Helaba

Focus on: Credit
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Senior unsecured bank bonds: Primary market update Q4 2024

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The primary market for senior unsecured bank bonds in euro-denominated benchmark format **slowed down significantly in the fourth quarter of 2024**. At EUR 24 billion, the volume of new issuance fell to around half of that placed in Q3 2024 and was 28 % down on the fourth quarter of 2023. Compared to the average of the final quarters of the last six years, primary market volume in Q4 2024 was approximately 21 % lower.

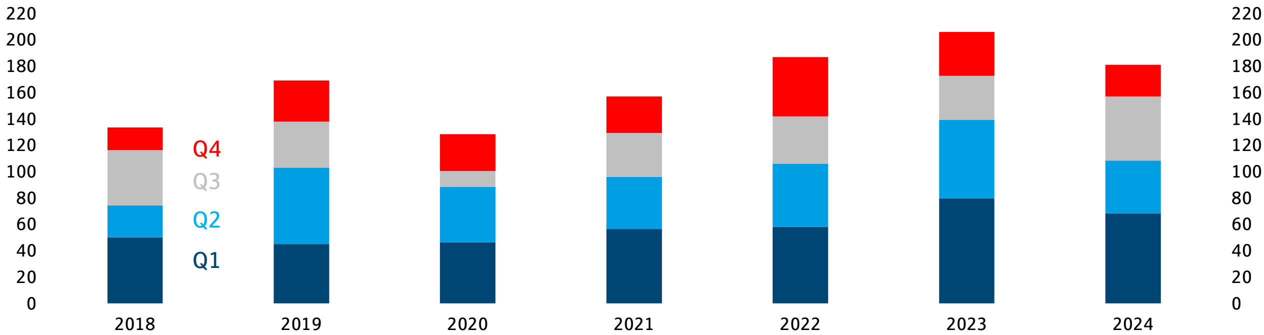
For **2024 as a whole, new issuance volume amounted to EUR 181 billion**, with a very solid opening quarter and a weak second quarter followed by a strong third quarter. Overall, while there was no repeat of the previous two years' record levels, it was still a strong year for issuance. With **rising maturities** as the principal driver, the need to **refinance the high level of TLTRO funds repaid to the ECB** in 2023 also contributed to this performance.

Regulatory requirements continue to be a key factor: The volume of senior non-preferred bonds (SNP bonds) grew by a further 6 % year-on-year to EUR 111 billion in 2024, while preferred issues fell by 31 % to EUR 70 billion. Consequently, the share of SNP bonds as a proportion of total issuance rose from 51 % in 2023 to 61 % in 2024. Higher SNP maturities were likely a major factor in this regard. In terms of banks' business activity, the sluggish growth in deposits due to more attractive alternatives at higher interest rates, had a supportive effect on primary market activity - while lacklustre demand for credit had the opposite effect.

In terms of geographical distribution, high volumes were **mainly issued by banks in France, Spain and the United Kingdom**. Topping the rankings as usual were French banks, which have a very active presence on the capital markets and are subject to stringent capital requirements due to their size, closely followed by Spanish institutions. A striking observation is the **proportion of floating-rate notes** (19 %) and the **increase in maturities**, both of which we believe are a result of the current interest rate environment.

EUR benchmark issues* Q4 2024: Little activity

EUR benchmark issuance volume (unsecured, fixed and floating) in EUR (billions)



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

Based on our analysis, 2025 is set to be **another strong year for issuance** of senior unsecured bank bonds in euro-denominated benchmark format. Our projections suggest **a volume of around EUR 200 billion**, with the main impetus coming from a **further rise in maturities**. In addition, growth in customer deposits is likely to remain fairly muted as alternative investment opportunities become more attractive again. Beyond this, having previously bottomed out, we expect a rebound in demand for credit at lower interest rates. At the same time, **regulatory requirements** will remain an important factor for SNP issuance. Although the minimum MREL ratios have been reached, a high level of maturities here has also become a key driver and is leading to higher refinancing activity.

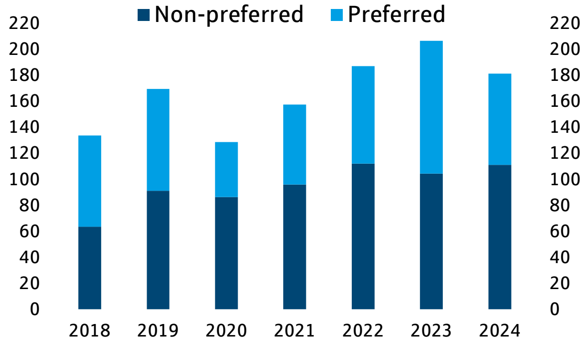
While the introduction of a general depositor preference across the EU should have only a limited impact on the credit quality of preferred bonds, institutions may issue additional preferred debt to offset this (see our publication **Large European banks: Revision to insolvency ranking of preferred bonds**). Continued high spread levels on covered bonds may prove favourable for opportunistic PS issuance, as the latter's risk premium relative to covered bonds has narrowed considerably. However, **TLTRO redemptions will no longer play any role** – the final tranche was repaid to the ECB on 18 December 2024.

Although a part of the 2025 maturities has already been pre-financed, it is likely that pre-financing activity will increase once again, at the latest from the second quarter of 2025, due to a further rise in maturities in 2026. Fix-to-float bonds maturing in 2026 are relevant even now as they can be called before they lose their eligibility to count towards the Minimum Requirement for Own Funds and Eligible Liabilities (MREL) one year before maturity (see our publication **Regulatory call option for non-preferred bonds becoming standard**).

The share of primarily regulatory-driven SNP bonds as a proportion of the total issuance volume could reach around 50 %. In a market environment that remains volatile amid ongoing crises, finding the **right timing will continue to pose a challenge**. Even at elevated spread levels, banks will make full use of any windows of opportunity that arise.

