

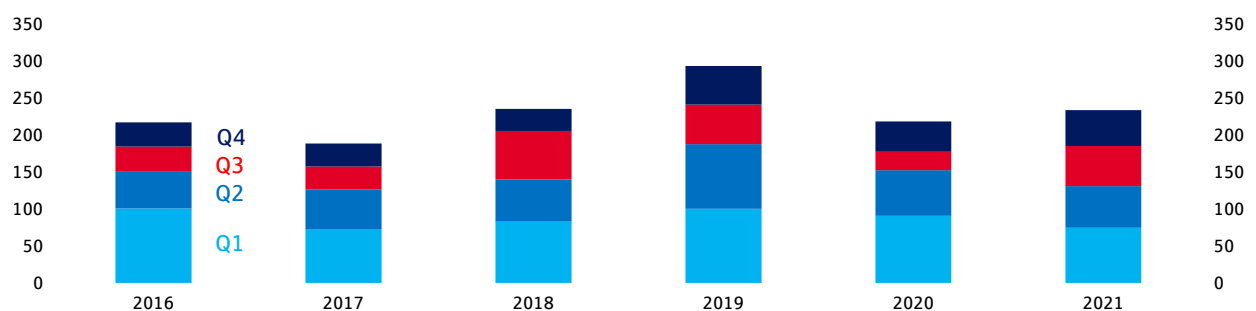


Primary Market Update EUR benchmark bank bonds: 2021 ends on high note

- sk/ At around EUR 27 billion, the volume of **new euro-denominated senior unsecured benchmark issues** with fixed coupons in Q4 2021 once again reached a very respectable level, despite strong issuance activity during the year. As far as 2021 as a whole is concerned, total issuance of EUR 143 billion was surprisingly high, particularly given that expectations had already been revised upwards, and represented a 14 % increase on the prior-year figure. In our view, favourable refinancing costs, a further increase in regulatory bail-in capital and an anticipated rise in maturities were the principal drivers behind this development. In addition, banks tapped the ECB's targeted long-term refinancing operations (TLTRO-III) to a lesser extent than in the previous year. **Our analysis suggests that the primary market volume may yet again exceed the EUR 140-billion mark in 2022.** In particular, the pressure of mounting refinancing costs, which recently stood at all-time lows, as well as the expiry of special conditions for TLTROs in June 2022 are both likely to play a key role here. This will be compounded by other factors: requirements for bail-in capital will remain high and maturities, e.g. in France and the United Kingdom, are set to rise sharply. For US banks, however, euro-denominated issues should remain an attractive source of funding. Furthermore, a persistently high level of customer deposits and subdued demand for corporate lending could have a slight negative impact on issuance activity. From June 2022, large institutions with exchange-traded issues will have to disclose their ESG risks, which should further boost the issuance of sustainable notes.
- sam/ **Covered bonds** closed out 2021 with a positive fourth quarter. The volume of euro-denominated benchmark issues in the final three months amounted to EUR 21.8 billion, bringing the total volume raised in 2021 to EUR 95.2 billion - narrowly topping the previous year's primary market volume of EUR 93.5 billion. In a similar vein to unsecured bank bonds, banks' robust issuance activity is likely to have been motivated by the attractive market environment. At the same time, another issuer in the shape of the Yorkshire Building Society (UK) finalised its preparations for using social bonds to raise funding. With a volume of EUR 3.8 billion, the total volume of sustainable bonds accounted for as much as 17 % of total issuance in Q4. Although significant drawdowns of TLTRO-III funding will continue to dampen public placements on the supply side in **2022**, as banks still have ample liquidity at their disposal, the ECB did not decide to launch any additional TLTRO programme in December and the TLTRO-III rate of -1 % is due to expire in June 2022. As a result, the primary market volume of euro-denominated benchmark covered bonds should reach **the upper end of between EUR 110 and 120 billion**. While this would surpass the 2021 figure, it is likely to be below corresponding maturities of EUR 136 billion due to pre-financing activities in the autumn of 2021 as well as the knock-on effects of ECB measures.

