# Covered Bond Special

## EBA report on the review of the EU covered bond framework

NORD/LB Floor Research

02 October 2025

Marketing communication (see disclaimer on the last pages)

# Agenda


**Introduction** 3

**Key topics of the EBA report** 4

Cover pool assets defined in the CBD 4

Derivatives in the cover pool: need for additional safeguards 7

Cover pool monitor: Member States can prescribe use 8

Basic transparency requirements of the CBD 9

Article 15 CBD defines minimum coverage requirements 10

Public supervision: EBA sees no need for adjustment 11

Asset encumbrance: EBA identifies no need for adjustments 12

Introduction of a third-country equivalence regime 13

European Secured Notes (ESN) 15

Covered bonds with extendable maturities 15

Green covered bonds and ESG risks of cover pools 17

Harmonising the eligibility of cover assets and risk treatment under CBD and CRR 18

Treatment of covered bonds following issuer default 20

**Conclusion and outlook** 21

**EBA recommendations in tabular overview** 22

**Publication overview** 24

**Contacts at NORD/LB** 25



## Floor analysts:

**Head of Desk**

**Dr Norman Rudschuck, CIIA**
norman.rudschuck@nordlb.de

**Covered Bonds/Banks**

**Lukas Kühne**
lukas.kuehne@nordlb.de

**Alexander Grenner**
alexander.grenner@nordlb.de

**SSA/Public Issuers**

**Lukas-Finn Frese**
lukas-finn.frese@nordlb.de

**Tobias Cordes, CIIA**
tobias.cordes@nordlb.de

**NORD/LB:** Floor Research

**NORD/LB:** Covered Bond Research

**NORD/LB:** SSA/Public Issuers Research

**Bloomberg:** DS NDB <GO>

# Introduction

Authors: Alexander Grenner // Lukas Kühne // Dr Norman Rudschuck, CIIA

**Covered Bond Special: EBA report on the EU covered bond framework**

On 23 September, the European Banking Authority (EBA) submitted its long-awaited Report on the Review and Performance of the Covered Bond Directive (CBD). We would like to use this as an opportunity to present a structured summary of the EBA's proposed amendments in relation to the CBD and other important legal acts in the context of covered bonds. In November 2019, the EU adopted a legislative package to harmonise national covered bond laws, including, among other aspects, the newly introduced CBD and amendments to the CRR. Member States were given until 08 July 2022 to adopt the necessary transposition measures to comply with the CBD. According to the EBA, this has created a comprehensive minimum harmonisation framework that all covered bonds issued in the EU must adhere to. Article 31 of the CBD had already established a review mechanism for full implementation of the CBD when the new framework was created. The review was to be submitted three years after the end of the implementation period. In July 2023, the European Commission issued a Call for Advice (CfA) requesting the EBA to provide expert and technical support for the review of the implementation of the Covered Bond Directive required under Article 31 (2) CBD. The report submitted by the EBA on 23 September in regard to the review required by Article 31 (2) CBD covers four different dimensions: I) Further harmonisation of the EU covered bond framework, II) Enhancement of the safeguards and the disclosure requirements of the national covered bond laws, III) Alignment between different EU regulatory frameworks (including the CBD and CRR) and associated simplification, IV) Development of new regulatory instruments to develop and expand the EU covered bond market. The Commission also instructed the EBA to examine other aspects described in Article 31 of the CBD within the framework of the CfA. This includes assessing the advantages and disadvantages of a third-country equivalence regime, reviewing the EBA assessment of European Secured Notes (ESN) with respect to an update, analysing the opportunities and risks of maturity extensions and investigating green covered bonds and the incorporation of ESG factors. To obtain the relevant information, the EBA sent questionnaires to national supervisory authorities and selected market participants, including issuers, investors and rating agencies, requesting their responses for its analysis. In addition, qualitative and quantitative data from notification templates, data from reporting, and market data were also taken into account.

**Structure of the study**

Across the following pages, we shall provide a structured overview of 13 topics analysed by the EBA, including the regulations governing the structure of cover pools and the pros and cons of a potential third-country equivalence regime. Firstly, we provide an overview of the relevant sections in the CBD that apply to the individual topics. This is generally followed by a description of the sometimes entirely different ways in which the CBD is implemented by the Member States, followed by any potential problems that may arise. Each topic is concluded with the EBA's proposed adjustments, where available. Last but not least, we would like to provide an outlook on possible further legislative implementation processes.

# Key topics of the EBA report

**Cover pool assets defined in the CBD**

Under Article 6 (1) CBD, three categories of assets are, in principle, eligible for cover pools. Category I comprises all seven types of cover pool assets defined in Article 129 (1) of the Capital Requirements Regulation (CRR). Mortgage loans, loans to public institutions and exposures to credit institutions form the three main assets classes, plus loans secured by maritime liens on ships. Only covered bonds whose cover pool assets are classified as Category I are entitled to use the label "European Covered Bond (Premium)", provided they meet all the other requirements outlined in Article 129 CRR, in particular paragraph 1a (limitation of the proportion of exposures to credit institutions) and paragraph 3 (valuation rules for immovable property). Category II mainly includes high-quality physical assets secured by a mortgage, lien, or other form of collateral. These include aircraft, ships, railways and mortgages that do not meet the requirements of Article 129 CRR, for example because their LTV is too high. Category II also includes high-quality assets that represent exposure to a counterparty with the power to levy taxes (such as central governments) as well as exposure to a counterparty that is subject to ongoing supervision of its operational soundness and financial solvency (usually credit institutions or insurance companies). Under Category III, loans to public enterprises may also be used as cover pool assets under certain conditions. According to Article 6 (4) CBD, public enterprises must provide essential public services, be subject to public oversight and be financially sound. The OC ratio for cover pools of this kind must come to at least 10%.

**Description of the problems and requested changes to cover pool assets**

Due to the definition of cover pool values for categories I and II, which is derived exclusively from the CBD, the directive is implemented in different ways in the individual Member states. While the seven asset classes defined in Article 129 CRR may be used in all EU Member States, this applies to assets from Category II in only half of the Member States and to assets from Category III in only six EU Member States (including Portugal and Slovakia). Notwithstanding the permission to include assets from Categories II and III in the cover pool, these are hardly ever used in practice, according to the EBA. This is one of the reasons why the EBA recommends deleting Categories II and III, i.e. Article 6 letters (b) and (c) CBD, and only retaining the seven cover assets defined in Article 129 (1) CRR. Along with the low utilisation of asset Categories II and III, the EBA sees the lack of supervisory experience, inadequate investor protection mechanisms and the unclear definition of "high-quality assets" – which leads to inconsistent implementation in national legislation – as problematic. In the event that the two Categories are deleted, the EBA thinks this will hardly impact the functionality of the covered bond market. Issuers would still have the option of issuing covered bonds outside the legal framework of the CBD and could therefore continue to finance lower quality assets.

**Composition of cover pools: focus on clear definitions**

Under Article 10 CBD, Member States shall lay down rules on the composition of cover pools and, where appropriate, define criteria for the inclusion of different asset classes as primary cover assets. Accordingly, the CBD grants Member States a relatively large amount of flexibility in terms of structuring of cover pools, reflecting the different European covered bond models. The assets eligible for cover pools and the definitions of primary and secondary cover assets differ depending on the jurisdiction. According to the EBA, the distinction between primary and secondary cover pool assets in the CBD is made at a very aggregated level, leaving it up to the individual Member States to define the exact details. In Article 3 No. 12 and No. 13 CBD, primary assets are referred to as dominant cover assets that determine the nature of the cover pool, while for secondary cover assets only a negative definition is used (i.e. all assets other than primary assets). Some Member States make use of their scope for interpretation of the CBD at this point and, among other things, define different thresholds for secondary cover pool assets or allow several asset classes as primary cover pool assets for a cover pool. These “mixed pools” are used in particular by some French issuers. The EBA notes that cover pool composition impacts the pricing of a covered bond, but that it only comes after the issuer’s rating, country-specific characteristics and sovereign rating caps as an influencing factor. The EBA focuses on a clear definition of primary and secondary cover pool assets in national covered bond legislation and calls on Member States to introduce this if it does not already exist. Nevertheless, the EBA acknowledges that, given the many differences between the Member States, the high level of flexibility of the CBD should be maintained and that the combination of commercial and residential assets in a cover pool is appropriate.

**Geographical focus of cover pools: no changes are required**

According to Article 7 (1) CBD, cover assets must be geographically located in an EU or EEA state. Exceptions to the inclusion of assets in the cover pool are possible under certain conditions (e.g. government approval, submission of a legal opinion). Article 7 (2) CBD leaves it up to the Member States to determine the exact conditions for permissible assets from third countries. They must ensure that all the requirements of Article 6 CBD are met. In practice, around half of the Member States also allow assets from third countries to be included in the cover pool. The requirements for the inclusion of such assets vary considerably between Member states. For example, some states only provide for a general legal review, while other jurisdictions specifically name countries from which assets are permitted (e.g. assets from Switzerland or the USA). According to the EBA, the existing framework should ensure that assets from non-EU countries can be assessed with the same degree of legal validity as domestic collateral, while at the same time maintaining a certain degree of flexibility. At present, the EBA considers the existing level of protection in the Member States to be adequate and consequently does not make any political recommendation on this point.

