

Re-Rating AT1s and the Banking Sector

June 2021

AT1: Gap To Coupon Cut (MDA)

MDA Headroom Screening

Illustrative Capital positions

	1Q21 CET1 (%)	1Q21 MDA Headroom (bp)	1Q21 MDA Headroom m (EUR)	1Q21-4Q19 change in MDA
AIB	18.94%	9.26%	4,909	1.36%
CA Group	17.30%	8.68%	25,938	2.50%
ABN	17.42%	7.67%	8,595	-0.77%
UniCredit	16.54%	7.52%	23,667	3.38%
KBC	17.62%	7.31%	7,517	1.50%
CXGD	18.00%	7.10%	3,053	1.30%
Rabobank	16.84%	6.85%	14,102	0.51%
Intesa	14.91%	6.47%	21,754	1.43%
Nordea	17.50%	6.44%	9,916	1.17%
BBVA	14.90%	6.09%	21,567	2.83%
Caixabank	14.12%	6.01%	12,538	2.53%
BAWAG	14.15%	5.03%	1,008	1.64%
ING Group	15.47%	4.96%	15,417	1.00%
BKIR	14.91%	4.93%	2,387	0.08%
SocGen	13.48%	4.43%	2,387	0.72%
Erste	14.28%	4.11%	4,898	1.52%
CMZB	13.43%	4.03%	7,201	1.34%
Sabadell	12.38%	3.66%	2,961	0.59%
Santander	12.30%	3.41%	19,337	1.56%
BNP	12.76%	2.89%	20,312	0.25%
RBI/RZB	13.27%	2.85%	2,316	-0.07%
DB	12.91%	2.49%	8,203	-0.45%
BCP	12.17%	2.17%	996	-0.12%

MDA Headroom

	Revised CET1 (%)	MDA Headroom (bp)	MDA Headroom (local FX)	1Q21-4Q19 change in MDA
NWIDE	36.4%	21.14%	6,813	-0.85%
SEB	21.0%	8.37%	39,337	0.78%
NWG	18.2%	8.23%	13,555	2.14%
Danske	18.1%	8.02%	63,970	2.07%
DNB	19.6%	6.60%	63,008	0.11%
Svenska	20.2%	6.33%	47,280	-2.20%
Lloyds	16.2%	5.36%	10,879	3.01%
HSBC	15.9%	5.00%	42,305	1.39%
Swedbank	17.5%	4.78%	32,994	-1.91%
WMUKLN	13.9%	4.71%	1,137	1.61%
UBS	14.1%	4.41%	12,679	0.29%
Santan UK	15.5%	4.39%	3,138	1.24%
STANLN	14.0%	4.00%	11,054	0.62%
Barclays	14.6%	3.51%	10,984	1.11%
CS	12.8%	2.17%	6,560	-0.49%

Key figures:

- Initial moves from the Central Banks generated ~€95bn of CET1 (article 104a, buffer reduction, dividend cancellation)
- Excess CET1 to a 12% CET1: ~€230bn, to 13%: ~€160bn BUT much of this will never be distributed!

