



Primary market update EUR benchmark bank bonds: Q4 2023

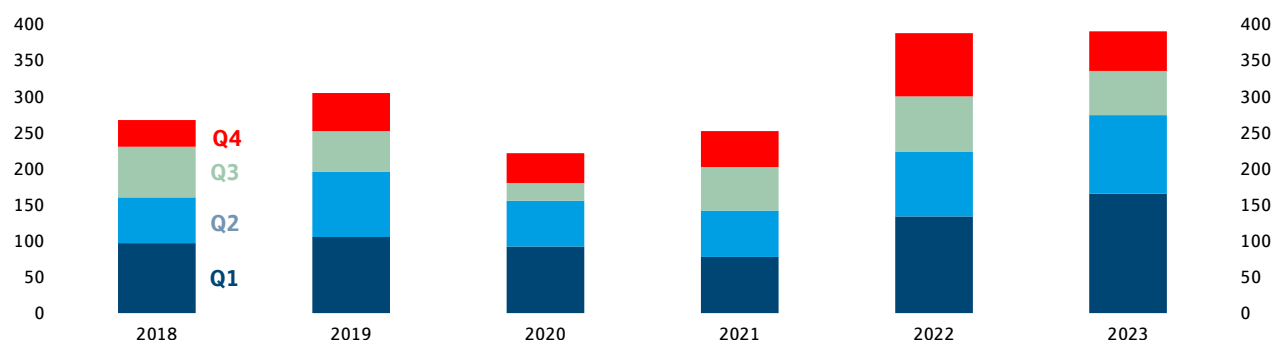
sk/ In Q4 2023, the **volume of senior unsecured, euro-denominated benchmark bank bonds on the primary market** reached a very strong level for a final quarter of around EUR 33 billion. While this was 25 % lower than in the exceptionally good fourth quarter of 2022, it was nonetheless significantly higher than in previous final quarters. **For 2023 as a whole, the total volume achieved a new record of rd. EUR 206 billion** - once again beating the 2022 top by around 10 %. The market quickly bounced back from the hiatus due the turmoil in the US and Swiss banking sectors between 10 March and 4 April. The first two quarters, in particular, contributed to this record volume, with a high level of maturities and increasing competition for customer deposits within an environment of rising interest rates acting as the principal catalysts.

2023 was marked to a large extent by the following developments. French banks continued to dominate, their activity on capital markets remained strong partly driven by the fact that they are subject to stringent capital requirements due to their size. Around a quarter of total placements were structured as sustainable issues. At current interest rate levels, floaters are becoming increasingly attractive again for issuers. In addition, there was a moderate shift from non-preferred to preferred issues (approx. 50 % in 2023, vs. 40 % in 2022), with TLTRO redemptions and comparatively narrower spreads as factors that may explain the trend towards greater issuance in the senior preferred category (see also [Primary market update EUR benchmark bank bonds](#) of 9 January 2024).

With an eye to 2024, we expect further growth in the total issuance volume of senior unsecured, euro-denominated benchmark bank bonds **to around EUR 220 billion**. The key driver for this is likely to be a continued increase in maturities as well as a decline in customer deposits, as the higher interest rate environment makes alternative investments more attractive. At the same time, regulatory requirements will remain a decisive factor for senior non-preferred issues. For fixed-to-float bonds, it is probable that even those maturing in 2025 will be of relevance as these bonds can be called one year ahead of maturity before they lose their status as MREL-eligible instruments (see [Regulatory call option for non-preferred bonds becoming standard](#)). Liquidity provided by the ECB will decrease; however, **there will be no repeat of the high level of TLTRO refinancing seen in 2023**, especially as we believe the programme was primarily used due to its attractive conditions rather than, at least to a lesser extent, as a means of refinancing core business activities. More subdued lending is likely to have a somewhat adverse effect on primary market activity. Given a market environment that remains volatile and burdened by crises, getting the timing right is still a challenge and any windows of opportunity will be actively seized upon - even at higher spread levels.

EUR benchmark* issues in 2023: Another record year

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



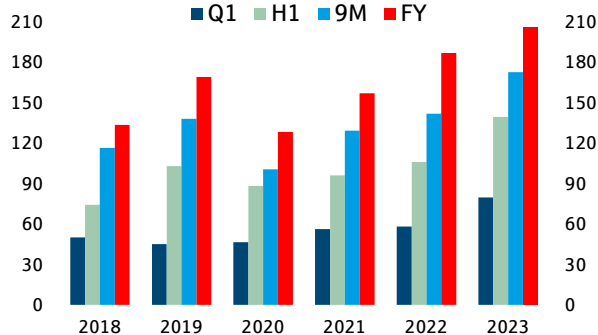
*issuance volume of at least EUR 500 million

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

1. Senior unsecured bonds with fixed coupons

2023: An extraordinarily strong year

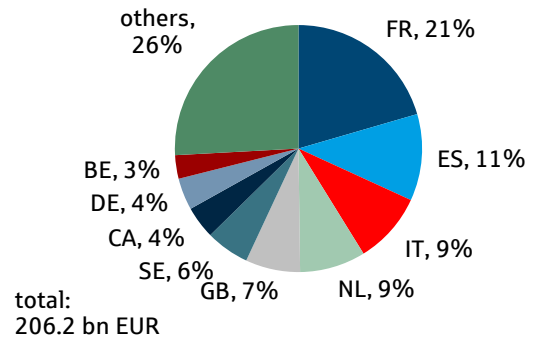
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

