Bank+InsuranceHybridCapital Briefing

Primary defies concerns as investors lap up FI supply, driving spreads and NIPs tighter

Going into the final week of January, the primary market for financial institutions issuance is still buoyant, undeterred by rich valuations and the potential for repricing, as ample liquidity and the big picture of rates falling drive investors into new issues, creating ongoing attractive opportunities for issuers. *Neil Day* reports, with insights from Crédit Agricole CIB syndicate and trading.

Concerns that the primary market might struggle to absorb heavy financial institutions supply in the new year have proven unfounded, with a host of issuers able to take out size on the back of multiple times subscribed order books without having to pay punitive new issue premiums.

Despite valuations remaining on some measures stretched and the exuberant pricing in of rate cuts, the market has only experienced minor stumbles since the start of 2024.

"Since the beginning of the year, investors have been happily deploying cash," said Vincent Hoarau, head of FIG syndicate at Crédit Agricole CIB. "They want to lock in high coupons before they evaporate and it feels like the entire buy-side community wants to stay fully invested until something breaks.

"We have seen some phenomenal, arguably ridiculous, order books, demonstrating the very deep market for credit products. It's primetime for bonds, from two year FRNs to AT1."

The primary market hit the ground running on Tuesday, 2 January at the start of an almost full week. Some €7.75bn of unsecured FIG supply hit the market across the capital stack, supplemented by €3.75bn of covered bonds, to take day one overall financial institutions issuance to €11.5bn from eight issuers and 11 tranches — with the success of the reopening reflected by aggregate demand above €21bn.

Deals ranged from a €3.75bn triple-tranche senior preferred issue for Spain's Santander incorporating a four non-call three tranche, to a €1.25bn perpetual non-call 6.2 Additional Tier 1 for Crédit Agricole SA.

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Seeking first-mover advantage — as it did in January 2023 — the French bank pre-empted potential competing supply from other core European issuers with an announcement at 8am Hong Kong time. Sole led by Crédit Agricole CIB, the AT1 was priced at 6.5% after tightening of 25bp from initial price thoughts, with fair value seen at around 6.15%, and sized at €1.25bn against a €2.5bn-plus book good at re-offer. The reset margin was 420.7bp, versus 444bp for the issuer's 7.25% AT1 with a one year shorter maturity issued on 3 January last year.

"The market performed well in the prior weeks, making valuations particularly attractive for issuers, hence CASA's willingness to be first out there," said Hoarau at Crédit Agricole CIB. "The concession was reasonable, but coupons collapsed alongside underlying rates in December, and sub/AT1 volumes are set to increase in 2024 versus 2023, so given the pricing parameters — a coupon inside 7% and reset close to the critical mark of 400bp — it was not a big surprise to see a lower level of oversubscription.

"Nonetheless, the issuer could reiterate what it achieved last year and print €1.25bn whilst ensuring a good performance in the secondary market and attracting new accounts."

Despite the market suffering a wobble as early as the second trading day of the year — as rate cut expectations were modestly reined in — Spain's CaixaBank the next day achieved a solid outcome with a €750m perpetual non-call 6.5 AT1 that was tightened from IPTs of 7.75% to 7.5% on the back of some €1.55bn of demand, while buying back up to €750m of a 6.75% AT1 callable in June. And the second week of the year proved accommodating to AT1s for BPER Banca of Italy and Banco Comercial Português, who achieved strong outcomes on €500m 8.375% and €400m 8.125% perpetual

non-call 5.5 issues, respectively.

Insurers Allianz and Axa experienced similar success with Tier 2 and RT1 issues, respectively, in the opening fortnight *(see separate article)*, while a step up the bank capital stack, Tier 2 saw its share of hits in the busiest start to the year for the instrument in several years. Lloyds and BFCM opened Tier 2 issuance on 2 January, with the UK bank selling a €500m 10.25 non-call 5.25 issue on the back of some €2.4bn of orders that allowed it to tighten pricing some 30bp to a re-offer spread of mid-swaps plus 205bp — inside UK Tier 2s printed in the past two years.

"Thanks to the scarcity element surrounding the offering — with Lloyds having no relevant outstanding benchmarks in euros — the issuer paid only 5bp-10bp of NIP, compared with 10bp-15bp in the senior space the same day," noted Hoarau at joint bookrunner Crédit Agricole CIB.

Banque Fédérative du Crédit Mutuel (BFCM) meanwhile attracted a peak €3.45bn of orders to a 10 year bullet Tier 2, allowing the French issuer to size the transaction at €1.5bn and tighten pricing 25bp to 195bp, implying a NIP of 10bp-15bp. The outcome suggested that market depth for the long-dated bullet format was greater than for callable issues.

Duration on trend

The attribution of the level of demand to the duration of the trade reflected a key ingredient in much of the year's more successful supply.

