for the purposes of fulfilling the Statutory Tests shall be removed from the cover pool and the Cover Pool Register only by the CBBA.

The treatment of the cover pool following the commencement of dissolution proceedings is summarized below:

> Upon the initiation of dissolution proceedings, the CBBA assumes control of the cover pool (*according to the provisions of Article 40 of the Law*) and also of any liquid assets maintained outside the Register for the purposes of meeting the Prematurity Test, and is responsible to review the adequacy of the cover pool in accordance with Article 19 and Article 23 of the Directive;

> Cover pool adequacy assessment is being performed by the CBBA as per Article 18(6) of the Law, using solely those cover assets which are counted for the purposes of such assessment;

> To the extent that the above assessment has been successfully met, any assets which are not required to meet such assessment, including relevant requirements under a contractual OC, are being released

and become available to satisfy the claims of all other creditors, members and investors of the credit institution;

> To the extent that the above assessment has not been successfully met, the CBBA (*according to the provisions of Article 29(2) of the Directive*) is entitled to use any assets included in the cover pool register that do not meet the criteria, terms and conditions for counting a cover asset in the cover pool adequacy. (*To the extent that such assessment is not met, the CBBA has the right to accelerate or transfer the CB business to another approved institution, in accordance with Article 62 (1) of the Law*).

With respect to an automatic acceleration of the covered bonds, this is something that is not provided for by the Law, where a covered bond Issuer is subject to dissolution proceedings.

In accordance with Article 40(1) of the Law, all outstanding covered bonds will remain in force (subject to the terms and conditions under which they were issued), and the obligations of the covered bond Issuer under the covered bonds continue to be enforceable.

## IX. RISK WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation when taken together with the practices, processes and procedures across the industry should fall within the criteria of Article 129 CRR. Cypriot covered bonds meet the criteria of UCITS 52(4)[1]. Covered bonds issued under the Cypriot Legal Framework form acceptable collateral for refinancing purposes with the ECB, following the typical ECB eligibility assessment and their inclusion on the ECB Eligible Assets Database (EADB).

## X. ADDITIONAL INFORMATION

### Set-off

Covered bond issuers are required to maintain, throughout the life of the covered bonds, a set-off reserve in connection with cover assets that are subject to set-off.

The Directive provides for the maintenance of such a set-off reserve, in the form of additional assets which are included in the cover pool

The set-off reserve is quantified by the Issuer and such calculation is subject to the monitoring of the CBM. The set-off reserve is segregated from the Issuer's other assets, forming part of the cover pool where Cover Pool Creditors have a priority claim over amounts in such reserve.

### Extendable maturity structures

The Central Bank, as a competent authority, may allow for the issue of covered bonds with extendable maturity structures where investor protection is ensured by at least the following:

(a) the maturity can only be extended subject to objective triggers specified by the Central Bank, as a competent authority, with its Directive, and not at the discretion of the credit institution issuing the covered bonds;

(b) the maturity extension triggers are specified in the contractual terms and conditions of the covered bond;

(c) the information provided to covered bond investors about the maturity structure is sufficient to enable them to determine the risk of the covered bond, and includes a detailed description of (i) the maturity extension triggers; (ii) the consequences for a maturity extension of the insolvency or resolution of the ACI issuing the covered bonds; (iii) the role of the Central Bank, as a competent authority, and, where relevant, of the special administrator with regard to the maturity extension;

(d) the final maturity date of the covered bond is at all times determinable;

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

(e) in the event of the insolvency or resolution of the credit institution issuing the covered bonds, maturity extensions do not affect the ranking of covered bond investors or invert the sequencing of the covered bond programme's original maturity schedule;

(f) the maturity extension does not change the structural features of the covered bonds regarding dual recourse, and protection against insolvency.

In September 2015, the only Cypriot covered bond outstanding, issued by Bank of Cyprus Public Company Ltd, was converted to a conditional pass-through note further to the amendment of the programme documents. The amended structure mitigates the risk of refinancing by introducing features such as maturity extension and a pass-through mechanism.

As such, upon the occurrence of a failure by the issuer to pay the final redemption amount on the final maturity date, the cover bond will convert into pass-through and the maturity of the bond will be extended. Once the covered bond converts into pass-through, an appointed portfolio manager may try to sell portfolio loans and any such proceeds from the sale of cover assets would be used for the repayment of the covered bond.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.11 CZECHIA

By Petr Vybíral, Allen Overy Shearman Sterling (Czech Republic) LLP, organizační složka

### I. REGULATORY FRAMEWORK

The Czech legal and regulatory framework of covered bonds (the **Czech Covered Bonds Rules**) is laid down under Czech Act No. 190/2004 Coll., on Bonds, as amended (the **Czech Act on Bonds**), Czech Act No. 182/2006 Coll., on Insolvency and Methods of its Resolution (Insolvency Act), as amended (the **Czech Insolvency Act**) and certain other provisions of the applicable laws.

### II. COVERED BONDS AND THEIR TYPES

The Czech Covered Bonds Rules recognise three types of covered bonds (*kryté dluhopisy*): (i) mortgage covered bonds (*hypoteční zástavní listy*); (ii) public covered bonds (*veřejnoprávní zástavní listy*); and (iii) mixed covered bonds (*smíšené zástavní listy*).

The distinction between these three types of covered bonds depends on what cover assets must prevail in the cover pool that serves as a cover in respect of those covered bonds and by virtue of which cover assets the applicable Statutory 85% Limit (as described below) must be complied with.

### III. STRUCTURE OF THE ISSUER

Under the Czech Covered Bonds Rules, covered bonds may only be issued by a bank (a credit institution) that holds a Czech banking licence and that has its seat in Czechia.

Apart from the requirement to obtain a permission for a covered block (see below), the Czech Covered Bonds Rules do not lay down any further requirements for a special authorisation or any requirements for an issuer to be set up as a specialised credit institution (with a restricted scope of permitted activities, for instance).

The Czech Covered Bonds Rules operate on the dual-recourse concept (with holders of covered bonds having a direct, unconditional and senior unsecured claim vis-à-vis the issuer, and a preferential claim on the cover pool). This means that the assets in the cover pool(s) are reserved for the preferential satisfaction of claims of holders of covered bonds and the repayment of certain other debts so designated in the Czech Act on Bonds, and the terms and conditions or the prospectus of covered bonds or in an agreement related to covered bonds (the relevant parts of which must be disclosed to the investors in the same manner as the terms and conditions or the prospectus of covered bonds). Consequently, the covered bond holders have a dual recourse against (i) the relevant cover pool; and (ii) the insolvency estate of the issuer.

### IV. COVER ASSETS, COVER ASSETS REGISTER AND COVERED BLOCK RECORDS

The eligible assets comprise the following asset classes:

(i) mortgage loan receivables;

(ii) receivables against, or receivables guaranteed by, a person controlled by a state, regional self-governing unit or an individual or legal person performing tasks in the area of public administration so long as certain conditions stipulated under the Czech Act on Bonds are met (**Public Undertaking Receivables**);

(iii) other assets or exposures under Article 129(1) and (2) of the Credit Requirements Regulation so long as the issuer meets the requirements laid down in paragraphs 1a to 3 of Article 129 of the CRR;

(iv) the issuer's cash on an account kept by a bank or another person set out in Czech Act No. 240/2013 Coll., on Investment Companies and Investment Funds, as amended (the **Issuer's Cash**) and other Liquid Assets (as defined below); and

(v) rights arising under a derivative in accordance with Article (2)(5) of Regulation (EU) No. 648/2012 of the European Parliament and of the Council, on OTC derivatives, central counterparties and trade repositories (EMIR) (the **Derivative**).

A Derivative is considered an eligible asset only if the following cumulative conditions are met:

(i) the purpose of the Derivative is to hedge against the risks related to cover assets or covered bonds;

(ii) the Derivative was clearly concluded in relation to covered bonds;

(iii) the terms of the Derivative provide that the insolvency of an issuer, crisis resolution or similar measure in respect of an issuer cannot constitute an event of default or similar event which could lead to early termination of the Derivative;

(iv) the issuer's counterparty to the Derivative has granted its prior consent to the registration of the Derivative in the cover assets register (while the same applies also to its removal from the cover assets register);

(v) the issuer's counterparty to the Derivative is a financial counterparty within the meaning of Article 2(8) of Regulation (EU) No. 648/2012 and is assigned at least a credit quality step 3; and

(vi) the derivative contract is sufficiently documented.

Upon registration of an eligible asset in the cover assets register, it becomes a cover asset, which is protected by the Czech Act on Bonds and cannot be transferred, pledged or otherwise used as a security (until deregistered from the cover asset register).

Depending on the type of covered bonds involved, particular eligible assets will have to constitute such cover that the aggregate value of certain cover assets in the cover pool must be equal to at least 85% of the aggregate value of all debts for whose cover the cover pool serves (the **Statutory 85% Limit**), unless a higher limit is stipulated by the terms and conditions of a series of covered bonds. In meeting this limit, the following cover assets are always disregarded: (i) the Issuer's Cash and other Liquid Assets; (ii) rights arising under a Derivative; and (iii) assets under Article 129(1)(c) and 129(2) of the CRR.

Besides the cover assets, the cover pool also includes, without the need of their registration in the cover assets register, the following assets (each designated as an accessory asset):

(i) rights from a security provided in relation to the cover asset included in the cover pool, in particular rights from mortgages of real property in relation to the mortgage loans;

(ii) rights from agreements entered into in relation to the cover assets included in the cover pool (especially rights from any insurance agreements or policies);

(iii) an asset provided as a collateral or other security in respect of a Derivative, unless the terms and conditions of a series of covered bonds provide otherwise;

(iv) rights from agreements concluded in relation to the administration of the covered block whose part is the cover pool; and

(v) upon appointment of an involuntary administrator of covered blocks, funds accepted as payment for the repayment of a debt corresponding to a receivable arising under another (cover) asset that is included in the cover pool or in direct connection with such an asset or funds obtained as a proceeds from cover assets liquidation.

The cover assets register forms the core part of the covered block records that an issuer of covered bonds (or involuntary administrator of the covered blocks, once appointed) is obliged to keep. The cover assets register, and the covered block records must be kept separately in respect of each cover pool and each covered block. The covered block records must provide complete information for assessing whether and how the issuer fulfils its duties under the Czech Act on Bonds. Further details on how the covered blocks records should be kept are laid down under delegated regulation to the Czech Covered Bonds Rules.

## V. COVER POOL(S) AND COVERED BLOCK(S)

The cover pool is created upon registration of at least one eligible asset in the cover assets register. The issuer may, at its sole discretion, create only one cover pool or multiple cover pools, which may serve to cover its obligations from individual or multiple series of outstanding covered bonds or all series of covered bonds issued under one covered bond programme.

The cover pool is a fully segregated and ring-fenced pool of assets registered in the cover assets register, identified and designated by the issuer to constitute cover in respect of certain covered bonds that it has issued (and which are outstanding) and certain other debts of that issuer, as well as other assets (the accessory assets) which belong to that cover pool by operation of law. Any assets included in the cover pool must be held by the issuer and those assets will remain at all times on the issuer's balance sheet.

The issuer is obliged to monitor the eligibility of the assets in the cover pool continuously. The issuer must remove from the cover assets register those assets that no longer satisfy the eligibility criteria from the cover pool and substitute them with other eligible assets. However, the involuntary administrator of covered blocks, if and once appointed, has no such duty. The priority right of holders of covered bonds to the cover pool(s) extends also to any overcollateralisation.

With the creation of one or more cover pools, an issuer also creates a covered block, which is a fully segregated and ring-fenced block of assets and liabilities (debts) of that issuer. A covered block consists of the cover pool and the debts that it covers.

Each issuer of covered bonds must, no later than on the issue date of the relevant covered bonds, obtain permission for a covered block granted by the CNB. The Czech Act on Bonds stipulates conditions for both the granting and removal of that permission.

## VI. COVER POOL LIQUIDITY BUFFER

A cover pool must at all times include a cover pool liquidity buffer composed of the following liquid assets (each a **Liquid Asset**):

(i) assets qualifying as level 1, level 2A or level 2B assets under Commission Delegated Regulation 2015/61, that are valued in accordance with that delegated regulation, and are not issued by the credit institution issuing the covered bonds itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking, or by a securitisation special purpose entity with which the credit institution has close links; or

(ii) short-term exposures to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3, in accordance with point (c) of Article 129(1) of the CRR.

According to the Czech Covered Bonds Rules, claims from exposures considered in default under Article 178 of the CRR cannot contribute to the cover pool liquidity buffer.

The cover pool liquidity buffer will cover the maximum cumulative net liquidity outflow from the covered block over a period of 180 days. Where the issuer of covered bonds is subject to liquidity requirements set out in other EU acts that result in an overlap with the cover pool liquidity buffer, the provisions of the Czech Act on Bonds regulating cover pool liquidity buffer do not apply for the period provided for in those EU acts.

## VII. EXTENDED MATURITY (SOFT-BULLET) STRUCTURES

The Czech Covered Bonds Rules allows the issuers to issue covered bonds with a feature of extending their scheduled maturity for a pre-determined period of time if a specific trigger event specified in the terms and conditions of a series of covered bonds occurs. Note that only the events recognised under the Czech Act on Bonds may be used as trigger events for the purposes of an extended maturity structure feature.

A recent amendment to the Czech Act on Bonds that entered into force in January 2024, introduced a very welcomed clarification as to how the cover pool liquidity buffer (see above) should be calculated for a covered bond with an extended maturity structure feature. It is now set in stone that the calculation of the principal to be paid in respect of the series of covered bonds may be determined by referencing to the extended maturity date and not the regular maturity date. This allows the respective issuer to take into consideration the latest possible maturity date (ie the extended maturity date) when calculating maximum cumulative net liquidity outflow.

## VIII. ASSET MONITOR AND INVESTOR INFORMATION

Under the Czech Covered Bonds Rules, there is no requirement for the issuers of covered bonds to appoint mandatory asset (or cover pool) monitor within the meaning of Article 13 of the CBD. However, the issuers are free to appoint asset (or cover pool) monitor which, however, does not have to follow the requirements placed on 'obligatory' cover pool monitors under Article 13 of the CBD.

Under the Czech Covered Bonds Rules, the issuers of covered bonds are required to publish information about their covered blocks so that the investors may assess the profile and risks of a particular covered block and carry out their due diligence. The scope of the information that must be published on the issuer's website is laid down under the Czech Act on Bonds (and follows Article 14(2) of the CBD).

## IX. STATUTORY MINIMUM OVERCOLLATERALISATION LEVEL AND OTHER TESTS

The Czech Covered Bonds Rules further require the aggregate value of all cover assets included in the cover pool to represent at least 102% of the aggregate value of all debts that are covered by the respective cover pool (whereas the expected costs relating to the maintenance and administration of the covered block in the amount of 1% of the cumulative nominal amount of the covered bonds falling within that covered block will always be added) and thus resulting in a minimum 2% overcollateralisation (the Statutory Minimum OC Level and the Statutory 85% Limit and the **Statutory Minimum OC Level**, jointly also the **Cover Tests**).

Where the issuer of the covered bonds meets the Statutory 85% Limit predominantly using the Public Undertaking Receivables, the Statutory Minimum OC Level is modified. In that case, the aggregate value of all cover assets included in the cover pool must represent at least 110% of the aggregate value of all debts that are covered by the respective cover pool. The terms and conditions of a series of covered bonds may also set a higher overcollateralisation level.

In the case of mortgage covered bonds, the nominal value of any mortgage loan receivable in the cover pool must not exceed 100% of the mortgage lending value of the mortgaged real property (the **Statutory 100% Individual LTV Limit**), unless a lower limit is stipulated by the terms and conditions of a series of covered bonds (which may implement stricter, CRR-conform criteria in their programmes or an individual series of covered bonds). However, this requirement does not operate as a strict eligibility criterion (but is rather set as a soft limit only) since, to the extent the nominal value of an individual mortgage loan exceeds that limit, it will be partially disregarded for the purposes of calculating the Cover Tests.

The issuer regularly (at least each calendar quarter) informs the CNB on whether and how the issuer meets its duties, including, but not limited to, compliance with the Cover Tests and the Statutory 100% Individual LTV Limit.

## X. MORTGAGE LOANS – ELIGIBILITY CRITERIA

Mortgage loans included in the issuer's cover pool(s) are subject to certain conditions, including that:

(i) the mortgaged real property must be located in Czechia or in an EEA country;

(ii) compliance with the Statutory 100% Individual LTV Limit is ensured (which is, however, set as a soft limit rather than as a strict eligibility criterion, whilst, to the extent the nominal value of an individual mortgage loan exceeds that limit (and only to that extent), it will be partially disregarded for the purpose of the Cover Tests);

(iii) there may not be any other mortgage or similar third-party right attached to the mortgaged real property having the same or priority ranking to those mortgage rights securing mortgage loan receivables (or a part of them) used as a cover (if this condition is not met, the nominal value of the relevant mortgage loan is equal to zero for the purposes of the Statutory 85% Limit); and

(iv) the issuer of covered bonds must have in place procedures to monitor that the mortgaged real property is adequately insured against the risk of damage and that insurance claim under relevant insurance contract are included in the respective cover pool.

Additionally, in the case of a default of a borrower under the relevant mortgage loan under Section 178 of the CRR (or if a stricter condition set out in the relevant terms and conditions is met), the nominal value of the relevant mortgage loan receivable in the cover pool will be equal to zero (ie decreased by 100%) for the purpose of calculating the Cover Tests.

## XI. ENHANCED PROTECTION AND FULL RING-FENCING IN INSOLVENCY

The Czech Insolvency Act explicitly provides that cover pool(s) do not constitute a part of the issuer's insolvency estate and are fully segregated and ring-fenced from any other (general) assets of the issuer which fall within the issuer's insolvency estate, regardless of whether the aggregate value of these assets is lower or higher than the limits set out in the Czech Act on Bonds. The Czech Insolvency Act further provides that:

(i) the automatic acceleration of debts from covered bonds as a result of the commencement of insolvency proceedings and declaration of bankruptcy in relation to the assets of the issuer will not apply (which on its own represents an extremely credit-positive change compared with the previous regulatory regime);

(ii) neither the commencement of the insolvency proceedings against the issuer, the issuing of a decision on the insolvency of an issuer nor the declaration of bankruptcy in relation to the assets of an issuer will affect the covered block(s) (especially the satisfaction and maturity of debts that are part of that covered block(s)); and

(iii) the insolvency administrator must not intervene in the administration of the covered block (which is entrusted to the involuntary administrator of covered blocks) and must render assistance to the involuntary administrator of covered blocks.

## XII. INVOLUNTARY ADMINISTRATOR OF COVERED BLOCKS

Upon (i) commencement of the insolvency proceedings in respect of an issuer of covered bonds, (ii) the issuer of covered bonds enters into liquidation; and (iii) the CNB revokes the banking licence of the issuer of covered bonds, the CNB will, without undue delay, appoint an involuntary administrator of covered blocks to ensure proper management of the covered blocks.

The involuntary administrator of covered blocks may only be a Czech bank or a foreign bank with its registered office in another EEA country that issues securities comparable to covered bonds or that administers assets comparable to cover assets, and it cannot be a person in respect of which there is a risk of a conflict of interests.

The involuntary administrator of covered blocks is entrusted with full administration of all covered blocks of the relevant issuer and may agree an obligation both for the benefit and to the detriment of a covered block to improve liquidity or hedge against risk.

The involuntary administrator of covered blocks must, without undue delay after its appointment, open an account with a bank to accept payments, and inform the persons whom this may concern about an unequivocal identifier of that account. Any other person that receives a payment in favour of the cover pool will, without undue delay, transfer it to that account or to the involuntary administrator of covered blocks in favour of the relevant cover pool.

The involuntary administrator of covered blocks may:

(i) transfer the relevant covered block to another eligible entity and entrust it with its administration (whilst a transfer made without the consent of the CNB will be disregarded);

(ii) conduct a proportional decrease (a *pari passu* haircut) of debts belonging to the covered block;

(iii) liquidate selected cover assets (cover pool(s)); or

(iv) liquidate all the cover assets (cover pool(s)) and consequently proceed with early repayment of the covered bonds).

In all instances, only the CNB's consent is required and the CNB will only grant its consent so long as any of these actions is in the best interest of the holders of covered bonds. The effectiveness of the transfer, the *pari passu* haircut, or the liquidation towards third parties does not require any other (prior or subsequent) public or private consent or notification.

**Issuers:** Česká spořitelna, a.s., Komerční banka, a.s., Raiffeisenbank a.s., MONETA Money Bank, a.s., UniCredit Bank Czech Republic and Slovakia, a.s., Wüstenrot hypoteční banka a.s (now MONETA Money Bank, a.s.)., Equa Bank a.s. (now Raiffeisenbank a.s.).

COVERED BOND LABEL **:** Komerční banka, a.s. (1 pool), UniCredit Bank Czech Republic and Slovakia, a.s. (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website [www.coveredbondlabel.com](http://www.coveredbondlabel.com) or via the following QR code:**

## 3.12 DENMARK

By Mette Saaby Pedersen, Finance Denmark, Svend Bondorf and Birna Arnbjarnardóttir, Nykredit

### I. FRAMEWORK

In Denmark, the legal basis for covered bond issuance is the Danish Mortgage-Credit Loans and Mortgage-Credit Bonds etc. Act (the "Mortgage Act") (*Lov om realkreditlån og realkreditobligationer mv.*) and the Danish Financial Business Act (*Lov om finansiel virksomhed*). The Mortgage Act is applicable only to Danish mortgage banks. The mortgage banks are specialised banks. The Capital Requirements Regulation (CRR) is directly applicable to the commercial banks and the mortgage banks.

Specific bankruptcy regulations laid down in the Financial Business Act and the Mortgage Act prevail over general bankruptcy regulations (sections 247a-247i of the Financial Business Act and sections 22-33 of the Mortgage Act).

### II. STRUCTURE OF THE ISSUER

The Danish Financial Supervisory Authority (FSA) may license mortgage banks, commercial banks and ship financing institutions[1] to issue covered bonds.

Until 1 July 2007, only mortgage banks were allowed to issue mortgage covered bonds. Since this date, also commercial banks can obtain a license to issue covered bonds.

The Danish legal basis for covered bonds was amended in 2021 to transpose the Covered Bonds Directive (CBD) and the changes were applied as of 8 July 2022.

There are three types of Danish covered bonds:

> Særligt Dækkede Obligationer (SDOs) issued by either commercial or mortgage banks. SDOs are both CBD and CRR compliant (Article 129). This is a "European Covered Bond (premium)".

> Særligt Dækkede Realkreditobligationer (SDROs) issued exclusively by mortgage banks. SDROs are both CBD and CRR compliant (Article 129). This is a "European Covered Bond (premium)".

> Realkreditobligationer (ROs) issued exclusively by mortgage banks. ROs are CBD compliant. This is a "European Covered Bond".

All SDOs and SDROs issued before 8 July 2022 have also maintained their covered bonds status being both CBD and CRR (Article 129) compliant and ROs issued after 1 January 2008 and before 8 July 2022 are CBD compliant.

Danish mortgage banks operate subject to a specialist banking principle in accordance with Danish legislation, which confines the activities of issuers to the granting of mortgage loans funded by the issuance of covered bonds. The cover pool may include unsecured loans to public authorities and guarantees issued by public authorities, but this is rarely used. Mortgage banks may also carry on other business related to mortgage banking.

The specialist banking principle implies that mortgage banks are confined to granting loans that meet the requirements for cover assets imposed by legislation. Similarly, the funding sources are limited to ROs, SDOs and SDROs. This is due to the fact that Danish mortgage banks are not allowed to accept deposits, etc. as a source of funding, cf section 8 of the Financial Business Act.

The issuer (mortgage bank or commercial bank) holds the cover assets on its balance sheet as well as all rights under the cover assets. Bonds and cover assets are assigned to individual capital centers in mortgage banks and to registers in commercial banks. The individual bonds, however, are not linked to individual mortgage loans.

1 Ship financing institutions are regulated by the Act on a Ship Financial Institute (Consolidating Act no 1780 – 12 December 2018 and amended rules in 2021)

## III. COVER ASSETS

Assets eligible as the basis for mortgage covered bond issuance:

| SDO | SDRO | RO |
|---|---|---|
| > Loans secured by real property<br>> Exposures to public authorities<br>> Exposures to credit institutions (up to a maximum of 15% (CQS 1)/10% (CQS 2) and total exposures not exceed 15%) and indirect exposures to credit institutions without an external rating that guarantee mortgage loans until their registration[2]<br>> Collateral in ships (not an option for mortgage banks) | > Loans secured by real property<br>> Exposures to public authorities | > Loans secured by real property<br>> Exposures to public authorities |

To serve as cover assets, mortgages must be entered in the Danish land register, which is kept by the Danish district courts. Land and loan registration has been digital since 2009 with faster and more efficient handling of customers' loans as a result.

The mortgage loans are originated in a mortgage bank or a credit institution in the same group (use of intragroup pooled covered bond structures in CBD), or transferred to a mortgage bank according to a structure in which the mortgage bank has knowledge of and is responsible for correct valuation of the mortgaged property and verification of the debtor's creditworthiness and ability to pay (joint funding in CBD).

The difference between funding and lending may be hedged through derivatives, which are included in the cover pool assets. Counterparties in derivative contracts in the cover pool shall fulfil credit quality step 1 or 2.

In a capital centre in a mortgage bank the cover pool is dynamic as a result of the current addition and disposal of loans in connection with the granting and repayment of loans. In most capital centers assets may exclusively be transferred to or from the cover pool upon new lending and (p)repayment. On (p)repayment, the corresponding amount of issued bonds will be redeemed from the capital center. Each mortgage loan (cover asset) refers to specific ISIN codes and both cover assets and ISIN codes are assigned to specific capital centers. It is therefore not possible for the issuer to (i) change the cover pool unless in connection with new lending and (p)repayment nor (ii) transfer cover assets between different cover pools. Cover assets must be identifiable, and the FSA supervises cover asset identification.

## IV. VALUATION AND LTV CRITERIA

The financial legislation contains provisions on property valuation. Valuations are based on the market value of a property.

### LTV limits – an overview

| Loan Type / Property category | SDO | SDRO | RO |
|---|---|---|---|
| Residential property | 80% or 75%[1)] | 80% or 75%[1)] | 80% |
| Holiday property | 75%[2)] | 75%[2)] | 75%[2)] |
| Agricultural property | 60%[3)] | 60%[3)] | 70% |
| Commercial property | 60%[3)] | 60%[3)] | 60% |

2 According to conditions in CRR (2064/1623), Art. 129, first subparagraph.

Note: 1) 80% for loans issued with up to 30 years maturity and 10 years interest-only period and 75% for loans with an unlimited maturity and interest-only period.
2) 75% for holiday property for private use. The LTV limit is 60% for holiday property for commercial use.
3) The LTV can be raised to 70% if the bank adds additional collateral.

In connection to the issuance of SDOs and SDROs, mortgage banks and commercial banks must ensure continuous LTV compliance – i.e. not just at disbursement of the loan as is the case for ROs. Where an LTV ratio exceeds the statutory limits, the bank must add supplementary collateral to the capital center/register. Otherwise, the issues may lose their status as SDOs or SDROs.

Mortgaged property is valued (on-site inspection) as part of the processing of loan applications. When a loan is granted, the LTV thereof is assessed on a case-by-case basis. A basic principle of the valuation regulations is that valuations must be performed by a valuation officer of an issuer. Provided that a number of conditions are met, valuations may be outsourced. AVMs may also be used if approved by the Danish FSA and most Danish mortgage banks have got an approval to use own models. The detailed conditions for valuation are set out in the financial legislation.

## V. ASSET – LIABILITY MANAGEMENT

The financial legislation and the Executive Order on bond issuance, balance principle and risk management require mortgage banks and commercial banks to observe a balance principle and a set of rules on risk management in connection with the issuance of RO, SDRO and SDO. The mortgage banks and commercial banks should also observe a nominal coverage requirement and that all payment obligations of covered bonds are covered by claims for payment attached to the cover assets.

The Executive Order provides limits to the scope of differences allowed on one hand the payments from borrowers and on the other hand the payments to the holders of the issued ROs, SDROs and SDOs. The limits are adjusted by loss limits to the interest rate, foreign exchange, option and liquidity risks that follow from cash flow differences in the balance sheet. The Executive Order also contains a number of other provisions limiting financial risk.

For commercial banks, the balance principle is applicable at register level. For mortgage banks, the balance principle is applicable at the level of the individual capital centers and the banks in general.

Despite the risk limits of the balance principle, Danish mortgage banks have in practice structured their mortgage lending business in such a way that they do not assume significant financial risks with respect to mortgage lending and funding. Thus, the mortgage banks have nearly eliminated interest rate risk, foreign exchange risk and prepayment risk.

Since mortgage bond issuance is the only eligible funding source for Danish mortgage banks, issuance takes place on a daily basis. The mortgage bank commonly achieves this through tap issuance. Each loan is closely matched to the future cash flow of one or several specific ISIN codes currently open for issuance. On any given banking day, the mortgage bank calculates the bond amounts to be tapped in the relevant ISINs corresponding to the loans disbursed that day. These bond amounts are then issued and sold to investors. These simple principles ensure that the balance principle is maintained day by day and minimises the subsequent need for active asset-liability management.

A typical mortgage ISIN is open for tap issuance for several years after opening. Issuance trades are executed alongside with other trades in a unified, highly liquid and tightly priced market. Thus, there is no strict distinction between primary and secondary markets in the Danish system.

The Danish commercial banks too are subject to the strict ALM rules. In practice the commercial banks operate under a general asset and liability management and do not offer pass-through products.

Both mortgage banks and commercial banks are required to maintain a liquidity buffer requirement for the next 180 days. It is with the exception that the requirement does not apply to covered bonds subject to match funding and the calculation of the principal for extendable maturity structures can be based on the final maturity date.

Refinancing risk in a situation where a mortgage bank is unable to complete the refinancing of matured bonds on market terms is addressed in the legislation. The regulation applies to covered bonds where the loan term is longer than the maturity of the bond used to fund it and contains a soft bullet mechanism controlled by two triggers: a refinancing failure trigger and an interest rate trigger. The refinancing trigger automatically extends the maturity of the covered bonds by 12 months at a time in case the issuer is unable to refinance maturing covered bonds by new issuance. The mechanism is not exercisable at discretion of the issuer, but it is conditional on the specific market event of "no refinancing". The interest rate trigger, which applies solely to bond maturities of 2 years or less, comes into effect in case of a 5% point bond yield increase over the last year before ordinary maturity. This trigger may extend the bond maturity by 1 year. For the Danish commercial banks issuing covered bonds there are also rules governing extendable maturity structures.

According to the legislation, there is a requirement of minimum 2% overcollateralization (OC) for Danish mortgage banks and commercial banks issuing SDOs and SDROs.

Furthermore, according to the legislation, the capital base without any buffers must represent at least 8% of risk-exposure amount (REA). Mortgage banks must observe the capital adequacy requirement both at individual capital center level and at the level of the institution.

## VI. TRANSPARENCY

A high level of transparency is an important characteristic of the Danish covered bond market. The Danish covered bond issuers publish information via many different platforms, such as prospectuses, investor reports, trading venues, standardised transparency templates and issuers' investor relations websites. Information is thus easily accessible.

As part of the ECBC Label Initiative, the Danish issuers report information in the standardised format in the Harmonised Transparency Template (HTT). In addition, the Danish market participants have gathered available information and consolidated it in an intuitive and user-friendly structure in a national transparency template (NTT).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Specialised supervision of covered bond issuers is carried out by the Danish FSA (Denmark has not joined the single supervisory mechanism – SSM). The FSA supervises compliance with the legislative framework for carrying on mortgage banking activities and thereby the issuance of covered bonds.

The issuer monitors the cover pool continuously. Data from every single loan offer from the Danish mortgage banks and thus all property valuations for new lending purposes are reported to the FSA on a quarterly basis. The FSA performs random checks of mortgage banks' valuations by way of on-site inspections and by checks of the internal valuation reports and which other property has been used as reference to the basis for the valuation. In the Danish mortgage model where loans are originated, serviced and redeemed directly in the cover pool, there is no need for monitoring other than as provided by the FSA.

The commercial banks report on a quarterly basis to the FSA on the assets in the register. The statement of the registered assets must be verified by the external auditor of the bank.

Issuers are also required to prepare comprehensive reports on asset-liability management for the FSA on a quarterly basis. The FSA must be informed of any balance principle breaches or if the capital requirement is not observed without delay.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### Capital centres of mortgage banks (regardless of whether the issuer has issued ROs, SDROs or SDOs)

The rules for resolving a mortgage bank are detailed and well considered. The main considerations are to ensure (i) that bond investors receive timely payments and (ii) that the rights of borrowers are not prejudiced materially.

Balance sheets of Danish mortgage banks are structured with a number of separate capital centres (cover pools) out of which covered bonds are issued. A capital centre consists of a group of series in which covered bonds backed by an equivalent amount of mortgage loans (match funding) are issued and a joint series reserve fund (equity). In addition, supplementary capital (senior secured debt/Section 15 bonds) may be issued out of the capital centre for overcollateralisation purposes.

If a mortgage bank is declared bankrupt, a trustee in bankruptcy is appointed. The Danish FSA may declare a mortgage bank bankrupt.

The trustee must seek the most efficient administration of the estate, having regard to the fact that the position of covered bond investors and borrowers must remain essentially as if the capital centre had still been a going concern. If a mortgage bank is declared bankrupt, no acceleration therefore takes place in respect of covered bond investors or borrowers. This is the key principle. It is only possible because the mortgage system is structured around capital centres that offer very high statutory collateral for bonds based on ring-fenced, bankruptcy-remote capital centres and match-funded lending.

Winding-up is not fast, but orderly, with a minimum of changes for both bond investors and borrowers. No public funds are used for such winding-up, as borrowers' ongoing payments are passed through to bondholders. Holders of hybrid core capital and subordinate loan capital cannot use the bankruptcy of a mortgage bank as grounds for a claim of default. Similar rules apply to counterparties to financial instruments used to hedge risk in a capital centre.

If a mortgage lender is declared bankrupt, the assets, after deduction of estate administration costs, will be segregated to satisfy bond holders, etc., in accordance with their legal position as secured creditors. Covered bond holders have a primary secured claim against all assets in the cover pool. Counterparties to financial instruments used to hedge risk in a capital centre rank *pari passu* with covered bond holders in the relevant capital centre.

Proceeds from loans raised for the purpose of overcollateralisation (senior secured bonds/Section 15 bonds) will serve to satisfy the claims of covered bond holders in case of bankruptcy.

The EU Bank Recovery and Resolution Directive (BRRD) has been implemented in Danish regulation and came into force on 1 June 2015. The bail-in tool does not apply to covered bonds (SDO, SDRO and RO) and senior secured debt/Section 15 bonds. While exempt from bail-in, the Danish mortgage banks is subject to a debt buffer of unweighted loans. The minimum level of the buffer is 2%. For systemic mortgage banks and mortgage banks being part of a systemic financial group, a higher buffer requirement may be set. The total amount of the capital requirement and debt buffer (and MREL requirement) should always be at least 8% of total liabilities (at consolidated level).

In case of resolution the debt buffer can be used by the resolution authority (in Denmark the resolution authority is Finansiel Stabilitet) to capitalise the mortgage banks when using BRRD resolution tools other than the bail-in tool. These tools can only be used according to the principle of "no-investor-worse-off". Otherwise, the winding-up will be handled according to the abovementioned principle.

### Commercial bank registers

A commercial bank sets up a register segregating assets, which exclusively serve as SDO cover assets.

As is the case with mortgage banks, derivative counterparties have a primary preferential right in line with the SDOs provided that the derivatives contract stipulates that the suspension of payments or bankruptcy of a commercial bank does not constitute an event of default. Bonds issued to secure assets as compensation for LTV excess or overcollateral in general (also referred to as Section 15 bonds or senior secured bonds) have a secondary preferential right to all assets of the register.

The register is kept by the commercial bank and must at all times contain all assets, guarantees received and derivatives contracts, clearly individualised. The commercial bank must submit statements of the assets to the FSA. The external auditor must perform continuous regular control of the register and at least twice a year make unannounced register audits.

Where the FSA suspends the license of a commercial bank to carry on banking business, the FSA or the bank files a bankruptcy petition, or the bank is adjudicated bankrupt following the petition of a third party, the FSA will decide whether the register is to become subject to administration by an administrator as an estate in administration. The administrator (and not the ordinary trustee) will be in charge of the assets of the register.

Any unsatisfied residual claims by SDO holders and derivative counterparties against the register may be proved against the assets available for distribution of the commercial bank as ordinary claims. Residual claims from Section 15, bonds or senior secured bonds may also be proved as ordinary claims against the assets available for distribution.

## IX. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN LEGISLATION

SDOs, SDROs and ROs fulfil the CBD. SDOs and SDROs also fulfil the requirements of Article 129 CRR. ROs issued before 1 January 2008 maintain the low risk weighting of 10% throughout the maturity of the bonds in accordance with the grandfathering option under the CRR. ROs, SDOs and SDROs are eligible for repo transactions and may be used as collateral for loans with the Danish central bank (Danmarks Nationalbank). Under the LCR the largest RO, SDO and SDRO series qualify as assets of the highest quality (Level 1 covered bonds).

When investing in ROs, SDOs and SDROs, the Danish investment legislation allows UCITS, to exceed the usual limits on exposures to a single issuer(cf. the Act on Investment Associations and Special-Purpose Associations as well as other Collective Investment Schemes etc.).

**Issuers:** Covered bonds backed by real estate collateral are primarily issued by the specialised mortgage banks: Jyske Realkredit a/s, DLR Kredit A/S, Nordea Kredit Realkreditaktieselskab, Nykredit Realkredit A/S (incl. Totalkredit A/S), Realkredit Danmark A/S. At the end of 2025 the mortgage banks' outstanding volume of covered bonds was around EUR 474 bn. Danske Bank A/S is the only commercial bank issuing covered bonds. Danske Bank has issued non-pass-through (euro-style) covered bonds of a value of around EUR 13.4 bn. Danish Ship Finance is the only Danish issuer of covered bonds backed by ship loans. The outstanding volume of covered bonds backed by ships as collateral was around EUR 5 bn by year end 2025.

Covered Bond Label: Jyske Realkredit A/S (1 pool), Danske Bank A/S (3 pools), DLR Kredit A/S (1 pool), Realkredit Danmark A/S (2 pools), Danish Ship Finance A/S (2 pools), Nordea Kredit Realkreditaktieselskab (2 pools), Nykredit Realkredit A/S (2 pools).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.13 ESTONIA

By Jane Eespõld, Oliver Ämarik, Merylin Tihomirova, Sorainen Law Firm

### I. FRAMEWORK

On 13 February 2019, the Estonian Parliament adopted a legislation on covered bonds in Estonia. The law entered into force on 1 March 2019. This is the first legislation that provides the possibility to issue covered bonds in Estonia. In late 2021 amendments to the law – covering (i) implementation of Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 (hereinafter Covered Bond Directive or CBD); and (ii) alignment of the covered bond regulation in three Baltic states (Estonia, Latvia and Lithuania) – were adopted.

At the beginning of 2020, the first issue of covered bonds was carried out by an Estonian issuer (Luminor Bank) which also constituted as a first covered bond from the Baltic region. Since then, eleven covered bonds have been issued by Estonian banks (Luminor Bank AS, AS LHV Pank and Coop Pank AS), of which nine remain outstanding.

### II. STRUCTURE OF THE ISSUER

A credit institution wishing to issue covered bonds must obtain additional authorisation from the Estonian Financial Supervision and Resolution Authority (hereinafter the EFSA) to issue covered bonds. For obtaining the additional authorisation, the credit institution must submit information on the planned covered bond programme (additions to the business plan) and must have in place the technology and other technological tools and systems, security systems, control mechanisms and systems necessary for the issuance of covered bonds and the administration of covered bond portfolios. Moreover, it must have a risk management system that enables the issuer to adequately identify, measure and manage the risks associated with the administration of the covered bond portfolio.

If an issuer wants – after the grant of an additional authorisation – to issue covered bonds on the basis of a covered bond programme other than that provided for in the initial business plan, the credit institution must submit to the EFSA an application for approval of the new covered bonds programme.

The pool of cover assets will be kept by the issuer itself and it will not be held by a special purpose vehicle (SPV). This means that the issuer has to maintain a separate cover register about the cover pool for both mortgage covered bonds and the mixed asset covered bonds. The purpose of the cover register is to collect, systematise and store data about the cover pool required for mortgage covered bonds and mixed asset covered bonds. The register is kept in accordance with the internal rules that state the procedure for entering and deleting assets in the register. The entry of the register must state information which is necessary to detect the contract or security that is the basis of the claim. Under the general principle, the issuer does not have an obligation to inform the debtor about the entry of the claim in the cover register, however such notification becomes mandatory once the issuer estimates that it is objectively likely that the separation of a covered bond portfolio will take place.

Lastly, the issuer has to appoint an independent cover pool monitor, who monitors the performance of the duties of the issuer.

### III. COVER ASSETS

#### Primary cover assets

At least 85% of the main collateral of the relevant covered bond portfolio has to comprise of primary cover assets. The law constitutes different primary cover assets for mortgage covered bonds and mixed covered bonds.

First, the primary cover assets of mortgage covered bonds can only be the issuer's claims that arise from a credit granted to a natural person against a mortgage that is established on a residential property situated in the territory of a European Economic Area (hereinafter EAA) country.

The credit that has fallen into default after it has been entered in the cover register, can be taken into account upon calculation of the value of the cover pool in the following proportions:

1) 100 per cent of the value of the credit if it has been in default for less than 90 days;
2) 70 per cent of the value of the credit if it has been in default for at least 90 days and the ratio of the credit to the value of the property securing the mortgage credit is less than 50 per cent;
3) 40 per cent of the value of the credit if it has been in default for at least 90 days and the ratio of the credit to the value of the property securing the mortgage credit is more than 50 per cent;
4) 0 per cent of the value of the credit if it has been in delay for at least 180 days.

Second, the primary cover assets of mixed covered bonds can only be the issuer's claims that arise from the following:

1) a mortgage credit;
2) a housing construction credit – a credit granted to a natural person against a mortgaged residential building plot situated in the territory of an EEA country;
3) a commercial mortgage credit – a credit granted to a legal person against a mortgaged residential property, mortgaged residential building plot or mortgaged commercial immovable property situated in the territory of an EEA country;
4) a credit granted to, or debt securities issued by, an EEA country;
5) a credit granted to, or debt securities issued by, a regional government or local authority of an EEA country;
6) a credit granted to, or debt securities issued by, an EEA country's legal person governed by public law;
7) a credit granted to or guaranteed by a company in which an EEA country has a holding;
8) a credit or debt securities guaranteed by an EEA country or a regional government or local authority of an EEA county.

**Substitute collateral**

In addition to primary cover assets, the cover pool may consist of substitute collateral. Substitute collateral may be:

1) claims on or guaranteed by central banks within the European System of Central Banks, and central governments, public sector entities, regional governments or local authorities of the Member States of the European Union (hereinafter EU);
2) claims on or guaranteed by third-country central governments and central banks, multilateral development banks and international organisations that qualify for the credit quality step 1[1];
3) claims on or guaranteed by third-country public sector entities, regional governments and local authorities, for which a risk weight has been assigned the same way as for claims on credit institutions and investment firms or central governments and central banks and which qualify for the credit quality step 1 according to the risk weight so assigned;

1 A CQS is a simplified and standardized scale of credit quality, mapped to the credit ratings of the largest credit rating agencies. Steps are defined in the Commission Implementing Regulation (EU) 2016/1800 of 11 October 2016 laying down implementing technical standards with regard to the allocation of credit assessments of external credit assessment institutions to an objective scale of credit quality steps in accordance with Directive 2009/138/EC of the European Parliament and of the Council. Moreover, the assessment has to be in accordance with Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012.

4) claims specified in clauses 2) and 3) above, which qualify as a minimum for the credit quality step 2, provided that they do not exceed 20% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover;

5) claims on credit institutions and investment firms, which qualify for the credit quality step 1, provided that they do not exceed 15% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover;

6) claims on credit institutions and investment firms, which qualify for credit quality step 2, provided that they do not exceed 10% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover;

7) claims on credit institutions and investment firms in the European Union with a term to maturity not exceeding 100 days, which qualify as a minimum for credit quality step, provided that they do not exceed 8% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover and provided that an issuer has obtained corresponding authorisation from the EFSA for inclusion of such substitute collateral in a cover pool;

8) net claims arising from derivative instruments that meet the conditions provided by law, which cannot be treated as the claims specified in clauses 5) or 6) above, provided that they do not exceed 15% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover;

9) claims specified in clause 8) above, which qualify as a minimum for credit quality step 3, provided that they do not exceed 8% of the nominal value of the outstanding covered bonds in the covered bond portfolio that they cover and provided that an issuer has obtained corresponding authorisation from the EFSA for inclusion of such substitute collateral in a cover pool.

## IV. VALUATION AND LTV CRITERIA

### Valuation and revaluation

The law states that the valuator of the property standing as security for mortgage credit has to comply with the following requirements:

> has sufficient knowledge, experience and skills;

> be sufficiently independent from the process of deciding on the granting of credit as to provide an objective and impartial assessment of the value of the immovable property.

The requirements for the appraisal of immovable property standing as security are the following:

> the immovable will be valuated according to the good practice of property valuation that is based on uniform and well-established market practice;

> the valuator detects and collects all the data necessary for the valuation and analyses all factors affecting the value of the property that is being evaluated;

> the valuation is based on up-to-date and reliable data and based on an in-depth review.

The value of a property standing as security for a mortgage credit entered in the cover register must be regularly reviewed at least once a year and revaluated, if necessary. The purpose of the revaluation of the property is not to obligate the issuer to change the value of the property each time, but to review the property in the portfolio in general and to update it, based on the information available to the issuer, in case there has been a change in the value of the assets.

The value of a property standing as security for a mortgage credit, entered in the cover register, must extraordinarily be reviewed and revaluated, in the event of a significant change in market conditions, and in the event that the information available to the issuer indicates that a significant decline has occurred or is occurring on the national or local real estate market, including if it concerns only one specific property type, residential building type or other narrower category of properties.

**Loan-to-Value**

The claims of an issuer arising from a mortgage credit may be used as a cover asset of mortgage covered bonds in an amount of up to 70% of the value of the property securing the mortgage credit. Nevertheless, all the issuer's claims arising from the mortgage credit entered in the cover register are included in the cover pool in their entirety.

For the property securing the mortgage credit to be registered in the cover register, a mortgage amounting for at least 110% of the issued credit amount must be established. The sum of the mortgage may exceed the value of the property securing the credit.

**V. ASSET – LIABILITY MANAGEMENT**

An issuer must, at least once every 3 months, perform a stress test on the covered bond portfolio to assess the risks set out in the stress testing methodology according to the internal rules. The managers of the issuer are responsible for ensuring the performance of stress tests. More detailed requirements for the procedure, methodology and purpose of stress testing of covered bond portfolios are established by the regulation of the Minister of Finance adopted on 27 January 2023, which entered into force on 13 February 2023.

If the value of the cover pool, as calculated during the stress test, no longer meets the requirements, the cover assets in the cover register must be increased by the maximum deficiency determined as a result of the stress test. An issuer has a right to hedge the risks deriving from the covered bonds by way of using derivative instruments. Estonian law foresees specific requirements for the derivative instruments that are allowed to be used to hedge risks arising from covered bonds.

**VI. TRANSPARENCY**

Covered bonds issued by a credit institution registered in Estonia, which has received additional authorisation from the EFSA, are registered in the Estonian register of securities. The EFSA publishes a decision to grant, amend or revoke an additional authorisation on its website no later than on the business day following the day of making such decision.

In addition to the disclosure obligation arising from other legislation, an issuer must disclose information about covered bond portfolios once a quarter. Information about the first 3 quarters of a year must be disclosed within 20 days of the end of the respective quarter. Information about the fourth quarter must be disclosed within 2 months of the end of the quarter. The disclosed information must be available on the issuer's website about at least the last 5 years.

The following information must be disclosed based on the types of covered bond portfolios:

1) the nominal value of outstanding covered bonds and of the cover pool;
2) a list of all covered bonds under that covered bond programme with the International Securities Identification Numbers (ISINs), if any;
3) the maturity structure of the covered bonds and the cover pool;
4) the geographical distribution of the value of cover assets;
5) the type of property included in the cover pool, the total size and valuation method of the loans included in the cover pool;
6) the distribution of substitute collaterals, in terms of their value, between the types of substitute collateral;

7) the level of the liquidity buffer and information about the ratio between the total liquidity buffer and the payment obligations of the next 180 days;

8) the percentage of the amount of substitute collaterals, which have been in default for over 90 days or which the issuer estimates to be doubtful, in the cover pool;

9) details in relation to market risk, including interest rate risk and currency risk, and credit and liquidity risks;

10) a list of the conditions suspending the maturity of a payment obligation;

11) the amount of the main collateral, mandatory overcollateral and voluntary overcollateral;

12) information about counterparties of derivative contracts;

13) the methodology for calculating the ratio between credit and the value of the property standing as security for the credit.

In addition, the percentage of the amount of mortgage credit in the cover pool, which have been in default for over 90 days or which the issuer estimates to be doubtful, must be disclosed in relation to the primary cover assets of mortgage covered bonds.

The following information must be disclosed on the primary cover assets of mixed asset covered bonds:

1) the distribution of debt obligations, in terms of their value, between the types of primary cover assets of mixed asset covered bonds;

2) the percentage of the amount of debt obligations, which have been in default for over 90 days or which the issuer estimates to be doubtful, in the cover pool.

**VII. COVER POOL MONITOR AND BANKING SUPERVISION**

The issuer's general meeting has the authority to appoint an independent cover pool monitor. A monitor is appointed for a term that must not be less than 1 year. The monitor inspects whether the issuer is fulfilling its obligations. The monitor is free to choose when the inspections will be carried out. A trustworthy sworn auditor with an impeccable business reputation and sufficient knowledge and experience may be appointed as a monitor. An audit firm that provides or has provided within the year preceding the appointment as the cover pool monitor the audit service to the issuer cannot be appointed as the monitor.

The duties of a monitor are to verify:

1) the compliance of stress testing of a covered bond portfolio and the changes introduced to the covered bond portfolio as a result of stress testing with requirements;

2) the existence of a sufficient cover pool and its compliance with requirements;

3) the compliance of the maintenance of the cover register with requirements;

4) the compliance of the valuation of immovable properties encumbered with a mortgage securing credit and included in the cover pool with requirements;

5) the compliance of the issuer's risk management and reporting with requirements;

6) the compliance of the terms and conditions of covered bonds with requirements;

7) the existence of an updated plan for separation of the covered bond portfolio and its compliance with the requirements of Estonian legislation.

The monitor notifies the issuer of any deficiencies detected during verification in a format that can be reproduced in writing and sets a reasonable deadline for the elimination of the deficiencies. In case the deficiencies are not fully eliminated by that deadline, the monitor must notify the EFSA. The monitor must immediately inform the EFSA in writing of any discovered circumstances or decisions that could lead to a significant legal violations, breaches of additional authorization conditions, or the issuer's inability to fulfill obligations related to covered bonds and derivatives.

## VIII. ASSIGNMENT OF CLAIMS, SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Estonian legislation foresees regulation for assignment of claims to a credit institution of an EEA country or to a special purpose entity located in an EEA country that has been established for the formation of the cover pool of covered bonds in relation of formation of the cover pool. The regulation also establishes rules for segregation of cover assets which have been assigned as well as protection of such assets against recovery in case of insolvency proceedings of assignor of such claims as well as mitigates the risk of set-off related to the claims related to the cover pool.

In case the issuer is declared bankrupt, a covered bond portfolio shall be considered to be separated from the other assets of the issuer. A cover pool shall not be part of the issuer's bankruptcy estate and a moratorium shall not extend to a covered bond portfolio.

The separation of a covered bond does not affect the rights and obligations arising from covered bonds and the payment obligations attached to covered bonds are not subject to automatic acceleration upon the separation of the covered bond portfolio.

After the separation of a covered bond portfolio, an independent pool of designated assets is formed in which the cover pool and the proceeds received therefrom can only be used to satisfy the claims of the holders of the respective type of covered bonds and of the counterparty to the derivative instrument entered in the corresponding cover register and to cover the expenses related to the management of the covered bond portfolio.

If an issuer is declared bankrupt or the compulsory dissolution of an issuer is decided, a court appoints, on the proposal of the EFSA, a cover pool administrator for covered bond portfolios. The appointment is necessary to secure the continuance of the operation of the cover bond portfolio, detect the solvency of the portfolio and secure the rights of the owners of cover bonds and derivative counterparties.

Upon the appointment of a cover pool administrator, the right to manage and dispose of covered bond portfolios is transferred to the cover pool administrator. The cover pool administrator shall manage covered bond portfolios with the necessary diligence arising from their nature, and in a manner ensuring that the liabilities arising from covered bonds and from the derivative instruments entered in the cover register are met in the best possible way. To this end, the cover pool administrator has the right to transfer and encumber the cover pool, enter into derivative instruments on the account of the cover pool, and perform other necessary operations.

The cover pool administrator has the right to use the cover pool and the proceeds to be received therefrom to cover the expenses necessary for the management of a covered bond portfolio.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The Estonian legislation is in compliance with the CBD and other relevant legislation and documents related to the CBD.

Prior to issuing covered bonds, an issuer must adapt its risk management system to enable it to adequately identify, measure and manage the risks associated with the administration of the covered bond portfolio.

**Issuers:** Luminor Bank AS, AS LHV Pank, Coop Pank AS.

Covered Bond Label **:** Luminor Bank AS (1 pool), AS LHV Pank (1 pool), Coop Pank AS (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.14 FINLAND

By Timo Ruotsalainen, Aktia Bank plc

### I. FRAMEWORK

In Finland, the legal basis for covered bond issuance is the Act on Mortgage Credit Banks and Covered Bonds (151/2022). The law entered into force on 8th July 2022. The legislative framework is adopting the necessary changes of the harmonized EU legal framework (EU directive 2019/2162 and EU Regulation 2019/2160).

The former Act on Mortgage Credit Bank Operations (688/2010) is still governing the issuance issued before July 2022 unless the issuer has obtained a consent from investors in bonds issued while Law 688/2010 was in force, in which case the new law will also apply to these issues.

### II. STRUCTURE OF THE ISSUER

The issuer of Finnish covered bonds can be a universal bank or a specialist mortgage bank. Generally, entities that can issue covered bonds are credit institutions authorised to engage in mortgage credit bank operations. Starting from 2022 onwards the application for the authorization process is based on the EU harmonized legal framework. Currently the issuer of Finnish Covered Bonds can be a specialised mortgage bank, but also deposit banks or credit entities are entitled to apply for a license to engage in mortgage credit bank operations (i.e., issue covered bonds).

There are currently ten potential and authorized issuers of Finnish covered bonds. Details of each issuer and permission to operate as Mortgage Credit Bank in Finland can be monitored on the following the Financial Supervisory Authority (the FIN-FSA) website: Supervised entities - Registers - www.finanssivalvonta.fi

The Finnish Covered Bond Law stipulates certain requirements to receive a covered bond issuance license. The covered bond issuer should provide a business plan, show stability, expertise in mortgage credit operations, risk management and practices concerning valuation of collateral. Interestingly, the requirements to receive a Finnish Covered Bond License seem very similar to the requirements to receive a German Pfandbrief License. All Finnish issuers had to reapply for the license in connection with the change of the legislation.

The issuer holds the cover assets on the balance sheet. A subsequent transfer of the cover assets to another legal entity is not taking place. A direct legal link between single cover asset and the covered bonds issued does not exist. All obligations from Finnish Covered Bonds are direct and unconditional obligations of the issuing bank as a whole (dual recourse). In the case of insolvency, the cover pool is segregated by law from the general insolvency estate and is reserved only for the claims of the holders of Finnish Covered Bonds.

Issuers may have several active cover pools. Most of the issuers have separate cover pools for the operations taking place under the new legislation (the Act on Mortgage Credit Banks and Covered Bonds (151/2022)) and the former pool remains as actively managed run off pool.

### III. COVER ASSETS

Finnish covered bonds have a cover pool register that includes all cover pool assets, covered bonds, intermediary credits and derivatives. Eligible assets for Finnish covered bonds are residential mortgage loans (including shares in Finnish housing companies), commercial mortgage loans, public sector loans in accordance with Article 129(1) CRR and substitution assets. At least 90% of the cover pool loans must consist of residential mortgage loan or public sector loans. In the current legislation (151/2022) the amount of substitution assets is limited to 20% of the cover pool. Assets securing the liquidity requirement (180 days outflow coverage) are excluded of this restriction. The geographical scope of cover assets is restricted to the European Economic Area.

Enforcement of non-Finnish cover pool assets would usually be determined by the laws of the jurisdiction in which the assets are located. Due to European Union law, inside the EU, enforcement is safeguarded in all

Member States anyway. However, majority of Finnish issuers have only Finnish assets in the covered bond pools. The assets eligible as cover pool assets need to fulfil the EU Regulation 575/2013 article 129 requirement

Act on Mortgage Credit Banks and Covered Bonds (151/2022) enables that a mortgage credit bank may grant a credit institution a credit against which the credit institution as the debtor shall place mortgage-backed credits or public-sector credits as collateral for the covered bonds issued by the mortgage credit bank as laid down in this Act (intermediary credit). An intermediary credit may only be granted to a credit institution belonging to the same consolidation group or amalgamation of deposit banks as the issuer.

Up to 20% of the mortgage cover pool is allowed to consist of substitute cover assets. As collateral securing a covered bond, the following types of substitution assets meeting the requirements laid down in Article 129 of the EU Capital Requirements Regulation may be used on a temporary basis:

1) assets qualifying as level 1, level 2A or level 2B assets eligible to meet the liquidity buffer requirements of a credit institution pursuant to the applicable delegated regulation adopted pursuant to Article 460 of the EU Capital Requirements Regulation;
2) short-term exposures to credit institutions or short-term deposits to credit institutions referred to in Article 129(1)(c) of the EU Capital Requirements Regulation.

Instruments, the counterparty of which shall be deemed to be insolvent within the meaning of Article 178 of the EU Capital Requirements Regulation, or which are financial instruments issued by the issuer itself or by an entity affiliated to it, shall not be used as substitution assets.

ABS or MBS tranches are not eligible for the cover pool.

Derivatives are eligible for the cover pools only if they are used for hedging purposes. The nature of the cover pool is dynamic. Currency risk is perfectly matched, as the law requires cover assets to be in the same currency as the covered bonds or the currency risk must be hedged against by a derivatives contract.

## IV. VALUATION AND LTV CRITERIA

The property valuation within the legal framework for covered bonds in Finland is based on market values, valuations are based on "current value", market value determined in accordance with FIN-FSA regulations. Based on the regulation, the issuer needs to monitor the valuation of the property also based on statistical methods (indexed value) quarterly and set limits for the acceptable changes of the values. Should the value exceed or drop below the limits the property valuation needs to be updated accordingly.

There are different LTV levels for residential and commercial mortgage loans: 80% of the value of the residential property 60% of the value of the commercial property accepted and the principal of other receivables. This LTV is a relative limit, i.e. when a loan exceeds the 60%/80% limit, the part of the loan up to 60%/80% LTV remains eligible to the cover pool. A loan placed as collateral for a covered bond may not exceed the current value of the property standing as collateral.

## V. ASSET – LIABILITY MANAGEMENT

The net present value of the total amount of collateral of covered bonds shall continuously exceed by at least 2 (two) per cent the total net present value of the payment liabilities resulting from the covered bonds. The net present value test helps mitigate interest-rate, currency and liquidity risk. If the requirements laid down in Article 129(3)(a)(3) of the EU Capital Requirements Regulation are not met, the overcollateralization value shall be at minimum 5 (five) per cent. In addition to the part laid down in this subsection, the overcollateralization shall also cover the estimated winding-down costs related to covered bonds.

In calculations based on the nominal value, the cover assets in the cover pool and the impact of currency derivatives contracts shall be considered when determining the obligations incurred from covered bonds. In calculations based on the present value, the value of derivatives contracts shall be determined based on present value at the time of valuation.

In calculations based on both the current and the nominal value, any increased credit loss risk of the secured receivable shall be appropriately accounted for, at least in cases where the receivable shall, pursuant to Article 178 of the EU Capital Requirements Regulation, be considered non-performing.

The issuer shall also ensure that the cover pool continuously contains an amount of funds that meets the quality requirements laid down in the legislation and covers the maximum cumulative net liquidity outflow relating to covered bonds over the next 180 days (liquidity buffer requirement).

To determine the net outflow rate referred to above, the issuer may use as the maturity date of a covered bond the final maturity date (soft bullet).

## VI. TRANSPARENCY

Obligation to regularly disclose information on covered bonds. The issuer shall publish the following information on covered bonds on their website at least quarterly:

1) the total value of the cover assets and issued covered bonds;
2) the international securities identification numbers (ISINs) of the covered bonds;
3) distribution of cover assets by type; for residential loans, however, this information shall be itemised into loans to natural persons, loans to housing companies and loans to other housing associations;
4) geographical distribution of collateral for loan receivables, description of the assessment methods, and information on the credit amounts of loan receivables;
5) information on the market risks associated with the covered bonds, including interest rate risk and currency risk, as well as credit risks and liquidity risks;
6) information on the maturity of covered bonds, including any requirements for extending the maturity of a bond as well as the legal and any other effects of extending maturity;
7) the available collateral and minimum collateral level, including the minimum level laid down in legislation for overcollateralization, overcollateralization required under the terms and conditions of a bond or bond programme as well as the total value of the cover pool in excess of these; and
8) the share in the cover pool of loan receivables that either meet the requirements laid down in Article 178 of the EU Capital Requirements Regulation or the matured principal or interest of which has otherwise remained unpaid for at minimum 90 days.

Finnish covered bond issuers have adopted the ECBC Label initiative for Covered Bonds and publish the Harmonised Transparency Template (HTT) on their websites. The Label is based on the Covered Bond Label Convention, which defines the core characteristics required for a covered bond programme to qualify for the Label. This definition of the required characteristics, compliant with Article 129(7) of the CRR and with Article 14(2) of the Covered Bond Directive, is complemented by the Harmonised Transparency Template. On top of the regulatory requirements all issuers provide additional information about the cover pools, ratings and other relevant topics on their websites. Please find the information about the website below (section X).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The issuer carries out the monitoring of the cover pool. The issuer reports to the FIN-FSA on quarterly basis. The FIN-FSA is responsible for overall supervision, covered bond licensing, issuing regulations and compliance with the law. The Financial Supervisory Authority recommends that the board of directors of a supervised mortgage bank should adopt a business plan for mortgage banking activities including e.g. issuance plans at least annually.

The FIN-FSA has the legal power to take appropriate measures. It is allowed to conduct inspections at the bank in question or to require documents. Also, the FIN-FSA could issue a public warning or admonition. Ultimately, it is up to the FIN-FSA to revoke the banking license of the bank in question.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

A cover register allows identifying the cover assets. The legal effect of a registration of assets into the cover register is to create the priority claim of covered bond holders to these cover assets in case of an insolvency of the issuer. The cover register is managed by the corresponding bank, which in turn is supervised by the FIN-FSA.

The cover register contains information about the principle amount of covered bonds issued, the mortgages and substitute assets covering these bonds as well as derivative transactions hedging these bonds or funds placed as their collateral. The Covered Bond act (151/2022) specifically excludes set-off against cover pool assets.

### Asset segregation

When the issuer or the debtor of an intermediary credit has entered into liquidation or been declared bankrupt, the FIN-FSA shall without delay appoint an administrator to supervise the appropriate administration of covered bonds and liquidation of the cover assets.

The cover pool is a part of the general estate of the bank as long as the issuer is solvent. If the insolvency proceedings are opened, by operation of law, the assets recorded in the cover registers are excluded from the general insolvency's estate. Within the insolvency procedure, the derivative counterparties rank pari passu to covered bond holders. The cover assets do form a separate legal estate, which is ring-fenced by law from other assets of the issuer.

### Impact of insolvency proceedings on covered bonds and derivatives

Covered bonds do not automatically accelerate when the issuing institution becomes insolvent. The legal consequences for the derivatives in case of an insolvency of the issuing bank depend on the relevant contracts. The cover pool administrator can only accelerate the covered bonds if the cover tests can no longer be fulfilled. This would trigger the sale of the cover pool assets.

The cover pool administrator will supervise cover pool cash flows and payments to covered bondholders. The general administrator also has powers to act in the interests of the covered bondholders under the direction of the cover pool supervisor. This includes the ability to assign the liability for a covered bond as well as the related cover pool assets to another licensed covered bond issuer.

The administrator shall work together with the FIN-FSA and, where applicable, the Resolution Authority. The administrator has the right to obtain the information necessary for performing their duties from the Financial Supervisory Authority and the Resolution Authority. Similarly, the FIN-FSA and the Resolution Authority have the right to obtain the information necessary for performing their duties from the administrator.

### Preferential treatment of covered bond holders

Covered bond holders enjoy a preferential treatment as the law stipulates the separation of the cover assets on the one hand and the insolvency's estate on the other.

Covered bond holders are allowed claims on both on the issuer and cover pool assets (dual recourse) meaning that creditors also participate in the insolvency proceedings in respect of the remaining assets of the bank.

A moratorium on the insolvency's estate cannot delay the cash flows from the cover assets and, therefore, endanger the timely payment of covered bond holders.

**Access to liquidity in case of insolvency**

With the appointment of the cover pool administrator, this person acts on behalf of the covered bond holders. The pool administrator has access to the cover assets. Cover assets may only be disposed with the consent of the FIN-FSA. Additionally, the pool administrator has also the first access on cash flows generated by the cover assets. The law foresees a possibility for the pool administrator together with the bankruptcy trustee to take up a loan on behalf of the cover pool to create more liquidity.

Up to 20% of the cover pool may consist of liquid substitute cover assets. Substitute assets are described earlier on section "Cover Assets". With the consent of the FIN-FSA, this limit may even be higher. As all cover assets entered into the cover register are ring-fenced in case of an insolvency of the issuer, this results also in the insolvency remoteness of voluntary overcollateralisation.

Some Finnish covered bonds mitigate liquidity risk via contractual twelve-month maturity extensions ("Soft Bullet"). The extension provides additional time for principal amounts to be refinanced. Maturity extensions improve the chance that principal and interest payments can be met without refinancing the covered bonds for the first twelve months after issuer default.

The maturity extension, subject to permission granted by the Financial Supervisory Authority, extend the maturity of the covered bond. The prerequisites for extension of maturity are that:

1) the issuer is unable to obtain funding from commonly used sources of long-term funding;
2) the issuer is unable to repay the principal and interests of the maturing covered bond without falling short of the liquidity buffer requirement applicable to the issuer or the amalgamation of deposit banks; and
3) the extension does not affect the order of maturity based on the original maturity dates of covered bonds secured by the same cover pool.

The issuer shall apply to the Financial Supervisory Authority for permission to extend maturity as referred to in this section at the latest five banking days before the maturity date of the covered bond.

**IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

The Finnish Act on Mortgage Credit Banks and Covered Bonds 151/2022 ("the Covered Bond Act") comply with the requirements of the Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU (the Covered Bond Directive) and Regulation (EU) 2019/2160 of the European Parliament and of the Council of 27 November 2019 amending Regulation (EU) No 575/2013 as regards exposures in the form of covered bonds (the Covered Bond Regulation). The Covered Bond Regulation amended Article 129 of the Capital Requirements Regulation (and certain related provisions) and further strengthened the criteria for covered bonds that benefit from preferential capital treatment under the Capital Requirements Regulation regime.

Finnish covered bonds are 10% risk weighted in Finland. Following the common practice in Europe, they accordingly enjoy a 10% risk weighting in most European countries and fulfill the requirement to be considered European Covered Bonds (Premium) quality.

Finnish Covered Bonds are also eligible in repo transaction with national central bank, i.e. within the Euro-zone.

As far as the domestic issuers are aware, there are no further specific investment regulations regarding Finnish Covered Bonds.

The previous Finnish Covered Bond legislation (the Finnish Covered Bond Act 688/2010, "The MBA") included already most of the topics described in the EU Harmonization package (Article and Directive). The MBA continues to apply to covered bonds issued thereunder unless the terms and conditions of such covered bonds provide that the Covered Bond Act applies to them.

## X. REGULATIVE LIMITS IN MORTGAGE LENDING

Financial service providers have a statutory obligation to identify and know their customers.

The loan cap limiting the maximum LTV level is currently 90 per cent. For a first home purchase the cap is at 95%. Borrower's ability to pay the loan and handle the regular living costs is stress tested with 6% interest rate.

**Issuers:** Aktia Bank Plc, Danske Bank, OP Mortgage Bank, Nordea Mortgage Bank, Ålandsbanken AB, The Mortgage Society of Finland, SP-Mortgage Bank Plc, Oma Savings Bank, S-Bank Plc and Bonum Bank Plc.

Covered Bond Label **:** Nordea Mortgage Bank, Op Mortgage Bank, Danske Bank, SP-Mortgage Bank, S-Bank Plc.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.15 FRANCE

By Cristina Costa, Barclays, Jennifer Levy, Natixis, Marc Nocart, Caisse de Refinancement de l'Habitat and Gregory Rousseau, Crédit Foncier

Three main covered bond issuing structures exist in France today:

> *Sociétés de Crédit Foncier (SCF);*

> *Sociétés de Financement de l'Habitat (SFH);*

> *Caisse de Refinancement de l'Habitat (CRH).*

While several countries allow ordinary credit institutions to issue covered bonds subject to the segregation of the cover pool in their balance sheet, France requires the set-up of an ad hoc company which is a duly licensed specialised credit institution (licensed by the *Autorité de Contrôle Prudentiel et de Résolution (ACPR)*, the French Banking Authority). The ad-hoc companies are known as *société de financement de l'habitat (SFH)* and *société de crédit foncier (SCF)*; these are totally distinct from the other entities of the group to which they belong and are exclusively dedicated to the issuance of covered bonds named respectively *obligations de financement de l'habitat (OHs)* and *obligations foncières (OFs)* and the management of the assets backing those issues (the "cover pool").

*Caisse de Refinancement de l'Habitat (CRH)* is the sole entity in its category. It is also a duly licensed specialised credit institution which acts independently and is distinct from the banking groups which are being financed.

Regulation of *Société de Crédit Foncier and Sociétés de Financement de l'Habitat* was substantially strengthened in 2014 by Decree n° 2014-526 dated 23 May 2014 and Arrêté dated 26 May 2014. Law n° 2016-1691 dated 9 December 2016 relating to "transparency, fight against corruption and modernisation of economy" (known as the "Sapin II Law") has amended the legal eligibility criteria of SCF's assets to allow SCF to grant secured loans benefiting from a financial guarantee constituted of real estate's loans receivables as it is already the case for the SFH. It constitutes a new step towards the legal convergence of the various French regimes.

The French covered bond legislation was amended to be in line with the EU Covered Bond Directive. France's previous covered bond law was already in line with most of the minimum standards prescribed by the new EU rules, so it did not require major changes to comply with EU requirements. Ordonnance n° 2021-858 of 30 June 2021 on the transposition of the EU CB Directive 2019/2162 was published on 1 July 2021 in the Journal Officiel n°0151 (see link[1]). The ordonnance proposes the adoption of a number of legal measures necessary for the transposition of EU CB Directive into French law. The legal decree n° 2021-898 on the transposition was published on 7 July 2021 in the Journal Officiel n 0156 (see link[2]). In addition, ACPR instructions were published on 9 March 2022 (see link[3]). The new French law entered into force on 8 July 2022.

### I. FRAMEWORK

#### SFH and SCF

The *SCF/SFH* are governed by Articles L.513-2 et seq. and R.515-2 et seq. of the French Monetary and Financial Code (the "Code"). This stringent legal framework is specifically designed to protect the holders of the *OFs and OHs*. As a credit institution, the *SCF/SFH* are also governed by French general banking regulations.

In accordance with the EU Covered Bond Directive, the segregation of the cover assets may be achieved via a true sale mechanism (SCF) or parallel mechanisms (SCF/SFH) described in the EU Collateral Directive 2002/47/EC.

1 https://www.legifrance.gouv.fr/download/pdf?id=9qUzwGqxzfFMHF0jy9iWjxD-20XFtDEHKJ4-bzXY1sc

2 https://www.legifrance.gouv.fr/download/pdf?id=Ty1PDkndiYQsaqqqASRkP5SuLPD8fbUscXQ6jPafklM

3 https://acpr.banque-france.fr/en/page-tableau-filtre/instructions-2

The SCF/SFH structure can indeed make use of the implementation of the EU Collateral Directive, as amended, under French law (implemented into the Code under Articles L. 211-36 and seq.), which allows for a segregation through either a remittance (*remise*), a pledge (*nantissement*) or the transfer by way of security of the full title (*cession en pleine propriété à titre de garantie*) of the home loans' receivables without an actual transfer (true sale) of these receivables to the issuer. Pursuant to article L.211-38 of the Code, the transfer by pledge or by way of security shall be enforceable even when the relevant collateral provider is subject to an insolvency proceeding.

The sponsor bank remits, pledges or transfers collateral to a dedicated subsidiary, which is a regulated French specialised credit institution with limited purpose licensed as a SFH/SCF (e.g. issuing covered bonds for the purpose of providing financing to the sponsor bank). The covered bond proceeds are used to fund advances to the respective sponsor bank(s). The covered bonds are secured by the legal privilege over the assets of the issuer (advances to the sponsor bank(s)), which are in turn secured by a pledge over cover assets (i.e. residential home loans for SCF/SFH or public and commercial assets for SCF), which remain on the sponsor bank's balance sheet (and/or on the balance sheets of the respective subsidiaries, affiliates or group member banks). Upon a borrower enforcement notice (for example in case of default of the sponsor bank), the respective cover assets, including underlying securities, will be transferred without any formalities to the covered bond issuer.

**CRH**

Caisse de Refinancement de l'Habitat ("CRH") is governed by Article 13 of Law 85-695 of 11 July 1985 as amended and supplemented by the Ordonnance 2021-858 of 30 June 2021, and benefits from a restricted agreement to operate (i.e to issue mortgage-backed covered bonds for the purpose of providing financing to its shareholders from the Minister for the Economy, Finance and Budget.

The sponsors/shareholders banks pledge collateral to CRH, which is a regulated French specialised credit institution with limited purpose license to operate (e.g. issuing mortgage-backed covered bonds for the purpose of providing financing to the sponsor/shareholder banks).

According to Article 13 of Law 85-695 of 11 July 1985, this pledge is enforceable when the collateral provider is subject to a French or foreign insolvency proceeding.

The covered bond proceeds are used to fund mortgage promissory notes (billets à ordre) to the respective sponsor (shareholder) banks.

The covered bonds are secured by the legal privilege over the mortgage promissory notes, which are in turn secured by a pledge over cover assets (i.e. domestic residential home loans), which remain on each sponsor's/shareholder's balance sheet (and/or on their balance sheets of their respective subsidiaries, affiliates or group member banks). Upon a borrower enforcement notice (for example in case of default of the sponsor/shareholder's bank), the respective cover assets, including underlying securities, will be transferred without any formalities to CRH.

## II. STRUCTURE OF THE ISSUER

**SCF/SFH**

The SCF/SFH is a credit institution licensed by the *Autorité de Contrôle Prudentiel et de Résolution (ACPR)*, the French Banking Authority, with a single purpose: to grant or acquire eligible cover assets, as defined by Law, and to finance them by issuing respectively *OFs and OHs*, which benefit from a special legal privilege (the "Privilege"). It may also issue or contract other debts benefiting or not from the Privilege. The *SCF/SFH* operates under the close control of the ACPR, which requires it to comply with strict management rules in order to ensure the company's financial security.

**CRH**

The *Caisse de Refinancement de l'Habitat ("CRH")* is a non-for-profit, specialized credit institution, of general interest, created in 1985 by French Government as a central agency, to develop the housing market in France and comfort long term liquidity for banks

CRH is the sole agency-type structure existing in Europe, and one of the earliest French covered bond issuer, which explains it is operating under its dedicated legal framework, although it is now very close to the SCF and SFH regime, thanks to the harmonisation effect of the CB Directive.

Although entirely privately held (currently by French banks representing ca. 78% of the French residential real estate market), this market platform is under the French Government ongoing supervision, with the attendance of a Government Commissioner to all CRHs board and committees' meetings.

As of 31 December, 2025, its equity belongs to:

> Crédit Agricole SA – Crédit Lyonnais 31.2%
> Crédit Mutuel – CIC 30.5%
> Société Générale – CDN 9.1%
> BPCE 29.2%

Every borrower is a shareholder of CRH, whose equity stake in CRH is proportional to its weight in CRH's capital.

Furthermore:

> Every borrower is committed to contribute to the liquidity support to CRH.
> CRH benefits from cross commitments of shareholders to supply capital contributions.

CRH is not borrowing for itself but for the account of its shareholders; nevertheless, as any fully independent credit institution, it can decline funding a shareholder.

**III. COVER ASSETS**

There are slight differences in nature between the SCF, SFH and CRH cover assets. SCF may refinance residential home loans, "public exposures" and commercial real estate loans, whereas SFH and CRH are dedicated to residential home loans.

**SCF/SFH/CRH**

The eligible assets of French CB issuers comprise, inter-alia:

> Secured loans which, in accordance with Article L.513-3 of the Code include loans which are secured by a first-ranking mortgage over an eligible real estate, or by other real estate security interests that are equivalent to a first-ranking mortgage, or loans that are guaranteed by a credit institution, financing company (*société de financement*) or an insurance company with a shareholder's equity of at least EUR 12 million and which does not belong to the same group as the relevant *SCF* according to Article L.233-16 of the French Commercial Code. The property must be located in France or in any other Member State of the EU, EE or in a State benefiting from the highest level of credit assessment given by an external rating agency recognized by the ACPR;

> Mortgage promissory notes (billets à ordre) issued by credit institutions guaranteed by the pledge (nantissement) of receivables pursuant to and in accordance with the provisions of Articles L.313-42 to L.313-49 of the Code, compliant with the eligibility criteria set out in Article L.513-3 of the Code; according to Article L. 513-6 of the Code, these Mortgage Promissory Notes are assimilated to the Secured loans described above;

- Grant to any credit institution loans guaranteed by the remittance (*remise*), the transfer (*cession*) or the pledge (*nantissement*) of receivables pursuant to and in accordance with the provisions of Articles L.211-36 to L.211-40 or Articles L.313-23 to L.313-35 of the Code, regardless of the nature of such receivables, professional or otherwise, provided that they satisfy the eligibility criteria set out in Article L.513-3 of the Code;
- Loans guaranteed by the *Fonds de Garantie à l'Accession Sociale à la Propriété* (Guarantee Fund for Social Access to Home Ownership);
- Substitution assets, under certain liquidity and maturity conditions and provided that their aggregate value is up to a maximum amount of 15% of the outstanding covered bonds. The new law introduces sub-limits – in line with the amended limits on corporate exposures in CRR Art 129 – of:
  - Maximum 15% for credit quality step 1 exposures;
  - Maximum 10% for credit quality step 2 exposures;
  - Maximum 8% for credit quality step 3.
- Within the limit of the liquidity buffer, in addition to substitution assets, debt securities (titres de créances) issued or guaranteed by a central administration of a Member state of the European Union and cash invested on accounts opened within the books of a central bank of a Member State of the European Union which comply with the criteria listed in 1(a) of Article 416 of the Capital Requirements Regulation n°575/2013 dated 26 June 2013.
- ***Only SCFs:*** exposures to public entities which, in accordance with Article L.513-4 of the Code include.
- inter alia, exposures to public entities located within the EEA, in a member State of the EU or if not located in EU / EEA, such public entities must comply with specific limits and level of credit assessment given by an external rating agency recognized by the ACPR (minimum credit quality step 2).
- ***Only CRH:*** CRH has more stringent eligibility criteria regarding the collateral: property is entirely of residential nature, and located solely in France, and the max. size of the loans = EUR 1,000,000 with a max. remaining maturity of 25 years).

## IV. VALUATION AND LTV CRITERIA

The rules for property valuations are the same for SCF, SFH and CRH. Real estate loans in the cover pool may be financed by *OFs, OHs, CRH's* debts or other privileged debt up to the lesser of: i/ the remaining principal balance of the loan; and ii/a limited regulatory percentage of the value of the pledged properties for real estate exposures.

This limited regulatory percentage is equal to:

- 80% of the value of the residential pledged properties.
- 60% of the value of the commercial pledged properties.
- In the case of loans guaranteed by the *Fonds de garantie à l'accession sociale* (FGAS – Guarantee Fund for Social Home Accession) 80% of the value of the residential property plus the portion guaranteed by the FGAS over this 80% limit.

The real estate financed by the loans is valued according to the French mortgage market accepted practice and defined by law (regulation n°99-10). **Real estate valuations must be based on their long-term characteristics. Under banking regulation (Arrêté of the 3rd of November 2014), real estate values are considered as part of the risks of *covered bonds*. The valuations are made by independent experts in compliance with banking regulation**.

Regarding valuation methods, different options are available (full valuation, use of statistical methods) that depend on the property use (residential or professional (commercial)), the loan size and the property value.

For statistical methods, the real estate values are based on the index provided by INSEE (*Institut National de la Statistique et des Études Économiques*) or on the index provided by Notaries (PERVAL). The real estates are revaluated on an annual basis.

Among his duties, the Specific Controller controls the eligibility, composition and valuation of the assets. The valuation and revaluation methods as well as their results are annually validated by the Specific Controller and published in the annual reports.

## V. ASSET/LIABILITIY AND RISK MANAGEMENT

The *SCF, SFH and CRH* must comply with asset/liability management rules as required by banking regulations and, in particular, must monitor the interest rate and liquidity gaps between their assets and liabilities.

### Market risks

The *SCF, SFH and CRH* must manage and hedge market risks on their assets, liabilities and off-balance sheet items: interest rate risks, currency risks, liquidity and maturity mismatches between liabilities and assets. The surveillance of these points is part of the duties of the Specific Controller.

### Coverage ratio

Anytime, the outstanding of the weighted eligible assets of the *SCF, SFH and CRH* must be at least equal to 105% of the outstanding liabilities benefiting from the Privilege.

From a regulatory standpoint, the coverage ratio is calculated on the basis of the *SCF, SFH and CRH* accounting data by applying a specific weight to each class of assets:

> Loans secured by a first-ranking mortgage or by an equivalent guarantee are weighted 100% of their eligible portion to collateralize the privileged liabilities;

> Residential home loans guaranteed by a credit institution or an insurance company are weighted according to the following table:

| Rating of the guarantor (M/S/F) | Home loan guarantor not part of the same consolidation group as the SFH / SCF /CRH | Home loan guarantor is part of the same consolidation scope as the SFH |
|---|---|---|
| ≥A3/A-/A- | 100% | 80% |
| <A3/A-/A- | 0% | 0% |

> Public exposures and liquid assets are weighted 100%.

### Maturity mismatch

The remaining weighted average life of the eligible assets used to reach the minimum legal overcollateralisation requirement of 105% should not exceed that of the privileged liabilities by more than 18 months. In addition, new issuers and structures in run off might be exempted of this requirement.

### Specifities to SFH

The SFH programmes also include a dynamic Asset Coverage Test (ACT) that requires the balance of the mortgages in the collateral pool to significantly exceed the balance of the outstanding covered bonds. The minimum level of OC will depend on the credit quality of the mortgages in the cover pool as assessed by the rating agencies. For all the existing programmes the maximum asset percentage applied in the ACT is 92.5%, which translates into a minimum overcollateralisation of at least 8%. However, that being said, all SFH programmes currently exceed the minimum amount due to adjustments to the most recent rating agency methodologies.

When calculating the appropriate loan balance within the Asset Coverage Test (ACT), higher LTV loans are included in the pool, but loan amounts exceeding the respective cap do not get any value in the ACT. For all programmes, the LTV ratio of the mortgage loans cannot be more than 100%. In addition, the ACT gives no value to the loans in arrears or defaults.

**Liquidity risk**

The French CB issuers are required to ensure that the net outflows over the coming 180 days are covered by cash and liquid assets. The scope of this obligation will extend to forecasted principal and interest flows involving the *SCF/SFH/CRH's* assets, as well as to flows related to its derivative instruments. Net outflows may be covered, if necessary, by replacement securities, liquid assets eligible to the Eurosystem liquidity facilities, and repurchase agreements with credit institutions verifying the highest short-term credit ratings or whose creditworthiness is guaranteed by other credit institutions that have the highest short-term credit ratings.

Liquidity needs may be covered by liquid assets (level 1, 2A or 2B as defined in Article 10, 11, 12 of EU Regulation 2015/61). These liquid assets cannot be issued by the SCF/SFH/CRH nor the sponsor bank.

As per the French Decree no. 2021-898 of 6 July, the new French law defines two objective triggers for covered bond maturity extensions, that should avoid the risk of premature extensions:

> If an issuer or sponsor bank falls into insolvency or resolution according to L. 613-49; or

> On decision of France's prudential regulation authority (Autorité de Controle Prudentiel et de Resolution, ACPR) if the issuer breaches the 180-day liquidity coverage requirement for covered bonds.

The *French CB* issuers are authorized to subscribe to their own covered bonds issues up to 10% of the outstanding of the existing privileged liabilities. These issues provided may only be used then as collateral with the central bank or canceled within 8 days.

**Exposure on the group to which the SCF/SFH belongs**

Decree N° 2014-526 and Arrêté dated 26 May 2014 limits the ability of the *SCF/SFH* to hold assets in the form of exposures on entities of the group to which it belongs. When these assets exceed 25% of the non-privileged assets of the *SCF/SFH*, the difference between the exposure on these entities and the sum of 25% of the non-privileged assets together with the assets received in guarantee, pledged or full property, is deducted from the numerator of the coverage ratio. CRH does not belong to any group.

**VI. TRANSPARENCY**

As credit institution and listed company, the French CB issuers must publish periodic financial information. The issuer must send a detailed annual report on risk management to the ACPR. Moreover, they are also required to publish:

> A quarterly report relating to the nature and the quality of their assets.

> An annual report describing:

(i) the nature and the quality of their assets, the characteristics and breakdown of loans and guarantees, the amount of defaults, the breakdown of receivables by amount and by type of debtors, the proportion of early redemptions, the volume and breakdown of replacement securities they hold, and

(ii) the extent and sensitivity of their interest-rate exposure.

> A quarterly report, on 31 March, 30 June, 30 September and 31 December of each year relating to:

(i) the amount of its coverage ratio and the compliance with the limits they are requested to respect i.e. the 10% limit of mortgage promissory notes etc.;

(ii) the data of the calculation of the coverage of its liquidity needs;

(iii) the gap of the average duration between those of its eligible assets and its privileged liabilities;

(iv) the valuation of the coverage of the privileged debts until their maturity by the available eligible assets and the estimation of the future new production of these eligible assets on the basis of prudent assumptions.

Furthermore, on a quarterly basis, as the French CB issuers must provide the ACPR with detailed information on covered bonds issued and the cover pool, as well a report on the procedures undertaken by the Specific controller which would allow the labelling of French covered bonds as European covered bonds (premium) or European covered bonds.

In addition, the French CB issuers generally publish the European Covered Bond Label Reports on a quarterly basis (under the Harmonised Transparency Template format), recently enriched by the additional regulatory requirements in connection with the eligibility of the collateral to ECB open market operations.

**Covered bond label**

Covered bonds that comply with both the EU Directive and Article 129 of CRR may use the 'European Covered Bond (Premium)' label (*"Obligation garantie européenne de qualité supérieure"*). Covered bonds that comply with the EU Directive, but not all the requirements of article 129 CRR, may use the 'European Covered Bond' label (*"Obligation garantie européenne"*). In France, the label is granted by the ACPR, the French national regulator. The ACPR publishes on its website (https://acpr.banque-france.fr/en/covered-bonds) the list of French covered bonds benefiting from the label "European Covered Bond (Premium) or "European Covered Bond".

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The "Specific Controller" is appointed by the *SCF, SFH and CRH* with the agreement of the ACPR. To ensure his independence, the Specific Controller cannot be an employee of either of the *SCF, SFH and CRH's* statutory auditors, of any company that controls the *SCF, SFH and CRH*, or of any company directly or indirectly controlled by a company that controls the *SCF, SFH and CRH*.

The mission of the Specific Controller includes the following verifications:

> that all assets granted or acquired by the *SCF, SFH, and CRH* are eligible to the cover pool, and in the case of mortgage assets, that they are properly valued;

> that the coverage ratio is, at any moment, at least, at 105%;

> that the *SCF/SFH/CRH* comply with all the limits required by the regulation (i.e. the limit of the loans guaranteed by a credit institution or an insurance company, the limit of the mortgage promissory notes and the limit of the replacement assets);

> that the "congruence", i.e. the adequacy of maturities and interest rates of assets and liabilities, is at a satisfactory level. The Specific Controller checks the different quarterly indicators before sending them to the ACPR, and

> that issuers fulfill criteria to obtain Covered Bond labels;

> that, in general, the *SCF/SFH/CRH* complies with the law and regulations.

The Specific Controller certifies that the *SCF/SFH/CRH* complies with the coverage ratio rules on the basis of a quarterly issuance program, and for any issue of privileged debt of an amount equal to or above EUR 500 m. These coverage ratio affidavits are required to be stipulated in issuance contracts where the debt benefits from the Privilege.

The Specific Controller reports to the ACPR, attends shareholders' meetings, and may attend Board meetings. The *SCF/SFH & CRH* operate under the constant supervision of the ACPR. Its management, its Specific

Controller and its Statutory Auditors should be agreed by the ACPR. All the above-mentioned reports should be sent to the ACPR together with the annual report of the Specific Controller and the annual reports of the Statutory Auditors.

The Specific Controller issues to the ACPR an audit report on any French CB issuer CB label request.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Cover assets are segregated in the issuing specialised credit institution, or in the case of CRH, within CRH.

### SCF/SFH

Pursuant to Article L.513-11 of the Code, holders of *OFs/OHs* and other privileged debts have preferred creditor status and the right to be paid prior to all other creditors who have no rights to the assets of the *SCF/SFH* up until the claims of the preferred creditors have been fully satisfied.

### CRH

Pursuant to paragraph IV and V of Article 13 of Law 85-695, holders of CRH covered bonds and other privileged debts have preferred creditor status and the right to be paid prior to all other creditors who have no rights to the assets of CRH until the claims of preferred creditors have been fully satisfied.

### All French CB issuers

Under the French legislation, the holders of covered bonds issued by the *SCF, SFH and CRH*, benefit from the legal privilege over the *SCF/SFH/CRH's* eligible assets. If the issuer becomes insolvent, the covered bonds and other privileged debts holders are paid in accordance with their payment schedule, and have priority over any of the programme's other non-privileged debts or creditors in relation to the programme's assets. All privileged debts rank *pari passu*. Until full repayment of such privileged liabilities, no other creditors may take any action against the French CB issuers or their cover assets.

The issuer may be subject to insolvency, but the *French legal framework* provides for a regime which derogates in many ways from the French insolvency provisions:

> **Legal Privilege / No acceleration of covered bonds as a result of insolvency of SCF, SFH and CRH**: in the event of an insolvency proceeding of the *SCF, SFH and CRH* (safeguard procedure, judicial reorganization, liquidation, or resolution), all claims benefiting from the Privilège (including interest) must be paid on their due dates and in preference to all other claims. Until fully repayment of all such preferred claims, no other creditors may take any action against the privileged assets of the *SCF, SFH and CRH*;

> **No nullity during the hardening period**: the provisions allowing an administrator to render certain transactions entered into during the hardening period (*période suspecte*) null and void are not applicable for the transfer of assets entered into by a *SCF, SFH and CRH* (provided that such transactions are made in accordance with their exclusive legal purpose and without fraud);

> **Option to terminate ongoing contracts with insolvent counterparties**: in case of the opening of any insolvency procedure against the credit institution, which is acting as manager and servicer of the *SCF/SFH/CRH*, any contract may be immediately terminated by the *SCF/SFH/CRH* notwithstanding any legal provisions to the contrary;

> **No impact of the hardening period**: the common provisions of French bankruptcy law affecting certain transactions, which entered into force during the months prior the insolvency proceedings during the hardening period, are not applicable to *SCF/SFH/CRH*.

> **No extension of bankruptcy proceedings**: as an exception to the general French bankruptcy Law, bankruptcy proceedings or liquidation of a company holding share capital in a *SCF/SFH/CRH* cannot be

extended to the *SCF* or the *SFH* or *CRH*. As a result, the *SCF/SFH/CRH* enjoys full protection from the risks of default by their parent company or the group to which it belongs.

## IX. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN LEGISLATION

The French covered bonds' legislation and regulation comply with the requirements of the EU Covered Bond Directive. All covered bonds are CRR compliant (fulfilling criteria provided in article 129(1)). *French Covered Bonds issued by SCF/SFH/CRH* which are Article 129- CRR compliant ("European Covered Bond Premium") have a 10% risk-weighting according to the Standardised Approach in the CRR if benefiting from a rating classified as Step 1.

Other Covered bonds that comply with the EU Covered Bond Directive, but not with Article 129 of CRR, can use the 'European Covered Bond' label ("Obligation garantie européenne") and would qualify for a 20% risk-weighting according to the Standardised Approach in the CRR if benefiting from a rating classified as Step 1.

Grand fathering clause: covered bonds issued before the entry into force of the Directive on 8 July 2022 would keep their initial risk-weight.

OFs/OHs and CRH covered bonds can be eligible as Level 1 assets under LCR regulation provided they respect specific criteria.

**Issuers:** Arkéa Public Sector (SCF); Arkéa Home Loans (SFH); AXA Home Loan SFH, BNP Paribas Public Sector (SCF); BNP Paribas Home Loan (SFH); BPCE (SFH); Caisse de Refinancement de l'Habitat (CRH);Caisse Française de Financement Local (CAFFIL); CCF (SFH); CIF Euromortgage; Compagnie de Financement Foncier (CFF); Crédit Agricole Financement de l'Habitat (SFH), Crédit Agricole Public Sector (SCF); Crédit Agricole Home Loan (SFH); Crédit Mutuel – CIC Home Loan (SFH); Crelan Home Loan SCF, La Banque Postale Home Loan (SFH), MMB SCF, Société Générale (SCF); Société Générale (SFH).

Covered Bond Label: Arkéa (2 pools) AXA Home Loan SFH (1 pool), BNP Paribas (1 pool), BPCE SFH (1 pool), Caisse de Refinancement de l'Habitat (1 pool), Caisse Française de Financement Local (1 pool), CCF SFH (1 pool), CIF Euromortgage (1 pool), Compagnie de Financement Foncier (1 pool), Credit Agricole (3 pools), Crédit Mutuel – CIC Home Loan SFH (1 pool), Crelan Home Loan SCF (1 pool), La Banque Postale Home Loan SFH (1 pool), MMB SCF (1 pool), Société Générale (2 pools).

In addition, in early April 2026, Agence France Locale (AFL), a French development bank serving the public sector, announced its intention to acquire the former covered bond issuer GE SCF. The bank intends to diversify its funding tools and reduce its funding costs. GE SCF has been in wind-down for several years and is therefore no longer active in the market.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.16 GEORGIA

By Rada Tomova, EBRD and David Abesadze, National Bank of Georgia

### I. FRAMEWORK

The legal basis for the issuance of covered bonds on Georgian capital markets is the *Law of Georgia On Mortgage-covered Bonds* (the "Law") adopted by the Parliament of Georgia on 29 November 2022 and published in the Legislative Harald – Georgia's Official Gazette – on 16 December 2022[1]. The Law, which regulates the issuance of mortgage-covered bonds (the "mortgage bonds"), the supervision of issuers and their activities, entered into force 90 days after publication on 16 March 2023. It was developed by Georgia's financial markets regulator – the National Bank of Georgia ("NBG") – with inputs from the Ministry of Economy and market participants, and with technical assistance from the European Bank for Reconstruction and Development[2]. The stated purpose of the Law is to increase the access to diversified sources of financing for commercial banks' operations and to support the development of a covered bond market in Georgia. The legal framework has been supplemented by an NBG regulation – the *Regulation on Mortgage Bonds* – which regulates (i) the process for authorisation and permission for issuing mortgage bonds; (ii) the requirements for the provision of information to the NBG and investors in mortgage bonds; (iii) the rules applicable to eligible cover assets and the coverage calculation; (iv) liquidity requirements; and (v) the rules on valuation of immovable property securing claims arising from mortgage loans included in the cover pool.

### II. STRUCTURE OF THE ISSUER AND AUTHORISATION REQUIREMENTS

Pursuant to the *Law of Georgia On Mortgage-covered Bonds*, the issuer of covered bonds must be a commercial bank (including a refinancing bank) established in Georgia and licensed by the National Bank of Georgia. Any issuer planning to launch a covered bond programme is required to obtain approval from the regulator (NBG) and must demonstrate adherence to the following standards:

> An adequate operational framework and programme to issue covered bonds;

> Operations based on the process of and principles aimed at investor protection;

> Possession of relevant knowledge and market experience of the management and staff tasked with the implementation of the programme; and

> Sufficient resources to create, manage and supervise the asset cover pool.

Before the launch of a covered bonds programme, the issuer bank is required to submit all of the relevant information regarding a new programme to NBG. The required information includes the name of the mortgage covered bond programme; the board decision authorising its launch; a senior management confirmation letter; an outline of the structure of the mortgage covered bond programme[3]; the criteria for including loans in the cover pool; the decision-making process with regard to transferring assets into/from the cover pool (indicating triggers, e.g. arrears level); the process for transferring assets in and out of the cover pool; the process for ensuring compliance with the liquidity requirements; where applicable, the tests (e.g. asset coverage test, interest rate shortfall test, exchange rate, liquidity test, stress tests) that will be performed on the cover pool under the mortgage bond programme documentation; information about the cover pool monitor and its main

1 For references to the official version in Georgian and the English translation published by the NBG, please consult https://matsne.gov.ge/en/document/view/5599692?publication=0 and law-of-georgia-on-mortgage-covered-bonds-310123.pdf (nbg.gov.ge)

2 Project delivered in partnership with Richard Kemmish Consulting

3 This should include (i) the maximum asset percentage which the issuer proposes to run the programme with at any given time during the tenor of the programme; (ii) the type, currency(ies) and variety of cover assets; and (iii) information about the proposed issuance, including the maximum size of issuance(s) over the tenor of the programme in total, currency(ies), tenor, fixed/floating-rate, pricing method (e. g., whether fixed or floating; if floating including the reference index), whether the bonds would be pass-through, soft or hard-bullet maturity.

obligations; a summary of processes in the event of issuer default or when resolution has been triggered; and the events that will result in an issuer event of default.

Pursuant to Article 1 of the *Law on Mortgage-covered Bonds*, Georgian covered bonds may be placed either under a private or public offering of securities. In addition, own-use or self-issued covered bonds are also permitted under the Georgian regulatory framework and are eligible for repo with NBG.

## III. COVER ASSETS

The assets that are eligible for inclusion in a covered-bond asset pool of a commercial bank in Georgia are:

1. Claims arising from mortgage loans[4] (80%);
2. Substitute assets, including deposits, debt securities issued or guaranteed by governments[5], IFIs and other entities recognised by NBG, or other exposures to such entities (up to 20%);
3. Claims arising from derivatives.

Mortgage loans eligible for inclusion in cover pools shall fulfil at least the following general conditions[6]:

(a) The loan agreement shall establish a valid and enforceable obligation of cash payment that has a value that can be determined at any time;

(b) The mortgage shall satisfy all the requirements of validity and enforceability prescribed by the legislation of Georgia;

(c) The commercial bank as a creditor shall be able to recover the value of the claim via realisation of the mortgage collateral without undue delay;

(d) The mortgage shall be of the first rank.

Pursuant to Article 3 of the Law, issuers are prohibited from including in the cover pool assets that are subject to an encumbrance measure and/or those which are in default.

The issuer of covered bonds can manage/hedge the market risks arising from a covered bonds programme with derivative instruments, provided that those instruments are also included in the cover pool. In this case, the derivative counterparty should be a financial institution that has consented in advance and in written form to the inclusion into the cover pool of the relevant derivative transaction(s).

The issuer is required to segregate cover assets from other assets in a way that the cover pool assets are easily identifiable by and only accessible to the creditors of the covered bond programme of the bank. Pursuant to the Law, compared to other creditors of the issuer, covered bond programme creditors enjoy preferential rights over the cover pool assets which can be used to satisfy their claims without the need for any contract between the issuer and programme creditors determining right to pledge or any other preferential right.

The assets eligible to be part of cover pool for the purposes of issuing covered bonds by a refinancing bank[7] are:

1. Claims arising from refinancing instruments;
2. Substitute assets such as deposits, debt securities issued or guaranteed by governments, IFIs and other entities recognized by NBG, or other receivables of such entities.
3. Receivables arising from derivatives.

---

4 Pursuant to the Law, a mortgage loan is defined as "a loan issued for any purpose, including both the principal and interests (if applicable) receivable therefrom, secured by a mortgage on immovable property in accordance with the Civil Code of Georgia".

5 The Law specifically references bonds issued by the Government of Georgia. Bonds issued by foreign governments could be eligible only if they are recognised as eligible substitute assets under the NBG regulation.

6 Additional requirements on the quality of cover pool assets are laid down in the NBG Regulation on Mortgage-covered Bonds.

7 A refinancing bank is a commercial bank that issues mortgage-covered bonds secured by claims arising from one or several refinancing instruments in accordance with the Law.

The aggregate outstanding principal amounts of mortgage loans in the cover pool of a commercial bank, or of refinancing instruments included in the cover pool of a refinancing bank, shall not be less than 80% of the aggregate outstanding principal amounts of mortgage bonds[8].

## IV. VALUATION AND LTV CRITERIA

Article 4 of the Law provides that the valuation of immovable property securing the mortgage loans included in the cover pool shall be conducted by a valuer who is independent from the credit decision process, and who possesses appropriate knowledge and professional experience. In addition, the Law requires that (i) the calculation of the market value of immovable property shall be conducted according to internationally recognised valuation standards and (ii) be reviewed at least once a year[9]. Additional guidelines for the valuation of underlying real estate collateral is provided in the NBG Regulation on "*Approving the Guideline for Real Estate Valuation by Commercial Banks*" adopted by the NBG in May 2018.

As of the date of registration of a mortgage loan in the cover asset register, the ratio between the outstanding principal amount, or part thereof, of such loan contributing to the coverage of mortgage-backed bonds and the market value of the immovable property securing the same shall not exceed 60% for commercial property or 80% for residential property. For the purposes of maintaining financial stability, NBG may lower the LTV criteria for foreign currency denominated mortgage loans.

If, after the registration of a mortgage loan in the cover assets register, the ratio between the outstanding principal amount, or part thereof, of such loan and the market value of the immovable property securing the same exceeds the prescribed threshold, the principal amount of the loan contributing to coverage of mortgage-backed bonds shall be deemed reduced proportionally. The issuer is then required to post additional cover assets in the cover pool, if this is necessary to ensure continued compliance with the Law or related regulations.

## V. ASSET – LIABILITY MANAGEMENT

Pursuant to the Law, covered bonds issued under each covered bond programme are secured by one cover pool. Within the same programme, the issuer may increase the amount of mortgage bonds under the same terms, and it may also issue mortgage bonds of different classes.

The total remaining nominal value of assets included in the cover pool should exceed the nominal value of the covered bonds principal by at least 5 % (minimum overcollateralization). Pooling of collateral assets must include additional assets that meet the liquidity requirements established by the relevant NBG regulations. The cover pool must cover the programme's liquidity needs (i.e. the total net cash outflow) over next 180 days.

## VI. TRANSPARENCY

The issuing bank is responsible for informing covered bondholders about the status and relevant developments of its covered bond programme. The provided information should encompass the necessary details to enable bondholders to properly evaluate the programme profile and related risks. The provided information should include:

> Nominal values of an outstanding mortgage bond and cover pool assets;

> Identification numbers assigned to each covered bond (if available);

> Distribution of cover assets according to their type;

> Update about market, credit and liquidity risks;

8 In circumstances assessed by NBG as threatening the stability of the financial sector and/or substantial interests of programme creditors, the NBG may prescribe a lower threshold, but not less than 60% of the aggregate outstanding principal amounts of mortgage bonds.

9 The market value of the immovable property shall be reviewed more frequently, if one of the following conditions is present: (i) there is a significant adverse change in market conditions; (ii) a significant decline in real estate prices has occurred or is expected to occur, including when such decline concerns only one specific class or type of real estate.

> Maturity structure of underlying assets and covered bonds;
> Level of coverage required in accordance with the law as well as the available coverage and the level of overcollateralization;
> For a registered derivative, information about the counterparty and key terms of the contract;
> Percentage of mortgage loans with respect to which a default has occurred.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

According to the Law, each bank should have an assigned cover pool monitor tasked with supervising and monitoring the pool of underlying cover assets.

The monitor should be a legal entity with the authority and permission (pursuant to Georgian legislation) to conduct the audit of entities of public interest. Additional qualification requirements of a cover pool monitor may be determined by the National Bank of Georgia. An issuer is entitled to appoint a cover pool monitor for a predetermined time period, and its appointment or removal is coordinated with NBG and requires its prior consent. The monitor shall be able to provide the programme administrator with all data and information relevant to admin of the cover pool and underlying assets. The entity monitoring the cover pool is liable for damages to programme creditors or to issuers during the performance of its duties and if necessary, NBG is permitted to request its removal.

The cover pool monitor is responsible for:

> Verifying that liabilities arising from the mortgage bond programme are always secured by sufficient cover assets;
> Verifying that the cover assets are identifiable and segregated from the other assets of the issuer;
> Verifying that the value of the immovable property securing the mortgage loans included in a cover pool is established in accordance with the relevant law;
> In case of identifying cases of infringement of the Law or relevant regulations adopted thereunder, notifying the issuer and NBG immediately.

Before issuance of covered bonds, the cover pool monitor is required to certify in writing the existence of a sufficient amount of cover assets and their inclusion in the covered asset register. The monitor is also entitled to inspect and request the records and information of the issuer related to covered bonds and underlying assets.

To facilitate ongoing supervision of covered bonds, the issuer is required to provide to NBG (as well as to bondholders) an annual confirmation letter confirming compliance of the programme with applicable legislation, combined with the cover pool monitor’s annual report on due diligence procedures and checks performed by the monitor throughout the preceding 12 months. The cover pool monitor is also required to report to the NBG without undue delay if it appears that the issuer has failed to comply with the requirements set out in legislation, or has not provided all relevant information or explanations.

The owner of a covered bond programme is subject to special supervision by NBG, which has the authority to exercise the following rights and powers:

> Request and receive documents/information (including confidential) from any person;
> Request the cessation of certain actions if said actions contravene the legislation of Georgia;
> Appoint the covered bond programme administrator and liquidator;
> Conduct on-site and off-site inspection(s) of an issuer/debtor[10];

10 For a description of the definition of a refinancing bank pursuant to the Law, see footnote 7.

> Impose measures and sanctions on the commercial bank, administrator of the commercial bank or a controlling person;

> Establish a higher level of over-collateralization;

> Grant or revoke authorisation of the covered bond programme.

**VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS**

To protect the interests of bondholders and ensure covered bonds' bankruptcy-remoteness, the Law provides for cover-pool asset segregation from the outset, and requires that they be separated from the issuing bank's assets in certain circumstances. A covered bond programme is considered to be separated if the issuer's banking license has been revoked or if NBG decides to separate a programme, taking into account the best interests of the programme creditors, in the following cases:

> the authorisation to issue covered bonds has been revoked and the separation of the programme is necessary for the complete and timely fulfilment of the liabilities arising from covered bonds;

> there is a danger to the fulfilment of the commercial bank's obligations towards its creditors; or

> there is a reasonable suspicion that effective supervision of the commercial bank is not possible.

After the separation of a mortgage bond programme, only the claims of the relevant programme creditors and the expenses related to administration of the mortgage bond programme may be satisfied through the cover assets. The claims of the programme creditors (including holders of mortgage bonds of different classes issued within the framework of the programme) over the cover assets rank *pari passu*. The mortgage bond programme administration expenses rank senior to the claims of programme creditors. Assets remaining in the cover pool after covering the administration expenses and the full satisfaction of the claims of the covered bond creditors will be returned from the cover pool.

> If the program administrator has pledged cover assets under a financial collateral arrangement, the collateral taker shall have priority claim over the pledged assets compared to any other person.

> After the moment of separation of the covered bond programme, the cash (including principal and interest payments made by borrowers on mortgage loans) received on the cover assets shall be placed in the cover pool and ring-fenced from the other cash of the issuer and for this purpose shall be placed on a segregated cash account/accounts with a third-party commercial bank/banks.

> Assets from the cover pool of one covered bond programme may not be used for reimbursement of claims of another programme's creditors.

**IX. REPO-ELIGIBILITY OF MORTGAGE-COVERED BONDS**

In April 2024, the NBG board approved a new rule on financial collateral management. The new rule, among other things, sets out general criteria for accepting mortgage bonds as eligible collateral for conducting monetary operations. According to the rule, the following conditions must be generally met for mortgage bonds to be accepted by NBG as collateral.

> The bond must have been issued pursuant to the Law and NBG Regulation on mortgage bonds and the bond must be denominated in Georgian Lari;

> Either the issuer or the bond must have the minimum credit rating that will be prescribed by NBG;

> The loans placed into the cover pool must be either residential mortgages or SME loans secured by immovable property;

> The loans in the cover pool of the eligible mortgage bonds must be sufficiently homogeneous, in particular residential mortgages and SME loans secured by immovable property shall not be mixed in the same cover pool;

> The cover pool monitor must at least annually check compliance of the cover pool with the Law, NBG Regulation on mortgage-covered Bonds and collateral framework and submit the inspection report to NBG;

> Other conditions prescribed by NBG.

Further details regarding collateral eligibility for residential mortgage-backed covered bonds was provided in the Governor's decree approved under the above-mentioned NBG rule in October 2025. The decree introduced minimum credit rating requirements in relation to covered bonds alongside respective haircuts. It is to be noted that, similar to other central banks, NBG decided to apply different haircuts to own-use covered bonds compared to regular covered bonds, the former being subject to an additional 5% haircut.

## X. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Under the risk-based approach in Basel III and the EU's Capital Requirements Regulation, and assuming a credit rating in Step 3 (BBB- to BBB+) for Georgian covered bonds, the applicable risk weight for such exposures will be 20%.

As a non-EU jurisdiction, Georgia is not required to comply with EU law, but its legal and regulatory framework for covered bonds is well aligned with the EU's Covered Bonds framework. The Law confirms the dual recourse nature of the instrument and restricts eligible cover pool assets to first-ranking commercial and residential mortgages. There are provisions to preserve cover pool quality including LTV ratio limits for the asset coverage test which are set at 80% of the value of residential and 60% for commercial property securing mortgages in the cover pool. This is consistent with preferential bank capital and liquidity treatment for covered bonds in the EU. The 5% minimum overcollateralization (OC) is also in line with the EU framework qualifying for preferential risk and liquidity treatment and the Law also provides for the possibility of additional voluntary OC. The automatic acceleration of covered bonds is prevented through provisions mandating the separation of covered bond programmes from the issuer's insolvency estate, while 180-day liquidity buffer requirement reduces Georgian covered bonds' refinancing risk.

The Law also includes robust regulatory oversight and supervision requirements that are similar to the covered bond frameworks in the EU. NBG is granted extensive supervisory powers, including the approval of the cover pool monitor and special administrator. The supervisor is also entitled to carry out inspections and conduct regular programme reviews, and it has the power to impose sanctions for breaches of the terms of the law. Furthermore, the law gives NBG a key role in approving any transfer of the covered bond programme after issuer default and any restructuring or liquidation proposals by the cover pool administrator.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.17 GERMANY

By Tim Lassen and Steffen Stachna, Association of German Pfandbrief Banks (vdp)

### I. FRAMEWORK

In Germany, the legal basis for covered bond issuance is the German Pfandbrief Act (PfandBG – Pfandbriefgesetz) dated 22 May 2005 replacing the Mortgage Bank Act from 1900 and other German Pfandbrief laws.

On 15 April 2021 the Deutsche Bundestag and on 7 May 2021 the Bundesrat approved the amendments to the Pfandbrief Act, thereby implementing the CBD into German Pfandbrief law and adapting it to the changes of Art. 129 CRR. These amendments came into force on 1 July 2021 and on 8 July 2022, respectively. The latest amendments to the PfandBG with technical changes were added end of December 2023.

Furthermore, the statutory orders embedded in the Pfandbrief Act were adapted in 2022 as well and an additional one on Pfandbrief reporting requirements towards the German federal financial supervisory authority BaFin was added. BaFin publishes Pfandbrief-related documents on its website.[1]

### II. STRUCTURE OF THE ISSUER

Since 2005, issuer of Pfandbriefe are no longer required to be a specialised bank. Instead, Pfandbrief issuers are allowed to carry out all activities of a credit institution, although a special licence for Pfandbrief issuance is required.

Since the EBA outsourcing guidelines do not allow for the outsourcing of important and decision-making sections of the credit institution, the issuer is required to have its own employees. In addition, the PfandBG requires Pfandbrief banks to manage their own risk and take their credit decisions on their own.

The issuer holds the cover assets on its balance sheet. A subsequent transfer of the cover assets to another legal entity does not take place. Given that a direct legal link between specific cover assets and Pfandbriefe does not exist, all obligations relating to Pfandbriefe are obligations of the issuing bank as such. In the case of insolvency, the cover pool is segregated by law from the general insolvency estate and is reserved for the claims of the Pfandbrief holders (so called Pfandbrief Bank with limited business activity, § 30 (1)(1, 3)). Even then, if the cover pool is not sufficient, Pfandbrief holders still have a claim against the general insolvency estate (dual/triple recourse, § 30 (6)(4) Pfandbrief Act).

### III. COVER ASSETS

Cover assets are generated by mortgage lending, public sector lending, ship and aircraft financing activities. ABS/MBS are not eligible. A specific class of Pfandbriefe corresponds to each of these cover asset classes: Hypothekenpfandbriefe, Öffentliche Pfandbriefe, Schiffspfandbriefe and Flugzeugpfandbriefe. Any Pfandbrief must be fully covered by its specific class of cover asset (§ 4 PfandBG).

In addition to these *ordinary cover assets* the PfandBG allows up to 20 % of the nominal volume of Pfandbriefe outstanding to be covered by *further cover assets*, which may consist of e.g. money claims against the European Central Bank, member states of the European Union or bonds issued by domestic, regional or local authorities. Further cover assets may also include suitable credit institutions, which fulfil the requirements of credit quality step 1 (15% of cover assets) or 2 (10% of cover assets) according to CRR provisions, have an external rating and do not belong to the same banking group.

The geographical scope of eligible mortgage assets is restricted to EU/EEA countries, to Switzerland, USA, Canada, Japan, the UK (since Brexit). Public sector loans to these countries are eligible for the cover of Öffentliche Pfandbriefe (§ 20 PfandBG). For the mortgage Pfandbrief assets from Australia, New-Zealand and

1 https://www.bafin.de/DE/unternehmen-maerkte/aufsicht/banken-institute/kreditinstitute/pfandbriefbanken/pfandbriefbanken_node

Singapore are also eligible. The total volume of loans granted in non-EU countries where it is not warranted that the preferential right of the Pfandbrief creditors extends to the cover assets, may not exceed 10% of the total volume of the cover loans (§§ 13 I 2, 20 III PfandBG) and 20% for ship and aircraft mortgages (§§ 22 V 2, 26b IV 2PfandBG). Derivatives are eligible for cover pools under certain conditions (§§ 4b, 19 I PfandBG).

## IV. VALUATION AND LTV CRITERIA

Property valuation is regulated in § 16 PfandBG. This provision refers to the mortgage lending value (Beleihungswert) which is, in contrast to the market value, based on sustainable aspects of the property. Details about the valuation process and the qualifications of values are regulated in a specific statutory order on the mortgage lending value (Beleihungswertermittlungsverordnung, BelWertV), § 16 IV PfandBG.

According to § 26 BelWertV both, commercial and residential real estate, have to be monitored at least annually. In addition, § 27 BelWertV requires a review of the underlying assumptions when the market has declined substantially; a review of property values is also necessary when the loan has defaulted.

The BelWertV requires personal and organisational independence of the valuer (internal or external valuer).

For both, commercial and residential property, the LTV limit is 60% of the mortgage lending value of the property. This LTV is a relative limit, i.e. when the loan exceeds the 60% limit, the part of the loan up to 60% LTV remains eligible for the cover pool.

## V. ASSET – LIABILITY MANAGEMENT

§ 4 PfandBG stipulates that the total volume of Pfandbriefe outstanding must be covered at all times by assets of at least the same amount. Thus, the nominal value of the cover assets must permanently be higher than the respective total value of the Pfandbriefe: 2% for Hypothekenpfandbriefe and Öffentliche Pfandbriefe, 5% for Schiffspfandbriefe and Flugzeugpfandbriefe (nominal value statutory OC).

In addition, the Pfandbrief Act requires that Pfandbriefe are covered on a net present value basis even in the event of severe interest rate changes or currency fluctuations. The issuer has to provide an "npv-statutory overcollateralization" of at least 2% after stress tests to be carried out weekly. This "overcollateralization" is to be regarded as the lump sum for the potential winding-down costs after an issuer's insolvency (Art. 15 CBD). Therefore, cover assets that are being used for the "npv-statutory overcollateralization" are not to be taken into account for the calculation of the nominal overcollateralisation. Both the maturity of outstanding Pfandbriefe and the fixed-interest periods of cover assets are disclosed on a quarterly basis. Details about the calculation are regulated in a special statutory order on Net Present Value (Barwertverordnung).

Furthermore, each day Pfandbrief banks have to calculate the maximum liquidity gap within the next 180 days. This amount has to be covered by liquid assets (§ 4 Ia PfandBG), which are Level 1, 2A or 2B assets according to the LCR-Regulation as well as short-term exposures to credit institutions.

Every quarter, the stress-tested NPV of outstanding Pfandbriefe, the cover pool and the overcollateralisation have to be published (§ 28 I PfandBG). The stress tests do not apply to interest rate risks only, but also to foreign exchange risks.

## VI. TRANSPARENCY

According to § 28 of the Pfandbrief Act (Pfandbriefgesetz, PfandBG), all Pfandbrief banks are obliged to publish detailed information about their Pfandbriefe outstanding and the pertaining cover pool assets on a quarterly basis.

Besides these legal requirements, vdp member banks started the vdp Transparency Initiative in 2010. Within the scope of this initiative, transparency reports of vdp member institutions are published in a uniform format, that can be processed electronically, using a uniform understanding of the legal requirements and one central website.[2]

2 Transparency reports of vdp members (www.pfandbrief.de)

Each report is available as a read-only version in pdf format and, suitable for further direct processing, in xls (Excel), csv and xml-formats as well. Automatic links to investor databases are possible. The website offers search options both by reporting date and bank name. All reports are published in English and German versions. There is a data history available that goes back to 2009.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The German federal financial supervisory authority (BaFin) is charged with the special supervision of Pfandbrief banks through a dedicated division. The "Pfandbrief-Kompetenzcenter" is responsible for all fundamental issues regarding the PfandBG and conducts cover pool audits on its own or through external auditors.

