Helaba

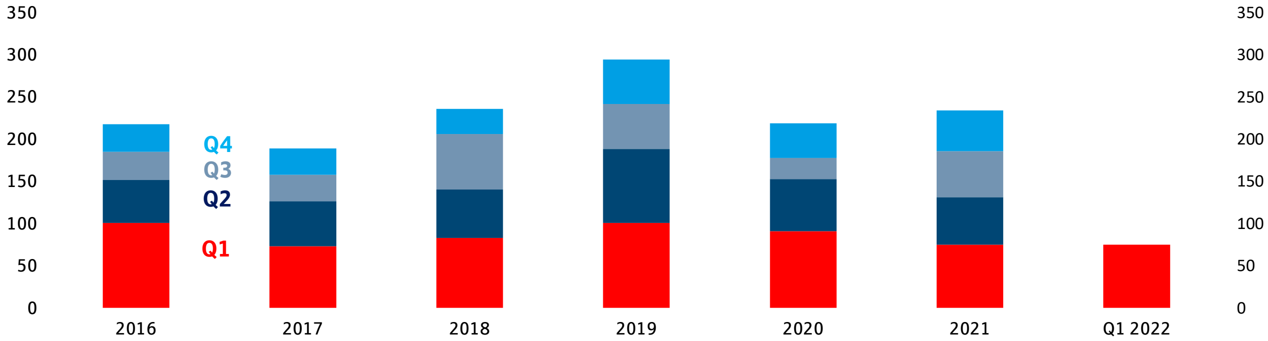
Focus on: Credits
14 April 2022

Primary Market Update EUR benchmark bank bonds: Q1 2022 sees record activity in covered and uncovered issues

- sk/ The first quarter of the year saw the volume of **new fixed-rate senior unsecured issues** in euro-denominated benchmark format reaching a new all-time high of around EUR 57 billion. This represented a further 8 % increase over the already very strong previous year's Q1 figure. Non-preferred issues were the main drivers of this growth, accounting for almost 70 % of total placement volume - more than we had expected. As such, regulatory requirements continued to dictate the structure of notes brought to market, with issuers taking advantage of the favourable environment for the time being given the large volume of maturities in 2022. In addition, the Eurosystem's Targeted Longer-Term Refinancing Operations (TLTRO-III) programme ended in December 2021.
  For 2022, we stand by our forecast that primary market volume could once again top the EUR 140-billion mark, with the caveat of a recent dramatic spike in geopolitical risks. In particular, key factor are the outlook of climbing funding costs from recent historically low levels in view of an expected reversal in monetary policy, continued stringent requirements for banks' regulatory bail-in capital and a significant increase in maturities - for example in France and the UK. For US banks, refinancing in euro should remain cheap.
  From June 2022 onwards, major institutions with exchange-traded issues will have to disclose their ESG risks, which should give a further boost to the issuance of sustainable notes.
- cs/ A total volume of EUR 76,1 billion was issued in euro-denominated **benchmark covered bonds** in the first quarter of 2022, of which EUR 3,9 billion was placed in the form of ESG instruments (Green EUR 3,3 billion, Social EUR 0,6 billion). So far, issuance activity in 2022 has exceeded expectations. For 2022 as a whole, projections are for a total volume of around EUR 120 billion. This compares to total issuance of EUR 95,2 billion in 2021. There are several explanations for the current development. Firstly, yields rose sharply at the beginning of the year and the associated increase in the cost of borrowing prompted issuers to bring forward their existing capital market planning. Activity among non-EU institutions also have played a role. In particular, it is noticeable that Canadian houses were seen with comprehensive placement volumes amounting to EUR 18.5 billion. As for the further course of the year, we expect that momentum will slow down somewhat, particularly due to the aforementioned pre-emptive effects and the ECB's planned exit from their covered bond purchase programme (from September).

