Helaba

# Focus on: Covered Bonds
## 1 April 2026

# Covered Bonds in visual flight rules mode



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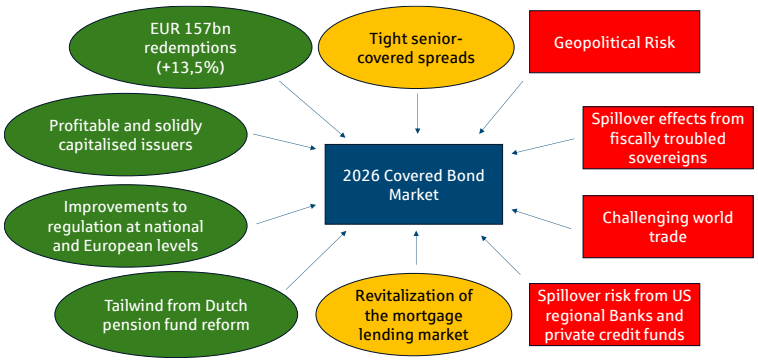
We are asking ourselves whether, in light of recent political and economic developments, we are still operating within our baseline scenario or whether we should make fundamental adjustments to our assessment of the covered bond market.

Overall, we can confirm the picture from last November: the covered bond market remains fundamentally sound and stable but faces event risks that must now be assessed as more intense in both duration and magnitude.

For the time being, we do not see any need to adjust our issuance forecasts; however, we would no longer necessarily describe our projected figure of EUR 162.5bn as bearish. We see the increased use of retained covered bonds as a potential "safety valve" to relieve pressure on the primary market. This approach could - at the cost of a lower level of long-term financing - also help keep spreads in the primary and secondary markets under control.

## Basic considerations

**The covered bond year 2026 and its influencing factors**




Source: Helaba Research

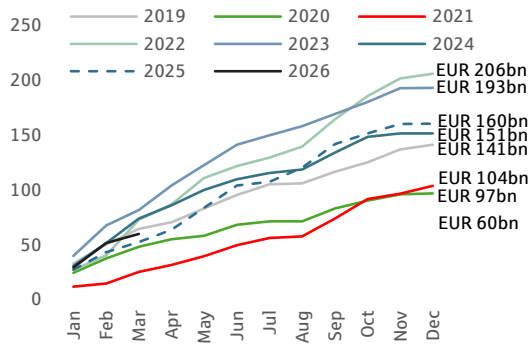
In early November 2025, we published our outlook for the 2026 covered bond year. Our conclusion at the time was that orderly market development - based on very stable, covered bond-specific conditions - could be jeopardized primarily by event risks. We identified issuers' solid financial, liquidity, and capital positions, the expected very low net issuance, and positive changes in the regulatory environment (further development of the Covered Bond Directive, a possible reduction in risk weighting, the effects of the reform of Dutch pension funds, etc.) as stable framework conditions. We saw event risks particularly in the geopolitical arena, in volatile global economic conditions, and in political and fiscal developments in individual European countries.

The question we are currently asking ourselves is whether we are still operating within our baseline scenario or whether we should make fundamental changes to our outlook.

## Supporting factors remain confirmed

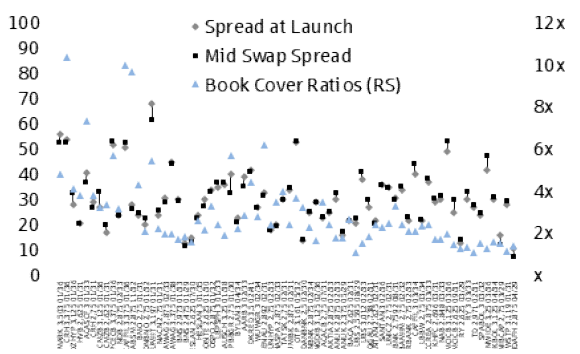
**The European banking sector remains in a solid position.** Capitalization and liquidity are very strong by historical standards, while profitability remained high following the interest rate hikes of 2022–2024 but has likely since peaked. To provide quantitative support, we cite the ECB and its publications on directly supervised significant institutions in the fourth quarter of 2025. These reported an average return on equity (RoE) of 9.53%. The liquidity position is very comfortable: for the fourth quarter of 2025, the average LCR stood at 158.6% according to the ECB. Capital adequacy has also improved structurally over the past five years. In the first quarter of 2020, the average CET1 ratio initially fell to 14.6% or 14.4% (fully loaded) according to the EBA. For significant institutions, the ECB reported a CET1 ratio of 16.18% in the fourth quarter of 2025. Overall, the current picture shows a very strong capital and liquidity base with stable, high profitability that is no longer rising. **Conclusion: The underlying conditions remain valid.**