In 2022, BaFin adapted the statutory orders accompanying the PfandBG and added one on Pfandbrief reporting requirements ("Pfandbrief-Meldeverordnung", "PfandMeldeV"). Starting 30 June 2024, Pfandbrief banks have to submit predefined and completed reporting templates to the BaFin on a quarterly basis. In-depth information regarding both, Pfandbriefe and cover assets, are collected and processed by BaFin in order to assess the cover value and potentially demand higher standards to be fulfilled by Pfandbrief banks in question.

### Cover audits

The cover pools are subject to a special audit conducted usually every three years by the supervisory authority (§ 3 PfandBG). Cover pool audits are performed either by the BaFin specialists or by suitable auditors, mandated via contract by public tender.

A cover audit is conducted in respect of individual cover pool assets, the observance of matching cover requirements in terms of nominal and net present value calculation, the proper keeping of cover registers, and the systems and processes in place with regard to the cover pools.

Audits of individual cover assets seek to ensure that the respective assets were included in cover in accordance with the relevant rules and regulations or that their continued inclusion is in line with requirements. A system audit entails examining all the Pfandbrief bank's main processes and systems that are directly or indirectly linked to the cover assets and the Pfandbriefe issued. In particular, process documentation, system descriptions and the proper implementation of the relevant methods are scrutinized.

Furthermore, a cover pool monitor (Treuhänder) supervises the cover pool. He is appointed by the BaFin and must possess the expertise and experience necessary to fulfil all duties. A qualification as a certified auditor suggests that the necessary expertise is provided. The monitor has to ensure that the prescribed cover for the Pfandbriefe exists at all times and that the cover assets are recorded correctly in the cover register, §§ 7, 8 PfandBG. Without his approval, no assets may be removed from the cover pool or new Pfandbriefe be issued. The BaFin has published a specific statutory order on details of the form and the contents of this cover register (Deckungsregisterverordnung – DeckRegV), § 5 III PfandBG.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The cover register (Deckungsregister) permits the identification of the cover assets, § 5 PfandBG. The register records the cover assets used to cover the Pfandbriefe as well as claims under derivatives (§ 5 I 1 PfandBG).

The legal effect of registration is that in the case of insolvency of the issuer all assets which form part of the cover pool can be identified; all assets recorded in the register will be exempt from the insolvency estate. In § 30 I 1 PfandBG they are denominated as "insolvency-free assets" of the "Pfandbrief Bank with limited business activity[3]" (§ 30 (1)(4).

3 In German: „Pfandbriefbank mit beschränkter Geschäftstätigkeit"

While the bank carries out the daily administration of the cover register, it is the cover pool monitor who supervises the sufficiency of cover and registration in the cover register, § 8 I, II PfandBG. Copies of the cover register shall be transmitted to the supervisory authority on a regular basis.

**Asset segregation**

The cover pool is part of the general estate of the bank as long as the issuer is solvent. If insolvency proceedings are launched, by operation of law, the assets recorded in the cover registers are excluded from the insolvency estate (§ 30 I 1 PfandBG). Those assets will not be affected by the launching of the insolvency proceedings (§ 30 I 2 PfandBG).

After the launching of the insolvency proceedings, a special cover pool administrator (Sachwalter) carries out the administration of the cover assets (§ 30 II 1 PfandBG). Through the appointment of the cover pool administrator by the court, on proposal of the BaFin (or by BaFin in case of urgency), the right to manage and dispose of the recorded assets will be transferred to him automatically by law (§ 30 II 2 PfandBG). Regarding cover assets and timely payment of Pfandbriefe, the cover pool administrator represents the Pfandbriefbank (§ 30 II 5 PfandBG). He is allowed to use premises and staff of the Pfandbriefbank (§31 VIII PfandBG).

**Impact of insolvency proceedings on covered bonds and derivatives**

Covered bonds do not accelerate automatically when the issuing institution is insolvent, but will be repaid at the time of their contractual maturity. The same applies to derivatives recorded in the cover register and forming part of the cover pool. Accordingly, the German master agreements for cover derivatives stipulate that the bankruptcy of the Pfandbrief issuer does not stipulate a termination event. Article 13 no 6 DeckRegV stipulates that the collateral provided by the derivative counterpart or the Pfandbrief bank has to be registered in the cover register. The consequence of such registration is that the collateral belongs to the insolvency-free assets.

The amendments 2021 to the Pfandbrief Act introduced a maturity extension as legal option only for the cover pool administrator; the issuer itself has no discretion to use it. This applies to both, Pfandbriefe outstanding at the time of the introduction into law (1 July 2021) and newly issued Pfandbriefe. The extension triggers must be described in the terms and conditions for new Pfandbriefe, outstanding Pfandbriefe are covered by Art. 30 CBD and therefore keep the privileged treatment according to Art. 129 CRR.

The cover pool administrator would be allowed to extend maturities of interest and principal within the first month after his appointment to the end of the period of one month without further requirements; § 30 (2a)(4).

Additionally, he might extend maturities of principal by a maximum of 12 months, if (1) necessary, (2) not over-indebted and (3) subsequent solvency of the Pfandbriefbank with limited business activities can be assumed; he might do that fully or partially (pro rata) with equal treatment of Pfandbrief holders. However, the cover pool administrator might (prematurely) redeem the Pfandbriefe within the extension period. (§ 30 (2a)(2, 3) and (2b))

Sequencing will not be inverted, original maturity schedule of Pfandbriefe must be kept. However, this is limited to Pfandbriefe outstanding and not extended to new debt, that the cover pool administrator generates taking the shape of liquidity loans or bonds; neither does it apply to derivatives in the cover pool.

During the extension period interest on Pfandbriefe must be paid according to the previous terms, if not regulated otherwise in terms and conditions.

**Preferential treatment of covered bond holders**

Covered bond holders enjoy preferential treatment as the law stipulates the separation of the cover assets on the one hand and the insolvency estate on the other, § 30 I PfandBG.

The claims of the Pfandbrief creditors are not limited to the cover assets only. To the contrary, these creditors also participate in the insolvency proceedings with respect to the Pfandbrief bank's remaining assets.

Only in the case of over-indebtedness or illiquidity of the cover pool, the BaFin may apply for a special insolvency procedure relating to the cover pool and covered bonds (§ 30 VI 2 PfandBG). Insolvency of the cover pool is the only reason, which might trigger acceleration of Pfandbriefe.

The 2021 amendments to the Pfandbrief Act introduce a new provision in § 30 VI 5 and 6 strenghtening the dual recourse of Pfandbriefe: The insolvency administrator will have to make reserves for the dual recourse claims of Pfandbrief holders during the insolvency procedure. Furthermore, the final distribution of the insolency estate to creditors will not be allowed to take place before the amount of potential dual recourse claims of Pfandbrief holders is clarified.

**Access to liquidity in case of insolvency**

By appointment, the right to manage and dispose of the recorded assets is transferred to the cover pool administrator by law (§ 30 II 2 PfandBG). Thus, the cover pool administrator has first access to the cover assets and collects the cash flows according to their contractual maturity (§ 30 III 2 PfandBG).

No explicit regulation exists with respect to the insolvency remoteness of voluntary overcollateralisation (OC). However, the insolvency administrator may only demand that the overcollateralisation be surrendered to the insolvency estate, if those amounts will obviously not be needed as cover for the respective Pfandbrief category (§ 30 IV 1 PfandBG). The burden of proof that OC will never be necessary for the timely payment of the Pfandbriefe, lays with the insolvency administrator.

The cover pool administrator is entitled to contract loans in order to obtain liquidity. According to § 30 II 5 PfandBG, the cover pool administrator may carry out legal transactions with regard to the cover pools in so far as this is necessary for an orderly settlement of the cover pools in the interest of the full and timely payments to the Pfandbrief creditors.

**Pfandbriefbank with limited business activities**

The 2010 amendments of the PfandBG were focused on the legal nature of the cover pools in the event of a Pfandbrief bank's insolvency and on the cover pool administrator's access to liquid funds during times of turbulence. A cover pool would get automatically the status of a non-insolvent part of the insolvent Pfandbrief bank. § 30 I 3 PfandBG uses the term 'Pfandbrief bank with limited business activities'.

**Sale and transfer of mortgage assets to other issuers**

According to § 32 I PfandBG, the cover pool administrator may transfer all or a part of the assets recorded in the cover register as well as liabilities from Pfandbriefe as a whole to another Pfandbrief bank. This transfer requires the written approval of the supervisory authority.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The PfandBG fully complies with Art. 129 CRR, Article 52(4) of the UCITS Directive and the CBD. Aircraft Pfandbriefe only comply with Article 52(4) of the UCITS Directive and the CBD, because Aircraft loans are not eligible cover assets according to Art. 129 CRR.

Pfandbriefe issued after 8 July 2022 may bear the designations "European Covered Bond" and "European Covered Bond (Premium)" (§ 41a PfandBG) and BaFin publishes a list of covered bonds that are entitled to use these designations on a regular basis on its homepage.[4]

Notwithstanding, previously issued Mortgage Pfandbriefe, Public Pfandbriefe and Ship Pfandbriefe continue to meet the requirements of Art. 129 CRR and therefore continue to benefit from privileged regulatory treatment.

4 https://www.bafin.de/DE/unternehmen-maerkte/aufsicht/banken-institute/kreditinstitute/pfandbriefbanken/pfandbriefbanken_node

**Issuers:** There are 83 Pfandbrief banks in Germany as per 31 December 2025, including banks from all three pillars of the German banking industry (private banks, public banks and co-operative banks).

Covered Bond Label: UniCredit Bank AG (2 pools), NORD/LB Norddeutsche Landesbank Girozentrale (2 pools), Deutsche Pfandbriefbank AG (2 pools), Landesbank Baden-Württemberg (2 pools), DZ HYP AG (2 pools), Hamburger Sparkasse (2 pools), Natixis (1 pool), Commerzbank (2 pools), Hamburg Commercial Bank (2 pools), Bausparkasse Schwäbisch Hall AG (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website [www.coveredbondlabel.com](www.coveredbondlabel.com) or via the following QR code:**

## 3.18 GREECE

By Alexander Metallinos, Potamitis Vekris Law Firm

### I. FRAMEWORK

In Greece, the institution of covered bonds was originally regulated by Article 91 of the now repealed Law 3601/2007, later replaced by Article 152 of Law 4261/2014, that was identical to it. These provisions were supplemented by Acts of the Governor of the Bank of Greece.

On 12 March 2018, the European Commission adopted a proposal for an enabling EU framework on covered bonds. The legislative proposal consisted of (a) the adoption of a directive providing inter alia a common definition of covered bonds, defining the structural features of the instrument and identifying those high-quality assets that can be considered eligible in the pool backing the debt obligations, establishing a sound special public supervision for covered bonds and setting out the rules which will allow the use of the "European Covered Bonds" label; and (b) the adoption of a regulation amending the Regulation (EU) 575/2013 (the "Capital Requirements Regulation" or "CRR") with the aim of strengthening the conditions for granting preferential capital treatment to covered bonds by adding further requirements. Following this proposal, Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU was enacted (the "Covered Bonds Directive"). EU Member States were obliged to adopt and publish, by 8 July 2021, the laws, regulations and administrative provisions necessary to comply with the Covered Bond Directive and to apply those measures at the latest from 8 July 2022.

Law 4920/2022 (the "Covered Bond Law") transposed the Covered Bond Directive into Greek law. The Covered Bond Law entered into force on 8 July 2022. Covered bonds issued prior to such date continue in principle to be governed by article 152 law 4261/2014. The Covered Bond Law supersedes general provisions of law contained in the Civil Code, the Code of Civil Procedure and the Insolvency Code. The legislative framework in Greece is supplemented by Law 3156/2003 "On Bond Loans, Securitization of Claims and of Claims from Real Estate and Other Provisions" (the "Bond Loan and Securitization Law") and Law 4548/2018 "Reform of law on sociétés anonymes" (the "Company Law"), to the extent that the Covered Bond Law cross-refers to these laws. Finally, the Covered Bond Law authorizes the Bank of Greece to issue rules supplementing the provisions of the Covered Bond Law. Pursuant to this authorization, the Executive Committee of the Bank of Greece issued Decision 215/03.02.2023 "Framework of Issuance and Supervision of Covered Bonds" (the "Secondary Legislation").

### II. STRUCTURE OF THE ISSUER

Contrary to article 152 law 4261/2014, which permitted the issuance of covered bonds in two ways, either directly by a credit institution, or indirectly by a subsidiary of a credit institution, the Covered Bond Law only allows the direct issuance of covered bonds by credit institutions. The segregation of the cover pool is achieved through a statutory pledge over the cover pool assets.

### III. COVER ASSETS

The type of assets that may form part of the cover pool is regulated by article 8 of the Covered Bond Law (transposing article 6 of the Covered Bond Directive). Specifically, the Covered Bond Law provides for two categories of cover pool assets, (i) assets that are eligible pursuant to article 129(1) of the CRR and (ii) other high-quality cover assets that meet the conditions of the Covered Bond Law and in addition belong to categories of assets that are specified as eligible in a decision of the Bank of Greece. It is worth noting that article 8 of the Covered Bond Law has not transposed subparagraph (c) of article 6(1) of the Covered Bond Directive and consequently cover assets do not include assets in the form of loans to or guaranteed by public undertakings. Furthermore, the Bank of Greece has not used the authorization to specify as eligible other high-quality cover assets. Consequently, the only cover assets that are currently permitted in Greece are cover assets considered eligible according to article 129(1) of the CRR.

Cover assets considered eligible according to article 129(1) of the CRR are primarily residential mortgage loans, loans secured by a mortgage on commercial properties, loans secured by a mortgage on ships and exposures to or guaranteed by state entities. The loans may be secured by mortgage prenotations instead of full mortgages (as is the practice for cost reasons in Greece). According to the Secondary Legislation (Chapter III, A (4)), loans secured by residential and commercial real estate may only be included in the cover pool, if they are located in the territory of Greece, a provision that is problematic, as it contravenes EU law. Exposures to credit institutions may be included in the cover pool up to an aggregate limit of 15% of the nominal value of the outstanding covered bonds. According to article 13 of the Covered Bond Law, derivatives may also be included in the cover pool, subject to certain conditions, including the requirements that the derivative contracts are included in the cover pool exclusively for risk hedging purposes and that the derivative contracts cannot be terminated upon the insolvency or reorganisation of the issuer.

## IV. VALUATION AND LTV CRITERIA

Loans secured by residential mortgages are required to have a loan-to-value (LTV) ratio of 80%, whereas loans secured by mortgages over commercial properties and ships are required to have an LTV ratio of 60%. Loans with a higher LTV ratio may be included in the cover pool, but they are taken into account for the calculation of the statutory tests described below only up to the amount indicated by the LTV ratio. Thus e.g. a loan of 900,000 Euros secured through a residential mortgage over a property valued at 1,000,000 Euros may be included in the cover pool but will be deemed for the purposes of the calculation of the statutory tests to be equal to 800,000 Euros. However, loans secured by commercial immovable property are eligible, subject to further conditions, where the loan-to-value ratio of 60% is exceeded up to a maximum level of 70%.

The evaluation of properties must be performed by an independent valuer at or below the market value and must be monitored on a frequent basis, at least once every year in relation to commercial properties and once every three years in relation to residential properties (Article 208 of the CRR). Moreover, the property valuation must be reviewed when available information indicates that the value of the property may have declined materially relative to general market prices.

## V. ASSET-LIABILITY MANAGEMENT

Article 17 of the Covered Bond Law provides coverage requirements that must be met for the full duration of the covered bonds. More particularly, the Covered Bond Law provides for the following coverage requirements:

(a) All liabilities of the covered bonds shall be covered by claims for payment attached to the cover assets.

(b) The nominal value of the cover assets must exceed by at least 5% the nominal value of the outstanding covered bonds.

The Covered Bond Law authorizes the Bank of Greece to issue decisions specifying and potentially rendering stricter the coverage requirements. Based on this authorization, the Secondary Legislation provides that:

(a) The net present value of the obligations to investors in covered bonds and other creditors secured by the cover pool must not exceed at any time the net present value of the cover assets, including the derivative contracts used to hedge risks related to the cover assets. This requirement must also apply in the hypothesis of a parallel movement of the yield curve by 200 basis points.

(b) The amount payable as interest to covered bondholders must not exceed the amount of interest expected to be received from the cover assets (including derivatives used for hedging) for a period of 12 months.

For the purposes of the tests under (a) and (b) above, claims in relation to which a default has occurred according to article 178 of the CRR and in any case claims that are in arrears for more than 90 days shall not be deemed to be part of the cover assets.

Article 18 of the Covered Bond Law provides that the cover pool shall include at all times a liquidity buffer composed of liquid assets available to cover the net liquidity outflow of the covered bond programme. Such cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days.

## VI. TRANSPARENCY

Currently, the issuer's reporting obligations (as described in detail under paragraph on reporting duties of section VII) and the disclosure of the cover pool as conducted via the summary registered with the competent pledge registry for the establishment of a statutory pledge (for more details on this issue we cross-refer to paragraph on the cover pool monitor of section VII) are the basic transparency tools provided under applicable covered bonds legislation. The label 'European Covered Bond' may be used only for covered bonds which meet the requirements of the Covered Bond Law. Furthermore, the label 'European Covered Bond (Premium)' may be used only for covered bonds which also meet the requirements of Article 129 of the CRR. So far in Greece no market or regulatory initiatives have been undertaken on the creation of a national transparency template, in line with the guidelines of the ECBC Label Initiative.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### Cover pool monitor

The compliance of cover pool assets with the requirements of the Covered Bond Law and of the secondary legislation to be issued by the Bank of Greece is monitored by a cover pool monitor, that is an auditor independent from the issuer of the covered bonds and from the issuer's auditor. In case the cover pool monitor finds that the cover pool assets do not comply with the requirements of the Covered Bond Law and of the Secondary Legislation, it shall immediately notify that issuer who must take action to remedy the default without delay. The Secondary Legislation specifies further the obligations of the cover pool monitor, including the requirement to compile a report, which is submitted to the Bank of Greece.

### Prerequisites for the issuance of covered bonds

According to the Covered Bond Law, covered bonds may be issued by credit institutions that meet the following requirements:

> an adequate programme of operations setting out the issue of covered bonds; adequate and documented policies, processes and methodologies for the approval, amendment, renewal and refinancing of loans included in the cover pool;

> management and staff dedicated to the covered bond programme which have adequate qualifications and knowledge regarding the issue of covered bonds and the administration of the covered bond programme;

> sufficient organization and IT infrastructure for the management and monitoring of the cover pool assets, so as to meet the requirements of the Covered Bond Law and any secondary legislation issued pursuant to the Covered Bond law;

> a risk mitigation policy and appropriate mechanisms to monitor and manage risks arising from the issuance of covered bonds; and

> a detailed description of the competence of the service units and the committees involved in the issuance of covered bonds.

The prior approval of the Bank of Greece is required for the issuance of a covered bond programme.

### Reporting duties of the issuer to the supervisor concerning covered bonds and cover pool

Credit institutions that issue covered bonds shall provide reports to the Bank of Greece containing information on the eligibility of assets and cover pool requirements, the segregation of cover assets, the functioning of the cover pool monitor, the coverage requirements, the cover pool liquidity buffer and the conditions for extendable maturity structures.

**Banking supervision in crisis**

As described in detail under section VIII of this article, article 21 of the Covered Bond Law provides that in case of insolvency or reorganization of the issuer, the Bank of Greece may appoint a special administrator to preserve the rights and interests of the covered bond investors, if the bondholders' agent does not do so.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

**Segregation of cover assets**

The cover assets are segregated from the remaining estate of the credit institution through a pledge constituted by operation of law (statutory pledge). In case of assets governed by a foreign law (which will typically include *inter alia* claims from derivative contracts), a security interest must be created in accordance with such foreign law. The statutory pledge and the foreign law security interest secure claims of the holders of covered bonds and may also secure (in accordance with the terms of the covered bonds) other claims connected with the issuance of the covered bonds, such as derivative contracts used for hedging purposes. The statutory pledge and any foreign law security interest are held by a bondholders' agent for the account of the secured parties.

The claims constituting cover assets are identified by being listed in a document signed by the issuer and the bondholders' agent. A summary of such document is registered in the pledge registry of the seat of the issuer. Such summary document includes within its content a description of the assets that constitute the cover pool. Claims may be substituted and additional ones may be added to the cover pool through the same procedure.

Article 14 of the Covered Bonds Law creates an absolute priority of holders of covered bonds and other secured parties over the cover pool. Upon registration of the summary of the document listing the claims included in the cover pool, the issuance of the covered bonds, the establishment of the statutory pledge and the foreign law security interest and the entering into of all contracts connected with the issuance of the covered bonds are not affected by the commencement of any insolvency proceedings against the issuer.

It is worth noting that, according to the Covered Bond Law, the cover assets may not be attached. This has the indirect result that the Greek law claims constituting cover assets are no longer subject to set-off, because, according to Article 451 of the Civil Code, claims which are not subject to attachment are not subject to set-off. This is important because under generally applicable law borrowers the loans to whom become cover assets would have had a right to set-off, which would reduce the value of the cover pool, for all counterclaims (including notably deposits) predating the creation of the pledge.

No specific provisions exist in relation to voluntary overcollateralisation. As a result, the segregation applies to all assets of the cover pool, even if their value exceeds the minimum required by law. The remaining creditors of the credit institution will only have access to any remaining assets of the cover pool after the holders of the covered bonds and other creditors secured by the cover pool have been satisfied in full.

**Bankruptcy remoteness of and impact of insolvency proceedings on covered bonds**

According to article 7 of the Covered Bond Law, covered bonds do not automatically accelerate upon insolvency of the issuer.

Pursuant to article 21 of the Covered Bond Law, in case of insolvency or reorganisation of the issuer, a special administrator shall be appointed by the bondholders' agent, subject to a positive opinion of the Bank of Greece. The Bank of Greece shall appoint the special administrator, if the bondholders' agent does not do so.

**Access to liquidity in case of insolvency**

Article 21 of the Covered Bond Law provides that the special administrator may sell and transfer the cover assets and use the net proceeds of such sale in order to discharge the obligations under the covered bonds and the other obligations which are secured by the legal pledge, according to the terms of the covered bond programme.

**Exercise of the claims of covered bondholders against the remaining assets of the credit institution**

According to article 4 of the Covered Bond Law, holders of covered bonds have dual recourse both to the cover pool as secured creditors and to the remaining assets of the credit institution ranking as unsecured and unsubordinated creditors.

**Protection of depositors**

The purpose of protecting depositors from an excessive encumbrance of assets is provided indirectly by Article 45 of Directive 2014/59/EU (the "Banking Recovery and Resolution Directive" or "BRRD")[1], which provides for a minimum requirement of own funds and eligible liabilities, as covered bonds and other secured liabilities are not eligible according to this provision. In addition to this EU law provision, the Secondary Legislation (Chapter IV) aims to protect depositors by providing that cover assets must not in principle exceed 20% of available assets of the credit institution issuing covered bonds. Available assets are defined as all assets of the credit institution on an unconsolidated basis, excluding claims assigned to securitization vehicles, assets subject to reverse repo transactions and assets pledged to third parties.

**IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

The risk-weighting of covered bonds (both Greek and foreign) is regulated by Article 129 of the CRR. According to this, covered bonds as defined in point (1) of Article 3 of the Covered Bond Directive are eligible for the preferential treatment provided they are collateralised by assets deemed eligible pursuant to that article and meet certain requirements set out in that Article. Since the Covered Bond Law faithfully transposes the Covered Bond Directive, covered bonds issued pursuant to it shall have the preferential treatment of article 129 CRR provided they also meet the remaining conditions set by that article.

**Issuers:** There are four issuers in Greece: Alpha Bank; National Bank of Greece; Eurobank and Piraeus Bank.

COVERED BOND LABEL **:** Alpha Bank S.A. (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Greece transposed the BRRD through law 4335/2015, as amended.

## 3.19 HUNGARY

By Rita Bozzai, MBH Mortgage Bank and Ádám Polt – OTP Mortgage Bank

### I. FRAMEWORK

Act No. XXX of 1997 on Mortgage Loan Companies and Mortgage Bonds (hereinafter referred as the Mortgage Bank Act) contains the specific rules applicable to mortgage loans companies and mortgage bonds. Act No. CCXXXVII of 2013 on Credit Institutions and Financial Enterprises is applicable generally to the establishment, operation, supervision and liquidation of mortgage loan companies, unless otherwise provided by the Mortgage Bank Act. The Mortgage Bank Act provides full compliance with the Directive (EU) 2019/2162 of the European Parliament and of the Council on the Issue of Covered Bonds and Covered Bond Public Supervision and Amending Directives 2009/65/EC and 2014/59/EU (hereinafter referred as the Directive).

### II. STRUCTURE OF THE ISSUER

Mortgage loan companies are specialized credit institutions in Hungary whose business activity is limited to mortgage lending, mortgage refinancing, providing appraisal services to determine the market value and the mortgage lending value of real properties, and auxiliary financial services. Mortgage loan companies shall grant financial loans secured by mortgages on real estate property located on the territory of Hungary and other European Economic Area (EEA) countries. Funds are raised by way of issuing mortgage bonds (“jelzáloglevél”). In the Hungarian banking sector only mortgage loan companies are entitled to issue mortgage bonds (Section 11 (1) of Mortgage Bank Act). Cover assets are held on the balance sheet of the mortgage loan company. All the outstanding mortgage bonds are covered by an unified cover pool. The cover pool is segregated by operational of law in case of insolvency and is reserved for the claims of the mortgage bond holders.

### III. COVER ASSETS

The Mortgage Bank Act and the Directive provide that mortgage loan companies shall at all times have sufficient cover assets to ensure that all liabilities of the mortgage bonds are covered. The liabilities referred shall include the

i) obligation for payment of the principal amount of outstanding mortgage bonds,

ii) the obligation for payment of any interest on outstanding covered bonds,

iii) the obligation attached to derivative contracts (in line with the requirements set out in the Act) and

iv) the expected costs related to maintenance and administration for the winding-down of the mortgage bond program (calculated as a lump sum at a rate of 1‰ of the outstanding mortgage bond volume).

Mortgage loan companies shall adopt a policy of keeping a register of cover assets (“fedezetnyilvántartás”), which requires the approval of the Magyar Nemzeti Bank (MNB, Hungarian Central Bank) in its capacity as the financial supervisory authority, and the approval of the cover pool monitor (“vagyonellenőr”).

The Mortgage Bank Act defines (Part III. Section 14 (1b) four different qualities of eligible cover pool assets:

a) ordinary assets; b) supplementary assets; c) liquid assets held in accordance with Section 14/B; and d) claims for payment attached to derivative contracts held in accordance with the requirements set out in the Mortgage Bank Act.

Pursuant to Section 14 (3) of the Mortgage Bank Act, the types of assets that can serve as ordinary assets for a mortgage bank, include outstanding principal from mortgage loans and from refinancing mortgage loans, as well as interest and service charges due under the contract. For these assets to be considered as ordinary assets, the mortgage must be legitimately registered in the land register to the benefit of the mortgage loan company, and in the case of refinancing mortgage loan, the independent lien that secure the refinanced mortgage loan (and registered in the land register to the benefit of the refinanced credit institution) must be ultimately transferred to the mortgage loan company, and the mortgage loan company must be given an unconditional right to request registration of the liens in the land register under its name. In addition to the aforementioned traditional refinancing model based on the sale of independent liens, Section 8 (5b) and (5c) of Mortgage Bank Act covers the so-called "portfolio" refinancing model. Under this model, a condition for disbursing and including a "portfolio" refinancing mortgage loan as an ordinary asset in the cover pool is the valid establishment of a mortgage in favour of the mortgage loan company on the claims arising from the original mortgage loans granted by the refinanced credit institution, serving as security for the refinancing mortgage loan. The model allows to the credit institution to be refinanced in the long term by a mortgage loan company with a single time disbursement of a refinancing mortgage loan.

The ratio of ordinary coverage (assets) shall at all times reach the 80% of the outstanding mortgage bonds with remaining maturity of more than 180 days.

Supplementary coverage may exclusively consist of eligible liquid assets with an upper limitation listed and defined in the Mortgage Bank Act Section 14 (11) and (12). Pursuant to the Mortgage Bank Act, cover assets must be entered into the register of cover.

The availability and quality of cover assets are permanently monitored by the cover pool monitor, reports on availability and quality of cover assets are disclosed on a daily basis. The composition of the cover pool can only be modified with the prior permission of the cover pool monitor, acting in the interest of mortgage bond holders. (Read more below in part VII.)

According to Section 14 (5) of the Mortgage Bank Act, in the case when mortgage bonds and their coverage are not denominated in the same currency, the mortgage loan company is obligated to hedge the currency exchange risk by entering into derivative transactions. Section 3 (10) of the Mortgage Bank Act provides that mortgage loan companies are entitled to conclude such transactions exclusively for hedging purposes, i.e. risk management and liquidity. The Mortgage Bank Act entitles mortgage loan companies to include claims arising from derivatives concluded with the aforementioned objectives as a cover asset as well, while the NPV based balance of these liabilities cannot exceed 12% of the NPV of liabilities deriving from outstanding mortgage bonds.

## IV. VALUATION AND LTV CRITERIA

Pursuant to the Section 14 (7) of the Mortgage Bank Act, if the amount of the principal outstanding from a mortgage loan or refinancing mortgage loan, or the repurchase price exceeds 60 per cent of the of mortgage lending value ("hitelbiztosítéki érték") of the mortgaged real estate property, the principal outstanding or the repurchase price may be taken into account as ordinary asset up to not more than 60 per cent thereof. If the mortgaged real estate is a residential property the abovementioned limit increases up to 70 per cent. Accordingly, part of the mortgage loan or refinancing mortgage loan, up to 60% or 70% LTV, will remain eligible for inclusion in the cover pool.

The provisions of calculation of the mortgage lending value are included in the Decree of the Minister of Finance No. 25/1997 on the Calculation Methods of the Mortgage Lending Value of Real Estate not Qualifying as Agricultural Land and in the Decree of the Minister of Agriculture No. 54/1997 on the Calculation Methods of the Mortgage Lending Value of Real Estate Qualifying as Agricultural Land.

Mortgage lending value calculation provisions refer to the sustainable aspects of the property. The mortgage loan company's internal regulation for determining mortgage lending value is based on methodological principles defined in the above decrees. Such internal regulations are also subject to the former approval of the MNB.

The AVM (Automated Valuation Method) practice for properties is applicable and increasingly widely used in Hungary, according to which it is possible to disburse mortgage loans and to reassess the mortgage lending value of properties, on the basis of statistical valuation for certain types of properties and geographical locations.

Following the amendment of the former LTV criteria in 2024, the applicability of the AVM is now determined by the market value of properties rather than the LTV, making the method more broadly applicable. Based on the experience gained so far and current intentions, the scope of application of the methodology could be further broadened, without increasing risk, to an even wider range of properties.

## V. ASSET – LIABILITY MANAGEMENT

As indicated before, the Mortgage Bank Act provides that mortgage loan companies shall always provide coverage that surpasses, at least by 2 % (overcollaterization), the principal of outstanding mortgage bonds and the accrued interest thereon. Mortgage loan companies shall comply with the above requirements as follows:

> The aggregate amount of the outstanding principal claims considered as coverage, reduced by the amount of any value adjustments, shall exceed 100% of the amount of the nominal value of the outstanding mortgage bonds; and

> The aggregate amount of interest accrued on the outstanding principal claims considered as coverage, reduced by the amount of any value adjustments, shall exceed 100% of the amount of interest accrued on the nominal value of the outstanding mortgage bonds.

Under Section 14 (4) of the Mortgage Bank Act the amount of coverage for mortgage bonds shall always be calculated and published at both their nominal and present value.

In the case of currency mismatch between mortgage bond and its collateral assets, mortgage loan companies are obliged to enter into derivative transaction to reduce currency risk with restrictions defined in the Mortgage Bank Act and as mentioned before.

In order to cover the net liquidity outflow, mortgage banks are required to maintain a cover pool liquidity buffer composed of segregated liquid assets which are in compliance with the Mortgage Bank Act and the Directive. The cover pool liquidity buffer shall cover the maximum cumulative net liquidity outflow over the next 180 days under Section 14/B (1) and (2).

## VI. TRANSPARENCY

Mortgage loan companies shall publish all the information defined in Section 18 (2) of the Mortgage Bank Act. The information shall be sufficiently detailed to allow investors to assess and evaluate the profile and risks of the issuer and its issuances. Mortgage loan companies are obliged to ensure that they provide information to mortgage bond investors at least on a quarterly basis and submit to the MNB the minimum portfolio information defined in the Mortgage Bank Act.

Based on the amendment of MNB's Business Conditions of forint and foreign exchange transactions, domestic mortgage bond issuers are required to publish on their own websites the transparency report defined by the MNB at the end of each quarters with the reporting date of the end of the previous quarter, as a condition for ensuring the repo-eligibility of issued mortgage bonds at MNB. Since the MNB announced its green programmes including the Green Covered Bond Purchasing Programme, the required transparency report mentioned above is supplemented with data of green coverage and green covered bond issued.

The European Covered Bond Label and its Premium version may be applied for securities issued in Hungary that adhere to the requirements set forth in the Mortgage Bank Act, and in the case of Premium Label the securities must comply with all the provisions of Article 129 of Regulation 575/2013/EU of the European Parliament and of the Council (CRR) as well. The Issuers must obtain authorization from the MNB to utilize these Labels.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The cover pool monitor shall be appointed by the mortgage loan company and approved by MNB and must not be identical with the auditor of the mortgage loan company.

According to section 16 (7) of the Mortgage Bank Act, a cover monitor may be appointed for a fixed period of time, not exceeding five years, however, he may be re-appointed following the termination of the period of his engagement. The engagement contract may not be lawfully terminated without the approval of the MNB.

The cover pool monitor is responsible for monitoring and verifying the assets in the cover pool on a permanent basis. The main responsibilities of the cover pool monitor include to continually monitor that:

> whether the cover assets of mortgage bonds are available and meet the eligibility criteria and are in compliance with the Mortgage Bank Act at all times and,

> the registration of the eligible assets and their required data in the coverage register. In accordance with Section 11 (3) n) of the Mortgage Bank Act, a certificate from the cover pool monitor shall be attached to each mortgage bond regarding the availability and registration of the cover assets.

Within the scope of his coverage supervision activities, the cover pool monitor may not be instructed by the mortgage loan company. The cover monitor shall immediately report to the MNB if the cover assets of the mortgage bonds do not comply with the requirements of the Mortgage Bond Act's criteria.

In the field of banking supervision, the MNB is responsible for verifying the compliance of the credit institutions, including mortgage loan companies, with the Credit Institutions Act, the Mortgage Banks Act, and other applicable banking regulations. If required, the MNB is entitled to impose various sanctions on credit institutions, including warnings of non-compliance, withdrawing licenses and imposing fines on credit institutions and their management. Sections 22 and 23 of the Mortgage Bank Act provides that the MNB shall exercise special supervision over mortgage loan companies in addition to the provisions of the Credit Institutions Act and the provisions of the Capital Markets Act. Within the framework of such special supervision, MNB is entitled, for example to conduct offsite and onsite audits of mortgage loan companies according to its examination plan, or to examine and approve the policies, processes and methodologies aimed at investor protection applied by the mortgage loan companies.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Covered bonds do not automatically accelerate when the mortgage loan company becomes insolvent but will be repaid at the time of their contractual maturity. This rule applies to derivatives as well. Pursuant to the Mortgage Bank Act, a cover pool administrator (bond trustee) is delegated to the insolvent mortgage loan company to safeguard the interests of bondholders and derivative partners. The cover pool administrator cannot be identical with the insolvency administrator of the mortgage loan company. The cover pool administrator should provide for the timely satisfaction of principal and interest claims of bondholders and derivative partners in case of a possible insolvency situation. The transfer of the portfolio or parts of it to another mortgage loan company may grant for liquidity, however, the transfer of the portfolio or parts of it requires the prior written consent of the MNB.

As a general rule, Section 20/A (4) of the Mortgage Bank Act declares that the cover pool administrator is obliged to maintain the liquidity of the cover pool on a constant basis. Within two years after the commencement of the liquidation procedure, both the cover pool administrator and the bondholders may request the court to supplement the cover from the general insolvency estate (Section 20/A (7)). The cover pool administrator shall be entitled to receive remuneration for his work and refund of appropriate expenses. Although holders of the mortgage bonds, derivative partners or the cover monitor may inform MNB or the competent court on issuer default, after proving all relevant circumstances, it is only the MNB who is entitled to initiate an insolvency proceeding against the mortgage loan company.

Hungarian legal provisions also provide for a wide-range of measurements, including extraordinary measurements, to be taken by the MNB prior to any insolvency situation.

For example, the MNB is entitled to delegate a supervisory commissioner to the mortgage loan company. This extraordinary measurement may be taken by the MNB prior to the commencement of any insolvency procedure – in accordance with Section 157 (1) of the Credit Institution Act. In this case both the rights of the owners of the mortgage loan company and the rights of the management of the mortgage loan company will be restricted in order to guarantee the satisfaction of the claims of the mortgage loan company's creditors, e. g. bondholders' and derivative partners' claims. Pursuant to the Section 21 (1) of the Mortgage Bank Act, in the course of execution proceedings against a mortgage loan company, Act no. LIII of 1994 on Execution by Court shall be applied with the deviations set forth in subsections (2)-(3).

Moreover, pursuant to the Section 58 (1) c) of the Act XXXVII of 2014 on the Further Development of the Institutional Framework to Strengthen the Safety of Certain Actors in the Financial Intermediation System, the scope of the bail-in does not extend to mortgage bonds.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation when taken together with the practices, processes and procedures across the industry should fall within the criteria of Article 129 of the CRR. Hungarian mortgage bonds comply with the requirements of Article 52(4) UCITS as well as with those of Article 129 (1) CRR.[1]

Hungarian covered bonds issued in euro zone countries qualify as European Central Bank (ECB) eligible.

## X. ADDITIONAL INFORMATION

The MNB introduced the Mortgage funding adequacy ratio (MFAR) from 1 April 2017. MFAR = liabilities backed by mortgage loans / net stock of mortgage loans with a residual maturity longer than 1 year. Foreign currency liabilities can also be taken into account in MFAR with certain conditions. The original minimum required level of the ratio was set at 15%, while it was raised to 20% from 1 October 2018. The ratio was increased further to 25% from 1 October 2019, and it has been kept unchanged since then (22/2022. (VI.11.) MNB Decree).

MNB's Green Covered Bond Programme had been temporary suspended in April 2022 and it was still inactive in Q2 2026. However, the MNB's Mortgage Bond Rollover Facility has been still accessible for domestic mortgage bond issuers. Within the framework the central bank places bid for the 50% of the indicative amount to be sold at the public auction (but not more than the rollover limit) if the twofold – in terms of the eligible instrument for the rollover and the newly issued 'target' covered bonds – requirements are met.

The Government introduced a temporary cap on the interest rate of mortgage loans in several steps which is still in place at the time of writing. Based on the referring Government Decrees, interest rates of the defined mortgage loan types (floating rate mortgage loans, mortgage loans with a fixed, but maximum 5-year interest rate periods) are capped at levels based on reference rates valid as of October 27, 2021.

**Issuers:** OTP Jelzálogbank Zrt. (OTP Mortgage Bank Ltd.), MBH (ex Takarék) Jelzálogbank Nyrt. (MBH ex Takarék) Mortgage Bank Ltd.), UniCredit Jelzálogbank Zrt. (UniCredit Mortgage Bank Ltd), Erste Jelzálogbank Zrt. (Erste Mortgage Bank Ltd.), and K&H Jelzálogbank Zrt. (K&H Mortgage Bank Ltd.).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.20 ICELAND

By Eiríkur Dór Jónsson and Kristín Erla Jónsdóttir, Arion Bank

### I. FRAMEWORK

In Iceland, the issuance of covered bonds is governed by the Icelandic Covered Bond Act, which came into force on 20 March 2008 (Lög nr. 11/2008 um sértryggð skuldabréf, hereinafter the "**ICBA**") and which has been updated four times since, most recently in March 2023 to fully transpose EU directive no. 2019/2162 (the Harmonization Directive) into Icelandic law.

The primary purpose of the ICBA is to set out the general legal framework surrounding the issuance and legal status of covered bonds issued by Icelandic issuers. It is complemented by a regulation issued by the Financial Supervisory Authority of the Central Bank of Iceland (hereinafter the "**FME**") as rules no. 190/2023 (Reglur um sértryggð skuldabréf nr. 190/2023, hereinafter the "**ICBR**"). The ICBR defines in more detail the criteria for obtaining a covered bond issuance license, the universe of eligible cover pool assets, valuation procedures for eligible cover pool assets, asset and liability management, the form and maintenance of the cover pool register, the status of derivative agreements pertaining to the cover pool and the role of the cover pool inspector (the Independent Inspector, see below).

The ICBA, the ICBR, together with the provisions of the Act on Financial Undertakings no. 161/2002 and the Resolution of Credit Institutions and Securities Firms Act, no. 70/2020, provide the principal legal framework for covered bond issuance by Icelandic issuers, and supersede general Icelandic bankruptcy rules thereby creating the requisite bankruptcy remoteness for such issuances.

### II. COVERED BOND LICENCE – EUROPEAN COVERED BONDS PREMIUM LABEL

Under the ICBA, the FME grants licenses for the issuance of covered bonds. Such licenses may only be granted to licensed commercial banks, savings banks and credit undertakings. The conditions and other criteria for obtaining such a licence are set out in the ICBA and the ICBR. These include the submission by the prospective issuer of an operating plan, verified by a state authorised public accountant, which demonstrates the issuer's financial stability and a written statement by the issuer that the issuance is otherwise compliant with the requirements of the ICBA. For a further description of the conditions and criteria please refer to Table 1, below.

Icelandic Covered Bonds issued on the basis of an FME licence and otherwise in accordance with the terms of ICBA and the ICBR meet the requirements to be labelled as "European Covered Bond" or "European Covered Bond (Premium)" under the Harmonization Regulation.

The FME has the right to revoke an already issued licence in cases where the issuer has failed to issue covered bonds within one year of receiving the license, the issuer has declared that he will not use his authorisation to issue covered bonds, the issuer has obtained the licence on the basis of incorrect information, the issuer has infringed its obligations under the ICBA, or where the FME believes that the issuer no longer meets the conditions for possessing the licence.

> Table 1: Licence needed to issue covered bonds - conditions

**Conditions and criteria for the issuance of a covered bond license by the FME under ICBR:**

The issuer must supply the FME with the following:

> a board resolution that the board approves the application for a covered bond license;

> a description of the framework of the proposed bond issuance, e.g. the size of the proposed programme, bond types, currency of bonds to be issued, derivatives, assets to comprise the cover pool, replacement assets, loan to value ratios, valuation methodologies for the cover pool assets etc.;

> information about the covered bond registry, e.g. how the issuer will maintain the registry as well as how the registry will be supervised and how segregation of cover pool assets from other issuer assets is achieved;

> information on whether the issuer intends to convert previously issued bonds used to finance assets, that are eligible as cover pool assets under ICBA, into covered bonds;

> a three-year business plan, confirmed by a public accountant, demonstrating the issuer's financial stability for that period;

> information on IT systems to be used in connection with the covered bond issuance;

> any other information that the FME believes is pertinent to the proposed bond issuance;

> a written statement by the issuer that it and the issuances will fulfil the requirements made by the ICBA and the ICBR.

## III. COVER ASSETS

The ICBA defines those assets classes that are eligible for the Cover Pool. These are:

> Mortgages secured by residential real estate in member states;

> Mortgages secured by industrial, office or commercial real estate in member states;

> Mortgages secured by farms and other real estate used for agricultural purposes in member states; and

> Public sector assets defined as bonds issued by the Icelandic state or other member state, a municipality in Iceland or in another member state, or guaranteed by such public authority.

For a mortgage to be included in the cover pool, all real property (and associated chattels) underlying such mortgages must be fully insured against fire.

The ICBA does not require separate cover pools for mortgage and public sector cover pool assets, and both asset classes can therefore be contained within a single cover pool. Hitherto, Icelandic covered bond issuers have only issued covered bonds where the underlying cover pool comprises exclusively residential mortgages.

Under the ICBA, cover pool assets represent a claim of the covered bond issuer against the relevant borrowers, and these assets remain on the issuer's balance sheet. No subsequent transfer of cover pool assets to another legal entity is required to achieve segregation of the cover pool assets from the issuer's other assets.

Covered bonds issued by Icelandic issuers constitute direct, unconditional obligations against the issuer. Outstanding covered bonds are backed in their entirety by the cover pool. Accordingly, there is no direct legal link between a single cover pool asset and a particular covered bond series. In the event of issuer insolvency, the cover pool is bankruptcy remote from the general insolvent estate of the issuer and exclusively available to meet outstanding claims under the issue of the covered bond investors. Any claim of the bankrupt estate against the cover pool assets is therefore subordinated against claims of the covered bondholders. Should the value of the cover pool assets prove to be insufficient to satisfy claims of investors under the covered bonds, such investors enjoy recourse to the insolvency estate of the issuer, where their claims will rank pari passu with senior unsecured investors. For a further discussion, see chapter X below.

**Substitute assets**

The ICBA allows for the inclusion of the following assets as Substitute Collateral (Article 6):

> Demand deposits with a regulated financial undertaking;

> Deposits with or claims against an member state or a central bank in a member state;

> Claims against other legal entities which, the FME views as not involving greater risk than the aforementioned options.

Furthermore, FME may approve the following as substitute collateral:

> Claims against municipalities in member states;

> Claims against a regulated financial firm other than demand deposits with a regulated financial undertaking (as referred to above), provided the final maturity of such claim is within one year of issuance;

> Claims against non-Icelandic development banks listed in rules adopted by the FME;

> Claims against other legal entities which do not involve greater risk than the substitute collateral referred to in other items of this paragraph.

It should be noted that substitute collateral may not comprise more than 20% of the value of the cover pool. The FME may however authorise an increase in the proportion of substitute collateral in the cover pool to as much as 30% of its value.

Additionally, article 6(b) of the ICBA states, that in other respects, the assets comprising the cover pool must also meet the criteria set forth by article 129 of regulation (EU) no. 575/2013 which inter alia imposes additional requirements as to the credit quality of the underlying assets.

**Derivative contracts**

The ICBA authorises the use of derivatives for hedging interest, duration, currency risk and other risk factors as needed. The provisions of the ICBR demand that derivatives must be structured such that premature termination is not triggered by an issuer default/reorganisation/bankruptcy of the issuer or by a demand by the counterparty. The ICBA though dictates that the scale of derivatives included in the cover pool may not exceed that what is necessary to maintain adequate balance between assets and liabilities and that derivative agreements shall be cancelled when no longer needed for that purpose.

Furthermore, under the ICBR derivative counterparties must, unless otherwise permitted by the FME, possess a credit rating from a registered credit rating agency which demonstrates its credit quality in either credit quality step 1 or 2 pursuant to regulations (EC) no. 1060/2009 and 2016/1799.

Should the credit rating of such fall below the specified minimum level, the issuer of covered bonds must, under the terms of the derivative contract, be able to:

> Demand additional collateral;

> Terminate the derivative contract and establish a new derivative contract with a counterparty that meets the minimum rating requirement, or;

> Request that the counterparty provides a guarantee from a third party that meets the minimum rating requirement.

1 Member state: a state which is a party to the Agreement on the European Economic Area.

## IV. VALUATION AND LTV CRITERIA

The ICBA defines valuation principles for the properties that are used as cover pool assets (ICBA: Chapter III, Article 7). An assessment of the market value of real estate shall be based on the selling price in recent transactions with comparable properties. By recent transaction it is meant that the transaction used for benchmarking took place within three months of the valuation. If the market value of real estate is not available, it shall be determined by a specific valuation. The valuation shall be based on generally accepted principles for market valuation of real estate. Among the data that can be used as a basis is data on real estate price developments from the Land Registry of Iceland, together with other generally accepted systematic collection of real estate price data.

If an issuer assesses the market value of real estate, the Independent Inspector (as defined below) must verify that the appraisal is based on a generally accepted methodology. The Independent Inspector may re-assess the market price of one or more properties if he/she regards the valuation as incorrect.

An appraisal of the market value of real estate must be in writing and must specify the methodology used, who carried out the appraisal and when it was made.

For the various mortgage types eligible as cover pool assets, the maximum LTV ratios apply (ICBA: Chapter III, Article 7):

> 80% of the value for real estate.

> 70% of the value for real estate intended for agricultural use (some restrictions apply).

> 60% of the value for real estate, where the property is intended for office or commercial use.

## V. ASSET AND LIABILITY MANAGEMENT

The ICBA requires that the nominal value of the cover pool assets at all times exceed 105% of the aggregate nominal value of claims arising from outstanding covered bonds against the issuer, taking into account currency fluctuations and the mark-to-market positions of those derivative contracts comprising the cover pool (ICBA: Chapter V, Article 11 and ICBR Chapter IV, Article 5). Article 3 of the ICBR further states, that the value of credit assets, included in the cover pool, but which have been in arrears for more than 90 days may not be counted as a part of the cover pool value when calculating this ratio. Icelandic covered bond issuers have generally undertaken to maintain a level of overcollateralization which is significantly higher than the minimum ratio discussed here.

In addition to the required minimum overcollateralization, ICBR (Chapter IV, Article 6) stipulates that on a net present value (NPV) basis, the cover pool assets, including derivatives, must always exceed the corresponding value of the interest and principal of outstanding covered bonds, taking into account the effects of stress-test scenarios on interest and currency risk set by the ICBR. The ICBR defines the stress test for interest-rate risk as a sudden and sustained parallel shift in the reference curve by 100 bps up and down. The reference curve is based on Icelandic government bonds for covered bonds in Icelandic krona but swap rate curves for other currencies. Likewise, it defines currency risk as a 10% sudden and sustained change in the relevant foreign exchange rate between the currency of covered bonds and the currency of cover pool assets (ICBR: Chapter IV, Article 8).

## VI. LIQUIDITY MANAGEMENT

The ICBA (ICBA: Chapter V, Article 12(2)) requires an issuer to ensure that the balance between repayments and other cash flows pertaining to the assets of the cover pool and repayments of the covered bonds are such that payment obligations under the covered bonds and applicable derivative agreements may be met, in addition to the expected cost of winding up its covered bond programme. To ensure compliance with this requirement, the issuer shall maintain all cash flows from the cover pool assets separate from its other funds and assets.

Additionally, the ICBA (ICBA: Chapter II, Article 6(a)) dictates that a cover pool shall always contain sufficient readily available funds to ensure that it is able to meet net maximum cash outflows pertaining to the covered bonds secured by the cover pool and applicable derivatives for the next 180 days. When determining the maximum outflows for these purposes, the issuer may take into account the last possible maturity date of a covered bond which permits maturity date deferral in accordance with the provisions of ICBA, Article 13(b).

ICBR, Article 10, defines the types of assets which shall count as readily available funds for these purposes.

## VII. DEFERRAL OF MATURITY DATES

The ICBA (Chapter VI A., Article 13(b)) prescribes that either the issuer or an administrator of the issuer's bankrupt estate may, with FME permission, postpone a maturity date of a covered bond, provided that this is necessary to either prevent a default causing the sale of assets at significant discounts, to facilitate the positive outcome of timely interventions by the FME or to maximize the recovery for covered bondholders and counterparties to derivative contracts during the resolution process of the issuer.

The deferral needs additionally to be based on a clear authority in the terms of the covered bonds, which i.a. states the latest possible maturity date and may not upset the sequence of maturity dates of covered bonds that are secured by the same cover pool.

## VIII. TRANSPARENCY

The ICBA, (ICBA, Chapter VI., Article 13(a)) requires issuers to publish information on their covered bond programme which shall be sufficient to enable investors to assess the scope and risks associated with the programme. Furthermore, issuers shall quarterly provide information on the value of the cover pool assets and other information needed to assess the risks associated with the cover pool assets, including information on the delinquency rate of the cover pool assets.

## IX. COVER POOL MONITOR AND BANKING SUPERVISION

Issuers of covered bonds fall under the supervision of the FME, which monitors the issuers' compliance with the ICBA and other related regulatory provisions (e.g. ICBR). If a covered bond issuer is in a material breach of its obligation under the legal framework, the FME can give the issuer a formal warning or revoke the issue license altogether and in doing so transferring the entire cover pool to a new custodian. The FME may also revoke a license if the institution has declared that it has no intention to use the license to issue covered bonds or if the institution has not made use of the license within a year from the date of receiving the license. The revocation may be combined with an injunction against continuing the operations and with the imposition of a conditional fine. In any case, the FME must determine how the operations should be wound up (ICBA: Chapter IX, Articles 24–30(a)).

Each issuer must appoint an independent and suitably qualified cover pool inspector (the "**Independent Inspector**" and such appointment must be validated by the FME. The duties of the Independent Inspector are to monitor the register and verify that the covered bonds, the derivatives agreements and the cover pool assets are correctly recorded and meet the criteria of the ICBA and the ICBR. The Independent Inspector also ensures compliance with liquidity and risk management. The issuer is obliged to provide the Independent Inspector with any information requested by the Inspector relating to its covered bond operations. The Independent Inspector must submit a report of the inspection to the FME on an annual basis and must notify the FME as soon as he/she learns about an event deemed to be significant to the supervisory authority (ICBA: Chapter VII, Articles 21–23 and ICBR, Articles 16-18).

## X. SEGREGATION OF COVER POOL ASSETS AND BANKRUPTCY REMOTENESS OF COVER POOL ASSETS AND LIABILITIES

### Cover Pool Registry

The issuer must keep a detailed registry of the cover pool assets and underlying derivative contracts as well as outstanding covered bonds (ICBA: Chapter VI, Section 13). The law further specifies the form and content of such a registry, which must be easily accessible to the FME and the Independent Inspector.

The registration of the cover pool assets legally secures covered bond holders and derivatives counterparties a priority claim against the assets in the cover pool in the event of issuer insolvency (ICBA: Chapter 7, Article 15).

Prior to an issuer being declared insolvent, cash flows accruing from the pool must be accounted for separately by the issuer. In the event of issuer default, covered bond investors and derivative counterparties have the same equal claim against these funds as they have on the cover pool. Moreover, cash flow accruing from the cover pool assets following issuer insolvency must be registered in the cover pool and segregated from the issuer's other assets (ICBA, Chapter V, article 12).

### Issuer insolvency

Issuer insolvency, issuer reorganisation or winding-up does not automatically cause its covered bonds to become due and payable (ICBA, Chapter VII, article 14(1)). The same is true for its derivative contracts which form a part of the cover pool assets.

In the event of issuer insolvency, the cover pool assets and the respective covered bonds are segregated from the insolvency estate of the issuer with covered bond holders and registered derivative counterparties having a priority claim by way of a pledge against the cover pool assets and cash that derives from the cover pool, ensuring timely repayment to original agreed terms. It should be noted, however, that the cover pool does not constitute a stand-alone legal entity, separate to that from the bankrupt estate of the issuer. The executor of the bankrupt estate will thereafter act as the administrator of the covered bonds and the cover pool assets. ICBA requires the administrator to maintain the segregation of cover pool assets and other assets which replace them and cash, separate from other assets of the bankrupt estate.

### Cover pool insolvency and preferential treatment

In the event that the cover pool breaches eligibility criteria, covered bonds are accelerated. Covered bond investors and derivative counterparties would have priority claim on the proceeds from the sale of the cover pool assets, ranking pari passu among themselves. Should the proceeds from the realisation of the cover pool assets prove to be insufficient to satisfy the claims of covered bondholders and derivative counterparties, their residual claims will rank as general, unsecured claims in the winding up of the bankrupt estate.

### Survival of Overcollateralization in the Cover Pool

Any overcollateralization present in the cover pool assets at the time of issuer insolvency is bankruptcy remote, provided it is identified in the cover pool register as any other assets. Indeed, the ICBA requires full repayment of outstanding claims on covered bonds and registered derivatives before cover pool assets become available to satisfy claims of the issuer's unsecured creditors.

The ICBA does not provide for the appointment of a special cover pool administrator in case of issuer insolvency.

The executor of the issuer's bankrupt estate shall, in its actions, represent the interest of both the covered bond investors and the unsecured investors. The executor has the right to use any overcollateralization to make advancements to other creditors of the bankrupt issuer provided the cover pool demonstrably contains more assets than are necessary to satisfy all claims of covered bondholders and derivative counterparties. Should for whatever reason cover pool assets later prove to be insufficient for such purposes, any funds released by the executor to other creditors can be reclaimed.

## XI. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation when taken together with the practices, processes and procedures across the industry should fall within the criteria of Article 129 of the Capital Requirements Regulation (CRR[2]). Icelandic covered bonds comply with the criteria of Article 52(4) UCITS and with the covered bond criteria defined in Article 129(1) CRR. The ICBA explicitly lists mortgages against property for agricultural purposes and mortgages against the pledging of tenant-owner rights as eligible cover pool assets, while the CRR does not. In addition, issuers can impose self-restrictions to ensure that their covered bond issues comply with the CRR. Icelandic covered bonds are not eligible for repo transactions with the Icelandic Central Bank.

## XII. ADDITIONAL INFORMATION

### Legislative covered bonds in Iceland

Arion Bank and Íslandsbanki were both granted a license to issue covered bonds under ICBA in 2011 and both followed up by issuing covered bonds denominated in Icelandic krona to domestic investors. Landsbankinn was granted a license to issue covered bonds in 2013 and issued its first covered bonds in June 2013. All issuers use their covered bond programs to fund their residential mortgage portfolios.

In 2021 Arion Bank was the first Icelandic bank to issue EUR dominated covered bonds. Now both Islandsbanki and Landsbanki have outstanding EUR covered bonds.

Historically most of the mortgages in Iceland were inflation-linked. In recent years there has been a general shift from inflation-linked mortgages to more traditional style fixed rate and floating rate mortgages. The market for mortgages has changed significantly recently with commercial banks being the primary providers of new mortgages replacing the government-owned Housing Financing Fund and domestic pension funds as the primary providers of mortgages.

**Issuers:** There are currently three issuers of covered bond in Iceland – Arion Bank, Íslandsbanki, and Landsbankinn.

COVERED BOND LABEL **:** Arion Bank (1 pool), Landsbankinn (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

2 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.21 IRELAND

By Group Legal Services team, Bank of Ireland and Nick Pheifer, DEPFA BANK

### I. FRAMEWORK

Irish covered bonds benefit from the protection of specific covered bond legislation in the Irish Asset Covered Securities Acts 2001 and 2007 (the "ACS Acts") and the regulations and regulatory notices issued thereunder. The framework provides for the issuance of asset covered securities ("ACS") secured on public credits, mortgage credits (each, as defined below) and commercial mortgage credits (being obligations secured on commercial property assets). There is currently no issuer of ACS secured on commercial mortgage credits in the Irish market and consequently this chapter focuses on the framework applicable to ACS secured on public credits and mortgage credits.

### II. STRUCTURE OF THE ISSUER

An issuer of ACS (an "ACS Issuer") must be an authorised credit institution and also be registered under the ACS Acts as a 'designated' credit institution. Such designated status is granted by the Central Bank of Ireland ("CBI") and an ACS Issuer will be registered as a designated public credit institution (a "DPCI") (authorised to issue public credit covered securities) and/or as a designated mortgage credit institution (a "DMCI") (authorised to issue mortgage credit covered securities).

The ACS Issuer holds the assets backing the ACS on its balance sheet. The collection of either mortgage credit assets or public credit assets (the "cover assets") backing the issue of ACS (the "cover pool") is dynamic in the sense that the ACS Issuer may move cover assets in and out of the cover pool provided that it does so in accordance with the provisions of the ACS Acts. The ACS Issuer must maintain a register (a "cover register") of all ACS issued, all cover assets hedge contracts and the cover assets (including any substitution assets and any cover assets constituting overcollateralisation) and any amendment to the cover register can only be effected with the approval of a cover-assets monitor (the "CAM") which is an independent professional third party, or the CBI (see further section VII below).

#### Statutory preference

The claims of ACS holders are protected by a statutory preference under the ACS Acts. As preferred creditors, upon an ACS Issuer insolvency, ACS holders are entitled to have recourse to the cover assets included in the cover pool ahead of all other creditors of the ACS Issuer other than the super-preferred creditors (the CAM and NTMA – see further section VIII below) and pari passu with other preferred creditors (such as the pool hedge counterparties – see further section V below). In this way the ACS holders have protection against the general Irish insolvency laws.

#### Restriction on business activities

The ACS Acts provide that an ACS Issuer may not carry on a business activity other than a permitted business activity as set out in the ACS Acts. Permitted business activities comprise dealing in and holding public credit assets or mortgage credit assets (depending on the ACS Issuer's designation) and limited classes of other assets, engaging in activities connected with the financing and refinancing of such assets, entering into certain hedging contracts, holding collateral under cover assets hedge contracts (referred to in the ACS Acts as "pool hedge collateral") and engaging in other activities which are incidental or ancillary to these activities. The ACS Acts limit the scope of non-core ACS business that an ACS Issuer can undertake by restricting its dealing in or holding of financial assets that are not otherwise eligible for inclusion in the cover pool to 10% of the total of all the ACS Issuer's assets.

## III. COVER ASSETS

The classes of assets which are eligible for inclusion in a cover pool are determined by the designation of the ACS Issuer.

### DPCIs

The classes of asset eligible for inclusion in the cover pool of a DPCI ("public credit assets") are financial obligations (collectively, "public credits"), including obligations given as a guarantor or surety and indirect or contingent obligations, in respect of money borrowed or raised (whether in the form of a security that represents other public credit that is securitised or not) where the obligor is any one of the following:

> Central governments, central banks (each, a "Sovereign"), public sector entities, regional governments or local authorities (each, a "Sub-sovereign") in any EEA country;

> Sovereigns in Australia, Canada, Japan, New Zealand, the Swiss Confederation or the USA (each, an "Eligible Non-EEA Country");

> Sub-sovereigns in any Eligible Non-EEA Country; and

> Multilateral development banks or international organisations, in each case which qualify as such for the purposes of the Capital Requirements Regulation ("CRR").

Risk-weighting and credit worthiness tests apply to the categories of cover assets outside the EEA countries to comply with the CRR covered bond eligibility requirements. Sovereign obligations from an Eligible Non-EEA Country must have an independent credit rating of at least step 1. Sub-sovereign obligations from an Eligible Non-EEA Country must have an independent credit rating of at least step 1 and a risk-weighting at least equal to that of an institution, central government or central bank. Sovereign and Sub-sovereign obligations from an Eligible Non-EEA Country with credit ratings below step 1 but at least step 2 may also be included in the cover pool provided that in total they do not exceed 20% of the nominal amount of outstanding ACS.

### DMCIs

Those assets eligible for inclusion in the cover pool of a DMCI ("mortgage credit assets") are financial obligations (collectively, "mortgage credits"), including obligations given as a guarantor or surety and indirect or contingent obligations, in respect of money borrowed or raised (whether in the form of a security that represents other mortgage credit that is securitised or not) that are secured by a mortgage, charge, or other security on residential or commercial property that is located in any EEA country or any eligible Non-EEA country. This is subject to a concentration limit, for mortgage credit assets secured on commercial property, of 10% of the total prudent market value of all mortgage credit assets and substitution assets in the cover pool. Non-performing mortgage credit assets may not be added to a cover pool. Furthermore, a mortgage credit asset may not be counted as part of a cover pool if a building related to that mortgage credit asset is being or is to be constructed until the building is ready for occupation as a commercial or residential property. A mortgage credit institution may also include securitised mortgage credits in its cover pool subject to certain credit quality and other criteria and a concentration limit of 10% of the aggregate value of the related outstanding ACS.

### Substitution assets

Substitution assets can be included in cover pools provided that they comply with applicable CRR requirements and certain other restrictions. These are deposits having a minimum credit rating of step 2 and a maximum maturity of 100 days with eligible financial institutions.

## IV. VALUATION AND LTV CRITERIA

### DPCI

Public credit assets maintained in the cover pool of a DPCI are ascribed a prudent market value equal to 100% of the amount of the related public credit outstanding on the date of valuation.

### DMCI

The maximum prudent loan to value ("LTV") levels for mortgage credit assets included in the cover pool of a mortgage credit institution are 75% for mortgage credit assets backed by residential property and 60% for those backed by commercial property. Prudent LTV levels for mortgage credit assets in the cover pool can exceed the 75% threshold, however the balance of the mortgage credit above this threshold is disregarded for valuation purposes.

A DMCI is first required to determine the market value of a property asset at the time of origination. Property valuations are conducted by independent valuers. The DMCI then calculates the prudent market value of such property asset at the time of inclusion of the asset in the cover pool and also at such intervals (at least annually) as may be specified by the CBI. In addition, a DMCI is required to calculate the prudent market value of mortgage credit assets and securitised mortgage credits included in the cover pool on a quarterly basis, or more frequently if so instructed by the CAM, for the purposes of demonstrating compliance with the asset-liability and overcollateralisation requirements of the ACS Acts. In practice, the prudent market value of relevant property assets is calculated on a quarterly basis also as this calculation forms part of the valuation process for mortgage credit assets.

For these subsequent calculations, the DMCI must apply the house price index published by Permanent TSB and/or the house price index published by the Irish Central Statistics Office (depending on the date of origination) to the valuation obtained at origination, with same being verified by the CAM on a monthly basis.

## V. ASSET-LIABILITY MANAGEMENT

The ACS Acts include important asset-liability controls to minimise various market risks.

> Duration matching: The weighted average term to maturity of a cover pool cannot be less than that of the related ACS.

> Overcollateralisation: The prudent market value of the cover pool must be at least 3% greater than the total of the principal amount of the related ACS in issue (see also Overcollateralisation below).

> Interest matching: The amount of interest payable on cover assets over a 12-month period must not be less than the amount of interest payable on the related ACS over the same 12-month period.

> Currency matching: Each cover asset must be denominated, after taking into account the effect of any cover assets hedge contract, in the same currency as the related ACS.

> Interest rate risk control: The net present value changes on the balance sheet of an ACS Issuer arising from (i) 100bps upward shift, (ii) 100bps downward shift and (iii) 100bps twist, in the yield curve, must not exceed 10% of the ACS Issuer's total own funds at any time.

### Hedge contracts

Hedge contracts are used in the cover pool to minimise risks on interest rates, currency exchange rates, credit or other risks that may adversely affect the ACS Issuer's business activities that relate to an ACS or cover assets. All such hedge contracts are required to be entered on the cover register by the ACS Issuer. Pool hedge counterparties rank as preferred creditors, pari passu with the ACS holders, provided they are not in default of their financial obligations under that hedge contract. Upon the insolvency of an ACS Issuer, a hedge contract will remain in place subject to its terms. Any collateral posted under a hedge contract by a pool hedge counterparty must be recorded on a separate register maintained by the ACS Issuer.

**Overcollateralisation**

The ACS Acts prescribe a minimum overcollateralisation of ACS for DMCIs and DPCIs of 3% calculated on a present value basis. It has been the market practice for ACS Issuers to contractually commit to higher levels.

The CAM is responsible for monitoring the levels of legislative and contractual overcollateralisation. Upon an ACS Issuer insolvency, ACS holders will benefit from any cover assets which make up the overcollateralisation to the extent of their claims.

## VI. TRANSPARENCY

### Disclosure in financial statements

All ACS Issuers are required to make specific disclosures in relation to their cover assets in their annual financial statements.

**DPCIs**

A DPCI is required to disclose as at the date to which its financial statements are made up:

> the geographic location of its public credit assets and the volume and percentage of assets in each such location; and

> details of public credit assets secured on loans to multilateral development banks and international organisations and the volume and percentage of such assets.

**DMCIs**

A DMCI is required to disclose, in respect of the date to which its financial statements are made up, details of:

> the number of mortgage credit assets, broken down by amount of principal outstanding;

> volume and percentage of assets in each geographic location;

> the number and principal amounts outstanding of non-performing mortgage credit assets;

> whether or not any persons who owed money under mortgage credit assets had, during the immediately preceding financial year (if any), defaulted in making payments in respect of those assets in excess of EUR 1,000 (so as to render them non-performing for the purposes of the ACS Acts), and if so, the number of those assets that were held in the cover pool;

> the number of non-performing mortgage credit assets replaced with other assets;

> the total amount of interest in arrears in respect of mortgage credit assets that has not been written off;

> the total amounts of principal repaid and interest paid in respect of mortgage credit assets; and

> the number and the total amount of principal outstanding on mortgage credits that are secured on commercial property.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

One of the key features of the ACS Acts is the rigorous monitoring role undertaken by the CAM. The CAM is appointed by the ACS Issuer and approved by the CBI.

There are strict eligibility requirements for CAMs. A CAM must be a body corporate or partnership, comprising personnel or partners who are members of a professional representative body. It must demonstrate to the CBI that it is experienced and competent in (i) financial risk management techniques, (ii) regulatory compliance reporting and (iii) capital markets, derivatives, and, as applicable, public credit business and mortgage credit business. The CAM must also demonstrate that it has sufficient resources at its disposal and sufficient academic or professional qualifications and experience in the financial services industry to satisfy firstly, the designated credit institution and secondly, the CBI, that it is capable of fulfilling this role.

The CAM is responsible for monitoring the cover pool, the ACS Issuer's compliance with specific provisions of the ACS Acts and reporting any breaches to the CBI. The CAM issues regular reports to the ACS Issuer (every 1-4 weeks) and submits a report on a quarterly basis to the CBI.

Some of the CAM's principal obligations include: ensuring that the matching requirements of the ACS Acts with respect to the cover assets and the ACS are met; ensuring that the asset eligibility requirements are met; approving any inclusion in or removal from the cover register, of a cover asset, ACS or hedge contract; checking that the level of substitution assets included in the cover pool does not exceed the prescribed percentage; and ensuring that the legislative and contractual levels of overcollateralisation are maintained.

The CBI is responsible for supervising the ACS Issuers. The CBI may, with the consent of the Minister for Finance, revoke the registration of an ACS Issuer and/or suspend its business if such ACS Issuer breaches any provision of the ACS Acts. In addition, the CBI has wide-ranging powers under the Irish Central Banking legislation to impose significant fines and administrative sanctions on ACS Issuers and/or their senior management for contraventions of the ACS Acts.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

As noted above under section II, an ACS Issuer holds its cover assets on its balance sheet. However, the cover assets are ring-fenced from the other assets of the ACS Issuer for the benefit of ACS holders by virtue of (i) their being recorded on the cover register, and (ii) a statutory preference created by the ACS Acts.

### Segregation: Cover register

Each ACS Issuer must maintain a cover register including the details of its ACS in issue, the cover assets and substitution assets backing its ACS and any cover assets hedge contracts in existence. The cover register is important as a cover asset or a cover assets hedge contract cannot be described as such unless and until it is recorded on the register. Their registration is prima facie evidence of such assets and hedge contracts being included in the cover pool, entitling the ACS holders and pool hedge counterparties to benefit from the insolvency protection specified in the ACS Acts in respect of such assets and hedge contracts. An ACS Issuer may only remove or amend a register entry with the consent of the CAM or the CBI which further safeguards the interests of ACS holders.

### Preferential treatment of ACS holders

Once a cover asset has been entered in the cover register, it will remain a cover asset for the benefit of ACS holders and other preferred creditors until the CAM or the CBI has consented to its removal from the cover register and consequently, the cover pool. Cover assets included in a cover pool do not form part of the assets of the ACS Issuer for the purposes of insolvency until such time as the claims of ACS holders and other preferred creditors under the ACS Acts have been satisfied.

If the claims of the ACS holders (and other preferred creditors, including the pool hedge counterparties) are not fully satisfied from the proceeds of the disposal of the cover assets, such parties are, with respect to the unsatisfied part of their claims, to be regarded as unsecured creditors in the insolvency process.

### Impact of insolvency proceedings on ACS and hedge contracts

Upon insolvency of an ACS Issuer, all ACS issued remain outstanding and all cover assets hedge contracts will continue to have effect, subject in each case, to the terms and conditions of the documents under which they were created.

The claims of ACS holders on the cover pool are protected by operation of law. Cover assets and hedge contracts that are included in a cover pool are not liable to interference by a bankruptcy custodian or similar person whether by attachment, sequestration or other form of seizure, or to set-off by any persons, that would otherwise be permitted by law so long as claims secured by the insolvency provisions of the ACS Acts remain unsatisfied. ACS holders have recourse to cover assets ahead of all other non-preferred creditors regardless of whether the claims of such other creditors are preferred under any other enactment or any rule of law and whether those claims are secured or unsecured.

**The role of the manager and access to liquidity in case of insolvency**

The ACS Acts makes provision for the management of the asset covered securities business of an ACS Issuer upon an ACS Issuer insolvency through the services of the Irish National Treasury Management Agency ("NTMA"). If no suitable manager can be found by the CBI or the NTMA, the NTMA will attempt to locate an appropriate body corporate as a new parent entity for the ACS Issuer. Failing that, the CBI will appoint the NTMA to act as a temporary manager until a suitable manager or new parent entity is found. Upon appointment, a manager will assume control of the cover assets, the asset covered securities business and all related assets of the ACS Issuer. The manager is required to manage the ACS business of the ACS Issuer in the commercial interests of the ACS holders and the pool hedge counterparties. The manager will have such powers as may be designated to it by the CBI under its notice of appointment. It is possible for a manager to obtain a liquidity facility through the use of a hedge contract, such hedge contract if recorded on the cover register would constitute a cover assets hedge contract for the purposes of the ACS Acts and the pool hedge counterparty would rank pari passu with ACS holders and any other pool hedge counterparties.

## IX. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN LEGISLATION

The ACS meet the requirements of Article 52(4) UCITS. The eligibility of cover assets set out in the ACS Acts also match the criteria for the preferential risk-weighting of covered bonds set out in the CRR[1]. The ACS Acts will require change to comply with the recently published Directive and Regulations on harmonising European Covered bonds (Directive 2019/2162 and Regulation 2019/2160). It is expected that such changes will be completed within the scheduled timelines.

**Issuers:** There are four ACS Issuers with outstanding covered bonds – Bank of Ireland Mortgage Bank, DEPFA ACS BANK DAC, AIB Mortgage Bank and EBS Mortgage Finance.

**ECBC Covered Bond Comparative Database:** https://www.ecbc.eu/framework/28/Asset_Covered_Securities_-_ACS

Covered Bond Label: AIB Mortgage Bank (1 pool), Bank of Ireland Mortgage Bank (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 For further information on the UCITS Directive and the Capital Requirements Regulation (CRR) please see: https://hypo.org/ecbc/covered-bonds/.

## 3.22 ISRAEL

By Omer Ziv, Bank Leumi and Elena Bortolotti, ECBC Chairwoman of the RAA Working Group and Natixis

### I. FRAMEWORK

Breaking new ground in January 2026, Bank Leumi le Israel B.M. (Bank Leumi or the Bank) became the first Israeli issuer to successfully execute a covered bond transaction. Established over 120 years ago, Bank Leumi is Israel's largest and leading financial institution. In the absence of a statutory covered bond regime, Bank Leumi's covered bond programme was structured on a purely contractual basis, with the respective rights and obligations of the issuer, the guarantor and the covered bond holders governed by a combination of English law and Israeli law. This approach is consistent with the way a number of jurisdictions have initially accessed the covered bond market through structured/contractual covered bond programmes, which in most cases have subsequently led the way to the development and introduction of a dedicated covered bond legislative framework.

Just five months after Bank Leumi's inaugural issuance, the Bank of Israel published Circular No. C-06-2854 introducing amendments to the Proper Conduct of Banking Business Directive No. 336 (the 'Directive'). Under the newly added Section 11A of the Directive, banking corporations must meet several key regulatory conditions to be able to issue covered bonds. These requirements include limiting pledged assets to 2% of the issuing bank's total assets at the time of issuance. Furthermore, banks can only issue covered bonds in foreign currencies to non-Israeli investors, and the cover pool must comprise of residential mortgages managed by a dedicated special-purpose entity. Additionally, the covered bonds must align with international market standards, and issuers must comply with strict governance, risk management, auditing, and reporting guidelines.

This regulatory update has been well received and is a significant step towards the introduction of an Israeli covered bond framework that will allow Israeli banks to issue regulated covered bonds. The success of Bank Leumi's inaugural issuance has prompted other Israeli banks to actively explore the establishment of covered bond programmes and potential market access in the near future. In the absence of a covered bond framework, the analysis set out in the following section is based on the contractual covered bond programme established by Bank Leumi.

### II. STRUCTURE OF THE ISSUER

Bank Leumi established its covered bond programme in a manner intended to replicate, as closely as possible, the key structural and credit features of legislative covered bonds (Figure 1).

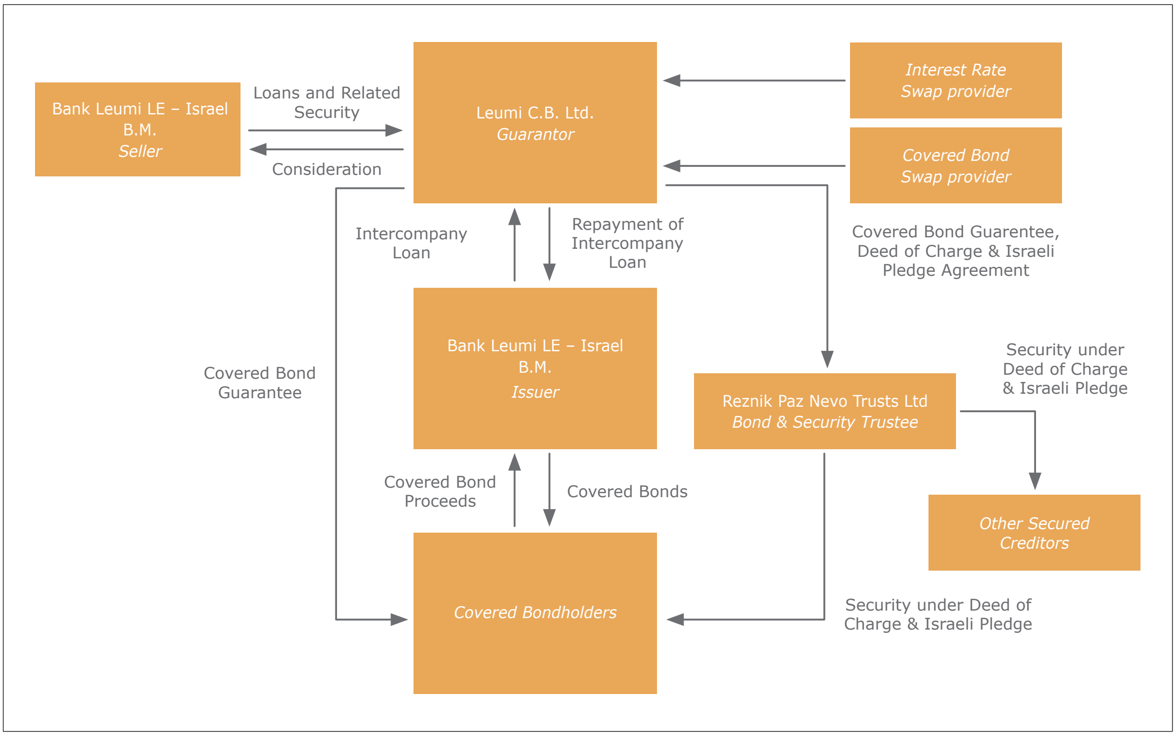
Under the covered bond programme, Bank Leumi, a credit institution incorporated under the laws of Israel, acts as the issuer of the covered bonds. Bank Leumi issues covered bonds on an unsecured basis, which benefit from a guarantee provided by Leumi C.B. Ltd., a wholly owned subsidiary of the issuer established as a special purpose vehicle (SPV). Dual recourse will be achieved via providing covered bond investors recourse on a secured basis to the cover pool and for any shortfall to the issuer on an unsecured basis.

The issuer also acts as seller, servicer, and cash manager in respect of the cover pool assets, which consist primarily of Israeli residential mortgage loans originated by the issuer. Pursuant to the programme documentation, eligible assets are transferred from the issuer to the guarantor by way of a true sale under Israeli law, which allows to achieve asset segregation from the issuer's insolvency estate.

The guarantor, Leumi C.B. Ltd., is an Israel incorporated SPV with the sole purpose of acquiring the cover pool assets, holding the related security and charged property, and providing a covered bond guarantee in favour of the covered bond holders and other secured creditors. The guarantor finances the acquisition of the cover pool through intercompany loans and advances from the issuer, including amounts required to fund contractual and committed over collateralisation.

The structure is governed by a combination of English law (in respect of the covered bonds, guarantee and certain programme documents) and Israeli law (in respect of asset transfers, security interests and pledges over Israeli assets), reflecting the lack of a statutory covered bond regime in Israel.

> Figure 1: Indicative Structure – Bank Leumi Covered Bond Programme




## III. COVER ASSETS

The cover pool backing Bank Leumi's covered bonds is composed exclusively of Israeli residential mortgage loans originated by Bank Leumi. The mortgage loans included in the cover pool must comply with pre defined eligibility criteria which include: LTV of 75% or lower, all performing loans, first economic lien mortgage loans, mortgage loans secured over residential properties located in Israel, etc. The strict eligibility criteria of the pool are designed to ensure the ongoing credit quality and homogeneity of the collateral. The cover pool is subject to an asset coverage test (ACT) and contractual overcollateralization (OC) requirements, and its composition and performance are monitored by an asset monitor on an ongoing basis to ensure continued compliance with these eligibility standards.

The programme also allows for substitution assets capped at a limit of 15% of notional of the cover pool. Substitution assets may consist solely of high quality liquid assets, including cash, deposits and highly rated government or supranational securities.

## IV. VALUATION AND LTV CRITERIA

In accordance with Bank Leumi's underwriting standards, all owner occupied residential properties are valued at loan origination. Valuations are performed by licensed appraisers approved by the Bank, however, for newly built properties the purchase agreement is used, with the Bank applying the lower of the appraised value and the purchase price. It is worth noting that there is no concept of drive by, desktop or indexed property valuations in the Israeli market. Subsequent revaluations are permitted only upon the occurrence of specific events (such as the granting of an additional mortgage).

With respect to LTV ratios, Bank of Israel regulations cap residential mortgage LTVs at 75% for first time homebuyers, 70% for borrowers replacing an existing primary residence, and 50% for borrowers purchasing an additional property. Under the programme's eligibility criteria, only loans with a maximum LTV of 75% are eligible for inclusion in the cover pool. The LTV calculation is based on the original property valuation or on any permitted revaluation carried out in accordance with the framework described above.

## V. ASSET – LIABILITY MANAGEMENT

Bank Leumi is required to calculate an ACT on a quarterly basis, with the results disclosed as part of the investor report. The ACT is designed to verify that the value of Bank Leumi's cover pool assets is sufficient to ensure the timely payment of principal on the covered bonds and that the applicable minimum OC requirements are satisfied.

In addition to the LTV limits described above, the ACT incorporates a second component under which the outstanding balance of the mortgage loans is subject to a haircut through the application of an asset percentage (AP). The applicable AP is the lower of (i) the contractually committed AP and (ii) the AP required by the rating agencies to support the then current rating of the covered bonds.

For the purposes of the ACT, the value attributed to the mortgage assets is the lower of (i) the value resulting from the application of the LTV limits or (ii) the outstanding mortgage loan balance multiplied by the AP. Credit is also given to substitute assets, while further deductions are applied in respect of loans in arrears, borrower set-off risk (linked to a rating trigger) and potential negative carry.

The ACT is satisfied if the resulting adjusted cover pool value is equal to or exceeds the outstanding amount of covered bonds. A breach of the ACT constitutes an Issuer Event. Following the occurrence of an Issuer Event, the Amortisation Test (AMT) is calculated monthly. The AMT is broadly similar to the ACT and is intended to ensure that the cover pool remains sufficient to meet the payment obligations under the guarantee. A failure of the AMT constitutes a Guarantor Event of Default, upon which all covered bonds accelerate and become immediately due and payable.

## VI. TRANSPARENCY

Bank Leumi has adopted a high standard of transparency for its covered bond programme, committing to the quarterly publication of the Harmonised Transparency Template (HTT) in line with European market best practices. The HTT provides investors with detailed, standardised disclosure on the cover pool, over-collateralisation, key risk metrics and programme features, enhancing comparability and facilitating investor due diligence notwithstanding the programme's ineligibility for the ECBC Covered Bond Label.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The Bank Leumi covered bond programme includes an independent cover pool monitor, appointed to oversee ongoing compliance with key programme requirements, including asset eligibility criteria, over collateralisation levels and substitution asset limits. The cover pool monitor is an external accounting firm, fully independent from Bank Leumi and separate from the Bank's statutory auditors, providing an additional layer of investor protection.

While there is no direct prudential supervision of the programme by the Bank of Israel, the issuer was required to obtain regulatory approval from the Bank of Israel for the establishment of the SPV guarantor, given that it is a subsidiary of the bank, as well as approval relating to the amount of the inaugural issuance.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Segregation of the cover assets and bankruptcy remoteness in Bank Leumi's covered bond programme are achieved through a structured SPV guarantor model. Specifically, Bank Leumi established a special purpose which acts as guarantor of the covered bonds, with a defined pool of residential mortgage loans transferred to, or held for the benefit of, the SPV. This structure contractually ring fences the cover assets from the issuer's general insolvency estate, ensuring that, upon an issuer default, bondholders have recourse to the segregated cover pool via the SPV rather than ranking pari passu with unsecured creditors.

Bankruptcy remoteness is further supported by the legal separation of the SPV from the issuer, including restricted purpose provisions, limited activities, and governance arrangements consistent with international structured finance best practices. The SPV's sole function is to guarantee the covered bonds and hold the cover assets, which mitigates consolidation and insolvency risk at the issuer level, a key factor underpinning the uplift assigned by rating agencies.

## IX. COMPLIANCE WITH EUROPEAN LEGISLATION

Israeli covered bonds are neither Covered Bond Directive compliant nor Article 129 CRR compliant, as Israel is not a Member State of the European Union. Furthermore, Israeli covered bonds do not benefit from preferential risk weighting for regulatory capital purposes under EU rules, reflecting the absence of a dedicated Israeli covered bond legislative framework and EU recognised public supervision regime.

## X. ADDITIONAL INFORMATION – INDEX ELIGIBILITY

Bank Leumi's euro denominated covered bond is included in the major Bloomberg Aggregate indices (including Global Aggregate, Euro Aggregate, Pan Euro Aggregate and the Bloomberg Euro Covered Bonds Index) and in the iBoxx European Covered index reflecting its EUR denomination, size and investment grade rating.

**Issuers:** Bank Leumi Base Prospectus, Bank Leumi Moody's and Fitch New Issue Reports, Bloomberg.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.23 ITALY

By Marco Marino, Italian Banking Association

### I. FRAMEWORK

At the beginning of 2023, Italy has completed the transposing of the European covered bond legislation, which has become effective from the 31 March 2023. The national legislation is regulated by the Title I-bis of the law n. 130/99 - introduced by the legislative decree n. 190/2021 – and by the secondary disposals of the Bank of Italy which amended the Circular n. 285/2013.

The Italian regulation on covered bonds was in large part already compliant to the EU legislation. The main provisions introduced regard, in particular, the following topics:

> an authorisation process for all banks which intend to issue covered bonds under new programmes established after the 31 march of 2023 and a prior notification to the Bank of Italy for the issuance of covered bonds under programmes previously into force;

> the removal of the previous limits for the transferring of eligible assets to the SPV, differentiated in relation to the capital requirements of the issuer, and the introduction of internal operating limits set by the issuer, considering specific elements;

> the introduction of: the hedging derivative contracts as eligible assets in the cover pool; a liquidity buffer requirement; disclosure requirements; the new labels "European covered bonds" and "European covered bonds (premium)"; the overcollateralisation to benefit from the preferential prudential treatment.

The new regulation has confirmed the "Obbligazioni Bancarie Collateralizzate" (OBC), introduced by the art. 13-bis of the decree law n. 18/2016. This is a collateralised bond comparable with the European Secured Notes (ESN) for his structure – double recourse instrument – and for the eligible assets in the cover pool – established, notably, by SME loans. Secondary regulation of the Minister for the Economy and Finance will specify some features such as the definition of eligible assets and the issuance rules.

On 18 December 2024, the Bank of Italy – the competent authority designated for covered bond supervision – launched a consultation concerning the exercise of the discretion provided for in Article 129(3) of Regulation (EU) 575/2013 (CRR) as amended by Regulation (EU) 2024/1623 (CRR3), for the purpose of valuing immovable property. Notably, if the discretion is not exercised, banks apply the new valuation methods introduced by CRR3 to the real estate pledged as collateral for the covered bonds issuance programmes. Subsequently, the Bank of Italy decided not to exercise this discretion, maintaining alignment between the property valuation methods for the purposes of prudential regulation and for the purposes of covered bonds.

### II. STRUCTURE OF COVERED BONDS ISSUANCE

The new framework has confirmed the "dual recourse" structure of the Italian covered bond transaction (Obbligazioni Bancarie Garantite – OBG) previously in force, as follows:

a) Bank issues covered bonds (or another bank) transfers' eligible assets forming a segregated cover pool to a special purpose vehicle (SPV), whose sole corporate purpose is the purchase of such assets and the granting of guarantees for bond issued in favor of the bondholders up to the amount of the segregated assets;

b) The SPV purchases the transferred assets by means of a loan granted or guaranteed to it by a bank (not necessarily the same bank transferring the assets);

c) The eligible assets of the segregated cover pool are applied to satisfy the rights attaching to the covered bonds and the counterparties of derivative for risk hedging purposes, and to pay the costs of the transaction.

The national legislator has exercised the discretion provided by the covered bond European legislation of allowing the issuance of covered bonds with extendible maturity structures.

The maturity extension is subject to specific triggers and, in the event of the insolvency or resolution of the bank issuing the covered bonds, it does not affect the ranking of covered bond investors or invert the sequencing of the covered bond programme's original maturity schedule.

## III. AUTHORISATION AND NOTIFICATION PROCESS

Banks intending to launch new covered bonds programmes after the 31 march of 2023 (the date from which the new framework has become effective) must apply for authorisation from the Bank of Italy, which grants or denies it within 90 days from the date of the application; the information relating to the authorisation is included in the register under art. 13 of the Italian Consolidated Banking Law (CBL, legislative decree n. 385/1993). The bank may proceed with the issuance after the mentioned registration, informing the Bank of Italy within 10 days following the same.

After the authorisation, the issuer intending make changes to programmes that impact on compliance with the requirements established by the new framework, must notify it to the Bank of Italy and can apply the amendments after 60 days from the communication.

The issuing bank must also promptly inform to the Bank of Italy when programme is closed, and on the positive refund of the bonds issued.

Banks intending to launch a new covered bonds issuance under programmes established before the 31 march of 2023 must notify – the first time – the Bank of Italy at least 30 days before the issuance certifying that the programmes have been updated in compliance with the new framework. The communication shall be accompanied by the following documents: (i) a statement from the issuer' strategic supervisory body confirming compliance with specific new regulatory provisions; (ii) a report of the Asset Monitor.

Moreover, only at the initial phase, banks have provided to the Bank of Italy (by 30 June 2023) a general information about the status of all existing covered bond programmes.

## IV. STRUCTURE OF THE ISSUER AND IMPACT OF INSOLVENCY PROCEEDINGS

All the Italian banks, both "significant" and "less significant", can issue covered bonds under programmes authorized by the Bank of Italy (see paragraph III).

The previous regulatory provisions, which allowed to bank compliant with high level of capitalisation to issue covered bonds without authorisation of the competent Authority, have been removed.

The SPV assignee is a financial intermediary, registered in the "special list" provided for by article 106 of the Banking Law, and therefore subject to the Bank of Italy's supervision.

The guarantee granted by the SPV to the bondholders is irrevocable, first-demand, unconditional and independent with respect to the obligations of the issuer. It is enforced in case of not-payment, resolution or compulsory administrative liquidation of the issuing bank, up to the amount of the segregated assets.

All the amounts obtained by the liquidation procedure will become part of the cover pool and therefore used to satisfy the rights of covered bondholders.

In case of compulsory administrative liquidation of the issuing bank, the bondholders compete to the distribution of bank assets together with unsecured creditors, including derivative counterparties, for the eventual residual amount still due following the guarantee enforcement.

In the event of inadequacy of segregated assets, the bank issuing the covered bonds is responsible, for what is still due, for the SPV obligations towards the derivative counterparties.

The redemption of the subordinated loan granted by the issuer to the SPV is junior to any outstanding claims of covered bondholders, derivative counterparties, and transaction costs.

## V. ELIGIBLE ASSETS

Under the new Italian framework, the assets eligible for the cover pool are the following:

(a) those compliant with the article 129(1) of Regulation (EU) No 575/2013 (CRR), if the bank issuing the covered bonds meets the requirements of paragraphs 1a to 3 of the same article;

(b) high-quality liquid assets pursuant to the delegated regulation n. 2015/61 (that are not issued by the credit institution issuing the covered bonds itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links);

(c) short-term exposures (equal or less than 90 days) to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3.

Notably, with reference to the eligible assets not originated by the issuing bank, this latter shall carry out a creditworthiness assessment of the debtors before the transfer of the assets to the cover pool or verify that the assessment criteria adopted by the originator are compliant with the new provisions.

The derivative contracts are included in the cover pool, in particular, exclusively for risk hedging purposes and only if the credit institutions counterparties qualify, at least, for credit quality step 3. The discretion assigned the competent authorities by the art. 129 of CRR who may, after consulting EBA, allow exposures to credit institutions that qualify for credit quality step 3 in the form of derivative contracts (if specific conditions are met), has been exercised.

Among the other things, the derivative contracts should be sufficiently documented, their volume is adjusted in the case of a reduction in the hedged risk, they are removed when the hedged risk ceases to exist and they cannot be terminated upon the resolution or compulsory administrative liquidation of the bank that issued the covered bonds.

The supplementation of transferred assets subsequent to the initial assignment shall be carried out by way of the transfer of additional eligible assets. Substitution of eligible assets included in the segregated cover pool with other assets of the same kind originated by the issuer bank is permitted provided that this is expressly set out and regulated in the issuance programme and term sheet.

## VI. COVERAGE AND LIQUIDITY REQUIREMENTS

In line with the EU covered bond directive, in order to ensure investor protection, the new Italian framework has confirmed specific coverage requirements – by requiring covered bond programmes to comply at all times to them – and has introduced the liquidity buffer which covers the maximum cumulative net liquidity outflow over the next 180 days.

The coverage requirements are calculated taking into account: the nominal value of all cover assets and of outstanding covered bonds; the net present value of cover assets and of outstanding covered bonds; the interests and other revenues created by the cover assets and interests and costs related to outstanding covered bonds.

The liquidity buffer is composed by the following liquid assets:

> high-quality liquid assets pursuant to the delegated regulation n. 2015/61 (that are not issued by the credit institution issuing the covered bonds itself, its parent undertaking, other than a public sector entity that is not a credit institution, its subsidiary or another subsidiary of its parent undertaking or by a securitisation special purpose entity with which the credit institution has close links);

> short-term exposures (equal or less than 90 days) to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3.

In addition, OBG shall be subject, among other things, to a minimum level of 5 % of overcollateralisation to benefit from the preferential prudential treatment under CRR and to use the label "European covered bonds (premium)".

## VII. RISKS GOVERNANCE

With regard to the complexity of the contractual aspects and the possible impact on the banks' financial situation deriving participation in issue programmes, the issuer bank shall identify and careful assess and control the risks related with this operational framework.

In particular, such assessments and procedures shall include measures to ensure, on a continuative basis, that the risks assumed are in line with the institution's risk appetite and strategy defined in the overall RAF (Risk Appetite Framework).

In relation to above, under the new framework, the issuer bank shall set internal operating limits to the eligible assets may be transferred, in line with their internal policies, risk management objectives and operative tolerance thresholds of the RAF (including those related to the liquidity risk management, the overall level of encumbered assets and non-performing loans). These limits are updated in relation to changes in the bank's strategy and operations.

The previous transfer limits, graduated on the total capital ratio and Tier 1 ratio at the consolidated level of the issuer, have been removed.

Moreover, the management body shall ensure that the risk management structures of the issuer bank verify at least once every six months and for each transaction, among other things: (i) the quality and integrity of the transferred assets collateralizing the bonds; (ii) the compliance with the internal transfer limits, with maximum ratio between the covered bonds issued and the transferred cover assets and with liquidity buffer requirement;

(iii) the effectiveness and adequacy of the risk protection provided by derivative contracts; (iv) the investor information.

## VIII. COVER POOL MONITOR

An external asset monitor (AM) appointed by the issuer shall monitor the transaction regularity, the compliance with specific requirements of covered bonds framework, the collateral integrity and the investor information.

The AM must be an auditing firm possessing the professional skills required to perform such duties and must be independent from the bank engaging it (e.g. it cannot be the same firm appointed to audit the accounts of the issuing bank) and of any other person participating in the transaction.

It has to report at least once a year to the control body of the bank and a copy of that report shall be submitted also to the Bank of Italy.

It is involved also in the notification process for covered bonds issuance under programmes established before the 31 march of 2023 (see paragraph III).

## IX. TRANSPARENCY REQUIREMENTS

According to the new Italian framework, the banks issuing covered bonds publish on their website, at least on a quarterly basis, information on their covered bond programmes, in order to allow investors to assess the profile and risks of that programme.

The new framework sets minimum information, in line with covered bond EU directive, including, among other things, the following: (i) the nominal value and net present value of the cover pool and outstanding covered bonds; (ii) a list of the International Securities Identification Numbers (ISINs), if attributed; (iii) the composition of cover pool, in relation to the geographical distribution and type of assets; relevant information regarding the market risk, including interest rate risk and currency risk, and credit and liquidity risks; (iv) the levels of coverage adopted respect the minimum required, in relation to the requirements provided by the law, contractual agreements, or voluntary adopted by the issuer.

It's worth noting that the disclosure obligation is fulfilled through the publication of the templates defined by the European Covered Bond Council (Harmonized Transparency Template – HTT) on the issuer bank's website, if they are compliant at least with the information established by the law.

On this subject, since 2012, some Italian OBG issuers have participated to the mentioned ECBC initiative. The OBG transparency template is available online on the Covered Bond Label website (https://www.coveredbondlabel.com) and each participating OBG issuer has published a completed version on its own website.

## X. PRUDENTIAL TREATMENT AND LABELS

The OBG issued by Italian banks in accordance with the new national framework are admitted to the preferential treatment of the art. 129 (4)(5) of CRR. The OBG issued before the 31 March of 2023, which are compliant with the previous national and European framework, continue to be eligible for preferential treatment until their maturity.

The OBG issued by Italian banks in compliance with the requirements of the new national framework, may be traded using the "European covered bond" label. If they satisfy also the requirements under article 129 of the CRR (including, among the other things, the minimum level of overcollateralisation), may be traded using the "European covered bond (premium)" label.

The Italian OBG issued before the new framework continue to be label as covered bonds.

## XI. SUPERVISION

The Bank of Italy is the national Authority designed to the supervision on the compliance of covered bonds framework, in order to ensure the sound and prudent management of the issuing banks, the market stability and the protection of bondholders.

In relation to above, the law attributes specific information, regulatory and inspection supervisory powers to the Bank of Italy.

**Disclaimer:**

By reading this document you will be deemed to have understood the statements set out below.

This document and the information, statements and opinions contained in the document are solely based on publicly available information.

This document and the information, statements and opinions contained in the document are intended for information purposes only and do not replace independent professional judgment.

This document and the information, statements and opinions contained in the document do not constitute any solicitation or a public offer under any applicable legislation or an offer to sell or solicitation of an offer to purchase or subscribe for securities or financial instruments or any advice or recommendation with respect to such securities or other financial instruments.

Neither the Associazione Bancaria Italiana nor any of its representatives shall accept any liability whatsoever (whether in negligence, tort or otherwise) arising in any way in relation to the statements contained herein or in relation to any loss arising from their use or otherwise arising in connection with this document.

Nothing in this document shall be construe as investment, legal, tax or other professional advice by ABI.

**Issuers joint to the Fact Book survey:** Banca Monte dei Paschi di Siena, Banca Nazionale del Lavoro, Banca Popolare dell'Alto Adige (SUDTIROLER VOLKSBANK) (starting 2020), Banca Popolare di Sondrio*, Banca Sella, Banco BPM, Banco di Desio e della Brianza, BPER Banca**, Cassa di Risparmio di Bolzano (Sparkasse), Crédit Agricole Italia, Credito Emiliano (CREDEM), Deutsche Bank, Iccrea Banca, Intesa Sanpaolo***, Mediobanca, Unicredit.

* Effective from the 20th of April 2026 Banca Popolare di Sondrio was merged by incorporation into BPER Banca.
** Effective from the 28th of November 2022 Banca Carige was merged by absorption into BPER Banca.
*** Intesa Sanpaolo acquired control of UBI Banca on August 5, 2020, and merged it by incorporation on April 12, 2021.

Covered Bond Label: Banca Monte dei Paschi di Siena; Banca Popolare dell'Alto Adige (SUDTIROLER VOLKSBANK); Banca Popolare di Sondrio; Banca Sella, Banco BPM; Banco di Desio e della Brianza; Cassa di Risparmio di Bolzano (Sparkasse); Crédit Agricole Italia; Credito Emiliano (CREDEM); Iccrea Banca; Intesa Sanpaolo; Mediobanca; Unicredit

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.24 JAPAN

By Hirokazu Tanaka, SMBC and Elena Bortolotti,
Chairwoman of the ECBC Rating Agency Approaches Working Group

### I. FRAMEWORK

Sumitomo Mitsui Banking Corporation ("SMBC") issued the first ever Japanese covered bond back in November 2018 and Sumitomo Mitsui Trust Bank ("SMTB") followed in October 2020. As of today, Japan does not have a covered bond legal framework hence both SMBC and SMTB relied on Japanese and English contractual law provisions to structure their covered bond programmes following the footsteps of the likes of the UK, Canada and New Zealand; jurisdictions that issued contractual law covered bonds before a legal framework was introduced and legislative covered bonds were issued.

The Japanese banking industry had tried to establish a covered bond legislation in Japan in the early 2010's but there was no material progress at that time mainly due to two reasons: (1) demand for covered bonds from Issuers was not strong because of ample liquidity in the JPY market, and (2) achieving dual recourse under the Japanese legal framework was difficult.

Since then, Japanese banks have become active in foreign markets and have increased their foreign assets significantly. The expanding need for stable foreign currency ("FX") funding coupled with having identified a viable structure that achieves dual recourse under the existing Japanese legal framework (see VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS) has allowed Japanese Banks to establish covered bonds programmes and successfully issue in the international markets.

On 28 September 2018, the major Japanese banks jointly submitted an initial request to their regulator to establish a covered bond legislation in Japan. The document was called "Establishment of Japanese covered bond legislation in order to strengthen stability of foreign currency funding of Japanese banks". Since then, the Japanese banks have been consistently advocating to regulatory authorities for the introduction of a dedicated covered bond framework. Meanwhile, the Japanese Financial Services Authority ("FSA") continues to examine the optimal covered bond structure and how best to implement a covered bond framework.

Following the implementation of Basel III in Japan, effective from March 2024, covered bonds now benefit from preferential treatment in terms of risk weighted assets.

Given the lack of a Japanese covered bond legal framework the analysis of the following sections is based on SMBC's and SMTB's covered bond programmes.

### II. STRUCTURE OF THE ISSUER

In the absence of a covered bond legal framework in Japan, SMBC's and SMTB's covered bond programmes have been established in a way to replicate as closely as possible legislative covered bonds. The Issuer is the Bank acting as the trustee on behalf of a Money Trust, *tokutei kinsen shintaku* (the "Trust Account"), which is established specifically for the issuance of covered bonds and with the scope of holding the cover pool assets. The cover pool assets consist of senior tranches of self-originated Residential Mortgage Backed Securities (RMBS). The Bank acting in its proprietary capacity will be the Total Return Swap ("TRS") counterparty, the Initial Servicer as well as the Initial FX Counterparty (Figure 1).

In case of a Bank Proprietary Account bankruptcy, pursuant to the Japanese Trust Act, the Trust Account is segregated from the Bank Proprietary Account's general assets and from any other asset of the Trust. The Trust Account bears some similarities to how cover pool assets are ring-fenced on balance sheet in traditional covered bonds, as its assets do not form part of the assets available to the Bank Proprietary Account's general creditors.

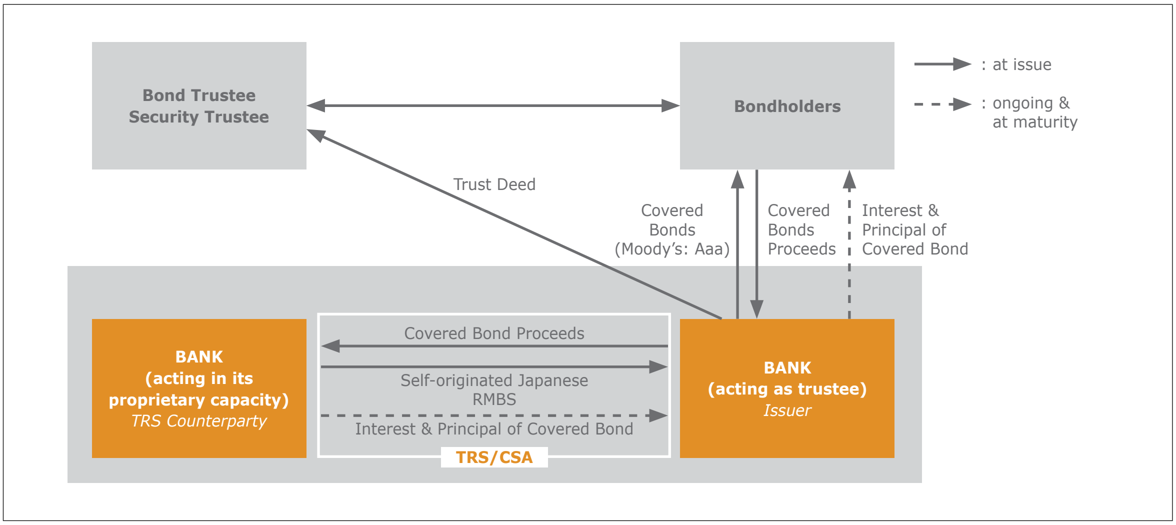
The cover pool assets are transferred from the Bank Proprietary Account to the Issuer, through the use of a TRS. The Trust Account pays the cash flows generated by the cover pool assets to the Bank Proprietary Account, and the Bank Proprietary Account pays to the Trust Account the covered bonds interest and principal amounts, which are then passed to the covered bondholders.

One of the key differences between the SMBC and SMTB programmes is how entrustment of the mortgages is perfected. Under the SMBC programme entrustment of the mortgage loans from the originator to the asset trustee is perfected against third parties under the Perfection Law. While under SMTB's programme entrustment of the mortgage loans from the originator to the asset trustee is achieved by Declaration of Trust. Even though the legal construct is different, the end result achieved is akin in both structures.

In case of a Bank Proprietary Account's bankruptcy, all claims and obligations between the Trust Account and the TRS Counterparty under the TRS are terminated using the close-out netting principle by applying the Japanese Netting Act. Close-out netting reduces the risk that the transfer of cover pool assets is recharacterised as a collateral transaction and assures the segregation and bankruptcy remoteness of the assets held in the Trust Account.

Dual recourse is achieved by allowing covered bondholders to have recourse to the Bank Proprietary Account's assets available to general creditors, in addition to exclusive recourse to the assets held in the Trust Account.

FIGURE 1




Sources: SMBC and SMTB Programme Documents

## III. COVER ASSETS

Eligible cover pool assets are senior self-originated RMBS tranches backed by residential loans originated by the Bank. SMBC's programme also allows for Japanese Government Bonds to be included as substitution assets but with a self-imposed cap of up to 10% of the cover pool. Cash can also be used as CSA collateral under both programmes.

The Banks were not able to transfer residential loans directly to the Trust Account, as they needed to rely on the close-out netting principle to apply the Netting Act under the TRS to guarantee segregation and bankruptcy remoteness of the Trust Account. One of the benefits of using RMBS as cover pool assets is the ability to conduct daily valuations of the cover pool. It is worth highlighting that, if necessary, the selling agent has the option to sell the RMBS or to unwind the relevant RMBS and sell the underlying residential loans.

A TRS Default Event (defined as failure to pay under the TRS, credit support default including breach of the Asset Coverage Test ("ACT"), bankruptcy of the TRS counterparty and merger without assumption) triggers the liquidation of the cover pool assets and the start of the Realisation Period. All series of covered bonds will be simultaneously redeemed on the Realisation Redemption Date or upon an Issuer Event of Default regardless of their scheduled maturities.

## IV. VALUATION AND LTV CRITERIA

Pursuant to the Base Prospectuses, the RMBS are subject to haircuts depending on their rating: a further haircut is applied on the value attributed to the cover assets to the extent that the property value underlying the portfolio of RMBS does not meet an 80% Loan to Value ("LTV") test (adjustment by the Adjusted LTV Limit Factor).

The Adjusted LTV Limit Factor is the factor which limits the LTV of the underlying assets in the portfolio of RMBS to a maximum of 80%. As a result, the value of RMBS to be considered for the ACT calculation is also limited accordingly.

## V. ASSET – LIABILITY MANAGEMENT

SMBC's and SMTB's covered bond programmes feature an ACT, an Interest & Expenses Reserve and appropriate FX mitigants.

Asset Coverage Test: The Issuer is required to hold eligible assets in respect of all covered bonds sufficient to meet the ACT which is calculated daily. In the event that the aggregate market related value of the Issuer assets excluding cash in any reserve fund has fallen below the minimum OC percentage of 25%, the TRS counterparty shall, pursuant to the terms of the CSA, be required to post an amount of CSA collateral with a value at least equal to such shortfall amount. Calculations for the ACT are checked on a quarterly basis by the Asset Monitor. A breach of the ACT will trigger a TRS Default Event.

Interest & Expenses Reserve: The reserve fund which is established for the benefit of the covered bondholders will cover 9 months of interest on all covered bonds outstanding and senior expenses.

FX Mitigants: FX risk is managed through the ACT and daily TRS collateral posting until a TRS Default Event. Following a TRS Default Event any FX risk on principal (and unpaid interest or accrued interest, if any) will be hedged through a Contingent FX Forward transaction with an eligible third-party up to the Realisation Period End Date.

## VI. TRANSPARENCY

The Issuers have committed to publishing a quarterly investor report which is available on their websites. The investor reports include selected information on the underlying cover pool as well as confirming compliance with the ACT. Please find below some of the cover pool characteristics which are disclosed in the investor reports:

> Property type information
> Number of mortgage loans comprising RMBS
> Concentration risks (10 largest exposures)
> Breakdown by domestic regions
> Breakdown by interest rate
> Breakdown by repayment type
> Loan seasoning
> Non-Performing Loans ("NPLs")
> Loan size information
> Unindexed LTV information

> Indexed LTV information

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Under each programme, an independent third-party accounting firm has been selected to act as Asset Monitor. The Asset Monitor will check and report to the transaction parties, on a quarterly basis, on the compliance or non-compliance of the ACT and the maintenance of sufficient funds in the Reserve Fund.

SMBC and SMTB are regulated banking entities in Japan supervised by the Japanese FSA.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Following a Bank Proprietary Account bankruptcy, the assets held in the Trust Account are not subject to recourse by (1) the Bank Proprietary Account's general creditors nor by (2) creditors of other trusts of the Bank and hence do not form part of the bankruptcy estate of the Bank Proprietary Account or other trusts under the Japanese Trust Act. The use of the Japanese Trust Act and the Netting Act (as described above) allows the structure to achieve cover pool asset segregation and bankruptcy remoteness of the cover pool.

Following a TRS Default Event, a TRS Default Event notice will be served, and the Realisation Period will begin. All outstanding covered bonds regardless of their scheduled maturity will have to be repaid shortly after the Realisation Period End Date. During the Realisation Period, interest on the covered bonds will continue to be paid by drawing on the Interest & Expenses Reserve. Furthermore, the Selling Agent will take necessary steps to sell the cover pool; all proceeds from the sale will be used to repay the covered bondholders. Should the proceeds from the sale of the cover pool not be sufficient to repay the covered bondholders in full, the covered bondholders will have recourse to the Bank Proprietary Account's general bankruptcy estate.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Japanese covered bonds are neither Covered Bond Directive compliant nor Art. 129 CRR compliant since Japan is not a Member State of the European Union ("EU"). Furthermore, the covered bonds do not benefit from preferential risk-weighting for regulatory capital purposes under EU rules due to the lack of a Japanese covered bond legal framework.

## X. ADDITIONAL INFORMATION

### Index Eligibility

Japanese covered bonds are eligible as "covered bonds" for the purposes of the Bloomberg Aggregate indices and the Markit iBoxx Index.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.25 LATVIA

By Agneta Rumpa, Hannelora Voiciša, Santa Rubīna, Sorainen Law Firm, Richard Kemmish, consultant and Jacek Kubas, EBRD

### I. FRAMEWORK

A specific regulation for covered bond issuance in Latvia was created in 2021 when Latvian Parliament adopted the Covered Bonds Law (the **Law**). The Law entered into force on 23 June 2021. There are also certain regulations on the procedures to obtain the permit for the implementation of a covered bond programme, procedures for selecting a candidate for the office of the special administrator, as well as the reporting on potential and actual violations and financial reporting. The authority responsible for supervising the covered bonds issuance is Latvijas Banka, the Latvian financial sector supervisory authority.

#### The Covered Bonds Law

The Law was developed by the Latvian Ministry of Finance in cooperation with the European Bank for Reconstruction and Development (EBRD) and the European Commission (EC) in order to improve and modernize the national covered bond regulation. The Law transposes the Covered Bonds Directive No. 2019/2162 (CBD) and is aligned with the amended CRR. The Law implements a variant of the "SPV model", requiring the cover assets to be segregated from the other assets of the credit institution, either on-balance sheet or in a special purpose vehicle ("SPV"). With this, the banks-issuers have discretion as to the timing of the legal transfer of cover assets to the SPV, in accordance with the rules to be set out in a so called Transfer Agreement, also subject to a regulatory approval by Latvijas Banka. The Law also aims to follow the best market practices of cover bonds regulation.

The Law prescribes the cover portfolio management agreement and the terms of its conclusion. The Law covers covered bonds structure; establishment, operation, liquidation and supervision of the covered bond company (the SPV); cover assets' acquisition and protection from third party claims; insolvency procedure aspects of the issuer, the credit institution transferring the claims included in the covered bond portfolio (the transferor) and the covered bond company; protection of investors and creditors of the covered bonds; public supervision of the operation of covered bond programmes; and operation of cross-border programmes.

Given that it is essential for all three Baltic States (Latvia, Lithuania and Estonia) to create a uniform covered bonds market, reflecting compatibility of local legislations, certain elements of the legislation, to the extent possible, were aligned during the drafting process amongst all three jurisdictions. The Law is a step closer to creating a pan-Baltic (a common Latvian-Lithuanian-Estonian) covered bond market and allows for the possibility to combine bank assets from all three Baltic States in the cover pool.

In the short period of time the Law has been in force, the covered bonds market potential in Latvia is only being explored, with no issuances to date. Taking a look on the whole pan-Baltic market, the first covered bond issuance out of Estonia took place March 2020.

### II. STRUCTURE OF THE ISSUER

Under the Law, to operate a covered bond programme and to issue covered bonds, any licensed credit institution registered in Latvia, or a foreign (non-EU/EEA) credit institutions' branch in Latvia, may apply for the license for covered bond programme operation. If the issuer is a foreign (non-EU/EEA) credit institution' branch, the decision on the establishment of a covered bond company must be made by the foreign (non-EU/EEA) credit institution as a legal person. The license is issued by the Central Bank (hereafter Latvijas Banka). The Latvijas

1 Latvijas Banka's Regulation No. 317 "Regulation on the Documents to be Submitted for Receiving the Permit to Implement a Covered Bond Programme and for Submitting the Notification of the Intention to Issue Covered Bonds, and the Procedure for the Examination of these Documents" (in Latvian – "Noteikumi par iesniedzamajiem dokumentiem atļaujas īstenot segto obligāciju programmu saņemšanai un paziņojuma par nodomu emitēt segtās obligācijas iesniegšanai un šo dokumentu izskatīšanas kārtību"), adopted by Latvijas Banka on 17 September 2024, available at: https://likumi.lv/ta/id/355060.

Banka issues the license for the operation of covered bond programme to the credit institution if it and the proposed covered bond programme fulfils regulatory requirements. For example, the Law expressly lists such criteria as:

(1) the issuer's obligations to investors and creditors of covered bonds must be secured by a guarantee of the covered bond company (the SPV);

(2) appropriate accounting procedures and technical arrangements are used ensure the separation of cover assets;

(3) the issuer has developed and implemented an appropriate, comprehensive, reasonable and effective set of policies, procedures and methodologies for the operation of the covered bond programme, taking into account the type, scope and complexity, including the continuity plan, for the covered bond programme;

(4) the issuer has ensured that the implementation of the covered bond programme is performed by persons with sufficient qualifications;

(5) the issuer has implemented and complies with the provisions which provide that the cover assets – tangible property – are adequately insured against losses;

(6) the results of the stress testing performed by the issuer indicate the observance of the coverage requirements and the required levels of overcollateralisation.

The more detailed procedural aspects on how to apply for the license for covered bond programme operation are laid down by the mentioned regulations, which were adopted for assessing the ability of the issuer to implement the covered bond programme.

The Law also provides for the requirements for establishing and operation of a covered bond company (the SPV). The issuer – a credit institution – must establish a covered bond company. The issuer and the covered bond company must be registered in the same EU member state. The issuer must be a shareholder of a covered bond company. The covered bond company must be established in a form of a limited liability company (in Latvian – *sabiedrība ar ierobežotu atbildību*) or a stock company (in Latvian – *akciju sabiedrība*). The operation of a covered bond company is limited to ensuring its own operation and the fulfilment of the covered bond programme. The covered bond company must be liquidated if the covered bond programme is completed or the covered bond company no longer has cover assets and rights to new cover assets in accordance with the cover pool management agreement. The reorganization, transfer of undertaking or any other action in respect of the covered bond company, if this action would prevent or prejudice the ability of the covered bond company to fulfil its obligations under the provided surety, is prohibited, unless it can be shown that such action would not harm the interests of the covered bond creditors and investors.

## III. COVER ASSETS

The following types of cover assets must be included in the cover pool:

(1) financial assets that the issuer lends to the covered bonds company (SPV) for the acquisition of primary assets and substitution assets;

(2) primary assets and substitution assets;

(3) transaction values of the derivative contracts;

(4) financial assets which have been acquired from the assets referred to in previous points 2 and 3.

At least 85% of the required cover assets value must consist of primary assets. The Law provides that primary assets consist only of the high quality assets from these particular classes:

(1) public sector assets indicated in Article 129(1)(a) and (b) of the CRR;

(2) residential mortgage assets as provided for in Article 129(1)(d) of the CRR;

(3) commercial mortgage assets as provided for in Article 129(1)(f) of the CRR;

(4) loans covered by liens on ships as provided for in Article 129(1)(g) of the CRR;

(5) assets which are loans (credits) to capital companies controlled by a public person or, in cases where the law allows such capital companies to issue loans (credits) or provide guarantees themselves, loans (credits) guaranteed by such capital companies.

Whereas the substitution assets may consist of assets in the form of exposures as per Article 129(1)(c) and (1a)(a),(b),(c) and (d) of the CRR.

In order to ensure the compliance of the cover pool with the requirements specified by law, assets with payments that are overdue for more than 90 days cannot be included in the cover pool. The Law sets out the procedure for determining the value of cover assets related to an outstanding loan in the event of default, i.e. if the debtor delays the repayment of the loan.