EUR benchmark* issues Q1 2022: A lively start to the year

EUR billions (fixed rate, covered and senior unsecured)

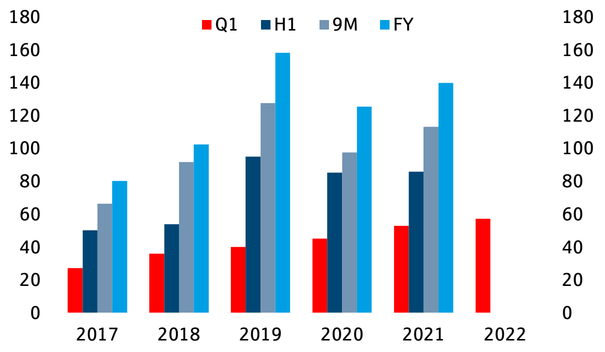


* Issuance volume exceeding 500 m EUR
Sources: Bloomberg, Helaba Research & Advisory

1. Senior unsecured bonds with fixed coupons

Q1 2022: Year gets off to a strong start

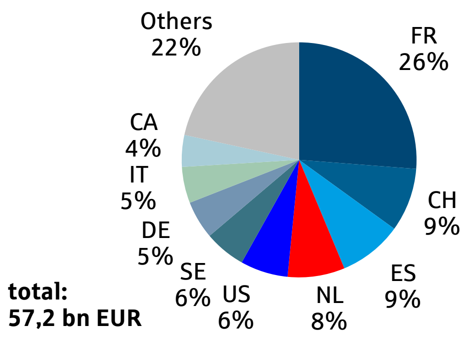
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

French banks extremely active

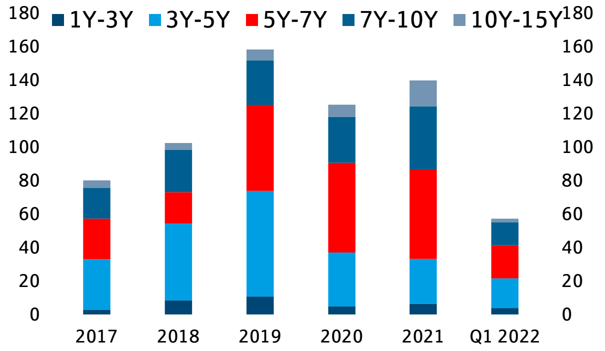
EUR billions (issuance volume by country)



Sources: Bloomberg, Helaba Research & Advisory

Share of shorter maturities higher

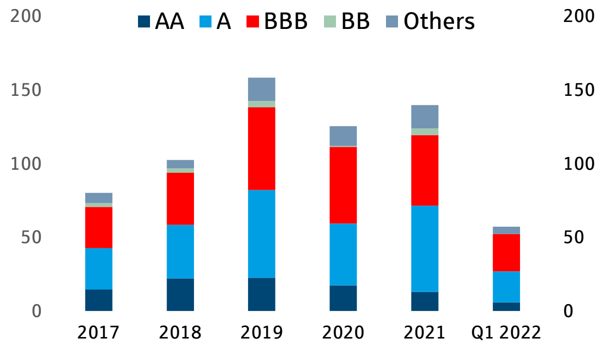
EUR billions (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

Rating mix not affected by crisis

EUR billions (issuance volume by rating*)

