



Primary market update EUR benchmark bank bonds: Q2 2023

sk/ The primary market for **senior unsecured bank bonds had a record first half of 2023**: EUR benchmark issuance totalled almost **EUR 140 billion**, a further **30 % up on the very buoyant year-earlier level**. This is all the more remarkable given that activity was halted for a few weeks on 10 March following the banking turmoil emanating from the US and Switzerland. However, once the dust had settled, issuance resumed at a strong pace from 4 April. In the second quarter new issuance amounted to around EUR 60 bn, 24 % more than a year earlier. Key drivers are, among others, high maturities, strict regulatory requirements for total liable capital and pre-financing in an environment of widening credit spreads, as well as a drain of central bank liquidity.

Unsurprisingly, the French banks, which are very active on the capital market and have high capital requirements due to their size, continue to dominate the scene. The **share of green paper remains stable at a respectable 23 %** of total new issuance volumes. At current interest rate levels, floaters are becoming more important again for issuers. In addition, as we expected, there is a slight shift from non-preferred to preferred paper (around 50 % in H1 2023 after 40 % in FY 2022): In our view, TLTRO redemptions and relatively tighter spreads favour refinancing in the senior preferred tier (see [Primary Market Update Bank Bonds](#) of April 6, 2023).

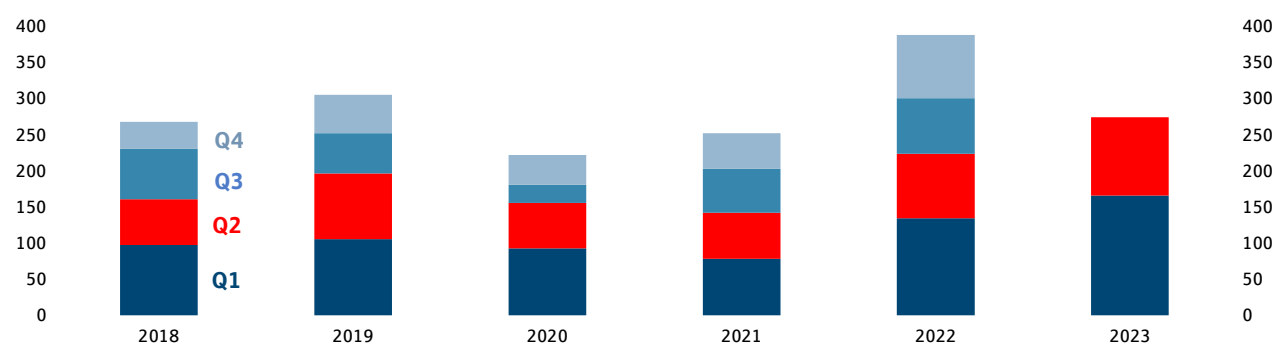
We feel confirmed in our expectation that 2023 will be an extremely strong year for senior unsecured bank issuance. Looking ahead, new lending will be impacted by the weaker economic environment, but at the same time we expect competition for customer deposits to intensify in an environment of rising interest rates and the cost of living. We confirm our estimate of **around EUR 190 bn of issuance for the full year 2023, unchanged from last year**.

cs/ Covered bond issuance in the first half of the year totalled an exceptional EUR 141 bn. This exceeded the record level of EUR 123 bn in the same period last year, despite the brief market disruption caused by the banking turmoil in March. Reasons for the increased issuance volume include pre-financing in the wake of the ECB's reduced activity under its purchase programme, rising funding costs and possibly TLTRO repayments. In terms of maturities, the 4-5 year tenor continued to dominate. Around 51 % of issuance was in this range. By country, Germany led the way with a share of around 28 %. At 10%, the ESG share is currently slightly above last year's average (9 %).

We expect issuance to slow in H2, as many banks have already largely met their funding plans. However, we are slightly raising our forecast for the year from EUR 160 bn to EUR 175 bn, mainly to take into account the remaining

EUR benchmark* issuance H1 2023: Beating all records

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



*issuance volume of at least EUR 500 million

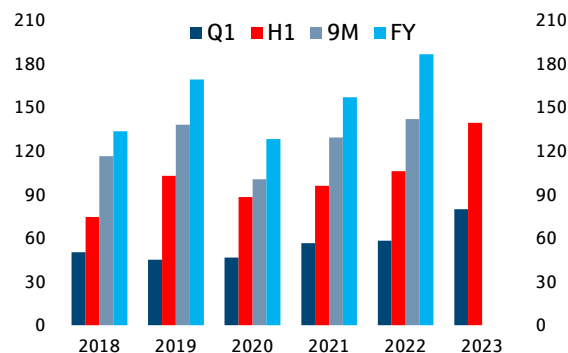
Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

maturity volume of around EUR 43 bn and the outstanding issuance plans. We also do not rule out the possibility of pre-funding in Q4 in anticipation of 2024, should the ECB consider reducing its balance sheet more quickly by selling bonds, as is being increasingly discussed.