## IV. VALUATION AND LTV CRITERIA

The issuer must value the underlying assets in accordance with the Latvijas Banka requirements for credit risk management, including the applicable valuation standards, and the requirements for the persons entitled to value the assets. The valuation of cover assets must be adjusted in accordance with the indexation of the assets' market value.

For the primary assets that are residential mortgage assets, the LTV (the loan amount ratio to the coverage value) cannot exceed 70%. For the primary assets that are commercial mortgage assets and loans covered by liens on ships, the said ratio cannot exceed 60%. The ratio must be determined for the cover asset on the day when it is included in the cover pool for the first time.

The valuation must be performed at least once a calendar year, unless the terms of the covered bond programme provide for a more frequent valuation or it is required by the Latvijas Banka, or the cover pool monitor. The methods to be used in the valuation of cover assets and the indexation procedure for the valuation of cover assets must be determined in the terms of the covered bond programme.

## V. ASSET – LIABILITY MANAGEMENT

The Law stipulates the conditions for the use of derivative contracts in the cover pool and provides for the obligation to ensure liquidity reserves and stress testing. To ensure that the issuer is able to fulfil its obligations to investors, the issuer is required to replenish the cover pool with new cover assets in the event the stress test result shows that the applicable stress testing scenario does not comply with the required level of overcollateralisation.

The Law stipulates that the issuer must perform stress testing to simulate various levels of financial stress, at least quarterly, in order to determine whether the underlying assets are sufficient to cover the total outstanding nominal value of the covered bonds. Stress testing must cover all risks that may significantly affect the covered bonds' risk profile.

## VI. TRANSPARENCY

The Law obliges the issuer to disclose information to the investors and creditors, and to the Latvijas Banka. Additionally, the Latvijas Banka ensures availability of general information about issuers and cover bond programmes on its webpage.

Under the Law, the issuer must inform the investors on quarterly basis about the results of a covered bond programme, so that investors can assess its profile and risks and evaluate their own investment. The information for investors must be published on the issuer's webpage, and it must be made available for at least five years. The following information must be published: the value of the cover pool and outstanding covered bonds; the list of international securities identification numbers (ISIN) of all the covered bonds; the geographical division of cover assets; detailed information about market risk; levels of coverage and overcollateralisation; share of loans in case of delayed payments as per Article 178 of CRR; up to date version of the guarantee agreement and the amount of liquidity reserves.

Additionally, the covered bond company (the SPV) must publish the annual report together with a sworn auditor's report on its website or indicate another appropriate medium where this information is made public.

The Latvijas Banka in supervising the implementation of the covered bond programme is entitled to request the issuer, the covered bond company (the SPV) and the cover pool monitor to disclose information and other related documents for public.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The Law provides an obligation for the issuer to appoint a cover pool monitor that ensures constant monitoring of the cover pool. The role of a cover pool monitor must be performed by a sworn auditor or a sworn auditor company. Additionally, the cover pool monitor must be independent from the issuer and issuer's internal auditor. The person who was auditor of the issuer during last two years cannot take a position of cover pool monitor. The cover pool monitor's duties include, but are not limited to:

(1) the examination of the compliance with the regulatory requirements of cover assets management agreement and the cover assets structure at least once a year;

(2) the verification of the accuracy of the entries in the cover asset records; and

(3) the verification of whether the covered bond company (the SPV) and the issuer comply with the legal requirements and duly perform their obligations regarding cover asset management agreement, stress testing, information provision to investors and cooperation with the Latvijas Banka.

The cover pool monitor performs on-going supervision of the cover pool. The Law does not prescribe the regularity of inspections. The frequency of inspections must be determined for each particular situation. The Law allows the issuer, the cover pool monitor and the Latvijas Banka to determine the frequency of monitoring of each of the aspects of the programme.

The Law obliges the cover pool monitor to provide the Latvijas Banka with an annual report on the compliance of the covered bond programme with the requirements of the Law which have been described above. The cover pool monitor must immediately inform the Latvijas Banka, as well as the covered bond company (the SPV) and the trustee (if such is appointed), of any violations identified.

The cover pool monitor is liable to investors for losses incurred by them due to gross negligence or malicious intent of the cover pool monitor. The liability period for the claims of damages is three years.

The Latvijas Banka performs public supervisory functions of the covered bond programmes, including, the emission of covered bonds. The Latvijas Banka has the duty and the powers to take necessary actions to prevent or remedy issues in the operation of the issuer, the transferor and the covered bonds company (the SPV) which may threaten the stability of the financial system or create significant losses for the economy. Including, the Latvijas Banka may adopt the necessary sanctions in respect of the entities or natural persons responsible for non-compliance, which include fines to up to 10% of the annual revenue of the entity, revocation of the licence for cover bonds programme, temporal prohibition for the natural person liable for the non-compliance to fulfil his duties, etc.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The Law contains the principle that the claims of investors and creditors of covered bonds against the cover pool have priority over the claims of other creditors. In respect of other creditors, cover assets may not be subject to enforcement in respect of the issuer, the transferor of claims included in the covered bond portfolio, the covered bond company (the SPV) or the manager of the cover pool. This rule does not restrict the possibility to enforce the claims against the debtor or the security provider of the assets underlying the covered bonds. Enforcement may be taken in respect of such cover assets that remain after the fulfilment of the claims of the investors and creditors of the covered bonds.

According to the Law, in case of the insolvency proceedings of the issuer, the amount of investors' and creditors' claims against the covered bond company is limited by the cover assets owned by the covered bond company. If the cover assets cannot cover the claims of all investors and creditors, these claims are satisfied according to principle of proportionality.

In case insolvency proceedings of an issuer have been declared as set by the Insolvency Law, the Latvijas Banka appoints a special administrator. The special administrator acts in the interests of all investors and creditors of the covered bonds, with the aim of achieving the proper performance of all covered bond claims from the coverage and the income generated by the covered bonds.

The special administrator upon appointment or at the request of the Latvijas Banka must immediately evaluate the cover assets. The special administrator also approves and submits to the issuer's insolvency administrator a list of investors and creditors of the covered bonds. The issuer's insolvency proceedings cannot be completed until the covered bond company is sold to another issuer, or the covered bond claims are fully satisfied, or the sale of all covered assets is completed.

## IX. COMPLIANCE WITH EUROPEAN LEGISLATION

The Law is in compliance with the following European legislation that sets out requirements regarding covered bonds:

(1) the Covered Bonds Directive (CBD) – the Directive No 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU;

(2) the CRR[2] – Regulation (EU) 2019/876 of the European Parliament and of the Council of 20 May 2019 amending Regulation (EU) No 575/2013 as regards the leverage ratio, the net stable funding ratio, requirements for own funds and eligible liabilities, counterparty credit risk, market risk, exposures to central counterparties, exposures to collective investment undertakings, large exposures, reporting and disclosure requirements, and Regulation (EU) No 648/2012.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

2 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.26 LIECHTENSTEIN

By Thomas Stern, Bergt Law Partners, Vaduz

Liechtenstein now has a **dual covered bond framework**.

On the one hand, the **Act on European Covered Bonds (EuGSVG)** implements Directive (EU) 2019/2162 and allows licensed banks ("credit institutions") to issue fully harmonised European covered bonds. On the other hand, the **Pfandbrief Act (PfbG)** establishes a separate national regime for the **Liechtensteiner Pfandbrief**, modelled primarily on the Swiss "central issuing institution" approach. This dual-track system is unusual in comparative European perspective, as many jurisdictions have moved toward consolidation into a single legislative framework (Directive (EU) 2019/2162; BuA 104/2022; BuA 91/2024; Lassen, *EuZW* 2025, 755).

Historically, secured bank funding played only a limited role in Liechtenstein. The domestic banking sector traditionally enjoyed strong balance sheets, ample liquidity and little need for encumbered refinancing. The legislative introduction of covered bond law was therefore driven less by market pressure than by European regulatory developments and, in the case of the PfbG, by the desire to create a national CHF funding instrument for a small and highly concentrated mortgage market (FMA, *Financial Stability Report 2025*, 50 f; BuA 91/2024, 5, 13, 25).

In April 2026, the *Liechtensteinische Pfandbriefinstitut* has issued its first two PfbG-covered bonds with a combined volume of CHF 250 million with a top Aaa rating (Moody's). The two inaugural bonds have maturities of 5 and 10 years, with yields to maturity of 0.593% and 0.875%. They are scheduled to be listed on SIX Swiss Exchange on April 22, 2026, after which they will also be tradable on the secondary market.

### I. FRAMEWORK

#### A. EuGSVG

The EuGSVG is Liechtenstein's implementation of Directive (EU) 2019/2162. It applies only to banks established in Liechtenstein and only to bonds issued under the Act's protected framework. Issuance requires a specific additional authorisation and Financial Market Authorities' (FMA Liechtenstein) approval of the covered bond programme. The statute closely follows the Directive and, in drafting terms, the Austrian reception model. The regime protects the labels "European Covered Bond" and "European Covered Bond (Premium)" and thereby distinguishes regulated issuance under the EuGSVG from other secured bonds that may still be issued outside the Act but without the statutory benefits or protected designation (Directive (EU) 2019/2162; BuA 104/2022; Follak, *ÖBA* 2022, 278; Keinert, *ÖJZ* 2022, 777).

The law is centred on the classical structural principles of covered bonds: **dual recourse, segregated cover assets, bankruptcy remoteness, special public supervision and ongoing cover pool monitoring**. It is intended to place Liechtenstein within the European covered bond framework without going materially beyond the Directive's minimum harmonisation requirements (Stern, ZFR 2020, 4; Uitz, *Der Pfandbrief nach dem österreichischen Pfandbriefgesetz* (2010)).

#### B. PfbG

The PfbG, enacted in 2025, is a distinct national regime and not merely a supplement to the EuGSVG. It is designed around a **specialised Pfandbrief institution** that issues bonds and fund member banks through Pfandbrief loans. The model is clearly inspired by the Swiss Pfandbrief system rather than by the direct-issuer model embedded in the Directive. Its rationale is to permit pooling and efficient issuance for a relatively small market in which individual banks might not achieve sufficient critical mass on their own (BuA 91/2024, 16, 24 f; Emch/Renz/Arpagaus, *Das Schweizerische Bankgeschäft* 6; VPB, *Der Währungsvertrag Schweiz-Liechtenstein* (1981), 44 f).

The PfbG distinguishes between the protected product "Liechtensteiner Pfandbrief" and "other Pfandbriefe." The former is intended as a quality label for a high-grade domestic CHF "mortgage-backed" product, while the latter may allow broader structuring. Unlike the EuGSVG, the PfbG is not aimed at creating a European regulatory label but at building a national institutional funding mechanism tailored to Liechtenstein's market structure (BuA 91/2024, 20 f, 47).

## II. STRUCTURE OF THE ISSUER

### A. EuGSVG

Under the EuGSVG, the **issuer is a licensed bank itself**. The law therefore follows the standard European direct-issuer model. The issuer must be a CRR credit institution and shall hold the additional national authorisation required for issuing covered bonds. The programme itself must be approved by the FMA, and the bank is then subject to dedicated reporting obligations, including quarterly reporting (Directive (EU) 2019/2162, Art 19; BuA 104/2022).

This structure means that the covered bond remains an obligation of the issuing bank, with the statutory cover pool functioning as a second layer of protection. The EuGSVG does not require the use of a special-purpose or central issuing vehicle.

### B. PfbG

Under the PfbG, the issuer is **not the member bank**, but a separately supervised **Pfandbrief institution**. The cover assets remain on the balance sheet of the member banks, while the Pfandbrief institution issues the bonds and extends corresponding Pfandbrief loans to those banks. Only Liechtenstein banks may participate as members. The structure thus combines pooled issuance with decentralised asset origination and resembles the Swiss central issuer model (BuA 91/2024, 24 f).

The Pfandbrief institution may not engage in ordinary deposit-taking. According to the legislative materials, it is not itself a CRR credit institution, but rather a CRR financial institution, potentially subject to prudential consolidation by controlling banks (Art 18 CRR). This has important implications for prudential treatment and risk-weighting, discussed below (BuA 91/2024).

## III. COVER ASSETS

### A. EuGSVG

The EuGSVG follows Article 6 CBD and recognises three broad categories of eligible cover assets: (i) assets eligible under Article 129 CRR, such as certain public-sector claims and mortgage loans; (ii) "high-quality" cover assets under the Act; and (iii) certain loans to or guaranteed by public undertakings. Consumer credit is expressly excluded. Cover assets must be separately documented and entered in a dedicated cover register (Suesserott in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 6 Rn 15 ff., 59; BuA 104/2022).

The law also contains rules on composition. In particular, the cover pool is designed around a core of primary cover assets, with limits on substitute assets and structural safeguards intended to preserve asset quality and enforceability. Liechtenstein also exercised the location option under the Directive by allowing assets not only from the EEA but also from Switzerland and the United Kingdom, which is particularly relevant in the Liechtenstein context.

### B. PfbG

The PfbG is much narrower for the "Liechtensteiner Pfandbrief." Its defining feature is that the cover assets consist, in principle, of **first-class mortgage loans secured by real estate located in Liechtenstein**. This local and high-quality focus is central to the identity of the product. For "other Pfandbriefe," broader structures may be possible, including real estate collateral outside Liechtenstein, but the protected Liechtenstein label is reserved for the domestic mortgage-based product (BuA 91/2024, 20 f).

Legally, the structure relies on a **double pledge**. First, the Pfandbrief institution has a security right over the mortgages originated by member banks. Second, investors have a pledge over the Pfandbrief loans granted by the Pfandbrief institution to the member banks. These rights arise through registration in the respective cover registers, and there is no contractual ranking within the cover pool (BuA 91/2024; discussion of Articles 22, 23 and 29 PfbG).

## IV. VALUATION AND LTV CRITERIA

### A. EuGSVG

Under the EuGSVG, valuation depends on the asset category. For "high-quality" cover assets, the claim must be legally effective, enforceable and secured by an enforceable mortgage, pledge or comparable security. The law requires recognised valuation standards and, where physical collateral is involved, registration in a public register documenting ownership and competing claims.

For such assets, the amount contributing to cover is subject to cumulative limitations: it may not exceed the payment claim, the legally secured amount, or **70% of the collateral value**. The lowest of these values counts toward the statutory cover requirement. This reflects a conservative cover methodology broadly consistent with covered bond practice in neighbouring jurisdictions (Suesserott in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 6 Rn 59; Lassen, EuZW 2025, 797 f).

The statutory minimum cover level is **102% of the nominal amount** of outstanding covered bonds. This is the minimum committed overcollateralisation permitted under the European framework. Rating agencies may, of course, expect more in practice (BuA 104/2022).

### B. PfbG

The PfbG contains more specific mortgage valuation rules. For the Liechtensteiner Pfandbrief, only independently valued mortgages over Liechtenstein real estate are eligible. The **LTV cap is 66% for residential property**, while **60% applies to other real estate**. These thresholds are stricter and more product-specific than the EuGSVG framework and reinforce the premium positioning of the national product (BuA 91/2024, 47; Art 24 PfbG; Art 11 PfbV).

The statutory cover requirement is again **102% on a nominal basis**. In addition, the PfbG requires **interest congruence**, meaning that income generated by the cover assets must at least match the interest burden on the outstanding Pfandbriefe. Exceptionally, highly liquid substitute assets may be added temporarily, notably cash, central bank deposits and certain sovereign exposures (BuA 91/2024; Art 26 PfbG; Art 11(2) PfbV).

## V. ASSET – LIABILITY MANAGEMENT

### A. EuGSVG

The EuGSVG does not impose general full maturity matching between assets and liabilities, but it addresses mismatch risk through a **mandatory liquidity buffer**. Where refinancing is not perfectly maturity-congruent, the issuer must maintain, inside the cover pool, a buffer sufficient to cover the maximum net liquidity outflow over the following 180 days. The eligible assets are broadly aligned with the LCR framework and include Level 1 and Level 2A HQLA, subject to the relevant haircuts and operational requirements (Stern in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 21 Rn 2, 21, 23 ff; Delegated Regulation (EU) 2015/61; Delegated Regulation (EU) 2022/786).

Liechtenstein also made use of the Directive's option to allow **extendable maturity structures**. Under the EuGSVG, a covered bond may contain a contractually pre-defined maturity extension of up to twelve months, exercisable only under statutory conditions in insolvency. This soft-bullet mechanism is intended to avoid forced liquidation of cover assets in stressed conditions and to mitigate short-term liquidity risk, while preserving dual recourse and bankruptcy remoteness (Bortolotti/Beaumont in ECBC Fact Book 2021, 127; Stern in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 22 Rn 3, 6, 9, 11).

### B. PfbG

The PfbG is more rigid on asset-liability alignment. As a rule, **maturity congruence** must exist between the Pfandbriefe and the Pfandbrief loans. The national model therefore places stronger emphasis on synchronisation between the issued liabilities and the funding chain. That said, the law allows for certain early repayment mechanisms and also adopts the concept of extendable maturity structures, though the article stresses that such structures should function as a last resort and only in order to preserve investor protection if liquidity stress threatens the effectiveness of the dual recourse mechanism (BuA 91/2024; Art 30 and 31 PfbG).

The Liechtenstein Pfandbrief shall also be **CHF-denominated**, while the underlying Pfandbrief loans and cover assets must be in the same currency. Currency matching is therefore a core structural principle of the national product (BuA 91/2024, 47; see also SNB, *Merkblatt zu den SNB-repofähigen Effekten* (2026), 2).

## VI. TRANSPARENCY

### A. EuGSVG

The EuGSVG provides transparency through programme approval, reporting obligations and the statutory framework governing the cover pool, liquidity buffer and trustee oversight. Once approved, issuers are subject to dedicated reporting toward the FMA. The regime is aligned with the Directive's objective of making covered bond structures more standardised and more transparent for investors and supervisors (Directive (EU) 2019/2162; BuA 104/2022).

### B. PfbG

The PfbG imposes explicit disclosure obligations on the Pfandbrief institution. In addition, certain MiFID II-derived conduct and distribution rules apply to the issuance and offering process. This is noteworthy because the national model relies heavily on market confidence in a specialised institution rather than on a harmonised European label. Transparency is therefore partly substituted through governance, disclosure and supervisory monitoring (BuA 91/2024; Art 12 and 17 PfbG).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### A. EuGSVG

The EuGSVG requires the appointment of a **cover pool trustee/monitor**. This function may be internal or external, but in both cases it must be independent and continuously monitor the cover pool. The trustee operates alongside the bank's ordinary risk management function and is best understood as a dedicated control function tailored to the special protected pool structure. New appointments and changes must be notified to the FMA (Stern in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 18 Rn 24, 25, 29).

The issuer remains subject to ordinary banking supervision, including Pillar II risk governance, ICAAP and ILAAP. The covered bond business must be integrated into the bank's internal steering processes, including its liquidity and capital allocation framework (FMA-Mitteilung 2017/4 ICAAP; FMA-Mitteilung 2017/6 ILAAP).

### B. PfbG

Under the PfbG, supervision is centred on the **Pfandbrief institution** itself and exercised by the FMA. In addition, an auditing firm plays a formal role as an ex ante line of defence in reviewing compliance with the statutory requirements. Because the national model separates issuance from asset origination, supervision is institutionally more layered than under the EuGSVG (BuA 91/2024; Art 14, 16, 25 and 38 PfbG).

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### A. EuGSVG

The EuGSVG embodies the classical covered bond concepts of **segregation** and **bankruptcy remoteness**. Investors enjoy dual recourse: a claim against the issuing bank and a privileged claim against the segregated cover pool. Only covered bondholders and certain derivative counterparties may enforce against that special estate. In insolvency or resolution, the bonds do not accelerate automatically; instead, the structure continues according to its contractual profile. This is a central value-preserving feature of the regime (BuA 104/2022; Müller in Heindler/Wolfbauer, *Kommentar zum Pfandbriefgesetz* (2023) § 4 Rn 7-8; Mohr/Eriksson, ibid., § 5 Rn 2-5).

### B. PfbG

The PfbG achieves a similar protective result through a different legal mechanism. Bankruptcy remoteness is not built around a directly issued covered bond with an attached cover pool, but around the dual-pledge structure between the Pfandbrief institution, member banks and investors. In the event of the insolvency of the Pfandbrief institution, a special insolvency regime applies, rather than ordinary insolvency law. The article also notes that the general bank resolution regime is not a natural fit for such a narrowly structured specialised institution and that liquidation or transfer mechanisms are more coherent in this setting (BuA 91/2024; discussion of Articles 41 ff. PfbG; Stern, *Bankenaufsichtsrecht im EWR* (2020), 217-226).

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

### A. EuGSVG

The EuGSVG is expressly designed to comply with **European covered bond legislation** and thereby make the product eligible for the regulatory privileges associated with European covered bonds. These include preferential treatment under Article 129 CRR, favourable recognition in liquidity regulation and compatibility with the broader EU prudential framework applicable to covered bonds. In this respect, the EuGSVG is Liechtenstein's vehicle for full integration into the European covered bond model (Directive (EU) 2019/2162; Art 129 CRR; Stern, *ZFR* 2020, 4).

### B. PfbG

The PfbG does **not** create a "European Covered Bond" within the meaning of the Directive. Accordingly, exposures to the Liechtensteiner Pfandbrief do not automatically benefit from Article 129 CRR treatment. In the Standardised Approach, they are in principle treated as corporate exposures unless other credit risk mitigation techniques apply. Likewise, the instrument does not qualify as HQLA under the dedicated covered bond provisions of the LCR merely by virtue of being a Liechtenstein Pfandbrief. This is a major regulatory distinction between the national and the European regime (BuA 91/2024; Articles 122, 192 f CRR, 197; Delegated Regulation (EU) 2015/61).

A separate practical issue is **SNB repo eligibility**. The article argues that, although the Liechtenstein Pfandbrief institution is not yet expressly listed among SNB-eligible issuers, the monetary treaty with Switzerland supports equal treatment of Liechtenstein and Swiss entities. If accepted by the SNB in practice, this would materially strengthen the market utility of the national product, particularly in CHF liquidity management (SNB, *Merkblatt zu den SNB-repofähigen Effekten* (2026), 2-3; VPB, *Der Währungsvertrag Schweiz-Liechtenstein* (1981), 44 f).

### Concluding Observation

Liechtenstein has chosen a **two-pillar approach**: the **EuGSVG** ensures compliance with the European harmonised covered bond framework, while the **PfbG** creates a specifically domestic funding architecture centred on a Swiss-style issuing institution. The EuGSVG is stronger from a European prudential recognition perspective, whereas the PfbG may be more commercially practical for Liechtenstein's market size and CHF-focused mortgage sector.

The first appears legally integrative, the second institutionally adaptive. Together, they place Liechtenstein in a distinctive position within the European covered bond landscape.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.27 LITHUANIA

By Tomas Kontautas, Lina Aleknaitė-van der Molen and Andrius Pilitauskas, Sorainen Law Firm

### I. LEGAL FRAMEWORK

Since 2017 Lithuania was working on its regulation of covered bonds and securitisation. As a result, the Introduction of a Covered Bond and Securitisation Legal and Regulatory Framework in Lithuania was published in 2017, followed by the drafting of the Law on Securitisation and Covered Bonds (the **Draft Law**) presented for public discussion on 18 July 2018.

After preparing the Draft Law, on 22 July 2022 Lithuania has finally adopted Law on Securitisation and Covered Bonds (the Law on Securitisation and Covered Bonds).

### II. STRUCTURE OF THE ISSUER

In Lithuania, covered bonds can be issued by an authorized credit institution. However, before issuing covered bonds the credit institution has to obtain an additional authorisation from the Bank of Lithuania which is the Lithuanian financial supervisory authority (the **Lithuanian FSA**). A prospective issuer who is applying for the authorization has to prove that it will comply with the requirements imposed upon the issuer by the Law on Securitisation and Covered Bonds. For example, a prospective issuer is required to have technology and systems, control mechanisms and a risk management system necessary for the administration of the cover pool. Moreover, it has to have a contingency plan.

Lithuania has chosen and adopted the SPV model for covered bonds. As a result, the assets included in the cover pool are transferred to an SPV under the *true sale* principle and the investors are granted the *dual recourse* right. Therefore, the credit institution, as the issuer, has a direct responsibility for redemption, but the cover pool is *ring-fenced* in the SPV and the issuer's creditors do not have any claim rights against it.

The day-to-day supervision of covered bond programs shall be undertaken by a cover pool monitor. In specific, the cover pool monitor will inspect the compliance of the issuer with the requirements of the Law on Securitisation and Covered Bonds, in particular whether the asset pool is, during the whole period of validity of the regulated covered bond, capable of covering claims attaching to the bond and sums required for the maintenance, administration and winding up of the asset pool (operational expenses) and for the transfer of the asset pool to a third-party servicer; whether the cover pool is of sufficient quality to give investors the confidence that in the event of the failure of the issuer there will be a low risk of default in the timely payment by the covered bond entity of claims attaching to the bond; whether the eligible property in the cover pool of a single asset class bond consists only of eligible property of the same class as the eligible property included in the asset pool of the regulated covered bond when registered and/or liquid assets and/or derivatives, etc.

### III. COVER POOL

Cover assets shall mean an "asset pool" comprised of the following:

(1) primary cover assets:

a. public sector assets indicated in Article 129(1)(a) and (b) of the Capital Requirements Regulation (the **CRR**), except for exposures that are eligible for credit quality category 2 as referred to in part (b) thereof;

b. residential mortgage assets – loans covered by non-commercial real estate as provided for in Article 129(1)(d) and (e) of the CRR;

c. commercial mortgage assets – loans covered by commercial real estate as provided for in Article 129(1)(f) of the CRR;

d. loans covered by liens on ships as provided for in Article 129(1)(g) of the CRR;

e. other high-quality assets classified as eligible assets by the Lithuanian FSA in accordance with Article 129 of the CRR.

(2) cash from the assets that are part of the asset pool;

(3) eligible derivatives (for hedging purposes only);

(4) liquid debt securities issued by an EEA country, regional government or local authority of an EEA country.

Nevertheless, only the performing credits could be included in the cover pool as primary cover assets. The primary cover assets shall constitute no less than 80 % (eighty per cent) of collateral assets under relevant bonds issue. The substitution assets shall not exceed 20 % (twenty per cent) while the assets as provided for in Article 129 (1)(c) shall not exceed 15 % (fifteen per cent) of collateral assets under relevant bonds issue. The statutory over-collateralization level should be no less than 5% (five per cent) of the total principal amounts outstanding in relation to the bonds which the asset pool relates to.

## IV. VALUATION AND LTV CRITERIA

Law on Securitisation and Covered Bonds provides that the LTV criteria for the property given as collateral for the credits linked to the real estate assets of the issuer must abide by the following maximum percentages: residential mortgages – 70% (seventy per cent) of the value of property valuation and commercial mortgages – 60% (sixty per cent) of the value of property valuation.

Market value indexation should be performed at least once a year, i.e. the loan-to-asset value ratio should be adjusted on an annual basis, unless higher indexation is provided in the covered bond programme or more frequent indexation is required by the cover pool monitor or the Lithuanian FSA.

Law on Securitisation and Covered Bonds entitles the Lithuanian FSA to elaborate on the criteria for assessing the eligibility of loans to be included in the cover pool and for the valuation of the underlying assets.

## V. ASSET AND LIABILITY MANAGEMENT

The issuer has an obligation to perform a stress test on the covered bond portfolio and assess the impact of the main risk factors to which the asset portfolio is exposed in relation to the sufficiency requirement. The stress test should cover at least the interest rate, currency, credit, liquidity, set-off, commingling risks and other risks as indicated by the Lithuanian FSA. When carrying out the stress tests, the relevant risk-mitigating factors such as derivative contracts and other agreements entered into for the purpose of risk mitigation must be taken into account. Stress testing must be done at least once a quarter.

Such stress tests must be carried out by the issuer according to its own approved methodology based on consistent, documented and verifiable criteria, assumptions and procedures. The managers of the issuer are responsible for ensuring the performance of stress tests.

Law on Securitisation and Covered Bonds grants the Lithuanian FSA the right to establish more detailed requirements for the procedure and methodology of stress testing of covered bond portfolios.

Regarding the liquidity requirement, the cover pool must contain liquid assets in an amount equivalent to the issuer’s related commitments secured by the cover pool and falling due in the next 180 days.

## VI. TRANSPARENCY

In addition to the disclosure obligation arising from other legislation, an issuer must disclose information about covered bond portfolios on a quarterly basis. The following information is required to be disclosed to the holders of regulated covered bonds:

(1) information on the credit, market, currency, interest and liquidity risks associated with the cover assets and the covered bonds;

(2) the total nominal value of the outstanding covered bonds;

(3) the total value and composition of the cover assets and the geographical distribution of the cover assets;

(4) the ratio between the total value of the cover assets and the total nominal value of the outstanding covered bonds, over-collateralization, including voluntary over-collateralization;

(5) information about a liquidity buffer;

(6) information on the structure of the covered bonds, including the maturity profile of both the cover assets and the outstanding covered bonds;

(7) the methodology used to calculate LTVs for mortgage assets;

(8) the percentage of the cover assets with payments past due by more than ninety days;

(9) information on the counterparties and the SPV;

(10) information on stress testing scenarios and its results;

(11) other relevant information for the investor, as established by the Lithuanian FSA.

The information stated in the first paragraph is to be provided in sufficient detail to enable the regulated covered bond-holders to carry out an adequate risk analysis.

The Lithuanian FSA may establish more specific disclosure requirements, including approval of their standardized formats.

**VII. COVER POOL MONITOR AND BANKING SUPERVISION**

The cover assets owned by the SPV must be supervised by a cover pool monitor. The issuer of the covered bond must appoint and dismiss the cover pool monitor. The cover pool monitor may not be a person who was an external auditor of the issuer within the previous three years; also Lithuanian FSA has a right request to substitute cover pool monitor.

The cover pool monitor must perform the following functions:

(1) inspect the compliance of the asset pool with the requirements set out in the Law on Securitisation and Covered Bonds (for example, the existence of a sufficient cover pool and its compliance with the requirements, as well as the accuracy of the records kept in relation to each asset in the asset pool);

(2) inspect the compliance of the issuer with the requirements related to derivatives, stress testing, liquidity buffers and transparency;

(3) prepare a report in accordance with the guidance issued by the Lithuanian FSA on the quality of the assets in the cover pool;

(4) perform other instructions of the Lithuanian FSA.

The cover pool monitor must submit the report to the SPV, the issuer, and the Lithuanian FSA. In addition, the cover pool monitor must immediately inform the management of the SPV, the issuer, the Lithuanian FSA and, as the case may be, the representative of the investors about any irregularities and inaccuracies discovered during the performance of the cover pool monitor's duties.

**VIII. SEGREGATION OF THE COVER POOL AND BANKRUPTCY REMOTENESS OF COVERED BONDS**

As pointed out above, Lithuania has chosen and adopted the SPV model for covered bonds. As a result, the assets included in the cover pool are transferred to an SPV under the *true sale* principle and the cover pool is *ring fenced* in the SPV, and therefore the issuer's creditors do not have any claim rights against the cover pool. Moreover, the Law on Securitisation and Covered Bonds imposes the obligation to ensure that the SPV is independent from the issuer and is not consolidated with the issuer upon its insolvency.

In the event that the issuer is declared insolvent, the cover pool will be considered to be separated from the other assets of the issuer under the Law on Securitisation and Covered Bonds and will not be part of the issuer's insolvency estate. Upon the issuer's insolvency, court appoints a special administrator who is recommended by the Lithuanian FSA to take over the management of the cover pool and covered bond program. The special administrator must manage covered bond portfolios with the necessary diligence and in a manner ensuring that the liabilities arising from the covered bonds and from the derivative instruments are met in the best possible way.

Covered bond holders enjoy preferential treatment as the Law on Securitisation and Covered Bonds stipulates the *ring fencing* of the cover assets in the case of the issuer's insolvency. Bond holders have the first access rights to the cash flows generated by the assets included in the cover pool, and it is forbidden to challenge the asset transfer to the cover pool.

## IX. COMPLIANCE WITH EUROPEAN LEGISLATION

The Law on Securitisation and Covered Bonds is in compliance with the following European legislation that sets out requirements regarding covered bonds:

(1) Directive 2009/65/EC of the European Parliament and of the Council of 13 July 2009 on the coordination of laws, regulations and administrative provisions relating to undertakings for collective investment in transferable securities (UCITS);

(2) Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012;

(3) Directive 2014/59/EU of the European Parliament and of the Council of 15 May 2014 establishing a framework for the recovery and resolution of credit institutions and investment firms and amending Council Directive 82/891/EEC, and Directives 2001/24/EC, 2002/47/EC, 2004/25/EC, 2005/56/EC, 2007/36/EC, 2011/35/EU, 2012/30/EU and 2013/36/EU, and Regulations (EU) No 1093/2010 and (EU) No 648/2012, of the European Parliament and of the Council Text with EEA relevance;

(4) Directive (EU) 2019/2162 of the European Parliament and of the Council of 27 November 2019 on the issue of covered bonds and covered bond public supervision and amending Directives 2009/65/EC and 2014/59/EU.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.28 LUXEMBOURG

By Dr. Frederik Kunze, NORD/LB, Frank Will, HSBC & Chairman of the ECBC EU Legislation Working Group and Dries Janssens, Belfius

### I. FRAMEWORK

The legal framework for covered bonds under Luxembourg has significantly changed recently. The amendments implementing the Directive (EU) 2019/2162 of 27 November 2019 as well as the amendments of Regulation (EU) 575/2013, Regulation (EU) 2019/2160 also from 27 November 2019, entered into force on 8 July 2022. This new covered bond law is applicable for covered bonds issued from 8 July 2022.

The following gives an overview of the legislative framework for Luxembourg covered bonds:

> The Law of 8 December 2021 on the issuance of Covered Bonds, as amended on 24 December 2024;

> The Circular Regulations of the Commission de Surveillance du Secteur Financier (CSSF)

- CSSF Regulation 25/03 of 25 July 2025 relating to the activity of issuing covered bonds;
- CSSF Regulation 25/895 relating to the information to be transmitted as part of the issue of covered bonds in accordance with the Law of 8 December 2021;
- CSSF Regulation 26/907 relating to the Requirements applicable to special réviseur d'entreprises agréé (approved statutory auditor) for credit institutions issuing covered bonds;

> > The Lettres de Gage Publiques issued under the old framework are grandfathered and are regulated by Articles 12-1 to 12-12 of the Financial Sector Act of 5 April 1993 (the Financial Sector Act). These articles were introduced by the Act of 21 November 1997 for banks issuing mortgage bonds and amended by the Act of 22 June 2000, by the Act of 24 October 2008, by the Act of 27 June 2013 and by the Act of 21 June 2018. The old Lettres de Gage regulations are supplemented by the Commission de Surveillance du Secteur Financier (CSSF) Circular 01/42 which lays down the rules for the appraisal of real estate and Circulars 18/705-707.

Under the new legal framework, the six categories of covered bonds may be issued. The new law introduces Obligations Garanties Européennes (European Covered Bonds) as well as Obligations Garanties Européennes Lettres de Gage de Qualité Supérieure (High-quality European Covered Bonds) which may be issued in addition to Lettres de Gage Hypothécaires, Lettres de Gage Publiques, Lettres de Gage Énergies Renouvelables and Lettres de Gage Mobilières.

In December 2018, the CSSF published Circulars supplementing the Financial Sector Act, which apply to the grandfathered Lettres de Gage Publiques. Circular 18/706 lays down the transparency requirements based on Article 12-6(2) and Circular 18/707 defines the minimum requirements for the maintenance and control of the cover register and the liquidity requirements for the cover pool.

In addition to credit institutions approved by the CSSF as covered bonds bank (banques d'émission de lettres de gage) starting from 8 July 2022 all credit institutions incorporated in Luxembourg as well as covered bonds banks may be allowed to issue covered bonds. The relevant changes to Article 2 of the new law also specify a limit for the cover pools. These credit institutions cover pools are limited to 20% of the total liabilities (own-funds included) excluding eligible deposits.

Furthermore, the new law introduces the two types of covered bonds specified by the EU Directive: "European covered bonds" (Obligations Garanties Européennes) as well as "(high-quality) European covered bonds" (Obligations Garanties Européennes (de Qualité Supérieure)), whereas the latter meet the requirements of Article 129 of the capital requirements regulation (CRR).

## II. STRUCTURE OF THE ISSUER

The covered bond issuers are not restricted anymore to credit institutions with a specialist bank license. Credit institutions that are incorporated in Luxembourg may also issue covered bonds based on the fulfillment of certain criteria (i.e. the above-mentioned 20% cover asset limit). The business activities of covered bonds banks are restricted. These issuers may only engage in other banking and financial activities if these activities are accessory and auxiliary to their main business.

Under the new legal framework, the asset classes and corresponding cover pools differ across the covered bond types Lettres de Gage Hypothécaires, Lettres de Gage Publiques, Lettres de Gage Mobilières and Lettres de Gage Energies Renouvelables as well as European covered bonds and (high-quality) European covered bonds. The covered bond issuer holds the cover assets on its balance sheet in separate registers. Each class of covered bonds has its own register. They are not transferred to another legal entity (special purpose vehicle) like in a securitisation. All obligations arising from Luxembourg covered bonds are direct, unconditional obligations of the issuer. In the case of issuer insolvency, the cover pools are segregated by law from the general insolvency estate and are reserved for the claims of the bond holders. There is no direct legal link between a single asset in the cover pool and an outstanding bond. Interest and principal payments of the various types of bonds (including any derivatives benefitting from the preferential treatment) are backed by the assets in the respective cover pools.

The issuers have to be banks and according to the Financial Sector Act they need to have sound administrative and accounting procedures, control and safeguard arrangements for electronic data processing and adequate internal control mechanisms, which restrict the extent of outsourcing legally possible. In addition, the way of permitted outsourcing is described in detail in different CSSF Circulars.

## III. COVER ASSETS

There are four asset classes: (i) mortgage assets, (ii) public sector exposures, (iii) movable assets, i.e. mortgage loans on ships, aircrafts, trains or other classes of movable assets and (iv) lending for renewable energy asset/projects. Generally, the cover assets including substitution assets have to be assets from EU, EEA or OECD countries. However, the cover pools of Lettres de Gage Publiques can contain up to 50% assets from outside the EU, the EEA and the OECD, if a rating agency registered on the ESMA list has assigned sovereign ratings of credit quality step 1 to the respective countries, and up to 10%, if the sovereign ratings are credit quality step 2. In addition, Art 13 of the new covered bond law foresees for structures regrouping assets backed by intragroup guarantees.

The ordinary assets in each of the various cover pools may be replaced by up to 20% of the nominal value of the outstanding Lettres de Gage by substitution assets, such as cash, assets with central banks or with credit institutions or certain public-sector assets.

> The **Lettres de Gage Hypothécaires** are backed by mortgage loans or assimilated.

> The **Lettres de Gage Publiques** are backed by credit exposures on public sector entities or guaranteed by public sector entities.

> The **Lettres de Gage Mobilières** are backed by movable assets, i.e. mortgage loans on ships, aircrafts, trains or other classes of movable assets. In order to be cover pool eligible, the movable assets and the charges on the property of those assets need to be registered in a public register.

> The **Lettres de Gage Énergies Renouvelables** are backed by lending to projects generating renewable energy. This includes all necessary equipment for the generation, storage, and transmission of such energy, including electricity storage facilities, transformers, and power lines, whether under construction or finalised. To be cover pool eligible, production equipment must be used exclusively to produce renew-

able energy, while storage and transmission equipment needs to be used more than 50% in connection with renewable energy.

In addition, securitised assets are cover pool eligible for Lettres de Gage Énergies Renouvelables if they comply with certain eligibility criteria. If the securitisation vehicle contains at least 50% renewable energy assets, the securitisation tranche would be eligible. The percentage of securitisation assets shall not exceed 20% of the total collateral pool. Moreover, the securitisation tranches should have a rating of the credit quality step 2 by a rating agency that is registered on the list by ESMA.

Art 7 of the covered bond law sets out the criteria for derivatives that are employed as hedging instruments. The cover pools are dynamic, but prior approval of the cover pool monitor (réviseur d'entreprises agréé special) is required for removing cover assets from the pool.

As regards European covered bonds a public register recording the ownership of and claims to such assets, or an alternative form of certification is required for physical assets. In the case of assets in the form of risk positions, the safety and soundness of the relevant counterparty for public entities is derived either from tax collection powers or from ongoing public oversight of the operational soundness and solvency of the counterparty. European covered bonds may also be covered by assets in the form of loans granted to public companies where the public enterprises provide essential public services on the basis of a license, concession contract or other form of entrustment by a public authority. Additionally, public undertakings are subject to public oversight and the public undertakings have powers that enable the generation of sufficient revenues.

## IV. VALUATION AND LTV CRITERIA

Article 8 of the new law defines that the LTV limit for European covered bonds and (high-quality) European covered bonds is 70%. The physical assets pledged as collateral referred to in Article 4(2)(1) that secure assets referred to in Article 4(1)(2) do not have to comply with the 70% limit or the limits set out in Article 129(1) of Regulation (EU) No 575/2013.

Beyond these bonds defined the LTV limit for residential property is 80% of the property value for European covered bonds (premium). The LTV ratio is 60% for all other immovable and movable properties including commercial real estate loans. The actual loan, however, can exceed the 60% limit (or 80% limit in case of residential mortgages). In those cases, only the 60% (80%, respectively) of the mortgage lending value is eligible for the cover pool. The LTV ratio for 'renewable energy' loans is limited by law to 50%. The limit might, however, be increased to up to 80% if certain conditions (such as a regulated fixed remuneration regime or free of charge renewable energy sources) are met.

## V. ASSET – LIABILITY MANAGEMENT

Under the old law, there is a minimum overcollateralisation level of 2% on a nominal basis as well as on a net present value basis. Mismatches in terms of currency or interest rate risk can be hedged and the respective hedge instruments have to be included in the collateral pool. The cover assets of the relevant cover pool must provide total interest revenue at least equal to the amount of interest of the covered bonds of the same category in circulation. The amendments of the Lettres de Gage law in June 2018 also included the introduction of a liquidity buffer of 180 days. The liquid buffer assets can consist of ECB eligible assets as well as assets qualifying as Level 1 or Level 2A assets under the European LCR rules (excluding own-use covered bonds).

The new covered bond law of Luxembourg specifies the requirements regarding the liquidity buffer in Article 9. Maturity extension up to 12 months are possible if certain requirements are met. First, the competent court shall have nominated an administrator for the special estate if the special estate find itself in a menacing liquidity situation or if the economic situation of the special estate compromises the ability of the special administrator to fulfill his mission. Second, the administrator of the special estate may then decide to extend the initial due dates of principal and interest by maximum one month, if the initial due date falls within one month following the nomination of the administrator by the court.

The administrator can also extend the maturity date of the principal payment by up to 12 months if (i) this extension allows to avoid an insolvency of the special estate; and (ii) there are objective reasons to prove that the extension will allow to respect the new maturity date. Such extension must in any case be authorized by the court.

Article 6 of the new law specifies the coverage requirements for covered bonds issued under Luxembourg law. The issuer has to ensure that the present value of the cover assets is at all times equal to or higher than the present value of the liabilities arising from the outstanding bonds. In addition to that, nominal coverage is required. For Lettres de Gage Hypothécaires, Lettres de Gage Mobilières and Lettres de Gage Énergies Renouvelables as well as European covered bonds minimum OC is given by minimum of 5%. The CSSF may, in accordance with the covered bond directive, lower the OC requirement in accordance with Article 129 CRR. For Lettres de Gage Publiques and European Covered Bonds backed by public sector assets, Article 6 defines a minimum OC of 10%.

The liquidity test – under the new law – foresees that cumulative net treasury outflows over a period of maximum 180 days are covered. Principal maturity dates must be covered with respect to their initial maturity date. Eligible liquidity assets are Level 1, 2A or 2B assets under the European LCR rules and short-term exposure to credit institutions (with CQS 1 or 2) or short term deposits at credit institutions (with CQS 1, 2 or 3).

The cover pool monitor has to ensure that there is always sufficient collateral in the pool. This has to be certified by the special auditor when Lettres de Gage are issued. Cover assets may only be removed from the cover pool when the prior written consent of the cover pool monitor has been received and provided that the remaining cover assets are sufficient to guarantee the legally protected cover.

## VI. TRANSPARENCY

In the old law, an explicit transparency requirement was laid down in Article 12-6(2) and supplemented by CSSF Circular 18/706. The issuers have to publish information on the composition of the cover pool, the Lettres de Gage and the issuer. This is in line with the ECBC Covered Bond Label Initiative.

Based on the new law, issuers' duties regarding the provision of information for investors include at least quarterly reports. The required details described in Article 18 of the law, include, amongst others, the amount of outstanding bonds and the corresponding amount of cover assets, a list of ISINs, geographical distribution and types of cover assets, amount of loans and the valuation methods.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The supervisory authority of covered bond issuers is the CSSF, as already mentioned above. The CSSF has a specialised department which is responsible for supervising the covered bond issuers. It is entitled to demand relevant reports and intercede if liquidity problems have been identified at a bank.

The CSSF is also responsible for the approval of the various types of covered bonds. Based on the new law, the CSSF is also required to disclose information regarding covered bond issuers, relevant laws, regulations and CSSF circulars in the context of covered bonds on its website. The information includes a list of institutes with the permission to issue covered bonds, a list of bonds which may be labelled as European covered bonds and a list of (high-quality) European covered bonds as well as a list of all other covered bonds including a classification of covered bond type.

For the independent control, a cover pool monitor which is recommended by the Lettres de Gage issuer has to be approved by the supervisory authority. Only auditing firms which satisfy the conditions set forth in the law of 2009 *regarding réviseurs d'entreprises* (independent auditors) can be appointed as cover pool monitor.

The issuer communicates the names of the partners of these auditing firms who will fulfil the function to CSSF. The cover pool monitor must have a suitable qualification and must be able to call upon the experience and technical expertise of a recognised international auditing firm.

The cover pool monitor is continuously responsible for monitoring the collateral pool and the outstanding Lettres de Gage. The cover pool monitor must ensure that there are sufficient assets in the collateral pool to service the obligations resulting from the outstanding Lettres de Gage up to the final maturity of the last outstanding bond. The cover pool monitor is obliged to inform the supervisory authority immediately, should any of the prudential limits be violated. The Lettres de Gage issuer is also obliged to immediately inform the supervisory authority of the violation of any limits.

Rating agencies do not play any mandatory role in the monitoring process. The issuers comply with the rating agencies' requirements on a voluntary basis.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The cover registers for mortgage, public sector, moveable assets and renewable energy assets include all necessary data to identify the assets and the derivatives included. As soon as an asset or derivative product is registered in the official cover register it forms part of the collateral pool.

The cover register is managed by the issuer but regularly monitored by the cover pool monitor. The cover pool monitor is obliged to inform the CSSF of any irregularities and provide an annual report.

### Asset segregation

In the case that a procedure of suspension of payments or compulsory liquidation is opened for a Lettres de Gage issuer, the assets and derivatives in the collateral pool are separated from the other assets and liabilities of the bank. The respective collateral pools remain unchanged and continue with their corresponding Lettres de Gage and if applicable their corresponding reserve at the Luxembourgish Central Bank as proprietary compartments of a Lettres de Gage bank with limited activity. The cover pools do not become separate legal entities. The legal entity of the bank remains unchanged. The banking license continues for the bank with limited activity in order to achieve the purpose of administering the cover pool up to the final maturity of the last outstanding Lettre de Gage. The court nominates one or several administrators for the cover pools. This administrator is different from the general bankruptcy administrator. If a procedure of suspension of payments or compulsory liquidation is opened for one cover pool, the other pools are not affected by this decision and continue.

### Impact of insolvency proceedings on covered bonds and derivatives

Covered bonds do not automatically become due when a procedure of suspension of payments or compulsory liquidation is opened for the issuing bank. Interest and principal are paid as per their original due dates. The same applies to derivatives registered in the cover register which are part of the cover pool. The net present value of the derivatives after netting ranks pari passu with the claims of the Lettres de Gage holders.

### Preferential treatment of covered bond holders

Covered bond holders benefit from a preferential treatment in case of an issuer insolvency. The registration of the cover assets in the cover register provides the covered bond holders with a preferential right, above all other rights, preferences and priorities of any nature whatsoever, including those of the Treasury. But the salary of the administrator and the other fees that are necessary for continuing the bank with limited activity rank first before the claims of the covered bond holders and the derivative counterparties, which rank *pari passu*. The general bankruptcy administrator has no direct access to the assets in the collateral pool.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Lettres de Gage are in principle eligible for repo transactions with the European Central Bank (ECB). With regard to the new law, there have not been any changes leading to a different regulatory treatment of the Lettres de Gage. European covered bonds, which have been introduced as a covered bond type in the new legislation, are also not CRR-compliant, whereas covered bonds which fulfill the requirements to be classified as (high-quality) European covered bonds are by definition CRR-compliant.

**Issuers:** Commerzbank Finance & Covered Bond, NORD/LB Luxembourg Covered Bond Bank.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.29 THE NETHERLANDS

By Joost Beaumont, Chairman of the ECBC Statistics & Data Working Group and ABN AMRO,
Cas Bonsema, Rabobank and Maureen Schuller, ING Bank N.V.

### I. FRAMEWORK

The Dutch regulatory framework for the issuance of covered bonds initially came into force on 1 July 2008. In order to strengthen the supervisory regime with respect to covered bonds, the Financial Supervision Act was amended in 2014, raising the legal framework for covered bonds to the level of law.

The Dutch regulatory framework has since been amended following the national transposition of the Covered Bond Directive in 2022. The applicable legislation is listed in Table 1 below. The transposition included various amendments made to existing regulations but the main provisions have been moved to a separate, self- contained Implementation Decree. The new regulatory regime came into force on 8 July 2022.

> Figure 1: Overview Dutch covered bond legislation

| 2022 |
|---|
| Implementation Act Covered Bonds of 15 December 2021, published on 20 January 2022[1] |
| Implementation Decree Covered Bonds of 24 May 2022, published on 13 June 2022[2] |

### II. STRUCTURE OF THE ISSUER

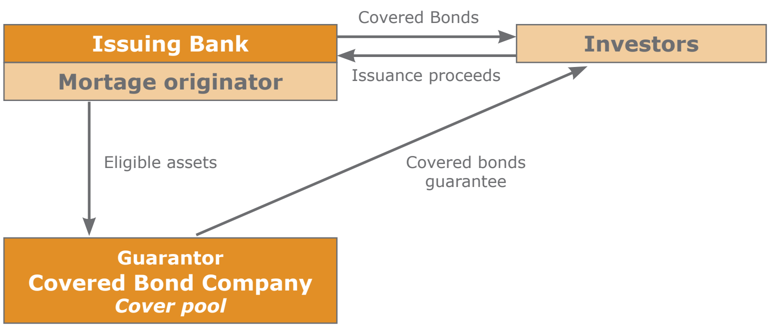
Dutch covered bonds can be issued by licensed banks that are located in the Netherlands, upon permission by the Dutch Central Bank (De Nederlandsche Bank, DNB). To obtain permission, the bank has to prove, among other things, that in the case of a default or resolution of the issuer, covered bondholders and derivative counterparties have a priority claim against the principal and any accrued and future interest on the cover assets securing the liabilities related to the covered bonds. These liabilities encompass the principal and interest payment obligations on the outstanding covered bonds, the payment obligations on derivative contracts in the cover pool, and the expected costs related to the maintenance and administration for the winding-down of the covered bond programme.

The cover assets are secured in favour of the secured creditors via the transfer to a separate legal entity, the Covered Bond Company (CBC). The Covered Bond Company is established exclusively to isolate the cover assets from the other assets of the bank and to perform the necessary activities on behalf of the covered bond programme. The Covered Bond Company can also enter into agreements for the administration and management of the cover assets, as well as for liquidity and risk management purposes. These include derivative contracts, servicer agreements, asset monitor agreements and management agreements.

1 Implementatiewet richtlijn gedekte obligaties, Staatsblad 2022, nr 22.

2 Implementatiebesluit richtlijn gedekte obligaties, Staatsblad 2022, nr 223.

> FIGURE 2: STRUCTURAL OVERVIEW




## III. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The assets are transferred to the Covered Bond Company by means of a guarantee support agreement. Under this agreement, the mortgage originator passes on eligible receivables to the Covered Bond Company via an undisclosed or silent assignment. The legal ownership of the mortgage loans is transferred to the Covered Bond Company via a deed of sale and assignment, without notifying the borrowers. The Covered Bond Company guarantees in return to pay interest and principal on the covered bonds to the investors if the issuer defaults (covered bond guarantee). The obligations of the Covered Bond Company are unsubordinated and unguaranteed obligations backed by eligible receivables.

If the issuer defaults on his obligations, a Security Trustee (not shown in the structural overview) may serve an issuer acceleration notice to the issuer and a notice to pay to the Covered Bond Company in line with the guarantee. As such, the covered bonds do not accelerate against the Covered Bond Company if the issuer defaults, while the bondholders have full recourse to the assets of the Covered Bond Company. If the Covered Bond Company defaults on its payment obligations, the covered bonds may accelerate (hard and soft bullet covered bonds) or may become pass-through, which is conditional on pool sales being unsuccessful and a breach of the amortisation test (conditional pass-through covered bonds).

To ensure bankruptcy remoteness, the bank, or any related group entity, cannot hold shares in the Covered Bond Company and has no policy-determining control, nor any other ownership interests towards this legal entity. Furthermore, the bank should always be able to identify the cover assets, to assure that it can determine at all times which assets have been transferred to the Covered Bond Company, and are available in the event of a bankruptcy of the bank. Moreover, the Dutch covered bond rules assure that neither a bankruptcy nor a resolution of the bank issuing covered bonds would result in a change in the rights of the covered bondholders with respect to a third party in relation to the covered bonds.

## IV. REGISTRATION REQUIREMENTS AND COVER ASSETS

At the time of registration of a covered bond programme at DNB, the issuing entity has to provide a wealth of information to the supervisor, including on the specific features of the covered bond programme. The required information is extensive and includes, amongst others, the maximum size of the programme, the rights and obligations of the Covered Bond Company, the agreements with various parties, the type and composition of cover assets, the country exposure of the cover assets and the law by which they are regulated, valuation of the cover assets, the extension period and criteria that trigger extension, as well as various risk management and reporting procedures. All information necessary to verify the programme meets the legal requirements needs to be provided to DNB.

The most noteworthy programme features are:

- The specific **nature of the cover pool assets**. At least 80% of the cover pool shall include one of the cover assets set out in CRR Article 129(1)(a)-(g) as primary assets. Up to 20% of the cover pool may include one or more of the other cover assets set out in CRR article 129 (1)(a)-(g) as substitute assets. Currently, all Dutch covered bond programmes solely use Dutch residential mortgages as primary assets.
- The **redemption profile of the covered bonds**, i.e., whether the covered bonds have a hard-bullet, soft bullet, or (conditional) pass-through structure and **the criteria for triggering an extension**.

  Prior to the transposition of the Covered Bond Directive, the Dutch law allowed issuance from a single covered bond programme with a hard-bullet as well as a soft bullet structure with an extension period up to 24 months. Conditional pass-through covered bonds needed to be issued from a separate programme.

  As of 8 July 2022, there is no longer such an explicit separation required in the regulatory framework. However, the different maturity structures mean that in practice programmes have to be separated anyways.

  The covered bond programmes of ABN AMRO Bank and ING Bank contain mainly soft bullet issuances. A few covered bonds from these two issuers that have been privately placed (including some denominated in foreign currencies) still have hard-bullet structures. Rabobank and ASN Bank only have soft bullet covered bonds outstanding. NN Bank, Achmea Bank and Van Lanschot Kempen also only have soft bullet covered bonds outstanding following the conversion of their conditional pass-through covered bonds to the soft bullet format in 2022 and 2023, respectively. Van Lanschot Kempen does still use a separate retained conditional pass-through covered bond programme for liquidity management purposes. NIBC Bank still has publicly placed conditional pass-through covered bonds outstanding alongside its soft bullet covered bonds. Finally, Triodos Bank has established a new soft bullet programme in June 2026 but has not yet issued a covered bond at the time of writing.

**Primary cover assets**

The cover assets should meet the CRR article 129 requirements, meaning that the following assets are eligible:

- Exposures to or guaranteed by central governments, the European System of Central Banks (ESCB) central banks, public sector entities, regional governments or local authorities in the Union as referred to in CRR Article 129, paragraph 1(a);
- Exposures to or guaranteed by third country central governments, third-country central banks, multilateral development banks, international organisations that qualify for credit quality step 1 and exposures to or guaranteed by third-country public sector entities, third-country regional governments or third-country local authorities that meet certain requirements as referred to in CRR Article 129, paragraph 1(b);
- Exposures to credit institutions that qualify for credit quality step 1 or credit quality step 2, or exposures to credit institutions that qualify for credit quality step 3 where those exposures are in the form of certain short-term deposits and derivative contracts as referred to in CRR Article 129, paragraph 1(c);
- Residential mortgages up to an 80% LTV ratio as referred to in CRR Article 129, paragraph 1(d) and residential loans fully guaranteed by an eligible protection provider as referred to in 1(e);
- Commercial mortgages up to a 60% LTV ratio, though with the possibility for the LTV ratio to rise to 70% as referred to in CRR Article 129, paragraph 1(f);
- Ship loans up to a 60% LTV ratio as referred to in CRR Article 129, paragraph 1(g).

By transposing only point (a) of Article 6(1) of the Directive, it is ensured that Dutch covered bonds meet the CRR Article 129 asset eligibility requirements and can be labelled European Covered Bonds (Premium). Assets other than those listed in CRR Article 129 paragraph 1(a)-(g) are not eligible as cover assets. However, the

Implementation Decree contains the possibility for assets listed in Article 6(1) (b) and (c) of the Directive to be made eligible by way of Ministerial Regulation.

The new Dutch Covered Bond Legislation requires that at least 80% of the cover pool shall consist of one type of the primary cover assets as set out in CRR Article 129, paragraph 1(a)-(g). To avoid confusion, Dutch mortgage loans carrying a guarantee from the government-sponsored Nationale Hypotheek Garantie (NHG) scheme, are treated as normal residential mortgages in all current Dutch covered bond programmes, subject to an 80% LTV cut-off for certain asset coverage requirement purposes.

**Substitute cover assets**

The Dutch Covered Bond Law also allows for substitution assets to be included as cover assets. However, the inclusion of these type of assets is restricted to a maximum of 20% of the total nominal value of the cover pool assets. Eligible as substitution assets are the cover assets described above, which are those as referred to in CRR Article 129, paragraph 1(a)-(g).

**Country exposure of cover asset**

The law notes that the debtor of the cover asset as well as the collateral related to the cover assets need to be located in the EU or the European Economic Area. Currently, primary assets backing Dutch covered bond programmes exclusively consist of Dutch residential mortgage loans.

## V. VALUATION AND LTV CRITERIA

The Dutch covered bond law requires that loans backed by immovable property, such as residential and commercial mortgages, and ships should meet the (monitoring and valuation) requirements set out in CRR article 208. Article 208 specifically concerns requirements for immovable property and includes, among others, legal enforceability as well as sound underwriting criteria. Moreover, the article requires the monitoring of commercial and ship loan property values every year and of residential mortgage loans every three years. However, CRR Article 129(3) states that monitoring of property values needs to be carried out frequently and at least on an annual basis for all immovable property and ship collateral. The Dutch law does not explicitly reference Article 129(3). However, an explanatory note to the Decree states that the collateral underlying residential mortgages should be valued not every three years but at least annually (which was already the practice under the old Dutch law), making reference to Article 129(3).

Finally, in case of significant changes in market conditions, more frequent monitoring might be required whilst issuers can also use statistical methods to monitor property values in order to comply with the requirements.

The Dutch covered bond law requires assets to be valued at or below the market value or the mortgage lending value. The value can be the initial valuation at the moment of mortgage origination but also any subsequent valuation or revaluation as part of the monitoring requirements. For any appraisal by a valuation agent, the law imposes certain requirements. For instance, the valuation agent needs to possess the necessary qualifications, ability and experience, and must be independent from the credit decision process.

In practice, the value of Dutch property is based on the market value and indexation takes place on a monthly basis by means of the house price average in the Netherlands according to the Land Registry house price index or other recognised methods.

In order to comply with the CRR requirements, residential mortgages with an LTV higher than 80% will only be recognised up to an 80% LTV. In a situation where mortgages with an LTV of higher than 80% are included in the cover pool, this mortgage loan will only count for a maximum of 80% in the asset cover test. The difference between the actual (higher) LTV and the 80% maximum will serve as additional credit enhancement.

No Loan-to-Income (LTI) thresholds are applicable in the Dutch covered bond regulation or programmes, but since 2013, all new Dutch mortgages have been subject to strict statutory LTI maximums at origination.

## VI. ASSET – LIABILITY MANAGEMENT

The Dutch covered bond law includes several requirements and options related to asset-liability management. These include requirements related to over-collateralisation (OC), liquidity coverage, derivative contracts and covered bonds with extendable maturities.

Regarding OC, the Dutch Covered Bond Law provides for the following asset coverage requirements:

> The total nominal value of the payment claims arising from the cover assets belonging to the cover pool is at least equal to the total nominal value of the liabilities (which includes payment obligations stemming from principal and interest payments on outstanding covered bonds, payment obligations related to derivative contracts in the cover pool and expected costs related to maintenance and management for the potential run-off of the covered bond programme).

> The total nominal value of the cover assets has to be equal to at least 100% of the total nominal value of the outstanding registered covered bonds (the so-called 'nominal principle'). Furthermore, the total nominal value of the cover assets needs to be at least 5% higher than the total amount of outstanding registered covered bonds. When calculating the second 105% requirement, Article 129 (1) a-g has to be taken into account, which means that the 80% LTV cut-off for residential mortgage loans needs to be applied.

Uncollateralised claims where a default is considered to have occurred (pursuant to Article 178 of Regulation (EU) No 575/2013) do not contribute to the coverage.

### Liquidity coverage requirements

Issuers, furthermore, need to ensure that the cover pool always includes a liquidity buffer composed of sufficient liquid assets to cover the net liquidity outflow of the covered bond programme. It should cover the cumulative net liquidity outflows for the next 180 days (i.e., coupon and redemption obligations and payments related to derivate contracts minus all income stemming from assets included in the cover pool). The liquidity buffer requirement with respect to redemption payments is not applicable for covered bonds with extendable maturities (soft bullet or conditional pass-through), for which the extended maturity date will be taken into account.

The liquid assets allowed remain limited to those assets qualifying as level 1, level 2A and level 2B of the LCR Regulation (valued in accordance with that delegated regulation and not issued by the issuer itself, its parent company, its subsidiary, another subsidiary of its parent company, or by a securitisation SPV with close links to the issuing bank) as well as short-term exposures to credit institutions that qualify for credit quality step 1 and 2 (i.e. a minimum credit rating of A-) or short-term deposits to credit institutions that qualify for credit quality steps 1,2, or 3, in accordance with CRR article 129 (1), point c.

### Extendable maturity structures

In order to mitigate liquidity risks, banks may issue covered bonds with an extendable maturity if, prior to the first issuance of the covered bond program, the contractual terms of that program provide that extension of the maturity may not be made at the discretion of the bank and shall occur only if:

1. There is a breach of contract or default of payment by the bank or any act to that effect, there is a liquidation, dissolution or restructuring of debts of the bank or an arrangement with creditors, or a resolution measure as referred to in Article 3A:1 of the Implementation Act has been applied to the bank or the bank has been declared bankrupt; and

2. The legal entity to which the cover assets have been transferred has insufficient funds on the maturity date of the covered bonds to repay the principal amount of that covered bond, the legal entity cannot meet any of the coverage requirements referred to in Article 40g(1) and (2) of the Implementation Decree, or the legal entity cannot meet any other contractually agreed requirement with respect to securing the coverage.

The law does not stipulate details about the length of extensions and neither specifies the role of covered bond holders and/or the CBC. Banks can determine this contractually.

A bank that issues a covered bond whose maturity may be extended shall, upon issuance of the covered bond, provide information about 1) the conditions for extending the maturity, 2) the impact of a bankruptcy or resolution of the bank on the extension of the maturity and 3) the role of DNB with respect to the extension of the maturity. DNB checks whether all the conditions of the law, including the requirements related to maturity extensions, have been met when granting permission for a covered bond programme. However, once a covered bond programme has been approved by DNB and a maturity extension is triggered, DNB has no role as supervisor, although it must be informed in a timely manner.

Other conditions are that a bank that issues a covered bond shall ensure that the maturity date of that covered bond can be determined at all times, while a maturity extension shall not affect the order in which covered bond holders may recover their claims and shall not reverse the order of the original maturity schedule of the covered bond programme if the bank has been subject to a resolution measure or has been declared bankrupt. A maturity extension shall also not affect the dual recourse and bankruptcy remoteness principles.

**Use of derivative contracts**

The Covered Bond Company can only enter into derivative contracts (such as currency swaps, interest rate swaps and total return swaps) if these support the risk management of the programme in favour of the registered covered bondholders. A derivative contract may only be entered into if the contract is sufficiently documented, while the counterparty to these agreements should not have the right to terminate the contract or to suspend its obligations under the contract if the creditworthiness of the issuing bank deteriorates. The contract should be concluded with a financial institution that is subject to supervision. Finally, if the counterparty itself no longer meets the minimum creditworthiness requirements, it should provide for sufficient collateral or replace itself.

Another requirement is that the volume of a derivative contract shall be adjusted if there is a reduction in the risk to which the derivative contract relates. A derivative contract shall be removed from the cover pool if the risk to the holders of covered bonds ceases to exist.

As a result of changes in especially the regulatory landscape, the use of derivative contracts to mitigate (interest rate) risks associated with the registered covered bonds has diminished in importance in recent years. Instead, several issuers decided to introduce interest reserve requirements, minimum mortgage interest rate requirements and/or to pledge additional collateral.

**VII. TRANSPARENCY**

Before registration of its programme, the covered bond issuer already needs to report a lot of detailed information to the supervisor on the specific features of the covered bond programme (see paragraph III). After registration, the law stipulates that the issuing entity needs to continue to provide information to DNB on a regular basis (see more details in paragraph VIII).

The Dutch law also requires issuers to provide investors with information stipulated in Article 14 of the Directive at least on a quarterly basis, which will also be published on their websites. This includes information about the value of the cover pool and outstanding covered bonds; a list of ISINs for all covered bonds issued; the geographical distribution of and type of cover assets, their size and valuation method; details related to all kinds of risk metrics (market risk, interest rate risk, currency risk, credit and liquidity risk); maturity structure of the cover assets and covered bonds; levels of required and available coverage, and levels of statutory, contractual and voluntary OC, and the percentage of loans in default.

All Dutch registered covered bond issuers currently publish investor reports on a monthly basis. These reports can be found on their websites, while there is also a link on the website of the Dutch Association of Covered

Bond Issuers (www.dacb.nl) to these reports and via the national information pages on the Covered Bond Label website. The Dutch issuers have also implemented the Harmonised Transparency Template (HTT). Finally, DNB keeps a public register of approved Dutch covered bond programmes.

## VIII. COVER POOL MONITOR AND BANKING SUPERVISION

### Cover pool monitor

The issuer has to appoint an internal or external **cover pool monitor** before the first issuance under a covered bond programme. The cover pool monitor has to check, ahead of issuance and at least annually thereafter, that the regulatory requirements on the structural features of the covered bonds are met (e.g., asset segregation, cover assets, derivative contracts, maturity extension, asset coverage and liquidity coverage). The functions of a cover pool monitor can be assigned to different internal and external parties, but the asset coverage and liquidity coverage requirements have to be checked by an external accountant.

An external cover pool monitor is fully independent and has no links with the bank or the external accountant of the bank. An internal cover pool monitor can have ties with the issuing bank, including the external accountant of the bank, but has to be independent from the credit decision process of the bank. The internal cover pool monitor has direct access to the supervisory board of the bank and cannot be removed from its function as cover pool monitor without prior approval of the supervisory board (or a comparable body). The internal cover pool monitor provisions are in line with the existing Dutch practice before the Dutch law was amended to transpose the EU Covered Bond Directive in 2022. The bank's internal processes and controls ensure that the legal requirements related to the issuance of covered bonds are met, while the external accountant of the bank checks the compliance with the asset coverage and liquidity coverage requirements.

In both cases, the bank that issues covered bonds has to ensure that the checks of the asset coverage and liquidity coverage requirements will continue to take place in the event of a resolution or bankruptcy of the bank. The bank will report annually to the Dutch Central Bank on the outcome of the checks on the asset coverage and liquidity coverage requirements. Besides, the cover pool monitor should be granted access to all information necessary for the performance of its duties.

### Special supervision

Dutch covered bond programmes are also subject to **special supervision** of the Dutch Central Bank, which has to grant permission to a bank that wants to issue covered bonds. Permission will only be granted, if all regulatory requirements related to the issuance of covered bonds are met. To obtain permission the bank has to prove that it has:

- An adequate programme of operations setting out the issuance of covered bonds;
- Adequate policies, processes and methodologies for the approval, amendment, renewal and refinancing of assets included in the cover pool;
- Management and staff dedicated to the covered bond programme which have adequate qualifications and knowledge regarding the issuance of covered bonds and the administration of the covered bond programme; and
- An adequate administrative set-up of the cover pool and the monitoring thereof.

To this purpose, the bank must provide the Dutch Central Bank with an independent legal opinion, allowing the supervisor to verify that the asset segregation requirements are met. The agreements of the Covered Bond Company with its manager, and the agreement with the cover pool monitor or accountant also have to be made available. Besides, the issuing bank must deliver a written statement by the manager of the bank that all regulatory requirements are met, needed for permission to issue covered bonds, to secure the payment obligations related to the covered bonds, and on the regular provision of information to the covered bond investors and supervisory authority. Such a written statement not only has to be delivered to the Dutch Central Bank upon the request for permission, but also on an annual basis thereafter.

A bank permitted to issue covered bonds will immediately notify the Dutch Central Bank of any changes in the agreements related to the established Covered Bond Company or the appointment of the cover pool monitor. Furthermore, the Dutch Central Bank has to be notified upfront if the bank intends to make significant changes to the terms and conditions applicable to the covered bonds.

The issuing bank also has to meet the regular reporting requirements towards the Dutch Central Bank, allowing the central bank to assess that the issuing bank meets the regulatory requirements for the issuance of covered bonds. This includes information related to:

> The coverage requirements, including a) the composition of the cover pool of at least 80% primary assets, and maximum 20% substitution assets, and b) the 100% nominal coverage requirement of all payment obligations and 105% nominal coverage requirement of the outstanding covered bonds;

> The monitoring of property values and property valuation, property insurance and the geographical location of the debtor of the cover assets;

> Derivative contracts included in the cover pool;

> The 180 days liquidity buffer;

> Extendable maturities;

> Other information required by the Dutch Central Bank to assess that the regulatory requirements for the issuance of covered bonds are met.

The data regarding the asset coverage requirements and liquidity coverage requirements have to be provided at the start of the covered bond programme and quarterly thereafter. The data regarding the property valuation, insurance and location, derivative contracts, extendable maturities and other required information have to be provided at the start of the programme, and only thereafter if the information has changed or upon request of the Dutch Central Bank.

**Penalties**

The Dutch Central Bank is allowed to (partially) revoke, change or attach further requirements to the permission to issue covered bonds if the bank a) would make an application thereto, b) has provided incorrect or incomplete information upon the request for permission, or c) concealed circumstances that would have led to a denial of such permission, or d) would no longer comply with the regulatory conditions for permission to issue covered bonds.

In the event of a breach of the regulatory provisions for covered bond issuance, the Dutch Central Bank can also issue a public warning, if necessary, stating the considerations that led to such a warning. Besides, the supervisor can oblige the issuer, by means of an order, to take a certain course of action regarding the points indicated in the order, within a reasonable time.

The supervisory authority is also allowed to impose an administrative fine in the event of a breach of the covered bond rules. Financial fines can for instance be imposed if a credit institution issues covered bonds without obtaining permission from the Dutch Central Bank, or if the covered bond issuer fails to comply with the regulatory requirements on asset coverage, transparency, asset segregation, cover pool composition, asset eligibility, derivative contracts in the cover pool, cover pool liquidity buffer, documentation, extendable maturity structures, cover pool monitor or labelling.

When determining an administrative fine, the supervisor will take certain circumstances into account, such as the gravity and duration of the breach, the advantages gained by the breach, the losses caused to third parties, the consequences to the financial system, the degree to which the issuer is responsible for the breach and any previous breaches, the cooperation of the issuer with the supervisor and the measures taken after a breach to prevent it from happening again.

**Post issuer insolvency or resolution**

The Dutch covered bond legislation does not provide for the appointment of a special administrator in the event of issuer insolvency or resolution. However, the Dutch law requires co-operation and exchange of data and intelligence between the Dutch supervisor with European authorities, if necessary for the performance of their duties. This would also apply in the situation of a resolution of a credit institution issuing covered bonds.

**Disclosures by the supervisor**

The Dutch Central Bank has to publish on its website:

> The text of the Dutch national laws, regulations, administrative rules and general guidance adopted in relation to the issue of covered bonds;

> An up-to-date list of credit institutions permitted by the Dutch Central Bank to issue covered bonds in relation to a covered bond programme;

> An up-to-date list of covered bonds entitled to use the label European Covered Bond, and an up-to-date list of covered bonds entitled to use the label European Covered Bond (Premium). In practice, solely the label European Covered Bond (Premium) can be used by covered bonds meeting the amended Dutch legal requirements effective per 8 July 2022.

**IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION**

The Dutch covered bond law only allows covered bonds that comply with the CBD as well as with CRR Article 129. As such (and as stated above), solely the label European Covered Bond (Premium) can be used by covered bond programmes that are aligned with the Dutch covered bond law effective per 8 July 2022. This also implies that covered bonds issued under these programmes are eligible for a 10% preferential risk weight treatment under the Standardized Approach. These bonds are also Solvency II and ECBC Label compliant. Furthermore, they fall within the Level 1 category of the LCR.

Dutch covered bonds issued until 7 July 2022 under programmes that are not aligned with the new Dutch covered bond law, can benefit from the transitional measures that have been implemented. These include that Articles 3:33a(1) to (3) and 3:33b(1) and (2) of the Financial Supervision Act will not apply to them. Instead, they need to comply with the Article 3:33a that applied prior to the entry into force of the new Act, while they also need to comply with the reporting requirements outlined in Article 14 of the Directive. The fact that these outstanding covered bonds are grandfathered implies that they still benefit from a similar preferential treatment as before.

## X. ADDITIONAL INFORMATION

More information on Dutch covered bonds can be found on the website of the Dutch Association of Covered Bond Issuers (www.dacb.nl), which was established in 2011 and has the following objectives:

> To represent the interests of the Dutch issuers in discussions with legislative and regulatory authorities;

> To provide investors with information about the Dutch covered bond market;

> To participate on behalf of the Dutch issuers in international covered bond organisations like the ECBC;

> To continuously improve the quality of the Dutch covered bond product offering.

**Issuers:** ABN AMRO Bank, Achmea Bank, Van Lanschot Kempen, ING Bank, NIBC Bank, NN Bank, Rabobank, ASN Bank, Triodos Bank.

Covered Bond Label: ING Bank N.V. (3 pools), ABN AMRO Bank N.V. (2 pools), ASN Bank N.V. (1 pool), NIBC Bank N.V. (2 pools), Van Lanschot Kempen N.V. (2 pools), Coöperatieve Rabobank U.A. (2 pools), Nationale-Nederlanden Bank N.V. (1 pool), Achmea Bank N.V. (2 pools).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.30 NEW ZEALAND

By Deemple Budhia and Ling Yan Pang, Australian Securitisation Forum (New Zealand representative)

## SUMMARY

The first covered bond was issued out of New Zealand in June 2010. At that time, New Zealand did not have a legislative covered bond framework and domestic issuers used the well-tested general law-based covered bond approach taken in the UK, France, and Canada. In December 2013, the Reserve Bank of New Zealand (Covered Bonds) Amendment Act 2013 (Amendment Act) amended the Banking (Prudential Supervision) Act 1989 (Act). As a result of the Amendment Act, registered banks are now only permitted to issue covered bonds under programmes registered with the Reserve Bank of New Zealand (RBNZ). The five large New Zealand banks all now operate covered bond programmes.

## I. FRAMEWORK

No covered bond regulation was in place in June 2010 when New Zealand covered bonds were first issued and issuance of covered bonds was neither prohibited nor limited by any prudential requirements or other regulation.

Following public consultation, the Amendment Act was passed in December 2013. After the Amendment Act came into force in December 2013, existing covered bond issuers had nine months to register their covered bond programme with the RBNZ in order to be able to continue issuing covered bonds under their programmes. All New Zealand registered banks with covered bond programmes have registered their programmes with the RBNZ, which means that all outstanding New Zealand covered bonds receive the benefit of legislative certainty provided by the Act in relation to liquidation and statutory management.

## II. STRUCTURE OF THE ISSUER

As of April 2026, issuers from five New Zealand banking groups have issued covered bonds, being ANZ Bank New Zealand Limited (ANZ), ASB Bank Limited (ASB), Bank of New Zealand (BNZ), Westpac New Zealand Limited (Westpac) and Kiwibank Limited (Kiwibank) (Existing Issuers). With the exception of Kiwibank, all issuers are ultimately owned by Australian parent banks. However, the Australian parent companies do not guarantee the covered bonds. Historically, NZD or AUD denominated bonds have been issued directly by the New Zealand banks, while non-NZD denominated bonds have mostly been issued through the London branches of their respective subsidiaries and are guaranteed by the New Zealand bank. The exceptions to this are Kiwibank who issues via a New Zealand based company and now also ASB and BNZ.

The covered bonds are backed by a dynamic cover pool of assets, and the covered bonds rank pari passu to each other. The covered bonds are irrevocably guaranteed by the covered bond guarantor (CB Guarantor) under the covered bond guarantee. The CB Guarantor will only make payments under the bonds when (a) an issuer event of default has occurred, and a notice to pay is served on the CB Guarantor, or (b) a CB Guarantor event of default has occurred and a covered bond guarantee acceleration notice is served on the CB Guarantor and the issuer.

## III. COVER ASSETS

The RBNZ, as the prudential supervisor of banks in New Zealand, does not prescribe the type of assets that can be included in the cover pool. The RBNZ considers it sufficient that banks specify asset eligibility criteria in their programme documentation.

The covered bond programmes of the Existing Issuers (Existing Programmes) are backed by a dynamic cover pool of residential housing loans originated in New Zealand. The common eligibility criteria for these housing loans across the programmes are listed below:

> Denominated and repayable only in New Zealand Dollars (NZD);
> Secured by first ranking residential mortgages in New Zealand;
> Housing loans with a term not exceeding 30 years;
> Outstanding principal balance of no more than NZD 1.5mn (Westpac)/NZD 2.0mn (ANZ, Kiwibank)/ NZD 2.5mn (ASB, BNZ); and
> Not in default/have not been in arrears for more than 30 days (ANZ, ASB, Kiwibank, Westpac)/3 months (BNZ).

Some of the issuers have additional features beyond these requirements. Moreover, issuers are also allowed to hold liquid substitution assets. These assets are subject to an overall limit of 10%-15% of the cover pool depending on the issuer (Westpac and BNZ 15%, ANZ, ASB and Kiwibank 10%), with the exception of cash that has no limit.

### IV. VALUATION AND LTV CRITERIA

In New Zealand, every property is typically valued during the underwriting process. All five Existing Programmes do not restrict the LTV limit for housing loans in the cover pool. However, the Act requires registered covered bond programmes to test whether the value of the cover pool assets is at least equal to the principal amount of outstanding covered bonds. In the case of ASB and Westpac, the Asset Coverage Test (ACT) caps the valuation of the property at 75%. In case of ANZ, BNZ and Kiwibank this cap is set at 80%. In effect, this means the maximum amount of a loan that can count in the ACT test is 75% or 80% of the property value respectively.

### V. ASSET-LIABILITY MANAGEMENT

**Issuance limit**: Through the conditions of registration of each of the Existing Issuers, the RBNZ limits the value of assets that may be encumbered for the benefit of covered bond holders to 10% of the total assets of the issuing bank.

**Currency and interest hedging**: The housing loans in the cover pool are denominated in NZD. However, covered bonds can be issued in other currencies. This introduces currency risk as the interest payable on the covered bonds will not exactly match the interest received on the housing loans in the cover pool. The interest rate and currency risk is hedged under the existing covered bond programmes.

**Soft vs hard bullet structures**: The Existing Issuers can issue hard bullet covered bonds or covered bonds with extendable maturity (“soft bullet” bonds). Hard bullet covered bonds will be subject to a 12-month pre-maturity test giving the CB Guarantor 12 months to raise liquidity by selling assets of the pool.

**Overcollateralisation (OC)**: The Existing Issuers have committed to various OC levels with the credit rating agencies. In summary, each covered bond programme provides for overcollateralisation to be the greater of the contractually specified amount and such other amount required by the relevant rating agency to maintain the current ratings of the covered bonds. The Act requires Existing Issuers to test at least every 12 months whether the value of the cover pool assets is at least equal to the principal amount of outstanding covered bonds and to notify the RBNZ if this test is not satisfied. In practice this ACT is performed more regularly, at quarterly or monthly intervals, or upon any new covered bond issuance.

## VI. COVER POOL MONITOR AND BANKING SUPERVISON

The Act requires registered covered bond issuers to maintain an asset register and to appoint a cover pool monitor. The cover pool monitor must either be a licensed auditor, an auditing firm (where the functions of the cover pool monitor are performed or supervised by a licensed auditor), or a person/firm that has been approved by the RBNZ. In this context, independent means independent from both the issuer and any associated person of the issuer. A person's appointment as auditor does not affect his, her, or its independence. The cover pool monitor must assess and report annually to the issuer regarding the accuracy of the ACT and maintenance of the asset register for the covered bonds.

The Existing Issuers provide investor reports on a monthly or quarterly basis. In addition, monthly or quarterly information is prepared for the credit rating agencies. The credit rating agencies re-calculate the required asset percentage used in the ACT on a regular basis and prior to each issuance under the respective covered bond programme.

If the credit rating of the calculation manager (usually, the issuer) is downgraded below a certain trigger level, the cover pool monitor will check the arithmetic accuracy of the calculations performed by the calculation manager on a monthly basis. Moreover, (1) if the cover pool monitor identifies any errors in the calculations performed by the calculation manager which result in a failure of the ACT, or (2) if the adjusted aggregate housing loan amount or the amortisation test aggregate housing loan amount is misstated by the calculation manager by an amount exceeding 1%, or (3) if the asset register has not been maintained as required, then the cover pool monitor will be required to carry out the applicable check on a monthly or quarterly basis until the cover pool monitor is satisfied that no further inaccuracies exist.

## VII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The covered bonds are direct, unsecured, unsubordinated and unconditional obligations of the relevant issuer. In addition, the CB Guarantor guarantees the payments of interest and principal of the covered bonds. The issuer provides a subordinated loan to the CB Guarantor which allows the CB Guarantor to acquire a housing loan portfolio. The portfolio includes housing loans and the related security sold by the seller in accordance with the terms of the mortgage sale agreement.

Holders of registered covered bonds benefit from greater certainty that the security over cover pool assets remains enforceable if the issuing bank were to experience insolvency or be placed into statutory management. The RBNZ must keep a public register of registered covered bond programmes and issuances under each programme. Moreover, the Act requires that the cover pool assets are held by a Special Purpose Vehicle, which is a separate legal entity from the issuer.

Under the Existing Programmes, the sale of the loans and their underlying security by the seller to the CB Guarantor is in the form of assignment of the seller's rights, title, interest and benefit in and to the loans, their related security and the other assets which are being sold. The assignment requires neither a notice to the borrowers nor a registration in the land registry. The "perfection of title" to the CB Guarantor will be triggered by certain trigger events including the notice to pay on the CB Guarantor, downgrade of the issuer to sub-investment grade or insolvency of the issuer. These trigger events will result in the underlying borrowers being notified of the assignment and registration of transfer of the mortgage security with the land registry.

## VIII. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN LEGISLATION

The RBNZ accepts NZD denominated AAA rated covered bonds for its Domestic Markets Operations. For maturities of less than three years the haircut is 5%. Covered bonds with a maturity of three years or longer are subject to a higher haircut of 8%. This includes covered bonds issued by New Zealand banks.

The covered bonds issued directly by financial institutions with registered offices in New Zealand are neither CRR nor UCITS compliant as both frameworks require the issuer to be based in the EU. These covered bonds, therefore, do not benefit from the lower risk weighting for bank treasuries in the EU.

**Issuers:** ANZ New Zealand (Int'l) Limited and ANZ Bank New Zealand Limited, ASB Bank Limited, Bank of New Zealand, Kiwibank Limited, Westpac Securities NZ Limited (subsidiary of Westpac New Zealand Limited).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.31 NORWAY

By Kjartan Bremnes and Michael H. Cook, Finance Norway

### I. FRAMEWORK

Issuance of Norwegian covered bonds started with an issuance denominated in euro in the second half of 2007. The covered bonds market in Norway was barely untested before the global financial crisis hit the following year. Norwegian banks did not experience any substantial increase in losses during the crisis, but the liquidity shortage triggered by the turmoil in international financial markets also spread to Norwegian markets.

The new EU-framework on covered bonds entered into force on the 8 July 2022. Given the relative modern legislation in Norway, the final outcome was more or less similar to the previous legislation. However, the new legislation imposed for instance the introduction of a 180-day liquidity buffer and an increase in the overcollateralisation requirement as described in this chapter.

### II. STRUCTURE OF THE ISSUER

According to Norwegian legislation, covered bonds may only be issued by specialised credit institutions. Today there are 20 such institutions in Norway. A majority are subsidiaries of individual parent banks, while a few issuers are owned by groups of banks. The institutions are subject to the same type of regulations as other Norwegian financial institutions, such as capital adequacy requirements, liquidity management requirements etc. The issuers are subject to a supervisory regime that involves both a cover pool monitor and a public supervisor, the Financial Supervisory Authority of Norway ("Finanstilsynet" or "the FSA"). The smaller issuers only issue bonds in local currency (NOK) in the domestic market, while the larger issuers are present on a regular basis in international capital markets.

Cover pools are dominated by residential mortgages, and majority of issuers are specialised residential mortgage institutions (cf. the name "Boligkreditt"). Only a small number of issuers are specialised in commercial real estate or in public sector loans. Covered bonds from such issuers constitute about 1.3% of the total outstanding volume.

A licensed credit institution may raise loans by issuing covered bonds where the object of the institution, as laid down in the articles of association, is to grant or acquire residential or commercial mortgages, public sector loans and loans secured by other registered assets. In addition, the company should finance its lending business primarily by issuing covered bonds. The articles of association of the institution shall state which types of loans that shall be granted or acquired by the institution. The scope of the business will therefore be restricted, and institutions will have a very narrow mandate, which ensures transparency.

### III. COVER ASSETS

The new legislation has led to two types of Norwegian covered bonds; "OMF Premium" which corresponds to European Covered Bond Premium in the EU framework, and "OMF Standard" which corresponds to European Covered Bond. Covered bonds issued under the previous legislation ("OMF") will keep its name and regulatory treatment until maturity of the bond.

The cover pool related to OMF Premium can only comprise of eligible assets defined in CRR art. 129. For OMF Standard the cover pool may only consist of the following assets:

> Residential mortgages;

> Commercial mortgages;

> Loans secured by other registered assets;

> Public sector loans;

> Assets in form of derivative agreements;

> Substitute assets.

The legislation explicitly allows for a covered bond issuer to use the same cover pool for OMF Premium and OMF issued before 8 July 2022 under the previous legislation. However, investors in OMF should not be worse off with a joint cover pool than what would have been the case if there had been two separate cover pools.

## IV. VALUATION AND LTV CRITERIA

### LTV

The maximum loan-to-value ratio (LTV) is 80% in line with CRR art. 129 and applies to the entire cover pool. The LTV limit is 60% for commercial mortgages and mortgages concerning holiday/leisure properties. The mortgage credit institution shall monitor the development of the LTV of the individual asset as well as the market of the underlying assets.

### Valuation

Upon inclusion of loans in the cover pool, a prudent market value shall be set. The valuation shall be documented. The valuation of residential properties may be based on general price levels if justifiable by market development.

The credit institution shall establish systems for monitoring subsequent price developments. Should the property prices decline, the part of a mortgage that exceeds the relevant LTV limit is still part of the cover pool and protects the holders of preferential claims. However, the part exceeding the limit will not be taken into account when calculating the overcollateralisation in the cover pool. The same principle applies to loans that are in default.

There are four main sources of market values: sales prices, real estate agent appraisals, surveyor values and Automated Valuation Model (AVM).

In Norway, most real property is sold through authorized real estate agents. They have undergone special training to operate as an estate agent and are subject to strict authorisation rules and control routines on part of the authorities.

Almost all residential properties are put up for sale on open, web-based marketplaces. This makes it easy for the sellers to advertise properties for sale, and for the buyers to have information on the specific property and other residential properties in the market. Properties sold through various marketplaces in Norway are usually sold as an open auction.

Valuation is part of the real estate agent education in Norway. Most market value appraisals applicable to mortgages are compiled in a system called Etakst. Etakst is a digitalised system developed by the Norwegian mortgage industry and contains two parts:

1. Valuation software for the real estate agent;
2. Documentation of market values for the banks.

Etakst provides a standardised approach for real estate agents to compute market values. The agents will always provide data on key features (pictures, market value based on similar dwellings in the same area etc.) for the mortgage bank.

The bank is granted access to the data when the applicant or the real estate agent provides a unique reference number to the mortgage bank. Etakst is compliant with international valuation standards such as European Valuation Standards (EVS) and International Valuation Standards (IVS).

Most Norwegian banks make extensive use of Eiendomsverdi as an AVM (automated valuation model) provider, for estimating market values of residential real estate and updating the values in accordance with subsequent development in the residential real estate market. The market value estimates are based on a complex valuation model and are performed on a property-by-property basis. The model is used both at origination, as a benchmark for physical valuations, and for updating market values on the issuers mortgage portfolios.

Most Norwegian covered bond issuers update the valuations on the properties in the portfolio on a quarterly basis. These updates are based on Eiendomsverdi's AVM. For each property, market value estimates are calculated using information on the specific property, comparable sales, and other attributes relevant for the housing market. Due to the richness and granularity in Eiendomsverdi's database (all residential property sales in Norway are recorded daily into the database), the estimates from Eiendomsverdi's AVM are perceived as robust, and will adapt to changes in market conditions on a daily basis. Eiendomsverdi is a member of the European AVM Alliance (EAA) and comply with the "European Standards for Statistical Valuation Methods".

## V. ASSET – LIABILITY MANAGEMENT

The required level of overcollateralization is 5% based on a nominal calculation. If a covered bond issuer, according to its articles of association, may only grant loans to, or guaranteed by, public sector companies, the requirement is 2%. For OMF Standard with public sector exposures the overcollateralization requirement is 10%.

The legislation caps the maximum exposure to one single borrower at 5% of the cover pool when calculating the overcollateralisation.

The credit institution shall ensure that the payment flows from the cover pool enable the institution to honour its payment obligations towards holders of covered bonds and derivative counterparties at all times. The payment flows should also cover the expected costs related to maintenance and administration for the winding-down of the specific covered bond-programme, which may be calculated as a lump sum.

The issuer shall establish a liquidity reserve to be included in the cover pool as substitute assets in addition to carrying out periodically stress tests to ensure satisfactory liquidity management. The liquidity buffer can comprise of LCR-assets (level 1, level 2A or level 2B) or short-term exposures to credit institutions that qualify for credit quality step 1 or 2, or short-term deposits to credit institutions that qualify for credit quality step 1, 2 or 3.

The liquidity buffer should at least correspond to the net liquidity outflow over 180 days. However, the calculation of the principal of outstanding bonds may be based on the (extended) final maturity date under certain conditions. This implies that the trigger for extension of the relevant soft bullet bonds must follow the legal requirements which states that an extension for 12 months can only be done if the issuer is:

a. Likely to fail in the near future and there is no reasonable prospect that any alternative measures can prevent the issuer from failing, or

b. The Ministry of Finance has announced that the issuer has failed.

The extension is subject to approval by the FSA and cannot alter the ranking of the covered bond investors.

A covered bond issuer shall not assume greater risk than what is prudent at all times. It is obliged to establish a limit on the interest rate risk in relation to its own funds and potential losses. This shall be based on a parallel shift of 1 percentage point in all interest rate curves as well as non-parallel shifts in the same curves. Furthermore, a covered bond issuer shall not be exposed to any substantial foreign exchange risk and is thus obliged to establish limits on such risks. For the largest issuers, the issuance is often denominated in EUR with a fixed rate, whereas the mortgages are typically in NOK and with a floating rate. Consequently, Norwegian issuers are dependent on using derivatives to remove FX- and interest rate risk and to fulfil regulatory requirements.

If a derivative agreement has a positive mark to market value, the amount will be a part of the cover pool. If the value is negative, the counterparties in the derivative agreement will have a preferential claim in the pool, ranking pari passu with the holders of covered bonds. As a corollary to this, the counterparties in the derivative agreements will be subject to the same restrictions with respect to the declaration of default as the bondholders.

## VI. TRANSPARENCY

Finance Norway and the Norwegian Covered Bond Council have recommended that all Norwegian issuers use the Harmonised Transparency Template (HTT) to increase transparency and comparability. In this relation, a "Norwegian version" of the HTT has been developed based on some common standards from the previously developed national template.

The HTT is only mandatory for issuers with a label from the Covered Bond Label Foundation. Norwegian issuers with such labels are DNB Boligkreditt, Eika Boligkreditt, Nordea Eiendomskreditt, SpareBank 1 Boligkreditt, Møre Boligkreditt, Sparebanken Norge Boligkreditt and SR-Boligkreditt.

The HTT for Norwegian issuers can be found on Finance Norway's webpage:
https://www.finansnorge.no/tema/statistikk-og-analyse/bank/omf/#part3

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Norwegian issuers are subject to a supervisory regime involving both a cover pool monitor and the public supervisor, the FSA.

Under new legislation, the issuer must get the approval from the FSA before establishing a new "program", i.e. OMF Premium or OMF Standard. The institution shall notify the FSA no later than 30 days prior to the initial issuance of covered bonds under a new program.

The FSA is obliged to publish a list over the issuers who has the permit to issue covered bonds ("OMF") under the new framework. The list is available at the FSA's homepage and currently reflects that issuers only have applied for OMF Premium programs: https://www.finanstilsynet.no/en/finanstilsynets-registry/covered-bond-issuing-institutions-permitted-to-issue-european-covered-bonds-premium/

The FSA's list over individual covered bonds can be accessed here (Norwegian only):
https://www.finanstilsynet.no/virksomhetsregisteret/omf/

No further approvals from the authorities are needed when issuing covered bonds with an exception should the financial strength of the institution give rise to concern.

The mortgage institution shall maintain a register of issued covered bonds, and of the cover assets assigned thereto, including derivative agreements. To ensure that the register is correctly maintained, a cover pool monitor shall be appointed by the issuer and notified to the FSA. The cover pool monitor must have a state authorization and cannot be the company's auditor or internal auditor.

The cover pool monitor shall at least every 3 months review compliance with legislative requirements. It shall report annually to the FSA unless information indicates a breach of requirements, in which the FSA should be notified as soon as possible.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The term "covered bonds", (in Norwegian "obligasjoner med fortrinnsrett" or "OMF") is protected by law and may only be applied under the rules of covered bonds. The same applies for the new European covered bonds or OMF standard and European covered bonds premium or OMF premium.

Covered bond issuers cannot be declared bankrupt but have to be placed under public administration if facing solvency or liquidity problems. This gives the authorities more flexibility to deal with covered bond companies, while maintaining the rights of covered bond holders. The administration board shall ensure proper management of the cover pool and ensure that holders of covered bonds and derivative counterparties receive agreed and timely payments. Public administration or insolvency does not in itself give holders of covered bonds and derivative counterparties the right to accelerate their claims. Should it not be possible to make contractual payments when claims fall due, and an imminent change is unlikely, the administration board shall introduce a halt to payments.

The covered bond owners and derivative counterparties have an exclusive, equal and proportionate preferential claim over the cover pool, and the administration board is bound to assure timely payment, provided the pool gives full coverage to the said claims.

The preferential claim also applies to payments that accrue to the institution from the cover pool. As long as they receive timely payments, the creditors do not have the right to declare that the issuer must be placed under public administration. Details about this issue may be reflected in the individual agreements between the issuer and (the trustee of) the bondholders. These provisions will also apply to any netting agreements between the institution and its counterparties in derivative transactions.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation fulfils and is in compliance with the relevant EU legislation such as the Capital Requirements Regulation (CRR) and the new EU-framework on covered bonds. OMF issued before 8 July 2022 must comply with legislation that were in force at the time of issuance.

Hence, Norwegian covered bonds are eligible for reduced (10%) risk-weighting under the standard method for capital adequacy requirement. They are also eligible as collateral in the ECB and qualify as liquid assets under the Liquidity Coverage Ratio (LCR) given fulfilment of the specific criteria defined in the Delegated Regulation on for instance issuance size.

The issuers are licensed credit institutions under supervision of the Norwegian FSA, and as such they are bound to comply with all relevant single market directives and regulations applicable to European credit institutions.

## X. ADDITIONAL INFORMATION

### Mortgage regulation

Due to the authorities' concern regarding housing prices and its correlation with household debt, the Ministry of Finance introduced a regulation on requirements for new residential mortgage loans in 2015. The goal of the regulation is to ensure a sustainable development in household debt. The regulation has been assessed on several occasions since its introduction. In December 2020 the MoF announced that the mortgage regulation will be merged with similar requirements on unsecured debt, and later an extension to also other types of collateral besides property. In December 2024 the MoF decided to make some adjustments as well as making the regulation permanent (but with regular assessments). For mortgages the following apply:

> Loan-to-value (LTV) requirement of maximum 90%

> Stress test: Households must be able to service their debt in the event of a 3 percentage points increase in rates on their total level of debt. The minimum stress test level is a 7% interest rate

> Maximum debt-to-income (DTI) ratio requirement of five times gross annual income

> Interest-only periods on mortgages and home equity lines of credit may only be granted when LTV is below 60%

> Flexibility quota: Up to 10% of the value of new loans can deviate from one or more of the requirements in each quarter (the limit is 8 % for Oslo).

### Register on unsecured debt

In 2019 the Debt Information Act entered into force. The Act requires that banks and other financing companies report information on consumer loans and credit card debt to central debt registers. Banks can now access these registers and receive updated information on a borrowers' consumer debt and hence receive a

1 For further information on the UCITS Directive and the Capital Requirements Regulation (CRR) please see: https://hypo.org/ecbc/covered-bonds/.

better picture of a borrowers' debt situation. There is an ongoing discussion to also include secured debt in the register which will give a complete and frequently updated register for banks and other financial institutions.

**Market overview and additional information**

According to Finance Norway's covered bond figures, just over EUR 42,7 bn. of covered bonds was issued in 2025. The total level of outstanding bonds is approximately EUR 154.5 bn. 55.9% of the outstanding bonds are denominated in NOK, 40.3% in EUR, and the remaining 3.8% in other foreign currencies.
Since the first issuance in the beginning of 2018 a total of 17 Norwegian issuers have issued green covered bonds based on residential mortgages. Issuances have been made in NOK, SEK and EUR. Currently 15 issuers have green bonds outstanding, with a total volume of almost EUR 16.4 bn. at year-end 2025.
More information and additional data are available on Finance Norway's webpage on covered bonds:
https://www.finansnorge.no/tema/statistikk-og-analyse/bank/omf/

**Issuers:** Bustadkreditt Sogn og Fjordane AS, DNB Boligkreditt AS, Eiendomskreditt AS, Eika Boligkreditt AS, Fana Sparebank Boligkreditt AS, Helgeland Boligkreditt AS, KLP Boligkreditt AS, KLP Kommunekreditt AS, Landkreditt Boligkreditt AS, Møre Boligkreditt AS, Nordea Eiendomskreditt AS, OBOS Boligkreditt AS, Rogaland Sparebank Boligkreditt AS, SpareBank 1 Boligkreditt AS, SpareBank 1 Næringskreditt AS, Sparebanken Norge Boligkreditt AS, Sparebanken Øst Boligkreditt AS, SR-Boligkreditt AS, Storebrand Boligkreditt AS, Verd Boligkreditt AS.

Covered Bond Label **:** DNB Boligkreditt AS (1 pool), Nordea Eiendomskreditt AS (1 pool), SpareBank 1 Boligkreditt (1 pool), Eika Boligkreditt AS (1 pool), SR-Boligkreditt (1 pool), Møre Boligkreditt AS (1 pool), Sparebanken Norge Boligkreditt AS (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.32 PANAMA

By Frank Will, Chairman of the EU Legislation Working Group, HSBC

### I. FRAMEWORK

In September 2012, Global Bank became the first issuer of covered bonds out of Panama. It was also Latin America's inaugural covered bond. The USD 200mn deal was issued under Global Bank's USD 500mn Residential Mortgage Loans Covered Bond Programme and was later increased by USD 100mn. Following a partial buyback in September 2016, the bond matured in October 2017.

The second Panamanian covered bond issuer is Banco La Hipotecaria which issued its first USD 11mn covered bond in December 2018. Two more covered bonds with a total size of USD 41mn were issued in 2019.

Panama currently does not have a specific legal framework for covered bonds. Thus, Panamanian covered bonds are based on contractual agreements and the programme characteristics are self-imposed. Similar to the structures used in other markets without a specific covered bond law, many programme features are derived from securitisation techniques. Please note that our country analysis is based on the only available covered bond programmes in Panama to date, i.e. the ones from Global Bank and Banco La Hipotecaria.

### II. STRUCTURE OF THE ISSUER

In the absence of a specific covered bond law in Panama, the Panamanian issuers used certain securitisation techniques and contractual law to replicate the key features of specific law based covered bonds and to ensure that the cover pool is isolated in the event of issuer insolvency. The covered bonds represent direct unconditional and unsubordinated obligations of the issuer and rank pari passu among themselves. The covered bond programmes foresee a separate cover pool of Panamanian residential mortgage assets that is transferred to a guaranty trust. The covered bond holders have a priority claim on these assets.

### III. COVER ASSETS

Given the lack of a Panamanian covered bond law, we focus below on the asset requirements of the covered bond programmes of the two banks which bear a strong resemblance but differ in the detail.

Under Global Bank's covered bond programme, the covered bonds are backed by a dynamic pool of first-ranking residential mortgage loans originated in Panama, subject to the following eligibility criteria:

> The loans must be denominated in USD;

> The mortgage borrowers must be individuals resident in Panama;

> Each loan is secured by a valid and enforceable mortgage or by a guaranty trust, in accordance with Panamanian Law over a fully completed residential property located in Panama;

> With respect to any loan, there are no other loans secured by mortgages or by a guaranty trust ranking pari passu or senior with the mortgage or guaranty trust securing such loan (if there are other loans secured by mortgages or by a guaranty trust and ranking pari passu or senior with the mortgage or guaranty trust securing such loan, such loans have also been originated by the issuer and are included in the portfolio);

> No loan has a current principal balance of more than USD 500,000;

> Each loan has a remaining term of no longer than 30 years; and,

> No loan that has been transferred to the guarantee trust has been more than 90 days in arrears during the calendar year preceding the transfer date.

The aggregate principal amount of substitution assets (and/or authorised investments) may not at any time exceed 20% of the aggregate principal balance of the Guaranty Trust Assets.

The cover pool assets of the Banco La Hipotecaria are subject to the following eligibility criteria:

> The mortgage loans must be for purchases of owner occupied homes, with debtors being residents of Panama;

> Mortgage payments of the debtor have to be less than 35% of the gross family income and the complete debt service less than 55% of the income;

> The principal balance is more than USD 2,000 and less than USD 150,000;

> The property has to be insured against fire or other damages, with the insurance covering at least 80% of the property value; and,

> The debtor has to have a life insurance covering the principal balance.

The issuer has the right to replace the mortgage loans in the cover pool as long as the cover asset requirements are met.

## IV. VALUATION AND LTV CRITERIA

In Global Bank's covered bond programme, the maximum permitted LTV is 100%. For non-preferential first lien mortgages the LTV caps are lower (95% for employed borrowers, 85% for self-employed and 70% for foreign borrowers). The Asset Coverage Test does not give any credit to mortgage loans more than 90 days past due. The maximum asset percentage is set at 84.4%.

For Banco La Hipotecaria, the maximum permitted LTV is 98% of the original purchase price for a new acquisition and 85% for the refinancing of existing mortgage loans. Mortgage loans issued by Banco La Hipotecaria itself may have an LTV up to 99%, but only under certain restrictive conditions.

## V. ASSET – LIABILITY MANAGEMENT

Global Bank's covered bond features several tests including an Asset Coverage Test, an Interest Shortfall Test, a Yield Shortfall Test and an Amortisation Test.

> **Asset Coverage Test:** The Asset Coverage Test is breached if, on any calculation date prior to the occurrence of an issuer event of default and the service of a notice to pay on the guaranty trustee, the adjusted aggregate loan amount is less than the aggregate principal amount outstanding of the covered bonds.

> **Interest Shortfall Test:** The Interest Shortfall Test is breached when, on any calculation date prior to the occurrence of an issuer event of default and service of a notice to pay on the guaranty trustee, the income received with respect to the guaranty trust assets (including interest received or amounts received on hedging instruments) during the calculation period plus other available amounts (representing interest) is less than the interest amounts expected to accrue under the covered bonds during the next succeeding guaranty trust payment period.

> **Yield Shortfall Test:** The Yield Shortfall Test is breached when, on any calculation date following an issuer event of default and service of a notice to pay on the guaranty trustee, interest amounts under the loans and other amounts (representing interest) received by the guaranty trustee in respect of the guaranty trust assets during the calculation period cease to give a yield on the loans at least equal to the weighted average interest rate on the outstanding series of covered bonds.

> **Amortisation Test:** The Amortisation Test is breached if, for so long as any covered bonds remain outstanding upon the occurrence of an issuer event of default and on any calculation date following the occurrence of an issuer event of default and the service of a notice to pay on the guaranty trustee (but prior to the service of a guaranty trust acceleration notice), the amortisation test aggregate loan amount is less than the aggregate principal amount outstanding of the covered bonds as at the determination date.

The issuer can issue covered bonds in hard-bullet or soft-bullet format. In case of soft-bullet bonds, the outstanding covered bonds' maturity will automatically be extended by up to 12 months if the issuer fails to fully redeem a series.

The programme of Banco La Hipotecaria has the following key requirements:

> The Coverage Ratio is greater than or equal to 125%;
> The Liquidation Coverage Ratio is greater than or equal to 100%;
> The Gross Weighted Average Interest Rate Ratio is greater than or equal to the sum of (i) the Outstanding Covered Bonds Weighted Average Interest Rate and (ii) 0.5%;
> The Net Weighted Average Interest Rate Ratio is greater than or equal to the greater of (i) the Outstanding Covered Bonds Weighted Average Interest Rate minus 3.5% and (ii) 1.0%;
> The Percentage of Preferential Interest Rate Mortgages Ratio is less than or equal to 80%;
> The Weighted Average Loan to Value Ratio is less than or equal to 88%;
> The Weighted Average Maturity Ratio is less than 342 months;
> The Weighted Average Seasoning Ratio is greater than or equal to 18 months; and,
> No mortgage loan is in default more than 90 days.

## VI. TRANSPARENCY

Global Bank's prospectus requires the bank to prepare a monthly investor report listing selected statistical information in relation to the underlying portfolio and the characteristics of the portfolio as well as confirming compliance with the Asset Coverage Test. The issuer provides comprehensive information on the borrowers (income brackets, employment type, life insurance), delinquency rates, fire & earthquake insurance of the properties, loan-to-value ratios by brackets and charged interest rates. The Banco La Hipotecaria publishes monthly servicer and pool data reports covering the same information, which are validated by the asset monitor with respect to all pool ratio requirements.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

In the absence of a legal framework defining the monitoring requirements for the cover assets, both covered bond issuers defined their own monitoring frameworks. Both issuers appoint an "asset monitor" that monitors the loans in the cover pool and validates the information and periodic reports published by the issuer with regards to the tests and criteria that are described above, as well as arithmetic accuracy. Failure to pass the tests or to satisfy the requirements leads to the issuer being obligated to immediately transfer substitute assets or other remedial means until compliance is established again. Failure to do so would lead to a prohibition of the issuing of further covered bonds or even an issuer event of default.

## VIII. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The covered bonds are neither Article 52(4) UCITS-compliant nor Article 129 CRR-compliant as Panama is not a Member State of the European Union (EU). In addition, Panama does not have national covered bond legislation. Therefore, the covered bonds do not benefit from a preferred risk-weighting for regulatory capital purposes under EU rules. Under the Standardised Approach, they are treated similarly to senior unsecured bank debt.

As Panama is neither a European Economic Area (EEA) country nor a G10 country, Panamanian covered bonds are not eligible for the ECB repo operations regardless of their currency and their rating.

**Issuers:** Global Bank Corp (Panama)

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website [www.coveredbondlabel.com](www.coveredbondlabel.com) or via the following QR code:**

## 3.33 POLAND

By Konrad Szymczyk, mBank Hipoteczny and Dariusz Popiołek, PKO Bank Hipoteczny

### I. FRAMEWORK

The legal framework for covered bonds is mainly determined by:

> The Act on Covered Bonds and Mortgage Banks (*Ustawa o listach zastawnych i bankach hipotecznych*) of August 29, **1997**; ("The Covered Bonds Act"),

> The Bankruptcy Law (*Prawo upadłościowe*) of February 28, **2003**, Chapter II – Bankruptcy proceedings for mortgage banks, Article 442–450a,

> Act on Trading in Financial Instruments (Ustawa o obrocie instrumentami finansowymi) of July 29, **2005**,

> The Bonds Act (Ustawa o obligacjach) of January 15, **2015**.

Applicable key soft law regulations for mortgage banks issued by the Polish Financial Supervision Authority (Komisja Nadzoru Finansowego, the KNF):

> Recommendation F (introduced in 2014) – the standards for determining mortgage-lending value were eased.

> Recommendation K (introduced in 2016) – the rules on keeping and managing cover registers were updated.

In 2015 the Covered Bonds Act has been thoroughly updated in order to increase the safety of the covered bonds and their availability to investors with new provisions coming into force as of 1 January 2016. Among the key modifications were: introduction of statutory overcollateralisation and liquidity buffer and increase of funding limit for residential loans as well as implementation of soft bullet and conditional pass-through structure upon insolvency as well as regular coverage and liquidity testing.

In 2022 the Covered Bonds Act has been amended due to necessity of implementation to the Polish legislation the provisions of the Directive of the European Parliament and of the Council (EU) 2019/2162 of 27 November 2019 on the issue of covered bonds and covered bond public supervision amending Directives 2009/65/EC and 2014/59/EU (the Covered Bond Directive). Key modifications of Covered Bonds Act were:

> extension of catalogue of eligible assets for the issue of a public covered bond,

> inclusion the double recourse mechanism into the definition of a covered bond,

> confirmation under the Covered Bonds Act that maturity extension option of the covered bond is limited only to the bank's event of bankruptcy,

> equal (pari passu) status of cover swap counterparties and covered bond holders in bankruptcy,

> quality requirements on derivatives to be a part of cover pool,

> reduction of cover pool mandatory overcollateralization from 110% to 105%,

> introduction of the concept of "European covered bonds" and "European premium covered bonds",

> extension of bank's reporting obligations,

> detailed regulation on FSA supervision on covered bond issuers

Due to 2022 amendment of the Covered Bonds Act, new Regulation of the Minister of Finance of 21 June 2022 on conducting the collateralisation review and coverage and liquidity tests was issued.

## II. STRUCTURE OF THE ISSUER

The issuer is a specialised credit institution (mortgage bank) with the supervision of the Polish Financial Supervision Authority. It is required by law that the mortgage bank is a joint stock company with a legal personality (not a branch) with two licenses: a banking license and consent to start operating activity, both granted by the KNF. The two licenses constitute consent to maintain an active covered bond issue program.

The additional covered bond issuer is Poland’s only state-owned bank, Bank Gospodarstwa Krajowego (BGK), which may issue covered bonds to finance in particular government programmes. However, there have been no issues of BGK so far.

According to the Covered Bonds Act, a mortgage bank is limited in its range of business activities, i.e. it may only engage in activities specified in a closed catalogue. The operations of a mortgage bank can be divided into two groups: core and non-core, and may be also executed in foreign currencies.

**The core operations** which may be performed by mortgage banks include:

- Granting loans secured with mortgages;
- Granting loans where the borrower, guarantor or underwriter of a loan repayment is the National Bank of Poland, European Central Bank (ECB), governments or central banks of the European Union (EU) member states, Organisation for Economic Cooperation and Development (OECD member states), or where a guarantee or security is granted by the State Treasury;
- Acquisition of other banks’ receivables on account of loans granted by them;
- Acquisition of securities issued by the State Treasury, local government units or BGK (only if securities are guaranteed by the State Treasury);
- Issuing mortgage covered bonds;
- Issuing public sector covered bonds.

Apart from core operations, mortgage bank’s approved activities comprise: taking credits and loans, issuing bonds, securities safekeeping, acquiring or taking up shares in other entities, whose legal form ensures that the bank’s liability is limited to the value of invested funds, provided that such investment supports the bank’s business activities, providing consulting and advice with respect to the property market, managing receivables of a mortgage bank and other banks arising from mortgage-backed loans, as well as granting such loans on behalf of other banks on the basis of relevant cooperation agreements.

The mortgage bank may perform foreign exchange trading activities and activities to mitigate foreign exchange and interest rate risk, including derivatives transactions. The purpose should be to facilitate the aforementioned core operations and approved activities of mortgage bank.

A mortgage bank is not authorised to perform any other activities apart from the operations listed above. Particularly, it cannot accept deposits. Such limitations facilitate maintaining a more simplified and clearer activity structure and the specialisation of the loan division as well as the improvement of credit risk assessment methods in the field of real estate financing. Furthermore, funds obtained from covered bond issues shall be used mainly for funding the lending activity of a mortgage bank. Moreover, in accordance with polish Banking Law, if the bank fails to perform the activity specified in the articles of association within 12 months from the date of issuance of the licence, or if the bank ceases to perform the activity specified in the articles of association for a continuous period of 12 months, the bank shall immediately apply to KNF for permission to make an amendment to the articles of association consisting in the deletion of the unperformed activity. The provision referred to in the previous sentence is common to both universal and mortgage banks.

## III. COVER ASSETS

Mortgage banks in Poland focus on mortgage or public sector lending. The loans are held on the balance sheet of the issuer and registered in two separate cover registers, which form two separate cover pools.

There are two specific classes of covered bonds which correspond to each of the cover assets:

> mortgage covered bonds (hipoteczne listy zastawne) and

> public sector covered bonds (publiczne listy zastawne).

Both mortgage and public sector covered bonds are direct and unconditional obligations of the issuer and must be fully secured by cover assets of the respective class. Upon the issuer's default, covered bondholders have a dual recourse to a segregated cover pool of assets and, if the cover pool proves to be not sufficient, an unsecured claim against the issuer. Furthermore, the covered bondholders benefit from a statutory priority claim over all the assets in the cover pool equally with counterparties of derivatives entered into cover pool. There is no time subordination: all covered bonds are ranked pari passu.

Pursuant to the Covered Bonds Act, the substitution assets can be included in the cover pool i.e. they may consist of the bank's funds:

> invested in securities issued or guaranteed by the National Bank of Poland, the European Central Bank, the governments and central banks of the Member States of the European Union, the Organization for Economic Cooperation and Development, excluding countries that are restructuring or have restructured their foreign debt in the past 5 years, unless they are basic assets;

> deposited with the National Bank of Poland;

> deposited with domestic banks or a credit institution referred to in Article 18(3)(3) of the Covered Bonds Act.

However, the total nominal amounts of the mortgage bank's claims secured with a mortgage or based on the public sector claims, constituting a basis for the issue of mortgage covered bonds, may not be less than 85% of the total amount of nominal value of outstanding covered bonds.

Hedging derivatives, that meet the requirements set out in Article 18a of the Covered Bonds Act, are eligible for the cover pool. Settlement amounts due under such contracts and included into the cover pool rank pari passu with claims of covered bondholders.

In addition, receivables secured by mortgages established on buildings, which are in the construction process, may not in total exceed 10% of the overall value of mortgage-secured receivables in the cover pool. Within this limit, the receivables secured by mortgages on construction lots in compliance with the land-use plan may not exceed 10%.

## IV. VALUATION AND LTV CRITERIA

The property valuation in a mortgage bank is conducted under the rules stipulated in the Covered Bonds Act. According to the Polish covered bond legislation, establishing the mortgage lending value of the property shall be performed with due care and diligence on the basis of an expert's opinion. It shall be prepared by the mortgage bank or other entities with appropriate real estate appraisal qualifications commissioned by the mortgage bank. The mortgage lending value cannot be higher than the market value of the property.

Apart from the assumptions laid down in the Covered Bonds Act concerning property valuation in a mortgage bank, there are special banking supervisory regulations (Recommendation F), which stipulate in detail the establishment of the mortgage lending value and impose a duty on a bank to have a database for real estate prices.

The funding limit – related to a single loan – is established at the level of 60% of the mortgage lending value of the commercial property and of 80% in the case of residential property (Article 14 of the Covered Bonds Act).

Apart from funding limit, there is also lending limit, according to Article 13(2) of the Covered Bonds Act, stipulating that single loans granted or purchased by a mortgage bank cannot exceed the mortgage lending value of the property.

## V. ASSET-LIABILITY MANAGEMENT

According to the Covered Bonds Act (Article 18), the total nominal value of all outstanding covered bonds (which should be calculated separately for each class) shall not exceed the sum of nominal amounts of (either mortgage or public sector) covered assets, which form the basis for the covered bond issue. Since July 2022, the ongoing cover principle includes 5% mandatory overcollateralisation. That would apply to both public and mortgage covered bonds

The overcollateralisation is calculated on nominal basis regarding the capital amount of outstanding covered bonds. Additionally, part of the cover pool would be compulsorily composed of liquid assets (e.g. central bank eligible bonds), in order to ensure preparation of liquidity buffer, not being a base for the covered bond issue. It is assumed that the value of these liquid assets (liquidity buffer) must be maintained at an amount not lower than the maximum cumulative outflows of net liquidity over the following 180 days. Calculation recognizes final term of covered bonds resulting from soft-bullet structure.

Thus, the nominal value of respective covered assets shall permanently be higher than the total nominal value of the respective covered bonds. In addition, the mortgage bank’s income from interest on its respective cover assets may not be lower than the amount of bank’s payable interest on its respective outstanding covered bonds.

## VI. TRANSPARENCY

Cover pool transparency reports for individual banks are available at their respective websites (see below). Four out of five Polish mortgage banks are holding the Covered Bond Label and publish their reports following the Harmonized Transparency Template.

The majority of Polish covered bonds (public sector and mortgage covered bonds, the latter denominated in PLN as well as in EUR) are listed on the Catalyst, a local bond market operated by the Warsaw Stock Exchange and BondSpot. Both markets are supervised by the Polish Financial Services Authority and are approved as regulated markets by the European Securities and Markets Authority (https://registers.esma.europa.eu/publication/searchRegister?core=esma_registers_upreg#).