**Covered bond structures: clarification of Article 9 CBD is advisable according to the EBA**
Different structures are possible for covered bond issues. According to the definition under Article 8 CBD, covered bonds may be issued in bundles via an intra-group structure. Member States shall lay down rules for the issuance of covered bonds under such a structure, whereby internally issued bonds may be used as cover assets for the external issuance of another institution within the same group. Article 8 CBD defines minimum requirements, including the condition that the issuance of external bonds must be intended for investors outside the group. A total of ten Member States have transposed this article into national law, but it is rarely applied in any jurisdiction, with the exception of Denmark. Article 9 CBD regulates the transfer of cover assets from a counterparty to the covered bond issuer. To do this, Articles 6 and 12 CBD must be met in particular. It is at the discretion of the national legislator to specify further requirements. Under Article 9 (3) CBD, assets from non-credit institutions may also be included in the cover pool. While 14 Member States have transposed the first two paragraphs of Article 9 CBD into national law, only eleven states have done so in the case of paragraph 3. In practice, according to the EBA, the approach described in Article 9 CBD is relevant in some jurisdictions, especially smaller institutions that rely on additional cover assets. The use of this approach is severely limited due to stricter national requirements. Overall, the EBA considers the existing provisions under Articles 8 and 9 of the CBD to be sufficient, but identifies a potential interpretation issue between paragraphs 2 and 3 of Article 9 CBD. While paragraph 2 allows the transfer of financial collateral under Directive 2002/47/EC – which also covers non-credit institutions – paragraph 3 allows the use of assets belonging to non-credit institutions. The EBA argues that if a Member State implements both paragraphs, assets belonging to non-credit institutions can be included in the cover pool via financial collateral. As a recommendation, the supervisory body advises legislators to clarify the hierarchy between Articles 9 (2) and (3) and define whether both provisions can be used simultaneously.

**Derivatives in the cover pool: need for additional safeguards**

In principle, Article 11 CBD permits derivates to be included in the cover pool if they are used for risk hedging purposes. To this end, paragraph 1 defines a number of requirements, including the obligation to provide sufficient documentation, a guarantee that derivatives will remain in place even if the investor becomes insolvent and that the contracts are legally enforceable. Member States shall define rules for derivative contracts in order to ensure compliance with the requirements under paragraph 1. Derivatives in the cover pool are usually used to hedge against currency and interest rate risks and guarantee an orderly resolution in the event of issuer insolvency. Accordingly, these only take effect after the issuer has defaulted. Derivatives in the cool pool are generally subject to the requirements of the European Market Infrastructure Regulation (EMIR), but exceptions apply to covered bonds. This means that derivatives included in the cover pool need not be centrally cleared and the margining requirements are reduced. The interaction between the EMIR and the CBD also takes into account the payment obligations arising from derivatives contracts, which have to be settled on a daily basis. Accordingly, the cover pool must be able to meet claims in terms of amount (Article 15 CBD) and available liquidity (Article 16 CBD). According to surveys conducted by the EBA, all Member States permit derivatives to be included in the cover pools of covered bonds, with some even requiring it. However, actual utilisation by issuers is said to be rare. At Member State level, the specific requirements for the use of derivatives vary significantly in some cases. For example, in many countries the counterparty must be a credit institution qualifying for the credit quality step 2 (CQS 2). In some cases, derivative contracts can also be entered into with counterparties outside the EU/EEA. While Belgium and Germany, among others, explicitly exclude counterparties within the covered bond issuer's scope of consolidation, Italy expressly permits this with an SPV segregation model. The EBA reports that the majority of the banks surveyed do not include derivatives in their covered bond programmes. The seven issuers confirming the integration of derivatives in their cover pool only use them for micro-hedging. According to the EBA, investors have an ambivalent view of derivatives in the cover pool. The EBA sees cause for concern in particular in cases where derivative contracts exist between the covered bond issuer and an institution within the same consolidation group. In the event of the issuer's insolvency, other group members, in particular the counterparty to the derivative contract, could also default. Accordingly, the EBA sees a need for additional safeguards that effectively replicate the existing protection in the event of the issuer defaulting and in future also take into account counterparties within the regulatory scope of consolidation. In this context, the EBA has put forward three proposals to legislators.

| Topics | EBA's recommendations |
|---|---|
| Nature of collateral in derivative contracts | The collateral for derivative contracts included in the cover pool shall consist of cash or securities issued by CQS 1 central governments. |
| Treatment of collateral in derivative contracts | Like other cover pool assets, all collateral shall be clearly segregated from the bank's assets, particularly in the case of cash. Cash may only be invested in cover pool-eligible assets which are of a high quality. |
| Internal hedges | When using internal hedges, there shall be a committed substitute counterparty in place in case the original counterparty defaults. The initial payment of the new counterparty shall be determinable in advance and be held as additional overcollateralisation (OC). The aim is to ensure that the hedging continues seamlessly. If the classification of the internal counterparty no longer falls under CQS 2, the hedging instrument shall be replaced by an equivalent external derivative. The costs of substitution shall be borne by the internal counterparty. |

**Cover pool monitor: Member States can prescribe use**

Article 13 (1) CBD gives Member States the option of prescribing the use of a cover pool monitor (trustee) for ongoing monitoring of the cover pool. In principle, this should be an external trustee who is independent of the covered bond issuer. As an alternative approach, national legislators may stipulate under the conditions set out in Article 13 (3) CBD that an internal trustee may also be appointed to monitor the cover pool. In order to utilise this option, the Member State must, among other aspects, stipulate that the trustee is independent of the institution's credit approval process, cannot be removed from office (without the prior consent of the management body) and is required to report to the competent authorities (Article 18 [2] CBD). In addition, some Member States require the cover pool monitor to perform additional functions relating to the quality of eligible cover assets or to ensure compliance with national requirements. However, the use of a cover pool monitor does not release national supervisory authorities from their obligation to publicly oversee the cover pools.

**Heterogeneous use of cover pool monitor in Member States**

The EBA report shows that internal trustees are not permitted in most countries, with Austria and the Netherlands being among the exceptions. In the majority of Member States trustees must be appointed by the issuer with the approval of the national supervisory authority. Only in Germany and Sweden are trustees appointed by the national supervisory authorities. A trustee is usually dismissed by the issuer and in special cases also by the national supervisory authorities (e.g. in the event of breaches of duty or insolvency). A maximum duration of supervisory activities is often not regulated, and where it is, it ranges from one to ten years. In terms of the trustee's qualifications, the majority of states stipulate that the trustee must be an auditor who is not also the issuer's auditor. Professionally qualified independent lawyers and other auditors can also be approved. The Member States limit the scope of responsibilities primarily to monitoring the cover pool, in particular the requirements defined in Articles 6 to 12 and 14 to 17 CBD. In addition, trustees are frequently involved in making changes to and disposing of cover assets and checking that the composition is correct. The EBA notes that in practice internal trustees are only used in three states and even there only with restrictions. Accordingly, the option under the CBD is mostly not transposed into national law. The EBA is particularly critical about the independence of trustees, both internal and external appointments. Conflicts of interest can arise here because the trustee provides other services. The EBA sees a trade-off between allowing natural persons with expertise in some cases or an auditing firm when Member States design the qualification requirements for cover pool monitors. According to the EBA, auditing companies provide greater protection against conflicts of interest, but they are expensive, which puts more of a strain on smaller issuers. Due to the limited use of internal trustees and the risks they pose for independence, the EBA recommends removing this option for Member States, which is codified in Article 13 (3) CBD. As an interim measure, national supervisory authorities should rigorously screen the independence of trustees. As a result of the different covered bond models in Europe, the EBA also recommends that no further standardisation steps be taken in regard to cover pool monitors.

**Basic transparency requirements of the CBD**

The basic transparency requirements for European covered bonds are set out in Article 14 CBD. According to this, Member States must ensure that covered bond issuers provide investors with sufficiently detailed information to enable them to assess the investment risks and meet their due diligence obligations. To this end, the CBD pursues a principle-based approach and does not impose overly detailed regulations on Member States. However, Article 14 CBD defines a number of minimum requirements, including cover pool size and volume of outstanding covered bonds, details of cover assets (e.g. type, geographical distribution), maturity structure of cover assets and covered bonds, overcollateralisation ratios, proportion of NPLs and information on risk exposure. According to Article 14 (2) and (3) CBD, this information must be provided on the issuer's website on at least a quarterly basis.

