Helaba

Focus on: SSAs & Financials

27 April 2023

Weekly Market Update

Primary market environment: Mixed results from European banks and deposit outflows from US regional bank First Republic weighed on sentiment this week. However, the primary market for bank bonds remained fairly buoyant. SSA and covered bond issuers were again very active as bund/swap spreads widened.

Primary market barometer

SSAs



The SSA segment continued to shine with strong issuance volumes this week, setting an exclamation point with EUR 8.75bn. The steady demand for safe assets is likely to continue, although we expect less supply next week after the drumbeat of the last few days.

Covered Bonds



The covered bond segment is running like clockwork and one wonders where it is going. This week again saw a colourful array, including two issuers from Sweden. In general, there is no sign of a slowdown in issuance, but the Fed and ECB decisions are limiting issuance for the time being.

Senior Unsecured



Despite subdued sentiment and the blackout period due to the quarterly reporting season, there were still six issues of senior unsecured bank issues in EUR benchmark format this week. Banks still have strong issuance needs this year and are therefore making active use of open market windows.

Risk trend indicator: Depressed mood

Relative* ASW spread change

IBOXX EURO	1 day	1 week	4 week	13 weeks	52 weeks	104 weeks
Germany	-0,07	-0,28	-0,02	-0,35	1,39	-1,06
European Union	0,03	0,01	-0,05	-0,08	2,55	2,50
Germany Covered	0,05	0,03	0,00	0,22	1,07	1,25
EU Covered	0,02	0,01	0,00	0,10	0,88	1,01
Banks senior preferred	0,07	0,07	-0,76	0,35	0,99	1,65
Banks senior bail-in (SNP)	0,08	0,09	-0,83	0,41	0,68	1,60
Banks subordinated	0,12	0,24	-0,74	0,76	0,83	2,09
Supranational	0,03	0,02	-0,05	-0,03	2,25	2,16
Agencies	-0,03	-0,10	-0,08	-0,31	1,21	0,04
Sub-Sovereigns Germany	0,02	0,03	0,06	-0,07	0,35	-0,19
Sub-Sovereigns	0,02	0,01	-0,10	-0,08	1,19	0,81

strong | middle | weak | unchanged | weak | middle | strong

spread widening | spread tightening

* ASW levels standardized and 2T-smoothed

Sources: Refinitiv, Helaba Research & Advisory

Although agencies still appear to be benefiting from the flight to safety, overall risk premiums are under pressure and have continued to widen slightly.



SSAs

Demand for safe assets remains strong, although we are seeing different levels of demand depending on the issuer. Investors remain active and willing to participate in interesting new issues. However, both the maturity offered and the spread must be right. Setting the initial spread target with an appropriate new issue premium is a prerequisite for a successful transaction.

The 15-year EU benchmark has shown that, at least in the SSA segment, investors are open to maturities beyond 10 years at reasonable yields.

Outlook: We would not be surprised to see issuance taper off somewhat after these strong weeks. At least next week, the Fed and ECB decisions are likely to slow down primary market activity.

€ SSAs issues week of 24 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,375%	EU	Aaa /AA+/AAA	7,000bn		04.10.2038	ms +32 bps		25.04.2023	63,500bn	ms + 34 area
3,000%	Berlin	Aa1 /-/AAA	0,500bn		04.05.2028	ms -9 bps		26.04.2023	0,430bn	ms - 9 area
3,125%	UNEDIC	Aa2 /-/AA	1,000bn		25.04.2033	FRTRs +20 bp	✓	26.04.2023	13,000bn	FRTRs + 24 area
3,250%	Landwirtschaftliche Rentenbank	Aaa /AAA/AAA	0,500bn	✓	06.09.2030	ms -9 bps		30.03.2023	0,000bn	ms - 9 area
1,500%	BNG	Aaa /AAA/AAA	0,250bn	✓	29.03.2038	ms +30 bps		26.04.2023	not disclosed	ms + 30 area
2,750%	KFW	Aaa /AAA/AAA	1,000bn	✓	15.03.2028	ms -22 bps		27.04.2023	3,000bn	ms - 21 area

Sources: Bloomberg, Helaba DCM



Covered Bonds

For covered bonds, the trend of recent weeks is continuing. Short and medium maturities are the "sweet spot" of demand, but the average bid/cover ratio and the pace of order book filling are declining, probably also due to the discussions about reducing the balance sheet total and scaling back the ECB's purchase programmes.

