



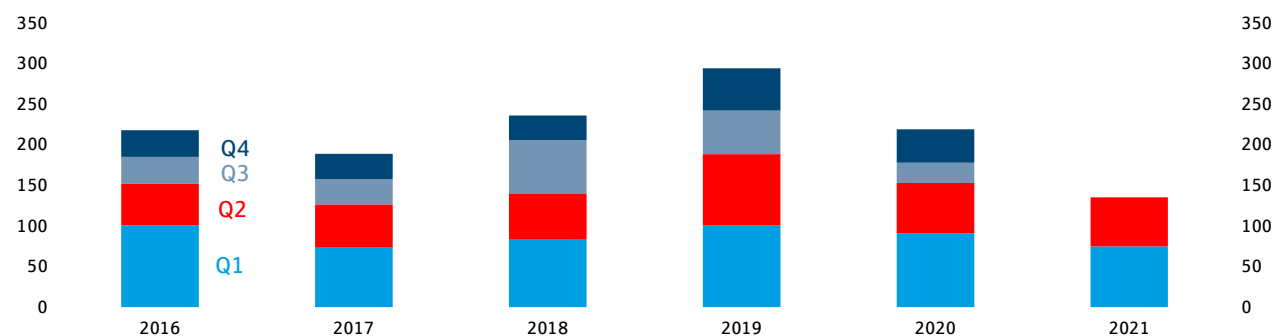
### Primary Market Update EUR Benchmark Bank Bonds: Non-preferred bonds buoyant, covered bond issuance still muted

- Senior unsecured issuance in the EUR benchmark format with fixed coupons amounted to EUR 36 billion in Q2, down 32 % from the strong opening quarter and 11 % versus the same quarter of 2020. Preferred issues had a somewhat mediocre quarter, while non-preferred issues proved very resilient, raising a total of EUR 22.8 billion. For the year to date, senior unsecured issuance has reached a record level of EUR 89 billion thanks to a very buoyant first quarter. Regulatory-driven non-preferred instruments were primarily responsible for this, accounting for 64 % of total issuance volume.

For 2021 as a whole, we now expect that last year's issuance volume of around EUR 125 billion will be significantly exceeded. Although activity is likely to ease off in the summer months while substantial customer deposits and liquidity provided by the ECB will continue to have a dampening effect going forward, MREL requirements that will apply from 2022 and anticipated negative rating migrations should ensure further buoyant non-preferred issuance. In addition, maturities are going to rise sharply in 2022, which means that pre-funding will remain an attractive option as long as the favourable market environment persists. The trend towards ESG issues, which accounted for as much as a quarter of issuance volume in the first half of 2021, is likely to continue. Moreover, there is a noticeable rise in the proportion of issues with a regulatory call option one year before final maturity.
- At EUR 24.3 billion, the issuance volume of covered bonds in the second quarter was once again markedly below comparable levels in previous years. As before, this relatively low level of activity is attributable to the extensive utilisation of ECB refinancing tenders. To the best of our knowledge, banks have retained covered bonds (with issuance volumes of more than EUR 50 million) in a total amount of around EUR 26 billion (Q1 2021: EUR 58 billion) and deposited them with the ECB for refinancing purposes. Overall, new issues in the first half of the year therefore only accounted for approx. 50 % of maturities in this period. In view of upcoming maturities of around EUR 45 billion for the remainder of 2021, we expect additional issuance of around EUR 20 to 25 billion. For this reason, we adhere to our forecast of a total issuance volume of some EUR 70 billion for the year as a whole. The Green and Social Covered Bond segment will see further growth. Although banks placed fewer sustainable EUR benchmark notes in the last three months than in the first quarter, the segment's share of total volume, at 15 %, is still above the previous year's figure of 9 %.

#### EUR benchmark\* issues Q2 2021: Buoyant market activity

EUR billions (fixed rate, covered and senior unsecured)



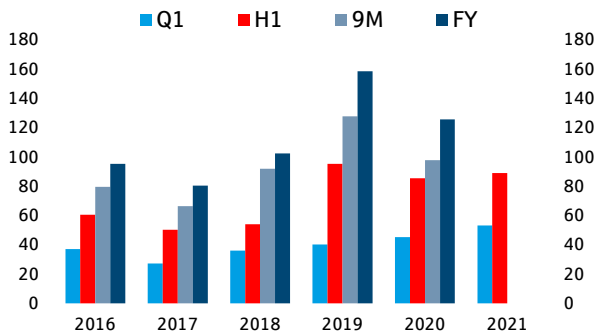
\* Issuance volume exceeding 500 m EUR

Sources: Bloomberg, Helaba Research & Advisory

# 1. Senior unsecured bonds with fixed coupons

## H1 2021: Solid start

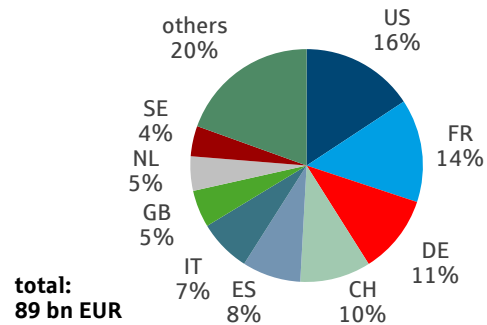
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

