Bank+Insurance HybridCapital

SUMMER 2019

With  CRÉDIT AGRICOLE CORPORATE & INVESTMENT BANK

QE is dead! Long live QE!

Rally rebooted, as change at top reinforces ECB expectations

Italy
Issuers make hay

Westpac
Tier 2 ALAC opener

S&P
Insurers centre stage

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Less than a week after APRA announced ALAC requirements implying potentially A$50bn of Tier 2 supply, Westpac sold a US$2.25bn long-dated issue that attracted some US$15bn of orders. Westpac's Guy Volpicella and Nicholas Cooper discuss the bank's stance vis-à-vis the new requirement as well as its pace-setting Tier 2 deal.

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20 QE is dead! Long live QE!

QE is back on the agenda in a big way, with Christine Lagarde's forthcoming ECB arrival helping reboot the bond market rally. With input from Crédit Agricole CIB's financials credit desk, *Neil Day* explores the opportunities and challenges facing issuers and investors in the post-summer market, where technicals and fundamentals could increasingly clash.

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S&P has released updated criteria for the insurance sector and hybrids, with insurers most impacted by the latter. S&P Global's Dennis Sugrue discusses the thinking behind the changes and its consequences for insurance companies and their hybrids.

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APP: The Sequel

Cinemagoers could be forgiven for feeling a degree of fatigue in the face of Hollywood's obsession with remakes, reboots and sequels, and financial market participants likewise. Was CRD IV really worth the wait? And do we really need another Basel?

But like its Avengers namesake, "Infinity QE", as more than one critic has dubbed the ECB's stance, is perhaps inevitable — and equally certain to deliver a powerful performance. Sure, there are those who complain of diminishing returns, but give the market what it wants! And while renewed bond buying may come after the departure of the franchise's leading man, Europe is following (Captain) Marvel's lead in casting Christine Lagarde in the starring role.

Not allowing the ECB to steal the limelight — think Star-Lord and Thor — the Fed delivered its first rate cut in a decade in a post-credits, stop the press scene for *Bank+Insurance Hybrid Capital*.

In this edition of *BIHC*, we look at the story so far and ask what can be expected from the premier of QE2.

Meanwhile, capital needs and structures continue to face their latest iterations around the globe.

Hitting screens across the Atlantic was the Australian version of TLAC, as Westpac sold a blockbuster US$2.25bn Tier 2 to meet ALAC needs. *BIHC* went behind the scenes with the bank's funding team to discuss how they are responding to the latest APRA requirements.

Changes to S&P Global's insurance criteria come against the backdrop of the sector's most famous sequel, Solvency 2. With hybrid methodology changes at the same time affecting insurers most, S&P insurance sector lead Dennis Sugrue has an interesting tale to tell.

One Disney Pixar sequel that looks unlikely to reach production is WALL-E 2. However, the bond markets are at least acting to help save the planet from humanity's excesses, as part of what Matthew Dong Seok Gim, head of Kookmin Bank's treasury team, sees as a megatrend that must be followed. While the Korean issuer chose to make its AT1 debut under a sustainability banner, the senior non-preferred segment has seen several issuers return with green bonds and Standard Chartered take the ESG show into new markets with a debut sustainability bond.

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Market news

Inaugural Commerzbank $1bn AT1 worth the wait

Commerzbank launched its long-awaited debut AT1 on 2 July and attracted some $11bn of orders to the $1bn perpetual non-call April 2025 deal, with regulatory developments, the issuer's credit story and market conditions combining serendipitously.

Many G-SIBs and D-SIBs moved quickly to fill their buckets once AT1 regulations were finalised in late 2013 — such as compatriot Deutsche Bank in 2014 — but coming into 2019, Commerzbank, along with France's BPCE, was one of the last notable big EU bank absentees from the asset class. Doncho Donchev, DCM solutions, Crédit Agricole CIB, said that Commerzbank's sizeable stock of grandfathered hybrid Tier 1 instruments, which were cost efficient and treated as AT1 on a transitional basis, obviated the need for the German lender to come to market.

"By having the luxury of not having to issue, they sidestepped the various complexities and issues that cropped up as the market was developing, such as distance to trigger, P2, MDA and ADI concerns," he said. "Instead, they spent that time focusing on cleaning up their balance sheet and becoming the stable bank they are today."

In addition to the declining regulatory capital value of the legacy instruments, contributing to Commerzbank's decision to finally enter the AT1 market was the European Banking Authority's change last year to how CET1 counts towards covering Pillar 2 Guidance (P2G) and any AT1/Tier 2 shortfall. Whereas previously the same CET1 could be counted towards covering P2G and any AT1/Tier 2 shortfall, from next year they will have to be covered separately (as recently confirmed by the ECB), incentivising banks to remove any shortfall rather than face an effective higher CET1 requirement.

This was understood to be one of the rationales for the Commerzbank AT1

trade, as well as the issuer's intention to generally optimise its capital structure, support its credit rating metrics, and further strengthen key financial metrics, including leverage ratio and MREL.

While the above regulatory development contributed to Commerzbank's issuance rationale, another made its offering a more attractive proposition for investors. Under CRR2, which came into force on 27 June, the calculation for available distributable items (ADIs) has changed such that Commerzbank's ADIs increase from some EUR1bn to more than EUR20bn. Furthermore, the AT1 issuance itself increases the distance to MDA — ultimately by more than 50bp — an additional factor working in favour of investors.

With the dollar market offering significant cost-savings versus the euro market for AT1, Commerzbank announced the mandate for its debut at the end of June and embarked upon a three-team roadshow in Europe and Asia for the Reg S deal, which has temporary write-down and a 5.125% CET1 trigger. The issuer had previously targeted the Asian market on more than one occasion, with Singapore dollar Tier 2 issuances, for example.

Meanwhile, the offering was the first benchmark AT1 from Germany since 2014.

"This confluence of circumstances — the bank's requirements, the market context and its choice of currency and target investor bases — made it an ideal time for Commerzbank to come to market with its inaugural AT1," said Donchev. "And the outcome was highly successful."

On 2 July, Commerzbank's leads went out with initial price thoughts of 7.5%-7.75% for the Ba2/BB (Moody's/S&P) dollar benchmark perpetual non-call April 2025 transaction. Syndicate bankers said the IPTs were based on a diverse range of investor feedback, with Commerzbank having no obvious comparables, although issues from BBVA, Danske and SG were among a variety cited by market participants, one of whom put fair value at 6.875%.

Guidance was set at the 7.125% area, plus or minus 0.125%, will price in range, when books were above $8.5bn. The deal ultimately attracted some $11bn of demand, enabling pricing at 7% and a $1bn (EUR883m) size.

"The marketing and pricing approach was extremely consensual, and I presume also designed around the price discovery element implied by the nature of the transaction," said Vincent Hoarau, head of FI syndicate at Crédit Agricole CIB. "And it paid off with a highly successful transaction.

"Meanwhile, nothing in the process can lead to the conclusion that the issuer may have been generous. The market has come a long way and the compression throughout H1 has been impressive. 7% is a very competitive outcome in terms of funding cost for a $1bn trade."

Based on RWAs of EUR185bn, Commerzbank's AT1 capacity was put at EUR2.8bn, meaning the issuer has room for almost EUR2bn of further issuance. However, this is balanced by the existing legacy AT1 stock, which puts the bank in the driving seat in terms of follow-on AT1 supply. ●

KB debuts in AT1 under sustainability framework

Kookmin Bank (KB) sold its first Additional Tier 1 on 25 June, a $500m (KRW593bn) perpetual non-call five transaction that attracted some $2.7bn of orders, and did so under the guise of its sustainable financing framework, following senior and Tier 2 issuance in the past nine months.

Under the South Korean bank's sustainable financing framework, established in September 2018, bonds are aligned with the Green and Social Bond Principles, or both under the Sustainability Bond Guidelines, or in the case of loans, the Green Loan Principles, with Sustainalytics providing a second party opinion.

Eligible use of proceeds range from categories such as renewable energy to sustainable waste and water management for green bonds, and from SME financing and microfinance to access to essential services for social bonds.

After establishing its framework in October 2018, KB issued the first sustainability bond from a South Korean bank, a $300m trade, and then in January it attracted some $1.7bn of orders to a $450m Tier 2 sustainability bond — the issuer's first offshore Tier 2.

Matthew Dong Seok Gim, head of treasury team, trading/capital markets department, at Kookmin Bank, told *Bank+Insurance Hybrid Capital* that KB sees ESG as a "megatrend" that it should follow. He noted that in the field of equity, ESG considerations have become increasingly statutory, and that if similar obligations develop in fixed income, being a first-mover could prove advantageous. The bank, having ample suitable assets, therefore established its sustainable financing framework to be at the forefront of developments, added Gim.

Having issued the senior and then Tier 2 deals, KB then stayed with the format for its first AT1, which it embarked upon as part of its regular funding plan and capital adequacy management strategy. The bank has the highest CET1 among commercial banks, but decided to raise AT1 to enhance its capital as outstanding Tier 2 amortizes, according to Gim.

> KB sees ESG as a 'megatrend' that it should follow

Its AT1 is the first from Korea with two investment grade ratings, being rated Baa3/BBB+.

The mandate was announced on 11 June and, following a roadshow taking in Asia, Europe and the US, the 144A/Reg S deal was launched on 25 June. Following initial price thoughts of 4.70%, guidance was set at 4.35%-4.40%, and the deal was ultimately priced at 4.35% on the back of some $2.7bn of demand.

Gim said the bank was particularly pleased to see strong demand from US accounts for its first trade in 144A format in almost two years.

KB's sustainability bond issuance has meanwhile led to an increase of around one-third in the number of accounts participating, according to Gim, although he said it is too early to judge how this positive development may be affecting pricing.

Ahead of the latest sustainability issue, KB released its first sustainable financing report. Gim noted that although under best practice issuers release such reports around a year after issuance, KB did so much earlier, highlighting how seriously the issuer takes its sustainability reporting. ●

Jyske champions callables after Nordic SNP first

Jyske Bank issued the first callable senior non-preferred transaction from the Nordics on 13 June, a EUR500m five year non-call four transaction launched as BRRD2 was coming into force, with more issuers potentially adopting such structures should the EBA deem them appropriate.

To fulfil TLAC and/or MREL requirements, issuance of callable HoldCo debt from banks in the US, UK and Switzerland has become commonplace, with the structure allowing banks to refinance the debt a year before maturity, when it would otherwise lose its regulatory benefit and become unnecessarily expensive.

But banks in the EU have typically refrained from issuing similar callable debt in senior non-preferred or HoldCo format to meet TLAC and MREL requirements in the absence of regulatory clarity over whether such structures could be deemed to have an incentive to call and therefore be disallowed. BNP Paribas nevertheless pioneered the structure among EU banks and others, such as UniCredit and AIB, have taken advantage of it.

Jyske became the first Nordic bank to do so on 13 June and Merete Poller Novak, head of debt investor relations and capital markets funding in Jyske Bank group treasury, said that BRRD — which was passed on 7 June and came into force on 27 June with the wider EU Banking Package — has removed any obstacles to the callable structure.

"At Jyske, we don't understand why more issuers aren't going for the callable format," she said, "because it's much more efficient from an MREL cost perspective. If you go back to when we issued our first SNP in November 2018, there was still some regulatory uncertainty around it, but with BRRD2 it is now allowed and the Danish regulator has confirmed that callables are fine.

"So, if the market allows us to issue callables at a reasonable premium, we are just going to be issuing callables for our non-preferred senior needs from now on"

Jyske's EUR500m five non-call four issue was priced at 95bp over mid-swaps on the back of a book that peaked above EUR1bn, following initial price

thoughts of the 110bp area and guidance of 95bp-100bp.

According to a banker at one of the leads, the pricing implied 7bp-8bp of combined new issue premium and call premium versus a five year trade. Novak said the benefit of being able to call the issue after four years clearly outweighs the call premium versus the alternative, a five year bullet — although she acknowledged that this might not be the case for issuers trading at tighter levels.

> 'For our needs, the demand is large enough'

"And if you just used bullets, you would always have to refinance one year before maturity to maintain your MREL position, so you would have a higher stock outstanding," she said.

Novak said that investors, meanwhile, achieve a pick-up over what they would receive for a four year note. However, she noted that callable structures are not yet to all investors' tastes, with some German investors, for example, not buying them.

"Everything else being equal, there is no doubt the order book would have been bigger if we had done a bullet," she said. "But for our needs, the demand is large enough for us to achieve a good trade and a good price — we don't necessarily need EUR2bn order books."

Over 80 accounts participated in the deal, with 26% going to Germany and Austria, 22% to Denmark, 19% to other Nordics, 16% to the UK and Ireland, 7% to southern Europe, 7% to France, and 3% elsewhere. Asset managers were allocated 65%, banks 22%, insurance companies and pension funds 7%, and official institutions 6%.

Apart from possible opportunistic niche transactions, in Swedish kronor, Jyske is not set to tap the market again, according to Novak. Next year it expects to launch two EUR500m senior non-preferred benchmarks, she said, one likely in the first quarter to build its MREL stack, and the other probably in the third or early fourth quarter to refinance a year ahead of maturity a EUR500m deal sold in November 2018. Five non-call four and six non-call five structures are most likely, she added, in order for the MREL debt not to be too short-dated.

George Kalbin, director, FI syndicate at Crédit Agricole CIB, said that, with the EBA likely to offer favourable guidance on callable structures for Eurozone banks by late 2019 or the beginning of 2020, more EU issuers could soon be adopting similar strategies.

"Danish banks have a green light from their regulator," he said, "but even in the Eurozone we're already seeing the likes of BNP Paribas and UniCredit issuing with calls. It's a very efficient way for banks to manage their MREL requirements and I do expect this to increasingly become the norm." ●

Italians hit the market while the sun shines

Italian banks raised more from senior through to AT1 bonds in June and July than in the whole of 2018, as Europe-wide, national and issuer-specific positives combined to allow them the flexibility to issue at attractive levels across the capital stack.