Additionally some of Polish covered bonds denominated in both currencies (PLN and EUR) are also listed on the Luxembourg Stock Exchange.

Issuers, whose securities are listed on the regulated market, are legally bound to provide investors with up to date information about their company’s economic situation and events which may have an effect on investment risk. Consequently, mortgage banks are obliged to submit disclosures in the form of current and periodic reports, including information on subscription, assigned rating or interest payment dates of covered bonds.

Issuance documents such as Base Prospectus and Supplements for individual series comprising detailed information on the covered bonds as well as the issuer can be found on the issuers’ websites:

> mBank Hipoteczny: https://www.mhipoteczny.pl/en/investor-relations/issue-programmes/

> Pekao Bank Hipoteczny: https://www.pekaobh.pl/emisje-listow-zastawnych/programy-emisji.html

> PKO BP Bank Hipoteczny: https://www.pkobh.pl/en/covered-bond/

> ING Bank Hipoteczny: https://en.inghipoteczny.pl/inghipoteczny-en/investor-relations

> Millennium Bank Hipoteczny: https://www.millenniumbh.pl/eng/covered-bonds

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

One of the key features of Polish covered bond legislation (Article 31 of the Covered Bonds Act) is the monitoring role undertaken by the covered pool monitor (powiernik) who is appointed by KNF at the request of the mortgage bank's supervisory board. The cover pool monitor is independent and shall not be bound by instructions of the appointing body.

The cover pool monitor is responsible for an ongoing control of the appropriateness of the cover pool management. Its main tasks comprise monitoring of the cover pool (i.e. confirming the accuracy of the inclusion in or removal from the cover register of the cover assets, ensuring that the asset eligibility requirements are met, verifying the correctness of the value registered in the cover pool, etc.) as well as the issuer's compliance with specific provisions of the Covered Bonds Act and reporting any breaches of them to the KNF.

The cover pool monitor is required to perform above mentioned tasks not only on an ongoing basis, but also prior to every issuance of a mortgage bank in order to ensure that a mortgage bank provides an appropriate cover for the planned issue. The issuer is obliged to provide full cooperation to the cover pool monitor and shall give the cover pool monitor the right to review the register, loan documents, accounting books or other bank's documents at its request.

Apart from cover pool's management monitoring performed by the cover pool monitor, mortgage banks fall under the oversight of the KNF which carries out general assessment of Polish banks, including mortgage banks as a part of general banking supervision.

The KNF may commission an independent expert at the expense of the inspected mortgage bank to inspection of the appropriateness of the mortgage bank's entries to the mortgage cover register. This would also include establishing the mortgage lending value of the property was in compliance with the rules referred to in Article 22(5) the Covered Bonds Act.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Pursuant to the Covered Bonds Act and the Bankruptcy Law (), in case of bankruptcy of a mortgage bank the receivables, claims and means entered in the cover register shall constitute a separate bankruptcy estate, which may be used exclusively to satisfy claims of covered bondholders and claims under derivative contracts. It includes assets registered as security for covered bonds, ensuring that these creditors are prioritized. Moreover, initiation of the insolvency proceedings does not affect covered bonds (listy zastawne), i.e. they do not automatically accelerate, when the issuer becomes insolvent.

After declaring a bankruptcy of the mortgage bank, the court prior the appointment of the trustee (kurator) consults it with the Financial Supervision Authority (KNF), ensuring the trustee is well-qualified and aligned with regulatory standards. The trustee represents the rights of covered bondholders in the bankruptcy proceedings and notifies the total nominal value of outstanding covered bonds together with accrued interest to the bankruptcy estate. In order to perform these duties, the trustee has the right to review the accounting books and other documents of the mortgage bank as well as to obtain all the necessary information from the receiver (syndyk), court supervisor (nadzorca sądowy) and administrator (zarządca). The trustee consults his actions with The Financial Supervision Authority (KNF).

The trustee participates in the liquidation of a separate bankruptcy estate performed by the receiver.

If possible, the items of such estate may be sold to another mortgage bank. While maturities of covered bond principal are postponed automatically by 1 year further, during this period all interest payments are executed pursuant to the terms and conditions of the covered bonds. The aim of that solution is to support the timely payment of covered bonds, if a mortgage bank goes insolvent. Additionally the law on bankruptcy includes the introduction of the asset coverage test, which verifies whether the separate insolvency estate is sufficient to fully satisfy the claims of the bondholders, as well as the liquidity test, which verifies whether the separate insolvency estate is sufficient to fully satisfy the claims of the covered bondholders on the extended redemption dates. These tests are conducted also during regular activity of the mortgage bank.

With a separate bankruptcy estate, the following categories should be satisfied successively:

> Liquidation costs of the separate bankruptcy estate, which also include the remuneration of the trustee, as well as interest and other covered bonds receivables;

> Covered bonds as per their nominal value.

The Polish model, introduced in January 2016, stipulates a statutory soft-bullet structure in case of a mortgage bank insolvency, conditional pass-through payments, as well as detailed regulated scenario for insolvency procedure with clear competences and precise legal tools for action including over-indebtedness and liquidity tests. Transition into both soft bullet and conditional pass-through structures can only be triggered by legally specified events (insolvency and failed coverage tests) with limited decision rights in this respect granted to covered bond holders (possible resolution of covered bondholders with 2/3 majority to sell the separate bankruptcy asset pool to another bank).

After satisfying the covered bondholders the surplus of the cover assets deriving from the separate estate shall be allocated to the general bankruptcy estate. In case that the separate bankruptcy estate does not fully satisfy the cover bondholders, the remaining amount shall be satisfied from the whole bankruptcy estate funds. In that case, the remaining amount shall be transferred from the bankruptcy estate funds to the separate bankruptcy estate funds. It indicates that the covered bondholders are given priority over other creditors.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

In order to apply a preferential risk-weighting for covered bonds, the instrument needs to meet the criteria laid down in the UCITS Directive and the CRR.

Polish covered bonds already meet the criteria of Article 52(4) UCITS: in December 2008 Polish covered bond was notified by the European Commission (EC) as a European "eligible bond" (covered bond), i.e. the instrument with a qualified collateral.

Polish covered bonds also fall under the criteria of Article 129(1) of the CRR:

> Substitution assets, including liquidity buffer, comply with Article 129(1)(a-b) CRR;

> Derivatives included in the cover pool comply with Article 129(1)(c) CRR;

> Residential real estate loans comply with Article 129(1)(d) CRR, LTV limit of 80%;

> Commercial real estate loans comply with Article 129(1)(f) CRR, LTV limit of 60%;

> Portfolio information is publicly available at least on semi-annual basis.

Following recent amendment of the Covered Bonds Act, foreign investors (both private and corporate) are exempt from withholding tax both in relation to coupons and principal amount.

PLN denominated covered bonds are approved by the National Bank of Poland as the instruments eligible for intraday credit, lombard facility as well as repo transactions. As of April 2026, the haircut levels based on notional value and time remaining to maturity are:

> 12% (up to 1 year), 26% (1 to 3 years), 38% (3 to 5 years), 39% (5 to 7 years), 56% (7 to 10 years), 63% (above 10 years)

Alternatively, for the PLN denominated covered bonds the haircut levels for lombard facility and intraday credit based on market value are:

> 9,5% (up to 3 years), 11% (3 to 5 years), 14% (5 to 7 years), 17% (7 to 10 years), 30% (above 10 years)

EUR denominated covered bonds are eligible for lombard facility and short-term repo (up to 7 days). The haircut levels based on notional value and time remaining to maturity are:

> 11,5% (up to 3 years), 24,5% (3 to 7 years), 33% (7 to 15 years), 44,5% (15 to 30 years), 60% (above 30 years).

Polish investment regulations pertaining to investment limits for covered bonds are as follows:

> Banks and insurance companies – no statutory limits, internal concentration limits apply, high-quality liquid asset status depending on outstanding issue amount and rating;

> Open ended investment funds – 25% of assets under management (AuM) limit for covered bonds per issuer, 35% of AuM limit for total exposure per mortgage bank (including unsecured debt and OTC derivatives), 80% of AuM limit for all covered bonds in portfolio;

> Closed ended funds – 25% of assets under management (AuM) limit for covered bonds per issuer;

> Pension funds up to 40% of AuM, 5% per one issuer or issuer's group.

**Issuers:** mBank Hipoteczny S.A., Pekao Bank Hipoteczny S.A., PKO Bank Hipoteczny S.A., ING Bank Hipoteczny S.A and Millennium Bank Hipoteczny S.A.

Covered Bond Label: PKO Bank Hipoteczny Spółka Akcyjna (1 cover pool), mBank Hipoteczny S.A. (1 cover pool), Pekao Bank Hipoteczny SA (2 cover pools), ING Bank Hipoteczny S.A. (1 cover pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.34 PORTUGAL

By Cláudio Domingues, Millennium bcp

### I. FRAMEWORK

Portuguese covered bonds are locally designated as "*obrigações cobertas*". The Portuguese covered bonds legislation[1] transposing the Covered Bonds Directive[2] (the "*Regime Jurídico das Obrigações Cobertas*" or "RJOC") came into effect on the 1st of July 2022. The former Portuguese covered bonds legislation[3] ceased to apply to mortgages and public sector covered bonds issued until the 8th of July 2022, formerly known as "*obrigações hipotecárias*" and "*obrigações sobre o sector público*", respectively, after all covered bonds programmes established under the previous legal regime have been adjusted and approved in accordance with the RJOC.

The establishment of a covered bonds programme under RJOC is subject to the previous authorisation of the Portuguese securities market regulatory authority ("*Comissão do Mercado de Valores Mobiliários*" or "CMVM"). In accordance with RJOC, CMVM may specifically regulate certain aspects of the covered bonds. On 29 June 2023, CMVM published its first and only (to date) covered bonds regulation, the "*Regulamento CMVM Nr.º 2/2023*" ("CMVM Regulation"), which has revoked, in accordance with the RJOC, all regulations of the Bank of Portugal which were published under the previous covered bonds legal framework. CMVM keeps publicly available an updated list of the covered bonds that are labelled as either "European Covered Bonds" or "European Covered Bonds (Premium")[4].

### II. STRUCTURE OF THE ISSUER

Portuguese covered bonds can only be issued by Portuguese credit institutions.

The RJOC allows for, and sets the terms of, the use of intragroup pooled covered bond structures, under which covered bonds issued by a credit institution ("internally issued covered bonds") are used as cover assets for the issue of covered bonds by another credit institution of the same group ("externally issued covered bonds").

### III. COVER ASSETS

Eligible cover assets are primarily those listed in Article 129 of Regulation (EU) 575/2013 of 26 June 2013 ("Article 129")[5], in the terms set out therein. By reference to Article 129, the RJOC limits the use of the label "*Obrigação Coberta Europeia (Premium)*" ("OCE Premium") to covered bonds backed by primary assets listed thereunder, in particular:

> exposures to certain public sector entities and authorities, central banks, subject to certain minimum ratings in the case of either of them being located outside the EU;

> loans secured by residential or commercial mortgages, with a maximum loan-to-value ratio ("LTV") of 80% and 60%[6], respectively; or

> loans secured by maritime liens on ships, subject to a maximum LTV of 60%.

1 Decree-law n.º 31/2022 of 6th May 2022
2 Directive (EU) 2019/2162
3 Decree-law n.º 59/2006 and regulation of the Bank of Portugal (in particular, Aviso n.º 5/2006, Aviso n.º 6/2006, Aviso n.º 8/2006 and Instrução n.º 13/2006)
4 CMVM website (English version): Home > The CMVM > Information for Professionals > Issuers > Covered Bonds
5 As amended by Regulation 2019/2160, which together with Directive 2019/2162 forms the new European covered bond regulatory framework
6 Commercial mortgages with 70% LTV are allowed in certain circumstances

Credit institutions with programmes issuing bonds labelled "*Obrigação Coberta Europeia*" ("OCE") are not bound by Article 129 and the following primary assets that are outside of the scope of Article 129 can be included in the respective cover pools:

i) high-quality cover assets in the form a first mortgage, charge, or lien over EEA-based physical assets for which there are generally accepted valuation standards and a public register of ownership and claims over such physical assets; such physical assets cover outstanding OCEs up to the lesser of the principal amount of the liens (combined with any prior liens) and 70% of the value of physical assets[7]; or

ii) assets in the form of credits to, or guaranteed by, public enterprises, provided the respective cov-ered bonds are subject to a minimum overcollateralisation of 10%, as well as that such public enter-prises are subject to public supervision and have sufficient revenue generating powers that ensure their financial soundness and solvability.

Junior claims are allowed in the cover pool (other than junior claims in respect of the assets listed in limb ii) above) provided all associated senior claims over the same assets are included in the same cover pool.

Regarding composition and homogeneity cover pools can only have one single class of primary assets, with residential and commercial mortgages jointly considered as one, in which case their relative ratio within the cover pool should not vary significantly over time.

Substitution assets, meaning eligible assets other than primary assets contributing to coverage requirements, can include: i) deposits with the Bank of Portugal of either cash or securities eligible for Eurosystem credit operations, ii) deposits in EEA-based credit institutions not part of the issuer's group or companies, and iii) other EEA-based, low-risk and high-quality assets. In the case of OCE Premium bonds, exposures to credit institutions are subject to Article 129 and therefore to certain minimum counterparty ratings.

The RJOC allows derivative contracts to be part of the cover pool, subject to certain structural requirements (see "V" below), and exclusively for risk hedging purposes.

The cover pool is proactively managed. If homogeneity, coverage, or liquidity buffer requirements are breached, the issuer must remedy such breaches by removing, or allocating new, primary or substitution assets, repur-chasing outstanding covered bonds, or allocating new liquid assets to the liquidity buffer. Not-withstanding, credits that become delinquent after being assigned to the cover pool may remain part of it provided that the delinquency period does not exceed 90 days, otherwise they must be substituted.

Without prejudice to asset eligibility criteria and segregation principles, Portuguese covered bonds can be backed by credits lawfully acquired from another credit institution, subject to the conditions established under the RJOC for credit transfer between credit institutions.

## IV. VALUATION AND LTV CRITERIA

The RJOC determines that the methodology and process of valuation of physical assets securing cover pool assets must follow certain guiding principles. Upon assignment of cover assets to the cover pool, the underly-ing physical assets must have a current valuation amount no greater than the physical asset's market value or mortgage lending value. Valuation shall be conducted by qualified and experienced valuers, who are independ-ent of the credit decision-making process, who ignore speculative elements in their appraisal, and document the valuation in a transparent and clear manner.

CMVM has opted not to regulate matters provided for and already covered by supervening national and European banking legislation and regulation, such as (i) methodologies and periodicity of the valuation of the

7 Physical assets need to be adequately insured against risk of losses and damages

properties backing mortgages forming part of the cover pools, the risk management of such assets, as well as the recording and archiving of all this information, (ii) the rotation of valuers of said properties, and (iii) the valuation reports of the of assets eligible to form part of the cover pool, under the RJOC.

Other national legislation requires valuation to be presented through a written report. Such report, apart from providing clear identification of the property and its final valuation amount for the context of mortgage lending, must include elements such as available rental values, property market prices, recent transaction values, construction and maintenance costs, and other market indicators to support the valuation expert's choice of established valuation methodologies in determining the valuation amount. Portuguese covered bond issuers are also subject to article 208 of Regulation (EU) 575/2013 ("CRR"), which requires banks to monitor the value of commercial properties at least once every year and the value of residential properties once every three years, in order to be eligible to back mortgage loans. In any event, banks should carry out more frequent monitoring when market conditions change significantly. The property valuation should be reviewed when information available to institutions indicates the value of the property may have declined materially relative to general market prices. For loans exceeding EUR 3 million or 5 % of the own funds of a credit institution, the property valuation shall be reviewed by such valuer at least every three years. Notwithstanding, CRR's Article 129, with which bonds carrying the "European Covered Bond (Premium)" label must comply, requires the monitoring of property values to be carried out at least annually for all properties collateralizing cover pools. Credit institutions may use statistical methods to monitor the value of mortgaged properties and to identify those needing revaluation.

Valuation experts are deemed independent if they are not susceptible to be affected in their otherwise unbiased assessment. Namely, they must have no specific interest in the property in question or any relationship, commercial or personal, with the borrower. Further, valuation will not be regarded as independent if compensation payable to the valuation expert is somehow linked to the properties' valuation amounts. Valuation experts may however belong to the issuer's organisation, provided their action is fully independent from the credit underwriting process.

Lastly, credit institutions should ensure proper diversification and rotation of property valuers. They must keep an updated list of selected valuers, together with the criteria justifying such selection, as well as the properties valued by such valuers. This list must be reported annually to the regulator until the end of January each year, with reference to 31st December, indicating any changes from the last report.

## V. ASSET – LIABILITY MANAGEMENT

RJOC deals with risks associated with asset-liability mismatch by imposing coverage requirements. Payment shortfall and refinancing risks are covered by the obligation of maintaining a liquidity buffer, whereas interest rate risk or foreign exchange risk can be addressed using derivative contracts.

### Coverage Requirements and Overcollateralisation

All covered bond programme liabilities must be covered by claims over eligible cover assets. Liabilities include payment obligations on covered bonds and derivative contracts, as well as programme wind down, maintenance and administration costs, which can be estimated as a lump sum. Cover assets comprise primary assets, substitution assets, liquid assets held under the liquidity buffer requirement (see below) and amounts receivable under derivative contracts. Unsecured credits where a default is deemed to have occurred[8] do not count towards this coverage.

The aggregate principal amount of all cover assets shall be equal to, or exceed, the aggregate principal amount of outstanding covered bonds ("nominal principle"). Coverage can be calculated on a net present value basis

8 As per Article 178 of the CRR

(including stress scenarios) or by applying a prudent market value approach provided that does not result in a higher coverage ratio. Assets and liabilities must be valued using the same methodology.

Notwithstanding the nominal principle, issuers are legally bound by minimum overcollateralisation ("OC") requirements. Specifically, any programme issuing OCE Premium bonds needs to maintain a minimum OC of 5%, for as long as any such bonds are outstanding; programmes issuing OCE Premium bonds backed by commercial mortgages with LTVs above 70% need to maintain a minimum OC of 10%; programmes issuing OCE bonds backed by credits to, or guaranteed by, public enterprises as primary assets and in the terms of the RJOC, need to maintain a minimum OC of 10%.

**Liquidity Buffer**

The risk of payment shortfall is addressed by the requirement of a liquidity buffer composed of liquid assets available to cover the programme's maximum cumulative net liquidity outflow over the following 180 days. Such assets are part of the cover pool and thus subject to segregation.

The liquidity buffer can comprise: i) assets qualifying as level 1, level 2A or level 2B assets[9], not issued by the covered bond issuer, by its parent company (unless such parent company is a public sector entity that is not a credit institution), by a subsidiary of the same group of companies, or by a securitisation special purpose entity with which the covered bond issuer has close links; or ii) short-term exposures to credit institutions with credit rating "A-" or better, or short-term exposures (including deposits) to credit institutions with credit rating "BBB-" or better, in accordance with point (c) of Article 129 (1) of the CRR.

Unsecured credits where a default is deemed to have occurred[10] cannot contribute to the cover pool liquidity buffer. For covered bonds with extendable maturity, calculation of the programme's maximum cumulative net liquidity outflow considers the final (extended) maturity date for principal outflow, as set by the applicable contractual terms and conditions.

**Derivative Contracts**

Issuers can use eligible derivative contracts for risk hedging purposes only. Their volume needs to be adjusted in the event of a reduction in the risk covered, and any such contracts included in the cover pool shall terminate once the hedged risk ceases to exist, be sufficiently documented, be subject to the segregation principle described in "VIII" below, and not be terminated upon issuer insolvency or resolution. Furthermore, the cover pool can only include derivatives which comply with the criteria set out in the RJOC in respect of the eligibility of hedging counterparties (including, without limitation, derivate instruments traded in a regulated market or multilateral trading facility of an EU Member State, or contracts entered into with certain eligible counterparts in the EEA).

**Extendable Maturity Structures**

The RJOC allows extendable maturity structures. Covered bond maturities can be extended upon withdrawal of the issuer's banking license or, either a foreseeable or actual failure to pay principal or interest due on the original maturity date, which cannot be remedied within 10 business days or less if the issue or the pro-gramme so establishes. The issuing credit institution shall notify the CMVM of the extension of the maturity date of the covered bonds and of its respective grounds at least 10 days before the maturity extension's effective date, or as soon as possible, whenever the occurrence of the event, or the time when it is found out, prevents the communication within such deadline. The CMVM can oppose to such extension within a 10-day period. These non-discretionary triggers must be specified in the issue's terms and conditions, the final maturity date having

9 Pursuant to the applicable delegated regulation adopted pursuant to Article 460 of Regulation (EU) No 575/2013, valued in accordance with that delegated regulation

10 As per Article 178 of the CRR

to be determinable at all times. Also, upon an insolvency event, such maturity date extension must not affect investors' ranking or invert the programme's original maturity schedule. Lastly, information provided to investors has to be sufficient to determine the covered bond's risks, including the impact of insolvency or resolution of the issuer on a maturity extension, as well as the role of the CMVM in the maturity extension procedure.

### Additional Regulatory Requirements

Covered bond issuers are obliged to regularly report evidence of compliance with applicable regulatory requirements concerning foreign exchange risk, liquidity risk, interest rate risk and asset coverage. CMVM Regulation requires covered bond issuers to deliver two programme-specific reports, with reference to the last day of each calendar semester, which shall be sent to the CMVM by the end of the following month. One containing the composition of the cover pool, including primary assets, substitution assets and liquid assets, each on an aggregate basis; the other projecting the programme's future liquidity mismatches across different time intervals.

## VI. TRANSPARENCY

Portuguese covered bonds issuers ensure data consistency and transparency by adopting the European Covered Bond Label Harmonised Transparency Template ("HTT"), which has been continuously adapted to market needs as well as regulatory and legal requirements implement over recent years. This year's adaptation focused mainly on the compliance with Article 14 of the Covered Bond Directive, which has been transposed into the RJOC. With the HTT, issuers should be providing sufficiently detailed information, at least on a quarterly basis, to allow investors to assess the risk profile of the covered bonds programme, including at least a) the value of the cover pool and outstanding covered bonds; b) the list of ISINs of all covered bonds issued; c) a geographical distribution and type of cover assets, their loan size and valuation method; d) details in relation to market risk, including interest rate risk and currency risk, and credit and liquidity risks; e) the maturity structure of cover assets and covered bonds, including an overview of the maturity extension trig-gers if applicable; f) the levels of required and available coverage, and the levels of statutory, contractual and voluntary overcollateralisation; and h) the percentage of loans where a default is considered to have occurred or that are more than 90 days past due. The HTT's are typically published on a quarterly basis both on the issuer's institutional website and on the Covered Bond Label website[11].

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Covered bonds issuers must appoint an independent auditor – the "cover pool monitor" – who acts in the best interests of the holders of covered bonds, both until and after an issuer insolvency event, and continuously verifies the quality of the cover pool and its compliance with applicable legislation, including asset eligibility criteria, derivatives, segregation, composition and homogeneity of the cover pool, as well as any intragroup and joint funding structure, hedging and liquidity requirements, and the information provided to investors.

The cover pool monitor is deemed independent if it (i) has not been the issuer's auditor during the two years preceding its designation as cover pool monitor, nor related with such entity or its network or any natural person in a position to influence the outcome of the audit of the cover pool, and (ii) is not closely associated with the issuing entity or in a position which could hinder the independence of its analysis or decision, in particular by having, or acting on behalf of holders of a qualified holding equal to or exceeding 5% of the share capital of the issuing credit institution, and (iii) has not acted as the cover pool monitor of the relevant covered bonds issue or covered bonds programme for ten consecutive years.

The RJOC allows the role of cover pool monitor to be carried on by an internal department of the issuer ("internal cover pool monitor") provided the internal covered pool monitor i) has no role and is independent from the credit decision-making process, ii) can only be removed by the management body in its supervisory function, and iii) has direct access to the management body in its supervisory function.

11 https://www.coveredbondlabel.com/htt

The cover pool monitor shall prepare a report, both prior to the establishment of a covered bond programme, and annually with reference to 31st December, on the compliance with the legal and regulatory requirements referred above. The annual report is to be delivered to the CMVM by 31st March of each year.

Any irregularity detected by the cover pool monitor should be immediately and simultaneously reported to the CMVM and to the issuer, who must implement remedies. The cover pool monitor can only be dismissed for good cause (*justa causa*), and its dismissal must be properly justified and communicated to the CMVM within 10 days of its occurrence.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

All cover assets (including any substitution assets and derivative contracts) shall be held by the issuer in separated accounts (the "cover register") and identified under a codified form. The legal effect of the cover register is the segregation of those assets from the insolvent estate of the issuer, forming a separate legal estate (the "cover pool") administered in favour of the holders of covered bonds and any other special claimant.

In addition to a common claim over the issuer, the holders of covered bonds benefit from a special preferential claim (*privilégio creditório*) over the cover pool for the redemption of principal and payment of interest. This preferential claim has precedence over that of any of the issuer's creditors, while mortgages that guarantee these credits prevail over any other real estate preferential claims. Portuguese covered bond legislation thus supersedes the national general bankruptcy regulation. This preferential claim is shared with the derivative counterparties whose contracts are part of the cover pool on a *pari passu* basis with bondholders. Consequently, their contracts are not expected to be called in case of insolvency of the originator.

In case of insolvency, dissolution or wind-up of the issuer ("insolvency event")[12], the RJOC establishes that the cover pool shall be segregated from the insolvency estate of the issuer and will not form part of it until full payment of any amounts due to the holders of covered bonds and derivative counterparties. Also, all amounts corresponding to payments under any assets in the cover pool will not form part of the insolvency estate of the issuer.

An insolvency event does not trigger an automatic acceleration of the covered bonds. However, the holders of covered bonds are entitled to pass a resolution approving the immediate acceleration of the covered bonds by a majority of at least two thirds of the votes of the holders of covered bonds then outstanding.

The CMVM shall work together with the Bank of Portugal to ensure protection of the best interest of the holders of covered bonds, including the management of the cover pool.

Upon an insolvency event, the CMVM appoints a cover pool special administrator who shall (i) autonomously manage the cover pool, including if necessary, the transfer of the cover pool, together with associated covered bond payment obligations, to another covered bond issuer and (ii) ensure payments of any amounts due to the holders of covered bonds.

The cover pool special administrator shall provide for the liquidation of the cover pool for the benefit of the holders of covered bonds and derivative contract counterparties, who will rank *pari passu* among themselves. If the liquidation proceeds of the cover assets prove to be insufficient to make up for all due and payable amounts, the holders of covered bonds and derivative counterparties will rank *pari passu* with issuer's senior creditors in relation to all other assets of the Issuer for the remaining due amounts. Remuneration of the cover pool special administrator is set by the CMVM and is paid out of cover pool funds or liquidation proceeds.

12 Under any applicable laws and regulations, including under Decree-Law No. 199/2006, Decree-Law No. 298/92, and/or (if applicable) under the Code for the Insolvency and Recovery of Companies introduced by Decree-Law No. 53/2004

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legal requirements, when taken together with the practices, processes and procedures across the industry should comply with criteria of Article 129 CRR. Credit institutions investing in Portuguese covered bonds qualifying under Article 129 can apply the risk weighting resulting from the application of paragraphs (4) and (5). The risk-weighting of derivatives included in the cover pool will be 20%. In accordance with the Decree-law no. 27/2023 of 28 April, which approves the asset management regime, investment funds can invest their own funds up to a maximum of 25% in a single issuer's covered bonds.

## X. ADDITIONAL INFORMATION

The Portuguese covered bond programmes are predominantly backed by residential mortgages, with the sole exception being BPI's EUR 600 million public-sector loan-backed programme, all of them with 12-month soft bullet maturities.

Despite the national banking sector's generally comfortable liquidity position, 2025 mirrored the market activity of the previous year, equalling the same 2-billion volume over four new public issuances: Novo Banco's five-year EUR 500 million in February, Banco Santander Totta's five-year EUR 500 million in February, Novo Banco's four-year EUR 500 million in May, and lastly BPI's 6-year EUR 500 million in October.

In addition to its public deal, Banco BPI privately placed EUR 900 million in June, partly offsetting the repayment of EUR 1,850 million worth of covered bonds matured in March, May, and September. Similarly, Banco Santander Totta's made two private placements, one of EUR 1000 million in January and a EUR 400 million in March, offsetting the EUR 750 million redemption occurred in March. Millennium bcp increased the nominal amount of a privately placed issuance from EUR 1000 million to EUR 3000 million, in November.

Altogether, this accounted for EUR 3,700 million net increase in covered bonds outstanding to EUR 43.8 billion.

**Issuers:** Novo Banco, S.A., Banco BPI, S.A., Banco Comercial Português, S.A., Banco Santander Totta, S.A., Caixa Económica Montepio Geral, Caixa Geral Depósitos, S.A.

**ECBC Covered Bond Comparative Database:**
https://www.ecbc.eu/framework/39/Mortgage_CB_%28Obriga%C3%A7%C3%B5es_Hipotec%C3%A1rias%29
https://www.ecbc.eu/framework/38/Public_Sector_CB_%28Obriga%C3%A7%C3%B5es_sobre_o_Sector_P%C3%BAblico%29

Covered Bond Label: Novo Banco, S.A. (1 pool), Banco BPI, S.A. (1 pool), Banco Comercial Português, S.A. (1 pool), Banco Santander Totta, S.A. (1 pool), Caixa Económica Montepio Geral (1 pool), Caixa Geral Depósitos, S.A. (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.35 ROMANIA

By Nicoleta Ruxandescu, UniCredit Bank Romania

### I. FRAMEWORK

The Romanian Covered Bond Legislation has been updated during 2022 in line with the EU Covered Bond Directive. The former Law 304/2015 was repealed and replaced by Law 233/2022 ("CB Law") accompanied by a new covered bond regulation issued by the National Bank of Romania ("NBR"), i.e. Regulation 10/2022 ("CB Regulation").

### II. STRUCTURE OF THE ISSUER

The issuer can only be a credit institution, as defined by the Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms ("CRR"), which falls under one of the following categories provided for in the Government Emergency Ordinance no. 99/2006 on Credit Institutions and Capital Adequacy, approved with amendments and supplements by Law. No. 227/2007, as amended and supplemented:

> banks,

> credit co-operative organisations, except for credit co-operatives, and

> mortgage banks.

The issuer must obtain approval from the National Bank of Romania on the covered bond programme.

The issuer holds the assets on its balance sheet. A direct legal link between single cover assets and covered bonds does not exist. All obligations from bonds are obligations of the issuing bank as a whole. In the event of insolvency, the cover pool is segregated by law from the general insolvency estate and is reserved for the claims of bondholders.

The covered bonds are direct and unconditional obligations of the issuer. The claims of the holders of covered bonds are secured by a first rank security over the cover assets, which are segregated from the rest of the issuing bank's patrimony, in case of bankruptcy. Eligible cover assets liquid assets and financial derivatives are structured by the issuer in cover pools depending on the cover bond labels used for classification (see section III below).

The law imposes asset encumbrance limits: the total value of the cover pool cannot exceed certain thresholds of the issuer's total assets, i.e. 10%, 15% or 20%, depending on the metrics defined by the National Bank of Romania, such as capital, liquidity, asset quality, LTD.

### III. COVER ASSETS

As per the new CB Law, covered bonds can be issued under two labels: European Covered Bonds or European Covered Bonds (Premium).

The cover pool can include the following asset categories: residential mortgage loans, commercial mortgage loans, exposures to or guaranteed by the public sector, exposures to EU credit institutions, either compliant with art. 129 (1) a), c), d) and f) of CRR or considered to be of high quality as per the conditions set out in the CB legal framework and the CB Directive.

The primary cover assets must account for at least 70% of the accounting value of the cover pool and composition and some of the eligibility criteria differ between the two labels.

The geographical scope of cover assets is restricted to the European Union and the European Economic Area.

The issuer can include in the cover pool, apart from the categories described above, financial derivatives, subject to certain conditions set out in the CB Law. Derivatives can be included in the cover pool only for the purpose of hedging interest rate risk and foreign currency risk. Financial derivatives may be included in the cover pool only if the agreements related thereto do not contain a clause according to which the bankruptcy or the resolution of the issuer is deemed to be a termination event.

The CB legislation stipulates that the cover pool is dynamic. The replacement/supplementation of the mortgage loans included in the cover pool is compulsory when certain mortgage loans no longer comply with the eligibility criteria, the weighted average maturity of the mortgage loans included in the cover pool decreases below the weighted average maturity of the corresponding covered bonds, or the value of the cover pool declines below the thresholds provided by the CB legislation.

The value of the residential mortgage loans included in the cover pool cannot exceed 80% of the value of the issuer's total residential mortgage loans that are eligible for the cover pool. For commercial loans this ratio is 60%.

The CB Law permits Intragroup pooled covered bond structures whereby internally issued covered bonds by a credit institution can be used as cover assets for the external issue of covered bonds by another credit institution that belongs to the same group, if certain conditions are met.

## IV. VALUATION AND LTV CRITERIA

Property valuation is regulated and is required to be undertaken by an authorised real estate appraiser. Details about the valuation process and the qualifications of evaluators are regulated by the Romanian Association of Evaluators (ANEVAR).

Re-evaluation of immovable properties securing mortgage loans included in the cover pool is made in accordance with art. 208 par. (3) of the Regulation (EU) no. 575/2013 and, for assets collateralizing European Covered Bonds (Premium), with art 129 of CRR as amended by Regulation (EU) 2019/2160.

In order to be eligible for inclusion in the cover pool, the mortgage loans collateralizing the Premium label bonds must have an LTV in line with art 129 of CRR (up to 80%/60% residential/commercial), while for European covered bonds the LTV at origination of the loan must be max. 85%/70% residential/commercial.

## V. ASSET – LIABILITY MANAGEMENT

The CB legislation stipulates an asset coverage test, an overcollateralisation test, and a liquidity coverage test. Under the asset coverage test, the value of the cover pool must at all times exceed the value of all liabilities of the covered bonds, i.e. principal and interest of the bonds, payment obligations attached to derivatives and winding down costs of the covered bond programme. In calculating the value of the cover pool, the value of mortgage loans will be the lower of: the accounting value of that loan; the value of the principal of that mortgage together with any previous mortgage rights; and the value of the mortgaged property weighted with 80%/60% residential/commercial.

Under the overcollateralisation test, the net present value of the outstanding assets must exceed at all times 105% of the net present value of all bond-related liabilities. The overcollateralisation test is calculated under certain stress scenarios as well, where the net present value of assets must be at least 100% of the net present value of liabilities. The stress tests include: yield curve shifts (+/-) by 350 basis points, shocking the EUR-RON exchange rate (+/-) by 35.5%, stressing the level of payment patterns based on historical pre-payment rates for cover assets, taking into account a decrease in real estate prices and the loss given default in real estate enforcements.

Under the liquidity coverage test the issuer must calculate on a daily basis the liquidity deficit over the following 180 days and cover it with liquid assets eligible for liquidity operations with NBR, which constitute a liquidity buffer.

In terms of extendable maturity, the CB Law does not allow the issuance of covered bonds with such structures.

## VI. TRANSPARENCY

Issuers shall prepare and publish on their own websites quarterly reports as regards inter alia the risks related to the cover pool, the total volume of the issued covered bonds, the structure of the cover pool and compliance with coverage requirements.

In addition, the issuer shall make available on its website updated information from the cover pool registry, for each asset included in the cover pool, and update it regularly.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Under the CB legislation, the activity of a covered bond issuer is supervised by the NBR.

It is a mandatory pre-requisite for a Romanian issuer to appoint an external cover pool monitor (in Romanian it is called "agent"). The cover pool monitor must be an auditor, independent of the issuer and authorised by the National Bank of Romania. There are extensive rules set out in the legislation in respect to the qualifications of the cover pool monitor.

The agent's main role is to monitor the cover pool, to certify the issuer's reports to NBR and investors and to report its findings on the observance of the legal requirements and prospectus to the national bank. Its monitoring obligations shall be performed regularly, based on the documentation provided by the issuer.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The issuer has the obligation to keep an internal cover pool register, which allows for the identification of the cover assets. Registration in the cover register reflects the structure and dynamic of the portfolio at any time throughout the life of the issue. For each label, the cover register shall have separate sections for each category of assets included in the cover pool, i.e. primary assets, substitution assets, liquid assets, and derivatives. For each loan in the cover pool, the registry shall include at least the identification number and the value of the amount borrowed plus the interest to be received throughout the life of the loan, calculated at the origination date. The cover register is kept by the issuer and is subject to regular verifications by the agent.

Pursuant to the CB legislation, the issuer is required to create a movable mortgage over the cover pool assets. The movable mortgage will be registered with the National Register in the name of the asset monitor, but on behalf of the covered bondholders, prior to the offering of the covered bonds for subscription, by means of a global registration form. The movable mortgage will be transferred in the name of the covered bondholders' representative should it be appointed.

### Asset segregation

By registration of the movable mortgage over the cover assets and the entry into the internal cover register of the assets included in the cover pool, such assets are segregated from the other assets of the issuer.

In order to fulfil all the obligations of the issuer towards bondholders under the CB legislation the cover pool securing the covered bonds represents a distinct estate, separate from the estate of the issuer including in case of bankruptcy or resolution of the issuer.

According to the CB legislation, no other creditor of the issuer may initiate enforcement procedures in relation to the cover pool or any part thereof before the covered bondholders, while in case of bankruptcy or resolution of the issuer, the cover pool shall not be part of the general estate of the Issuer until bondholders' claims are fully satisfied.

### Acceleration

In case of an event of default under the cover bonds programme, bondholders have the right, upon approval by bondholders' meeting, to request to the issuer the acceleration of covered bond payments and, in this respect, the assignment of cover pool receivables to another credit institution or legal entity authorized in accordance with the law to perform lending activities.

The distribution of the amounts resulted from the assignment of receivables shall be made in the following order of preference:

> receivables resulting from the holding of mortgage bonds, pro rata, irrespective of the seniority and maturity of the covered bonds issue and receivables held by counterparties under the agreements underlying the financial derivatives included in the cover pool;

> receivables under financing arrangements granted to the issuer with the view to covering the temporary liquidity deficit;

> receivables of the issuer's creditors not paid in full upon the temporary closing of the bankruptcy proceedings.

**Resolution and bankruptcy**

The initiation of resolution of the issuer does not automatically trigger acceleration.

In case of bankruptcy, the cover pool is not affected by the liquidation procedure of bank's assets and any sale-purchase agreements concluded in breach of these legal provisions are null and void by law. Bondholders will continue to receive the amounts they are entitled to (principal and interest) within the deadlines provided by the prospectus/offering document.

The cover pool will continue to be managed by the liquidator (in Romanian "*lichidator judiciar*") for the purpose of reimbursing the amounts owed to the covered bondholders.

**Dual recourse**

Pursuant to the movable mortgage, the covered bondholders and the counterparties of the derivatives contracts included in the cover pool are entitled to a) a claim against the cover pool; (b) in the case of the insolvency or resolution of the credit institution issuing the covered bonds, a priority claim against the principal and any accrued and future interest on cover assets; (c) in the case of the insolvency of the credit institution issuing the covered bonds and in the event that the priority claim as referred to in point (b) cannot be fully satisfied, a claim against the insolvency estate of that credit institution, which ranks pari passu with the claims of the credit institution's ordinary unsecured creditors determined in accordance with art 234 of Romanian Insolvency Law.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The legislation creates the framework for covered bonds to be eligible for preferential treatment in compliance with art. 129 of the CRR.[1] and art 52 (4) of UCITS Directive.

**Issuers:** Alpha Bank Romania.

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.36 RUSSIA

By Tim Lassen, Association of German Pfandbrief Banks (vdp)

### I. FRAMEWORK

This article will give an overview over the current Russian legal framework for mortgage obligations. Legal basis is the Law on Mortgage Securities[1]. This law is supported by rules in the Mortgage Law, the Bankruptcy Law, and the Securities Market Law.[2]

In addition the Central Bank of the Russian Federation (CBRF) issued the new instruction "On mandatory standarts and surcharges"[3] and the regulation "On securities issuance standarts"[4]. The former Federal Financial Markets Service (FSFR) released:

> The Mortgage Cover Determination Order[5],

> A joint order containing (i) the Special Depositor Decree and (ii) the Register Maintenance Rules[6] and

> The Mortgage Cover Administrator[7].

Further rules are in general regulations of the CBRF in its role as regulator of the financial market[8].

Rules of the Civil code of the Russian Federation regarding security for execution of claims shall apply only with regard to the rules of the Law on Mortgage Securities (Art. 11, sec. 1, para. 2).

### II. STRUCTURE OF THE ISSUER OF COVERED BONDS

The Russian Law on Mortgage Securities foresees two types of "mortgage obligations"[9] (Art. 7, sec. 1[10]): obligations[11] issued (i) by a credit organisation (covered bonds) or (ii) by a SPV ("mortgage agent") (MBS)[12].

Obviously the mortgage obligations issued by credit organisations, are oriented on the European covered bond model, those mortgage obligations issued by SPVs on the MBS model.[13]

1 Federal law dated 11 November 2003 No 152-FZ "On Mortgage Securities", latest amendments: Federal law dated 31 July 2026 No. 277-FZ (SZ RF, 04.08.2025, no. 31, item 4631).

2 The legal environment, in comparison to other countries and to the MBS model is described in Lassen, Tim: Banking mortgage securities (Covered Bonds) in Russia and abroad (Bankovskiye ipotechnye tsennye bumagi (Covered Bonds) v Rossii i za rubezhom); Statut Publishers, Moscow 2019. Pledge backed securites have a long history in Russia, going back to the early modern ages: Rybalov, A. O.: Oborot zakladnych kabal v russkom prave XVI v. (Turnover of Pledge Prescriptions in Russian law in the 16th Century); Herald (Vestnik) of Civil Law, no. 3 2008 volume 8; p. 90 – 106. See also: Encyclopedia of Russian Securitization 2025; 12th ed. 2025.

3 Dated 26 May 2025 No. 220-I "On Mandatory Standards and Surcharges to the Capital Adequacy Standards for Banks with Universal Licenses, and on the Bank of Russia's Supervision of Compliance Therewith"; registered with the Ministry of Justice 11.07.2025 no. 82895, published: Herald (Vestnik) of the Bank of Russia, No. 32, 05.08.2025, in force since 18 August 2025.

4 Dated 19 December 2019 No. 706-P, registered with the Ministry of Justice 21 April 2020 No. 58158; published: Herald (Vestnik) of the Bank of Russia, No. 37-38, 26.05.2020; latest amendment 04 March 2024 by Order 6686-U (Regulation CBRF No. 706-P).

5 Order dated on 1 November 2005 No 05-59/pz-n "On confirmation of the Decree on the method of determination of the mortgage cover".

6 Order dated 01 November 2005 No 05-60/pz-n "On confirmation of the Decree on the activity of the special depositar for the mortgage cover and the Rules of the maintenance of the register of the mortgage cover".

7 Order dated 15 December 2009 No 09-57/pz-n "On confirmation of the Decree on data reporting of the administrator of the mortgage cover and the Decree on data reporting of the specialised depositor of the mortgage cover".

8 See ECBC Fact Book 2017, p. 437, footnote 6.

9 Language of the Law: "Obligations with mortgage cover".

10 Law citations without link are citations of the Law on Mortgage Securities.

11 "Housing mortgage obligations" are a special type of mortgage obligations (in Russian *zhilishchnaya obligatsiya s ipotechnym pokrytiem*): Their cover pool consists only of claims, secured by mortgages over housing premises (Art. 3 sec. 5). "Mortgage obligations secured by a pledge of rights of claim of a participant in shared construction" (*obligatsiya s ipotechnym pokrytiem, obespechennoy zalogom prav trebovaniya uchastnika dolevogo stroitel'stva*) are secured by a pledge over a contract for participation in shared construction that meets the requirements of Federal Law of 30 December 2004 no. 214-FZ (art. 3 sec 3.1).

12 Another mortgage security under the Law is the "mortgage participation certificate" (Art. 17 – 31), an instrument similar to investment fund certificates. Due to their different structure in this article we will not look after them. The possibility to issue new "mortgage participation certificates" has been abolished by Federal law No. 418 dated 08.02.2020.

13 Cover rules for Covered Bonds and MBS are nearly the same. The issuing SPVs ("mortgage agents", art. 8) are described in detail in the ECBC Fact Book 2011, p. 413 and 2015, p. 393. Mortgage agents and commercial organisations, acting as their administrative organs, under the rules of anti-monopoly legislation are not regarded as members of one group (Art. 8, sec. 3 para. 8). A mirroring rule had been introduced into Art. 15.2, no. 13 of the Securities Market Law.

For new issues (new series of issues) new cover pools need to be set up. The cover pool for every issue can be modified in cases, stipulated by the law, to ensure that there is always enough cover for the outstanding mortgage securities.

**Credit organisations (Art. 7, sec. 2)**

A credit organisation has to comply with the Banking Law and the rules, set up by the Central Bank for credit organisations. If the credit organisation does not fulfil the statutory requirements, the licence can be revoked (Art. 20, sent. 1, no 10 of the Banking Law).

In its Instruction No. 220-I the CBRF has set up[14] the minimal ratio between the volume of the cover pool and the volume of the issued mortgage obligations (N18): 100 % (pt. 9.1 of the Instruction CBRF No. 220-I).

For credit organisations the excess amount (overcollateralization) of the cover pool shall not be more than 20% (Art. 13, para. 3, sec. 2).[15]

**Protection of terms**

Due to Art. 6, the words "obligation with mortgage cover" (in Russian *obligatsiya s ipotechnym pokrytiem*), mortgage participation certificate (*ipotechnyj sertifikat uchastiya*), mortgage cover (*ipotechnoe pokrytie*), mortgage agent (*ipotechnyj agent*) and "mortgage specialized organisation" (*ipotechnaya spezializirovannaya organisatsiya*)[16] may be used only for the purposes of the Law on Mortgage Securities.

## III. COVER ASSETS

Eligible assets under the Russian Law on Mortgage Securities are mortgage secured claims under a loan or credit agreement, including interest (art. 3 sec. 1) or pledged claim rights of a participant in shared construction[17] (art. 3 sec 3.1 and 7)[18].

Eligible are also money in Russian and foreign currency, state bonds and real estate[19] (art. 3 sec. 1). Law 409-FZ dated 20.10.2022 introduced money claimes to monies on pleged accounts as cover asset.[20]

Requirements for eligible mortgage secured claims are:

> The mortgage shall content a prohibition on sale of the mortgaged property by the mortgagor without consent of the mortgagee (art. 3 sec. 2 pt. 2).

> The property has to be insured to the benefit of the mortgagee for the whole term of the loan to an amount not less than the mortgage secured claim (art. 3 sec. 2 pt. 3).

> The share of mortgage secured construction claims is limited to 10% of the cover pool (art. 3 sec. 3 para. 3). For housing mortgage obligations, mortgage secured construction claims are not eligible (art. 3 sec. 3 para. 1 sent. 2).

> Claims, secured by a second ranking mortgage are eligible, as far as they do not exceed the LTV limit of 70% (art. 3 sec. 3 para. 2).

14 On the bases of Art. 7, sec. 2.
15 For different banking licences, see: ECBC Fact Book 2023, p. 422, fn. 15.
16 "Mortgage specialized organization" is another allowed name for "mortgage agent" (Art. 8, sec. 1, para. 5).
17 Arising from a contract for participation in shared construction that meets the requirements of Federal Law of 30 December 2004 no. 214-FZ "On participation in shared construction of apartment buildings and other real estate and on amendments to some legislative acts of the Russian Federation". Introduced into the Law on Mortgage Securities by Art. 1 of the Federal law dated 02 August 2019 No. 261-FZ.
18 For details to "pledged claim rights" see: ECBC Fact Book 2023, p. 422, fn. 18.
19 Claimes from contracts of participation and real estate are only eligible for cover, if they have been obtained in mortgage or pledge foreclosure (Art. 13, sec. 1, para. 3).
20 For details please refer to ECBC Fact Book 2023, p. 423, fn. 20.

> In the moment of distribution (*razmeshcheniye*) or delivery (*vydacha*) of the mortgage obligations the cover cannot sustain of mortgage secured claims, pledged to secure other obligations (art. 3 sec. 3 para. 1).

One asset may only be used for one cover pool (art. 3 sec. 5).

Regarding detailed rules for "mortgage holiday" and "change of mortgage object during renovation", please refer to: ECBC Fact Book 2023, p. 423.

## IV. VALUATION AND LTV CRITERIA

Due to art. 3 sec. 2 para. 2, the LTV limit is 80% of the market value of the property. If a second ranking mortgage is used for cover, the LTV limit is 70%[21] of the market value (art. 3 sec. 3 para. 2). In both cases, the valuation has to be made by an independent valuer[22].

The Law does not contain special regulations on valuation for the purpose of mortgage securities.

## V. ASSET-LIABILITY MANAGEMENT

Art. 3, sec. 4 stipulates that the amount of the cover is defined by summing up the mortgage secured claims, amount of money in the cover and value of other assets. Details have been set up by the FSFR in the Mortgage Cover Determination Order.

The following claims shall not be encountered by summing up the mortgage cover:

> No payment made on the claim for more than six month;

> Loss of the mortgage object, including if the mortgage was declared void by a court;

> Secured obligation declared void by a court;

> Bankruptcy of the debtor; and,

> No insurance of the mortgage object for more than 6 month.

> The cover asset does not fit to the general rules for eligible claims; cover assets can be replaced by other assets (art. 14 sec. 1; art. 3 sec. 2 and 4).

For proper performance of the obligations under the covered bonds[23] the amount of the cover pool for the whole maturity of the bonds shall not be lower than the aggregate outstanding nominal value of the bonds (art. 13 sec. 2 para. 2 sent. 1).

One cover pool can secure two or more tranches of mortgage obligations (art. 11 sec. 2 para. 1; art. 13 sec. 2). In this case the rules on calculation of the necessary cover for one tranche apply similarly (art. 11 sec. 2 para. 1). For details please refer to ECBC Fact Book 2023, p. 424.

Money received from the repayment of the mortgage secured claims has to be included into the cover pool as far as this is necessary to fulfil the legal stipulations on the volume of the cover pool (Art. 13, sec. 4). Only at the moment of formation of the cover pool, it has to sustain for 100% of mortgage loans. After issuing the bonds, due to amortisation of the cover pool, this share will reduce. To avoid the consequence of necessary prepayment of the issue, and the risk that potential new cover mortgage loans will not fit to the parameters, the money from regular repayments of the mortgages has to be included into the cover pool.[24]

The mortgage securities' holders have the right to claim for prepayment of the mortgage securities some cases (art. 16 sec. 1), e. g.: Breach of the rules regarding:

21 Including the first ranking mortgage.

22 The valuers' profession and independence of the valuer is regulated in the Valuation law.

23 In Russian "*nadlezhashchoe ispolnenie obyazatel'stv po obligatsiyam s ipotechnym pokrytiem*".

24 See pt. 5 Explanatory Memorandum of the authors of the draft dated 19 August 2011.

> Volume of the cover pool;

> Proper fulfilment of obligations under the mortgage securities;

For further details please refer to ECBC Fact Book 2023, p. 424, 425.

**VI. TRANSPARENCY**

The Law on Mortgage Securities stipulates a wide range of publishing information on the mortgage obligations by the issuer (Art. 37 – 41). In addition to the main rules according to the Securities Market Law (Art. 37, para. 1; Art. 40, sec. 1), important information is an accounting report on performance of the cover assets (Art. 40, sec. 4, para. 2). Credit organisations issuing mortgage obligations have special reporting duties to the Central Bank (Art. 7, sec. 1, para. 3; pt. 3.1 – 3.5 of the Mortgage Cover Mandatory Requirements Instruction).

Main points for publishing information are:

> If the mortgage obligations are rated by a rating agency, this rating has to be published (Art. 37, para. 2).

> Interested persons have the right to get knowledge of the cover register (Art. 39, para. 1).

> The regulator set up further special rules for mortgage obligation issuers in the general regulations on disclosure of information[25].

**VII. COVER POOL MONITOR, COVER REGISTER AND BANKING SUPERVISION**

**Cover pool monitor**

The cover pool is controlled by a cover pool monitor (the "specialized depositor of the mortgage cover"[26]), Art. 33, sec. 1. The cover pool monitor has to be a commercial organisation[27], licensed for (i) activity as special depositor for investment funds, share investment funds and non-state pension funds as well as for (ii) performance of depositary activities on the securities' market (Art. 32, para. 2). The FSFR has published the Special Depositor Decree.[28]

The duties and tasks of the cover pool monitor are described in the ECBC Fact Book 2012, pp. 418 – 419.

**Cover register**

Cover assets have to be registered in a "register of mortgage cover"[29] (Art. 5). The FSFR has adopted the Register Maintenance Rules[30].

Details are described in the ECBC Fact Book 2012, pp. 419 – 420.

**Supervision**

Since 2013 the whole financial and banking system is supervised by the Central Bank of the Russian Federation.

Concerning mortgage securities the state regulation of issuing mortgage securities (Art. 42 – 46) as well as the supervision of banks, issuing mortgage securities, is done by the Central Bank (Art. 7, sec. 2).

**Issuing of mortgage obligations**

For details of this process see ECBC Fact Book 2012, pp. 420 – 421.

---

25 Statute on Dislcosure of Information by the Issuers of Issuing Securities (Bank of Russia, 27.03.2020, No. 714-P) (registered by the Ministry of Justice, 24.04.2020, No. 58203; published: Herald (Vestnik) of the Central Bank, No. 39-40, 27.05.2020). Special rules for mortgage securities are foreseen in chapter 36, Section IX (chapter 66 – 68), Annex 2 part 2 pt. 7.4.3.4 and 9.6, Annex 3 part 2 pt. 4.3.1.

26 In Russian "*spetsializirovannyj depozitariy ipotechnogo pokrytiya*".

27 Not affiliated with the issuer (Art. 33, sec. 3, para. 2).

28 In the letter „On procedure of work of the specialized depositor" dated 30.08.2017 no. 54-2-3-5/1943 the CBRF gave some explanations regarding the duties of the cover pool monitors.

29 In Russian "*reestr ipotechnogo pokrytiya*".

30 The cover register contains information on the mortgage claims on the loan-level basis (Art. 5).

For issuing securities, Russian law foresees a five step process[31]: (i) Taking the decision on issue, (ii) approval of the decision, (iii) state registration of issue, (iv) placement of securities and (v) state registration of the report or notification on results of the issue. For these general steps, the CBRF has set up special requirements for the issue of mortgage securities.[32]

If in the decision on issue of mortgage securities an issuing program is foreseen, the law stipulates several rules regarding content of this program (Art. 12 para 3.2). For more details please refer to ECBC Fact Book 2023, p. 426.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF MORTGAGE OBLIGATIONS

The claims of the mortgage securities' holders are secured by a pledge over the cover pool (Art. 11, sec. 1, para. 1).

### Asset segregation

In case of bankruptcy the cover pool is excluded from the bankruptcy estate of the issuer (Art. 16.1, para. 1 of the Law on Mortgage Securities; Art. 131, sec. 2, para. 3; Art 189.91, sec. 2 para 1, sec 4 of the Bankruptcy Law).

The insolvency administrator is obliged to open two special bank accounts for the cover pool to collect[33] the money paid on the mortgage secured claims or received during the bankruptcy procedure or from realisation of these claims and to make payments to the mortgage obligations' holders (art. 133 sec. 4 of the Bankruptcy Law).

A special administrator of the cover pool, different from the insolvency administrator of the general bankruptcy estate is not foreseen.[34]

### Impact of insolvency proceedings on mortgage obligations

The Law on Mortgage Securities stipulates two possibilities of realisation of the cover pool in case of bankruptcy of the issuer (art 16.1, para. 2):

> Change of the issuer ("zamena ėmitenta obligaciy s ipotechnym pokrytiem"): The cover pool will be sold with the obligation for the buyer to fulfil all conditions of the decision on issuing the mortgage obligations. Details have to be stipulated by a federal law. This federal law has not been enacted yet.

> Selling of the cover pool ("prodazha ipotechnogo pokrytiya"): The cover pool assets will be sold and the money received will be distributed among the mortgage obligations' holders. The mortgage obligations accelerate.[35]

For rules for the change of the issuer see: ECBC Fact Book 2023, p. 427.

### Preferential treatment of mortgage obligations' holders

Mortgage obligations' holders enjoy preferential treatment as the Russian law stipulates the separation of the cover pool from the general insolvency estate of the issuer (Art. 16.1, para. 1).

---

31 Art. 19 Securities' Market Law. Pt. 1.2 of CBRF Regulation "On standarts of issuing securities" (dated 19.12.2019, no. 706-P; Bulletin of the CBRF No. 37-38, dated 26 May 2020; reg. Ministry of Justice 21 April 2020, no. 58158).

32 Special rules for mortgage securities are foreseen in pt. 21.9; 52.2 sec. 2; sub-sec. V.9 of Regulation CBRF No. 706-P.

33 If the bankruptcy debtor is a mortgage agent, the "pledge account" shall be used a special accout to collect the money payments on the cover assets (art. 133, sec. 4, last para Bankruptcy law and art. 16.3).

34 Due to art. 16.2, sec. 3, para. 3 and 4 in case if one (or several) bond holders' representatives are appointed for the covered bonds secured by one cover pool (for several tranches secured by one cover pool) the bankruptcy receiver will transfer the money to a special account of the representative. The representative will distribute the money among the bond holders. Regarding the bond holders' representative, see ECBC Fact Book 2014, p. 395, footnote 28. Some details regarding beginning of office of the representative have been clearified by the CBRF in the Information letter dated 10.10.2018 no. IN-06-28/65 (published Herald (Vestnik) of the Central Bank, no. 78, 17.10.2018).

35 Moody's assigned a timely payment indicator (TPI) of "Very Improbable", as covered bonds under Russian law accelerate, if the issuer becomes insolvent. Due to Moody's the Law on Mortgage Securities offers limited support for timely payment to the covered bond holders, after issuer default (Moody's Investors Service: Pre-Sale Report: DeltaCredit Bank Mortgage Covered Bonds, 20 November 2012 and 19 July 2013, in both reports p. 2).

In case they are not satisfied in the realisation of the cover pool, the mortgage obligations' holders may ask for satisfaction from the general bankruptcy estate of the issuer (Art. 16.1, sec. 1 para. 3).

They are also enjoying a preferential treatment against deposit holders, as the cover pool – securing mortgage obligations – is excluded from the general bankruptcy estate, which in turn secures depositors on preferential bases[36].

For details to access to liquidity in case of insolvency and sale and transfer of mortgage assets to other issuers, see ECBC Fact Book 2012, p. 423.

**Enforcement into the cover pool**

Russian Covered Bond Law allows for enforcement of the covered bond holders into the cover pool (Art. 15). The general realisation rules of the Mortgage Law will apply. In case of different issues with different ranking, the ranking has to be kept in distribution of the receipts (Art. 15, sec. 3).

For details please refer to ECBC Fact Book 2023, p. 427.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION; ECBC LABEL CONVENTION

For details please refer to ECBC Fact Book 2023, p. 428.

## X. ADDITIONAL INFORMATION

**Investment regulations**

The EU investment regulations for mortgage obligations are not transferred into Russian law. Nevertheless, different investment rules and privileges for mortgage securities do exist. E.g., in 2017 the Central Bank has set up new rules for investing pension deposits of non-state pension funds in different asset classes.[37]

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

36 See the Explanatory Memorandum of the authors dated 01 February 2011, the Official Opinion of the Government of the Russian Federation dated 6 July 2011 and the Conclusions of the Financial Markets' Committee of the State Duma as of 20 September 2011 and 24 January 2012 to draft law no 495103-5 (enacted as Federal law dated 25 June 2012 No 83-FZ).

37 Pt. 1.1.2 of Statute approved by the Central Bank on 01.03.2017 No. 580-P (published: Herald (Vestnik) of the Central Bank, No. 56, 10.07.2017, here following: Statute CBRF No. 580-P). See pt. 1.1.2. of Statute CBRF No. 580-P

## 3.37 SINGAPORE

By Chris Ngooi, DBS Bank

### I. FRAMEWORK

On 31 December 2013, the Monetary Authority of Singapore ("MAS") published its regulations regarding the issuance of covered bonds by banks incorporated in Singapore (MAS Notice 648)[1]. The regulations became effective 31 December 2013 and were amended in June 2015, October 2020, September 2021, June 2022 and May 2024. The requirements set out in the notice are mandatory for Singapore's banks as MAS Notice 648 is part of The Banking Act in Singapore. The regulation outlines MAS' rules relating to the issuance of covered bonds by banks incorporated in Singapore and it will enable Singapore's banks to gain access to longer term, stable funding options as well as to facilitate the diversification of funding sources for the banking and financial markets in Singapore.

DBS Bank Ltd. (DBS) was the first to establish its USD 10 bn Covered Bond Programme under these new regulations on 16 June 2015 and on 30 July 2015, issued the inaugural Singapore covered bond, pricing USD 1 bn, fixed rated covered bonds due 2018. Following then, United Overseas Bank Ltd. (UOB) also launched its USD 8 bn Covered Bond Programme on 23 November 2015. The first series of EUR 500 mn fixed rate covered bonds was subsequently issued on 3 March 2016. The third issuer was Oversea-Chinese Banking Corporation, which issued a EUR 500 mn fixed rate covered bonds due 2022 on 15 March 2017, as part of its USD 10 bn Covered Bond Programme. The fourth issuer, Maybank Singapore Limited, launched its USD 10 bn Covered Bond Programme on 19 March 2024 which subsequently issued its inaugural EUR 500 mn fixed rate covered bonds due 7 June 2027 on 7 June 2024. The fifth issuer, Standard Chartered (Singapore) Limited launched its USD 5 bn Covered Bond Programme on 12 April 2024 and issued its first series of EUR 500 mn fixed rate covered bonds on 28 May 2024. Both DBS and UOB upsized their respective programmes to USD 20 bn and USD 15 bn respectively in subsequent years since their initial establishment.

Singapore's covered bonds are based on contractual agreements and governed by the law of contracts under common law, which applies to all elements of the covered bond structure. This, together with the implemented specific covered bond regulations, creates a framework comparable with that of other European, UK, Canadian and Australian jurisdictions, via a more prescriptive regulatory framework.

Singapore's legal system is similar to the legal system in the UK in that the covered bond structure is fundamentally based on statutes or acts, which have been formally enacted by the legislative authority of the Republic of Singapore. It is considered a primary authority and source of law and determines the applicable legislation. The MAS guidelines arising from the MAS Notice 648 and its amendments provide clarity on the characteristics of a Singapore covered bond.

Singapore covered bonds are direct and unconditional obligations of the issuer and in the event of a default or insolvency of the issuer, the covered bond investors will have dual recourse: an exclusive senior secured claim on the pool of cover assets and also a senior unsecured claim on the issuer. The cover pool assets will be held in a special purpose entity, which, in turn, will provide a guarantee in respect of the principal and interest payments under the covered bonds' outstanding. A bond/security trustee is appointed to hold the security over the cover pool for the benefit of the covered bond investors.

### II. STRUCTURE OF THE ISSUER

In the MAS Notice 648 covered bonds are defined as "bonds, notes or other debentures issued by a bank or an SPV (Special Purpose Vehicle) where the payments of the liabilities to the holders of such covered bonds and any liabilities arising from the enforcement of the rights of the holders of the covered bonds are: (a) secured by a cover pool; and (b) recoverable from the bank regardless of whether the cover pool is sufficient to pay off

1 MAS Notices can be found on MAS website at www.mas.gov.sg.

such liabilities." This implies the dual recourse nature of covered bonds with a claim of covered bond holders against the cover pool as well as the issuing bank. The cover pool, in this context, comprises the eligible assets owned by the bank or an SPV for the purpose of securing the liabilities to the holders of the covered bonds only. MAS Notice 648 is applicable to all banks incorporated in Singapore. In order to issue covered bonds, the bank has to notify MAS at least one month prior to the issuance of covered bonds. In addition, issuers will have to submit to the MAS a Memorandum of Compliance, confirming that the guidelines with respect to the programme and issuances for covered bonds have been adhered to and complied with.

## III. COVER ASSETS

According to Paragraph 6(a) of MAS Notice 648, the cover pool must comprise mortgage loans secured by residential property ("residential mortgage loans"), whether in Singapore or elsewhere, and may also comprise one of more of the following assets:

> Any other loans secured by the same residential property as the residential mortgage loans;

> Assets, including intangible properties, that form part of all the security provided for the residential mortgage loans, such as guarantees and indemnities;

> Any interest held by the bank as trustee or a replacement trustee for the SPV in relation to the residential mortgage loans or the assets referred to in paragraphs 6(a)(i) to (ii);

> Derivatives held for the purpose of hedging risks arising from the particular issuance of covered bonds;

> Cash (including foreign currency);

> Singapore Government Securities; and

> MAS Bills.

The aggregate value of substitute collateral (cash, Singapore Government Securities and MAS Bills) is limited to 15% of the cover pool. The 15% limit can be temporarily exceeded in order to allow the issuer to build up the necessary liquidity to meet payments in the upcoming 12 months or to account for operational timing differences.

MAS imposed to limit the amount of collateral in the cover pool at 10% of total assets of an issuer. This limit has been increased in October 2020 from previously 4%. Total assets of the bank include assets of the branches but do not include assets of the subsidiaries of the bank. For the purpose of determining the total assets of a bank, the bank must exclude assets it uses to meet regulatory requirements under sections 38, 39 and 40, read with section 65, of the Banking Act, section 8 of the Deposit Insurance and Policy Owners' Protection Schemes Act 2011 and other regulatory requirements as may be prescribed or specified by MAS. Commercial mortgage loans or public sector loans are not eligible.

## IV. VALUATION AND LTV CRITERIA

The legal framework sets an 80% loan-to-value (LTV) limit for the eligibility of residential mortgage loans. The LTV limit is a soft limit, meaning that in case a mortgage loan exceeds 80%, the loan can still be included in the cover pool, but only the value up to 80% is given credit to when determining the value of the cover pool. The value of the underlying collateral is determined by the current market valuation of the residential property that is used to secure the residential mortgage loan. A valuation of residential properties used to secure the loans must be conducted on an annual basis at the minimum.

## V. ASSET – LIABILITY MANAGEMENT

MAS Notice 648 Paragraph 6(h) stipulates a mandatory minimum overcollateralisation (OC) of 3% on a nominal basis as "... the value of assets in a cover pool must be at least 103% of the outstanding nominal amount of the covered bonds secured by the assets at all times." Covered Bond issuers must in accordance with MAS Notice 648 Paragraph 8(a) perform regular asset coverage tests (ACTs) to ensure collateral quality and the proper level of overcollateralisation. In addition, regular stress tests on risks related to default, prepayment, currency, interest rate, counterparty and liquidity have to be performed. Details regarding these tests will be addressed in the respective covered bond programmes of Singapore issuers.

## VI. TRANSPARENCY

Covered bond issuers must disclose to the covered bond holders the results of asset coverage tests (ACTs) performed and cover pool characteristics on a regular basis and in any event, at least every quarter, according to MAS Notice 648 Paragraph 8(e).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

According to Paragraph 8(b), a cover pool monitor must be appointed. The cover pool monitor, who must be an external third party qualified to be an auditor under the Companies Act 1967, has to verify the compliance of the covered bond issuer with MAS Notice 648 regulations and report these to MAS. A certified report has to be submitted to MAS annually in the first quarter following the end of the bank's financial year. The duties of the cover pool monitor explicitly include to:

> Verify annually that the bank complies with covered bond-specific regulations (asset cap, eligible assets, LTV limits, overcollateralisation, et al. as defined in Paragraph 6(a) to (i), 6A, 6B, 6C and 6D);

> Verify annually that the bank or SPV, as the case may be, keeps an accurate register of the assets in the cover pool;

> Assess the adequacy of the bank's or SPV's, as the case may be, risk management process and internal controls relating to the covered bond program annually, including an independent review of ACTs performed by the bank of SPV, as the case may be;

> Submit a certified report to MAS annually on compliance with covered bond regulations no later than the last day of the third month immediately following the end of the bank's financial year; and

> Report to MAS immediately if it becomes aware that the bank or SPV has breached any of the conditions imposed.

Singapore's covered bond regulations stipulate that the issuing bank must ensure adequate risk management processes and that internal controls are in place to manage the risks arising from the issuance of covered bonds, including appropriate governance arrangements and regular stress tests on risks arising from issuing covered bonds such as default, prepayment, currency, interest rate, counterparty and liquidity risks. This also includes having governance processes in place with respect to the authority to approve any issuance of the covered bond. Finally, regulations state that the board and senior management of the issuer are responsible for conducting due diligence in assessing the risks associated with issuing covered bonds and ensuring that risk management processes that are put in place for covered bonds are adhered to.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Given that Singapore's legal system is based on Commonwealth Common Law, a similar structure applies as used for the issuance of covered bonds in the UK, Canada, Australia, or New Zealand. Thus, covered bonds will be issued by a bank, with the cover pool collateral sold by way of an equitable assignment or by declaring a trust over the collateral to a SPV. The covered bond will benefit from dual recourse on the issuer and the cover pool. This structure ensures the segregation of the cover assets from the insolvency estate of the issuer in the case of an issuer default. The contractual agreements for the issuance of covered bonds are structured within the general legislation in Singapore.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Singapore covered bonds are not UCITS 52(4) or CRR Article 129 compliant given that Singapore is not a Member State of the European Union. As such, it is unlikely that Singapore covered bonds will benefit from preferential risk weighting for regulatory capital purposes. However, given the revised release of the Basel III framework containing preferential risk weights explicitly for covered bonds and the definition of minimum standards, the framework has had a positive impact for covered bonds outside the European Union since it came into force on 1 January 2023. Covered bonds are LCR eligible in Singapore if they have a long-term credit rating of at least AA- from a recognised external rating agency, and have a proven record as a reliable source of liquidity in the markets even during stressed market conditions. MAS also introduced the Emergency Liquidity Assistance Facility, which will allow for eligible covered bonds to be repo-ed with the MAS.

**Issuers:** DBS Bank Limited, United Overseas Bank Limited, Oversea-Chinese Banking Corporation, Maybank Singapore Limited, Standard Chartered (Singapore) Limited

Covered Bond Label **:** DBS Bank Ltd (1 pool), United Overseas Bank Limited (1 pool), Oversea-Chinese Banking Corporation Limited (1 pool), Maybank Singapore Limited (1 pool) Standard Chartered (Singapore) Limited (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.38 SLOVAKIA

By Slavomíra Páleníková, Andrej Zeher, Všeobecná úverová banka, Slovak Republic
and Matej Krčmár, National Bank of Slovakia

### I. FRAMEWORK

Covered bonds are regulated by the Act on Bonds (Act No. 530/1990 Coll., Part Four, Article 20b); by the Act on Banks (No. 483/2001 Coll., Part 12); by the Insolvency Act (Act No. 7/2005 Coll., Part 6); by five Decrees of the National Bank of Slovakia (the "NBS") for covered bonds programme, for example: stipulating the details of an application for prior approval of the NBS and the Decree of the NBS stipulating Covered Bond Register, reporting and disclosure. The entire legal framework has been updated by the Act No. 454/2021 implementing the EU Directive 2019/2162 on the issue of covered bonds and covered bonds public supervision (the "CBD Act") with effective date July 8, 2022.

According to the Act on Banks, a covered bond is a secured bond under a special regulation (Act on Bonds) the nominal value and aliquot interest income of which are fully covered by assets or asset values included in the relevant cover pool (the "Cover Assets") and correspond to the value of assets which, for the whole period of validity of the covered bond, are preferentially intended to satisfy claims arising from this covered bond. In the case of the resolution of the bank issuing the covered bonds or if it is not able to properly and timely pay its liabilities, the Cover Assets (including any collateral securing those assets) will be preferentially used to meet the issuing bank's Covered Bond Liabilities (see Section III. "Cover Assets" below).

Cover pool consists of primary assets, substitution assets, hedging derivatives and buffer of liquid assets.

The Bank can manage a single covered bonds programme individually for each of the following types of primary assets:

(1) assets eligible pursuant to Article 129(1), let. (a) of Regulation (EU) No 575/2013 (the "CRR") i.e. exposures to or guaranteed by central or regional governments, ESCB central banks and public sector entities or local authorities in EU;

(2) assets eligible pursuant to Article 129(1), let. (d) and (f) of CRR i.e. residential (or commercial) mortgage loans with a maximum loan-to-value (LTV) of 80% (or 60-70%) of the value of the mortgaged real estate (the assets referred to in points (1) and (2) commonly as the "CRR Assets");

(3) other high-quality cover assets consisting of residential (or commercial) mortgage loans with a maximum LTV of 70% of the value of the mortgaged real estate or LTV of 100% in the case of real estate according to CRR (the "HQ Assets");

(4) loans to or guaranteed by public undertakings majority owned by the state or regional authorities which provide essential public services and are subject to public supervision (the "PU Loans").

The bank shall include the words "covered bond" ("krytý dlhopis") in the title of the security which may also be labelled "European Covered Bond Premium" ("európsky krytý dlhopis (prémiový)") if secured by CRR Assets and meeting all conditions under article 129 of CRR or "European Covered Bond" ("európsky krytý dlhopis") if secured by HQ Assets or PU Loans.

The coverage ratio calculates the total of the values of Cover Assets towards the total of the values of Covered Bond Liabilities. The bank must maintain the minimum level of 5% of overcollateralization for each relevant covered bonds programme that includes CRR Assets in the cover pool and 10% for each that includes HQ Assets or PU Loans. In individual terms and conditions of the issuance of the covered bonds, the bank can determine a higher coverage ratio than 105% resp. 110% and from this moment the bank is obligated to maintain such a higher coverage ratio until the full repayment of the covered bond issuance for the entire relevant covered bonds programme. If the bank determines several higher coverage ratios for different issuances, it is obligated to maintain the highest coverage ratio for the entire relevant covered bonds programme until the full repayment of the covered bonds issuance with such highest coverage ratio, while the bank is also obligated to immediately replenish and continuously replenish the cover pool to the extent corresponding to such highest coverage ratio.

The bank is obligated to calculate the coverage ratio as of the last day of the relevant month.

Covered bond holders and counterparties of derivative contracts have recourse to the issuer as well as a preferential claim on the cover pool. The Cover Assets are recorded in a special register of covered bonds (the "CB Register") and monitored by a cover pool administrator. The special public supervision is performed by the banking supervision of the NBS.

The claims attached to the Cover Assets, or any part thereof, in relation to which the debtor is considered defaulted (under Article 178 (1) of CRR) shall not be accounted for in calculating the coverage ratio and must be deleted from the CB Register.

**II. STRUCTURE OF THE ISSUER**

The covered bond in Slovakia can be issued only by a bank with granted prior approval from the NBS to perform activities related to covered bonds programme.

The issuer of covered bonds keeps the Cover Assets on its balance sheet separately from the other banking assets.

**III. COVER ASSETS**

Cover pool consists of the following Cover Assets:

a) primary assets that include CRR Assets, HQ Assets and PU Loans. Certain special conditions apply to CRR Assets and HQ Assets that consist of the receivables of the issuing bank from mortgage loans. All primary assets include, in addition to the receivables, also the liens to real estate or other forms of collateral used to cover these receivables. The CRR assets must account for at least 90% and HQ Assets or PU Loans for at least 80% of the total nominal value of the covered bonds to which such relevant primary assets form coverage under the relevant covered bonds programme. For the purpose of coverage ratio, the value of the primary assets is calculated on the basis of a residual nominal value of individual receivables. For other purposes, the calculation of the value shall include also aliquot interest income. The CBD Act allows the bank to use as primary assets the assets originated by its own subsidiaries or by other banks, which it acquired by purchase or as a result of the transfer by way of financial collateral arrangement.

b) substitution assets that may include assets meeting conditions under CRR. The substitution assets can account for not more than 10% of the total nominal value of the covered bonds to which such assets form coverage in the cover pool including CRR Assets and not more than 20% of the value of the total nominal value of the covered bonds in the cover pool including HQ Assets or PU Loans. For the purpose of coverage ratio, the value of the substitution assets is determined on the basis of the lower of their real value (including an aliquot interest income) and nominal value. For other purposes the real value of securities and nominal value of other substitution assets is considered together with the aliquot interest income.

c) hedging derivatives the purpose of which is to manage and mitigate currency risk or interest rate risk connected with issued covered bonds and which shall form part of the cover pool until such risks cease to exist. The hedging derivatives are included into the calculation of the value of the cover pool as follows:

   i) the hedging derivatives used to mitigate the currency risk are measured at fair value,

   ii) the hedging derivatives used to manage and mitigate the interest rate risk of the substitution assets are measured at fair value,

iii) the hedging derivatives used to mitigate the interest rate risk of the primary assets and the covered bonds are not included into the calculation of the value of the cover pool.

d) liquid assets consisting of assets of level 1 assets, level 2A assets or level 2B assets (under Articles 9 to 13 of Commission Delegated Regulation (EU) 2015/61 of 10 October 2014 supplementing CRR) except own assets issued by the bank issuing the covered bonds or its affiliates and exposures toward institutions (Article 129 (1)(c) of CRR.

   In every moment the bank must cover net liquidity outflow (i.e. all payment outflows of the covered bonds programme falling due on one day) from a buffer of liquid assets at least in the value of the maximum cumulative net liquidity outflow over the next 180 days. The value of the buffer of liquid assets is a part of the coverage ratio and, for that purpose only, the value of securities entering the buffer of liquid assets shall be determined on the basis of the lower of their nominal value and real value (including an aliquot interest income). Otherwise, the real value of securities (including an aliquot interest income) and nominal value of other assets are considered when entering the buffer of liquid assets.

Assets and other asset values become a part of the cover pool and are considered Cover Assets when registered in the CB Register. They are a part of the cover pool until they are deleted from the CB Register.

The cover pool can be used to cover only:

a) the liabilities of the issuing bank in order to pay the nominal value and aliquot interest income from all covered bonds issued by this bank until they are fully repaid,

b) the estimated liabilities or costs of the issuing bank (operational cost of covered bonds programme) which arise and are immediately connected with the management and termination thereof and settlement toward persons that conduct activities under the Act, or arising from issuance conditions especially toward the administrator of the covered bonds programme, payment service agents, administrators, representatives of the owners of the covered bonds and other persons performing similar activities,

c) the liabilities of the issuing bank which arise from the hedging derivatives included in cover pool (all liabilities in preceding let. a) to c) together the "Covered Bond Liabilities").

Cover Assets are used by the bank preferentially to cover the Covered Bond Liabilities and the bank must not dispose of them or use them to secure other liabilities until they are deleted from the CB register.

## IV. VALUATION AND LTV CRITERIA

The CBD Act sets a 70% LTV limit for the eligibility of HQ Assets consisting of mortgage loans. The LTV limit is a soft one, meaning that in case a mortgage loan exceeds 70%, the loan is included into the primary assets only up to the lower of (i) the amount that does not exceed 70% of the value of the pledged property or (ii) the value of the actual and earlier registered pledge rights. If the value of the pledged property drops in any case below the amount of the outstanding principal of the mortgage loan, such mortgage loan must be immediately deleted from the CB Register. The same approach applies to the 80% LTV limit for the eligibility of CRR Assets consisting of mortgage loans.

The value of the property will be determined by the bank based on an overall assessment of the property and the bank is bound solely by own assessment of the property. The bank is obligated to continuously monitor and regularly reappraise the value of the pledged property according to Decree of NBS No.10/2016 at least once in three years.

The mortgage on the real estate securing the mortgage loan is established by its recording in the Land Register (Act No. 162/1995 Coll.; Cadastre Law) on the basis of a proposal of the bank and owner of the real estate.

## V. ASSET – LIABILITY MANAGEMENT

If the bank makes transactions in order to mitigate the currency or the interest rate risk arising from a net open currency position or an interest rate position between the issued covered bonds and the assets making up the cover pool, it is obligated to include these hedging derivatives and financial flows from them, together with their security, into the cover pool. The hedging derivatives must meet qualification criteria of an effective hedging relation.

The bank shall carry out yearly stress tests as part of its covered bonds programme. The stress test shall be set in line with the stress test performed to evaluate the appropriateness of the internal capital and include test for credit risk, interest rate risk, currency risk, liquidity risk, counterparty risk, operational risk and immovable property prices decline risk. The bank is required to prove in the stress test that it is able to keep the coverage ratio also during the stress test period.

## VI. TRANSPARENCY

The bank issuing covered bonds shall publish, among others:

a) the structure of covered bonds, maturity thereof, the number and volume of the covered bond issuances, the currency and the interest rates thereof,

b) the value of the cover pool, value, type, proportion, maturity structure and asset evaluation method in the cover pool and important changes in it,

c) the volume according to the currency of the monetary nominal value, weighted average residual maturity, weighted average interest rate and weighted average value of primary assets security indicator in the cover pool,

d) the possibility of maturity extensions, the level of required and available coverage, the statutory or contractual level of overcollateralization, the percentage of the loans where it is presumed that the borrower is defaulted and of the loans overdue for more than 90 days;

e) other documents and information related to the covered bonds programme.

Until 30 April of a current calendar year, the administrator shall submit to the NBS a report on the covered bonds programme covering the preceding year and containing, among others, the following information:

a) number, volume, revenues and maturity dates of the issued covered bond issues,

b) volume of Cover Assets and covered bonds issued in euros or foreign currency,

c) structure of the cover pool,

d) coverage indicator,

e) average value, maturity of the primary assets, as well as the fixation period and weighted interest rate,

f) volume of failed and eliminated mortgage loans from the cover pool,

g) structure of immovable property securing the primary assets, broken down by family houses, flats, building land and unfinished structures,

h) method for calculation and amount of the estimated liabilities or costs incurred by the bank,

i) other factors related to the activities of the bank.

The bank shall publish this report on its website.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The NBS appoints the covered bonds programme administrator and his deputy. The administrator shall monitor the conditions related to the covered bonds programme set out in the Act on Banks and other generally binding legal regulations.

The administrator shall perform his activities individually, independently and impartially. Prior to any issue of covered bonds, the administrator is required to prepare a written certificate evidencing that coverage of those covered bonds is secured in line with the legislation. The administrator shall immediately inform NBS in writing if he finds any deficiencies or breaches in relation to the covered bond programme. Based on such findings NBS shall take appropriate remedial measures.

The administrator's duties include, among others, to check and verify whether:

a) the aggregate nominal value of the issued covered bonds, and the corresponding interest revenues, is covered by the Cover Assets at least at the coverage indicator value,

b) the bank complies with the requirements for structure of the cover pool,

c) the Cover Assets registered in the CB Register comply with the Act on Banks,

d) the agreement dealing with the hedging derivatives comprising the cover pool contains provisions pursuant to Section 73(5),

e) the immovable property securing the primary assets meet the legal requirements.

Activities of the administrator and his deputy are subject to supervision by the NBS.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

In the event the bank issuing covered bonds is declared bankrupt (such declaration being made in form of a resolution of a bankruptcy court and made known to all creditors via publication in the Official Journal), the Cover Assets are fully segregated from the general insolvency estate of the bankrupt bank. The trustee of the bankrupt bank is obliged to manage those Cover Assets as a special separate bankruptcy estate for the benefit of the covered bondholders and the counterparties of hedging derivatives having, by operation of law, a preferential claim and first priority perfected security interest in the cover pool. A segregated estate represented by a relevant cover pool is created separately for each individual covered bonds programme.

Only the Cover Assets included in the CB Register may serve as collateral and be used for satisfying the claims against the bankrupt issuing bank and its estate.

The bankruptcy trustee must observe special procedures regarding the administration and management of the overall covered bonds programme upon declaration of the issuer's bankruptcy. In particular, it is the responsibility of the bankruptcy trustee to asses, with a due and professional care, whether further administration of the covered bonds programme is feasible and does not result in reduction of the covered bond holders' claims.

Once the trustee ascertain that a possible reduction may threaten, he shall cooperate with the special covered bonds programme administrator in the process of notification to the NBS regarding the intention to transfer the covered bonds programme (or its part) to one or more solvent banks. The performance of the transfer of the covered bonds programme is subject to the prior approval by the NBS and must be completed within one year following the date of its notification. The NBS may grant extension to the original period by not more than one year within one month before such period expires in case it can be reasonably presumed that the later transfer will result in higher degree of satisfaction of the covered bond holders' claims. During both original as well as additional period for the transfer, the issuer is obliged to make postponement of payments of principals and is allowed to make only yield payments pertaining to the covered bonds within their original maturities. Thus, in relation to each individual issuance of covered bonds where its original maturity expires during the period for the transfer of the covered bonds programme, the owners of covered bonds take advantage of additional income that is generated from the payment of interest income for the whole period by which the original maturity of such issuance is extended.

The payments of principals are allowed only in respect of the issuances with original maturities falling due within the first month of the original period for the transfer of the covered bonds programme. For the issuances which mature later but still anytime during the original or additional period for the transfer of the covered bonds programme, the maturity extensions for another 12 months apply, and payments of principals are postponed until the expiry date of the relevant extended period. In any case, the extension cannot result in the change of the original order of maturity of the outstanding issues of the covered bonds. There is also no acceleration of repayment of the issuer' liabilities relating to the covered bonds during these periods. The transfer procedure features identical mechanics as the sale of the company's enterprise or its part on a solvent basis ("predaj podniku"). It includes the transfer and assumption of the whole portfolio of claims and liabilities pertaining to the covered bonds and to the Cover Assets from the bankrupt issuer to one or more transferee banks. If the trustee has failed to successfully transfer the entire portfolio within the relevant transfer period, then the acceleration of repayment of the issuer's liabilities relating to the covered bonds is triggered immediately after the trustee has terminated the operation of the covered bond issuer's business.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Slovak "Krytý dlhopis" comply with the requirements of Article 52(4) UCITS as well as of Article 129 of CRR.[1] The listed covered bonds are eligible for repo transactions with the central bank.

## X. ADDITIONAL INFORMATION

**Issuers:** Československá obchodná banka, Prima banka Slovensko, Slovenská sporiteľňa, Tatra banka, VÚB – Všeobecná úverová banka, 365.bank.

Covered Bond Label : Prima banka Slovensko (1 pool), Tatra banka (1 pool), Všeobecná úverová banka (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.39 SLOVENIA

By Dr Michael Teig, UniCredit Bank AG

### I. FRAMEWORK

On 8 July 2022, the new Slovenian covered-bond law came into force implementing the European Covered Bond Directive into national law. Covered bonds in Slovenia are governed primarily by the Mortgage Bond and Municipal Bond Act (Zakon o Hipotekarni in Komunalni Obveznici – ZHKO-2; "the Covered Bond Act"). In addition, general rules of the Financial Instruments Market Act, the Banking Act, the Resolution and Compulsory Dissolution of Credit Institutions Act and the Consumer Credit Act are to be applied (Article 5 of the Covered Bond Act).

The Bank of Slovenia (BoS) issued further relevant by-laws in the *Official Gazette of the Republic of Slovenia No. 11/22*, namely the Regulation on the Conditions for Obtaining an Authorisation for Issuing Mortgage and Municipal Bonds, the Regulation on the Conditions for Inclusion of Derivative Financial Instruments in the Cover Pool of Mortgage and Municipal Bonds, the Regulation on Matching the Cover Pool with the Outstanding Mortgage and Municipal Bonds, and the Regulation on the Documentation for Proving the Fulfilment of Conditions for the Cover Register Administrator Appointment. In addition, the Governing Board of the BoS adopted Recommendations for Managing the Records of the Cover Register as of 28 February 2012.

So far, there has been no covered-bond issuance from the Slovenian market.

### II. STRUCTURE OF THE ISSUER

Covered bonds can be issued by banks holding a valid banking license and which are authorised by the BoS to issue mortgage covered bonds or public-sector covered bonds.

To obtain a special license for the issuance of covered bonds, an issuing bank must prove that it fulfils the following conditions, set out in Article 7 of the Covered Bond Act[1]:

a. Suitable risk-management procedures and instruments associated with the issuance of covered bonds and with cover-pool assets

b. Adequate number of qualified staff and ability to be organisationally and technically qualified to issue mortgage covered bonds or municipal bonds

c. Separation of services related to the issuance of covered bonds and to the covered assets from the bank's other operations

d. Rules for maintaining the cover register and appointment of a cover-pool administrator

e. Confirmation of adequate cover by the cover-pool monitor to the BoS

f. Rules for property valuation and at least one independent valuer

### III. COVER ASSETS

Only receivables from mortgage loans and loans that are secured by an eligible state or a local authority, and that are in accordance with Article 129(1)(d) and (f) of the EU Capital Requirements Regulation No. 575/2013 (CRR) and meet the requirements of Article 129 CRR and the provisions of the Covered Bond Act, can be considered as the cover assets for covered bonds.

The cover assets of mortgage covered bonds can consist of receivables arising from loans secured by a mortgage on residential property or commercial property that is located in a member state of the European Union or the European Economic Area (EEA).

1 A separate authorisation must be obtained for each covered bond programme (mortgage or public-sector).

The cover assets of public-sector covered bonds can consist of receivables arising from 1. loans granted to or debt securities issued by an eligible state or an eligible local authority; 2. loans granted to or debt securities issued by another legal entity provided that the obligations in respect to such loans or securities are irrevocably, unconditionally and unlimitedly guaranteed by an eligible state or local authority.

Up to a maximum of 20% of the cover pool can be provided by substitute cover assets. According to Article 129 of Regulation 575/2013/EU, eligible assets are 1. balances on accounts with the BoS; 2. investments in marketable debt securities issued or guaranteed by an EEA member state or their central banks or the ECB; 3. investments in other debt securities issued by EIB, EBRD or any other another multilateral development bank (provided that they correspond to credit quality step 1); or 4. investments in other debt securities of credit institutions that correspond to credit quality step 1 or 2 (Article 20 of the Covered Bond Act).

Additionally, an issuer can also include derivative financial instruments in the cover pool to reduce/hedge market risks on its assets, in particular risks associated with interest-rate and currency mismatch.

Finally, an issuer must also take into account the following limitations according to Article 21:

- Up to 5% of the cover assets can consist of mortgage loans secured by a mortgage on residential property under construction.
- Up to 10% of the cover assets can consist of mortgage loans secured by a mortgage where the registration is still pending.
- Up to 20% of the cover assets can consist of loans where the mortgage is on commercial property.
- Up to 20% of the cover assets can consist of mortgage loans granted to an individual or to legal entities that are considered a group of related parties and may not exceed the maximum admissible exposure set out in Regulation 575/2013/EU.

## IV. VALUATION AND LOAN-TO-VALUE CRITERIA

The level of receivables from mortgage loans that can be taken into consideration for the cover assets must not exceed 1. 80% of the mortgage lending value or the market value for loans secured by mortgage on residential properties; 2. 60% of the mortgage lending value or the market value of mortgaged property for loans secured by mortgage on commercial properties. When the level of receivables from mortgage loans exceeds the above-mentioned restrictions, only the proportionate portion of the loan can be considered as eligible cover assets (Article 16 of the Covered Bond Act).

Generally, the valuation of residential and commercial property is based on the current value that is equal to or less than the market value or the mortgage lending value at the time of inclusion in the cover pool. However, if the latter is not established, the market value is used instead. It is important to note that a valuation must be performed by a licensed property valuer who is independent of the credit decision-making process and in compliance with the international property-valuation standards.

The value of a property is determined individually for each real property. During the term of the mortgage loan, an issuer must regularly monitor the value of mortgaged property and assess the value at least once a year for commercial as well as for residential property. The issuer can also use statistical methods to monitor the value and determine the properties that need to be revalued. In addition, the value of the mortgaged real estate must be checked at least once every three years by the appraiser. A need for a new valuation of the property also arises when a value of real property and/or general market prices of real properties in the area where the real property is located drop substantially (by more than 20% since the last valuation), or when a borrower is late meeting his obligations under the mortgage loans by more than 90 days (Article 18 of the Covered Bond Act).

## V. ASSET – LIABILITY MANAGEMENT

Article 28 of the Covered Bond Act states that the minimum level of overcollateralization for mortgage covered bonds and public-sector covered bonds generally amounts to 5% on a nominal as well as on a net-present-value basis. In case valuation is based on the mortgage lending value, the minimum overcollateralization is 2% on a nominal as well as on a net-present-value basis. Furthermore, cover assets need to be matched with liabilities stemming from issued covered bonds and derivative financial instruments also in terms of maturity, interest rate, currency exposure and estimated operational cost. Compliance with the above-mentioned conditions must be verified at least once a month.

An issuer must compare the amount of maturing receivables from the cover assets entered in the cover register with the amount of maturing liabilities stemming from the issued covered bonds and from the derivative financial instruments entered in the cover register over the next 180-day period on a daily basis. Subsequently, coverage must be provided in the form of a liquidity reserve covering the highest cumulative net liquidity outflows for the next 180 days and consisting of liquid assets (Article 29 of the Covered Bond Act). The calculation of the principal of outstanding obligations with an extendible maturity structure is based on the final maturity date in accordance with the contractual terms of the bonds.

The planned maturity of covered bonds can be extended in accordance with Articles 46 and 48 of the Covered Bond Act. The appointed special manager of the cover assets may extend the due date of payments of obligations from covered bonds by extending the due date of payment of principal and interest by four weeks without further requests. After the four-week period, the special manager may additionally extend the planned maturity of the covered bonds by extending the maturity of the principal payment by a maximum of 12 months in total (two times six months) if he or she believes this is needed to fulfil resurrection measures and that the issuer will be able to repay the obligations after the extension. The maturity of the covered bonds can only be extended by the special manager and may not be based on the discretion of the issuer. The maturity extension may not affect the structural characteristics of the covered bonds and payment sequence.

## VI. TRANSPARENCY

According to the Covered Bond Act (Article 37), issuers are obliged to provide detailed information on a quarterly basis to investors on their websites. This includes at least the value of the collateral assets and the value of outstanding liabilities, an ISIN list of all issued covered bonds, information on assets regarding geographic distribution, types, amounts, valuation methods, information on market risks, maturity structures, levels of overcollateralization and non-performing collateral.

Article 40 stipulates that issuers have to provide detailed reporting to the BoS on a quarterly basis. This includes, among others, an extract from the cover register with details on the eligibility of cover assets, the separation of funds, the operation of the trustee, coverage requirements and maturity structures.

## VII. COVER-POOL MONITOR AND BANKING SUPERVISION

### Cover register

Each issuing bank needs to keep a cover register (Article 30 [1] of the Covered Bond Act). In cases involving the issuance of both mortgage covered bonds and municipal bonds or when a bank has multiple issuance programs, separate cover registers must be kept.

The cover register contains all the receivables and investments that represent cover assets for the issued mortgage covered bonds and municipal bonds (public-sector covered bonds) as well as a record of all mortgage covered bonds and municipal bonds issued.

### Cover-register administrator

A cover-register administrator ensures that the cover register is maintained in accordance with the provisions of the Covered Bond Act and its related Regulations. Only a certified auditor or an otherwise qualified expert granted a licence from the BoS to perform the tasks of a cover-register administrator can be appointed as a cover-register administrator. Moreover, such a person must also be independent of the issuer[2] (Articles 32 and 33).

The duties and obligations of a cover-register administrator are, among others, as follows (Articles 34):

> To ensure that the cover assets provide sufficient coverage for the total value of the covered bonds in circulation and liabilities stemming from derivative financial instruments
> To ensure that the requirements regarding the liquidity reserve of the cover assets are met
> To ensure that the assets are recorded in the cover register in accordance with the Covered Bond Act
> Prior to the issuance of covered bonds, to confirm that the cover assets provide sufficient and adequate coverage for covered bonds
> To ensure that transparency requirements are in accordance with Article 37 of the Covered Bond Act
> To notify the BoS of its findings every three months pursuant to the Covered Bond Act

Mortgages for loans entered into a cover pool can be deleted from the land registry only with the prior consent of the cover-register administrator. Assets can be entered into or deleted from cover register only with the consent of the cover-register administrator.

### Role of the BoS

The BoS is the competent authority and is responsible for supervising the issuer regarding the issuance, management and repayment of mortgage covered bonds and municipal bonds (Article 39). In addition, it grants and withdraws licences given to banks and to cover-register administrators prior to the issuance of covered bonds.

An issuer is required to send to the BoS an extract from the cover register, which has been signed by the cover-register administrator, every three months (Article 40) and on request.

## VII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### Segregation of cover assets

The issuer must ensure that all assets that make up the cover assets are segregated in a legally binding and enforceable manner (Article 27). According to Article 30, no other creditor of the bank, except bond holders, and only for obligations of the bank in relation to issued covered bonds, can start judicial enforcement against the assets entered into cover register. Separation of cover assets also applies in the event of the rescue or forced termination of the issuer. Investors in mortgage covered bonds and municipal bonds have a dual claim. This also applies to counterparties of derivatives. Investors have claims against the issuer as well as preferential rights to repayment of the principal and all accrued and future interest from the cover assets in the event of liquidation, rescue or forced termination of the issuer (Article 11).

### Bankruptcy remoteness of covered bonds

According to Article 12, in the case of resolution and forced termination of the issuer, payment obligations related to mortgage covered bonds and municipal bonds shall not be subject to automatic acceleration.

In the event of the rescue and forced termination of an issuer, the BoS appoints a special manager of collateral assets (Article 45). The special cover-asset manager deals with the management and disposal of the cover assets to the extent that is necessary for the continuous timely payment of obligations under covered bonds

2 Under certain conditions, administrators can also be employees of a bank.

and derivative financial instruments. After being appointed, the special manager may extend the due date of payments of obligations from mortgage covered bonds and municipal bonds in accordance with the conditions set out in Article 48 of the Covered Bond Act by extending the due date of payment of principal and interest by four weeks without further requests. After the four-week period, the special manager may additionally extend the planned maturity of the covered bonds by extending the maturity of the principal payment by a maximum of 12 months in total (two times six months), if this maturity extension is necessary to ensure the fulfilment of the payment obligations and if there reason to assume that, after the resolution and forced termination measures are implemented, the issuer will be able to settle overdue obligations after the longest possible period of maturity extension (Article 46).

It should be added that the special manager of the cover assets can transfer the entire cover pool and all obligations arising out of the issued covered bonds to another issuer by a way of contract. A full transfer must be authorised by the BoS (Article 47).

## VIII. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The new legal framework for Covered Bonds transcribed the European Covered Bond Directive into national law and is applicable since 8 July 2022. The risk-weighting of covered bonds in Slovenia is regulated directly by the Capital Requirements Regulation (CRR). The provisions of the Covered Bond Act fall within the criteria of Article 129 (1) of the CRR as well as within the criteria of Article 52 (4) of the UCITS Directive.[3] The label "European covered bond" is used only for mortgage covered-bond programs and municipal bond programs that meet the requirements of the Covered Bond Act. The label "European covered bond (premium)" is used only for mortgage covered-bond programs and municipal bond programs that meet the requirements of the Covered Bond Act and the requirements of Article 129 of Regulation 575/2013/EU.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

3 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.40 SOUTH KOREA

By Hoin Lee and Jackie Yang, Kim & Chang, and
Frank Will, Chairman of the EU Legislation Working Group, HSBC

### I. FRAMEWORK

#### Efforts to create a covered bond market in Korea

The Covered Bond Act of Korea (the "Covered Bond Act") was passed by the National Assembly on 19 December 2013 and came into effect on 15 April 2014. Prior to the enactment of the Covered Bond Act, domestic banks in Korea had been looking at covered bonds as a potential alternative source of funding and the Korea Federation of Banks, a major association of banks in Korea, set up a task force team in 2008 to pursue the introduction of covered bonds in Korea, including by way of a dedicated covered bond statute. Even prior to the Korea Federation of Banks task force team, market participants were looking into alternative structured covered bond structures utilising Korea's Act on Asset-Backed Securitisation (the "ABS Act").

Such efforts eventually led to Kookmin Bank's offshore covered bond issuance in May 2009 (the "KB Structured Covered Bonds"). Kookmin Bank developed a structure on the basis of the securitisation techniques under the ABS Act and the Trust Act that enabled the relevant asset pool to be "ringfenced" and effectively granted dual-recourse to its investors through contractual arrangements. The KB Structured Covered Bonds were the first covered bonds issued out of Korea and the Asia-Pacific region.

Separately, in July 2010, the Korea Housing Finance Corporation ("KHFC") issued the second covered bond out of Korea and the first statutory covered bond transaction out of Asia. KHFC utilised the "mortgaged-backed bonds" (the "KHFC Covered Bonds") under the Korea Housing Corporation Act (the "KHFC Act") in issuing the covered bonds. Mortgaged-backed bonds are economically similar to covered bonds because the bond holders have a statutory priority right over a pool of assets segregated from the other assets of KHFC.

The successful issuance of the KHFC Covered Bonds in 2010 stimulated new interest in the Korean covered bonds market. This landmark transaction positioned the KHFC Covered Bonds as a compelling alternative to traditional residential mortgage backed securities (RMBS) for Korean mortgage lenders. Several follow-on transactions have been completed that utilise KHFC as the issuer and the dual recourse feature of mortgage-backed bonds under the KHFC Act. KHFC issued (i) EUR 500 mn of euro denominated social covered bonds in October 2018, (ii) EUR 500 mn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in June 2019, (iii) EUR 1 bn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in February 2020, (iv) EUR 500 mn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in July 2020, (v) EUR 1 bn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in June 2021, (vi) EUR 550 mn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in October 2021 and (vii) EUR 600 mn of ECBC Covered Bond-labeled social covered bonds with a AAA rating in March 2022, a total issuance size of EUR 4,650 mn. KHFC's June 2019 social covered bond offering was the first Euro denominated social bond issued by a Korean issuer. Following such robust stand-alone success, KHFC inaugurated its global covered bond programme in June 2022 pursuant to KHFC Act with ratings of Aaa/AAA from Moody's and S&P, under which it made 21 issuances of ECBC Covered Bond-labeled covered bonds with the highest credit ratings to date, in the aggregate volume of 7.86 billion in EUR equivalent, as detailed in the following summary.

| Issue Date | Issuance amounts | Currency | Ratings |
|---|---|---|---|
| 2022.07. | 500,000,000 | EUR | AAA/Aaa |
| 2022.10. | 300,000,000 | CHF | AAA/Aaa |
| 2022.12. | 200,000,000 | USD | Aaa |
| 2023.02. | 265,000,000 | CHF | AAA/Aaa |
| 2023.04. | 320,000,000 | AUD | AAA/Aaa |
| 2023.04. | 500,000,000 | EUR | AAA/Aaa |
| 2023.06. | 100,000,000 | USD | Aaa |
| 2023.07. | 150,000,000 | EUR | AAA/Aaa |
| 2023.07. | 100,000,000 | USD | Aaa |
| 2023.08. | 210,000,000 | USD | Aaa |
| 2023.09. | 1,000,000,000 | EUR | AAA/Aaa |
| 2023.12. | 100,000,000 | EUR | AAA/Aaa |
| 2023.02. | 350,000,000 | CHF | AAA/Aaa |
| 2024.03. | 500,000,000 | EUR | AAA/Aaa |
| 2024.10. | 650,000,000 | EUR | AAA/Aaa |
| 2024.11. | 1,500,000,000 | HKD | AAA |
| 2025.03. | 600,000,000 | EUR | AAA/Aaa |
| 2025.05. | 400,000,000 | USD | AAA/Aaa |
| 2025.09. | 500,000,000 | EUR | AAA/Aaa |
| 2025.10. | 300,000,000 | GBP | AAA/Aaa |
| 2026.03. | 800,000,000 | EUR | AAA/Aaa |

Following the enactment of the Covered Bond Act, on 12 June 2015, Kookmin Bank became the first bank in Korea to set up a global covered bond programme pursuant to the Covered Bond Act, which it listed on the Luxembourg Stock Exchange. The KB Covered Bond Programme was the first covered bond programme by an Asian financial institution to be listed and obtained ratings of AAA and Aaa from Fitch and Moody's, respectively. These ratings were higher than Kookmin Bank's ratings (A1 at that time) and even Korea's sovereign ratings (AA, Aa2). This enabled Kookmin Bank to procure funds from the offshore market at reduced costs in subsequent issuances. In October 2015, Kookmin Bank issued the first covered bonds under the KB Covered Bond Programme followed by a second transaction in February 2016 and a third transaction in December 2018. Kookmin Bank established a new global covered bond programme in April 2020, which it listed on the Singapore Stock Exchange and for which it obtained ratings of AAA from each of Fitch and S&P. Kookmin Bank issued (i) EUR 500 mn of ECBC Covered Bond-labeled social covered bonds with AAA ratings in July 2020, (ii) EUR 500 mn of ECBC Covered Bond-labeled green covered bonds with AAA ratings in October 2021, (iii) EUR 500 mn of ECBC Covered Bond-labeled sustainability covered bonds with AAA ratings in June 2022, (iv) EUR 500 mn of ECBC Covered Bond-labeled covered bonds with AAA ratings in October 2023, (v) EUR 500 mn of ECBC Covered Bond-labeled sustainability covered bonds with AAA ratings in October 2024 and (vi) EUR 600 mn of ECBC Covered Bond-labeled sustainability covered bonds with AAA ratings in September 2025 under this programme. In light of the successful issuances by Kookmin Bank, other commercial banks began showing increased interest in covered bonds as an alternative, long-term funding source. Hana Bank set up a global covered bond programme in December 2020 pursuant to the Covered Bond Act with ratings of AAA from Fitch and S&P, under which it issued (i) EUR 500 mn of ECBC Covered Bond-labeled social covered bonds with AAA ratings in January 2021, (ii) EUR 600 mn of ECBC Covered Bond-labeled SME empowerment social covered bonds with AAA ratings in May 2023 (iii) EUR 500 mn of ECBC Covered Bond-labeled sustainability covered bonds with AAA ratings in January 2025 and (iv) EUR 600 mn of ECBC Covered Bond-labeled green covered bonds with AAA ratings in April 2026. Shinhan Bank set up a global covered bond programme as well in October 2023 pursuant to the Covered Bond Act with ratings of AAA/Aaa from Fitch and Moody's, under which it issued (i) EUR 500 mn of ECBC Covered Bond-labeled green mortgage covered bonds with AAA/Aaa ratings in January 2024 and (ii) USD 400 mn of ECBC Covered Bond-labeled green mortgage covered bonds with AAA/Aaa ratings in October 2024.

In April 2024, the Financial Service Commission ("FSC") designated a plan to expand fixed-rate mortgage loans as an innovative financial service, allowing KHFC to provide payment guarantees for covered bonds issued by Korean banks. With this policy support, banks can lower their funding costs, enabling investors to invest in longer-term investments that are safer and require less capital costs. Following the issuance of covered bonds by Kookmin Bank and Shinhan Bank in August 2024, Hana Bank also issued covered bonds guaranteed by KHFC in December 2024 to secure housing finance resources at lower interest rates, yielding successful results. Currently, other commercial banks and local banks are preparing to establish their own covered bond programmes. Under the KHFC guarantee covered bonds programmme, domestic banks have actively scaled up their covered bond issuance, with further growth anticipated this year. To date, major participants include Kookmin Bank (KRW 1 trillion over four issuances), Shinhan Bank (KRW 500 billion over two), Hana Bank (KRW 180 billion) and Woori Bank (KRW 210 billion) Notably, Kyongnam Bank made history in October 2025 as the first regional bank to issue covered bonds, successfully raising KRW 150 billion - marking a significant milestone for the regional banking sector.

## II. STRUCTURE OF THE ISSUER

### 1. KHFC Act

#### Eligible issuer

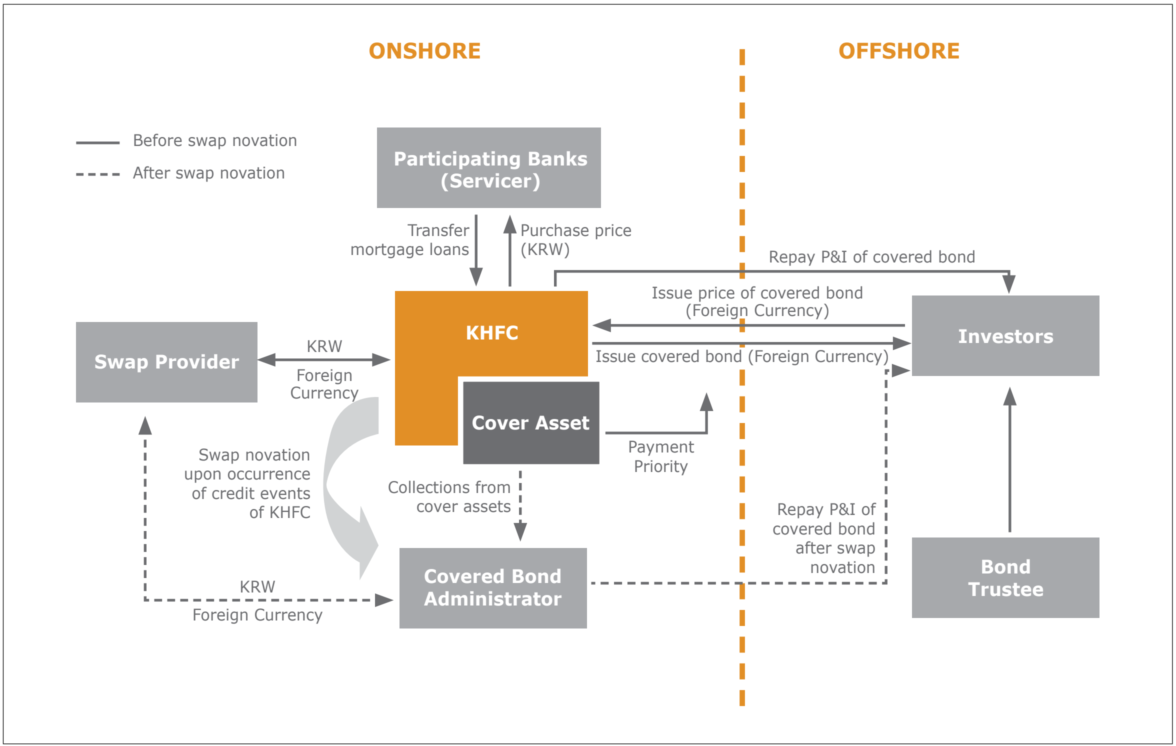
KHFC, which is wholly owned by the Korean government and the Bank of Korea, is the only eligible issuer of KHFC Covered Bonds. Pursuant to Article 31 of the KHFC Act, the holders of KHFC Covered Bonds have a statutory priority right of payment from a separately managed pool of mortgage loans designated as the underlying collateral for KHFC Covered Bonds (the "KHFC Cover Pool"). In addition, if principal and interest on a KHFC Covered Bond are not fully paid out of the KHFC Cover Pool, it can be paid from the general assets of KHFC. KHFC issues these bonds without transferring the cover assets to a separate legal entity and the bankruptcy remote cover assets are left on KHFC's balance sheet. The investors have dual recourse in respect of the KHFC Covered Bonds: (a) a senior unsecured claim to KHFC prior to the occurrence of an issuer event of default or at maturity; and (b) a statutory priority right of payment over the KHFC Cover Pool upon the occurrence of an issuer event of default.

In the case of KHFC Covered Bonds issued offshore, KHFC enters into a cross currency swap agreement and an interest rate swap agreement with the swap providers, pursuant to which KHFC will deliver KRW interest periodically and principal at maturity to the swap providers in exchange for foreign currency payments. The swap providers pay foreign currency denominated interest periodically and principal at maturity. The swap agreement is subject to an automatic swap novation mechanism (the "Swap Novation") in which the swap providers, KHFC, and the swap delegate entered into a tripartite automatic novation agreement at the closing date, which states that the swap agreement will be automatically terminated with KHFC and novated to the swap delegate upon the occurrence of certain events of default regarding KHFC, and that the mark-to-market valuation of the swap agreement as of the novation date will not be exchanged between KHFC and the swap providers or between KHFC and the swap delegate.

Subsequent to such events of default, the swap delegate will pay KRW generated from the KHFC Cover Pool to the swap providers in exchange for the foreign currency denominated payments, and the swap providers will pay the foreign currency denominated interest periodically and principal at maturity.

The following diagram illustrates the structure of the KHFC Covered Bonds transaction.

FIGURE 1: KHFC COVERED BONDS TRANSACTION STRUCTURE




Source: Kim & Chang

## Issuance limit

KHFC may issue KHFC Covered Bonds up to 50 times of its paid-in equity capital.

## 2. Covered Bond Act

## Eligible issuer

Eligible issuers of covered bonds under the Covered Bond Act (the "Covered Bonds") include (i) banks licensed and established under the Bank Act of Korea, (ii) the Korea Development Bank, (iii) the Export-Import Bank of Korea, (iv) the Industrial Bank of Korea, (v) Nonghyup Bank, (vi) Suhyup Bank, or (vii) KHFC. Eligible issuers of Covered Bonds, however, must have equity capital of not less than KRW 100 bn, BIS ratio of not less than 10%, and appropriate funding and operation structures and risk management procedures, etc.

## Issuance limit

The Covered Bond Act prescribes that eligible issuers may issue Covered Bonds up to the ceiling set by the Presidential Decree of the Covered Bond Act (the "Presidential Decree") which shall not exceed 8% of its total assets as of the end of the fiscal year immediately preceding the scheduled date of issuance and the Presidential Decree limits this to 4% of its total assets as of the end of the fiscal year immediately preceding the scheduled date of issuance. The FSC, as the Korean financial regulator, reserves the right to restrict this further to 2% of its total assets taking into consideration various factors, such as collateralisation ratio and financial condition including liquidity position.

## III. COVER ASSETS

### 1. KHFC Act

The mortgage loans in the KHFC Cover Pool are acquired from certain Korean financial institutions that function as the originating banks. The individual mortgage loans included in the KHFC Cover Pool may change from time to time as a result of substitutions by KHFC, and KHFC is responsible for ensuring that the mortgage loans are properly serviced and delegates its servicing responsibility to the originating banks, with each originating bank servicing those mortgage loans originated and sold by it to KHFC.

### 2. Covered Bond Act

The cover pool (the "Cover Pool") shall comprise of (1) the Underlying Assets, (2) the Liquid Assets and (3) Other Assets. The "Underlying Assets" shall include (i) residential mortgage loans with 70% or lower loan-to-value (LTV) ratio and first priority mortgage, obligors of which are not subject to insolvency proceedings, (ii) loan receivables against the government, a local government or a corporation incorporated under the special laws, Korean Treasury bonds, municipal bonds or bonds issued by a corporation incorporated under the special laws, (iii) mortgage loans secured by ships or aircraft with 70% or lower LTV ratio and is insured for an amount in excess of 110% of the sum of (a) the aggregate outstanding balance of the relevant loan and (b) any other outstanding debt of the issuer that are at least pari passu with such loan and (iv) asset backed securities issued under the ABS Act and KHFC Covered Bonds and residential mortgage backed securities issued pursuant to the KHFC Act. The following limitations are applicable to the residential mortgage loans comprising the Underlying Assets: (x) at least 20% must have a debt-to-income (DTI) ratio of 70% or less, (y) at least 30% must be fixed rate loans, and (z) if there are residential mortgage loans of which 50% or more of their outstanding principal balance may be set off against the relevant issuer, such residential mortgage loans should comprise 10% or less of all residential mortgage loans. The "Liquid Assets" shall comprise of cash, certificates of deposit with a maturity of no more than 100 days issued by financial companies other than the issuer of the Covered Bonds, bonds issued by any government as prescribed by the FSC, financial instruments issued by foreign financial companies as prescribed by the FSC similar to the certificates of deposit referred to above and deposits and term deposits at either domestic or foreign financial companies with maturity of 3 months or less. Finally, "Other Assets" shall comprise of collections and other property rights acquired from the Underlying Assets and the Liquid Assets and the claims acquired from derivatives transactions executed in order to hedge foreign exchange rate or interest rate risks and other risks associated with the cover pool pursuant to the Covered Bond issuance plan.

## IV. VALUATION AND LTV CRITERIA

### 1. KHFC Act

There is no statutory standard for valuation of residential mortgage loans that are included in KHFC Cover Pool. Instead, the valuation methods are set forth in individual transaction documents for the KHFC Covered Bonds which value residential mortgage loans between 100% and 0%, depending on the length of delinquency.

### 2. Covered Bond Act

LTVs for residential mortgage loans as well as loans secured by ships or aircrafts in the Cover Pool shall be 70% or lower. Valuation shall be carried out by reference to the closing market price of the relevant day on the securities exchange. In cases where no reliable market prices are available on the relevant day, book value, par value, purchase price, transaction price and price provided by an entity which satisfies statutory requirements shall be taken into account, alongside the prevailing exchange rate at the time of valuation. Where derivative transactions have been entered into for the purpose of hedging exposure to movements in foreign currency exchange rates, the exchange rates as specified in such derivative transactions themselves shall be used, and non-eligible assets and derivative transactions shall be valued at "0".

## V. HEDGING AND ASSET – LIABILITY MANAGEMENT

### 1. KHFC Act

In the case of KHFC Covered Bonds issued offshore, the underlying residential mortgage loans are denominated in KRW but the KHFC Covered Bonds are issued in foreign currency and KHFC entered into swap agreements to hedge the resulting currency risk. This swap agreement is subject to the Swap Novation described above. There are no statutory regulations on overcollateralisation or excess yield of collateralised assets. However, the transaction documents in previous KHFC Covered Bonds have required the KHFC Cover Pool to satisfy an asset coverage test and the failure for the KHFC Cover Pool to satisfy the foregoing test for a certain period of time becomes an issuer event of default which in turn triggers the management of the KHFC Cover Pool to be transferred to a separately appointed swap delegate, in addition to the above-mentioned Swap Novation.

### 2. Covered Bond Act

The total value of the Cover Pool shall be equal to or more than 105% (the "Required Overcollateralisation Ratio") of the total value of the covered bonds and the liquid assets shall not exceed 10% of the total outstanding amount of the Cover Pool. The details of the valuation standard and method, etc. for each type of assets comprising the cover pool are prescribed by the Presidential Decree. The issuer shall prepare and maintain separate books for the management of the Cover Pool. If the total value of the Cover Pool is likely to fall below the Required Overcollateralisation Ratio or cover assets fail to satisfy the Cover Pool eligibility criteria set forth in the Covered Bond Act (the "Cover Asset Eligibility"), the issuer shall add or substitute the Underlying Assets and Liquid Assets without delay in order to comply with the Required Overcollateralisation Ratio and the Cover Asset Eligibility. Unlike the KHFC Act, the claims acquired from derivatives transactions executed in order to hedge foreign exchange rate or interest rate risks and other risks associated with the Cover Pool pursuant to the Covered Bond issuance plan are included in the Cover Pool as described above and the swap provider also has a priority right of payment from the Cover Pool under the Covered Bond Act. As such, we do not expect there to be a particular need to novate the relevant swap agreement to a third party.

## VI. TRANSPARENCY

### 1. KHFC

To issue KHFC Covered Bonds, KHFC must register a securitisation plan with the FSC and this securitisation plan is available to the public on the FSS website. Amendments to the securitisation plan after the terms and conditions of the KHFC Covered Bonds are confirmed must also be registered with the FSC.

### 2. Covered Bond Act

Any eligible issuer that intends to issue Covered Bonds must register the Covered Bond issuance plan and details of the Cover Pool with the FSC. The issuer must also register amendments to the issuance plan or the matters concerning the Cover Pool, while minor changes shall be reported to the FSC within seven days from the date of such change.