**EBA considers current transparency requirements to be appropriate, but recommends clear definition in national covered bond legislation**

In practice, the EBA notes a high degree of heterogeneity with regard to transparency requirements. Most states have merely incorporated the minimum requirements listed in Article 14 CBD in their respective national legal frameworks, without specifying the information to be provided in any greater detail. Some countries require more detailed information on the distribution of cover assets (including credit term and type of property), separate requirements for different cover assets as well details of exposure to specific types of risks, beyond the requirements of Article 14 CBD. The EBA also considers the disclosure of substitute cover assets to be non-harmonised, as almost half the Member States do not require the disclosure of these assets. However, according to the EBA, the Harmonised Transparency Template (HTT), an initiative of the European Covered Bond Council (ECBC), which is now used by many market participants, offers de facto standardisation. This has become established as an industry standard in recent years with the result that some Member States also refer to it in their covered bond legislation, although the EBA points out that the HTT can only be seen as a medium for providing mandatory national transparency requirements. By and large, the EBA concludes that the principle-based transparency approach is appropriate and takes account of the different national implementations of the CBD. Accordingly, the EBA merely recommends that the scope of transparency requirements be clearly defined in national legislation. However, the EBA points out that further simplification and clarification of Article 14 CBD might be necessary as the harmonisation of individual national covered bond laws progresses.

**Article 15 CBD defines minimum coverage requirements**

Article 15 CBD defines minimum requirements for covering the liabilities of a covered bond programme. It obliges national legislators to ensure that covered bond programmes comply at all times with the cover pool requirements laid down in paragraphs 2 to 8 CBD. In addition, Article 15 (2) CBD stipulates that all the liabilities of the covered bonds must be covered by claims for payment attached to the cover assets. According to Article 15 (3) CBD, these liabilities include repayment obligations, interest payments, payment obligations attached to derivative transactions and the expected costs related to administration and the winding-down of the covered bond programme in the event of insolvency. Explicitly unsecured claims that are considered to be a default for regulatory purposes are excluded from the eligible cover pool. Regulatory default is deemed to occur under Article 178 CRR if one of two conditions is met: 1) The institution considers it unlikely that the debtor will settle its liabilities in full or 2) a significant liability is more than 90 days overdue. As a general rule, the sum of all the cover assets in the cover pool must be greater than or equal to the sum of all the outstanding covered bonds ("nominal principle"). The Member States may introduce alternative methods of calculating overcollateralisation (OC), provided they do not result in a higher ratio of coverage than the nominal OC (Article 15 [6] CBD).

**EBA sees room for improvement in harmonising the different coverage requirements in national covered bond legislation**

According to the EBA, there are significant differences in the practical implementation of the requirements for the cover pool. While overcollateralisation (OC) is calculated using the nominal principle in almost all countries, there are substantial differences between Member States as to whether future interest payments are permitted for calculating OC. Some countries prescribe specific interest coverage tests for this calculation method, while others require full present value coverage, with or without taking into account stress scenarios. In regard to the minimum OC ratio, Article 129 (3a) CRR defines a figure of 5% as a lower limit for "European Covered Bond (Premium)", which is also used by most Member States. By applying the nominal principle, the limit can also be reduced to 2%, an option which some Member States, including Germany, make use of. Further differences between Member States exist when it comes to reducing cover assets that exceed the statutory minimum requirement (voluntary OC). This can be freely reduced in many countries as long as the minimum OC requirements are met. In some Member States, however, this is only permissible with the consent of the cover pool monitor or if the terms of issuance expressly allow it. The EBA emphasises that the framework for coverage requirements established by the CBD has undergone a fundamental change. Whereas previous regulations focused solely on immediate repayment of the nominal value and interest, the requirements of the CBD are designed to ensure that an orderly resolution process can be guaranteed even in the event that the issuer becomes insolvent. Nevertheless, the supervisory authority still sees room for improvement in terms of better harmonisation of national legislation, creating more transparency and minimising risks for investors. To address this, the EBA is making five recommendations in total to legislators, which are shown in the table below.

| Topics | EBA's recommendations |
|---|---|
| More precise definitions of coverage requirements | Member States should clearly define the cover pool requirements, in particular with regard to the approach for future interest payments when calculating overcollateralisation (OC), expected settlement costs and possible reduction of the minimum OC ratio. |
| Nominal principle | Claims to the payment of the principal of cover assets shall be considered with the lower of their residual nominal amount and the associated book value net of adjustments and/or risk provisioning, or, in case of cover assets listed on a recognised exchange, their market price. |
| Frequency of the coverage assessment | The frequency of the assessment of sufficient coverage must reflect the frequency of potential changes to the parameters of the coverage calculation. From a present value perspective, the coverage requirements should be reviewed on a daily basis. |
| Lowering of statutory minimum OC requirements | The assessment as to whether the minimum OC requirements are met shall no longer be left to the issuer. The overarching principle shall be that the national legislator applies stricter statutory rules than those prescribed by the CBD or the CRR. |
| Defaulted cover assets | If cover assets are deemed to have defaulted in accordance with Article 178 CRR, they shall be treated as follows: 1) For liquidity coverage purposes, associated liquidity inflows shall not be taken into account (Article 16 CBD); 2) For general coverage of claims, future interest receivables shall be disregarded; 3) Member States shall assess whether the assets limit the net liquidity outflow. |

### Public supervision: EBA sees no need for adjustment

The CBD established uniform principles for the public supervision of covered bonds across Europe and defined the tasks and responsibilities of the national authority. Previously, EU legislation also required the existence of a public supervisory framework but did not specify either the nature or content of the supervision. In the CBD, Articles 18 and 25 form the central building blocks for regulations governing the public supervision of covered bonds. While Article 18 CBD sets out the framework for the public supervision of covered bonds, Article 25 CBD regulates close cooperation between national and European supervisory authorities. The tasks of the national supervisory authorities within the framework of public supervision include, among other aspects, approval to issue covered bonds in accordance with Article 19 CBD and monitoring the characteristics of a covered bond programme, in particular the coverage requirements and the quality of the cover pool assets. A prerequisite for approval to issue covered bonds is authorization as a credit institution. Member States must ensure that national supervisory authorities have the necessary expertise, resources, operational capacities, powers and independence to perform their public oversight duties. In most Member States, banking supervisory authorities also perform public oversight functions for covered bond programmes. Where market supervisory authorities are designated to oversee covered bonds, prior consultation with the prudential supervisory authorities is required. If the market supervisory authorities also perform tasks related to regulating the prospectus, this should be consistent with the legal framework and the issuer's covered bond programme. Other tasks of the national supervisory authorities include approving and appointing a cover pool monitor and approving exemptions from certain requirements defined at national level. According to the EBA, there is a certain degree of heterogeneity among Member States in terms of the level at which authorisation to issue covered bonds is granted. This occurs primarily at programme level, but in some cases also at issuer level. As a result of the varying responsibilities assigned to national supervisory authorities by national legislation, the EBA notes that a certain amount of flexibility is required for the public oversight of covered bonds and sees no further need for adjustment in this area.

**Asset encumbrance: EBA identifies no need for adjustments**

Asset encumbrance is already incorporated in the basic structure of covered bonds through the dual recourse mechanism. Accordingly, no dedicated section of the CBD specifically addresses this topic. Rather, this aspect is covered by way of financial market regulation primarily through reporting (Article 430 CRR) and disclosure obligations (Article 443 CRR). In practice, only a very limited number of countries stipulate a specific asset encumbrance limit for covered bonds. Taking Belgium as an example, the national supervisory authority has the power to set an issuance limit for covered bonds if the asset encumbrance limit specified in the published framework is violated in the recovery plan. From a supervisory perspective, the capital tied up in the cover pool may tend to have a detrimental effect on the capacity of banks to raise the necessary liquidity on the market during stress scenarios. In its report, the EBA explicitly rejects this point, citing the fact that covered bonds allow issuers to convert illiquid assets into liquid securities. Moreover, looking at things from a more general perspective, the question of a potentially higher risk weight could arise if, following an insolvency event, the majority of the institution's high-quality assets are primarily available to covered bond creditors. On balance, the EBA takes the view that limiting potential cover assets through an asset encumbrance regime is an inefficient approach, particularly given that credit institutions that are not covered bond issuers could be significantly more impacted by a limited ability to mobilise assets in stress scenarios. Due to the limited extent of asset encumbrance caused by covered bonds and the possibility of mobilising illiquid assets through the issuance of covered bonds, the EBA concludes that there is no need to stipulate a specific asset encumbrance limit for covered bonds. In this way, it sees no need for any changes and prefers to continue to give national legislators the opportunity to define such an upper limit themselves.

