Helaba

Focus on: Credit
3 April 2024

Primary market update EUR benchmark bank bonds: Q1 2024

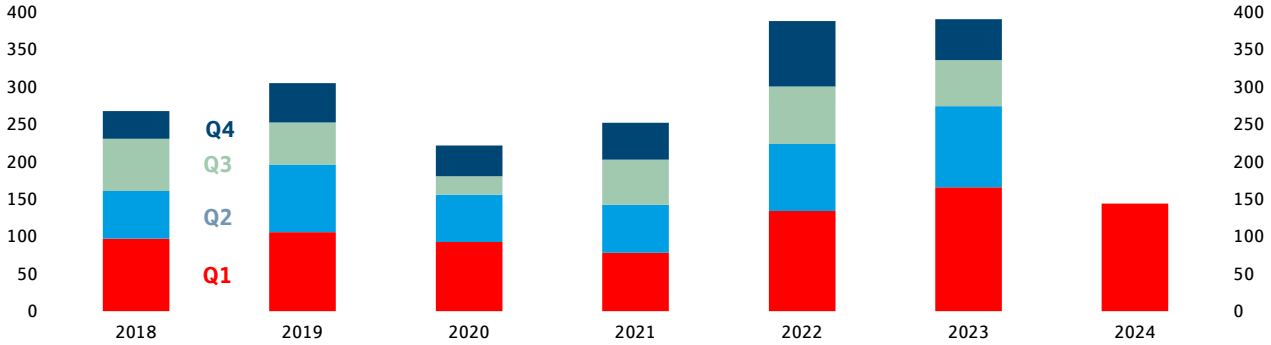
sk/ The volume of **EUR benchmark senior unsecured bank bonds** issued in the first quarter of 2024 **fell by 14% year-on-year to EUR 68bn**. However, 2023 was a record year. Compared to the average of the last eight years, the primary market volume in the first quarter of 2024 was around 30% higher. The year-on-year decline was **driven by preferred issuance**, which was around 40% lower than in the first quarter of 2023. In contrast, non-preferred issuance increased by a further 14% compared to the already very strong previous year, reaching a record level. While preferred issuance in January this year was well below the very strong level of last year and was particularly weak in February and March 2024, non-preferred issuance was comparatively robust in February and March. As a result, the proportion of fixed-to-floating securities driven by regulation rose from 43% in 2023 to 67% in the first quarter of 2024. As usual, the market was dominated by French banks, which are very active on the capital markets and have high capital requirements due to their size. It is also worth noting the rising proportion of floating-rate bonds (19% at last count) and the **increase in years to maturity**, both of which we believe reflect the changed interest rate environment.

For 2024 as a whole, we now expect issuance of up to EUR 200 bn (2023: EUR 206 bn). This is slightly lower than in our last **primary market update in January** (EUR 220bn), but still comparatively high. **High maturities** remain the main driver. In addition, customer deposits are declining as higher interest rates make investment alternatives more attractive. TLTRO refinancing is unlikely to play a major role now that the programme has largely been repaid to the ECB, as evidenced by the low level of preferred issues in the first quarter of 2024. For senior non-preferred issues, on the other hand, regulatory requirements will remain key. In the case of fixed-to-floating bonds, the maturities in 2025 are also likely to be relevant, as the bonds can be called before they lose their eligibility for the regulatory minimum capital ratio MREL one year before maturity (see **Regulatory call option for non-preferred bonds becomes standard**). Timing remains a challenge in the volatile and still crisis-ridden market environment, and open market windows will be actively used even at wider spread levels.

cs/ Covered bonds with a high volume of around EUR 75 bn were issued in the first quarter (same quarter last year: EUR 89 bn). This represents almost 47% of our annual forecast of EUR 160bn. This impressive quarterly result was

EUR benchmark issuance* Q1 2024: Another strong start to the year

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



* issuance volume of at least EUR 500 million

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

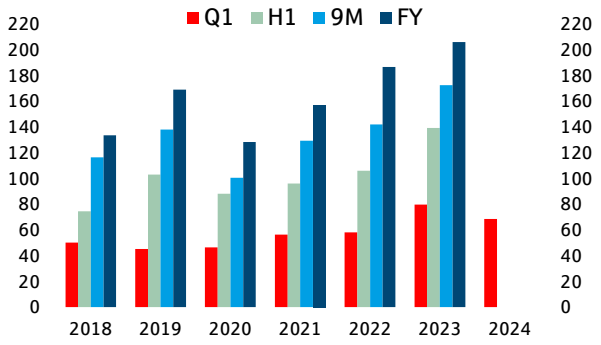
not expected by many market participants, including ourselves. A key reason for this is likely to have been the preferred use of collateralised paper by issuers following the redemption of bonds from the central banks' liquidity

programmes. The void left by the end of quantitative easing has been excellently filled by global asset managers. Overall, it is worth noting that the high number of new issues was well received by the market. A key theme was also the strong interest shown by buyers in bonds outside the "core" countries. Germany was the leading issuer with a share of 26%, followed by France (18%). Issuance from Italy (8%) increased, while Spain's performance was weaker than in the same period last year. The share of bonds with a sustainability component in the first quarter of 2024 was 10%, up from 8% in 2023. Primary market momentum is likely to slow in the second quarter, as has been the case regularly in recent years.