Two Swedish issues dominated the primary market this week: SCBC and Länsförsäkringar Hypothek successfully placed their first covered EUR bonds this year, joining Swedbank, Stadshypotek and SEB on the list of Swedish issuers for 2023. Will the missing Swedish issuer, Nordea Hypotek, also appear on the primary market soon?

> *"Covered bonds are currently holding their swap spread levels, but without much turnover. Recent primary market transactions are still solid on the surface, but the days of huge oversubscriptions seem to be over for the time being! A small tightening in Canadian Covereds was triggered by institutional buying at the end of last week (spreads averaged -2/-3bps) and has since moved sideways. The Swedish SCBC 5y MS+18 bond that came to market on Tuesday has a good NIP as usual at the moment! The yield advantage over SEB 3 ¼ 05/04/28 Corp is 4-5 bps."*
>
> *Comment from the Helaba trading floor*

In any case, investors were able to welcome the second South Korean issuer this week, KEB Hana Bank. It placed its second social bond with a carefully selected maturity of 3 years, based on its Sustainability Financing Framework (updated in March 2022, not available to us). In fact, with KEB Hana and two other issuers, South Korea is setting the pace for social/sustainable covered bond issuance globally.

Outlook: The primary market backdrop remains constructive. In view of the central bank meetings, the number of transactions should remain manageable next week.

€ Covered Bond issues week of 24 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
3,250%	LBBW	Aaa /-/-	0,750bn		04.11.2026	ms -4 bps		24.04.2023	1,700bn	ms - 1 area
3,250%	SCBC	Aaa /-/-	1,000bn		03.05.2028	ms +18 bps		25.04.2023	1,500bn	ms + 22 area
3,375%	BAWAG P.S.K.	Aaa /-/-	0,750bn		04.05.2026	ms +16 bps		26.04.2023	1,250bn	ms + 20 area
3,750%	KEB Hana Bank	- /AAA/AAA	0,600bn		04.05.2026	ms +47 bps	✓	26.04.2023	0,750bn	ms + 50 area
3,250%	Länsförsäkringar Hypotek AB	Aaa /AAA/-	0,500bn		04.05.2029	ms +22 bps		26.04.2023	0,800bn	ms + 26 area

Sources: Bloomberg, Helaba DCM



Senior Unsecured

New issues in the senior segment are heavily dependent on the "day shape" of the market. This segment remains the most volatile with the various trouble spots. There were six deals this week, five of which were preferred.

While US banks had kicked off the quarterly reporting season with strong results in recent weeks, more **mixed results from European banks** dampened sentiment this week. Banco Santander beat earnings expectations but disappointed with relatively high deposit outflows in Spain and comparatively weak net interest income in some regions. UBS gave a weak outlook for wealth management net interest income and provided few details on the CS merger. In addition, US regional bank First Republic suffered massive deposit outflows. At least SEB was able to report a strong result, pleasing market participants with a strong increase in net interest income and a further decline in credit risk costs.

The **reporting season for European banks** continues unabated next week. The focus will continue to be on the development of net **interest income and problem loan ratios**. In addition, we expect bank executives to comment on business activities that are particularly affected by rising interest rates.

