Global Covered Bond Insights Q3 2025: Long-Dated Issuances On The Rise

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Key Takeaways

- Year-to-date issuance volume recovered since April, at 13% lower than the 2024 equivalent period.
- Consistent with 2024, benchmark European covered bond issuances are dominated by medium-term issuances. Long-dated issuances have increased but are still below the 10-year average.
- The period to submit comments on the proposed update to the methodology for rating covered bonds ended on May 23, 2025.

Year-to-date benchmark European covered bond issuance recovered since April and remained in line with the average for the past decade, with only a 13% decline from the 2024 equivalent period. In our view, scheduled European covered bond redemptions will primarily drive issuance volumes this year. So far, German and Norwegian issuances have notably risen while French and Dutch issuances have decreased. Year-on-year sustainable issuances remain steady at about 13% of total issuances to date, with a greater focus on the social label rather than environmental compared to the same period last year.

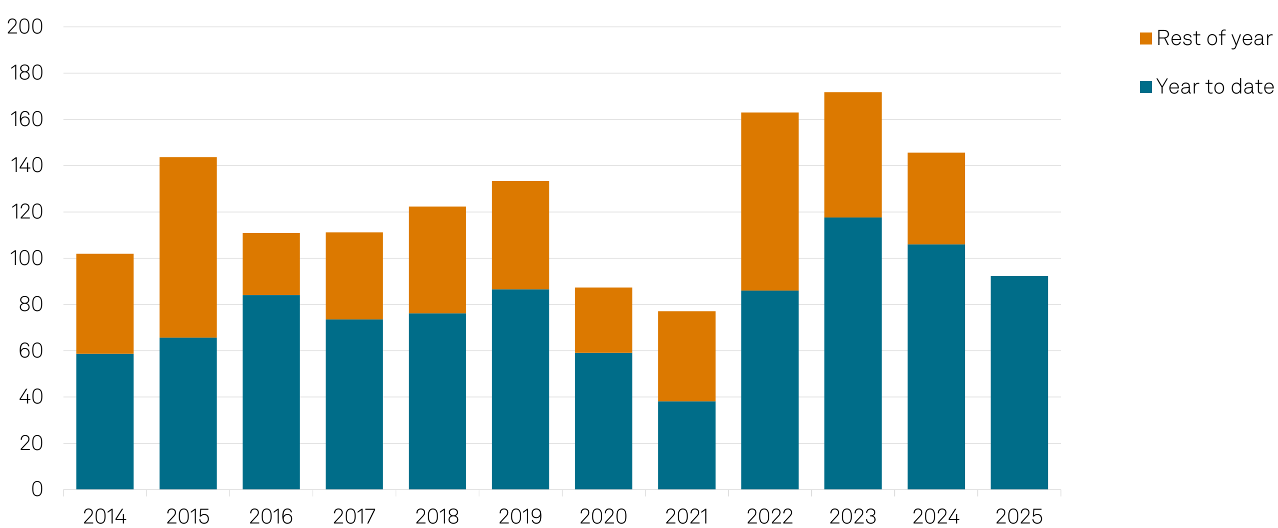
Most benchmark European covered bond issuances fall in the five- to 10-year maturity bucket, consistent with the 2024 trend. However, long-dated issuances have increased in Q2 2025. The share of year-to-date issuances above 10 years maturity is about 9.5%, compared to 6% in Q1 2025. This increase is largely attributed to the further steepening covered bond yield curve, driven by central bank rate cuts and sovereign spending uncertainties. However, the share of long-dated issuances is still below the last decade's 10-year average, due to relatively expensive pricing in comparison with sovereign, supranational, agency bonds, and government bonds.

European covered bond issuance could slow down if improved banking performance leads to tighter spreads on unsecured funding. Any future sovereign rating actions--positive and negative--could also have implications for covered bond ratings and issuance.

