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CREDIT FINANCIAL INSTITUTIONS

Bank bond supply in 2026: Still riding the wave

Next year's EUR bank bond supply is expected to stay high, though likely below the 2025 total. We've identified several variables that will weigh on issuance levels in 2026



2025 bank bond supply in review

EUR bank bond issuance increased slightly in 2025, with full year issuance expected to reach €435bn by the end of the year. On a year-to-date basis, issuance stands just above €415bn, about €20bn above the 2024 YTD supply level. However, trends vary depending on the segment of the liability structure.

Covered bond issuance stands at €153bn in 2025 YTD (including benchmark, sub-benchmark, and floating-rate notes), just €3bn below last year's level. This slight shortfall is offset by the senior unsecured segment where we note the most supply growth. Issuance reached €206bn YTD, up €18bn versus 2024. The main driver is the senior non-preferred segment (senior bail-in or HoldCo notes), which climbed to €137bn, €24bn higher than last year. In contrast, senior preferred issuance fell to €69bn, down €5bn YTD.

Given the increase in senior unsecured supply, and issuers' clear preference for senior bail-in instruments, we adjusted the split of expected supply within the segment. We therefore raised our forecast for senior non-preferred issuance to €140bn while reducing senior preferred to €72bn.

Bank capital issuance has also accelerated, reaching €57bn YTD, up €6bn from 2024 YTD. We have adjusted full-year estimates upward to €38bn for Tier 2 and €25bn for AT1 segments.

Euro-denominated Tier 2 supply is running at €35bn year-to-date, broadly aligned with last year's €34bn at this time of the year and just below the full year 2024 figure of €36.5bn. We are on track for another decade-high this year: we forecast Tier 2 supply to reach €38bn this year. Strong issuance has been supported by a sharp rise in redemptions – just under €13bn higher than last year – combined with accommodative market conditions.

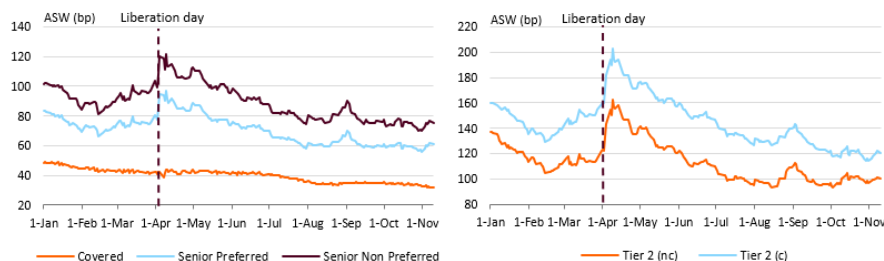
Euro-denominated AT1 issuance is running at €22bn YTD, clearly ahead of €17.3bn last year at this time of the year and ahead of the full year 2024 figure of €20bn. We believe the very strong supply reflects a combination of drivers: namely the relatively large redemptions in 2025-26, the very strong demand for bank capital, and the tight reset spread levels. In our view, banks have been taking a slightly more conservative approach to redemptions due to the uncertainty of the outlook, including geopolitical and political risk factors.

If spread conditions remain favourable, we could see a few additional deals as banks position for next year. However, we believe most institutions have largely completed their capital plans for this year. We had expected capital issuance to remain high in 2025, but the realised supply has clearly surpassed our original estimate of €15bn for this year. With limited further activity, we expect the full year figure to land at closer to €25bn this year, with a clearly net positive supply picture.

Overall, the EUR bank bond primary market remained very active this year despite several factors that could have dampened supply. While the end of the ECB's Targeted Longer-Term Refinancing Operations III (TLTRO-III) supported issuance in 2024, the shift from central bank funding to bond markets no longer provided support in 2025. The main reason issuance did not decline was the rise in redemptions, which drove bond supply higher throughout the year.

This year has been marked by numerous geopolitical developments, at times triggering volatility in financial markets. The most notable one for bank bonds was the US announcement of import tariffs in early April. Despite a quick recovery afterwards, "Liberation Day" triggered a sudden widening in bank bond spreads in the senior unsecured and Tier 2 segments, with the latter widening up to 40bp.

