

FRN refinancings in the coming years

From here to floatergeddon

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Marketing communication

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- FRN maturities for the July payment date have been shrinking – and will become even smaller in 2027
- Over the next 18 months, FRN prepayments show only minor variation in maturity, likely providing stability in FRN-bullet spreads
- In 2028, however, the July payment date will see very large FRN maturities!

In May, we completed this year's major FRN refinancing auctions, which, however, were not particularly large when compared with the May auctions of the past three years. This reflects factors which also mean that the coming 18 months will feature less variation in the size of FRN refinancing auctions than usual. Looking ahead, we can expect a FRN issuance profile with more "medium-sized" FRN refinancing auctions rather than a clearly dominant July payment date. This is expected to contribute to greater stability in FRN-bullet spreads, and we favour FRNs. However, this will only last until the July payment date re-establishes its dominance in 2028!

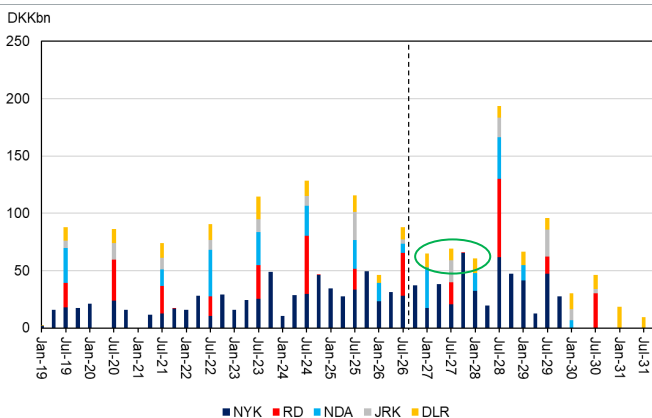
Upcoming FRN maturities (DKKbn)

Payment date	Total	NYK	RD	NDA	BRF	DLR	LRF
2026-07-01	88,852	29,213	37,358	8,017	3,894	10,369	0
2026-10-01	37,286	37,286	0	0	0	0	0
2027-01-01	65,239	17,438	0	35,104	0	12,696	0
2027-04-01	38,219	38,219	0	0	0	0	0
2027-07-01	76,199	27,769	19,209	0	19,238	9,983	0
2027-10-01	65,763	65,612	150	0	0	0	0
2028-01-01	60,666	32,574	0	15,199	0	12,893	0
2028-04-01	19,799	19,799	0	0	0	0	0
2028-07-01	197,800	66,227	67,883	36,537	16,877	10,275	0
2028-10-01	47,397	47,397	0	0	0	0	0

FRN maturities over the next ten payment dates.

Source: Nykredit Markets

FRNs: Historical and current maturities across future payment dates



Historical FRN maturities are shown to the left of the dashed line. Current FRN maturities across future payment dates are shown to the right of the dashed line. The actual maturities at future payment dates may, of course, deviate from this due to both issuance and buybacks up to the relevant payment date.

Source: Nykredit Markets

Smaller July prepayments signal a changing FRN issuance profile

The refinancing auctions in May, where July maturities are re-financed, are usually the largest FRN auctions of the year by a considerable margin. At the recently concluded auctions, however, the FRN offering amounted to "only" DKK 76 billion, which is somewhat below the DKK 105-115 billion offered at the May auctions in 2023 for 2025.

The smaller FRN auction offering this May neither reflects lower refinancing percentages for FRNs nor that the FRN segment as a whole is shrinking (it is still growing). Rather, it reflects shifts in maturities and in the choice of maturity date for FRNs issued/refinanced by the issuers.

While the maturity of bullets generally reflects how long borrowers choose to lock in the interest rate on their loan, issuers have more discretion when it comes to the FRN maturities.

The mentioned changes in the issuance pattern also have implications for the "FRN maturity profile" in the coming years – and thus also for the size of the FRN refinancing auctions ahead.

