



Primary market update EUR benchmark bank bonds: Q3 2022

sk/ The total volume of **euro-denominated senior unsecured benchmark bank bonds** issued in the third quarter of 2022 reached a respectable EUR 34 billion which, although 22 % less than in the preceding quarter, was 26 % above that of Q3 2021. Notwithstanding the typical dip over the summer months and an increasingly adverse market environment, the primary market thus outperformed the average for all quarters since the beginning of 2016. Total issuance volume in the first nine months of the year stood at just over EUR 136 billion - a rise of 20 % on the same period last year. As such, it is already approaching the EUR 140-billion floor of the range we had originally forecast for primary market issuance in the whole of 2022.

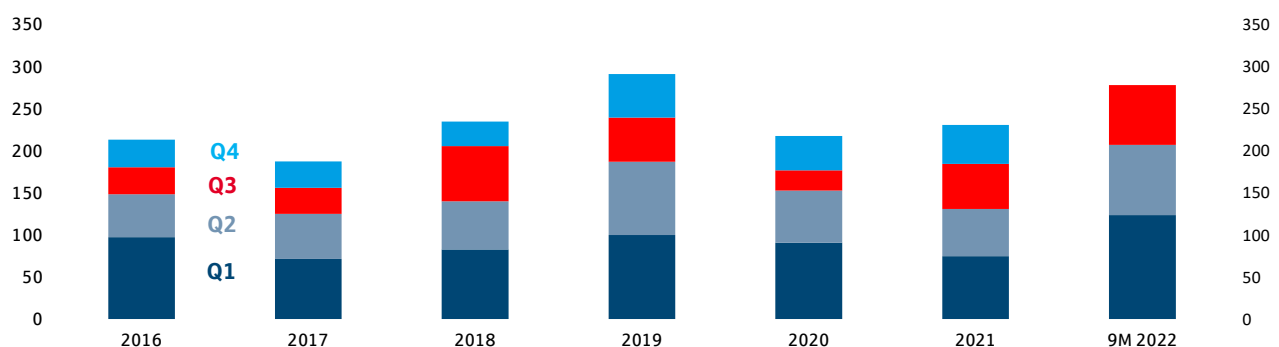
The buoyant level of activity reflects the fact that demand for new funding remains high among banks, which continue to make use of any available windows in the market for transactions and are deliberately prepared to accept higher spreads in the process. In terms of geography, banks from France stood out with substantial placements, although high volumes were also issued by institutions from Spain, Germany, the United States, the UK and the Nordic countries.

On the one hand, a high level of maturities, a stringent regulatory framework and a growth in lending driven by corporate clients' insatiable appetite for liquidity will ensure continued demand for issuance in the final quarter of the year. On top of that, the institutions are keen to raise funding in advance of further interest rate hikes. On the other hand, though, headlines dominated by geopolitical crises and central banks' focus on tackling inflation are making it harder for issuers to pinpoint the right timing. For their part, investors are becoming increasingly selective and opting for high quality and short to medium maturities. For 2022 as a whole, we adjust our expectation for the total issuance volume in the year 2022 to EUR 160-170 billion.

cs/ The first three quarters of the year saw a total volume of EUR 149 billion in **benchmark covered bond issuance**, with EUR 41 billion placed in Q3 - almost exactly the same amount as in the previous quarter. Considering the myriad negative factors, such as concerns over the economy, interest rates and inflation in addition to the war in Ukraine and the energy crisis, the market environment proved significantly more challenging for issuers. Overall, investors were forced to accept a higher average level of new issue premiums. In terms of maturities, there was also a marked shift in the "sweet spot". While the latter stood at an average 6.8 years in the prior quarter, in Q3 just over a third of notes were issued with a maturity of between 3 to 5 years. The volume of ESG-related covered bonds placed from July to September, at EUR 15 billion, was double that of Q2. In light of the aforementioned risk drivers, demand for safe haven assets is set to continue. What is more, soaring refinancing costs will spur issuers seeking capital into bringing forward transactions. Meanwhile, we anticipate a total placement volume for the full year of around EUR 190 billion.

EUR benchmark* issues Q3 2022: Primary market defies volatile market environment

EUR billions (fixed rate, covered and senior unsecured benchmark issuance)



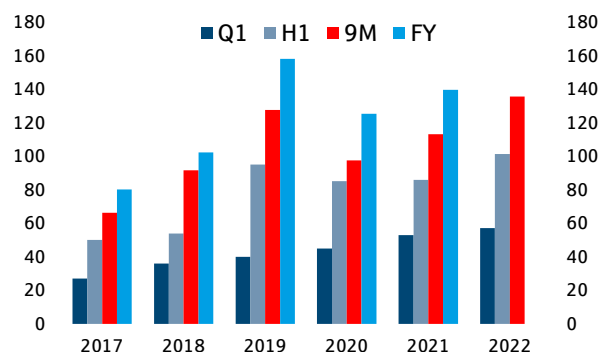
*issuance volume of at least EUR 500 million