UniCredit took centre stage, entering the market with a senior preferred transaction the day of ECB president Mario Draghi's now famous Sintra remarks, and attracted some EUR4.3bn of orders to a EUR1.25bn six year non-call five, allowing it to tighten pricing more than 30bp to 155bp over mid-swaps, roughly flat to fair value. The success of the trade was an early signal that market dynamics were returning to the highs seen earlier in the year.

Six days later, UniCredit returned with another six non-call five, this time in senior non-preferred format, and attracted some EUR2.2bn of orders to the EUR750m deal, allowing for a similar degree of tightening, to 190bp over.

"The beauty of these trades was that UniCredit paid a very limited premium for the call, around 10bp, and most importantly crystallised a SP/SNP subordination premium, of around 40bp, that they can monitor over time and use as RV tool and funding guidance," said Vincent Hoarau, head of FI syndicate at Crédit Agricole CIB.

The national champion enjoyed further good news on 18 July, when Moody's upgraded UniCredit's SNP rating from Baa3 to Baa2 and its Tier 2 rating from Ba1 to Baa3, investment grade. The rating agency cited the derisking and strengthening of its credit profile, underpinned by a sharp reduction in its stock of problem loans in recent years, together with improved and more stable profitability. Moody's move also came only days after S&P had changed UniCredit's outlook from negative to stable.

Thanks to the improved ratings, UniCredit's outstanding Tier 2 snapped tighter, its 4.875% 2029 non-call 2024s, for example, tightening almost 100bp in the following two weeks.

"This is a very well-deserved rating action rewarding years of hard work," said Hoarau. "It immediately corrected foolish valuations of UniCredit Tier 2 instruments in the secondary market."

In between UniCredit's two trades, sentiment towards Italy was boosted by rumours that the European Commission would not initiate an Excessive Deficit Procedure for the country and the day after UniCredit's SNP, Intesa Sanpaolo took advantage of the auspicious conditions by selling the biggest trade of the Italian summer supply, a EUR2bn senior preferred deal split into five and 10 year tranches that attracted a combined EUR6.5bn of orders.

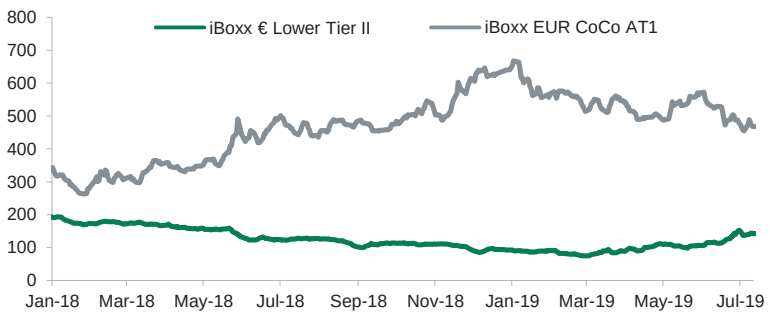
On 3 July the Commission confirmed the rumours and the sovereign itself on 9 July attracted over EUR17.5bn of demand to a EUR3bn tap of the March 2067 BTP. The Republic thereby tapped into the outperformance of BTPs, which saw the yield on the 10 year almost halve from mid-May to a 33 month low of 1.499% on 18 July.

And the following day UBI Banca attracted some EUR1.4bn of orders to a 10 non-call five Tier 2 that it upsized to EUR300m and priced at 475bp over mid-swaps, following IPTs of the 510bp area. This followed a EUR500m five year SNP for the issuer on 13 June.

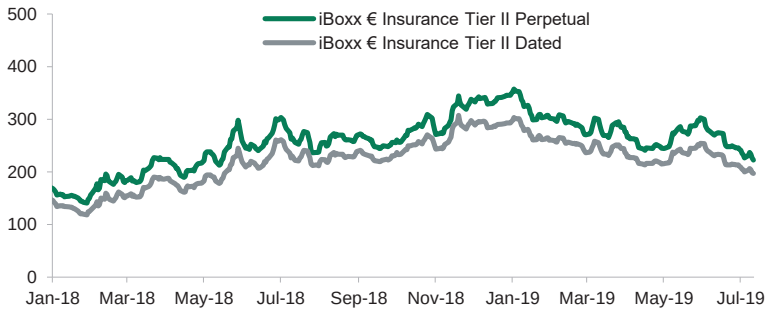
A wave of second tier Italian financial institutions also rode the strong market sentiment to successful trades, moving progressively further down the capital stack and credit spectrum. FinecoBank sold a EUR300m no-grow perpetual non-call December 2024 debut AT1 at 5.875% on 11 July, and Banca Monte dei Paschi di Siena launched senior preferred and then Tier 2 trades in the triple-C range just two weeks apart. The EUR500m three year senior preferred bond was priced at 4% on 4 July, and its EUR300m 10 year bullet Tier 2, rated Caa2/CCC+ (Moody's/Fitch) at 10.5% on 17 July.

But by the time Banca Popolare di Sondrio issued a EUR200m 10 year non-call five Tier 2, rated BB (Fitch), at 6.25% on 23 July, the bullishness began to wane, as differences within Italy's ruling coalition resurfaced, bringing political issues to the fore once more. ●

Secondary bank subordinated indices (bp)



Secondary insurance subordinated index (bp)



Source: Markit, Crédit Agricole CIB

SDG impact helps StanChart sustainability debut fly

Standard Chartered attracted over EUR3.4bn of orders for an inaugural sustainability bond on 25 June, building on a broader green and sustainable product framework to offer investors an uncommon opportunity to support the UN SDGs in the range of emerging markets the bank operates in.

The sustainability bond framework is based on a green and sustainable product framework Standard Chartered developed with Sustainalytics and published on 2 May. The frameworks set out eligible qualifying financing themes and activities — mapped to relevant UN Sustainable Development Goals (SDGs) and their targets — that can then be referenced by specific products. This began with Standard Chartered launching the world's first Sustainable Deposit on 16 May, which is dedicated to financing sustainable assets in developing countries.

Richard Staff, head of capital issuance and term funding, Standard Chartered, highlighted how the bank's issuance extends beyond the more common green bond.

"The framework allows us to issue green or sustainability bonds and we may look at both types," he said. "For our inaugural issuance we were keen that the transaction really reflected the bank's unique business footprint and our ability to have an impact not just on climate-related issues, but also on a broader set of issues like financial inclusion and supporting entrepreneurship in low income countries.

'Our ambition is to continue to lead and do more issuances as the appropriate assets grow' - *Staff*

"That's very much what led to the development of the framework and then the issuance."

The use of proceeds of Standard Chartered's sustainability bond are split approximately: 25% across eight climate-related infrastructure projects (renewable energy and sustainable water management), 50% to SME loans, and 25% to microfinance.

Staff also noted that the bank's approach took on broad feedback from investors reflecting market developments.

"We have seen a gradual increase in green and green-related bond issuance," he said, "but we haven't seen many sustainability bonds. At the same time, investors we met had seen our framework, our sustainability credentials and our recently updated position statements, and were keen to fund the broader set of assets that we could offer.

"That was very supportive feedback and we'd like to think we are now leading in the field of sustainability bond issuances. Our ambition is to continue to lead and do more issuances as the appropriate assets grow."

Rahul Sheth, who runs the bank's green and sustainability bond franchise, added: "One of the things investors found really attractive was the ability to invest in a UK regulated institution, but get diversification of impact in a number of markets where a lot of this kind of finance is being generated — notably the financial inclusion assets in least, low and lower middle income development assistance committee (DAC) countries as referenced by the Organisation for Economic Co-operation & Development (OECD)."

As well as extending beyond climate-related assets, Standard Chartered's footprint in emerging markets enables it to offer investors a rare opportunity to impact such regions. According to Alex Kennedy, director in Standard Chartered's sustainability team, beyond China, less than 10% of green bond issuance last year had use of proceeds targeted at emerging markets.

"And if you are really passionate about hitting a sub 2-degree warming world, then we need to solve the CO_2 pathways in

places like India, Indonesia and Africa, and actually there isn't enough financing going into those markets," he added. "That's something that our unique franchise can help address."

On top of its second party opinion and standard sustainable bond documentation, Standard Chartered provided a pre-issuance verification letter to accompany its inaugural issue.

"Going above and beyond best practice, we published this pre-issuance verification letter at the outset to be as transparent as possible," said Daniel Hanna, global head of sustainable finance at Standard Chartered. "It lets investors see right through to the types of assets that are being financed, alongside a geographical breakdown of the three use of proceeds buckets."

Standard Chartered presented its draft sustainability bond framework in a non-deal roadshow in May, taking in Amsterdam, London and Paris, and maintained a dialogue with investors while finalising its framework. It then announced the mandate for its inaugural trade on Monday, 24 June, ahead of launch the following day, allowing all investors time to review the completed framework.

StanChart's unique franchise helps address lack of financing going into emerging markets - *Kennedy*

On the Tuesday morning, joint lead managers ABN Amro, Crédit Agricole CIB, Deutsche Bank, ING and Standard Chartered Bank (also sustainability structuring advisor) opened books on the EUR500m (£447m) no-grow eight non-call seven year senior HoldCo issue, rated A2/BBB+/A, with initial price thoughts of the 130bp area over seven year mid-swaps. The leads reported books above EUR1bn after an hour and 40 minutes, and a short while later revised guidance to the 110bp area on the back of more than EUR2.3bn of demand. The transaction was ultimately priced at mid-swaps plus 100bp on the back of over EUR3.4bn of orders.

"The market on Monday had been very strong," said Staff, "and when we opened books on the Tuesday the momentum was visible from almost the first minute. We had substantial interest from accounts we had spoken to on the roadshow and others, and the book built quickly, allowing for substantial price revisions with a minimum of fuss.

"Sometimes you agonise over moving 5bp, but the level of oversubscription allowed us to move pricing 20bp at the first iteration and another 10bp after that. And one of the most powerful parts of the entire project was how much the book grew after each pricing revision."

French accounts were allocated 38% of the paper, the UK and Ireland 19%, Germany, Austria and Switzerland 18%, Asia 7%, the Benelux 7%, southern Europe 5%, and others 6%. Fund managers took 78%, pension funds and insurance companies 10%, banks 9%, and others 3%.

Pre-issuance verification letter published at the outset to be as transparent as possible - *Hanna*

"The fact that this was Standard Chartered's first sustainability issuance, and one of the first sustainability issuances for a long time targeting emerging markets, gave us a level of support from ESG-only funds that we might not have gotten on a vanilla issuance," said Staff. "Looking at the level of oversubscription we had, some of that was heavily anchored into dark green accounts, and even for the mainstream names that were involved, their green funds were boosting their demand or taking their allocation in its entirety."

As well as the sustainability element, Staff said three other factors contributed to its success: it being the first euro HoldCo issue from a UK bank for nine months, the first euro trade from the issuer in 18 months, and the dovish messages from the ECB after its governing council meeting the previous Thursday.

The re-offer spread of 100bp over mid-swaps compared with fair value in the context of 105bp, according to the leads, and a week after launch the new issue was trading some 10bp tighter.

As well as issuing its sustainability bond on 25 June, Standard Chartered also sold a SGD750m (EUR487m) 5.375% perpetual non-call five Additional Tier 1 and a AUD1bn (EUR609bn) six non-call five dual tranche senior HoldCo deal.

"Nobody plans six months in advance to do three trades on the same day, but three or four things came together very neatly, with the tailwind from central banks giving us enough confidence to launch one, two, and then three into the market," said Staff. "You would not want to have competing trades in the market on the same day, but the investor bases were discrete and the products themselves so niche, that there was very limited crossover.

Combination of UK regulated institution and diversification of impact an attraction for investors - *Sheth*

"We are thrilled with how they all went, and they have put us firmly on track for the rest of the year. Our treasury department, alongside the rest of the bank, is thrilled to have cemented our position as an issuer who puts sustainability at the forefront of their thinking."

Standard Chartered's funding plan for the year is USD5bn-USD7bn, and the bank has so far raised USD4.1bn. ●

LBBW in quick green SNP return as levels tighten

Landesbank Baden-Württemberg issued its third green bond in just over two months on 17 July, a EUR500m no-grow seven year senior non-preferred issue priced flat to where the German bank sold a EUR750m five year SNP transaction in mid-May.

After having updated its green bond framework, LBBW sold the senior non-preferred green bond on 15 May, and then issued the first green covered bond in US dollars, a $750m (EUR672m) three year mortgage Pfandbrief, on 21 May.

On 17 July, the bank then returned to the market, announcing a EUR500m no-grow senior non-preferred seven year green bond, with leads Crédit Agricole, DZ, HSBC, LBBW and Nordea going straight out with initial price thoughts of the 65bp over mid-swaps area. The deal was priced at 53bp over mid-swaps, with around EUR850m or orders good at re-offer, excluding JLM interest, after the book had peaked above EUR900m with over 100 accounts based on guidance of the 55bp area.

The spread of 53bp — and indeed the IPTs and guidance — matched that of LBBW's earlier, EUR750m five year, given the performance of the market in the interim. The May 2024 issue was quoted 10bp tighter, at 43bp, mid, at the time of the seven year's launch.

"Since the beginning of June we have seen spreads tightening and the market being very constructive," said Patrick Steeg, head of asset and liability management at LBBW *(pictured)*. "We received quite a lot of recommendations and pricings at the same level as the five year, and saw this as the perfect opportunity to further build our non-preferred curve."

Following the new issue, LBBW has senior non-preferred benchmarks outstanding maturing in 2021, 2022, 2024 and 2026.

"We now have a nice senior non-preferred curve," said Steeg, "with three of the four in green format. It is our ambition that whenever we come to the market in benchmark format, it should be in green — or in the near future, social — format."

According to the leads, around 60% of the new issue was allocated to investors deemed green, including many names new to LBBW's issuance.

