

Covered Bonds – Frequently Asked Questions

11-12 September, 2014

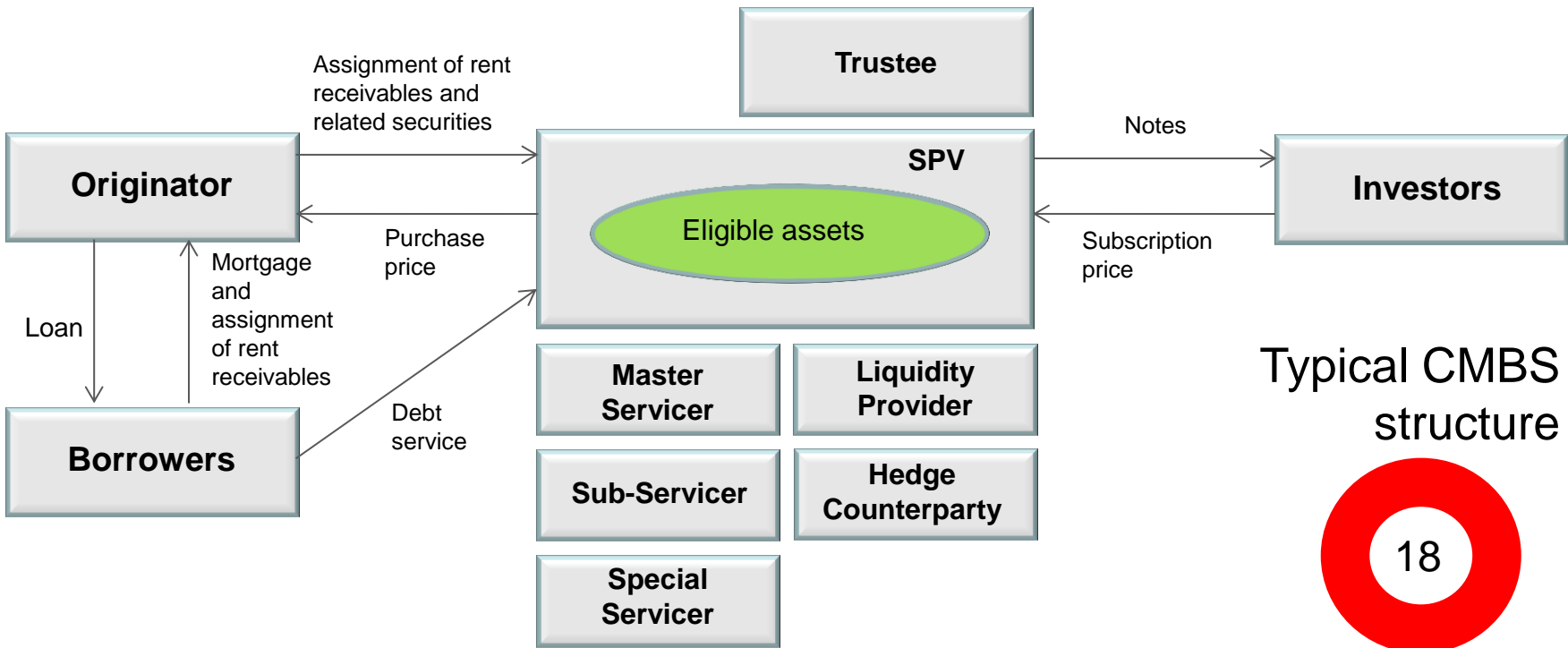
- What are covered bonds?
- What type of assets can make up the cover pool?
- When were covered bonds first created?
- Who are the issuers?
- What type of bonds are issued?
- Who are the investors?

A plain vanilla product!

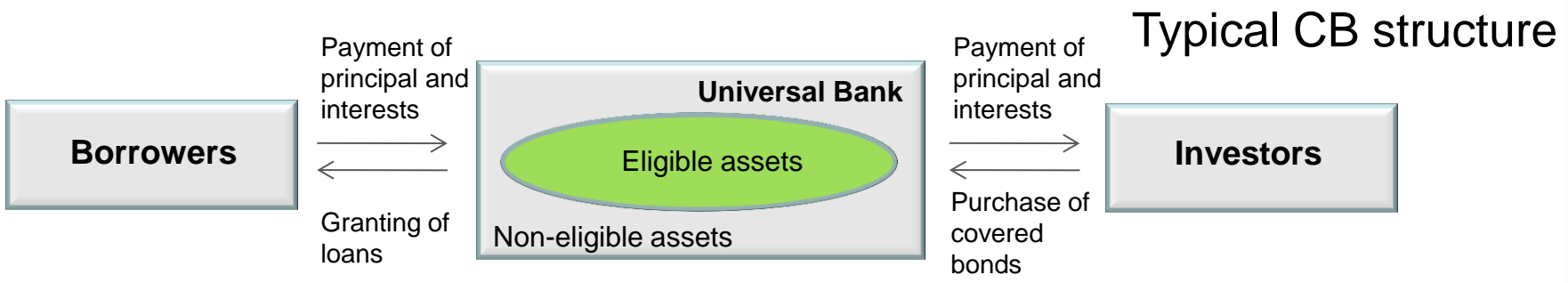
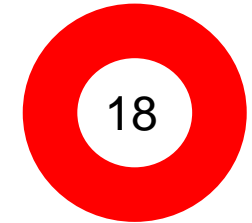