The trend was clearly evident in the senior preferred segment from day one, when the 10 year bullet tranche of Santander's triple-tranche senior preferred deal (joint led by Crédit Agricole CIB) enjoyed more demand than four non-call three and six non-call five pieces, the €2.6bn book allowing for 5bp more of tightening (to a re-offer of mid-swaps plus 130bp), a 5bp lower NIP (10bp) and a larger, €1.5bn size than the €1.25bn and €1bn shorter tranches.

Over the following fortnight, BBVA, BFCM and Crédit Agricole showed senior preferred issuance in the 10 year part

of the curve to remain a sweet spot in the primary market, finding strong demand for their offerings, allowing them to price with modest NIPs and enjoy secondary market performance. BPCE went even further, attracting some €4bn of orders to a 12 year senior preferred issue on 16 January, allowing it to tighten 30bp to 130bp and a NIP of around 12.5bp.

Investors' enthusiasm for duration was reaffirmed by a €1bn 10.5 year for Rabobank yesterday (Monday), albeit in senior non-preferred format. The Dutch bank went out with IPTs of the 150bp area and after revising guidance to 115bp-120bp, will price in range, on the back of more than €6bn of demand, achieved a re-offer spread of 115bp — flat to inside fair value.

"The phenomenal order book and spread are further evidence of the strong bid for duration, and preference for bullet format," said Hoarau at joint bookrunner Crédit Agricole CIB. "The deal's high scarcity value also played positively into demand, with the issuer having limited SNP funding needs in 2024.

"Despite the tightening and pricing, it should trade well and fuel the inversion of the credit curve at long end."

Rabobank's successful trade came after HoldCo and senior non-preferred had proven the more vulnerable to market fluctuations in the opening weeks of the year.

Notably, on the second day of primary market activity, NIPs as high as the 20s paid on a handful of HoldCo/SNP tranches were elevated relative to other formats, while in the first week of

Bookrunners all euro investment grade financials issuance
01/01/2024-22/01/2024

	Managing bank or group	No of issues	Total EUR m	Share (%)
1	Crédit Agricole CIB	34	7,624	10.08
2	Natixis	23	6,464	8.54
3	Societe Generale	19	4,720	6.24
4	Commerzbank	22	3,857	5.10
5	Deutsche Bank	22	3,478	4.60
6	UniCredit	26	3,273	4.33
7	BNP Paribas	15	2,835	3.75
8	Santander	18	2,430	3.21
9	ABN AMRO	13	2,152	2.84
10	Citi	15	2,128	2.81
	Total	88	120,806	

Source: Bloomberg, Bond Radar, Crédit Agricole CIB

William Rabicano, Crédit Agricole CIB

the year non-preferred underperformed preferred and, marginally, Tier 2 in the secondary market. However, this did not stop names such as ABN Amro, Commerzbank, Belfius and UniCredit following up with successful SNP trades at premiums as the single-digits, and in the Belgian's case as good as no NIP for its €500m five year thanks to an almost six times subscribed book.

Waiting for the trigger

In spite of the brisk and constructive opening, January supply has not reached the peak that had been widely expected, according to William Rabicano, director, credit trading at Crédit Agricole CIB.

"The market has held up very well," he said. "The wave of supply was well flagged at the back end of last year, with something similar to the record amounts of January 2023 expected, but while we have had what I would call a decent amount of supply, the deluge has not materalised.

"It's also been pretty well spread across the capital structure. And given that positioning at the start of the year was probably light to underweight, both from clients and the street, it's been quite easily absorbed."

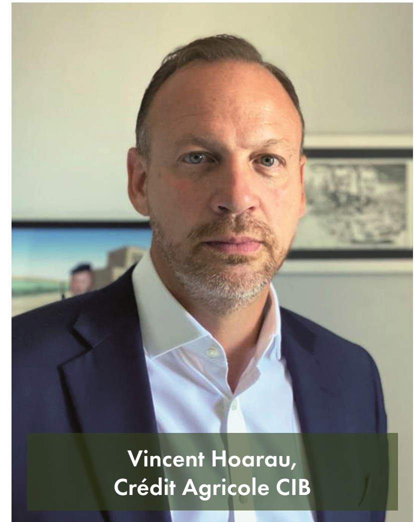
Supply underwhelming has only supported execution of deals that have hit the market, with new issue premiums quickly normalising towards what might be expected in a more average month for supply, noted Rabicano, and spreads rallying, meaning that issuers have not had to pay up to issue.

"Technicals overall remain very firm," he added. "It still feels like clients are very much cash rich, which has been reflected in the book sizes and cover ratios on most of the deals so far this year, both for top and second tier names. And on the secondary side, we consistently see better buying for choice across the platform — even on an optically weak day for macro like last Wednesday, it was three to one better buying, and spreads held in very well.

"Cash rich clients are still waiting for and wanting more issuance, but that may now struggle to materialise in the next couple of weeks, with issuers starting to go into blackout. So all the technicals do point towards a big squeeze in both credit indices and cash if we do get that sort of final signal confirming rates are going where we expect."