"The green aspect really makes a difference," said Steeg. "We had a granular book that was very well diversified by investor type as well as geographically."

Some 64% of the deal was allocated to German and Austrian investors, with France taking 20%, Switzerland 4%, Asia 4%, the Nordics 3%, the Benelux 2%, southern Europe 2%, and the UK and Ireland 1%. Funds took 39%, banks 31%, insurance companies and pension funds 21%, and central banks and official institutions 9%.

> 'The framework appears to be quite well established'

According to Steeg, French participation was higher than for LBBW's other green bonds, which he said was notable given how tight the bank trades relative to international peers. The longer, seven year maturity was also cited as a factor helping lift French demand, while Vincent Hoarau, head of FI syndicate at joint lead Crédit Agricole CIB, said it was partly a pay-off from more pronounced marketing of the credit in France, with investor meetings having taken place in Paris ahead of the Tier 2, for example.

"This transaction shows further evidence of the traction provided by the green element while valuations are fairly rich," he added. "Drops were pretty limited on the pricing revision, while the deal performed off the break in the secondary market. We are trading the bonds in the high 40s over swaps."

The book for LBBW's latest green bond was lower than on its previous issues, but the trade is also the bank's smallest green bond yet, and Steeg noted that the size was limited to EUR500m from the outset, with pricing then the focus during execution.

"We are very happy with the outcome," he added.

The lead syndicate banker said the pricing was roughly 1bp-2bp over fair value of 50bp to the low 50s over mid-swaps, depending on how the curve is viewed.

The green bond is LBBW's fifth since it debuted in December 2017, taking its outstandings to some EUR3.2bn-equivalent.

"The framework appears to be quite well established," said Peter Kammerer, head of investor relations at LBBW. "It seems investors have understood our strategy from the recent transactions, which met with good demand and have performed well."

In between issuing a EUR500m covered bond in June 2018 and its three latest green bonds, LBBW added UK commercial real estate to the energy efficient buildings part of its framework that already included German and US properties, and initiated renewable energy projects (wind and solar) as an eligible category for use of proceeds. Energy efficient buildings constituted EUR4.6bn of LBBW's green bond portfolio and renewables EUR1.3bn, with the portfolio growing from EUR2.7bn at the end of 2017 to EUR5.9bn at the end of 2018, making it the second largest such portfolio in Germany.

"It's a major step forward," said Kammerer. "The eligibility criteria are also now stricter than before and the reporting more accurate." ●

Zurich in senior record, insurers set to get funky

Zurich Insurance issued the longest ever senior bond from a European insurance company on 11 June, a EUR500m 20 year deal launched on the back of investors' search for yield, whose impact was also felt in insurers' subordinated activity.

In the second quarter the insurance sector was caught up in the wider euro credit market's one-way move, as yields hit record lows and spreads compressed back towards levels seen during the European Central Bank's asset purchase programme (APP). The tighter levels and conducive market conditions attracted issuers such as ASR Nederland and Sampo into the subordinated market in April and May, respectively.

"Whether it be seniors, Tier 2 or RT1, we have seen a substantial performance in this market," said André Bonnal, FI syndicate at Crédit Agricole CIB. "That has provided a very nice entry point for some of the smaller insurance companies to do modestly-sized transactions, which have gone very well and been eight to ten times oversubscribed.

"They could have taken the view that the market might be even tighter in a couple of months," he added, "but they were quite pragmatic and got their trades done very nicely."

ASR Nederland attracted some EUR5.25bn of orders to a EUR500m 30 non-call 10 Tier 2 on 25 April, enabling it to tighten pricing from the 330bp over mid-swaps area to 300bp, allowing it to come some 5bp through fair value. Finland's Sampo was able to tighten pricing 45bp when it sold its EUR500m 30 non-call 10 Tier 2 on 16 May, with a EUR4.4bn book allowing it to move from the 350bp area to 305bp, also 5bp inside fair value.

Going into 2019, market participants had suggested that significant supply this year could be dependent on M&A activity, and indeed in the absence of any blockbuster deals, no landmark subordinated issuance materialised in the second quarter.

However, the market dynamics allowed Zurich Insurance to set a maturity milestone in the senior space, as it sold the longest ever issue from a European insurer.

"We are clearly in a market where you have investors looking for yield, looking for spread, and one way to grab that is by going longer duration," said Bonnal at joint bookrunner Crédit Agricole CIB. "We'd had regular proof that the 20 year tenor was quite feasible on the corporate side, where quite frankly you could do a 20 or 30 year bond every other day, but it had not been done on the insurance side."

On the morning of 11 June, initial price thoughts of the 105bp area were announced for the EUR500m no-grow 20 year senior unsecured transaction issued by Zurich Finance (Ireland) DAC, guaranteed by Zurich Insurance Company Ltd. Demand passed the EUR1bn mark after an hour and three-quarters, and with orders above EUR1.6bn after close to three hours, guidance was set at 85bp-90bp. The deal was ultimately priced at 85bp on the back of some EUR1.7bn of orders, pre-reconciliation, putting it flat to 2bp through fair value.

> 'We could see a new array of structures'

Bonnal noted that whereas the corporates issuing 20 year paper were doing so into a strong insurance bid, Zurich could not rely on its peers and competitors to such an extent. Insurance companies were allocated 24% of its 20 year, with fund managers taking 66%, banks 5%, and others 5%.

"The fact that Zurich was still able to get such a hefty book just illustrated the strength of the market," he said, "and how difficult it was for investors to pass on this trade given where they expect yields and spreads to go."

Such dynamics also helped UMG Groupe Vyv to a successful bond market debut on 24 June, when the French mutual attracted EUR1.4bn of orders to a EUR500m 10 year senior trade. The French issuer was able to tighten pricing from the 175bp over mid-swaps area to 150bp.

"If you are French, you know about this group, but otherwise they were pretty much unknown," said Bonnal. "The fact that they had a book of close to EUR1.5bn while opting for a 10 year for their inaugural shows investors are targeting spread and yield, and willing to go longer on duration."

Chubb was another insurer to take advantage of the demand for duration, when it on 13 June included a 12 year tranche alongside an eight year in a EUR1.15bn senior transaction, after having tapped the 20 year maturity alongside 11 years in 2018.

The US firm's deal was also continued a trend of reverse Yankees, coming after a EUR500m 40 non-call five Tier 2 trade for Liberty Mutual on 16 May and senior trades from MetLife and Blackstone in April.

"The cross-currency basis has been moving in favour of euros for some time and it became a lot more interesting for these American insurers to look at the euro market," said Bonnal. "Even if they had to pay a bit of a premium over their US curves on an after-swap basis, whereas we were previously talking about a 30bp-40bp differential, more recently in some cases it was in the context of 20bp.

"Clearly those issuers were quite keen to come to the euro market, get investor diversification, and still enjoy very conducive market conditions — as we have also seen with US banks."

The RT1 sector was lifted by the credit market rally, such that in euros all outstanding issues were for the first time trading above par. However, the only new supply was in sterling, where Pension Insurance Corporation on 18 July sold a £450m (EUR500m) perpetual non-call 10 issue at a yield of 7.375%, following a roadshow for the BBB- deal. The pricing came following IPTs of the 7.625% area and on the back of some £1.2bn of demand good at re-offer.


André Bonnal, CACIB

"We believe the relative value looks extremely attractive for such a highly rated issuer," said a portfolio manager, "particularly in a world where yield is a scarce commodity."

The sterling market also saw an innovative Tier 2 structure from Prudential, which on 4 July sold a £300m 30 year non-call five issue with a 100bp coupon step-up in year 10. The A3/BBB/BBB transaction was more than 10 times oversubscribed, allowing pricing to be tightened from IPTs of the 410bp over Gilts area to 350bp over.

While Prudential's deal was structured with Moody's hybrid equity credit in mind, changes to S&P Global's methodology *(see S&P Q&A)* could lead to further innovation, according to Bonnal.

"The main takeaway from the new S&P methodology is the change in residual maturity to qualify for equity credit," he said. "Technically, you don't need to do 30 non-call 10 anymore – you can do 20 non-call 10 – but you still need the 20 year minimum residual maturity for Moody's. If you have both Moody's and S&P ratings, you might have to weigh the pros and cons, not least in terms of pricing.

"We could see a new array of structures resulting from this S&P change, and that would continue the diversification we've already seen this year, with the likes of CNP going with a 10 year bullet back in January and Prudential's recent trade, as insurers really seek to optimise their capital buffers and save some basis points in doing so." ●

League tables

Bookrunners all European FI hybrids (euros and US dollars)
01/01/2019-22/07/2019

	Managing bank or group	No of issues	Total EUR m	Share (%)
1	Barclays	15	6,171	14.1
2	UBS	21	4,336	9.9
3	BNP Paribas	16	3,849	8.8
4	Crédit Agricole CIB	11	3,562	8.1
5	HSBC	17	2,424	5.5
6	JP Morgan	20	2,071	4.7
7	Goldman Sachs	16	1,985	4.5
8	Citi	15	1,925	4.4
9	Morgan Stanley	13	1,864	4.3
10	Deutsche Bank	11	1,704	3.9
11	Credit Suisse	11	1,427	3.3
12	BofA Merrill Lynch	11	1,234	2.8
13	UniCredit	8	918	2.1
14	Société Générale CIB	9	879	2.0
15	Santander CIB	5	810	1.9
	Total	106	43,882	

Source: Dealogic, Thomson One Banker, Crédit Agricole CIB

Bookrunners all investment grade financials (euros)
01/01/2019-22/07/2019

	Managing bank or group	No of issues	Total EUR m	Share (%)
1	BNP Paribas	58	14,286	9.2
2	Société Générale CIB	40	12,706	8.1
3	Crédit Agricole CIB	46	9,938	6.4
4	Deutsche Bank	50	9,908	6.3
5	HSBC	56	9,271	5.9
6	JP Morgan	41	7,970	5.1
7	Natixis	28	7,936	5.1
8	Goldman Sachs	39	6,160	3.9
9	UniCredit	30	5,552	3.6
10	Barclays	34	5,230	3.4
11	Citi	31	4,584	2.9
12	UBS	29	4,509	2.9
13	Morgan Stanley	27	4,235	2.7
14	Credit Suisse	24	3,958	2.5
15	Santander CIB	24	3,769	2.4
	Total	255	156,035	

Includes banks, insurance companies and finance companies. Excludes equity-related, publicly-owned institutions.

Regulatory updates

SRB updates banks on MREL post Banking Package adoption

In light of the recent adoption of the Banking Package (7 June) — comprising CRR2, CRDV, BRRD2 and SRMR2 — the Single Resolution Board organised its eighth industry dialogue with banks under its remit, in which the authority clarified how it intends to apply MREL and resolution planning under the new legislation.

The SRB clarified that until the BRRD2 transposition (28 December 2020), it will issue MREL decisions based on the current legal framework (SRMR1/BRRD1) implemented via the SRB 2018 MREL policy, while resolution entities of G-SIIs and material subsidiaries of third country G-SIIs will be subject to the external and internal TLAC requirements, based on CRR2, in parallel with the SRB MREL decisions based on BRRD 1/ SRMR1.

Additionally, the SRB announced the introduction of an authorisation process with institutions being required to seek approval to call, redeem, repay or repurchase eligible liabilities instruments before they reach their contractual maturity. The permission regime is applicable to G-SIIs and institutions with MREL decisions, while the two types of permissions announced are an instrument-by-instrument permission regime and a general prior permission regime.

Regarding the new Banking Package, the SRB intends to publish the new MREL policy in March 2020, with banks receiving their MREL targets under BRRD2/SRMR2 by March 2021.

Following the eighth industry dialogue, the SRB also published on 25 June an addendum to the 2018 SRB MREL policy for the second wave of resolution plans, which applies to all institutions for which MREL decisions have or will be taken for the 2018 and 2019 resolution planning cycles.

One of the addendum's key elements is that no prior permission will be required in order to perform market-making and other secondary market activities in own eligible liabilities instruments until 31 December 2019 (subject to specific conditions). In order to continue performing these activities as of 1 January 2020 without an instrument-by instrument approval, banks must have obtained a general prior permission.

Finally, the SRB communicated that an allowance for senior instruments may be granted for external TLAC purposes, of up to 2.5% of RWA until 31 December 2021, 3.5% of RWA from 1 January 2022 and where excluded liabilities ranking pari passu or lower do not exceed 5% of the amount of the own funds and eligible liabilities of the institution. As a transitional arrangement in the CRR, an allowance of 2.5% of RWA will be applicable for G-SIIs until the SRB assesses if there is any material risk of successful legal challenge or valid compensation claims in relation to the no creditor worse off (NCWO) principle.

SRB offices, Brussels

Other regulatory updates

FSB publishes technical review of TLAC standard

On 2 July, the Financial Stability Board (FSB) released a review of the technical implementation of the FSB principles and term sheet on the adequacy of total loss-absorbing capacity (TLAC) for globally systemically important banks (G-SIBs).

According to the review, progress has been steady and significant in both the setting of external TLAC requirements by authorities and the issuance of TLAC by G-SIIs, while all relevant G-SIBs meet or exceed the TLAC target ratios of at least 16% of RWAs and 6% of the Basel III leverage ratio denominator. Additionally, the FSB concluded that there is no need to modify the TLAC standard.

Finally, the FSB aims to support the implementation of the TLAC standard, among other actions, by continuing to monitor implementation and issuance of TLAC instruments, reporting annually on progress, and considering, as part of ongoing work on bail-in execution, any technical issues relating to bail-inability of TLAC, including TLAC issued under third country law and securities law issues.

EBA publishes updated risk dashboard

On 4 July, the European Banking Authority (EBA) updated its risk dashboard for the first quarter of 2019. The key findings show that the fully-loaded and transitional CET1 ratios remained unchanged, at 14.5% and 14.7%, respectively, non-performing loans (NPLs) improved, while only 25% of banks expect improved profitability in the next six to 12 months.