## Investment banking accounts for large share

% (issuance volume in H1 2021 by country)

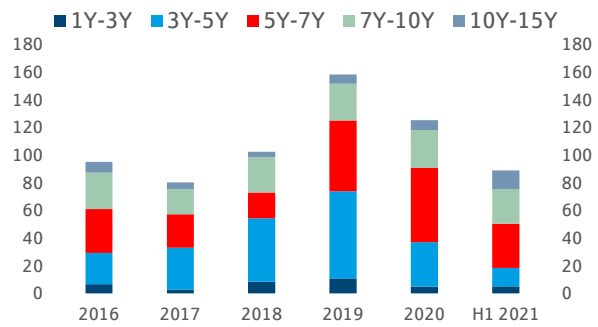


total: 89 bn EUR

Sources: Bloomberg, Helaba Research & Advisory

## Shift towards longer maturities

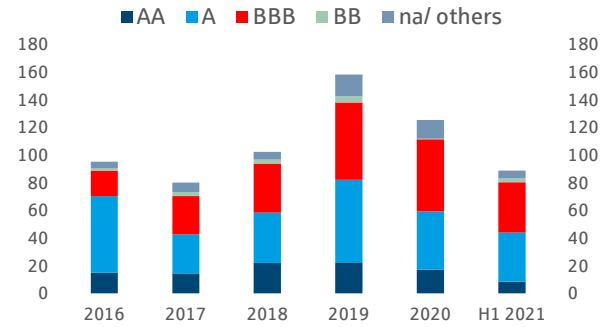
EUR-billions (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

## Stable rating mix in times of crisis

EUR-billions (issuance volume by rating\*)

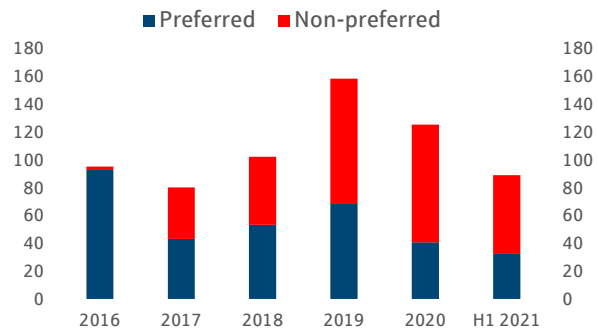


\* Moody's rating at issue.

Sources: Bloomberg, Helaba Research & Advisory

## Proportion of non-preferred at around 64 %

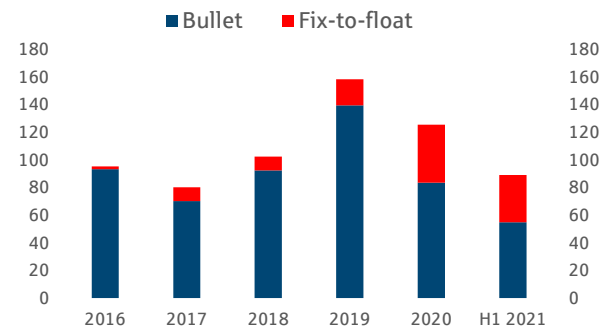
EUR-billions (issuance volume by payment rank)



Sources: Bloomberg, Helaba Research & Advisory

## Desire for regulatory call option

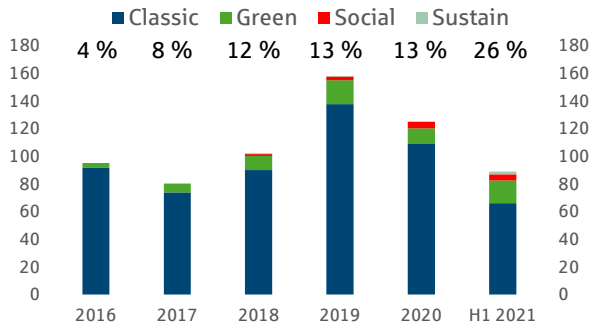
EUR-billions (issuance volume by maturity type)



Sources: Bloomberg, Helaba Research & Advisory

### Sustainable notes represent quarter of total issuance

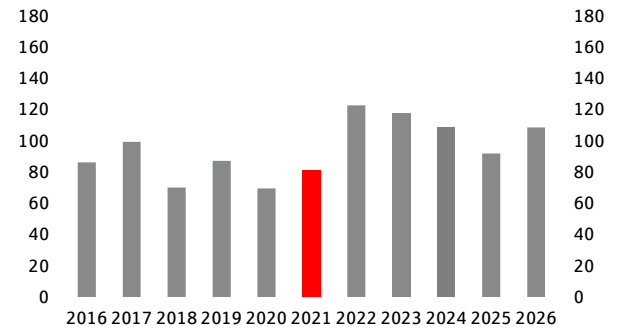
EUR-billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