This is despite some observers cautioning that the market may already be getting ahead of itself, as it did at the close of 2023 *(see separate article)*. In the meantime, the market appears content to look through such a scenario, judging by year-to-date activity, placing more emphasis on the "if" rather than the "when" of rate cuts.

"The forthcoming weeks will show the real shape of the US economy and we will carefully watch any revision of NFP or GDP-related statistics," said Hoarau. "For the time being, it's all about excess liquidity — it prevails across all segments of the financial markets and it is pushing up valuations.


Vincent Hoarau, Crédit Agricole CIB

"Everyone is convinced that the tightening cycle is a thing of the past. FOMO has been observed so many times in the primary market, enabling FIG issuers to take both size and price."

And even a further repricing of the rate curve on reflation fears might not be enough to trigger profit-taking, he suggests.

"There is little upside for real money accounts to sell long bonds with high coupons," said Hoarau. "Investors would rather buy protection and deploy cash further at better Bund entry levels.

"Then, a significant inflow of funds from money-market holdings into bonds could further fuel the 'primetime for bonds' narrative and encourage investors to move further up in the duration spectrum. Short term, a serious macro or credit event would be necessary to justify a reset of spreads at higher levels, so we should expect the unexpected." ●

MAN CANNOT DISCOVER NEW OCEANS UNLESS
HE HAS THE COURAGE TO LOSE SIGHT OF THE SHORE
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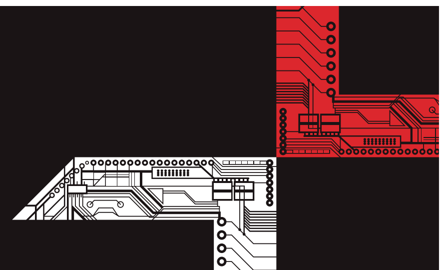


Macro, geopolitical pressures hold risks as central bank warnings fall on deaf ears

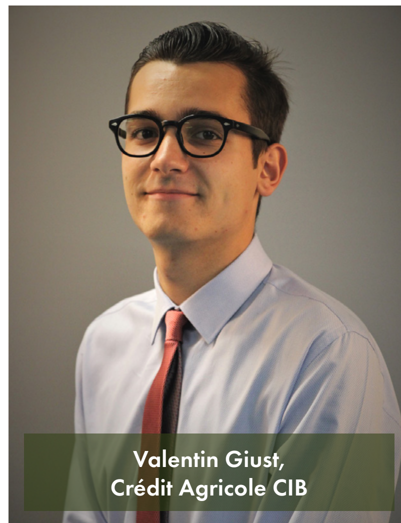
The market is pricing in early rate cuts in Europe and the US, apparently ignoring pointed comments from central bankers and a minefield of geopolitical tensions throughout 2024, meaning the risk of a sharp repricing is real, according to Valentin Giust, global macro strategist, Crédit Agricole CIB, and Louis Harreau, head of developed markets macro and strategy, Crédit Agricole CIB.

Neil Day, Bank+Insurance Hybrid Capital: The market seems quite bullish regarding rate cuts, and this has driven primary market activity at the start of the year, but we have had mixed signals from data and central banks lately. What are the key risks on this front?

Valentin Giust, global macro strategist, Crédit Agricole CIB: Looking back at the past year, expectations regarding 2023 were revised substantially. A year ago, the consensus for 2023 US GDP growth was about 0%, but now we expect something around about 2%-2.5%, which is an outstandingly large and positive revision. And the US economy is still quite hot — it is slowing down, but only very gradually.

There are two main forces compelling the Fed to remain quite hawkish — indeed, we were quite surprised by the Fed in December, with Powell's rather dovish tone. The first is the fiscal deficit, which is still quite significant, with the deficit to GDP ratio above 6% over the last 12 months — this is akin to a recovery plan on the still overheating economy. At the same time, the household saving rate is very low, which helps the US consumer continue its very strong pace of consumption and the very positive retail sales we've had since the summer, as evidenced by last week's print.

Consequently, we are not convinced that inflation will return to 2% very easily in the US. The first mile has been achieved quite easily, but the second one will be much harsher. We mainly believe that we are in a "no landing" scenario. The labour market is still too tight. It is slowing down, but the imbalances — mainly excess demand over supply on the labour market — are still significant, so we still expect some wage pressures, above 4%-5% per year this year as well as in 2025. That's why we expect US inflation to remain at an annualised rate of around 3% this year, and why we expect the Fed to remain quite hawkish this year, at least until summer. We currently expect just two rate cuts this year, in July and November. We are discussing this call and whether we will add an additional cut, but we clearly lean towards the hawkish side of the market as far as the US is concerned.


Valentin Giust, Crédit Agricole CIB

Day, BIHC: So would you expect a repricing at some point?