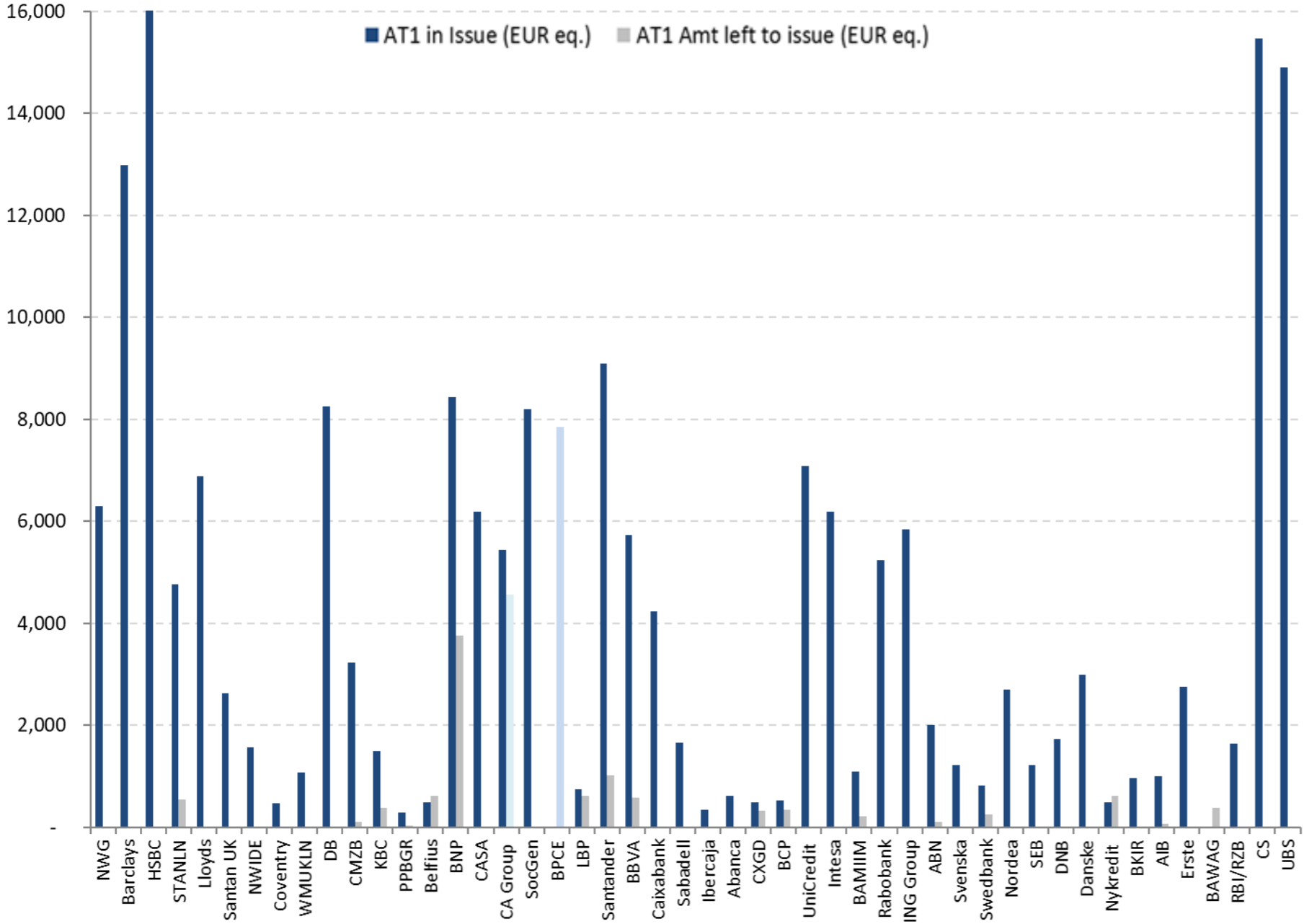
Coco index spread history

Spread to worst vs Govt



Source: Bloomberg, ICE Indices
18 June 2021

AT1 Issuance: What's Been Done and Yet to Come



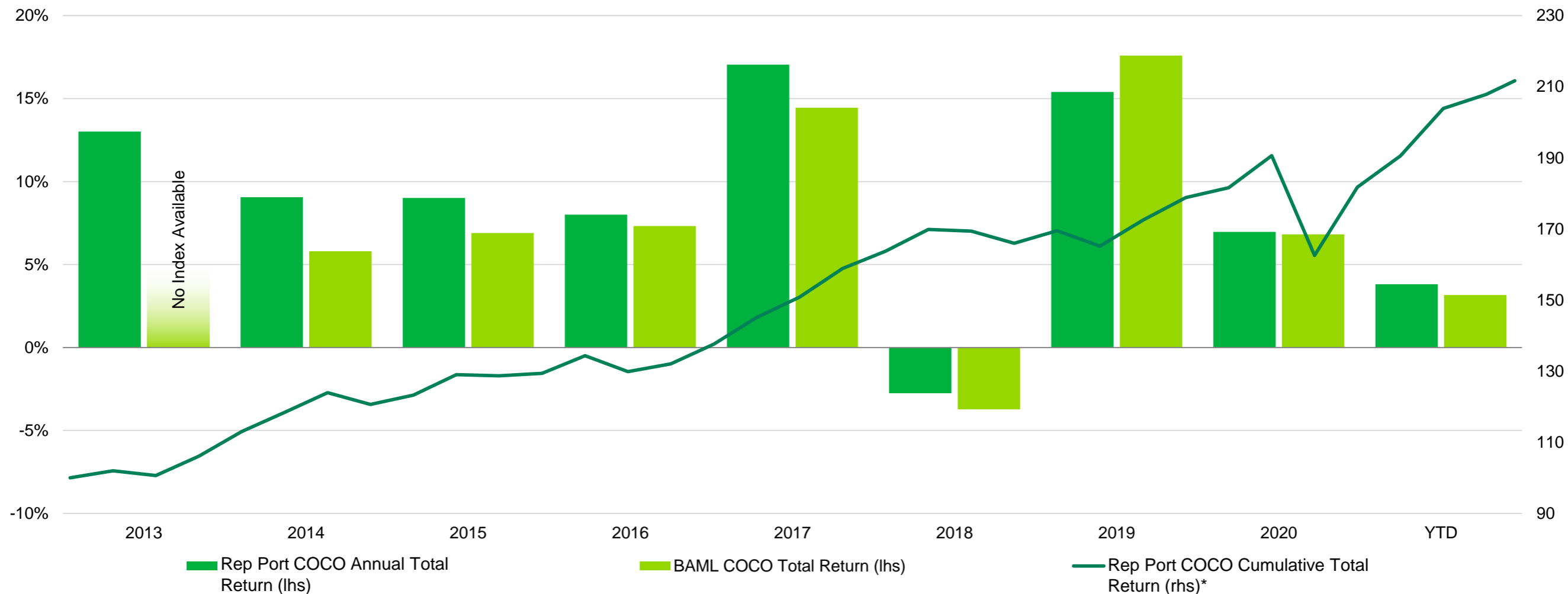
Total Benchmark AT1 Issued so Far: ~€195bn
Amount Left to Issue: ~€11bn