**"Time path" of gross emissions not yet very meaningful**




y- axis EURbn Cumulative issuance volume
Sources: Blooberg, Helaba Research

**Oversubscription ratios in decline with very solid deal flow at the same time**




y-axis left bp spread
Sources: Bloomberg, Helaba Research

**About ten weeks into 2026, it is still too early to draw any reliable conclusions regarding issuance volumes**. Currently, the gross issuance clock stands at EUR 58bn, which, compared to the same period last year, roughly corresponds to the trajectory of EUR 162bn - exactly our target for the full year 2026. However, a comparison with the 2019 trajectory already shows how uncertain this status report is. It should be noted that the high level of issuance activity in the first few weeks is fully in line with general expectations. There is currently no reason to adjust the gross - and thus also the net - issuance expectations. Conclusion: **The framework conditions remain valid.**

The major issue of **regulatory improvements** at the national and European levels (keyword: EBA paper) was identified from the outset as a factor with a very long-term impact. Fundamentally, we believe that the continuous refinement of existing rules and an increase in regulatory density are, in the long term, among the cornerstones of the covered bond concept's success. In this respect, we continue to view this framework factor as valid but are awaiting indications regarding the concrete implementation of the EBA's proposals. Conclusion: **The framework conditions remain valid.**

The transition of Dutch pension funds is well underway. According to the Dutch trade press, by the end of January 2026, around 30 funds had already switched to the new defined-contribution system, including the relatively large bpfBOUW (Management Company: AGP). The large funds PFZW (Management Company: PGGM) and ABP (Management Company: AGP) are currently expected to transition by the end of 2026 and early 2027, respectively. The immediately noticeable and thus measurable impact of the transition undoubtedly affects the swap market more directly. However, we continue to assume that greater flexibility in long-term asset allocation will support covered bonds. **Conclusion: The underlying conditions remain valid.**

## Event risks are increasing in severity and duration

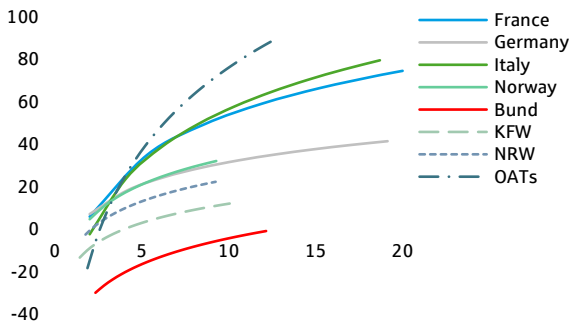
When we turn our attention to the list of "event risks" highlighted in red, the picture becomes somewhat less clear-cut:

Last November, the issue of "**geopolitical risks**" was essentially confined to the eastern region. However, the U.S. government's recent actions have significantly heightened this risk. Although the U.S. government has had territorial ambitions since 2019, the issue gained significant urgency following the meeting in Davos (Greenland), the military intervention in Iran, and recent statements regarding Cuba. At the very latest, since the U.S. government's intervention in Venezuela, the likelihood of military solutions being implemented has likely increased. Furthermore, the intervention in Iran involved a completely different timeframe compared to Venezuela. Consequently, geopolitical event risk should be reassessed in terms of both frequency and duration. **Conclusion: overall conditions have deteriorated significantly.**

We have tended to discuss the impact of "**challenging global trade**" on covered bonds separately from geopolitical risks. However, the current situation in the Strait of Hormuz vividly demonstrates how quickly a supposedly swift military "solution" to a security problem can lead to highly complex, long-term consequences at the trade policy level. **Conclusion: overall conditions have deteriorated significantly**.

