

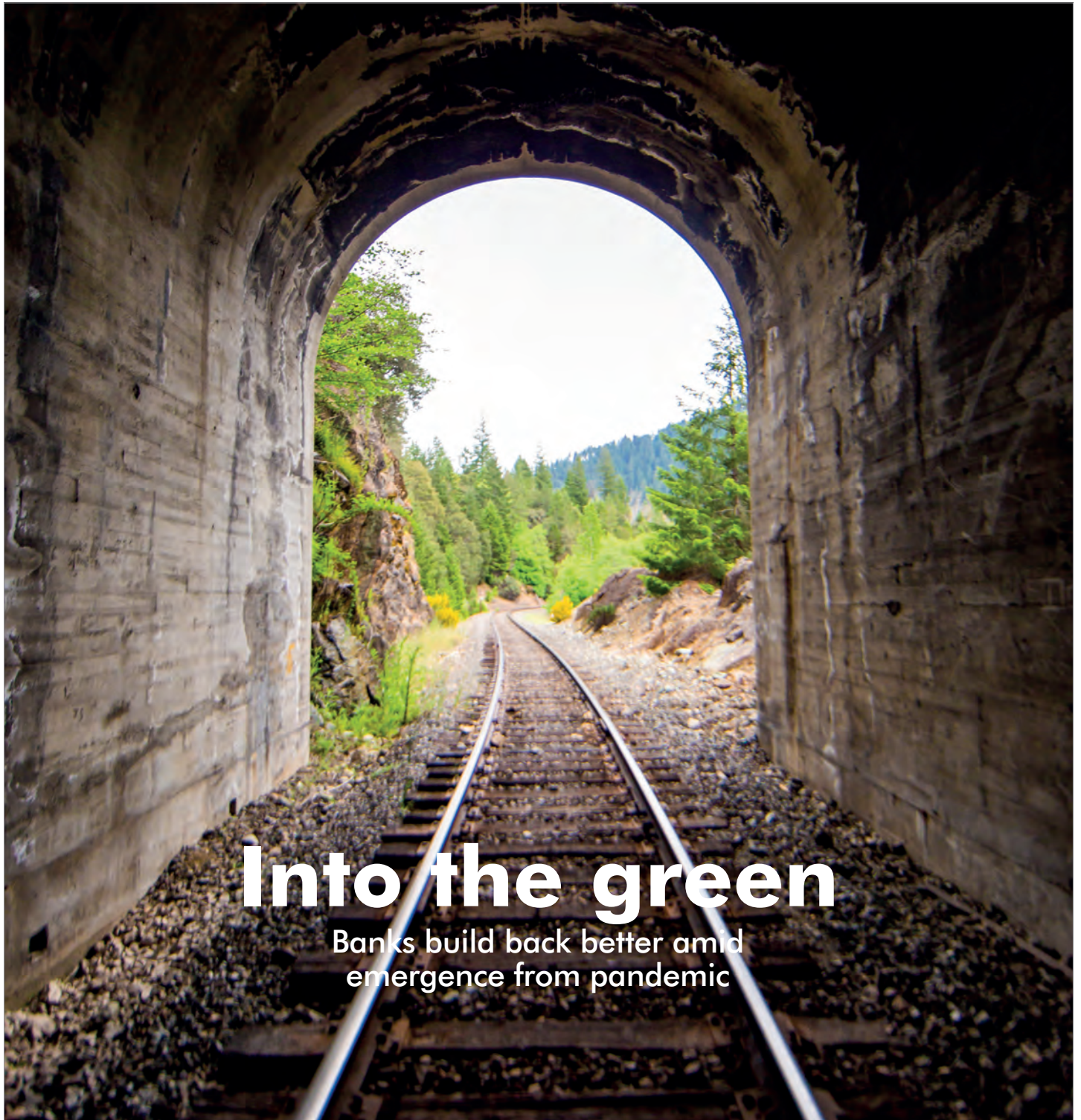
# Bank+Insurance HybridCapital

SUMMER 2021

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## Into the green

Banks build back better amid  
emergence from pandemic

### **Tier 2**

BayernLB, RBI ESG firsts

### **Macro**

Taper whispering

### **CACIB**

Positioning for H2



# Building success together



<p><b>JUNE 2021</b></p> <p> <b>GROUPAMA ASSURANCES MUTUELLES</b></p> <p><b>EUR 500,000,000</b></p> <p>0.750% Inaugural Green Tier 3 Due 2028</p> <p>Joint Bookrunner</p>	<p><b>MARCH 2021</b></p> <p> <b>EQUITABLE</b></p> <p>EQUITABLE FINANCIAL LIFE GLOBAL FUNDING</p> <p><b>USD 750,000,000</b></p> <p>1.800% Funding Agreement Backed Notes Due 2041</p> <p>Joint Bookrunner</p>	<p><b>MARCH 2021</b></p> <p> <b>AXA SA</b></p> <p><b>EUR 1,000,000,000</b></p> <p>1.375% Inaugural Green Tier 2 Due 2041</p> <p>Joint Bookrunner, Global Coordinator and Green Structuring Advisor</p>
<p><b>SEPTEMBER 2020</b></p> <p> <b>MUNICH RE</b></p> <p><b>EUR 1,250,000,000</b></p> <p>1.250% Tier 2 Inaugural Green transaction Long 20NC10 Due 2041</p> <p>Joint Bookrunner</p>	<p><b>JULY 2020</b></p> <p> <b>CRÉDIT AGRICOLE ASSURANCES S.A.</b></p> <p><b>EUR 1,000,000,000</b></p> <p>2.000% Subordinated Tier 2 Bullet notes Due 2030</p> <p>Sole Bookrunner</p>	<p><b>JUNE 2020</b></p> <p> <b>CNP ASSURANCES</b></p> <p><b>EUR 750,000,000</b></p> <p>2.500% Tier 2 31NC11 Due 2051</p> <p>Joint Bookrunner</p>
<p><b>JUNE 2020</b></p> <p> <b>ZURICH</b></p> <p>ZURICH INSURANCE COMPANY LTD</p> <p><b>EUR 750,000,000</b></p> <p>1.875% Subordinated 30.25NC10.25 Due 2050</p> <p>Joint Bookrunner</p>	<p><b>MAY 2020</b></p> <p> <b>Swiss Re</b></p> <p>SWISS RE</p> <p><b>EUR 800,000,000</b></p> <p>2.714% Tier 2 32NC12 Due 2052</p> <p>Joint Bookrunner</p>	<p><b>APRIL 2020</b></p> <p> <b>PRUDENTIAL</b></p> <p>PRUDENTIAL PLC</p> <p><b>USD 1,000,000,000</b></p> <p>3.125% Senior Notes Due April 2030</p> <p>Joint Bookrunner</p>

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## INTRODUCTION

### 3 Into the green

As we tentatively emerge from the worst societal and economic effects of the pandemic, there is a widespread feeling that the post-pandemic world can and should be different: better, fairer, greener. Fortunately, the financial sector was in ways primed for this evolution.

## MARKET NEWS

### 4 UniCredit AT1 wraps up H1

- Yankee drumbeat to persist on supply, XCCY levels
- CASA £500m AT1 exchange beats expectations
- SNP, Tier 2 lead H1 green and social bank bloom
- Macif well positioned after €1.75bn M&A hat-trick
- Groupama goes green in T3, Generali adds to ESG

## CACIB

### 12 Positioning for H2

Arnaud D'Intignano shares Crédit Agricole CIB's expectations and plans for financial institutions issuance.



## BAYERNLB

### 14 Green Tier 2 landmark

BayernLB's Miriam Scuka discusses its inaugural green Tier 2, the first from Germany and with the tightest spread for a German euro Tier 2 benchmark.

## INSURANCE

### 16 Moody's Capital Tool

Life and P&C insurance methodologies update

### 18 Anticipating IFRS 17

The 'disruptive' new standard

20



### ECB

#### **20 Too soon to talk about taper**

The ECB cannot return to its pre-pandemic level of bond buying until at least end-2022, even if the recovery continues, argues CACIB's Louis Harreau.

### ORIGIN

#### **24 CASA sees auto efficiencies**

Crédit Agricole SA and Origin Markets discuss their work with automated transaction documentation.

### RBI

#### **26 Leading Austrian extends in green**

Raiffeisen Bank International cemented its status as the leading bank issuer of green bonds in Austria with the launch of its first green Tier 2 on 9 June.

RBI's Katarzyna Kapeller spoke to *Bank+Insurance Hybrid Capital* about the trade and the bank's funding and sustainability plans.

26



29



#### **29 Regulatory & rating updates**

#### **33 Hybrids data**

#### **37 Disclaimer**



# Into the green



At the cusp of 2021, recently-approved Covid-19 vaccines offered a light at the end of the tunnel. For many, the tunnel sadly proved longer than hoped. But as we enter the second half of the year, there are encouraging signs that the worst societal and economic effects of the pandemic may be easing.

For many of us who have been working from homes connected only virtually to the world of work, this heralds a gradual return back out into the wider world. In parallel, *Bank+Insurance Hybrid Capital* is returning in print for the first time since the onset of the pandemic — we hope you have in the meantime found our timely online *BIHC Briefings* valuable.

As we tentatively emerge into the light, there is a widespread feeling that the post-pandemic world can and should be different: better, fairer, greener.

Fortunately, the financial sector was in ways primed for such an evolution through the growing emphasis on ESG factors ahead of the crisis, not least in the development of green, social and sustainability bonds in the capital markets.

And 2021 has seen a surge in the proportion of issuance in these formats, not least as senior non-preferred and Tier 2 bonds. In this edition, we look at the latest developments in this field and hear from issuers who are embracing these trends, such as BayernLB and Raiffeisen Bank International.

Our partner Crédit Agricole CIB continues to be at the heart of ESG-related innovations such as sustainability-linked bonds, and global head of financing and funding solutions Arnaud D'Intignano shares his insights into how the wider market and the corporate and investment bank are positioned for the second half of the year.

The recovery from the pandemic will see significant fiscal and monetary support programmes falling away in the coming months. Representatives of CACIB's syndicate, DCM solutions, and economics teams discuss the potential timing and impact of any such moves on either side of the Atlantic, and the likely impact on rates and spreads.

However the remainder of the year plays out, it is safe to say, the world will never be the same again.

Neil Day,  
Managing Editor

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# Market news

## UniCredit AT1 wraps up H1 with market finely poised

UniCredit successfully rounded off the first half the year in European bank capital on 30 June, issuing a €750m perpetual non-call seven Additional Tier 1 amid a pre-summer flurry of supply, with issuers still able to tap into tight levels, but investors unwilling to chase spreads tighter.

UniCredit's latest AT1 was the first since Andrea Orcel was appointed group CEO in April, and also since management in May opted to skip coupon payments on its CASHES niche subordinated hybrid equity-linked securities.

