

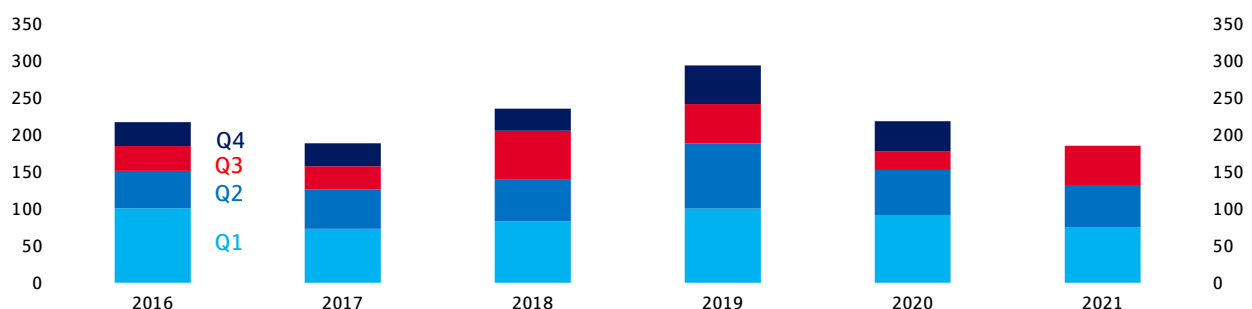


Primary Update EUR benchmark bank bonds: Surging ahead thanks to favourable market environment

- sk/ Issuance of euro-denominated, fixed rate **senior unsecured bank bonds** in benchmark format reached EUR 27.3 billion in the third quarter of 2021. Although this was 24 % below the solid second quarter, it was more than twice as high as the same quarter last year that was dominated by the Covid-19 crisis. With weak activity in July and August, as expected, there was a strong rebound in September. Banks took advantage of favourable market conditions, partly to secure advance financing. In addition, a few large-volume transactions, such as from Greece, also had a positive impact. Having already reached a level of EUR 116 billion in the year to date, we expect that total issuance volume this year will be significantly higher than the figure of EUR 125 billion achieved in 2020. Even in the medium term, issuance activity should remain very robust, as indicated by a survey of 160 banks conducted by the EBA on their funding plans up to the end of 2023. This suggests that the funding mix will return to normal as liquidity provided by the ECB is gradually scaled back and capital market activity picks up again. The regulatory requirements for bail-in capital are also a key factor. Despite this, participation in the final TLTRO-III tranche in December may rise, especially if banks from the euro area periphery with relatively substantial refinancing needs want to secure longer-term funds once again. For banks with stable credit ratings that have already made extensive use of the programme to generate lucrative additional income, however, the remaining tranche is unlikely to play any significant role.
- sam/ Q3 also saw euro-denominated **covered bond issues** in benchmark format reach the same level of EUR 27.3 billion, boosting this year's aggregate volume after a weak first half to EUR 73.35 billion. This third quarter figure was considerably above the EUR 12.6 billion issued in the third quarter last year, which was adversely affected by the crisis, and was even the third highest Q3 volume for seven years. It was marked both by large-volume issues from France and Canada as well as numerous issues from Germany, in addition to two first-time issuers from Canada and Italy. As with unsecured bank bonds, favourable conditions on the market are likely to have spurred banks' robust issuance activity. At the same time, five issuers completed preparations to raise funds using sustainable bonds and placed their first green and social covered bond. With a volume of EUR 4.95 billion, these sustainable notes accounted for as much as 16.9 % of EUR issuance in the third quarter. Despite the strong rebound in Q3, this year's total volume of EUR benchmark issues is extremely unlikely to match last year's level of EUR 92.6 billion. Many banks have probably already finalised their issuance plans for this year and there have only been a limited number of redemptions of ECB funds raised in March and June 2020.

EUR benchmark* issues Q3 2021: Market remain robust

EUR billions (fixed rate, covered and senior unsecured)



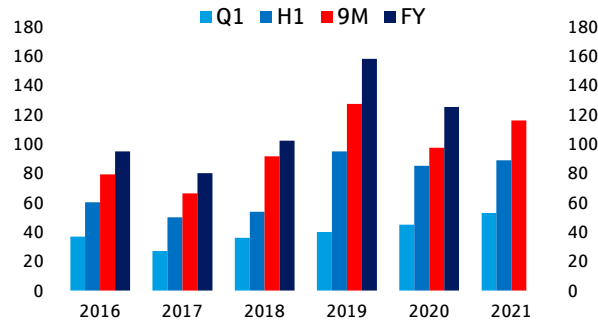
* Issuance volume exceeding 500 m EUR

Sources: Bloomberg, Helaba Research & Advisory

Senior unsecured bonds with fixed coupons

Q3 2021: Taking a seasonal breather

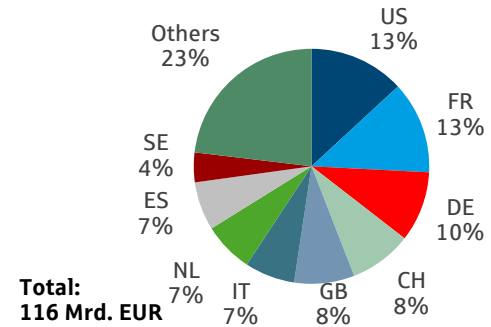
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