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

1. Senior unsecured bonds with fixed coupons

Q3 2022: A quarter marked by volatility

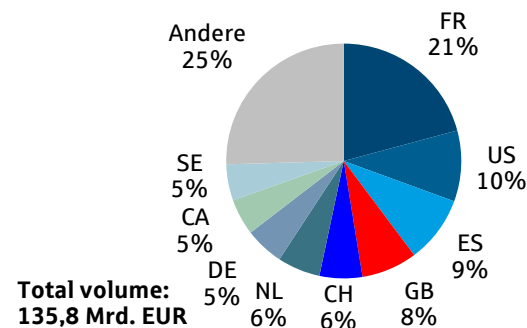
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Exceptional activity among French banks

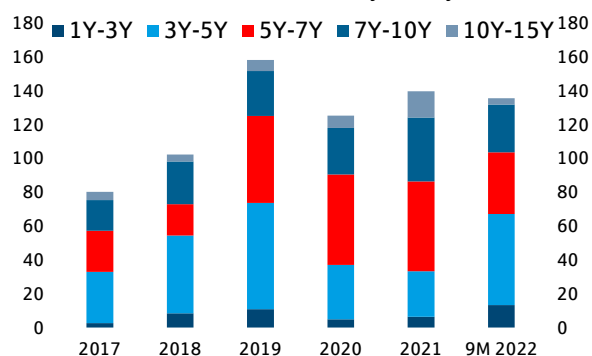
EUR billions (benchmark issuance volume by country, 9M 2022)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of shorter maturities rises significantly

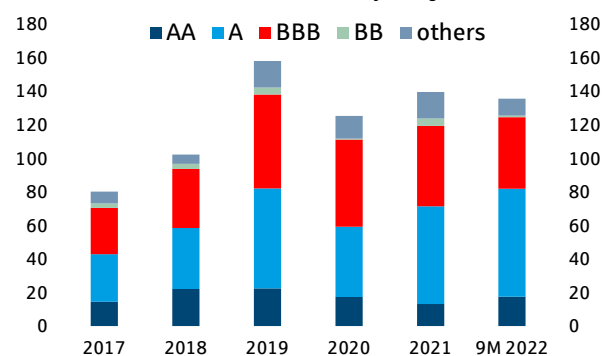
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Tendency towards positive rating mix

EUR billions (benchmark issuance volume by rating*)

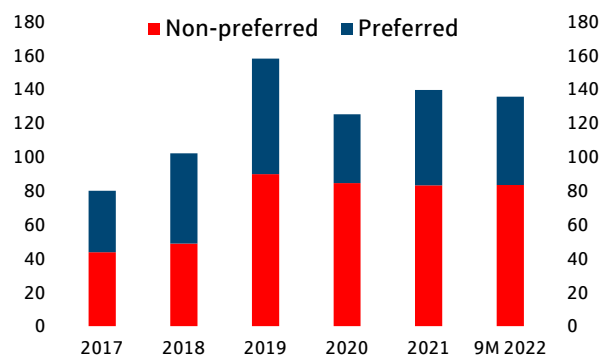


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of non-preferred notes at 61 %

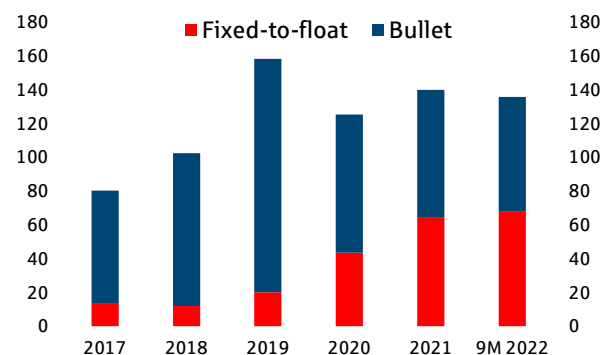
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Preference for regulatory call option

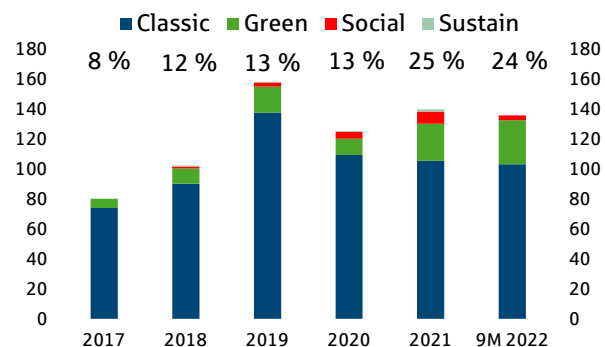
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable issues constitute 24 % of total volume