French banks particularly active

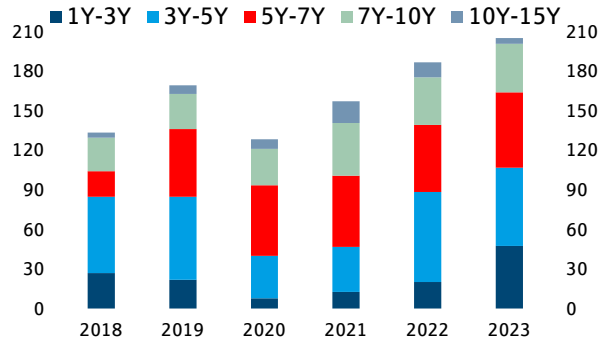
EUR billions (benchmark issuance volume by country, FY 2023)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Shorter and medium-term maturities prove popular

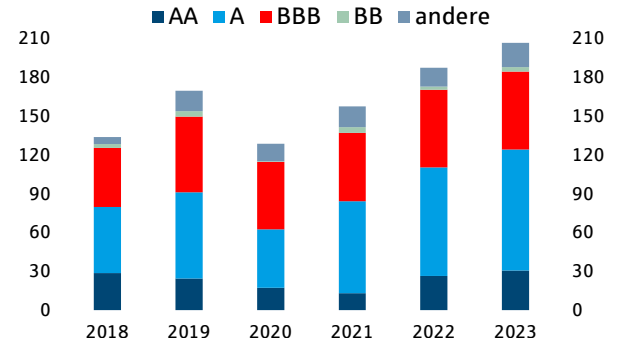
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Stable rating distribution

EUR billions (benchmark issuance volume by rating*)

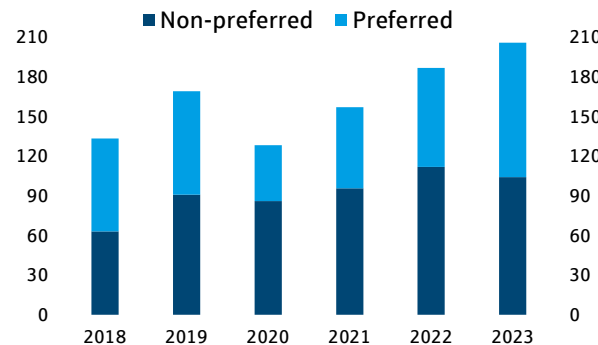


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of non-preferred issues drops to 50 %

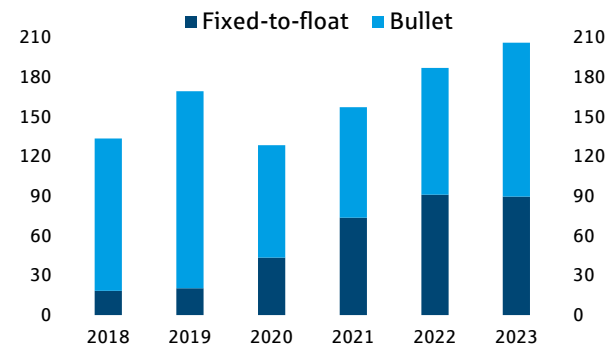
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Preference for regulatory call option

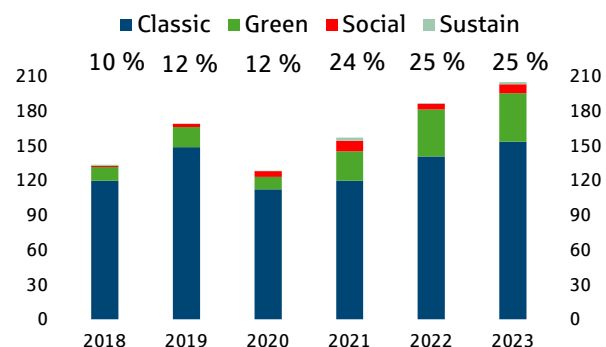
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

25 % of total volume attributable to sustainable issues

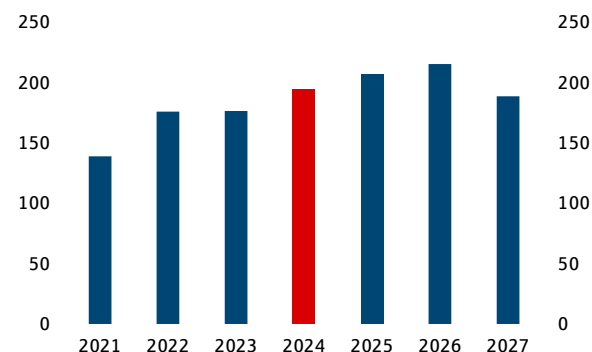
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High level of maturities in 2024*

EUR billions (benchmark maturity volumes)

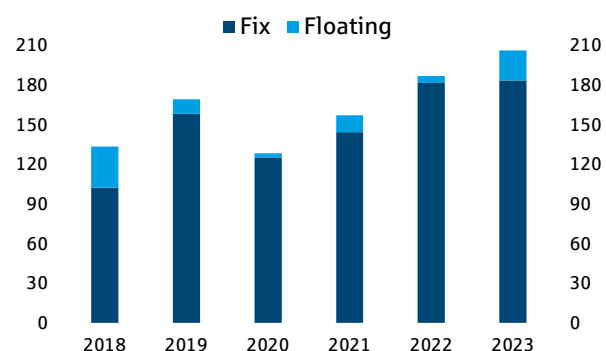


*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

Floater regain their attractiveness

EUR billions (benchmark issuance volume by coupon type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2. ECB's targeted longer-term refinancing operations

TLTRO III: Holdings being run down

[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.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	215.5
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	53.2
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.6	84.8
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.9	38.8

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



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Author



Dr. Susanne Knips (sk)
Senior Credit Analyst
T +49 69/91 32-32 11

Publisher and editor

Helaba Research & Advisory
Editor
Sabrina Miehs
Corporate Research & Advisory

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

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

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