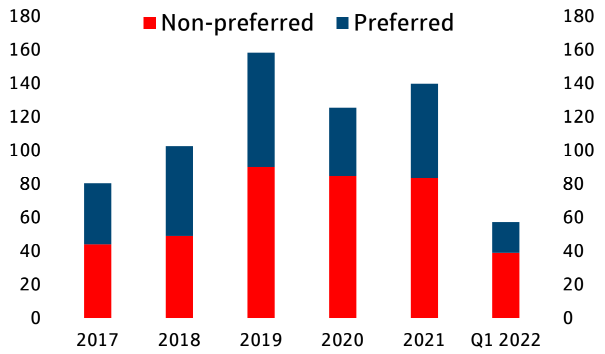


* Moody's rating at issue

Sources: Bloomberg, Helaba Research & Advisory

Share of non-preferred notes rises to nearly 70 %

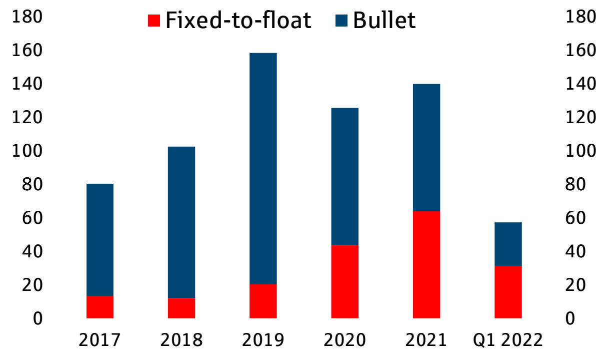
EUR billions (issuance volume by payment rank)



Sources: Bloomberg, Helaba Research & Advisory

Regulatory call option popular

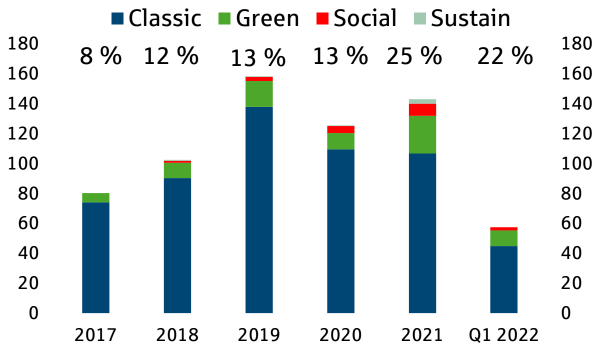
EUR billions (issuance volume by maturity type)



Sources: Bloomberg, Helaba Research & Advisory

Sustainable issuance accounts for 22 % of total volume

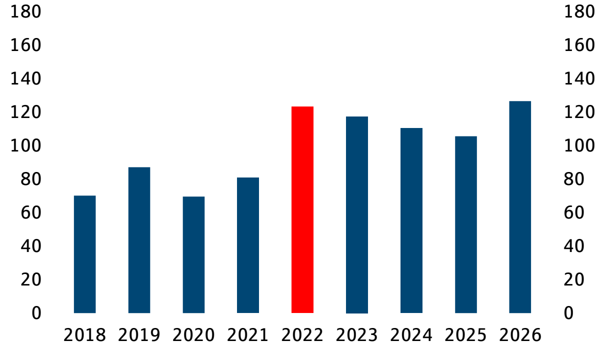
EUR billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

Maturities to rise sharply in 2022*

EUR billions (maturity volumes)



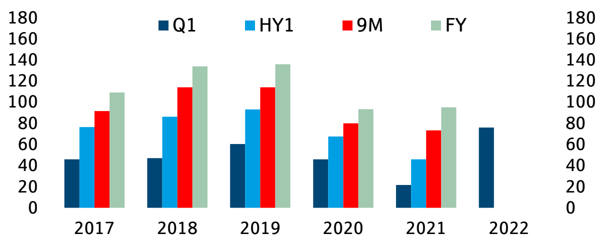
* slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

2. Covered bonds with fixed coupons

Highest Q1 issuance volume since 2021

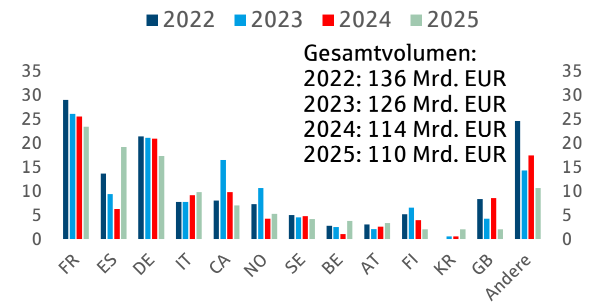
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