The bank entered the market with initial price thoughts of the 4.875% area for its perpetual non-call seven euro benchmark AT1, with an expected Ba3 rating from Moody's. A lead syndicate banker said a €2.25bn-plus book then allowed the borrower to skip guidance and set the coupon at 4.45% for a €750m size, while the final book good at re-offer was around €1.75bn.

The pricing was flat to fair value, according to Vincent Hoarau, head of FIG syndicate at Crédit Agricole CIB (CACIB), who said the issuer had chosen the timing well, coming in a relatively quiet end-of-half window and pre-empting a new strategic plan anticipated from Orcel in September.

"This was the first strategic capital market trade under the new chain of command and it was a real success in many aspects," he said. "Firstly, the headline coupon — the issuer captured the best possible issuance window of the semester, with yields in AT1 at record tights.

"Secondly, the deal was very well received in spite of the noise and AT1 volatility triggered a month earlier by the decision to skip the coupon payments on some of its CASHES."

Although the pricing of 4.45% was flat to fair value, the choice of a coupon 0.05% inside a standard 4.5% mark was seen as somewhat unconventional. However, the book held together at the chosen level, whereas moving to 4.375% could have



led to significant drops and underperformance in the secondary market, noted Hoarau — the deal was trading slightly above par as *Bank+Insurance Hybrid Capital* went to press.

The Italian's success came after Commerzbank had on 15 June sold the last euro AT1 benchmark, a €500m no-grow perpetual non-call seven trade. On the back of a peak €2.8bn-plus book, the German bank was able to tighten pricing from IPTs of the 4.875% area for its latest AT1 through guidance of 4.375%, plus or minus 12.5bp, to 4.25% on the back of more than €1.75bn of demand.

"The compression in the capital space combined with the scarcity element around the size led to very competitive pricing for Commerzbank, too," said Hoarau. "We are talking Germany and a solid economy with a bank showing a very positive restructuring trajectory.

"No surprise to see that pricing power was in the hands of the issuer, even if borrowing costs in the sector have reached an all-time low."

Earlier in June, Piraeus Financial Holdings showed the extent of what was possible in the accommodating market by completing the first Greek AT1, a €600m perpetual non-call five deal rated Ca/CCC- by Moody's and S&P. Following IPTs of 9.00%-9.25%, the landmark trade was on 9 June priced at 8.75% on the back

of more than €2.15bn of orders from close to 200 accounts.

"The transaction is a testament of investor confidence in Piraeus' credit story and in the successful execution of its strategic Sunrise plan, currently in progress," said the bank.

### Books smaller, but firmer

Although respectable, order books for the AT1s were down from their multi-billion peaks, and a similar trend was in evidence across the capital stack, through Tier 2 to senior non-preferred. No-grow €500m trades were able to attract higher coverage ratios thanks to their greater scarcity as well as simple maths, but they, too, evinced greater price sensitivity.

However, this has played into final order books being of higher quality, according to William Rabicano, director, credit trading, at CACIB, who focuses on senior non-preferred as well as insurance paper.

"The bonds have ended up in stronger hands," he said. "We've seen far fewer new issue flippers involved in the more recent deals, because they are coming pretty much on the curve and there is an awareness that they aren't immediately performing on the break.

"The supply we've seen has been easily absorbed," added Rabicano. "Credit as a whole does feel broadly supported and I don't expect to see many sellers over the

next four to six weeks while there is a lack of supply over the summer months.”

He therefore expects credit spreads to remain relatively stable, particularly with them having proven near immune to recent moves in equities.

“The beta to the equity market is very low at the moment,” said Rabicano. “You can have a weak day in equities, and credit won’t be any wider, be it cash or credit indices. But on the flipside of that, when you have a strong day in equities, low beta cash isn’t really tighter, either.

“So we are sort of dislocated from equities at the moment, and I don’t see any reason why it would deviate from this pattern — certainly not in the next few weeks, anyway.”

But in the absence of credit markets being tested, the depth of demand at current valuations is hard to ascertain, said Rabicano.

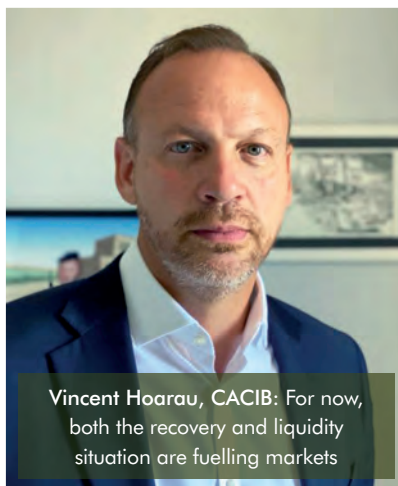
The tight levels at the upper end of capital stack have helped spur interest further down the capital stack and in insurance instruments. André Bonnal, FIG syndicate at CACIB, noted that subordinated insurance Tier 2, for example, has been grinding tighter as investors have sought out the pick-up on offer.

“It’s still a sector that investors like,” he said. “If they compare it with what they can get in the rest of the FIG space or on the corporate side, you retain a good investment grade rating but you are able to get a bit more premium and a bit more spread than what you are getting out of the bank Tier 2, for example.

“And that pick-up means investors are generally comfortable taking a little bit more risk on the structural side versus, say, bank Tier 2.”

Like other sectors, insurance spreads have been supported by lower supply — subordinated insurance issuance in euros fell from around €11bn in the first half of 2020 to €7.7bn in the first half 2021.

Bank Tier 2 has also caught the eye of investors seeking a pick-up amid the tight



Vincent Hoarau, CACIB: For now, both the recovery and liquidity situation are fuelling markets

valuations, according to Neel Shah, financials credit analyst at CACIB.

“Investors who have IG mandates but are not getting what they want in terms of yield and spread in the SNP space still can look into the Tier 2 space,” he said.

At the riskier end of the bank capital spectrum, CACIB AT1 credit trader Nigel Brady sees valuations well supported by the rates and macro backdrop.

“The sustained rally in rates caught quite a few people by surprise and that has been the biggest driver of the AT1 market,” he said. “I don’t think anybody expected us to get back down to these sorts of levels — the consensus trade was definitely higher yields — and that kept people out of the market for a long time.”

Recent AT1 supply has therefore seen good demand from real money buyers, according to Brady, but also Asian retail accounts that would normally be expected to be seen in US dollar instruments.

In spite of the demand for AT1 and its apparent performance, the sector has underperformed.

“You see quite a strong flattening across the AT1 market, but that’s actually been yield driven,” said Brady. “It’s basically all baked in from the Treasury flattening, and although credit curves are not steep, they are certainly steeper than they were early in the year.

“If anything, AT1 has underperformed,

if you look at it relative to high yield, for example. So given what macro has done and what the rest of credit has done, you could well argue that it’s still cheap.”

But while investors are happy to buy on any dip, added Brady, they are unwilling to chase the market given overall valuations.

Indeed, whether macro data points will continue to remain supportive remains an open question that could find some answers after the summer slowdown. Come autumn, furlough programmes will fall away in some countries, allowing for a clearer assessment of the strength of the recovery, notably in the US, where the situation remains finely balanced.

“We had a very supportive NFP report early July,” said CACIB’s Hoarau, “a kind of Goldilocks report: not too hot, so it can further support an accommodating Fed, but strong enough to give comfort that the US economy is still recovering — even if some other data show signs of deceleration in the pace of that recovery. So for now, both the economic recovery and the liquidity situation are fuelling markets.

“But the elephant in the room is inflation.”

The Federal Reserve has thus far deemed higher inflation data transitory, but the potential for an end to the prolonged period of low inflation regimes is making investors cautious on duration, according to Hoarau. However, he expects the Fed to handle any change in stance with care.

“While it may be hard to believe that the Fed can tighten monetary policy significantly without having a strong impact on markets,” said Hoarau, “it is difficult to see this happening. The read of the last FOMC minutes suggests the Fed is not ready to taper, and so far the language around the direction of travel has been well received by the market.

“A slow and gradual unwind of purchases later in the year seems to be the consensus scenario and it does not look like this will surprise anyone.” ●



## Yankee drumbeat to persist on supply, XCCY levels

Attractive opportunities for European banks in the US dollar market are expected to persist into the second half of the year, given the anticipated sharp drop-off in overall investment grade supply that is expected to support spreads, although the Federal Reserve could yet spoil the favourable conditions later in the year.

Although Yankee bank issuance in the first half of the year, at \$129bn (€109bn), was down on the \$149bn of the first half of 2020, arbitrage has continued to remain attractive for European issuers, prompting the likes of ABN Amro, Banco Santander and BNP Paribas to tap the dollar market for senior non-preferred (SNP) and HoldCo debt in recent weeks.

"If you look at the European bank index versus the US bank index over the past one, three or even five years, you're at the upper end of the range for dollars being more attractive than euros on a spread differential basis," says Ivan Hrazdira, head of DCM Americas and global USD sponsor at Crédit Agricole CIB (CACIB) in New York.

"New issue concessions continue to hover around zero and are in many cases negative," he adds, "suggesting that order books are still displaying very strong price tension for issuers."

Additional Tier 1 and Tier 2 supply has been thin on the ground in the Yankee bank space, but NatWest showed off the opportunities to be had when it priced a \$750m (£539m) perpetual non-call 10.5 AT1 at 4.60% on the back of a \$6.5bn order book on 23 June. The UK bank's trade came after UBS had in late May achieved the lowest ever coupon on a dollar AT1 from a European issuer, 3.875% on its \$750m (CHF685m) perpetual non-call five.

"There has not been a lot of Tier 2 issuance," adds Hrazdira, "and to the extent that issuers need to access that part of the structure, they should find favourable funding conditions as well."

Financial institutions supply in total contributed some 45% to the \$860bn of investment grade supply in the dollar



market in the first half of the year, in line with past levels. However, while Street forecasts anticipate a drop off in total IG issuance to \$450bn-\$500bn during the second half of the year, financial institutions issuance is expected to remain more robust, potentially constituting half of remaining supply in 2021.

One ongoing positive factor in this respect is funding agreement-backed issuance (FABN), where supply has almost doubled year-to-date, from 18 deals totalling \$11.9bn in H1 2020 to 34 deals for \$22.7bn in H1 2021.

"We expect that trend to continue," says Hrazdira, "and that issuance is enough to move the needle."

"Some of the money centre banks, including JP Morgan and BofA, did some very large trades in the first half of the year," he adds, "and we expect domestic money centre bank funding activity to remain robust."

Favourable US dollar credit spreads

should continue to spur interest in Yankee bank issuance, he says, with the euro/dollar cross-currency basis swap perhaps once again becoming supportive. The cross-currency basis swap narrowed from minus 13bp at the beginning of the year to as tight as minus 4bp in June, but widened slightly to 6.5bp, around which it is expected to remain for the rest of the year, according to CACIB traders.