1. Senior unsecured bonds

Q1 2024: Slight decline at a high level

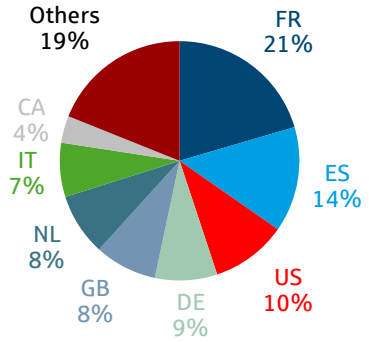
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

French banks remain in the lead

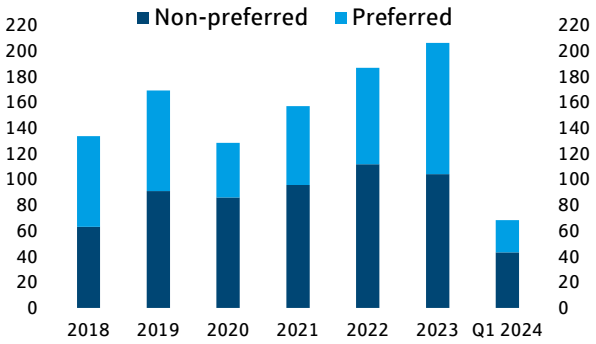
EUR billions (benchmark issuance volume by country, Q1 2024)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Non-preferred share rising to 63 %

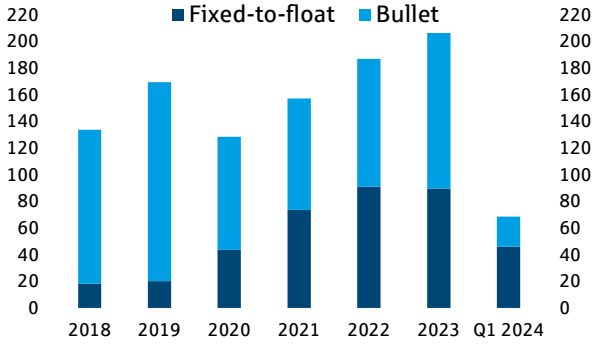
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Regulatory call option dominates

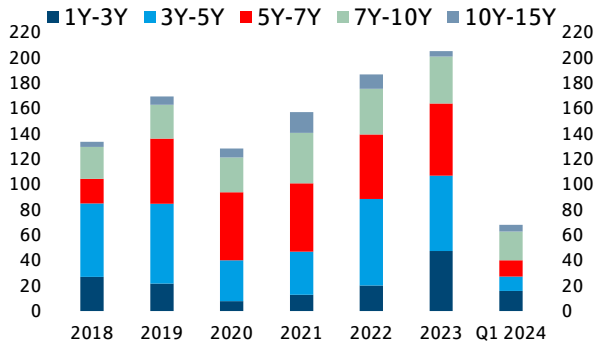
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Longer maturities gain in importance

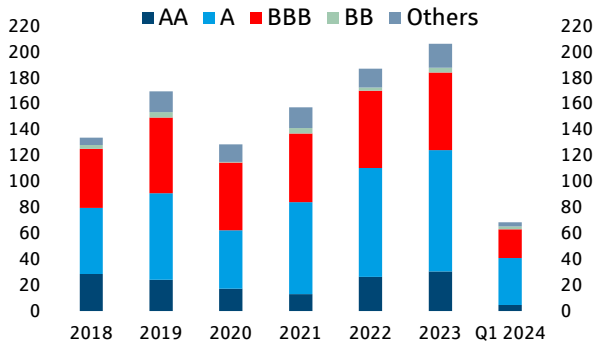
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Stable rating mix

EUR billions (benchmark issuance volume by rating*)

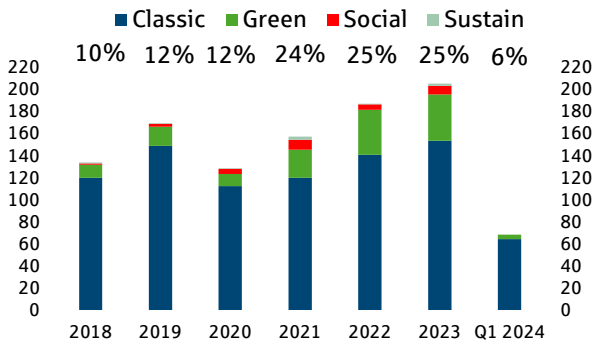


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of green emissions drops to 6%

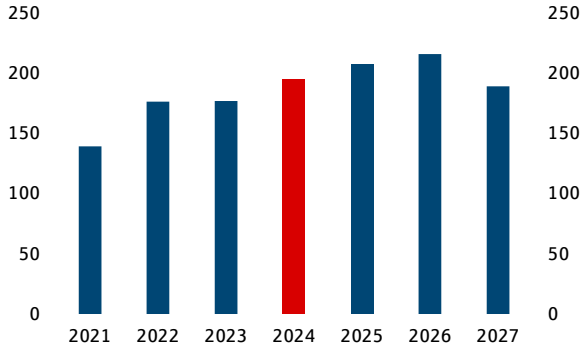
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High level of maturities in 2024*