**Introduction of a third-country equivalence regime**

The EBA has also examined in detail the possible introduction of a third-country equivalence regime, in addition to analysing the potential advantages and drawbacks. An equivalence regime for covered bonds from third countries would form the basis for preferential treatment in three relevant dimensions: I) Preferential risk treatment; II) Eligibility for LCR or NSFR treatment and III) Central bank eligibility for repo transactions with the ECB. Market participants would welcome the introduction of a third-country regime, as it should promote the harmonisation of covered bonds both within and outside the EU and improve the regulatory treatment of covered bonds. Overall, the EBA has identified various arguments for and against harmonisation. It sees short-term advantages primarily in the possible diversification of funding and investment strategies for issuers and investors and in the expansion of the European framework to third countries. The EU could then be perceived as a kind of trailblazer in this area and strengthen covered bonds as a product worldwide. Medium and long-term benefits would include increased incentives to create a domestic investor base for covered bonds, which would further increase their liquidity and could provide an additional source of funding for credit institutions within the EU. However, in its report the EBA also identifies risks associated with the introduction of an equivalence regime. EU covered bonds could consequently be exposed to greater competition, for example. However, this point is put partly into context by the EBA, as the regime to be created should fundamentally aim to ensure a level playing field in addition to equivalent regulatory and supervisory standards both within and outside the EU. Another risk could potentially be manifested in reputational problems arising in the event of a possible default on a covered bond from a third country considered to be “equivalent”. Spillover effects on the EU market would be possible consequences here. Moreover, the introduction of the regime would come at a high cost and use a great deal of resources, which would represent an additional strain.

**Three relevant dimensions of a third-country regime**

The EBA identifies three relevant dimensions for the design of a third-country equivalence regime. In the first dimension, certain conditions would have to be met, consisting of the basic requirements for the issuance of covered bonds (see table below), the maturity of the covered bond market in third countries (sufficient volume, domestic investor demand and use in monetary operations) and cooperation with the competent authorities of a third country in connection with the principle of reciprocity. The second dimension covers the scope of the equivalence assessment, which includes the main CBD principles and also clarifies how compliance with Article 129 CRR can be achieved. Finally, the third dimension involves the practical steps of the procedure for introducing the regime. In the following, we shall focus in particular on dimensions two (scope of the equivalence assessment) and three (designing the implementation process).

| Principles for European CB label | Article (CBD) | Article (Basel) | Description |
|---|---|---|---|
| Nature of the issuer | 2 | CRE20.33 | The issuer is a credit institution established in the applicant country, i.e. an entity the business activities of which include the kind mentioned in Article 4 (1) (1) of the CRR and is subject to prudential supervision as well as to supervision for compliance with mandatory covered bond law. The requirement implies equivalence of treatment of unsecured exposures as per Article 119 of the CRR, and it is assessed against the COM Implementing Decision on the equivalence of the supervisory and regulatory requirements of certain third countries and territories for the purposes of the treatment of exposures in accordance with the CCR. The issuer is supervised by a foreign authority whose confidentiality and professional secrecy regime has been deemed equivalent. |
| Fundamental definition of covered bonds | 3(1) | CRE20.33 | The instrument is a debt obligation that is issued by a credit institution and secured by cover assets to which covered bond investors have direct recourse as preferred creditors in accordance with the applicable insolvency law. |

Source: EBA, NORD/LB Floor Research

**Scope of the equivalence assessment and designing the implementation process**

According to the recommendation of the EBA, an equivalence assessment should be closely aligned with the basic principles of the CBD – i.e. key requirements such as a dual recourse structure, public oversight and transparency obligations. In addition, the report also provides for covered bonds from third countries to be given preferential treatment under the CRR (e.g. lower risk weight and LCR eligibility). To this end, the third country would have to provide, among other aspects, an official list of covered bonds potentially eligible under the CRR and also supply a legally verified confirmation that the contractual terms comply with EU standards. This should also give investors in third country bonds the same protection as for EU covered bonds. Moreover, if approved, such bonds could be marketed as “European Covered Bonds (Premium)”. The actual implementation process should begin with a formal application from the competent supervisory authority of the jurisdiction to the European Commission. In specific terms, the required steps include I) a self-assessment of market readiness, regulatory proximity and supervisory structure; II) legal documentation translated into English and III) a letter of intent on reciprocity towards EU covered bonds. The EBA will then assess the equivalence of content based on specified criteria, while the European Commission has the final say. At the same time, the process provides for close cooperation with the national supervisory authorities of the EU Member States in order to ensure consistency and reliability of recognition.

**Summary and interim conclusion**

The EBA unequivocally advocates the introduction of an equivalence regime for covered bonds from third countries to strengthen the EU market internationally, to broaden the investor base and access to capital, and to set global standards. In the EBA’s opinion, advantages such as higher demand and market integration outweigh potential risks such as additional competition or reputational damage. However, this is subject to strict minimum standards (regulated institutions, dual recourse structure, market maturity, reciprocity) and close scrutiny according to CBD and CRR principles. Successful implementation could lead to a robust regime that ensures long-term growth and confidence in the covered bond market, while at the same time positioning the EU as a kind of trailblazer.

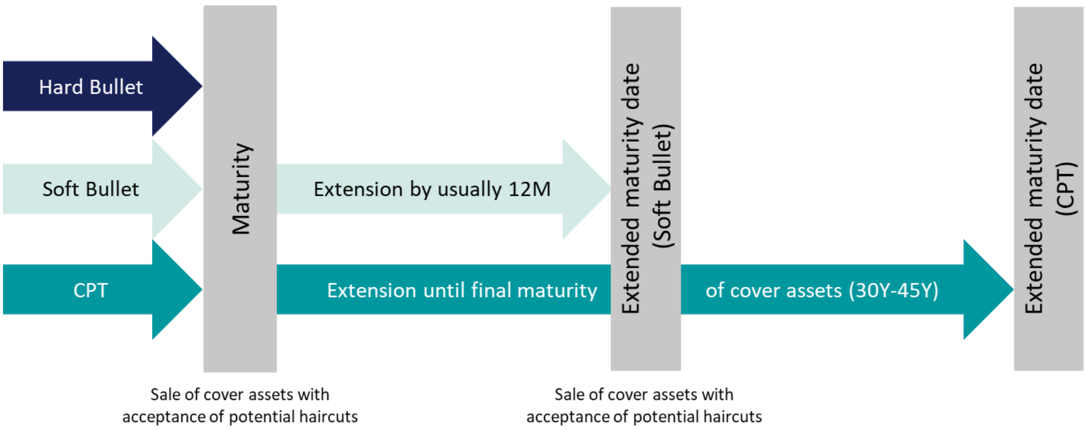
**European Secured Notes (ESN)**

The EBA has also been weighing up the possible introduction of European Secured Notes (ESN) for some time. These are a dual-recourse instrument as well (similar to covered bonds) but are intended specifically for the refinancing of SMEs. Back in 2018, the EBA published an initial analysis on this topic in which it outlined that the fundamental idea is to create a cheaper and more stable refinancing option for SMEs (e.g. with commercial loans), similar to how covered bonds work in relation to mortgages and public sector loans. However, significant concerns remain: the quality and resilience of SME cover pools are said to be less reliable than is the case for conventional covered bonds, while at the same time, there is a lack of market experience. As such, the risk of reputational damage to the established covered bond segment is identified. In its recommendation, the EBA therefore opts for a cautious approach: while it opposes a short-term introduction, it does see medium-term potential in ESN. Before this can happen, however, there reportedly needs to be the political will and initial market practices (track record) for an instrument of this kind should be amassed.

**Covered bonds with extendable maturities**

The EBA also commented on the maturity structures of covered bonds. In this context, the Covered Bond Directive (CBD) permits the use of repayment structures with maturity deferrals to facilitate an orderly resolution following an issuer insolvency and to prevent cover pool assets from having to be sold at short notice below their value. While hard bullet structures – i.e. covered bonds without a maturity extension option in the event of a crisis – were previously commonplace, soft bullet structures (which generally facilitate maturity extensions of up to 12 months on the basis of "trigger events") have increasingly become the norm on the covered bond market in recent years (for further details in this regard, please refer to our previous reporting on this matter). This not only applies to EU Member States, but also to third countries not governed by the CBD. Conditional pass-through structures, under which the actual final maturity is uncertain and depends on the inflows generated from the associated cover assets or their sale at adequate market prices, are seen far less frequently, but also offer the lowest form of refinancing risk. Broadly speaking, investors are willing to accept extendable maturity structures as they provide additional security in the event of a crisis.

**Comparison of the various maturity structures**




Source: NORD/LB Floor Research

### Challenges and EBA recommendations

While the EBA fundamentally welcomes extendable repayment structures, it does also identify room for improvement in this regard. For example, it outlines how the specific trigger events for deferring maturities are often formulated inconsistently or largely at the discretion of the issuer (cf. table below). This increases the risk that maturity extensions no longer primarily serve to protect investors but rather could potentially also be used to resolve liquidity problems on the part of the issuer. At the same time, maturity extensions not governed by clear guidelines can reduce comparability between individual markets and issues. In terms of specific measures, the EBA therefore recommends that national supervisory authorities (NCAs) provide a definitive list of objective trigger events (e.g. insolvency of the issuer or non-fulfilment of payment obligations from the cover pool). At the same time, the NCAs should play an active role in assessing whether a maturity extension is objectively justified. After the implementation of an extension, the EBA also calls for investors to be involved. In this context, it cites the example of an analysis as to whether an "unlikeliness to pay" event has occurred. This is intended to prevent cases whereby extending the maturity effectively amounts to a tacit loan deferral.

