



Primary market update EUR benchmark bank bonds: Q3 2023

sk/ The primary market for **senior unsecured bank bonds is heading for a new record in 2023**. EUR benchmark **issuance in the first nine months was around EUR 173bn**, 22% higher than the already strong previous year. The disruption between 10 March and 4 April due to the banking turmoil originating in the US and Switzerland seems almost forgotten; the first two quarters in particular contributed to the record volume. In the third quarter of 2023, issuance was down 44% sequentially, reflecting the usual seasonal pattern driven by the summer lull. However, the primary market volume of €33bn in Q3 was a solid 14% above the average of recent years (since 2016).

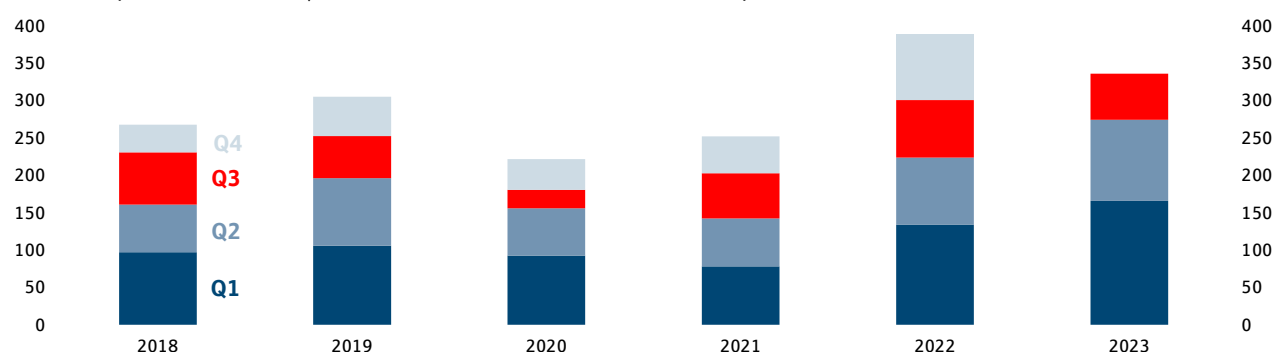
Unsurprisingly, French banks, which are very active on the capital markets and have high regulatory requirements due to their size, continued to dominate the scene. The **share of green paper rose by 1 percentage point quarter-on-quarter to 24%** of issuance in the third quarter. In the current interest rate environment, floaters are becoming more important for issuers. Furthermore, as we expected, there has been a slight shift from non-preferred to preferred paper (around 50% in 9M2023 after 40% in FY2022): In our view, TLTRO repayments and comparatively tighter spreads argued for refinancing in senior preferred (see our annual forecast in the [Primary Market Update Bank Bonds of 5 Jan 2023](#)).

We feel confirmed in our expectation of an extremely strong issuance year for senior unsecured bank bonds in 2023. In particular, long maturities and increasing competition for customer deposits in a rising interest rate environment are driving new issuance. However, following the strong issuance so far this year, we expect issuance to be subdued in the remaining weeks of the year and therefore confirm our **unchanged estimate of around EUR 190 bn for 2023 as a whole**.

cs/ On a nine-month basis, **covered bond** issuance was unusually high at around EUR 170 bn, again surpassing the previous year's record (same period) of around EUR 165 bn. Momentum in the primary market is expected to slow in the final quarter, not least because September was the weakest issuance month since 2016. The ongoing widening of spreads shows no signs of reversing and issuers have recently found it increasingly difficult to fill their order books despite very respectable new issue premiums. The lower Bund swap spread is also having a negative impact on yields. Transactions related to TLTRO redemptions are likely to have been largely completed and we believe that the majority of issuers have already reached their issuance target for this year.