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Countercyclical buffer on an upward trend in Europe

The National Bank of Belgium and Germany's Federal Financial Supervisory Authority (BaFin) introduced in June Countercyclical Buffer (CCyB) requirements of 0.50% and 0.25%, respectively. Additionally, Denmark's Systemic Risk Council announced that it expects to recommend a further increase of the CCyB requirement to 2% in the 3rd quarter of 2019 unless the build-up of risks slows down considerably, while it stated that "it is the Council's opinion that the buffer rate should be gradually increased to a level of 2.5%".

EIOPA consults on harmonisation of national insurance guarantee schemes

On 12 July, the European Insurance & Occupational Pensions Authority (EIOPA) issued a consultation on the harmonisation of national insurance guarantee schemes to assist with preparing its advice to the European Commission. EIOPA is calling for the establishment of a European network of national insurance guarantee schemes to protect policyholders in the event of a failure of an insurer.

EIOPA launches consultation on opinion on sustainability within Solvency 2

On 3 June, EIOPA launched a consultation on a draft opinion on sustainability within Solvency 2. The draft opinion aims at integrating sustainability risks, in particular those related to climate change, in the investment and underwriting practices of insurance companies. The opinion addresses the valuation of assets and liabilities, assesses current investment and underwriting practices, and seeks to contribute to the integration of sustainability risks in market risks and natural catastrophe underwriting risks for the solvency capital requirements for standard formula and internal model users.

According to the report, stakeholders generally argue that sustainability considerations, in particular climate change, could not usefully be reflected in Pillar 1 requirements. Firstly, a prudential framework for capital requirements, based on a one year time horizon, would be too short for solvency capital requirements to reflect climate change risks. Secondly, specifically for traditional non-life business, the insurance cover period (during which claims can occur) only spans the next 12 months, at the end of which insurers can theoretically adjust the pricing for the future, based on claims experience.

EIOPA publishes recommendations following the 2018 insurance stress test

On 26 April, EIOPA published its recommendations to National Competent Authorities (NCAs) of how to address vulnerabilities identified by the 2018 Insurance Stress Test. EIOPA recommends that NCAs:

- strengthen supervision of the groups identified as facing greater exposure to Yield Curve Up and/or Yield Curve Down scenarios
- carefully review and, where necessary, challenge the capital and risk management strategies of the affected groups
- evaluate the potential management actions to be implemented by the affected groups
- contribute to enhancing the stress test process
- enhance cooperation and information exchange with other relevant authorities, such as the ECB/SSM or other national authorities, concerning the stress test results of the affected insurers that form part of a financial conglomerate.

EIOPA will support NCAs and undertakings through guidance and other measures, if necessary. ●

Westpac
Tier 2 opens ALAC test with a bang

On 9 July, APRA announced ALAC requirements whereby Australia's big four look set to raise some A$50bn of additional Tier 2 by 2024. Less than a week later, Westpac opened the new subordinated innings with a US$2.25bn long-dated trade that attracted some US$15bn of orders. Westpac's Guy Volpicella and Nicholas Cooper talked to *Bank+Insurance Hybrid Capital* about the bank's stance vis-à-vis the new requirement as well as its pace-setting Tier 2 deal.

When APRA in November 2018 published its initial proposals for Australian loss-absorbing capacity (ALAC), these envisaged lifting Australian D-SIBs' Total Capital requirement by four to five percentage points of risk-weighted assets over four years. The regulator further proposed that the bulk of the requirement being met through an increase in Total Capital, expected to be Tier 2 capital — not via a senior non-preferred or HoldCo solution as in many other jurisdictions.

The combination of proposals met with opposition from certain stakeholders, including some among the country's banks, who flagged the higher costs this would inflict on Australian issuers, particularly given that the magnitude of the extra issuance would more than double their amounts of Tier 2 outstanding.

When APRA on 9 July announced how it would proceed, it reduced the increase in Total Capital to three percentage points for now, but maintained its position whereby the additional requirement would be met with Tier 2. Longer term, an additional one to two percentage points may be required, but the question of how this should be met has been left open.

Westpac on 15 July moved quickly to begin fulfilling its extra needs, selling US$1.25bn 4.11% 15 year non-call 10 and US$1bn 4.421% 20 year bullet tranches in an SEC-registered trade, rated Baa1/BBB/A+, that attracted a combined $15bn book, allowing it to tighten pricing from IPTs of the Treasuries plus 230bp area for both tranches to 200bp and 180bp, respectively.

Australia & New Zealand Banking Corporation (ANZ) subsequently opened domestic issuance, on 19 July, with a A$1.75bn 10 non-call five Tier 2 paying BBSW+200bp.

Neil Day, Bank+Insurance Hybrid Capital: How did APRA's decision compare with what you hoped for or expected?

Guy Volpicella, head of structured funding and capital, Westpac Banking Corporation: It was clear that APRA's intent was for us to issue Tier 2 as part of a loss-absorption capital mechanism, even if some jurisdictions across the globe probably have more cost-effective structures to meet similar requirements.

The key thing for us is that when they put out their original paper they were looking to increase the capital requirement by 4%-5% of RWAs, but what they've now done is reduce that to 3%. So there has at least been a clear reduction in the amount of Tier 2 that will be needed to meet this ALAC requirement.

Day, BIHC: APRA only confirmed its decision on 9 July and you issued your new Tier 2 just a week later. What was the thinking behind moving quickly?

Volpicella, Westpac: Based on Westpac's RWA levels today, we need to issue roughly A$13bn of Tier 2, equivalent to around US$9bn, and we wanted to get started on this as soon as possible and get some runs on the board. That target is probably going to mean one or two benchmark transactions a year, in addition to our normal refinancings, which are only around A$3.5bn (US$2.5bn) to the end of the transition period.

Our decision also reflected the constructive nature of the market. With the lower for longer interest rate environment

Westpac, Balmain; *Photo: Balmain/Flickr*

that we're in globally, and a relatively more benign geopolitical environment at the moment, it was clear that it was probably a good window to issue.

Day, BIHC: Why did you choose to go to the dollar market now?

Volpicella, Westpac: Tapping the US dollar market was important to us for two main reasons: the duration that's available to us in the US dollar market, and the depth we see there. We are the only Aussie bank issuing both senior and Tier 2 in SEC-registered format in the US dollar market and the investors know us well. On top of that, since the introduction of Basel III, which is a number of years ago now, we had only issued one US dollar SEC Tier 2 transaction. So from that perspective, we knew we had the capacity to issue, and we were well aware that the duration was available to us, too, so we felt it was a good transaction to move ahead with.

Day, BIHC: How had spreads reacted to APRA's moves?

Nicholas Cooper, senior associate, global funding, Westpac: The domestic market here clearly reacted more than offshore markets. On the day of the announcement, we saw spreads move about 15bp wider in the morning, but that was based on small-sized flow in the secondary market. Then through the afternoon as we started to move into Asia and the start of the European day, the price action in the domestic market, at least, saw those spreads retrace, ending up around 10bp wider on the day. That night in the US, on TRACE we only saw circa US$7m trade of any Australian Tier 2 lines, and spreads were maybe marked a handful of basis points wider. The offshore reaction was much more in line with the announcement, i.e. 3% of capital by 2024, which was less than what was originally proposed in the consultation late last year.

> '5bp on our total asset book is actually quite significant'

Day, BIHC: What was the thinking behind the choice of the different tranches?

Volpicella, Westpac: Clearly the depth of the market and where we saw demand was key, but so too was the duration available. Given the overall amount of Tier 2 that we need to do over time, including our refinancing needs, it's prudent to push out the tenor profile to somewhere between seven and 10 years. For example, an average issuance tenor of around 10 years means we'll only need to refinance about A$2.5bn per annum.

We also wanted to make sure that we have a very manageable profile, and that's what led us into a dual-tranche deal, so that we don't end up having a significant amount maturing at one point in time. And we will continue to build our maturity profile in a way that creates a smoother outcome for refinancing purposes going forward.

Day, BIHC: The deal itself, judging by the book, seems to have gone very well. How do you feel about the outcome, and how did that compare with your expectations?

Volpicella, Westpac: It's the sort of book that you hope to end up with; certainly not something that you would have expected going into the trade. That said, we were expecting to see investors feeling like this was a trade that they want to be investing in given how the factors I mentioned earlier lined up — the very constructive backdrop and relatively calm geopolitical environment; that we haven't issued a lot of Tier 2 and only one previously in US dollars; and that we are the only SEC-registered Australian bank issuing either Tier 2 or senior in the US dollar market.

Cooper, Westpac: We were pleasantly surprised by the granularity and the quality of the book given how big it was. We weren't seeing overinflated orders coming out of any particular region or investor type. And so what we ended up with was a really high quality but large book where we saw somewhere between 420 and 450 unique investors across the book — we had over 300 line items in each tranche, so over 600 line items across the two books, which speaks to the level of engagement and granularity we got, not only through the US, but right across the world.

Day, BIHC: You've explained your reasons for accessing the US dollar market, but how does it compare with what you could do domestically, where ANZ has since issued a 10 year non-call five Tier 2?

Volpicella, Westpac: When you compare the US dollar market to the Aussie market, the Australian dollar market tends to be a shorter dated market when it comes to Tier 2. Our desire here was not only to get a benchmark trade out in the marketplace, but also to get the tenor. If you actually compare the two markets, you'd say the US dollar market is certainly providing depth and duration, whereas the Aussie market provides us the depth, but not as much duration.

In terms of the relative pricing between one and the other, given the duration, it still stacks up. If you look at the two bookends, the 20 year bullet and the 10 non-call five, it's probably not uncommon to see that sort of pricing differential for the additional 15 years in duration.

Day, BIHC: You've said quite a bit already about what you expect to be doing going forward in Tier 2 — is there anything else you wanted to add to that?

Volpicella, Westpac: When you look at Australian banks, any dollar amount we raise in respect of this ALAC requirement is completely offset against other funding we issue — it's not like banks in other jurisdictions, where it becomes an ac-

Photo: Getty Images

cumulation of liquidity. There are two key aspects that come off the back of that. One is that we are not going to be changing what we do from the bank's perspective — we're not needing to go and find other assets to invest in; it's going to be business as usual from our side.

The other element is that we are offsetting what we are doing in other forms of funding, such as senior unsecured, which is the main funding option that we will be looking to dial down. And then when you look at the type of senior unsecured that we will be reducing, there will probably be more focus on the longer dated senior than the shorter dated, given that we are issuing longer dated Tier 2 now.

Day, BIHC: Funding costs were a key topic in the debate about APRA's proposals — what are the takeaways from where you ended up pricing?

Volpicella, Westpac: APRA has made it very clear that its view is that using Tier 2 as a form of ALAC for the additional capital requirement results in about 5bp in terms of additional cost. That's not far away from where we'd see the ultimate cost — this deal is very much in line with that. But when you look at it from a dollar perspective, 5bp on our total asset book is actually quite significant. When you've got almost A$900bn of assets, 5bp across your whole NIM is about A$400m a year — that's not a small number.

Day, BIHC: Does the success of your Tier 2 transaction show that fulfilling the additional ALAC requirement will be plain-sailing?

Volpicella, Westpac: Whilst there's been a reduction in the amount of Tier 2 required, it's still a substantial amount that we have to issue, and that still needs to be carefully managed. We got a bit of a tailwind on this one, where we issued against the backdrop of a really constructive market and the other elements I mentioned. But when you look through the number of years in which we need to issue this type of paper, it's clear that we will need to traverse periods of volatility and heightened supply from Australian banks and the like. So while it certainly feels like it's more manageable given the smaller size, there's still a lot of work to be done.

Day, BIHC: APRA has left open how the incremental 1%-2% that would get to the 4%-5% level could be met in future. When do you expect to get some visibility on how that might play out?

Volpicella, Westpac: It's going to be some time before we get visibility on that. One of the reasons APRA went down the Tier 2 route was apparently because they can't control what the legislation may or may not be, and they wanted to make sure that something was done. So they've given us four years or thereabouts to try to work something out. I don't anticipate any rush — it's just going to be something we have to keep on working on over time. ●

QE is dead! Long live QE!

2019 was going to be all about quantitative tightening, right? Wrong! QE is back on the agenda in a big way, with Christine Lagarde's forthcoming arrival as new ECB president helping reboot the bond market rally. With input from Crédit Agricole CIB's financials credit desk, *Neil Day* explores the opportunities and challenges facing issuers and investors in the post-summer market, where technicals and fundamentals could increasingly clash.

When the eyes of the market were on ECB president Mario Draghi after the 25 July governing council meeting — almost seven years to the day since his "whatever it takes" pledge — one journalist chose not to focus on the rationale for the central bank's latest decision to hold fire on rate cuts and any other stimulus, but to ask the Italian what he might do when he leaves his current post. Draghi gave nothing away, choosing instead to focus on what might happen to the ECB once he has departed.

"Let me say one thing about my successor," he said. "I think she'll be an outstanding president of the ECB. And I'm saying this with the knowledge that comes from having known her for longer than she and I may like to remember.

"And if you think about the way decision-making has been actually done in the IMF, it's collegial, it uses the vast input of the staff, of economists. It involves discussions with colleagues, with the staff, with the various parts of the IMF. It isn't much different from what we do at the ECB."

Since International Monetary Fund managing director Christine Lagarde's name on 2 July sprung to the fore as the nominated next president of the ECB, speculation has been rife over what this will mean for the central bank's outlook.

More immediately, the market was just as interested in who had not been nominated.

"The relief is perhaps more about who is not going to be the new president, rather than who will be at the helm," said Mark Holman, TwentyFour Asset Management CEO. "German Bundesbank chief Jens Weidman was considered to be one of the frontrunners for the post. While Draghi will be remembered for pledging to do 'whatever it takes' to preserve the euro, Weidman will be known for trying all he could to prevent some of Draghi's policies being enacted.