**Overview of possible triggers for deferring maturity in the national legal frameworks of EU Member States**

| Country | Trigger Event |
|---|---|
| **Belgium** | Bankruptcy, resolution, inability to pay by the issuer |
| **Denmark** | Payment default, lack of liquidity |
| **Germany** | Bankruptcy, resolution, breach of liquidity provisions |
| **Estonia** | Bankruptcy, resolution |
| **Finland** | Payment default, lack of liquidity |
| **France** | Bankruptcy, resolution, inability to pay by the issuer |
| **Italy** | Bankruptcy, inability to pay, resolution of the issuer, measures by Banca d'Italia |
| **Luxembourg** | Bankruptcy, resolution |
| **The Netherlands** | Bankruptcy, resolution, inability to pay by the issuer |
| **Austria** | Bankruptcy, resolution |
| **Poland** | Bankruptcy, resolution |
| **Portugal** | Inability to pay, withdrawal of banking licence |
| **Sweden** | Inability to pay |
| **Slovakia** | Bankruptcy, resolution. Insolvency, payment default issuer |
| **Spain** | Bankruptcy, resolution, lack of liquidity, breach of liquidity provisions |
| **Czechia** | Contractually regulated |
| **Hungary** | Contractually regulated |

Source: Respective national legislation, EBA, NORD/LB Floor Research

**Liquidity requirements**

The CBD also requires issuers to maintain a liquidity buffer comprising highly liquid assets. This buffer should cover net cash outflows for a period of at least 180 days in the event of a payment default to ensure that, in a crisis situation, sufficient liquidity is available for interest and principal payments until the cover pool is fully liquidated. However, the EBA has identified certain problems with the current regulation. For example, in the context of a potential maturity extension, it allows Member States to use the extended term when calculating the buffer. Given that extensions typically amount to 12 months, this would mean that no effective buffer is actually in place until a maturity extension is triggered. During this period, investors would then be protected neither by the liquidity buffer nor by the maturity extension and would bear the risk unilaterally. In this case, the EBA recommends maintaining the fundamental flexibility of Member States in order to avoid excessively interfering in standard market structures. At the same time, however, it also calls for the introduction of additional collateral so as to better coordinate liquidity buffers and maturity extensions. Ultimately, the aim here is to ensure that mechanisms for replenishing the liquidity buffer are in place even in the event that the issuer is forced to file for insolvency or experiences a degree of financial distress.

**Green covered bonds and ESG risks of cover pools**

In recent years, the topic of sustainable finance has increased in importance across the EU, particularly within the framework of the European Green Deal and the EU taxonomy. Green covered bonds are also increasingly being used to finance projects with an ecological mission. However, at present, the European covered bond framework does not contain specific rules covering ESG aspects or the transparency of sustainable cover assets. Instead, the aforementioned ESG initiatives exist at the level of the issuer as a whole rather than specifically relating to the respective cover pools. However, the precise composition of green covered bonds is of particular importance to investors in this asset class, as the ESG risks pertaining to cover pool assets (e.g. floods or stricter energy efficiency projects) often have to be considered separately from those of the institution as a whole with recourse to these primarily required in the event of insolvency. At the same time, due to the different definitions and classifications of sustainable cover assets, the EBA lacks transparency and comparability, especially with regard to individual investment strategies. Another risk in relation to the current regulations, which are not uniformly defined at present, is the increased potential for greenwashing, which could undermine confidence in the entire covered bond segment. In summary, the EBA recognises the growing importance of ESG aspects for the covered bond market, in particular the need for a minimum level of transparency. However, it has also identified that a cautious approach is required, as excessive reporting requirements could place too great a burden on individual institutions and result in substantial costs. Specifically, the EBA is recommending the introduction of a targeted disclosure requirement at the level of the cover pools (by revising the CBD), which is limited to climate and transition risks pertaining to real estate assets. This reporting requirement should only apply to assets for which corresponding risk indicators are already available and which, according to the recommendation, are provided on an annual basis.

**Harmonising the eligibility of cover assets and risk treatment under CBD and CRR**

The CBD and the CRR are of crucial importance to covered bonds, although in practice differing approaches are pursued when it comes to the eligibility of cover assets and their risk treatment. In particular, the newly introduced CRR III, which implements the new rules laid down in the Basel III Accord, generally imposes stricter requirements for preferential risk treatment for the purpose of recognising cover assets than the CBD. In practice, however, this leads to inconsistencies, increased complexity and lower transparency, which not only poses problems for issuers, but also impairs comparability for investors. The EBA is therefore aiming to increase the harmonisation between both frameworks in order to place a greater emphasis on transparency and investor protection, while also seeking to further boost overall confidence in covered bonds as a product. The EBA identifies the most important differences between the two regulations in three specific areas: I) Treatment of properties under construction in the cover pools; II) Property valuation; and III) Fully secured residential mortgages. In the following, we propose to look briefly at each of these three different areas.

**Treatment of properties under construction in the cover pools**

The CRR clearly stipulates that real estate assets intended to be used as collateral must be completed or already in use in order to qualify as eligible cover assets. This is due to the fact that incomplete real estate projects are subject to substantial levels of uncertainty. For example, construction projects that grind to a halt, missing permits or unexpected cost increases are just some of the risks that significantly impair the value of such properties. The CBD envisages greater flexibility here. For this reason, some Member States do allow properties under construction to be included in the cover pool of covered bonds. The EBA sees this as a major risk for investors in the event of a crisis, as the quality of the cover assets can be uncertain. At the same time, these inconsistencies make it difficult to compare cover pools across jurisdictions within the EU. As such, it recommends fully harmonising the regulations with the stricter requirements of the CRR. Specifically, this means that, in future, properties still under construction would no longer qualify as eligible cover assets, creating a uniform and conservative pan-European standard that simultaneously serves to enhance the reliability of covered bonds in the process. Moreover, the EBA takes the view that the market impacts for jurisdictions where properties under construction are currently permitted for use in cover pools would be very marginal and should therefore not be seen as distorting the housing market.

**Valuation methods for real estate assets**

Another difference relates to the valuation of the properties used as cover assets. Under the CBD, issuers are permitted to apply market values, i.e. the current estimated sale price of a property. Conversely, the CRR III stipulates a prudent valuation that is deliberately more conservative and takes greater account of fluctuations on the property market. In addition, some Member States opt to apply the mortgage lending value, which is seen as particularly conservative and works on the assumption of stable long-term values that, generally speaking, tend to be significantly below the market price. Even for similar properties, these inconsistencies lead to incredibly disparate real estate valuations across different jurisdictions. For this reason, the EBA recommends converging the regulations in favour of the more prudent CRR valuation approach over the long term. The aim here is to ensure comparability and investor protection. At the same time, there is a recognition that a mandatory transition for jurisdictions in which other approaches have become established could entail significant adjustment costs and lead to a weakening in certain market segments. The EBA is therefore in favour of the European Commission conducting a detailed cost-benefit analysis before any legally binding regulations would be introduced.

| Basel CRE 20.74/20.75, applying both for credit risk and coverage purposes | CRR Credit risk framework, Article 229 | Covered Bonds requirements for valuation, Article 6 (5) CBD and Article 129 (3) CRR |
|---|---|---|
| The value of the property will be maintained at the value measured at origination, with the following exceptions [...]<br>(2) Value of the property: The valuation must be appraised independently using prudently conservative valuation criteria. To ensure that the value of the property is appraised in a prudently conservative manner, the valuation must exclude expectations on price increases and must be adjusted to take into account the potential for the current market price to be significantly above the value that would be sustainable over the life of the loan. National supervisors should provide guidance setting out prudent valuation criteria where such guidance does not already exist under national law. If a market value can be determined, the valuation should not be higher than the market value. | The valuation of immovable property shall meet all of the following requirements:<br>(a) The value is appraised independently from an institution's mortgage acquisition, loan processing and loan decision process by an independent valuer who possesses the necessary qualifications, ability and experience to execute a valuation.<br>(b) The value is appraised using prudently conservative valuation criteria which meet all of the following requirements: (i) the value excludes expectations on price increases; (ii) the value is adjusted to take into account the potential for the current market value to be significantly above the value that would be sustainable over the life of the loan.<br>(c) The value is documented in a transparent and clear manner.<br>(d) The value is not higher than a market value for the immovable property where such market value can be determined.<br>(e) Where the property is revalued, the property value does not exceed the average value measured for that property, or for a comparable property over the last six years for residential property or eight years for commercial immovable property or the value at origination, whichever is higher. | Member States shall lay down rules on the methodology and process for the valuation of physical collateral assets which secure assets as referred to in points (a) and (b) of paragraph 1. Those rules shall ensure at least the following:<br>(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.<br>(b) 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.<br>For immovable property and ships collateralising covered bonds that comply with this Regulation, the requirements set out in Article 208 shall be met. The monitoring of property values in accordance with point (a) of Article 208 (3) shall be carried out frequently and at least annually for all immovable property and ships. For the purpose of valuing immovable property, the competent authorities designated pursuant to Article 18 (2) of Directive (EU) 2019/2162 may allow that property to be valued at or at less than the market value, or in those Member States that have laid down rigorous criteria for the assessment of the mortgage lending value in statutory or regulatory provisions, at the mortgage lending value of that property, without applying the limits set out in Article 229 (1), point (e), of this Regulation. |

Source: EBA, NORD/LB Floor Research

**Fully secured residential mortgages**
Loans that are fully guaranteed by a recognised protection provider (e.g. a state or regional authority) are considered particularly safe under the CRR, as in effect the risk of default is borne by the protection provider. However, their treatment is not clearly regulated in the CBD, which creates legal uncertainty with regard to their eligibility as cover assets and could potentially lead to market fragmentation. In this context, the EBA advocates clear harmonisation. Loans that are demonstrably fully guaranteed by a recognised protection provider should be subject to consistent treatment under both the CRR and the CBD. This would serve to increase the attractiveness of the covered bonds in question among the circle of potential investors.