Large proportion of banks active on capital markets

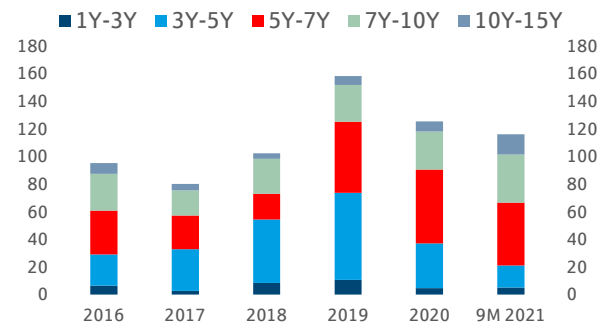
% (issuance volume in H1 2021 by country)



Sources: Bloomberg, Helaba Research & Advisory

Longer durations feature among issues

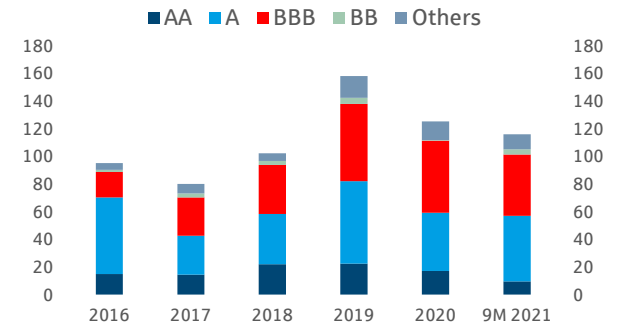
EUR-billions (issuance volume by maturity)



Sources : Bloomberg, Helaba Research & Advisory

Rating mix not affected by crisis

EUR-billions (issuance volume by rating*)

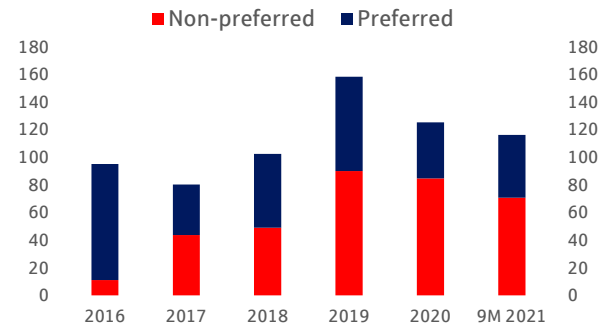


* Moody's rating at issue.

Sources: Bloomberg, Helaba Research & Advisory

Share of non-preferred notes at around 60 %

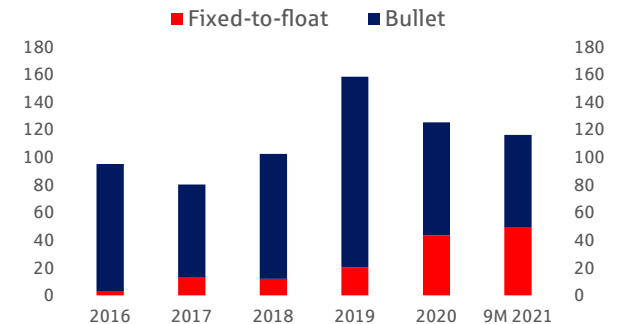
EUR-billions (issuance volume by payment rank)



Sources: Bloomberg, Helaba Research & Advisory

Regulatory call option popular

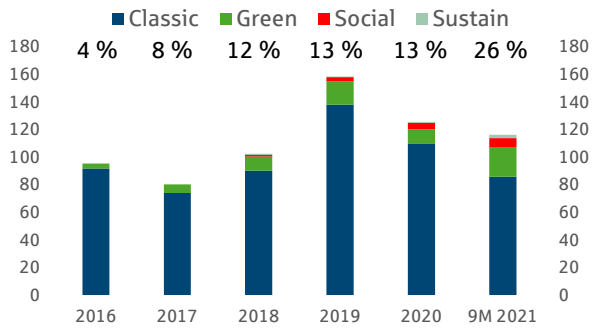
EUR-billions (issuance volume by maturity type)