EUR billions (benchmark maturity volumes)

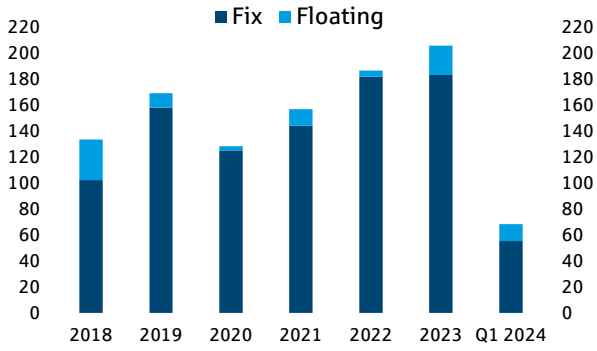


*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

Floaters regain their attractiveness

EUR billions (benchmark issuance volume by coupon type)

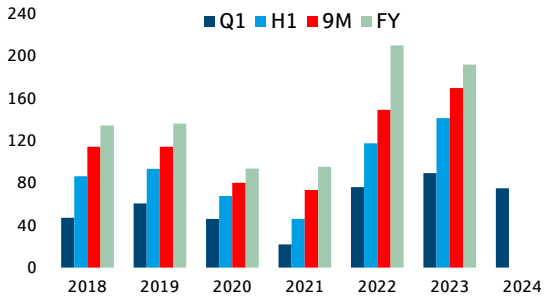


Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2. Covered Bonds

Issue volume surprisingly high in Q1

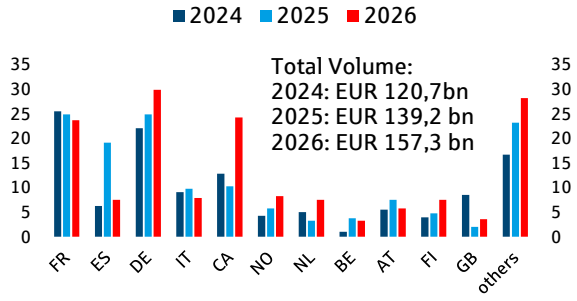
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2024 Maturities lower than last year (EUR 135.7bn)

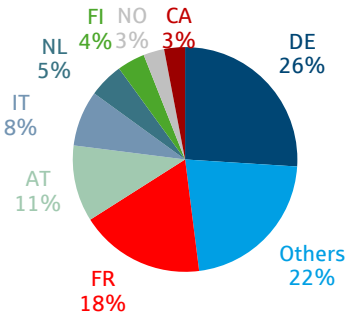
EUR billions (benchmark maturity volumes by country)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Germany continues to set the tone

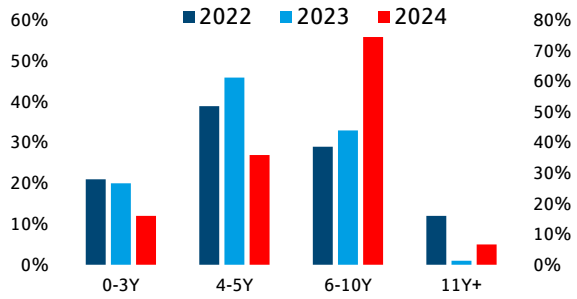
% (of benchmark issuance volume by country, Q1 2024)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Maturities of 6-10 years preferred

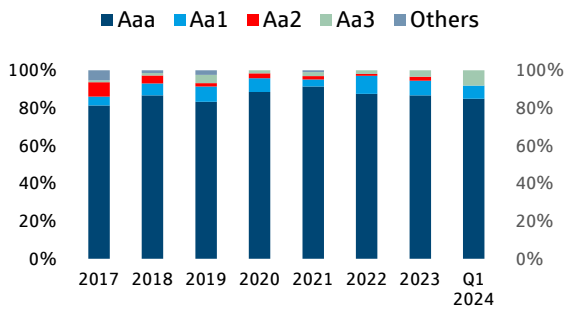
% (of benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Aaa ratings clearly in the majority

EUR billions (benchmark issuance volume by rating*)

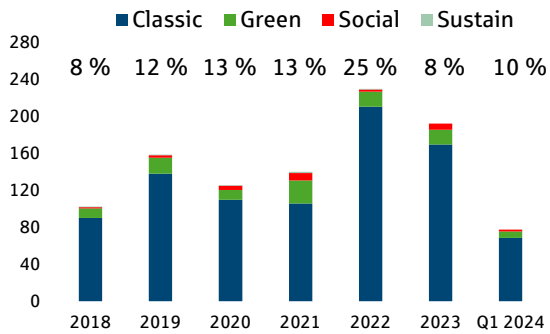


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable covered bonds: slight increase

EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

3. 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.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	47.7
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.6	56.7
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.9	36.9

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

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