The issuer is required to establish and monitor at least on a quarterly basis separate risk management standards and procedures relating to the issuance and redemption of the Covered Bonds. The issuer is also obligated to disclose on its website on a quarterly basis the result of risk management monitoring, the report prepared by the Cover Pool monitor and other information necessary. The FSC may request data concerning business or properties of the issuer and its administrator and the Cover Pool monitor, or investigate such business and properties if necessary, for protecting the Covered Bond investors.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### 1. KHFC Act

There are no explicit provisions in the KHFC Act on the KHFC Cover Pool monitor but independent third parties are appointed to supervise and monitor KHFC's management of the KHFC Cover Pool. For example, an accounting firm has been appointed as the cover pool monitor in previous KHFC Covered Bond issuances to be responsible for confirming whether the KHFC Cover Pool minimum maintenance requirements have been satisfied. In addition, the KHFC Covered Bond administrator is appointed in advance for the management of the Cover Pool in order to protect the KHFC Covered Bond holders upon occurrence of any issuer event of default including a bankruptcy event of KHFC.

### 2. Covered Bond Act

The issuer shall appoint with the approval from the FSC a Cover Pool monitor to monitor the eligibility of the Cover Pool independently. The Cover Pool monitor shall be (i) a person who qualifies as a bond administrator under the Korean Commercial Code, (ii) KHFC (excluding the case where the issuer is KHFC) or (iii) a corporation with equity capital of KRW 1 bn or more that has five or more administration personnel necessary for the performance of duties as a Cover Pool monitor including two or more experts such as lawyers, certified public accountants or certified public appraisers and one or more persons with experience in business related to Covered Bonds.

The Cover Pool monitor is authorised to take any actions in court or otherwise necessary for the management, maintenance and disposition of the Cover Pool. The Cover Pool monitor is obligated to submit on a quarterly basis a report to the FSC within 30 days of the end of each quarter on the performance of its duty as a Cover Pool monitor and provide it to the issuer and, upon request, the Covered Bond investors and other parties, as described below, who have a priority right of payment from the registered Cover Pool.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### 1. KHFC Act

Articles 30 and 31 of the KHFC Act state that (i) KHFC may issue the KHFC Covered Bonds with a statutory priority right of payment over the mortgage loans separately managed in accordance with the applicable KHFC Act securitisation plan, and (ii) if mortgage loans in the KHFC Cover Pool are separately managed according to the applicable KHFC Act securitisation plan, the investors will have a priority right of payment against such mortgage loans unless otherwise prescribed in other laws. Considering the legislative intent and history of these provisions, the statutory priority right of payment over the mortgage loans owned by KHFC was considered as having been granted to the investors through the registration with the FSC of the applicable KHFC Act securitisation plan without taking any other actions necessary for the establishment or perfection of the statutory priority right.

KHFC is required to separately manage the mortgage loans included in the Cover Pool from its other assets on the basis of the applicable KHFC Act securitisation plan.

### 2. Covered Bond Act

Article 13 of the Covered Bond Act states that (i) holders of Covered Bonds, (ii) swap providers, (iii) claimholders relating to the redemption/maintenance and management of the Covered Bonds and management/disposal and execution of the Cover Pool, and (iv) the Cover Pool monitor have a priority right of payment on the registered Cover Pool over third parties. Article 12 of the Covered Bond Act states that, in case of an issuer's insolvency, the Cover Pool shall not be subject to the issuer's insolvency proceedings, including compulsory execution, preservative measures and stay orders. If the principal of the Covered Bonds is not fully repaid, Covered Bond holders have the right to payment from other assets of the issuer in addition to the Cover Pool.

With the consent of the holders of at least 75% of the aggregate outstanding principal amount of the Covered Bonds, FSC may issue an order to transfer relevant contracts to another eligible issuer.

The issuer is required to separately manage the mortgage loans included in a Cover Pool from its other assets on the basis of the applicable issuance plan. The books for the Cover Pool must also be separately maintained and any violation may be subject to criminal sanctions.

## IX. RISK-WEIGHTING AND COMPLIANCE WITH EUROPEAN REGULATION

The Covered Bonds under the Covered Bond Act and the KHFC Covered Bonds under the KHFC Act are not compliant with Article 52(4) UCIT and do not benefit from the higher investment limits because neither KHFC nor any of the potential South Korean issuers of the covered bonds is a credit institution with its registered office in a EU member state. These covered bonds cannot be CRD compliant without meeting the requirements of Article 52(4) UCITS.[1] Thus, the covered bonds cannot benefit from special treatment in terms of risk weighting.

**Issuers:** Korea Housing Finance Corporation and Kookmin Bank.

**ECBC Covered Bond Comparative Database:** https://www.ecbc.eu/framework/107/South_Korean_Covered_Bonds

Covered Bond Label **:** Korea Housing Finance Corporation (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

## 3.41 SPAIN

By Gregorio Arranz, Former Spanish Mortgage Association Secretary General

### I. FRAMEWORK

The legal framework for Spanish covered bonds – "bonos garantizados" (BG) – is determined by the Royal Decree Law 24/2021 of 2 November 2021 (RDL).

RDL 24/2021 served to transpose not only the Covered Bonds Directive (Directive 2019/2162 of 27 November 2019, CBD) but also a wide range of different directives on many fields. Subsequently some technical improvements were introduced by Royal Decree-Law 5/2023 of 28 June 2023.

RDL 24/2021 regulates Spanish covered bonds (CB) whatever their collateral contrasting with previous legal solution of having different pieces of legislation for mortgage bonds, public sector loans and *internationalization* bonds, although legislation of the two latter was built on the mortgage bonds one.

Although secondary legislation is contemplated as a possibility, mainly referred to the appraisal process of the underlying assets and the approval procedure and supervision by the Bank of Spain (BE), such legislation is contemplated as a mean to improve the RDL but not at all as a condition for its complete and immediate application. As a matter of fact, it only has been approved by the BE the Circular 1/2023, developing in detail the issuers' reporting obligations in line with art. 21.2 of the CBD. Not any other changes are foreseen in the next future.

As regards transitional measures, when the RDL came into force – on 8 July 2022 – their provisions were fully applicable to the CB issued before that date, discarding any grandfathering-like solution and so going beyond article 30 of the Directive. This legal option reflects the firm position of the issuers' community in favour to what it was termed as the *big bang* solution, on the basis that keeping two types of CB fragments the market and is very difficult to manage. It is worth to mention that the RDL specifically bans any right of the bondholders affected by the change to claim for the early repayment of the bonds. Consequently, on July 4$^{th}$ 2022, once the issuers had already implemented all the requirements that the RDL envisaged, the BE approved the programs of all the outstanding issuances classifying them as *premium*.

### II. STRUCTURE OF THE ISSUER

Issuers of the BG must be credit institutions according to art. 3.1 of the CBD. In Spain universal credit institutions have traditionally been the ones issuing CB. There is not a need of a special license for issuing BG but issuers must have at any moment sufficient capacity and means.

The issuer of the BG directly owns the cover assets forming the pool on its balance sheet and they are not transferred to a different legal entity.

On a different note, in Spain the issuer is normally the originator of the cover assets although nothing in the law prevents their acquisition from another credit institution and moreover *joint funding* (art.9 CBD) is specifically envisaged.

### III. COVER ASSETS

Spanish legislation – although common for all the BG – envisages four types of BG, each one having cover assets (*primary assets*) of different nature as collateral.

Furthermore, for each type of primary assets there are two alternatives in order to outline the bonds: *cédulas* – open-ended pools and *bonos* – closed–ended pools. This solution preserves the Spanish traditional legal binary option although as a matter-of-fact issuers have only issued cédulas and apparently it was kept for flexibility reasons. Most RDL provisions are equally applicable to both figures.

The four types of BG are:

a) Mortgage CB (*cédulas y bonos hipotecarios*).

b) Public sector CB (*cédulas y bonos territoriales*).

c) *Internationalization* CB (*cédulas y bonos de internacionalización*).

d) *Other* CB.

The three first types of CB are specifically regulated by the RDL being all them CRR (*EU* Regulation 575/2013 on prudential requirements for credit institutions and investment firms amended by Regulation 2019 /2160 as regards exposures in the form of covered bonds) compliant since their respective regimes meet all the requirements contemplated in said Regulation.

*Internationalization* CB are a sub-type of public sector CB distinguished by their purpose of financing initiatives related to the internationalization of entrepreneurs.

With the fourth category – *Other CB* – Spanish legislator intends to open a door to future issuances of BG backed by assets of different nature to the primary assets, provided art. 6 of the CBD (*Eligible covered assets*) requirements and limits are met. This category has not been used yet.

Assets are normally located in Spain although according to the Directive Spanish law allows assets located in the European Union and even outside (art.7 of the CBD) to be incorporated to the pools.

Mortgage CB (*cédulas hipotecarias*) is the type with the most complete regulation as they have notably been the most important in Spain.

All mortgage loans incorporated to the pool must comply with the following requirements:

> The mortgage that guarantees the loan must be a first-ranked mortgage.

> The recording of the mortgage on the public register must be valid.

> Singular LTV limits are to be respected. We shall expose them in the next chapter.

> The mortgaged properties must have been valued previously by the so-called "Sociedades de Tasación".

> Mortgaged assets must be insured against damages claims.

> Residential loans cannot exceed 30 years.

Additionally – and for all the three types of specifically regulated CB – RDL permits the incorporation of substitution assets consisting in public debt issued by entities contemplated in art 129.1 a) and b) of the CRR or in short-term deposits to credit institutions contemplated in art 129.1 c). Substitution assets cannot exceed 10% of the total assets and if said limit is supervened exceeded the issuers should either buy back CB or replace the substitution assets by additional primary assets.

Finally, RDL allows joint pools and intragroup structures being their regulation just a literal reproduction of the terms of the CBD (arts. 8 and 9).

## IV. VALUATION AND LTV CRITERIA

The RDL develops the general principles laid down in art.6.5 of the CBD as follows.

An updated valuation must exist for all the physical assets when the loans are included in the pool. The valuation should be revised at least yearly.

In the case of mortgage loans, a genuine new appraisal is only necessary when there are signals of a depreciation of the assets pursuant to the solutions envisaged in art.208 of the CRR and incorporated to the Circular 4/2017 of the BE (recently amended by Circular 1/2025). Additionally, when loans are initially included in the pool and also for subsequent yearly valuations, the value of the assets to consider can never exceed that resulting from the valuation when the loan was granted. Moreover, appreciations if any cannot be considered.

The valuation can be carried out by specialized companies, the "Sociedades de Tasación" (widely regulated in the RDL) supervised by the BE or by independent professionals. This rule is compatible with the use of internal and statistical models/methods where a genuine appraisal is not necessary.

In any case, the valuer must be independent from the credit decision process and in the valuations speculative element should not be considered.

Detailed regulation on the valuation of assets has been issued by the BE (Circular 4/2017).

The valuers must document their assessments having their internal records at the disposal of the CPM and the BE.

In the case of mortgage loans, the basis for the property valuation is the mortgage lending value.

Regarding LTV constrains, the RDL only contemplates them in relation to mortgage CB. Spain was one of the very few countries opting for a system of hard limits when incorporating art. 129 1 of CRR but did it with some peculiarities. The chosen solution maintains what was the traditional rule in Spain:

> When loans are incorporated to the pool, they may not exceed 60% of the mortgage lending value of the mortgaged assets, except for residential loans, in which case they may reach up to a maximum of 80% of such value. The loans exceeding the latter percentages are considered not *eligible* in their totality (*hard limits*).

> Notwithstanding above, mortgage loans that initially exceed these percentages can be used as cover assets for the issuance of CB when due to the repayment of their principals the values do not exceed said LTVs.

Additionally, and differently to the traditional rule in Spain, in case that due to the decrease of the market value of the mortgaged properties after the loans are incorporated to the pool (supervened depreciation of collaterals) LTV exceed said percentages, mortgages loans could be considered *eligible* but only up to the 60% or 80% of their amount (*soft limit*-like solution). Notwithstanding this, these loans – although only partially eligible for the denominator of the OC level – are incorporated to the pool in their entirety (*i.e.*, the so named top tranche is incorporated to the pool).

## V. ASSET – LIABILITY MANAGEMENT

### Assets and OC

The RDL makes a rather literal transposition of art. 15 – *Coverage requirements* – of the CBD incorporating the *nominal principal*: aggregate principal amount of all cover assets of the pool must be equal or exceeds the aggregate principal amount of outstanding covered bonds.

The text also incorporates all the Directive's national discretions permitted *i.e.*, consideration of future interests (as an option for the issuer) or calculation of a lump sum for calculating expected costs related to maintenance and administration for the winding-down of the CB program.

Regarding OC, the RDL- in line with the CBD – distinguishes between legal, contractual and voluntary overcollateralization.

Legal OC is only specifically contemplated for the three types of CB subject to specific regulation (CRR compliant CB): mortgage bonds, public sector bonds and *internationalization* bonds, introducing the 5% percentage on a nominal basis pursuant to the new art 129 3 a) of the CRR. Only for the fourth category of CB – *Other* CB – a mandatory OC is not specifically envisaged.

The RDL does not introduce any cap to the contractual/voluntary OC.

**Liability management**

> The RDL has introduced for first time in Spain a rather complete regulation of the liability management fully aligned with the provisions of the Directive. In the previous period there was some sort of tacit consensus that the huge amount of overcollateralization (the entire portfolio of loans) made not strictly necessary a regula- tion of the liability management. The only liquidity mitigants contemplated were the substitution assets (liquid ones) but they were rarely employed.

Traditionally the primary method used by Spanish issuers to mitigate market and interest risk has been the natural matching. This has now rightly been reinforced by the different tools the RDL implements (all taken from the CBD).

> Firstly, RDL regulates a cover pool liquidity buffer – following closely art 16 of the CBD provisions – as main tool to deal with liquidity risk.

The liquidity buffer is to cover the maximum cumulative net liquidity outflow over the next 180 days, the RDL not extending this term.

With respect to the type of liquid assets admitted into the buffer, RDL does not restrict the list envisaged in art 16.3 of the CBD.

In case that extendable maturity structures are used the RDL determines that the final maturity date is to be considered for the calculation of the principal, incorporating so the Directive’s possibility and conceding more flexibility to the issuers.

> RDL also regulates the use by issuers of derivatives contracts for mitigating risks, mainly interest risk. Here also the regulation reproduces faithfully the Directive requirements (art 11).

The hedging counterparties must be credit institutions with the specific credit quality mentioned in art 129 1 c) CRR.

RDL adequately regulates that hedging counterparties’ claims have the same preference as covered bond holders in case of bankruptcy or resolution of the issuer and that when any of the latter circumstances occur derivative contracts cannot be early terminated.

> RDL also introduces extendable maturity structures that were completely unknown in Spain.

The regulation reproduces the requirements contemplated in art 17.1 of the CBD. Their effective use is a free option for the issuers always within the legal framework.

These structures will normally adopt the form of soft bullets.

With respect to the objective triggers entitling issuers for maturity extensions the RDL mentions:

> Serious liquidity problems.

> Insolvency or resolution situations.

> No viability of the credit institution according to the Recovery and Resolution Directive.

> Serious market disturbances.

Moreover, RDL requires a specific BE approval to activate the requested extension.

> RDL also obliges issuers to implement internal tests to mitigate interest rate, foreign exchange and maturity mismatch risks.

## VI. TRANSPARENCY

The transparency regime that RDL lies down is a reproduction of art. 14 (*investor information*) of the CBD. The information is to be disclosed quarterly and not more frequently.

On top of that, main Spanish issuers of BG, coordinated by the Spanish Mortgage Association, and since the end of 2011, have been utilizing the ECBC Label Foundation HTT (Harmonized Transparency Template). As it is well known, the Label Foundation completed in 2022 the process to fully adapt HTT to art. 14 provisions.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

### Cover pool monitor

In contrast with other European legislations the institution of the CPM (*órgano de control del conjunto de cobertura*) was completely unknown in Spain being its introduction a novelty of the RDL.

Although the Directive does not make the introduction of this figure into the national legislation compulsory, Spanish legislator rightly introduced it assuming was a feature of most European legislations.

Its mission – according to the art 13.1 of the CBD – is to perform ongoing monitoring of the fulfilment by the CB issuers of all the legal requirements and limits and the RDL specifies its concrete duties.

The RDL incorporates the two alternatives permitted by the Directive for the issuers implementing this figure.

a) Appointing an external entity.

b) Configuring it as an internal CPM.

> External CPM.

The external CPM must be a commercial society with sufficient human and material resources and sound internal procedures. Qualified stakeholders (10% of the capital), directors and general managers must all be good repute.

RDL explicitly prevents from being CPM auditors having acted as such for the issuer (or a company of its group) in the three previous years to their appointment or corporations belonging to the issuer's group.

External CPM must be appointed for a minimum period of 3 years, which could be extended up to a maximum of ten years (although it could be re-appointed once 3 years have elapsed since the end of its mandate). Notwithstanding the issuer can decide to dismiss the CPM when appreciating is not fulfilling their duties correctly, notifying it to the BE and proposing a new candidate to be approved by it.

> Internal CPM.

The RDL requires that this kind of CPM has sufficient independence, authority, and resources within the issuer. Its appointment corresponds to the Board of Directors of the issuer to whom direct access should be permitted.

When the issuers apply for the approval of the CB program by the BE they must indicate who is the proposed (external or internal) CPM and prove that all the relevant requirements are met, corresponding in any case the final decision to the BE. The BE has a very wide margin of discretion to determine who can be effectively appointed. CPM are recorded in a special register hold by the BE. As a matter of fact, the BE has only accepted external CPM.

The RDL invests the CPM with a very wide range of powers and faculties and envisages different levels of reporting firstly to the issuer itself and subsequently to the BE to check that issuers always act correctly and prevent breaches of the legislation. Additionally CPM must previously authorize every entries and exits of assets in the pool what has been considered too rigid by the industry.

## Banking Supervision

RDL confers CB public supervision to the BE giving it wide supervisory powers in line with the provisions of art.18 of the Directive.

BG issuers require a special permission from the BE for each CB program. Needed requirements to obtain the permission are basically the same as those laid down in art 19.2 of the CBD, but additionally requiring the issuers to file an impact assessment of the program on its financial situation (solvency, liquidity...) and also provide information on the risk management of the pool.

The reporting to the BE is designed with a quarterly frequency and referred to all the necessary elements to justify the correct functioning of the programs in line with art 21.2 of the CBD. The details of said reporting were established by the BE in the Circular 1/2023.

On top of this the BE can request at any moment more information through the CPM.

The RDL finally dedicates several articles to the disciplinary regime following closely arts. 23 and 24 of the CBD provisions, comprising:

> Infractions.

> Penalties and their publication.

> The disciplinary procedure applicable is the one contemplated in the credit institutions general legislation.

A "special" supervision is also carried out by the Spanish Securities Markets regulator (Comisión Nacional del Mercado de Valores) who supervises compliance with bonds' marketing and public offers rules and as well the functioning of CB secondary markets.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### Asset segregation from the insolvency estate

As we already said above, before the RDL was approved Spanish legislation did not recognize the figure of pools of assets as such. In case of insolvency the entire mortgage (or other eligible assets) portfolio worked as collateral having bond holders a preferential right against **all** the loans whatever their characteristics were. This was the main singularity of the Spanish model of *cédulas*.

The new regulation radically changes said solution introducing for first time the idea of pool (defined set of assets) making Spanish legislation convergent with the solution adopted by all the other jurisdictions and subsequently adopted by the Directive itself.

All covered bond programs are linked to a specific pool of assets (*conjunto de cobertura*) securing the payments obligations attached to the covered bonds, being said assets duly segregated from other assets held by the credit institution.

All the assets integrating the *conjunto de cobertura* are recorded in an internal register (cover register) continuously updated.

Credit institutions must configure the register permitting the individual identification of each asset and to check its compliance with the *eligibility* requirements the RDL lies down. The RDL specifies the concrete information to be shown over each registered asset.

Effective segregation initially operates through the inclusion of the assets in the register.

Upon the insolvency of the issuer, segregation is reinforced by incorporating all the assets included in the *conjunto de cobertura* to a separate estate (*patrimonio separado*). This estate remains on the issuer's balance sheet (it is not a special purpose vehicle or similar) and is completely independent respect to the issuer (general) bankruptcy estate.

RDL supersedes general bankruptcy law and also develops general provisions contained in the resolution legislation.

One of the most positive elements of the RDL is that contains a wide and detailed procedural regulation on how insolvency or resolution of the issuer affect to the *conjunto de cobertura*.

Using the option contained in art 20.2 of the CBD the RDL has introduced the figure of the special administrator both for insolvency and resolution procedures. Their appointment corresponds to the competent (bankruptcy) judge or to the FROB (resolution authority), but the BE must be always consulted.

The special administrator is granted with a very ample range of powers on behalf of the covered bonds investors, including the faculty to assign or pledge the assets.

While insolvency or resolution procedures are open the issuer bank retains its condition of credit institution, so outstanding covered bonds keep their specific nature.

Also, according to the Directive, the Spanish regulation ensures coordination among the special administrator, the BE and the FROB.

In the case of insolvency, if at the end there is need to wind up the *patrimonio* separado since assets are clearly and definitively insufficient to pay the bond holders (default of the pool), the bonds payment shall be done on a pro rata basis, regardless of their issuance dates.

Finally, if after realizing the cover assets, bondholders' credits are not completely satisfied, they also have a right against the bankruptcy estate (recourse) but ranking *pari passu* with unsecured creditors.

On the contrary, once bondholders' claims were fully satisfied if hypothetically there were remaining assets in the *patrimonio separado*, ordinary creditors also have a right against them.

### Bankruptcy remoteness

Regarding bankruptcy remoteness, the RDL clearly determines that the opening of bankruptcy or resolution procedures in no case implies the automatic acceleration of payments, explicitly excluding any entitlement to the bondholders to claim for the early payment of the debts.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

As we said in the first chapter – Framework – the RDL has carried out a complete and respectful transposition of the Covered Bond Directive as well as a correct integration of the revised CRR (art 129) provisions.

The RDL mainly regulates CRR compliant CB (mortgage bonds, public sector bonds and *internationalization* bonds) but also contemplates a fourth category "*Other covered bonds*", where bonds only must comply with art 6 of the CBD (*eligible* cover assets) requirements and which could include assets not contemplated in art.129.1 of the CRR, with no specific determination of the assets to be fit (open category).

**Issuers:** ABANCA Corporación Bancaria, S.A., Banco de Sabadell, S.A., Banco Santander S.A., Bankinter, S.A., BBVA, CaixaBank SA, Caja Rural de Navarra,Banco de Crédito Social Cooperativo , Eurocaja Rural, Grupo Cooperativo Cajamar, Ibercaja Banco S.A., Kutxabank S.A., Unicaja Banco SA, Deutcsche Bank, Banca March, GlobalCaja, Caja Rural Granada,CBNK Banco de Colectivos,Caja Rural Sur.

Covered Bond Label: Banco de Sabadell, S.A. (2 pools), CaixaBank SA (2 pools), Banco Santander S.A. (3 pools), Kutxabank S.A. (1 pool), Unicaja Banco SA (1 pool), BBVA (3 pools), Bankinter, S.A. (1 pool), Ibercaja Banco S.A. (1 pool), Eurocaja Rural (1 pool), Caja Rural de Navarra (1 pool ),Banco de Crédito Social Cooperativo (1 pool), ABANCA Corporación Bancaria, S.A. (1 pool), Grupo Cooperativo Cajamar (2 pools), Deutsche Bank (2 pools), Banca March (1 pool), GlobalCaja(1 pool), Caja Rural Granada (1 pool), CBNK Banco de Colectivos (1 pool), Caja Rural Sur (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.42 SWEDEN

By Jonny Sylvén, Association of Swedish Covered Bond Issuers (ASCB)

### I. FRAMEWORK

In Sweden, the issuance of covered bonds is governed by the Swedish Covered Bonds Issuance Act ('CBIA'), which came into force on 1 July 2004[1] and has been revised a couple of times, lastly 2022 with the regulation required by the Covered Bond Directive (CBD). The CBIA prevails over the general bankruptcy regulation and grants covered bond investors a priority claim on the eligible cover assets. A regulation and guidelines from Finansinspektionen, the Swedish Financial Supervisory Authority ('SFSA'), complement the legislation[2]. In the SFSA regulation and guidelines, some detailed criteria are specified regarding authorisation to issue covered bonds, cover pool requirements, coverage requirements and the cover register. The regulation has been revised to implement some parts of the CBD.

### II. STRUCTURE OF THE ISSUER

The CBIA allows for all banks and credit institutions to issue covered bonds, provided that they have obtained a special authorisation from the SFSA. The issuer has to meet certain criteria to qualify for the authorisation. These criteria include the submission of a financial plan showing the issuer's financial stability for the coming three years, the conversion of any outstanding mortgage bonds into covered bonds and the conduct of business in compliance with the CBIA. The SFSA has the right to withdraw the authorisation should the institution be in material breach of the CBIA or have failed to issue covered bonds within one year of receiving the authorisation (Figure 1). If the SFSA withdraws an authorisation, the SFSA may lay down a plan to wind down the operation.

> FIGURE 1: AUTHORISATION REQUIRED TO ISSUE COVERED BONDS

**Requirements for authorisation to issue covered bonds:**

> The institution's articles of association, by laws or regulations must comply with the CBIA.
> The issuer must conduct the covered bonds business according to the CBIA and related regulatory provisions.
> Any outstanding mortgage bonds must be converted into covered bonds or administered in an equivalent manner with respect to the creditors.
> A financial plan for the next three fiscal years, confirmed by auditors, showing that the issuer is sufficiently stable and that the interest of other creditors is not jeopardised when it issues covered bonds.
> The issuers have to submit an operational plan that shows sound management and supervision of the covered bond business (including information on the IT operations).

**The SFSA may withdraw an authorisation if:**

> The institution is in material breach of its obligations pursuant to the CBIA; and/or
> The institution has failed to issue any covered bonds within one year of receiving the authorisation.

Source: Lag 2003:1223, FFFS 2013:01

The cover assets correspond to the covered bond investors claims on the issuer and remain on the balance sheet, i.e. there is no transfer of the cover assets to a separate legal entity. The covered bonds are direct, unconditional obligations on the part of the issuer. The cover pool is dynamic, and the outstanding covered bonds are secured by the whole cover pool; the individual cover bonds are not linked to any specific cover assets.

1 Lag (2003:1223) om utgivning av säkerställda obligationer (the Covered Bonds Issuance Act).
2 FFFS 2013:01The SFSA's Regulations and Guidelines regarding covered bonds.

In the event of insolvency of the issuer, the cover pool is bankruptcy-remote and not included in the general insolvency estate of the issuer but is exclusively available to meet outstanding claims of covered bond holders. Moreover, covered bond investors enjoy ultimate recourse to the insolvency estate of the issuer, ranking *pari passu* with senior unsecured investors.

## III. COVER ASSETS

Eligible cover assets are mortgage loans, loans to the public sector and exposures to credit institutions. There is no requirement for separate cover pools for mortgage and public sector cover assets; both types of assets can be mixed in a single cover pool. However, most of the cover assets are mortgages (more than 99% of the assets in the cover pools).

For mortgages to be eligible as cover assets they should be secured by:

> real property intended for residential or commercial use;

> site-leasehold rights intended for residential or commercial use;

> a pledge against tenant-owner rights; or

> similar foreign collateral (EEA).

Mortgages to commercial property are limited to 10% of the total value of the cover pool. If the purpose of the commercial property is agriculture this limitation is not valid. The collateral for the mortgage loans has to be located in Sweden or the European Economic Area (EEA). The mortgage loans have to meet valuation criteria and certain loan-to-value ratios specified in the CBIA and the SFSA regulation (see section IV).

Eligible public sector assets are securities and other claims according to Capital Requirement Regulation (CRR) article 129(1) point (a) and (b).

Cover assets can also be exposures to credit institutions according to CRR article 129(1) point (c) that fulfil credit quality step 1 or 2. If the asset just fulfil credit quality step 3 an approval from the SFSA is needed. Assets that fulfil the requirement for the liquidity buffer are also allowed.

Non-performing loans due over 60 days cannot be included for the purpose of meeting the matching requirements set forth in the CBIA.

### Derivative contracts

The CBIA provides for the use of derivatives for hedging of interest and currency risk. The derivatives must be structured so that an early termination is not triggered by an issuer default or on the counterparty's demand. The law stipulates asymmetrical collateralisation. Collateral, a guarantee or replacement language is required from the counterparty in the event of the rating falling below the minimum rating level. There are no reciprocal requirements on the covered bond issuer, but the derivative counterparty has a priority claim on the cover pool. The derivative contracts are included in the net present value coverage calculation, the purpose of which is to ascertain a good balance between the value of the assets and the liabilities in the covered bond programme.

## IV. VALUATION AND LTV CRITERIA

The principles for the valuation of collateral for the mortgages in the cover pool are specified in the CBIA. The valuation relating to residential properties may be based on general price levels. The value of any other eligible property class must be based on the market price and determined on an individual basis by qualified professionals. The market value should reflect the price achievable through a commercial sale, without time pressure and excluding any speculative or temporary elements. Issuers are required to monitor the market value of the property in line with CRR article 129(3), and in the case of a significant decline review the valuation and ensure that the loan to value (LTV) of the related mortgage loan remains within the limits. The valuer can be an employee of the issuer or external.

For the various mortgage types eligible as cover, the following maximum LTV ratios apply:

> 80% of the value for real estate, site-leasehold rights and tenant-owner rights where the property is intended for residential use;

> 60% of the value for real estate, site-leasehold rights and tenant-owner rights where the property is intended for commercial use, which may be exceeded up to a maximum level of 70% if all conditions prescribed in CRR article 129(1) point (f) are met.

The LTV limits are relative, not absolute. A loan with a higher LTV ratio can be included in the cover pool up to the legal threshold.

The issuer is required to test and analyse how changes in property values may affect LTV ratios and the value of the cover pool at least once a year. The tests should be based on conservative assumptions.

## V. ASSET – LIABILITY MANAGEMENT

The CBIA always requires the nominal value of the cover assets to be at least 102 percent of the aggregate nominal value of claims arising from outstanding covered bonds. The cover assets, including derivatives, should, on a net present value basis, always be at least 102 percent of the corresponding net present value of claims arising from outstanding covered bonds, taking into account the effects of stress-test scenarios on interest and currency risks set by the SFSA. The stressed scenario that should be tested regarding interest-rate risk is a sudden and sustained parallel shift in the reference swap curve by 100 bps in an unfavourable direction, and a twist in the swap curve. The currency risk should be tested for a 10% sudden and sustained change in the relevant foreign exchange rate for the currency of the covered bonds and the currency of cover assets. Both the statutory OC and any additional OC for structural enhancement purposes are bankruptcy-remote and protected in the event of issuer insolvency.

The issuer shall ensure that the cash flow with respect to the assets in the cover pool, any derivative agreements and the covered bonds are such that the issuer is always able to meet its payment obligations towards the bondholders and derivative counterparties.

## VI. LIQUIDITY RISK

In addition to the above-mentioned cash flow matching the issuer must cover at any time the cumulative maximum net cash outflow for the next 180 days with a liquidity buffer. HQLA asset in line with CBD are eligible for the liquidity buffer.

The issuer can use covered bonds with extendable maturity structures. The bonds can be extended after an approval by the SFSA, and such approval can only be achieved if it is likely that an extension may prevent the issuing institution from becoming insolvent. If the issuer uses extendable bonds, it is the latest of the maturities that is used to calculate the liquidity buffer.

## VII. TRANSPARENCY

The issuers are required to disclose information regarding their cover pool and outstanding covered bonds every quarter in line with the requirement in CBD article 14. This is being done publishing the harmonized transparency template (HTT) and a national transparency template (NTT) on each issuer’s website.

In addition to the publicly disclosed information, the issuers are required to give their respective cover pool inspector (see section VIII) additional information, specified in the SFSA regulation, and do quarterly reporting to the SFSA.

## VIII. COVER POOL MONITORING AND BANKING SUPERVISION

The covered bond issuers are subject to special supervision by the SFSA. The SFSA supervises the issuers' compliance with the CBIA and related regulatory provisions. If an issuer is in material breach of its obligations under the legal framework, the SFSA can issue a warning or revoke the authorisation to issue covered bonds altogether. The SFSA may also revoke an authorisation if the issuer waives the license or if the institution has failed to issue covered bonds within a year from the date of the authorisation.

For each issuer, the SFSA appoints an independent and suitably qualified cover pool inspector (independent inspector), who is remunerated by the covered bond issuer. The duties of the independent inspector are to monitor the register and verify that the covered bonds, the derivative agreements, and the cover assets are correctly recorded. The inspector also ensures compliance with calculation of coverage and market risk limits in accordance with the framework. The inspector is also required to monitor the revaluations of underlying collateral that has been conducted during the year. The inspector submits a report of his or her assessment to the SFSA on an annual basis and is required to notify the SFSA as soon as he or she learns about an event deemed to be significant.

## IX. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

### Cover register

The issuer is required to keep a register of the eligible assets in cover pool, derivative contracts, and outstanding covered bonds. The law specifies the form and content of the register, which shall be easily accessible for the SFSA and the cover pool inspector. The register ensures that the covered bondholders and derivative counterparties have a legally enforceable priority claim on the cover pool in the event of issuer insolvency. Prior to an issuer being declared insolvent, cash flows accruing from the cover assets must be accounted for in the register by the issuer.

### Issuer insolvency

In the event of issuer insolvency, the registered cover assets, registered derivatives and the covered bonds are segregated from the general insolvency estate. Covered bonds are not accelerated as long as the cover pool fulfils the requirements set out in the CBIA, which also allows for "temporary, minor deviations"[3]. An issuer default does not trigger early termination of any registered derivative contracts. Covered bond holders and registered derivative counterparties have a priority claim on the cover pool and cash that derives from the pool, ensuring timely repayment to original agreed terms, as long as the cover pool is compliant with the CBIA. The cover pool does however not constitute a separate legal estate. According to a legal opinion, the bankruptcy of the issuer should not lead to a debt moratorium on the covered bonds.[4]

Under the Swedish Bankruptcy Code, the insolvency of a parent company does not automatically trigger the insolvency of its subsidiary.

### Cover pool default and preferential treatment

In the event of the cover pool being incompliant with the eligibility criteria, the covered bonds would be accelerated. Covered bond investors and derivative counterparties would have a priority claim on the proceeds from the sale of the cover assets, ranking pari passu among themselves but prior to any other creditors. If the proceeds are insufficient to repay all liabilities on the outstanding covered bonds, covered bond investors and derivative counterparties would have an ultimate recourse to the insolvency estate of the issuer, ranking pari passu with senior unsecured investors.

---

3 According to the legislative history of the Act, this would be, for example, "temporary liquidity constraints".

4 There are no means in the Act that could disrupt or delay payment to covered bondholders. However, the Act does not explicitly derogate from the general provision of the Code of Procedures 1948 or the Bankruptcy Act 1987, of which neither explicitly ensures the integrity of payments on covered bonds.

### Survival of OC

Any OC present in the cover pool at the time of the issuer's insolvency is bankruptcy-remote provided that it is recorded in the cover pool register. Full repayment of outstanding claims related to the covered bonds and registered derivatives is required before the cover assets would be available to satisfy any claims from unsecured creditors.

The law does not provide for the appointment of a special cover pool administrator. The receiver-in-bankruptcy represents the interests of both the covered bond investors and the unsecured investors.

### Access to liquidity in case of insolvency

In the cases of the issuer's insolvency, the law does not enable the receiver-in-bankruptcy to refinance maturing covered bonds by issuing new covered bonds. The receiver cannot substitute ordinary cover assets for other assets. However, the receiver can utilise available liquid assets included in the cover pool and is allowed to sell assets from the cover pool to create the necessary liquidity.

The receiver-in-bankruptcy also has a mandate to, on behalf of the bankruptcy estate enter into loan agreements and other contracts for the purpose of maintaining sufficient coverage and liquidity and managing the currency and interest rate risks. The receiver should only enter into agreements if, on the date of execution of the agreement, the agreement is deemed to be in the bondholders' and derivative counterparties' interest and if the assets in the cover pool are deemed to fulfil the legal requirements. When the receiver enters into an agreement, the counterparty has a claim on the bankruptcy estate that ranks ahead of the secured creditors and creditors with rights of priority.

## X. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The Swedish covered bonds are compliant with CRR article 129 and CBD. Since the bonds are compliant with CRR article 129, the applicable risk-weight for the Swedish covered bonds will be ten percent for those banks that use the standard method. Because the CBIA require compliance with CRR article 129, all the bonds can be labelled "European Covered Bond (Premium)" and "svensk säkerställd obligation".

The Swedish UCITS Act (Lag (2004:46) om värdepappersfonder) allows for Swedish UCITS to invest up to 25% of their assets in Swedish covered bonds from one issuer, instead of the 5% generally applicable to other asset classes.

## XI. ADDITIONAL INFORMATION

### Issuing and trading of Swedish domestic covered bonds

Normally the Swedish covered bonds are registered at Nasdaq Stockholm (a Nasdaq Inc. subsidiary), although no actual bond trading takes place there. The base prospectuses used follow the standard of and are compliant with the Prospectus Regulation and are approved by the SFSA. The normally used technique for issues is "on tap".

To ensure a good market liquidity, the large issuers issue their bonds as benchmarks which in the Swedish market mean large issues (SEK 3 bn and more) and that a number of dealers show both bid and offer prices. Only benchmarks are deliverable in the future contracts. When a new benchmark bond is issued, the issuer makes sure that the amount issued meets the requirements for a benchmark sized deal. After the initial day of issuance, the issuer can, without further notice, issue "on tap". At the peak of the life of the bond it typically has a volume of SEK 50 to 70 bn. After that the volume decreases due to active repurchase operations by the issuer. With one year to go to maturity a bond is no longer of benchmark status. This paves the way for a controlled redemption of the remaining part of the bond.

The bonds are sold into the primary market through banks acting as agents for the issuer. These banks also act as market makers in the secondary market. Currently, there are five banks that act as market makers in covered bonds: Danske Bank, Nordea, SEB, Svenska Handelsbanken and Swedbank. The market for government and domestic covered bonds, as well as treasury bills, is a telephone and screen-based over-the-counter market. Market makers display indicative two-way prices on an electronic information system which is instantaneously relayed by Reuters. Fixed prices are quoted on request, and most deals are concluded via telephone. Trading in the secondary market takes place on all business days between 09.00 and 16.15 (local time). The number of bonds to be quoted is regulated in an agreement between the issuer and the market-maker.

Bonds are quoted on a yield basis with bid and ask spreads of (under normal market conditions) 2 bp for the liquid benchmark bonds. The settlement day for bonds is three business days after the trading date The normal trading lot in government securities and liquid covered bonds is SEK 200-500 mn.

Sweden has a liquid repo market with almost all banks and broker firms involved in the trading. The repo transactions are viewed as 'sell-buy back' or 'buy-sell back' deals and the ownership of the security must be transferred. There are no standard conditions for a repo transaction, and the counterparties agree on maturity, settlement day and delivery for each deal. Mostly, repos are settled two banking days after the trading day. Repo rates are quoted as a spread vs the Riksbank policy rate.

Almost all publicly listed securities in Sweden are in book-entry form, registered and settled via Euroclear Sweden's system. Domestic settlement requires a securities account or a custody account with one of the Swedish banks or investment firms. Foreign investors can either have a custodian service with a Swedish bank or investment firm or settle via Euroclear or Clearstream.

Accrued interest is calculated from the previous coupon date to the settlement date. The interest rate is calculated by using ISMA's 30E/360-day count – "End-of-month" convention.

Swedish government bonds and covered bonds have five ex-coupon days, hence there is a negative yield when settlement occurs within five business days before the coupon date. Swedish krona bonds redeem at par upon maturity and most of them pay coupon annually. All domestic banks act as paying agents.

**Issuers:** Stadshypotek, Swedbank Mortgage, Nordea Hypotek, Swedish Covered Bond Corporation (SCBC), SEB, Skandiabanken, Länsförsäkringar Hypotek, Landshypotek, Danske Hypotek, Bluestep Bank, Borgo and Sparbanken Skåne. The market is dominated by the first five of them.

Covered Bond Label: Länsförsäkringar Hypotek AB (1 pool), Skandinaviska Enskilda Banken AB (SEB) (1 pool), Stadshypotek AB (publ) (2 pools), Swedbank Mortgage AB (1 pool), The Swedish Covered Bond Corporation (1 pool), Nordea Hypotek (1 pool).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.43.1 SWITZERLAND – SWISS PFANDBRIEFE®

By Robert Horat and Markus Müller, Pfandbriefbank schweizerischer Hypothekarinstitute AG

### I. FRAMEWORK

The legal framework for the Swiss Pfandbrief system is the Pfandbrief Act ("Pfandbriefgesetz", "PfG"). It is complemented by the Pfandbrief Ordinance ("Pfandbriefverordnung", "PfV"), the articles of association of the Pfandbrief institutes and the valuation regulations ("Schätzungsreglement"). The latter two must be authorised by the Swiss Federal Council.

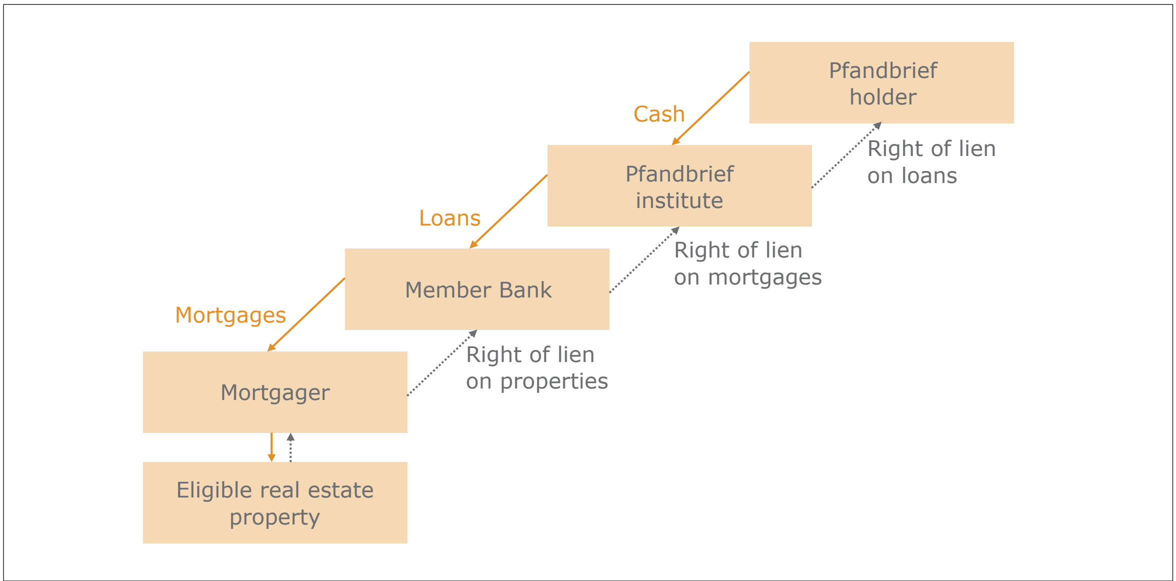
According to the PfG, the issuance of Swiss Pfandbriefe is reserved to two specialised Pfandbrief institutes, namely the "Pfandbriefzentrale der schweizerischen Kantonalbanken AG" (PZ) and the "Pfandbriefbank schweizerischer Hypothekarinstitute AG" (PB). They issue Swiss Pfandbriefe to refinance their member banks' Swiss mortgage business. As of article 1 of the PfG the purpose of the Pfandbrief institutes is to enable mortgages for real estate owners at interest rates which are as constant and favourable as possible. "The Swiss Pfandbrief®" is a registered trademark. The reputation of this brand shall underpin its uniqueness within the world of covered bonds.

The Swiss Pfandbrief system is an indirect one: The Pfandbrief institutes raise money by issuing Swiss Pfandbriefe in order to grant Pfandbrief loans to their member banks. Sourced volume, currency and terms must be equal within each series of issuance. To get a loan, each member bank has to pledge first class Swiss mortgages to the Pfandbrief institute as a cover in advance. The Pfandbrief investors have a lien on the granted loans. The investors' lien on the loans as well as the issuers lien on the mortgages in the member banks' cover pool are determined by the Pfandbrief Act.

PfG came into effect in 1930. Its 52 articles are well balanced and the PfG had to be modified only marginally in the meantime. The fact that the Swiss Pfandbrief has a special legal basis, provides legal certainty as well as stability and predictability.

The Pfandbrief institutes have a strictly limited scope.

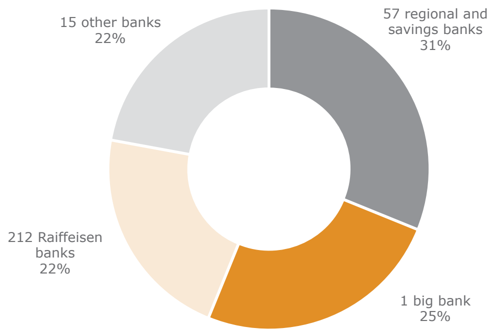
> Figure 1: The Swiss Pfandbrief® Framework



## II. STRUCTURE OF THE ISSUERS

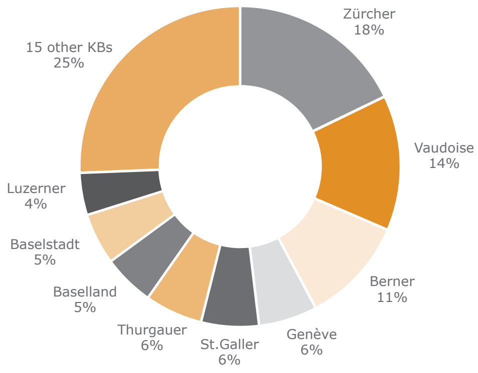
PZ operates as the Pfandbrief issuing vehicle of the Swiss cantonal banks and PB of all other Swiss banks. Both are special institutions with their business scope strictly limited to the issuance of Swiss Pfandbriefe, to granting Pfandbrief loans to their member banks and to investing their share capital and reserves. Both Pfandbrief institutes are supervised by the Swiss financial market authority (FINMA). They are owned by their member banks. The chart below shows the structure of the shareholders:

> FIGURE 2: SHAREHOLDERS OF PB




Source: PB as of 31.12.2025

> FIGURE 3: SHAREHOLDERS OF PZ




Source: PZ as of 31.12.2025

PB was founded in 1931 and counts 281 banks with loans. Any Swiss bank has the right to become a member of PB, if it is headquartered in Switzerland and that Swiss mortgages account for at least 60% of the bank's balance sheet (Article 4 PfG). As of 31 December 2025, the total outstanding Swiss Pfandbriefe of PB amount to CHF 100.1 billion (EUR 107.5 billion).

PZ was also founded in 1931 and has 24 member banks. Only cantonal banks have the right to become members of the PZ (Article 3 PfG). PZ does not have its own staff but has fully outsourced its operations to Zürcher Kantonalbank. As of 31 December 2025, the total outstanding Swiss Pfandbriefe of PZ amount to CHF 92.3 billion (EUR 99.1 billion).

The total volume of all outstanding Swiss Pfandbriefe as of 31 December 2025 amounts to CHF 192.4 billion (EUR 206.6 billion). For years the two Swiss Pfandbrief institutes have been the major bond issuers in Switzerland, even larger than the government. In 2025 they issued Swiss Pfandbriefe amounting to CHF 26.0 billion (EUR 27.9 billion).

Swiss Pfandbriefe are standardised to a great extent. They are a commodity, denominated only in Swiss francs, with an original time to maturity of up to 30 years. The size of an issuance depends either on the demand of the member banks for loans or on the demand of the investors for Swiss Pfandbriefe, whichever is smaller. Existing bonds are often reopened.

Generally, Swiss Pfandbriefe are issued as public bonds through a banking syndicate at fixed term fees (the last private placement has been placed in 2011). All these public issuances are listed on the SIX Swiss Exchange AG. In the domestic Swiss Francs bond segment Pfandbriefe amount to 37%, followed by public sector (Swiss government, cantons, cities, regions) with 25%, the banking and insurance sector with 19% and other industries with 19%.

In total about 15% of all Swiss mortgages are refinanced through Swiss Pfandbriefe (10/2025).

## III./IV. COVER ASSETS, VALUATION AND LOAN TO VALUE (LTV) CRITERIA

As a principle, Pfandbrief loans are only granted against a pledge of eligible first-class mortgages on Swiss properties.

PB has got an electronic cover pool system. Mortgages are pledged to PB by the member banks through entry of a complete "cover proposal" into the electronic pool register, which all member banks are linked to. The system immediately evaluates the member bank's proposal, which is then either automatically checked with electronic rules (by a hedonic model) or manually in a four-eye system. PB valuates the mortgages independently from the member bank. Substantial cover proposals are additionally reviewed by a special cover pool committee.

The PfG defines a general maximum cover value LTV of two thirds of the property value (Article 34 PfG). However, the cover value is at most as high as the mortgage, but mostly lower. Member banks are obliged to replace impaired, non-performing and other ineligible mortgages in their cover pool. Furthermore, contractual repayments of the mortgage can also reduce the cover value of the asset pool. Therefore, the member banks and PB have to supervise overcollateralization daily. If total cover value is below the overcollateralization limit, latest by close of business new eligible mortgages have to be pledged by the member bank.

The "Pfandbriefbank pool" consists of approx. 228'000 mortgages all over Switzerland, which provides a good diversification. 100% are residential properties.

In case of a material change in macroeconomic conditions, FINMA may request a new valuation of the real estate properties (Article 32 PfG).

## V. ASSET – LIABILITY MANAGEMENT

### Cover principles

The PfG stipulates that the principal amount as well as the interest payments of outstanding Swiss Pfandbriefe be anytime covered by an equivalent amount of Pfandbrief loans to the member banks (Article 14 PfG). The loans granted by Pfandbrief institutes to their member banks must be fully collateralized by mortgages and 100% covered by real estate liens on a Swiss real estate property (Article 19 PfG). If the interest proceeds of the pledged mortgages of a member bank are lower than its total Pfandbrief loan interest, the asset cover pool must be increased (Article 20 PfG).

### Overcollateralization

Each member bank must comply with each of the following over-collateralization requirements with its cover pool: 1) Cover value OC: The total cover value of the cover assets must be at least 108% of the nominal value of the received Pfandbrief loans anytime. The cover value of a mortgage claim corresponds to the nominal value of the mortgage loan covered by real estate liens up to a maximum LTV of 2/3 in the case of housing. FINMA may set a higher cover value ratio. 2) Nominal value OC: In accordance with the harmonized minimum standard under Basel III final, the nominal value of the cover assets must be at least 110% of the nominal value of the received Pfandbrief loans anytime (Article 14b PfV, effective from 1 January 2025). 3) Interest OC: The total interest received on the cover assets must amount to at least 108% of the interest payable on the received Pfandbrief loans (Article 20 PfG).

### Additional Limits

Swiss Pfandbriefe are issued in individual series which must match the repayment profile of the Pfandbrief loans to member banks, eliminating interest rate and funding risks. Currency risk does not exist as both the loans to member banks and the Pfandbriefe are issued in Swiss Francs. Therefore, there is no need for derivatives to hedge market risks. Liquidity concentration risk is limited by individual limits for each member bank. The investment policy for "Free Assets" limits credit and market risks on counterparty and portfolio level.

Growth of the Pfandbrief institutes is limited as the required capital must exceed 2% of the total Pfandbrief issuance volume of the respective institute (Article 10 PfG).

## VI. TRANSPARENCY

Reporting and disclosure will be further developed with the new requirements for covered bonds and Basel capital adequacy (for Pfandbriefe and mortgages) came into force on 1 January 2025, with the focus being on equivalence between the Covered Bond Directive and the Pfandbrief Act/Ordinance (PfG/PfV) as well as between the Capital Requirements Regulation and the Swiss Capital Adequacy Ordinance (chapter IX. below).

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

PB valuates and monitors the cover pool independently of the member bank (which grants the mortgage to the house owner) and monitors eligibility and overcollateralization of the cover pool daily. The mortgages are subject to backtesting, e.g. using a hedonic valuation model. Additionally, a special cover pool committee reviews substantial mortgages and visits major properties.

The Swiss Federal Council approves the articles of association and valuation regulations and nominates one member of the board of directors.

Swiss Pfandbrief institutes as well as their member banks are supervised by FINMA and audited by external audit firms.

In addition, Moody's rates all Swiss Pfandbriefe with Triple A, investors analyse the annual reports of the Pfandbrief institutes, various analysts publish research reports and/or ratings and last but not least the capital market values Swiss Pfandbriefe.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS

As of 1st January 2023, several amendments to the Swiss Banking Act ("Bankgengesetz", BankG) and Banking Ordinance ("Bankenverordnung", BankV) regarding bank insolvency came into force. This essentially anchors the insolvency provisions for Swiss banks at the federal bank law level, strengthens Swiss deposit insurance, ensures full segregation of intermediated securities ("Bucheffekten") in the custody chain, and enables the resolvability for global systemically important banks.

Should there be justified concern that a bank is overindebted, has serious liquidity problems or that the bank no longer fulfils the capital adequacy provisions (Article 25 Banking Act, BankG), FINMA can order:

a) protective measures pursuant to Article 26 BankG. The protective measures may be ordered independently or in connection with a restructuring or bankruptcy liquidation. Among other protective measures, FINMA can order deferment of payments or payment extension, **except for secured claims of the Pfandbrief institutes (Article 26 (1 h) BankG)**.

b) restructuring procedures pursuant to Article 28 – 32 BankG: If it appears likely that the member bank can continue to provide individual banking services (regardless of the continued existence of the bank concerned) or can recover, FINMA can make the necessary provisions and restructuring orders (Article 28 BankG et seq.):

- the recovery plan may contain the reduction of the existing bank equity, the creation of new equity, the conversion of debt into equity or the reduction in debt claims (Article 30b (1) BankG et seq.);
- **explicitly excluded from a debt-to-equity conversion or reduction in debt claims are in particular** a) defined privileged claims, **b) secured debt claims** [including pfandbrief loans], c) offsettable claims (Article 30b (3) BankG);
- the conditional conversion of debt into bank equity and the conditional reduction in claims shall be made in the following order: a) subordinated claims, b) claims based on debt instruments for loss absorption

in the event of insolvency measures (e.g. bail-in bonds), c) other claims (except for customer deposits) and d) customer deposits (Article 30b (7)-(9) BankG).

c) the bank's liquidation due to bankruptcy pursuant to Article 33 – 37 g BankG: Should there be no prospect of restructuring or if a restructuring were to fail, FINMA will have to revoke the bank's licence, order its liquidation and make this public (Article 33 BankG et seq.).

At the same time as the amendments to the Swiss Banking Act, the Pfandbrief Act (PfG) was further refined:

**Article 40 PfG: Audit and Management of the Cover Pool Assets**

(1) If a Pfandbrief institute or a member bank that is in debt to a Pfandbrief institute violates statutory provisions, in particular capital adequacy requirements, or if confidence in it is materially affected, FINMA may appoint an investigating official and may order the transfer of the cover pool assets.

(2) FINMA may mandate the investigating official with the audit and management of the cover pool assets at the expense of the Pfandbrief institute or the member bank.

If a member bank gets into difficulties, FINMA may, based on this article, reinstall the control over the correctness of the collateral management on a situational and risk-adequate basis. In particular, FINMA must assure that the legal and regulative requirements for the cover pool assets are met anytime.

**Article 40a PfG: Separation of Pfandbrief Loans and Cover Pool Assets**

(1) If bankruptcy proceedings are opened against a member bank, FINMA orders the separation of the Pfandbrief loans and the cover pool assets, including the incoming interest and repayments. The Pfandbrief loans shall explicitly not become due because of the opening of bankruptcy proceedings.

(2) FINMA appoints an administrator to manage the Pfandbrief loans and the corresponding cover pool. The administrator takes all necessary measures to ensure the full and timely execution of the contractual obligations arising from the Pfandbrief loans, including interests and repayments.

(3) FINMA may approve the full or partial transfer of Pfandbrief loans and Cover Pool Assets.

(4) After repayment or transfer of the Pfandbrief loans, the representative shall account to which extent the cover pool assets have been exercised.

This new article deals with Pfandbrief-related aspects in the liquidation of a failed member bank. To ensure the equilibrium principle and the cover principle at the Pfandbrief institute, the explicit non-maturity of the Pfandbrief loans upon the opening of bankruptcy proceedings is crucial.

## IX. RISK-WEIGHTING & COMPLIANCE WITH BASEL INTERNATIONAL REGULATORY FRAMEWORK

The Bank for International Settlements regularly assesses the consistency of implementation of Basel standards. Within the jurisdictional "Regulatory Consistency Assessment Programme" (RCAP) the "Basel Committee on Banking Supervision" (BCBS) rated Switzerland with an overall a) "compliant" grade for the risk-based capital standards (June 2013), for G-/D-SIB standards (June 2016) and for the LCR standards (October 2017); b) "largely compliant" grade for the large exposure and the NSFR standards (both in December 2023).

### Basel III – capital standards

Switzerland implements Basel III capital requirements by means of the "Banking Act" and the "Swiss Capital Adequacy Ordinance" (CAO) into national law. The CAO has two approaches to measure credit risks in banking books: The BIS standard approach and the internal ratings-based approach. According to the BIS standard approach, Swiss Pfandbriefe and foreign covered bonds that are in line with Basel III requirements for privileged treatment have a 10% risk weighting (Article 71a in connex with Annex 3 position 2 respective Article 71b in connex with Annex 2 position 8 of CAO).

In January 2022, the Swiss Federal Council reactivated the sectoral "the countercyclical capital buffer" (CCyB) at the proposal of the SNB and set it at 2.5% of risk-weighted exposures secured by residential property mortgages in Switzerland (www.snb.ch, Glossary, CCyB, 18 February 2022).

**Basel III – liquidity standards**

Switzerland implements Basel III liquidity requirements by means of the "Banking Act" and the "Liquidity Ordinance" (LiqO) into national law. Swiss Pfandbriefe fulfil the Liquidity Coverage Ratio criteria for high quality liquid assets (Article 15b of LiqO for LCR HQLA 2a). As a second minimum liquidity requirement for Swiss banks, the "Net Stable Funding Ratio" (NSFR) has been put into effect on 1 July 2021 to ensure long term stable funding.

Beyond the Basel risk framework, Article 9 of the National Bank Act also lists the open market operations and standing facilities that the Swiss National Bank (SNB) may contract. The preconditions for entering a standing intraday or liquidity facility are the granting of a limit by the SNB and the provision of eligible collateral. Only securities included in the latest SNB GC basket may be pledged as collateral for repo transactions (www.snb.ch, financial markets, monetary policy operations, collateral eligible for SNB repos). Swiss Pfandbriefe are part of the SNB GC list and are therefore eligible.

## X. INVESTORS BENEFITS

An investor in Swiss Pfandbriefe benefits from

> the special institute principle with strictly limited scope.
> Swiss legislation applicable for all contracts within the Swiss Pfandbrief collateral chain.
> the cover pool, which only includes eligible Swiss franc mortgages on Swiss real estate properties.
> the fourfold security which is 1) the creditworthiness of the Pfandbrief institute, 2) the creditworthiness of the member bank, 3) the creditworthiness of the mortgager and 4) the market value of the real estate property itself.
> in the case of PB: The value of the real estate property is independently determined by PB and not by the member bank.
> in the case of PZ: Explicit state guarantee for most of its member banks[1].
> the fact that since the establishment of the PfG in 1930 neither an investor nor a Pfandbrief institute have ever suffered a loss.

**Issuers:** Pfandbriefbank schweizerischer Hypothekarinstitute AG (PB) and Pfandbriefzentrale der schweizerischen Kantonalbanken AG (PZ).

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

1 Three of PZ's member banks do not benefit from a cantonal guarantee, namely Banque Cantonale Vaudoise AG (VD), Berner Kantonalbank AG (BE) and Banque Cantonale de Genève AG (GE).

### 3.43.2 SWITZERLAND – CONTRACTUAL LAW BASED COVERED BONDS

By Paul Oates, UBS, and Marco Brück, Valiant Bank

#### I. FRAMEWORK

In 2009 and 2010 respectively, UBS AG (UBS) and Credit Suisse AG (Credit Suisse) established contractual covered bond programmes in order to access covered bond funding in the EUR and USD markets. The UBS and Credit Suisse programmes use Swiss and English law contractual provisions to implement structural features that are standard in the covered bond market. However, in response to evolving regulatory environment and to comply with the Swiss "too big to fail" requirements, Credit Suisse and UBS have since implemented changes to their legal entity structures. Among the required changes were the establishment of new Swiss banking subsidiaries intended to hold (among other businesses) their retail mortgage businesses. These changes necessitated structural changes to the covered bond programmes which UBS and Credit Suisse implemented in June 2015 and November 2016, respectively. Following these changes, Credit Suisse and UBS no longer issue covered bonds out of these programmes.

Starting in 2017, new contractual covered bond programmes were established by Valiant Bank AG (Valiant), Credit Suisse (Schweiz) AG (CS Schweiz), Crédit Agricole next bank (Suisse) SA (CAnb) and Cornèr Bank SA (Cornèr Bank) in order to diversify their funding sources. In addition, in 2021, AMAG Leasing AG launched a conditional pass-through covered bond backed by auto lease receivables. Following this, in 2023, UBS Switzerland AG (UBSS) also issued a new contractual programme. Finally in 2025 Cembra Money Bank AG issued a conditional pass-through covered bond back by auto lease receivables .As with UBS and Credit Suisse legacy covered bond programmes, these are structured programmes that are not subject to the Swiss Pfandbriefe legislation. However, in contrast to UBS and Credit Suisse's legacy programmes, all of these programmes exclusively use Swiss law provisions and had so far only issued CHF-denominated series until 2022 when CS Schweiz issued its first EUR-denominated Swiss contractual law covered bond in the form of its EUR 750m 3-year covered bond in October 2022. The new UBSS programme has also started to issue in EUR in 2024 and will continue to do so.

The new UBSS programme is envisaged to be the UBS group's primary programme for covered bond issuance. UBSS launched with CHF dual-tranche bonds in 2023. UBSS has subsequently issued in both CHF and EUR during 2024 and will continue to do so. UBS Group does not envisage issuing new bonds out of the programmes it acquired from Credit Suisse.

#### II. STRUCTURE OF THE ISSUER

In line with the guarantor Special Purpose Vehicle (SPV) model used in the United Kingdom and the Netherlands (among other jurisdictions), the issuers have established Swiss based special purpose companies to guarantee their payment obligations for the benefit of the covered bondholders. All programmes feature direct recourse to the issuer, which remains primarily responsible for payments on the bonds. These guarantor entities hold security over the programmes' respective cover pools and may use the cover pool assets to make payments on the covered bonds should the issuer fail to do so. In case of Valiant, in addition to mortgage claims, the covered bondholders benefit from accessory preferential claims pledged by the mortgagor for the benefit of the issuer and transferred to the guarantor by way of security. The guarantee comes into operation following an issuer event of default, subject to certain conditions. All covered bonds issued under the respective programmes rank *pari passu* with each other and benefit equally from the guarantee. The guarantors are ringfenced, bankruptcy-remote entities designed to be unaffected by the insolvency of the group to which they are consolidated (guarantors are majority-owned by their respective issuer). All issuers are financial institutions regulated by the Swiss banking regulator, the Swiss Financial Market Supervisory Authority (FINMA).

As part of their legal entity restructurings, UBS and Credit Suisse transferred their residential mortgage businesses to UBS Switzerland AG and CS Schweiz AG, their newly established domestic subsidiaries. Concurrently, joint and several liability arrangements were put in place under which these subsidiaries assumed joint and several liability for all contractual obligations of the issuers under the programme, including the covered bonds themselves.

## III. COVER ASSETS

The collateral of Swiss contractual law based covered bonds consists of Swiss residential mortgage loans to private individuals and the related mortgage certificates securing such mortgage loans. In case of Valiant, in addition to mortgage claims, the covered bondholders benefit from accessory preferential claims pledged by the mortgagor for the benefit of the issuer and transferred to the guarantor by way of security. The accessory preferential claims are second and third pillar pension fund assets and are not taken into account in the cover pool and in the calculation of the asset coverage test. The AMAG bonds are collateralized with auto lease receivables for private and commercial customers originated in Switzerland. Substitution assets can also be used as collateral of the covered bonds as long as their aggregate value does not exceed 15% of the cover pool. They comprise deposits in CHF (foreign currencies eligible only for hedging purpose) and authorised investments. The latter need to comply with stringent ratings to be cover pool eligible.

## IV. VALUATION AND LTV CRITERIA

The eligibility criteria for initial inclusion in the Credit Suisse, CS Schweiz, CAnb and Cornèr Bank cover pool limit mortgages to those with a loan-to-value (LTV) of less than or equal to 100%, while the UBSS and Valiant programmes limit eligible mortgages to those with LTV of less than or equal to 80%. Certain provisions within the programmes' asset coverage test (ACT) implement LTV limits by capping the value of each mortgage loan at a specified current LTV. This limit is 70% LTV in the Credit Suisse programme and 80% in the CS Schweiz, UBSS, Valiant, CAnb and Cornèr Bank programmes (for mortgage loans on eligible residential properties) and a limit of 60% for mortgage loans on eligible commercial properties under the Cornèr Bank programme.

Mortgage LTVs are regularly calculated using current market values. In case of both Credit Suisse and Valiant programmes, appraisals are undertaken for each mortgage loan application by a valuation model (the IAZI). This comparative approach is one of the main methods used for the appraisal of real estate properties in Switzerland. The property is compared with thousands of other objects previously sold on the market. The price of the object is statistically estimated by comparing the price of properties with similar attributes in comparable locations. The credit risk management department, responsible for the continuous monitoring of the bank's mortgage portfolio, has the discretionary power to trigger a revaluation based on its analysis outcomes. UBSS and CAnb conduct similar estimations of the collateral value for residential mortgages based on the Wüest & Partner valuation model, which is also a hedonic regression model. Other valuation methods may be used at the discretion of the lenders in specific circumstances and taken into consideration.

## V. ASSET – LIABILITY MANAGEMEMT

The ACT determines whether the value of the cover pool assets is sufficient for the timely payment of capital and interest owed under the covered bonds and confirms that the minimum overcollateralization (OC) requirements are met. The test is carried out monthly and the results are disclosed in the investor reporting. In addition to the LTV limitations described above, a second part of the ACT haircuts the full balance of the mortgages using an asset percentage (AP). The AP is derived from periodic rating agency feedback and sized to maintain a triple-A rating. The value given to the mortgage assets under the ACT is the lower of (i) the result when applying the LTV limits described above or (ii) the value of the mortgage assets multiplied by the AP. In addition, credit is given to cash and substitute assets while further deductions are made for loans in arrears, borrower set-off risk and potential negative carry. The resulting value must be equal to or exceed the value of the covered bonds outstanding for the test to be passed.

The APs in UBSS, Credit Suisse, CS Schweiz, CAnb and Cornèr Bank programmes may fluctuate over time, but are constrained by a maximum value. Valiant uses an alternative ACT ("Aktivendeckungstest"), including a minimum OC. The adjusted value of the Valiant cover pool always has to be equal to at least the nominal value of the outstanding covered bonds including a minimum OC, corresponding to the OC required to maintain the actual ratings up to a maximum committed level capped by contractual provisions at 50%.

The Swiss contractual law covered bond programmes benefit from additional safeguards:

> Exposure to interest rate and currency risks are mitigated by use of derivatives in the UBSS programme (currency only, interest rate hedging is available but not yet required), legacy Credit Suisse and CS Schweiz programme. In case of Valiant and CAnb, the option to implement derivative instruments is available but has not been to date.

> Liquidity risk is mitigated by the requirements to establish reserve funds, pass an interest coverage test (ICT), maintain pre-maturity liquidity (for hard bullet covered bonds) and the inclusion of 12-months extension periods (for soft bullet covered bonds). In case of Valiant, the soft bullet structure may not only be applied to a covered bond series after an issuer event of default but may also applied to all outstanding covered bond series after a guarantor event of default (to reduce fire sale risk).

> Minimum rating requirements are in place for the third parties that support the transaction, including the account bank, corporate services provider, servicer and cash manager.

> Commingling risk is mitigated by the requirement of all collections arising from the cover pool assets to be transferred into guarantor cover pool bank account after a specific rating downgrade of the issuer.

> Independent audits of the calculations undertaken on a regular basis by an asset monitor.

Upon an issuer event of default following the service of a notice to pay, the Amortisation Test (AT) is run on each calculation date instead of the ACT, and the ICT is no longer run. The AT is similar to the ACT and is designed to mitigate time subordination between the covered bond series therefore ensuring that the cover pool will be sufficient to make payments as required under the guarantee. Upon failure of the test, all covered bonds accelerate against the guarantor.

## VI. TRANSPARENCY

The issuers have committed to publishing monthly investor reports on a timely basis. These reports provide information relevant to investors including:

> The monthly calculations of the ACT and the ICT.

> Details of outstanding covered bonds and list of parties involved in the transaction.

> The current balance of programme accounts.

> A mortgage portfolio summary disclosing total balances, average loan balance, number of properties, WA remaining terms and WA LTVs.

> Tables showing number properties and mortgages by remaining term, current LTV, total balance, interest rate type, property region, property type, and arrears.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

The issuers are regulated Swiss financial institutions, which are subject to regulation and supervision by FINMA. The cover pool tests comprising the ACT and the ICT as well as AT in case of an issuer's event of default, are checked and verified on a regular basis by an independent asset monitor. The results of his review are summarised in asset monitor reports for the attention of the guarantor, the issuer and the administrator. The administrator, independent from the issuer, has the duty to advise the bondholder representative (trustee) inter alia upon the breach of a cover pool test. The administrator is responsible for an ongoing monitoring of the cover pool. His main task comprises confirming the accuracy of the inclusion in or the removal from the cover pool, inter alia ensuring that the eligibility criteria are met and verifying that the registered amount in the cover pool is correct. In order to constitute a valid security interest the issuer will no longer be able to dispose over the mortgage certificates by its sole acts. The mortgage certificates can only be accessed with the presence and approbation of the administrator. In addition, rating agencies regularly monitor the programme.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

Upon the insolvency of the issuer, the mortgage receivables and the related mortgage certificates and substitute assets would not form part of the issuer's estate. Accordingly, the asset cover pool may be managed and enforced by the guarantors independently from the corporate insolvency proceedings of the issuers. There are a number of trigger events for default, the first being an issuer event of default. This can occur in a number of situations including the following:

> Failure to pay any interest or principal amount when due.

> Bankruptcy proceedings being ordered by a court or authority against the issuer.

> Failure to rectify any breach of the ACT or ICT.

An issuer event of default would not accelerate payments to covered bondholders, but would allow the trustee to activate the guarantee by serving a notice to pay on the guarantor. Upon the guarantee activation, the cover pool is frozen losing its dynamic nature and no further covered bonds may be issued. The guarantor is required to meet the covered bond obligations using the cash flows generated from the cover pool.

With the exception of one outstanding series issued under the legacy Credit Suisse programme, the covered bonds have a non-discretionary soft-bullet structure, a maximal 12-months extension of the principal repayment, in order to allow the realisation of the cover pool. The repayment extension is only granted if the bondholder representative (trustee) has served a notice to pay and neither the issuer nor the guarantor have sufficient liquidity for the repayment of the covered bond series concerned. In case of Valiant Bank, the soft bullet structure may not only applied to a covered bond series after an issuer event of default but may also applied to all outstanding covered bond series after a guarantor event of default in order to reduce fire sale risk.

The second event of default is the guarantor event of default. This would arise after an issuer event of default if the guarantor failed to make any payments when due, failure of the amortisation test or bankruptcy of the guarantor. A guarantor event of default would cause the acceleration of payments to covered bondholders and their early redemption at the amount relevant to that particular covered bonds series.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Swiss contractual-law based covered bonds have a 20% risk weighting under the standardised approach in accordance with the EU Capital Requirement Regulation (CRR) because they have not been issued by an EU credit institution. As of 1 January 2021, Swiss contractual-law based covered bonds cannot qualify for ECB repo eligibility because they are not subject to a legislative framework. Lack of legislation also means that Swiss contractual law based covered bonds are not eligible as level 1 or 2 assets under the European Commission LCR Delegated Act.

**Issuers:** Credit Suisse AG, Valiant Bank AG, Credit Suisse (Schweiz) AG, Crédit Agricole next bank (Suisse) SA, Cornèr Bank SA and UBS Switzerland AG.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.44 TURKEY

By James Taylor, Mayer Brown International LLP and Güneş Yalçın, Özmen Yalçın Attorney Partnership

### I. FRAMEWORK

Turkish mortgage-covered bonds are branded as "*İpotek Teminatlı Menkul Kıymet ("İTMK")*" and "Mortgage Covered Bond ("MCB")" in Turkish and English respectively and are trademarked by legislation.

The primary legislation with respect to the İTMKs is the Capital Markets Law No. 6362 ("CML") and the secondary legislation is the Communiqué on Covered Bonds No. III-59.1 ("Communiqué") which was published by the Capital Markets Board ("CMB") on 21 January 2014 (as amended from time to time). The Communiqué regulates the MCBs as well as other asset-backed covered bonds; however, this chapter will focus exclusively on MCBs.

Together with its predecessors, the Communiqué is part of a series of legislation following the enactment of "The Housing Finance Law (No: 5582)" on 6 March 2007, which aims to establish a healthy and functioning housing finance system in Türkiye.

### II. STRUCTURE OF THE ISSUER

İTMKs are capital market instruments qualifying as debt instruments, issued within the scope of the issuer's general liabilities and collateralized by cover assets.

İTMKs may be issued by housing finance institutions (HFIs) and mortgage finance institutions (MFIs). While MFIs are joint stock companies defined in Article 60 of the CML (which entities are joint stock companies, established for the purpose of acquiring and transferring assets with qualifications designated by the CMB, managing such assets or taking such assets as collateral and conducting other activities approved by the CMB), HFIs are banks, financial leasing companies and finance companies authorized by the Banking Regulatory and Supervision Agency ("BRSA") to perform housing finance activities.

İTMKs can be issued by public offering, sold to qualified investors, sold by private placement or issued outside of Türkiye.

The issuers are required to obtain CMB approval for the issuance certificate which provides an annual blanket limit and, before each issuance, the CMB's trance issuance approval. For public offerings in Türkiye, the prospectus has to be CMB approved as well.

### III. COVER ASSETS

An issuer of MCBs is required by the Communiqué to maintain a cover pool for the benefit of such MCBs, which must be in compliance with, *inter alia*, quantitative statutory tests and the eligibility criteria of the Communiqué.

Pursuant to the Communiqué, a cover pool may be created with, amongst other items, the following assets:

> receivables of banks and finance companies, resulting from house financing as defined in Article 57 of the CML, which have been secured by establishing a mortgage at the relevant registry;

> receivables arising from financial lease agreements executed in accordance with Law no. 6361 (the Financial Leasing, Factoring and Financing Companies Law) resulting from house financing as defined in Article 57 of the CML;

> commercial loans and receivables of the banks and financial leasing companies and finance companies, which have been secured by establishing mortgages at the relevant registry;

> substitute assets, which include cash (including cash generated from cover assets), Turkish government bonds issued for domestic and foreign investors, securities issued or secured by the central government or the central banks of OECD member states, among some others; and

> derivative instruments fulfilling the conditions of the Communiqué.

The Communiqué caps the ratio of the net present value of commercial loans/receivables (excluding loans and receivables related to sea and air vehicles, which have been collateralized by establishing mortgages at the relevant registry) and the substitute assets, in each case, at 15% of the total net present value of the cover assets.

In Türkiye, almost all mortgage loans are fixed rate loans and, as a result of a change of law in 2009 requiring loans to Turkish citizens to be denominated in Turkish Lira, are denominated in Turkish Lira, other than a very small number of mortgage loans made to foreign citizens with residences in Türkiye.

Payments on mortgages are almost always monthly and generally are effected by having the lending bank withdraw funds from a bank account held by the borrower with the lending bank.

The maximum maturity for residential mortgage loans in Türkiye is typically 240 months (with only one institution providing loans up to 360 months, while some major banks have a maximum maturity of 120 months).

Finally, as a matter of Turkish law, borrowers of mortgage loans are required to maintain earthquake insurance for the related real property, subject to a maximum claim threshold for all building types.

In terms of İTMK issuances to be made outside of Türkiye in foreign currency, the biggest challenge has been the hedging costs, given, as mentioned above, almost all mortgage loans are denominated in Turkish Lira.

The Communiqué sets out the specific requirements that a derivative instrument needs to satisfy in order for such derivative instrument to be recognized as part of the cover pool. In general:

> the derivative instrument must be traded on exchanges or the derivative counterparty needs to be a bank or financial institution (multi-lateral development agencies also qualify);

> the derivative counterparty needs to have an investment grade long-term international rating (which is tested at the time of entry into of the derivative instrument);

> the derivative counterparty must approve the registration of the derivative instrument in the cover register;

> the netting off between the issuer and the counterparty shall be made separately for the derivative instrument registered in the cover pool and for all other transactions between the issuer and the counterparty;

> the derivative instrument cannot be unilaterally terminated by the derivative counterparty even in the event of the bankruptcy of the issuer; provided that a provision that the parties may unilaterally terminate the agreements regarding the derivative instrument in case of the events provided below may be included in such agreements:

- the issuer fails to satisfy fully or partially its total liabilities and the cover assets including derivative instruments are not sufficient to meet the total liabilities,
- the occurrence of impossibility, illegality under the applicable legislation or material change of legislation with respect to terms of the agreement,
- the early redemption of the MCBs, or
- the non-registration in, or removal from, the cover register of the agreements regarding the derivative instrument contrary to the provisions thereof.

In addition, in order to include the provisions that the parties may unilaterally terminate the agreement in the above-mentioned events (and in other events that the CMB deems similar to these events), the approval of the CMB must be obtained; and

> the derivative instrument must be entered into on an arms’ length basis and contain fair price terms and reliable and verifiable valuation methods.

## IV. VALUATION AND LTV CRITERIA

The immovable properties securing the mortgage loans must be located in Türkiye and the market price of the immovable property is required to have been determined by the BRSA or an independent appraisal company that is listed by the CMB, at the time of utilization of the mortgage loan.

Typically, the appraisers (a) visit the relevant Land Registry Office, municipality and, for on-site measurements, the real property to be mortgaged and (b) conduct research regarding reference values.

With respect to loan to value requirements, the portions of the residential mortgage loans and commercial mortgage loans exceeding 80% and 50%, respectively, of the value of the relevant real estate securing them shall not be taken into consideration in the calculation of the cover matching principles, which are discussed in detail in the following section.

The Communiqué requires issuers to monitor the general changes in the property prices securing their mortgage loans and determine the ratio of such change, at least annually at the end of each calendar year, based upon a generally accepted index, if available.

The best established index in Türkiye is the Property Price Index (Konut Fiyat Endeksi) (the "KFE") released by the Central Bank of the Republic of Türkiye on a monthly basis. The calculation of the KFE is based upon the price data of all the properties sold in Türkiye irrespective of the construction year of the properties. The price data is obtained from valuation reports prepared for the purpose of evaluating mortgage loan applications made to 10 Turkish banks.

If the issuers identify a decline in the property prices within a specific geographical region or in Türkiye in general, then they must decrease the value of the relevant property by applying the property price change ratio and re-calculate whether the cover pool assets comply with the requirements of the Communiqué.

If a significant decline is observed in the value of a specific property compared to the general average, the issuer is required to have a new appraisal conducted for that property.

## V. ASSET – LIABILITY MANAGEMENT

The cover pool must also comply with certain cover matching principles, which shall be monitored by the issuer at every change relating to the cover assets and, in any case, at least once a month. The matching principles involve:

- **Nominal value matching:** The nominal value of the cover assets may not be less than the nominal value of the MCB. While calculating the nominal value for the purposes of this test, the balance of the principal amounts of the mortgage loans, the issuance price of the discounted debt instruments and the nominal value of the premium-debt instruments shall be taken into consideration. The contractual value of derivative instruments shall not be taken into consideration for the calculation of nominal value matching.
- **Cash flow matching:** The sum of interest, revenues and similar income that are expected to be generated from cover assets within 1 year following the calculation date may not be less than the similar payment obligations expected to arise from total liabilities under the MCBs and derivative instruments if any, during the same period.
- **Net present value matching:** The net present value of the cover assets must at all times be at least 2% more than the net present value of total liabilities under the MCBs and derivative instruments (if any). This mandatory excess cover of 2% must be constituted of substitute assets.
- **Stress tests:** The responsiveness of the net present value matching to the potential changes in interest rates and currency exchange rates shall be measured with monthly stress tests. In order to measure the effect of the changes in interest rates, the yield curves obtained from swap rates shall be slid downward and upward in parallel. Parallel sliding shall be made by increasing or decreasing the TL interest rate applicable for each maturity by 300 basis points and the foreign currency interest rate applicable for each maturity

by 150 basis points. In order to measure the effect of changes to the currency exchange rates on the cash flows in foreign currency, the foreign exchange buying rate shall be increased and decreased by 30% based on the indicative foreign exchange buying rate announced by the Central Bank of the Republic of Türkiye.

## VI. TRANSPARENCY

According to Article 15 of the CML, information, events and developments which may affect the value and price of capital market instruments or the investment decision of investors shall be disclosed to the public by issuers or related parties.

The Public Disclosure Platform (PDP) is an electronic system through which electronically signed notifications required by the capital markets and Borsa Istanbul regulations are publicly disclosed. In addition to Borsa Istanbul companies and ETFs, investment firms, mutual funds, pension funds and foreign funds may submit notifications to PDP. Independent audit companies, on the other hand, send electronically signed financial statements (for which independent audit is required) to the relevant company electronically in order to be announced to the public. However, some information on PDP may be published only in Turkish.

Please see https:// www.kap.org.tr/en/menu-content/About-PDP/General-Information for further information.

In order to ensure that covered bond holders are informed:

> compliance reports on the cover matching principles and notifications made by the cover monitor (a third party who monitors the cover pool) are required to be announced on the website of the issuer and on the PDP on the day on which the cover monitor delivers its report or notification to the issuer;

> an investor report (including information relating to collections made from the assets comprising the cover pool and payments made to holders of the MCBs) is required to be announced on the website of the issuer and on the PDP within six business days following the end of the quarterly accounting period; and

> the fact that the issuer has not satisfied its payment liabilities under the MCBs partially or fully is required to be announced on the website of the issuer and on the PDP on the date when such fact becomes known to the issuer.

If MCBs are issued without any public offering, the above-noted announcements are required to be delivered to the MCB investors online, through the Central Registry Agency, and shall be published on the website of the issuer for access by the MCB investors.

The issuer can freely determine the method of such announcements if MCBs are issued abroad.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

Pursuant to the Communiqué, an issuer is required to appoint a cover monitor who will be responsible for monitoring the cover pool and will report to the CMB and the issuer with regard to the cover pool.

The cover monitor is appointed by the issuer and must possess the expertise and experience necessary to fulfil all of its statutory duties. The company that conducts the independent audit on the financial statements of an issuer may not be designated as a cover monitor.

The cover monitor is to be appointed through a cover monitor agreement, a copy of which is to be sent to the CMB within three business days of its execution. The cover monitor can only be removed from its duties by the issuer, based upon reasonable grounds to be submitted to the CMB in writing and by obtaining the consent of the CMB.

A cover monitor should, amongst other items:

> monitor formation of the cover pool with eligible assets;

> monitor the cover pool's compliance with the cover matching principles and accuracy of the stress test measurements;
> in case the cover register is kept in electronic form, inspect the adequacy of such system and submit a report that includes the results of this inspection to the issuer, together with a copy to the CMB;
> examine the accuracy of the entries made regarding the addition, removal or replacement of cover assets by reviewing the underlying loan documentation and other information and documents, as it may deem necessary;
> in the event of a cover matching principle violation or a default by the issuer, inspect whether measures in connection therewith set forth under the Communiqué are followed; and
> prepare a report, at least semi-annually (at least quarterly in case of issuances offered to the public in Türkiye), indicating its findings regarding compliance with the cover matching principles and entries made regarding removal or replacement of cover assets and, if applicable, measures taken following violation of the cover matching principles or default.

The cover monitor is required to report any inconsistencies in the cover register or failures in the matching principles to the issuer.

The cover monitor is also authorised to conduct a discretionary review of the cover assets, including substitute assets and derivative instruments in place.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

A cover register held by the issuer permits the identification and segregation of the cover assets. The collateral backing the MCBs must be registered in book and/or in electronic form.

Until the MCBs are completely redeemed, even if the management or the supervision of the issuer is transferred to public institutions, cover assets cannot be disposed of for any purpose (other than securing MCBs), pledged or designated as collateral or attached by third parties (including for the collection of taxes or other public receivables) and cannot be subject to injunctive decisions of courts or included in the bankruptcy estate of the issuer.

In the event that: (a) the management or supervision of an issuer is transferred to public institutions, (b) the operating license of an issuer is cancelled or (c) an issuer becomes bankrupt, the CMB may appoint another bank or a mortgage finance institution (in both case, satisfying the requirements for issuers of covered bonds), the cover monitor and another independent audit company or an expert third party institution approved by the CMB to act as an administrator. This administrator would not be assuming the liabilities arising from the cover pool but would manage the cover pool and seek to satisfy the liabilities arising from the cover pool from the income generated from the cover pool.

The administrator may actively manage the cover pool to seek to ensure that the payments under the MCBs and derivative instruments arising from the cover pool are made in a timely manner and, if necessary, may sell assets, purchase new assets, utilise loans or conduct repo transactions.

In addition, the administrator may (after obtaining the approval of the CMB) transfer the cover pool and the liabilities arising from the cover pool partially or fully to another bank or to a mortgage finance institution satisfying the qualifications required for issuers. In such case, the transferee bank or MFI shall become the owner of the cover assets upon such transfer and shall become responsible for the payments arising from total liabilities. The administrator may also suggest to the CMB that the MCBs be redeemed early.

Pursuant to the Communiqué, the covered bondholders and hedging counterparties do not need to wait until the completion of the liquidation of the assets in the cover pool for recourse to the other assets of the issuer, with respect to which they will rank pari-passu with unsecured creditors of the issuer.

## IX. COMPLIANCE WITH EUROPEAN LEGISLATION

As Türkiye is not currently a member of the EU, MCBs are not compliant with the EU Covered Bond Directive and the EU's Capital Requirements Regulation (CRR) and do not qualify for beneficial treatment under the CRR, including preferential treatment under Art. 129 CRR or eligibility to be used as liquid assets under the liquidity coverage ratio requirements provided for in the CRR, as supplemented by the LCR Delegated Regulation.

**Issuers:** VakifBank.

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

## 3.45 UNITED KINGDOM

By Ian Stewart, UK RCBC

The UK covered bond market has been established since 2003 and was initially based on general English law structured finance principles before the introduction by HM Treasury in March 2008 of a dedicated covered bond regulatory framework (the Regulated Covered Bonds Regulations 2008 (the "Regulations")). The Regulations overlaid the existing general law and contractual structures, providing the necessary underpinning for compliance under Article 52(4) of Directive 2009/65/EC (the "UCITS Directive") providing the UK structure with benefits including higher investment limits and higher investment thresholds for insurance companies. All UK regulated covered bonds also comply with the definition of covered bonds set out in Regulation (EU) 575/2013 (Capital Requirements Regulation, or "CRR") thereby qualifying for lower risk-weightings. The Regulations were further amended in November 2011 and November 2012 to further promote the "transparency of UK covered bonds and creating a more prescriptive regulatory framework"[1]. The amendments became effective for regulated programmes from 1 January 2013. Following the UK's departure from the EU in January 2021 the Covered Bond Directive will not be implemented in the UK until Third Country recognition is achieved. UK covered bond regulations are closely aligned to the Directive.

Regulated covered bonds are subject to special public supervision by the Financial Conduct Authority (FCA) as Special Public Supervisor, whose stated aims are to ensure a robust regulated covered bond market in the UK, and to ensure that quality is maintained to preserve investor confidence in the UK regulated covered bond market's reputation. The FCA has a wide range of enforcement powers under the Regulations, including the power to issue directions, de-register issuers or fine persons for any breaches of the requirements under the Regulations.

### I. FRAMEWORK

Under the Regulations, in order to attain "regulated" status there are two general sets of requirements the issuers need to comply with: those relating to issuers and those relating to the covered bond programmes. Issuers are permitted (but are not required) to submit their covered bond programmes to the FCA for recognition. Those issuers and covered bonds that meet all of the criteria set out in the Regulations and are approved by the FCA are added to the register of regulated covered bonds maintained by the FCA[2]. The Regulations only apply to those covered bonds which have been admitted to the register. In practice, all programmes which are used for new primary public issuance are regulated under the RCB Regulations.

Most elements of the regulated covered bond structure are governed by contract, with the Regulations providing an overarching legislative and supervisory framework without prescribing the complete design and contractual arrangements for the product. Structures are, by and large, relatively homogenous among themselves as a consequence of a deliberate intention from relevant market stakeholders to ensure comparability between programmes. The Regulations do, however, prescribe certain key structural principles and requirements, including a minimum statutory overcollateralisation amount of 108%, the requirement that assets must always remain capable of covering claims attaching to covered bonds at all times, and priority of claims against the cover pool in a winding up scenario. The FCA also has a veto over material amendments to the contracts, broad powers to enforce its provisions and conducts its own rigorous ongoing review of regulated programmes.

1 All UK regulated covered bond key documents are available at the following link: https://www.fca.org.uk/firms/regulated-covered-bonds/key-documents.

2 The register may be found at https://www.fca.org.uk/firms/regulated-covered-bonds/register.

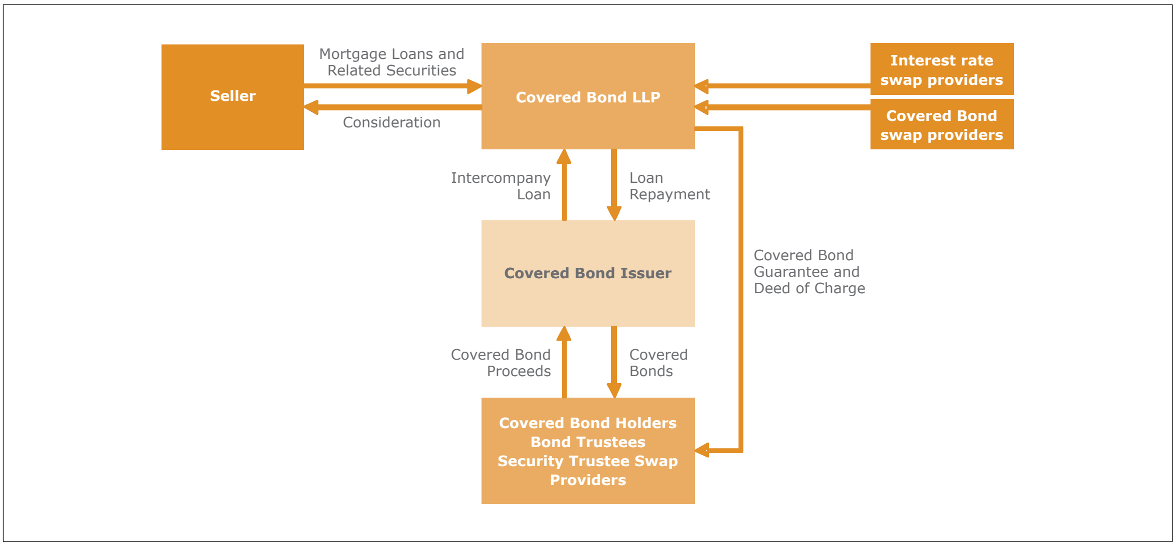
## II. STRUCTURE OF THE ISSUER

The Regulations require the issuer to be a credit institution authorised in the UK to carry out regulated activities, such as deposit-taking. It must also have a registered office in the UK and meet certain additional criteria set out by the FCA.

Regulated covered bonds are direct, unconditional obligations of the issuer; however, investors also have a priority claim over a pool of cover assets in the event of the insolvency of or default by the issuer. The Regulations require all cover assets (including any substitution assets) to be segregated from the insolvency estate of the issuer by being sold to a special purpose entity (referred to in the Regulations as the "owner"), which guarantees the issuer's obligations under the bonds and provides security over the cover assets to a security trustee on behalf of the investors. All transactions to date have used a limited liability partnership (LLP) for this purpose, with the transfer effected via equitable assignment. The purchase price paid by the LLP for the cover assets is either cash (funded by an inter-company loan from the issuer) or a partnership interest in the LLP (a "capital contribution in kind").

If the guarantee is activated, the LLP will use the cash flows from the cover pool to service the covered bonds. If these cash flows are insufficient, or within a certain timeframe of the legal final maturity of the bonds, the LLP is permitted to sell cover assets, within certain defined parameters and subject to meeting certain tests to ensure equality of treatment of bondholders.

> Figure 1: Generic UK covered bond programme structure




Source: Programme Prospectuses

## III. COVER ASSETS

The Regulations broadly allow the following asset types:

- Assets which are listed in Article 129 of the CRR, subject to the following restrictions:
  - Exposures to credit institutions with ratings below Credit Quality Step 1 (AA-) as set out in the CRR are not permitted; and
  - Securitisations are not permitted.

> Certain assets which are not permitted under the CRR – namely loans to registered social landlords and loans to public-private partnerships (and loans to providers of finance to such companies, and subject in each case to certain restrictions).

> Liquid or "substitution" assets up to the prescribed limit (10% in most cases to date).

Issuers are required to designate programmes as either "single asset type" or "mixed asset type". Mixed asset type programmes are allowed to include any of the assets set out above, whereas single asset type programmes would be required to select either residential mortgages, commercial mortgages, or public sector loans (including social housing and PPP loans, which are not CRR-eligible), in each case as defined in the CRR.

The Regulations include a narrow definition of liquid or "substitution" assets, which are defined as UK government bonds (or other government bonds which comply with the requirements set out in Article 129(1)(a) or (b) of the CRR or deposits in GBP or another specified currency held with the issuer or with a credit institution which comply with the requirements set out in Article 129(1)(c) of the CRR.

Cover assets must be situated in the UK, EEA states, Switzerland, the US, Japan, Canada, Australia, New Zealand, the Channel Islands or the Isle of Man. If an issuer includes non-UK assets in its cover pool, it must get confirmation that the laws of the relevant jurisdiction would not adversely affect the rights of the LLP or the security trustee.

The Regulations require cover assets to be of high quality, and the FCA is permitted to reject any application for regulated status if it believes that the quality of the proposed assets will be detrimental to the interests of investors in regulated covered bonds or the good reputation of the regulated covered bonds sector in the United Kingdom.

In all of the programmes that have been registered to date, the cover pools consist of assets with narrower eligibility criteria than those allowed under the Regulations, and comprise only UK residential mortgages and the substitution assets described above.

## IV. VALUATION AND LTV CRITERIA

The properties securing the mortgage loans are valued using UK mortgage market accepted practice. A surveyor is often used, although other methods (such as automated valuation models) are also accepted. Residential property values are indexed to either the ONS, Halifax or Nationwide real estate price indices, each of which reports quarterly on a region-by-region basis. Price decreases are fully reflected in the revaluation, while in the case of price increases a 15% haircut is generally applied.

The LTV limit for mortgages varies across the different programmes (see Figure 2), but in all existing programmes it is below the 80% level for residential mortgages required under the CRR and the Regulations. Loans with LTV above this limit may be included in the pool, but the amount of the loan which exceeds the limit is excluded from the Asset Coverage Test (ACT). Loans which are in arrears are either repurchased by the issuer or subject to additional haircuts (see Figure 2).

## V. ASSET – LIABILITY MANAGEMENT

For UK regulated programmes, overcollateralisation (OC) levels are determined by the higher of:

(i) the regulatory minimum of 108% specified in the Regulations calculated on a nominal basis,

(ii) contractual minimum amounts specified in the legal agreements,

(iii) requirements imposed by the FCA, and

(iv) amounts required to pass the programme's ACT (in particular as required to support the given rating level from the relevant rating agencies).

However, the OC required by the rating agencies and/or FCA are typically higher.

A key principle of the Regulations is that they require the cover pool to be capable of covering all claims attaching to the bonds at all times. In addition to the amounts required either under the regulatory minimum or under the contractual requirements, the OC level for any programme is also considered by the FCA on a case-by-case basis, taking into account the quality of the cover assets, risk-mitigation measures (such as swaps and downgrade triggers) and asset-liability mismatches. The FCA has the power to require the issuer to add further assets to its cover pool.

The principal contractual requirement under UK structures is the presence of a dynamic ACT which is carried out on a monthly basis to ensure that minimum OC requirements are satisfied. The ACT requires the discounted value of the cover pool (after applying the haircuts listed below) to be equal to or exceed the principal amount outstanding of covered bonds. The following haircuts are applied:

> The adjusted value of the mortgage pool is calculated by taking the lower of: (i) balance of mortgages up to the indexed LTV limit specified in the programme documents, and (ii) the asset percentage multiplied by the balance of mortgages.[3] Performing mortgages get credit 60-75% while for non-performing mortgages (i.e. >3m in arrears) this is 0-40%, depending on the programme.

> Any cash or substitution assets are also included.

> Additional haircuts are applied to mitigate set-off risk, redraw risk on flexible mortgages (if appropriate), and potential negative carry.

The asset percentage is determined on an on-going basis by the rating agencies and is subject to a maximum as set out in the programme documents (which corresponds to the minimum contractual requirement, Figure 2).

The issuer is required to rectify any breach of the ACT within a specified timeframe by transferring additional cover assets to the LLP. If the breach is not rectified within the allowed remedy period, the trustee will serve a notice to pay on the LLP (see Section VIII below). The issuer may also become liable to enforcement action by the FCA.

An amortisation test is run on each calculation date after the delivery of a notice to pay (see Section VIII below), which is designed to ensure that the cover pool will be sufficient to make payments under the covered bonds as required under the guarantee. The amortisation test is similar to the ACT, but more simply tests whether the principal balance of mortgages is sufficient to make payments in full on covered bonds, taking into account negative carry. If the test is failed, the covered bonds will accelerate against the LLP.

Most UK covered bond transactions currently in the market have been issued with a soft-bullet maturity. Following the service of a notice to pay, the legal final maturity may be extended, typically by 12 months, in order to allow the realisation of the cover assets. It is important to note that the issuer does not have the option to extend the bond's maturity; failure by the issuer to repay the bond in full on the scheduled maturity date would result in an event of default.

Certain programmes include a hard bullet option, whereby a "pre-maturity test" is designed to ensure that the LLP has sufficient cash available to repay the bonds, in full, on the original maturity date in the event of the issuer's insolvency. If, in a specified period before a maturity date (6-12 months, depending on the issuer and the rating agency), the issuer's ratings fall below certain specified triggers (typically A-1 / P-1 / F1), the pre-maturity test requires the LLP to cash-collateralise (either via cash contributions from the issuer or by selling cover pool assets) its potential obligations under the guarantee. Following the implementation of the

3 For example: Let us assume a cover pool which contains two loans. Each loan has a principal balance of GBP 80 and is secured by a property worth GBP 100. If the ACT applies an LTV cap of 75% and an asset percentage of 90%, the issuer will get credit for GBP 144 of loans: applying the LTV cap would allow GBP 150 (maximum 75% LTV for each loan); but the asset percentage allows a lower amount (GBP 160 x 90% = GBP 144) and therefore takes precedence.

LCR Delegated Act and the consequent liquidity impact of a hard bullet option, most issuers only use the soft bullet (extendible) maturity option going forward and indeed certain programmes have converted legacy hard bullet issuances to soft bullets via investor consent solicitation processes.

All regulated covered bond programmes include a number of other safeguards. In particular, there are minimum rating requirements for the various third parties that support the transaction, including the swap counterparties and bank account providers, and an independent asset monitor is required to undertake an audit of the cash manager's calculations on a regular basis. Furthermore, if the issuer's short-term ratings are below certain trigger thresholds (typically A-1+/P-1/F1+), the LLP is required to establish and maintain (from the asset cash flows), a reserve fund which is the higher of (i) the next three months' interest payments on a rolling basis, and (ii) the next following interest payment, together with the relevant amount of senior costs including a buffer. This amount is retained in the LLP's bank account.

## VI. TRANSPARENCY

UK regulated covered bond programmes benefit from extremely detailed investor reporting conventions. The market has conformed to a relatively high standard of reporting since inception, but in addition the FCA requires detailed reporting to be provided by regulated issuers in its capacity as special public supervisor.

Similarly, transparency is to a large extent driven by the eligibility criteria in the Bank of England (BoE) Sterling market operations, under which (among other things) issuers must publish transaction documentation, provide homogenised transaction summaries and investor reports, and publish loan level data.

FCA reporting requirements are closely aligned with the BoE criteria but also include certain additional items not included in the BoE criteria. Since the introduction of the updated amendments, all regulated issuers comply with both sets of rules.

In addition at the end of 2025, thirteen of the fourteen UK regulated covered bond issuers (Barclays Bank UK, Clydesdale Bank, Coventry Building Society, HSBC, Leeds Building Society, Lloyds Bank, Nationwide Building Society, National Westminster Bank plc, Paragon Bank, Santander UK, TSB Bank and Yorkshire Building Society) have adopted the ECBC covered bond label initiative and report in the UK National Transparency Template: https://www.coveredbondlabel.com/issuers/national-information-detail/27/.

## VII. COVER POOL MONITOR AND BANKING SUPERVISION

An applicant under the Regulations must be a credit institution authorised in the UK to carry out regulated activities, such as deposit-taking. Issuers must satisfy the FCA that their programmes comply with the criteria set out in the Regulations and provide, among other things:

> Details on the quality of cover assets and the ability of the assets on the issuer's balance sheet to satisfy substitution requirements;

> Details concerning the programme structure, such as the cover pool eligibility criteria, the formulae used to calculate compliance with minimum OC requirements, ability to meet payments on a timely basis and ratings triggers;

> Details concerning asset and liability management, audit and controls, risk management and governance framework;

> Details on the proficiency of cash management and servicing functions;

> Detailed analysis on the ability of the assets and the mitigants within the programme structure to address inherent interest rate, currency, asset and liability mismatch and market value risks;

> Arrangements for the replacement of key counterparties; and

> Independent legal and audit opinions on the compliance of the issuer and programme with the Regulations.

The issuer is responsible for monthly cover pool monitoring. The FCA must be notified by the issuer of any breaches of the ACT, and may also require the issuer to provide such additional information about the cover pool as it considers fit. All existing programmes have at least one internationally recognised rating agency who will also undertake detailed reviews both on a condition precedent to each issuance, and thereafter on at least a quarterly basis as part of ongoing transaction surveillance. The rating agencies may revise the asset percentage as part of these review processes, either due to variations in asset quality or embedded transaction risk factors, or due to periodic rating criteria change.

All programmes since inception have included an independent third party asset monitor within the existing contractual arrangements who are required to perform various functions within the transaction including an annual review of the ACT calculation, and periodic audit procedures to be undertaken with respect to the asset pool.

In November 2011, the Regulations were updated to formally codify the role of an independent "Asset Pool Monitor" which (i) must be eligible to act as an independent auditor (ii) is conveyed with certain powers to inspect books and records associated with the relevant programme, (iii) must conduct a biannual inspection of the issuer's compliance with its duties as set out in the Regulations, and (iv) must report to the FCA on an annual basis (or sooner if the issuer is found to be failing to comply with its duties). These additional requirements became effective on 1 January 2013 and regulated programmes have generally been updated to reflect the amendments.

## VIII. SEGREGATION OF COVER ASSETS AND BANKRUPTCY REMOTENESS OF COVERED BONDS

The Regulations require all cover assets (including any substitution assets) to be segregated from the insolvency estate of the issuer by being transferred to a special purpose entity (referred to as the "owner" in the Regulations), which guarantees the issuer's obligations under the bonds. All transactions to date have used an LLP for this purpose.

The Regulations require that the cover assets be recorded on a register maintained by or on behalf of the issuer and the LLP. The register must be available for inspection by the FCA. The issuer is responsible for ensuring that all cover assets meet the relevant eligibility criteria set out in the Regulations and, if applicable, any additional criteria set out in the programme documents.

The LLP becomes obliged to pay the covered bondholders under the guarantee upon delivery by the bond trustee of a notice to pay following the occurrence of an issuer event of default or other trigger event. The events which can trigger a notice to pay typically include:

- Failure by the issuer or any group guarantors to pay any interest or principal on the covered bonds when due;
- Bankruptcy or similar proceedings involving the issuer or any group guarantors;
- Failure to rectify any breach of the asset coverage test (in most cases); and
- Failure to rectify any breach of the pre-maturity test (if applicable).

To the extent that an issuer event of default has occurred, the bond trustee may commence proceedings against the issuer and any group guarantors on an unsecured basis on behalf of the covered bondholders. The delivery of a notice to pay does not however accelerate payments to noteholders, and the LLP will continue to make payments of interest and principal on the covered bonds on their originally scheduled payment dates (provided that an LLP acceleration event (as described below) has not occurred).

LLP acceleration events typically include:

- The LLP fails to pay any interest or principal when due under the guarantee;
- Bankruptcy or similar proceedings are commenced involving the LLP; and
- After delivery of a notice to pay, the LLP breaches the "amortisation test".

The occurrence of an LLP acceleration event causes the acceleration of payments by the LLP to covered bondholders and the redemption of the bonds at the relevant early redemption amount.

The LLP is reliant on the proceeds derived from the cover assets to make payments under the guarantee. Under the Regulations, in a winding up scenario, no claims against the cover assets can rank ahead of the claims of the regulated covered bondholders. If the proceeds from the cover pool are insufficient to meet the obligations to bondholders in full, investors will continue to have an unsecured claim against the issuer (and any group guarantors) for the shortfall.

## IX. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

The list of eligible assets under the Regulations is in some respects narrower than that set out in the CRR (particularly for single asset type programmes as described above). To date, all existing regulated covered bonds are contractually restricted to containing only residential mortgage assets (as well as substitution assets up to the prescribed limit), meaning they are CRR-compliant. However, certain assets which are excluded from the CRR – such as loans to UK housing associations – are technically permitted in the cover pool under the Regulations, and so it is possible that in future regulated programmes could be structured which would not qualify. The UK departure from the EU has resulted in some regulatory changes for investors in the EU and the details have yet to be clarified at the time of writing, subject to the review by the European Banking Authority on the case for third country equivalence in covered bonds.

> Figure 2: Overview – Regulated UK covered bond programmes

| | BACR | HSBC | CLYDES | COOP | COVBS | LEEDS | LLOYDS | NWIDE | NATWEST | PARAGON | SANUK | SKIPTON | TSB | YBS |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Programme volume (bn) | EUR 35 | EUR 25 | EUR 15 | GBP 4 | EUR 11 | EUR 7 | EUR 60 | EUR 45 | EUR 25 | GBP 5 | EUR 35 | EUR 7.5 | GBP 10.0 | EUR 12.5 |
| Rating (M/F/S) | Aaa / AAA / AAA | Aaa / AAA / nr | Aaa / AAA / nr | Aaa / nr / nr | Aaa / AAA / nr | Aaa / AAA / nr | Aaa / AAA / nr | Aaa / AAA / AAA | Aaa / AAA / nr | Aaa / AAA / nr | Aaa / AAA / AAA | Aaa / AAA / nr | Aaa / nr / nr | Aaa / AAA / nr |
| LTV cap | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% | 75% |
| House price index | Halifax | Halifax | Halifax | Halifax | Nation-wide | ONS | Halifax | Nation-wide | Halifax | Nation-wide | Halifax | Halifax | Halifax | Avg. of Halifax & Nation-wide |
| Maximum asset percentage | 93% | 92.5% | 92.5% | 93.0% | 90.0% | 93.5% | 92.0% | 92.6% | 90.0% | 92.5% | 89.3% | 92.5% | 89.0% | 90.5% |
| Minimum OC* | 8% | 8.1% | 8.1% | 8.0% | 11.1% | 8.0% | 8.7% | 8.0% | 11.1% | 8.1% | 12.0% | 8.1% | 12.3% | 10.5% |
| Current asset percentage | 93% | 92.5% | 92.5% | 89.0% | 90.0% | 83.0% | 92.0% | 92.6% | 90.0% | 92.5% | 89.3% | 90.0% | 89.0% | 90.5% |
| Current OC | 76.9% | 133.2% | 42.2% | 52.4 % | 57.0% | 17.2% | 19.7% | 83.2% | 88.5% | 82.5% | 33.7% | 41.8% | 36.9% | 19.6% |
| Credit for loans in arrears (>3 months) | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% | LTV<75: 40% LTV>75: 25% |
| Can issue hard bullets? ** | Yes | Yes | Yes | Yes | No | No | Yes | Yes | Yes | No | No | No | Yes | No |
| Asset monitor | PWC | Deloitte | KPMG | PWC | Deloitte | Deloitte | PWC | PWC | Deloitte | Deloitte | Deloitte | Deloitte | PWC | Deloitte |

Source: Investor reports, FCA Register.

* OC = Overcollateralisation; minimum OC calculated as 1/maximum asset percentage, subject to regulatory minimum of 8%
** Hard-bullets possible only if pre-maturity test is in place and passed / soft-bullets issued with 12-months extension.

## X. ADDITIONAL INFORMATION

There are currently 15 regulated covered bond issuers in the United Kingdom: Barclays Bank Plc (BACR); Clydesdale Bank Plc (CLYDES); Co-operative Bank plc (COOP); Coventry Building Society (COVBS); HSBC UK Bank plc (HSBC); Leeds Building Society (LEED); Lloyds Banking Group (LLOYDS), Nationwide Building Society (NWIDE); National Westminster Bank plc (RBS); Paragon Bank plc (Paragon); Principality Building Society; Santander UK (SANUK); Skipton Building Society (SKIPTN); TSB (TSBLN) and Yorkshire Building Society (YBS). As of 31 December 2025 Principality Building Society had not issued form its programme.[4]

All are members of the UK Regulated Covered Bond Council (UK RCBC) and further details can be found at www.UKRCBC.org. Details of the 14 programmes that had bonds outstanding at the end of 2025 are set out in figure 2. Coventry BS also had an unregulated programme at the end of 2025.

The outstanding volume of regulated covered bonds at the end of 2025 amounted to EUR 106.1 bn equivalent, with a further EUR 3.4 bn of unregulated covered bonds, giving a total value of outstanding bonds of EUR 109.6 bn (see Figure 3). This was an increase of approximately 10% on the previous year end total of EUR 100.0 bn.

New issuance of regulated bonds in 2025 amounted to EUR 20.1 bn, EUR 15.6 bn of which were publically issued (see Figure 4.) This was also approximately a 10% increase in public funding from EUR 14.6 bn in 2024. This evidences the ongoing use of covered bond funding by UK issuers with 12 of the programmes being active during 2025, compared to 10 in 2024.

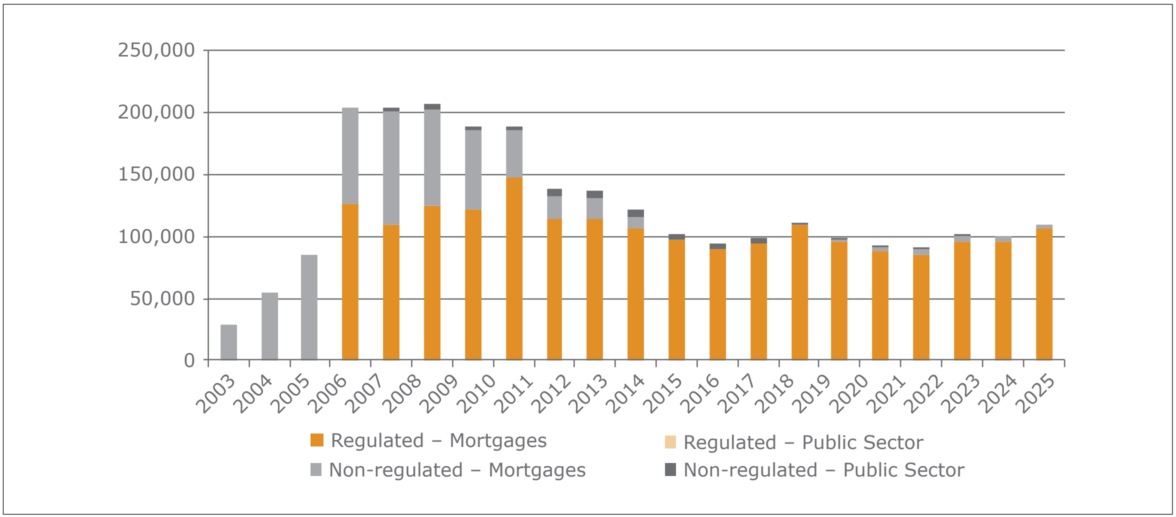
Redemptions during 2025 totaled EUR 6 bn down from the EUR 16 bn in 2024. This resulted in the net increase noted above, but FX movements, with a weaker pound, reduced the net increase slightly.

As at 2025 year end, 30% of all UK covered bonds were denominated in EUR, with GBP making up the majority of the balance at 65% and other currencies representing only 5% of market share. The amount of the market represented by GBP issuance has been steadily growing over recent years as an increasingly deep and efficient wholesale funding source for most issuers. GBP transactions issued since 2014 are almost exclusively 3-5 year floating rate bonds. Since 2018 this has been based on a compounded daily SONIA rate. In 2025 68% of new issuance by UK issuers was denominated in sterling, with 31% denominated in EUR and 1% in other currencies. Public issuances in EUR tend to be fixed rate, with the vast majority in the 5-10 year tenor.

All new issuance for a number of years has been soft bullet maturities with under 2% of outstanding bonds having hard bullet maturities by the end of 2025.

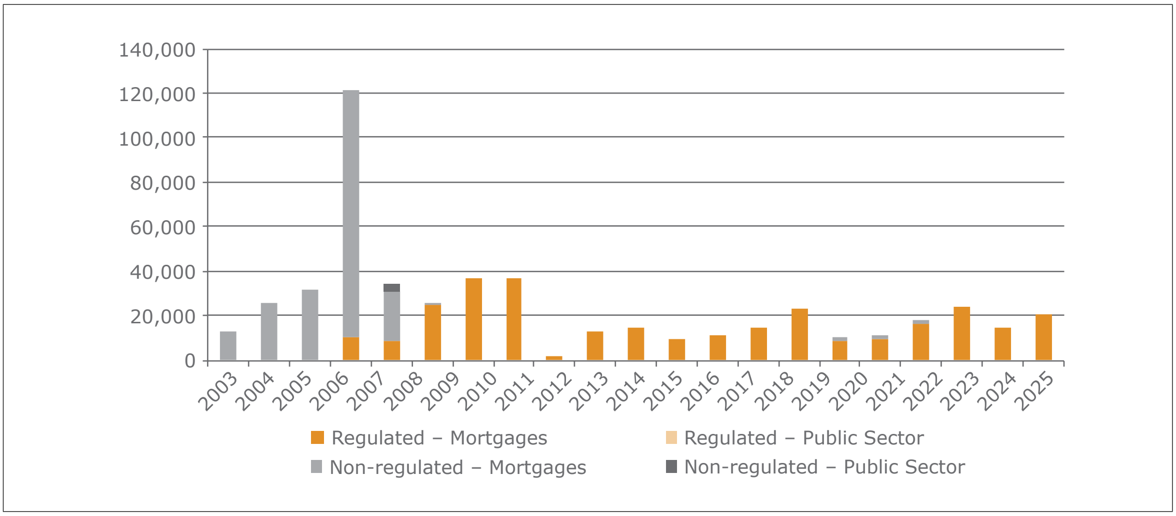
4 http://www.fca.org.uk/firms/regulated-covered-bonds/register.

## > Figure 3: Covered Bonds Outstanding, 2003-2025, EUR m




Source: EMF-ECBC. Please note that this data includes private placements, floating rate covered bonds and self-retained issuances that may have been used to access central bank liquidity.

## > Figure 4: Covered Bonds Issuance, 2003-2025, EUR m




Source: EMF-ECBC. Please note that this data includes private placements, floating rate covered bonds and self-retained issuances that may have been used to access central bank liquidity.

**Issuers:** There are 15 regulated issuers each with one regulated mortgage programme (some regulated issuers also have unregulated programmes). For more details, please refer to the FCA's website: http://www.fca.org.uk/firms/systems-reporting/register/use/other-registers/rcb-register.

Covered Bond Label **:** There are now 13 UK programs reporting under the covered bond label.[5]

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website www.coveredbondlabel.com or via the following QR code:**

5 https://coveredbondlabel.com/issuers/issuers-directory/.

## 3.46 UNITED STATES OF AMERICA

By Suraj Dey, J.P. Morgan

To date, no covered bond legislation has been passed in the US despite several attempts in the post-crisis period. Moreover, the previously issued structured covered bonds by Bank of America and Washington Mutual (acquired by J.P. Morgan) have matured and there are currently no outstanding US covered bonds. The Federal Deposit Insurance Corporation (FDIC) published a Covered Bond Policy Statement back in 2008, which was supplemented by the US Treasury's Best Practices for Residential Covered Bonds. However, the covered bond market never took off on that basis, notably due to possible repudiation by the FDIC.

The last two legislation attempts, the United States Covered Bond Act in 2011 and the Protecting American Taxpayers and Homeowners (PATH) Act in 2013, aimed to address this concern together with other details but no proposal ultimately made it through the full legislative process. Within PATH, covered bonds were discussed as a consequence of Government Sponsored Enterprises (GSEs) reform, but as a secondary priority.

In the following years, covered bonds were again mentioned infrequently by legislators, alluding to the possibility of US covered bond legislation in the future. First, a speech on 26 June 2014 by Jack Lew, then the US Treasury secretary, suggested possible new avenues where covered bonds could have a role to play alongside the GSEs. Second, the oversight plan of the Committee on Financial Services for the 114th Congress, which commenced in January 2015, mentioned explicitly the examination of covered bonds. Since that time, however, little progress related to the explicit development of a US covered bond market has materialized.

The topic of large scale GSE reform did re-emerge on the political agenda under the previous Trump administration, when US Senator Mike Crapo published a Housing Reform Outline in February 2019, which was the subject of a two-part hearing by the United States Senate Committee on Banking, Housing, and Urban Affairs the following month. Additionally, the White House issued a Presidential *Memorandum on Federal Housing Finance Reform* at the end of March 2019 that instructed the Secretary of the Treasury to develop a Treasury Housing Reform Plan that would, among other objectives, end the GSEs conservatorships and "[increase] competition and participation of the private sector in the mortgage market."

Published in September 2019, Treasury's Housing Reform Plan set out multiple administrative and legislative proposed reforms to help accomplish these goals, including recapitalizing the GSEs with "significant first-loss private capital". Covered bonds were even briefly mentioned in the Plan as one potential alternative "mechanism" to achieve separation of interest rate and credit risk for 30-year fixed-rate mortgage loans – the most prevalent US mortgage product – in a privatized world, citing the integral role that the Danish covered bond market plays in that jurisdiction's mortgage finance system.

Consequently, in late 2020, then-FHFA Director Mark Calabria issued the *Enterprise Regulatory Capital Framework Final Rule* ('Final GSE Capital Rule'), following a proposal issued in May 2020. The Final GSE Capital Rule stipulated that the GSEs must increase their Adjusted Total Capital holdings collectively to ~$283 bn (or 4.27% as of 30th June 2020), paving the way for an eventual exit from conservatorship, though that level of capital was generally viewed as excessively high. While the Enterprise Regulatory Capital Framework became effective in mid-February 2021, it was subsequently amended by Sandra Thompson (who served as FHFA Director since around mid-2022 under the Biden administration) to address the perceived issue of excessively high capital requirement of the GSEs. However, besides overseeing the ongoing capital building process of the GSEs, which actually started under the previous Trump administration, the subsequent Biden administration and FHFA Director Sandra Thompson did not really pursue any meaningful steps with the intention to expedite the privatisation process of the entities.