Reporting dates of selected banks

Issuer	Date	Issuer	Date
ERSTE GROUP BANK AG	4/28	OP CORPORATE BANK PLC	5/3
NATWEST GROUP PLC	4/28	SPAREBANKEN VEST	5/4
UNICREDIT BANK AG	5/2	SPAREBANK 1 SR BANK ASA	5/4
HSBC HOLDINGS PLC	5/2	RAIFFEISEN BANK INTERNATIONA	5/5
LLOYDS BANKING GROUP PLC	5/3	INTESA SANPAOLO	5/5
UNICREDIT SPA	5/3	SPAREBANKEN SOR	5/5
BNP PARIBAS	5/3		

Sources: Bloomberg, Helaba Research & Advisory

> *"There has been little change in investor demand. Investor activity has been limited this week as well. The bulk of flows have been in new issues. With renewed concerns about the banking sector, our bids have seen increased demand from all investor groups, although it is too early to talk of panic. ETF funds are active on both sides, with FastMoney accounts looking to use current levels as a cheap entry point."*
>
> *Comment from the Helaba trading floor*

Outlook: Issuance plans for the year are still a long way off, given the long maturities and stringent regulatory requirements for total bail-in capital. However, the ECB meeting and blackout periods due to the quarterly reporting season are likely to dampen primary market activity next week.

€ Senior Preferred issues week of 24 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,375%	Bankinter S.A.	Baa1 /A-/-	0,500bn		03.05.2030	ms +120 bps		24.04.2023	1,700bn	ms + 145 area
4,000%	La Banque Postale	A2 /A+/A+	1,000bn		03.05.2028	ms +85 bps		25.04.2023	1,200bn	ms + 105 area
3m€+43 Bp	Bank of Nova Scotia	A2 /A-/AA-	1,000bn		02.05.2025	ms +43 bps		26.04.2023	1,300bn	3m€ +60 area
4,125%	Santander Consumer Finance S.A.	A2 /A/A	0,500bn		05.05.2028	ms +115 bps		26.04.2023	0,900bn	ms + 130 area
3,750%	Svenska Handelsbanken AB	Aa2 /AA-/AA+	1,250bn		05.05.2026	ms +53 bps		27.04.2023	2,300bn	ms + 75 area

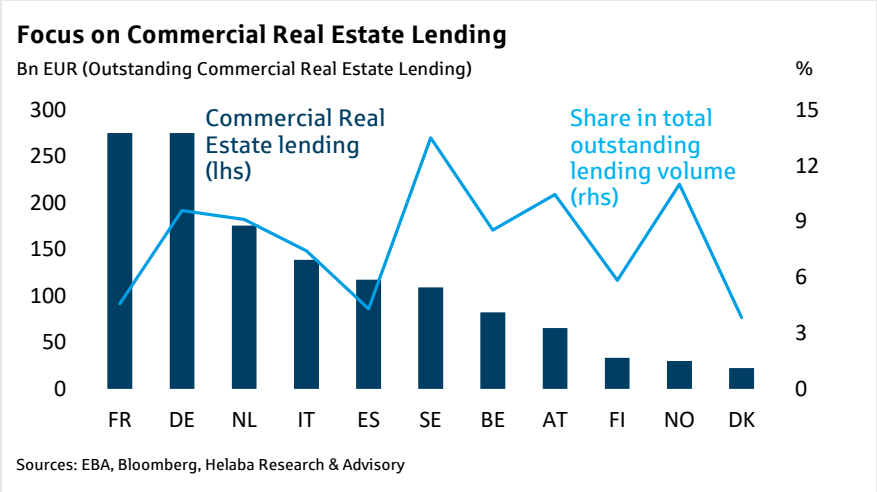
Sources: Bloomberg, Helaba DCM

€ Senior Non-preferred issues week of 24 April 2023

Coupon	Issuer	Rating (M/S&P/F)	Volume €	Tap	Maturity	Launch-Spread vs. Mid-Swaps	ESG	Launch	Orderbook	1st Spread-Indication
4,840%	Raiffeisen Schweiz Genossenschaft	- /A/A+	0,500bn		03.11.2028	ms +170 bps		25.04.2023	0,750bn	ms + 180 area

Sources: Bloomberg, Helaba DCM

Chart of the Week



Sources: EBA, Bloomberg, Helaba Research & Advisory

In the current reporting season for European banks, market participants are particularly interested in commercial real estate (CRE) activities. In addition to outstanding volumes, further details - such as regional and sector distribution, collateralisation, maturities, etc. - are being sought.