- Any regulatory privileges?
- Any technical standards?
- Principles of best practice
- Systematic and program-specific risks?
- Sensitivity of ratings to sovereign and bank ratings?

What does plain vanilla mean?



Typical CMBS structure



Typical CB structure

How did covered bonds perform during the crisis?

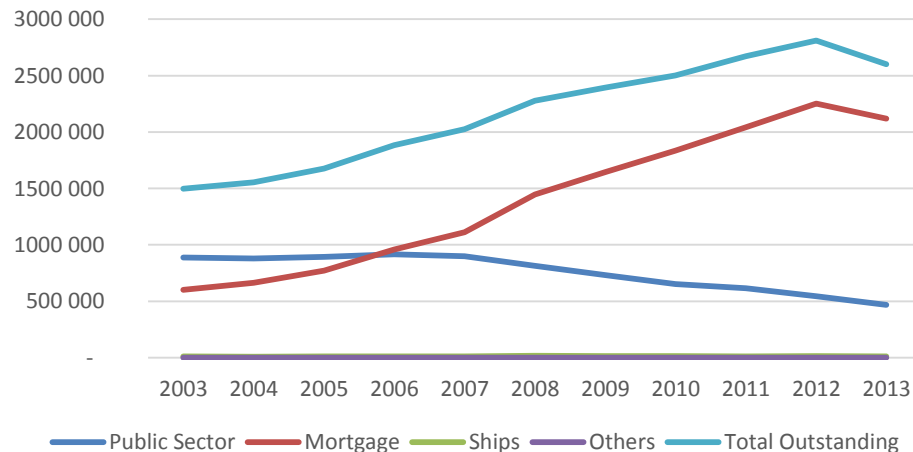
Covered bond issuance in Europe
(m EUR, Source: ECBC)



- Ups and downs - it's a combination of reasons
- E.g. European banks are cutting back their international networks. As a result, they need to borrow less money

- No mortgage bank has defaulted on any covered bond
- Covered bonds have survived the financial crisis comparably unharmed

Covered bonds outstanding in Europe
(m EUR, Source: ECBC)



What are investors interested in?

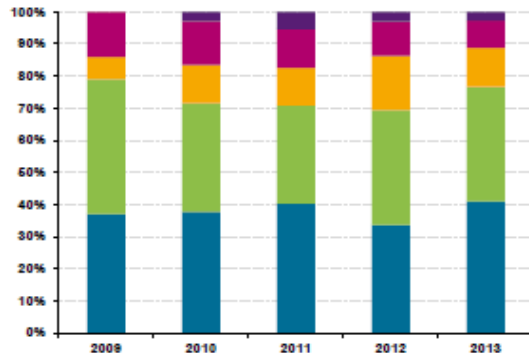
- Housing market activity indicators / Mortgage market
- House price index / Development of mortgage lending
- Households' debt-to-GDP ratio
- Asset quality / DPD 90

- Maturity
- Seasoning
- Size, LTV
- Geographical distribution
- Purpose

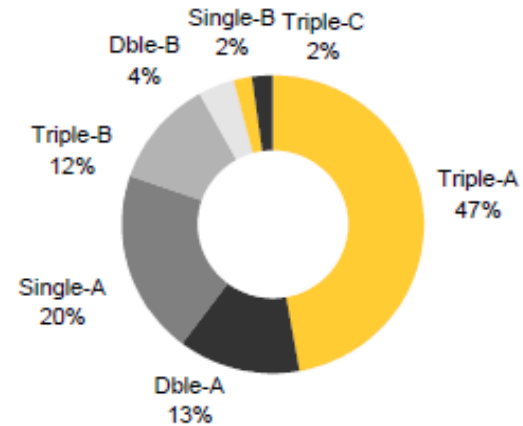
Asset side

Allocation by the type of the investor

- Others
- Central Banks
- Insurers / Pension funds
- Funds
- Banks



Breakdown of ratings of new issuances, 2013



- Over-collateralisation
- Net issuance of covered bonds
- Maturity profile of covered bonds
- Hedging of risks
- Profitability, liquidity, guarantees
- Banking group's introduction

CB side

Thank you for your attention!

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