EUR benchmark* issues Q4 2021: Market activity remains strong

Volume of EUR benchmark issues (fixed, covered and uncovered) in EUR billions

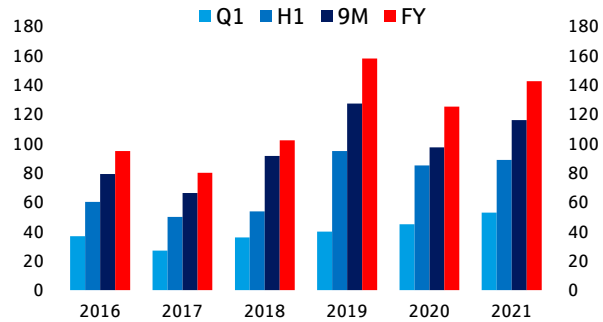


*issuance volume of at least EUR 500 million
Sources: Bloomberg, Helaba Research & Advisory

1. Senior unsecured bonds with fixed coupons

Q4 2021: Extremely solid final quarter

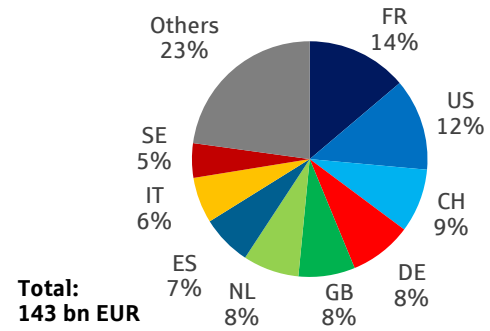
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

French banks lead the way

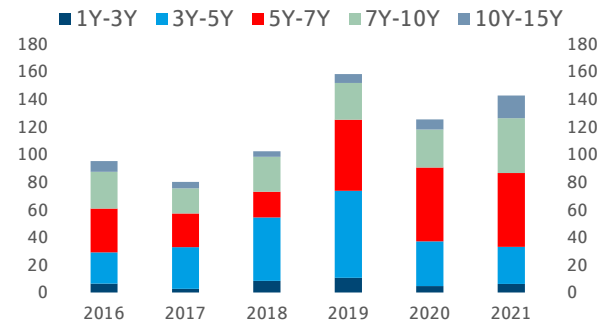
% (issuance volume in 2021 by country)



Sources: Bloomberg, Helaba Research & Advisory

Some banks opting for longer durations

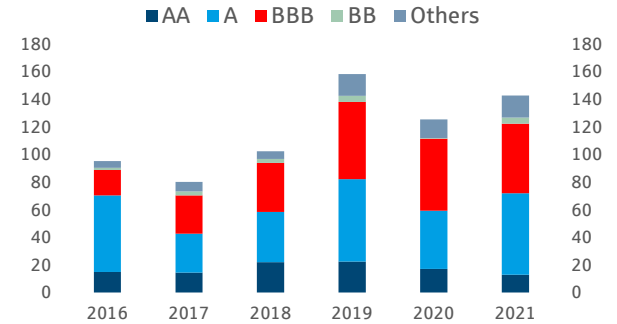
EUR billions (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

Rating mix not affected by crisis

EUR billions (issuance volume by rating*)

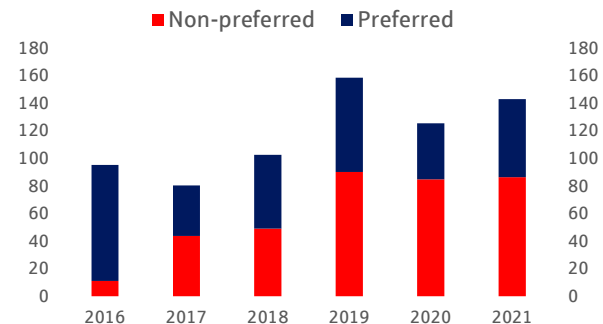


*Moody's rating at time of issuance.