However, Hrazdira suggests that the continuing drumbeat of Yankee issuance even as the summer slowdown approaches could be partly prompted by concerns among issuers about the outlook.

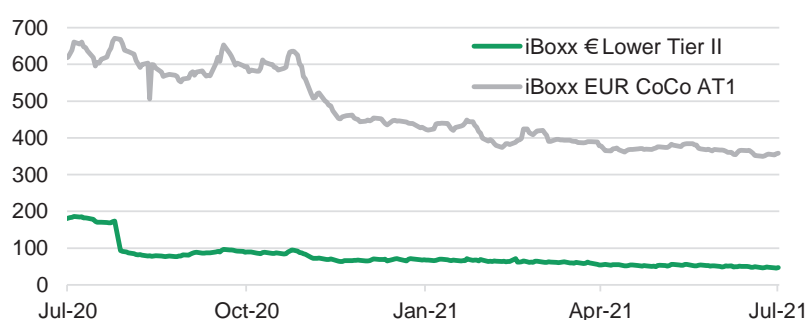
"It's possible they foresee a change in conditions due to the Fed withdrawing liquidity later in the year," he says.

Inflation concerns that sparked bouts of volatility and higher yields earlier in the year have been deemed transitory by the Fed, which is therefore holding off before taking any steps towards tapering or monetary tightening. Many observers nevertheless believe this is mistaken, and hence expect the Fed to play catch-up later in the year, with potentially disruptive effects on markets.

"Clearly the market is pricing in the withdrawal of this liquidity," says Hrazdira. "You see it in the flattening of the yield curve and you see it in the decrease of TIPS break-evens. It's difficult to say right now the extent to which it is priced into credit, but you would normally expect an adverse reaction."

"We won't have visibility on that until the Fed really comes out and starts to articulate a tightening plan." ●

Secondary bank subordinated index (bp)



Source: Markit, Crédit Agricole CIB



## CASA £500m AT1 exchange beats expectations

Crédit Agricole SA (CASA) achieved a participation rate of around 80% in a novel one-for-one exchange offer for holders of a £500m (€582m) Additional Tier 1 in June, with the majority of investors keen to switch from a Libor to a Sonia instrument and comfortable moving into the new CRR-compliant AT1.

CASA launched the exchange offer for the 7.5% perpetual non-call June 2026 AT1 — issued in 2014 — on 20 May. Investors were invited to exchange into a new instrument with substantially similar terms and conditions — such as the coupon to the first call, call dates, equivalent margin at reset — incorporating Sonia rather than Libor language and, unlike the outstanding bond, fully CRR-compliant.

“We decided to launch an exchange offer on our £500m AT1 to tackle both the transition from Libor to Sonia and the ineligibility of the existing instrument post grandfathering on 28 June 2025, a year earlier than its first call date,” said Nadine Fedon, head of group funding at Crédit Agricole. “Investors responded extremely positively to the offer and we are glad the result was so positive.”

In light of the end of the Brexit withdrawal period at the turn of the year and the requirement for Eurozone sterling AT1s to have contractual bail-in recognition, CASA’s outstanding bond will lose AT1 treatment in June 2025, which will constitute a capital event, meaning a regulatory call could apply.

CASA decided to tackle this in the exchange in conjunction with the Libor to Sonia switch on the back of growing clarity over the transition in the reference rate in the preceding months. UK issuers have addressed the Libor issue via consent solicitations since late last year, but



the process was not feasible under the documentation of CASA’s sterling AT1, prompting it to come up with the unusual one-for-one exchange.

Investors who submitted their bonds by an early participation deadline of 4 June were eligible for a 10 cents fee, and CASA received orders up to £383.445m during this period, with a further £13.239m submitted before the final deadline of 28 June, for a total of

ity committed to the new instrument.

“Investors were very happy to own this bond and maintain exposure to the Crédit Agricole name,” said Donchev, adding that the scarcity of CASA paper in sterling and its investment grade ratings supported demand.

Véronique Diet Offner, co-head, DCM solutions and advisory, CACIB, said the importance of the transition from Libor to Sonia for many investors was a further key factor in the high level of participation in the exchange.

“We had a lot of interaction with investors keen to understand the drivers behind the exercise,” she said. “They appreciated the issuer’s commitment to tackling the Libor transition and to do a meaningful trade in creating a fully-compliant AT1 instrument.”

She said the high level of participation during the early bird period encouraged further participation from some investors in the remaining period of the exchange, even if the early participation fee was no longer available, because remaining holders could see that the liquidity of the new instrument would be superior to the old. ●

**We had a lot of interaction with investors**

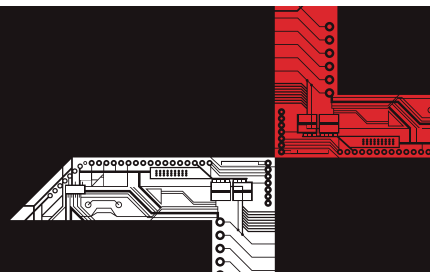
£396.864m — leaving £103.316m of the old AT1 outstanding. CASA had set a £250m threshold as a condition of issuing the new bond, but had reserved the right to waive this requirement.

According to Doncho Donchev, DCM Solutions, Crédit Agricole CIB, the “tremendously high” participation rate exceeded expectations. He noted that although some accounts were happy to retain the high coupon bond in anticipation of a potential call in June 2025, the major-



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## SNP, Tier 2 lead H1 green and social bank bloom

Green, social and sustainability (GSS) bond issuance has trebled its share of key bank products in the first half of 2021, as banks increasingly seek to satisfy investors by reinforcing their ESG credentials and to leverage any pricing benefits available through labelled products.

Much of the pick-up in GSS bank issuance has come in the form of senior non-preferred (SNP) and Tier 2.

“ESG labels are booming across the liability structure — with the exception of Tier 1,” said Vincent Hoarau, head of FIG syndicate at joint bookrunner Crédit Agricole CIB (CACIB). “More and more sophisticated investors are tightening their green bond criteria to combat greenwashing and force issuers to really drive down carbon intensity.

“Meanwhile, it appears that the vast majority of issuers now want to see the product as a tool to green their balance sheet over time and not only a one-off appearance to tick a box.”

According to Hoarau, euro GSS issuance has risen from 8% of overall SNP and Tier 2 issuance in full-year 2020 to some 25% in the first half of 2021.

“The trio of debut green Tier 2s CACIB lead managed for BayernLB, ING and RBI within the space of a few weeks is the best possible illustration of the current trend,” he said.

BayernLB on 16 June issued the tightest ever German green Tier 2, a €500m 10.25 year non-call 5.25 priced at 135bp over mid-swaps. ING Groep priced its first green Tier 2, a €500m 11 year non-call six, on 2 June, tightening pricing some 25bp on the back of around €3bn of demand to land at 115bp over mid-swaps, around 5bp inside fair value.

And RBI sold its inaugural green Tier 2, a €500m 12 year non-call seven, on 9 June, achieving pricing some 10bp inside fair value.

“To me, issuing Tier 2 in green shows



more of a commitment to sustainability because it's longer dated — in this case, it shows a commitment of at least seven years,” said Katarzyna Kapeller, head of asset liability management at RBI. “And as an issuer, I feel that the pricing benefit is higher in a higher beta product.”

(See *RBI and BayernLB Q&As for more.*)

The SNP space has seen a similar number of firsts as Tier 2, with La Banque Postale (LBP), for example, issuing its first social bond as a €750m 10 year SNP on 16 June, expanding upon its prior green bonds to embrace social housing and access to essential health services as use of proceeds.

And when Belfius Bank sold a €500m no-grow six year SNP green debut on 1 June, it achieved a greenium of around 5bp, pricing its trade at 60bp on the back of a peak €1.2bn of orders.

“We saw a very important participation of ESG/green investors,” said Ellen Van Steen, head of long term funding at Belfius. “The final pricing level of our inaugural green bond was lower than for a conventional Belfius non-preferred senior transaction, which we believe is a result of the green character of the issuance.”

However, Hoarau at CACIB — joint bookrunner and framework structur-

ing advisor for LBP and Belfius — noted that the demand/supply imbalance in the broader credit market and favourable conditions for issuers have at times reduced the visibility of any greenium.

“But with the summer lull ahead and supply likely to dry up,” he added, “we expect secondary ESG curves to outperform the conventional pile.”

The latest bank to enter the green, social and sustainability (GSS) bond market was Banco BPM, which on 8 July sold a €500m five year senior preferred debut social bond. The transaction is the first off a new GSS bonds framework, for which Crédit Agricole CIB (CACIB) was green and social structuring advisor, with the focus of the inaugural trade small and medium-sized enterprises affected by the Covid-19 pandemic.

“This first issue proves how sustainability is already integrated within the bank's strategy,” said Giuseppe Castagna, CEO of Banco BPM. “The response from the institutional market demonstrates once again the bank's ability to combine its proximity to its local areas and to the entrepreneurial community with the appreciation of investors, including international ones.”

Following initial price thoughts of mid-swaps plus 140bp-145bp for the five year bullet senior preferred social bond,

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the €500m deal was priced at 130bp on the back of €660m of orders.

“Despite an overall softer backdrop, with equities falling on the back of fears of a renewed wave of Covid, Banco BPM was able to achieve a historic low level for a senior preferred trade,” said Hoarau at CACIB. “Demand was also of an extremely high quality, and they enjoyed a strong participation of dedicated ESG accounts.”

Banco BPM’s framework allows for a range of instruments including senior non-preferred and covered bond issuance as well as senior preferred.

### EBA discouragement to limit SLBs

While banks increasingly embrace use of proceeds bonds in green, social or sustainability format, the extent to which they will take up sustainability-linked bonds (SLBs) remains uncertain, particularly after the European Banking Authority (EBA) affirmed its discomfort in a report on 24 June.

Following a surge in SLB issuance from non-financial corporates, Berlin Hyp on 13 April became the first bank to sell such an instrument, issuing a €500m



10 year senior preferred bond with a coupon step-up triggered at maturity should it not hit a carbon reduction target. China Construction Bank (CCB) followed this up in the same week, including in a larger transaction \$1.15bn (€968m, CNY7.45bn) of SLBs that were the first such instrument for a G-SIB and first from a commercial bank in US dollars. CACIB was sole structuring advisor for Berlin Hyp’s SLBs and joint bookrunner for it and CCB.

Unlike use of proceeds green bonds, SLBs are linked to a KPI and typically trigger a coupon step-up in the event that

the issuer fails to meet predetermined sustainability performance targets (SPTs).

In its report, EBA said “step-up and or fees” based on missing ESG targets or other performance indicators should not be allowed or encouraged on MREL/TLAC eligible instruments, as they could be regarded as incentives to redeem. EBA said it will continue to assess and monitor such features going forward.