Sources: Bloomberg, Helaba Research & Advisory

Quarter of total issuance sustainable

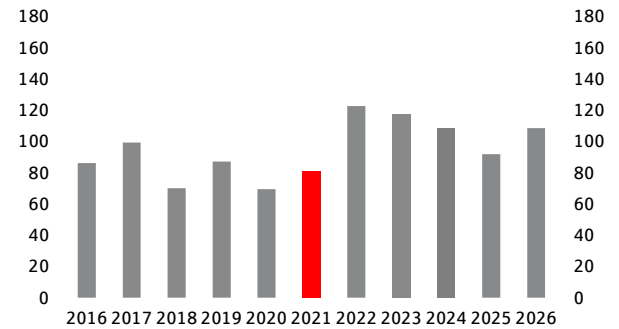
EUR-billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

Prospect of sharp increase in maturities*

EUR billions (maturity volumes)



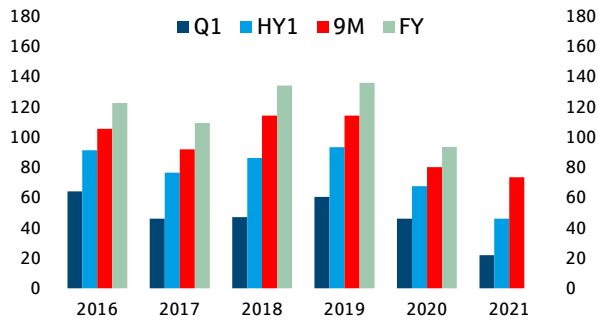
* slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

1. Covered Bonds with fixed coupons

Q3 2021: Issuance rebounds strongly

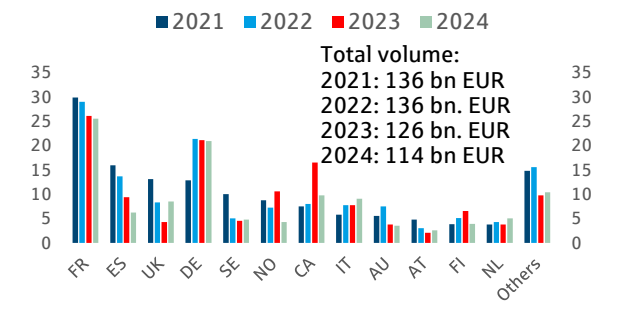
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

High level of maturities in France

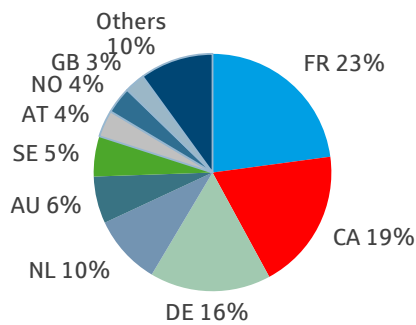
EUR billions (maturity volumes by country)



Sources: Bloomberg, Helaba Research & Advisory

Large volumes from French and Canadian banks

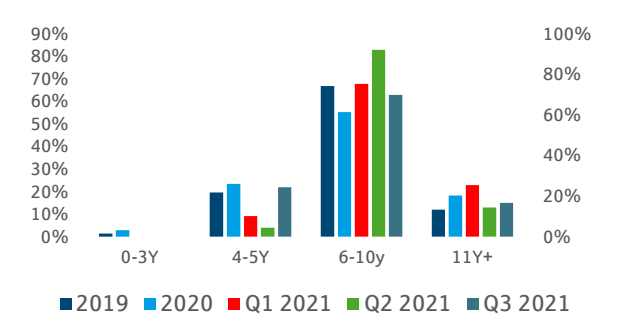
% (issuance volume in Q3 2021 by country)



Sources: Bloomberg, Helaba Research & Advisory

Durations return to more even distribution in Q3

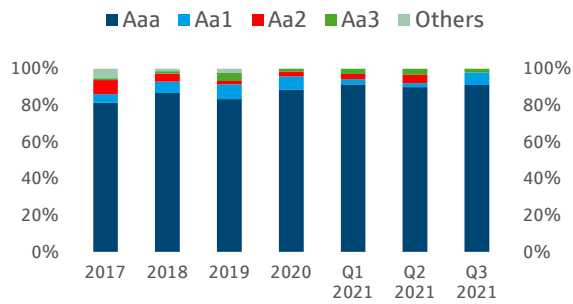
% (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

90 % of issues rated 'Aaa'

% (issuance volume by rating*)

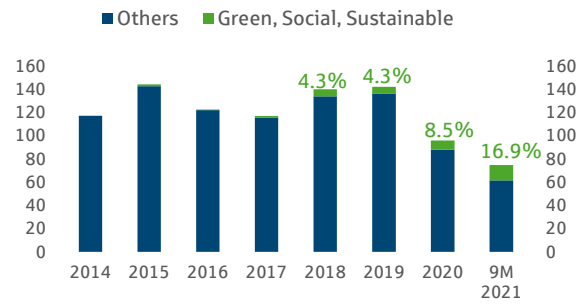


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba Research & Advisory

Impressive share of sustainable issues in 2021

EUR billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

2. 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	2.1
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	85.2
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	96.7
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,261.5
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	173.2
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	330.1
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		

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



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