Looking to the current Trump administration, there has been renewed focus on GSE reforms, including a possibility to take the entities out of conservatorship via IPOs. That being said, it has now morphed with the administration’s ambitions in relation to easing people’s access to housing via improved supply and competitive mortgage costs (the latter involving, among others, a reduction of excessive regulatory and/or capital burden in connection with lending) for which two dedicated executive orders were issued in March 2026. Notwithstanding the renewed intention to take the GSEs public, there is still uncertainty as to how and when the process might be carried out, as well as if the GSEs would continue to feature government guarantee in some form. And with midterm elections scheduled later in 2026, aside from the current Trump administration’s heavy involvement in reshaping global trade and geopolitics, it could be that any further targeted development in relation to GSE reforms (and in the process raising the importance of covered bonds) by the end of 2026 is unlikely, as homeownership affordability takes priority over IPOs at present. However, the second half of the current administration may seek more concrete engagement with the topic, in line with the broader intentions (i.e. beyond affordability concerns) flagged thus far.

## I. WHAT IS CURRENTLY IN FORCE

### The FDIC’s Covered Bond Policy Statement

The FDIC Covered Bond Policy Statement, effective from 28 July 2008, aimed to clarify the treatment of covered bonds in a conservatorship or receivership. Under the Federal Deposit Insurance Act (FDIA), any liquidation of collateral of an Insured Depositary Institution (IDI) placed into conservatorship or receivership requires the consent of the FDIC during the initial 45 days or 90 days after its appointment, respectively. Under such conditions, covered bond issuers would need to hold extra liquidity to prevent any default during that time if the FDIC as a conservator or receiver were to fail to make payment or provide access to the pledged collateral. Conscious that this would impair the efficiency of covered bonds, the FDIC decided to grant consent for expedited access to pledged covered bond collateral for covered bonds meeting specific criteria.

Eligible covered bonds must be authorized by the IDI’s primary federal regulator and cannot exceed 4% of total liabilities. They consist of non-deposit, recourse debt obligations of an IDI with maturity between one year and 30 years secured by eligible mortgages or AAA-rated mortgage-backed securities secured by eligible mortgages, if no more than 10% of the cover assets. Substitute assets may be included (namely US Treasury and agency bonds) as need be for prudent management of the cover pool. Eligible mortgages are defined as first-lien mortgages on one-to-four family residential properties underwritten at the fully indexed rate, relying on documented income and complying with the existing supervisory origination guidance. Issuers should also disclose LTVs for transparency purposes.

The FDIC consents include the following events: (1) if at any time after appointment the conservator or receiver is in default and remains so after actual delivery of a written request to the FDIC for 10 business days, the covered bond holders can exercise their contractual rights including the liquidation of the cover assets; (2) if the FDIC as a conservator or receiver of an IDI provides a written notice of repudiation of a contract to covered bond holders and the FDIC does not pay the damages due by reason of such repudiation within 10 business days after the effective date of the notice, covered bond holders can exercise their contractual rights including the liquidation of cover assets. The liability of a conservator or receiver in such circumstances shall be limited to the par value of the covered bond issued plus interest accrued following its appointment. The statement also highlights that these consents do not waive, limit or affect the rights or powers of the FDIC.

### The US Treasury’s Best Practices

The Treasury Best Practices issued in July 2008 supplement the FDIC’s covered bond policy statement. Their purpose was to support the growth of a transparent and homogeneous covered bond market in the absence of dedicated US legislation. While targeting high-quality residential mortgages to safeguard market liquidity and stability, the US Treasury did not exclude at the time expansion of the covered bond market to other asset classes. As emphasized by the US Treasury, these best practices do not provide or imply any government guarantee but serve only as a template with the following key features:

> **Issuer:** can be (1) an IDI and/or a wholly owned subsidiary of this IDI (the so-called "direct issuance structure") or (2) a newly created bankruptcy SPV ("SPV structure"). Issuance authorization must be provided by the IDI's primary federal regulator. Only well-capitalized IDIs may issue covered bonds.

> **Cover assets:** are owned by the IDI and remain on balance sheet, but must be clearly identified and provide a first priority claim to covered bond holders. The issuer must enter into a Specified Investment contract with one or more financially sound counterparties which, in case of issuer default or FDIC repudiation, will continue to pay interest and/or principal accordingly as long as proceeds from cover assets at least equal the par value of covered bonds.

> **Covered bond terms:** must be between one and 30 years; issuance may be in any currency as long as currency risks are hedged; bonds can be fixed or floating. Interest rate swaps may be entered into for hedging purposes with financially sound counterparties, which must be disclosed to investors. SEC registration is possible but not a requirement.

> **Eligible assets:** must be performing first-lien residential mortgages on one-to-four family residential properties with 80% maximum LTVs. Underwriting must be at the fully indexed rate, with documented income and in line with the existing supervisory origination guidance. Any loan that has been non-performing for more than 60 days should be replaced. A single Metro Statistical Area must be a maximum 20% of the cover pool.

> **Overcollateralization (OC):** must be at least 5% of outstanding covered bonds at all times. When calculating the cover pool value, loans with an LTV exceeding 80% are still eligible but up to the 80% LTV limit only. LTVs must be indexed on a quarterly basis using a nationally recognized, regional housing price index or other comparable measurements.

> **Issuance limit:** is capped at 4% of the IDI's liabilities after issuance.

> **Asset Coverage Test (ACT):** must be performed on a monthly basis by an independent Asset Monitor to safeguard the quality and adequacy of the cover pool. Results must be made public. The asset monitor must also periodically check the accuracy of the ACT. Any ACT breach must be remedied within one month. If not after one month, the Trustee may terminate the program and return principal and accrued interest to covered bond investors. During an ACT breach, no covered bond can be issued.

> **Disclosure:** must be monthly. If substitute assets account for more than 10% of the cover pool within any month (or 20% within any quarter), the issuer must provide updated information on cover assets to investors. Any material information on the IDI's or SPV's financial profile or on any other relevant area must also be made public.

> **Independent trustee:** must be designated by the issuer to represent the interests of covered bond investors and enforce their rights over the cover pool in case of issuer insolvency. All covered bond holders backed by a common cover pool rank *pari-passu*.

> **Insolvency procedures:** the FDIC has three options at its disposal: (1) covered bonds are repaid according to initial terms; (2) covered bonds are paid off in cash, up to the value of the pledged collateral; (3) liquidation of the pledged collateral is permitted to pay off the covered bonds. Options (2) and (3) occur in case of default or FDIC repudiation as mentioned above. In such cases, covered bond holders will recover up to the value of the collateral. Any collateral excess must be returned to the FDIC, while covered bond holders rank pari-passu with unsecured debt holders for the amount due in the event of a shortfall.

## II. TWO KEY, PAST LEGISLATION ATTEMPTS

### United States Covered Bond Act

The 112th Congress saw an active push for the establishment of covered bond legislation in the US during 2011. The United States Covered Bond Act of 2011 was the most concerted attempt yet in that respect, although it never completed the full legislative process. For legislation to become law, identical text needs to be approved by both the House of Representatives (HR) and the Senate, and the final legislative text then signed by the President. This was not the case as the Bill approved at the HR ("H.R. 940") contained some differences from that introduced at the Senate ("S. 1835") despite their similarities. These were as follows: an expansion of the definition of eligible issuers; for issuers that are not subject to the jurisdiction of a federal banking agency, the covered bond regulator would be the Board of Governors of the Federal Reserve System rather than the Secretary of the Treasury; a right afforded to the respective covered bond regulator and a majority of covered bond holders to replace the independent asset monitor; the omission of tax provisions. Furthermore, the start of the 113th Congress on 3 January 2013 meant that it needed to be re-introduced.

The US Covered Bond Act, whether in its "H.R. 940" or "S. 1835" format, contained major differences from the FDIC and US Treasury's foundations, especially with respect to the following points:

> **Covered bond regulators:** must be the Federal banking agency where appropriate, otherwise the Board of Governors of the Federal Reserve System ("S.1835") or the Secretary of the Treasury ("H.R. 940").

> **Eligible assets:** consist of any first-lien residential mortgage loan secured by a one-to-four family residential property but also (1) any residential mortgage loan insured or guaranteed e.g., under the National Housing Act; (2) commercial mortgage loans (including multi-family); (3) public sector assets – namely any bond or loan from or insured/guaranteed by a State, municipality or other governmental authority; (4) any auto loan or lease; (5) any student loan (guaranteed or unguaranteed); (6) any extension of credit to a person under an open-end credit plan; (7) any loan made or guaranteed by a small business administration; (8) any asset designated by the Secretary, by rule and in consultation with covered bond regulators.

> **Eligible issuers:** include any FDIC depository institution (or subsidiary), bank or savings and loan holding companies (or subsidiary) but also registered nonbank financial companies such as any intermediate holding company. "S.1835" widens eligible issuers to brokers or dealers and supervised insurers as well.

> **Substitute assets:** are limited to 20% of cover assets and may be cash, direct obligations of the US State or GSE of the highest credit quality.

> **Issuance limit:** must be established upon the soundness of the underlying issuer while the maximum amount of covered bond to be issued must be defined as a percentage of the issuer's total assets (with a possible review of this cap, whether up or down, on a quarterly basis).

> **Overcollateralization:** must meet the minimum defined by the Secretary for each asset class but no specific amount is mentioned. Cover pool must be single asset only.

> **Insolvency procedures:** gives specific powers to the FDIC which, if appointed as a conservator or receiver prior to a default event, shall have an exclusive right during the one-year period beginning on the date of the appointment to transfer any cover pool owned by the issuer in its entirety, together with all covered bonds and related obligations. During that year, the FDIC shall ensure the full and timely payment of covered bond holders. In case of default prior to conservatorship or receivership, a separate estate shall be created for each affected covered bond program which comprises all related cover as-sets and covered bonds. This estate is fully liable for covered and other secured obligations only. In case of collateral insufficiency, covered bond holders retain a residential claim against the issuer.

### The PATH Act

In 2013, political interest in covered bond legislation emerged again as part of broader reform initiatives addressed in the Protecting American Taxpayers and Homeowners (PATH) Act. PATH aimed notably to reform the GSEs in order to prevent any future liability to taxpayers and increase mortgage competition, enhance transparency and maximize consumer choices. Details related to covered bonds in the PATH Act were similar to the US Covered Bond Act of 2011, with the Treasury being proposed as a regulator instead of the Fed. However, this bill, a Republican initiative, lacked bipartisan support unlike the previous one, notably as it foresaw the wind-down of the GSEs, and was ultimately unsuccessful.

## III. WHERE DO WE STAND?

As discussed above, covered bonds have been mentioned at least a couple of times by legislators since both the Covered Bond Act of 2011 and PATH. First, a speech made in the summer of 2014 by then US Treasury secretary, Jack Lew, revived hopes of US covered bond legislation as the US government was looking for private solutions to support mortgage lending. In a survey published by the US Treasury for market feedback, the emphasis was on residential mortgage-backed private label securities (PLS) and thus not directly targeted at covered bonds. However, they were seen as complementary with a new attempt at covered bond legislation possibly emerging from the political debate.

Second, the oversight plan of the Committee on Financial Services for the 114th Congress, which was released in January 2015, mentioned covered bonds. As stated in the document, "*The Committee will examine the potential for covered bonds to increase mortgage and broader asset class financing, improve underwriting standards, and strengthen U.S. financial institutions*." However, since this time, limited progress has been made regarding any further attempts to institute a covered bond framework in the US.

In recent years, any potential development of covered bond market has been implicitly tied with the complex topic of GSE reform which (re) emerged as a political priority under the former Trump administration, following the release of a Presidential *Memorandum on Federal Housing Finance Reform* by the White House in late March 2019, subsequent Housing Reform Plan from the US Department of the Treasury in September 2019 (which briefly mentioned covered bonds), and the Final GSE Capital Rule in late 2020. However, substantive reform to US housing finance had been little until the end of 2024, particularly as GSE reform did not constitute an area of priority under the most recent Biden administration. That being said, the current Trump administration has revitalized the topic of GSE reform, which, despite featuring the uncertainty in terms of a definitive timeline, may eventually lead to the end of the conservatorship of the GSEs, and in the process engender a rethink of the importance of covered bonds in the US.

## IV. RISK-WEIGHTING & COMPLIANCE WITH EUROPEAN LEGISLATION

Legacy US covered bonds were neither UCITS 52(4)-compliant nor CRR-compliant given the absence of EU membership.[1] Therefore, they did not benefit from preferred risk-weighting for regulatory capital purposes. Under the Standardized Approach, they were treated similarly to senior unsecured bank debt. That said, if denominated in €, US covered bonds would be eligible for European Central Bank repo operations, conditional on an investment grade rating. Specific haircuts are applied depending on the rating and characteristics of the covered bond. However, since there are no outstanding US covered bonds, this is not currently applicable.

1 Please click on the following link for further information on the UCITS Directive and the Capital Requirements Regulation (CRR): https://hypo.org/ecbc/covered-bonds/.

**Issuers:** JP Morgan, Bank of America Corporation.

**ECBC Covered Bond Comparative Database:** https://www.ecbc.eu/framework/57/US_Covered_Bonds

**For the most up-to-date information, please consult the new ECBC Covered Bond Comparative Database webpage on the Covered Bond Label website [www.coveredbondlabel.com](http://www.coveredbondlabel.com) or via the following QR code:**

## 4.1 CREDIT RATING AGENCY APPROACHES: INTRODUCTION

By Elena Bortolotti, Natixis and Chairwoman of the ECBC Rating Agency Approaches Working Group

I would like to begin this year's Rating Agencies & Methodology Chapter by thanking the ECBC members and the Steering Committee for confirming my mandate as Chairwoman of the Rating Agency Approaches Working Group (RAAWG) for the 2026–2029 term. It is a great pleasure and honour to be reconfirmed, and I am eager to continue our important work together.

The RAAWG remains focused on refining and enhancing the Harmonised Transparency Template (HTT) to facilitate its use by rating agencies for quarterly reporting to the ECB. Additionally, as part of the annual HTT revision, we have debated how to adapt the template for Covered Bond Directive requirements, sparking productive debates on how to best integrate extendable maturity features, liquidity buffer calculations, and liquid assets.

Since the last edition of the Fact Book, Fitch, Moody's, Morningstar DBRS, and S&P updated their covered bond (CB) rating methodologies. Scope has not introduced any changes as it updated its methodology last year. The changes introduced, primarily refine risk assessments (overcollateralisation, sovereign risk, and asset liquidation), align with broader banking criteria, and expand geographical coverage of their methodologies. The updates generally had a neutral rating impact, although for some programmes we saw adjustments in the overcollateralisation (OC) requirements.

Below is a summary of the key changes introduced:

### 1. FITCH RATINGS

Fitch introduced policy and structural updates, largely driven by its May 2026 Bank Rating Criteria revision, resulting in a neutral rating impact but amended the risk cushions:

1. Overcollateralisation (OC) Haircut Policy: Applied a 25% haircut to model-derived OC for highly rated issuers with eligible assets available, resulting in higher OC cushions.
2. Resolution Uplift Analysis (May 2026): Aligned analysis with the new IDR definition (senior preferred debt reference) and wider notching (max 2 notches above VR/Support Rating). This lowered the resolution uplift to 1 notch for many upgraded IDRs, while 9 programmes secured a 1-notch higher reference point.
3. Cash-Flow Modelling: Extended "Low" stress mortgage refinancing spreads to certain 'A' category sovereigns with stable CB markets (e.g., France). Recourse-to-cover-pool transition modelling may now be omitted if the issuer holds eligible unencumbered assets.
4. Counterparty Criteria (June 2026): Updated criteria and simplified the collateralisation table for privileged swaps (no rating impact).

### 2. MOODY'S

Moody's focused its November 2025 update on refining public sector cover pool risk to reduce volatility caused by sovereign rating fluctuations.

The Sovereign Risk & Loss Floors replaced the flat 50% loss floor (applied when most assets were in a country rated below Aa3) with six-tiered loss floors (12.5% to 50%) dynamically determined by the sovereign rating and domestic public sector exposure. This reduces rating volatility and refines home-country risk correlation.

### 3. MORNINGSTAR DBRS

Morningstar DBRS made both material and non-material updates to its global methodology which can be summarised in:

1. Asset Liquidation: Updated Market Value Spreads (MVS) referencing historical CB secondary market spreads and introduced a new interest rate curve for NPV cash flows.

2. Issuer Default: Assumes the issuer will continue to utilize covered bonds as a funding source in default scenarios, provided the Reference Entity (RE) remains a 'going-concern'.
3. EU Framework: Directly incorporated the EU's credit rating into the Legal and Structuring Framework assessment for EU covered bonds.
4. Additions & Clarifications: Added MVS metrics for eight new countries, created a CB swap rating appendix, and confirmed criteria for mixed asset pools and export-credit-guaranteed loans.

**4. S&P GLOBAL RATINGS (S&P)**

S&P published its updated CB methodology on July 25, 2025. While the core framework remains intact, key changes include:

1. Jurisdictional Support: Expects to rate programmes solely on local legislation without additional OC beyond regulatory minimums, unless there are unique pool risks (where a 'aaa' stress coverage is still required for a 'AAA' rating).
2. Monetary Union Uplift: Uplift based on jurisdictional support can be up to one notch above the sovereign rating.
3. Collateral-Based Uplift: Allows up to two notches of collateral uplift based strictly on credit risk coverage, without refinancing cost coverage.
4. Refinancing Costs & Asset Spreads: Adjusts down asset spread assumptions to reflect a moderate ('BBB') stress scenario rather than historical country-specific peaks. S&P also incorporates historical CB spread data rather than structured finance data.
5. Modelling Horizons: Applies target spreads to CBs maturing within three years, and base-case spreads for longer maturities.
6. Programme Management & Counterparties: Expands forward-looking issuance analysis to stabilize enhancements. S&P also updated counterparty risk analysis, minimizing risk links for highly replaceable investment-grade counterparties and adjusting criteria under CRR Article 129.

S&P also updated its sovereign default risk methodology (April 10, 2026), now allowing up to six notches of uplift above the sovereign rating for CBs exposed to refinancing risk. A detailed description of all the rating agencies covered bond methodologies can be found in the following pages.

A detailed description of the rating agencies' covered bond methodologies can be found in the following sections.

Finally, I would like to thank all members of the ECBC RAAWG and the Rating Agencies for their constructive input. My sincere thanks also to Luca Bertalot and the ECBC team for their coordination, Sascha Kullig for his diligent review of the Fact Book, and all the authors who contributed to this valuable publication.

## 4.2 MORNINGSTAR DBRS COVERED BOND RATING METHODOLOGY

By Tomas Rodriguez-Vigil Junco and Ketan Thaker, Morningstar DBRS

### INTRODUCTION

Morningstar DBRS' *Rating and Monitoring Covered Bonds* global methodology involves the analysis of four building blocks:

1. Covered Bonds Attachment Point (CBAP);
2. Legal and Structuring Framework (LSF) assessment;
3. Cover Pool Credit Assessment (CPCA); and
4. Credit for high recovery prospects provided by the cover pool (CP).

The assignment of credit ratings to covered bond (CB) transactions involves determining the LSF-Implied Likelihood (LSF-L) for the programme based on the CBAP, LSF assessment, and CPCA. Once the LSF-L is determined, credit ratings are assigned by incorporating credit for the CP's ability to provide support following an assumed default of the CBs.

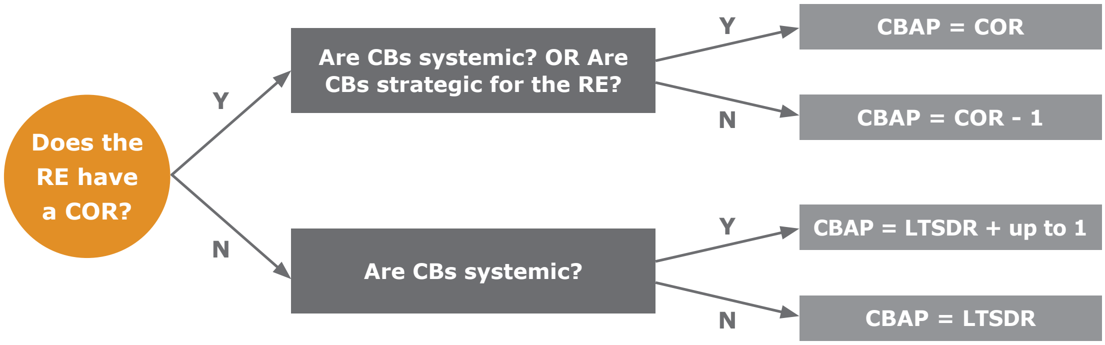
### THE FOUR BUILDING BLOCKS

#### 1. Covered Bonds Attachment Point

CBs have dual recourse. The payment obligation initially falls on the debtor of first recourse, called the Reference Entity (RE); failing that, the obligation falls on the CP.

The CBAP designates the RE's credit strength (i.e., the probability that the RE—not the CP—will fulfil the payment obligation). The CBAP comprises a reference rating and, when applicable, a notching uplift schedule. The Critical Obligations Rating (COR) or the Long-Term Senior Debt Rating (LTSDR)[1] of the RE is the basis for the CBAP. There are four scenarios under which we determine the CBAP:

A. For all European CB programmes where the RE is subject to the Bank Recovery and Resolution Directive (BRRD), we determine the CBAP as follows:

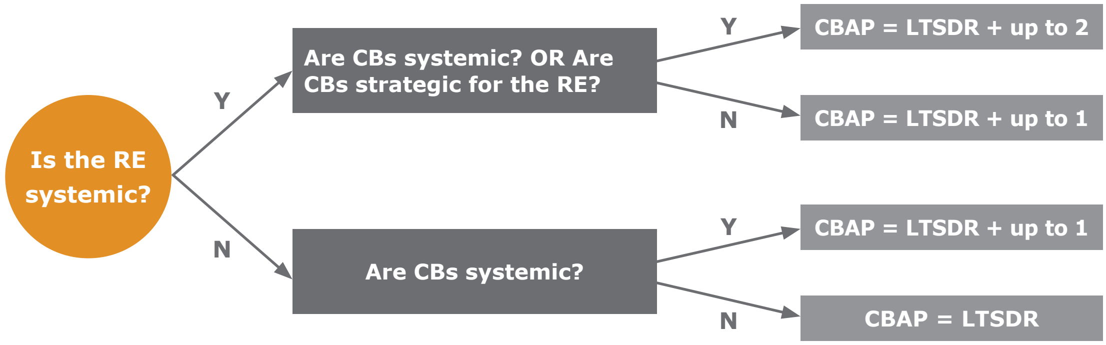



The COR addresses the default risk of particular obligations/exposures at banks that are more likely to be excluded from bail-in and remain in a bank in the event of the resolution of a troubled bank than other senior unsecured obligations. In cases where the bail-in tool is applied and the CB programme in its entirety remains with the going concern part of the RE in resolution, we expect that the COR will continue to be the base for the CBAP.

1 Or the Long-Term Issuer Rating if we do not assign an LTSDR to the RE.

When the RE does not have a COR, and in cases where the bail-in tool is applied and the CB programme in its entirety remains with the going concern part of the RE in resolution, we expect that the CBAP would decouple from the LTSDR. At that point, the CBAP is set at a level that we consider consistent with the ability of the new RE to continue to be the source of payments for the CBs.

B. For all European CB programmes where the RE is subject to a resolution regime that we deem equivalent to the BRRD, we determine the CBAP as follows:




C. For Canadian CB programmes, we set the CBAP at the level of the LTSDR of the RE (for the REs that are subject to the Canadian Bank Recapitalization Regime, the LTSDR tracks the non-bail-inable senior debt).

D. For CB programmes where the RE is not subject to the BRRD nor to a regime that we deem equivalent, we equalise the CBAP with the LTSDR.

**2. Legal and Structuring Framework Assessment**

The LSF assessment is programme-specific. It limits the number of notches a CB default risk assessment can achieve above the CBAP.

Our LSF assessment captures the likelihood that payment obligations under the CB will be efficiently transferred from a troubled bank to a performing bank or the CP, administered by a third party. This assessment takes three areas into consideration:

> Robustness of the CP segregation for the benefit of the CB holders;

> Accessibility of CP cash flows on a preferential and timely basis, the need and ability to liquidate the CP, including likelihood of systemic support; and

> Contingency plans, including the possible involvement and responsibility of the regulator or the relevant central bank to facilitate the transfer, and the regulator's support to the CB market, if applicable.

***Cover Pool Segregation***

We recognise that CB legislation is written to supersede the bankruptcy and insolvency laws within a jurisdiction. Legislations generally give CB holders privilege over the CP assets, taking preference over claims of any other creditor in the case of issuer insolvency. In the event of an insolvency, legislation typically allows the CP to be segregated from the bankruptcy estate.

We expect contractual CB programmes to largely address the issue of segregation. As such, we do not expect CP segregation to be a major constraining factor for CB credit ratings. If there were serious doubts about the effectiveness of segregation, the dual-recourse principle might be undermined, preventing the application of this methodology. However, we expect the issue to be addressed, either by law or the transaction's structural features. Nevertheless, instances where legal frameworks and structures have minor weaknesses in segregation mechanisms that are not effectively mitigated can have a limited impact on our assessment.

### *Timely Access to Cover Pool Cash Flows*

A reasonable expectation that the cover assets will be available to satisfy the claim of the CB holders following a default of the RE is a first step towards gaining comfort that the CB holders will be paid according to the terms of their investment. We perform qualitative analyses of the legal framework, structural features, specific characteristics of each CB programme, and expectations of systemic support in order to achieve this comfort.

In general, cover assets amortise over a time horizon beyond the scheduled amortisation of the liabilities. While the RE is able to meet payments on the CBs, the resulting mismatches in the maturity profile are unimportant, as the RE will use its own funding sources to meet maturing liabilities. Upon the failure of the RE to meet payments, the source of payment switches to the CP. We consequently analyse the effective mismatches, as the conditions of the CB may provide for these to be modified conditionally to a default of the RE, and the manner in which they might be bridged.

The qualitative analysis aims at assessing the extent to which the CP composition, the programme's structural features, and the legal framework interact to facilitate the CB investors' receipt of timely payments from the CP in a scenario where the RE is assumed to halt payments. This depends on the interaction of the constraints imposed by the programme structure and legal framework on how quickly the payments would need to be redirected to CB holders and how quickly financing sources become available to fund such needs. Other considerations in this analysis include the type of assets that may need to be liquidated and the time it takes to liquidate them; the presence of maturity extensions, prematurity tests, or other features that give more time to explore alternative solutions; and how the programme structure foresees the CP detaching from the RE's influence in this timeframe.

### *Contingency Plans and Supervision*

We view positively the regulator's involvement and the existence of contingency plans for the smooth transition from the RE to the CP as a source of payments to CB holders. Factors reviewed include but are not limited to (1) the existence of a specific supervisor in charge of the CB programme in the normal course of operations and (2) the quality and content of the contingency plans in case of an issuer's default.

After reviewing these main factors under the LSF assessment, we assign the CB one of five LSF assessments: Very Strong, Strong, Adequate, Average, or Modest.

## 3. Cover Pool Credit Assessment and Overcollateralisation

Once a CBAP and an LSF assessment are assigned to a CB programme, we assess the CP quality to determine the LSF-L of the programme. This assessment represents the likelihood that the CBs will be repaid according to their terms, provided there is sufficient overcollateralisation (OC) to which we could give credit.

We analyse the wind-down of the CP and the repayment of the liabilities according to their conditions. The aim is to determine whether the interest and the principal can be paid on time solely from the CP (including any structural enhancement) for a given credit rating scenario.

The CPCA analysis is similar to the analysis performed for residential mortgage-backed securities and SME CLOs transactions. It begins with an estimate of the probability of default (PD) and loss given default for each credit rating category based on the methodology applicable to the underlying assets, followed by an analysis of the stressed asset cash flows (including interest rates and exchange rates) from the underlying assets and an analysis of the way cash flows are allocated to liabilities based on the transaction documents.

Additionally, the CPCA accounts for the timing of a RE discontinuing its payments. This warrants an analysis of the periodic defaults on the underlying collateral versus a lifetime default expectation; assumptions regarding principal amortisation and reinvestment; future interest levels, exchange rates[2], and senior costs; assumptions

2 The stresses to account for risk of unhedged currency risk are determined in line with the methodology *Interest Rate and Currency Stresses for Global Structured Finance Transactions*.

about collections in case of the RE's default under its obligations; and an estimate of the liquidation value of the underlying collateral in the event of the RE's default or inability to pay. In order to estimate liquidation values, we perform a net present value calculation based on projected cash flows generated by the CP and assumed interest rates stresses and market value spreads.

The CPCA is the credit rating stress scenario that the structure can withstand given the OC to which we give credit.

Because of the very nature of the product, the OC level changes, for instance, as a result of the amount of CBs issued or amortised under the programme and assets added to or removed from the CP. Generally, the only legal obligation of the issuer or RE is to maintain a level of assets such that the regulatory tests are satisfied, and the minimum level of OC legally or contractually required is maintained.

Therefore, we typically give full credit to the level of OC required by the national legislation or the secondary regulation and regulators' guidelines, as well as to the level of OC included in the contractual undertaking of the issuer or RE, provided that noncompliance with such undertakings would cause the RE to be in breach of contract under the program documentation. For levels above those, or where there is no public announcement, we determine a sustainable OC level by reference to the minimum-observed OC level during the past 12 months, adjusted by any increase that we judge to be persistent. This figure is then reduced by the following scaling factors, which vary by credit rating:

| CBs rating | Scaling factors (x) to observed OC |
|---|---|
| AA (low) and above | 0.85x |
| A (low) to A (high) | 0.90x |
| BBB (low) to BBB (high) | 0.93x |
| Below investment grade | 0.95x |

Source: Morningstar DBRS.

Issuers may publish an announcement for a target OC level (e.g., in the form of a press release, a statement in the investors' report, or on the RE's website). However, these announcements are less strong compared with an issuer's legal or contractual obligation. Therefore, the analysis will typically apply the above-detailed scaling factors to the publicly announced OC level. However, when we hold the view that the announced OC level can be considered persistent based on historically observed levels, the analysis may give full credit to it.

### 4. Credit for High Recovery Prospects Provided by the Cover Pool

In consideration of the essentially senior secured position of CB holders, we may give up to two notches of uplift from the LSF-L if the CP analysis shows that it would provide substantial support following a default of the CBs.

We run a wind-down cash flow simulation aimed at covering the funding cost under a stress scenario in line with the credit rating. Then, we determine the percentage of principal payments received under the CBs versus their nominal amount, and assign a credit rating with an uplift from the LSF-L according to the following scale:

| % of principal recovered | Notches uplift |
|---|---|
| >= 80 | +2 |
| >= 60 but < 80 | +1 |
| < 60 | 0 |

Source: Morningstar DBRS.

## COVERED BONDS WITH PUBLIC SECTOR EXPOSURES

CBs with public-sector exposures (PSEs) deserve, in certain circumstances, a different type of analysis because of the high correlation between public-sector assets and the domicile sovereign. When the CP of PSEs is concentrated in a single domicile sovereign, this materially increases the tail-event risk such that the impact of an assumed default of that sovereign on the credit quality of the PSE pool cannot be sufficiently diversified.

We address this risk in the CPCA using the Morningstar DBRS PSE Pool Asset Model. The *Global Methodology for Rating CLOs and Corporate CDOs* provides further detail on this model in Appendix III: Modeling Assumptions for Portfolios of Public Sector Exposures.

For CBs where 20% or more of the CP is composed of public-sector assets in the same sovereign where the RE is located (host sovereign), we consider the additional risks separately. The PSE in the host sovereign can increase the likelihood that the creditworthiness of both the debtor of first recourse (the RE) and the CP will deteriorate concurrently, exposing the CB holders to higher risk. We consider that, when the host sovereign concentration is material, it can very rarely (if at all) be expected that the CB be rated over three notches above the host sovereign credit rating. However, it is possible that a higher credit rating could be achieved by disregarding the assets concentrated in the host sovereign. Furthermore, when the RE is an entity whose primary business focuses solely on the region where the assets are located, we reflect any additional risks and constraints to the credit rating.

## SOVEREIGN STRESS

A sovereign downgrade may affect factors considered in a CB credit rating, resulting in credit rating changes to the CBs:

**1. CBAP**: The LTSDR and the COR (where applicable) consider the operating environment of a banking organisation (including regulatory and supervisory regime). Accordingly, a sovereign downgrade may affect the CBAP by creating a more challenging operational environment. This can lead to downgrades of CB credit ratings. Moreover, the notching approach of the COR contemplates that the COR can surpass the sovereign credit rating by a maximum of two notches in certain cases, provided there is no systemic banking crisis, as that would likely put downward pressure on the CBAP.

**2. LSF Assessment**: The LSF assessment expresses the likelihood of a smooth transition from the issuer or RE to the CP as a source of payments on the CB. A downgrade of the domicile sovereign may affect the LSF assessment associated with a given programme and therefore cause its downgrade. In the case of a CP composed of sovereign exposures, a downgrade of the domicile sovereign may affect the LSF assessment as we assess less favourably exposures to lower-rated sovereigns. In certain circumstances, a downgrade of the host sovereign may also affect the LSF assessment.

**3. CP Credit Assessment**: A downgrade of the domicile sovereign may cause a deterioration of the CP assets. It can also trigger greater volatility in the financial markets and result in us factoring in higher levels of market value spreads into our cash flow analysis. This would in turn increase the pass-OC level for a given credit rating scenario. We may then downgrade the CB even if the level of OC to which we can give credit is unchanged, but it is now lower than the new pass-OC level.

**4. CP Support**: A downgrade of the domicile sovereign may affect the notching granted above the LSF-L.

**5. Sovereign Credit Rating**: For public-sector CBs, when 20% or more of the CP consists of PSEs concentrated in the host sovereign, a downgrade of the host sovereign may cause the CBs' credit rating to be downgraded.

## MORNINGSTAR DBRS LSF MATRICES

We consider the PD of a CB to derive from the joint probability that both the RE and CP become unable to fulfil the transaction's payment obligations, assuming that there is usually a correlation between the two instances. Separately, we assume a nonzero probability that the CB will not receive the full benefit of the cash flows from the CP rapidly enough to avert a CB default. Five LSF categories are assigned so that the probability of not receiving the CP's full benefit increases as the LSF weakens.

Accordingly, we have generated five LSF matrices for each of the LSF grades with a fixed assumption of a CB with a five-year weighted-average life. The output of our matrices (or the LSF-L) points to the credit rating level for each one of the CBAP and CP credit assessment levels for a given LSF assessment. The LSF-L does not reflect the prospect for high recoveries for the CP following a potential default of the CB, which may provide up to an additional two notches uplift to the LSF-L.

## COUNTERPARTY RISK

We generally apply the same counterparty criteria to European CBs as stated under *Legal and Derivative Criteria for European and Asia-Pacific Structured Finance Transactions*. Noticeable differences that reflect the nature of the product are detailed in this methodology.

## COVERED BONDS SURVEILLANCE

Once we assign a CB credit rating, the surveillance process begins and is continued for as long as the credit rating is maintained, via a periodic review and more frequent monitoring.

In cases where ongoing information is no longer deemed reliable or of sufficient quality, and we are unable to properly monitor the transaction, we may discontinue the existing credit rating(s).

## ENVIRONMENTAL, SOCIAL, AND GOVERNANCE FACTORS

We have developed an environmental, social, and governance (ESG) assessment framework that encompasses up to 17 ESG factors that we currently consider in our credit rating analysis. These factors are grouped into three categories—environmental, social, and governance—representing the key considerations that we commonly analyse within our ESG assessment framework. All ESG factors are generally consistent with those that global ESG stakeholders use to assess ESG factors for sustainable investing and financial risks. We consider how ESG risks affect the issuer and transaction-specific credit ratings during the life of the transaction/credit rating. As with all of our credit analysis, evaluation of the factors' impact is forward looking.

In general, we consider eight of the 17 factors in the structured finance and CBs' credit rating analysis. In addition to the eight factors that typically apply to CB transactions, investors may be exposed to other ESG factors based on whether the reference obligor or guarantor or counterparty is a government, corporate, or financial institutions entity.

ESG considerations typically arise from either the collateral backing the CBs, from transactions' counterparties, or from the CB structure.

| ENVIRONMENTAL | SOCIAL | GOVERNANCE |
|---|---|---|
| Emissions, Effluents, and Waste (G/F/C/S) | Social Impact of Products and Services (F/C/S) | Bribery, Corruption, and Political Risks (G/F/C) |
| Carbon and Greenhouse Gas (GHG) Costs (G/F/C/S)* | Human Capital and Human Rights (G/F/C/S) | Business Ethics (F/C) |
| Resource and Energy Management (G/C) | Product Governance (F/C/S) | Corporate/Transaction Governance (F/C/S) |
| Land Impact and Biodiversity (G/C) | Data Privacy and Security (F/C/S) | Institutional Strength, Governance, and Transparency (G)** |
| Climate and Weather Risks (G/F/C/S) | Occupational Health and Safety (C) | Peace and Security (G)** |
| | Community Relations (F/C) | |
| | Access to Basic Services (G/F/C) | |

*Denotes applicability to credit rating groups:
G = Governments, F = Financial Institutions, C = Corporate Finance, S = Structured Finance.
**Exclusively Government factors.

**RELATED RESEARCH**

- Rating and Monitoring Covered Bonds, March 2026.
  https://dbrs.morningstar.com/research/476961
- DBRS Morningstar's Assessment of European Jurisdictions for which Covered Bonds are Considered Systemically Important, February 2023.
  https://dbrs.morningstar.com/research/410156
- Morningstar DBRS Criteria: Approach to Environmental, Social, and Governance Factors in Credit Ratings, May 2025.
  https://dbrs.morningstar.com/research/454196
- Legal and Derivative Criteria for European and Asia-Pacific Structured Finance Transactions, November 2025.
  https://dbrs.morningstar.com/research/466839
- Legal and Derivatives Criteria for Canadian Structured Finance, June 2025.
  https://dbrs.morningstar.com/research/456831
- Interest Rate and Currency Stresses for Global Structured Finance Transactions, January 2026.
  https://dbrs.morningstar.com/research/472333
- Global Methodology for Rating CLOs and Corporate CDOs, November 2025.
  https://dbrs.morningstar.com/research/466921
- Covered Bond Markets at a Glance: Austria, March 2026.
  https://dbrs.morningstar.com/research/476270
- European Covered Bonds Outlook 2026, January 2026.
  https://dbrs.morningstar.com/research/471381
- Covered Bond Markets at a Glance: Germany, November 2025.
  https://dbrs.morningstar.com/research/466912
- Covered Bond Markets at a Glance: Slovakia, September 2025.
  https://dbrs.morningstar.com/research/462041
- Covered Bond Markets at a Glance: Finland, September 2025.
  https://dbrs.morningstar.com/research/462150
- Spanish Covered Bonds Have Come a Long Way, September 2025.
  https://dbrs.morningstar.com/research/424293

> Figure 1: Very Strong LSF

| COVERED BOND ATTACHMENT POINT | COVER POOL CREDIT ASSESSMENT | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **AAA** | **AA (high)** | **AA** | **AA (low)** | **A (high)** | **A** | **A (low)** | **BBB (high)** | **BBB** | **BBB (low)** | **BB (high)** | **BB** |
| **AAA** | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AAA |
| **AA (high)** | AAA | AAA | AAA | AAA | AAA | AAA | AAA | AA (high) | AA (high) | AA (high) | AA (high) | AA (high) |
| **AA** | AAA | AAA | AAA | AAA | AAA | AAA | AA (high) | AA | AA | AA | AA | AA |
| **AA (low)** | AAA | AAA | AAA | AAA | AAA | AA (high) | AA (high) | AA | AA | AA (low) | AA (low) | AA (low) |
| **A (high)** | AAA | AAA | AAA | AA (high) | AA (high) | AA (high) | AA | AA (low) | AA (low) | AA (low) | A (high) | A (high) |
| **A** | AAA | AAA | AAA | AA (high) | AA (high) | AA | AA | AA (low) | AA (low) | A (high) | A | A |
| **A (low)** | AAA | AA (high) | AA (high) | AA | AA | AA | AA (low) | A (high) | A (high) | A | A (low) | A (low) |
| **BBB (high)** | AA (high) | AA | AA | AA (low) | AA (low) | AA (low) | A (high) | A | A | A (low) | A (low) | A (low) |
| **BBB** | AA (high) | AA | AA (low) | AA (low) | AA (low) | A (high) | A (high) | A | A | A (low) | A (low) | BBB (high) |
| **BBB (low)** | AA | AA | AA (low) | AA (low) | A (high) | A (high) | A | A (low) | A (low) | A (low) | BBB (high) | BBB (high) |
| **BB (high)** | AA (low) | AA (low) | A (high) | A (high) | A | A (low) | A (low) | BBB (high) | BBB (high) | BBB (high) | BBB (low) | BBB (low) |
| **BB** | AA (low) | A (high) | A (high) | A | A | A (low) | A (low) | BBB (high) | BBB (high) | BBB (high) | BBB (low) | BBB (low) |
| **BB (low)** | A (high) | A (high) | A | A | A (low) | A (low) | A (low) | BBB (high) | BBB | BBB | BBB (low) | BBB (low) |
| **B (high)** | A | A | A | A (low) | A (low) | A (low) | BBB (high) | BBB | BBB | BBB (low) | BBB (low) | BB (high) |
| **B** | A (low) | A (low) | A (low) | A(low) | A (low) | A (low) | BBB (high) | BBB | BBB (low) | BBB (low) | BB (high) | BB (high) |
| **B (low)** | A (low) | A (low) | A (low) | A (low) | BBB (high) | BBB (high) | BBB (high) | BBB (low) | BBB (low) | BBB (low) | BB (high) | BB (high) |
| **CCC (high)** | BBB (high) | BBB (high) | BBB (high) | BBB (high) | BBB (high) | BBB | BBB | BBB (low) | BBB (low) | BBB (low) | BB | BB |
| **CCC** | BBB (high) | BBB (high) | BBB (high) | BBB (high) | BBB | BBB | BBB (low) | BBB (low) | BBB (low) | BBB (low) | BB | BB |
| **CCC (low)** | BBB | BBB | BBB (low) | BBB (low) | BBB (low) | BBB (low) | BBB (low) | BBB (low) | BBB (low) | BB (high) | BB | BB (low) |

Source: Morningstar DBRS.

## 4.3 FITCH RATINGS COVERED BOND RATING METHODOLOGY

By Cosme de Montpellier and Hélène Heberlein, Fitch Ratings

### INTRODUCTION

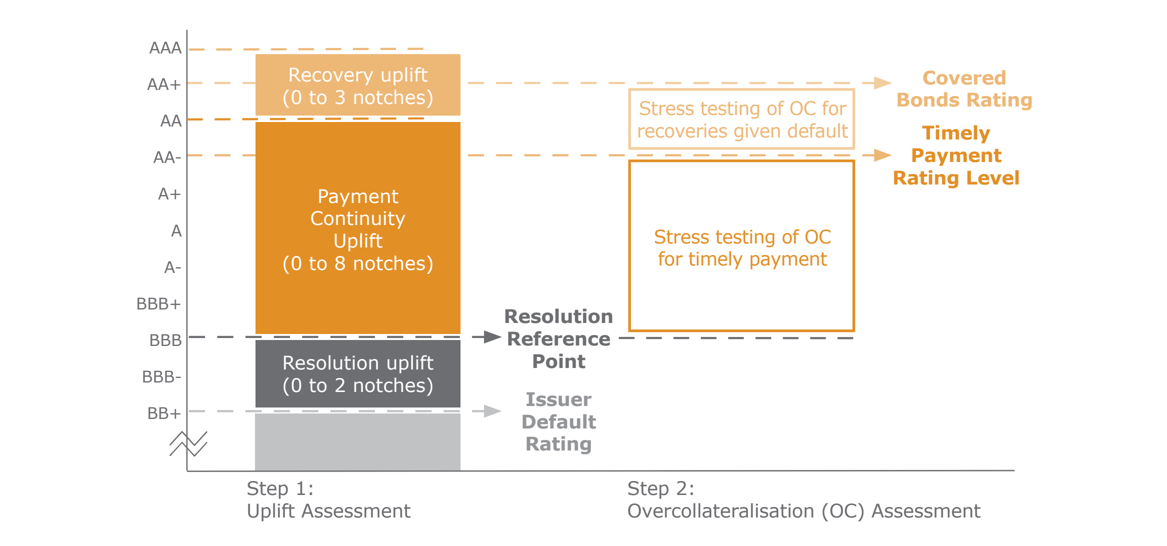
Fitch's Covered Bonds Rating Criteria focuses on the dual recourse nature of covered bonds: to a financial institution and to a pool of assets that can change over time. Our covered bond ratings address the bonds' probability of default, and following their hypothetical default, recoveries from the cover pool.

The key rating drivers for covered bond programmes are the rating of the issuer (Long Term Issuer Default Rating, or IDR), the uplift granted above the IDR, and the overcollateralisation (OC) protection.

The IDR measures the default risk on senior financial obligations to third-party creditors. Covered bonds can be rated above an issuing entity's IDR due to their privileged position over an issuer's senior debt in a resolution scenario (resolution uplift) and their collateralised nature which, in the event of an issuer default, may allow for ongoing covered bond payments (payment continuity uplift) as well as for recoveries on covered bonds assumed to be in default (recovery uplift). These form the basis of our uplift assessment above the IDR. The OC assessment consists of determining the break-even OC for a given rating and comparing it to the level of OC that can be relied upon for the programme. While the uplifts are granted irrespective of the level of OC, their use is subject to OC relied upon being sufficient to withstand the stress scenario associated with a given rating.

This is illustrated in the next graph. Often, not all notches of uplift are used. It could be because not all notches are needed to reach 'AAA', the highest rating on the Fitch scale, or due to a rating cap, such as a Country Ceiling. This creates a buffer against an issuer downgrade. In addition, the actual covered bond rating may be lower than the maximum achievable if the OC level that Fitch gives credit to in its analysis does not withstand higher stress scenarios.

> Figure 1: Fitch Covered Bond Rating Steps




Source: Fitch Ratings

## STEP 1: UPLIFT ASSESSMENT

The IDR is the starting point of the analysis as covered bonds are a full recourse instrument against their issuer, so should be rated at least as high as their issuer. It also reflects that Fitch does not completely delink the covered bonds rating from that of their issuer, as these typically retain significant flexibility in their programmes, notably in terms of cover pool replenishment, further issuances and OC levels.

Generally, Fitch only rates covered bonds if it maintains an IDR on the issuer or where a reference IDR can be determined based on expected support or guarantees. The IDR may be assigned privately, in which case Fitch will not disclose the uplift assessment when assigning the covered bonds rating.

### Resolution Uplift

The resolution uplift reflects the lower vulnerability to default of covered bonds compared to senior liabilities in a resolution scenario. It applies where Fitch believes payments will continue being made without recourse to the cover pool even if the issuer has defaulted on its senior debt. This is either because they are exempt from bail-in and the bail-in tool is expected to be used in a resolution or because we expect the covered bond programme to be transferred to another entity on a resolution. If covered bond exemption from bail-in is restricted to the value of the cover pool, a positive resolution uplift is subject to a sufficiently low risk of undercollateralisation.

The resolution uplift can be up to two notches. It is 0 notches for programmes of specialised lenders not operationally integrated with their parent, or where Fitch believes that a resolution will result in the direct enforcement of the recourse against the cover pool (see figure 2 below). The IDR increased by the notches of resolution uplift gives the "resolution reference point".

> Figure 2: Levels of Resolution Uplift

| Resolution uplift | Type of Issuers |
|---|---|
| None | > No advanced resolution framework; or<br>> No preferential treatment of covered bonds in a resolution; or<br>> Resolution is expected to result in the direct enforcement of the recourse against the cover pool; or<br>> Specialised issuing subsidiaries not operationally integrated with their parents |
| One notch | > Institutions with debt buffers that are reflected in an IDR notched up above the Viability Rating or Support Rating; or<br>> Subsidiaries of the above institutions if Fitch expects them to be resolved with their parent; or<br>> Institutions without debt buffer, if the cover pool consists of assets Fitch considers standard for the jurisdiction (unless eligible for two notches, see below) |
| Two notches | > Institutions with debt buffer where the IDR is equal to the Viability Rating or Support Rating (for example where senior debt is used to fulfill debt buffer requirements); or<br>> Subsidiaries of the above institutions if Fitch expects them to be resolved with their parent; or<br>> Institutions without debt buffer, where the covered bond programme is small and issued under a legislative framework in jurisdictions with many issuers having similar cover assets; or<br>> Institutions with deposit rating two notches above the IDR |

Source: Fitch Ratings, Fitch Solutions

## Payment Continuity Uplift (PCU)

The payment continuity uplift (PCU) expresses the degree of protection against payment interruption risk on the covered bonds if the issuer fails to meet its obligations. The PCU depends primarily on the length of the liquidity protection available in an enforcement scenario. It can be up to eight notches for programmes without refinancing risk, such as pass-through programmes. It is limited to six notches for programmes with maturity mismatches, and for which the liquidity protection for principal payments is at least for 12 months (figure 3).

The most common protections are the inclusion of liquid assets in the cover pool or maturity extension provisions on the covered bonds. The type of liquid assets that Fitch gives credit to can be found in the appendix of Fitch's covered bonds rating criteria. It includes cash held with eligible banks and highly rated securities, notably all High-Quality Liquid Assets (HQLA) level 1 and level 2A defined under the Basel framework's liquidity coverage ratio.

> Figure 3: Standard Payment Continuity Uplift

| Programme types | Effective liquidity protection for principal payments | Maximum PCU in notches |
|---|---|---|
| Pass-through programmes | Maturity date extends beyond the longest maturing asset in the cover pool[a] | Eight |
| Mortgage and public sector programmes[b] | At least 12 months | Six |
| Public sector programmes[b] | At least six months | Five |
| Mortgage programmes[b] | At least nine months | Four |
| Mortgage programmes[b] | At least six months | Three |
| Programmes with maturity mismatches | No protection | Zero |

(a) Or if an immaterial part of the cover pool matures after the last covered bonds
(b) If predominantly exposed to developed banking markets. For the purpose of the PCU, developed banking markets are defined as countries where banking plays a fundamental role in channeling funds to the domestic economy and where several non-foreign-owned lenders are active, facilitating potential portfolio transfers/sales

Source: Fitch Ratings, Fitch Solutions

In addition to principal payment protection, Fitch expects some protection for timely interest payment to grant a PCU above zero notches. We only grant a PCU above three notches if a programme has at least three months' protection for senior expenses and interest payments.

The PCU may be lowered if there are concerns about the efficiency of the interest liquidity protection. For example, if the protection consists in a liquidity buffer covering the maximum negative net outflows over a six month period, giving full credit to expected cover pool cash-flows but excluding covered bonds' principal payments that can be extended beyond six months, the buffer could be very small in practice. In such cases the maximum PCU would be four notches for a soft-bullet programme.

Payment continuity can be negatively influenced by asset segregation (for instance due to claw-back or commingling risks) and systemic or cover pool-specific alternative management (e.g. provisions for replacement and timing of the appointment of a substitute manager, scope of their responsibilities, transferability of relevant data and IT systems etc.). If Fitch considers that these risks could undermine a smooth transition from the issuer to the cover pool as a source of bond payments, the agency could grant a lower PCU than indicated above, depending on the materiality of the deficiency.

The IDR increased by the resolution uplift and PCU notches gives the maximum timely payment rating level that can be tested in Fitch's cash-flows model. Fitch discloses the rating scenario corresponding to the expectation of timely payment on covered bonds as the "timely payment rating level".

### Recovery Uplift

The recovery uplift reflects the recovery prospects on defaulted covered bonds. It can be up to two notches (three notches when applied to a non-investment grade timely payment rating level). It is limited to one notch where Fitch identifies material downside risks to recovery expectations, for instance when bonds are issued in a different currency than the assets and FX hedging agreements terminate upon a covered bonds default. Fitch only considers recoveries from the cover pool, not potential unsecured recoveries.

> FIGURE 4: RECOVERY UPLIFT

| | If rating level corresponding to expectation of timely payment is: | |
|---|---|---|
| **Recovery prospects** | **Investment grade** | **Non-investment grade** |
| Outstanding | Two | Three |
| Superior | One | Two |
| Good | One | One |
| Average | Zero | Zero |

Source: Fitch Ratings, Fitch Solutions

## STEP 2: OC ASSESSMENT

Fitch tests the timely payment of covered bonds up to the maximum level allowed by the IDR, resolution uplift and PCU, and tests for recovery given default up to the granted recovery uplift.

Fitch applies a 25% haircut to the calculated break-even OC for the ratings if the following conditions are met: the resolution reference point is 'BBB+' or above and issuers have available assets eligible for the cover pool.

### OC Supporting Timely Payment

The use of the programme's resolution uplift is usually subject to an OC of at least 0%.

Fitch uses its Covered Bonds Cash-flows Model when testing timely payment on the covered bonds in rating scenarios above the resolution reference point (the floor for the timely payment rating level). It compares stressed incoming cash flows with payments due on covered bonds. The analysis assumes that the cover pool becomes static under the supervision of a third-party manager at a simulated date, following the hypothetical transition from the issuer to the cover pool as the source of payments on the covered bonds. Cash flows are considered post-swaps, provided that these are privileged obligations and contracted with eligible counterparties. We also model any contractual features included in programme documentation, notably the Asset Coverage Test found in some programmes.

Fitch will only stress open currency exposure if it represents a residual risk, using stresses published in "Fitch's Foreign-Currency Stress Assumptions for Residual Foreign-Exchange Exposures in Covered Bonds and Structured Finance - Supplementary Data File". If the risk is material, no credit is given to the exposure.

The OC supporting timely payment is the sum of two components:

> **The Credit Loss** is the stressed loss rate on the cover pool, expressed in terms of OC (i.e. as a percentage of the bonds) and reduced by 25% if conditions mentioned above are met. Fitch uses its asset models to calculate stressed loss rates on the cover assets, derived from lifetime default rates and recoveries given default assumptions stressed for different rating cases. For each asset type and country, the same model is used across structured finance and covered bonds.

> **The ALM Loss** corresponds to risks arising from asset and liability mismatches in a programme: prepayments, interest/FX mismatches and maturity mismatches between the cover assets and the covered bonds. Cash proceeds (after factoring in stressed defaults and recoveries) are compared to privileged payments

due at each period. Excess cash is modelled to be reinvested at a stressed rate, while cash shortfalls are assumed to be bridged via asset sales. The cost of sales is calculated via the application of Fitch's Refinancing Spread Levels (RSL) on top of Fitch's stressed interest rate to discount cash flows of the cover assets. RSL are meant to cover mainly the liquidity cost and profit margin of the buyer. They can be found in Fitch's "Global Covered Bonds Refinancing Spread Levels". The modelled ALM Loss is reduced by 25% if the above-mentioned conditions are met.

**OC Supporting Recoveries Given Default**

Fitch expects a good level of recoveries, commensurate with the use of a one-notch recovery uplift, in all rating scenarios for programmes fully secured by standard assets such as mortgage loans, i.e. with an OC of at least 0%.

If a programme has an OC which matches the cover pool's Credit Loss stressed in a given rating case and reduced by 25% if the above-mentioned conditions are met, we expect the recoveries to be outstanding in the relevant rating scenario, leading to a recovery uplift of two (or three) notches.

Fitch does not stress test cash flows to assess the level of OC which sustains a given recovery uplift, because recoveries from the cover pool are not tied to any time horizon upon a covered bond default.

## RELATIONSHIP BETWEEN OC AND RATING

Fitch's break-even OC for the rating is the lowest protection that supports timely payment of covered bonds in a stress scenario associated with the timely payment rating level and meets the threshold for the applied recovery uplift. It is compared with the level of OC that Fitch relies upon in order to assign the rating.

Fitch gives credit to one of the following levels of OC:

- Legal and contractual commitments legally binding and enforceable against the issuer;
- Non-contractual public statements and/or covenants;
- The lowest level of OC recorded during the preceding 12 months, provided that the issuer's IDR is at least 'BBB-' or 'F3' and the programme is not in wind-down (i.e. when the issuer no longer focuses on eligible cover assets as part of its normal business activity).

Fitch assesses the reliability and sustainability of the OC. Furthermore, we may use another OC benchmark where OC levels over the past 12 months are not indicative of expected OC levels.

## OTHER CONSIDERATIONS: COUNTRY RISK AND COUNTERPARTY RISK

Covered bond ratings are capped at zero to six notches above the sovereign Local Currency IDR, depending on the country. In addition, the timely payment rating level of covered bonds denominated in a foreign currency is generally capped at the Country Ceiling of the country of the assets or the issuer, unless transfer and convertibility risk is mitigated (in which case the ratings cannot be higher than four notches above the Country Ceiling). If it is not mitigated, Fitch may still grant a one-notch recovery uplift above the Country Ceiling in certain circumstances (see Structured Finance and Covered Bonds Country Risk Rating Criteria).

The timely payment rating level of covered bonds can also be limited by counterparty risk considerations if the counterparties in the programme do not include minimum rating and replacement language in line with Fitch's Structured Finance and Covered Bonds Counterparty Rating Criteria. In that case, the timely payment rating level will be capped at the higher of the counterparty's rating and the resolution reference point.

## PROGRAMMES WITH LIMITED RATING UPLIFT

Fitch will rate covered bonds at or near the IDR if material limitations exist in analysing the cover pool. This will also apply when an issuer has a limited record in originating and servicing the cover assets or if there is limited visibility on its business model, raising concerns regarding asset generation to maintain OC.

In these cases, Fitch would focus its analysis on the legal or contractual framework, analysing whether assets are sufficiently ring-fenced from the rest of the issuer's balance sheet. The break-even OC for the rating would be the minimum legal or contractual OC. The recovery uplift will be limited to one notch.

## COVERED BONDS SURVEILLANCE

Fitch publishes individual surveillance workbooks for covered bond programmes and multi-issuer of cédulas hipotecarias (MICH) transactions on a quarterly basis. They include the list of information specified by the European Central Bank (ECB) in its guidelines on the implementation of the Eurosystem monetary policy framework (Guideline (EU) 2016/2298).

Each surveillance file can be accessed from the issuing entity's page on https://pro.fitchratings.com, under the Covered Bonds tab.

## ENVIRONMENTAL, SOCIAL AND GOVERNANCE (ESG) RISKS FOR COVERED BOND RATINGS

## ESG RELEVANCE SCORES

ESG Relevance Scores (ESG.RS) indicate whether an ESG factor is relevant to the credit rating. Individual E, S and G relevance scores range from '5' to '1'. A score of '5' indicates factors that have a direct impact on the rating on a standalone basis. A score of '1' indicates factors that have no credit impact or are irrelevant to the sector and the programme from a credit perspective.

### Governance Main Risk for Covered Bonds

For covered bonds, the assessment of asset segregation and payment continuity is of particular relevance. High scores are generally driven by structural issues such as lack of liquidity protection or payment continuity risks.

### Social Factors Secondary Driver

High social ESG.RS for covered bonds relate to positive influences on ratings from government-sponsored social lending schemes due to demonstrated lower loss rates, resulting in lower credit losses.

### Low Environmental Risk

Environmental aspects have not, to date, heavily influenced covered bond ratings. Financial incentives favouring sustainable or "green" assets over less sustainable assets are growing but remain limited.

More information is available at www.fitchratings.com in Fitch's ESG section.

## SUSTAINABLE FITCH RATINGS

Sustainable Fitch Ratings are assigned by Sustainable Fitch to assess an entity's or debt instrument's ESG performance and commitment. Sustainable Fitch Ratings are independent from credit ratings.

The Sustainable Fitch Ratings suite is composed of three major pillars:

**Entity Ratings (ER1-5)**: Evaluates the entity's activities from an environmental and social perspective, as well as the quality of overall environmental, social and governance policies, procedures and outcomes.

**Instrument Ratings (IR1-5)**: Evaluates the sustainability profile and impact of a debt instrument in the context of the ESG rating for the entity that has issued the debt. This enables an absolute comparison of the sustainability profile and impact of all instruments (labelled or conventional).

**Framework Ratings (FR1-5)**: For debt instruments labelled as green, social or sustainability bonds, we evaluate the quality of the use of proceeds defined in the framework, as well as the strength of the framework.

For covered bonds, the Instrument Rating is calculated based on the Entity Rating adjusted for the Framework Rating and asset assessment of the cover pool.

The ratings are on a scale from one to five, where one is the best outcome. They are derived from a more granular score from zero to 100, which is available as a dataset to investors wanting to take a more quantitative based approach.

More information is available at www.sustainablefitch.com.

**Fitch Ratings' Main Criteria Applicable to Covered Bonds**

- Covered Bonds Rating Criteria (11 May 2026)
- Originator-Specific Residential Mortgage Analysis Rating Criteria (8 November 2024)
- European RMBS Rating Criteria (11 April 2025)
- APAC Residential Mortgage Rating Criteria (25 May 2026)
- Canada Residential Mortgage Rating Criteria (20 February 2025)
- Covered Bonds and CDOs Public Entities' Asset Analysis Rating Criteria (11 September 2025)
- Structured Finance and Covered Bonds Country Risk Rating Criteria (16 June 2026)
- Structured Finance and Covered Bonds Counterparty Rating Criteria (26 June 2026)
- Structured Finance and Covered Bonds Counterparty Rating Criteria: Derivative Addendum (26 June 2026)
- Structured Finance and Covered Bonds Interest Rate Stresses Rating Criteria (24 October 2025)

## 4.4 MOODY'S COVERED BOND RATING METHODOLOGY

By Jane Soldera, Nicholas Lindstrom and Juan Pablo Soriano, Moody's Investors Service

This chapter is a high-level summary of certain aspects of Moody's covered bond methodology and environmental, social and governance risk (ESG) methodology.[1] For a full explanation of the methodologies, please refer to "Rating Methodology: Covered Bonds", 26 November 2025, and "Rating Methodology: General Principles for Assessing Environmental, Social and Governance Risks", 4 December 2025, both available at www.moodys.com. Definitions of certain terms described here can be found in "Rating Symbols and Defini-tions," available at Moodys.com.

### OVERVIEW

Moody's covered bond rating methodology involves a two-step analysis:

> Moody's Expected Loss Covered Bond Model (*EL model*): Our EL model provides an initial quantitative rating output based on a calculation of expected loss, taking into account (1) the probability that the covered bond issuer will cease making payments on the covered bonds (a *CB anchor event or issuer default*), expressed as a point on our alpha-numeric rating scale (the *CB anchor*), and (2) the estimated losses (if any) to covered bondholders should a CB anchor event occur.

  Note that a CB anchor event does not necessarily mean a failure to pay under the covered bonds; covered bond structures and legal frameworks seek to avoid this by enabling management of the cover pool so that payments continue on the bonds.

> Timely Payment Indicator (*TPI*) Framework: The TPI framework takes the rating output from the EL model and adjusts it for certain risks that could negatively impact covered bonds following a CB anchor event. In particular, we adjust for refinancing risk that occurs due to covered bond asset/liability mismatches. The TPI framework limits how many notches above the CB anchor we can assign and maintain a covered bond rating.

Ratings are assigned by a rating committee. The final covered bond rating is typically the lower of: (1) the rating output of the EL model and (2) the maximum rating possible under the TPI framework.

In some cases the rating committee may assign a lower rating due to other credit-relevant features. For example, ratings are subject to sovereign risk considerations, so would not typically exceed the sovereign ceiling.[2]

Below we elaborate further on the two steps above and their analytical sub-components.

### EL MODEL

The EL model operates on the basis that covered bondholders have recourse to both the issuer and the cover pool. The model calculates the expected loss on the covered bonds based on the probability of a CB anchor event and any subsequent losses on the cover pool.

Moody's EL model calculates expected loss on a month-by-month basis from the issue of a covered bond through to its final maturity. For each monthly period, the model calculates (1) the probability of a CB anchor event, taking into account the credit strength of the issuer and (2) the value of the cover pool, assuming the issuer has ceased making payments on the covered bonds. The results are then summed and discounted back to reach a net present value of the overall expected loss on the covered bond. We discuss each of (1) and (2) further below.

1 Information in this chapter is up to date as of 1 April 2026.

2 See "Assessing the impact of Sovereign Credit Quality on Other Ratings," 20 June 2019, available at Moodys.com. currently subject to an RFC – to be updated with new reference if new methodology is published.

## MOODY'S EL MODEL – (1) CREDIT STRENGTH OF THE ISSUER

*The issuer's credit strength is the key credit driver prior to issuer default*. Before issuer default, the issuer's credit strength will be the most important influence on the covered bond programme's performance. As long as the issuer is performing its obligations under the covered bonds we expect no loss to covered bondholders.

*The CB anchor measures the risk that the issuer will cease performing its covered bond obligations*. Moody's starting point to determine the CB anchor is typically the issuer's counterparty risk (CR) assessment.[3] The CR assessment addresses the probability of default on key obligations of a failed or failing bank, taking into account the effect of bank resolution and tools available under resolution procedures. In the case of European Economic Area (EEA) banks under resolution[4], payments on covered bonds are among key obligations likely to be honored even where losses are imposed on unsecured debt or uninsured deposits.

*CB anchor is CR assessment plus one notch, with some exceptions*. Moody's typically positions the CB anchor at the CR assessment plus one notch, subject to exceptions. Examples of exceptions are (a) we may not add any uplift to the CR assessment where the covered bond is not subject to a covered bond law and (b) we may add more than one notch of uplift if the bank is likely to have bail-in-able debt available to support covered bonds but this debt is not fully accounted for in the CR assessment.

*Other issuer benefits for covered bonds*. Our EL model also takes into account various issuer and issuer group-related benefits in addition to the issuer's CB anchor. For instance:

1. Following a CB anchor event covered bondholders may have a senior unsecured claim on the issuer that may improve recoveries.
2. The issuer will normally actively manage the cover pool for the benefit of the covered bondholders, for example by replacing defaulted assets or replacing high loan-to-value (LTV) mortgage loans with lower-LTV loans, as required by law in some cases. By doing this the issuer provides more support for the programme than if the issuer was simply a guarantor.

## MOODY'S EL MODEL – (2) VALUE OF THE COVER POOL AFTER A CB ANCHOR EVENT

To avoid losses on covered bonds following a CB anchor event, the realisable value of the cover pool, including any over-collateralisation, will need to be sufficient to cover principal and interest as they fall due on all outstanding covered bonds, and any other equal- or senior-ranking obligations. In Moody's analysis, there are three key factors affecting the value of the cover pool: (1) the credit quality of the collateral; (2) the cost of refinancing the cover pool; and (3) interest rate and currency mismatches. We describe the combined risk of refinancing the cover pool and interest rate and currency mismatches as *market risk*. In addition, we assess other risks such as legal risks whereby cover pool funds could be commingled with the issuer's funds at or after issuer default, or cover pool assets could be clawed back from the cover pool into the issuer's insolvency estate.

### Credit quality of the collateral

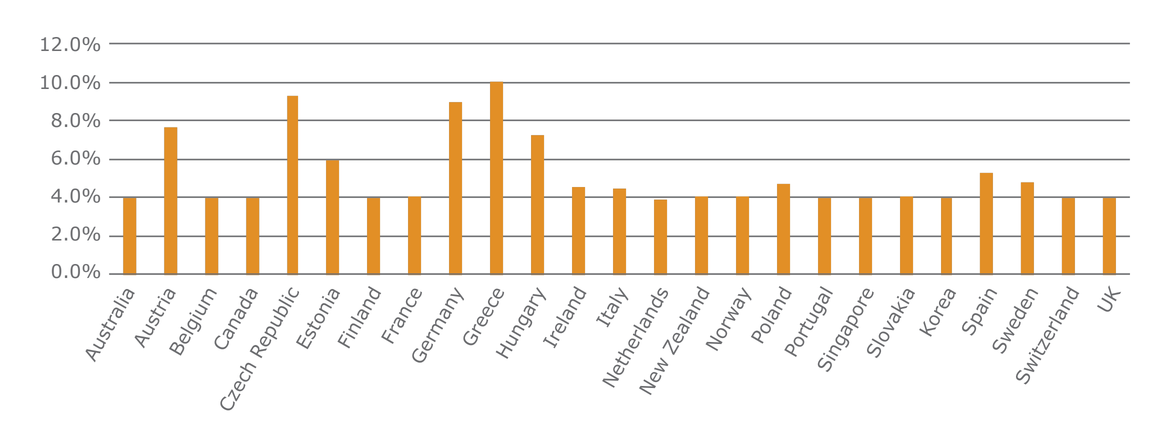
The credit quality of the cover pool is an estimate of underlying borrower loan losses that will occur in a highly stressed environment after a CB anchor event. The *collateral score* measures the actual level of loss, with a lower collateral score indicating better credit quality for the cover pool (see Figure 1).

3 The CR assessment is typically positioned at the issuer's adjusted baseline credit assessment (BCA) plus zero to three notches. For more details see the "Banks" methodology referenced at the end of this article. If the issuer has no CR assessment, we may use the CR assessment of another entity in the issuer's group with a sufficiently robust obligation to provide financial support to the issuer, or we may use an alternative rating such as the issuer's senior unsecured or deposit rating.

4 The EU Bank Recovery and Resolution Directive, as adopted in EEA countries, and the Single Resolution Mechanism Regulation, both originally adopted in 2014.

Factors that affect the collateral score vary. For residential mortgage loans – the most common collateral type – key determinants of the collateral score include the distribution of LTVs for mortgage loans across various loan and property characteristics, as well as minimum stressed loss assumptions. The credit quality of a cover pool may vary over time, as issuers typically have discretion to add and remove assets, but we monitor this by re-calculating the collateral score for most programmes on a quarterly basis.

> FIGURE 1: WEIGHTED AVERAGE COLLATERAL SCORE OF MORTGAGE-BACKED COVERED BONDS (%), SELECTED COUNTRIES




Note: Programmes where commercial and/or residential mortgage loans are the majority of assets in the cover pool. Averages weighted by outstanding volumes. Data taken from published performance overview reports referenced in Q1 2026 Sector Update.

Source: Moody's Ratings

## The cost of refinancing the cover pool

The assets in the cover pool will generally have an amortisation profile that exceeds the remaining life of the covered bonds. For example, a residential mortgage loan may amortise over 20-30 years compared to 5-10 years for a covered bond (although covered bond tenors vary widely and may fall outside this range). This mismatch means that, following a CB anchor event, funds may need to be raised against the cover pool to enable timely payment of principal on the covered bonds. Moody's EL model then assumes that funds raised to refinance the cover pool will be at a discount to the notional value of the cover pool. The refinancing environment for the assets at this time is likely to be stressed and we take this into account in the level of discount we build into our loss assumptions.

Our calculation of the expected losses to the cover pool from refinancing risk is based on three factors:

(1) The refinancing margin, which is the annualised discount rate necessary to sell or refinance the cover pool assets;

(2) The portion of the cover pool exposed to refinancing risk, which we typically assume is at least 50%; and

(3) The average life of the refinancing risk, i.e., the average amount of time a purchaser would have to hold the cover pool assets before they either repay or re-price. We typically assume this is at least five years.

We set refinancing margins by country and then adjust for individual programmes. Factors that influence the refinancing margins in our analysis vary, but key factors include (1) on a country level, sovereign credit strength; (2) on a programme and/or country level, covered bond market support, alternative liquidity such as maturity extensions and historical performance of financial assets; and (3) on a programme level, the collateral quality.

## Interest-rate and currency mismatches

Following a CB anchor event, investors in covered bonds may be exposed to interest rate and currency mismatches. These mismatches result from differences between (1) interest rates on cover pool assets and covered bonds, (2) durations of those rates, and (3) currency denomination of cover pools and covered bonds. Moody's considers the risks of both initial mismatches around the time of issuer default and subsequent mismatches at the time of refinancing.

Under Moody's EL model, the potential mismatches are estimated by taking into account:

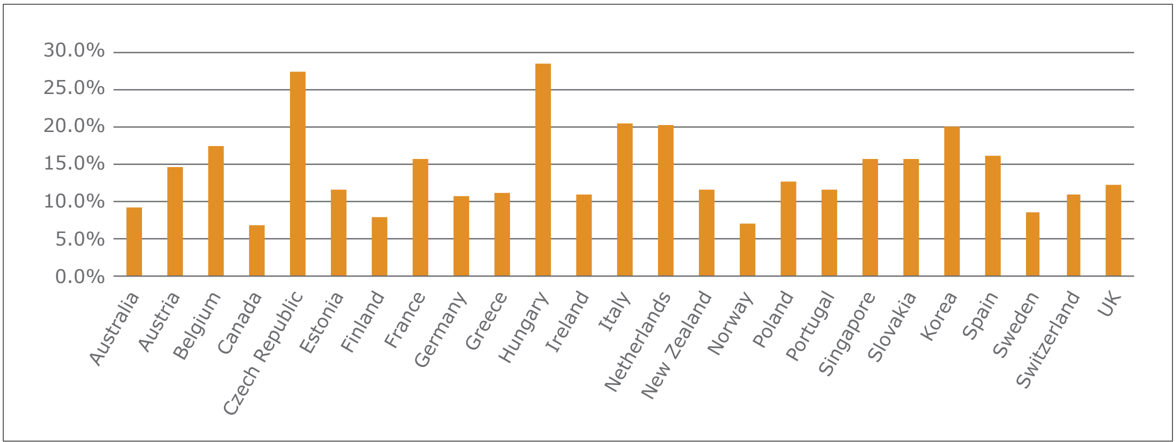
(1) the size of the possible interest rate or currency movement over the relevant period from increasing and decreasing rates/exchange rates and covering the path that leads to the greatest expected loss on the covered bonds;

(2) the portion of the assets with interest-rate or currency mismatches; and

(3) in the case of interest-rate risk, the average duration of the mismatch based on how quickly the rates or margins on the assets in the cover pool may be adjusted.

Our EL model takes into account whether derivatives hedging is in place at the time of a CB anchor event and the probability of the covered bonds subsequently becoming unhedged. After a CB anchor event, the transaction may become un-hedged following a default of either the swap counterparty or the issuer. We assess the risk of counterparty default by applying the principles outlined in our cross-sector methodology for assessing swap counterparties in structured finance.[5] We assess the risk of issuer default under a swap by assuming that if the issuer is unable to make payments on covered bonds it will similarly be unable to pay the (typically) equal-ranking swap. The risk of non-payment can therefore be estimated by the TPI (see next section). However, we do not normally assume that derivatives used to hedge interest rate and currency risk completely remove these risks from a covered bond.

> FIGURE 2: WEIGHTED AVERAGE MARKET RISK OF MORTGAGE-BACKED COVERED BONDS, SELECTED COUNTRIES




Note: Programmes where mortgage loans are the majority of assets in the cover pool. Averages weighted by outstanding volumes. Data taken from published performance overview reports referenced in Q1 2026 Sector Update.

Source: Moody's Ratings

5 "Structured Finance Counterparty Risks," [6 May 2025], available at Moodys.com.

## MOODY'S TIMELY PAYMENT INDICATORS (TPIs): LINKAGE AND DE-LINKAGE

### TPIs link the issuer, via the CB anchor, to the covered bond rating

*TPIs measure payment continuity risk.* A timely payment indicator (TPI) is Moody's assessment of the likelihood of timely payment of interest and principal to covered bondholders following a CB anchor event, when we assume the issuer can no longer make payments on the covered bonds. Instead, the entity responsible for servicing the cover pool (which, from an operational viewpoint, may continue to be the issuer) will attempt to make payments due to bondholders using funds deriving from, or proceeds raised against, the cover pool. As an alternative, timely payments might also be facilitated by third-party support for the covered bonds.

*Higher TPIs mean reduced linkage to issuer*. We express the likelihood of timely payment as a TPI level, denoted as: Very High, High, Probable-High, Probable, Improbable or Very Improbable. The higher the TPI, the higher the potential uplift of the covered bond rating over the issuer CR assessment. We publish TPI tables setting out the expected maximum covered bond ratings for different combinations of CB anchor and TPI level (see our covered bond rating methodology report referred to at the end of this chapter).

*TPI level is based on qualitative assessment*. We determine TPI levels by considering a range of qualitative factors that support or threaten timely payment. In this analysis the most important consideration – and the biggest risk to timely payment for most covered bonds – is the existence of refinancing risk. Refinancing risk is highly volatile, hence the TPI framework ensures that our highest ratings can only be maintained for covered bonds subject to material refinancing risk if the bonds are also backed by a highly-rated issuer. A further important consideration is the issuer's ability to alter programme assets and liabilities, and structural features.

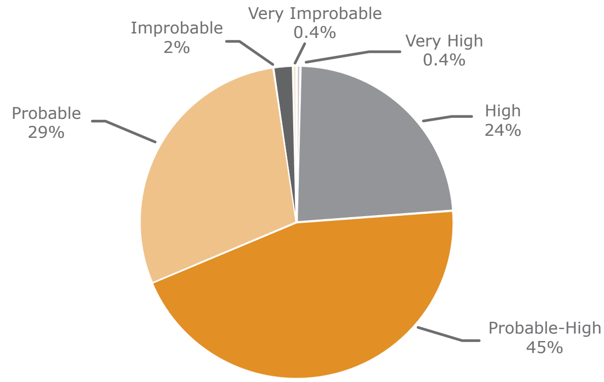
*TPIs consider jurisdiction and programme-level factors*. We determine a benchmark TPI for the issuer's jurisdiction and then adjust for programme level factors.

On the jurisdiction level, if the issuer fails a key consideration for refinancing risk is whether other market participants, or the relevant authorities, might arrange for covered bonds to be transferred to a replacement issuer to enable the programme to continue with minimal disruption. Alternatively, market participants or authorities may provide or facilitate some form of funding liquidity. Important considerations here are the strength of the covered bond market and regulatory framework.

On the programme level, we may then adjust TPIs to reflect particular aspects of a specific programme. Factors that we consider relevant to TPI levels at the programme level include: (1) cover pool collateral quality (2) arrangements for continuity of servicing and cash management; (3) the risk that any relevant swaps might be terminated; (4) the risk of acceleration of the covered bonds; (5) over-collateralisation levels; and (6) the possibility of extending bond maturities.

We will normally determine a rating ceiling based on the TPI table but we may make further adjustments, particularly if the issuer's CR assessment is low- or below-investment grade. For CR assessments below investment grade, the TPI table provides a range of potential outcomes, with the final rating depending on case by case analysis.

> FIGURE 3: TPI DISTRIBUTION ACROSS COVERED BOND PROGRAMMES




Source: Moody's Ratings, data as referenced in Q1 2026 Sector Update.

**TPI De-linkage**

Covered bonds can be TPI "de-linked". TPI de-linkage implies a reduced level of credit linkage between the issuer and the covered bonds that is broadly analogous to the credit linkage between a securitisation originator and senior securitisation notes. For Moody's to consider a covered bond as TPI de-linked, we would consider whether refinancing risk and the risks around the role of the issuer have been reduced to a level consistent with a securitization of comparable assets.

**INTEGRATION OF ESG RISKS**

Moody's seeks to incorporate all material credit considerations into our covered bond ratings and this includes ESG risks. A number of ESG considerations[6] could impact covered bonds. Environmental risks that may be relevant include carbon transition risks such as energy efficiency regulations and the insurance costs of physical climate risks affecting commercial property. Social risks could include borrower-friendly measures such as eviction bans, foreclosure limitations, and payment moratoriums that could impair residential mortgage loan repayments. Governance risks for covered bonds may reflect risks at the issuer level but are typically mitigated by covered bond laws.

Moody's ESG methodology describes two frameworks for analyzing ESG credit impact that we have implemented for covered bonds:

(1) *Issuer profile scores* (IPS) indicate the respective E, S or G exposures of a covered bond programme. IPS are expressed on a numeric scale from E-1/S-1/G-1 (Positive) to E-5/S-5/G-5 (Very Highly Negative).

(2) *Credit impact scores* (CIS) indicate the impact of ESG considerations on a given covered bond rating and are expressed on a scale of 1 to 5. For example, a score of CIS-2 would indicate that ESG attributes have an overall neutral-to-low (i.e. nonmaterial) impact on the current rating.

6 For details on ESG categories see our ESG rating methodology report referred to at the end of this chapter.

**References (all available at www.moodys.com):**

- > Rating Methodology – Covered Bonds; [26 November 2025]
- > Rating Methodology - General Principles for Assessing Environmental, Social and Governance Risks; [4 December 2025]
- > Rating Methodology – Banks Methodology; [17 November 2025]
- > Covered bonds – Sector update, published quarterly
- > Country Ceilings Methodology; 7 December 2020
- > Covered Bond Legal Frameworks: Moody's Legal Checklist; 9 December 2005

© 2026 Moody's Corporation, Moody's Investors Service, Inc., Moody's Analytics, Inc. and/or their licensors and affiliates (collectively, "MOODY'S"). All rights reserved.

CREDIT RATINGS ISSUED BY MOODY'S CREDIT RATINGS AFFILIATES ARE THEIR CURRENT OPINIONS OF THE RELATIVE FUTURE CREDIT RISK OF ENTITIES, CREDIT COMMITMENTS, OR DEBT OR DEBT-LIKE SECURITIES, AND MATERIALS, PRODUCTS, SERVICES AND INFORMATION PUBLISHED OR OTHERWISE MADE AVAILABLE BY MOODY'S (COLLECTIVELY, "MATERIALS") MAY INCLUDE SUCH CURRENT OPINIONS. MOODY'S DEFINES CREDIT RISK AS THE RISK THAT AN ENTITY MAY NOT MEET ITS CONTRACTUAL FINANCIAL OBLIGATIONS AS THEY COME DUE AND ANY ESTIMATED FINANCIAL LOSS IN THE EVENT OF DEFAULT OR IMPAIRMENT. SEE APPLICABLE MOODY'S RATING SYMBOLS AND DEFINITIONS PUBLICATION FOR INFORMATION ON THE TYPES OF CONTRACTUAL FINANCIAL OBLIGATIONS ADDRESSED BY MOODY'S CREDIT RATINGS. CREDIT RATINGS DO NOT ADDRESS ANY OTHER RISK, INCLUDING BUT NOT LIMITED TO: LIQUIDITY RISK, MARKET VALUE RISK, OR PRICE VOLATILITY. CREDIT RATINGS, NON-CREDIT ASSESSMENTS ("ASSESSMENTS"), AND OTHER OPINIONS INCLUDED IN MOODY'S MATERIALS ARE NOT STATEMENTS OF CURRENT OR HISTORICAL FACT. MOODY'S MATERIALS MAY ALSO INCLUDE QUANTITATIVE MODEL-BASED ESTIMATES OF CREDIT RISK AND RELATED OPINIONS OR COMMENTARY PUBLISHED BY MOODY'S ANALYTICS, INC. AND/OR ITS AFFILIATES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT CONSTITUTE OR PROVIDE LEGAL, COMPLIANCE, INVESTMENT, FINANCIAL OR OTHER PROFESSIONAL ADVICE, AND MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT AND DO NOT PROVIDE RECOMMENDATIONS TO PURCHASE, SELL, OR HOLD PARTICULAR SECURITIES. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS DO NOT COMMENT ON THE SUITABILITY OF AN INVESTMENT FOR ANY PARTICULAR INVESTOR. MOODY'S ISSUES ITS CREDIT RATINGS, ASSESSMENTS AND OTHER OPINIONS AND PUBLISHES OR OTHERWISE MAKES AVAILABLE ITS MATERIALS WITH THE EXPECTATION AND UNDERSTANDING THAT EACH INVESTOR WILL, WITH DUE CARE, MAKE ITS OWN STUDY AND EVALUATION OF EACH SECURITY THAT IS UNDER CONSIDERATION FOR PURCHASE, HOLDING, OR SALE. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS, AND MATERIALS ARE NOT INTENDED FOR USE BY RETAIL INVESTORS AND IT WOULD BE RECKLESS AND INAPPROPRIATE FOR RETAIL INVESTORS TO USE MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS OR MATERIALS WHEN MAKING AN INVESTMENT DECISION. IF IN DOUBT YOU SHOULD CONTACT YOUR FINANCIAL OR OTHER PROFESSIONAL ADVISER. ALL INFORMATION CONTAINED HEREIN IS PROTECTED BY LAW, INCLUDING BUT NOT LIMITED TO, COPYRIGHT LAW, AND NONE OF SUCH INFORMATION MAY BE COPIED OR OTHERWISE REPRODUCED, REPACKAGED, FURTHER TRANSMITTED, TRANSFERRED, DISSEMINATED, REDISTRIBUTED OR RESOLD, OR STORED FOR SUBSEQUENT USE FOR ANY SUCH PURPOSE, IN WHOLE OR IN PART, IN ANY FORM OR MANNER OR BY ANY MEANS WHATSOEVER, BY ANY PERSON WITHOUT MOODY'S PRIOR WRITTEN CONSENT. FOR CLARITY, NO INFORMATION CONTAINED HEREIN MAY BE USED TO DEVELOP, IMPROVE, TRAIN OR RETRAIN ANY SOFTWARE PROGRAM OR DATABASE, INCLUDING, BUT NOT LIMITED TO, FOR ANY ARTIFICIAL INTELLIGENCE, MACHINE LEARNING OR NATURAL LANGUAGE PROCESSING SOFTWARE, ALGORITHM, METHODOLOGY AND/OR MODEL. MOODY'S CREDIT RATINGS, ASSESSMENTS, OTHER OPINIONS AND MATERIALS ARE NOT INTENDED FOR USE BY ANY PERSON AS A BENCHMARK AS THAT TERM IS DEFINED FOR REGULATORY PURPOSES AND MUST NOT BE USED IN ANY WAY THAT COULD RESULT IN THEM BEING CONSIDERED A BENCHMARK. All information contained herein is obtained by MOODY'S from sources believed by it to be accurate and reliable. Because of the possibility of human or mechanical error as well as other factors, however, all information contained herein is provided "AS IS" without warranty of any kind. MOODY'S adopts all necessary measures so that the information it uses in assigning a credit rating or assessment is of sufficient quality and from sources MOODY'S considers to be reliable including, when appropriate, independent third-party sources. However, MOODY'S is not an auditor and cannot in every instance independently verify or validate information received in the credit rating or assessment process or in preparing its Materials. To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability to any person or entity for any indirect, special, consequential, or incidental losses or damages whatsoever arising from or in connection with the information contained herein or the use of or inability to use any such information, even if MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers is advised in advance of the possibility of such losses or damages, including but not limited to: (a) any loss of present or prospective profits or (b) any loss or damage arising where the relevant financial instrument is not the subject of a particular credit rating or assessment assigned by MOODY'S. To the extent permitted by law, MOODY'S and its directors, officers, employees, agents, representatives, licensors and suppliers disclaim liability for any direct or compensatory losses or damages caused to any person or entity, including but not limited to by any negligence (but excluding fraud, willful misconduct or any other type of liability that, for the avoidance of doubt, by law cannot be excluded) on the part of, or any contingency within or beyond the control of, MOODY'S or any of its directors, officers, employees, agents, representatives, licensors or suppliers, arising from or in connection with the information contained herein or the use of or inability to use any such information. NO WARRANTY, EXPRESS OR IMPLIED, AS TO THE ACCURACY, TIMELINESS, COMPLETENESS, MERCHANTABILITY OR FITNESS FOR ANY PARTICULAR PURPOSE OF ANY CREDIT RATING, ASSESSMENT, OTHER OPINION OR INFORMATION IS GIVEN OR MADE BY MOODY'S IN ANY FORM OR MANNER WHATSOEVER. Moody's Investors Service, Inc., a wholly-owned credit rating agency subsidiary of Moody's Corporation ("MCO"), hereby discloses that most issuers of debt securities (including corporate and municipal bonds, debentures, notes and commercial paper) and preferred stock rated by Moody's Investors Service, Inc. have, prior to assignment of any credit rating, agreed to pay Moody's Investors Service, Inc. for credit ratings opinions and services rendered by it. MCO and all MCO entities that issue ratings under the "Moody's Ratings" brand name ("Moody's Ratings"), also maintain policies and procedures to address the independence of Moody's Ratings' credit ratings and credit rating processes. Information regarding certain affiliations that may exist between directors of MCO and rated entities, and between entities who hold credit ratings from Moody's Investors Service, Inc. and have also publicly reported to the SEC an ownership interest in MCO of more than 5%, is posted annually at ir.moodys.com under the heading "Investor Relations — Corporate Governance — Charter and Governance Documents - Director and Shareholder Affiliation Policy." Moody's SF Japan K.K., Moody's Local AR Agente de Calificación de Riesgo S.A., Moody's Local BR Agência de Classificação de Risco LTDA, Moody's Local MX S.A. de C.V, I.C.V., Moody's Local PE Clasificadora de Riesgo S.A., Moody's Local PA Calificadora de Riesgo S.A., Moody's Local CR Calificadora de Riesgo S.A., Moody's Local ES S.A. de CV Clasificadora de Riesgo, Moody's Local RD Sociedad Calificadora de Riesgo S.R.L. and Moody's Local GT S.A.(collectively, the "Moody's Non-NRSRO CRAs") are all indirectly wholly-owned credit rating agency subsidiaries of MCO. None of the Moody's Non-NRSRO CRAs is a Nationally Recognized Statistical Rating Organization. Additional terms for Australia only: Any publication into Australia of this document is pursuant to the Australian Financial Services License of MOODY'S affiliate, Moody's Investors Service Pty Limited ABN 61 003 399 657AFSL 336969 and/or Moody's Analytics Australia Pty Ltd ABN 94 105 136 972 AFSL 383569 (as applicable). This document is intended to be provided only to "wholesale clients" within the meaning of section 761G of the Corporations Act 2001. By continuing to access this document from within Australia, you represent to MOODY'S that you are, or are accessing the document as a representative of, a "wholesale client" and that neither you nor the entity you represent will directly or indirectly disseminate this document or its contents to "retail clients" within the meaning of section 761G of the Corporations Act 2001. MOODY'S credit rating is an opinion as to the creditworthiness of a debt obligation of the issuer, not on the equity securities of the issuer or any form of security that is available to retail investors. Additional terms for India only: Moody's credit ratings, Assessments, other opinions and Materials are not intended to be and shall not be relied upon or used by any users located in India in relation to securities listed or proposed to be listed on Indian stock exchanges. Additional terms with respect to Second Party Opinions and Net Zero Assessments (as defined in Moody's Ratings Rating Symbols and Definitions): Please note that neither a Second Party Opinion ("SPO") nor a Net Zero Assessment ("NZA") is a "credit rating". The issuance of SPOs and NZAs is not a regulated activity in many jurisdictions, including Singapore. EU: In the European Union, each of Moody's Deutschland GmbH and Moody's France SAS provide services as an external reviewer in accordance with the applicable requirements of the EU Green Bond Regulation. JAPAN: In Japan, development and provision of SPOs and NZAs fall under the category of "Ancillary Businesses", not "Credit Rating Business", and are not subject to the regulations applicable to "Credit Rating Business" under the Financial Instruments and Exchange Act of Japan and its relevant regulation. PRC: Any SPO: (1) does not constitute a PRC Green Bond Assessment as defined under any relevant PRC laws or regulations; (2) cannot be included in any registration statement, offering circular, prospectus or any other documents submitted to the PRC regulatory authorities or otherwise used to satisfy any PRC regulatory disclosure requirement; and (3) cannot be used within the PRC for any regulatory purpose or for any other purpose which is not permitted under relevant PRC laws or regulations. For the purposes of this disclaimer, "PRC" refers to the mainland of the People's Republic of China, excluding Hong Kong, Macau and Taiwan.

## 4.5 S&P GLOBAL RATINGS METHODOLOGY FOR RATING COVERED BONDS

By Antonio Farina and Stuart Clements, S&P Global Ratings

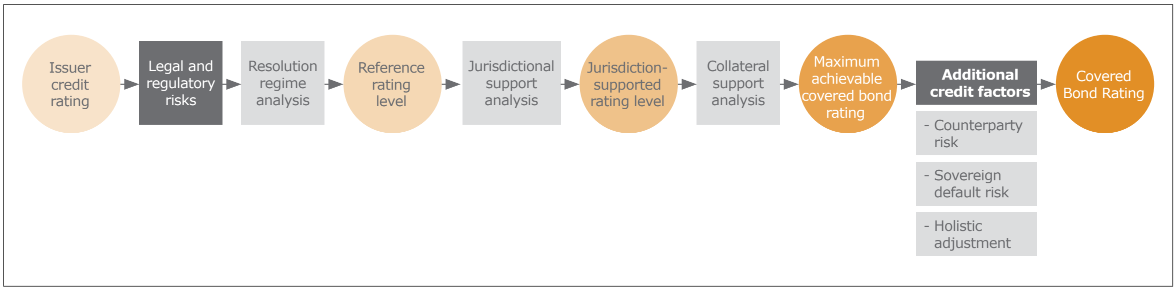
S&P Global Ratings' covered bonds rating approach is explained in its "Methodology For Rating Covered Bonds," published on 25 July 2025 and available on the S&P Capital IQ platform and at www.spglobal.com/ratings.

S&P Global Ratings' framework for analyzing and rating covered bonds follows five main steps (see Figure 1):

1. We start with our issuer credit rating (ICR) on the issuer and consider legal and regulatory risks to determine whether the covered bonds may be rated higher than the issuer.
2. We then assess the relevant resolution regime to determine the reference rating level (RRL).
3. We assess the likelihood and potential amount of support provided by external sources – such as governments or central banks – that could enhance the program's creditworthiness, and this determines the jurisdiction-supported rating level (JRL).
4. Next, we analyze the collateral support, focusing on cover pool-specific factors – such as the asset credit quality, payment structure and cash flow mechanics, and operational and administrative risks – to determine the maximum achievable covered bond rating.
5. We combine the results of the above and incorporate any additional factors, specifically counterparty risk and sovereign default risk as well as any holistic adjustment, to assign the final covered bond rating.

The outcome of our rating analysis is a rating on the covered bond programme and the bonds issued under the programme. Our quarterly "Global Covered Bond Insights" report summarises the key rating factors, including credit and cash-flow indicators of the programmes that we rate (see www.spglobal.com/ratings).

> FIGURE 1: THE MAIN STEPS IN ANALYSING COVERED BONDS




Copyright © 2026 by Standard & Poor's Financial Services LLC. All rights reserved.
Source: S&P Global Ratings

### LEGAL AND REGULATORY RISKS ANALYSIS

The assessment of legal and regulatory risks focuses primarily on the degree to which a covered bond programme isolates the cover pool assets from the bankruptcy or insolvency risk of the issuer. If the asset isolation analysis concludes that covered bonds are not likely to be affected by the bankruptcy or insolvency of the issuer, then we may assign a rating to the covered bonds that is higher than the rating on the issuer.

We typically review the following legal aspects when assigning a rating to a covered bond programme:

> The nature of the segregation of the assets and cash flows if the issuer becomes insolvent;

> Whether there is any acceleration of payments to noteholders if the issuer becomes insolvent – whether payments of interest and principal will continue in accordance with the original terms of the covered bonds;

> Whether there is any payment moratorium or forced restructuring of the programme or the covered bonds if the issuer becomes insolvent; whether there are any limits to overcollateralisation levels, i.e., if a programme may overcollateralise its covered bonds above the minimum limit defined under the legislation or the programme documents, and whether this additional overcollateralisation is available to the covered bondholders, notwithstanding any issuer insolvency;
> The treatment of any hedging agreements if the issuer becomes insolvent;
> Whether the programme can access funding if the issuer becomes insolvent; and
> The management of the cover pool both before and after the issuer becomes insolvent.

**RESOLUTION REGIME ANALYSIS**

Our criteria recognise that effective resolution regimes that exempt covered bonds from bail-in like the EU's Bank Recovery and Resolution Directive (BRRD) can increase the likelihood that an issuer can continue to service its covered bonds despite its own insolvency and defaulting on its senior unsecured obligations. Should an issuer become insolvent and thereupon be subject to a resolution regime that excludes covered bonds from the issuer's insolvency proceedings, our assessment of the likelihood that the issuer would still service the programme's covered bonds without receiving support from the jurisdiction or reverting to a sale of programme assets determines the RRL.

In countries subject to effective resolution regimes, depending on our assessment of the systemic importance of the covered bond programmes in that country, the RRL may be up to two notches above the ICR. This RRL reflects our view of the increased likelihood that the issuer will service its covered bonds even if insolvent. For countries without an effective resolution regime that exempts covered bonds from bail-in, our criteria specify that we set the RRL at a level equal to our ICR on the issuer.

**JURISDICTIONAL SUPPORT ANALYSIS**

If the issuer becomes insolvent, fails to return to being a going concern following resolution proceedings, and is unable or unwilling to service the programme, the programme administrator would turn to sources other than the issuer to meet payments due and mitigate the refinancing risk. In our opinion, jurisdictional support would likely be forthcoming in countries with a robust covered bond statutory and regulatory framework and where covered bonds play a systemically important role in government policy.

The criteria reference the support of a "jurisdiction" rather than a "government." This is because we believe support may come through direct government intervention such as from a central bank; indirect intervention such as a government's use of private-sector mechanisms to provide support; or through trustees, administrators, or other parties acting to protect covered bonds according to specific laws or other requirements.

Under our criteria, we consider the likelihood for the provision of government support when the cost of a failed covered bond programme to an economy and financial system would be considered greater than the cost of providing support. The criteria establish a four-point classification of jurisdictional support of "very strong," "strong," "moderate," and "weak". Depending on our assessment, the criteria provide for a potential rating uplift of up to three notches above the programme's RRL. This rating uplift reflects the strength of jurisdictional support that we believe might be forthcoming.

This JRL is our assessment of the creditworthiness of a covered bond programme once we have considered jurisdictional support for the programme, but before giving benefit to the programme administrator's ability to access other refinancing sources.

## COLLATERAL SUPPORT ANALYSIS

We then consider to what extent overcollateralisation enhances the creditworthiness of a covered bond issuance by allowing the programme cover pool to raise funds from a broader range of investors and so address its refinancing needs. This overcollateralisation may cover the credit risk only, that is the expected losses incurred by the cover pool in a stressed scenario such as where defaults on underlying assets in the cover pool exceed assumed amounts, or such credit risk plus the refinancing costs, that is, the additional collateral required to raise funds against its assets to repay maturing covered bonds (due to the mismatch between assets and liabilities). We refer to this as "collateral-based uplift".

Our analysis starts with the calculation under our criteria of the credit enhancement for each notch of collateral-based uplift to meet a specific rating level for the programme. This is a function of the maximum number of notches of rating uplift for collateral, i.e., the maximum collateral-based uplift, and the "target credit enhancement" (TCE), which is the level of overcollateralisation that is commensurate with this maximum collateral-based uplift (see Figure 2).

We then compare the required credit enhancement with the available credit enhancement to calculate the "potential collateral-based uplift". We adjust this uplift for liquidity risk and uncommitted overcollateralisation to arrive at the maximum achievable covered bond rating.

The "maximum collateral-based uplift" for a given covered bond programme depends on our view about the presence of active secondary markets for the cover pool assets. In particular, we may allow up to four notches of collateral-based uplift above the JRL for overcollateralisation covering credit risk and refinancing costs where we believe active secondary markets exist to enable the program to raise funds against its assets. Alternatively, we may allow up to two notches of collateral-based uplift above the covered bond programme's JRL for overcollateralisation to cover credit risk only, in jurisdictions that we do not believe have a sufficiently active secondary market to enable the covered bond programme to raise funds against its assets.

Figure 2 below shows the credit enhancement necessary to achieve each additional notch of uplift above the RRL, before adjusting for liquidity risk and uncommitted overcollateralisation.

> FIGURE 2: DETERMINING THE POTENTIAL COLLATERAL-BASED UPLIFT

| Uplift above the JRL | Commensurate credit enhancement |
|---|---|
| One notch | Credit risk at a level of stress equal to JRL + one rating category |
| Two notches | Credit risk at a level of stress equal to JRL + two rating categories |
| Three notches | Credit risk at a 'AAA' level of stress + 50% of the refinancing costs* |
| Four notches | Credit risk at a 'AAA' level of stress + 100% of the refinancing costs* |

* For the purpose of these calculations, we floor refinancing costs at zero.

Note: This applies to programmes with no adjustments for liquidity or uncommitted overcollateralisation and assuming that a secondary market for the cover pool assets exists to cover refinancing costs. N/A—Not applicable.
Source: S&P Global Ratings

## Operational and administrative risks

Our operational and administrative risks analysis focuses on individual transaction parties to assess whether they can manage a covered bond programme while bonds remain outstanding.

The primary transaction party in a covered bond programme is the issuer which it is why we perform a risk analysis on its origination, underwriting, and servicing operations.

While the issuer is the manager, we apply a forward-looking assessment of the issuer's maintenance of credit support and the management of a program's asset-liability mismatch risk. This means, for example, that in our collateral support analysis, we consider collateralization levels that we believe are likely to be maintained by the issuer. If we believe that current collateralization levels might not be maintained, we may assume a lower level of available credit enhancement in our rating analysis.

In our cash flow analysis, we may also take a forward-looking view about the way the liability structure (including up to two-year issuance plans, if there is enough visibility), the timing of covered bond maturities, and the resulting asset-liability maturity mismatch are likely to affect the program's refinancing risk and the level of credit enhancement needed to redeem the covered bonds.

**Credit risk analysis**

We analyze the underlying cover pools to form a view on the expected stressed asset performance using jurisdiction- and asset-specific assumptions. These cover pool assets typically contain residential mortgage loans, public sector bonds and loans, or some other form of high credit-quality collateral. The credit analysis also incorporates issuer-specific aspects, such as the impact of its underwriting policies or its collateral management.

**Refinancing risk analysis**

We model refinancing risk by applying an additional asset dependent "spread shock" when calculating a stressed net-present value of the cash flows of the assets to be sold. In our calculation of the TCE, we also incorporate asset default stresses (including any amounts for counterparty risks that are not structurally mitigated) and any interest and currency stresses that are not appropriately hedged.

After comparing the required credit enhancement with the available credit enhancement to calculate the "potential collateral-based uplift", we adjust this uplift for liquidity risk and uncommitted overcollateralisation to arrive at the maximum achievable covered bond rating.

We reduce the collateral-based uplift by one notch if the programme does not benefit from at least six months of liquidity. This adjustment reflects our view that accessing the market to raise funds against the assets may take time, during which the bonds may be exposed to payment disruption.

We consider the issuer's overcollateralisation commitment, reducing the potential collateral-based uplift when we believe there is a risk that the overcollateralisation level, on which we base our analysis, may decrease over time.

**Delinked Covered Bond Ratings**

A covered bond rating is delinked from the RRL of the issuing bank when the programme structurally has no mismatch between assets and liabilities and the covered bond's overcollateralisation is legally or contractually committed. In this case, we determine the rating according to whether the available credit enhancement is sufficient to pass our stress scenarios. In other words, we do not cap it as a function of the issuer's RRL or a predetermined level of rating uplift.

**ADDITIONAL CREDIT FACTORS**

Finally, in addition to the analysis of the risks outlined above, we review any counterparty or sovereign default risks. These risks might constrain the achievable covered bond rating even if sufficient overcollateralisation to cover other risks exists. Therefore, we analyse whether these risks would limit the maximum achievable covered bond rating as determined, based on the previous steps of the analysis. We may also consider additional credit factors that affect the covered bonds' creditworthiness through a final holistic adjustment.

**Counterparty risks**

We consider exposures to counterparties that either hold assets or make financial payments that support the covered bonds' creditworthiness. These can be non-derivative exposures (such as those to bank account providers) or derivative exposures (for example, interest rate or currency swaps). In certain cases, counterparty risk arising from these exposures may limit the rating we assign to a covered bond program unless we believe there exist mitigating factors.

We also consider that counterparty risk may be mitigated by the counterparty's commitments to take remedy actions upon a downgrade below a certain rating threshold and the issuer's incentive to support or initiate a downgraded counterparty's replacement. Based on our assessment of these remedies, we determine the degree to which the covered bonds may be rated higher than the counterparty.

The counterparty exposure may be fully mitigated – structurally or through available collateral, for example – such that the rated bonds are not exposed to any loss or liquidity risk in the case of a counterparty default. In this case, the counterparty risk doesn't limit the covered bond rating.

In other cases, we determine that the materiality of the exposure to the counterparty is too great to be mitigated by remedies implemented upon a downgrade. If so, the maximum supported rating is no higher than the rating on the counterparty. To assess whether this is the case, we consider the exposure's nature, size and duration.

**Sovereign default risk**

We also analyse the underlying assets' and programme's sensitivity to country and sovereign default risk and the asset portfolio's diversification by jurisdiction. For covered bonds exposed to refinancing risk, we assign up to six notches of uplift above the sovereign rating.

We determine the maximum rating differential between sovereign and covered bond ratings based on the sovereign rating level and the covered bond programme's country-risk exposure. This assessment caps any potential further rating uplift typically available under our covered bonds criteria.

**Holistic adjustment**

We may apply an adjustment of one notch in either direction to arrive at the final rating on a covered bond, capturing a more holistic view of its creditworthiness. We assess the potential for such an adjustment based on an analysis of the creditworthiness of a given covered bond program compared to its peers.

This adjustment can be made to address credit factors that are not accounted for or not fully captured in these criteria, when these credit factors influence the covered bond's credit quality. An example is when several of our individual assessments in applying these criteria are close to the next higher assessment level, without material offsetting negative factors, the cumulative effect of which is a higher rating on the covered bonds.

## OUTLOOKS

We assign outlooks under our criteria to all covered bond ratings that are linked to the issuer's creditworthiness. These outlooks provide a view about potential for a rating change and its direction over the intermediate term. The covered bond outlooks are closely aligned to the outlooks on the issuers, the level of ratings uplift achieved, as well as potential rating changes due to the performance of the collateral.

## ESG CREDIT FACTORS

In our environmental, social, and governance (ESG) credit ratings criteria (see "Environmental, Social, And Governance Principles In Credit Ratings," published on Oct. 10, 2021), we articulate the principles that we apply to incorporate ESG credit factors into our credit rating analysis. These criteria define ESG credit factors as those factors that can materially influence the creditworthiness of a rated entity or issue and for which we have sufficient visibility and certainty to include in our credit rating analysis. We note that when sufficiently material to affect our view of creditworthiness, ESG credit factors can influence credit ratings.

We assess ESG factors through our applicable criteria, including our covered bonds criteria. Under these criteria, we uplift the covered bond rating from the ICR on the issuing entity, which may be affected by financial and nonfinancial factors, including ESG considerations. We then determine the maximum achievable covered bond rating from an analysis of jurisdictional and cover pool-specific factors. Therefore, the issuer's ESG factors constitute the starting point for our assessment of the ESG factors affecting rated covered bond programmes.

Although ESG credit factors can influence our assessment of any analytical component in our ratings analysis, they are most likely to influence (when material) our collateral support analysis and the ICR on the issuing entity. ESG factors can influence ratings, outlooks, the credit enhancement required for the assigned rating, and the number of unused notches – the number of notches the issuer rating can be lowered without resulting in a downgrade of the covered bonds. Environmental and social factors typically affect the quality of the assets in the cover pool and the results of our collateral analysis. Therefore, we would typically not identify any positive or negative environmental or social factors in our covered bond analysis if we are not assigning any collateral-based uplift, as our analysis would be based on other factors such as the issuing entity's credit quality and the analysis of the resolution regime or jurisdictional support. Governance factors, on the other hand, usually affect the rating uplift that we assign to a covered bond programme above the ICR on the issuing entity.

**Related S&P Global Ratings' Criteria**

- Methodology For Rating Structured Finance Securities Above The Sovereign, Apr. 10, 2026
- Methodology For Rating Covered Bonds, July 10, 2025
- S&P Global Ratings Definitions, Dec. 2, 2024
- Global Methodology and Assumptions: Assessing Pools of Residential Loans, Jan. 25, 2019
- Methodology and Assumptions: Analyzing European Commercial Real Estate Collateral In European Covered Bonds, March 31, 2015
- Methodology and Assumptions for Assessing Portfolios of International Public Sector And Other Debt Obligations Backing Covered Bonds And Structured Finance Securities, Dec. 9, 2014

## 4.6 SCOPE RATINGS COVERED BONDS RATING METHODOLOGY

By Karlo Fuchs and Mathias Pleißner, Scope Ratings

### SUMMARY

Scope Ratings Covered Bonds Rating Methodology[1] provides the framework on how we rate covered bonds and other dual-recourse instruments, including 'European covered bonds' issued under Directive (EU) 2019/2162. The methodology reflects the robust prudential standards governing these instruments and incorporates the benefits associated with their enhanced regulatory and supervisory framework.

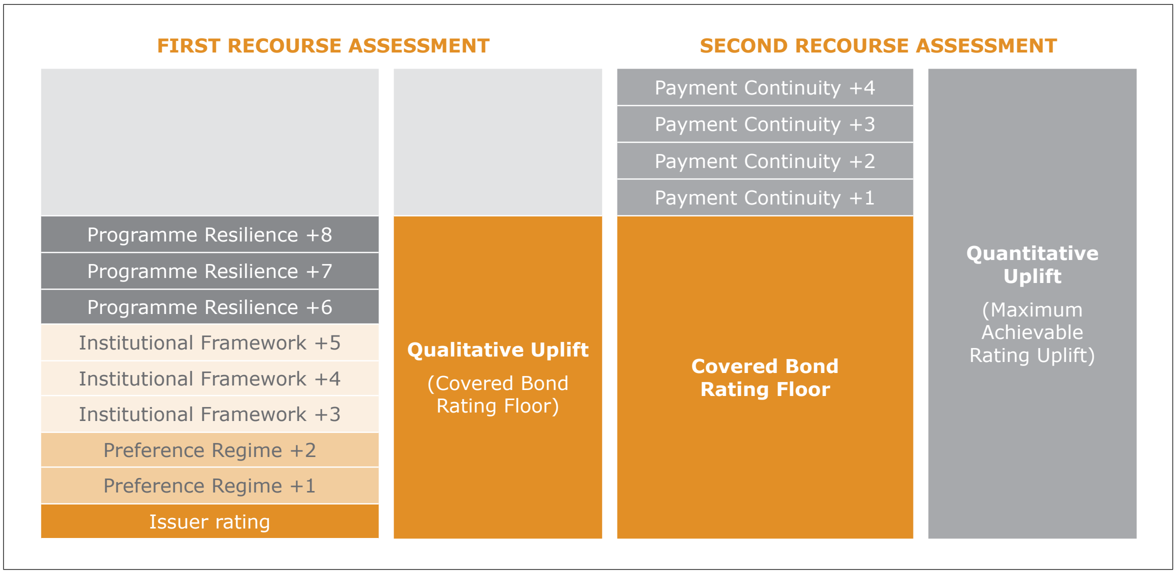
Our ratings, which reflect the expected loss of the instrument, are anchored at the issuer rating. The issuer rating reflects our view of the issuer's ability and willingness to meet its financial obligations and serves as the starting point for the covered bond rating analysis.

Covered bonds are designed to continue performing through periods of issuer stress, including resolution or insolvency. As a result, covered bond ratings can exceed the issuer rating where structural protections support the continued and timely payment of covered bond obligations. To determine the extent of such uplift, we apply a two-stage analytical framework:

1) **First recourse assessment**: A qualitative assessment, which assesses how likely the programme is to keep running when the issuer comes under stress. Based on three transparent scorecards, it sets a rating floor which in itself can lift the rating by up to eight notches above the issuer.

2) **Second recourse assessment**: An assessment of the protection afforded by the cover pool following an issuer default, including its capacity to ensure the timely payment of covered bond obligations. Based on a fourth scorecard and a quantitative analysis of the cover pool, the assessment can support up to four additional notches of uplift, subject to sufficient available overcollateralisation (OC).

> FIGURE 1: BUILDING BLOCKS OF SCOPE'S COVERED BOND METHODOLOGY




Source: Scope Ratings.

1 More details on Scope Ratings *Covered Bond Rating Methodology can be found* at www.scoperatings.com.

As covered bonds are expected to continue performing through issuer resolution or insolvency, the first recourse assessment is often the predominant source of rating uplift. For highly rated issuers, it may already support the highest achievable covered bond rating, limiting reliance on cover pool support and resulting in rating-supporting overcollateralisation being floored at the higher of zero and the applicable legal minimum.

Despite the strength of the first recourse, we always perform a rigid qualitative and quantitative second recourse analysis. We identify the maximum cover pool uplift and how much OC a programme would need to support the highest achievable rating. In addition, we calculate various OC sensitivities, including the most relevant, an issuer downgrade. The two building blocks combined can lift a covered bond rating up to 12 notches above that of its issuer. Sovereign risk does not cap the rating automatically, but a separate country-risk assessment can limit the uplift.

The methodology provides transparency to issuers and investors through the use of detailed scorecards: each notch of uplift ties back to clear, documented criteria which can be assessed using publicly available, standardised information. The full scorecard criteria are set out in the methodology.

## I. FIRST RECOURSE ASSESSMENT

This assessment establishes how more likely a programme is to keep running while the issuer is in difficulty, before, during and after any intervention or resolution. It rests on three scorecards, together worth up to eight notches.

### A. Covered Bonds Preference Regime (CBPR) – Max 2 notches

The first scorecard can provide for up to two notches uplift and reflects the expectation that covered bond programmes will continue to operate through issuer resolution. Supported by statutory asset segregation, senior secured creditor status and, where applicable, bail-in exemptions, these protections have contributed to the asset class's long-standing resilience. One notch is awarded for a statutory senior secured preference over senior unsecured creditors, and a further notch for an explicit statutory bail-in exemption that reinforces the expectation of uninterrupted programme performance.

### B. Country-Level Institutional Framework (CLIF) – Max 3 notches

The second scorecard looks at how firmly covered bonds are embedded in a country's legal and financial system and can add up to three notches. Its scorecard has three equally weighted pillars. Legal and regulatory anchoring judges how deep, well-codified and battle-tested the national framework is. Institutional Commitment weighs how important the refinanced asset class is to the economy and its banks and how consistently regulators and central banks grant covered bonds their privileges. Market Institutionalisation looks at the depth and loyalty of the investor base and how well the secondary market holds up under stress.

### C. Issuer-Level Programme Resilience (ILPR) – Max 3 notches

The third scorecard turns to the individual programme and how likely it is to stay relevant and well-run through stress and resolution, adding up to three further notches. Its three, equally weighted pillars are Programme Strategic Relevance measures how large the programme is in the issuer's funding mix and how committed management is to keeping it going. Operational and Issuance Stability weights regularity and predictability of issuance and how robust the programme's structure is. Resolution Transferability and Continuity judges how easily the cover pool could be separated and the programme moved to another manager, including any cross-border complications, in a resolution.

## II. SECOND RECOURSE ASSESSMENT

This second recourse assessment looks at how reliably investors would be paid in time once responsibility shifts from the issuer to the cover pool. It can add up to four notches on top of the first recourse result. Unlike the first recourse, though, the full four notches are granted only where the OC considered is sufficient to ensure that covered bonds are paid on time in line with the assigned rating.

Any second recourse uplift depends on a simple pass/fail test: cover assets must be legally and effectively ring-fenced, enforceable if the issuer becomes insolvent, and protected from acceleration in a restructuring, resolution, moratorium or insolvency. If those conditions are not met, the rating gets no further uplift beyond the first recourse. We also withhold uplift where the programme has neither a dedicated liquidity buffer nor the ability to extend maturities.

**A. Payment Continuity Enhancement (PCE) – Max 4 notches**

We judge how reliably payments would continue through the PCE scorecard, which has two equally weighted pillars. Continuity Protection covers liquidity buffers and maturity extension, whether hedges survive an issuer default, the tools available to manage the bonds after insolvency, and how far climate and ESG related features can keep the assets saleable in stress. Asset & Risk Controls covers asset quality and eligibility, valuation, management of interest-rate and currency risk, and the strength of oversight and independent checks. As with the other scorecards, the pillar scores translate into up to four notches of uplift.

**B. Cover pool support analysis**

The quantitative cover pool analysis checks how much of that potential uplift the given level of OC can support. We first perform a credit analysis of the cover pool assets using similar modelling techniques as for comparable structured finance transactions. For granular pools, such as residential or diversified commercial portfolios, we apply portfolio approximations using a parametric default distribution (eg. Inverse Gaussian). We consider a transparent "base case default rate" and determine the "Coefficient of Variation" based on a "distressed default rate". Similarly we consider a base and stressed recovery rate and use a stochastic beta-distribution for recoveries. Other assumptions include recovery timings, prepayment rates, interest rate and FX stresses.

These credit inputs are used in our cash flow model, CobEL, which stresses the structure to a level matching the maximum achievable rating and establishes the minimum OC needed to keep expected loss within the expected tolerance. The model allows for asset sales of the cover-pool to settle liquidity gaps. Available proceeds in case of stressed asset sales are established by discounting future cash flows at asset-specific liquidity premiums. We also run additional scenarios such as front-loaded defaults, the impact of sovereign as well as issuer downgrades to establish OC sensitivities which ultimately could constrain the achievable uplift.

## III. AUXILIARY CREDIT CONSIDERATIONS

Alongside the core credit and cash flow analysis, further considerations can adjust, and sometimes reduce, the uplift under the cover pool analysis. Where the safeguards are weak, they can constrain the rating even if the modelled expected loss would allow for a higher uplift.

**A. Availability of overcollateralisation**

The weaker the issuer, the firmer the commitment we expect: for issuers rated BBB or above we count the OC actually maintained; from BBB- to BB+ we look for an additional public commitment; and at BB or below we only give benefit to a contractual, legally binding OC commitment.

Where maintained OC is volatile and close to the rating supporting level plus the issuer offers no public commitment, we fall back on a stressed low point drawn from recent years. For dormant or run-off programmes, we check whether the remaining assets, including any eligible substitute assets allow for a sufficient OC maintenance. Where the first recourse already supports the highest rating, we floor the required OC at the legal minimum which keeps the bonds preferential status and protected from bail-in.

### B. Counterparty risk

We expect covered bonds to be shielded from counterparty risk in the same way as comparable structured finance transactions and as such to follow our Counterparty Risk Methodology. We analyse how material counterparty exposure is for the supported rating and how well it is mitigated, for example by a solid framework for replacing key counterparties. If remedies are not effective, exposures cannot be sized, or leave excessive residual risk, we may limit the covered bond rating at the counterparty's own credit quality. Where the law already sets counterparty standards, we treat those as the first line of defense: Article 129 of the CRR, for instance, generally expects Credit Quality Step 1 or 2 (Step 3 only in exceptional, remedied cases) for eligible counterparties and Article 11 of the Covered Bond Directive requires hedging counterparties to meet these rules. We give credit to the strong shared interest between issuer and investors, especially for banks we consider resolvable.

### C. Sovereign risk

Sovereign and country factors already feed into the issuer rating through our Financial Institutions Rating Methodology, and we do not apply a mechanistic sovereign cap to covered bond ratings. Country risk can still limit the uplift, though, because keeping a programme running through intervention or resolution depends on effective governance, predictable conduct and strong administrative capacity – all of which weaker jurisdictions provide less reliably. In those cases we may constrain the potential uplift available from the Institutional Framework, Programme Resilience and Payment Continuity, while leaving the Preference Regime untouched.