More even distribution of FRN maturities over the next 18 months

Looking at prepayments from October 2027 to January 2028, the difference in FRN maturities is currently significantly smaller than historically. Both January prepayments in 2027 and 2028 as well as October prepayments in 2027 are nearly as large as July prepayments in 2027 (which in turn is smaller than the previous year).

This is primarily due to two movements in the issuance:

- In 2022, NDA and DLR began issuing FRNs maturing in January rather than exclusively issuing FRNs maturing in July. The first maturity class of NDA's and DLR's January

FRNs matured in 2026, and in 2027, NDA's and DLR's distribution of FRN maturities on both the January and July payment dates significantly contributes to a more even distribution of FRN maturities over the year. Notably, NDA completely skipped issuing FRNs maturing at the July payment date in 2027 as part of the phase-in of January FRNs.

- NYK and RD have had relatively limited issuance of Jul27 FRNs. For NYK, Jul27 FRNs have never really been used in the tap issuance, and RD had relatively limited tap issuance of FRNs during the period when Jul27 was used. It has (also) contributed to July 2027 not becoming materially larger FRN maturities than the surrounding ones.

In addition, NYK has built up a fairly large maturity of Cibor 3M FRNs for the October 2027 payment date, which also contributes to a more even distribution of the maturity across payment dates in the coming 18 months.

The minor differences in FRN maturities across various payment dates over the coming 18 months are expected to contribute to less volatility in FRN-bullets spreads throughout the year. In light of the fact that FRN-bullets spreads appear to be aligned with the level of FRN issuance – as well as the prospect of (continued) ample liquidity – we remain positive on FRNs relative to bullets.

But then ...

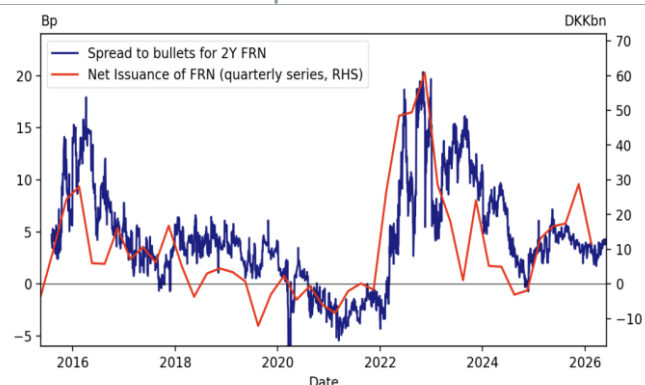
After a period characterised by a series of medium-sized FRN maturities, "floatergeddon" will hit us in May 2028, when the maturity for the July 2028 payment date is to be refinanced. Currently, just under DKK 200 billion of FRNs will mature on this payment date!

While this amount is expected to be reduced through buybacks in the interim period, the May 2028 auctions are still set to significantly exceed the previous issuance record for FRN auctions of DKK 115 billion from May 2024.

The exceptionally large July 2028 maturity of FRNs is primarily due to the fact that both NYK and RD had already rolled their tap issuance of FRNs into Jul28 before the bulk of the substantial overall FRN issuance in 2025 took place (FRN issuance was low in late 2024, but picked up again after FRN coupons were fixed at lower levels as at 1 January 2025 and "caught up" with the rate declines that had significantly reduced bullet yields in July/August 2024). As a result, both NYK and RD have built up FRN maturities of more than DKK 65 billion on the July payment date.

In addition, NDA appears to have achieved sufficient smoothing of outstanding amounts of FRNs on the January and July payment dates in 2025 and therefore resumed both refinancing and tap issuance in July FRNs – specifically Jul28 FRNs. Consequently, after the absence on the July 2027 payment date, NDA once again offers a maturity of more than DKK 36 billion on the July 2028 payment date.

FRNs: Net issuance and spread vs the bullet curve



The dark blue line represents the average spread vs the bullet curve for 2Y "standard" FRNs.

Source: Nykredit Markets

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