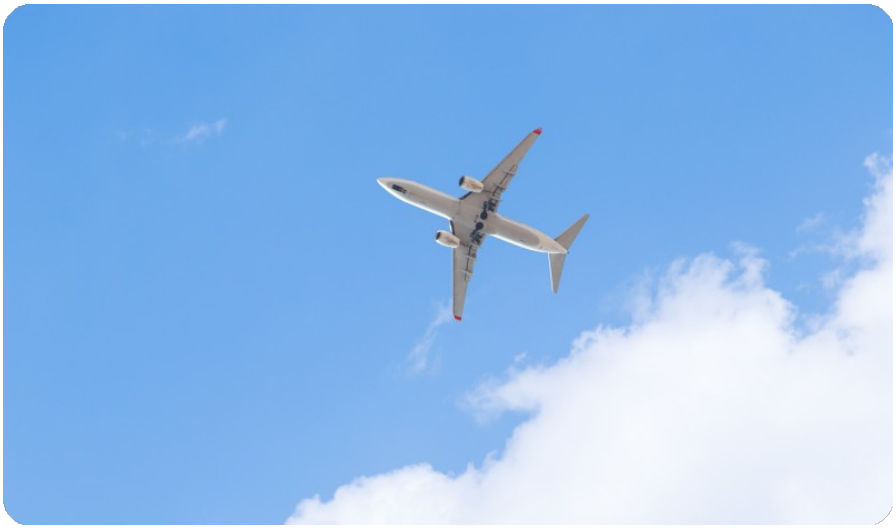
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Bank bond supply to stay at cruising altitude in 2027

We expect EUR bank bond supply to reach €450bn in 2027. Redemptions remain the main driver of the high supply, but the modest macroeconomic outlook is not expected to push supply up any further. We foresee covered bond issuance reaching €185bn, senior unsecured bond supply at €210bn and another €55bn in subordinated bank bonds to be printed



High redemption volumes are expected to keep EUR bank bond supply elevated in 2027

Variables driving next year's bank bond supply

We expect EUR bank bond supply to reach €450bn in 2027, down slightly from the €455bn forecast for 2026. In our view, several variables will be steering next year's issuance.

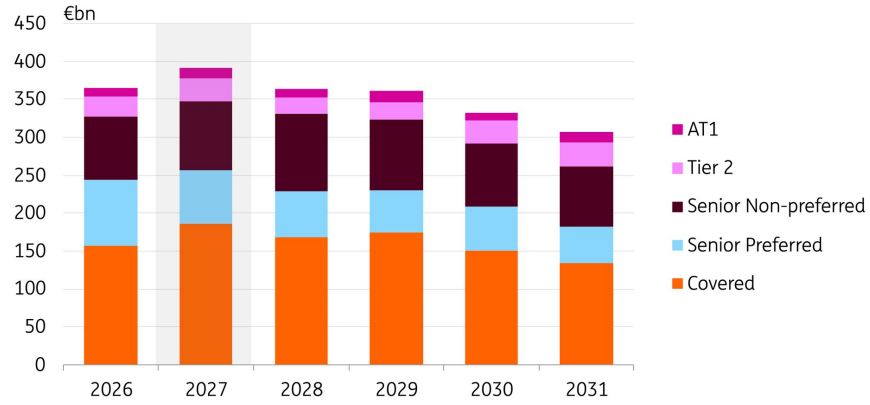
Redemptions will remain the central driver of the elevated 2027 bank bond supply forecast. Nearly €400bn of bonds mature in 2027, up €30bn year-on-year and the highest level in a decade. The increase is especially significant in the covered bond segment where €186bn will mature, a historic high.

The subordinated segment will also rise, with redemptions totalling €45bn, up about €6bn from 2026. Of this total, €31bn is in Tier 2 instruments and €14bn in AT1s. The senior unsecured segment will partially offset these increases, with total redemptions reaching more

than €162bn, down from more than €170bn recorded this year. The majority stems from senior bail-in bonds (senior non-preferred or senior HoldCo) with more than €90bn and an additional €71bn maturing in senior preferred instruments.

Despite diverging trends across segments, elevated redemption volumes remain the main driver of bank issuance in the euro bond primary market, as institutions refinance maturing instruments.