The regulator’s stance was not an issue for Berlin Hyp, for whom the SLB was not intended to be MREL-eligible, but it is expected to restrain bank issuance.

“While other actors could follow the example of Berlin Hyp on the SLB senior preferred segment, we do not expect European banks to issue SLB TLAC/MREL debt instruments following the EBA’s guidance,” said bank and green bond-ESG fixed income analysts at CACIB in *Credit Focus — The SLB AT1, Tier 2 and senior bail-in instruments should not be allowed for banks* (7pp), 12/07/2021.

“As a result, and also taking into account all constraints linked to KPIs for banks, the SLB banking segment is likely to remain limited — at least in the short term.” ●

## League tables

Green, social and sustainability bonds (all currencies)  
01/01/2021-30/06/2021

	Managing bank or group	No of issues	Total EUR m	Share (%)
1	BNP Paribas	150	30,388	6.0
2	JP Morgan	187	29,320	5.8
3	HSBC	153	25,892	5.1
4	Crédit Agricole CIB	127	24,237	4.8
5	Citi	163	23,155	4.6
6	BofA Securities	135	22,279	4.4
7	Deutsche Bank	131	22,155	4.4
8	Barclays	102	19,098	3.8
9	Société Générale CIB	85	17,305	3.4
10	NatWest Markets	52	17,280	3.4
11	Goldman Sachs	96	17,241	3.4
12	Morgan Stanley	109	16,973	3.3
13	Natixis	48	12,976	2.6
14	DZ Bank	22	10,720	2.1
15	LBBW	21	9,930	2.0
Total		1,393	527,112	

Source: Bloomberg, Crédit Agricole CIB

Bookrunners all financial institution bonds in euros  
01/01/2021-30/06/2021

	Managing bank or group	No of issues	Total EUR m	Share (%)
1	BNP Paribas	53	8,557	7.1
2	Société Générale CIB	41	8,507	7.0
3	Goldman Sachs	32	7,823	6.5
4	UniCredit	42	7,259	6.0
5	Crédit Agricole CIB	40	6,971	5.8
6	JP Morgan	45	6,592	5.5
7	Barclays	36	6,452	5.3
8	Natixis	29	5,964	4.9
9	Deutsche Bank	33	5,084	4.2
10	HSBC	37	4,898	4.1
11	BofA Securities	33	4,166	3.4
12	UBS	27	3,964	3.3
13	NatWest Markets	22	3,258	2.7
14	ING	23	3,053	2.5
15	Citi	25	3,040	2.5
Total		224	120,806	

Source: Thomson One Banker, Crédit Agricole CIB



## Macif well positioned after €1.75bn M&A hat-trick

Macif sold the first ever transaction to include RT1, Tier 2 and Tier 3 tranches on 14 June, a €1.75bn three-tranche deal that attracted some €12.1bn of demand from more than 400 accounts, as the insurer successfully raised a large part of the financing for its transformative acquisition of Aviva France.

Following the €3.2bn acquisition of Aviva France, the mutual Aéma Groupe — formed by the merger of Macif and Aésio — is set to become a top five player across insurance markets in France and the sixth largest asset manager in France, while the transaction will double the revenues of Macif (Mutuelle Assurance des Commerçants et Industriels de France et des cadres et des salariés de l'Industrie et du Commerce).

The Aviva France acquisition was announced in February and market participants had been eagerly anticipating the €1.75bn of subordinated issuance Macif had earmarked for the financing.

The transaction was announced on Tuesday, 8 June, and the issuer connected with over 85 investors in calls that week. It announced a €400m Restricted Tier 1 (RT1), with an expected rating of Ba1, as well as a euro benchmark fixed-to-floating rate Tier 2 and/or euro benchmark fixed rate Tier 3, both with expected Baa1 ratings.

The following Monday, 14 June, the leads went out with initial price thoughts of the 4.125% area for a €400m perpetual non-call eight RT1, the mid-swaps plus 250bp area for a euro benchmark 31 non-call 11 Tier 2, and the mid-swaps plus 130bp area for a six year euro benchmark Tier 3. On the back of an aggregate €14bn book, the pricing of the RT1 was set at 3.5%, the Tier 2 at 205bp, and the Tier 3 at 95bp, with the final books for each tranche good at re-offer ultimately €4bn, above €5.5bn and above €2.6bn, respectively, for a total of some €12.1bn comprising over 400 accounts.

“The three days of virtual roadshow conducted as part of this capital increase have again proved the great appetite of investors towards Macif’s solid business model,” the insurer said. “These transac-



tions constitute a significant part of Aviva France’s acquisition financing and the proceeds of the notes will be eligible for inclusion in Solvency II regulatory capital, reinforcing the newly formed group capital base.”

The acquisition saw Aéma Groupe’s pro forma Solvency II ratio fall to 159% at end-March 2021, but it has committed to increase solvency to 190% by 2024 by organic capital generation, and André Bonnal, FIG syndicate at Crédit Agricole CIB, said the pricing achieved by Macif showed that investors had bought into its story.

“The final spread outcome is very close to the likes of La Mondiale and Groupama,” he said, “and while Macif is expected to be a better name on paper than those two in future, it’s impressive that on the inaugural, M&A trade they were able to substantially compress the premium to these established names to virtually zero.”

The Tier 2 came around 2bp wide of

where Bonnal put fair value for a comparable La Mondiale trade and the Tier 3 around 5bp wide.

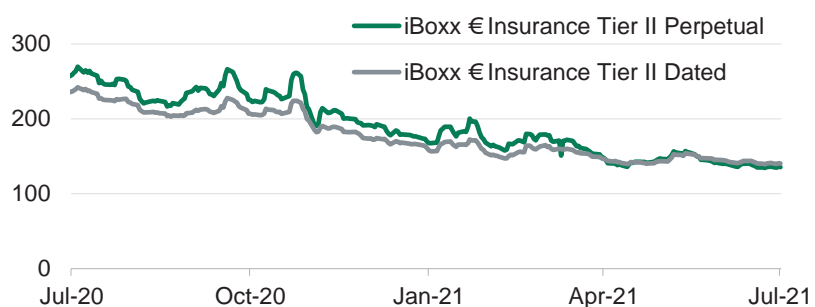
“There was a little more juice in the RT1,” he added, “but it’s a non-investment grade product and they needed to derisk that tranche in particular.”

Bonnal said the outcome was supported by the decision to split the financing into three tranches, rather than the potential two, which would have meant one being €1.35bn given the €400m limit to the RT1’s size.

“It was very smart because it essentially allowed them to target different pockets of investors and limit as much as possible the overlap between the different tranches,” he said. “€1.35bn would have been a very big size for a newcomer, especially in the context of an M&A transaction they had to complete.

“They also targeted maturities across the curve, so all in all a very orderly split between the three tranches.” ●

Secondary insurance subordinated index (bp)



Source: Markit, Crédit Agricole CIB

## Groupama goes green in T3, Generali adds to ESG

Groupama sold its inaugural green bond on 30 June, a €500m seven year Tier 3 transaction whose sustainable nature helped the French insurer achieve tight pricing, while Generali built on its prior green issuance with a €500m 11 year Tier 2 trade issued as a debut sustainability bond.

Groupama's mandate was announced on Monday, 28 June, with investor calls following to present the new green bond framework to investors.

The use of proceeds under Groupama's framework include green buildings, renewable energy, energy efficiency, clean transportation, and environmentally sustainable management of living natural resources and land use. The company noted that it was founded by farmers and that sustainable development is central to Groupama's identity as an agricultural, mutual insurance company.

"Our aim is to contribute to a growing market of green bonds and stimulate the market for sustainable investments and financing," said Cyril Roux, Groupama deputy CEO. "This issuance illustrates our ongoing contributions to the transition to a lower carbon economy."

After the day and a half of marketing, Groupama's leads went out with initial price thoughts of 115bp-120bp over mid-swaps for the seven year transaction, with an expected BBB rating from Fitch. After around two hours and 20 minutes, the leads reported books above €1bn, and then after around four hours, they set guidance at 95bp+/-2bp, will price in range, on the back of over €1.4bn of demand. The spread was then fixed at 93bp on the back of around €1.2bn of orders, with the final book totalling around €850m, with more than 100 investors involved.

According to André Bonnal, FIG syndicate at joint bookrunner Crédit Agricole CIB, the pricing was 2bp through fair value for a conventional bond.

"Clearly the fact that it was green helped price comfortably inside 100bp," he said. "From the roadshow, we knew that there was going to be a substantial amount of interest in this trade, espe-



cially as we were going with something a bit shorter than a traditional 10 year Tier 2 bullet, for example."

Bonnal said the outcome of the transaction also reflected investors' improving perception of Groupama over a prolonged period.

"They have come far in terms of credit quality," he said, "and over the past few months, their Tier 2 bullet bonds have been trading very well and, if anything, outperforming their French peers," he said. "That also came through in how much they were able to compress the premium versus where stronger and more established names are trading."

The 93bp re-offer spread compared with seven year CNP Assurances paper in the context of 85bp, he noted.

"There was clearly quite a bit of book attrition as we tightened further," added Bonnal, "but we closed at €850m for a €500m no-grow trade, and it is performing in the secondary market, which tells you that there is still very good interest in that bond."

### Generali extends in ESG

Generali had the previous week, on 24 June, gone beyond its previous green bond issuance by selling its first sustainability bond, a €500m 11 year Tier 2 deal. Its new framework adds to the six green use of proceeds categories of its green bond framework a further four: access to essential services/social infrastructure; affordable housing; SME financing, socioeconomic advance-

ment and employment generation; and response to health and natural disaster crisis.

"This transaction will further extend the average maturity of our debt, consistent with our proactive approach in shaping the debt maturity profile, and will provide the opportunity for Generali to finance green and social projects," said Generali group CFO Cristiano Borean. "Moreover, this will lead to a further reduction in the annual gross interest expense considering our outstanding debt profile."

"Sustainability is an enabler of the Generali 2021 strategy," he added. "I am pleased by the strong reception of our first sustainability bond, which confirms our commitment to sustainability and to support the development of the market for green, social and sustainability bonds in Europe."

Following IPTs of the mid-swaps plus 180bp area for €500m no-grow 11 year Tier, with expected Baa3/BBB- ratings (Moody's/Fitch), the spread was set at 155bp on the back of books above €2.2bn, with the final book around €1.65bn and some 180 accounts involved.

"We all know the drill now, when it comes to Generali," said CACIB's Bonnal. "They come with small, bullet transactions in ESG format, slightly extending their curve, and are able to leverage off that — this trade was no exception."

"They paid no new issue premium versus their existing ESG curve and again achieved some kind of greenium." ●

# CACIB

## Positioning for H2

Pre-funding by banks and a pick-up in insurance issuance, as well as developments in the ESG space and liability management, could see the prospects for financial institutions activity improve in the second half of the year, according to *Arnaud D'Intignano*, global head of financing and funding solutions at Crédit Agricole CIB (CACIB), with favourable conditions in credit markets likely to persist in spite of downside risks from central bank actions and elections.