Covered, senior unsecured and Tier 2 bonds iBoxx index performance over 2025

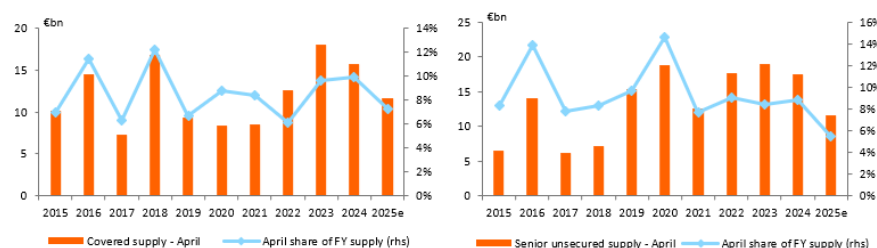


Source: ING, IHS Markit

Although markets have swiftly recovered and spread levels are now approaching historically tight levels, the import tax announcement initially weighed on issuance. This was particularly evident in April, when primary market activity declined. Covered bond issuance accounted for less than 8% of the projected full-year supply during the fourth month, marking a two percentage-point drop compared to the previous two years. A similar trend was observed in the senior unsecured segment, where April issuance represented under 6% of the expected 2025 total, versus the 9% average recorded over the past three years.

That said, we believe the significant volatility in April likely served as a reminder to issuers of how quickly conditions can change if markets begin to fully price in the numerous risk factors. This may have contributed to the very strong issuance, particularly across riskier segments, once markets calmed again.

Covered and senior unsecured bond supply shows issuance drop following 'Liberation Day'



Source: ING

Despite a series of interest rate cuts by the ECB, EU GDP growth remained sluggish in 2025, with 1.6% growth in the first quarter and expected growth of less than 1% in the last two quarters of the year. The absence of an economic growth miracle in Europe did not translate into a negative impact on bank bond supply this year.

Nevertheless, the combination of tighter spreads, sustained investor demand, and elevated redemption volumes helped keep overall bank bond issuance at a robust level throughout 2025.

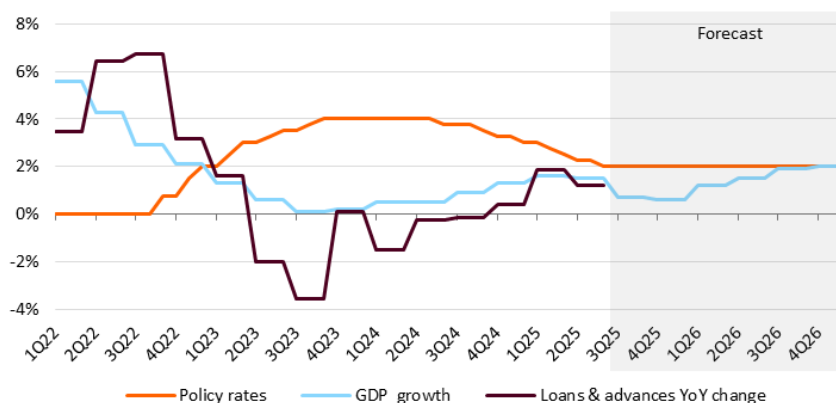
Variables affecting bank bond supply in 2026

These points explain this year's supply, but what can we expect for next year? Overall, we foresee bank bond issuance remaining high over 2026, but not more than what we have seen this year. Our full year estimate is €420bn. Before diving into the split of issuance per segment, the following section explores the main variables affecting next year's supply.