Bank bond redemptions per segment

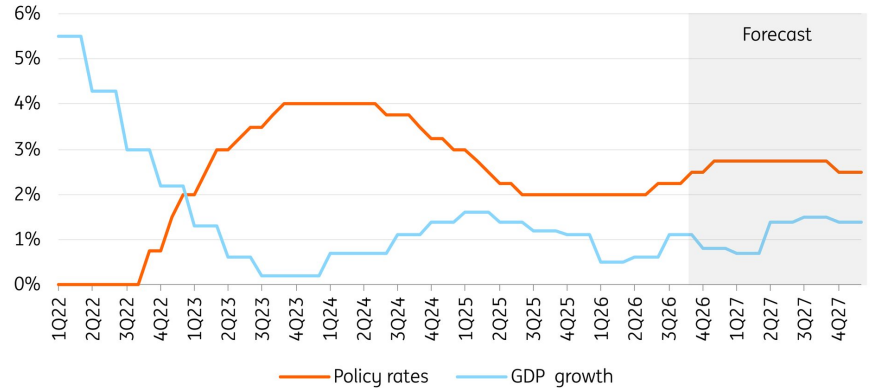


Source: ING

While high redemption levels point to stronger supply in 2027, other factors also play a role, such as the macroeconomic environment. Eurozone GDP growth is forecast to increase slightly in the second half of next year to reach 1.5%, still well below levels seen after the pandemic.

Furthermore, our economists pencil in an additional European Central Bank rate hike in 2026, bringing policy rates to 2.75% in early 2027. The higher interest rate environment is not expected to support lending growth, especially as geopolitical instability remains. As a result, we do not see the modest macroeconomic backdrop acting as a catalyst for bank bond supply in 2027.

Policy rates and GDP growth forecasts



Source: ING

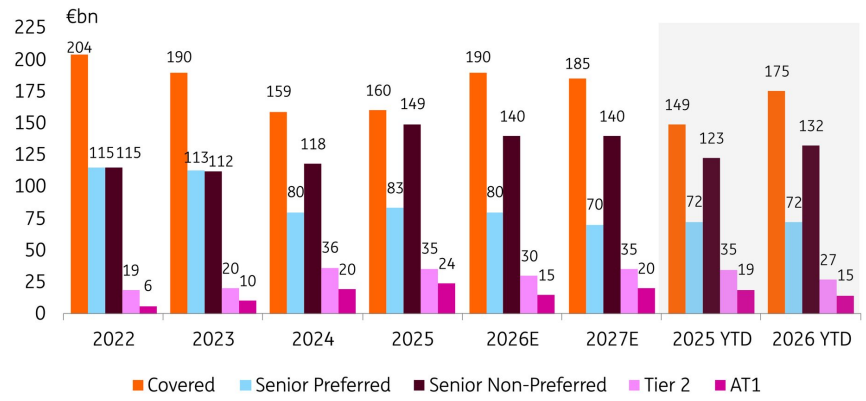
Asset swap spread levels initially proved very resilient to geopolitical instability and related economic changes this year. Despite some volatility in March, following the outbreak of the US-Israel conflict with Iran, spread levels recovered quickly and reached levels close to their historic low. However, a broader escalation of the conflict across the Middle East, coupled with the absence of a clear path to resolution, could put further pressure on spreads.

In addition, budget and political concerns in France and OAT-Bund volatility, as well as broader European fiscal concerns, have recently led to spreads widening again. The combination of French political uncertainty and the Middle East conflict could trigger some periods of volatility in the market in 2027. However, we believe these uncertainties will not be a strong negative for bank bond supply. Depending on the timing, though, periodic widening may make financial institutions less keen to pre-fund redemptions coming up in 2028.

Our 2027 supply forecast

When accounting for these three main variables, we expect the EUR bank bond supply to reach €450bn in 2027. This translates into a net supply of €57bn, down from €89bn in 2026.

Forecast EUR bank bond supply for 2027



Source: ING

YTD = 16/10

Our estimate includes €185bn in covered bonds, comprising €180bn in benchmark-sized issuances, including floating rate notes, and €5bn in sub-benchmark bonds. This is a €5bn drop versus our 2026 forecast. It reflects the pre-financing already made by issuers this year in preparation for the historically high redemptions.

Furthermore, next year's mortgage lending forecasts point to stagnation, somewhat limiting any further increase in covered bond issuance. Besides, with the securitisation package entering its finalisation stage, issuers with high funding needs may shift some secured issuance towards securitisation for diversification purposes. Increasing demand for covered bonds from overseas investors driven by regulatory developments may also result in more currency diversification, away from EUR-denominated issuance.

We forecast senior unsecured supply to reach €210bn next year. This is split between €70bn in senior preferred bonds and €140bn in senior bail-in instruments. It represents a €10bn YoY decline in senior preferred supply, reflecting both the drop in the segment's redemptions from 2027 onwards and the potential impact of the Crisis Management and Deposit Insurance (CMDI) framework. As the CMDI reforms are expected to enter into force in 2028, they could reduce the attractiveness of senior preferred bonds versus senior bail-in instruments in some EU countries, as senior preferred exposures will rank lower than, and no longer pari passu to, uncovered deposits in the creditor hierarchy. The funding cost advantage of senior preferred unsecured issuance could decline. At the same time, issuing senior non-preferred bonds could serve the purpose of increasing the bail-inable layer protecting preferred senior bonds and their current ratings. This could shift some issuers' focus towards the senior non-preferred bucket instead of the senior preferred segment.