Giust, Crédit Agricole CIB: We need to see some repricing across the whole curve, and especially the short term part, because some of the cuts that are currently priced in have to be de-priced. A first cut in March or April as anticipated by the market is completely out of touch with macro reality. There would need to be a huge downward revision of growth for the central bank to be in a position to deliver such a cut, and we do not expect that, which is why we rather expect the first cut of the easing cycle to occur in the summer. The picture is not dissimilar for the ECB, but I will let Louis comment on that.

Louis Harreau, head of developed markets macro and strategy, Crédit Agricole CIB: Indeed, this parallel between the Eurozone and the US can be drawn. The repricing in relation to both central banks seemed to occur in one go and to have been something of a self-fulfilling phenomenon. As far as the ECB is concerned, markets are way too optimistic about rate cuts. The pricing in of a rate cut in April is very unlikely to be proven right.

The Eurozone economy may be in a different situation than the US, but core inflation is much stickier than what the market is currently pricing. Even if you can have volatility in terms of headline inflation — due to energy prices, etc — core inflation should remain sticky. Wage pressures in the Eurozone are continuing to build due to the tightness of the labour market, and this will be transmitted into price rises. Consequently, we expect inflation, and especially core inflation to remain above the ECB's target permanently, if you will, or at least until 2026. In this context, we expect — as for the Fed — the ECB to keep its rate at the current level for significantly longer than what the market is expecting.

This means that at some point in time there will be a repricing of the market. What we find surprising is that the ECB's pushback against current market pricing over recent days and weeks is not being listened to by the market. Most

ECB members have explained more or less clearly that they do not intend to cut before this summer, at least — so we could discuss if it will be June or July, but certainly not April. On the way down, markets have been very eager to price in rate cuts when there were any dovish comments — for example, Isabel Schnabel's interview with Reuters on 5 December surprised on the dovish side — but now ECB members can be as hawkish as they want and the market is not listening to them. So the risk is that you could have a significant repricing at some point in time — although it is not yet clear what could spur this repricing.

Day, BIHC: What impact might geopolitical developments have, for example and perhaps most topically, the attacks on Red Sea shipping?

Giust, Crédit Agricole CIB: There are many geopolitical risks — regarding Taiwan, regarding Iran and the Red Sea with the Houthis, as well as the Ukraine conflict, which has not gone away. So we are facing a very difficult geopolitical environment and this is a source of inflationary risk, with the risk of a negative supply shock. We believe that the current market pricing of inflationary risk coming from an exogenous supply shock is very low, and that some repricing shall be needed.

There is a second part to this story, namely the US election. We believe Trump could also be considered as an exogenous negative supply shock risk potentially bringing inflationary pressures. A victory for Trump would be positive for US demand — we could see a new recovery plan, a new tax cut scheme, or something like that.

So there are many inflationary risks around the corner and market pricing is nowhere near reflecting these.

Harreau, Crédit Agricole CIB: The Eurozone is particularly exposed to geopolitical factors, such as the Red Sea tensions, and obviously the Russian invasion of Ukraine due to its proximity.

Louis Harreau, Crédit Agricole CIB

So unfortunately the Eurozone is likely to be more exposed than the US if there is a worsening of geopolitical issues.

When it comes to elections, the outlook is better. Since the beginning of the pandemic, the Eurozone is no longer a geopolitical or political problem per se. The Eurozone is not the source of the problem. There will be important European Parliament elections in the middle of this year, but if you look at projections, there's no reason to be especially worried about them: even if the number of populist MEPs may increase, they should remain in the minority. So again, the EU and the Eurozone should not be an issue; it will rather face exogenous issues.

Day, BIHC: Apart from the rate cut question, should we be watching out for any other significant moves from the ECB, in terms of TLTROs or QT, for example?

Harreau, Crédit Agricole CIB: Let's be clear: we don't expect QT or any acceleration of QT with PEPP in the second half of the year to have any meaningful impact on anything. The reduction of the ECB's portfolio is extremely slow, possibly too slow — we could discuss that, but this means it will have probably no impact on the market whatever happens.

On the contrary, the end of TLTROs still holds some uncertainties. We have to acknowledge that the repayments of TLTROs have been extremely smooth so far: it has had no market impact and banks have faced no difficulties in getting the liquidity they have needed. But there's still the possibility that repayment of the last €400bn of TLTRO monies that will have to be repaid in 2024 could be more complicated. The banks who have not yet repaid their TLTROs are probably those who most need the ECB's refinancing operations, and that's why it could be more complicated for them to replace the ECB's term funding by market funding. So you could have some limited tensions from specific banks when they have to repay their TLTROs and when their TLTROs will no longer be NSFR-eligible, i.e. when the longest one falls below six months. I'm by no means talking about a banking crisis or whatever, but there could be some idiosyncratic issues for specific banking institutions.