"An ECB under Weidman would have always appeared weaker in times of market distress," he added "making further attacks on the euro's viability more likely."

Largarde's experience has meanwhile led others to look beyond monetary policy. Didier Saint-Georges, managing director and member of the strategic investment committee at Carmignac, for example, has suggested that "unconventional monetary policy is plainly on its last legs".

"Consider the eurozone," he said. "What benefits can we expect to derive from a new bond-buying programme or a cut in key interest rates, given that France is already borrowing at negative rates on maturities up to 10 years and that the yield on Spain's 10 year bonds is just 0.2%? So even with very high debt loads to contend with, there is growing recognition in Europe and the United States of the need to resort to greater fiscal spending — in coordination with support from central bankers.

"The sense that such political connivance will be unavoidable may help understand — or even justify — the appointment of central bank presidents possessing more of a legal background and demonstrated political savvy than expertise in the technicalities of monetary policy."

Forced buyers caught up in rally

But in the short term, attention is now focused on what the current president might announce after the next governing council meeting, on 12 September. With interest rates held on 25 July, a cut is now even more widely anticipated after the summer holidays, and expectations of

Christine Lagarde speaking at an ECB event in June; *Photo: ECB/Flickr*


Nigel Brady, CACIB

new net purchases under a reactivated asset purchase programme have risen following Draghi's latest comments.

This has supported the renewed round of tightening in credit markets that occurred on the back of his remarks at Sintra on 18 June, where he said that in the absence of any improvement in economic indicators, "additional stimulus will be required", with many market participants interpreting this as a signal that bond buying is again on the agenda.

David Riley, chief investment strategist at BlueBay Asset Management, is one investor who believes the rally has legs.

"Credit has posted strong mid to high single-digit total returns in the first half of the year, but this should be viewed in the context of a dismal performance through much of 2018," he said. "In our view, spreads have room to narrow further and compress, especially for low rated debt that has lagged the broader market rally. Although credit valuations are high by historical standards, valuations are less stretched in a world of structurally lower long-term interest rates.

"In the event of the resumption of ECB bond buying — as we expect — sovereign as well as corporate credit is an unambiguous beneficiary. Despite the rally in sovereign peripheral and corporate credit spreads in June, in our view there is room for further spread compression if and when the ECB announces QE."

Neel Shah, financial credit desk analyst at Crédit Agricole CIB, also expects the rally to continue in the short term.

"Our desk view is for spreads to tighten over the summer period until September," he said, "and this will be largely driven by the softening tone of the ECB and the announcement of the recommencement of CSPP (corporate securities purchase programme)."

Some investors and analysts nevertheless warn that the more bullish in the market may be getting ahead of themselves. One conservative portfolio manager said that a restart to QE is not yet "a done deal".

"It will happen if the macro backdrop worsens further," he added. "But QE is really the last tool the ECB should use and hopefully the last tool it will use."

However, like others, he has positioned himself long credit, acknowledging that he is something of a forced buyer.

"It's not a conviction trade," he said. "It's pragmatic positioning. I find the valuations to be quite tight and often too tight, but since the beginning of the year people have been talking more and more about some accommodative monetary policy, so I have been buying just like everybody else.

'I didn't want to fall back behind the market'

"I added to my portfolio in May because there was a small underperformance of the whole market. And after Sintra I bought a decent amount because, like everybody else, I felt that Mr Draghi was precommitting to something and I didn't want to fall back behind the market."

Dynamics support bank capital

Among the sectors to have benefited the most from the rally have been peripheral credits, with the countries' banks playing their role in this.

"Even previous to the last recent rally we saw after Sintra," said Shah, "we'd generally seen a compression between peripheral credit and core European credit, driven largely by the sovereign and causing investors to look at credits within Spain and Italy. We've seen


Neel Shah, CACIB

issuance in Italian paper from seniors to Tier 2s in the last month or so, and we've seen issuance in Greek banks, which you wouldn't have thought at the beginning of this year.

"So there's definitely a more positive backdrop for issuance for peripheral credit at this moment."

Investors have meanwhile moved down the capital structure in bank product and extend duration.

"What we've seen is a grab for yield and a grab for spread," said William Rabicano, director, credit trading, at Crédit Agricole CIB, "with significant outperformance of senior non-preferred and HoldCo paper versus lower beta OpCo, for example. We've also started to see clients extend duration, adding much longer dated, 10 year and longer paper as opposed to the tighter five years.

"At the moment it just seems that the compression trade is in full swing, and we fully expect that to continue to be the case, certainly over the short term."

Subordinated bonds issued by European banks are among the fixed income sectors Carmignac has been favouring, while BlueBay has a core overweight in CoCos in its multi-asset credit (MAC) strategies. Riley at BlueBay said the asset class offers an attractive risk-reward profile, citing US dollar yields ranging from 5% to 7%.

Indeed, Nigel Brady, AT1 trader at Crédit Agricole CIB, said that that the dollar market has been outshining euros.

"You've got a lot more money going into that market, notably from US but also Asian retail, and it's where all the core European issuers are going because dollar funding rates are still lower," he said. "When rates have backed off a little, demand has tailed off, but when rates are moving lower, there's plenty of demand — the relative value argument is still there, in terms of the 10 Treasury being at 2% and your average AT1 at around 6%."

The supply side of the equation is also set to support the AT1 market, according to Brady.

"The other big factor we've got coming up in September is redemptions," he said. "Those due in September have all been prefinanced, so there will be about $5bn-worth of AT1 money to be reinvested when those deals are called. This year we've seen that when Santander, for example, was redeemed, a lot of those proceeds were reinvested.

"There are also some Asian AT1s that were issued in dollars but are now being refinanced in local currency. Since those won't now be refinanced in the dollar market, either, some of that reinvestment income is going to be feeding through to the market, too."

A sting in the tail?

Investors' enthusiasm for financials to some extent depends on whether they view the banking cup as half empty or half full. Riley, for instance, accentuates the positive, noting that while low rates and a flat yield curve are not good for bank profitability and equity, their credit fundamentals remain strong.

However, the conservative portfolio manager takes a dimmer view of the sector.

"The outlook is not that bright," he said. "For years now cost cuts have permitted banks to stay somewhat on track. The TLTRO may help and should tiering be announced by the ECB, that might mitigate the effects of very low rates. But a big part will depend on investment banking results and I don't think these will be very good.

"I'm not expecting very bad results, but they will continue to decline, and I think that will prove difficult, first for the equity, but also as a second round effect it might affect their credit."


William Rabicano, CACIB

S&P Global said that Draghi's latest monetary policy communication was potentially bad news for European banks in indicating that ultra-low policy rates may be longer lasting than previously assumed.

"As a result, low profitability may become a more persistent structural problem for some European banks," it said. "Indeed, declining yields on the capital and money markets in anticipation of central bank loosening may be hurting bank earnings already as they eat into interest margins on loans and securities investments over deposits. The possible introduction of reserve remuneration alongside further rate cuts might have some mitigating effect on those banks that hold significant excess liquidity and would suffer more than most from lower rates.

'The compression trade is in full swing'

"The prospect of an even more negative interest rate environment contrasts with the gradual normalization of monetary policy we envisaged at the start of the year. We remain mindful of the potential downside risk of these developments for our base case assumptions for European banks' earnings and business strategies."

It noted that although European bank creditworthiness is generally well supported by the substantial strengthening in capital, liquidity and funding of the past several years and a degree of economic recovery in the countries that suffered most in the crisis, "banks are businesses — not balance sheets".

"Management teams will need to start proving to investors that their banks have sustainable business models that are able to adapt to a lower-for-longer interest rate environment," said S&P.

The discussion surrounding bank credit quality is in some ways a microcosm of a wider debate in the market, namely fundamentals versus technicals, with the ECB still centre stage.

"So far the technicals are stronger," said the conservative portfolio manager, "but I hope this will become more balanced by fundamentals to prevent the market going too tight because the unwind of all these ECB measures will be a nightmare — we saw that last year.

"I'm very afraid for the whole market."

Even those taking a less fearful view of the market's likely development caution that investors could reassess their holdings later this year.

"At some point in Q4 we'll see investors really looking at whether they are getting sufficiently compensated for credit risk when corporate or financial credits are offering a limited pick-up over sovereign bonds in negative territory," said Shah at CACIB.

Boris Johnson's arrival as UK prime minister only three months ahead of the latest Brexit deadline has meanwhile proven a timely reminder of the geopolitical risks that remain, but which have thus far this year been overridden by the market's one way move.

"Nobody — neither the UK nor Europe — needs the bad effects of Brexit," said the conservative portfolio manager. "Mr Trump and China, it's not over yet. And we can't exclude some eventuality that is not so far priced into the market bringing fundamentals back to the fore.

"I really do hope that the market will realise only trading on technicals — even if it's totally logical — is very dangerous." ●

S&P

Insurers centre stage in criteria updates

S&P on 1 July released updated criteria for the insurance sector and hybrids, with insurers' issuance most impacted by the latter. Dennis Sugrue, senior director and insurance sector lead, S&P Global Ratings, explained the thinking behind the changes and its consequences for insurance companies and their hybrids to *Bank+Insurance Hybrid Capital*.

S&P recently published a set of new criteria notably covering insurance and hybrids. Can you outline the scope of the new criteria?

On 1 July we published four new criteria pieces — Hybrid Capital: Methodology And Assumptions, Insurers Rating Methodology (IRM), Bond Insurance Capital Adequacy, and Group Rating Methodology (GRM). The two pieces with the biggest rating impact for the insurance asset class were the IRM and hybrid criteria.

The rationale for updating the criteria was to consolidate criteria articles where possible, to enhance transparency, and to incrementally increase the scope for analytical judgment. We also wanted to align these criteria articles with the new criteria format and definitions we adopted across S&P in late 2017, which included a new concept of guidance documents, as well as to reflect recent learnings from our default and transitions analysis. Criteria are the published analytic frameworks we use for determining ratings, and guidance documents help communicate how we may apply certain aspects of a particular analytic framework.

I'd like to emphasize that for each of these updated articles the fundamentals remain the same, as evidenced by the limited ratings impact.

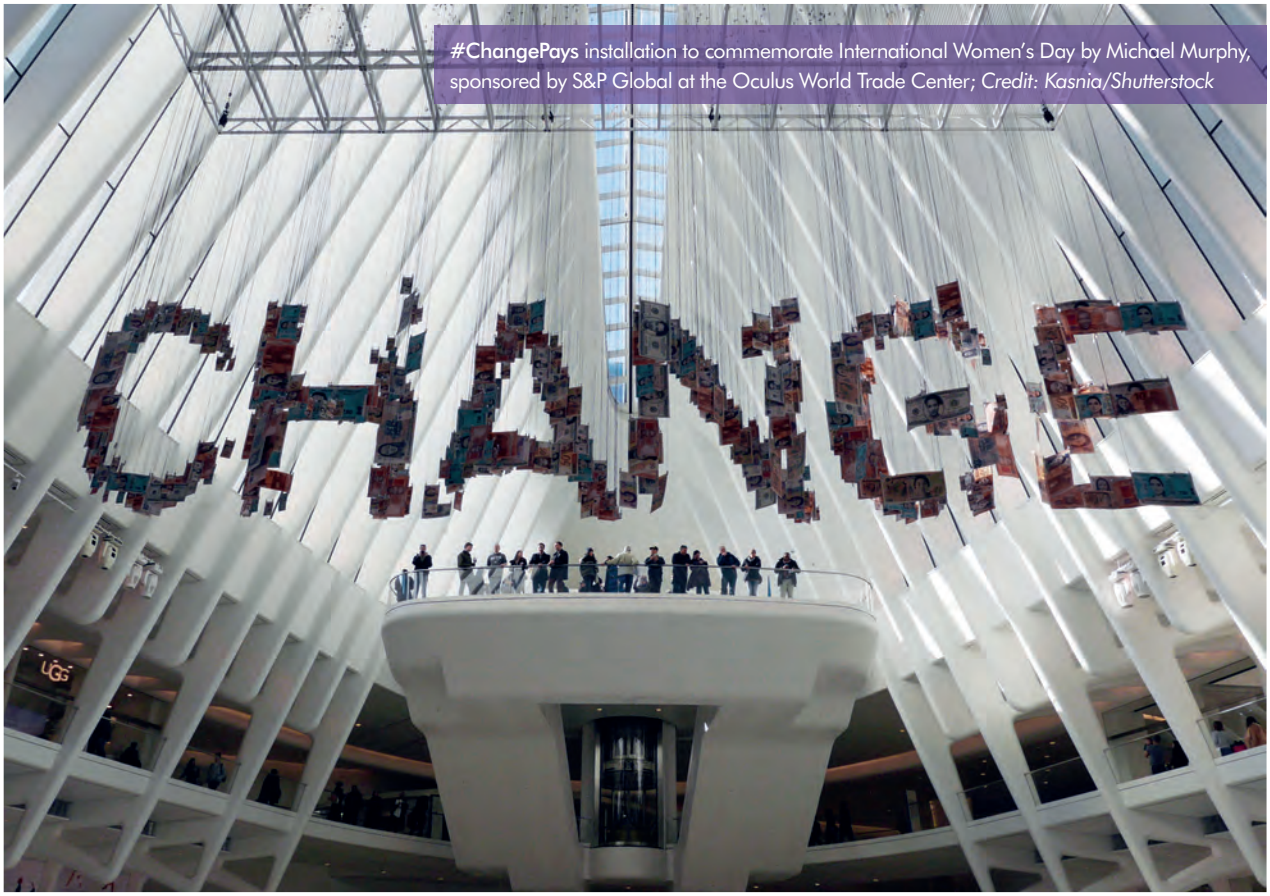
For the hybrid criteria update we consolidated 11 pieces of criteria into one article. These criteria apply globally to all hybrid capital instruments issued by corporates, financial institutions and insurance. The impact on ratings and equity content are minimal, but insurance was the most impacted sector, with just under 5% of instruments expected to see a change in equity content and eight ratings changed (less than 2% of rated insurance hybrids). In the corporate sector, we expect fewer than 1% of hybrid ratings to change and fewer than 1% of hybrids to experience a change in their equity content assessment. We expect no changes to ratings or equity content assessments of hybrids issued by financial institutions.

