Helaba

Focus on: Covered Bonds
12 January 2026

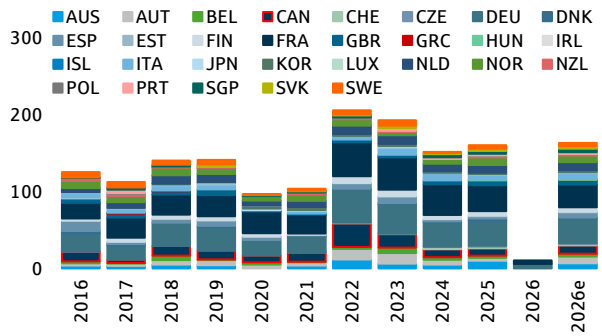
On your marks, get set, go!

The year 2026 has 256 ECB target days. Minus approximately 25 days of summer recess, 17 days of low issuance activity before the turn of the year in December 2026, three to four bridge days, five days of ECBC conferences, and the fact that issuance is discouraged on the remaining approximately 40 Fridays, this results in 165 effective issuance days. Assuming additionally that the issuance window is closed for two to three weeks per year due to global political externalities, the number shrinks further to 150 days.

According to our rather cautious forecast, it seems entirely realistic that new issues totaling EUR 162 bn will still be placed during this period. This sum does not represent a dramatic change from the EUR 160 bn issued in 2025. In addition, the placement will probably be supported by demand. Key factors here are maturities amounting to EUR 157 bn and the changing investment behavior of Dutch pension funds. And in any case, restraint in issuing bonds is not necessarily the order of the day – after all, as already outlined in our November outlook, the conditions for issuing bonds in January 2026 are significantly more solid than they were a year ago.

Can we fix it? Yes we can!

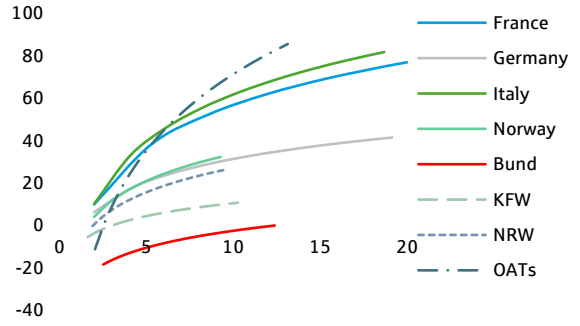
EUR benchmark covered bond issues, including expectations for 2026



Sources: Bob the Builder, Bloomberg, Helaba Research & Advisory

OATs give French covered bonds breathing space

Covered bond spread structure curves compared to Zero RW Assets



Sources: Bloomberg, Helaba Research & Advisory

This applies in particular to French covered bonds. For some time now, the yield curve for OATs has been steeper than that for French covered bonds. The intersection point at which OATs tend to trade more cheaply than French covered bonds on the secondary market fluctuates around a duration of around five and a half years. The situation has recently eased: while the intersection was still at a duration of 4.3 years in November, the strong year-end performance of OATs caused it to shift to a current duration of around 6 years. This was last the case in June 2025 and means, as we will explain in more detail in the next section, that longer maturities are becoming more accessible for French covered bond issuers.

The 2026 marathon begins with a sprint

Covered bond issuers appear to be taking the above considerations regarding the number of trading days, investment pressure, and possible closed issuance windows during the year to heart. Without further ado, the issuance machines were set in motion, with eleven transactions mandated and, in some cases, already placed in the first four trading days alone. In our view, the initial trends that are emerging are as follows:

- **Term selection:** 7-10 years predominate – 5 years are the exception. Shorter terms have not been selected to date.
- **Investment pressure (I):** Transactions are substantially oversubscribed (up to 10x). The trend of high oversubscription rates from Q4 2025 is consolidating.
- **Investment pressure (II):** No signs of spreads bottoming out: New issue premiums at best zero, French covered bonds at OAT minus x.
- **Size:** apparently, "a little more" is acceptable.

In particular, the longer-term French issues by CMARK and BPCECB (both 10 years), ACASCF (7 years) and the dual tranche CRH (5 years and 10 years) impressively demonstrated how receptive the primary market is to French covered bonds at levels substantially below OATs: The 10-year covered bonds were placed at around OATs -11 to -13 basis points, and the 7-year bonds at OATs -6 basis points. Nevertheless, oversubscription levels were well above average, ranging from 5 to 10 times. The emancipation of covered bonds from the trading levels of fiscally stricken countries is likely to gain new momentum.

Issuance List

Date	ISIN	Ticker	Crncy	Vol*	Maturity	Coupon	Spread	IPT	NIP**	Lead Managers
09.01.2026	DE000NLB54C6	NDB	EUR	750	Feb-2033	2,875	24 bp	31 bp	2 bp	BAYLABA, DZ, CAI, NDB, UNIC
09.01.2026	FR0014015HK6	CAFFIL	EUR	1000	Jan-2036	3,375	51 bp	62 bp	-4 bp	BNP, CAI, JPM, NATX, NDB
08.01.2026	DE000CZ457U8	CMZB	EUR	1250	Jan-2036	3,125	27 bp	35 bp	1 bp	ABN, BAYLABA, COBA, DZ, ERSTBK, HELABA, NATX, NORDEA
08.01.2026	DE000CZ457V6	CMZB	EUR	1250	Jan-2031	2,625	17 bp	25 bp	1 bp	COBA, ABN, BAYLABA, DZ, ERSTBK, HELABA, NATX, NORDEA
08.01.2026	FR0014015E17	BPCECB	EUR	1500	Jan-2036	3,375	52 bp	62 bp	1 bp	BBVASM, COBA, CAI, ERSTBK, ING, NATX, NYKR, UNIC
07.01.2026	DE000A4DFKQ8	DZHYP	EUR	1000	Jan-2036	3,125	28 bp	35 bp	3 bp	DANSKE, DZ, ERSTBK, LBBW, NATX, Scotia
07.01.2026	DE000HV2A1C7	HVB	EUR	1500	Jan-2031	2,625	21 bp	30 bp	-3 bp	BAYLABA, HELABA, NORDEA, NDB, RBI, Scotia, UNIC
07.01.2026	FR0014015F81	ACASCF	EUR	750	Jan-2033	3	41 bp	50 bp	2 bp	BBVASM, SCH, CAI, DZ, NATX, NDB
07.01.2026	FR0014015FU9	CRH	EUR	1250	Jan-2031	2,75	29 bp	38 bp	-3 bp	COBA, CAI, LBBW, NATX, SCH, SG, UBS
06.01.2026	FR0014015FV7	CRH	EUR	500	Jan-2036	3,375	54 bp	63 bp	0 bp	SCH, COBA, CAI, LBBW, NATX, SG, UBS
05.01.2026	FR0014015EI7	CMARK	EUR	750	Jan-2036	3,503	56 bp	64 bp	4 bp	CAI, CMA, DZ, ING, LBBW, NATX