According to EBA data, the total volume of commercial real estate financing recently amounted to around EUR 1.4 trillion. EUR. This represented to 6.4% of all loans. The ECB recently announced that it intends to take a closer look at banks' exposure to CRE, as this is one of the areas most affected by the COVID 19 pandemic. Moreover, it has attracted significant investment during the period of low interest rate. Swedish lenders are relatively the most exposed to this sector, accounting for 12.3% of total loans, followed by Greece, Norway and Austria. In absolute terms, lenders from France and Germany are the most exposed in absolute terms, with around EUR 260 bn per country. The rating agency Fitch recently said that rising interest rates and falling market valuations will not lead to outsized loan defaults for German banks, at least in the short term, citing in particular to the adequate collateralisation, long average maturities and predominantly fixed-rate oans.

Short news

4/26 MMB SCF: S&P Places 'AAA'-Covered Bond Ratings on CreditWatch Negative. TAccording to the agency, the CreditWatch negative placements follow the rating action for My Money Bank. On 4/19, S&P had placed the bank rating on CreditWatch Negative due to less certain acquisition of HSBC CE's retail business in France. Since the 'AAA' ratings of covered bonds do not benefit from a rating buffer (so-called "unused rating steps") according to agency criteria, any rating action on the parent bank results in a rating action on the covered bonds. The CreditWatch rating is expected to be removed once S&P hits the CreditWatch placement on My Money Bank is resolved.

4/25 ESAs Call for vigilance in the face of mounting financial risks: The European Supervisory Authorities (ESAs) issued their Spring 2023 Joint Committee Report on risks and vulnerabilities in the EU financial system. While noting that EU financial markets remained stable, they are calling on national supervisors, financial institutions and market participants to remain vigilant in the face of mounting risks. (**EBA**)

4/25 Bond asset valuations: The European Central Bank is gathering data on eurozone banks' bond portfolios to determine whether unrealized bond losses caused by rapidly rising interest rates could erode their capital base in

the event of a crisis, the **Financial Times** reported, citing supervisory board Chair Andrea Enria. The regulator is seeking information on banks' hedging strategies as part of the bloc's upcoming stress test.

4/24 Bundesbank on ESG risks: In its latest **monthly report**, the Deutsche Bundesbank has commented in detail on the supervisory treatment of sustainability risks. In doing so, it also addresses the development of a top-down climate stress test.

4/24 Fraud in retail payments and over-indebtedness as key issues affecting consumers: The **European Banking Authority (EBA)** published its Consumer Trends Report for 2022/23, which summarises trends observed for the products and services under the EBA's consumer protection mandate. The Report has also identified two issues facing consumers in the EU: fraud in retail payments and over-indebtedness and arrears.

4/24 Bankers slam excessive ESG bill that ratchets up legal risks: The Corporate Sustainability Due Diligence Directive (CSDDD) just cleared a hurdle in EU Parliament but the finance industry is preparing to fight the passage of an ESG bill, according to **Bloomberg**. The current wording of CSDDD "doesn't adequately consider the challenges that banks will face in implementing the requirements in practice," Oliver Moullin, sustainable finance general counsel at the AFME said.

4/21 Updates in the list of institutions involved in the EBA's 2023 supervisory benchmarking exercise: The **European Banking Authority (EBA)** published an updated list of institutions, which have a reporting obligation for the purpose of the 2023 EU supervisory benchmarking exercise. The EBA will be conducting the 2023 benchmarking exercise on a sample of 117 institutions from 16 countries across the EU and the European Economic Area.