**Treatment of covered bonds following issuer default**
The treatment of covered bonds following an issuer default is not clearly regulated in the CRR III. On one hand, they are secured by the cover pool in the event of default, but on the other, they are initially subject to the primary liability of the issuer before recourse to the cover pool may be initiated. Although covered bonds are fundamentally regarded as exceptionally secure products, this ambivalence could lead to differences of interpretation with regard to investor risk classifications, for example. There are both arguments for classifying them as unsecured claims and for classifying them as separately protected instruments. In the EBA's view, this regulatory discrepancy needs to be investigated further. In this respect, it has appealed for a mandate from the European Commission to develop targeted proposals aimed at revising the legal framework. In the meantime, it continues to recommend the full application of the current CRR regulations.

# Conclusion and outlook

**Uncertain implementation time frame for EBA recommendations**

In summary, the EBA Report on the Review and Performance of the Covered Bond Directive contains a thoroughly comprehensive collection of proposed amendments from the supervisory authority. In addition to major issues such as the introduction of a third-country equivalence regime, which would undoubtedly have a significant impact on the covered bond market, the EBA has also been working on detailed adjustments to the CBD. Other highly relevant revisions include, in our view, the proposed adjustment to the assets eligible for inclusion in cover pools [key phrase: deletion of Article 6 (1) (b) and (c)] and the introduction of uniform trigger events to govern maturity deferrals. From our perspective, the regulation of a possible third-country equivalence regime could offer an opportunity to further develop the European covered bond framework into a quasi-global standard for covered bonds. In terms of adjustments to the eligible assets, the question remains as to whether or not a distinction can still be drawn between a “European Covered Bond” and a “European Covered Bond (Premium)” once the EBA proposals have been adopted and implemented. Overall, it is striking that the EBA is so keen to develop clear and unambiguous definitions in the CBD, while always keeping in mind the individual circumstances in the different Member States. As such, even if all of the EBA’s proposed changes were to be incorporated in the CBD or CRR, the heterogeneity of the various national covered bond acts would be preserved. Accordingly, with regard to the CBD, we would continue to speak of a minimum standard of harmonisation for European covered bonds, but not of a uniform pan-European legal framework for covered bonds. However, now that the review of the European legal framework for covered bonds has been completed, the ball is back in the court of European legislators. In specific terms, the European Commission must reportedly initiate a new legislative process to incorporate the EBA’s proposed changes in applicable law. As of yet, it is not clear when and in what form the legislator will address possible changes to the European legal framework for covered bonds.

NORD/LB

# EBA recommendations in tabular overview

| Article (CBD/CRR) | EBA Recommendations |
|---|---|
| CBD Art. 6 (1) (b), (c)<br>(Cover assets) | Rec 1: Restrict eligible cover assets to those qualifying under Art. 129 CRR; Remove Article 6 paragraph 1 (b) and (c) |
| CBD Art. 9, 10<br>(Composition cover pool) | Rec 2: Clarify in legislation the definition of primary and substitution assets<br>Rec 3: Clarify the hierarchy between the two discretions allowed by Article 9(2) and 9(3) of the CBD |
| CBD Art. 12<br>(Derivatives) | Rec 4: Collateral posted for derivatives should be limited to cash or CQS1 sovereign bonds<br>Rec 5: Received collateral must be segregated<br>Rec 6: Internal hedges must have a replacement counterparty or be substituted with an external counterparty in case of default/downgrade |
| CBD Art. 13<br>(Cover Pool Monitor) | Rec 7: Eliminate the option for an internal cover pool monitor; only external CPMs should be allowed |
| CBD Art. 14–16 & CRR Art. 129, 178<br>(Coverage requirements & liquidity) | Rec 8: Means for information provision are clearly stated by each member state<br>Rec 9: National laws should clarify statutory coverage regime, incl. methodology for non-principal payments<br>Rec 10: Apply the “lowest of nominal values” principle for cover assets<br>Rec 11: Valuation of non-principal payments should take into account time value<br>Rec 12: Coverage assessments should be calculated on a daily business basis<br>Rec 13: Tighten conditions for reducing statutory OC; assessments must not be left to issuers alone<br>Rec 14: Defaulted cover assets should not be counted for liquidity buffers or future interest inflows |
| CBD Art. 27, 31 & CRR Art. 107<br>(Third country equivalence regime) | Rec 15: Develop a third country equivalence regime<br>Rec 16: Assessment of the maturity of the third country domestic markets shall initiate the equivalence assessment<br>Rec 17: Base equivalence assessment on core CBD principles<br>Rec 18: Only third-country covered bonds that meet CRR requirements should receive preferential treatment; requires a legal review and a list of CRR-eligible instruments<br>Rec 19: Third-country applicants must submit a self-assessment, market maturity analysis, and willingness to cooperate |

# EBA recommendations in tabular overview (continued)

| Article (CBD/CRR) | EBA Recommendations |
|---|---|
| CBD Art. 17 (Extendable maturities) | Rec 20: Extension triggers must be clearly and objectively defined in national law<br>Rec 21: NCAs should perform mandatory assessments before extensions are activated<br>Rec 22: Investors should be actively involved after an extension via an ad-hoc “unlikely-to-pay” assessment |
| CBD Art. 15–16 (Liquidity) | Rec 23: Introduce a standardised 3-step methodology for the 180-day liquidity buffer<br>Rec 24: The discretion under Art. 16(5) CBD should only be allowed under objective conditions |
| CBD Art. 14 (Transparency) | Rec 25: Introduce mandatory annual disclosure of climate risk metrics at cover pool level (limited to immovable property where data is available) |
| CRR Art. 129 (Real estate collateral & risk weights) | Rec 26: Align eligibility rules with CRR Art. 124(3): exposures under acquisition, development, and construction (ADC) should not be eligible.<br>Rec 27: Harmonise valuation methods for immovable property by aligning CBD with CRR “prudent valuation” instead of market value |
| CRR Art. 129(1)(e) (Eligible protection providers) | Rec 28: Align rules with CRR Art. 108; only applicable to new issuances |

Source: EBA, NORD/LB Floor Research

# Appendix
# Publication overview

**Covered Bonds:**

Issuer Guide – Covered Bonds 2024

Risk weights and LCR levels of covered bonds (updated semi-annually)

Transparency requirements §28 PfandBG Q2/2025 (quarterly update)

Transparency requirements §28 PfandBG Q2/2025 Sparkassen (quarterly update)

Covered bonds as eligible collateral for central banks

**SSA/Public Issuers:**

Issuer Guide – German Laender 2025

Issuer Guide – Canadian Provinces & Territories 2024

Issuer Guide – Down Under 2024

Issuer Guide – European Supranationals 2024

Issuer Guide – Non-European Supranationals (MDBs) 2025

Issuer Guide – German Agencies 2025

Issuer Guide – French Agencies 2024

Issuer Guide – Nordic Agencies 2025

Issuer Guide – Dutch Agencies 2025

Issuer Guide – Austrian Agencies 2025

Beyond Bundeslaender: Belgium

Beyond Bundeslaender: Greater Paris (IDF/VDP)

Beyond Bundeslaender: Spanish regions

**Fixed Income Specials:**

ESG-Update 2025

ECB: Anchor of stability on rough seas

| **NORD/LB:** | **NORD/LB:** | **NORD/LB:** | **Bloomberg:** |
|---|---|---|---|
| Floor Research | Covered Bond Research | SSA/Public Issuers Research | DS NDB <GO> |

