25th Central European Covered Bond Conference, Graz

Panel 3: Green Covered Bonds – How to ensure green cover assets?

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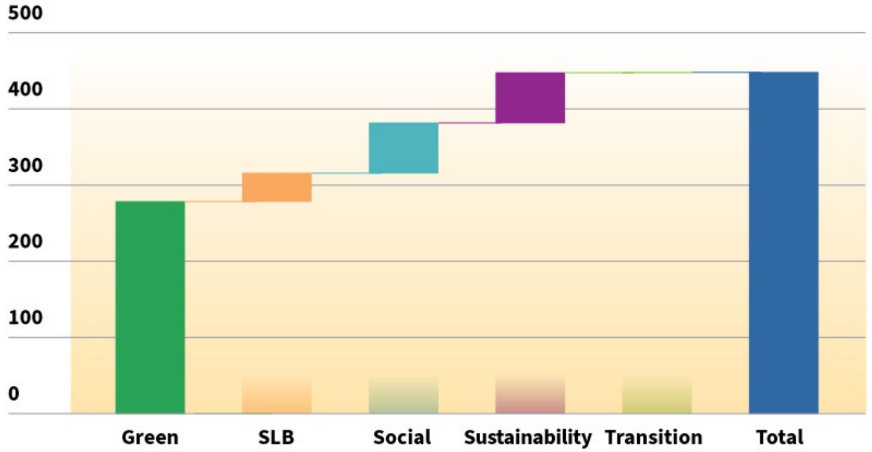
Bodo Winkler-Viti, Berlin Hyp, Berlin

6th October 2023

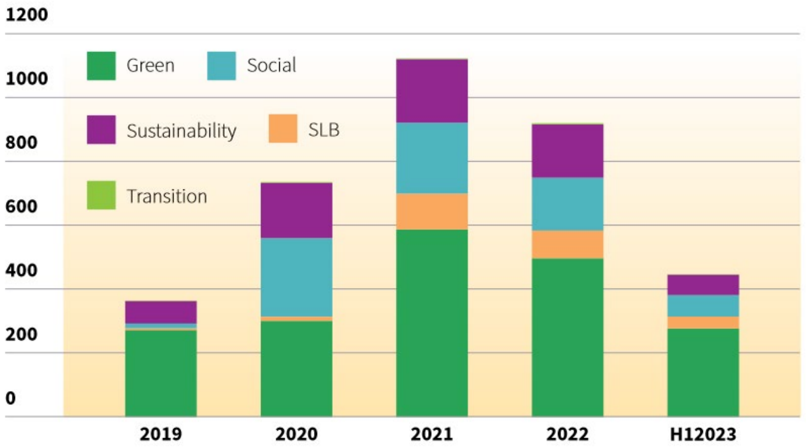
vdp Die deutschen Pfandbriefbanken

Worldwide ESG market development

Primary issuance worldwide H12023 = USD448bn



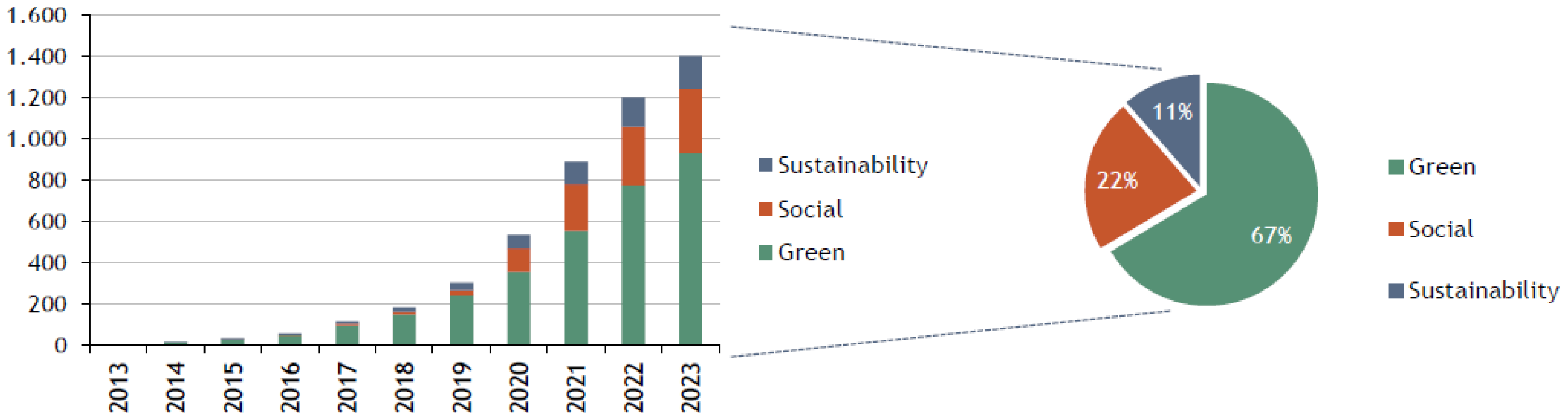
Cumulative issuance in excess of USD4trn as of mid-2023