4/21 ECB says 16 eurozone banks fall short of climate demands: Sixteen eurozone banks are still failing to disclose enough information about their exposure to climate risk and may face fines or higher capital requirements from the European Central Bank (ECB), according to **Reuters**. While this was an improvement from a year ago, the ECB said lenders needed to make "further improvements" to meet the requirements. (**ECB report**)

4/21 S&P with rating action for Greece: S&P Global Ratings lifted the outlook on **Greece**'s credit ratings to positive from stable, citing the country's recent strong track record of implementing structural reforms and the faster-than-expected closure of its fiscal deficit. Its long- and short-term local and foreign currency sovereign credit ratings were affirmed at BB+/B. Separately, the rating agency affirmed the stable outlook on **Italy**, saying it expects the country's budgetary deficits to gradually decline, specifically as EU fiscal constraints are set to be reestablished in 2024. Its BBB/A-2 unsolicited long-and short-term foreign and local currency sovereign credit ratings were affirmed.

4/27 ICMA invites Members and Observers of the Principles (GBP, SBP, SBG and SLBP) to take part to the 2023 Annual General Meeting at 14 CEST. The Executive Committee of the Principles and ICMA will present in detail the work carried out over the last year by the Executive Committee, the Working Groups, as well as report back on the activities of the Advisory Council.

In the context of the **expected update of the ICMA Principles in June**, we would like to refer to the **conversation on Sustainable Finance** "**ICMA and Helaba Talk**" between Sabrina Miehs and Simone Utermarck, Director, Sustainable Finance, ICMA.

The ICMA Principles have become the global standard for green, social, sustainable and sustainable-linked bonds. But what might change in future? How is the revision process organized? In our video on sustainable finance Sabrina Miehs asked Simone Utermarck, Director, Sustainable Finance, at ICMA to give us some insights.

- ICMA's role in the sustainable finance space (1:28)
- Alignment of sustainable bond issuance with the ICMA Principles (2:31)

- How are the ICMA Principles reviewed and what is taken into account? (4:07)
- Will the Social Taxonomy arrive soon? (8:15)
- How can the ICMA Social Bond Principals contribute to the expectation of additionality? (10:17)
- Will current recommendations within the ICMA Principles become core components? (14:31)
- When can we expect next editions of the ICMA Principles and updates to related guidance? (18:07)
- EU Green Bond Standard: How was the preliminary agreement received? Will it impact the ICMA Green Bond Principles? (19:40)
- ICMA's sustainable finance updates for the market (28:10)

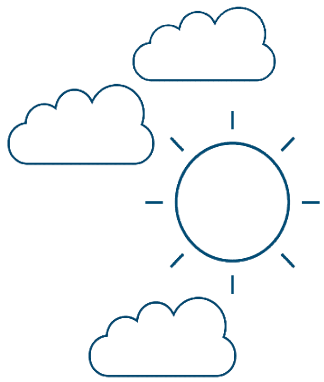
If you want to learn more about social bonds, then please read our study "Social and sustainability bonds: ICMA Principles - the freestyle element that makes all the difference" (link see last page "News from Research & Advisory")

Market Data (current*, vs. 1week, vs. 4 weeks)

E-STOXX 600 Banks	150	-3,45%	3,74%	iBoxx €Cov. Germany	7,8	1,2	0,9	iTraxx Senior Financial	101,2	8,5	-5,7
10Yr-Yield	2,4	-0,1	0,1	iBoxx €Cov. Bonds	21,2	1,1	0,9	iBoxx €Supranational	17,8	0,71	-0,05
Swap 10J	3,1	-0,1	0,1	iBoxx €Banks PS	79,7	4,6	-15,6	iBoxx €Agencies	-1,8	-0,44	-0,66
iBoxx €Germany	-52,5	-3,7	-0,8	iBoxx Banks NPS	116,1	6,1	-22,3	iBoxx €Sub-Sov. Germany	10,5	1,04	1,29
iBoxx €EU	23,0	0,6	-0,2	iBoxx Banks Subordinated	205,8	17,6	-28,1	iBoxx €Sub-Sovereign	25,7	0,61	-0,75