Day, BIHC: Taking a longer term view, perhaps into 2025, do you have any thoughts on the prospect of a comeback for QE at some point, given the ballooning supply and possible question over how this will be absorbed without a significant repricing?

Harreau, Crédit Agricole CIB: There are several dimensions to this very interesting question. The first is the market's absorption capacity.

The second touches on the question of the neutral rate for central banks. Indeed, we have the feeling that neutral rates have to be significantly higher than prior to the pandemic due to structural changes in the economy. So market rates will have to adapt to the new supply-demand imbalance in the bond market overall.

And the third point is related to the issue of the US election and specifically the funding of US debt, and Valentin can cover that together with the first point.

Giust, Crédit Agricole CIB: Here, our assessment for the US is quite different

than for the Eurozone. In the US, there is a clear issue when it comes to stabilisation of public debt and its long term trend. Issuance is rising and at the same time there is no clear political platform to deliver consolidation in the public finances. That's why we expect public debt issuance to continue rising year over year.

Meanwhile, we can discuss whether or not the capacity for this to be financed externally remains as it was pre-Covid. The US current account balance is substantially negative, about $1 trillion per year, and the US has to find this externally. The main three financers are Germany, Japan and China, and it is reasonable to doubt both the capacity and the willingness of those suppliers of excess savings to continue financing the fiscal deficit and the external deficit of the US. So while the funding needs of the US are projected to grow over the next 20 years, there is a question mark over the capacity of savings globally to absorb this, resulting in a funding gap. In theory, this could lead to the emergence of some term premia on the US dollar curve.

But at the same time, the Fed's approach to QT normalisation is very different from the ECB's. While in the Eurozone space, as Louis said, the ECB is willing to keep up with QT, the Fed is willing to slow down its QT — we expect the Fed to reduce its QT in the second part of 2024, and then stop its QT and just sterilise its balance sheet from some time in 2025. This will not mark the return of QE, but we can therefore expect some kind of end to QT, and this will help offset the effect of term premia in the US. So while we can be cautious about the US long end, you have this Fed support.

In the Eurozone, we don't have this pessimistic outlook, but at the same time we don't have the ECB to sustain the market.

So at the end of the day the situation on balance will be quite similar, but the reasons across the pond are very different. ●

Allianz, Axa star as sub insurance hits sweet spot

Insurance hybrids proved the flavour of the month in the opening weeks of 2024, with Axa attracting peak demand of over €8bn to a €1.5bn inaugural RT1, while an Allianz €1.5bn Tier 2 was able to outperform bank issuance.

The German insurer hit the market on 3 January alongside a liability management exercise, and the French followed on 9 January, with both deals standing out amid a busy opening fortnight for financial institutions supply.

"Insurance paper is by default usually subordinated and relatively long duration, which is exactly what investors have been wanting to buy in January," said André Bonnal, FIG syndicate at Crédit Agricole CIB, joint bookrunner for both Axa and Allianz. "Because of the consensus around rate cuts, investors are happy to get much more engaged in duration trades than they were for the best part of 2023.

"Similarly, subordinated products are where people see the highest probability of capital gains throughout 2024 due to the rate cuts and they are anticipating a compression trade from sub into senior. So it makes perfect sense that the trades that have come in the insurance space so far have been extremely strong."

A degree of insurance issuance had been anticipated this year, as companies more actively manage their stock of Tier 1 bonds grandfathered under Solvency II, including perpetual non-call 2024s and 2025s, that will lose eligibility in January 2026. A Restricted Tier 1 (RT1) issue from Axa had thus been anticipated, with the French insurer having insufficient capacity to refinance its whole stock of grandfathered bonds with solely Tier 2.

With the last euro RT1 issuance having been a €2.5bn dual-tranche deal for Allianz in September 2021, investors were meanwhile keen to be presented with fresh supply.

"Investors clearly loved this Axa trade because it's an on-the-run liquid bond from a top-notch issuer in the sector," said Bonnal. "The feedback we've had from investors for some time is that RT1s are really lacking liquidity, which is a big negative versus AT1 — even if RT1 maybe in some respects feel a bit safer, especially in call policies and anticipation of calls."

The perpetual non-call 10 transaction, rated Baa1 (hyb)/BBB+ (Moody's/S&P), was announced on 8 January, teeing up a one-and-a-half day process, with 90 investors participating in calls and the pre-marketing yielding around €1.5bn of indications of interest. Feedback ranged from mid to high 6% to as much as mid-7%, according to Bonnal, and the following day initial price thoughts of the 7% area were given for a euro benchmark-sized deal.

"We very quickly had a €2bn book and then doubled that in about an hour and a half. By the time we had the book above €8bn and set the coupon at 6.375%, investors knew the trade was going to work with or without them and some probably stuck with it even if the price was through where most saw fair value — we had virtually no attrition, just €200m-€300m.

"So the issuer could take out €1.5bn and the bond has been trading up since then, which shows you that at the end of the day it was seen as the right price."