1 Modest macroeconomic and stable monetary policy outlooks

The ECB has announced three rate cuts so far this year, bringing policy rates to 2% from 3% at the start of 2025. Our economists don't foresee further rate cuts this year or in 2026. That being said, despite this year's effort to revitalise the economy, our economists anticipate GDP growth remaining below 1% until the end of the year. They foresee a gradual pickup resulting from this year's easing, noticeable as of the second half of 2026. In our view, this could support a further pick-up in lending growth next year, aided by interest rates remaining at lower levels. Consequently, **the macroeconomic and monetary policy outlook will only be a slight positive driver for bank bond supply in 2026.**

Policy rates, GDP and bank lending growth



Source: ING, ECB, EBA

2 Increase in bond redemptions

While macroeconomic variables are expected to provide only a modest positive influence on bank bond supply, **the overall increase in bank bond redemptions will likely remain the primary driver of elevated issuance levels.** In fact, total redemptions are set to reach their

highest level in five years.

Covered Bonds:

Redemptions are projected to rise by €20bn to €155bn in 2026 and climb further to €180bn in 2027.

Senior Unsecured:

Redemptions will increase by €30bn, reaching €172bn in 2026.

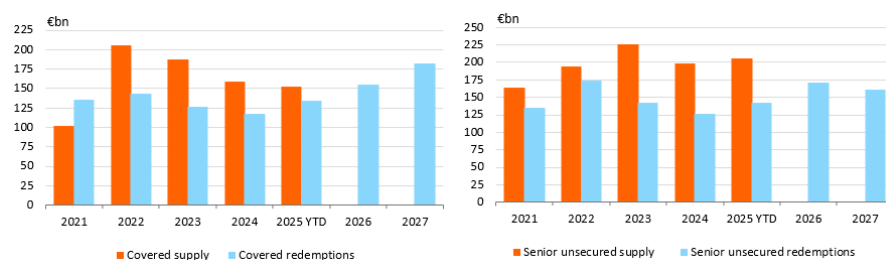
Bank Capital:

After nearly doubling between 2024 and 2025, capital redemptions will stabilise at €36bn in 2026 and €42bn in 2027. Next year's breakdown includes €27bn in Tier 2 bonds and €10bn in AT1 instruments.

Unlike the large shift seen in 2025, euro-denominated Tier 2 redemptions will remain high but steady in 2026 and 2027. In 2026, €26bn will reach effective maturity, with €18bn set to hit the call date, down from €30bn (€21bn callable) in 2025. In 2027, €29bn is set to mature, including €23bn in callable paper.

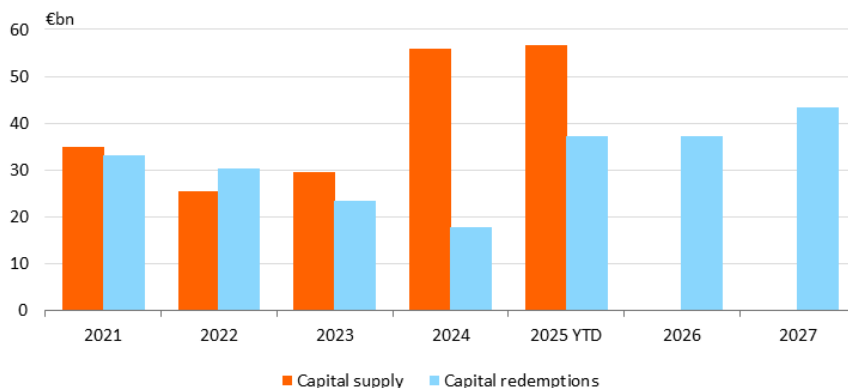
AT1 redemptions based on first calls will remain relatively stable across 2025–2027, with 2026 slightly lower. In 2025, €13.5bn reached first call dates, and banks called an additional €1.7bn of previously extended AT1 debt, bringing total redemptions to just over €15bn. For 2026, first call redemptions are expected to reach €12bn (with €9.6bn still outstanding after tenders), rising to €13.6bn in 2027.