Source: Citi. 1Q21 data including all AT1s issued. The amount left to issue based on 1.5% RWAs and the permitted amount under article 104a and includes Pillar 2A/Pillar 2 requirements for UK and Swedish banks.. Swiss AT1s issued includes high and low trigger AT1s. Amount left to issue based on the highest of leverage and RWAs requirement, less AT1 issued.



Research can be well rewarded

Representative portfolio of Strategic Income Strategy – Additional Tier 1 performance



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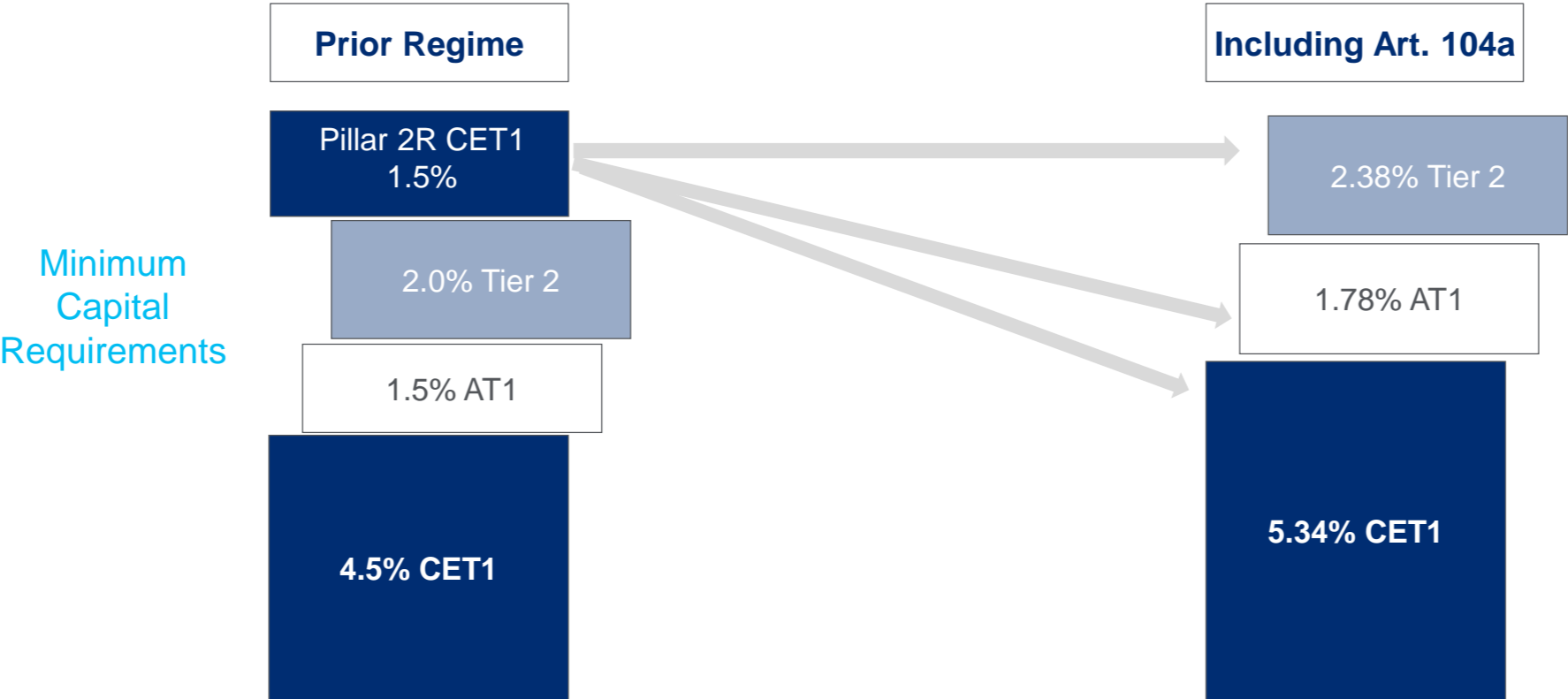
Source: TwentyFour, ICE Indices; 31 May 2021

AT1: What is Article 104a

To free up CET1 by encouraging more issuance of AT1 and Tier 2 for banks with shortfalls!

Article 104a:

- The Pillar 2 Requirement can be filled using a combination of CET1, AT1 and Tier 2
- 56.25% to be filled with CET1 (4.5%/8%), 18.75% to be filled with AT1 (1.5%/8%) and 25% to be filled with Tier 2 (2%/8%).
- Issuing AT1 and Tier 2 to boost the MDA headroom



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