### What have been the key trends of 2021 in the financial institutions space?

The primary market for financial institutions has been marked by three major trends this year.

Firstly, despite good progress in banks' issuance plans, volumes for the first half of 2021 are lower than in previous years, driven in particular by the reduced primary market activity in covered bonds. A combination of central bank policy and deposit inflows has provided banks with ample liquidity, and as a consequence they have less pressing funding needs. Insurance sector activity has also been relatively subdued, as the deleveraging trend continues. The currency mix for European banks has shifted during the first half of the year, with more activity seen in dollars and sterling versus euros, given the favourable conditions in these markets and the opportunity for issuers to diversify their funding.

Secondly, the importance of ESG



Arnaud D'Intignano, CACIB

has continued to grow at an impressive pace in the bond markets, with around 50% of total issuance in the euro primary market in June having an ESG angle. The increased activity in this segment has also provided the market with a growing amount of data points to suggest that there is tangible evidence of a "greenium". We have seen some material developments, with almost 30 new European issuers coming to the market, as well as the first sustainability-linked bonds from financial institutions, with German lender Berlin Hyp issuing a

senior preferred bond in euros and China Construction Bank issuing a senior bond in dollars. In addition, ESG themes have broadened into the spectrum of subordinated products more prominently, with several banks opting for Tier 2 issuances with an ESG flavour. CACIB has been active in this sector, acting as a joint bookrunner on three Tier 2 transactions in June, for BayernLB, ING and RBI.

And thirdly, in spite of elevated levels of uncertainty, market conditions have been favourable for issuers, and any spikes in volatility or market fears have thus far proven to be only temporary — even in the face of inflation concerns, credit markets have remained resilient. Credit spreads overall have continued to move tighter through 2021, and new issue concessions have remained in the single-digits, while in the case of higher beta products, zero to negative new issue concessions have been fairly commonplace given the hunt for yield and ample market liquidity.



### What do you expect for the rest of the year?

Whilst the uncertainties related to the Covid-19 crisis may have largely abated — in developed countries, at least — a variety of political, fiscal and macroeconomic factors could still play a part in creating some downside risks for credit markets. Issuers and investors alike will continue to closely monitor the tone of central banks and the potential read-across for rates and tapering. We have already seen the Fed introduce a more hawkish tone, guiding the market towards rate hikes sooner than previously expected. Although it is unlikely that we will see the ECB move as quickly as the Fed in rate hikes, I would expect a tightening in the extraordinary measures — the TLTRO conditions, for example.

We also have elections coming up in certain countries, including Germany, and this can also reduce the possible windows of issuance. Although these downside risks may persist, the overarching theme of excess liquidity and the need for investors to put cash to work will mean opportunities to access the market will persist, and we can see some issuers taking advantage of this to opportunistically pre-finance 2022 funding programmes. This is particularly true given the need to refinance the TLTRO funding, which could drive more issuance in the coming years, and banks may want to take advantage of favourable market conditions.

We expect issuance from the insurance sector to pick up in the second half of the year, following relatively subdued issuance from the segment in the first part of the year. Here at CACIB, we have a number of important insurance mandates in the pipeline across various geographies and formats that will materialise in the coming months.

The trends we observe in ESG are set to continue to expand across the product spectrum, not only across the capital structure, but also into asset-backed commercial paper, securitisation and derivatives.

Another area where a pick-up in activity for financial institutions can be



expected is in liability management, as banks adjust themselves to the evolving regulatory regimes, be that the treatment of legacy instruments, or the transitioning away from IBOR, and perhaps we will see some more transactions aimed at optimising the liability structure as MREL requirements become clearer.

The implementation of the Basel III standards in Europe will also regain focus as more clarity is gained on how the framework will be applied for the EU and the associated ramifications it brings for RWA inflation, capital requirements

### ESG trends are set to expand across the product spectrum

and MREL needs. Although the impacts are not expected to be immediate, banks will keep an eye on the capital impacts and may look to ramp up their capital structures, particularly in regions where the RWA inflation may be fairly large.

### How is CACIB positioning itself for the second part of the year?

We have made some changes in our debt capital markets organisation to build on the strong platform we have at CACIB, and to ensure we are well positioned for the upcoming challenges that are facing the sector. We have recently appointed Cécile Bidet to lead the DCM Financial Institutions franchise,

taking over from Christian Haller, who will run the DCM business in Germany and Austria. Cécile was previously in charge of the DCM Solutions & Advisory business, and will focus CACIB's strategy for financial institutions on the following three pillars:

**ESG:** We are seeking to leverage CACIB's leadership in sustainable banking. CACIB has been a pioneer in the ESG space and given the rapid pace of growth in the sector, Tanguy Claquin — who has been spearheading the team for over 10 years — is further strengthening and broadening our team's capabilities with a number of new hires as we expand our offering to include ESG rating and carbon advisory.

**Advisory:** I am a firm believer in cultivating long term relationships with our clients, and to further increase our offering within DCM, we are expanding our advisory capacity, with Michael Benyaya and Véronique Diet Offner now leading our DCM Solutions & Advisory team following Cécile's move.

**EUR/USD platform:** Finally, our third pillar remains being focussed on our strong euro and dollar platform. CACIB is a leading player in the financial institutions space within debt capital markets, being number one in the league table in 2020 for all financial institutions in euros. We have maintained this leading position in 2021, and have been involved in many high profile transactions in 2021 across both currencies. ●

# Green helps BayernLB to Tier 2 landmarks

BayernLB achieved the tightest re-offer spread for a German euro Tier 2 benchmark when it sold the first green Tier 2 from the country on 16 June, a €500m 10.25 non-call 5.25 trade priced at 135bp over mid-swaps on the back of some 130 orders totalling €2.2bn. *Miriam Scuka*, head of strategic asset liability management at BayernLB, discussed the transaction and the group's sustainable issuance strategy with *Bank+Insurance Hybrid Capital*.

**What factors determined the timing of this €500m inaugural green Tier 2 transaction?**

Our capital ratio is sound and well above regulatory buffers, and we also significantly exceed our MREL requirement, so we could afford to wait for the right moment to issue.

In fact, the main driver for the transaction was not regulatory, but related to Moody's proposed adjustments to its Loss Given Failure (LGF) methodology, according to which the level of subordinated debt needed to shift the notching uplift in the matrix will be lowered. This new proposal allows us to optimise the benefits of the notching uplift within Moody's matrix by calibrating the issuance of non preferred-senior and Tier 2.

As we were not in any hurry to issue, we prepared the transaction diligently and waited for favourable market conditions: Our impression was that a window before the summer break was feasible, and indeed the timing for the transaction was perfect.

**Was there any particular reason for choosing the 10.25 non-call 5.25 structure?**

From an issuer's perspective, callable Tier 2 has some regulatory advantages versus plain vanilla subordinated debt. According to Article 64 of the CRR, the amount of Tier 2 must be amortised during the last five years prior to maturity. A call structure

allows the issuer to optimise the regulatory recognition of regulatory capital, because there is no amortisation until the call date. In my opinion, investors have understood this regulatory background and recognise this kind of structure. Based upon this, I expect more and more issuers to come to market with callable structures for Tier 2 issuances in future.

**Have there been any particular messages or themes you have focused on in your investor work lately, regarding**

**BayernLB's corporate strategy, sustainability strategy or anything else?**

Our bank's successful subordinated deal is the result of our many and varied efforts

in the field of sustainable banking within the BayernLB group. Back in January 2021, we started marketing our sustainable finance framework, we then launched our green commercial paper programme — as one of the first such issuers in Europe — and other green and social bonds from the group followed.

The green subordinated bond rounds off our range of sustainable debt instruments, and makes the BayernLB group — BayernLB, BayernLabo and Deutsche Kreditbank (DKB) — one of the most active issuers in the sustainable segment in 2021.

**How do you feel the transaction went? How do the pricing and distribution compare with your expectations?**



**We have realised that investors' appetite for this kind of product is extremely high**



#Progress; Photo: BayernLB

The transaction was very well received by investors and represents several landmarks for BayernLB: the first public benchmark Tier 2 from BayernLB; the first euro green Tier 2 from a German bank; and the tightest re-offer spread for a euro Tier 2 benchmark in Germany. We were very pleased to see such a positive response from investors, and of course the final pricing was an excellent result for the bank.

**Markets have been a little uncertain lately. Did this play into your decision to issue in green and/or the outcome?**

From the very beginning, it was clear for us that if we were going to issue a benchmark this will be in green format. The quality of the assets of our green finance framework is excellent and we have realised that investors' appetite for this kind of product is extremely high. By issuing a bond in green format, you reach a broader investor base, which helps both the issuer in the primary market, but also the investors in secondary market performance.

**How does this Tier 2 issue fit into your funding plan and capital stack?**

This transaction represents our third outing to the public debt markets this year, following our €500m green senior non-preferred issuance in February and our €500m covered bond in April. Our intention with those transactions is to diversify our investor base and promote our sustainable financing framework.

The subordinated green bond that we issued recently enables us to further increase our financial and regulatory flexibility, whilst

optimising our cost of capital and strengthening our regulatory capital position. The main driver for the transaction was nevertheless to optimise Moody's LGF analysis, as mentioned earlier.

**What can you tell us about your funding plan for the year and how it is going?**

We are almost done for this year, but are still open to private placements, although our approach to these is quite opportunistic in term of funding costs.

**So far you have issued green bonds off your sustainable financing framework, with renewable energy as use of proceeds. What plans do you have for other asset categories and/or social bond issuance?**

We are working on our portfolio and have already identified many new assets. I can imagine that in the future we will add transportation and real estate.

**Are there any other aspects of the transaction or your strategy that you would like to highlight?**

I really appreciated working with the joint leads. They were very focused and motivated, and this definitely contributed to the success of this strategic transaction.

In terms of timing, if you are considering issuing capital, you should always do it when the market is favourable — not when you need it. ●



# P&C and Life Insurers

## Moody's Capital Tool

A new Moody's Capital Tool (MCT) has been introduced to inform a risk-based analysis of the capital adequacy of property and casualty (P&C) and life insurers. Although no ratings will be changed, the tool is expected to enhance dialogue with insurers around their management of capital and risks, explains *Benjamin Serra*, senior vice president in Moody's financial institutions group.

### Why is Moody's proposing the introduction of the Moody's Capital Tool?

Our new capital tool is a stochastic and market-consistent framework. We already look at similar metrics in our analysis of insurers' capital, notably in Europe, following the introduction of Solvency II, and in some parts of Asia. Market-consistent capital ratios add value because they are more economic than accounting ratios. Nonetheless, these ratios are not available in every country and are computed directly by companies thanks to complex models that can vary significantly across the industry. Our new proprietary tool will allow us to perform a market-consistent analysis globally, and in a consistent manner.