Covered and senior unsecured bond redemptions will continue to increase in 2026



Source: ING

Bank capital redemptions will however plateau in 2026

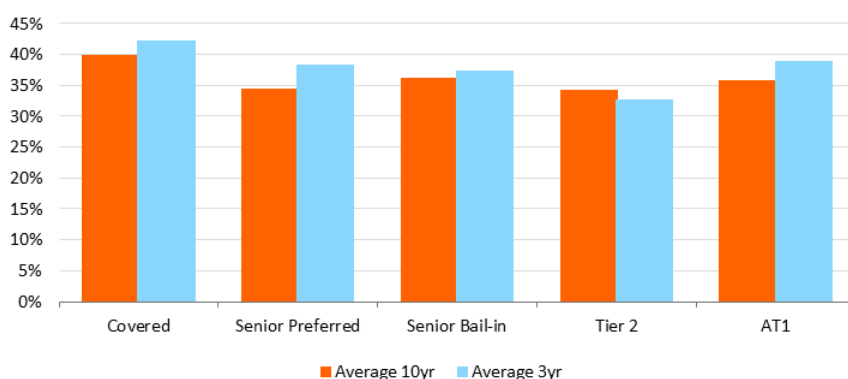


Source: ING

3 Spread environment

Over the last decade, banks have preferred to issue over the first quarter of the year. This is true for all segments of the liability structure. Historical data shows that the first quarter of the year represents, on average, nearly 37% of the full-year supply. This trend has intensified over recent years. Looking at the three-year average, we note that the first quarter of the year represented nearly 40% of the total supply. This number is even higher when looking at covered bonds, with the first three months making up 43.5% of the full year supply.

Average share of full year supply issued over the first quarter of the year per segment

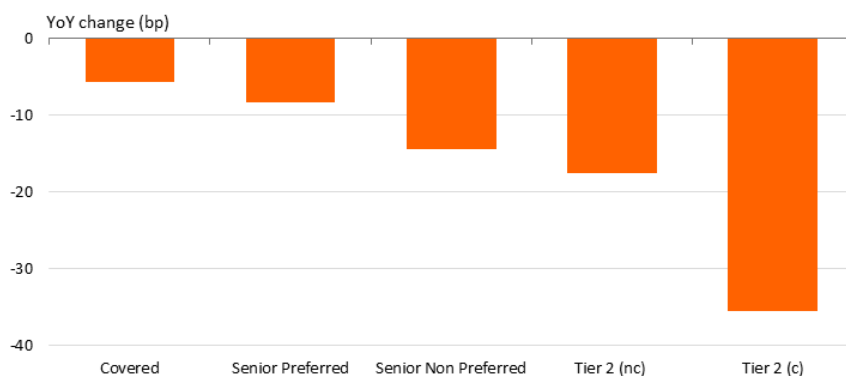


Source: ING

Despite the volatility seen in April, spreads have fully recovered and are now trading near historically low levels, even amid rising geopolitical uncertainty. Over the past year, all segments of the liability structure have tightened, with the most pronounced moves in

callable Tier 2 instruments.

Year-on-year spread changes show significant tightening across the liability structure



Source: ING, IHS Markit

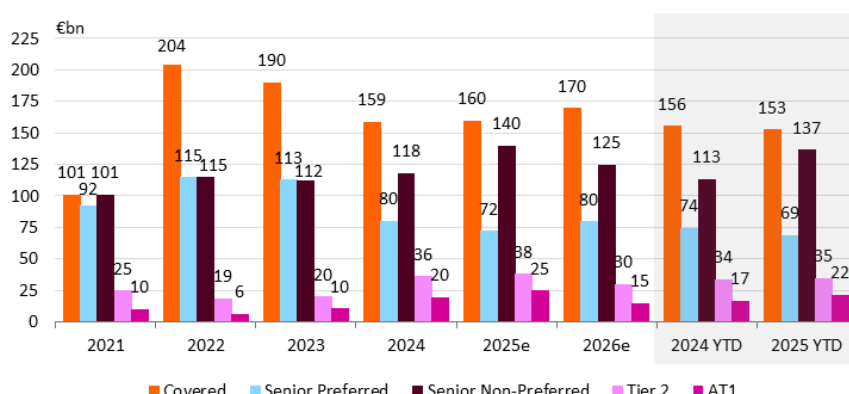
We expect liability structure spread compression to once again drive a strong supply focus on capital instruments and senior bail-in bonds at the beginning of next year. However, spread volatility and a potential shift in investor demand could impact the supply dynamics later in the year.