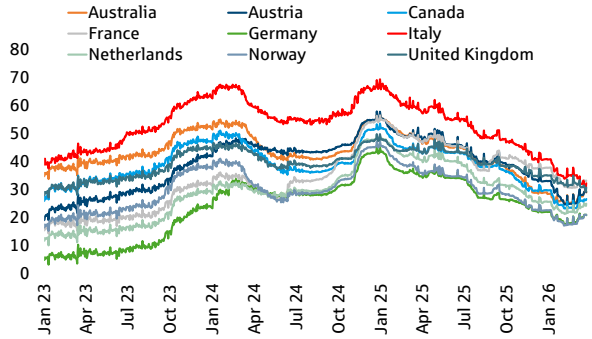
For the moment, the waters seem to have calmed somewhat on **the political/fiscal front**. While the core issues, primarily in France, remain unresolved, the impact on the covered bond market appears to be relatively minor. As part of our fair-value modelling, we have paid particular attention to the intersection of the fair-value curves for French government bonds and French covered bonds. Currently, this lies at a duration of approximately 4.25 years - a low value by recent standards. At the beginning of the year, the yield curve intersection was still around 6 years. Generally speaking, the lower the yield curve intersection, the more challenging it is to place French covered bonds. In fact, however, French covered bonds have proven quite resilient in the primary market: while the absolute spread level is higher than for other covered bonds, reoffer levels noticeably below OATs are the rule rather than the exception. In this respect, we remain comfortable with the view that covered bonds are emerging as a distinct asset class. Conclusion: **The underlying conditions remain valid.**

**French government bonds in the context of European covered bonds**




y- axis bp spread, x- axis mod. major.
Sources: Bloomberg, Helaba Research

**Compression in the covered bond market is gaining momentum**




y-axis 5Y constant Duration Spread
Sources: Bloomberg, Helaba Research

Back last November, we cited the potential fallout from a **collapse of the private credit fund market as a possible** event risk. The underlying situation has not improved in recent weeks: some major players in this market (including Apollo, Ares, and Blackstone) have limited redemptions to 5 % of shares, while redemption requests amounted to approximately 11 %. The fact that the associated business development companies are trading at around 80 % of NAV suggests a substantial anticipation of further write-downs. Meanwhile, the ECB has also taken action: Boris Vujcic, a member of the ECB Governing Council, stated on March 24 that authorities must "closely monitor developments" and need better data on lending to the private sector as well as its interconnections with

the banking sector. Bloomberg cites “informed sources” stating that the European Central Bank intends to launch a new round of inspections at the banks it supervises, as concerns regarding credit quality in the private credit sector are growing. In this respect, there is a slight deterioration in the situation; however, the covered bond market still appears to be decoupled from this development. **Conclusion: The underlying conditions remain valid.**

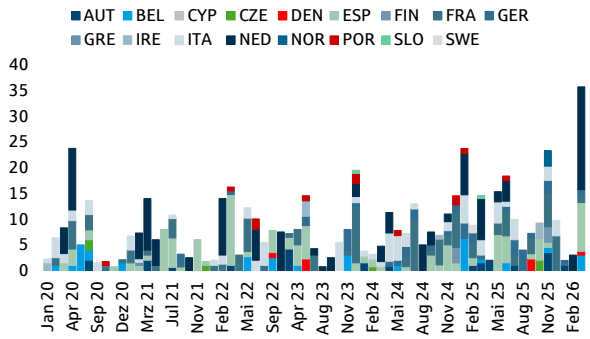
Overall, we confirm the picture that emerged last November: the covered bond market remains fundamentally sound and stable but faces event risks that must now be assessed as more intense in terms of both duration and magnitude.