* Closing prices from the previous day
Sources: Refinitiv, Helaba Research & Advisory, * ASW-Spreads

Leisure tip for the weekend: Duisburg-North Landscape Park



A disused ironworks has been transformed into a metropolitan oasis. Today, the blast furnace setting is a well-known natural and cultural landscape as well as a top event location. The Duisburg-Nord Landscape Park is one of the most popular natural and cultural landscapes in NRW.

Leisure, recreation and sport are the main attractions on the 180-hectare site. Diving, climbing, hiking or simply enjoying the view from blast furnace 5 - the extensive grounds with their gardens, meadows and water areas offer just the right thing for everyone. You can go on a discovery tour on your own or have industrial history explained to you on a guided tour.

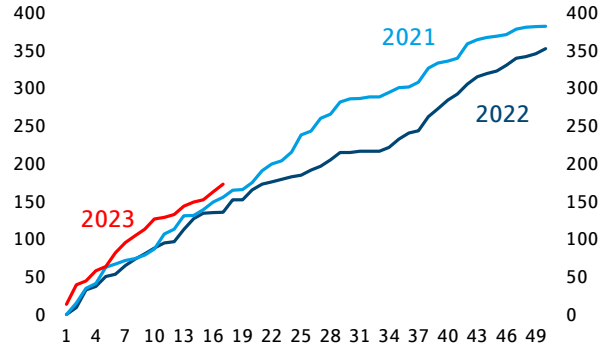
Further information:
Duisburg-North Landscape Park

Do you have ideas for leisure tips? We would be happy to receive your suggestions at research@helaba.de.
Source: https://www.landschaftspark.de/en/

Chartbook SSAs, Covered Bonds, Senior Unsecured

SSAs: Primary volumes

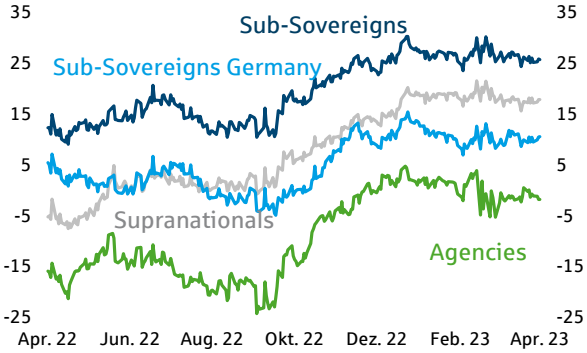
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

SSAs: Spread development

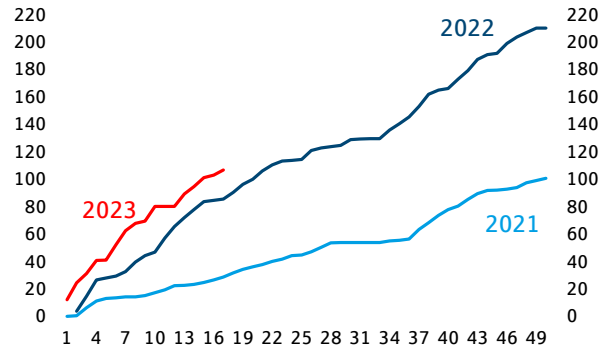
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Covered Primary volumes

