

AT1s benefit from diminishing supply

22nd April

Following the record setting low reset level for the perpetual deal from [Rabobank](#) recently — the first AT1 deal since late February — further issuance this year may see that milestone being challenged as most AT1s with calls this year have already been refinanced and the market may be facing a lack of supply, which may drive reset levels even lower.

Rabobank's Baa3/BBB rated perpetual deal (callable from December 2033) has a reset spread from the call set at MS+257.8bps, surpassing the previous record set by [Nycredit's](#) €500m [PNC5.5 issue](#) by around 29bps, as investors disregarded the low reset level submitting orders of €3.3bn, down from a peak at over €4.25bn.

"The level of the reset may well become entirely redundant next year as we're expecting the European Commission will open up a formal review of the current regulatory framework with most likely a first draft of any changes being presented in 4Q to the European Council and Parliament for discussion," said Jackie Ineke, Chief Investment Officer at Spring Investments. "Although as any concrete changes to AT1 regulations become more visible late next year, any outstanding AT1s ought to start trading far closer to Tier 2s, as they'll essentially become dated instruments, according to what grandfathering rules are agreed," said Ineke.

Despite the low reset for Rabobank's deal it has rallied to 100.50 bid since pricing, although Nycredit's PNC5.5 issue is now bid at 101.625. This appears slightly counterintuitive given investor appetite for Rabobank, which is considered a popular name with investors being rated Aa2/A+/AA- compared to Nycredit at A+/A+.

One banker suggested that, "the Nycredit bond has been pretty unusual in terms of performance and even when tension increased in the Middle East, the price action was minimal. This may have been because there was a strong domestic bid for Nycredit and given the small size a lot of it could already be 'locked away' by buy and hold accounts."

Supply prospects limited

A key supporting factor behind the strength of the AT1 market in general is that Danske Bank and La Banque Postale have both recently announced that they are calling AT1 deals and, "out of fifteen remaining deals with 2026 calls only two or three are yet to be refinanced," pointed out Jackie Ineke.

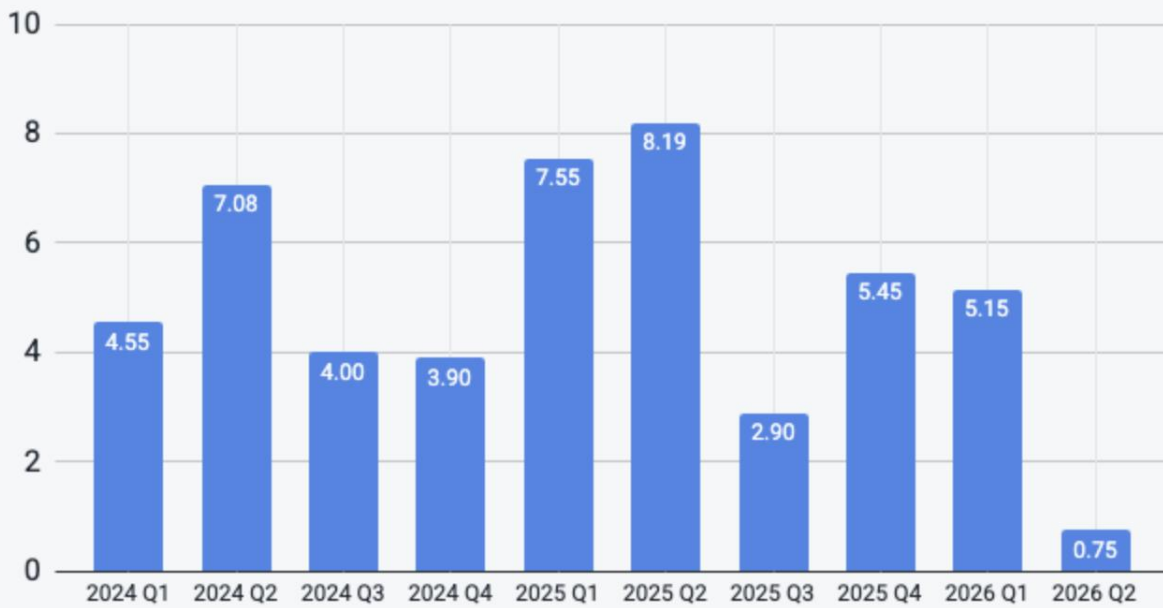
The most likely candidates to issue AT1s on this basis are Cajamar and Caixabank as both have outstanding issues with 2026 calls from deals sold in 2019 and 2021 respectively.

That fact is likely to put a ceiling on further issuance this year with the current volume of €5.9bn about a quarter of last year's full year total of €24bn and likely to be below the €19.5bn total for 2024, which were the busiest two years so far for AT1 issuance.



Does AT1 supply have further to fall?