## What does this mean in terms of expected issuance volumes?

**Given that our gross issuance forecast of EUR 162.5bn for the benchmark covered bond market was on the conservative side, we currently see no reason to make any adjustments.** A look at issuances since the outbreak of the Iran war confirms our approach: the transactions have been, at the very least, solid in terms of type and volume - and perhaps even quite good, given the severity of the external shock. What is striking is the relatively stable absolute spread level, which, however, was “bought” at the cost of a noticeable reduction in oversubscription ratios.

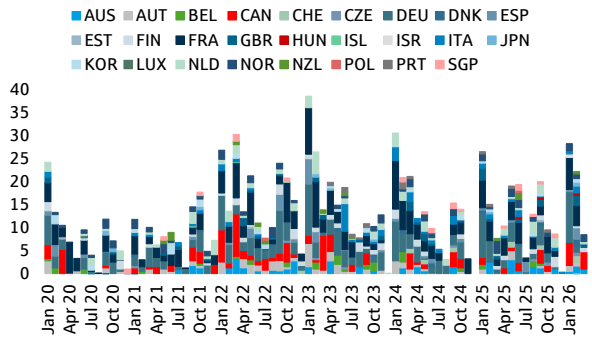
One factor that could lead to a significant decline in issuance activity as the conflict persists would be a shift toward retained covered bonds. The first signs of this are already visible: from the start of the year through February 28 - the day the U.S. military operation began - just under EUR 14.5bn in retained covered bonds were issued across all currencies. In the four weeks that followed, the figure was a good EUR 36bn. The fact that ABN Amro alone accounted for EUR 20bn and Caixabank for another EUR 8.25bn may put this figure into perspective.

**Retained covered bond issuance at record high in March 2026***




y-axis EUR bn.
Sources: Bloomberg; Helaba Research
*adjusted for CA's business policy decision in 2023

**Gross issuance of covered bonds placed on the market is still developing inconspicuously**




y-axis EUR bn.
Sources: Bloomberg, Helaba Research

On the one hand, Caixabank last placed a benchmark covered bond on the open market in 2018, and ABN Amro also has a certain track record in the area of retained covered bonds (2025: EUR 8bn; 2020: EUR 12bn). It is also worth noting, to put this into perspective, that substantial volumes were already issued last year in the form of retained covered bonds (EUR 146bn). **However, the current volume exceeds anything seen before: never before has such a large amount of covered bonds been issued in retained form in such a short period of time.**

Therefore, the question arises as to whether the EUR 2.25bn of ABN Amro’s bonds that we anticipate to placed on the market are still part of the plan at all or whether we can already speak of an initial, emerging, real reduction in expected issuance.

## What does this mean in terms of spread expectations?

**Last November, we indicated that we view event risks per se as at best short-term influencing factors at best – ideally even as opportunities to cheapen existing positions.** We also pointed out that the real problem with event risks lies in the "loss of time": the current level of gross issuance can be classified as “high” from a historical point of view. Every week in which no transactions can be placed is problematic as the issuance pressure continues to build. We were able to observe this phenomenon during the issuance pause in March 2025, which led to a record wave in April and May. At that time, the large volume of issuance could be absorbed without significant spread sensitivity – but this does not necessarily have to be the case in the current year. **If the duration and severity of an event are pronounced enough, even the most fundamentally stable market will soften somewhat on the spread side.**

We have already mentioned that oversubscription ratios in the primary market have been significantly reduced. Recent transactions in particular **indicate that the end of the line may have been reached** and that issuers are increasingly in a position to accept spread concessions. Starting from the primary market, the secondary market would then not be able to escape a certain repricing pressure.

## In essence

For the time being, we do not yet see the need to adjust our issuance expectations; however, we would no longer necessarily describe the EUR 162.5bn we expect as bearish. We see the increased use of retained covered bonds as a possible "valve" to relieve pressure from the primary market. This approach could also help to keep spreads under control in the primary and secondary markets, at the price of a lower level of long-term financing.



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