Fair value had initially been seen at

around mid-6% via both of two approaches: Axa 30 non-call 10 Tier 2 was seen at mid-swaps plus 225bp, with 175bp then added as an RT1 premium matching the differential between best-in-class bank Tier 2 and AT1, and 400bp then translating into the 6.5% area; and putting the level flat to where Crédit Agricole had issued a €1.25bn 6.5% perpetual non-call 2030 AT1 a week earlier, with investors — as alluded to previously — seeing the AT1 as a more liquid reference and considering the insurer and bank as French national champions in their respective sectors.

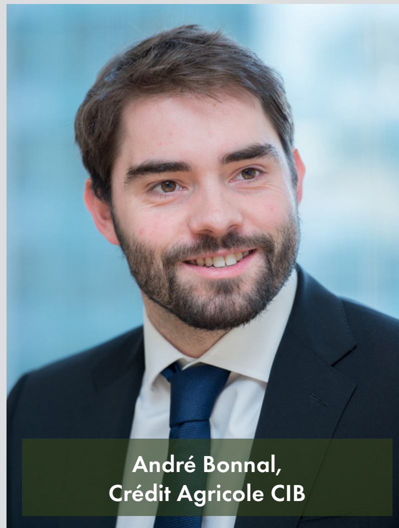
The final book was above €7.8bn, comprising a *Who's Who* of real money investors in subordinated debt, according to Bonnal, with more than 10 triple-digit orders and UK asset managers constituting around one-third of demand and French some 15%.

Allianz's new €1bn 30.5 non-call 10.5 Tier 2 was executed the same day as an any-and-all tender for its grandfathered €1.5bn perpetual non-call September 2024 Tier 1 issue. The issuer said the exercise was part of its proactive management of its financing structure, while offering noteholders the opportunity to trade out of the old issue and into the new.

The tender offer ran until 10 January. €874.3m of bonds were successfully tendered at 99.60% for a cash premium of 0.30%, with around 20 holders having rolled their positions at the time of the new issue.

"The liability management exercise helped substantially," said Bonnal, "with some investors putting in double the amounts they were tendering, and their bids also probably stickier because they were rolling existing positions."

With IPTs of the mid-swaps plus 255bp area, the new issue — rated A1 (hyb)/A+ — was launched into a busy and softer FIG market than the previous, opening day of 2024. Combined with investors assessing the tender terms, this led to only steady bookbuilding. However, after a first update of above €1.5bn, the size could be set at €1bn and the spread at 235bp — a 17bp new issue premium — on the back of books above €2.35bn, which held firm in spite of the 20bp tightening.



André Bonnal,
Crédit Agricole CIB

"Kudos to the issuer," said Bonnal. "They could have gone for a tighter outcome but they decided to leave a bit more on the table because the market was choppy and they wanted to ensure that there was going to be secondary market performance.

"On the same day, you had a handful of banks, including national champions, all paying 20bp-plus of NIP for HoldCo/SNPs," he added, "so Allianz outperformed, showing that — all else being equal — you're looking at a better trade with subordination and duration."

Italy's **Generali** opted for senior format for a €1.25bn dual-tranche green bond issue (rated A3/A+/A by Moody's/Fitch/AM Best) on 8 January.

The insurer was able to tighten pricing 15bp for five and 10 year tranches to 65bp and 95bp, respectively, and achieve its targeted €1.25bn maximum size with €500m and €750m tranches, thanks to having achieved a peak book above €2bn, although the deal was only around 10% oversubscribed at re-offer.

Market participants attributed the easing of demand to competition from a varied primary market menu being shown to investors on the same day, and the very tight levels achieved by Generali both on an absolute basis and relative to Italian corporates and national champion banks in similar tenors.

The issuer said the outcome was successful and confirmation of its credit and its approach to sustainability, with the green bonds being its sixth and seventh, and bringing the total number of bonds it has issued with ESG features to eight.

"Green and sustainable bonds are expected to represent around 40% of our total outstanding financial debt by the end of 2024," said Generali Group CFO Cristiano Borean. "This result is fully in line with the objective of a cost-efficient debt management, combined with a strong commitment to sustainability, outlined in the 'Lifetime Partner 24: Driving Growth' strategic plan."

A €650m ($708m) seven year **New York Global Funding** issue today (Tuesday) showed promise for funding agreement-backed notes (FABNs) in Europe, coming with no issue premium versus secondaries and at a level only a few basis points above US pricing.

New York Life Insurance Company could also increase the size of the Aaa/AA+/AAA deal from an expected €500m after the leads were able to tighten pricing from initial price thoughts of 105bp-110bp to 80bp on the back of a peak €1.5bn-plus book.

According to Bonnal at joint bookrunner Crédit Agricole CIB, the pricing implied zero NIP and was around 3bp back of where New York Life would have printed an equivalent dollar trade, meaning effectively no additional premium was paid for the investor diversification it achieved.

