

# Global Covered Bond Insights Q2 2024: Strong Start To The Year For Issuance

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*This report does not constitute a rating action*



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### Key Takeaways

- Issuance started the year on a robust footing, with broadly similar volumes compared to the same period in 2023. The main driver is the retreat of central bank liquidity schemes.
- Market appetite for longer-dated issuances is decreasing asset-liability mismatch, however, relatively high new issuance coupons are depressing excess spread.
- Our country-specific market insights outline the potential implications of economic and house price forecasts on our ratings. Our ratings outlook on covered bonds remains stable in 2024.

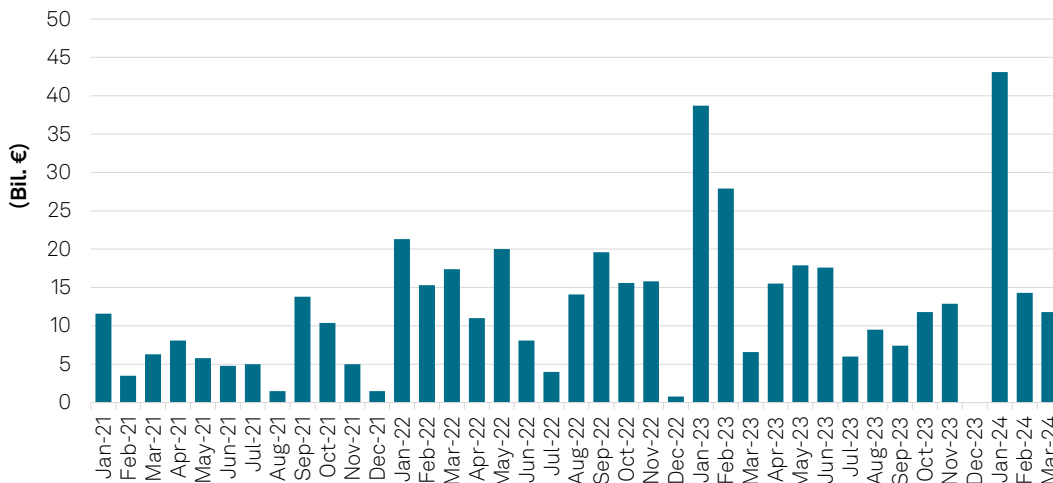
Year-to-date benchmark European covered bond issuance is broadly similar to the equivalent period in 2023 (-3% as of March 17, 2024). The main driver for continued issuance strength remains issuers’ focus on secured funding following the repayment of borrowings from central bank liquidity schemes. Italian issuance has risen while Spanish issuance is down compared with the same period in 2023. Sustainable issuances are also up year-on-year, boosted by social bonds as an additional contributor to green bonds.

Investors’ appetite for longer-dated maturities allows asset-liability mismatch of covered programs to be better managed. This is one of the main drivers of our target credit enhancement levels, which mitigates the adverse effect of new issuances’ relatively high coupons on excess spread.

Our ratings outlook on covered bonds remains stable, despite geopolitical tensions, market turbulence, economic slowdown, and deteriorating asset performance. Overcollateralization should absorb any increase in losses, and unused notches of uplift in the ratings reduce the risk of covered bond downgrades even if there are issuer downgrades.

Chart 1

### European investor-placed benchmark covered bond issuance



Source: S&P Global Ratings.

# Market Insight Highlights

The below roundup compiles some of the key takeaways from our research so far this year.

## Covered Bond Primer

- We address the fundamentals of covered bonds including key features, differences with securitizations, program structures, maturity profiles, investor considerations, central bank activity, and the regulatory landscape.

## Norwegian And Finnish Covered Bond Market Insights

- Finnish and Norwegian households' debt servicing capacity remains sound despite rising interest rates, which have cooled the housing markets.
- Despite house price corrections, we expect mortgage credit performance in both countries to remain relatively stable.
- Healthy rating buffers in most covered bond programs continue to support rating performance, despite a weakening economic growth outlook.

## Dutch Covered Bond Market Insights

- Rising funding costs are eroding excess spread and increasing asset-liability mismatch in Dutch programs.
- Although this leads to higher required credit enhancement, the overcollateralization buffer is sufficient to shield the 'AAA' ratings on Dutch covered bonds.
- Dutch sustainable covered bond issuance has quadrupled in 2023, although from a low base.

# Core Characteristics And Risk Indicators

Our Global Covered Bond Insights Dashboard presents interactive data on the core characteristics and risk indicators that we assess regularly in our analysis. Drill down and explore data on covered bond ratings and outlooks and compare characteristics of mortgage and public sector covered bond programs from 18 jurisdictions. Access the dashboard [here](#).

**Global Covered Bond Insights Q2 2024**

Overview

Tutorial video: How to navigate Global Covered Bond Insights

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**Key insights**

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**European investor-placed benchmark covered bond issuance (bil. €)**

YTD: Figures are as of March 17 each year. Source: S&P Global Ratings.

**Covered bond rating actions (count)**

Source: S&P Global Ratings.

**Recent covered bond rating actions**

	New issue	Withdrawn	Affirmed	Upgraded	Downgraded	On CreditWatch
Issuer	Country of issuer	Covered bond type	Asset type	Current covered bond rating	Covered bond rating in Q4 2023	ICR
Evangelische Bank eG	Germany	LCB/HYPF	Mortgage	AAA/Stable-	A+/Stable-/A-	
BKS Bank AG	Austria	LCB/HYPF	Mortgage	AAA/Stable-	N/A	
Maybank Singapore Global CB (S10 B)	Singapore	LCB	Mortgage	AAA/Stable-(prelim)	A/Stable-/A-	

ICR=Issuer credit rating, LCB=Legislation-enabled covered bonds, HYPF=Hypothekendarlehen, ECB=European Covered Bonds, SCB=Structured covered bonds, OFII=Obligations de Financement de l'habitat, IC=Real-estate obligator

As of March 26, 2024

## Related Research

- [Covered Bonds Primer](#), March 19, 2024
- [Norwegian And Finnish Covered Bond Market Insights 2024](#), March 11, 2024
- [EMEA Structured Finance Chart Book: February 2024](#), Feb. 26, 2024
- [Dutch Covered Bond Market Insights 2024](#), Feb. 5, 2024
- [European Housing Markets: Forecast Brightens Amid Ongoing Correction](#), Jan. 25, 2024
- [Covered Bonds Outlook 2024: Stability Amid Turbulence](#), Dec. 11, 2023
- [Economic Outlook Eurozone Q1 2024: Headed For A Soft Landing](#), Nov. 27, 2023
- [EMEA Structured Finance Chart Book: November 2023](#), Nov. 21, 2023

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