EUR benchmark issuance* 9M 2023: On a record course

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



*issuance volume of at least EUR 500 million

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

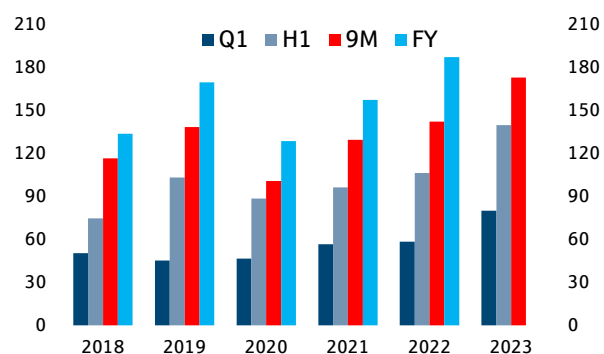
As in the previous quarter, maturities in the 4-5 year window continued to dominate. By country, Germany led the way with a share of around 27%. At around 10%, the ESG share was slightly above last year's average (8%).

We are well on track with our forecast of EUR 175bn for the year and do not expect this to be significantly exceeded.

1. Senior Unsecured Bonds

9M 2023: Exceptionally strong year

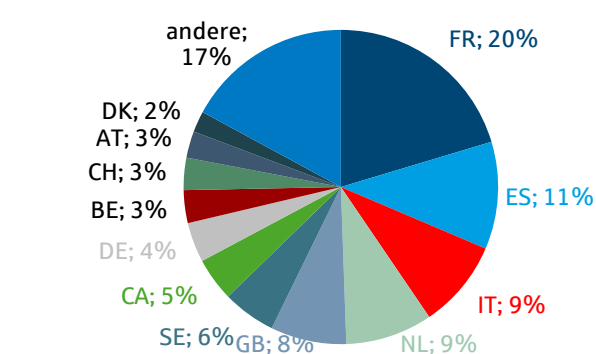
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

French banks remain ahead

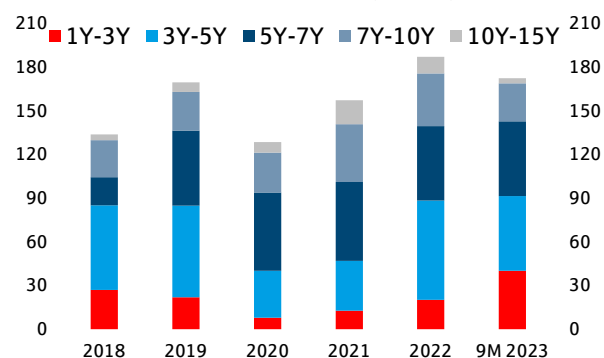
EUR billions (benchmark issuance volume by country, 9M 2023)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Shorter maturities gain in importance

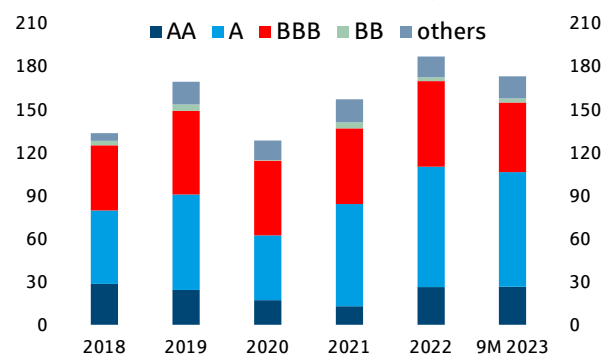
EUR billions (benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Stable rating mix

EUR billions (benchmark issuance volume by rating*)

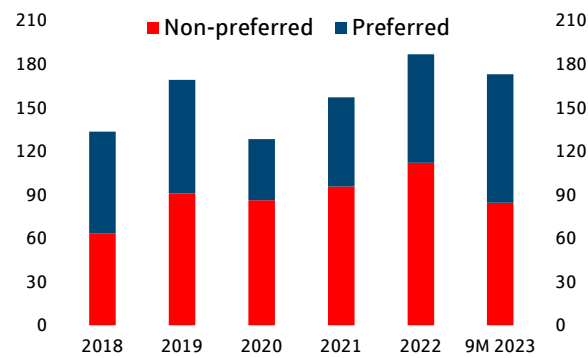


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Share of non-preferred remains 49 %