Chart 1

European investor-placed benchmark covered bond issuance

Bil. €



Year-to-date figures as of June 16 each year. Source: S&P Global Ratings.

Market Insight Highlights

The below roundup compiles some of the key takeaways from our research this quarter.

Covered Bonds Brief: Bank And Sovereign Rating Actions Have Mixed Implications

- European covered bond issuance could slow down if improved banking performance leads to tighter spreads on unsecured funding.
- Our rating actions on Southern European banks increase the potential for additional uplift on their corresponding covered bond ratings.
- If there are further sovereign rating actions in the year, these may have subsequent repercussions for covered bond issuance.

House Price Overvaluation Moderates For Europe's RMBS And Covered Bond Markets

- We have recently revised our assessment of house price overvaluation in the U.K. and Israel markets. Compared with our previous assessments, overvaluation in the U.K. has moderated, which we mainly attribute to wage growth, exacerbated by declining house prices in some U.K. regions. In Israel, house price growth has outstripped wage growth, accounting for the increase in our overvaluation estimate.
- We have updated our approach to determining under/overvaluation for a specific mortgage market this year. A region or country will now be in one of six categories, ranging from undervalued to severely overvalued.
- Our updated approach also incorporates our forward-looking view of factors that will possibly drive income and house prices, such as interest rates and house price forecasts.

Request For Comment: Methodology For Rating Covered Bonds

Our overall framework and building blocks for analyzing covered bonds remain the same, but we are proposing the following key changes:

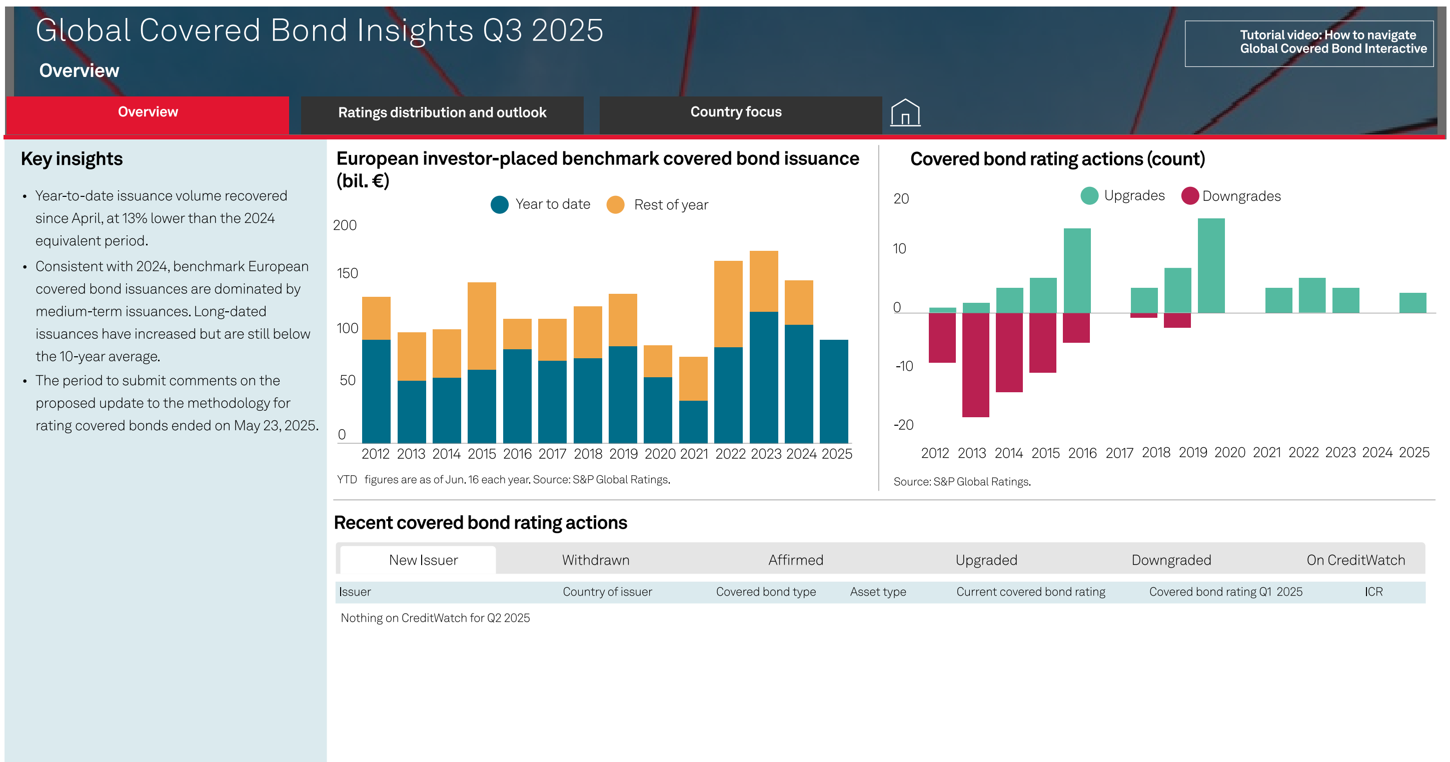
- When rating a covered bond program on the sole merit of jurisdictional support, we generally expect to do so on the basis of the provisions of the local covered bond legislation, without considering any additional overcollateralization (OC) beyond the applicable regulatory OC levels.
- For covered bonds issued in countries that are members of a monetary union, uplift based on jurisdictional support may include up to one notch above the rating on the sovereign.
- We allow up to two notches of collateral-based uplift based on only credit risk coverage, without coverage of refinancing costs.
- We adjust down the assumed target asset spread levels used when modelling refinancing costs, moving away from the historical peaks observed in certain countries for the asset type in the cover pool. We apply these target assets spreads to model refinancing costs for covered bonds maturing over the first three years in our cash flow simulation. For covered bonds maturing later, we assume base-case spreads, which are informed by historical observations during periods of lesser stress and our forward-looking view.
- We expand the forward-looking analysis of the covered bond program management to include our expectation of the issuer's near- to medium-term covered bond issuance plans,