Country risk is also reflected in the quantitative analysis through each jurisdiction's effect on distressed default rates, benchmark commercial real-estate credit quality, public-sector scores and the discounts we apply to asset sales. Where it matters, we also can allow for the incorporation of transfer and convertibility risk: for issuers in sub-investment-grade countries we may assign separate local and foreign currency ratings, whereas in investment-grade and euro area jurisdictions we treat that risk as negligible and keep the two aligned.

### D. ESG factors

Governance carries the most weight of the three ESG factors in a covered bond's credit quality. The quality of supervision and the prudent running of a programme, including how well its OC is managed, show up mainly in our first and second recourse assessments, and indirectly in the supporting OC. On top we establish climate-risk sensitivities, separating physical from transition risk and translating both into extra credit losses across the three NGFS scenarios over a 30-year horizon, incorporating varying energy-efficiency and location of the collateral. For mortgage pools these scenarios can impact both base and distressed default rates and, through recovery haircuts reflecting climate-driven house-price falls, lower recoveries; while also default rates for public-sector collateral can be impacted, corresponding recoveries are left unadjusted. The rating committee decides whether the effect is material enough to change the required OC and, ultimately, the rating.

## IV. INFORMATION SOURCES AND MONITORING

The majority of information needed to establish and monitor our ratings relies on publicly available standardised information issuers already provide to investors: annual reports, the legislation behind each covered bond framework, data from industry bodies, regulators and central banks. For the cover pool analysis we work with standard industry templates such as the European Covered Bond Council's Harmonised Transparency Template. Adding confidential, more detailed issuer data allows us to further finetune but typically is only needed for bespoke and highly concentrated cover pool or very infrequent issuers. Where information is late, incomplete or poor, we lean on conservative assumptions, but we may decline to assign or keep a rating if information does not suffice. Every covered bond programme is continuously monitored and reviewed formally at least once a year.

**Related criteria:**

> Covered Bond Rating Methodology, July 2026

> Financial Institutions Rating Methodology, September 2025

> General Structured Finance Rating Methodology, May 2026

> Counterparty Risk Methodology, August 2026

**Related research:**

> Covered Bond Outlook and Scope's Covered Bond Quarterlies, including quarterly performance updates and thematic commentaries

> Climate risk in covered bond ratings can have counterintuitive credit impacts, September 2025

The above are all available at www.scoperatings.com.

# CHAPTER 5 - SYSTEM PROVIDERS

## 5.1 BLOOMBERG SOLUTIONS AT THE HEART OF THE COVERED BOND MARKET: DATA, ANALYTICS & MARKET INTELLIGENCE

By Sven Gerhardt and Rene Foertsch, Bloomberg

The covered bond market has long been defined by resilience, high credit quality and a strong culture of transparency. As disclosure requirements broaden and market participants seek more granular and comparable information, the ability to connect data across bonds, cover pools and market activity has become increasingly important. Bloomberg supports this process through a comprehensive covered bond offering spanning reference data, analytics, benchmarks and research.

Bloomberg's covered bond universe currently comprises 7,179 active bonds, 38,681 matured instruments and 400 active cover pools across 282 issuers, of which 269 disclose data on a regular basis. By harmonising information across different jurisdictions, reporting formats and programme structures, Bloomberg helps make covered bond data more transparent, comparable and actionable for investors, issuers and other market participants.

The following sections outline key elements of this offering, including data coverage and transparency, benchmark development, index solutions and market intelligence.

### DATA COVERAGE AND TRANSPARENCY

Bloomberg offers a broad and increasingly granular dataset for covered bonds and cover pools, extending well beyond the information displayed on traditional security description pages <DES>. More than 70 dedicated data fields are available to support covered bond analysis, both at bond and pool level. These can be accessed on the Bloomberg Terminal via FLDS <GO>, downloaded through Excel using BDP for individual data points and BDS for bulk datasets, and organised in Worksheets by Terminal users. Historical cover pool information is also available, with certain quarterly series dating back to 2012 and accessible through the relevant field overrides.

A key strength of Bloomberg's offering lies in its ability to standardise data across a wide range of disclosure formats, including HTT templates, investor reports, Section 28 disclosures and other local reporting standards, both for regulated and structured covered bonds. Bloomberg is agnostic to the original reporting format and, where appropriate, recalculates selected metrics in line with its own taxonomy to promote consistency and comparability across jurisdictions, issuers and programme types.

To further enhance transparency and data linkage, Bloomberg assigns FIGI identifiers to cover pools. These identifiers provide a unique and globally recognised reference point, helping to connect pool-level information with the associated covered bonds in a clear and consistent manner. They reduce ambiguity arising from differing naming conventions, language variations or duplicative pool descriptions, and support more efficient data integration across market participants' internal systems. Since 2025, cover pool FIGIs have also been available for inclusion in the HTT template under the general "Basic Facts" section, further supporting their use as a market standard. As an open identifier framework, FIGI is also freely accessible through OpenFIGI (FIGI Search: Market Sector = Corporate; Security Type = Cover Pool).

Beyond identifier linkage, Bloomberg's dataset covers a wide range of structural, regulatory and transparency-related attributes. Available fields allow users to identify pool type and underlying asset class, programme status, local covered bond naming conventions, maturity structure, labels such as the European Covered Bond Premium and ECBC labels, and compliance with relevant European frameworks including the Covered Bond Directive and CRR eligibility criteria. Bloomberg also captures the source of the underlying disclosure, providing users with direct reference to the relevant reporting documentation, alongside more than 30 periodic pool-level data points extracted from issuer reports.

Bloomberg also supports greater market transparency through fields that help identify transaction characteristics, including retained status. Where disclosed publicly, or confirmed directly by issuers, retained deals are flagged accordingly. In addition, the breadth of Bloomberg's data allows market participants to screen for likely retained transactions using a combination of fields such as public placement status, issue size, BVAL score and syndicate information.

As investor focus on sustainability continues to grow, Bloomberg has expanded its sustainability-related coverage at cover pool level. Newly added fields include sustainable asset amounts for both mortgage and public sector pools, as well as $CO_2$ emissions data for residential and commercial loans, reported both on an absolute and loan-to-value-adjusted basis. Bloomberg currently captures such sustainability-related pool data for 66 pools from 49 issuers across 13 countries, representing approximately 50% of the outstanding public covered bond market. The availability of these disclosures increased by around 30% year-on-year, reflecting the broader market trend towards enhanced transparency on sustainability factors. These datasets are also available through Bloomberg's data license solutions, supporting both terminal and enterprise-level use cases.

**Overview of Covered Bond and Cover Pool-Related Data Fields:**

| | | |
|---|---|---|
| Covered Bond Status | DX533 | IS_COVERED |
| | DZ438 | BOND_CLASSIFICATION_NAME |
| | DT317 | COVERED_NATIONAL_FRAMEWORK |
| | DT600 | COVERED_BOND_NATL_FRAMEWORK_IND |
| Pool ID | ID180 | ID_BB_GLOBAL_COVER_POOL |
| | DT305 | COVER_POOL_NAME |
| Pool Type | DY053 | COLLATERAL_DES |
| | DX992 | IS_SECURED |
| | DX991 | IS_MORTGAGE_SECURED |
| | DX993 | IS_PUBLIC_LOAN_SECURED |
| | DS119 | COLLAT_TYP |
| Maturity Structure | DS897 | COLLAT_TYPES (bulk) |
| | DT883 | COVERED_SOFT_BULLET |
| | DT884 | COVERED_CONDITIONAL_PASS_THROUGH |
| | DZ423 | DEFAULT_EXTENSION_MATURITY_DATE |
| Retained Issues | DQ866 | PUBLCLY_ANN_INDCTR_MOST_RECNT |
| | DS038 | LEAD_MGR |
| | DY367 | SELF_LED |
| | DZ564 | RETAINED_DEAL |
| | DW428 | PUBLCLY_ANNOUNCD_INDCTR |
| | PX556 | BVAL_SINGLE_CONTRBTR_IND |
| | PX599 | BVAL_MID_SCORE |

| | | |
|---|---|---|
| Labels | DQ841 | EURO_COVERED_BOND_PREMIUM_IND |
| | DZ958 | ECBC_COVERED_BD_LABEL_INDICATOR |
| | DO106 | CRR_FOR_COVRD_BOND_ELIGIBLE_IND |
| | DO107 | COVRD_BOND_DIR_COMPLIANT_IND |
| Pool Reporting | DO108 | COVER_POOL_REPORT_ISSUER_WEBSITE |
| | DO109 | HARMONIZED_TRANS_TEMPLATE_WEBSTE |
| | DO461 | COVER_POOL_DATA_DISC_REPORT_TYPE |
| | DN479 | COVER_POOL_REPORT_UPDATE_FREQNCY |
| | DT304 | COVERED_POOL_PUBLISH_DATE |
| Historic | DT627 | COVER_POOL_AS_OF_DATE_OVERRIDE |
| Danish Specific | DT879 | COVERED_BOND_INT_ONLY_HYBRID |
| | DQ840 | IOH_TENURE |
| Regulatory | DT024 | BRAM_HQLA_US_ELIG_AST_CL_DESGTN |
| | DT025 | BRAM_HQLA_EU_ELIG_AST_CL_DESGTN |
| | DT118 | BRAM_HQLA_BASEL_III_AST_CL_ELIG |
| | DT195 | HQLA_CANADIAN_ELIG_AST_CL_DESGTN |
| | DT196 | HQLA_JAPANESE_ELIG_AST_CL_DESGTN |
| | DT197 | HQLA_AUST_ELIG_AST_CL_DESGTN |
| | DT279 | HQLA_HK_ELIGIBLE_AST_CL_DESGTN |
| | DT280 | HQLA_SG_ELIGIBLE_AST_CL_DESGTN |
| | DW164 | BRAM_HQLA_UK_ELIG_AST_CL_DESGTN |
| | DT052 | BRAM_US_BASEL_III_STA_RS_WT_EX_T |
| | DT286 | EU_BASEL_III_STD_RSK_WGT_EXP_TYP |
| | DT118 | BRAM_HQLA_BASEL_III_AST_CL_ELIG |
| | DT285 | EU_BASEL_III_STD_RISK_WEIGHT |
| | DT286 | EU_BASEL_III_STD_RSK_WGT_EXP_TYP |
| | DO176 | EU_CRR_III_STD_RISK_WEIGHT |
| | DO177 | EU_CRR_III_STD_RSK_WGT_EXP_TYP |

| | | |
|---|---|---|
| Periodic Pool Data (single) | DX578 | MTG_CMO_COLLAT_CRNCY |
| | DS093 | MTG_BAL |
| | DS537 | MTG_NUM_POOLS |
| | DT612 | OUTSTANDING_DEBT_COVERED_BOND |
| | DO210 | COMMERCIAL_COVER_POOL_LTV_PCT |
| | DQ839 | RESDNTIL_COVER_POOL_LTV_PCT |
| | DT301 | COVERED_LTV_% |
| | DO685 | RESDNTIL_COVER_POOL_LTV_CALCLTN |
| | DO686 | COMMRCIL_COVER_POOL_LTV_CALCLTN |
| | DO687 | COVER_POOL_LTV_CALCULATION |
| | DT611 | OVER_COLLATERALIZATION_PCT_AR |
| | DY012 | MTG_CURR_DEAL_OVER_COLLAT |
| | DT601 | OVER_COLLATERALIZATION_NOMINAL |
| | DO110 | RESID_COVER_POOL_AVG_LOAN_BAL |
| | DO111 | COMMRCL_COVER_POOL_AVG_LOAN_BAL |
| | DO240 | PUBLC_COVER_POOL_AVG_EXPSRE_SIZE |
| | DO241 | SHIPPNG_COVER_POOL_AVG_LOAN_BAL |
| | DT610 | COVER_POOL_AVG_SEASONING |
| | DT743 | COVER_POOL_AVG_SEASONING_CALC |
| | DT744 | COVER_POOL_AVG_REMAIN_TERM |
| | DT745 | COVER_POOL_AVG_REMAIN_TERM_CALC |
| Periodic Pool Data (single) ESG | DO822 | RES_TOT_CO2_EMISSN_AMOUNT |
| | DO823 | COMML_TOT_CO2_EMSSN_AMOUNT |
| | DO824 | SUSTNBLE_MTG_LOANS_TOTAL_AMNT |
| | DN401 | RES_TOT_CO2_EMISSN_TONS_PER_YR |
| | DN402 | COMML_TOT_CO2_EMISSN_TONS_PER_YR |
| | DN403 | TOTAL_AMT_OF_SUSTNBLE_MTG_LOANS |
| Periodic Pool Data (bulk fields) | DT302 | COVERED_GEO_EXPOSURE_% |
| | DT303 | COVERED_COLLATERAL_TYPE_&_% |
| | DQ843 | CVRD_BND_SUBSTITUTE_AST_TYPE_PCT |
| | DQ844 | COVERED_BOND_LIQUID_ASSETS_PCT |
| | DQ845 | NON_PERFORMING_LNS_CVR_POOL_PCT |
| | DQ846 | INTEREST_RATE_BREAKDOWN |
| | DQ847 | COVER_ASSETS_CURRENCY_BREAKDOWN |
| | DQ848 | RESDNTIL_LOANS_BREAKDOWN_BY_SIZE |
| | DQ849 | COMMRCIL_LOANS_BREAKDOWN_BY_SIZE |
| | DQ850 | PUBLIC_EXPOSURE_BREAKDWN_BY_SIZE |
| | DO242 | SHIPPING_LOANS_BREAKDOWN_BY_SIZE |

Beyond individual bond- and pool-level transparency, Bloomberg also provides market-level tools and benchmarks that help participants monitor issuance trends and broader market developments.

## MARKET STANDARD LEAG TABLE AND CHARTBOOK

Bloomberg has further refined its covered bond market benchmarking by updating the eligibility criteria of its primary new-issue table and renaming it EUR Syndicated Covered Bonds (shortcut: LEAG @COVERED-BONDS). The revised criteria are intended to enhance market relevance and provide a clearer representation of the publicly syndicated euro covered bond market. As euro remains by far the dominant issuance currency in the asset class, the table now focuses exclusively on EUR-denominated transactions. To reduce the risk of including unreported retained issuance, a minimum of two lead managers is required for inclusion, helping to better isolate genuinely public transactions. At the same time, taps continue to be included, as do structured covered bonds issued outside a national covered bond framework where they meet the relevant criteria.

In parallel, Bloomberg has expanded its market transparency tools through the launch of a new Covered Bond Chartbook, published quartely and released first time for the second quarter of 2026 (see NI CHARTBOOKS <GO>). This chartbook provides a broader view of the global covered bond market, covering not only syndicated benchmark issuance, but also non-syndicated and retained transactions. Presented in a modern, visual format, it is designed to give market participants a concise and accessible overview of key issuance trends, market structure and broader developments across the asset class.

## COVERED BOND INDICES: TRACKING GLOBAL AND LOCAL MARKETS

Bloomberg Fixed Income Indices provide transparent, rules-based benchmarks trusted by institutional investors worldwide. Over the past 50 years, the index suite has expanded to cover a broad range of sectors and geographies. Supported by rigorous governance and deep market expertise, Bloomberg Fixed Income Indices have become leading benchmarks for fixed income investors. Flagship benchmarks include the Bloomberg US Aggregate, the Bloomberg Euro Aggregate, and the Bloomberg Global Aggregate. All Bloomberg indices, across fixed income and other asset classes, can be accessed via IN <GO> on the Bloomberg Terminal.

Within its fixed income index suite, Bloomberg offers a wide range of specialised covered bond indices. These indices are segmented by geography, collateral type, currency and maturity band. The offering includes global and euro-denominated benchmarks, as well as country-specific indices for Germany, France, Spain and the Nordics. Differentiation by collateral type – between mortgage-backed and public sector covered bonds – and by currency is further complemented by maturity band segmentation to support targeted duration positioning.

The flagship Bloomberg Euro-Aggregate Securitized – Covered Index (I09919EU Index) serves as a key benchmark for EUR-denominated covered bonds. It tracks approximately €922 billion in market value and includes more than 1,000 constituent bonds. Index-level, pricing, and analytical data (e.g., OAS, OAD, YTW) are available with history extending back to the year 2000. All covered bond indices can be accessed on the Bloomberg Terminal via IN <GO>, under Fixed Income -> Index Map, within the "Securitized" section of Global Indices.

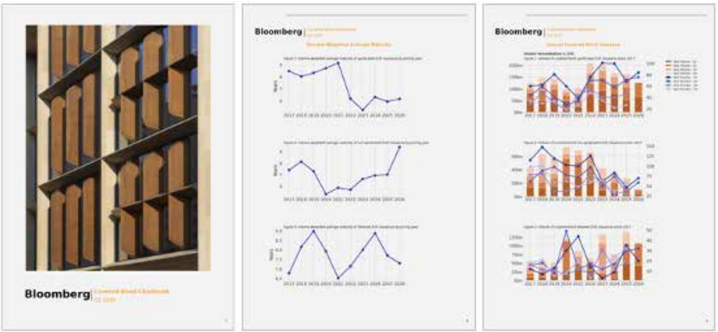
## RESEARCH AND MARKET INSIGHTS

Bloomberg Intelligence (BI) complements Bloomberg's covered bond data and analytics with forward-looking credit research and market insight. Available via BI COVERED <GO>, the dashboard brings together dedicated research, curated market commentary and data-driven analysis of developments across covered bond markets. With a particular focus on index trends and broader market themes, Bloomberg Intelligence helps market participants place developments into context and supports a more informed view of the covered bond landscape.

> Pictures 1-2 : Bloomberg LEAG @COVEREDBONDS – EUR Syndicated Covereds – 1st Half Year 2026 (left) and Bloomberg Covered Bond Chartbook – released quarterly since Q2 2026 – NI CHARTBOOKS <GO> (right)

| Manager | Rank | | Vol (MM EUR) | Issues | Table Share (%) | Mkt Share Diff |
|---|---|---|---|---|---|---|
| Natixis | 1 | 0 | 10,564.86 | 68 | 8.35 | 1.20 |
| Erste Group Bank | 2 | ↑5 | 7,503.57 | 65 | 5.93 | 1.48 |
| Commerzbank AG | 3 | ↑1 | 7,363.19 | 56 | 5.82 | 0.34 |
| Credit Agricole CIB | 4 | ↓1 | 6,377.84 | 45 | 5.04 | -0.54 |
| ING Groep | 5 | ↑3 | 6,033.45 | 42 | 4.77 | 0.83 |
| UniCredit | 6 | ↑5 | 5,951.35 | 48 | 4.70 | 1.08 |
| DZ Bank AG Deutsch... | 7 | ↓1 | 5,847.02 | 49 | 4.62 | 0.11 |
| Landesbank Hessen-... | 8 | ↑2 | 4,967.26 | 38 | 3.92 | 0.20 |
| Danske Bank | 9 | ↑10 | 4,941.67 | 39 | 3.90 | 1.88 |
| Landesbank Baden-... | 10 | ↓8 | 4,732.68 | 38 | 3.74 | -2.49 |
| Credited - 64 Manag... | | | 126,575.00 | 164 | | |
| Total | | | 126,575.00 | 164 | Total issuance increased by 19.9% | |





By Nikke Ruokolainen, Evitec Solutions

## INTRODUCTION

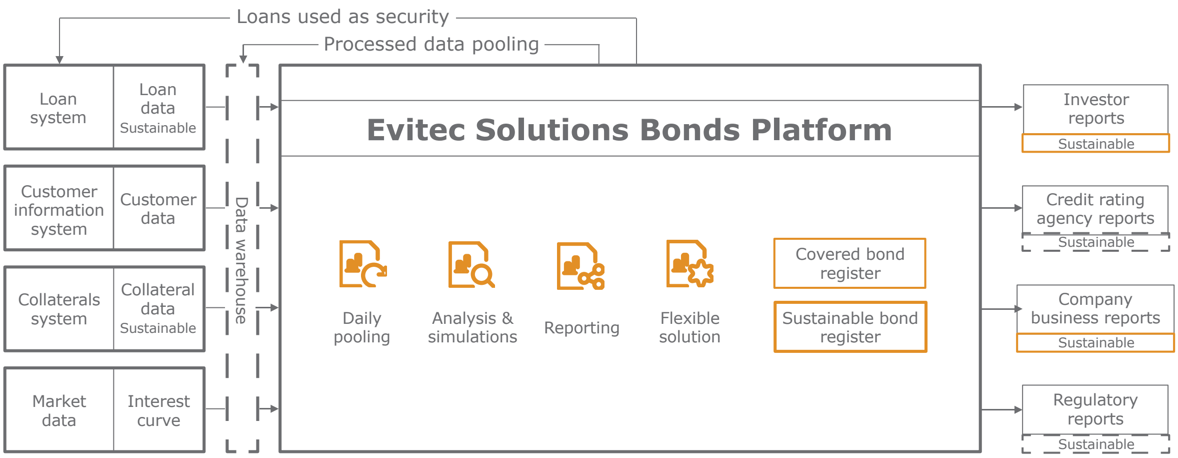
For institutions operating within the highly sophisticated covered bond market, maintaining high standards of transparency and achieving seamless operational synergies is fundamental to programme success and investor confidence. The inherent complexities of collateral management, regulatory compliance, and stakeholder reporting demand specialized tools that go beyond generic banking systems. Evitec Solutions, leveraging over 30 years of dedicated experience within the Nordic financial technology landscape, has cultivated a deep understanding of these specific demands.

This understanding is embodied in the Evitec Solutions Bonds (ES Bonds) platform, a system purpose-built to address the intricacies of covered bond pool management. This article offers expert readers specific insights into Evitec Solutions' contribution to the covered bond ecosystem. We will focus on *how*, through the design and application of the ES Bonds platform, Evitec actively enhances transparency for all market participants and fosters crucial operational synergies for issuers, ultimately contributing to a more robust and efficient market.

## THE CONTEXT: NEED FOR SPECIALIZED SOLUTIONS

Issuers face a persistent need to navigate intricate requirements stemming from the EU Covered Bond Directive, national laws, rating agency methodologies, and increasingly, ESG-related frameworks like the EU Taxonomy and Green Bond Standard, even within traditional pools. Simultaneously, managing vast amounts of loan data, ensuring eligibility, calculating overcollateralization, performing stress tests, and generating numerous, detailed reports for diverse stakeholders creates significant operational friction. These well-understood pressures underscore the necessity for specialized, automated solutions capable of handling this complexity with precision and efficiency. It is within this context that Evitec Solutions focuses its contribution.

> FIGURE 1: EVITEC SOLUTIONS BONDS PLATFORM




Source: Evitec Solutions

## EVITEC SOLUTIONS' CONTRIBUTION VIA THE ES BONDS PLATFORM

Evitec Solutions' contribution stems from a philosophy of building targeted, robust systems that translate complex requirements into automated, reliable processes. The ES Bonds platform is the practical application of this philosophy, designed explicitly to enhance transparency and foster synergies in covered bond operations.

### Enhancing Transparency through ES Bonds:

Transparency in this market requires accuracy, timeliness, consistency, and auditability. ES Bonds is engineered to deliver on these through specific capabilities:

1. **Embedded Rule Engines for Compliance**: ES Bonds incorporates configurable rule engines that directly embed the complex logic of regulatory requirements (EU directives, national specifics, emerging ESG criteria like EU Taxonomy alignment) and rating agency tests. Asset eligibility, pool composition limits, LTV constraints, and other critical parameters are automatically assessed against these rules on a continuous basis. This provides direct, verifiable transparency regarding the pool's compliance status for internal oversight, auditors, and regulators. Data points and compliance results are clearly presented, removing ambiguity.
2. **Automated & Standardized Reporting**: The platform automates the generation of key reports required by regulators, rating agencies, and investors, including standardized formats like the ECBC Harmonised Transparency Template (HTT), and National Transparency Template (NTT) and specific rating agency templates (Moody's and S&Ps). By pulling validated data directly from the centralized system and applying consistent calculation logic, ES Bonds ensures reports are accurate, timely, and comparable. This directly enhances market transparency by providing stakeholders with dependable, easily digestible information for their analysis and decision-making.
3. **Centralized Data Management & Validation**: ES Bonds acts as a central hub for relevant pool asset data, integrating feeds from various source systems. Rigorous data validation routines are applied upon import and throughout the process to ensure data integrity. This creation of a trusted 'single source of truth' for the cover pool is foundational to transparency, ensuring all calculations and reports are based on accurate, consistent data.
4. **Sophisticated Analysis and Simulation**: The platform includes tools for advanced cash flow modelling, scenario analysis (e.g., interest rate shocks, prepayment variations, asset loss scenarios), and stress testing according to various methodologies. Running and documenting these analyses within the system provides deeper insights into the pool's resilience, offering enhanced transparency regarding potential risks to internal management and, where appropriate, to external stakeholders like rating agencies.
5. **Comprehensive Audit Trails**: Every significant action, calculation, data import, eligibility check, and report generation within ES Bonds is logged, creating a detailed and immutable audit trail. This inherent system traceability provides complete transparency for internal control, external auditors, and regulatory reviews, allowing for clear verification of processes and data lineage.

### Fostering Synergies through ES Bonds:

Operational synergy involves breaking down silos, streamlining processes, and enabling different parts of the organization and value chain to work together efficiently. ES Bonds promotes synergy through:

1. **Integrated Data Flows & Cross-Functional Visibility**: By connecting disparate data sources and centralizing pool management, ES Bonds breaks down traditional information silos between departments like lending, treasury, risk management, and compliance. This provides a holistic view of the cover pool and its performance, enabling better-informed, synergistic decision-making across functions. For example, treasury can get accurate, near real-time data on pool capacity for funding decisions, while risk management can monitor key metrics seamlessly.
2. **End-to-End Workflow Automation**: The platform automates the entire workflow from data

aggregation and validation, through eligibility testing, pool optimization, calculation routines (e.g., OC, interest cover tests), to final reporting and analytics. This automation eliminates manual handoffs, reduces processing times, minimizes operational errors, and frees up skilled personnel, creating significant synergy by making the entire operational chain more efficient and less resource intensive.

3. **Unified Management of Diverse Asset**: ES Bonds is designed with the flexibility to manage diverse asset types and associated criteria within a pool, including traditional mortgages alongside assets meeting specific green criteria. This capability provides operational synergy by allowing issuers to manage increasingly complex or blended pools efficiently within one consistent framework, rather than requiring separate systems or processes.
4. **Proactive Monitoring and Management**: The system provides dashboards, key performance indicators (KPIs), and automated alerts for potential issues, such as upcoming covenant breaches, data quality problems, or eligibility shortfalls. This facilitates proactive, rather than reactive, pool management, enabling smoother collaboration and synergy between monitoring functions and those responsible for taking corrective actions.
5. **Facilitating Stakeholder Interaction**: While internal synergy is key, the standardized, accurate, and timely output from ES Bonds also fosters synergy with external stakeholders. Providing consistent, high-quality data packages simplifies interactions with rating agencies, regulators, and investors, making reviews and due diligence processes more efficient for all parties involved.

## THE IMPACT: STRENGTHENING THE ECOSYSTEM

Evitec Solutions' contribution, realized through the ES Bonds platform, translates these transparency and synergy enhancements into tangible benefits for issuers and the wider market ecosystem. By ensuring robust compliance and data integrity, operational risk is significantly mitigated. The enhanced transparency and data quality support issuer reputation and potentially contribute to achieving favourable credit ratings. Automation drives efficiency, lowering operational costs and allowing skilled teams to focus on strategic value-add activities. The ability to manage complex pools and adapt quickly to new regulations (like those related to ESG) provides issuers with strategic agility.

Collectively, these impacts contribute to a more stable, efficient, and trustworthy covered bond market. Evitec's role is that of an enabler, providing the specialized technological tools necessary for issuers to meet and exceed the high standards expected in this market.

## FUTURE PERSPECTIVE

Evitec Solutions continues to evolve the ES Bonds platform to meet future market needs. This includes enhancing capabilities for handling ever-increasing data volumes and granularity demands, deepening ESG integration as standards solidify, and offering flexible deployment models, including Software-as-a-Service (SaaS) for scalability and reduced infrastructure overhead. Our ongoing development is informed by close collaboration with market participants, ensuring our contribution remains relevant and impactful.

## CONCLUSION

In the demanding world of covered bonds, achieving operational excellence through transparency and synergy is critical. Evitec Solutions actively contributes to this goal by providing the specialized ES Bonds platform. Designed from decades of focused experience, the system directly enhances transparency through automated compliance, rigorous data management, clear reporting, and auditability. It fosters synergy by integrating data flows, automating workflows, unifying management of diverse assets, and enabling proactive oversight. By equipping issuers with these capabilities, Evitec Solutions plays a vital role in strengthening the operational integrity, efficiency, and trustworthiness of the covered bond market, supporting its continued stability and importance as a key funding source.

## 5.3 HYPOPORT BV: THE ROLE OF TECHNOLOGICAL INNOVATION IN COVERED BONDS

By Daniel Goudsmit, Hypoport BV

### INTRODUCTION

In 1769, James Watt patented the steam engine in Scotland and Frederick the Great created covered bonds in Prussia. One of these belongs on the short list of transformative general-purpose technologies, alongside electricity, the internet and now AI; the other remains, according to the European Commission, a cornerstone of European economic development to this day[1]. The invention of covered bonds was an innovation in both financial and legal technology — and one whose success has endured for more than two and a half centuries. That raises a natural question: is the covered bond ripe for innovation, or even disruption?

Our view remains that disruption is the wrong paradigm. The strength of the covered bond lies precisely in its consistency, predictability and reliability. But the processes underlying it are clearly open to improvement, and advances in AI are making that opportunity more tangible. As of 2026, AI adoption across financial services continues to accelerate, while the surrounding regulatory framework has become more concrete. DORA is now operational, the EU AI Act is entering into force in phases, BaFin has issued guidance on ICT risk management[2], and the Bundesbank has highlighted how AI is beginning to transform central banking and supervision[3]. For issuers, investors and technology providers alike, the question is no longer whether AI matters, but where it can add value safely and effectively.

Hypoport BV is a company headquartered in Amsterdam with offices in South Africa, Hamburg, and Singapore. Since 2002 we build information technology, specifically reporting and management technology for covered bonds and other asset-backed transactions. We are on a mission to improve borrowing conditions for all, and look for efficiencies to lower borrowing costs for financial institutions and most importantly, through those institutions, people and companies transacting in the real economy.

### COVERED BOND MECHANICS

As engineers, we tend to look at things from a mechanical perspective. What is the function? What is it made of? What makes it successful?

**What is the function of covered bonds?** Covered bonds are a cornerstone of long-term finance for many EU Member States as a key instrument to channel funds to the property market and public sector entities[4]. With over EUR 3 trillion[5] outstanding, covered bonds continue to play a central role in European capital markets, reinforced by the full transposition of the EU Covered Bond Directive across member states.

**What is it made of?** Covered bonds are secured senior debt issued by banks, collateralised by a pool of assets that remain on the banks' balance sheet. This pool is ring-fenced and bankruptcy-remote. The cover pool is dynamically replenished — non-performing assets are replaced with performing ones of equivalent value and quality. Covered bond holders are also protected by dual recourse: (i) preferential claims to the cover pool assets, and (ii) claims on unencumbered assets for any shortfall, at equal seniority to unsecured creditors[6].

**What makes it successful?** Covered bonds are safe instruments for investors and a stable, cost-efficient source of bank funding with a high degree of secondary market liquidity[7]. Over more than two centuries, covered bonds have experienced no defaults and delayed payments to investors have been rare (cf. Mastroeni, 2001[8] and Wandschneider, 2014[9]). Consistency, predictability, and reliability are the foundations of this track record.

### GLOBAL SYNERGIES, STANDARDISATION, TRANSPARENCY

After implementing covered bond reporting solutions in Europe and Asia for over 20 years, three observations remain central — each gaining new relevance today.

**First**, local processing requirements persist. Despite the standardisation achieved through the EU Covered Bond Directive, many processes still rely on manual documentation and conventional risk assessment methods. The gap between what is technically possible and what is operationally deployed has widened as AI capabilities have surged.

**Second**, digitalisation in financial markets continues to improve transaction speeds, data accessibility, and cost management. International alignment promoted by the

ECBC — on technology use, data protection, transparency, and loan-level reporting standards — is more important than ever. The Bundesbank's own exploration of AI for monetary policy analysis and financial stability monitoring[3] signals a future where supervisors interact with issuer data through AI-powered tools, raising the bar for data quality and machine-readability.

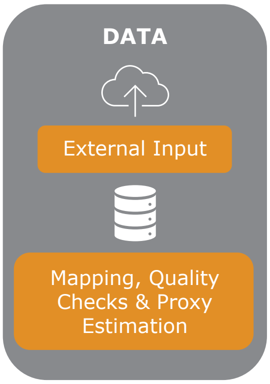
**Third**, the nature of digital innovation has shifted. Where we noted last year that complementary innovations were not always reaching core covered bond processes, that is changing. The transition from *generative AI as novelty* to *agentic AI as operational tool* is well underway. AI agents can now ingest documentation, cross-reference regulatory requirements, validate data, draft reports, and flag exceptions — autonomously and within governed frameworks.

## UNLOCKING THE POWER OF AI FOR COVERED BONDS

The recurring workload for managing a covered bond can be classified into three areas — data, processing, and reporting — with governance as a critical fourth element. For each, we show how AI innovation is reshaping practice.

### > Data

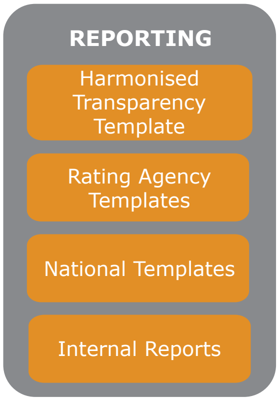
**Example**: German Pfandbrief Act (PfandBG) § 16 Assessing the mortgage lending value




- > **AI interprets large volumes of unstructured documents**, automatically extracting crucial details and reducing manual review time and errors. Multi-modal models now handle complex PDF layouts common in property valuations and notarial deeds with high fidelity.
- > **Automated data quality checks** validate data before it is used for calculations or reporting. Agentic AI pipelines can identify an anomaly, trace it to its source document, propose a correction, and flag it for human review — in a single automated workflow.
- > **Automated data gap analysis** identifies missing or incomplete data points. Probabilistic gap-filling models can estimate missing values with quantified confidence intervals, relevant for proxy estimation in mortgage lending value assessments.

### > Reporting

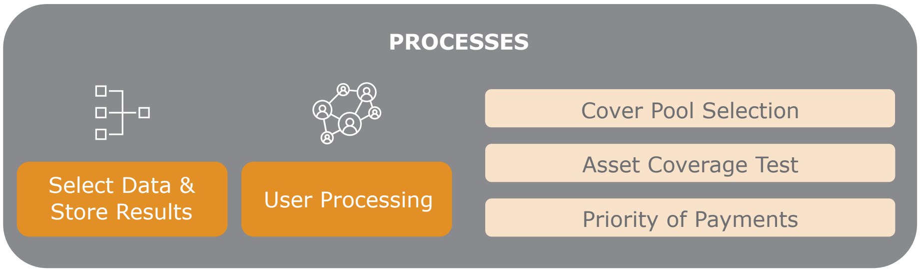
**Example**: German Pfandbrief-Meldeverordnung (PfandMeldeV) Anlage 4 — Hypothekenpfandbriefe Deckung




- > **AI improves standardised reporting** by automatically formatting data into required templates, reducing manual errors across investor, regulator, and rating agency submissions. LLM-assisted report generation — where narrative commentary is AI-drafted and human-reviewed — is cutting reporting cycle times at several institutions.
- > **The Harmonised Transparency Template (HTT)** benefits from AI tools that cross-reference submissions against underlying cover pool data in real time, flagging inconsistencies before submission. As the Bundesbank develops AI-enhanced supervisory analytics[3], the quality expectations for submitted data will rise further.
- > **AI-powered dashboards** enable real-time cover pool monitoring, moving from periodic snapshots toward continuous tracking of overcollateralisation ratios, asset eligibility, and concentration limits.

> **Processes**

**Example**: German Pfandbrief Act (PfandBG) § 8 — Duties of the cover pool monitor




> **Continuous AI monitoring** of cover pool data against the cover register enables real-time checks for discrepancies in asset qualifications, valuations, and eligibility. Agentic AI has shifted the paradigm from periodic batch checks to continuous alerting — reducing detection time from days to minutes.

> **The Asset Coverage Test (ACT)** benefits from AI-based stress testing that runs thousands of scenario simulations in near-real time, incorporating macroeconomic variables, interest rate paths, and property market dynamics. The Bundesbank's research into AI-driven macroeconomic modelling[3] suggests supervisory stress-testing frameworks may soon incorporate AI directly; making alignment between issuer and supervisor models a key topic for the coming years.

> **Governance**

**Example**: German Banking Act (KWG) § 9 — Technical and organisational measures for data protection and security


> **DORA, fully applicable since January 2025**, requires financial entities — including covered bond issuers — to maintain comprehensive ICT risk management frameworks and conduct regular resilience testing. AI-driven anomaly detection directly supports DORA compliance through the continuous, automated monitoring the regulation demands.

> **BaFin's guidance on ICT risks[2]** provides concrete orientation on cloud outsourcing, third-party ICT dependencies, and operational resilience. For issuers relying on external IT providers, this guidance underscores the need for transparent, auditable, and resilient technology architectures.

> **Quantum computing** has emerged as a longer-term governance consideration. The Bundesbank's BaFinTech conference highlighted quantum computing as a strategic risk for financial infrastructure[11]. For covered bond registers protected by cryptographic controls, institutions should begin planning for post-quantum cryptographic standards — particularly relevant for long-dated instruments where registers must remain secure for decades.

## SUSTAINABILITY AND GREEN COVERED BONDS

The intersection of AI and sustainability has matured beyond concept stage. AI-assisted energy performance assessment — using building characteristics, satellite imagery, and energy consumption data — allows issuers to estimate EPC ratings at scale and report the green credentials of their cover pools more efficiently. Singapore's NovA![12] and the SLEB Smart Hub[13] remain relevant blueprints, and comparable approaches are now being piloted in European markets. As the EU Green Bond Standard creates increasing demand for granular, loan-level environmental data, AI tools that aggregate, validate, and map this data to taxonomy criteria are becoming essential infrastructure.

## THE EU AI ACT: A NEW DIMENSION FOR COVERED BOND TECHNOLOGY

The EU AI Act (Regulation (EU) 2024/1689) adds a legal dimension to AI deployment that covered bond participants must navigate. Credit scoring and mortgage origination processes feeding cover pools may fall under high-risk classification, requiring conformity assessments and human oversight provisions. AI systems used for regulatory reporting face accuracy and robustness obligations. General-purpose LLMs used for document processing and report generation carry their own requirements around technical documentation and transparency. In short: **how** AI is deployed now matters as much as **what** it does.

## CONCLUSION AND WHAT'S NEXT?

Is the covered bond ripe for disruption? Our answer remains the same: no. The covered bond's success rests on consistency, predictability, and reliability — values that disruption by definition undermines. But the processes underlying the covered bond are actively being transformed, and the institutions that thrive will be those that integrate AI responsibly into their core management infrastructure.

As of 2026, the regulatory framework has crystallised around AI and ICT resilience. DORA is operational. The AI Act is being enforced. BaFin has published its ICT risk guidance. The Bundesbank is building AI into its own supervisory toolkit. For covered bond issuers and their technology partners, the message is consistent: invest in data quality, govern AI rigorously, and build for auditability from the start.

The covered bond has survived more than 250 years by adapting while preserving its core principles. AI-driven innovation in its underlying processes is the next chapter of that adaptation — not disruption, but evolution.

## REFERENCES


1 https://finance.ec.europa.eu/banking/banking-regulation/covered-bonds_en

2 BaFin, Orientierungshilfe zu ICT-Risiken (2025), https://www.bafin.de/SharedDocs/Veroeffentlichungen/EN/Meldung/2025/meldung_2025_12_18_orientierungshilfe_ikt_risiken_en.html

3 Deutsche Bundesbank, The future of monetary policy: how AI is transforming central banking, https://www.bundesbank.de/en/tasks/topics/the-future-of-monetary-policy-how-ai-is-transforming-central-banking-973394

4 https://hypo.org/ecbc/covered-bonds/#introducing-covered-bonds

5 ECBC Factbook 2025

6 https://www.ecb.europa.eu/pub/pdf/other/coverbondsintheeufinancialsystem200812en_en.pdf

7 Mastroeni, 2001, https://www.bis.org/publ/bppdf/bispap05b.pdf

8 Mastroeni, 2001, https://www.bis.org/publ/bppdf/bispap05b.pdf

9 Wandschneider, 2014, https://www.nber.org/papers/w19159

10 https://www.pfandbrief.de/pfandbg/

11 Deutsche Bundesbank, BaFinTech 2025: AI, quantum computing and the digital euro, https://www.bundesbank.de/en/tasks/topics/bafintech-2025-ai-quantum-computing-and-the-digital-euro-856240

12 https://www.mas.gov.sg/-/media/project-nova-whitepaper.pdf

13 https://www.sleb.sg/

## 5.4 FINNOFLEET GMBH – MARKET LEADER FOR DIGITAL PFANDBRIEF AND REFINANCING SOLUTIONS FROM GERMANY

By Matthias Neumann, FINNOFLEET GmbH

### THE FINNOFLEET COMPANY

FINNOFLEET stands for innovative end-to-end software solutions for banks, financial service providers and insurers. Leveraging cutting-edge technologies – particularly artificial intelligence – FINNOFLEET drives the digital transformation of the financial industry, enabling intelligent, efficient and future-proof business processes. More than 500 clients trust in the expertise of over 400 specialists and benefit from more than 30 years of experience in the financial services sector.

Taking a holistic approach, FINNOFLEET supports the entire credit lifecycle: from credit financing and subsidy business through to refinancing and debt management. This creates seamless, fully integrated processes that empower financial institutions at every stage of their business.

A key component is refinancing. With FINNOFLEET TXS GmbH (formerly TXS GmbH) and FINNOFLEET Switzerland, FINNOFLEET combines leading expertise in secured refinancing and is an established partner across the DACH region. The portfolio includes powerful solutions for Pfandbrief and covered bond processes, refinancing registers, loan submission, as well as liquidity and collateral management. From the structured management of cover pools and asset pools to securitisations, cover pooling and digital loan allocation processes, FINNOFLEET enables efficient, transparent and scalable management of complex refinancing structures.

FINNOFLEET TXS GmbH, based in Hamburg, Germany, is the leading provider of future-proof software solutions for the refinancing of credit institutions in Germany, Austria and Luxembourg. Having almost 30 years of experience and a specialized team of more than 100 experts, FINNOFLEET TXS supports banks and financial institutions as a reliable system partner in automating and optimizing their refinance processes and in efficiently implementing regulatory provisions. FINNOFLEET employees cover the entire professional and technological chain. FINNOFLEET employs bank professionals, computer science graduates, mathematicians, economists and project managers.

### TRUSTED PARTNERSHIP WITH LEADING FINANCIAL INSTITUTIONS IN GERMANY AND AUSTRIA

Reputable banks, focused on sustainable and future-proof refinancing, are among the clients of FINNOFLEET GmbH, including to a large extent Pfandbrief banks. This is reflected in a market share of roughly 90% in Germany and about 50% in Austria. The range of clients extends from small, specialised institutions to internationally acting major banks and significant key players in the Pfandbrief market. Among the clients you will find credit institutions from the private residential and commercial property sector as well as providers of specialized financing. All Pfandbrief types are represented here, mortgage collateralized Pfandbrief as well as public Pfandbrief and ship Pfandbrief. A dominant role in the client range belongs to the Sparkassen sector in Germany. All German Landesbanken and currently 41 of 46 Pfandbrief Sparkassen are FINNOFLEET's clients. We have a similar picture in Austria with the complete Raiffeisen sector and the mortgage banks all being included.

### INTERACTING WITH CAPITAL MARKET PLAYERS

Being a member of the Association of German Pfandbrief Banks (Verband deutscher Pfandbriefbanken, vdp) and the European Covered Bond Council (ECBC), and due to the regular exchange with the organisations' experts, we are able to make sure that the software development in FINNOFLEET is always state of the art with regard to the current regulatory provisions. To adapt the technical functions of the products to the market conditions, FINNOFLEET is focusing on the explicit dialogue with clients and associations. This includes first of all work groups targeting specialist topics like reporting, law or technology, and regular exchange in the framework of application work groups. User meetings of market sections "Sparkassen", "Germany" and "Austria" convene on an annual basis, every other year the "FINNOFLEET Pfandbrief Forum" takes place. To complement its range meaningfully, FINNOFLEET is focusing on such partnerships as the one with Finanz Informatik for Sparkassen or Drees & Sommer in the sustainability sector.

## FINNOFLEET'S PRODUCT AND SERVICE PORTFOLIO: EFFICIENT SOLUTIONS FOR PFANDBRIEF MANAGEMENT, REFINANCING REGISTER AND COLLATERAL MANAGEMENT

The FINNOFLEET service portfolio includes state-of-the-art standard software for the managing of Pfandbrief cover pools and keeping the refinancing registers as well as for the management of relevant collaterals. These are modular-type solutions that allow a tailor-made integration into existing IT landscapes of the financial institutions and in keeping with the regulatory guidelines. With TXS Pfandbrief the company provides a certified and well-tried software solution for managing cover pools of various Pfandbrief types. This offers efficient control mechanisms and ensures full compliance with all relevant regulatory and statutory requirements. In addition, TXS Refinanzierungsregister provides a specific solution for the transparent and safekeeping of refinancing registers. It supports in particular the insolvency-proof transfer of claims and is applied in syndicated financings, Pfandbrief pooling and true sale securitisations. Another key component in the software portfolio is TXS CAM (Collateral Allocation Management), a highly powerful tool to monitor and manage collateral holdings. It provides comprehensive analysis options and contributes significantly to the optimisation of collateral management in financial institutions. The solution offers far-reaching approaches to optimise everyday processes and recurring tasks serving all relevant stakeholders. Any special legal and supervisory requirements are supported in an audit-proof and cost-efficient manner. A major component of TXS CAM is the add-on module TXS MACCs. In recent years the MACCs procedure (Mobilisation and Administration of Credit Claims) has become an additional form of refinancing and established itself in combination with and in addition to the mid-term and long-term Pfandbrief issuance. The system supports banks by employing automated potential detection for relevant loans, the portfolio and single-case related demonstration of data enhancement tasks and the fully automated submission via the file transfer procedure. This audit-proof exchange with the Deutsche Bundesbank and the automated detection, monitoring and reporting of any changes in the submitted loan enables credit institutions to use the entire loan portfolio at any time available and, in doing so, to also employ large retail amounts in a highly efficient manner. The exchange on a regular basis with and between the users and the direct communication with the central bank results in a continued evolution of the product making sure that any new requirements will be implemented promptly. In the overall FINNOFLEET solution architecture, rating agencies such as Moody's, Fitch or Standard & Poor's, associations and other institutions of the capital market receive appropriately any desired and required information by way of automated standard reports. Using the FINNOFLEET IT infrastructure you can exploit the full range of economic and strategic benefits of covered refinancing in a cost-efficient and volume-optimised manner. Descriptive and complex reporting, calculations at nominal and net present value and support of simple, complex and individual loan-to-value metrics provide a high level of transparency for Pfandbrief issuance and other forms of covered refinancing. The optimised slicing, i.e. the best way of using a financing for a covered bond or any other form of covered refinancing, leads to an efficient use of assets individually available and helps reduce the volume of expensive non-covered refinancing for the bank in total. By continuously developing the solution we facilitate the possibilities and trends of the capital market at very early stages. Especially in such a rapidly growing and complex segment as "sustainability", application user work groups focused on specialised topics such as "green covered bond issuance" help to regularly consolidate any desires for further improvement. Thus FINNOFLEET and users can timely and jointly agree on what the interpretation and the implementation of new requirements of various stakeholders should be. This provides support to issuers in their endeavour to meet the requirements of the capital market and investors.

## GRADUAL INTEGRATION TO CREATE A MODULAR REFINANCING PLATFORM

For each application the implementation and integration of solution components is implemented according to the needs and available resources. Compatible modules can be implemented successively starting with the solution that at a given moment is providing the greatest benefit. Depending on the business model of the credit institution, solutions can vary in their significance so that the depth of integration and implementation cycles always require individual planning. Whatever module might be regarded preferential, any individual development will always follow a similar pattern. By agreeing on supported use cases, the radius of required information is being set. In doing so, all processes are taken into account, including all reports that need to be maintained for various stakeholders. Any relevant existing loan, security and expert system of a bank is checked for stock-keeping availability of required data. These stock-keeping data are transported via an interface to the solution components from the stock-keeping systems to safeguard consistency and to avoid error-prone double work. In its content the interface is identical for all solution components and modules. Technically traditional and state-of-the-art formats are both possible. Data that do not exist but are essentially required for management or reporting processes can be derived in the system and/or kept in stock.

## TECHNOLOGY AND OPERATION

Being an IT solution provider for the major part of Pfandbrief institutions in Germany and Austria we provide services to a variety of operation and integration needs. We make available our products for the on-premises operation at clients' facilities, for the operation in data centres or for cloud-based operation by the clients and in the full Software as a Service (SaaS) model through FINNOFLEET. We support the integration of required data flows employing standardised interfaces and flexible adapters for the connectivity of stock-keeping systems.

# CHAPTER 6 - COVERED BOND STATISTICS

## 6.1 INTRODUCTION AND METHODOLOGY

By Joost Beaumont, Chairman of the ECBC Statistics & Data Working Group and ABN AMRO

The ECBC Statistics and Data Working Group has been collecting statistics on the outstanding volume and annual gross supply of covered bonds since 2003. The aim is to provide a complete and consistent set of numbers that can serve as a reliable source of data for interested parties, ranging from issuers to investors and regulators.

The collection of statistics is a significant undertaking each year, which is only possible thanks to the cooperation of the Working Group members, in close cooperation with covered bond issuers and banking associations. One representative per country (the list of country representatives can be found in the list of author section at the beginning of the Fact Book) undertakes the initial data collection. These figures are then cross checked based on publicly available data by a small number of Working Group members. The 2025 numbers were cross checked by Jennifer Levy from Natixis CIB, Karsten Rühlmann from LBBW, Guglielmo Castiglioni, James Haley, and Reon Ogbeide from ABN AMRO, as well as me. A very special thanks also goes to the ECBC team for all their support during the exercise.

### GENERAL REMARKS ON THE 2025 STATISTICS

The aim of the ECBC statistics is to provide the most reliable data on the size and issuance of covered bonds globally. As such, it paints as realistic a picture of developments and trends in the covered bond market. In 2016, a breakdown by maturity structures was added to the statistics, while in 2019, we started to collect statistics on sustainable covered bonds. Sustainable covered bonds include a formal commitment by the issuer to use the bonds' proceeds to (re)finance loans in clearly defined environmental, social, governance (ESG) or a combination of these (sustainable) or similar criteria. The data is based on self-certification by issuers.

As always, we continue to try to improve the quality of the data even for previous years. It is always possible that we miss a bond or still include a bond that has been repaid early (just think of retained covered bonds). Wherever we realize that there was a mistake in last year's data we amend the numbers. As a result of this, there could be some differences between this year's numbers and those published in previous years.

Before going into the actual statistics, please find below some general remarks about the figures, which should help to interpret them correctly:

> Covered bonds are divided into those denominated in euro, those in domestic currency (if not in euro), and those in a currency other than the euro and the domestic currency. The tables are all in euro, with the end-of-year exchange rates published by the European Central Bank used to convert all non-euro denominated figures into euro for the respective year. This adds an exchange rate component to the volumes of non-euro covered bond markets. However, the aim is to show volumes that allow a potential investor to get a feel for the relative size of the various countries rather than the funding volumes obtained by issuers, which typically are swapped back into their domestic currency at issuance.

> Another breakdown is the public placement of covered bonds, which splits the bonds by their size (EUR1bn and above, EUR500m – below 1bn, below EUR 500m). This is to provide a feeling for how large liquid benchmark markets are relative to the overall market size. For non-euro issuance we have introduced waivers, as for example USD500m is a benchmark size in USD markets, but when converting it to EUR would fall into the EUR<500m bucket. The amounts relevant for the three buckets are as follows:

AUD: AUD1bn, AUD500m, AUD<500m
USD: USD1bn, USD500m, USD<500m
GBP: GBP500m, GBP250m, GBP<250m

> For the purpose of counting the number of issuers and of new issuers, the following applies: 1) Issuers are entities with at least one outstanding covered bond at year-end. 2) Issuers with multiple programmes

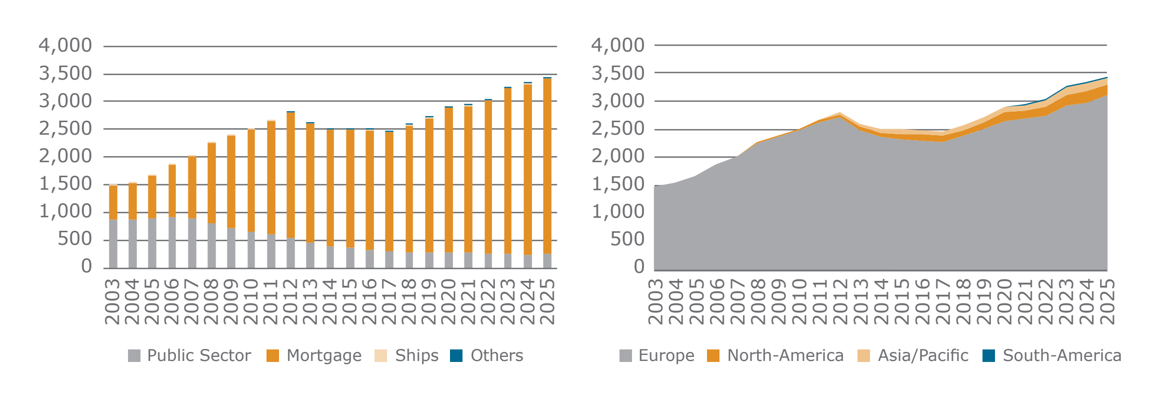
still only count as one. The only exception to this rule is French covered bonds. In case of France, the actual issuer is a specialised bank rather than the mother company. As a result, one mother company with two covered bond programmes also counts as two issuers, as the issuance actually comes from two separate legal entities. 3) New issuers are entities with at least one outstanding covered bond at year-end, but with no outstanding covered bond at the prior year-end.

## FACT BOOK VERSUS LABEL STATISTICS

We also like to highlight the relation between the Fact Book statistics and those published by the ECBC Covered Bond Label. The Label has become a widely used tool, with 160 issuers disclosing information on 198 cover pools across 26 countries by mid August 2026, and covers roughly EUR 2.53tn of covered bonds, i.e. around 75% of the total outstanding market. When comparing the Covered Bonds listed in the Label statistics to those presented in the Fact Book there might be some discrepancies, especially regarding public-private classification in Denmark and Sweden.

The reason for these discrepancies is the different market structure those two countries have where bonds are frequently tapped, repurchased and then tapped again. The Label as well, as the ECBC statistics definitions requires a bond to be listed and syndicated to be classified as public. Although Danish and Swedish covered bonds are listed, the way they are issued does not comply with the syndication requirement. In the ECBC statistics presented below, we try to capture the 'liquid' part of the market with our classifications, and in justified cases can be more flexible than the Covered Bond Label database. We have therefore tried to eliminate the differences between both data sets wherever possible. But we have granted Denmark and Sweden an exception, and consider bonds that for the ECBC label database are classified as private as public, as long as we are talking about liquid benchmarks by these two countries' standards.

> FIGURES 1-2: TOTAL OUTSTANDING COVERED BONDS PER TYPE (LEFT) AS WELL AS REGION (RIGHT), EUR BN




Source: ECBC, ABN AMRO

## OUTSTANDING AMOUNT OF COVERED BONDS INCREASED FOR EIGHT CONSECUTIVE YEAR

The outstanding amount of covered bonds kept on rising in 2025, reaching another record high. The covered bond market grew by 3% in 2025, accelerating from the 2.2% growth rate recorded in 2024. In nominal terms, the volume of outstanding covered bonds increased by EUR 101bn, reaching EUR 3.34trn by the end of 2025 (compared to EUR 3.33trn at the end of 2024). This marked the eight consecutive year of growth. A breakdown by covered bond type showed that the increase in 2025 was (again) largely due to a rise in outstanding amounts of mortgage covered bonds. Outstanding public sector covered bonds also increased, reversing a three-year period of decline. In contrast, outstanding volumes of ship covered bonds and other covered bonds continued to decline, albeit only slightly.

The amount of mortgage covered bonds rose by EUR 94bn to EUR 3.2trn (+3.1%), which pushed the series further above the EUR 3trn mark. The volume of outstanding public sector covered bonds rose by EUR 8.5bn to EUR 262bn (+3.4%), reaching the highest level since 2022. The nominal decline in ship covered bonds was EUR 1.2bn, taking the total amount to EUR 5.7bn. Finally, the outstanding amount of the 'other' category, which largely includes export finance covered bonds in Spain, dropped by EUR 76mn to EUR 11.8bn.

At the end of 2025, the share of mortgage covered bonds in the total amount of outstanding covered bonds remained at 91.8%, still up from 90% in 2020 and even 73% 15 years ago. The latter reflects the ever increasing importance of covered bonds as a financing instrument for housing. Meanwhile, the share of public sector covered bonds remained stable at 7.6%, while the share of covered bonds backed by ships/other assets remained at around 0.5%. Finally, the share of sustainable covered bonds continued to rise to above 4%, up from 3.9% last year and 0.7% in 2019 when we started to collect these figures.

**ONGOING GROWTH IN BENCHMARK COVERED BONDS SUPPORTS MARKET LIQUIDITY**

The split between privately placed covered bonds (including retained covered bonds) and publicly placed covered bonds shows a continued increase in the volume of benchmark-sized issues. Outstanding publicly placed benchmark covered bonds, defined as bonds sold to investors with a minimum issue size of EUR 500 million, increased by EUR 62 billion to EUR 2.1 trillion in 2025. The largest contribution came from bonds with issue sizes between EUR 500 million and EUR 1 billion, which rose by EUR 41 billion.

Meanwhile, the outstanding volume of sub-benchmark covered bonds increased by EUR 22 billion to EUR 249 billion, while privately placed covered bonds grew by EUR 17 billion to EUR 1.1 trillion. These instruments are primarily used by banks for liquidity management purposes.

The continued strong growth in publicly placed benchmark covered bonds is supportive of secondary market liquidity. This is particularly noteworthy, given that these bonds have been acquired predominantly by end-investors rather than the Eurosystem, which ended its covered bond purchase programme in 2023. Since 2022, the outstanding volume of benchmark covered bonds has increased by EUR 325 billion, significantly outpacing the EUR 43 billion increase in sub-benchmark covered bonds and the EUR 125 billion rise in privately placed covered bonds.

**EUROPE DRIVES GROWTH IN THE COVERED BOND MARKET**

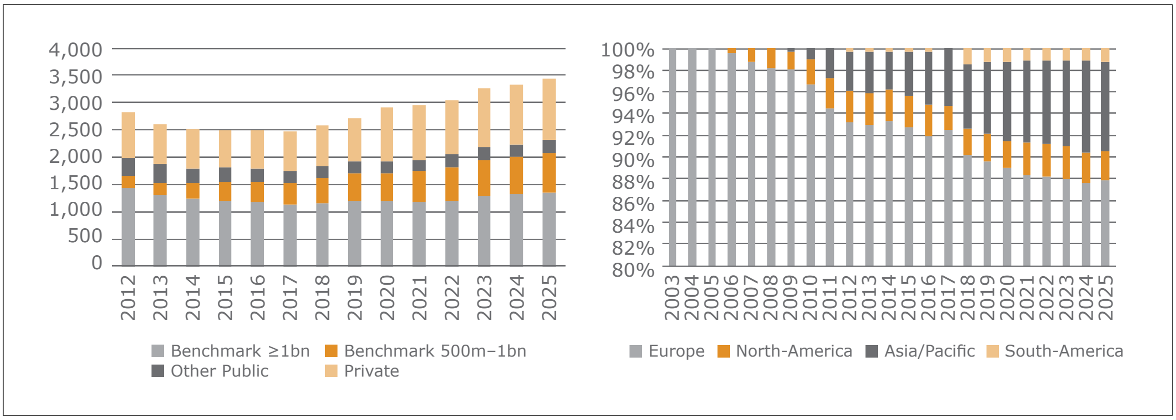
After three years of covered bonds expanding their global footprint, growth in outstanding covered bonds in 2025 was driven primarily by European markets. Outstanding volumes in European countries increased by EUR 129 billion, more than offsetting the EUR 30 billion decline recorded in non-European markets. The contraction outside Europe was largely attributable to Canada, where the covered bond market shrank by 11% in 2025. This decline was mainly driven by the large volume of covered bonds maturing that had been issued during the Covid-19 pandemic.

As a result, the share of non-European countries in the global covered bond market fell back below 10%, to 9.5%. Nevertheless, this remains roughly double the level recorded in 2013, highlighting the growing importance of covered bonds as a global funding instrument for banks.

At the end of 2025, 329 covered bond issuers were active worldwide, of which 79 had sustainable covered bonds outstanding. The total number of issuers declined slightly during the year, reflecting a balance between institutions leaving the market, mainly due to mergers and acquisitions, and new entrants. Five issuers entered the covered bond market in 2025, while the number of sustainable covered bond issuers increased by two.

The number of countries with outstanding covered bonds stood at 31 at the end of 2025, more than double the level recorded 20 years earlier. A regional breakdown shows that Europe remains by far the dominant market, accounting for 88% of all issuers. The Asia-Pacific region represents 8%, while North America and South America account for 3% and 1%, respectively.

> Figures 3-4: Breakdown between public and privately placed covered bonds (left) and Share of covered bond issuers by region (right)



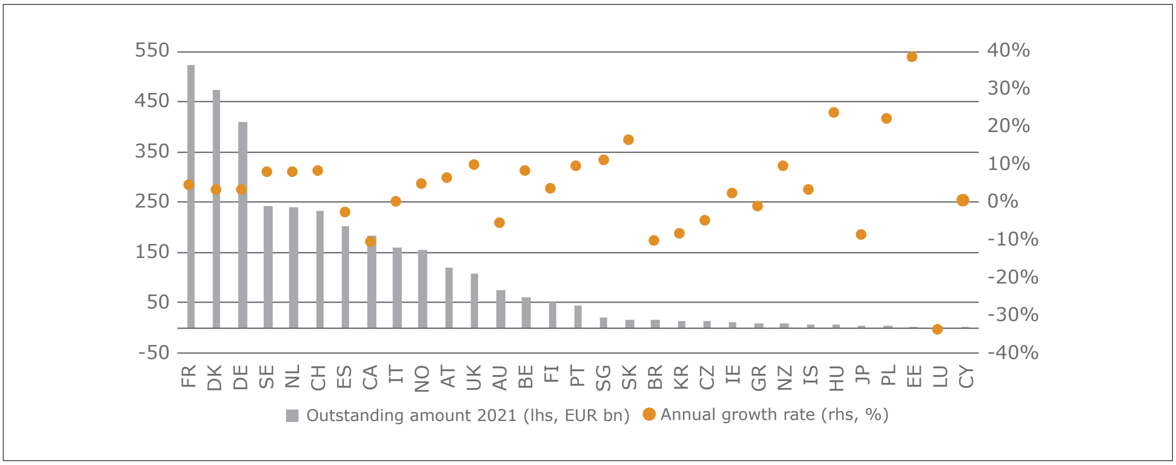

Source: ECBC, ABN AMRO

## TOP TEN COUNTRIES UNCHANGED, LED BY FRANCE

The country ranking remained largely unchanged in 2025, with France retaining its leading position with EUR 523 billion of covered bonds outstanding, followed by Denmark (EUR 474 billion) and Germany (EUR 411 billion). There were no changes among the top 17 markets, while Sweden and the Netherlands completed the top five. The high rankings of Denmark and Sweden reflect the significant size of their domestic covered bond markets.

Within the top 20, Slovakia was the only country to improve its position, moving up two places to rank 18th. This gain was mirrored by a one-place decline for both Brazil and South Korea. Notably, 13 countries recorded their highest-ever volume of covered bonds outstanding at the end of 2025, highlighting the continued expansion of the asset class across a broad range of markets.

> Figure 5: Total amount of outstanding covered bonds by country and annual change




Source: ECBC, ABN AMRO

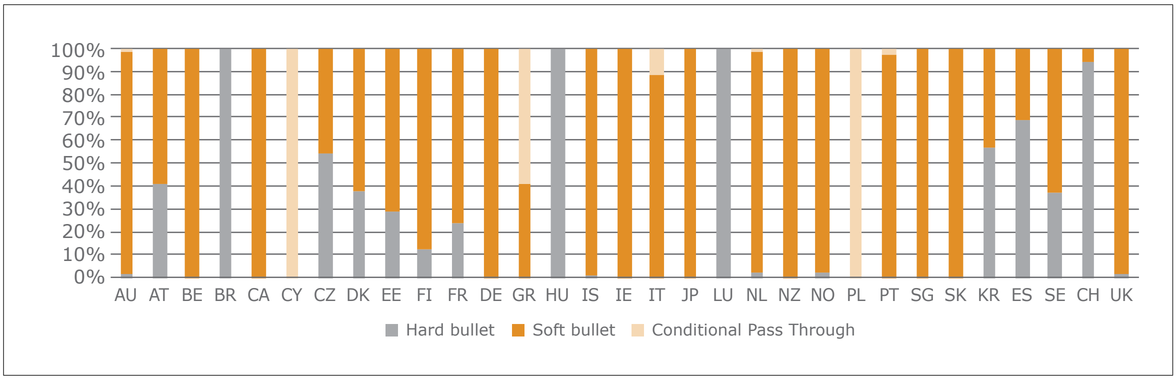
## SOFT BULLET SHARE RISES TO 75%

One of the biggest changes in the statistics in the past few years was the increasing dominance of soft bullet covered bonds, a trend that was further supported by the implementation of the Covered Bond Directive, which has resulted in more and more countries allowing (and issuers using) the structure.

In terms of amounts outstanding, soft bullet covered bonds recorded an increase by EUR 270bn in 2025, while hard bullet covered bonds declined by EUR 170bn. The amount of conditional pass-through covered bonds remained fairly stable, rising by EUR 425mn. Consequently, the share of soft bullets rose to 74% of all outstanding covered bonds (up from 68% in 2024). The share of hard bullet covered bonds dropped to 25% (was 31% in 2023) and that of conditional pass-through covered bonds remained stable at 1.1% (which is half the share in 2020, largely reflecting issuers having shifted to soft bullet covered bonds).

The graph below shows that in four countries, hard bullet structures are still at least 90% of the outstanding amount of covered bonds, while this is in 14 countries the case for soft bullet covered bonds. As maturing hard bullet covered bonds continue to be replaced by soft bullet issues across many markets, the share of soft bullet covered bonds is likely to increase further in the coming years.

> FIGURE 6: OUTSTANDING COVERED BONDS BY MATURITY AND COUNTRY (%)



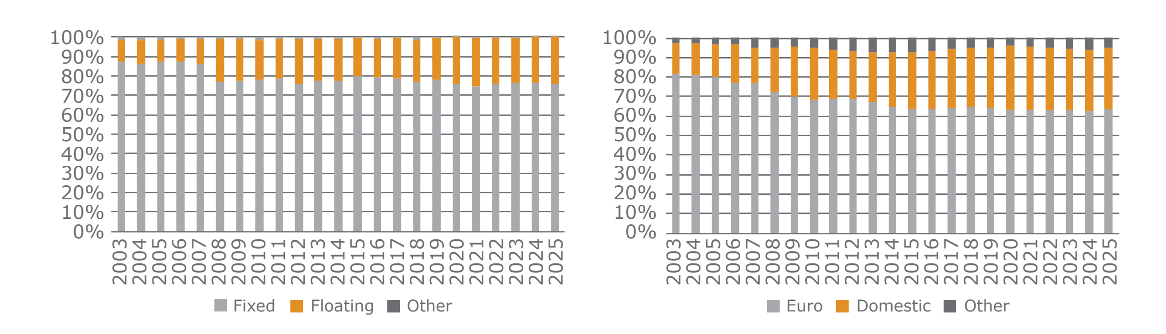

Source: ECBC, ABN AMRO

The breakdown of outstanding covered bonds by coupon type and currency remained broadly stable in 2025. However, the euro increased its market share at the expense of covered bonds denominated in other currencies, that is, currencies other than the euro or an issuer's domestic currency. This development likely reflects the fact that European issuers, which predominantly issue in euro, were the main drivers of the increase in the total outstanding volume of covered bonds.

Overall, euro-denominated covered bonds accounted for 63.4% of the total outstanding amount, followed by domestic-currency covered bonds at 31.4%, leaving 5.2% denominated in other currencies. While this latter category had grown strongly in previous years, that trend appears to have come to an end in 2025. The change was largely driven by the Canadian market, where the outstanding volume in this category declined by EUR 20bn. This means that Canadian banks only partially refinanced maturing covered bonds denominated in currencies other than the euro and the Canadian dollar.

Meanwhile, the composition of the market by coupon type showed that both fixed-rate and floating-rate covered bonds increased by broadly similar amounts in nominal terms. However, the growth rate of floating-rate covered bonds reached 7%, compared with 2% for fixed-rate bonds. The strong expansion of floating-rate covered bonds was partly due to the rise in private placements/retained covered bonds that typically have floating coupons. In addition, issuance increased in markets such as Denmark and the UK, where domestic-currency covered bonds are often issued with floating rates. Nevertheless, fixed-rate covered bonds remain by far the dominant segment, accounting for 76% of the total outstanding amount.

> Figures 7-8: Outstanding covered bonds by coupon type (left) and currency (right), EUR bn




Source: ECBC, ABN AMRO

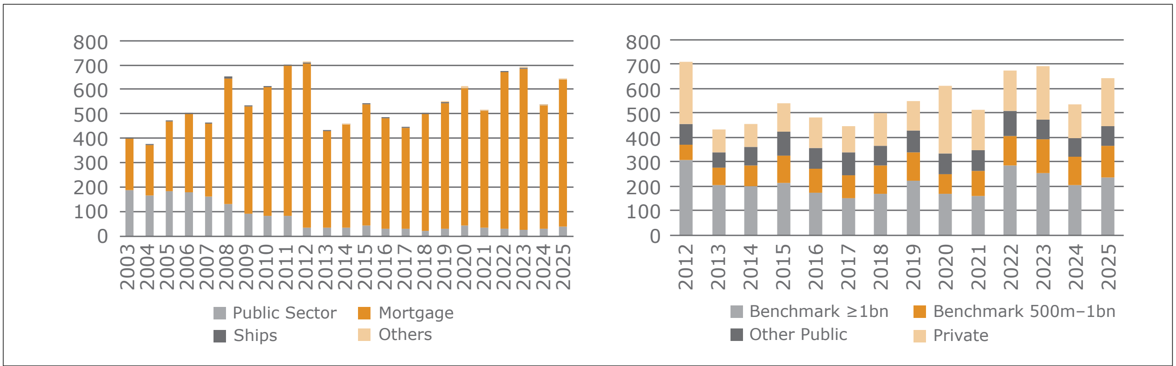
## ISSUANCE REBOUNDS AMID STRONG MARKET CONDITIONS

New covered bond issuance rebounded strongly in 2025, rising back above the EUR 600bn mark. Total issuance reached EUR 642bn, up from EUR 538bn in 2024, representing year-on-year growth of 19%.

The increase in issuance was likely driven by higher refinancing needs. However, as new issuance exceeded the volume of maturing covered bonds, the figures also suggest that banks faced increased funding requirements. Market conditions for covered bonds remained broadly favourable throughout the year, despite persistent geopolitical tensions and periods of elevated market volatility. These supportive conditions enabled issuers to access the market at attractive terms and likely supported the strong recovery in issuance activity.

A breakdown by covered bond type shows that issuance of mortgage covered bonds increased by almost EUR 100bn in 2025 (+20%). Issuance of public sector covered bonds also increased, rising by EUR 8bn (+26%). In contrast, issuance of ship covered bonds and other covered bonds declined, with both categories recording volumes slightly above EUR 700mn. Despite the strong increase in overall issuance, the composition of the market remained largely unchanged. Mortgage covered bonds accounted for 93.6% of total issuance, broadly in line with the previous year, while public sector covered bonds represented 6.2%. By contrast, the combined share of ship covered bonds and other covered bonds fell to 0.2%, down from 0.8% in 2024.

> Figures 9-10: New issuance of covered bonds by type (left) and size (right), EUR bn




Source: ECBC, ABN AMRO

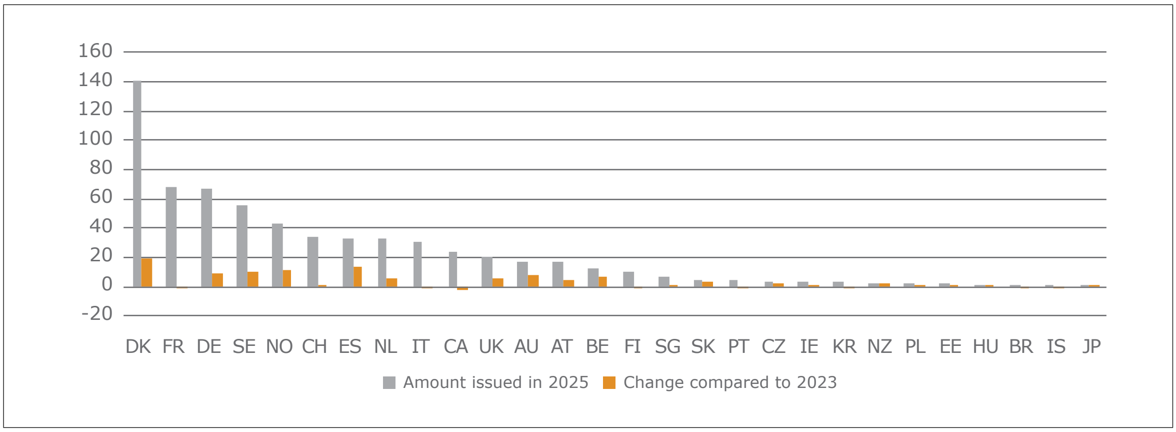
A breakdown of issuance by public and private placements showed that the most issuance is in public benchmark covered bonds. However, the change compared to 2024 was equally between both categories. This likely reflects the increasing importance of covered bonds in banks' funding and liquidity management strategies. Issuance of publicly placed benchmark covered bonds reached EUR 366bn in 2024 (compared to EUR 322bn in 2024). Meanwhile, privately placed covered bond issuance increased to EUR 193bn from EUR 141bn a year earlier.

A breakdown by country shows that Danish banks once again led covered bond issuance in 2025, with EUR 141 billion in new supply, equivalent to 22% of the total. The top three issuing countries remained unchanged from 2024, with France (EUR 68bn) and Germany (EUR 67bn) ranking second and third, respectively. Together, these three countries accounted for around 43% of total issuance, underscoring their dominant position in the European covered bond market.

Two other Nordic countries, Sweden and Norway, completed the top five. Combined with Denmark, the Nordic countries accounted for more than one-third of total covered bond issuance in 2025, highlighting the importance of their well-developed domestic covered bond markets.

Among the ten largest issuing countries, Spain recorded the most significant improvement, rising from tenth place in 2024 to seventh in 2025. This increase was primarily driven by a strong rise in privately placed covered bond issuance.

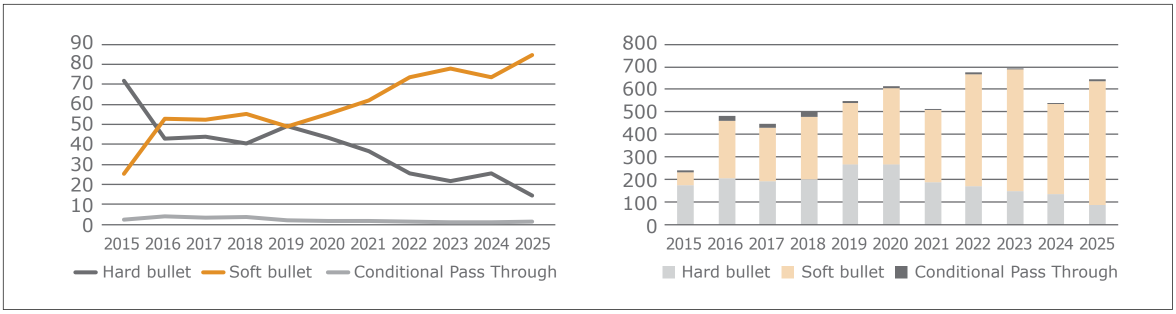
> Figure 11: Covered bond new issuance by country as well as change versus 2024 EUR bn




Source: ECBC, ABN AMRO

New issuance data also confirm the dominance of soft bullet covered bonds. Their share increased to 85% of total new issuance, compared with a 74% share in 2024. It was the first time for soft bullet covered bonds for more than 80% of total issuance. Meanwhile, the share of hard bullet covered bonds fell to 14%, down from 25% in 2024, while conditional pass-through covered bonds maintained their 1% share.

> Figures 12-13: Share of covered bonds issuance by maturity type (left, % in total; right, EUR bn)

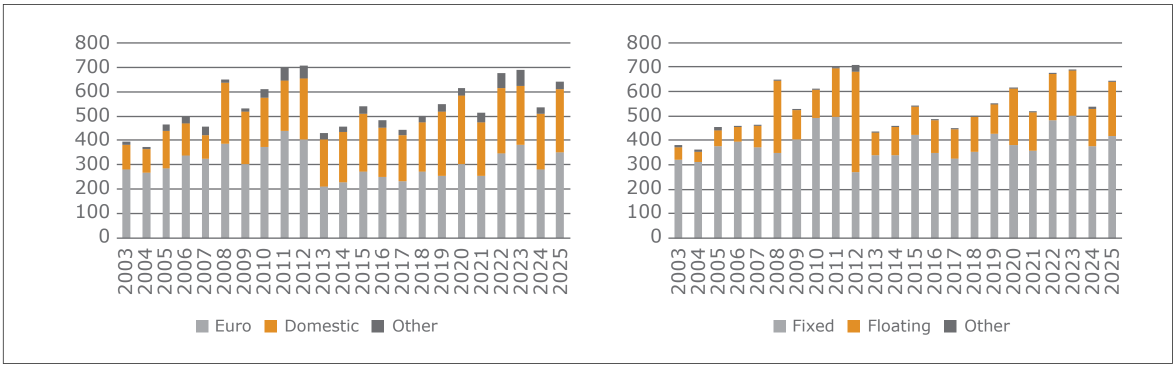



Source: ECBC, ABN AMRO

The majority of new issuance was denominated in euro (55%), followed by domestic currencies (40%) and other currencies different than euro or the domestic currency (5%). In terms of annual growth, euro-denominated issuance increased by 24%, while issuance in domestic currencies rose by 14%. Issuance in other currencies also expanded, increasing by 15%.

Meanwhile, the share of floating-rate covered bond issuance increased notably in 2025, rising by 43% to EUR 223bn. This likely reflects the increase in private placements/retained covered bonds, which are typically issued with floating coupons. Issuance of fixed-rate covered bonds increased by 12% to EUR 419bn. Nevertheless, fixed-rate covered bonds continued to account for the largest share of total issuance at 65%, compared with 35% for floating-rate covered bonds.

> Figures 14-15: Issuance of covered bonds by currency (left) and coupon type (right), EUR bn




Source: ECBC, ABN AMRO

## SUSTAINABLE COVERED BONDS BROADEN FOOTPRINT

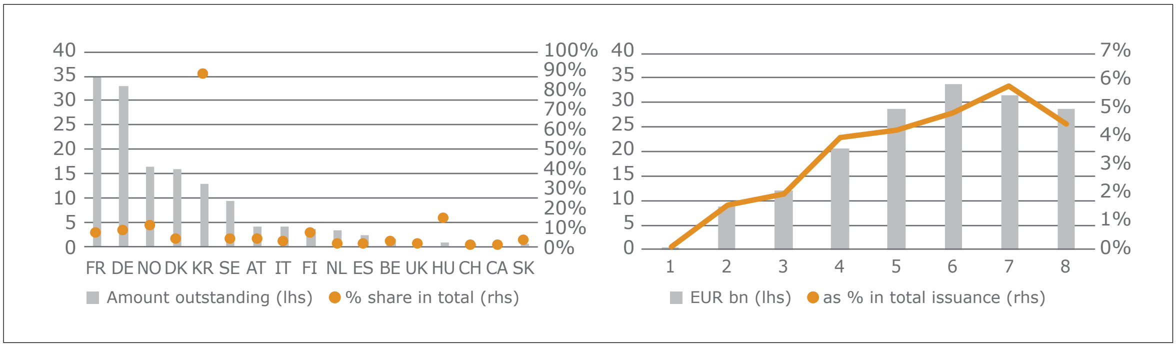
The market for sustainable covered bonds, i.e. covered bonds with a green or social label, has been steadily growing since the first sustainable covered bond was issued in 2014. As a result of their increasing relevance and the role that they can play in financing part of the energy transition, we started collecting data about sustainable covered bonds in 2019.

By the end of 2025, the volume of outstanding sustainable covered bonds was more than seven times larger than in 2019. Indeed, the total amount outstanding increased by EUR 14bn to EUR 145bn in 2025. This translated into an annual growth rate of 10% and lifted the share of sustainable covered bonds in the total volume of outstanding covered bonds to above 4%, compared with 1.1% five years earlier. Although still relatively small, the market continues to grow at a solid pace.

The number of sustainable issuers dropped slightly in 2025, mainly reflecting some mergers. However, this masked the entry of two new sustainable issuers into the market. Overall, 79 issuers from 17 countries were active in the sustainable covered bond market at the end of 2025. In terms of outstanding volumes, France, Germany, Norway and Denmark remained the largest markets for sustainable covered bonds, while South Korea had the highest share of sustainable covered bonds relative to its total covered bond market, at 88%.

Issuance of sustainable covered bonds declined slightly in 2025, falling to EUR 29bn from EUR 32bn in 2024. Nonetheless, sustainable covered bonds accounted for 4.5% of total issuance in 2025, slightly above their share in the total outstanding market. If this trend continues, the share of sustainable covered bonds in the overall covered bond market is likely to keep increasing, reflecting the important role banks play in financing the energy transition.

> Figures 16-17: Breakdown of sustainable covered bonds outstanding (left) and new issuance (right) (EUR bn and % market share)




Source: ECBC, ABN AMRO

## STRONG ACTIVITY IN 2026 BODES WELL FOR NEXT YEAR'S DATA

Activity in the covered bond market remained strong in 2026. Issuance of euro benchmark covered bonds exceeded redemptions by more than EUR 30bn in the first half of the year. In addition, issuance of retained covered bonds was already well on track to surpass the 2025 total.

Favourable new issue conditions, combined with uncertainty about whether these conditions would persist, encouraged issuers to come to the market. Although we expect issuance activity to moderate in the second half of the year, it seems reasonable to assume that the covered bond market will continue to grow in 2026. This bodes well for the results of next year's exercise. More broadly, developments in the covered bond market continue to underline the importance of covered bonds as a bank funding tool across the globe.

## 6.2 STATISTICS

### 6.2.1 TOTAL

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total CB Outstanding | | | | | | | | | | |
| Public Sector | 335,525 | 312,458 | 294,007 | 282,709 | 285,328 | 285,990 | 276,547 | 257,695 | 253,693 | 262,229 |
| Mortgage | 2,146,478 | 2,140,271 | 2,275,873 | 2,414,816 | 2,607,960 | 2,636,571 | 2,736,958 | 2,982,476 | 3,060,702 | 3,152,429 |
| Ships | 8,295 | 7,367 | 6,524 | 8,814 | 7,892 | 8,198 | 7,707 | 7,708 | 6,970 | 5,740 |
| Others | 1,006 | 505 | 505 | 1,500 | 7,697 | 8,822 | 7,605 | 10,309 | 11,886 | 11,810 |
| **Total Outstanding** | 2,491,304 | 2,460,601 | 2,576,909 | 2,707,839 | 2,908,877 | 2,939,580 | 3,028,817 | 3,258,189 | 3,333,251 | 3,432,209 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 19,674 | 31,797 | 54,150 | 78,383 | 107,914 | 131,228 | 144,882 |
| Public Placements | | | | | | | | | | |
| Benchmark (1bn and above) | 1,174,136 | 1,139,513 | 1,163,672 | 1,207,812 | 1,197,522 | 1,181,025 | 1,206,780 | 1,286,036 | 1,324,953 | 1,346,191 |
| Benchmark (500mio to below 1bn) | 385,000 | 395,844 | 446,008 | 491,996 | 507,218 | 565,565 | 616,662 | 651,137 | 684,223 | 725,292 |
| Others (below 500Mio) | 231,165 | 219,442 | 223,951 | 216,187 | 216,347 | 205,568 | 228,186 | 253,973 | 226,675 | 248,578 |
| Private Placements | 701,003 | 705,802 | 743,279 | 791,844 | 987,792 | 987,424 | 977,189 | 1,067,045 | 1,095,398 | 1,112,147 |
| **Total** | 2,491,304 | 2,460,601 | 2,576,911 | 2,707,839 | 2,908,879 | 2,939,580 | 3,028,817 | 3,258,191 | 3,333,250 | 3,432,208 |
| Denominated in EURO | 1,580,921 | 1,578,519 | 1,673,721 | 1,740,274 | 1,841,579 | 1,856,110 | 1,906,038 | 2,049,477 | 2,088,811 | 2,175,383 |
| Denominated in domestic currency | 740,994 | 744,982 | 776,216 | 833,668 | 941,393 | 953,435 | 973,965 | 1,013,085 | 1,039,254 | 1,077,302 |
| Denominated in other currencies | 169,388 | 137,099 | 126,973 | 133,897 | 125,906 | 130,035 | 148,814 | 195,628 | 205,185 | 179,524 |
| **Total** | 2,491,304 | 2,460,600 | 2,576,911 | 2,707,839 | 2,908,878 | 2,939,580 | 3,028,816 | 3,258,190 | 3,333,250 | 3,432,209 |
| Hard Bullet | 1,563,697 | 1,470,119 | 1,446,146 | 1,477,159 | 1,557,164 | 1,173,325 | 1,086,297 | 1,078,882 | 1,029,627 | 860,043 |
| Soft Bullet | 875,176 | 929,033 | 1,052,425 | 1,149,151 | 1,271,938 | 1,688,659 | 1,889,864 | 2,135,535 | 2,267,148 | 2,352,604 |
| Conditional Pass Through | 52,431 | 61,448 | 78,339 | 81,530 | 79,776 | 77,596 | 52,656 | 43,772 | 36,475 | 219,561 |
| **Total** | 2,491,304 | 2,460,600 | 2,576,911 | 2,707,840 | 2,908,878 | 2,939,580 | 3,028,817 | 3,258,190 | 3,333,250 | 3,432,208 |
| Outstanding fixed coupon | 1,967,187 | 1,926,775 | 1,984,668 | 2,116,694 | 2,200,314 | 2,192,370 | 2,286,229 | 2,482,480 | 2,545,859 | 2,591,820 |
| Outstanding floating coupon | 496,811 | 515,098 | 547,978 | 572,918 | 696,787 | 734,097 | 725,805 | 760,812 | 773,013 | 826,725 |
| Outstanding other | 27,306 | 18,728 | 44,266 | 18,228 | 11,776 | 13,113 | 16,783 | 14,897 | 12,377 | 13,661 |
| **Total** | 2,491,304 | 2,460,601 | 2,576,913 | 2,707,840 | 2,908,877 | 2,939,580 | 3,028,816 | 3,258,190 | 3,333,250 | 3,432,207 |
| Number of Programmes | 427 | 427 | 440 | 447 | 446 | 453 | 447 | 438 | 437 | 430 |
| **Number of Issuers** | 311 | 318 | 325 | 329 | 329 | 334 | 341 | 333 | 332 | 329 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | 1 | 23 | 30 | 50 | 66 | 77 | 82 | 79 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total CB Issuance | | | | | | | | | | |
| Public Sector | 33,554 | 30,510 | 23,841 | 32,179 | 42,418 | 37,789 | 31,335 | 28,244 | 31,558 | 39,692 |
| Mortgage | 449,384 | 412,580 | 475,057 | 510,880 | 562,341 | 474,118 | 640,340 | 655,392 | 503,853 | 600,688 |
| Ships | 883 | 2,524 | 1,193 | 3,473 | 1,492 | 1,794 | 1,751 | 2,416 | 1,848 | 750 |
| Others | - | - | - | 1,500 | 6,197 | 880 | - | 3,380 | 2,322 | 713 |
| **Total Issuance** | 483,821 | 445,614 | 500,092 | 548,032 | 612,448 | 514,580 | 673,426 | 689,432 | 539,580 | 641,843 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | 500 | 8,754 | 12,028 | 20,692 | 28,784 | 33,659 | 31,545 | 28,782 |
| Public Placements | | | | | | | | | | |
| Benchmark (1bn and above) | 173,759 | 153,174 | 171,719 | 223,217 | 168,756 | 162,246 | 287,010 | 255,363 | 206,779 | 237,828 |
| Benchmark (500mio to below 1bn) | 101,371 | 93,021 | 114,846 | 118,650 | 83,953 | 103,319 | 121,396 | 136,270 | 114,896 | 127,791 |
| Others (below 500Mio) | 84,188 | 91,636 | 79,838 | 86,251 | 84,214 | 84,059 | 98,182 | 82,411 | 74,678 | 82,870 |
| Private Placements | 124,505 | 107,783 | 133,689 | 119,913 | 275,524 | 164,955 | 166,838 | 215,388 | 143,228 | 193,355 |
| **Total** | 483,822 | 445,614 | 500,092 | 548,032 | 612,448 | 514,580 | 673,425 | 689,432 | 539,580 | 641,843 |
| Denominated in EURO | 252,062 | 235,355 | 271,813 | 257,712 | 303,679 | 255,958 | 346,018 | 384,346 | 285,764 | 351,331 |
| Denominated in domestic currency | 202,150 | 186,637 | 201,570 | 259,621 | 281,684 | 218,725 | 270,176 | 237,112 | 225,603 | 258,035 |
| Denominated in other currencies | 29,609 | 23,622 | 26,707 | 30,700 | 27,084 | 39,897 | 57,232 | 67,973 | 28,233 | 32,476 |
| **Total** | 483,821 | 445,614 | 500,091 | 548,032 | 612,448 | 514,579 | 673,426 | 689,432 | 539,580 | 641,843 |
| Hard Bullet | 206,369 | 194,598 | 202,903 | 269,200 | 265,833 | 187,536 | 171,086 | 147,398 | 136,536 | 88,915 |
| Soft Bullet | 254,023 | 233,403 | 275,420 | 268,613 | 338,406 | 319,340 | 496,262 | 539,593 | 398,914 | 545,709 |
| Conditional Pass Through | 23,429 | 17,613 | 21,688 | 10,219 | 8,209 | 7,704 | 6,077 | 2,440 | 4,131 | 7,219 |
| **Total** | 483,821 | 445,614 | 500,012 | 548,032 | 612,448 | 514,579 | 673,426 | 689,431 | 539,580 | 641,843 |
| Issuance fixed coupon | 349,268 | 323,802 | 353,880 | 426,544 | 379,799 | 359,195 | 481,877 | 502,993 | 377,361 | 418,659 |
| Issuance floating coupon | 133,323 | 120,841 | 144,230 | 121,065 | 232,338 | 155,190 | 187,950 | 183,773 | 155,188 | 222,540 |
| Issuance other | 1,231 | 971 | 1,980 | 422 | 311 | 194 | 3,599 | 2,665 | 7,032 | 644 |
| **Total** | 483,822 | 445,614 | 500,091 | 548,032 | 612,448 | 514,579 | 673,426 | 689,432 | 539,580 | 641,843 |
| **Number of New Issuers** | 8 | 14 | 16 | 14 | 12 | 10 | 10 | 6 | 4 | 5 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | 1 | 9 | 7 | 21 | 14 | 11 | 8 | 2 |

Note: Please note that a few changes were undertaken in 2013 to the way data is grouped and shown. These changes impact the figures from 2012 onwards. A number of them, especially the size and placement type category changes, are substantial to how data is displayed. Backdating data to fit the new categories and maintaining consistent data history for previous years is a major challenge. Therefore, there is a full dataset going back to 2003 for some countries while there is only data from 2012 going forward for others. Consequently, on the aggregate covered bond market level, only data for the new categorisation for 2012 and 2013 is shown. The old categories together with the historic data can be found on the 2012 edition of the ECBC Fact Book. For further information on these changes, please see the Statistics introduction of the Fact Book.

Please note that the statistics contain "n.a." when data is not available, "-" when the value is zero and "*" indicates that the figure in question does not correspond to the sum of the above sub-components due to the unavailability in some countries of these breakdowns. In addition, please note that totals are calculated using available data only, and that any fluctuations of values in this table over time may be partly due to one or more countries' data becoming available or unavailable from one year to the next. In order to be sure about what causes changes in the totals, please see the individual country statistics. Finally, please also note that any small difference between Totals in the same year is due to rounding.

Source: EMF-ECBC

## 6.2.2 TOTAL 2025 STATISTICS BY TYPE OF ASSETS

| COVERED BONDS OUTSTANDING 2025 in EUR million | | | | | | |
|---|---|---|---|---|---|---|
| | Public Sector | Mortgage | Ships | Others | Mixed Assets | TOTAL |
| Australia | - | 75,649 | - | - | - | 75,649 |
| Austria | 16,323 | 103,567 | - | - | - | 119,890 |
| Belgium | 1,711 | 60,327 | - | - | - | 62,038 |
| Brazil | 589 | 16,265 | - | - | - | 16,854 |
| Canada | - | 182,661 | - | - | - | 182,661 |
| Cyprus | - | 650 | - | - | - | 650 |
| Czechia | - | 14,155 | - | - | - | 14,155 |
| Denmark | 18,923 | 450,075 | 4,963 | - | - | 473,961 |
| Estonia | - | 3,450 | - | - | - | 3,450 |
| Finland | - | 52,999 | - | - | - | 52,999 |
| France | 81,100 | 391,882 | - | - | 49,868 | 522,850 |
| Germany | 106,843 | 303,274 | 777 | - | - | 410,893 |
| Greece | - | 9,693 | - | - | - | 9,693 |
| Hungary | - | 6,330 | - | - | - | 6,330 |
| Iceland | - | 6,891 | - | - | - | 6,891 |
| Ireland | - | 12,893 | - | - | - | 12,893 |
| Italy | - | 160,435 | - | - | - | 160,435 |
| Japan | - | 5,100 | - | - | - | 5,100 |
| Latvia | - | - | - | - | - | - |
| Luxembourg | 2,372 | - | - | - | - | 2,372 |
| The Netherlands | - | 239,384 | - | - | - | 239,384 |
| New Zealand | - | 9,222 | - | - | - | 9,222 |
| Norway | 1,938 | 152,519 | - | - | - | 154,456 |
| Panama | - | - | - | - | - | - |
| Poland | 107 | 4,912 | - | - | - | 5,019 |
| Portugal | 600 | 43,231 | - | - | - | 43,831 |
| Romania | - | - | - | - | - | - |
| Singapore | - | 21,075 | - | - | - | 21,075 |
| Slovakia | - | 17,345 | - | - | - | 17,345 |
| South Korea | - | 14,474 | - | - | - | 14,474 |
| Spain | 6,790 | 183,902 | - | 11,810 | - | 202,502 |
| Sweden | - | 242,058 | - | - | - | 242,058 |
| Switzerland | - | 233,556 | - | - | - | 233,556 |
| Turkey | - | - | - | - | - | - |
| United Kingdom | - | 109,522 | - | - | - | 109,522 |
| United States | - | - | - | - | - | - |
| **Total** | **237,296** | **3,127,495** | **5,740** | **11,810** | **49,868** | **3,432,209** |

| COVERED BONDS ISSUANCE 2025 in EUR million | | | | | | |
|---|---|---|---|---|---|---|
| | Public Sector | Mortgage | Ships | Others | Mixed Assets | TOTAL |
| Australia | - | 17,471 | - | - | - | 17,471 |
| Austria | 1,830 | 14,725 | - | - | - | 16,555 |
| Belgium | - | 12,750 | - | - | - | 12,750 |
| Brazil | 0 | 1,364 | - | - | - | 1,364 |
| Canada | - | 23,969 | - | - | - | 23,969 |
| Cyprus | - | - | - | - | - | - |
| Czechia | - | 3,962 | - | - | - | 3,962 |
| Denmark | 1,330 | 138,427 | 750 | - | - | 140,507 |
| Estonia | - | 1,750 | - | - | - | 1,750 |
| Finland | - | 9,800 | - | - | - | 9,800 |
| France | 13,981 | 49,859 | - | - | 4,285 | 68,125 |
| Germany | 19,986 | 46,773 | - | - | - | 66,759 |
| Greece | - | - | - | - | - | - |
| Hungary | - | 1,607 | - | - | - | 1,607 |
| Iceland | - | 854 | - | - | - | 854 |
| Ireland | - | 3,000 | - | - | - | 3,000 |
| Italy | - | 30,300 | - | - | - | 30,300 |
| Japan | - | 500 | - | - | - | 500 |
| Latvia | - | - | - | - | - | - |
| Luxembourg | - | - | - | - | - | - |
| The Netherlands | - | 32,775 | - | - | - | 32,775 |
| New Zealand | - | 2,322 | - | - | - | 2,322 |
| Norway | 422 | 42,744 | - | - | - | 43,166 |
| Panama | - | - | - | - | - | - |
| Poland | - | 2,219 | - | - | - | 2,219 |
| Portugal | - | 4,300 | - | - | - | 4,300 |
| Romania | - | - | - | - | - | - |
| Singapore | - | 7,308 | - | - | - | 7,308 |
| Slovakia | - | 4,805 | - | - | - | 4,805 |
| South Korea | - | 2,972 | - | - | - | 2,972 |
| Spain | - | 32,250 | - | 713 | - | 32,963 |
| Sweden | - | 55,067 | - | - | - | 55,067 |
| Switzerland | - | 34,560 | - | - | - | 34,560 |
| Turkey | - | - | - | - | - | - |
| United Kingdom | - | 20,113 | - | - | - | 20,113 |
| United States | - | - | - | - | - | - |
| **Total** | **37,550** | **598,545** | **750** | **713** | **4,285** | **641,842** |

Source: EMF-ECBC

## 6.2.3 SUSTAINABLE COVERED BONDS

| SUSTAINABLE COVERED BONDS in 2025 in EUR million | | |
|---|---|---|
| | Outstanding | Issuance |
| Australia | - | - |
| Austria | 4,050 | - |
| Belgium | 1,500 | - |
| Brazil | - | - |
| Canada | 500 | - |
| Cyprus | - | - |
| Czechia | - | - |
| Denmark | 16,027 | 3,794 |
| Estonia | - | - |
| Finland | 3,500 | 750 |
| France | 34,820 | 9,050 |
| Germany | 33,004 | 4,690 |
| Greece | - | - |
| Hungary | 887 | 180 |
| Iceland | - | - |
| Ireland | - | - |
| Italy | 4,000 | 750 |
| Japan | - | - |
| Latvia | - | - |
| Luxembourg | - | - |
| The Netherlands | 3,250 | 750 |
| New Zealand | - | - |
| Norway | 16,361 | 2,401 |
| Panama | - | - |
| Poland | - | - |
| Portugal | - | - |
| Romania | - | - |
| Singapore | - | - |
| Slovakia | 500 | - |
| South Korea | 12,778 | 2,884 |
| Spain | 2,200 | 500 |
| Sweden | 9,379 | 2,928 |
| Switzerland | 554 | 103 |
| Turkey | - | - |
| United Kingdom | 1,073 | - |
| United States | - | - |
| **Total** | **144,383** | **28,780** |

Source: EMF-ECBC

## 6.2.4 AUSTRALIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,180 | 79,777 | 80,234 | 75,649 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,180 | 79,777 | 80,234 | 75,649 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 46,350 | 38,911 | 41,307 | 35,795 | 36,841 | 32,995 | 42,771 | 48,304 | 53,012 | 49,840 |
| Benchmark (500mio - below 1bn) | 6,887 | 8,587 | 7,341 | 12,023 | 9,082 | 9,155 | 10,315 | 10,700 | 9,023 | 12,228 |
| Others (below 500Mio) | 303 | - | 599 | 2,229 | 370 | 590 | 1,335 | 2,982 | 1,371 | 3,496 |
| Private Placement | 17,256 | 16,504 | 16,609 | 14,584 | 16,299 | 15,124 | 15,760 | 17,790 | 16,828 | 10,085 |
| **Total** | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,180 | 79,777 | 80,234 | 75,649 |
| Denominated in EURO | 28,814 | 31,199 | 35,935 | 37,710 | 35,711 | 34,110 | 38,151 | 41,143 | 39,254 | 43,530 |
| Denominated in domestic currency | 10,146 | 6,344 | 7,712 | 7,650 | 8,750 | 7,639 | 9,988 | 8,565 | 8,669 | 4,048 |
| Denominated in other currencies | 31,836 | 26,459 | 22,208 | 19,270 | 18,131 | 16,115 | 22,042 | 30,069 | 32,311 | 28,071 |
| **Total** | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,180 | 79,777 | 80,234 | 75,649 |
| Hard Bullet | 17,544 | 13,032 | 7,678 | 3,139 | 4,334 | 7,622 | 1,308 | 1,289 | 2,381 | 1,045 |
| Soft Bullet | 53,252 | 50,469 | 57,678 | 60,491 | 56,786 | 48,770 | 67,173 | 76,251 | 76,700 | 73,451 |
| Conditional Pass Through | - | 500 | 500 | 1,000 | 1,472 | 1,472 | 1,699 | 2,237 | 1,153 | 75,649 |
| **Total** | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,180 | 79,777 | 80,234 | 75,649 |
| Outstanding fixed coupon | 63,995 | 58,777 | 60,836 | 59,142 | 53,915 | 50,250 | 59,652 | 65,854 | 64,257 | 62,065 |
| Outstanding floating coupon | 6,801 | 5,224 | 5,019 | 5,488 | 8,678 | 7,615 | 10,529 | 13,922 | 15,977 | 13,583 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 70,796 | 64,001 | 65,855 | 64,630 | 62,592 | 57,864 | 70,181 | 79,777 | 80,234 | 75,649 |
| Number of Programmes | 6 | 7 | 8 | 8 | 8 | 8 | 9 | 9 | 10 | 10 |
| **Number of Issuers** | 6 | 7 | 8 | 8 | 8 | 8 | 9 | 9 | 9 | 9 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 11,382 | 7,351 | 11,075 | 9,511 | 4,594 | 6,825 | 24,509 | 19,442 | 9,462 | 17,471 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 11,382 | 7,351 | 11,075 | 9,511 | 4,594 | 6,825 | 24,509 | 19,442 | 9,462 | 17,471 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 5,392 | 2,814 | 7,155 | 6,431 | 3,650 | 4,045 | 16,950 | 15,116 | 7,273 | 14,667 |
| Benchmark (500mio - below 1bn) | 3,026 | 2,144 | 500 | 1,554 | 472 | 1,826 | 2,827 | 500 | 600 | 1,100 |
| Others (below 500Mio) | - | - | - | 154 | - | 184 | 330 | 324 | - | 225 |
| Private Placement | 2,965 | 2,393 | 3,420 | 1,372 | 472 | 770 | 4,401 | 3,501 | 1,589 | 1,478 |
| **Total** | 11,382 | 7,351 | 11,075 | 9,511 | 4,594 | 6,825 | 24,508 | 19,442 | 9,462 | 17,471 |
| Denominated in EURO | 4,445 | 4,885 | 5,736 | 4,955 | - | 3,980 | 11,585 | 6,786 | 3,811 | 10,475 |
| Denominated in domestic currency | 2,227 | 1,473 | 2,004 | 524 | 944 | 640 | 3,696 | 1,629 | 1,043 | 853 |
| Denominated in other currencies | 4,710 | 993 | 3,335 | 4,032 | 3,650 | 2,205 | 9,228 | 11,026 | 4,607 | 6,143 |
| **Total** | 11,382 | 7,351 | 11,075 | 9,511 | 4,594 | 6,825 | 24,509 | 19,442 | 9,462 | 17,471 |
| Hard Bullet | 100 | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 11,282 | 6,851 | 10,995 | 9,011 | 4,122 | 6,825 | 23,781 | 18,888 | 9,462 | 17,471 |
| Conditional Pass Through | - | 500 | - | 500 | 472 | - | 727 | 553 | - | - |
| **Total** | 11,382 | 7,351 | 10,995 | 9,511 | 4,594 | 6,825 | 24,508 | 19,442 | 9,462 | 17,471 |
| Issuance fixed coupon | 9,453 | 6,255 | 9,466 | 8,518 | 1,426 | 5,789 | 19,702 | 14,699 | 7,239 | 13,694 |
| Issuance floating coupon | 1,929 | 1,096 | 1,609 | 993 | 3,168 | 1,036 | 4,806 | 4,743 | 2,223 | 3,777 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 11,382 | 7,351 | 11,075 | 9,511 | 4,594 | 6,825 | 24,509 | 19,442 | 9,462 | 17,471 |
| **Number of New Issuers** | 1 | 1 | 1 | - | - | - | 1 | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

Source: Westpac Institutional Bank, ECBC

## 6.2.5 AUSTRIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 17,155 | 17,590 | 16,926 | 16,574 | 18,348 | 18,725 | 26,772 | 15,616 | 17,530 | 16,323 |
| Mortgage | 30,894 | 31,915 | 42,001 | 49,124 | 59,601 | 71,142 | 74,522 | 94,274 | 95,516 | 103,567 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | 5 | - | - | - |
| **Total Outstanding** | 48,049 | 49,505 | 58,928 | 65,699 | 77,949 | 89,866 | 101,299 | 109,891 | 113,045 | 119,890 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 300 | 300 | 1,500 | 2,000 | 3,300 | 4,050 | 4,050 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 3,000 | 3,000 | 4,000 | 4,000 | 4,000 | 3,000 | 2,250 | 6,250 | 8,250 | 10,250 |
| Benchmark (500mio - below 1bn) | 16,800 | 20,050 | 23,100 | 27,192 | 29,500 | 30,500 | 41,250 | 49,100 | 51,600 | 50,600 |
| Others (below 500Mio) | 600 | 1,003 | 1,761 | 2,695 | 2,280 | 3,547 | 6,280 | 10,203 | 11,111 | 11,527 |
| Private Placement | 27,649 | 25,452 | 30,067 | 31,812 | 42,169 | 52,819 | 51,518 | 44,337 | 42,086 | 47,514 |
| **Total** | 48,049 | 49,505 | 58,928 | 65,699 | 77,950 | 89,866 | 101,299 | 109,891 | 113,045 | 119,890 |
| Denominated in EURO | 46,119 | 48,444 | 57,742 | 64,766 | 77,255 | 89,139 | 100,601 | 108,512 | 111,714 | 118,627 |
| Denominated in domestic currency | - | - | 1 | - | - | - | - | - | - | - |
| Denominated in other currencies | 1,930 | 1,061 | 1,185 | 932 | 695 | 726 | 698 | 1,379 | 1,332 | 1,264 |
| **Total** | 48,049 | 49,505 | 58,928 | 65,699 | 77,950 | 89,866 | 101,299 | 109,891 | 113,045 | 119,890 |
| Hard Bullet | 47,769 | 49,315 | 55,848 | 59,074 | 63,991 | 64,420 | 64,315 | 60,475 | 57,296 | 48,653 |
| Soft Bullet | - | - | 2,800 | 6,161 | 13,654 | 25,150 | 36,984 | 49,416 | 55,749 | 71,238 |
| Conditional Pass Through | 280 | 190 | 280 | 463 | 305 | 295 | - | - | - | - |
| **Total** | 48,049 | 49,505 | 58,928 | 65,699 | 77,949 | 89,866 | 101,299 | 109,891 | 113,045 | 119,890 |
| Outstanding fixed coupon | 47,769 | 33,794 | 40,256 | 48,777 | 50,348 | 51,993 | 62,991 | 76,289 | 82,896 | 87,664 |
| Outstanding floating coupon | - | 15,200 | 17,169 | 16,708 | 27,437 | 37,644 | 36,351 | 33,420 | 29,968 | 31,663 |
| Outstanding other | 280 | 511 | 1,503 | 214 | 164 | 229 | 1,957 | 181 | 181 | 563 |
| **Total** | 48,049 | 49,505 | 58,928 | 65,699 | 77,949 | 89,866 | 101,299 | 109,891 | 113,045 | 119,890 |
| Number of Programmes | 48 | 48 | 49 | 46 | 46 | 43 | 39 | 37 | 37 | 40 |
| **Number of Issuers** | 26 | 26 | 27 | 27 | 26 | 26 | 26 | 26 | 26 | 26 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 1 | 1 | 3 | 5 | 6 | 5 | 5 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 2,355 | 3,115 | 2,040 | 1,833 | 6,515 | 2,371 | 1,517 | 2,347 | 2,913 | 1,830 |
| Mortgage | 7,181 | 3,165 | 11,007 | 11,228 | 20,587 | 15,553 | 21,646 | 21,675 | 8,713 | 14,725 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 9,536 | 6,280 | 13,047 | 13,061 | 27,102 | 17,924 | 23,163 | 24,022 | 11,626 | 16,555 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 1,250 | 500 | 1,300 | 750 | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | 1,000 | - | - | - | 1,250 | 3,000 | 2,000 | 2,000 |
| Benchmark (500mio - below 1bn) | 2,750 | 2,750 | 5,000 | 7,000 | 5,000 | 4,000 | 12,750 | 10,600 | 4,500 | 2,000 |
| Others (below 500Mio) | 390 | 550 | 605 | 315 | 280 | 1,386 | 2,802 | 3,050 | 1,781 | 1,050 |
| Private Placement | 6,396 | 2,980 | 6,441 | 5,746 | 21,822 | 12,538 | 6,361 | 7,372 | 3,345 | 11,505 |
| **Total** | 9,536 | 6,280 | 13,047 | 13,061 | 27,102 | 17,924 | 23,163 | 24,022 | 11,626 | 16,555 |
| Denominated in EURO | 9,536 | 6,280 | 12,935 | 13,061 | 27,102 | 17,924 | 23,011 | 23,278 | 11,626 | 16,555 |
| Denominated in domestic currency | - | - | - | - | - | - | - | 118 | - | - |
| Denominated in other currencies | - | - | 112 | - | - | - | 152 | 627 | - | - |
| **Total** | 9,536 | 6,280 | 13,047 | 13,061 | 27,102 | 17,924 | 23,163 | 24,022 | 11,626 | 16,555 |
| Hard Bullet | 9,506 | 6,280 | 10,207 | 9,911 | 17,796 | 13,590 | 7,396 | 2,912 | 2,053 | 3,378 |
| Soft Bullet | - | - | 2,800 | 3,110 | 9,141 | 4,334 | 15,768 | 21,111 | 9,573 | 13,177 |
| Conditional Pass Through | 30 | - | 40 | 40 | 165 | - | - | - | - | - |
| **Total** | 9,536 | 6,280 | 13,047 | 13,061 | 27,102 | 17,924 | 23,163 | 24,022 | 11,626 | 16,555 |
| Issuance fixed coupon | 9,506 | 4,164 | 8,481 | 8,279 | 11,834 | 6,984 | 16,922 | 13,707 | 9,182 | 7,250 |
| Issuance floating coupon | - | 2,083 | 4,264 | 4,782 | 15,268 | 10,940 | 3,976 | 8,295 | 2,444 | 9,305 |
| Issuance other | 30 | 34 | 301 | - | - | - | 2,266 | 2,020 | - | - |
| **Total** | 9,536 | 6,280 | 13,047 | 13,061 | 27,102 | 17,924 | 23,163 | 24,022 | 11,626 | 16,555 |
| **Number of New Issuers** | - | - | 1 | 1 | - | 3 | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | 1 | 3 | 1 | 1 | - | - |

## 6.2.6 BELGIUM

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 2,300 | 2,300 | 2,461 | 2,461 | 2,461 | 1,211 | 1,211 | 1,711 | 1,711 | 1,711 |
| Mortgage | 16,700 | 15,250 | 20,092 | 23,637 | 41,062 | 41,462 | 46,162 | 54,707 | 55,727 | 60,327 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| **Of which, total Sustainable CB** | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | n.a. | 1,500 | 1,500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 11,000 | 8,500 | 9,750 | 9,750 | 11,000 | 7,750 | 6,500 | 11,750 | 12,750 | 11,750 |
| Benchmark (500mio - below 1bn) | 5,925 | 6,925 | 10,175 | 8,825 | 8,500 | 9,500 | 10,500 | 9,750 | 10,950 | 10,950 |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 2,075 | 2,125 | 2,628 | 7,523 | 24,023 | 25,423 | 30,373 | 34,918 | 33,738 | 39,338 |
| **Total** | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Denominated in EURO | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Outstanding fixed coupon | 18,860 | 17,410 | 22,413 | 25,998 | 43,423 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Outstanding floating coupon | 140 | 140 | 140 | 100 | 100 | - | - | - | - | - |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 19,000 | 17,550 | 22,553 | 26,098 | 43,523 | 42,673 | 47,373 | 56,418 | 57,438 | 62,038 |
| Number of Programmes | 5 | 5 | 5 | 6 | 6 | 7 | 7 | 7 | 7 | 7 |
| **Number of Issuers** | 4 | 4 | 4 | 4 | 4 | 5 | 5 | 5 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | n.a. | 1 | 1 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 500 | - | 161 | 500 | - | - | - | 500 | - | - |
| Mortgage | 2,345 | 1,050 | 5,842 | 5,000 | 19,250 | 2,500 | 7,700 | 11,295 | 5,520 | 12,750 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | µ | - | - | - |
| **Total Issuance** | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| **Of which, Sustainable CB Issuance** | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | n.a. | 1,500 | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 1,250 | - | 2,250 | - | 2,250 | - | 1,000 | 5,250 | 1,000 | 2,250 |
| Benchmark (500mio - below 1bn) | 1,500 | 1,000 | 3,250 | 500 | 500 | 1,000 | 1,500 | 1,750 | 2,200 | 500 |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 95 | 50 | 503 | 5,000 | 16,500 | 1,500 | 5,200 | 4,795 | 2,320 | 10,000 |
| **Total** | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Denominated in EURO | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Issuance fixed coupon | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| Issuance floating coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,845 | 1,050 | 6,003 | 5,500 | 19,250 | 2,500 | 7,700 | 11,795 | 5,520 | 12,750 |
| **Number of New Issuers** | 1 | - | - | - | - | 1 | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | n.a. | 1 | - |

## 6.2.7 BRAZIL

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | n.a. | n.a. | - | - | - | - | - | 630 | 590 | 589 |
| Mortgage | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 20,787 | 18,282 | 16,265 |
| Ships | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total Outstanding** | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | n.a. | n.a. | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | n.a. | n.a. | - | - | - | - | - | - | 72 | 77 |
| Private Placement | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,800 | 16,777 |
| **Total** | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Denominated in EURO | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Denominated in other currencies | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Hard Bullet | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Soft Bullet | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Conditional Pass Through | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Outstanding fixed coupon | n.a. | n.a. | - | - | - | - | 3,877 | 4,211 | 2,954 | 1,705 |
| Outstanding floating coupon | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 9,902 | 14,419 | 13,710 | 13,476 |
| Outstanding other | n.a. | n.a. | - | - | - | - | 2,354 | 2,786 | 2,208 | 1,672 |
| **Total** | n.a. | n.a. | 454 | 2,487 | 3,199 | 7,609 | 16,133 | 21,417 | 18,872 | 16,854 |
| Number of Programmes | n.a. | n.a. | 4 | 7 | 7 | 7 | 6 | 7 | 7 | 7 |
| **Number of Issuers** | n.a. | n.a. | 4 | 3 | 3 | 3 | 3 | 3 | 4 | 4 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | n.a. | n.a. | - | - | - | - | - | 630 | 1 | 0,3 |
| Mortgage | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 2,514 | 1,367 | 1,364 |
| Ships | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total Issuance** | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Private Placement | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| **Total** | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| Denominated in EURO | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| Denominated in other currencies | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| Hard Bullet | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| Soft Bullet | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Conditional Pass Through | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| Issuance fixed coupon | n.a. | n.a. | - | - | - | - | 1,277 | 128 | 351 | 116 |
| Issuance floating coupon | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 5,798 | 2,920 | 860 | 1,141 |
| Issuance other | n.a. | n.a. | - | - | - | - | 1,234 | 95 | 157 | 107 |
| **Total** | n.a. | n.a. | 454 | 2,040 | 2,473 | 4,366 | 8,309 | 3,144 | 1,368 | 1,364 |
| **Number of New Issuers** | n.a. | n.a. | 4 | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.8 CANADA

| **Outstanding (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| **Of which, total Sustainable CB** | n.a | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | 500 | 500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 84,273 | 77,075 | 88,943 | 93,697 | 86,559 | 93,899 | 123,968 | 135,846 | 143,511 | 132,165 |
| Benchmark (500mio - below 1bn) | 6,328 | 6,478 | 6,307 | 7,182 | 8,179 | 10,595 | 13,490 | 17,053 | 14,239 | 12,432 |
| Others (below 500Mio) | 1,728 | 1,183 | 1,899 | 553 | 625 | 931 | 1,931 | 6,493 | 4,958 | 6,678 |
| Private Placement | 8,500 | 8,360 | 10,347 | 11,584 | 72,832 | 33,011 | 29,004 | 32,960 | 42,510 | 31,386 |
| **Total** | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| Denominated in EURO | 47,262 | 50,012 | 56,662 | 57,662 | 57,282 | 62,518 | 86,636 | 89,705 | 89,930 | 89,541 |
| Denominated in domestic currency | 5,498 | 5,187 | 6,376 | 6,302 | 63,487 | 25,881 | 11,468 | 4,412 | 6,569 | 5,010 |
| Denominated in other currencies | 48,070 | 37,897 | 44,458 | 49,051 | 47,425 | 50,038 | 70,289 | 98,236 | 108,720 | 88,110 |
| **Total** | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | 182,661 |
| **Total** | 100,830 | 93,095 | 107,496 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| Outstanding fixed coupon | 89,939 | 82,362 | 93,478 | 96,936 | 96,125 | 89,064 | 125,412 | 134,068 | 138,846 | 125,952 |
| Outstanding floating coupon | 10,891 | 10,734 | 14,019 | 16,080 | 72,069 | 49,372 | 42,981 | 58,285 | 66,373 | 56,709 |
| Outstanding other | - | - | - | - | | - | - | - | - | - |
| **Total** | 100,830 | 93,095 | 107,497 | 113,016 | 168,195 | 138,436 | 168,393 | 192,353 | 205,219 | 182,661 |
| Number of Programmes | 12 | 8 | 8 | 8 | 8 | 10 | 10 | 10 | 9 | 9 |
| **Number of Issuers** | 7 | 7 | 8 | 8 | 8 | 10 | 10 | 10 | 9 | 9 |
| **Of which, Sustainable Issuers** | n.a | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | 1 | 1 |

| **Issuance (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 28,148 | 12,441 | 24,384 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 28,148 | 12,441 | 24,384 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| **Of which, Sustainable CB Issuance** | n.a | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | 500 | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 20,569 | 11,167 | 18,390 | 19,560 | 14,389 | 26,739 | 53,289 | 33,283 | 18,748 | 17,048 |
| Benchmark (500mio - below 1bn) | 2,850 | 648 | 3,352 | 2,000 | 1,845 | 3,162 | 2,696 | 5,282 | 1,906 | 1,250 |
| Others (below 500Mio) | 701 | - | 222 | - | - | 350 | 971 | 1,945 | - | 777 |
| Private Placement | 4,028 | 625 | 2,420 | 2,088 | 63,600 | 1,569 | 13,213 | 20,970 | 5,045 | 4,894 |
| **Total** | 28,148 | 12,441 | 24,384 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| Denominated in EURO | 12,861 | 4,000 | 12,750 | 11,750 | 10,370 | 12,785 | 32,118 | 19,769 | 14,075 | 9,911 |
| Denominated in domestic currency | 3,172 | - | 1,762 | 856 | 59,010 | 174 | 1,427 | 2,834 | 2,275 | - |
| Denominated in other currencies | 12,115 | 8,441 | 9,871 | 11,041 | 10,454 | 18,861 | 36,625 | 38,876 | 9,350 | 14,058 |
| **Total** | 28,148 | 12,441 | 24,383 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 28,148 | 12,441 | 24,384 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 28,148 | 12,441 | 24,384 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| Issuance fixed coupon | 25,596 | 9,815 | 18,808 | 19,227 | 20,105 | 20,684 | 55,839 | 31,172 | 16,098 | 13,878 |
| Issuance floating coupon | 2,552 | 2,626 | 5,575 | 4,420 | 59,729 | 11,136 | 14,331 | 30,307 | 9,601 | 10,091 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 28,148 | 12,441 | 24,383 | 23,647 | 79,834 | 31,820 | 70,170 | 61,479 | 25,699 | 23,969 |
| **Number of New Issuers** | - | - | 1 | - | - | 2 | - | - | n.a. | - |
| **Number of New Sustainable Issuers** | n.a | n.a | n.a | n.a | n.a | n.a. | n.a. | n.a. | 1 | - |

Note: Outstanding and issuance amounts include registered (legislative) and non-registered covered bonds. For a breakdown, please refer to Figure [1] from the Canada chapter in 3.5 section of the Fact Book.