"The tenor was great for investors wanting a bit of duration for super-well rated paper that still offers good value versus best-in-class corporates – such as Nestlé's recent seven year, currently at 37bp — and best-in-class bank senior preferred — such as CASA at plus 90bp in this part of the curve," he said.

"This is still a small market, but it is gaining traction as more and more issuers come in euros and sterling," added Bonnal, "making the FABN sector more known in Europe, thereby helping counter a bit the lack of liquidity of the sector." ●

Euro financial insitutions issuance (YTD as at 22/1/24)

Pricing Date	Issuer	Format	ESG	Rating (M/S/F)	Size (m)	Coupon	Tenor	Re-offer	IPT	NIP	Books
02-Jan-24	Crédit Agricole SA	AT1	-	-/BBB-/BBB	1250	6.500%	PNC6.2	6.5%/421	6.75%a	30	2500
02-Jan-24	Danske Bank A/S	SNP/HoldCo	-	Baa2/BBB+/A+	750	3.875%	8NC7	142	165a	12	950
02-Jan-24	Lloyds Banking Group plc	Tier 2	-	Baa1/BBB-/BBB+	500	4.375%	10.25NC5.25	205	235a	7.5	2400
02-Jan-24	BFCM	Tier 2	-	Baa1/BBB+/A-	1500	4.375%	10	195	220a	12.5	3000
02-Jan-24	Banco Santander	SP/OpCo	-	A2/A+/A	1250	3.500%	4NC3	95	115a	15	1600
02-Jan-24	Banco Santander	SP/OpCo	-	A2/A+/A	1000	3.500%	6NC5	115	135a	15	1200
02-Jan-24	Banco Santander	SP/OpCo	-	A2/A+/A	1500	3.750%	10	130	155a	10	2600
03-Jan-24	UBS Group	SNP/HoldCo	-	A3/A-/A	1250	4.125%	9.5NC8.5	175	205a	12.5	3400
03-Jan-24	Allianz SE	Tier 2	-	A1/-/-	1000	4.851%	30.5NC10.5	235	255a	17	2350
03-Jan-24	BNP Paribas	SNP/HoldCo	-	Baa1/A-/A+	750	4.042%	8NC7	160	170-175	22.5	1350
03-Jan-24	BPCE	SNP/HoldCo	-	Baa1/BBB+/A	1000	3.875%	5	145	160a	25	1400
03-Jan-24	BPCE	SNP/HoldCo	-	Baa1/BBB+/A	1000	4.250%	11NC10	185	200a	30	1850
03-Jan-24	CaixaBank	AT1	-	-/BB/-	750	7.500%	PNC6.5	7.5%/530	7.75%a	31.25	1550
03-Jan-24	Barclays plc	SNP/HoldCo	-	Baa1/BBB+/A	1000	4.506%	9NC8	205	225a	22.5	2600
04-Jan-24	Banco Sabadell	SP/OpCo	-	-/BBB/BBB	750	4.000%	6NC5	160	185a	17.5	2700
04-Jan-24	NatWest Markets	SP/OpCo	-	A1/A/A+	1750	FRN	2	60	3mE+90a	0	2100
04-Jan-24	NatWest Markets	SP/OpCo	-	A1/A/A+	750	3.625%	5	120	145	12.5	2600
08-Jan-24	BBVA	SP/OpCo	-	A3/A/A-	1250	3.875%	10	135	160a	10	2100
08-Jan-24	BFCM	SP/OpCo	-	Aa3/A+/AA-	1000	3.750%	10	125	155-160	7.5	3500
08-Jan-24	Deutsche Bank AG	SP/OpCo	-	-/A/A	1000	FRN	2	65	3mE+95a	5	2400
08-Jan-24	Deutsche Bank AG	SP/OpCo	-	-/A/A	1000	3.750%	6NC5	125	150a	12.5	1900
08-Jan-24	Assicurazioni Generali	Senior	Green	Baa1/-/A	500	3.212%	5	65	80a	20	575
08-Jan-24	Assicurazioni Generali	Senior	Green	Baa1/-/A	750	3.547%	10	95	110a	20	800
08-Jan-24	Ceska sporitelna	SNP/HoldCo	-	-/BBB+/A	500	4.824%	6NC5	225	275a	-5	2750
09-Jan-24	Santander Consumer Fin	SP/OpCo	-	A2/A/A	1000	3.750%	5	120	150a	12.5	2100
09-Jan-24	ABN AMRO Bank NV	SP/OpCo	-	Aa3/A/A+	1250	FRN	3	60	3mE+95a	5	3200
09-Jan-24	ABN AMRO Bank NV	SNP/HoldCo	-	Baa1/BBB/A	1000	3.875%	8	140	175a	10	4000
09-Jan-24	UniCredit SpA	Tier 2	-	Ba1/BB+/-	1000	5.375%	10.25NC5.25	280	315a	2.5	2200
09-Jan-24	Piraeus Fin Holdings	Tier 2	-	B1/-/B	500	7.250%	10.25NC5.25	7.375%/477	7.75%a	18.75	1800
09-Jan-24	BPER Banca	AT1	-	-/-/B+	500	8.375%	PNC5.5	8.375%/595	9%a	12.5	3000
09-Jan-24	AXA SA	RT1	-	-/BBB+/-	1500	6.375%	PNC10	6.375%/384	7%a	-12.5	7600
10-Jan-24	Lansforsakringar Bank	SP/OpCo	-	A1/A/-	500	3.750%	5	125	145-150	10	850
10-Jan-24	FCDQ	SNP/HoldCo	-	A1/A-/AA-	1000	FRN	2	55	3mE+80a	2.5	1950
10-Jan-24	Commerzbank AG	SNP/HoldCo	-	Baa2/BBB-/-	750	4.625%	7NC6	210	240a	10	8250
10-Jan-24	Banco BPM SpA	SNP/HoldCo	Green	Baa3/BB+/BB+	750	4.875%	6NC5	235	270a	2.5	3300
10-Jan-24	KBC Group NV	Tier 2	-	Baa2/BBB/BBB+	1000	4.750%	11.25NC6.25	225	255a	10	2250
11-Jan-24	Societe Generale	SP/OpCo	-	A1/A/A	2000	FRN	2	50	3mE+75a	12.5	4250
11-Jan-24	BCP	AT1	-	-/-/B+	400	8.125%	PNC5.5	8.125%/578	8.625%a	0	3250
15-Jan-24	Crédit Agricole SA	SP/OpCo	-	Aa3/A+/AA-	1500	3.750%	10	115	140/145	12.5	5900
15-Jan-24	ALD SA	Senior	-	A1/A-/A-	1000	3.875%	4	130	150a	15	1700
15-Jan-24	ALD SA	Senior	-	A1/A-/A-	500	4.000%	7	155	180a	17.5	1200
15-Jan-24	Belfius Bank SA	SNP/HoldCo	-	Baa1/BBB+/-	500	3.750%	5	130	165a	0	2900
15-Jan-24	Banco Santander	Tier 2	-	Baa2/BBB+/BBB	1250	5.000%	10.25NC5.25	250	280a	12.5	4800
15-Jan-24	Mediobanca SpA	Tier 2	-	Ba1/BB+/BB+	300	5.250%	10.25NC5.25	275	305a	5	1350