Source: Climate Bond Initiative Sustainable Debt Market Summary H1 2023

The EUR market in ESG bonds

ESG bonds outstanding (EUR bn)



Source: Berenberg Fixed Income Research, 10 Aug 2023

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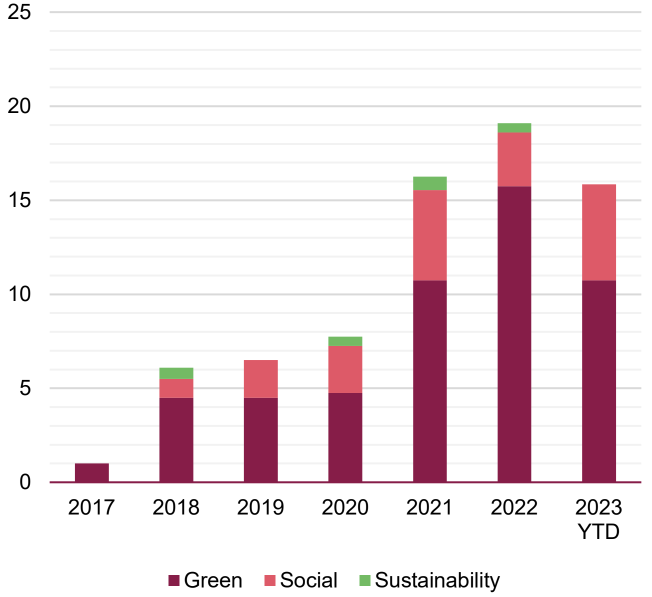
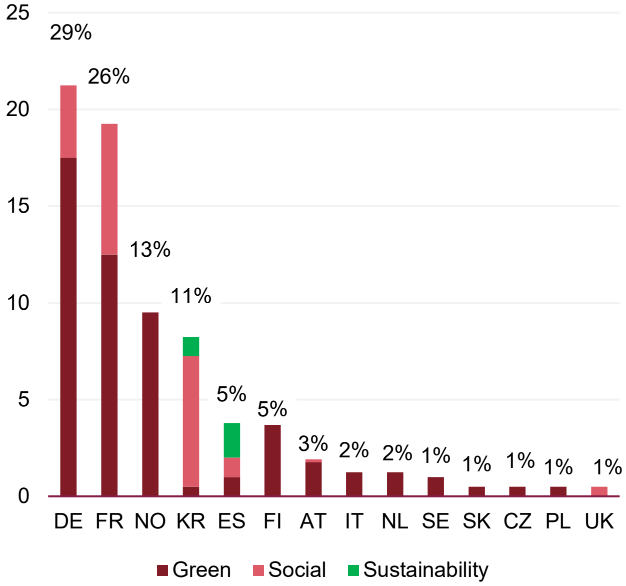
ESG Covered Bonds

Benchmark Covered Bonds issuance 2017 – 2023 (EUR bn)



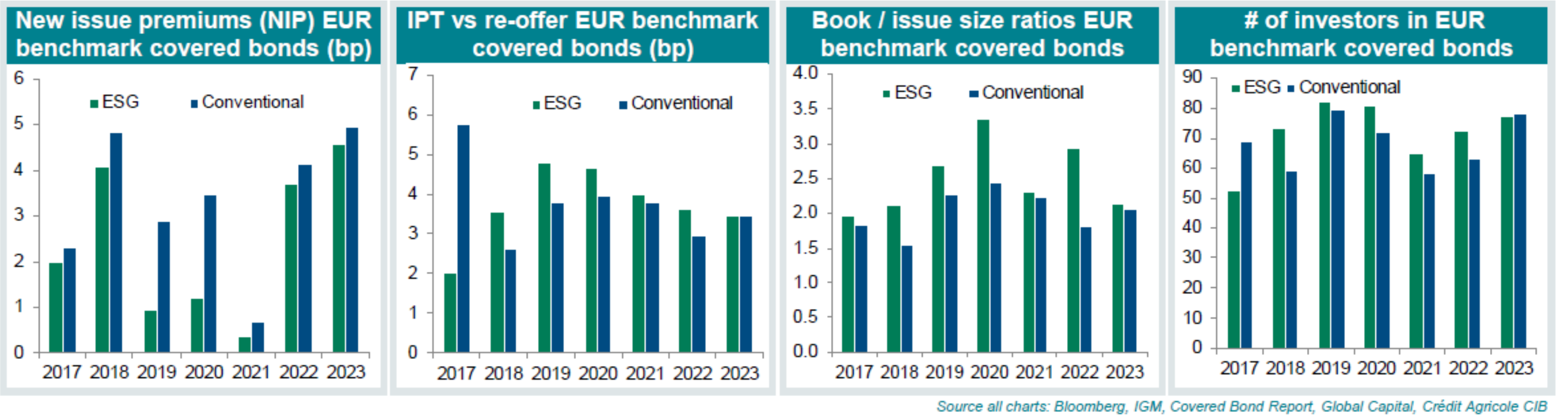
Source: LBBW Fixed Income Research as of 19 Sep, 2023