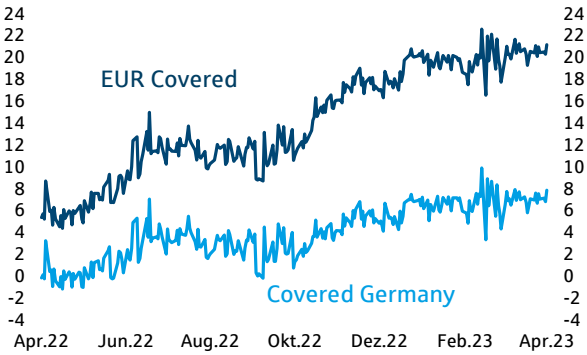
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Covered Bonds: Spread development

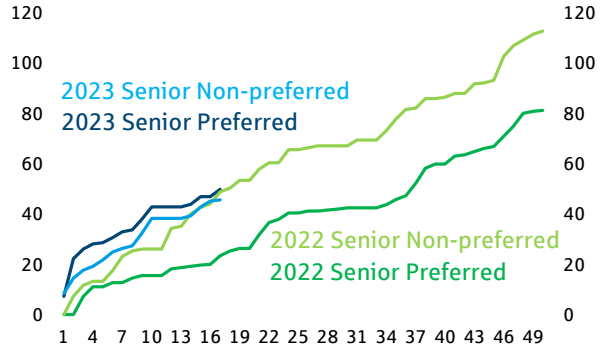
ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

Senior Primary volumes

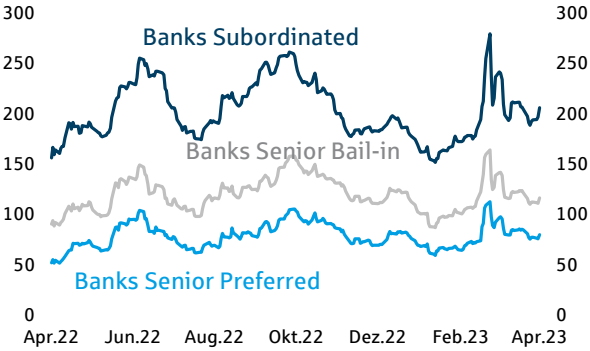
EUR benchmark issue volume cumulative by weeks, bn EUR



Sources: Bloomberg, Helaba Research & Advisory

Senior Unsecured: Spread development

ASW spread, bp



Sources: Bloomberg, Helaba Research & Advisory

News from Research & Advisory

- → Video: Sustainable Finance – ICMA & Helaba Talk 2023
- → Focus on Credits: Primary market update EUR benchmark bank bonds Q1 2023"
- → Focus on Credits: EUR Corporate bonds: Primary market Q1 2023
- → Focus on Credits: European banks: Déjà vu in a crisis environment?
- → Focus on Credits: Social and sustainability bonds: ICMA Principles - the freestyle element makes all the difference
- → European banks: An optimistic outlook for 2023
- → Focus on: Corporate Schuldschein: Burgeoning diversity creates new options for investors
- → Focus on: Primary Market update EUR Benchmark Bank Bonds Q4 2022
- → Focus on: Singaporean Covered Bonds - Top credit quality made in Asia
- → Markets and Trends 2023
- → Focus on credits - Basel III and the EU Council's position on the legislative package
- → Focus on: Sustainable Finance - The rendezvous clause

Team of authors



Sabrina Miehs, CESGA
Head of FI & SSA Research
Senior Advisor Sustainable Finance
T 069/91 32-48 90



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA Analyst
T 069/91 32-23 88

Publisher and editorial office

Helaba Research & Advisory

Editor:
Stefan Rausch
Corporate Research & Advisory

Responsible:
Dr. Gertrud R. Traud
Chefvolkswirtin/
Head of Research & Advisory

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

Disclaimer

This publication has been prepared with the greatest care. However, it contains only non-binding analyses and forecasts of current and future market conditions. The information is based on sources which we consider to be reliable, but for whose accuracy, completeness or up-to-dateness we cannot assume any liability. All statements made in this publication are for information purposes only. They must not be understood as an offer or recommendation for investment decisions.

Here you can subscribe to our newsletter:
https://news.helaba.de/research/