Overall, we expect banks to remain active in the EUR bank bond market, with issuance plateauing in 2026. We foresee total supply at approximately €420bn across the liability structure next year, with elevated redemption volumes continuing to be the primary driver of significant supply.

Our 2026 bank bond supply expectations

We expect banks to continue to ride the wave with bond supply remaining at very high level, reaching €420bn in 2026. This is split between €170bn in covered bonds, comprising about €165bn in benchmark size issuances and another €5bn in sub-benchmark and floating rate notes. We expect senior unsecured issuance to reach €205bn in 2026 with €80bn in senior preferred bonds and €125bn in senior non-preferred issuances. Lastly, Tier 2 supply is foreseen to reach €30bn while the AT1 segment is expected to stand at €15bn.

Bank bond supply forecast for 2026



Source: ING

Covered bond supply picking up due to higher redemptions

We forecast that covered bond issuance will pick up, to reach €170bn in 2026. That represents a €10bn increase compared to the 2025 full year estimate. The expected increase mainly stems from the significant rise in redemptions in both 2026 and 2027. Indeed, redemptions will increase by €20bn to €155bn in 2026 and reach €180bn in 2027. Concurrently, repayments to the CBPP3 are set to decline from €42bn in 2025 to €32bn in 2026. This makes the CBPP3 adjusted net supply technicalities less negative. A further pick-up in mortgage lending growth against the backdrop of lower interest rate levels is expected to support covered bond issuance volumes.

Senior unsecured issuances to mark a slight decline

We expect senior unsecured bond supply to ease slightly to €205bn in 2026. This will include €80bn in the senior preferred segment, up €8bn from this year's expected €72bn. The increase is primarily driven by €13bn in additional redemptions in 2026 and further supported by a shift in issuance from senior bail-in to the preferred segment.

Conversely, senior non-preferred issuance is forecasted to slow to €125bn in 2026, down from €140bn in 2025. Following the past year's spread tightening, we see limited scope for further outperformance in senior bail-in bonds. While spread volatility remains a possibility, a persistently compressed spread environment could also redirect investor demand toward the upper tiers of the liability structure. Moreover, the heavy issuance at the end of this year likely reflects issuers' prefunding of 2026 supply, which will weigh on next year's volumes. Therefore, despite higher redemptions, we expect senior bail-in issuance to remain high, though below 2025 levels.

Capital issuances to decline

We expect Tier 2 issuance to remain active next year, and we forecast another €30bn to be printed. This issuance will likely be driven by a combination of factors, including somewhat lower redemptions, prefunding activity, and banks continuing to reach for more efficient capital layers. While our forecast for 2026 is lower than 2025, issuance should still remain historically elevated. In fact, outside of 2024–2025, €30bn would represent the highest annual level in over a decade.

For AT1, we forecast issuance of €15bn in 2026, slightly below the volumes seen in 2024 and 2025. We expect banks to refinance upcoming redemptions, and the ongoing shift towards more efficient capital layers should create additional room for AT1 issuance. A tender and a new deal combination is likely to remain part of the toolkit.

ING's bank bond issuance estimates (€bn)

(€bn)	FY2022	FY2023	FY2024	FY2025F	FY2026F	2024 YTD	2025 YTD
Covered bonds	204	190	159	160	170	156	153
Covered redemptions	143	126	117	134	155		
Bank senior unsecured bonds	230	225	198	212	205	188	206
Preferred senior unsecured	115	113	80	72	80	74	69
Bail-in senior unsecured	115	112	118	140	125	113	137
Senior unsecured redemptions	174	142	127	142	172		
Bank subordinated bonds	25	30	56	63	45	51	57
Tier 2 debt	19	20	36	38	30	34	35
Additional Tier 1 debt	6	10	20	25	15	17	22
Bank capital redemptions	31	24	18	37	37		
Total bank supply	459	445	413	435	420	394	415

Source: ING

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