# Appendix
# Contacts at NORD/LB

## Floor Research

**Dr Norman Rudschuck, CIIA**
Head of Desk

+49 152 090 24094
norman.rudschuck@nordlb.de

**Lukas Kühne**
Covered Bonds/Banks

+49 176 152 90932
lukas.kuehne@nordlb.de

**Lukas-Finn Frese**
SSA/Public Issuers

+49 176 152 89759
lukas-finn.frese@nordlb.de

**Alexander Grenner**
Covered Bonds/Banks

+49 157 851 65070
alexander.grenner@nordlb.de

**Tobias Cordes, CIIA**
SSA/Public Issuers

+49 162 760 6673
tobias.cordes@nordlb.de

## Sales

| | |
|---|---|
| Institutional Sales | +49 511 9818-9440 |
| Sales Sparkassen & Regionalbanken | +49 511 9818-9400 |
| Institutional Sales MM/FX | +49 511 9818-9460 |
| Fixed Income Relationship Management Europe | +352 452211-515 |

## Trading

| | |
|---|---|
| Covereds/SSA | +49 511 9818-8040 |
| Financials | +49 511 9818-9490 |
| Governments | +49 511 9818-9660 |
| Länder/Regionen | +49 511 9818-9660 |
| Frequent Issuers | +49 511 9818-9640 |

## Origination & Syndicate

| | |
|---|---|
| Origination FI | +49 511 9818-6600 |
| Origination Corporates | +49 511 361-2911 |

## Sales Wholesale Customers

| | |
|---|---|
| Firmenkunden | +49 511 361-4003 |
| Asset Finance | +49 511 361-8150 |

## Treasury

| | |
|---|---|
| Liquidity Management/Repos | +49 511 9818-9620<br>+49 511 9818-9650 |

## Relationship Management

| | |
|---|---|
| Institutionelle Kunden | rm-vs@nordlb.de |
| Öffentliche Kunden | rm-oek@nordlb.de |

**Disclaimer**

**The present report (hereinafter referred to as “information”) was drawn up by NORDDEUTSCHE LANDESBANK GIROZENTRALE (NORD/LB). The supervisory authorities responsible for NORD/LB are the European Central Bank (ECB), Sonnemannstraße 20, D-60314 Frankfurt am Main, and the Federal Financial Supervisory Authority in Germany (Bundesanstalt für Finanzdienstleitungsaufsicht; BaFin), Graurheindorfer Str. 108, D-53117 Bonn and Marie-Curie-Str. 24-28, D-60439 Frankfurt am Main. The present report and the products and services described herein have not been reviewed or approved by the relevant supervisory authority.**

The present information is addressed exclusively to Recipients in Austria, Belgium, Canada, Cyprus, the Czech Republic, Denmark, Estonia, Finland, France, Germany, Greece, Indonesia, Ireland, Italy, Japan, Korea, Luxembourg, the Netherlands, New Zealand, Poland, Portugal, Singapore, Portugal, Spain, Sweden, Switzerland, the Republic of China (Taiwan), Thailand, the United Kingdom and Vietnam (hereinafter referred to as “Relevant Persons” or “Recipients”). The contents of the information are disclosed to the Recipients on a strictly confidential basis and, by accepting such information, the Recipients shall agree that they will not forward it to third parties, copy and/or reproduce this information without the prior written consent of NORD/LB. The present information is addressed solely to the Relevant Persons and any parties other than the Relevant Persons shall not rely on the information contained herein. In particular, neither this information nor any copy thereof shall be forwarded or transmitted to the United States of America or its territories or possessions, or distributed to any employees or affiliates of Recipients resident in these jurisdictions.

**The present information does not constitute financial analysis within the meaning of Art. 36 (1) of the Delegate Regulation (EU) 2017/565, but rather represents a marketing communication** for your general information **within the meaning of Art. 36 (2) of this Regulation. Against this background, NORD/LB expressly points out that this information has not been prepared in accordance with legal provisions promoting the independence of investment research and is not subject to any prohibition of trading following the dissemination of investment research.** Likewise, this information does not constitute an investment recommendation or investment strategy recommendation within the meaning of the Market Abuse Regulation (EU) No. 596/2014**.**

This report and the information contained herein have been compiled and are provided exclusively for information purposes. The present information is not intended as an investment incentive. It is provided for the Recipient’s personal information, subject to the express understanding, which shall be acknowledged by the Recipient, that it does not constitute any direct or indirect offer, recommendation, solicitation to purchase, hold or sell or to subscribe for or acquire any securities or other financial instruments nor any measure by which financial instruments might be offered or sold.

All actual details, information and statements contained herein were derived from sources considered reliable by NORD/LB. For the preparation of this information, NORD/LB uses issuer-specific financial data providers, own estimates, company information and public media. However, since these sources are not verified independently, NORD/LB cannot give any assurance as to or assume responsibility for the accuracy and completeness of the information contained herein. The opinions and prognoses given herein on the basis of these sources constitute a non-binding evaluation of the employees of the Floor Research division of NORD/LB. Any changes in the underlying premises may have a material impact on the developments described herein. Neither NORD/LB nor its governing bodies or employees can give any assurances as to or assume any responsibility or liability for the accuracy, appropriateness and completeness of this information or for any loss of return, any indirect, consequential or other damage which may be suffered by persons relying on the information or any statements or opinions set forth in the present Report (irrespective of whether such losses are incurred due to any negligence on the part of these persons or otherwise).

Past performance is not a reliable indicator of future performance. Exchange rates, price fluctuations of the financial instruments and similar factors may have a negative impact on the value and price of and return on the financial instruments referred to herein or any instruments linked thereto. Fees and commissions apply in relation to securities (purchase, sell, custody), which reduce the return on investment. An evaluation made on the basis of the historical performance of any security does not necessarily provide an indication of its future performance.
The present information neither constitutes any investment, legal, accounting or tax advice nor any assurance that an investment or strategy is suitable or appropriate in the light of the Recipient’s individual circumstances, and nothing in this information constitutes a personal recommendation to the Recipient thereof. The securities or other financial instruments referred to herein may not be suitable for the Recipient’s personal investment strategies and objectives, financial situation or individual needs.

Moreover, the present report in whole or in part is not a sales or other prospectus. Accordingly, the information contained herein merely constitutes an overview and does not form the basis for any potential decision to buy or sell on the part of an investor. A full description of the details relating to the financial instruments or transactions which may relate to the subject matter of this report is given in the relevant (financing) documentation. To the extent that the financial instruments described herein are NORD/LB’s own issues and subject to the requirement to publish a prospectus, the conditions of issue applicable to any individual financial instrument and the relevant prospectus published with respect thereto as well NORD/LB’s relevant registration form, all of which are available for download at www.nordlb.de and may be obtained free of charge from NORD/LB, Georgsplatz 1, 30159 Hanover, shall be solely binding. Furthermore, any potential investment decision should be made exclusively on the basis of such (financing) documentation. The present information cannot replace personal advice. Before making an investment decision, each Recipient should consult an independent investment adviser for individual investment advice with respect to the appropriateness of an investment in financial instruments or investment strategies subject to this information as well as for other and more recent information on certain investment opportunities.

Each of the financial instruments referred to herein may involve substantial risks, including capital, interest, index, currency and credit risks in addition to political, fair value, commodity and market risks. The financial instruments could experience a sudden and substantial deterioration in value, including a total loss of the capital invested. Each transaction should only be entered into on the basis of the relevant investor’s assessment of his or her individual financial situation as well as of the suitability and risks of the investment.

NORD/LB and its affiliated companies may participate in transactions involving the financial instruments described in the present information or their underlying basis values for their own account or for the account of third parties, may issue other financial instruments with the same or similar features as those of the financial instruments presented in this information and may conduct hedging transactions to hedge positions. These measures may affect the price of the financial instruments described in the present information.

If the financial instruments presented in this information are derivatives, they may, depending on their structure, have an initial negative market value from the customer's perspective at the time the transaction is concluded. NORD/LB further reserves the right to transfer its economic risk from a derivative concluded with it to a third party on the market by means of a mirror-image counter transaction.

More detailed information on any commission payments which may be included in the selling price can be found in the "Customer Information on Securities Business" brochure, which is available to download at www.nordlb.de.

The information contained in the present report replaces all previous versions of corresponding information and refers exclusively to the time of preparation of the information. Future versions of this information will replace this version. NORD/LB is under no obligation to update and/or regularly review the data contained in such information. No guarantee can therefore be given that the information is up-to-date and continues to be correct.
By making use of this information, the Recipient shall accept the terms and conditions outlined above.

NORD/LB is a member of the protection scheme of Deutsche Sparkassen-Finanzgruppe. Further information for the Recipient is indicated in clause 28 of the General Terms and Conditions of NORD/LB or at www.dsgv.de/sicherungssystem.

**Additional information for Recipients in Australia:**
NORD/LB IS NOT A BANK OR DEPOSIT TAKING INSTITUTION AUTHORISED UNDER THE 1959 BANKING ACT OF AUSTRALIA. IT IS NOT SUPERVISED BY THE AUSTRALIAN PRUDENTIAL REGULATION AUTHORITY. NORD/LB does not provide personal advice with this information and does not take into account the objectives, financial situation or needs of the Recipient (other than for the purpose of combating money laundering).