*in EUR mn.
**own estimation
Sources: Bloomberg, Helaba Research & Advisory

Conclusion: The year has barely begun, and already more than EUR 10 bn has been issued. The market appears fundamentally stable, although the wave of issuance – especially in light of recent geopolitical developments – could certainly be interpreted as an attempt to get the sheep into the dry as quickly as possible.

Below, we turn our attention to a few topics that have been discussed recently: the proposed change to the standard risk weighting for covered bonds and the imminent expansion of the covered bond universe by Israel's Bank Leumi.

From 10% to 5% – tailwind for covered bonds from regulatory capital requirements?

The question mark in the headline is indeed ambiguous. On the one hand, the change in the regulatory capital weighting has not yet been finalized, but is **merely a draft proposal**. When and in what form a reduction in the risk weighting will take effect is currently completely open.

On the other hand, there is the question of how strong the tailwind is: At first glance, halving the risk weighting sounds significant, both in terms of imputed capital costs and in relative terms compared to unsecured bank bonds (increasing the regulatory preference for covered bonds) and compared to the zero solvency sector, whose regulatory advantage is melting away. However, this supposed improvement is offset by the fact that changes in capital requirements are only relevant for bank investors, who account for only around 50% of the covered bond investor base on a long-term average. In addition, the proportion of bank investors tends to decrease as the maturity increases.

Conclusion: There is no question that the wind is blowing from behind. However, the effects on each individual covered bond are too specific to be quantified in general terms. In any case, it fuels market speculation that the spread between covered bonds and zero-solvency investments could narrow further.

New countries, new issuers: Israel's Bank Leumi is in the starting blocks

Bank Leumi, Israel's largest bank in terms of assets and market capitalization, is in the process of expanding the covered bond universe. Subject to market conditions, a first euro-denominated 5-year benchmark bond issued exclusively under Reg S and 100% secured by Israeli residential mortgages could be issued in the near future.

Moody's has assigned a rating of Aa3 to the securities, while Fitch has assigned a rating of AA-. The State of Israel is currently rated Baa1 and A by the two agencies, both with a negative outlook.

Israel does not yet offer its banks a legal basis for issuing covered bonds. Bank Leumi therefore chose the path already taken in other countries and structured the covered bonds on the basis of general legal principles. As in the vast majority of comparable cases in the past, Bank Leumi also opted for the SPV model, whereby the bank transfers cover assets to a special purpose vehicle. The special purpose vehicle then acts as a guarantor for a bond issued by Bank Leumi, thus securing a double claim for the bond purchaser. This model, which was originally developed by British banks, is applied in the form of legislation in Italy and Canada, for example. The key difference lies in the documentation of the bond: issues based on explicit covered bond laws are based on a certain legislative intent, which mitigates conflicts with other legal norms. In the case of structured covered bonds, on the other hand, all points of contact with existing laws must be considered by the structurer, which significantly increases the scope and complexity of the documentation. However, Israel would not be the first country in which a thriving regular covered bond market begins with a structured product.

Israel is divided into six districts. The Tel Aviv district accounts for 19.3% of the cover pool, the Haifa district for 14.7% and the Jerusalem district for 9.8%. The most populous central district contributes 32.8% to the total cover pool, the southern district 14.7% and the northern district 8.5%. Judea and Samaria (commonly referred to as the West Bank) are not Israeli territory and are therefore not included in the cover pool. Mortgage loans in the cover pool must meet the following criteria:

- Max. LTV 75% and max. loan amount NIS 5 million (equivalent to EUR 1.35 million)
- Loan currency: NIS
- Collateral only in the form of real estate located in Israel
- No buy-to-let
- Borrowers are natural persons who are not employed by Bank Leumi
- Each loan is paid out in full and must be repaid on an annuity basis
- All loans are performing

We view the transactions positively for a number of reasons. On the one hand, the growing number of countries issuing covered bonds demonstrates the attractiveness of secured bank refinancing. On the other hand, the Israeli issue could pave the way for further covered bonds from countries with slightly lower ratings, such as Chile, Malaysia, or Thailand.

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Contact



Florian Hillenbrand, CFA (fh)
Senior Covered Bond Analyst
Helaba Research & Advisory
T 069/91 32-40 79

Publisher and editor

Helaba Research & Advisory

Editor:
Stefan Rausch
Corporate Research & Advisory

Publisher:
Dr Gertrud Rosa Traud
Chief Economist/
Head of Research & Advisory

Neue Mainzer Str. 52-58
60311 Frankfurt
T +49 69 / 91 32 – 20 24

Internet: www.helaba.com

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