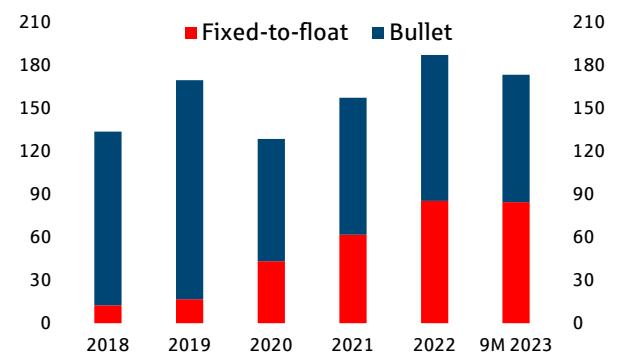
EUR billions (benchmark issuance volume by payment rank)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Preference for regulatory call option

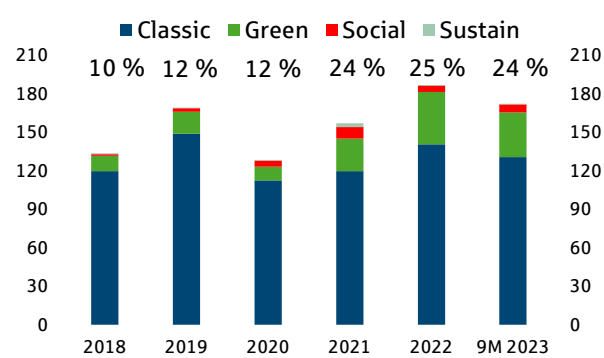
EUR billions (benchmark issuance volume by maturity type)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable notes account for 24 % of total issuance

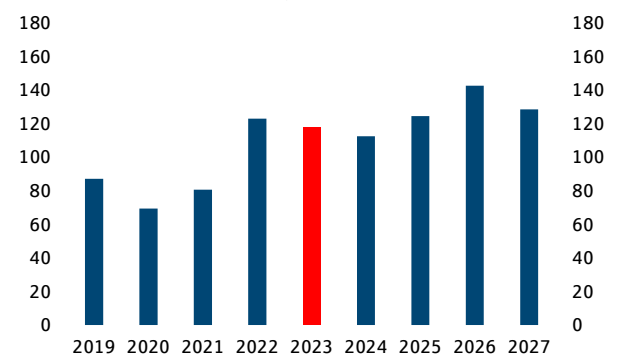
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

High level of maturities in 2023*

EUR billions (benchmark maturity volumes)

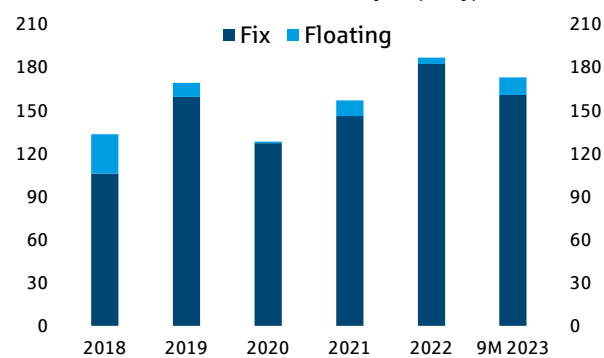


*slight deviation from new issues

Sources: Bloomberg, Helaba Research & Advisory

Variable interest rates attractive again

EUR billions (benchmark issuance volume by coupon type)

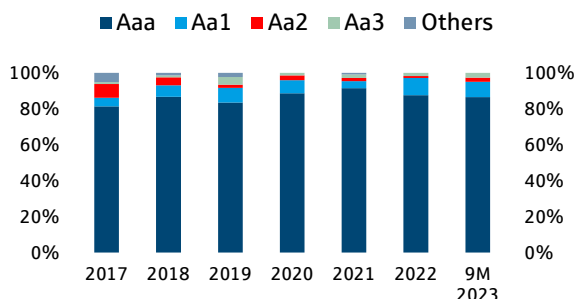


Quellen: Bloomberg, Helaba DCM, Helaba Research & Advisory

2. Covered Bonds

Aaa ratings dominate

EUR billions (benchmark issuance volume by rating*)

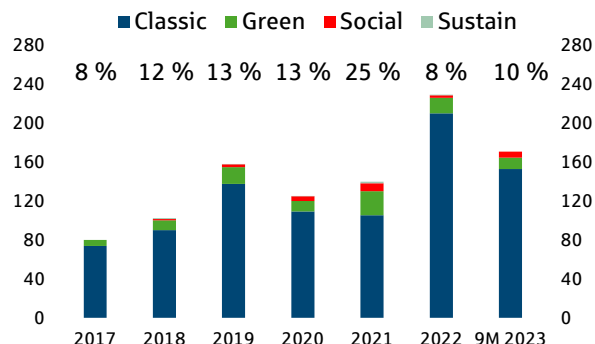


*Moody's rating at time of issuance

Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Sustainable covered bonds: slight increase