High volume of maturities due in 2022

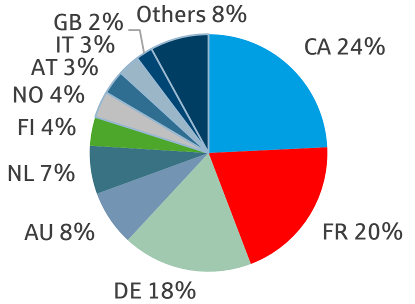
EUR billions (maturity volumes by country)



Sources: Bloomberg, Helaba Research & Advisory

A record: Canadian banks take top spot

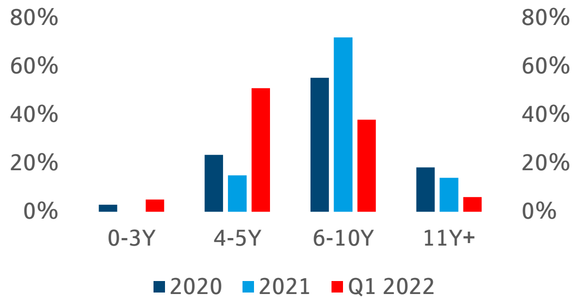
% (issuance volume in Q1 2022 by country)



Sources: Bloomberg, Helaba Research & Advisory

Most durations in Q1 up to 5 years

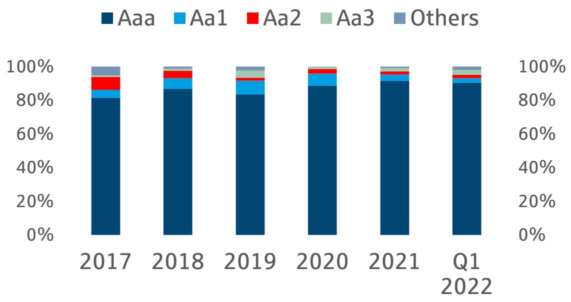
% (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

Ratings remain almost unchanged

% (issuance volume by rating*)

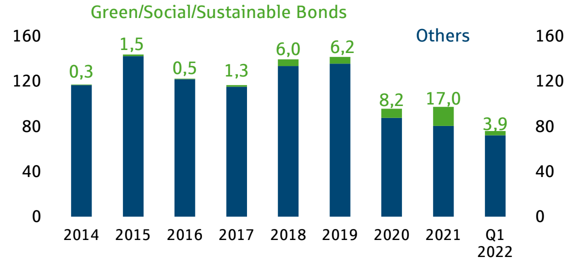


*Moody's rating at issue

Sources: Bloomberg, Helaba Research & Advisory

Sustainable covered bonds: a solid kick-off to 2022

EUR billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

3. ECB's targeted longer-term refinancing operations

TLTRO III: Targeted longer-term refinancing operations

Overview

	Allocation	Settlement	Earliest voluntary repayment (settlement)	Maturity	Allocated amount (EUR bn)	Outstanding amount (EUR bn)
TLTRO-III.1	19.09.2019	25.09.2019	29.09.2021	28.09.2022	3.4	2.0
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	83.9
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	95.2
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,216.8
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	161.8
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	49.3
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	330.1
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	109.6
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.57	97.57
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.97	51.98

Sources: Deutsche Bundesbank Eurosystem, ECB Eurosystem, Bloomberg, Helaba Research & Advisory

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Dr. Susanne Knips (sk)
Senior Credit Analyst

Tel +49 69 / 91 32-32 11

Christian Schmidt (cs)
Covered Bond & SSA Analyst

Tel +49 69 / 91 32-23 88

Publisher and editor

Helaba Research & Advisory

Editor Stefan Rausch
Head of Corporate Research & Advisory

Publisher
Dr. Gertrud R. Traud
Chief Economist /
Head of Research & Advisory

Neue Mainzer Str. 52-58
60311 Frankfurt am Main
Tel: +49 69/91 32-20 24
Internet: http://www.helaba.com/int/

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