### What is the targeted scope of application in terms of sectors and geographies?

We are only updating our life and P&C insurance methodologies. Therefore, the tool will not apply to reinsurers and specialised insurers such as credit insurers or mortgage insurers.

The tool is global by design, and we will use it in Europe, Asia-Pacific and the Americas. We are still adding life products in some countries such as the US or Japan, and we do not have scenarios in



the Middle East region, but we will continue to expand the scope of the tool.

### How is Moody's going to use the MCT in the rating process?

The tool will complement, but not replace, our existing analysis. We are not proposing to change the scorecard in our insurance methodology and we will continue to look at and discuss regulatory solvency ratios reported by insurers. The tool will add value, but we are also aware that market-consistent capital ratios can be volatile, as we learnt with Solvency II. Therefore, we are not incorporating a direct linkage between the new tool's capital ratios and our capital adequacy score.

The main benefit of the tool is to improve our discussions with insurers around their management of capital and

risks. The tool will, for example, also provide an allocation of capital per risk or by product that will give us more insights and will provide a basis to discuss and better understand how insurers measure and manage the main risks they are facing.

### What is the expected rating impact?

There will be no change in ratings because of the introduction of this tool. As I said, the tool will complement our analysis, not replace it. In addition, by construction, this tool incorporates and reflects our current views around risks. In other words, the outputs of the tool should reflect our current thinking. In some instances, the tool will help us formalise this thinking. In other instances, we know, however, that the tool will not be able to capture all the specificities of an insurer, and in these cases, the tool will be less relevant in our analysis.

### What is the overall architecture of the MCT?

The tool will project the balance sheet of insurers over a one year horizon in a large number of stochastic scenarios. We have collaborated with Moody's Analytics — a sister company of Moody's Investors Service but separate from the rating agency — to build this tool. We have leveraged

existing Moody's Analytics' products to generate the scenarios, for example, but also to create proxy functions that we use to recalculate how assets and liabilities change in all scenarios.

We then use the results of all these simulations to compute capital ratios, but also other types of outputs that can help us slice and dice the results in multiple dimensions.

#### What are the key sources of information used as inputs to the MCT?

We have decided to rely on public information and on a certain amount of private information that we already collect today for our rating process. We use, for example, a breakdown of investments by asset category, a breakdown of liabilities by country or by product, exposure to cat risk, or relative synthetic indicators such as the duration of assets.

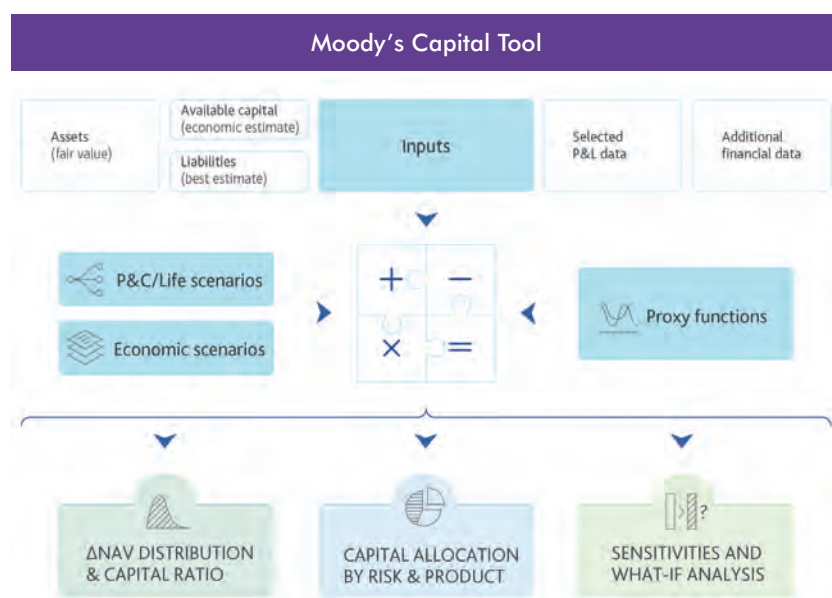
Simple data may be a source of limitation of the tool, but with more than 600 inputs, we believe we struck a good balance between granularity, relevance and keeping use of the tool manageable. In particular, we will not ask insurers for new information; we would rather spend time with companies discussing the risks we have identified and how they manage these risks, than focusing too much on the inputs.

#### How would you describe the economic scenarios compared to the Solvency II formula (e.g. more, or less severe)?

We have not tried to replicate the Solvency II methodology and it is therefore difficult to compare the two frameworks. Our scenarios are also updated every year, so we are not using static capital charges.

Having said that, we did look at some specific risk factors, such as equity risk. The 99.5% quantile of the European equity markets distribution in our scenarios is actually very close to the 39% capital charge used in the Solvency II standard formula.

One of the differences is the treatment of sovereign bonds: we factor in the de-



Source: Moody's Investors Service

fault risk of sovereign bonds, while Solvency II does not.

#### Does Moody's intend to publish the output of the MCT?

Initially we will only share some outputs with issuers and engage in credit discussions based on these outputs when we think that the tool is relevant. The introduction of the tool in our rating process and the disclosure of outputs in our research will be gradual. Again, we will continue to use and analyse regulatory capital ratios and our scorecard ratios in the assessment of capital.

#### Will the MCT template be available to external stakeholders?

We have not planned to make the tool available to external stakeholders. The value of the tool resides in all the outputs that are generated besides the capital ratios. We will see which outputs are more valuable for issuers and which ones are more valuable for investors, and we will work to increase transparency over time if we think it is valuable for external stakeholders.

#### In terms of the available capital, what will be the main adjustments performed by Moody's, in particular regarding subordinated and hybrid capital instruments?

As we do today for other ratios, we look at capital and at quality of capital in various ways.

In the tool, the standard definition of "available capital" will be calculated from our current definition of shareholders' equity, calculated based on accounting figures and adjusted to reflect the economic balance sheet (by taking into account, for example, the difference between the fair value of assets and their accounting value, or the difference between the market-consistent value of liabilities and their accounting value). One of the traditional adjustments in shareholders' equity that we are performing today is the addition of equity credit for hybrid debt. This means that the available capital will incorporate credit for Solvency II Tier 2 debt — which is generally considered as 25% equity and 75% debt — and Restricted Tier 1 (RT1) — which is considered 75% equity and 25% debt.

However, we also look at capital more holistically. For example, when we look at Solvency II ratios today, 100% of the debt component is included in capital, and we will also consider ratios under our new tool by including all hybrid instruments within capital. We also know that the future profits of long term P&C products can be a key source of economic capital for some insurers in Asia, and although this is not explicitly included in our stochastic tool, we will take this into account in our analysis. ●

## IFRS 17

### Anticipating the ‘disruptive’ new standard

All sides of the market have to grapple with how the introduction of IFRS 17 will affect insurance companies’ business performance and credit dynamics ahead of its introduction in 2023. Here, Crédit Agricole CIB’s DCM solutions team and rating agency analysts share their views on the revolution that the new accounting standard is expected to foment.

After more than a decade of development and a few false starts, IFRS 17 is now due to be implemented as of 1 January 2023. Compared to the existing IFRS 4 accounting framework, IFRS 17 will be a revolution, in particular in the life sector, in terms of profit recognition (no more front-loading of profitability) and accounting rules for insurance liabilities, which will be held at current values by applying current discount curves.

“IFRS 17 will have a disruptive impact on insurance companies, primarily from an accounting perspective, but potentially also on the companies’ underlying business model,” says Alberto Messina, director, EMEA insurance, at Fitch Ratings.

Investors, rating agencies and other stakeholders will need to grapple with the new standard to understand business performance and companies’ credit dynamics.

One of the purposes of the new framework is to bring greater comparability and transparency around the profitability of new and in-force business, but this might not be fully achieved.

“There are many options and underlying assumptions in IFRS 17, in particular in the Contractual Service Margin (CSM), which may hinder the comparability of the key performance indicators,” says Michael Benyaya, co-head of DCM solutions at Crédit Agricole CIB (CACIB).

The opening balance sheet and the comparative year will be a key focus point for the market, adds Szymon Wypiorczyk, DCM solutions at CACIB.

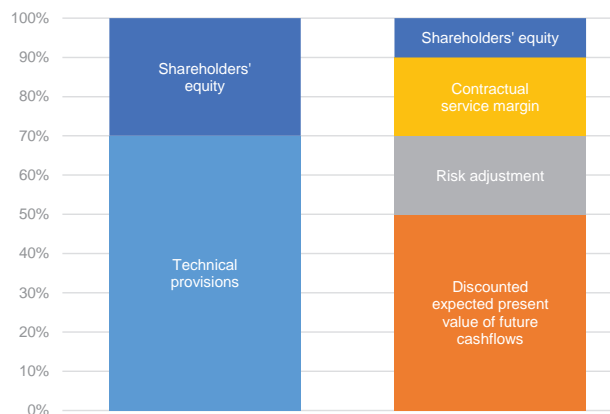
“A comprehensive set of disclosures will be crucial to help investors distinguish between the impact of movements resulting from accounting changes and those related to underlying business performance,” he says.

The new framework will result in the emergence of two new components on the liability side: the CSM, which represents the unearned profit of the group of insurance contracts that the entity will recognize as it provides services in the future; and the Risk Adjustment, which reflects the compensation an entity requires for bearing the uncertainty associated with non-financial risks. Concurrently, shareholders’ equity may decline for some companies.

According to Stephan Kalb, senior director, EMEA insurance, at Fitch, the CSM is expected to be included in the shareholders’ equity in the rating agency’s Prism Factor-Based Capital Model and in the denominator of capital-based ratios.

“As the CSM represents the profit that a company expects to earn over the contract duration, we consider it to have the characteristics of loss-absorbing capital,” he says. “This treatment also means it would compensate for the decline in shareholders’ equity compared to current accounting standards, as day one gains are not recognized immediately under IFRS 17.”

Comparing IFRS 4 and IFRS 17 balance sheet (liability side)



Note: the relative size of each accounting items is only for illustrative purposes; Source: Crédit Agricole CIB

By contrast, the CSM will be treated differently by S&P Global, as up to 50% credit will be granted to the CSM in the S&P insurance capital model. In addition, the Risk Adjustment component will be treated like reserve surpluses not reviewed by S&P, which receive a maximum of 25% credit. As such, it is likely that life insurance companies will have a lower capital output. Regarding financial leverage, the CSM will not be included in the equity base. Although this could result in an increase of the ratio for some companies, it should generally remain below the 40% limit for a “Neutral” assessment under S&P’s criteria.

Moody’s has not publicly commented, but it is expected that the CSM will not be part of the equity base for the computation of leverage ratios.