Similarly, the revised insurance criteria consolidated nine pieces of criteria into one article. We expect an impact on about 3% of insurance ratings from the update to the insurance criteria.

What are the key takeaways from the RFC process?

We found the RFC process to be very insightful and were pleased with the engagement from the market, particularly the insurance space. We received most comments from the market on the hybrid and IRM RFCs. The volume and depth of comments were impressive and much appreciated. The comments covered a broad range of topics, such as calculation of insurers' leverage or the residual maturity limits for regulated insurers' hybrids. The "Marmite" subject was the balance between granularity and analytical judgement, as respondents either welcomed the greater focus on the key drivers of the ratings or preferred us to retain scoring of subfactors.

What are the key changes introduced in the insurance ratings criteria?



#ChangePays installation to commemorate International Women's Day by Michael Murphy, sponsored by S&P Global at the Oculus World Trade Center; *Credit: Kasnia/Shutterstock*

As mentioned above, the fundamentals on how we assess insurers' creditworthiness remain the same. There were a few changes in the structure to allow for greater differentiation across the rating scale and the removal of explicit caps and the scoring of subfactors to allow for incrementally more analytical judgment, where appropriate. We also took the opportunity to enhance consistency of our ratings through a single global approach to our liquidity analysis and including all insurance sectors in scope of the criteria.

We've integrated ERM and considerations around management and strategy directly into the relevant rating factors in the business and financial risk profiles. For example, we consider the effectiveness of an insurer's risk controls in our assessment of their risk exposure (formerly known as risk position) and the success of their ability to execute strategy in our view of competitive position. We've also increased the focus on risks posed by governance deficiencies through a separate governance modifier.

Another change worth mentioning is the change in how we calculate financial leverage in our assessment of funding structure (formerly financial flexibility). We will no longer use the economic capital available (ECA) metric from our capital model in the denominator of the ratio, but rather will look to publicly reported shareholders' equity instead. We believe this will improve transparency and comparability for users.

How is the role of the S&P insurance capital model evolving in the current context, in particular following the introduction of Solvency 2 and the discontinuation of the publication of the MCEV by some insurers?

We regard the implementation of Solvency 2 capital standards as a positive step forward for the European insurance sector, and the standards are in our view substantially more appropriate than Solvency 1. However, we will continue to use our risk-based insurance capital model as our main tool to assess insurers' capital adequacy for rating purposes. This partly reflects our need to have a global tool to assess capital adequacy, for consistency and comparability with other regions. It is, however, important to highlight that the new insurance criteria provide for a greater ability to apply analytical judgement to the output from our risk-based capital model if we believe capital adequacy is over- or understated. In fact, we published a comment last year indicating that despite the discontinuation of embedded value reporting by many issuers, we retain the ability to give credit for the present value of future profits using Solvency 2 information.

What are the notching guidelines for Solvency 2-compliant subordinated debt?

For all ratable hybrids, we notch down, i.e. rate lower, from the starting point of the issuer, typically the ICR for insurers. Notching for hybrids generally combines one or two notches for subordination and one or more notches to reflect the risk of non-payment of coupons or principal, i.e. payment risk.

For all hybrids, including Solvency 2-compliant instruments, our analysis would consider all features that generate payment risk, e.g. coupon deferral, or principal loss absorption. Rating committees would opine on whether the payment risk created by these features is adequately captured in the issuer's ICR, or whether hybrid noteholders faced materially higher payment risk that should be reflected in a rating that is one or more notches lower. The same approach applies across all jurisdictions, and also applies to other payment risk factors such as mandatory coupon deferrals upon earnings triggers.

Do you differentiate between Tier 2 and Tier 3?

If we assess the payment risk to be materially different for an issuer's Tier 2 instruments compared to its Tier 3 instruments, we will assign different ratings. Conversely, for issuers where the payment risk is not materially different, the ratings would likely be the same, for example, for highly rated insurers with robust solvency levels.

However, as solvency levels deteriorate, the ratings could diverge if the payment risk increases for one class of instrument relative to the others. For instance, the minimum requirements for an eligible Solvency 2 Tier 3 instrument are for mandatory coupon deferral upon a breach of the minimum capital requirement (MCR). The MCR, in our view, is akin to a point of non-viabilty (PONV) for a European insurer, and we would therefore expect that the ICR would deteriorate closer to D as the insurer's solvency ratio approached the MCR. In circumstances like this it is less likely that we would widen notching on an issuer's Tier 3 hybrids as a decline in the ICR together with the standard notching is likely to adequately capture the payment risk.

On the other hand, Solvency 2 Tier 2 instruments have a mandatory deferral trigger upon a breach of the solvency capital requirement (SCR) and issuers have often chosen to include optional deferral triggers where they could choose to defer coupons before their SCR is breached. We expect that an issuer would typically be a going-concern, albeit likely under some stress, as their solvency level approaches their SCR and the ICR could still be sufficiently high that the standard notching may not fully capture the payment risk. Therefore, as the solvency ratio deteriorates, we could widen the notching between the hybrid and the ICR if we determine there is a material increase in payment risk.

'Our intention is not to introduce volatility to hybrid ratings'

How could the Solvency 2 capital position affect the hybrid ratings?

When rating a hybrid we need to consider whether the payment risk to the hybrid noteholders is adequately reflected in our starting point, typically the ICR, and the standard notching — or whether there are factors that put the noteholders at increased risk of non-payment of coupons or principal that should be reflected by wider notching, or lower ratings.

We observe very little correlation between Solvency 2 capital ratios and our own capital adequacy assessment; however, we do expect a directional relationship between the two, i.e. as a company's Solvency 2 position deteriorates we would generally expect a deterioration in the S&P capital position.

A deterioration of regulatory capital, or even S&P capital adequacy, does not necessarily result in a downgrade of the issuer's financial strength rating or issuer credit rating. However, a deterioration of the Solvency 2 ratio will heighten the risk that the SCR is breached, and that the issuer will be required to skip coupon payments. In instances where we believe that this incremental payment risk is material to the investor, we could widen the notching on an issuer's hybrids.

In the guidance we published to accompany the new criteria, we indicated two solvency ratios that we believe are good sense checks when considering the rating of a hybrid. It's very important to note that we do not see these solvency levels as absolute triggers that will lead to rating actions, but rather as reference points that we can use in our discussions with issuers to understand their capital management plans, solvency sensitivities, risk appetite, etc.

How is S&P going to assess the volatility of the Solvency 2 ratio?

The volatility of the Solvency 2 ratio will be one of the important factors we assess when rating European insurers' hybrids, in addition to the features mentioned before (e.g. insurer's current proximity to the deferral triggers, capital management plans, solvency sensitivities, risk appetite, etc.).

We would consider various sources of public and non-public information in order to assess the volatility of the issuer's solvency ratio. These include annual reports, regulatory filings and investor day presentations, as well as materials provided to us as part of the rating reviews with regards to current, expected and stressed solvency positions relative to both the coupon deferral triggers (e.g. SCR or MCR) and to the two solvency ratio sense checks mentioned above. We would consider these along with our understanding of the insurer's business profile, risk appetite and ability to take remedial capital improvement actions in order to ensure that the risk of non-payment is reflected in the instrument rating, either through the ICR, the notching, or both.

It's important to note that our intention is not to introduce volatility to hybrid ratings. As mentioned above, those solvency ratio sense checks are not explicit triggers for rating actions; and where appropriate we expect to take a forward-looking view on solvency and the capital position based on management's targets and action plans, our forecasts and consideration of anticipated regulatory actions, and wider market conditions. We expect that these factors will allow for rating stability consistent with what we've observed to date.

Why has S&P decided to reduce the minimum residual maturity to 10 years for the intermediate equity content classification?


Dennis Sugrue, S&P Global

We received significant market feedback stating that our proposed approach to residual maturity for insurance hybrids, which was the same as that for hybrids issued by corporates that are not subject to prudential regulation, did not take sufficient account of the prudential regulatory oversight that influences insurers' decisions regarding redeeming and replacing hybrids. Insurers have to take account of their regulatory solvency measures (both current and projected) and other regulatory views when deciding how to manage their hybrid capital base. Given that the regulatory framework also acts as a constraint on insurers' plans to manage their capital, and reinforces the potential for a hybrid to absorb losses or conserve cash, we determined that the residual maturity standards for insurers do not need to be the same as for non-prudentially regulated corporate issuers. Examples of the potential regulatory actions include how regulators can: prevent a hybrid redemption; direct a company to stop paying coupons; for certain instruments, enforce a principal write-down, conversion into common equity, or extension of the principal maturity date; and oversee capital-raising plans.

> **'We decided to apply a global standard for residual maturity'**

In setting a minimum standard of 10 years for all insurance hybrids, we considered how this compares with our approach for bank and corporate entities, as well as the residual maturity standards required by insurance regulatory authorities. We note that the regulatory standards can still differ considerably by jurisdiction. We therefore decided not to apply intermediate or high equity content automatically to all insurance hybrids that are included in regulatory capital measures. Instead, we decided to apply a global standard for residual maturity that determines whether the hybrid is eligible for high or intermediate equity content or whether it should be classified as having no equity content. This also reflects how we typically have a longer time horizon when assessing insurance capital than do insurance regulators when assessing regulatory solvency.

What is the impact on outstanding ratings of the new criteria? What is the expected timing to conclude the review on affected ratings?

On 18 July we took rating actions on the nine insurance hybrids that had been placed under criteria observation and removed those ratings from under observation.

We upgraded five Restricted Tier 1 (RT1) instruments and placed another on CreditWatch Positive. When we reviewed the payment risk of these RT1s, compared with that of other hybrids in the issuers' capital structures, we determined that, in each case, payment risk for the RT1s was not materially greater than for other instruments that would also be required to defer coupons upon a breach of the issuers' Solvency Capital Requirements (SCR).

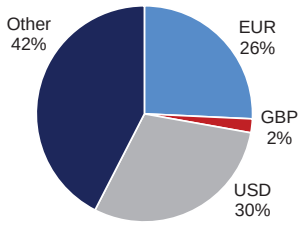
We downgraded two instruments issued by Lloyd's. We previously reflected the payment risk for these hybrids with only one notch. We now consider that the payment risk on these notes is greater than for similar hybrids rated in the A range. Although Lloyd's market-wide SCR has improved in recent years, reaching 149% at year-end 2018, it is materially closer to the point of mandatory deferral (below 100% SCR) than closely-rated peers. Widening the notching between the ICR on Lloyd's and the rating on Lloyd's hybrid also allows for a smoother transitioning of the rating on the instrument if the market's solvency cover were to near mandatory deferral.

We affirmed the rating on the Tier 2 hybrids issued by operating company If P&C Insurance Ltd as we continue to believe that one notch is sufficient to reflect the payment risk for these notes. The mandatory coupon deferral trigger in these notes refers to the SCR coverage of If Group (203% at the end of the first quarter of 2019) and If P&C Insurance Ltd (publ) (171% as per year-end 2018), rather than that of Sampo Group.

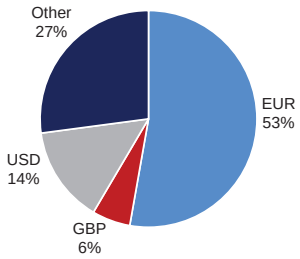
We do not anticipate taking any further rating actions on insurance hybrid instruments as a result of applying the revised methodology. However, our ongoing surveillance incorporates our view of payment risk to hybrid noteholders, which may change. We expect that as the risk of non-payment increases — for example, as a mandatory deferral trigger point approaches or we determine that there is an increasing likelihood that an optional deferral could be exercised — hybrid instrument ratings will generally follow a measured transition down the rating scale. This could come through the lowering of the ICR, resulting in: a lower hybrid rating based on standard notching; the widening of the notching between the hybrid rating and the ICR; or a combination of both. ●

Currencies, structures and distribution

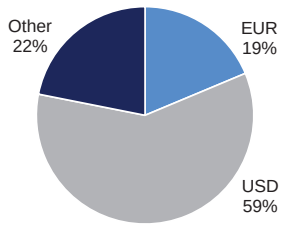
Bank hybrid issuance by currency
(2019 ytd)



Insurance issuance by currency
(2019 ytd)

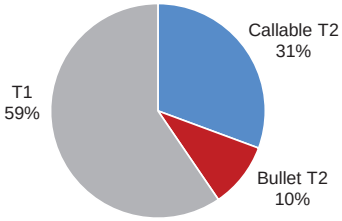


SNP/Senior HoldCo issuance by currency
(2019 ytd)

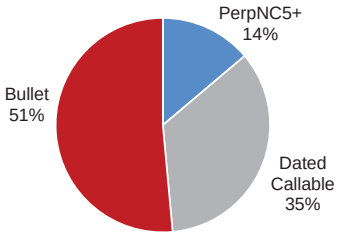


Source: Crédit Agricole CIB

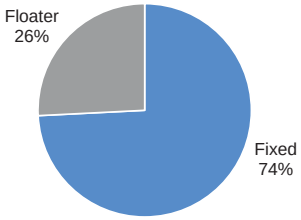
Bank issuance by instrument/structure
(2019 ytd)



Insurance issuance by instrument/structure
(2019 ytd)