### Maturities\* rise in 2021 by 16 % year-on-year

EUR billions (maturity volumes)

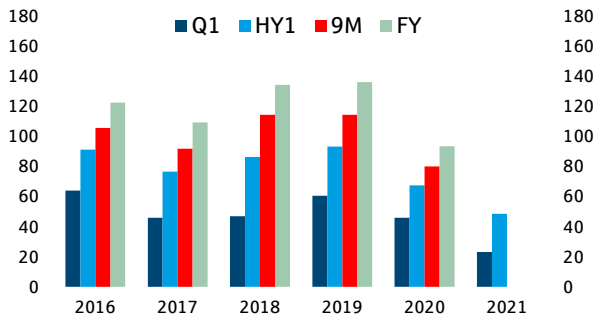


\* Definition varies slightly from new issues  
Sources: Bloomberg, Helaba Research & Advisory

## 2. Covered Bonds with fixed coupons

### Q2 2021: Issuance hits all-time low

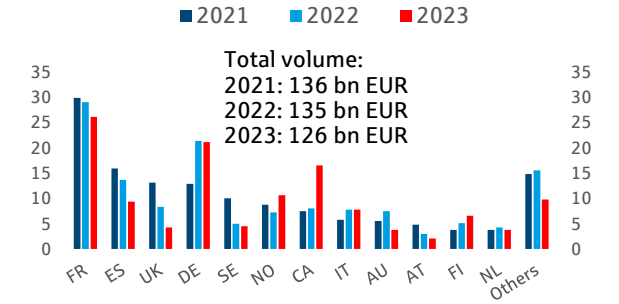
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

### High level of maturities in France

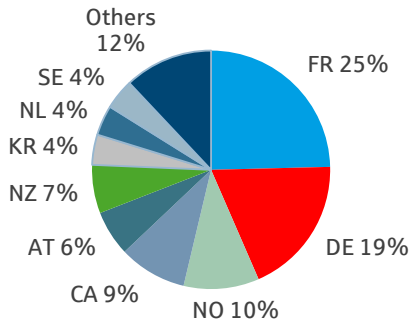
EUR billions (maturity volumes by country)



Sources: Bloomberg, Helaba Research & Advisory

### Broadly diversified issuance activity

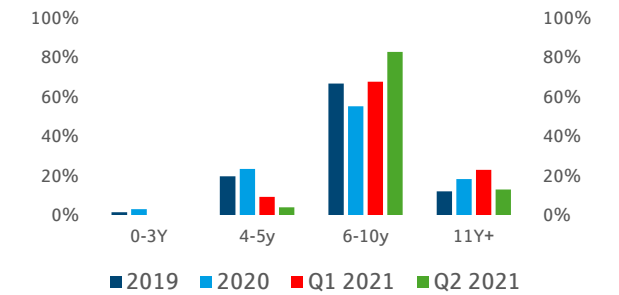
% (issuance volume in Q2 2021 by country)



Sources: Bloomberg, Helaba Research & Advisory

### Maturities concentrated on 6 to 10-year range

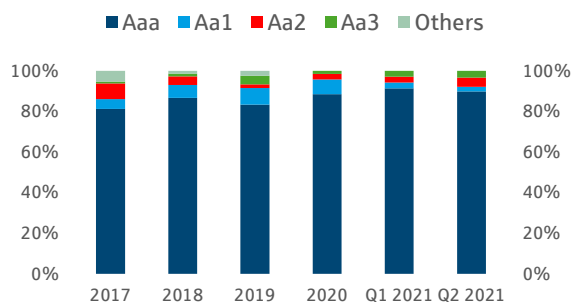
% (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

### 90 % of issues rated “Aaa”

%(issuance volume by rating\*)

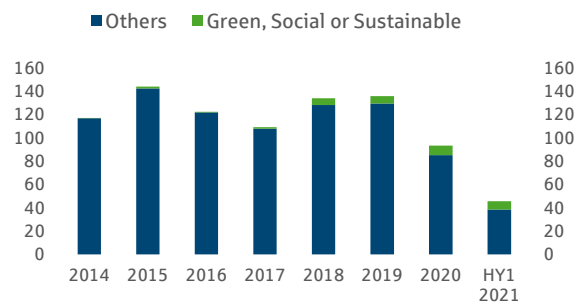


\*Moody's rating at time of issuance

Sources: Bloomberg, Helaba Research & Advisory

### Share of sustainable issues falls in Q2

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	3.4
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	97.7
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	115.0
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,308.4
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	174.5
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	50.4
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	330.4
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	109.8
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024		
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024		

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



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