**Additional information for Recipients in Austria:**
None of the information contained herein constitutes a solicitation or offer by NORD/LB or its affiliates to buy or sell any securities, futures, options or other financial instruments or to participate in any other strategy. Only the published prospectus pursuant to the Austrian Capital Market Act should be the basis for any investment decision of the Recipient. For regulatory reasons, products mentioned herein may not be on offer in Austria and therefore not available to investors in Austria. Therefore, NORD/LB may not be able to sell or issue these products, nor shall it accept any request to sell or issue these products to investors located in Austria or to intermediaries acting on behalf of any such investors.

**Additional information for Recipients in Belgium:**
Evaluations of individual financial instruments on the basis of past performance are not necessarily indicative of future results. It should be noted that the reported figures relate to past years.

**Additional information for Recipients in Canada:**
This report has been prepared solely for information purposes in connection with the products it describes and should not, under any circumstances, be construed as a public offer or any other offer (direct or indirect) to buy or sell securities in any province or territory of Canada. No financial market authority or similar regulatory body in Canada has made any assessment of these securities or reviewed this information and any statement to the contrary constitutes an offence. Potential selling restrictions may be included in the prospectus or other documentation relating to the relevant product.

**Additional information for Recipients in Cyprus:**
This information constitutes an analysis within the meaning of the section on definitions of the Cyprus Directive D1444-2007-01 (No. 426/07). Furthermore, this information is provided for information and promotional purposes only and does not constitute an individual invitation or offer to sell, buy or subscribe to any investment product**.**

**Additional information for Recipients in the Czech Republic:**
There is no guarantee that the invested amount will be recouped. Past returns are no guarantee of future results. The value of the investments may rise or fall. The information contained herein is provided on a non-binding basis only and the author does not guarantee the accuracy of the content.

**Additional information for Recipients in Denmark:**
This Information does not constitute a prospectus under Danish securities law and consequently is not required to be, nor has been filed with or approved by the Danish Financial Supervisory Authority, as this Information either (i) has not been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market within the meaning of the Danish Securities Trading Act or any executive orders issued pursuant thereto, or (ii) has been prepared in the context of a public offering of securities in Denmark or the admission of securities to trading on a regulated market in reliance on one or more of the exemptions from the requirement to prepare and publish a prospectus in the Danish Securities Trading Act or any executive orders issued pursuant thereto.

**Additional information for Recipients in Estonia:**
It is advisable to closely examine all the terms and conditions of the services provided by NORD/LB. If necessary, Recipients of this information should consult an expert.

**Additional information for Recipients in Finland:**
The financial products described herein may not be offered or sold, directly or indirectly, to any resident of the Republic of Finland or in the Republic of Finland, except pursuant to applicable Finnish laws and regulations. Specifically, in the case of shares, such shares may not be offered or sold, directly or indirectly, to the public in the Republic of Finland as defined in the Finnish Securities Market Act (746/2012, as amended). The value of investments may go up or down. There is no guarantee of recouping the amount invested. Past performance is no guarantee of future results.

**Additional information for Recipients in France:**
NORD/LB is partially regulated by the “Autorité des Marchés Financiers” for the conduct of French business. Details concerning the extent of our regulation by the respective authorities are available from us on request. The present information does not constitute an analysis within the meaning of Article 24 (1) Directive 2006/73/EC, Article L.544-1 and R.621-30-1 of the French Monetary and Financial Code, but does represent a marketing communication and does qualify as a recommendation pursuant to Directive 2003/6/EC and Directive 2003/125/EC.

**Additional information for Recipients in Greece:**
The information contained herein gives the view of the author at the time of publication and may not be used by its Recipient without first having confirmed that it remains accurate and up to date at the time of its use. Past performance, simulations or forecasts are therefore not a reliable indicator of future results. Investment funds have no guaranteed performance and past returns do not guarantee future performance.

**Additional information for Recipients in Indonesia:**
This report contains generic information and has not been tailored to the circumstances of any individual or specific Recipient. This information is part of NORD/LB’s marketing material.

**Additional information for Recipients in the Republic of Ireland:**
This information has not been prepared in accordance with Directive (EU) 2017/1129 (as amended) on prospectuses (the “Prospectus Directive”) or any measures made under the Prospectus Directive or the laws of any Member State or EEA treaty adherent state that implement the Prospectus Directive or such measures and therefore may not contain all the information required for a document prepared in accordance with the Prospectus Directive or the laws.

**Additional information for Recipients in Japan:**
This information is provided to you for information purposes only and does not constitute an offer or solicitation of an offer to enter into securities transactions or commodity futures transactions. Although the actual data and information contained herein has been obtained from sources which we believe to be reliable and trustworthy, we are unable to vouch for the accuracy and completeness of this actual data and information.

**Additional information for Recipients in South Korea:**
This information has been provided to you free of charge for information purposes only. The information contained herein is factual and does not reflect any opinion or judgement of NORD/LB. The information contained herein should not be construed as an offer, marketing, solicitation to submit an offer or investment advice with respect to the financial investment products described herein.

**Additional information for Recipients in Luxembourg:**
Under no circumstances shall the present information constitute an offer to purchase or issue or the solicitation to submit an offer to buy or subscribe for financial instruments and financial services in Luxembourg.

**Additional information for Recipients in New Zealand:**
NORD/LB is not a bank registered in New Zealand. This information is for general information only. It does not take into account the Recipient's financial situation or objectives and is not a personalised financial advisory service under the 2008 Financial Advisers Act.

**Additional information for Recipients in the Netherlands:**
The value of your investment may fluctuate. Past performance is no guarantee for the future.

**Additional information for Recipients in Poland:**
This information does not constitute a recommendation within the meaning of the Regulation of the Polish Minister of Finance Regarding Information Constituting Recommendations Concerning Financial Instruments or Issuers thereof dated 19 October 2005.

**Additional information for Recipients in Portugal:**
This information is intended only for institutional clients and may not be (i) used by, (ii) copied by any means or (iii) distributed to any other kind of investor, in particular not to retail clients. The present information does not constitute or form part of an offer to buy or sell any of the securities covered by the report, nor should it be understood as a request to buy or sell securities where that practice may be deemed unlawful. The information contained herein is based on information obtained from sources which we believe to be reliable, but is not guaranteed as to accuracy or completeness. Unless otherwise stated, all views contained herein relate solely to our research and analysis and are subject to change without notice.

**Additional information for Recipients in Sweden:**
This information does not constitute (or form part of) a prospectus, offering memorandum, any other offer or solicitation to acquire, sell, subscribe for or otherwise trade in shares, subscription rights or other securities, nor shall it or any part of it form the basis of or be relied on in connection with any contract or commitment whatsoever. The present information has not been approved by any regulatory authority. Any offer of securities will only be made pursuant to an applicable prospectus exemption under the EC Prospectus Directive (Directive (EU) 2017/1129), and no offer of securities is being directed to any person or investor in any jurisdiction where such action is wholly or partially subject to legal restrictions or where such action would require additional prospectuses, other offer documentation, registrations or other actions.

**Additional information for Recipients in Switzerland:**
This information has not been approved by the Federal Banking Commission (merged into the Swiss Financial Market Supervisory Authority (FINMA) on 1 January 2009). NORD/LB will comply with the Directives of the Swiss Bankers Association on the Independence of Financial Research (as amended). The present information does not constitute an issuing prospectus pursuant to article 652a or article 1156 of the Swiss Code of Obligations. The information is published solely for the purpose of information on the products mentioned herein. The products do not qualify as units of a collective investment scheme pursuant to the Federal Act on Collective Investment Schemes (CISA) and are therefore not subject to supervision by FINMA.

**Additional information for Recipients in the Republic of China (Taiwan):**
This information is provided for general information only and does not take into account the individual interests or requirements, financial status and investment objectives of any specific investor. Nothing herein should be construed as a recommendation or advice for you to subscribe to a particular investment product. You should not rely solely on the information provided herein when making your investment decisions. When considering any investment, you should endeavour to make your own independent assessment and determination on whether the investment is suitable for your needs and seek your own professional financial and legal advice. NORD/LB has taken all reasonable care in producing this report and trusts that the information is reliable and suitable for your situation at the date of publication or delivery. However, no guarantee of accuracy or completeness is given. To the extent that NORD/LB has exercised the due care of a good administrator, we accept no responsibility for any errors, omissions, or misstatements in the information given. NORD/LB does not guarantee any investment results and does not guarantee that the strategies employed will improve investment performance or achieve your investment objectives.

**Information for Recipients in the United Kingdom:**
NORD/LB is subject to partial regulation by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA). Details of the scope of regulation by the FCA and the PRA are available from NORD/LB on request. The present information is "financial promotion". Recipients in the United Kingdom should contact the London office of NORD/LB, Investment Banking Department, telephone: 0044 / 2079725400, in the event of any queries. An investment in financial instruments referred to herein may expose the investor to a significant risk of losing all the capital invested.

**Time of going to press:** 02 October 2025 (15:01)