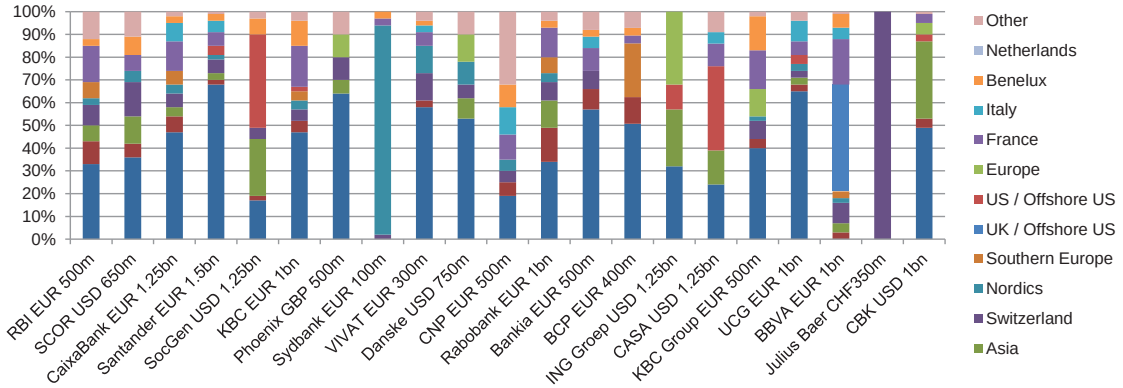


SNP/Senior HoldCo issuance by coupon
(2019 ytd)

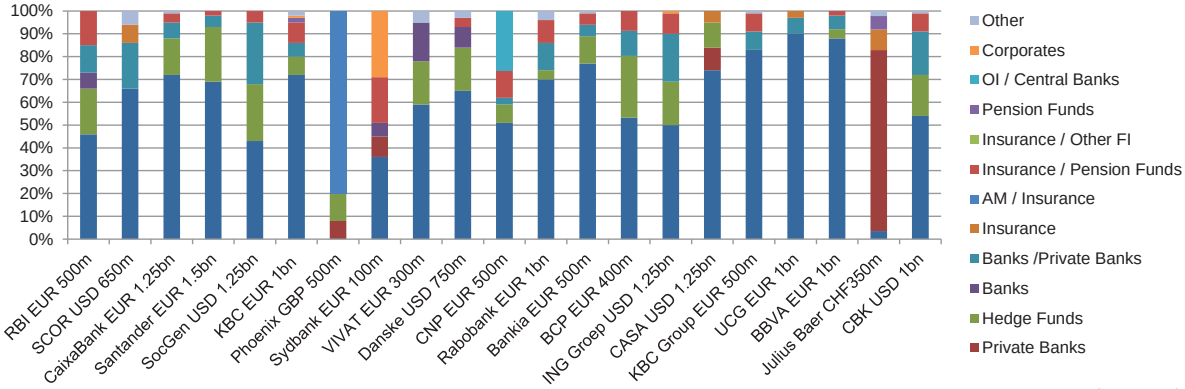


Source: Crédit Agricole CIB

Tier 1 distribution by geography



Tier 1 distribution by investor type



Source: Crédit Agricole CIB

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AT1, RT1 monitoring

AT1 performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	Principal loss absorption	Trigger	Price	I-Spread	Yield to call	Yield to maturity	Reset spread
11-Jul-19	FINBAN	-/BB-/-	EUR	300	5.875%	Perpetual	03-Dec-24	TWD	5.125%	100.82	606	5.70	6.67	614
10-Jul-19	KFINKK	-/-/-	USD	200	9.130%	Perpetual	16-Jul-24	-	-	99.70	742	9.21	9.44	731
02-Jul-19	CMZB	-/BB/-	USD	1,000	7.000%	Perpetual	09-Apr-25	TWD	5.125%	103.47	436	6.27	6.97	523
02-Jul-19	CHOHIN	Ba2/-/-	USD	400	5.700%	Perpetual	15-Jul-24	PWD	-	101.23	363	5.42	5.92	386
02-Jul-19	BGBKKK	-/-/-	USD	500	5.749%	Perpetual	09-Jul-24	-	-	99.16	416	5.95	6.17	401
26-Jun-19	TBCBGE	-/-/B-	USD	125	10.775%	Perpetual	03-Oct-24	PWD	5.125%	101.30	862	10.42	10.99	900
25-Jun-19	SIB	-/-/-	USD	500	5.000%	Perpetual	02-Jul-25	PWD	-	102.14	276	4.58	3.47	321
20-Jun-19	BANORT	Ba2/BB/-	USD	600	6.750%	Perpetual	27-Sep-24	PWD	5.125%	99.73	507	6.81	7.16	497
20-Jun-19	BANORT	Ba2/-/-	USD	500	7.500%	Perpetual	27-Jun-29	PWD	5.125%	101.58	537	7.27	7.58	547
17-Jun-19	BAC	Baa3/BBB-/BBB-	USD	1,000	5.125%	Perpetual	20-Jun-24	-	-	101.50	299	4.78	5.34	329
13-Jun-19	GZHRCB	-/-/-	USD	1,430	5.900%	Perpetual	20-Jun-24	EC	5.125%	97.60	459	6.48	6.23	404
12-Jun-19	LLOYDS	Baa3/BB-/BB+	USD	500	6.750%	Perpetual	27-Jun-26	EC	7.000%	103.50	432	6.13	6.78	482
12-Jun-19	GS	Ba1/BB/BB+	USD	500	5.500%	Perpetual	10-Aug-24	-	-	104.56	268	4.48	5.46	362
11-Jun-19	CITNAT	Baa3/BBB-/-	USD	500	4.350%	Perpetual	02-Jul-24	PWD	-	101.38	225	4.04	4.68	264
06-Jun-19	BACR	Ba3/B+/BB+	GBP	1,000	7.125%	Perpetual	15-Jun-25	EC	7.000%	104.46	546	6.22	7.30	658
29-May-19	KIBKK	-/-/-	USD	300	5.625%	Perpetual	10-Jun-24	PWD	-	103.23	308	4.87	5.60	360
11-Apr-19	BAMIIM	B3/-/-	EUR	300	8.750%	Perpetual	18-Jun-24	TWD	5.125%	100.31	916	8.67	9.55	892
02-Apr-19	VOWIBA	Ba2/-/-	EUR	220	7.750%	Perpetual	09-Apr-24	TWD	5.125%	102.41	758	7.13	8.44	780
26-Mar-19	COVBS	Baa3/-/BB	GBP	415	6.875%	Perpetual	18-Sep-24	EC	7.000%	102.34	555	6.33	7.01	611
25-Mar-19	LANSNA	-/BB/-	EUR	100	6.750%	Perpetual	01-Apr-24	-	5.125%	104.27	610	5.70	7.18	682
20-Mar-19	BACR	Ba3/B+/BB+	USD	2,000	8.000%	Perpetual	15-Jun-24	EC	7.000%	105.63	490	6.64	7.60	567
19-Mar-19	BBVASM	Ba2/-/BB	EUR	1,000	6.000%	Perpetual	29-Mar-24	EC	5.125%	104.77	527	4.86	6.45	604
19-Mar-19	NDASS	Baa3u/BBB/BBB	USD	1,250	6.625%	Perpetual	26-Mar-26	TWD	5.125%	106.25	365	5.49	6.08	411
18-Mar-19	BNP	Ba1/BBB-/BBB-	USD	1,500	6.625%	Perpetual	25-Mar-24	TWD	5.125%	104.25	379	5.58	6.22	415
13-Mar-19	EBIUH	-/-/-	USD	1,000	6.125%	Perpetual	20-Mar-25	PPWD	-	103.24	364	5.45	5.74	366
12-Mar-19	UCGIM	Ba3/-/B+	EUR	1,000	7.500%	Perpetual	03-Jun-26	TWD	5.125%	108.44	622	5.98	7.44	733
07-Mar-19	RBIAV	-/-/-	EUR	100	9.000%	Perpetual	30-May-24	TWD	5.125%	129.95	-	2.17	6.70	-
06-Mar-19	CYBGLN	Ba2u/B/BB-	GBP	250	9.250%	Perpetual	08-Jun-24	EC	7.000%	103.84	750	8.27	9.06	831
05-Mar-19	ERSTBK	Ba1u/BBB-/-	EUR	500	5.125%	Perpetual	15-Oct-25	TWD	5.125%	106.14	424	4.00	5.25	485
26-Feb-19	KBCBB	Ba1/BB+/-	EUR	500	4.750%	Perpetual	05-Mar-24	TWD	5.125%	105.79	374	3.38	5.08	469
20-Feb-19	ACAFP	Ba1u/BBB-/BBB-	USD	1,250	6.875%	Perpetual	23-Sep-24	PWD	5.125%	105.54	383	5.62	6.30	432
19-Feb-19	INTNED	Ba1/-/BBB-	USD	1,250	6.750%	Perpetual	16-Apr-24	EC	7.000%	104.18	394	5.72	6.26	420
14-Feb-19	SHBASS	Baa3/BBB/BBB+	USD	500	6.250%	Perpetual	01-Mar-24	EC	5.125%	105.74	298	4.82	5.59	369
06-Feb-19	SANTAN	Ba1/-/BB	USD	1,200	7.500%	Perpetual	08-Feb-24	EC	5.125%	106.99	400	5.74	6.88	499
28-Jan-19	UBS	Ba1u/BB/BBB-	USD	2,500	7.000%	Perpetual	31-Jan-24	PWD	7.000%	106.09	368	5.46	6.30	434
22-Jan-19	BCPPL	B3/CCC+/B-	EUR	400	9.250%	Perpetual	31-Jan-24	TWD	5.125%	109.69	725	6.74	9.31	941
14-Jan-19	CIMWLB	Ba1/-/-	USD	400	6.500%	Perpetual	24-Jan-24	PWD	-	104.03	369	5.48	6.01	395
09-Jan-19	DIBUH	B2u/-/-	USD	750	6.250%	Perpetual	22-Jan-25	PWD	-	106.25	313	4.94	3.92	366
08-Jan-19	YKBNK	Caa2u/-/-	USD	650	13.875%	Perpetual	15-Jan-24	PWD	5.125%	102.51	1,133	13.11	13.33	125
05-Nov-18	SANBBZ	-/-/-	USD	1,250	7.250%	Perpetual	08-Nov-23	-	-	98.42	521	7.69	7.37	-
02-Oct-18	LLOYDS	Baa3/BB-/BB+	USD	1,500	7.500%	Perpetual	27-Sep-25	EC	7.000%	105.36	466	6.44	6.71	450

Principal loss absorption: CE = conversion into equity; TWD = temporary write-down; PWD = permanent write-down

RT1 performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	Principal loss absorption	Price	I-Spread	Yield to call	Yield to maturity	Reset spread
18-Jul-19	PICORP	-/-/BBB-	GBP	450	7.375%	Perpetual	25-Jul-29	EC	101.39	624	7.18	7.51	666
28-Mar-19	AEGON	Baa3/BBB-/BB+	EUR	500	5.625%	Perpetual	15-Apr-29	EC	111.58	413	4.16	5.33	521
14-Mar-19	JUSTLN	-/-/BBB-	GBP	300	9.375%	Perpetual	26-Apr-24	EC	103.10	785	8.62	9.24	843
26-Feb-19	MSINS	A3/A-/-	USD	910	4.950%	Perpetual	06-Mar-29	-	107.74	202	3.97	4.91	326
05-Sep-18	ROTHLF	-/-/BBB-	GBP	350	6.875%	Perpetual	12-Sep-28	PWD	97.61	632	7.23	6.91	542
14-Jun-18	CNPFP	Baa3/BBB/-	EUR	500	4.750%	Perpetual	27-Jun-28	TWD	108.81	359	3.59	4.38	391
13-Jun-18	VIVATN	-/-/BB-	EUR	300	7.000%	Perpetual	19-Jun-25	PWD	105.48	620	5.89	6.64	646
19-Apr-18	PHNXLN	-/-/BBB-	GBP	500	5.750%	Perpetual	26-Apr-28	PWD	89.22	655	7.44	6.20	417
06-Mar-18	SCOR	Baa1u/A-/-	USD	625	5.250%	Perpetual	13-Mar-29	TWD	92.98	427	6.23	5.24	237
01-Dec-17	DLGLN	Ba1u/BB+/-	GBP	350	4.750%	Perpetual	07-Dec-27	EC	84.46	637	7.26	5.51	339
12-Oct-17	ASRNED	-/BB+/-	EUR	300	4.625%	Perpetual	19-Oct-27	EC	103.19	424	4.16	4.50	379