as well as expected variations in our target credit enhancement levels, to enhance the stability of our credit enhancement levels, commensurate with each degree of uplift.

- We update our analysis of counterparty risk when our rating analysis is linked to the issuer.

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 17 jurisdictions, with core characteristics and risk indicators. Access the dashboard here.



As of June. 23, 2025

We currently rate 94 covered bond programs and four Spanish "multicédulas" transactions.

Download all Global Covered Bonds' Core Characteristics And Risk Indicators data as Excel

This download is only available to RatingsDirect on Capital IQ subscribers.

Unless otherwise noted, the reporting date for covered bond program ratings, issuer credit ratings, reference rating levels, jurisdiction-supported rating levels, and other indicators is the publication date of this report, not the end of the calendar quarter. In the excel file, "Q3 2025" means between March 19, 2025, and June 23, 2025, inclusive.

The ratings in the Excel file are as of June 23, 2025.

Certain figures in this article may have been subject to S&P Global Ratings' analytical adjustments and therefore do not necessarily equal publicly available information on the respective covered bond programs. For example, actual credit enhancement figures may differ because we have made value adjustments to outstanding asset/liability amounts for swaps, or zero-coupon bonds.

The data for each table can be exported to Microsoft Excel on www.capitaliq.com. After downloading the tables, you can collate the information on one covered bond program spread over several tables, by using its program ID number.

Related Research

- Covered Bonds Brief: Bank And Sovereign Rating Actions Have Mixed Implications, June 12, 2025
- House Price Overvaluation Moderates For Europe's RMBS And Covered Bond Markets, April 4, 2025
- Request For Comment: Methodology For Rating Covered Bonds, April 3, 2025