Benchmark Covered Bonds issuance 2017 – 2023 (EUR bn)



Primary and secondary market KPIs

- A greenium is discernible but with exceptions
  only about 1bp in covered bonds
- New issues have priced with meaningfully smaller NIPs
- Book sizes and total number of investors in EUR benchmarks normally larger in ESG than in conventional



Source: Crédit Agricole Covered Bond/SSA Research (20 Sep)

EU Green Bond Standard (EU-GBS)

Future gold standard?

- Voluntary standard
- Issue proceeds to be allocated in taxonomy aligned economic activities:
  - 100% taxonomy-alignment;
  - 15% flexibility pocket;
- Seven years grandfathering;
- Transparency:
  - EU-GBS factsheet prior to issuance
  - Regular Allocation Report and minimum one Impact Report until maturity
  - with the support of an External Reviewer
- To be applied to EU Green Bonds and to other ESG bonds on voluntary basis, too.

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Energy Performance of Buildings Directive

Too ambitious demands on buildings?

- Goals:
  - Accelerate rate of renovation and improve building engergy efficiency
  - Provide a general framework for energy performance certificates
- Very high demands on energy efficiency of buildings
  - Complete decarbonisation of building stock => increase renovation rate (to ideally 3% starting 2025)
  - Complete substitution of fossil fuels for heating of buildings until 2050 according to EU Climate Pact
- Proposal of binding Mortgage Portfolio Standards (MPS)
- Trilogue-negotiations underway

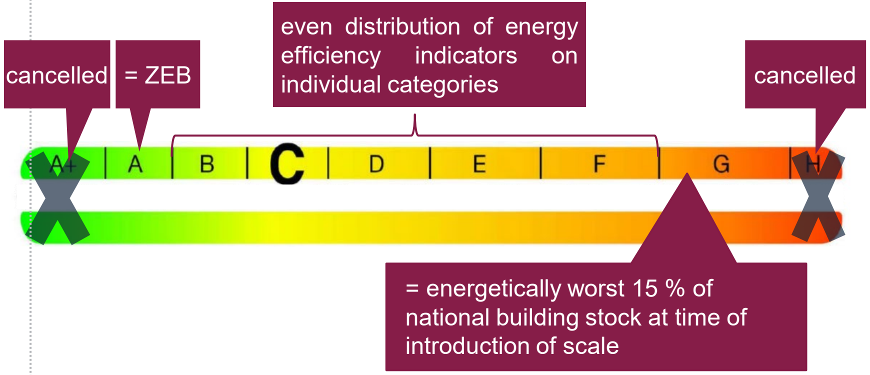
EPBD-draft

New harmonised design for EPCs

Compliance with new demands on EPCs according to Annex V draft EPBD until 31 Dec 2025 at the latest

- EPC-category to be disclosed compulsory
- Only uniform EPC-categories A to G
- To be disclosed in EPC additionally (a.o., according to Annex V draft EPBD):
  - Minimum energy efficiency - specifications/standards
  - ZEB- und NZEB-specifications
  - Disclosure of green house gas emissions
  - Energy production from renewables and share of renewables in energy demand
  - Recommendations how to reduce green house gas unless ZEB-standard is already accomplished
- Validity: EPC D to G reduced to 5 years, A to C continue to be valid for 10 years

Proposed changes of EPC for residential dwellings in Germany based on current layout



souce: vdp

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Thank you!

vdp member institutions

Aareal	ALTE LEIPZIGER	apoBank Bank der Gesundheit	BayernLB	BB Bank Better Banking	Berlin Hyp	BKM Deine Bausparkasse.	Calenberger
COMMERZBANK	DEGUSSA BANK Die WorksiteBank.	Deka		DKB Deutsche Kreditbank AG	DZ HYP	Evangelische Bank	Hamburg Commercial Bank
Haspa Hamburger Sparkasse	Helaba	HYPO TIROL Unsere Landesbank	HypoVereinsbank Member of UniCredit	ING	KFW IPEX-Bank	Kreissparkasse Köln	Landesbank Berlin AG Berliner Sparkasse
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