1. Senior Unsecured Bonds

H1 2023: Exceptionally strong year

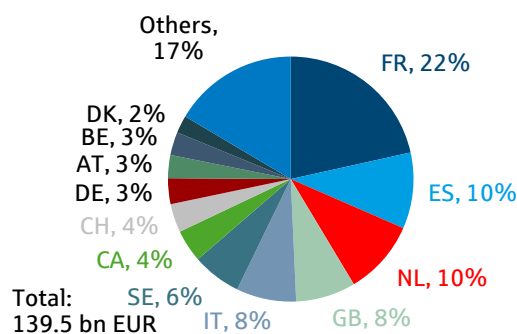
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

French banks very active

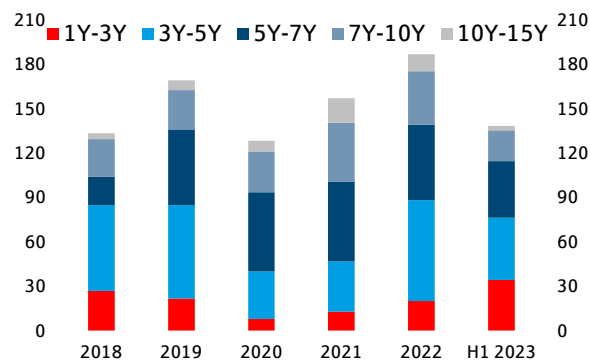
EUR billions (benchmark issuance volume by country, H1 2023)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Shorter maturities gain in importance

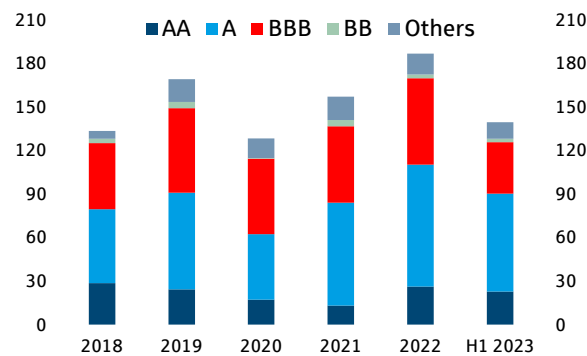
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Overall tendency towards more positive ratings

EUR billions (benchmark issuance volume by rating*)

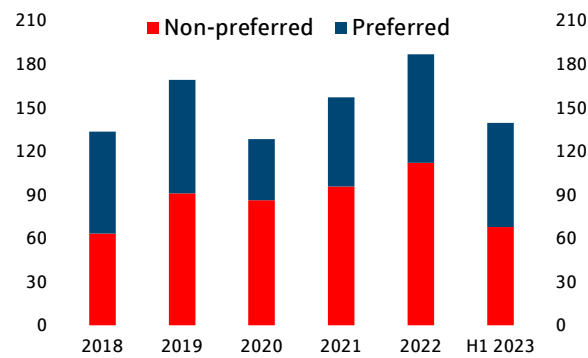


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of non-preferred declined slightly to 49 %

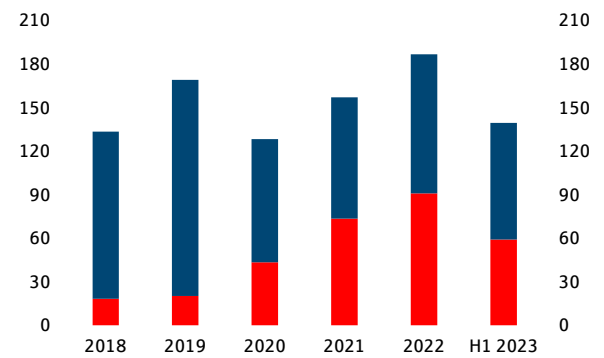
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Preference for regulatory call option

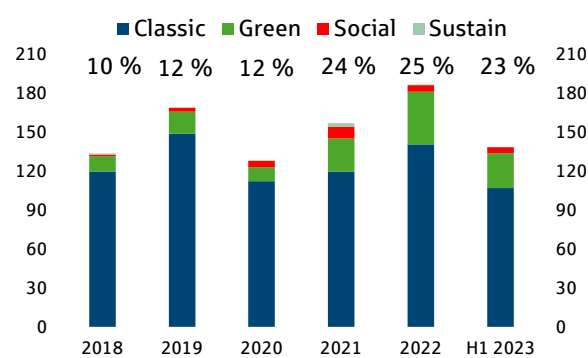
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable notes account for 23 % of total issuance

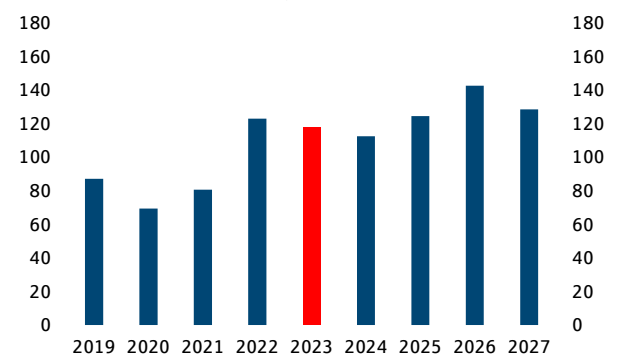
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High level of maturities in 2023*