Source: Crédit Agricole CIB

Tier 2 bank, insurance hybrids

Bank Tier 2 performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to call	Yield to maturity	Reset spread
16-Jul-19	MONTE	Caa2/-/CCC+	EUR	300	10.500%	23-Jul-29	-	1,100	-	11.10	-
15-Jul-19	WSTP	Baa1/BBB/A+	USD	1,250	4.110%	24-Jul-34	24-Jul-29	201	3.98	4.09	200
15-Jul-19	WSTP	Baa1/BBB/A+	USD	1,000	4.421%	24-Jul-39	-	208	-	4.24	-
11-Jul-19	ETEGA	Caa2/CCC/CCC-	EUR	400	8.250%	18-Jul-29	18-Jul-24	780	7.49	8.08	846
08-Jul-19	OTPHB	Ba1/-/-	EUR	500	2.875%	15-Jul-29	15-Jul-24	314	2.83	3.23	320
08-Jul-19	ICBCST	-/-/-	USD	100	5.009%	20-Aug-29	20-Aug-24	-	5.28	5.16	-
04-Jul-19	UBIIM	Ba3/BB/BB+	EUR	300	4.375%	12-Jul-29	12-Jul-24	471	4.40	4.78	475
27-Jun-19	TCB	-/BBB-/-	USD	150	4.125%	02-Jul-29	02-Jul-24	240	4.18	4.33	238
26-Jun-19	SAXOBK	-/-/-	EUR	100	5.500%	03-Jul-29	03-Jul-24	547	5.15	5.60	572
25-Jun-19	BNP	Baa2/BBB+/A	EUR	1,000	1.625%	02-Jul-31	-	129	-	1.53	-
20-Jun-19	NDASS	Baa1/A-/A+	EUR	300	1.000%	27-Jun-29	27-Jun-24	118	0.87	1.32	130
19-Jun-19	TPEIR	Caa3/CCC/-	EUR	400	9.750%	26-Jun-29	26-Jun-24	962	9.31	9.75	995
13-Jun-19	BACR	Ba1/BB+/A-e	USD	1,500	5.088%	20-Jun-30	20-Jun-29	291	4.87	4.91	305
05-Jun-19	BFCM	Baa1/BBB/A	EUR	1,000	1.875%	18-Jun-29	-	120	-	1.30	-
03-Jun-19	WTFC	-/-/BBB	USD	300	4.850%	06-Jun-29	-	284	-	4.81	-
22-May-19	SBKSJ	Ba2/-/BB	USD	400	5.950%	31-May-29	31-May-24	339	5.18	5.49	375
07-May-19	RFLBOB	-/-/-	EUR	100	4.027%	15-May-34	-	289	-	3.30	-
03-May-19	PPBI	-/-/-	USD	125	4.875%	15-May-29	15-May-24	380	5.58	5.15	250
29-Apr-19	LBBW	Baa2/-/BBB	EUR	500	2.200%	09-May-29	-	169	-	1.77	-
17-Apr-19	COOPBK	-/-/-	GBP	200	9.500%	25-Apr-29	25-Apr-24	902	9.79	9.73	855
08-Apr-19	UOBSP	A2/BBB+/A+	USD	600	3.750%	15-Apr-29	15-Apr-24	136	3.14	3.38	150
27-Mar-19	SHNHAN	Baa1/BBB+/BBB+	USD	400	4.000%	23-Apr-29	-	163	-	3.59	-
27-Mar-19	SHNHAN	Baa1/BBB+/BBB+	USD	400	4.000%	23-Apr-29	-	178	-	3.74	-
27-Mar-19	MONTPI	Caa2/-/B-	EUR	100	10.500%	03-Apr-29	03-Apr-24	1,151	11.19	11.11	51
26-Mar-19	UCGIM	Baa3/BB+/-	USD	1,250	7.296%	02-Apr-34	02-Apr-29	432	6.28	6.52	-
26-Mar-19	UCGIM	Baa3/BB+/-	USD	1,250	7.296%	02-Apr-34	02-Apr-29	407	6.03	6.33	491
19-Mar-19	ACAFP	Baa2/BBB+/A	EUR	1,250	2.000%	25-Mar-29	-	125	-	1.34	-
19-Mar-19	DANBNK	-/BBB/A-	EUR	750	2.500%	21-Jun-29	21-Jun-24	183	1.52	2.22	250
19-Mar-19	BGAV	Baa2/-/-	EUR	400	2.375%	26-Mar-29	26-Mar-24	199	1.67	2.20	230
11-Mar-19	BBT	A2 *-/BBB+/A	USD	650	3.875%	19-Mar-29	19-Feb-29	117	3.12	3.13	-
04-Mar-19	CMARK	Baa1 *-/-/BBB+	EUR	750	3.375%	11-Mar-31	-	182	-	2.05	-
25-Feb-19	UBIIM	Ba3/BB/BB+	EUR	500	5.875%	04-Mar-29	04-Mar-24	486	4.53	5.29	575
19-Feb-19	CINDBK	Baa3/-/-	USD	500	4.625%	28-Feb-29	28-Feb-24	203	3.82	4.07	225
14-Feb-19	BBVASM	Baa3/BBB/BBB+	EUR	750	2.575%	22-Feb-29	22-Feb-24	145	1.12	1.99	245
13-Feb-19	UCGIM	Baa3/BB+/BBB-	EUR	1,000	4.875%	20-Feb-29	20-Feb-24	260	2.27	3.62	474

Insurance Tier 2 performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to call	Yield to maturity	Reset spread
09-Jul-19	ROTHLF	-/-/BBB+	GBP	300	3.375%	12-Jul-26	-	270	-	3.54	-
04-Jul-19	FWDGRP	-/-/-	USD	800	5.750%	09-Jul-24	-	352	-	5.29	-
04-Jul-19	PRUFIN	A3/BBB/BBB	GBP	300	3.875%	20-Jul-49	20-Jul-24	287	3.64	4.42	-
06-Jun-19	RSURUK	-/-/BBB	GBP	500	5.867%	13-Jun-29	-	481	-	5.74	-
06-Jun-19	RSURUK	-/-/BBB	GBP	250	5.766%	13-Jun-29	13-Jun-24	479	5.56	5.86	-
06-Jun-19	RSURUK	-/-/BBB	GBP	250	4.016%	13-Jun-26	-	443	-	5.26	-
16-May-19	SAMPFH	Baa1/-/-	EUR	500	3.375%	23-May-49	23-May-29	221	2.29	3.76	-
25-Apr-19	ASRNED	-/BBB-/-	EUR	500	3.375%	02-May-49	02-Feb-29	256	2.63	3.89	-
03-Apr-19	AGSBB	-/BBB+/BBB+	EUR	500	3.250%	02-Jul-49	02-Jul-29	248	2.57	3.80	-
01-Apr-19	NYLIFE	Aa2/AA-/AA	USD	1,000	4.450%	15-May-69	15-Nov-68	183	3.99	3.99	-
26-Mar-19	SRENVX	A2/A/-	USD	1,000	5.000%	02-Apr-49	02-Apr-29	212	4.08	5.01	358.2
14-Mar-19	SRENVX	A2/A/-	EUR	750	2.534%	30-Apr-50	30-Apr-30	134	1.51	2.76	285
28-Feb-19	MASSMU	A2/AA-/AA-	USD	800	5.077%	15-Feb-69	15-Feb-49	208	4.28	4.44	319.1
11-Feb-19	ZURNVX	-/A/-	EUR	500	2.750%	19-Feb-49	19-Feb-29	141	1.48	3.01	320
25-Jan-19	CNPFP	A3/BBB+/-	EUR	500	2.750%	05-Feb-29	-	132	-	1.40	-
21-Jan-19	ASSGEN	Baa3/-/BBB	EUR	500	3.875%	29-Jan-29	-	258	-	2.66	-
17-Jan-19	WSFIN	A2/A/A+	USD	500	5.150%	15-Jan-49	15-Jul-48	202	4.22	4.23	-
07-Nov-18	LGEN	A3/BBB+/-	GBP	400	5.125%	14-Nov-48	14-Nov-28	279	3.71	4.83	465
19-Sep-18	PHNXLN	-/-/BBB	EUR	500	4.375%	24-Jan-29	-	397	-	4.05	-
14-Sep-18	PICORP	-/-/BBB+	GBP	350	5.625%	20-Sep-30	-	424	-	5.21	-
30-Aug-18	MAPSM	-/-/BBB-	EUR	500	4.125%	07-Sep-48	07-Sep-28	259	2.63	4.09	430

Source: Crédit Agricole CIB

SNP, HoldCo issuance

SNP performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	I-Spread	Yield to maturity
11-Jul-19	NWIDE	Baa1/BBB+/A	USD	1,000	3.960%	18-Jul-30	185	3.86
10-Jul-19	BNP	Baa1/A-/A+	EUR	1,000	0.500%	15-Jul-25	64	0.38
01-Jul-19	BYLAN	A2/-/A-	EUR	250	0.010%	10-Oct-22	46	0.05
27-Jun-19	BKTSM	-/BBB/-	EUR	750	0.875%	08-Jul-26	89	0.70
26-Jun-19	UCGIM	Baa2/BBB-/BBB	EUR	750	1.625%	03-Jul-25	148	1.27
24-Jun-19	NYKRE	-/BBB+/A	EUR	500	0.625%	17-Jan-25	72	0.43
24-Jun-19	SOCGEN	Baa2/BBB+/A	EUR	750	0.875%	01-Jul-26	75	0.56
18-Jun-19	BKIASM	Ba3u/BBB-/BBB	EUR	500	1.000%	25-Jun-24	107	0.74
14-Jun-19	AEGON	-/A/A-	EUR	500	0.625%	21-Jun-24	57	0.24
13-Jun-19	JYBC	-/BBB+/-	EUR	500	0.625%	20-Jun-24	88	0.56
13-Jun-19	CMZB	Baa2/BBB/BBB+e	EUR	500	1.125%	22-Jun-26	85	0.66
13-Jun-19	UBIIM	Ba3/BB+/BBB-	EUR	500	2.625%	20-Jun-24	243	2.10
12-Jun-19	BBVASM	Baa2/BBB+/A-	EUR	1,000	1.000%	21-Jun-26	63	0.44
12-Jun-19	OPBANK	Baa1/A/-	EUR	500	0.375%	19-Jun-24	51	0.18
11-Jun-19	CABKSM	Baa3/BBB/BBB+	EUR	1,250	1.375%	19-Jun-26	108	0.89
21-May-19	BNP	Baa1/A-/A+	EUR	1,350	1.375%	28-May-29	63	0.67
15-May-19	ERSTBK	Baa1/A-/A	EUR	500	0.875%	22-May-26	58	0.39
15-May-19	LBBW	A2/-/A-	EUR	750	0.375%	24-May-24	44	0.11
18-Apr-19	BYLAN	A2/-/A-	EUR	100	1.100%	30-Apr-29	70	0.73
17-Apr-19	NWIDE	Baa1/BBB+/A	USD	1,000	3.622%	26-Apr-23	123	3.02
15-Apr-19	FRLBP	-/BBB/A-	EUR	750	1.375%	24-Apr-29	63	0.66
04-Apr-19	CMARK	Baa1 *-/-/A-	EUR	500	1.625%	15-Apr-26	83	0.63
02-Apr-19	LBBW	-/-/-	EUR	100	0.400%	05-Apr-24	36	0.02
02-Apr-19	NIBCAP	Ba1u/BBB-/BBB	EUR	300	2.000%	09-Apr-24	139	1.05
26-Mar-19	BPCEGP	Baa2/A-/A+	EUR	1,000	1.000%	01-Apr-25	60	0.32
21-Mar-19	SOCGEN	Baa2/BBB+/A	USD	1,500	3.875%	28-Mar-24	126	3.07
21-Mar-19	NYKRE	-/BBB+/A	EUR	600	0.875%	17-Jan-24	71	0.36
21-Mar-19	SOCGEN	Baa2/BBB+/A	USD	1,500	3.875%	28-Mar-24	126	3.07
12-Mar-19	DANBNK	Baa2/BBB+/A	EUR	500	1.625%	15-Mar-24	95	0.60

HoldCo performance monitoring (as at 22/7/19)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to maturity
18-Jul-19	JPM	A2/A-/-	EUR	1,500	1.001%	25-Jul-31	25-Jul-30	70	0.95
18-Jul-19	BAC	A2/A-/-	USD	2,500	3.194%	23-Jul-30	23-Jul-29	115	3.15
18-Jul-19	MS	A3/BBB+/A	USD	2,000	2.720%	22-Jul-25	22-Jul-24	88	2.73
16-Jul-19	RY	-/A/AA	EUR	1,000	0.125%	23-Jul-24	-	47	0.16
16-Jul-19	MUFG	A1/A-/A	EUR	500	0.848%	19-Jul-29	-	60	0.70
16-Jul-19	MUFG	A1/A-/A	EUR	500	0.339%	19-Jul-24	-	56	0.25
16-Jul-19	CS	-/-/A-e	EUR	500	1.000%	24-Jun-27	24-Jun-26	89	0.82
11-Jul-19	MUFG	A1/A-/A	USD	1,750	3.195%	18-Jul-29	-	112	3.08
11-Jul-19	MUFG	A1/A-/A	USD	1,500	3.751%	18-Jul-39	-	146	3.63
11-Jul-19	MUFG	A1/A-/A	USD	2,250	2.623%	18-Jul-22	-	78	2.55
11-Jul-19	MUFG	A1/A-/A	USD	1,000	2.801%	18-Jul-24	-	92	2.70
09-Jul-19	MIZUHO	A1/A-/-	USD	750	3.153%	16-Jul-30	16-Jul-29	119	3.18
09-Jul-19	MIZUHO	A1/A-/-	USD	500	3.162%	16-Jul-23	16-Jul-22	-	3.08
09-Jul-19	MIZUHO	A1/A-/-	USD	1,000	2.721%	16-Jul-23	16-Jul-22	87	2.62
09-Jul-19	MIZUHO	A1/A-/-	USD	500	2.839%	16-Jul-25	16-Jul-24	100	2.80
09-Jul-19	RY	A2/A/AA	USD	1,250	2.550%	16-Jul-24	-	78	2.56
08-Jul-19	SUMIBK	A1/A-/-	USD	2,500	3.040%	16-Jul-29	-	107	3.04
08-Jul-19	SUMIBK	A1/A-/-	USD	2,000	2.696%	16-Jul-24	-	92	2.70
02-Jul-19	RY	-/A/AA	USD	300	2.653%	08-Jul-21	-	-	2.61
25-Jun-19	STANLN	A2/BBB+/A	EUR	500	0.900%	02-Jul-27	02-Jul-26	97	0.90
18-Jun-19	CS	-/-/-	USD	130	0.000%	27-Jun-49	27-Jun-24	226	4.46
17-Jun-19	CS	Baa2/BBB+/A-	EUR	1,000	1.000%	24-Jun-27	24-Jun-26	88	0.82
10-Jun-19	WFC	A2/A-/A+	USD	2,500	3.196%	17-Jun-27	17-Jun-26	109	2.98
10-Jun-19	SUMIBK	-/-/-	EUR	105	0.873%	18-Jun-29	-	52	0.62
06-Jun-19	JPM	-/-/-	USD	150	0.000%	24-Jun-59	24-Jun-25	237	4.56
05-Jun-19	MS	A3/BBB+/A	USD	750	3.257%	10-Jun-22	10-Jun-21	-	3.15

Source: Crédit Agricole CIB

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