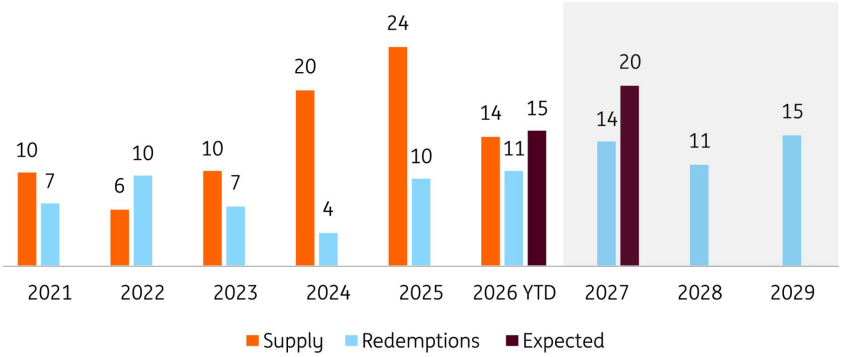
Our forecast for senior non-preferred supply remains stable compared to our 2026 estimate. While redemptions will increase by €6bn in 2027 and further in 2028 to reach €102bn, we believe the impact of higher refinancing needs on non-preferred senior supply will be partially offset by the lack of balance sheet growth against the backdrop of higher interest rates. Furthermore, the outperformance of US dollar debt versus EUR-denominated debt could see issuers turn more often towards the USD market, potentially negatively affecting EUR senior bail-in supply.

Lastly, we expect Tier 2 supply to reach €35bn and AT1 supply to reach €20bn in 2027. This is a €5bn increase YoY in both AT1 and Tier 2 compared to our 2026 forecast, mainly driven by higher redemption levels. With AT1 redemptions in 2027 increasing by €3bn YoY to €14bn, net supply is likely to be marginally higher next year. In Tier 2, redemptions increase by €4bn to €31bn, essentially meaning that net supply will only be marginally higher.

As the chart below highlights, net supply in AT1 has been significant in recent years but has

slowed this year as the focus has shifted towards refinancing. As such, while we expect more AT1 supply next year compared to 2026, the levels are relatively in line with the longer-term trend.

Forecast EUR AT1 supply (€bn)



Source: ING

The main driver of supply will also be refinancing for subordinated capital. We expect a further marginal decline in CET1 buffers, although most banks are already operating at target AT1 and Tier 2 ratios. Still, there are some issuers with substantial gaps in either AT1 or Tier 2 ratios, which they may look to improve, leading to a slight increase in supply.

Significant Risk Transfer (SRT) issuance has also increased in recent years and will continue to grow as a tool for banks in terms of balance sheet and capital management, while it is also growing as an investable asset class. Although SRTs provide capital and RWA relief, they do not replace the gone-concern and loss-absorption capacity of AT1 and Tier 2 instruments. As such, they play a more complementary role in capital management, and we do not expect it to have a major impact on bank capital issuance in 2027.

Bank M&A could also be a wildcard for 2027 issuance. With several large M&A transactions potentially taking place, this may lead to some capital optimisation and less incremental supply needs; conversely, goodwill effects, potential regulatory increases in buffer requirements or RWA inflation may lead to a slight increase in the need for capital. However, on the whole, we would expect M&A to have a slight dampening effect on supply.

Finally, spreads are currently quite elevated, and coupons on new issues are generally higher than legacy bonds maturing or callable in 2027. This may also lead to a more wait-and-see approach from issuers, but we still think that most issuers will continue to drive their capital plans as in previous years.

Forecast EUR bank bond supply for 2026

	FY 22	FY 23	FY 24	FY 25	FY 26F	FY27F	2025 YTD	2026 YTD
Covered bonds	**204**	**190**	**159**	**160**	**190**	**185**	**149**	**175**
Covered redemptions	*143*	*126*	*117*	*134*	*157*	*186*		
Bank senior unsecured bonds	**230**	**225**	**198**	**233**	**220**	**210**	**195**	**204**
Preferred senior unsecured	115	113	80	83	80	70	72	72
Bail-in senior unsecured	115	112	118	149	140	140	123	132
Senior unsecured redemptions	*174*	*142*	*127*	*142*	*172*	*162*		
Bank subordinated bonds	**25**	**30**	**56**	**60**	**45**	**55**	**54**	**42**
Tier 2 debt	19	20	36	35	30	35	35	27
Additional Tier 1 debt	6	10	20	24	15	20	19	15
Bank capital redemptions	*31*	*24*	*18*	*37*	*37*	*45*		
Total bank supply	**459**	**445**	**413**	**452**	**455**	**450**	**397**	**421**

Source: ING

YTD = 16/10

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