In the past, a change in solvency or accounting frameworks has not resulted in massive rating changes. In that regard, Messina at Fitch confirms that the rating agency’s view of underlying capital strength and financial performance will most likely not change following the implementation of IFRS 17, as the underlying economic substance remains the same.

“We therefore expect minimal rating impact to insurers under our coverage,” he says.

Companies have not yet communicated on preliminary IFRS 17 figures, but the new framework could have broader implications for insurance rating methodologies.

“We may need to consider adjusting the rating bands associated with the capital-based ratios that we use as part of our rating analysis, depending on the results of the calibrations that will be run as IFRS 17 company data becomes available,” concludes Kalb. ●



# Being a responsible investor means being 100% responsible



Since its creation, **responsible investment** has been one of the **key elements** of Amundi's raison d'être.

In 2018, we drew up an **ambitious plan** to **expand** the integration of ESG<sup>(1)</sup> criteria into our fund management<sup>(2)</sup>. **As we move into 2021, we are proud to announce that we have met the goals set out in this plan.**

**100% of our open-ended funds<sup>(2)</sup>** now include an **environmental and social impact analysis** of the companies in which we invest<sup>(3)</sup>. ESG is thus core to all our activities.

## What does that mean?

It means we rate companies on the basis of:

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- **their contribution to the economic development and social cohesion of the countries** where they operate.

It means **we give preference to the most highly rated companies** in the composition of our portfolios, while remaining **under-weight**, or even **excluding, the lowest-rated companies**.

**At Amundi, we believe companies that have a positive impact on society are also those that will have better economic and market performance in the long term.**

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must be earned**

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ASSET MANAGEMENT

**For professional clients only:** (1) ESG: Environmental, Social, and Governance. (2) All open-ended funds actively managed by Amundi to which an ESG-rating methodology can be applied. (3) Find details on Amundi's ESG analysis and management policy on its website: <http://about.amundi.com/Responsible-Investor>. This document is being issued in the United Kingdom by Amundi (UK) Limited, 77 Coleman Street, London, EC2R 5BJ, United Kingdom, which is authorised and regulated by the Financial Conduct Authority (the "FCA") and entered on the FCA Financial Services Register under number 114503. This may be checked at <https://register.fca.org.uk/> and further information of its authorisation is available on request. This document is not intended for any citizens or residents of the United States of America or any "U.S. Person" as defined by "Regulation S" under the U.S. Securities Act of 1933. This document is only directed at persons who are Professional Clients (as defined in the FCA's Handbook of Rules and Guidance), must not be distributed to the public and must not be relied or acted upon by any other persons for any purposes whatsoever. The content of this advertisement is for information purposes only and does not constitute a recommendation to buy or sell. amundi.com - July 2021 - © Getty Images. | WALK\*

# Too soon to talk about ECB tapering

The US may be taper-whispering, but the European Central Bank cannot return to its pre-pandemic level of bond buying until at least the end of 2022, even if the recovery continues, argues Crédit Agricole CIB Eurozone economist *Louis Harreau*. Yet Europe may need to follow the US's lead in combined fiscal and monetary policy should a renewed crisis emerge.

The Fed has revised upward its expectations for a rate hike in 2023 and, as explained by chair Jerome Powell, it has started “talking about talking” about a future tapering of its QE. We might be at the beginning of the process of monetary tightening in the US — should the ECB follow the Fed?

As Christine Lagarde has repeated several times, the Eurozone and the US are not in the same situation and, consequently, the central banks must act differently. The difference between the two economic zones lies, in my view, in three factors:

Firstly, the US entered the pandemic in a better situation than the Eurozone: GDP was at — if not above — its potential, the economy was at full employment, and inflation was sufficiently high. On the other hand, the Eurozone was still struggling with the scars of its double-crisis of 2008 and 2011, with elevated unemployment and low inflation.

Secondly, the pandemic has had a harder impact on the Eurozone economy than on the US because of the spread of the virus, but also the measures taken, and to a lesser extent a more efficient start to the vaccination campaign.

Thirdly, and more importantly, the major difference between the US and the Eurozone is fiscal policy: the US government reacted with an extremely strong fiscal response. Whereas the Eurozone, despite the involvement of both national governments and the EU (with the Next Generation EU (NGEU) recovery package), provided a relatively limited fiscal package.

Because of these three elements, US GDP reached its December 2019 level in June 2021 and, more surprisingly, could exceed the pre-pandemic trend in the coming years. On the

other hand, the Eurozone is only expected to reach its 2019 level in the second quarter of 2022, and should remain at a low growth trend in the coming years. This largely explains why the two central banks are in very different situations: on the one hand, the Fed is starting to think about a gradual reduction of its monetary support, while on the other hand, the ECB should be increasing its monetary policy support.

You mention increasing monetary policy support, yet the ECB started the discussion about tapering the Pandemic Emergency Purchase Programme (PEPP) at its June meeting — even if it decided against tapering.

With PEPP, the ECB has adopted a new approach to monetary policy. With this tool, instead of providing broad monetary support — like it does with rates and the Asset Purchase Programme (APP), for example — the ECB specifically targets financing conditions. The idea is that during the pandemic period, the monetary stance cannot take the same approach as before. Consequently, PEPP was not created to ease monetary policy, but rather to ensure that financing conditions remain favourable. This was the case at the very beginning of the crisis, when the ECB used PEPP to compress sovereign spreads and revive the commercial paper market, and it is also the case currently, with the ECB using PEPP to compress yields and rates to ensure that financing conditions for households and SMEs remain as favourable as possible.

Under this scheme, the ECB calibrates the pace of PEPP purchases not necessarily depending on the economic and inflation outlook, but rather on financing conditions relative to



this economic outlook. This explains why the ECB has from the very beginning of the programme been constantly discussing the pace of PEPP purchases, sometimes to increase it and sometimes to reduce it.

Consequently, a reduction in the pace of PEPP in the future would not necessarily mean a “tapering”, given that it would not necessarily indicate a gradual and definitive end to the programme.

#### But we can still anticipate PEPP ending at some point?

Yes — and relatively soon, in our opinion. As its name indicates — Pandemic Emergency Purchase Programme — PEPP is strictly linked to the pandemic, so it should no longer exist when the pandemic is over. Now, the discussion at the Governing Council is when the “pandemic period” will be over: is it when the Eurozone will be sufficiently vaccinated, or when the economy will be back to its pre-pandemic level? For me, the pandemic period is longer than that: the pandemic period will be over when the Eurozone economy will have healed from all the scars resulting from the pandemic: with GDP not only returning to its pre-pandemic level, but also having caught up to the potential level that it would have reached without the pandemic. This is the only way to ensure that the ECB has been accommodative enough and that it can go back to its “conventional unconventional” monetary policy, i.e. what it was implementing before the pandemic.

There is another matter to take into account: fiscal policy. The ECB is calling for governments to implement more proactive fiscal policy to support the recovery, and at the same time, it is warning about the risk of removing fiscal measures too early.

Under the current outlook — and even more so if governments listen to the ECB — this means that public bond issuance will remain heavy in 2021, of course, but also in 2022: public deficits will remain large, and we also have to add the NGEU issuance. In this context, the end of PEPP purchases in March 2022, as is currently expected by the ECB, would trigger a demand/supply imbalance and would increase sovereign yields. Not only would this worsen public finance balances, but as sovereign yields are benchmarks for other financing conditions, this would also tighten financing conditions.

That said, this is the theoretical perspective — we know that some members of the ECB’s Governing Council want to end the PEPP as soon as March 2022, because they worry about overly accommodative monetary policy, and also to ensure the consistency of the tools: PEPP was designed only for the pandemic.

What could be the result of this discussion?

For me, the ECB cannot return to its pre-pandemic monetary policy (APP purchases of €20bn a month) before December 2022. This means it has two options: either it increases the PEPP envelope (currently €1,850bn) and extend the programme until the end of 2022, or it ends PEPP in March 2022, as expected, but at the same time increases the monthly pace of the APP to €50bn or €60bn until the end of 2022. The two options would have more or less the same consequences — the idea is simply to absorb part of the net issuance of public bonds. In my opinion, using PEPP more is the simplest option: PEPP is more flexible and the built-in limits of the APP do not bite in PEPP, consequently an increase in the PEPP would be a one-off and would not have longer term consequences on the ability to source enough bonds in the APP.



Regarding the APP, it has been out of the headlines since the announcement of PEPP, but the programme is still running.

Indeed, the ECB continues to buy €20bn of bonds — public, corporate and covered bonds — every month, and the programme is open-ended. Unlike PEPP, this programme aims to bring inflation back towards the ECB's level. This means that it is likely to continue for a very long time. We assume that the ECB will continue the APP until core inflation exceeds 1.4% on a permanent basis — i.e. the level at which it would start being more comfortable with the inflation outlook. This means, according to our projections, that the ECB would end the APP only at the end of 2024.

Since the ECB explained that, like most central banks, it will end its net purchases before hiking its rates, we do not expect a rate hike before the end of 2025.

This is the basis of our scenario for the ECB's monetary policy: an intense monetary policy until the end of 2022 — until the end of the pandemic period — with an extension of PEPP or an increase of the APP; then an accommodative monetary policy (with an APP of €20bn a month and a deposit rate at minus 0.5%) until the end of 2024, before very gradual normalisation of monetary policy, with the end of net purchases followed by the beginning of rate hikes.

**There is another tool we have not discussed: TLTROs.**

Most of the time, TLTROs are underrated by investors and analysts. They have provided extremely strong monetary support to the Eurozone since their creation in 2014, allowing banks to have access to cheap funding in exchange for their commitment to lend to the private economy. During the pandemic, the ECB transformed these tools to make them more efficient, both to ensure financial stability and to enable banks to provide favourable financing conditions to borrowers. Cutting the rates to minus 1% for 12 months and then 24 months ensures that all banks benefit from the same extremely favourable financing conditions. It also encouraged banks to lend more proactively to the private economy. Furthermore, as the operations are collateralised, TLTRO acted as backdoor QE, since banks purchased bonds on the market to use them as collateral at the ECB.

As for the future of TLTROs, we believe it is likely to look like the other aspects of the ECB: as the pandemic recedes, the ECB



Louis Harreau, CACIB: Most of the time, TLTROs are underrated by investors and analysts

is likely to stop the extremely favourable operations after the last one, expected in December 2021. However, as with the other tools (APP and negative rates), the ECB is unlikely to stop TLTRO anytime soon. It will probably announce new operations — less favourable than TLTRO III, but still very attractive — in the course of 2022.

We are discussing the modalities of the ECB's gradual exit from its very accommodative monetary policy, yet inflation is not expected to reach the ECB's target any-

time soon. And that's without even considering the potential for a renewed crisis to derail the recovery and the increase in inflation. What more could the ECB do?