## 6.2.9 CYPRUS

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| **Total** | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Denominated in EURO | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| **Total** | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Outstanding fixed coupon | - | - | - | - | - | - | - | - | - | - |
| Outstanding floating coupon | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 | 650 |
| Number of Programmes | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Number of Issuers** | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 | 1 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | - | - | - | - | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | - | - | - | - | - | - | - | - | - | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Denominated in EURO | - | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Issuance fixed coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance floating coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |

## 6.2.10 CZECHIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 500 | 500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 700 | - | - | - | - | - | 1,004 | 2,000 | 2,500 | 4,000 |
| Others (below 500Mio) | 5,856 | 3,107 | 4,861 | 2,912 | - | - | 1,325 | - | - | 233 |
| Private Placement | 6,504 | 12,415 | 8,896 | 11,255 | 18,185 | 22,548 | 15,579 | 11,213 | 12,453 | 9,922 |
| **Total** | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| Denominated in EURO | 1,702 | 3,688 | 1,346 | 1,299 | 5,497 | 814 | 1,298 | 8,328 | 8,273 | 10,013 |
| Denominated in domestic currency | 11,358 | 11,834 | 12,411 | 12,868 | 12,688 | 21,734 | 16,610 | 4,885 | 6,680 | 4,143 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| Hard Bullet | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,408 | 11,213 | 11,703 | 7,655 |
| Soft Bullet | - | - | - | - | - | - | 500 | 2,000 | 3,250 | 6,500 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 13,060 | 15,522 | 13,757 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| Outstanding fixed coupon | 7,386 | 10,591 | 9,334 | 9,938 | 10,413 | 10,763 | 11,766 | 5,360 | 5,860 | 4,590 |
| Outstanding floating coupon | 5,571 | 4,838 | 4,407 | 4,230 | 7,772 | 11,785 | 6,142 | 7,853 | 9,093 | 9,477 |
| Outstanding other | 103 | 93 | 16 | - | - | - | - | - | - | 88 |
| **Total** | 13,060 | 15,522 | 13,758 | 14,168 | 18,185 | 22,548 | 17,908 | 13,213 | 14,953 | 14,155 |
| Number of Programmes | 7 | 8 | 8 | 8 | 7 | 7 | 7 | 6 | 6 | 6 |
| **Number of Issuers** | 7 | 8 | 8 | 8 | 7 | 7 | 6 | 5 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | 500 | 500 | 1,000 | 500 | 1,250 |
| Others (below 500Mio) | 387 | 376 | 187 | - | - | - | - | - | - | 212 |
| Private Placement | 1,306 | 3,698 | 2,386 | 1,516 | 6,412 | 9,915 | 3,935 | - | 750 | 2,500 |
| **Total** | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| Denominated in EURO | 200 | 2,318 | 500 | 7 | 4,501 | 500 | 500 | 1,000 | 1,250 | 3,750 |
| Denominated in domestic currency | 1,493 | 1,756 | 2,073 | 1,509 | 1,911 | 9,915 | 3,935 | - | - | 212 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| Hard Bullet | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 3,935 | - | - | 212 |
| Soft Bullet | - | - | - | - | - | - | 500 | 1,000 | 1,250 | 3,750 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| Issuance fixed coupon | 1,551 | 4,035 | 2,442 | 1,478 | 2,354 | 8,546 | 1,709 | 1,000 | 500 | 1,750 |
| Issuance floating coupon | 142 | 39 | 131 | 38 | 4,058 | 1,869 | 2,726 | - | 750 | 2,124 |
| Issuance other | - | - | - | - | - | - | - | - | - | 88 |
| **Total** | 1,693 | 4,074 | 2,573 | 1,516 | 6,412 | 10,415 | 4,435 | 1,000 | 1,250 | 3,962 |
| **Number of New Issuers** | - | 1 | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | n.a. | - |

## 6.2.11 DENMARK

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | 4,375 | 10,864 | 12,872 | 14,778 | 17,104 | 18,075 | 18,505 | 18,923 |
| Mortgage | 389,200 | 393,447 | 396,246 | 402,432 | 419,031 | 433,812 | 440,428 | 441,008 | 435,825 | 450,075 |
| Ships | 4,744 | 4,947 | 5,370 | 6,090 | 5,680 | 6,110 | 5,775 | 6,259 | 5,401 | 4,963 |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 393,944 | 398,394 | 405,991 | 419,386 | 437,583 | 454,700 | 463,307 | 465,342 | 459,731 | 473,961 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 1,117 | 3,062 | 7,157 | 9,926 | 13,102 | 13,874 | 16,027 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 241,463 | 270,245 | 282,575 | 307,847 | 311,130 | 326,368 | 315,278 | 317,564 | 320,347 | 335,079 |
| Benchmark (500mio - below 1bn) | 78,434 | 57,504 | 54,836 | 45,686 | 50,142 | 61,211 | 73,752 | 69,430 | 65,933 | 67,789 |
| Others (below 500Mio) | 69,261 | 66,636 | 64,449 | 63,109 | 69,029 | 65,479 | 72,635 | 77,026 | 72,203 | 70,074 |
| Private Placement | 4,786 | 4,009 | 4,131 | 2,743 | 7,282 | 1,642 | 1,642 | 1,323 | 1,248 | 1,019 |
| **Total** | 393,944 | 398,394 | 405,991 | 419,386 | 437,583 | 454,700 | 463,307 | 465,342 | 459,731 | 473,961 |
| Denominated in EURO | 38,481 | 30,805 | 27,290 | 24,439 | 29,009 | 26,589 | 26,118 | 23,790 | 18,094 | 19,709 |
| Denominated in domestic currency | 346,368 | 357,977 | 369,111 | 384,498 | 397,571 | 414,787 | 423,181 | 424,908 | 430,694 | 443,616 |
| Denominated in other currencies | 9,095 | 9,612 | 9,590 | 10,449 | 11,004 | 13,324 | 14,008 | 16,644 | 10,943 | 10,636 |
| **Total** | 393,944 | 398,394 | 405,991 | 419,386 | 437,583 | 454,700 | 463,307 | 465,342 | 459,731 | 473,961 |
| Hard Bullet | 211,224 | 183,166 | 176,393 | 195,024 | 231,069 | 232,266 | 211,311 | 253,671 | 261,605 | 177,550 |
| Soft Bullet | 182,720 | 215,228 | 229,598 | 224,362 | 206,515 | 222,434 | 251,996 | 211,671 | 198,126 | 296,410 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 393,944 | 398,394 | 405,991 | 419,386 | 437,583 | 454,700 | 463,307 | 465,342 | 459,731 | 473,961 |
| Outstanding fixed coupon | 287,779 | 293,255 | 298,456 | 314,483 | 333,477 | 349,488 | 333,147 | 326,296 | 326,615 | 328,585 |
| Outstanding floating coupon | 105,165 | 105,139 | 107,535 | 104,903 | 104,107 | 105,211 | 130,159 | 139,045 | 133,116 | 145,375 |
| Outstanding other | 1,000 | - | - | - | - | - | - | - | - | - |
| **Total** | 393,944 | 398,394 | 405,991 | 419,386 | 437,583 | 454,700 | 463,307 | 465,342 | 459,731 | 473,961 |
| Number of Programmes | 23 | 23 | 27 | 28 | 28 | 29 | 21 | 20 | 20 | 20 |
| **Number of Issuers** | 9 | 9 | 9 | 9 | 7 | 7 | 7 | 7 | 7 | 7 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 2 | 3 | 4 | 5 | 5 | 5 | 5 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | 4,382 | 6,377 | 2,469 | 2,428 | 2,992 | 1,588 | 1,268 | 1,330 |
| Mortgage | 130,329 | 123,205 | 113,441 | 165,208 | 124,013 | 121,724 | 149,201 | 117,638 | 119,544 | 138,427 |
| Ships | 883 | 2,524 | 1,183 | 1,713 | 1,042 | 1,194 | 1,001 | 2,016 | 823 | 750 |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 131,212 | 125,729 | 119,006 | 173,298 | 127,524 | 125,346 | 153,194 | 121,242 | 121,635 | 140,507 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | 2,334 | 4,116 | 5,876 | 4,340 | 5,889 | 3,794 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 48,361 | 48,179 | 42,693 | 86,317 | 46,280 | 44,237 | 62,170 | 52,787 | 62,035 | 73,695 |
| Benchmark (500mio - below 1bn) | 34,322 | 28,429 | 30,205 | 39,856 | 31,946 | 32,466 | 34,495 | 26,100 | 20,569 | 28,860 |
| Others (below 500Mio) | 48,110 | 49,121 | 45,497 | 46,125 | 43,798 | 48,643 | 56,529 | 42,355 | 39,031 | 37,952 |
| Private Placement | 419 | - | 611 | 1,000 | 5,500 | - | - | - | - | - |
| **Total** | 131,212 | 125,729 | 119,006 | 173,298 | 127,524 | 125,346 | 153,194 | 121,242 | 121,635 | 140,507 |
| Denominated in EURO | 8,865 | 8,594 | 7,821 | 5,466 | 7,803 | 3,406 | 3,230 | 5,530 | 3,623 | 6,696 |
| Denominated in domestic currency | 118,030 | 114,873 | 109,434 | 164,053 | 116,635 | 116,404 | 145,490 | 110,820 | 114,717 | 131,798 |
| Denominated in other currencies | 4,317 | 2,262 | 1,751 | 3,779 | 3,086 | 5,536 | 4,474 | 4,892 | 3,295 | 2,013 |
| **Total** | 131,212 | 125,729 | 119,006 | 173,298 | 127,524 | 125,346 | 153,194 | 121,242 | 121,635 | 140,507 |
| Hard Bullet | 29,630 | 28,786 | 36,362 | 98,706 | 62,104 | 56,213 | 54,679 | 84,658 | 78,187 | 19,369 |
| Soft Bullet | 101,582 | 96,943 | 82,644 | 74,592 | 65,419 | 69,133 | 98,515 | 36,584 | 43,448 | 121,138 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 131,212 | 125,729 | 119,006 | 173,298 | 127,524 | 125,346 | 153,194 | 121,242 | 121,635 | 140,507 |
| Issuance fixed coupon | 90,328 | 89,319 | 89,194 | 140,692 | 100,598 | 92,943 | 94,015 | 70,616 | 76,187 | 80,989 |
| Issuance floating coupon | 40,884 | 36,410 | 29,812 | 32,606 | 26,926 | 32,403 | 59,179 | 50,627 | 45,448 | 59,518 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 131,212 | 125,729 | 119,006 | 173,298 | 127,524 | 125,346 | 153,194 | 121,242 | 121,635 | 140,507 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | - | - | - |

Note: Since a large share of Danish mortgage covered bonds are tap-issued over a period of typically 3 years, Benchmark (1 bn and above) issues and outstanding are defined as covered bond with more than EUR 1 bn in the year, the bond reach EUR 1 bn. The same way, Benchmark (500 Mio – below 1 bn) issues and outstanding are defined as covered bond with 500 Mio – below 1 bn euro in the year, the bond reach EUR 500 Mio, and at the same time does not exceed EUR 1 bn. The definition includes both covered bonds denominated in DKK and in EUR. Danish covered bonds denominated in euro and issued in a jurisdiction outside Denmark are included in the Danish data.

## 6.2.12 ESTONIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Ships | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Others | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total Outstanding** | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | n.a. | n.a. | 500 | 500 | 1,000 | 1,000 | 1,000 | 1,000 |
| Others (below 500Mio) | n.a. | n.a. | n.a. | n.a. | 250 | 250 | 250 | 250 | 500 | 800 |
| Private Placement | n.a. | n.a. | n.a. | n.a. | 100 | 100 | 850 | 1,000 | 1,000 | 1,650 |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Denominated in EURO | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Denominated in domestic currency | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Hard Bullet | n.a. | n.a. | n.a. | n.a. | - | - | 750 | 750 | 1,000 | 1,000 |
| Soft Bullet | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 1,350 | 1,500 | 1,500 | 2,450 |
| Conditional Pass Through | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Outstanding fixed coupon | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 1,350 | 1,250 | 1,500 | 1,800 |
| Outstanding floating coupon | n.a. | n.a. | n.a. | n.a. | - | - | 750 | 1,000 | 1,000 | 1,650 |
| Outstanding other | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | 850 | 2,100 | 2,250 | 2,500 | 3,450 |
| Number of Programmes | n.a. | n.a. | n.a. | n.a. | 2 | 2 | 2 | 2 | 2 | 3 |
| **Number of Issuers** | n.a. | n.a. | n.a. | n.a. | 2 | 2 | 2 | 2 | 2 | 3 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| Ships | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Others | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total Issuance** | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | n.a. | n.a. | 500 | - | 500 | - | - | 500 |
| Others (below 500Mio) | n.a. | n.a. | n.a. | n.a. | 250 | - | - | - | - | 550 |
| Private Placement | n.a. | n.a. | n.a. | n.a. | 100 | - | 750 | 250 | 250 | 700 |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| Denominated in EURO | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| Denominated in domestic currency | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| Hard Bullet | n.a. | n.a. | n.a. | n.a. | - | - | 750 | - | - | 500 |
| Soft Bullet | n.a. | n.a. | n.a. | n.a. | 850 | - | 500 | 250 | 250 | 1,250 |
| Conditional Pass Through | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| Issuance fixed coupon | n.a. | n.a. | n.a. | n.a. | 850 | - | 500 | - | - | 1,050 |
| Issuance floating coupon | n.a. | n.a. | n.a. | n.a. | - | - | 750 | 250 | 250 | 700 |
| Issuance other | n.a. | n.a. | n.a. | n.a. | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | n.a. | 850 | - | 1,250 | 250 | 250 | 1,750 |
| **Number of New Issuers** | n.a. | n.a. | n.a. | n.a. | 2 | - | - | - | - | 1 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |

## 6.2.13 FINLAND

| **Outstanding (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | 750 | 2,750 | 3,750 | 3,750 | 3,500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 26,000 | 28,000 | 27,750 | 27,500 | 26,250 | 26,250 | 30,500 | 29,000 | 30,000 | 28,750 |
| Benchmark (500mio - below 1bn) | 2,000 | 2,500 | 4,000 | 4,500 | 4,500 | 7,087 | 6,000 | 8,000 | 10,850 | 14,350 |
| Others (below 500Mio) | 1,207 | 2,777 | 2,067 | 2,650 | 3,149 | 3,050 | 4,800 | 4,070 | 3,250 | 2,850 |
| Private Placement | 4,615 | 1,348 | 3,440 | 3,124 | 9,956 | 10,733 | 10,517 | 7,481 | 7,253 | 7,049 |
| **Total** | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| Denominated in EURO | 33,665 | 34,458 | 36,842 | 37,398 | 43,269 | 46,388 | 51,817 | 48,551 | 51,353 | 52,999 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 157 | 167 | 414 | 376 | 587 | 732 | - | - | - | - |
| **Total** | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| Hard Bullet | 17,202 | 16,305 | 17,643 | 16,166 | 19,657 | 20,888 | 19,497 | 14,531 | 10,383 | 6,549 |
| Soft Bullet | 16,620 | 18,320 | 19,614 | 21,608 | 24,198 | 26,232 | 32,320 | 34,020 | 40,970 | 46,450 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| Outstanding fixed coupon | 30,996 | 32,995 | 35,584 | 36,342 | 35,428 | 33,789 | 38,244 | 41,728 | 43,983 | 45,699 |
| Outstanding floating coupon | 2,826 | 1,630 | 1,673 | 1,432 | 8,427 | 13,331 | 13,573 | 6,823 | 7,370 | 7,300 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 33,822 | 34,625 | 37,257 | 37,774 | 43,855 | 47,119 | 51,817 | 48,551 | 51,353 | 52,999 |
| Number of Programmes | 8 | 9 | 9 | 9 | 9 | 11 | 12 | 14 | 14 | 13 |
| **Number of Issuers** | 8 | 9 | 8 | 8 | 8 | 8 | 9 | 10 | 10 | 10 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 2 | 2 | 2 | 2 |

| **Issuance (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 750 | 2,000 | 1,000 | - | 750 |
| Public Placement | | | - | | | | | | | |
| Benchmark (1bn and above) | 2,250 | 4,500 | 3,250 | 4,750 | 3,250 | 3,000 | 8,000 | 7,000 | 4,000 | 3,000 |
| Benchmark (500mio - below 1bn) | 500 | 500 | 2,000 | 1,000 | - | 2,287 | 1,250 | 2,250 | 2,250 | 3,500 |
| Others (below 500Mio) | 550 | 550 | 400 | 900 | 500 | 450 | 1,700 | 1,150 | 850 | 300 |
| Private Placement | 1,379 | - | - | - | 7,449 | 2,850 | 470 | - | 3,250 | 3,000 |
| **Total** | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| Denominated in EURO | 4,679 | 5,550 | 5,650 | 6,650 | 11,000 | 8,050 | 11,420 | 10,400 | 10,350 | 9,800 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | 199 | 537 | - | - | - | - |
| **Total** | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| Hard Bullet | 1,279 | 1,500 | 3,000 | 2,500 | 6,000 | - | 1,500 | - | - | - |
| Soft Bullet | 3,400 | 4,050 | 2,650 | 4,150 | 5,199 | 8,587 | 9,920 | 10,400 | 10,350 | 9,800 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| Issuance fixed coupon | 3,679 | 5,550 | 5,650 | 6,650 | 4,200 | 2,350 | 9,900 | 10,400 | 6,350 | 6,800 |
| Issuance floating coupon | 1,000 | - | - | - | 6,999 | 6,237 | 1,520 | - | 4,000 | 3,000 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 4,679 | 5,550 | 5,650 | 6,650 | 11,199 | 8,587 | 11,420 | 10,400 | 10,350 | 9,800 |
| **Number of New Issuers** | 2 | 1 | - | - | - | - | 1 | 1 | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | - | 1 | 1 | - | - | - |

## 6.2.14 FRANCE

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 64,228 | 64,115 | 64,482 | 65,079 | 68,123 | 70,103 | 72,432 | 70,192 | 74,540 | 81,100 |
| Mortgage | 177,813 | 185,820 | 194,227 | 209,294 | 221,821 | 226,893 | 244,263 | 347,122 | 376,098 | 391,882 |
| Mixed Assets | 66,587 | 62,289 | 62,602 | 59,870 | 55,824 | 53,144 | 50,863 | 51,153 | 50,970 | 49,868 |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 308,627 | 312,224 | 321,311 | 334,243 | 345,767 | 350,141 | 367,558 | 468,467 | 501,609 | 522,850 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 4,000 | 7,250 | 12,000 | 15,010 | 21,437 | 26,770 | 34,820 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 188,508 | 181,069 | 180,484 | 173,151 | 169,393 | 169,904 | 174,815 | 182,350 | 203,491 | 202,250 |
| Benchmark (500mio - below 1bn) | 18,858 | 25,765 | 32,431 | 42,756 | 46,626 | 48,350 | 52,338 | 57,988 | 61,712 | 64,188 |
| Others (below 500Mio) | 5,427 | 4,806 | 4,804 | 13,257 | 10,190 | 2,135 | 4,529 | 6,794 | 2,736 | 4,896 |
| Private Placement | 95,836 | 100,584 | 103,593 | 105,079 | 119,558 | 129,751 | 135,876 | 221,335 | 233,669 | 251,516 |
| **Total** | 308,627 | 312,224 | 321,311 | 334,243 | 345,767 | 350,141 | 367,558 | 468,467 | 501,608 | 522,850 |
| Denominated in EURO | 292,233 | 302,504 | 314,880 | 327,567 | 339,805 | 345,213 | 362,749 | 462,853 | 496,305 | 517,804 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 16,395 | 9,720 | 6,431 | 6,676 | 5,962 | 4,928 | 4,809 | 5,614 | 5,304 | 5,046 |
| **Total** | 308,627 | 312,224 | 321,311 | 334,243 | 345,767 | 350,141 | 367,558 | 468,467 | 501,609 | 522,850 |
| Hard Bullet | 246,233 | 225,423 | 216,228 | 199,215 | 177,940 | 163,599 | 153,488 | 136,522 | 144,440 | 125,084 |
| Soft Bullet | 62,394 | 86,801 | 105,083 | 135,028 | 167,827 | 186,542 | 214,070 | 331,945 | 357,169 | 397,765 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 308,627 | 312,224 | 321,311 | 334,243 | 345,767 | 350,141 | 367,558 | 468,467 | 501,608 | 522,850 |
| Outstanding fixed coupon | 284,807 | 289,169 | 275,856 | 315,135 | 327,217 | 327,548 | 344,519 | 444,825 | 480,542 | 499,784 |
| Outstanding floating coupon | 12,690 | 14,493 | 8,536 | 10,699 | 12,593 | 16,787 | 18,921 | 18,586 | 17,896 | 20,565 |
| Outstanding other | 11,131 | 8,562 | 36,920 | 8,410 | 5,958 | 5,805 | 4,119 | 5,055 | 3,171 | 2,501 |
| **Total** | 308,627 | 312,224 | 321,311 | 334,243 | 345,767 | 350,141 | 367,558 | 468,467 | 501,609 | 522,850 |
| Number of Programmes | 19 | 19 | 18 | 19 | 17 | 18 | 18 | 19 | 19 | 19 |
| **Number of Issuers** | 16 | 19 | 18 | 19 | 17 | 18 | 18 | 19 | 19 | 19 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 3 | 4 | 4 | 5 | 7 | 7 | 7 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 6,441 | 8,681 | 5,483 | 8,800 | 9,047 | 9,350 | 7,430 | 5,624 | 9,072 | 13,981 |
| Mortgage | 19,482 | 28,347 | 27,108 | 37,050 | 39,770 | 29,865 | 46,390 | 134,899 | 53,531 | 49,859 |
| Mixed Assets | 5,366 | 6,455 | 5,218 | 3,000 | 3,025 | 4,800 | 4,613 | 4,546 | 5,830 | 4,285 |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 31,289 | 43,483 | 37,809 | 48,850 | 51,842 | 44,015 | 58,433 | 145,069 | 68,432 | 68,125 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | 4,000 | 3,250 | 4,750 | 3,010 | 6,000 | 4,500 | 9,050 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 17,050 | 18,745 | 15,800 | 19,710 | 21,250 | 15,000 | 34,450 | 36,950 | 36,500 | 21,000 |
| Benchmark (500mio - below 1bn) | 4,250 | 7,800 | 9,950 | 7,460 | 7,100 | 8,800 | 8,000 | 6,750 | 2,400 | 12,250 |
| Others (below 500Mio) | - | 421 | - | 230 | 150 | - | 793 | 565 | 500 | 711 |
| Private Placement | 9,989 | 16,517 | 12,059 | 21,450 | 23,342 | 20,215 | 15,190 | 100,804 | 29,032 | 34,164 |
| **Total** | 31,289 | 43,483 | 37,809 | 48,850 | 51,842 | 44,015 | 58,433 | 145,069 | 68,432 | 68,125 |
| Denominated in EURO | 31,102 | 43,312 | 37,809 | 48,620 | 51,842 | 44,015 | 58,170 | 144,039 | 68,128 | 67,749 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 187 | 171 | - | 230 | - | - | 263 | 1,030 | 305 | 376 |
| **Total** | 31,289 | 43,483 | 37,809 | 48,850 | 51,842 | 44,015 | 58,433 | 145,069 | 68,432 | 68,125 |
| Hard Bullet | 11,272 | 12,966 | 10,791 | 10,035 | 11,982 | 13,160 | 13,303 | 12,585 | 12,952 | 11,119 |
| Soft Bullet | 20,017 | 30,517 | 27,018 | 38,815 | 39,860 | 30,855 | 45,130 | 132,484 | 55,480 | 57,006 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 31,289 | 43,483 | 37,809 | 48,850 | 51,842 | 44,015 | 58,433 | 145,069 | 68,432 | 68,125 |
| Issuance fixed coupon | 30,395 | 40,208 | 35,821 | 47,280 | 46,745 | 40,477 | 54,933 | 143,916 | 65,932 | 64,125 |
| Issuance floating coupon | 840 | 3,275 | 1,000 | 1,570 | 5,000 | 3,500 | 3,500 | 1,060 | 2,500 | 4,000 |
| Issuance other | 54 | - | 988 | - | 97 | 38 | - | 93 | - | - |
| **Total** | 31,289 | 43,483 | 37,809 | 48,850 | 51,842 | 44,015 | 58,433 | 145,069 | 68,432 | 68,125 |
| **Number of New Issuers** | - | - | - | 1 | - | - | - | 1 | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | 3 | 1 | - | 1 | 2 | - | - |

Note: The "Mixed assets" category refers to covered bonds that are backed by a mix of public sector assets, mortgage loans. The bonds (outstanding and issuance) have been allocated equally between mortgage and public sector categories in the total (5.2.1 section of the Fact Book).

## 6.2.15 GERMANY

| **Outstanding (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 161,871 | 148,081 | 134,717 | 121,849 | 123,425 | 125,263 | 110,144 | 103,991 | 101,070 | 106,843 |
| Mortgage | 207,338 | 215,199 | 233,372 | 239,570 | 246,311 | 264,016 | 281,505 | 294,810 | 296,841 | 303,274 |
| Ships | 3,551 | 2,420 | 1,154 | 2,724 | 2,212 | 2,088 | 1,932 | 1,449 | 1,569 | 777 |
| Others | 1,006 | 505 | 505 | - | - | - | - | - | - | - |
| **Total Outstanding** | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 5,675 | 6,618 | 9,471 | 17,743 | 24,137 | 30,487 | 33,004 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 34,635 | 32,235 | 37,110 | 40,625 | 46,625 | 52,366 | 62,100 | 68,375 | 70,825 | 75,950 |
| Benchmark (500mio - below 1bn) | 85,807 | 90,494 | 102,175 | 116,688 | 112,963 | 116,226 | 124,807 | 135,332 | 143,478 | 145,284 |
| Others (below 500Mio) | 41,913 | 40,133 | 51,073 | 29,655 | 24,586 | 31,341 | 28,474 | 33,520 | 28,250 | 35,684 |
| Private Placement | 211,411 | 203,343 | 179,390 | 177,175 | 187,773 | 191,433 | 178,200 | 163,023 | 156,928 | 153,975 |
| **Total** | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| Denominated in EURO | 357,884 | 350,976 | 357,184 | 349,229 | 361,460 | 379,016 | 382,446 | 385,528 | 387,740 | 402,305 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 15,882 | 15,229 | 12,563 | 14,914 | 10,487 | 12,350 | 11,135 | 14,722 | 11,741 | 8,588 |
| **Total** | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| Hard Bullet | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| Outstanding fixed coupon | 328,143 | 326,595 | 342,427 | 336,220 | 330,063 | 325,523 | 342,674 | 356,413 | 360,104 | 362,164 |
| Outstanding floating coupon | 34,657 | 33,844 | 24,557 | 20,721 | 38,753 | 62,081 | 45,188 | 39,906 | 36,349 | 43,574 |
| Outstanding other | 10,966 | 5,766 | 2,764 | 7,201 | 3,131 | 3,761 | 5,719 | 3,931 | 3,027 | 5,155 |
| **Total** | 373,766 | 366,205 | 369,747 | 364,143 | 371,947 | 391,366 | 393,581 | 400,250 | 399,481 | 410,893 |
| Number of Programmes | 120 | 117 | 120 | 120 | 120 | 118 | 120 | 122 | 119 | 118 |
| **Number of Issuers** | 78 | 78 | 78 | 78 | 80 | 81 | 83 | 84 | 83 | 83 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 5 | 5 | 8 | 12 | 13 | 14 | 14 |

| **Issuance (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 10,364 | 11,935 | 7,230 | 11,236 | 19,080 | 18,314 | 14,240 | 13,795 | 14,807 | 19,986 |
| Mortgage | 35,070 | 36,841 | 43,142 | 41,973 | 40,248 | 45,812 | 67,317 | 51,509 | 41,426 | 46,773 |
| Ships | - | - | 10 | 1,760 | 450 | 600 | 750 | 400 | 1,025 | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | 1,675 | 1,000 | 2,800 | 9,436 | 8,421 | 7,131 | 4,690 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 5,250 | 4,250 | 9,000 | 10,000 | 11,250 | 6,690 | 21,850 | 10,175 | 6,650 | 14,750 |
| Benchmark (500mio - below 1bn) | 20,469 | 15,882 | 22,441 | 20,422 | 11,546 | 15,154 | 22,981 | 29,463 | 26,005 | 18,713 |
| Others (below 500Mio) | 6,492 | 11,758 | 6,850 | 8,575 | 6,474 | 9,429 | 8,198 | 6,971 | 2,587 | 4,744 |
| Private Placement | 13,223 | 16,886 | 12,091 | 15,972 | 30,508 | 33,452 | 29,278 | 19,095 | 22,016 | 28,552 |
| **Total** | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| Denominated in EURO | 40,754 | 42,750 | 45,610 | 48,970 | 58,704 | 59,371 | 79,487 | 63,644 | 54,567 | 64,574 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 4,680 | 6,026 | 4,772 | 5,998 | 1,074 | 5,355 | 2,820 | 2,060 | 2,691 | 2,185 |
| **Total** | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| Hard Bullet | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| Issuance fixed coupon | 43,888 | 41,490 | 45,116 | 49,340 | 33,489 | 37,516 | 71,123 | 57,617 | 46,475 | 49,988 |
| Issuance floating coupon | 1,303 | 7,100 | 5,241 | 5,617 | 26,259 | 27,110 | 11,150 | 8,039 | 10,773 | 16,502 |
| Issuance other | 243 | 186 | 25 | 12 | 30 | 99 | 34 | 48 | 11 | 269 |
| **Total** | 45,434 | 48,776 | 50,382 | 54,969 | 59,778 | 64,726 | 82,307 | 65,704 | 57,258 | 66,759 |
| **Number of New Issuers** | - | 2 | 2 | 3 | 4 | 1 | 2 | 2 | 1 | 1 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | - | - | 3 | 4 | 1 | 1 | 1 |

## 6.2.16 GREECE

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | 1,250 | 1,750 | 1,750 | 500 | 500 | 500 | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 4,485 | 8,850 | 12,090 | 11,440 | 10,390 | 10,340 | 9,640 | 9,840 | 9,840 | 9,693 |
| **Total** | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Denominated in EURO | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 3,725 | 6,350 | 3,990 | 1,840 | 1,840 | 2,440 | 2,440 | 1,940 | 3,940 | 3,940 |
| Conditional Pass Through | 760 | 3,750 | 9,850 | 11,350 | 9,050 | 8,400 | 7,700 | 7,900 | 5,900 | 5,753 |
| **Total** | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Outstanding fixed coupon | - | 1,250 | 2,550 | 2,350 | 700 | 700 | 700 | - | - | - |
| Outstanding floating coupon | 4,485 | 8,850 | 11,290 | 10,840 | 10,190 | 10,140 | 9,440 | 9,840 | 9,840 | 9,693 |
| Outstanding other | - | - | - | - | | - | - | - | - | - |
| **Total** | 4,485 | 10,100 | 13,840 | 13,190 | 10,890 | 10,840 | 10,140 | 9,840 | 9,840 | 9,693 |
| Number of Programmes | 6 | 7 | 8 | 8 | 7 | 7 | 7 | 5 | 5 | 5 |
| **Number of Issuers** | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 | 4 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | 1,250 | 500 | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 3,675 | 6,125 | 6,150 | 200 | - | 600 | - | 400 | 500 | - |
| **Total** | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| Denominated in EURO | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 3,675 | 2,625 | 2,050 | - | - | 600 | | - | 500 | - |
| Conditional Pass Through | - | 4,750 | 4,600 | 200 | - | - | - | 400 | - | - |
| **Total** | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| Issuance fixed coupon | - | 1,250 | 1,300 | - | - | - | - | - | - | - |
| Issuance floating coupon | 3,675 | 6,125 | 5,350 | 200 | - | 600 | - | 400 | 500 | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,675 | 7,375 | 6,650 | 200 | - | 600 | - | 400 | 500 | - |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.17 HUNGARY

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,125 | 6,330 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,125 | 6,330 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | 103 | 405 | 621 | 663 | 887 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | 500 | 500 | 1,500 |
| Others (below 500Mio) | 612 | 71 | 543 | 1,675 | 1,356 | 1,776 | 1,681 | 1,807 | 453 | 1,701 |
| Private Placement | 1,577 | 2,569 | 3,219 | 2,193 | 3,171 | 2,708 | 3,159 | 3,167 | 4,172 | 3,129 |
| **Total** | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,474 | 5,125 | 6,330 |
| Denominated in EURO | 537 | 35 | 25 | 17 | 16 | 16 | - | 500 | 500 | 1,600 |
| Denominated in domestic currency | 1,652 | 2,605 | 3,737 | 3,850 | 4,510 | 4,468 | 4,840 | 4,973 | 4,626 | 4,730 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,126 | 6,330 |
| Hard Bullet | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,125 | 6,330 |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,125 | 6,330 |
| Outstanding fixed coupon | 1,387 | 1,814 | 3,275 | 3,210 | 3,972 | 3,759 | 3,617 | 4,050 | 3,716 | 4,541 |
| Outstanding floating coupon | 802 | 827 | 449 | 658 | 555 | 724 | 1,223 | 1,423 | 1,409 | 1,788 |
| Outstanding other | - | - | 38 | - | - | - | - | - | - | - |
| **Total** | 2,189 | 2,641 | 3,762 | 3,868 | 4,526 | 4,483 | 4,840 | 5,473 | 5,125 | 6,330 |
| Number of Programmes | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Number of Issuers** | 4 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 3 | 5 | 5 | 5 | 5 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 625 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 625 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 103 | 50 | 197 | 132 | 180 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | 145 | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | 500 | - | 1,000 |
| Others (below 500Mio) | 293 | 16 | 505 | 453 | 697 | 478 | 219 | 443 | 97 | 345 |
| Private Placement | 333 | 1,150 | 1,499 | 33 | 858 | 63 | 691 | 242 | 822 | 262 |
| **Total** | 626 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| Denominated in EURO | 5 | - | - | - | - | - | - | 500 | - | 1,100 |
| Denominated in domestic currency | 620 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 685 | 1,064 | 507 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 625 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| Hard Bullet | 625 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 625 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| Issuance fixed coupon | 402 | 552 | 1,599 | 265 | 1,242 | 468 | 248 | 978 | 481 | 1,305 |
| Issuance floating coupon | 224 | 614 | 405 | 222 | 314 | 73 | 663 | 207 | 583 | 303 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 626 | 1,166 | 2,004 | 487 | 1,555 | 541 | 911 | 1,185 | 1,064 | 1,607 |
| **Number of New Issuers** | 1 | 1 | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 3 | 1 | - | - | - |

## 6.2.18 ICELAND

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | 500 | 500 | 500 | 500 |
| Others (below 500Mio) | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,225 | 5,858 | 6,197 | 6,391 |
| Private Placement | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| Denominated in EURO | - | - | - | - | | 300 | 1,600 | 1,900 | 1,900 | 1,900 |
| Denominated in domestic currency | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 3,970 | 4,125 | 4,458 | 4,797 | 4,991 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| Hard Bullet | 489 | 354 | 338 | 78 | 69 | 78 | 82 | 78 | 78 | 79 |
| Soft Bullet | 1,413 | 2,152 | 2,786 | 2,993 | 3,261 | 4,192 | 5,643 | 6,280 | 6,618 | 6,812 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| Outstanding fixed coupon | 490 | 541 | 612 | 866 | 904 | 1,615 | 2,971 | 3,285 | 3,193 | 3,168 |
| Outstanding floating coupon | | - | - | - | - | - | 800 | 800 | 800 | 800 |
| Outstanding other | 1,412 | 1,965 | 2,512 | 2,205 | 2,426 | 2,655 | 1,954 | 2,273 | 2,704 | 2,923 |
| **Total** | 1,902 | 2,506 | 3,123 | 3,071 | 3,330 | 4,270 | 5,725 | 6,358 | 6,697 | 6,891 |
| Number of Programmes | 4 | 4 | 4 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| **Number of Issuers** | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 3 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | 200 | - | - | - |
| Others (below 500Mio) | 560 | 850 | 755 | 788 | 646 | 988 | 1,632 | 1,414 | 997 | 854 |
| Private Placement | - | - | - | - | - | - | - | - | - | - |
| **Total** | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| Denominated in EURO | - | - | - | - | - | 300 | 1,300 | 300 | - | - |
| Denominated in domestic currency | 560 | 850 | 755 | 788 | 646 | 688 | 532 | 1,114 | 997 | 854 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| Hard Bullet | - | - | 83 | - | - | - | - | - | - | - |
| Soft Bullet | 560 | 850 | 672 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 997 | 854 |
| Issuance fixed coupon | 255 | 99 | 89 | 378 | 462 | 931 | 967 | 1,005 | 369 | 674 |
| Issuance floating coupon | - | - | - | - | - | - | 800 | - | - | - |
| Issuance other | 305 | 751 | 667 | 410 | 184 | 57 | 65 | 409 | 629 | 180 |
| **Total** | 560 | 850 | 755 | 788 | 646 | 988 | 1,832 | 1,414 | 998 | 854 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.19 IRELAND

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 6,757 | 3,114 | 2,531 | 708 | 178 | - | - | - | - | - |
| Mortgage | 17,062 | 16,416 | 20,788 | 19,337 | 16,816 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 23,819 | 19,530 | 23,319 | 20,044 | 16,995 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 1,675 | 2,000 | 1,000 | 1,000 | 1,000 | 1,000 | 1,000 | - | - | - |
| Benchmark (500mio - below 1bn) | 8,668 | 5,750 | 7,355 | 5,679 | 3,679 | 10,205 | 8,000 | - | - | - |
| Others (below 500Mio) | 476 | 472 | - | 25 | - | 25 | 25 | - | - | - |
| Private Placement | 13,000 | 11,308 | 14,964 | 13,341 | 12,316 | 3,203 | 3,204 | 12,893 | 12,652 | 12,893 |
| **Total** | 23,819 | 19,530 | 23,319 | 20,044 | 16,995 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Denominated in EURO | 22,263 | 18,974 | 23,103 | 19,973 | 16,964 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Denominated in domestic currency | - | - | 216 | 72 | - | - | - | - | - | - |
| Denominated in other currencies | 1,556 | 556 | - | - | 31 | - | - | - | - | - |
| **Total** | 23,819 | 19,530 | 23,319 | 20,044 | 16,995 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Hard Bullet | 6,853 | 3,210 | 2,541 | 718 | 178 | - | - | 10 | 10 | 10 |
| Soft Bullet | 16,966 | 16,320 | 20,778 | 19,327 | 16,816 | 14,433 | 12,229 | 12,883 | 12,642 | 12,883 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 23,819 | 19,530 | 23,319 | 20,044 | 16,995 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Outstanding fixed coupon | 15,622 | 11,244 | 10,190 | 7,840 | 5,347 | 3,983 | 2,279 | 443 | 1,202 | 443 |
| Outstanding floating coupon | 6,267 | 8,230 | 13,058 | 12,204 | 11,634 | 10,450 | 9,950 | 12,450 | 11,450 | 12,450 |
| Outstanding other | 1,930 | 56 | 70 | - | 14 | - | - | - | - | - |
| **Total** | 23,819 | 19,530 | 23,319 | 20,044 | 16,995 | 14,433 | 12,229 | 12,893 | 12,652 | 12,893 |
| Number of Programmes | 5 | 5 | 5 | 5 | 3 | 2 | 1 | 2 | 2 | 2 |
| **Number of Issuers** | 5 | 5 | 5 | 5 | 3 | 2 | 2 | 2 | 2 | 2 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 1,000 | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | 750 | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 2,542 | 3,250 | 4,825 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| **Total** | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Denominated in EURO | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Issuance fixed coupon | 1,042 | - | 875 | - | - | - | - | - | - | - |
| Issuance floating coupon | 2,500 | 3,250 | 4,700 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,542 | 3,250 | 5,575 | - | 2,000 | - | - | 3,000 | 2,250 | 3,000 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - | - |

## 6.2.20 ITALY

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 7,575 | 6,725 | 5,625 | 4,925 | 4,075 | 3,575 | 3,100 | 1,650 | - | - |
| Mortgage | 138,977 | 139,937 | 163,311 | 172,728 | 171,102 | 168,099 | 162,848 | 157,793 | 160,775 | 160,435 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,674 | 165,948 | 159,443 | 160,775 | 160,435 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 1,250 | 1,500 | 3,250 | 4,000 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 42,423 | 42,073 | 38,103 | 38,603 | 35,103 | 28,886 | 23,816 | 24,325 | 21,000 | 16,800 |
| Benchmark (500mio - below 1bn) | 12,500 | 16,575 | 18,750 | 20,100 | 19,600 | 21,300 | 22,600 | 24,489 | 30,850 | 30,075 |
| Others (below 500Mio) | 375 | - | - | 200 | 542 | 995 | 600 | 2,273 | 1,477 | 1,327 |
| Private Placement | 91,254 | 88,014 | 112,083 | 118,750 | 119,932 | 120,494 | 118,933 | 108,356 | 107,448 | 112,233 |
| **Total** | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,674 | 165,948 | 159,443 | 160,775 | 160,435 |
| Denominated in EURO | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,374 | 165,948 | 159,443 | 160,775 | 160,435 |
| Denominated in domestic currency | - | - | - | - | - | 300 | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,674 | 165,948 | 159,443 | 160,775 | 160,435 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 112,212 | 110,857 | 124,951 | 134,213 | 131,407 | 129,639 | 143,948 | 138,593 | 142,375 | 141,360 |
| Conditional Pass Through | 34,340 | 35,805 | 43,985 | 43,440 | 43,770 | 42,035 | 22,000 | 20,850 | 18,400 | 19,075 |
| **Total** | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,674 | 165,948 | 159,443 | 160,775 | 160,435 |
| Outstanding fixed coupon | 63,603 | 64,115 | 64,070 | 66,420 | 63,861 | 60,508 | 61,288 | 64,058 | 65,740 | 65,135 |
| Outstanding floating coupon | 82,950 | 82,497 | 104,816 | 111,183 | 111,266 | 111,116 | 104,610 | 95,335 | 94,985 | 95,250 |
| Outstanding other | - | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 |
| **Total** | 146,552 | 146,662 | 168,936 | 177,653 | 175,177 | 171,674 | 165,948 | 159,443 | 160,775 | 160,435 |
| Number of Programmes | 24 | 25 | 23 | 21 | 23 | 22 | 23 | 24 | 24 | 24 |
| **Number of Issuers** | 14 | 14 | 13 | 12 | 14 | 13 | 14 | 15 | 16 | 16 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 2 | 3 | 5 | 5 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 2,375 | 1,650 | - | - | - | 1,000 | - | - | - | - |
| Mortgage | 41,780 | 19,180 | 45,200 | 27,000 | 26,100 | 22,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 44,155 | 20,830 | 45,200 | 27,000 | 26,100 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 750 | 250 | 1,750 | 750 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 3,250 | 2,250 | 1,000 | 3,000 | - | - | 1,000 | 5,250 | 1,000 | 3,050 |
| Benchmark (500mio - below 1bn) | 2,750 | 3,575 | 4,250 | 3,350 | 1,250 | 2,750 | 3,000 | 4,000 | 8,650 | 3,025 |
| Others (below 500Mio) | - | - | - | - | 300 | 500 | - | 650 | 777 | - |
| Private Placement | 38,155 | 15,005 | 39,950 | 20,650 | 24,550 | 20,250 | 16,760 | 7,400 | 20,550 | 24,225 |
| **Total** | 44,155 | 20,830 | 45,200 | 27,000 | 26,100 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| Denominated in EURO | 44,155 | 20,830 | 45,200 | 27,000 | 25,800 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| Denominated in domestic currency | - | - | - | - | 300 | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 44,155 | 20,830 | 45,200 | 27,000 | 26,100 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 25,105 | 14,015 | 31,475 | 23,500 | 19,550 | 17,250 | 16,810 | 16,700 | 28,227 | 25,300 |
| Conditional Pass Through | 19,050 | 6,815 | 13,725 | 3,500 | 6,550 | 6,250 | 3,950 | 600 | 2,750 | 5,000 |
| **Total** | 44,155 | 20,830 | 45,200 | 27,000 | 26,100 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| Issuance fixed coupon | 8,000 | 7,825 | 6,000 | 7,350 | 3,250 | 4,750 | 9,900 | 10,800 | 14,277 | 17,300 |
| Issuance floating coupon | 36,155 | 13,005 | 39,200 | 19,650 | 22,850 | 18,750 | 10,860 | 6,500 | 16,700 | 13,000 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 44,155 | 20,830 | 45,200 | 27,000 | 26,100 | 23,500 | 20,760 | 17,300 | 30,977 | 30,300 |
| **Number of New Issuers** | - | 1 | - | - | 2 | - | 1 | 1 | 1 | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | 2 | - |

## 6.2.21 JAPAN

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Ships | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total Outstanding** | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| **Of which, total Sustainable CB** | n.a. | n.a. | - | - | - | - | - | n.a. | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | 1,000 | 1,890 | 2,815 | 2,883 | 2,938 | 1,905 | 1,000 | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | - | 1,695 | 2,507 | 3,291 | 2,850 | 4,600 | 4,600 | 5,100 |
| Others (below 500Mio) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Private Placement | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Denominated in EURO | n.a. | n.a. | 1,000 | 2,250 | 4,100 | 4,850 | 4,850 | 5,600 | 5,600 | 5,100 |
| Denominated in domestic currency | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | - | 1,335 | 1,222 | 1,324 | 938 | 905 | - | - |
| **Total** | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Hard Bullet | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Soft Bullet | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Conditional Pass Through | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Outstanding fixed coupon | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Outstanding floating coupon | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Outstanding other | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 3,585 | 5,322 | 6,174 | 5,788 | 6,505 | 5,600 | 5,100 |
| Number of Programmes | n.a. | n.a. | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Number of Issuers** | n.a. | n.a. | 1 | 1 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | - | - | - | - | - | - | - | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Ships | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total Issuance** | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | 1,000 | 890 | 1,000 | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | - | 1,695 | 850 | 750 | - | 1,750 | - | 500 |
| Others (below 500Mio) | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Private Placement | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Denominated in EURO | n.a. | n.a. | 1,000 | 1,250 | 1,850 | 750 | - | 1,750 | - | 500 |
| Denominated in domestic currency | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | - | 1,335 | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Hard Bullet | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Soft Bullet | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Conditional Pass Through | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Issuance fixed coupon | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| Issuance floating coupon | n.a. | n.a. | - | - | - | - | - | - | - | - |
| Issuance other | n.a. | n.a. | - | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | 1,000 | 2,585 | 1,850 | 750 | - | 1,750 | - | 500 |
| **Number of New Issuers** | n.a. | n.a. | 1 | - | 1 | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | - | - | - | - | - | n.a. | - | - |

## 6.2.22 LUXEMBOURG

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 7,864 | 6,905 | 6,103 | 6,290 | 5,767 | 5,022 | 4,595 | 4,020 | 3,294 | 2,372 |
| Mortgage | - | - | - | - | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | 300 | 300 | 300 | 300 | 300 | - |
| **Total Outstanding** | 7,864 | 6,905 | 6,103 | 6,290 | 6,067 | 5,322 | 4,895 | 4,320 | 3,594 | 2,372 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | 300 | 300 | 300 | 300 | 300 | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 2,310 | 2,810 | 2,068 | 2,579 | 2,530 | 1,500 | 1,500 | 1,000 | 500 | 500 |
| Others (below 500Mio) | 810 | 440 | 375 | 438 | 583 | 525 | 518 | 509 | 695 | 515 |
| Private Placement | 4,744 | 3,655 | 3,660 | 3,273 | 2,954 | 3,297 | 2,877 | 2,812 | 2,399 | 1,357 |
| **Total** | 7,864 | 6,905 | 6,103 | 6,290 | 6,067 | 5,322 | 4,895 | 4,320 | 3,594 | 2,372 |
| Denominated in EURO | 5,360 | 4,267 | 4,057 | 4,350 | 4,533 | 3,988 | 3,945 | 3,401 | 2,643 | 1,869 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 2,504 | 2,638 | 2,046 | 1,940 | 1,534 | 1,334 | 950 | 920 | 951 | 503 |
| **Total** | 7,864 | 6,905 | 6,103 | 6,290 | 6,066 | 5,322 | 4,895 | 4,320 | 3,594 | 2,372 |
| Hard Bullet | 7,864 | 6,905 | 6,103 | 6,290 | 5,767 | 5,022 | 4,595 | 4,020 | 3,294 | 2,372 |
| Soft Bullet | - | - | - | - | 300 | 300 | 300 | 300 | 300 | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 7,864 | 6,905 | 6,103 | 6,290 | 6,067 | 5,322 | 4,895 | 4,320 | 3,594 | 2,372 |
| Outstanding fixed coupon | 6,589 | 6,509 | 5,973 | 6,044 | 5,831 | 4,598 | 4,146 | 3,586 | 2,834 | 1,654 |
| Outstanding floating coupon | 816 | 142 | 116 | 118 | 222 | 131 | 138 | 134 | 141 | 129 |
| Outstanding other | 460 | 254 | 14 | 128 | 14 | 593 | 611 | 601 | 619 | 589 |
| **Total** | 7,864 | 6,905 | 6,103 | 6,290 | 6,067 | 5,322 | 4,895 | 4,320 | 3,594 | 2,372 |
| Number of Programmes | 3 | 3 | 3 | 2 | 3 | 3 | 3 | 3 | 3 | 2 |
| **Number of Issuers** | 3 | 3 | 3 | 2 | 2 | 2 | 2 | 2 | 2 | 2 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1 | 1 | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 655 | 744 | 726 | 525 | 512 | 375 | - | - | - | - |
| Mortgage | - | - | - | - | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | 300 | - | - | - | - | - |
| **Total Issuance** | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | 300 | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 500 | 500 | 568 | 500 | 500 | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | 300 | - | - | - | - | - |
| Private Placement | 155 | 244 | 158 | 25 | 12 | 375 | - | - | - | - |
| **Total** | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| Denominated in EURO | 655 | 640 | 158 | 525 | 812 | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | 104 | 568 | - | - | 375 | - | - | - | - |
| **Total** | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| Hard Bullet | 655 | 744 | 726 | 525 | 512 | 375 | - | - | - | - |
| Soft Bullet | - | - | - | - | 300 | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| Issuance fixed coupon | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| Issuance floating coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 655 | 744 | 726 | 525 | 812 | 375 | - | - | - | - |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | 1 | - | - | - | - | - |

## 6.2.23 THE NETHERLANDS

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 67,604 | 72,880 | 94,797 | 118,969 | 154,505 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 67,604 | 72,880 | 94,797 | 118,969 | 154,505 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 2,500 | 2,500 | 3,250 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 38,773 | 40,001 | 42,330 | 46,730 | 44,617 | 45,944 | 48,995 | 53,245 | 57,745 | 62,745 |
| Benchmark (500mio - below 1bn) | 4,750 | 7,750 | 10,500 | 13,875 | 15,625 | 18,825 | 19,850 | 23,700 | 23,975 | 24,475 |
| Others (below 500Mio) | 1,211 | 812 | 399 | 415 | 417 | 339 | 355 | 378 | 372 | 376 |
| Private Placement | 22,870 | 24,317 | 41,568 | 57,949 | 93,846 | 107,073 | 127,802 | 134,734 | 141,954 | 151,788 |
| **Total** | 67,604 | 72,880 | 94,797 | 118,969 | 154,505 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| Denominated in EURO | 63,694 | 69,722 | 91,990 | 116,103 | 152,002 | 169,913 | 196,147 | 211,401 | 223,408 | 238,744 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 3,910 | 3,158 | 2,807 | 2,866 | 2,503 | 2,268 | 855 | 656 | 638 | 639 |
| **Total** | 67,604 | 72,880 | 94,797 | 118,969 | 154,505 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| Hard Bullet | 16,151 | 15,038 | 12,762 | 12,400 | 11,170 | 9,892 | 8,007 | 7,112 | 6,261 | 5,370 |
| Soft Bullet | 47,203 | 51,092 | 73,786 | 95,924 | 132,439 | 150,394 | 180,695 | 199,445 | 212,784 | 230,014 |
| Conditional Pass Through | 4,250 | 6,750 | 8,250 | 10,645 | 10,895 | 11,895 | 8,300 | 5,500 | 5,000 | 4,000 |
| **Total** | 67,604 | 72,880 | 94,797 | 118,969 | 154,505 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| Outstanding fixed coupon | 62,191 | 67,868 | 87,285 | 112,032 | 147,677 | 165,546 | 194,402 | 209,457 | 221,275 | 226,864 |
| Outstanding floating coupon | 5,392 | 4,992 | 7,492 | 6,917 | 6,807 | 6,615 | 2,580 | 2,580 | 2,500 | 12,500 |
| Outstanding other | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 270 | 20 |
| **Total** | 67,604 | 72,880 | 94,797 | 118,969 | 154,504 | 172,181 | 197,002 | 212,057 | 224,045 | 239,384 |
| Number of Programmes | 8 | 10 | 11 | 13 | 14 | 17 | 18 | 16 | 17 | 15 |
| **Number of Issuers** | 7 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 9 | 8 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 2 | 2 | 2 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | - | 500 | 2,000 | - | 750 |
| Public Placement | | | | | | | | - | | |
| Benchmark (1bn and above) | 3,500 | 6,750 | 7,770 | 6,375 | 4,250 | 4,975 | 7,800 | 7,000 | 7,500 | 6,750 |
| Benchmark (500mio - below 1bn) | 2,000 | 3,000 | 3,250 | 4,625 | 2,500 | 3,200 | 2,850 | 4,850 | 2,275 | 3,500 |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 4,408 | 2,175 | 17,694 | 17,388 | 37,263 | 28,530 | 27,306 | 8,275 | 19,065 | 22,525 |
| **Total** | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| Denominated in EURO | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| Hard Bullet | - | - | - | 30 | - | - | - | - | - | - |
| Soft Bullet | 8,408 | 9,425 | 26,714 | 25,463 | 43,013 | 35,705 | 37,956 | 19,925 | 28,840 | 32,775 |
| Conditional Pass Through | 1,500 | 2,500 | 2,000 | 2,895 | 1,000 | 1,000 | - | 200 | - | - |
| **Total** | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| Issuance fixed coupon | 6,333 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 27,090 | 22,775 |
| Issuance floating coupon | 3,575 | - | - | - | - | - | - | - | 1,500 | 10,000 |
| Issuance other | - | - | - | - | - | - | - | - | 250 | - |
| **Total** | 9,908 | 11,925 | 28,714 | 28,388 | 44,013 | 36,705 | 37,956 | 20,125 | 28,840 | 32,775 |
| **Number of New Issuers** | - | 2 | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | - | - |

## 6.2.24 NEW ZEALAND

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 2,000 | 1,000 | - | - | - |
| Benchmark (500mio - below 1bn) | 6,750 | 6,750 | 7,000 | 7,500 | 7,000 | 7,450 | 9,150 | 10,757 | 8,248 | 8,700 |
| Others (below 500Mio) | 605 | 555 | 134 | 138 | 315 | 320 | 319 | - | - | - |
| Private Placement | 1,322 | 883 | 669 | 380 | 377 | 381 | 179 | 200 | 200 | 522 |
| **Total** | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Denominated in EURO | 8,950 | 8,950 | 9,200 | 9,700 | 9,200 | 9,650 | 10,150 | 10,650 | 8,150 | 8,900 |
| Denominated in domestic currency | 1,122 | 683 | 469 | 180 | 177 | 181 | 179 | - | 298 | - |
| Denominated in other currencies | 605 | 555 | 134 | 138 | 315 | 320 | 319 | 307 | - | 322 |
| **Total** | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Hard Bullet | 2,889 | 932 | 293 | - | - | - | - | - | - | - |
| Soft Bullet | 7,788 | 9,256 | 9,510 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Outstanding fixed coupon | 10,479 | 10,010 | 9,627 | 10,018 | 9,377 | 9,831 | 10,329 | 10,650 | 8,150 | 9,222 |
| Outstanding floating coupon | 198 | 178 | 176 | - | 315 | 320 | 319 | 307 | 298 | - |
| Outstanding other | - | | - | - | - | - | - | - | - | - |
| **Total** | 10,677 | 10,188 | 9,803 | 10,018 | 9,692 | 10,151 | 10,648 | 10,957 | 8,448 | 9,222 |
| Number of Programmes | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Number of Issuers** | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 1,000 | 1,000 | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 2,500 | 1,250 | 1,250 | 1,250 | - | 2,450 | 2,250 | 2,000 | - | 2,000 |
| Others (below 500Mio) | - | - | - | - | 315 | - | - | - | - | - |
| Private Placement | 198 | - | - | - | - | - | - | - | - | 322 |
| **Total** | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Denominated in EURO | 3,500 | 2,250 | 1,250 | 1,250 | - | 2,450 | 2,250 | 2,000 | - | 2,000 |
| Denominated in domestic currency | 198 | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | 315 | - | - | - | - | 322 |
| **Total** | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Conditional Pass Through | - | | - | - | - | - | - | - | - | - |
| **Total** | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Issuance fixed coupon | 3,698 | 2,250 | 1,250 | 1,250 | - | 2,450 | 2,250 | 2,000 | - | 2,322 |
| Issuance floating coupon | - | - | - | - | 315 | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 3,698 | 2,250 | 1,250 | 1,250 | 315 | 2,450 | 2,250 | 2,000 | - | 2,322 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.25 NORWAY

| **Outstanding (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 2,199 | 1,824 | 1,784 | 1,886 | 2,580 | 1,953 | 1,969 | 1,931 | 1,946 | 1,938 |
| Mortgage | 113,051 | 113,359 | 119,398 | 123,023 | 131,713 | 130,030 | 133,012 | 130,621 | 145,619 | 152,519 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 115,251 | 115,183 | 121,182 | 124,909 | 134,294 | 131,983 | 134,981 | 132,552 | 147,565 | 154,456 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 4,009 | 7,302 | 11,545 | 13,007 | 15,975 | 18,073 | 16,361 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 52,192 | 49,390 | 53,375 | 53,088 | 56,930 | 54,201 | 61,183 | 59,654 | 70,937 | 66,456 |
| Benchmark (500mio - below 1bn) | 21,430 | 30,183 | 29,086 | 34,650 | 38,590 | 42,000 | 38,206 | 36,069 | 43,138 | 56,603 |
| Others (below 500Mio) | 32,681 | 26,212 | 29,305 | 25,651 | 27,318 | 26,444 | 25,038 | 28,133 | 21,716 | 20,447 |
| Private Placement | 8,947 | 9,397 | 9,416 | 11,520 | 11,456 | 9,338 | 10,553 | 8,696 | 11,773 | 10,951 |
| **Total** | 115,251 | 115,183 | 121,182 | 124,909 | 134,294 | 131,983 | 134,981 | 132,552 | 147,565 | 154,456 |
| Denominated in EURO | 55,256 | 56,257 | 60,396 | 63,004 | 62,929 | 62,172 | 61,181 | 53,352 | 55,639 | 62,218 |
| Denominated in domestic currency | 50,159 | 49,490 | 52,640 | 54,385 | 64,171 | 62,447 | 68,951 | 75,475 | 86,853 | 86,321 |
| Denominated in other currencies | 9,837 | 9,435 | 8,145 | 7,520 | 7,195 | 7,363 | 4,849 | 3,725 | 5,072 | 5,917 |
| **Total** | 115,251 | 115,183 | 121,182 | 124,909 | 134,294 | 131,983 | 134,981 | 132,552 | 147,564 | 154,456 |
| Hard Bullet | 8,232 | 8,484 | 7,646 | 7,286 | 8,724 | 6,713 | 6,393 | 6,304 | 5,003 | 3,549 |
| Soft Bullet | 107,019 | 106,699 | 113,535 | 117,623 | 125,570 | 125,270 | 128,587 | 126,248 | 142,562 | 150,907 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 115,251 | 115,183 | 121,182 | 124,909 | 134,294 | 131,983 | 134,981 | 132,552 | 147,565 | 154,456 |
| Outstanding fixed coupon | 68,106 | 68,908 | 71,896 | 75,935 | 74,174 | 73,405 | 70,063 | 62,704 | 64,672 | 68,720 |
| Outstanding floating coupon | 47,146 | 45,246 | 49,285 | 48,974 | 60,120 | 58,578 | 64,917 | 69,848 | 82,746 | 85,736 |
| Outstanding other | - | 1,029 | - | - | - | - | - | - | 146 | - |
| **Total** | 115,251 | 115,183 | 121,182 | 124,909 | 134,294 | 131,983 | 134,981 | 132,552 | 147,565 | 154,456 |
| Number of Programmes | 28 | 29 | 28 | 27 | 26 | 26 | 26 | 24 | 24 | 22 |
| **Number of Issuers** | 25 | 25 | 24 | 24 | 24 | 24 | 23 | 22 | 22 | 20 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 5 | 8 | 13 | 14 | 17 | 16 | 15 |

| **Issuance (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 781 | 457 | 332 | 608 | 382 | 551 | 399 | 534 | 530 | 422 |
| Mortgage | 23,058 | 21,256 | 24,331 | 20,766 | 29,686 | 20,466 | 34,217 | 26,872 | 30,937 | 42,744 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 23,839 | 21,713 | 24,663 | 21,374 | 30,068 | 21,017 | 34,616 | 27,405 | 31,467 | 43,167 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | 1,509 | 2,795 | 2,528 | 1,862 | 2,944 | 3,467 | 2,401 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 9,143 | 7,699 | 10,595 | 7,584 | 9,847 | 7,730 | 22,878 | 11,951 | 10,944 | 20,950 |
| Benchmark (500mio - below 1bn) | 6,400 | 6,767 | 6,049 | 8,548 | 11,368 | 8,395 | 6,390 | 11,882 | 12,314 | 13,835 |
| Others (below 500Mio) | 7,115 | 6,295 | 7,304 | 4,633 | 4,596 | 4,338 | 4,801 | 2,885 | 6,761 | 6,715 |
| Private Placement | 1,181 | 951 | 716 | 608 | 4,257 | 554 | 547 | 688 | 1,448 | 1,666 |
| **Total** | 23,839 | 21,713 | 24,663 | 21,374 | 30,068 | 21,017 | 34,616 | 27,405 | 31,467 | 43,167 |
| Denominated in EURO | 10,342 | 9,688 | 11,618 | 8,150 | 5,918 | 8,498 | 8,555 | 4,033 | 6,605 | 13,395 |
| Denominated in domestic currency | 12,807 | 9,675 | 11,465 | 12,295 | 23,115 | 11,625 | 25,848 | 22,937 | 22,533 | 27,184 |
| Denominated in other currencies | 690 | 2,350 | 1,580 | 929 | 1,036 | 894 | 213 | 435 | 2,330 | 2,587 |
| **Total** | 23,839 | 21,713 | 24,663 | 21,374 | 30,068 | 21,017 | 34,616 | 27,405 | 31,467 | 43,167 |
| Hard Bullet | 196 | 633 | 1,167 | 30 | 747 | - | 130 | 22 | - | - |
| Soft Bullet | 23,643 | 21,080 | 23,496 | 21,344 | 29,321 | 21,017 | 34,486 | 27,383 | 31,467 | 43,167 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 23,839 | 21,713 | 24,663 | 21,374 | 30,068 | 21,017 | 34,616 | 27,405 | 31,467 | 43,167 |
| Issuance fixed coupon | 10,719 | 11,896 | 13,992 | 10,375 | 5,898 | 9,068 | 10,218 | 5,828 | 8,254 | 14,336 |
| Issuance floating coupon | 12,525 | 9,817 | 10,671 | 10,999 | 24,170 | 11,949 | 24,398 | 21,577 | 17,228 | 28,830 |
| Issuance other | 594 | - | - | - | - | - | - | - | 5,986 | - |
| **Total** | 23,839 | 21,713 | 24,663 | 21,374 | 30,068 | 21,017 | 34,616 | 27,405 | 31,467 | 43,167 |
| **Number of New Issuers** | 1 | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | 3 | 2 | 5 | 1 | 3 | - | - |

Note: The breakdown for public/private issuance may be based on different definitions with the ECBC guidelines.

## 6.2.26 PANAMA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | | - | - | - | - | - | - | - |
| Others (below 500Mio) | 80 | - | - | - | - | - | - | - | - | - |
| Private Placement | - | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| **Total** | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Denominated in EURO | - | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| **Total** | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Outstanding fixed coupon | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Outstanding floating coupon | - | - | - | - | - | - | - | - | - | - |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 80 | - | 10 | 46 | 42 | 46 | 21 | 10 | - | - |
| Number of Programmes | 1 | - | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| **Number of Issuers** | 1 | - | 1 | 1 | 1 | 1 | 1 | 1 | - | - |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | - | - | 10 | 36 | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | - | - | 10 | 36 | - | - | - | - | - | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | - | - | 10 | 36 | - | - | - | - | - | - |
| **Total** | - | - | 10 | 36 | - | - | - | - | - | - |
| Denominated in EURO | - | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | 10 | 36 | - | - | - | - | - | - |
| **Total** | - | - | 10 | 36 | - | - | - | - | - | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | 10 | 36 | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | 10 | 36 | - | - | - | - | - | - |
| Issuance fixed coupon | - | - | 10 | 36 | - | - | - | - | - | - |
| Issuance floating coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | 10 | 36 | - | - | - | - | - | - |
| **Number of New Issuers** | - | - | 1 | 1 | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.27 POLAND

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | 79 | 71 | 58 | 49 | 40 | 87 | 131 | 107 |
| Mortgage | 2,216 | 3,959 | 4,925 | 6,111 | 5,776 | 5,000 | 4,467 | 4,248 | 3,991 | 4,912 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 211 | 197 | 196 | 692 | 707 | 117 | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 500 | 1,500 | 2,000 | 2,700 | 2,700 | 2,100 | 2,000 | 1,500 | 500 | 500 |
| Others (below 500Mio) | 1,556 | 2,284 | 2,846 | 3,332 | 2,997 | 2,691 | 2,165 | 2,280 | 2,803 | 3,453 |
| Private Placement | 160 | 175 | 158 | 150 | 137 | 258 | 343 | 555 | 819 | 1,066 |
| **Total** | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| Denominated in EURO | 1,046 | 2,170 | 2,882 | 3,841 | 3,806 | 3,076 | 2,802 | 2,302 | 1,202 | 591 |
| Denominated in domestic currency | 1,170 | 1,789 | 2,122 | 2,340 | 2,028 | 1,973 | 1,705 | 2,034 | 2,920 | 4,428 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| **Total** | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| Outstanding fixed coupon | 721 | 1,990 | 2,781 | 3,782 | 3,756 | 3,039 | 2,765 | 2,266 | 1,216 | 605 |
| Outstanding floating coupon | 1,495 | 1,969 | 2,223 | 2,399 | 2,077 | 2,010 | 1,742 | 2,070 | 2,906 | 4,414 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,216 | 3,959 | 5,004 | 6,181 | 5,834 | 5,049 | 4,507 | 4,335 | 4,122 | 5,019 |
| Number of Programmes | 3 | 3 | 3 | 5 | 5 | 5 | 5 | 5 | 6 | 6 |
| **Number of Issuers** | 3 | 3 | 3 | 4 | 4 | 4 | 4 | 4 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 2 | 2 | 2 | 2 | 2 | 1 | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | 79 | - | - | - | - | 53 | 52 | - |
| Mortgage | 1,099 | 2,048 | 1,244 | 1,284 | 22 | 454 | 650 | 634 | 1,329 | 2,219 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | 211 | - | - | 500 | - | | |
| Public Placement | | | | | | | | | - | - |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 500 | 1,000 | 500 | 700 | - | - | 500 | - | - | 500 |
| Others (below 500Mio) | 439 | 801 | 744 | 534 | 22 | 323 | - | 687 | 1,100 | 1,600 |
| Private Placement | 160 | 247 | 79 | 50 | - | 131 | 150 | - | 281 | 118 |
| **Total** | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| Denominated in EURO | 668 | 1,204 | 800 | 1,050 | - | - | 500 | - | - | 500 |
| Denominated in domestic currency | 431 | 844 | 523 | 234 | 22 | 454 | 150 | 687 | 1,381 | 1,719 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| **Total** | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| Issuance fixed coupon | 582 | 1,267 | 814 | 1,000 | - | - | 500 | - | - | 500 |
| Issuance floating coupon | 517 | 781 | 509 | 284 | 22 | 454 | 150 | 687 | 1,381 | 1,719 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,099 | 2,048 | 1,323 | 1,284 | 22 | 454 | 650 | 687 | 1,381 | 2,219 |
| **Number of New Issuers** | - | - | - | 1 | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | 2 | - | - | - | - | - | - |

For the Polish issuer community a placement is considered public when there is one external lead involved and not at least two as per the underlying definition of the Fact Book. This is the reason why there is a discrepancy between the Fact Book and Covered Bond Label statistics for Poland.

## 6.2.28 PORTUGAL

| **Outstanding (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 500 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 | 600 |
| Mortgage | 32,970 | 35,530 | 35,795 | 36,600 | 38,350 | 38,150 | 35,900 | 39,020 | 39,531 | 43,231 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 4,500 | 5,000 | 5,000 | 5,000 | 4,000 | 4,000 | 2,000 | 2,000 | 2,000 | 2,000 |
| Benchmark (500mio - below 1bn) | 3,000 | 3,750 | 3,000 | 2,500 | 1,750 | 1,750 | 1,000 | 3,350 | 3,350 | 5,350 |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 25,970 | 27,380 | 28,395 | 29,700 | 33,200 | 33,000 | 33,500 | 34,270 | 34,781 | 36,481 |
| **Total** | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| Denominated in EURO | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 27,020 | 29,630 | 29,895 | 29,400 | 31,150 | 30,950 | 28,700 | 37,320 | 38,881 | 42,581 |
| Conditional Pass Through | 6,450 | 6,500 | 6,500 | 7,800 | 7,800 | 7,800 | 7,800 | 2,300 | 1,250 | 1,250 |
| **Total** | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| Outstanding fixed coupon | 10,260 | 12,970 | 12,200 | 12,800 | 12,550 | 12,350 | 9,600 | 11,520 | 12,881 | 15,131 |
| Outstanding floating coupon | 23,210 | 23,160 | 24,195 | 24,400 | 26,400 | 26,400 | 26,900 | 28,100 | 27,250 | 28,700 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 33,470 | 36,130 | 36,395 | 37,200 | 38,950 | 38,750 | 36,500 | 39,620 | 40,131 | 43,831 |
| Number of Programmes | 10 | 9 | 7 | 7 | 7 | 7 | 7 | 7 | 7 | 7 |
| **Number of Issuers** | 8 | 8 | 7 | 6 | 6 | 6 | 6 | 6 | 6 | 6 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| **Issuance (in EUR million)** | **2016** | **2017** | **2018** | **2019** | **2020** | **2021** | **2022** | **2023** | **2024** | **2025** |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 150 | 350 | - | - | - | - | 450 | 150 | - | - |
| Mortgage | 5,950 | 8,200 | 2,350 | 4,800 | 1,500 | - | 3,550 | 5,420 | 5,162 | 4,300 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | - | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | 3,000 | - | - | - | - | - | - | 1,000 | - |
| Benchmark (500mio - below 1bn) | - | 750 | - | 1,000 | - | - | - | 2,350 | 1,000 | 2,000 |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | 6,100 | 4,800 | 2,350 | 3,800 | 1,500 | - | 4,000 | 3,220 | 3,162 | 2,300 |
| **Total** | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| Denominated in EURO | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 4,350 | 7,550 | 2,350 | 3,000 | 1,500 | - | 3,250 | 5,570 | 5,162 | 4,300 |
| Conditional Pass Through | 1,750 | 1,000 | - | 1,800 | - | - | 750 | - | - | - |
| **Total** | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| Issuance fixed coupon | 3,700 | 5,500 | - | 2,100 | 1,500 | - | 750 | 3,420 | 3,362 | 3,000 |
| Issuance floating coupon | 2,400 | 3,050 | 2,350 | 2,700 | - | - | 3,250 | 2,150 | 1,800 | 1,300 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 6,100 | 8,550 | 2,350 | 4,800 | 1,500 | - | 4,000 | 5,570 | 5,162 | 4,300 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.29 ROMANIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Ships | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total Outstanding** | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Others (below 500Mio) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Private Placement | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| **Total** | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Denominated in EURO | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Denominated in domestic currency | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Hard Bullet | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Soft Bullet | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Conditional Pass Through | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Outstanding fixed coupon | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Outstanding floating coupon | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Outstanding other | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | 200 | 200 | 200 | 200 | 200 | - | - |
| Number of Programmes | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1 | 1 | - | - |
| **Number of Issuers** | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1 | 1 | - | - |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | - | - | - | - | n.a. | - | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Mortgage | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Ships | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Others | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total Issuance** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | - | - | - | - | n.a. | n.a. | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Others (below 500Mio) | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Private Placement | n.a. | n.a. | n.a. | 200 | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Denominated in EURO | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Denominated in domestic currency | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Denominated in other currencies | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Hard Bullet | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Soft Bullet | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Conditional Pass Through | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Issuance fixed coupon | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Issuance floating coupon | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| Issuance other | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Total** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Number of New Issuers** | n.a. | n.a. | n.a. | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | - | - | - | - | n.a. | n.a. | - |

## 6.2.30 SINGAPORE

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 1,963 | 5,576 | 8,466 | 8,990 | 8,815 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 1,963 | 5,576 | 8,466 | 8,990 | 8,815 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 949 | 834 | 1,092 | 1,113 | 2,019 | 3,202 | 5,992 | 8,099 | 12,629 | 14,459 |
| Benchmark (500mio - below 1bn) | 1,014 | 4,644 | 7,282 | 7,783 | 6,797 | 7,886 | 6,176 | 4,500 | 5,250 | 5,850 |
| Others (below 500Mio) | - | 98 | 92 | 94 | - | - | 254 | 270 | 266 | - |
| Private Placement | - | - | - | - | - | - | - | 814 | 866 | 766 |
| **Total** | 1,963 | 5,576 | 8,466 | 8,990 | 8,815 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Denominated in EURO | 500 | 3,250 | 5,250 | 5,250 | 6,250 | 7,250 | 8,000 | 7,000 | 10,000 | 10,350 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 1,463 | 2,326 | 3,216 | 3,740 | 2,565 | 3,837 | 4,423 | 6,683 | 9,011 | 10,725 |
| **Total** | 1,963 | 5,576 | 8,466 | 8,990 | 8,815 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 1,963 | 5,576 | 8,466 | 8,990 | 8,816 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,963 | 5,576 | 8,466 | 8,990 | 8,816 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Outstanding fixed coupon | 1,449 | 4,598 | 6,871 | 7,347 | 7,676 | 7,691 | 9,660 | 8,627 | 11,709 | 13,329 |
| Outstanding floating coupon | 514 | 977 | 1,596 | 1,643 | 1,139 | 3,396 | 2,762 | 5,056 | 7,302 | 7,746 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,963 | 5,576 | 8,466 | 8,990 | 8,815 | 11,087 | 12,423 | 13,683 | 19,011 | 21,075 |
| Number of Programmes | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 5 |
| **Number of Issuers** | 2 | 3 | 3 | 3 | 3 | 3 | 3 | 3 | 5 | 5 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | 1,092 | - | 1,000 | 2,202 | 2,906 | 2,113 | 4,361 | 4,958 |
| Benchmark (500mio - below 1bn) | 1,014 | 3,656 | 2,671 | 914 | - | 1,500 | 750 | - | 2,000 | 2,350 |
| Others (below 500Mio) | - | 98 | - | - | - | - | 254 | - | - | - |
| Private Placement | - | - | - | - | - | - | - | 814 | - | - |
| **Total** | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| Denominated in EURO | 500 | 2,750 | 2,000 | - | 1,000 | 1,500 | 2,250 | - | 4,250 | 3,600 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 514 | 1,003 | 1,762 | 914 | - | 2,202 | 1,660 | 2,927 | 2,111 | 3,708 |
| **Total** | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| Issuance fixed coupon | 500 | 3,265 | 3,092 | 445 | 1,000 | 1,500 | 3,910 | - | 4,250 | 5,302 |
| Issuance floating coupon | 514 | 489 | 671 | 469 | - | 2,202 | - | 2,927 | 2,111 | 2,006 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 1,014 | 3,753 | 3,762 | 914 | 1,000 | 3,702 | 3,910 | 2,927 | 6,361 | 7,308 |
| **Number of New Issuers** | 1 | 1 | - | - | - | - | - | - | 2 | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. |

## 6.2.31 SLOVAKIA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 500 | 500 | 500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | 2,000 | 2,500 | 3,500 | 5,000 | 8,000 | 9,000 | 10,650 |
| Others (below 500Mio) | - | - | - | 1,050 | 1,050 | 1,050 | 1,050 | 1,050 | 800 | 1,440 |
| Private Placement | 4,197 | 5,118 | 4,858 | 3,608 | 3,787 | 4,301 | 5,332 | 5,977 | 5,155 | 5,255 |
| **Total** | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Denominated in EURO | 4,076 | 5,036 | 4,810 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 121 | 82 | 48 | - | - | - | - | - | - | - |
| **Total** | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Hard Bullet | 4,197 | 5,118 | 4,058 | 3,608 | 2,787 | 2,301 | 263 | 203 | 170 | - |
| Soft Bullet | - | - | 800 | 3,050 | 4,550 | 6,550 | 11,119 | 14,824 | 14,785 | 17,345 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Outstanding fixed coupon | 3,197 | 4,235 | 4,372 | 6,358 | 7,337 | 8,851 | 10,132 | 13,527 | 13,455 | 15,845 |
| Outstanding floating coupon | 995 | 883 | 486 | 300 | - | - | 1,250 | 1,500 | 1,500 | 1,500 |
| Outstanding other | 5 | - | - | - | - | - | - | - | - | - |
| **Total** | 4,197 | 5,118 | 4,858 | 6,658 | 7,337 | 8,851 | 11,382 | 15,027 | 14,955 | 17,345 |
| Number of Programmes | 8 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 6.00 |
| **Number of Issuers** | 8 | 6 | 6 | 6 | 6 | 6 | 7 | 7 | 7 | 6.00 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1.00 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | 2,000 | 500 | 1,000 | 1,500 | 3,000 | 1,500 | 3,200 |
| Others (below 500Mio) | - | - | - | 250 | - | - | - | - | - | - |
| Private Placement | 751 | 1,316 | 800 | - | 1,000 | 1,000 | 1,750 | 1,125 | - | 1,605 |
| **Total** | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Denominated in EURO | 685 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 66 | - | - | - | - | - | - | - | - | - |
| **Total** | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Hard Bullet | 751 | 1,316 | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| Issuance fixed coupon | 690 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 2,000 | 3,625 | 1,500 | 4,805 |
| Issuance floating coupon | 56 | - | - | - | - | - | 1,250 | 500 | - | - |
| Issuance other | 5 | - | - | - | - | - | - | - | - | - |
| **Total** | 751 | 1,316 | 800 | 2,250 | 1,500 | 2,000 | 3,250 | 4,125 | 1,500 | 4,805 |
| **Number of New Issuers** | - | - | - | - | - | - | 1 | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | - | - | - |

## 6.2.32 SOUTH KOREA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 2,490 | 2,619 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 2,490 | 2,619 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| **Of which, total Sustainable CB** | n.a. | n.a. | 500 | 1,000 | 3,000 | 5,550 | 7,642 | 10,359 | 13,167 | 12,778 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | 1,000 | 2,000 | 2,000 | 3,100 | 3,100 | 2,100 |
| Benchmark (500mio - below 1bn) | 2,372 | 2,501 | 2,684 | 3,284 | 3,222 | 3,992 | 5,150 | 6,400 | 8,050 | 8,993 |
| Others (below 500Mio) | 118 | 117 | - | - | - | - | - | 287 | 672 | 948 |
| Private Placement | - | - | 87 | 2,957 | 3,706 | 3,974 | 4,472 | 4,804 | 4,004 | 2,433 |
| **Total** | 2,490 | 2,619 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| Denominated in EURO | - | - | 500 | 1,000 | 3,000 | 5,550 | 7,150 | 9,500 | 11,150 | 10,750 |
| Denominated in domestic currency | 118 | 117 | - | 2,869 | 3,706 | 3,974 | 3,980 | 3,732 | 2,355 | 1,373 |
| Denominated in other currencies | 2,372 | 2,501 | 2,271 | 2,372 | 1,222 | 442 | 492 | 1,359 | 2,321 | 2,351 |
| **Total** | 2,490 | 2,618 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| Hard Bullet | 1,541 | 1,785 | 1,810 | 5,220 | 7,021 | 8,466 | 9,622 | 11,491 | 10,576 | 8,178 |
| Soft Bullet | 949 | 833 | 961 | 1,021 | 907 | 1,500 | 2,000 | 3,100 | 5,250 | 6,296 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,490 | 2,618 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| Outstanding fixed coupon | 2,490 | 2,619 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,427 | 15,087 | 13,132 |
| Outstanding floating coupon | - | - | - | - | - | - | - | 164 | 739 | 1,342 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,490 | 2,619 | 2,771 | 6,241 | 7,928 | 9,966 | 11,622 | 14,591 | 15,826 | 14,474 |
| Number of Programmes | 2 | 2 | 2 | 5 | 6 | 7 | 7 | 7 | 7 | 6 |
| **Number of Issuers** | 2 | 2 | 2 | 5 | 6 | 7 | 7 | 7 | 7 | 6 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | 1 | 1 | 2 | 3 | 3 | 3 | 4 | 4 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | 500 | 500 | 2,000 | 2,550 | 2,092 | 3,204 | 3,289 | 2,884 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | 1,000 | 1,000 | - | 1,100 | - | - |
| Benchmark (500mio - below 1bn) | 949 | 417 | 500 | 500 | 1,000 | 1,550 | 1,600 | 1,750 | 2,150 | 2,544 |
| Others (below 500Mio) | - | - | - | - | - | - | - | 287 | 385 | 340 |
| Private Placement | - | - | 87 | 2,869 | 921 | 297 | 492 | 567 | 1,654 | 88 |
| **Total** | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| Denominated in EURO | - | - | 500 | 500 | 2,000 | 2,550 | 1,600 | 2,850 | 2,150 | 2,200 |
| Denominated in domestic currency | - | - | - | 2,869 | 921 | 297 | - | - | 1,096 | 88 |
| Denominated in other currencies | 949 | 417 | 87 | - | - | - | 492 | 854 | 943 | 684 |
| **Total** | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| Hard Bullet | 474 | 417 | 500 | 3,369 | 2,421 | 1,847 | 1,592 | 2,604 | 2,039 | 1,872 |
| Soft Bullet | 474 | - | 87 | - | 500 | 1,000 | 500 | 1,100 | 2,150 | 1,100 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| Issuance fixed coupon | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,540 | 3,618 | 2,288 |
| Issuance floating coupon | - | - | - | - | - | - | - | 164 | 571 | 684 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 949 | 417 | 587 | 3,369 | 2,921 | 2,847 | 2,092 | 3,704 | 4,189 | 2,972 |
| **Number of New Issuers** | - | - | - | 3 | 1 | 1 | - | - | - | 1 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | 1 | - | 1 | 1 | - | - | 1 | - |

## 6.2.33 SPAIN

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | 26,887 | 25,362 | 18,362 | 20,763 | 18,262 | 17,544 | 12,585 | 13,040 | 8,290 | 6,790 |
| Mortgage | 232,456 | 216,498 | 213,253 | 220,689 | 231,143 | 216,808 | 188,958 | 191,825 | 188,626 | 183,902 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | 1,500 | 7,397 | 8,522 | 7,300 | 10,009 | 11,586 | 11,810 |
| **Total Outstanding** | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 208,843 | 214,875 | 208,502 | 202,502 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 2,000 | 2,100 | 2,800 | 3,300 | 3,300 | 3,300 | 2,200 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 129,777 | 107,096 | 96,706 | 89,506 | 83,910 | 72,246 | 63,346 | 62,196 | 57,446 | 42,660 |
| Benchmark (500mio - below 1bn) | 12,190 | 10,190 | 9,850 | 4,410 | 3,510 | 3,460 | 2,800 | 2,850 | 8,400 | 5,800 |
| Others (below 500Mio) | - | - | - | 5,000 | 6,282 | 4,000 | 4,000 | 3,500 | 85 | 2,500 |
| Private Placement | 117,376 | 124,574 | 125,059 | 144,036 | 163,100 | 163,169 | 138,697 | 146,329 | 142,572 | 151,542 |
| **Total** | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 208,843 | 214,875 | 208,502 | 202,502 |
| Denominated in EURO | 258,395 | 241,860 | 231,615 | 242,319 | 252,946 | 237,833 | 203,469 | 208,356 | 200,819 | 195,733 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | 949 | - | - | 633 | 3,856 | 5,041 | 5,374 | 6,518 | 7,683 | 6,769 |
| **Total** | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 208,843 | 214,875 | 208,502 | 202,502 |
| Hard Bullet | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 199,993 | 183,195 | 162,441 | 138,727 |
| Soft Bullet | - | - | - | - | - | - | 8,850 | 31,680 | 46,061 | 63,775 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 208,843 | 214,875 | 208,502 | 202,502 |
| Outstanding fixed coupon | 160,646 | 138,141 | 126,806 | 127,707 | 135,264 | 116,481 | 94,122 | 95,610 | 92,266 | 77,732 |
| Outstanding floating coupon | 98,698 | 103,299 | 104,450 | 115,245 | 121,538 | 126,394 | 114,721 | 119,265 | 116,236 | 124,670 |
| Outstanding other | - | 421 | 359 | - | - | - | - | - | - | 100 |
| **Total** | 259,344 | 241,860 | 231,615 | 242,952 | 256,802 | 242,874 | 208,843 | 214,875 | 208,502 | 202,502 |
| Number of Programmes | 35 | 33 | 31 | 29 | 26 | 26 | 27 | 29 | 29 | 26 |
| **Number of Issuers** | 28 | 26 | 24 | 23 | 21 | 19 | 21 | 20 | 20 | 20 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 2 | 2 | 3 | 3 | 3 | 3 | 2 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | 7,250 | 350 | 800 | 800 | 2,900 | 1,000 | 2,000 | 750 | - | - |
| Mortgage | 31,393 | 30,000 | 19,935 | 19,435 | 14,560 | 12,720 | 22,350 | 22,550 | 17,500 | 32,250 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | 1,500 | 5,897 | 880 | - | 3,380 | 2,322 | 713 |
| **Total Issuance** | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 24,350 | 26,680 | 19,822 | 32,963 |
| **Of which, Sustainable CB Issuance** | n.a. | - | n.a. | - | 100 | 700 | 500 | 500 | - | 500 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 11,536 | 2,600 | 3,625 | 5,750 | 3,500 | - | 4,500 | 6,000 | 1,000 | 2,250 |
| Benchmark (500mio - below 1bn) | 2,000 | - | 1,500 | 750 | - | 700 | 750 | 750 | 1,850 | 500 |
| Others (below 500Mio) | - | - | - | 500 | - | - | 500 | 1,500 | - | 500 |
| Private Placement | 25,107 | 27,750 | 15,610 | 14,735 | 19,857 | 13,900 | 18,600 | 18,430 | 16,972 | 29,713 |
| **Total** | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 24,350 | 26,680 | 19,822 | 32,963 |
| Denominated in EURO | 38,643 | 30,350 | 20,735 | 21,735 | 20,260 | 13,720 | 24,350 | 25,300 | 19,100 | 32,750 |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | 3,097 | 880 | - | 1,380 | 722 | 213 |
| **Total** | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 24,350 | 26,680 | 19,822 | 32,963 |
| Hard Bullet | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 17,100 | 850 | 7,250 | 16,250 |
| Soft Bullet | - | - | - | - | - | - | 7,250 | 25,830 | 12,572 | 16,713 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 24,350 | 26,680 | 19,822 | 32,963 |
| Issuance fixed coupon | 25,043 | 10,198 | 5,821 | 7,760 | 9,060 | 12,970 | 6,750 | 10,850 | 4,450 | 5,500 |
| Issuance floating coupon | 13,600 | 20,152 | 14,914 | 13,975 | 14,297 | 1,630 | 17,600 | 15,830 | 15,372 | 27,463 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 38,643 | 30,350 | 20,735 | 21,735 | 23,357 | 14,600 | 24,350 | 26,680 | 19,822 | 32,963 |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | - | - | 1 | - | - | - | - |

Source: AIAF, Bloomberg, Reuters, Moody's, Fitch, S&P, ECBC
Note: Please note that the breakdown public vs private placements is an estimation made by the ECBC.
Please also note that the methodology used for counting the number of issuers has changed. Until 2011, the number of "new issuers" included the new financial institutions established as part of the restructuring of the Spanish banking sector whose inaugural issue occurred during the year of reporting. The number of issuers also included all the former financial institutions with outstanding covered bonds at the end of each year – even if, as a consequence of the aforementioned restructuring, they were integrated into a new one – along with the new institutions. From 2012 onwards, however, only the new entities are reported as active issuers.

## 6.2.34 SWEDEN

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | 1,362 | 1,668 | 1,633 | 2,045 | 4,472 | 6,368 | 9,379 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 177,385 | 173,105 | 171,336 | 185,661 | 196,370 | 191,639 | 179,609 | 186,035 | 177,768 | 190,101 |
| Benchmark (500mio - below 1bn) | 13,623 | 16,212 | 18,046 | 20,876 | 17,916 | 19,504 | 17,492 | 22,697 | 20,983 | 18,281 |
| Others (below 500Mio) | 22,918 | 23,432 | 18,117 | 18,312 | 21,227 | 19,731 | 20,514 | 19,331 | 21,042 | 25,109 |
| Private Placement | 8,518 | 6,463 | 10,481 | 10,262 | 12,200 | 11,145 | 7,597 | 7,164 | 5,083 | 8,567 |
| **Total** | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| Denominated in EURO | 38,224 | 39,094 | 43,610 | 47,301 | 44,962 | 39,929 | 37,167 | 38,407 | 31,763 | 33,451 |
| Denominated in domestic currency | 167,831 | 165,874 | 164,307 | 178,854 | 195,770 | 195,817 | 184,564 | 193,813 | 190,189 | 206,266 |
| Denominated in other currencies | 16,389 | 14,244 | 10,062 | 8,956 | 6,982 | 6,272 | 3,481 | 3,008 | 2,924 | 2,341 |
| **Total** | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| Hard Bullet | 214,177 | 207,424 | 203,566 | 217,145 | 234,715 | 224,354 | 200,640 | 174,589 | 126,455 | 89,284 |
| Soft Bullet | 8,267 | 11,788 | 14,413 | 17,966 | 12,998 | 17,664 | 24,571 | 60,639 | 98,421 | 152,774 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| Outstanding fixed coupon | 201,061 | 199,424 | 200,840 | 215,500 | 219,770 | 215,532 | 201,503 | 212,332 | 201,266 | 211,802 |
| Outstanding floating coupon | 21,383 | 19,788 | 17,139 | 19,611 | 27,943 | 26,487 | 23,709 | 22,896 | 23,610 | 30,256 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 222,444 | 219,212 | 217,979 | 235,111 | 247,713 | 242,018 | 225,212 | 235,228 | 224,876 | 242,058 |
| Number of Programmes | 10 | 10 | 12 | 12 | 12 | 13 | 13 | 13 | 13 | 13 |
| **Number of Issuers** | 8 | 8 | 10 | 10 | 10 | 11 | 12 | 12 | 12 | 12 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | 2 | 2 | 2 | 3 | 4 | 6 | 7 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | 859 | 249 | - | 539 | 2,895 | 2,531 | 2,928 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 37,508 | 30,206 | 34,876 | 34,618 | 38,196 | 44,844 | 37,465 | 41,331 | 29,228 | 35,528 |
| Benchmark (500mio - below 1bn) | 7,360 | 7,766 | 10,715 | 8,140 | 1,124 | 3,877 | 3,474 | 9,740 | 8,560 | 8,691 |
| Others (below 500Mio) | 6,895 | 10,315 | 6,027 | 9,241 | 10,936 | 4,586 | 4,449 | 4,779 | 6,141 | 7,088 |
| Private Placement | 424 | 237 | 2,582 | 1,258 | 2,966 | 3,934 | 2,848 | 826 | 349 | 3,761 |
| **Total** | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| Denominated in EURO | 7,065 | 11,689 | 5,620 | 7,814 | 3,855 | 9,104 | 6,458 | 7,085 | 1,463 | 7,616 |
| Denominated in domestic currency | 43,741 | 34,981 | 46,375 | 44,388 | 47,027 | 45,083 | 41,780 | 48,633 | 42,228 | 47,451 |
| Denominated in other currencies | 1,381 | 1,855 | 2,204 | 1,055 | 2,340 | 3,053 | - | 959 | 587 | - |
| **Total** | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| Hard Bullet | 50,005 | 44,881 | 50,571 | 49,125 | 51,646 | 54,462 | 40,271 | 19,053 | 2,041 | 1,685 |
| Soft Bullet | 2,182 | 3,643 | 3,628 | 4,134 | 1,576 | 2,779 | 7,966 | 37,625 | 42,236 | 53,382 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| Issuance fixed coupon | 46,046 | 44,358 | 47,056 | 46,947 | 41,349 | 45,544 | 40,354 | 50,463 | 36,618 | 44,112 |
| Issuance floating coupon | 6,141 | 4,166 | 7,143 | 6,311 | 11,873 | 11,697 | 7,884 | 6,214 | 7,660 | 10,956 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 52,187 | 48,525 | 54,199 | 53,258 | 53,222 | 57,240 | 48,238 | 56,677 | 44,278 | 55,067 |
| **Number of New Issuers** | - | - | 2 | - | - | 1 | 1 | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | 1 | - | - | 1 | 1 | 2 | 1 |

Note: In the Swedish domestic market it is common practice to tap issue and to buy back issuances if the bond has a maturity of less than 12-18 months. In order to best represent the liquidity of the market, tapped issuance which per ECBC definition fall under private placement have been considered as public placement according to the benchmark of their yearly cumulative issuance and their size of outstanding volume. This explains the discrepancy between the figures of the Fact Book and the Covered Bond Label.

## 6.2.35 SWITZERLAND

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Outstanding CBs - Pfandbriefe | 105,012 | 101,962 | 110,556 | 120,798 | 131,702 | 146,014 | 164,529 | 184,056 | 189,781 | 206,569 |
| Outstanding CBs - Structured | 12,553 | 9,670 | 8,867 | 7,450 | 8,914 | 6,811 | 9,928 | 17,029 | 26,600 | 26,987 |
| **Total Outstanding** | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 216,381 | 233,556 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | 145 | 249 | 378 | 457 | 554 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 11,500 | 8,750 | 7,500 | 4,750 | 4,750 | 2,252 | 2,252 | 31,999 | 24,058 | 44,210 |
| Benchmark (500mio - below 1bn) | 64,107 | 59,627 | 74,316 | 83,100 | 94,691 | 111,959 | 124,932 | 122,904 | 130,759 | 141,419 |
| Others (below 500Mio) | 41,247 | 42,549 | 37,505 | 39,727 | 40,403 | 35,597 | 43,729 | 45,613 | 43,995 | 46,667 |
| Private Placement | 710 | 706 | 101 | 671 | 773 | 3,017 | 3,544 | 568 | 17,568 | 1,260 |
| **Total** | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 216,381 | 233,556 |
| Denominated in EURO | 12,100 | 9,350 | 8,101 | 5,350 | 5,350 | 1,850 | 1,318 | 1,318 | 5,068 | 6,568 |
| Denominated in domestic currency | 105,012 | 102,176 | 111,221 | 122,827 | 135,200 | 150,905 | 173,073 | 199,767 | 211,313 | 224,451 |
| Denominated in other currencies | 453 | 106 | 100 | 71 | 67 | 70 | 67 | - | - | 2,537 |
| **Total** | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 216,381 | 233,556 |
| Hard Bullet | 105,464 | 102,068 | 111,256 | 121,398 | 132,302 | 146,614 | 165,097 | 184,056 | 200,431 | 219,853 |
| Soft Bullet | 12,100 | 9,564 | 8,167 | 6,850 | 8,315 | 6,211 | 9,360 | 17,029 | 15,950 | 13,703 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 216,381 | 233,556 |
| Outstanding fixed coupon | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 215,631 | 232,806 |
| Outstanding floating coupon | - | - | - | - | - | - | - | - | 750 | 750 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 117,564 | 111,632 | 119,422 | 128,248 | 140,617 | 152,825 | 174,458 | 201,085 | 216,381 | 233,556 |
| Number of Programmes | 4 | 5 | 5 | 6 | 6 | 7 | 9 | 8 | 8 | 9 |
| **Number of Issuers** | 4 | 5 | 5 | 6 | 6 | 7 | 8 | 7 | 6 | 7 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1 | 1 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| New Issues of CBs - Pfandbriefe | 16,106 | 12,708 | 13,282 | 14,022 | 19,050 | 17,952 | 21,211 | 20,387 | 21,894 | 27,917 |
| New Issues of CBs - Structured | - | 214 | 444 | 1,338 | 1,458 | 1,345 | 4,279 | 6,749 | 11,824 | 6,643 |
| **Total Issuance** | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 33,718 | 34,560 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 145 | 104 | 108 | 106 | 105 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | 4,644 | 3,000 | 5,431 |
| Benchmark (500mio - below 1bn) | 3,850 | 2,437 | 2,983 | 2,036 | 5,453 | 6,202 | 7,944 | 9,503 | 10,167 | 10,272 |
| Others (below 500Mio) | 12,256 | 10,485 | 10,742 | 13,324 | 14,949 | 12,403 | 14,636 | 12,989 | 13,341 | 18,718 |
| Private Placement | - | - | - | - | 106 | 692 | 2,910 | - | 7,210 | 139 |
| **Total** | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 33,718 | 34,560 |
| Denominated in EURO | - | - | - | - | - | - | 750 | - | 3,750 | 2,250 |
| Denominated in domestic currency | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 24,740 | 27,136 | 29,968 | 32,310 |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 33,718 | 34,560 |
| Hard Bullet | 16,106 | 12,708 | 13,282 | 14,022 | 19,050 | 17,952 | 21,211 | 20,387 | 29,582 | 31,559 |
| Soft Bullet | - | 214 | 444 | 1,338 | 1,458 | 1,345 | 4,279 | 6,749 | 4,136 | 3,001 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 33,718 | 34,560 |
| Issuance fixed coupon | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 32,968 | 34,560 |
| Issuance floating coupon | - | - | - | - | - | - | - | - | 750 | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 16,106 | 12,922 | 13,725 | 15,360 | 20,508 | 19,297 | 25,490 | 27,136 | 33,718 | 34,560 |
| **Number of New Issuers** | - | 1 | - | 1 | 1 | - | 2 | 1 | - | 1 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | - | - | - | 0 |

Note: from 2008 only Limmat bonds are considered as "Private Placements"

## 6.2.36 TURKEY

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 500 | 500 | 500 | 500 | 500 | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | 280 | | - | - |
| Private Placement | 128 | 1,423 | 1,834 | 2,060 | 1,255 | 895 | - | 6 | - | - |
| **Total** | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| Denominated in EURO | 500 | 500 | 500 | - | 500 | - | - | - | - | - |
| Denominated in domestic currency | 128 | 1,423 | 1,834 | 2,560 | 1,255 | 895 | 280 | 6 | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| Hard Bullet | - | - | 68 | - | - | 895 | - | 6 | - | - |
| Soft Bullet | 628 | 1,923 | 2,266 | 2,560 | 1,755 | - | 280 | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| Outstanding fixed coupon | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | - | - | - |
| Outstanding floating coupon | - | - | - | - | - | - | - | 6 | - | - |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 628 | 1,923 | 2,334 | 2,560 | 1,755 | 895 | 280 | 6 | - | - |
| Number of Programmes | 1 | 4 | 6 | 7 | 7 | 8 | 8 | 1 | - | - |
| **Number of Issuers** | 1 | 4 | 6 | 7 | 7 | 8 | 8 | 1 | - | - |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | n.a. | - | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | - | n.a. | - | - | n.a. | n.a. |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | 500 | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | 227 | - | - | - | - | - | - |
| Private Placement | - | 1,334 | 766 | - | - | 16 | - | - | - | - |
| **Total** | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| Denominated in EURO | 500 | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| Hard Bullet | - | - | 68 | - | - | 16 | - | - | - | - |
| Soft Bullet | 500 | 1,334 | 698 | 227 | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| Issuance fixed coupon | 500 | 1,334 | 766 | 227 | - | - | - | - | - | - |
| Issuance floating coupon | - | - | - | - | - | 16 | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 500 | 1,334 | 766 | 227 | - | 16 | - | - | - | - |
| **Number of New Issuers** | 1 | 2 | 2 | 1 | - | 1 | - | - | - | - |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | - | n.a. | - | - | n.a. | n.a. |

## 6.2.37 UNITED KINGDOM

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Regulated - Mortgages | 97,127 | 89,509 | 93,530 | 108,857 | 96,012 | 88,710 | 85,801 | 95,376 | 95,196 | 106,084 |
| Regulated - Public Sector | - | - | - | - | - | - | - | - | - | - |
| Non-regulated - Mortgages | - | - | - | - | 1,112 | 2,380 | 4,510 | 4,603 | 4,824 | 3,438 |
| Non-regulated - Public Sector | 4,894 | 4,697 | 4,662 | 705 | 667 | 595 | 564 | 575 | - | - |
| **Total Outstanding** | 102,021 | 94,206 | 98,192 | 109,562 | 97,791 | 91,685 | 90,875 | 100,554 | 100,020 | 109,522 |
| **Of which, total Sustainable CB** | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 1,064 | 1,075 | 1,103 | 1,073 |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 75,733 | 70,229 | 72,312 | 86,106 | 71,210 | 58,240 | 54,468 | 54,039 | 55,083 | 58,627 |
| Benchmark (500mio - below 1bn) | 9,546 | 7,548 | 11,457 | 12,164 | 13,609 | 13,219 | 14,499 | 16,967 | 14,335 | 18,174 |
| Others (below 500Mio) | 280 | 248 | - | - | 50 | 484 | 873 | 1,345 | 1,652 | 1,390 |
| Private Placement | 16,462 | 16,181 | 14,423 | 11,292 | 12,923 | 19,742 | 21,035 | 28,203 | 28,950 | 31,331 |
| **Total** | 102,021 | 94,206 | 98,192 | 109,562 | 97,791 | 91,685 | 90,875 | 100,554 | 100,020 | 109,522 |
| Denominated in EURO | 57,703 | 55,876 | 56,426 | 58,096 | 48,159 | 37,325 | 31,922 | 31,040 | 29,366 | 32,747 |
| Denominated in domestic currency | 38,532 | 36,977 | 40,482 | 48,854 | 45,551 | 50,856 | 54,888 | 64,641 | 64,420 | 71,070 |
| Denominated in other currencies | 5,786 | 1,353 | 1,284 | 2,612 | 4,081 | 3,504 | 4,065 | 4,873 | 6,234 | 5,705 |
| **Total** | 102,021 | 94,206 | 98,192 | 109,562 | 97,791 | 91,685 | 90,875 | 100,554 | 100,020 | 109,522 |
| Hard Bullet | 7,508 | 5,331 | 2,581 | 2,581 | 2,581 | 2,481 | 2,354 | 2,278 | 2,103 | 1,902 |
| Soft Bullet | 91,028 | 85,531 | 92,291 | 106,981 | 95,210 | 89,204 | 88,521 | 98,276 | 97,917 | 107,620 |
| Conditional Pass Through | 3,485 | 3,344 | 3,320 | - | - | - | - | - | - | - |
| **Total** | 102,021 | 94,206 | 98,192 | 109,562 | 97,791 | 91,685 | 90,875 | 100,554 | 100,020 | 109,522 |
| Outstanding fixed coupon | 78,951 | 72,038 | 71,144 | 74,833 | 65,195 | 52,633 | 45,478 | 45,625 | 42,971 | 44,544 |
| Outstanding floating coupon | 23,070 | 22,168 | 27,048 | 34,729 | 32,596 | 39,052 | 45,397 | 54,929 | 57,049 | 64,978 |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 102,021 | 94,206 | 98,192 | 109,562 | 97,791 | 91,685 | 90,875 | 100,554 | 100,020 | 109,522 |
| Number of Programmes | 14 | 14 | 14 | 15 | 16 | 16 | 15 | 14 | 14 | 14 |
| **Number of Issuers** | 12 | 12 | 13 | 14 | 16 | 16 | 15 | 14 | 14 | 14 |
| **Of which, Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | 1 | 1 | 1 | 1 |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Regulated - Mortgages | 9,599 | 11,563 | 14,916 | 22,959 | 9,089 | 9,783 | 15,977 | 23,799 | 14,226 | 20,113 |
| Regulated - Public Sector | - | - | - | - | - | - | - | - | - | - |
| Non-regulated - Mortgages | - | - | - | - | 1,112 | 1,190 | 2,255 | - | - | - |
| Non-regulated - Public Sector | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| **Of which, Sustainable CB Issuance** | n.a. | n.a. | n.a. | n.a. | n.a. | 500 | 564 | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 6,701 | 10,013 | 12,224 | 18,232 | 7,643 | 1,785 | 11,502 | 12,413 | 10,397 | 10,501 |
| Benchmark (500mio - below 1bn) | 1,381 | 1,500 | 2,662 | 2,850 | 500 | 1,750 | 2,688 | 500 | 3,500 | 3,950 |
| Others (below 500Mio) | - | - | - | - | - | - | 366 | 416 | 329 | 188 |
| Private Placement | 1,517 | 50 | 30 | 1,877 | 2,057 | 7,438 | 3,676 | 10,470 | - | 5,474 |
| **Total** | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| Denominated in EURO | 6,833 | 4,800 | 4,030 | 7,620 | 1,750 | 1,750 | 3,568 | 3,518 | 6,000 | 6,230 |
| Denominated in domestic currency | 2,766 | 6,763 | 10,231 | 13,989 | 6,617 | 9,223 | 13,360 | 17,375 | 6,934 | 13,695 |
| Denominated in other currencies | - | - | 655 | 1,350 | 1,834 | - | 1,304 | 2,906 | 1,292 | 188 |
| **Total** | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| Issuance fixed coupon | 6,808 | 4,800 | 4,685 | 8,970 | 3,584 | 1,750 | 4,872 | 6,424 | 6,292 | 6,991 |
| Issuance floating coupon | 2,791 | 6,763 | 10,231 | 13,989 | 6,617 | 9,223 | 13,360 | 17,375 | 7,934 | 13,122 |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 9,599 | 11,563 | 14,916 | 22,959 | 10,201 | 10,973 | 18,232 | 23,799 | 14,226 | 20,113 |
| **Number of New Issuers** | - | 1 | 1 | 1 | 1 | - | 1 | - | - | 1 |
| **Number of New Sustainable Issuers** | n.a. | n.a. | n.a. | n.a. | n.a. | 1 | - | - | - | - |

Note: There are 14 Regulated issuers each with one Regulated residential mortgage programme (two regulated issuers also have unregulated programmes).

Please refer to the FCA's website for more details of the Regulted issues (http://www.fca.org.uk/firms/systems-reporting/regulated-covered-bonds-register).

### 6.2.38 UNITED STATES OF AMERICA

| Outstanding (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Outstanding | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | 2,000 | - | - | - | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Outstanding** | 2,000 | - | - | - | - | - | - | - | - | - |
| **Of which, total Sustainable CB** | - | - | - | - | - | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | 2,000 | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,000 | - | - | - | - | - | - | - | - | - |
| Denominated in EURO | 2,000 | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,000 | - | - | - | - | - | - | - | - | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | 2,000 | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,000 | - | - | - | - | - | - | - | - | - |
| Outstanding fixed coupon | 2,000 | - | - | - | - | - | - | - | - | - |
| Outstanding floating coupon | - | - | - | - | - | - | - | - | - | - |
| Outstanding other | - | - | - | - | - | - | - | - | - | - |
| **Total** | 2,000 | - | - | - | - | - | - | - | - | - |
| Number of Programmes | 1 | - | - | - | - | - | - | - | - | - |
| **Number of Issuers** | 2 | - | - | - | - | - | - | - | - | - |
| **Of which, Sustainable Issuers** | - | - | - | - | - | - | - | - | - | - |

| Issuance (in EUR million) | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | 2023 | 2024 | 2025 |
|---|---|---|---|---|---|---|---|---|---|---|
| Total Covered Bonds Issuance | | | | | | | | | | |
| Public Sector | - | - | - | - | - | - | - | - | - | - |
| Mortgage | - | - | - | - | - | - | - | - | - | - |
| Ships | - | - | - | - | - | - | - | - | - | - |
| Others | - | - | - | - | - | - | - | - | - | - |
| **Total Issuance** | - | - | - | - | - | - | - | - | - | - |
| **Of which, Sustainable CB Issuance** | - | - | - | - | - | - | - | - | - | - |
| Public Placement | | | | | | | | | | |
| Benchmark (1bn and above) | - | - | - | - | - | - | - | - | - | - |
| Benchmark (500mio - below 1bn) | - | - | - | - | - | - | - | - | - | - |
| Others (below 500Mio) | - | - | - | - | - | - | - | - | - | - |
| Private Placement | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Denominated in EURO | - | - | - | - | - | - | - | - | - | - |
| Denominated in domestic currency | - | - | - | - | - | - | - | - | - | - |
| Denominated in other currencies | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Hard Bullet | - | - | - | - | - | - | - | - | - | - |
| Soft Bullet | - | - | - | - | - | - | - | - | - | - |
| Conditional Pass Through | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| Issuance fixed coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance floating coupon | - | - | - | - | - | - | - | - | - | - |
| Issuance other | - | - | - | - | - | - | - | - | - | - |
| **Total** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Issuers** | - | - | - | - | - | - | - | - | - | - |
| **Number of New Sustainable Issuers** | - | - | - | - | - | - | - | - | - | - |

## 6.2.39 ANNEX: EUROPEAN CENTRAL BANK EXCHANGE RATES WITH THE EURO, YEAR END

| | Australian dollar | Brazilian real | Canadian dollar | Swiss franc | Czech koruna | Danish krone | UK pound sterling |
|---|---|---|---|---|---|---|---|
| 2010 | 1.3136 | 2.2177 | 1.3322 | 1.2504 | 25.061 | 7.4535 | 0.86075 |
| 2011 | 1.2723 | 2.4159 | 1.3215 | 1.2156 | 25.787 | 7.4342 | 0.8353 |
| 2012 | 1.2712 | 2.7036 | 1.3137 | 1.2072 | 25.151 | 7.461 | 0.8161 |
| 2013 | 1.5423 | 3.2576 | 1.4671 | 1.2276 | 27.427 | 7.4593 | 0.8337 |
| 2014 | 1.4829 | 3.2207 | 1.4063 | 1.2024 | 27.735 | 7.4453 | 0.7789 |
| 2015 | 1.4897 | 4.3117 | 1.5116 | 1.0835 | 27.023 | 7.4626 | 0.73395 |
| 2016 | 1.4596 | 3.4305 | 1.4188 | 1.0739 | 27.021 | 7.4344 | 0.85618 |
| 2017 | 1.5346 | 3.9729 | 1.5039 | 1.1702 | 25.535 | 7.4449 | 0.88723 |
| 2018 | 1.622 | 4.444 | 1.5605 | 1.1269 | 25.724 | 7.4673 | 0.89453 |
| 2019 | 1.5995 | 4.5157 | 1.4598 | 1.0854 | 25.408 | 7.4715 | 0.8508 |
| 2020 | 1.5896 | 6.3735 | 1.5633 | 1.0802 | 26.242 | 7.4409 | 0.89903 |
| 2021 | 1.5615 | 6.3101 | 1.4393 | 1.0331 | 24.858 | 7.4364 | 0.84028 |
| 2022 | 1.5693 | 5.6386 | 1.4440 | 0.9847 | 24.116 | 7.4365 | 0.88693 |
| 2023 | 1.6263 | 5.3618 | 1.4642 | 0.9260 | 24.724 | 7.4529 | 0.86905 |
| 2024 | 1.6772 | 6.4253 | 1.4948 | 0.9412 | 25.185 | 7.4578 | 0.82918 |
| 2025 | **1.7581** | **6.4364** | **1.6088** | **0.9314** | **24.237** | **7.4689** | **0.87260** |

| | Hong Kong dollar | Hungarian forint | Iceland krona | Japanese yen | Korean won (Republic) | Lithuanian litas | Latvian lats |
|---|---|---|---|---|---|---|---|
| 2010 | 10.3856 | 277.95 | 153.78* | 108.65 | 1499.06 | 3.4528 | 0.7094 |
| 2011 | 10.051 | 314.58 | 159* | 100.2 | 1498.69 | 3.4528 | 0.6995 |
| 2012 | 10.226 | 292.3 | 168.91* | 113.61 | 1406.23 | 3.4528 | 0.6977 |
| 2013 | 10.6933 | 297.04 | 158.29** | 144.72 | 1450.93 | 3.4528 | 0.7028 |
| 2014 | 9.417 | 315.54 | 154.31** | 145.23 | 1324.8 | 3.4528 | 1.000 |
| 2015 | 8.4376 | 315.98 | 141.38** | 131.07 | 1280.8 | 1.000 | 1.000 |
| 2016 | 8.1751 | 309.83 | 119.15** | 123.4 | 1269.36 | 1.000 | 1.000 |
| 2017 | 9.372 | 310.33 | 124.30** | 135.01 | 1279.61 | 1.000 | 1.000 |
| 2018 | 8.9675 | 320.98 | 127.89*** | 125.85 | 1277.93 | 1.000 | 1.000 |
| 2019 | 8.7473 | 330.53 | 137.28*** | 121.94 | 1296.28 | 1.000 | 1.000 |
| 2020 | 9.5142 | 363.89 | 154.59*** | 126.49 | 1336.00 | 1.000 | 1.000 |
| 2021 | 8.8333 | 369.19 | 150.15*** | 130.38 | 1346.38 | 1.000 | 1.000 |
| 2022 | 8.3163 | 400.87 | 142.24*** | 140.66 | 1344.09 | 1.000 | 1.000 |
| 2023 | 8.6314 | 382.80 | 149.13*** | 156.33 | 1433.66 | 1.000 | 1.000 |
| 2024 | 8.0686 | 411.35 | 143.90*** | 163.06 | 1532.15 | 1.000 | 1.000 |
| 2025 | **9.1464** | **385.15** | **147.40 *****  | **184.09** | **1696.94** | **1.000** | **1.000** |

* Bloomberg "Compound New York" Rates, ** Bloomberg "Bloomberg Generic Pricing (BGN)" Rates (On 10 December 2008, the European Central Bank has stopped publishing foreign exchange reference rates of the Icelandic Króna, but it resumed in February 2018). *** Yearly average figure provided by the European Central Bank.

| | Norwegian krone | New Zealand dollar | Polish zloty | Swedish krona | Singapore dollar | Turkish lira | US dollar |
|---|---|---|---|---|---|---|---|
| 2010 | 7.8 | 1.72 | 3.975 | 8.9655 | 1.7136 | 2.0694 | 1.3362 |
| 2011 | 7.754 | 1.6737 | 4.458 | 8.912 | 1.6819 | 2.4432 | 1.2939 |
| 2012 | 7.3483 | 1.6045 | 4.074 | 8.582 | 1.6111 | 2.3551 | 1.3194 |
| 2013 | 8.363 | 1.6762 | 4.1543 | 8.8591 | 1.7414 | 2.9605 | 1.3791 |
| 2014 | 9.042 | 1.5525 | 4.2732 | 9.393 | 1.6058 | 2.832 | 1.2141 |
| 2015 | 9.603 | 1.5923 | 4.2639 | 9.1895 | 1.5417 | 3.1765 | 1.0887 |
| 2016 | 9.0863 | 1.5158 | 4.4103 | 9.5525 | 1.5234 | 3.7072 | 1.0541 |
| 2017 | 9.8403 | 1.685 | 4.177 | 9.8438 | 1.6024 | 4.5464 | 1.1993 |
| 2018 | 9.9483 | 1.7056 | 4.3014 | 10.2548 | 1.5591 | 6.0588 | 1.145 |
| 2019 | 9.8638 | 1.6653 | 4.2568 | 10.4468 | 1.5111 | 6.6843 | 1.1234 |
| 2020 | 10.4703 | 1.6984 | 4.5597 | 10.0343 | 1.6218 | 9.1131 | 1.2271 |
| 2021 | 9.9888 | 1.6579 | 4.5969 | 10.2503 | 1.5279 | 15.2335 | 1.1326 |
| 2022 | 10.5138 | 1.6798 | 4.6808 | 11.1218 | 1.4300 | 19.9649 | 1.0666 |
| 2023 | 11.2405 | 1.7504 | 4.3395 | 11.0960 | 1.4591 | 32.6531 | 1.105 |
| 2024 | 11.7950 | 1.8532 | 4.2750 | 11.459 | 1.4164 | 36.7372 | 1.0389 |
| 2025 | **11.8430** | **2.0380** | **4.2210** | **10.8215** | **1.5105** | **50.4838** | **1.1750** |

Source: European Central Bank (ECB), Statistics Data Warehouse.
Note: The Euro is the denominator.
Note: The exchange rate protocol used for ECBC covered bond statistics is to take the ECB bilateral exchange rate on the last business day of the year.

ECBC

FUNDING THE REAL ECONOMY

Fact Book 2026

**EUROPEAN COVERED BOND**
**FACT BOOK** 2026 edition

EMF | ECBC

EUROPEAN MORTGAGE FEDERATION
EUROPEAN COVERED BOND COUNCIL