Share of non-preferred bonds rises significantly to 61 %

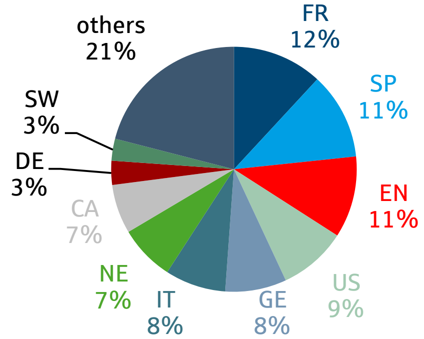
EUR benchmark issuance volume by payment rank in EUR (billions)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

French and Spanish banks dominate issuance

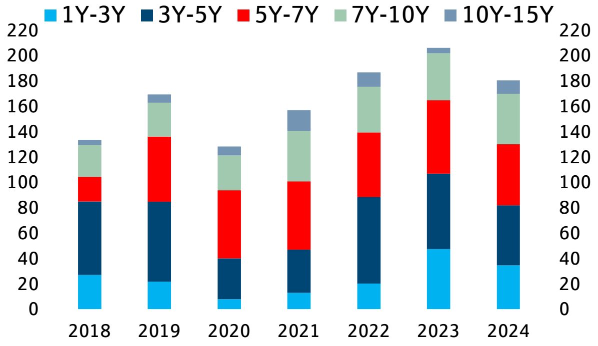
EUR benchmark issuance volume 2024 by country



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Significance of longer maturities on the rise

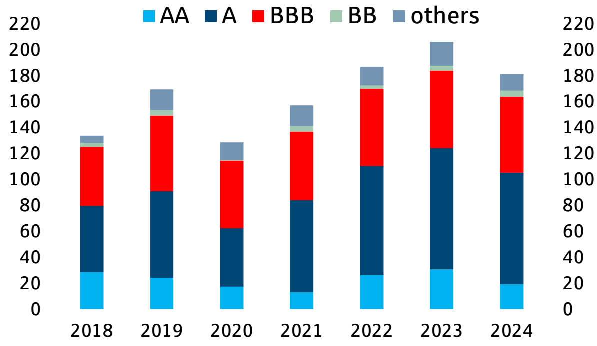
EUR benchmark issuance volume by maturity in EUR (billions)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Stable rating mix

EUR benchmark issuance volume by rating* in EUR (billions)

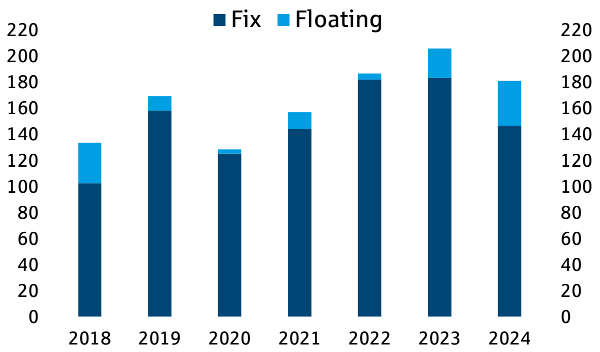


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Floaters become more attractive again

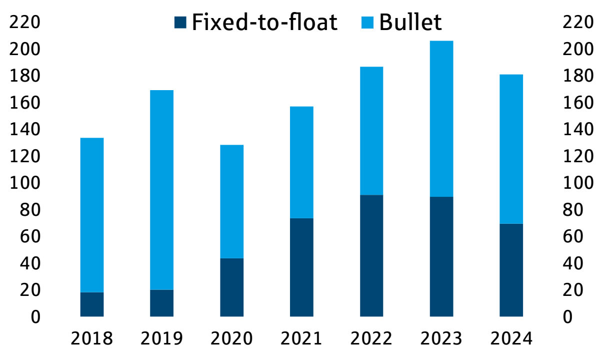
EUR benchmark issuance volume by coupon type in EUR (billions)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Regulatory call option remains popular

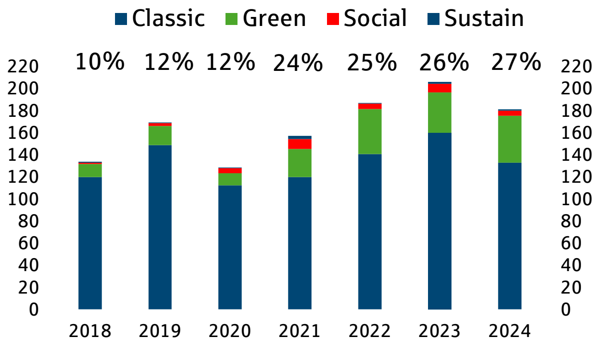
EUR benchmark issuance volume by maturity type in EUR (billions)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Slightly higher share of green issues

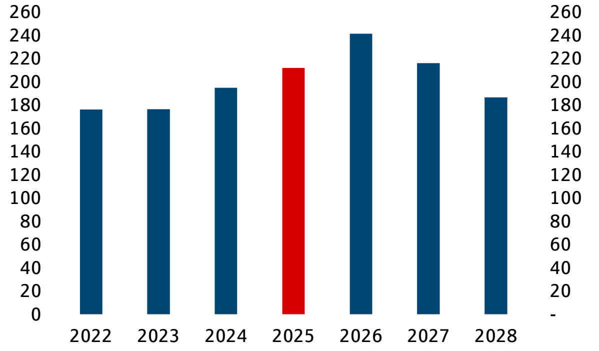
EUR benchmark issuance volume by ESG criterion in EUR (billions)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High level of maturities in 2025*

EUR benchmark maturity volumes in EUR (billions)



*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

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