Sources: Bloomberg, Helaba Research & Advisory

Share of non-preferred notes at around 60 %

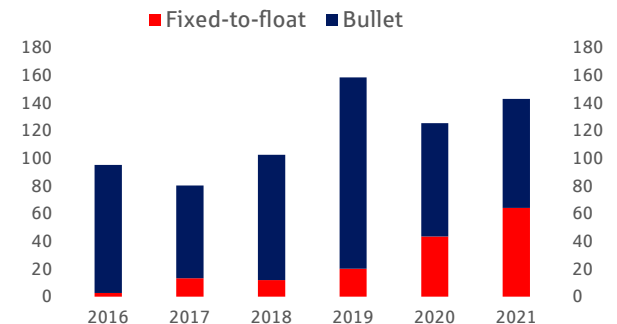
EUR billions (issuance volume by payment rank)



Sources: Bloomberg, Helaba Research & Advisory

Regulatory call option popular

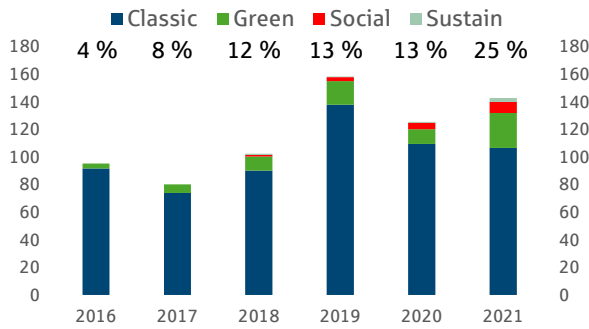
EUR billions (issuance volume by maturity type)



Sources: Bloomberg, Helaba Research & Advisory

Quarter of total issuance sustainable

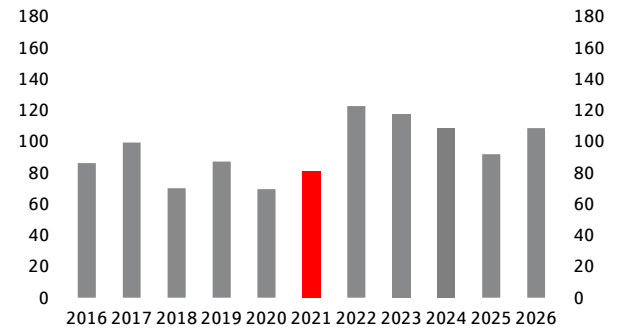
EUR billions (issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba Research & Advisory

Prospect of sharp increase in maturities*

EUR billions (maturity volumes)



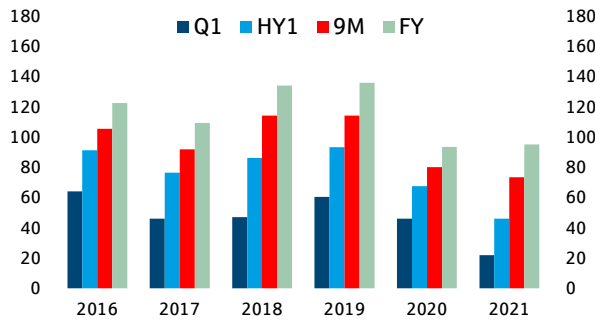
*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

2. Covered Bonds with fixed coupons

Year-on-year rise thanks to Q4 issues

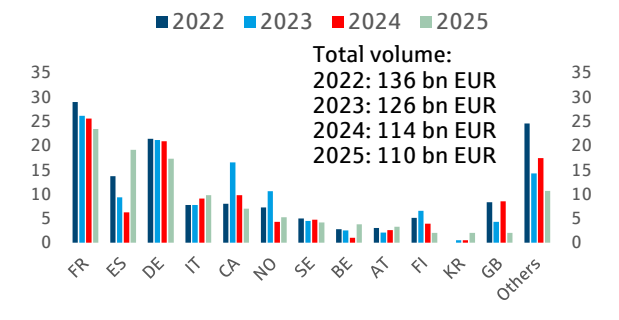
EUR billions (cumulative issuance volume)