2024 to date (€bn)

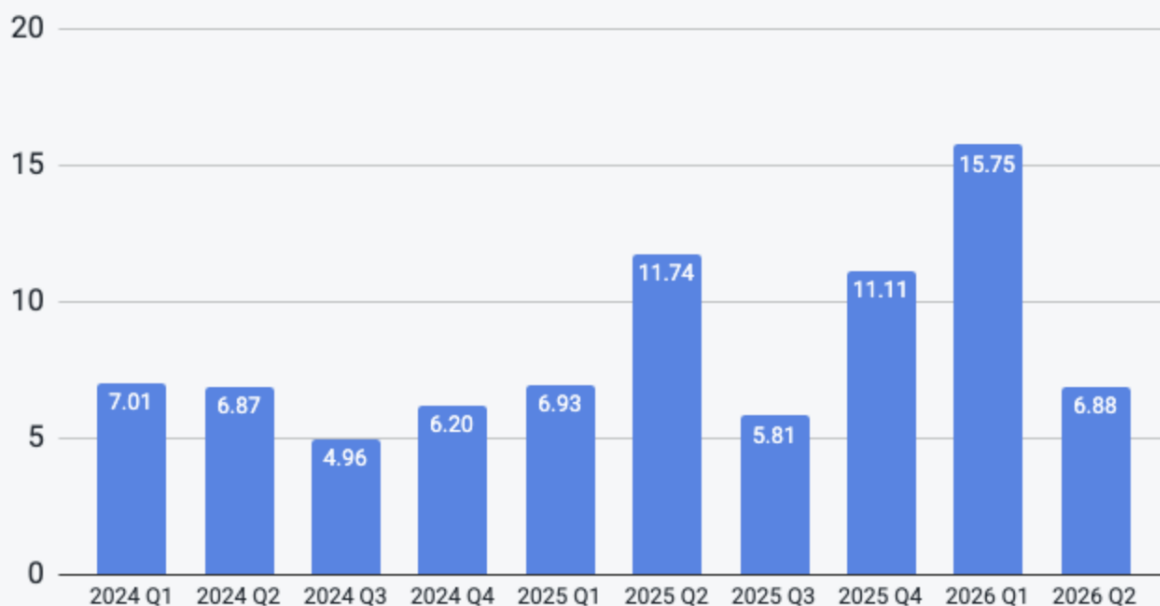


In contrast to corporates

While financial hybrid issuance may be heading south, subordinated corporate issuance remains popular with €6.88bn raised so far this month (with €750m more to be added today) which will take the year-to-date total to €23.75bn, over three times the €6.93bn issued in the same period of 2025.

Corporate subordinated supply remains on upward trajectory

2024 to date (€bn)



The reasons cited for this are, “largely opportunistic given the brief days of stability recently and with senior/subordinated spreads moving lower again, this has resulted in a strong rise in investor demand for anything offering incremental yield,” said a corporate syndicate banker.

This week, [Amprion](#), rated Baa2/BBB+, sold a €1bn deal evenly split between 30NC5.25 and 30NC8 in a [dual-tranche green issue](#) at 4.375% and 4.875%. Both priced 50bp through the lower end of the IPTs range, after attracting final books of over €4.5bn and over €4.8bn, respectively, for the Baa3/BBB- rated hybrid.

The German transmission system operator was recently rated as almost [entirely green](#), two years before the new EU standards legally require it.

This was despite Moody’s downgrade of Amprion’s credit rating earlier this month from Baa1, with the rating agency pointing to “the continued expectation of significant investment volumes over the coming years and the associated pressure on cash flow metrics relevant for the rating.”

[Abertis Infraestructuras](#) followed with a €500m PNC5.5 deal that priced at 4.75% (compared to IPTs at 5.25/5.375%). Last October, the Baa3/BBB-/BBB rated issuer tapped a [€500m 4.746% perpetual deal](#) (callable from November 2030) at 4.375%, with that BB/BB+ rated issue seen bid around par implying a zero price concession for the new issue.

Today (Wednesday), [Vår Energi AS](#), the Norwegian oil and gas company rated Baa3/BBB, will raise €750m with a 60NC5 hybrid that will price at 5.125% (compared to IPTs at 5.75% area) after attracting books of over €4bn.

Var’s Ba2/BB+ rated deal follows a €750m 60NC5.25 hybrid issue in 2023 which priced at 7.875% (with a MS+476.5bps reset spread) and follows [S&P’s affirmation](#) of its credit rating citing the positive impact of, “currently high crude oil and natural gas prices amid the ongoing Middle East conflict.”

bondradar

Global Primary Bond Markets News and Analysis

Services include:

 BRRD <GO>

 www.bondradar.com

 API feed

 Mobile app



+44 (0)20 7832 0826



sales@bondradar.com | data@bondradar.com

Bond Radar Ltd.