Crédit Agricole joint lead manager for highlighted deals

Euro financial insitutions issuance (YTD as at 22/1/24) (continued)											
Pricing Date	Issuer	Format	ESG	Rating (M/S/F)	Size (m)	Coupon	Tenor	Re-offer	IPT	NIP	Books
16-Jan-24	UniCredit SpA	SNP/HoldCo	-	Baa3/BBB-/BBB-	1000	4.300%	7NC6	180	210a	5	1500
16-Jan-24	Crelan SA	SNP/HoldCo	Green	Baa3/-/-	750	5.250%	8NC7	275	300a	15	2000
16-Jan-24	ANZ NZ (Int'l) (London)	SP/OpCo	-	A1/AA-/A+	500	3.527%	4	95	125a	7.5	2000
16-Jan-24	BPCE	SP/OpCo	-	A1/A/A+	1250	3.875%	12	130	160a	12.5	4000
16-Jan-24	Helaba	SNP/HoldCo	-	A2/-/A+	1000	FRN	2	65	3mE+90a	10	1900
17-Jan-24	Nova Ljubljanska	Tier 2	-	-/BB/-	300	6.875%	10NC5	6.875%/423	7.5%a	25	1300
17-Jan-24	OLB AG	Tier 2	-	Baa1/-/-	170	8.500%	10.25NC5.25	8.5%/583	8.5%-8.75%	-	300
18-Jan-24	Eurobank Ergasias S&H	Tier 2	-	Ba3/-/B+	300	6.250%	10.25NC5.25	6.375%	6.875%a	-12.5	1700
18-Jan-24	CA Auto Bank (Ireland)	Senior	-	Baa1/-/A-	900	FRN	2	80	105a	15	1150
22-Jan-24	Erste & Steiermärkische	SP/OpCo	Green	-/-/A-	400	4.875%	5NC4	220	280-290	-	3000
22-Jan-24	National Bank of Greece	SP/OpCo	-	Ba1/-/-	600	4.500%	5NC4	4.5%/181	5%	0	2350
22-Jan-24	Van Lanschot Kempen	AT1	-	-/BB/-	100	8.875%	PNC5.7	8.875%/644	9.38%	-	250
22-Jan-24	CIBC	SNP/HoldCo	Green	A2/A-/AA-	500	FRN	3	70	100a	0	2400
22-Jan-24	Rabobank	SNP/HoldCo	-	A3/A-/A-	1000	3.822%	10.5	115	150a	0	6500

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