EUR billions (benchmark maturity volumes)

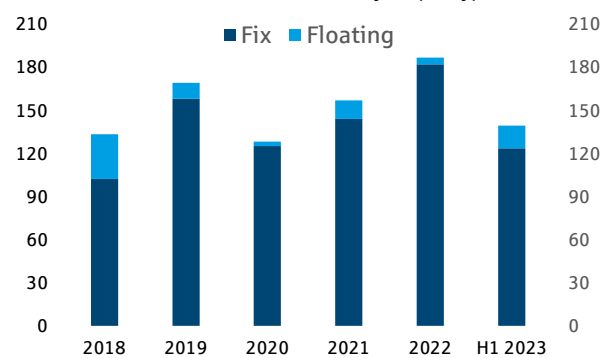


*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

Variable interest rates attractive again

EUR billions (benchmark issuance volume by coupon type)

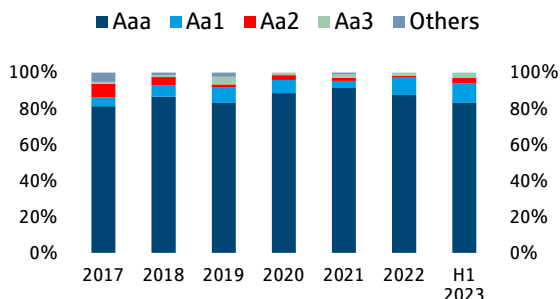


Quellen: Bloomberg, Helaba DCM, Helaba Research & Advisory

2. Covered Bonds

Clear majority for Aaa ratings

EUR billions (benchmark issuance volume by rating*)

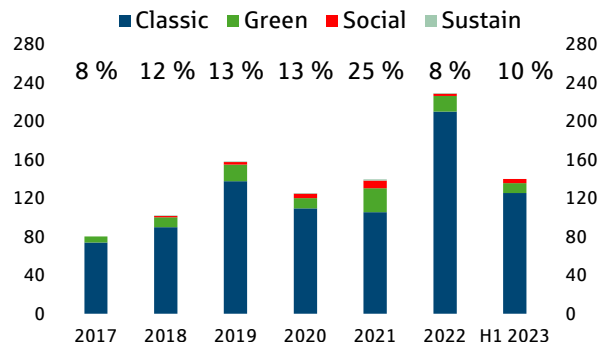


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable covered bonds: upward trend

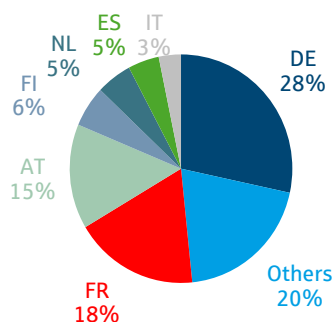
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Germany retains top spot for issuance

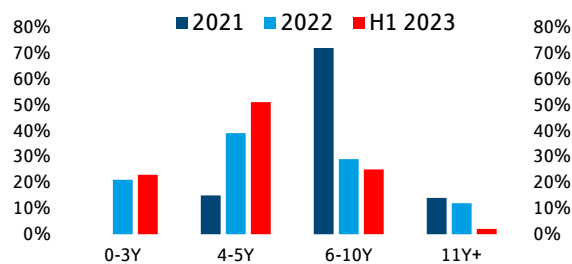
% (of benchmark issuance volume by country, H1 2023)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Maturities of 4-5 years dominate

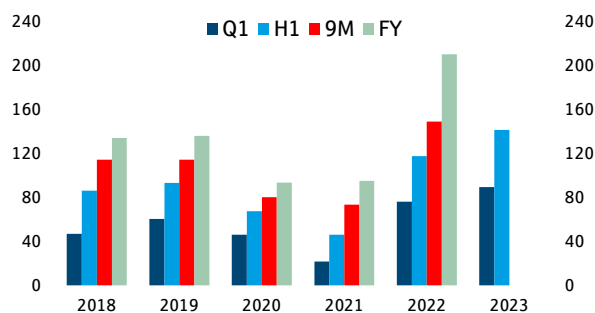
% (of benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

H1 issuance volume not to be surpassed

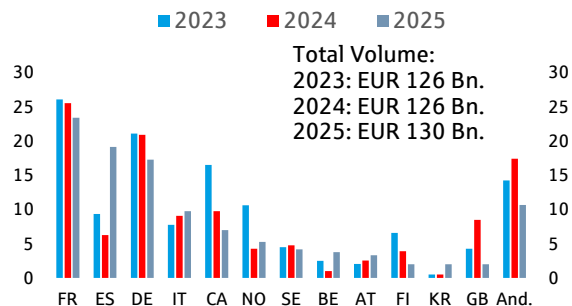
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2023 Maturities lower than previous year

EUR billions (benchmark maturity volumes by country)



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.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	66.7
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	41.2
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	280.7
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	69.8
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.6	90.6
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.9	43.1

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



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