Sources: Bloomberg, Helaba Research & Advisory

High volume of maturities in 2022

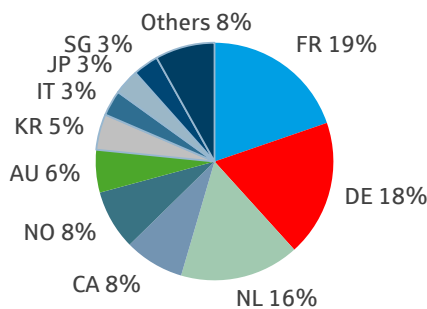
EUR billions (maturity volumes by country)



Sources: Bloomberg, Helaba Research & Advisory

Asian issues among top ten countries in Q4 2021

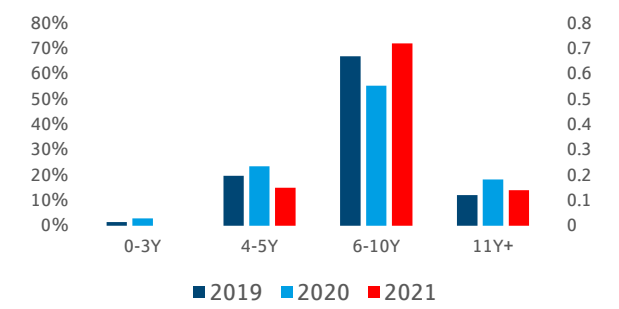
% (issuance volume in Q4 2021 by country)



Sources: Bloomberg, Helaba Research & Advisory

Average duration of 7.7 years in Q4 2021

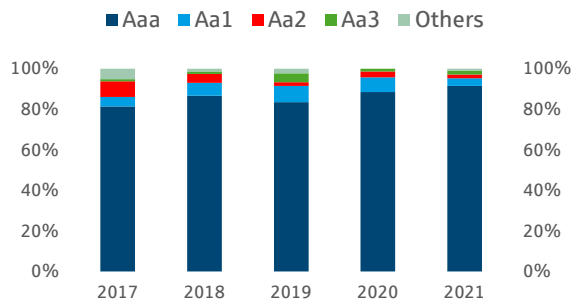
% (issuance volume by maturity)



Sources: Bloomberg, Helaba Research & Advisory

Highest proportion of 'Aaa' ratings for years

(issuance volume by rating*)

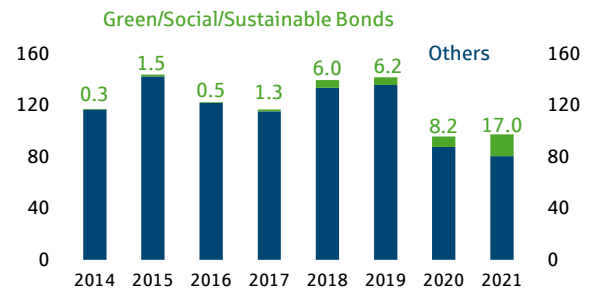


*Moody's rating at time of issuance

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

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	2.0
TLTRO-III.2	12.12.2019	18.12.2019	29.09.2021	21.12.2022	97.7	83.9
TLTRO-III.3	19.03.2020	25.03.2020	29.09.2021	29.03.2023	115.0	95.2
TLTRO-III.4	18.06.2020	24.06.2020	29.09.2021	28.06.2023	1,308.4	1,216.8
TLTRO-III.5	24.09.2020	30.09.2020	29.09.2021	27.09.2023	174.5	161.8
TLTRO-III.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	49.3
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	51.97	51.98

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



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