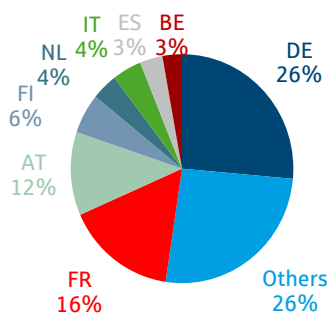
EUR billions (benchmark issuance volume by ESG instrument indicator)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Germany remains the benchmark

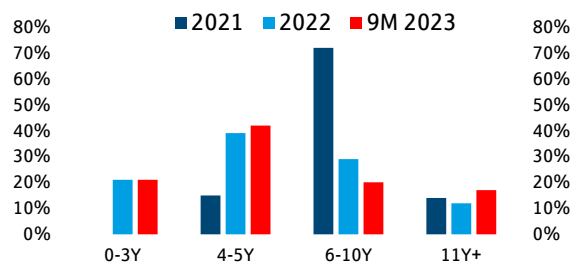
% (of benchmark issuance volume by country, 9M 2023)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Maturities of 4-5 years en vogue

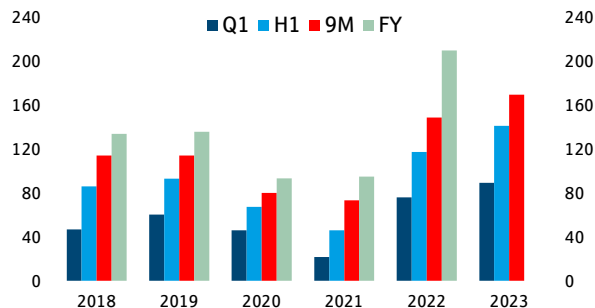
% (of benchmark issuance volume by maturity)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

Issuance volume exceeds previous year's record

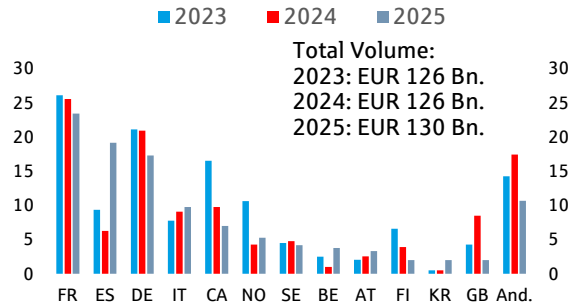
EUR billions (cumulative benchmark issuance volume)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

2023 Maturities lower than previous year

EUR billions (benchmark maturity volumes by country)



Sources: Bloomberg, Helaba DCM, Helaba Research & Advisory

3. ECB's targeted longer-term refinancing operations

TLTRO III: Relatively limited use of repayment options

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.6	10.12.2020	16.12.2020	22.12.2021	20.12.2023	50.4	37.3
TLTRO-III.7	18.03.2021	24.03.2021	30.03.2022	27.03.2024	330.5	257.6
TLTRO-III.8	17.06.2021	24.06.2021	29.06.2022	26.06.2024	109.8	64.2
TLTRO-III.9	23.09.2021	29.09.2021	29.06.2022	25.09.2024	97.6	89.7
TLTRO-III.10	16.12.2021	22.12.2021	29.06.2022	18.12.2024	51.9	42.4

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



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Authors



Dr. Susanne Knips
Senior Credit Analyst
T 069/91 32-32 11



Christian Schmidt
Covered Bond & SSA
Analyst
T 069/91 32-23 88

Publisher and editor

Helaba Research & Advisory

Editor

Sabrina Miehs

Corporate Research & Advisory

Publisher

Dr. Gertrud R. Traud

Chief Economist /

Head of Research & Advisory

Neue Mainzer Str. 52-58

60311 Frankfurt am Main

Germany

Tel. +49 69/91 32-20 24

Internet: <http://www.helaba.de>

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