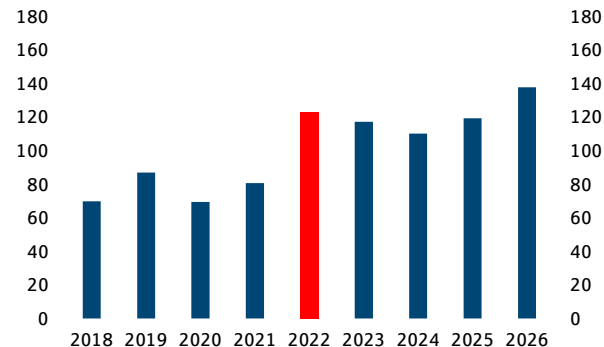
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2022 sees sharp rise in maturities*

EUR billions (benchmark maturity volumes)



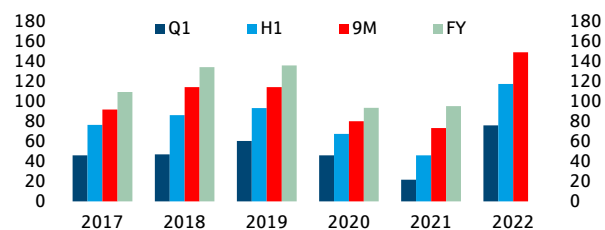
*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

2. Covered bonds with fixed coupons

Issuance volume already significantly outpacing 2021

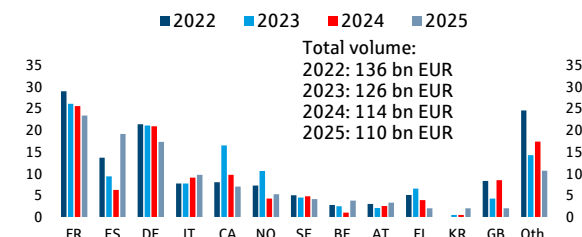
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High maturity volume in 2022

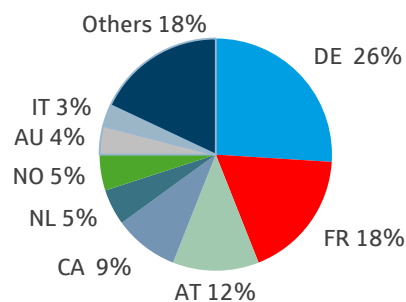
EUR billions (benchmark maturity volumes by country)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Germany still dominating new issuance

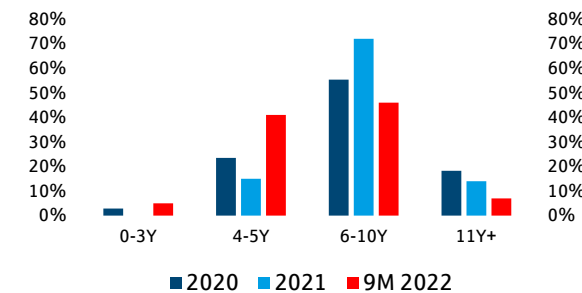
% (of benchmark issuance volume by country, 9M 2022)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Average maturities declining

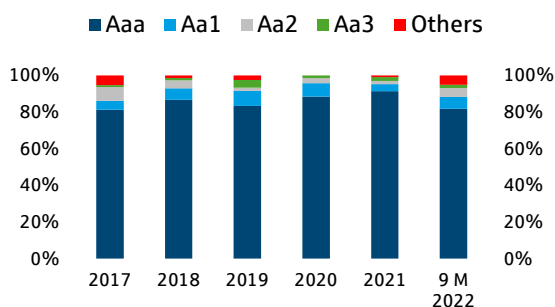
% (of benchmark issuance volume by maturity, 9M 2022)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Rating trend relatively stable

% (of benchmark issuance volume by rating*)

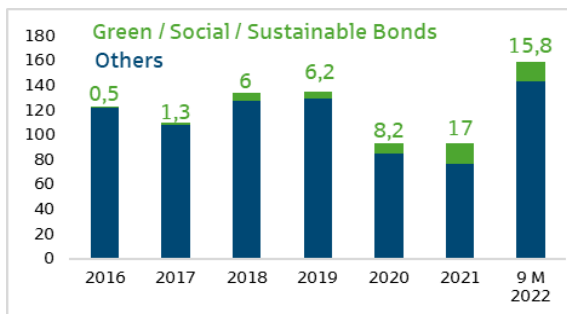


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable covered bonds: Trend continuation likely

EUR billions (benchmark issuance volume by ESG instrument indicator and others)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

3. ECB's targeted longer-term refinancing operations

TLTRO III: Relatively limited use of repayment options

Overview of ECB's targeted longer-term refinancing operations

	Allocation	Settlement	Earliest voluntary repayment (settlement)	Maturity	Allocated amount (EUR bn)	Outstanding amount (EUR bn)
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	63.1
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	87.8
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,194.2
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	158.6
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	48.4
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	323.9
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	97.4
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.6	93.4
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.9	46.5

Sources: Deutsche Bundesbank Eurosystem, [ECB Eurosystem](#), Bloomberg, Helaba Research & Advisory



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