Two elements are certain. On the one hand, the ECB is not out of options: it can still cut its rates, it can still buy more bonds in its purchase programmes, and, furthermore, with the TLTROs, it has shown that it has no limits in its ability to support credit lending. But on the other hand, it is also clear that all these tools have diminishing returns, and that at a certain point, the negative effects will overcome the positive ones —

we are far from this point, however.

There has been a lot of discussion about "helicopter money" or about public debt cancellation by the central bank. We do not believe that these are adequate answers because: they are forbidden by EU Treaties; they would force the ECB to overstep its prerogatives; and, more importantly, they are economically suboptimal.

The true answer to the current suboptimal situation and to a potential future crisis is outside the remit of ECB — or at least, the ECB could only play a part, as it would require cooperation between fiscal and monetary policy. The example of US fiscal and monetary policy during the pandemic is a good guide — and the economic results could provide answers about the efficiency of such cooperation. Fiscal policy supported by a central bank knows no limits as long as inflation does not bite. Consequently, if the Eurozone faces another downturn that would put downward pressure on inflation, coordination of fiscal and monetary policy would be the answer. Of course, the issue for the Eurozone is that there are 19 fiscal policies and one monetary policy. The conclusion is clear: the Eurozone needs more fiscal integration. A first step has been made with the NGEU, but the EU will have to integrate further to face new shocks in the future. ●

**'Fiscal policy supported by a central bank knows no limits as long as inflation does not bite'**

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# CASA sees efficiencies in Origin auto-docs

Origin Documentation, soft-launched in July 2020, automates the production of transaction documentation pre- and post-bond issuance. Origin worked with Crédit Agricole's treasury and Crédit Agricole CIB's Debt Capital Markets teams to completely streamline their issuance process for self-led transactions. Since implementation, Crédit Agricole SA (CASA) has issued five transactions via Origin across senior preferred and senior non-preferred (SNP), including two €1bn-plus syndicated benchmarks.

The platform automates all necessary transaction documentation, including bond and swap term sheets, final terms, subscription agreements, paying agent letters and more. According to CACIB's legal teams, the tool has reduced the time for drafting and processing documentation by 90%.

**Bank+Insurance Hybrid Capital (BIHC):** What did your issuance process look like previously? What problems were you trying to solve?

**Guillaume Corral, medium and long term funding, London desk, CASA:** We have complex bespoke term sheets for each of our asset classes (covered, senior preferred, SNP) and we spend a lot of time pre-trade getting the term sheet right. Our funding strategy involves a mix of benchmarks and private placements, but the private placement flow involves the same number of documents as a benchmark, both pre-and post-trade.

The main hurdles are:

- The significant time and cost of all the documentation that is produced;
- Multiple back and forth between issuer, dealer and their respective counsels;
- The risk of divergence between term sheet and final terms;
- The burden of manually producing the multiple documents, agreements and notices related to each issuance.

**BIHC:** How long would it take to process a new issuance from start to finish? How did that differ between a private placement and syndicated transaction?

**Romain Beillard, director, DCM FIG, Crédit Agricole CIB (CACIB):** Depending on the asset class, the new issuance process can be time-consuming, and is still very much manually executed. From the pre-trade to post-trade documents, a number of emails and documents are produced and exchanged.

When we do private placements, we regularly need to produce post-trade documents, such as a subscription agreement, signing and closing agenda, etc. External counsels are appointed in the case of public/syndicated trades, while for private placements our internal counsel will usually draft all post-trade documents, which can take almost a day to expedite.

**BIHC:** How does the Origin platform solve these problems?

**Raja Palaniappan, CEO and co-founder, Origin Markets:** Origin's Documentation tool automates the production of all the necessary documentation that accompanies a bond transaction, including term sheets, final terms, ancillary letters, etc. We can take any document template and make it machine-readable — we then upload it to the platform and the platform creates a dynamic wizard, which guides a user towards populating all the necessary terms.

This documentation engine is overlaid with a bespoke workflow platform that is specifically designed around the debt issuance process. We have different user types (e.g. "DCM", "dealer

## Case Study: Origin Documentation facilitates CASA's inaugural €1bn social bond

Bespoke issuer-defined templates enabled the various parties to streamline the entire documentation process from pre-trade to post-trade



CACIB DCM drafted four pre-trade documents electronically and received the approvals through Origin:

- Indicative bond term sheet
- Indicative BBG Termsheet
- IIIA message
- Final bond term sheet

CACIB legal drafted eight post-trade documents simultaneously through Origin:

- Final terms
- Subscription agreement
- Payment instructions
- Décision d'émission
- Expense Side Letter
- Accounting Letter
- Signing and Closing Agenda
- Certificate of No Material Adverse Change

Source: Origin Markets



legal”, “funding manager”, “issuer legal”, etc), and the workflow tool guides each user in completing the tasks they need to do. DCM can quickly draft a term sheet, the funding manager can approve it and grant a mandate, and the legal teams can pick the trade up and draft final terms — all within minutes.

**BIHC: What limitations are there to the platform?**

**Palaniappan, Origin:** The platform is built specifically around issuance off programmes (i.e. EMTN/GMTN, etc). This is because the documentation required for that type of issuance lends itself nicely to templating. There is a clear one-to-one relationship between the economic terms in the term sheet and how those terms are represented in the final terms. So for now, standalone issuance is outside the scope of the platform.

Additionally, for now the platform supports interactions between only one dealer and issuer on a transaction. However, over the course of the next few months, we will be releasing functionality to allow multiple counterparties such as other dealers within a syndicate, or even external law firms, to be able to connect and collaborate on a set of docs.

**BIHC: How does the issuance process look like now that you are using Origin? How is it better?**

**Beillard, CACIB:** The Origin platform makes the term sheet creation, including BBG TS and the IIIA process, much easier — it now takes us two or three minutes, since the bespoke templates have already been reviewed and validated by all parties.

Once the mandate is granted, there is no unnecessary back and forth emailing between all internal parties (legal teams, capital solutions team when necessary, syndicate) — everything is done faster and is more accurate, while all live modifications can be followed on the platform.

Another important element that could definitely bring value would be to plug internal tools into the Origin platform to avoid multiple entry of the same data.

**BIHC: What was the hardest part of getting the product right for CASA/CACIB?**

**Palaniappan, Origin:** The “magic” of the tool — automatically creating documents based on templates — was actually the easy part. What was harder was getting the user experience and workflow right.

Because there are so many participants and stakeholders in each transaction, there are so many different permutations of how a trade could progress, and so many edge cases and exceptions to account for. We spent a lot of time with the teams doing dry-runs and test trades, trying to iron out all the bottlenecks for users as they were working through a transaction. We hold ourselves to a very high bar when it comes to the UX (user experience) of the app — it needs to be incredibly intuitive for each user to know exactly what to do next. If anything, we believe that is one of our strongest USPs, as we have been

co-developing the tool with our many dealer and issuer users for quite some time now, so we’re very confident in the flow.

**BIHC: What are your ambitions for using the Origin platform in the future?**

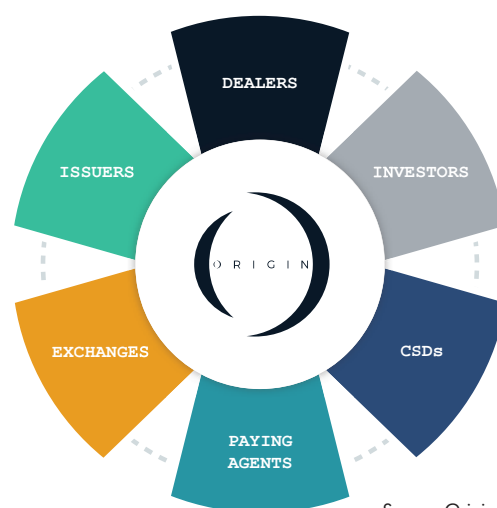
**Corral, CASA:** We have already used this for private placements in senior preferred and in benchmark issuances in SNP format. We are considering extending the scope of products that we would run on the platform across the capital structure, including, for instance, covered bonds and subordinated instruments, and also non-euro EMTN issuances.

We would like to be able to use this platform to connect different teams involved in the process of our primary issuances. We expect the use of the platform to save time (allowing for a shorter settlement period, potentially), reduce expenses, decrease operational risk, and increase control over structuring and documentation processes.

**BIHC: What is your long term vision for the platform?**

**Palaniappan, Origin:** The ultimate benefit of Origin is the ability for us to structure transaction data so that we can automate settlement. We have integrations with many post-trade infrastructure entities already — such as our partners Luxembourg Stock Exchange and Clearstream — and we are building more every day. This allows us to feed transaction data down to their systems in a straight-through process that eliminates the need for lengthy emails and manual steps.

We view Origin as the “application layer” that brings together market participants and helps them originate, negotiate, and create new securities. This application layer sits on top of, and can interface with, whatever “infrastructure layer” participants choose to use. Today it may be the existing CSD (central securities depository) network; tomorrow, it may be on the Ethereum blockchain. Our vision is to ensure Origin is built to bring value to our customers today, while also planning ahead to ensure it continues to bring value to them as the market and infrastructure evolve in the coming years. ●



Source: Origin Markets

# RBI

## Leading Austrian extends in green

Raiffeisen Bank International (RBI) cemented its status as the leading bank issuer of green bonds in Austria with the launch of its first green Tier 2 on 9 June, a €500m 12 year non-call seven deal that attracted some €2.8bn of demand, allowing for pricing 10bp inside fair value. *Bank+Insurance Hybrid Capital* spoke to Katarzyna Kapeller, head of asset liability management at RBI, about the trade and RBI's funding and sustainability plans.

**Why did you choose to go ahead with this €500m inaugural green Tier 2 transaction at this time?**

We have a limited need for Tier 2 in 2021, €300m-€400m depending on business development this year. Our plan was therefore rather to issue the Tier 2 in the second half of the year, but we felt that — considering spreads and the level of demand — the market was just right for going ahead now, so we changed our plan and brought it forward a little.

We also did it sooner rather than later because we were concerned about there being more volatility in the second half of the year. The first half of the year has been something of an issuer's market, partly due to there having been less supply, and our understanding is that more issuance can be expected in the second half of the year. Fears around inflation have already led to some rates volatility.

According to our breakeven analysis, spreads only have to widen 10bp-12bp before we make a saving by issuing now and taking a bit of negative carry for six to nine months. So we felt it was best to issue at these historically low spreads, rather than risk issuing later at a spread that could well be more than 12bp wider.

**What determined the choice of the 12 non-call seven maturity?**

We always like to do things a little differently to others. In the weeks preceding our issue, banks had been trending towards

the shorter, 10 non-call five format due to the volatility in the market, with investors wanting to shorten duration. But when we approached the market, we felt that market sentiment was more positive, while the steepness between five and seven years was 16bp on the day. We therefore thought that we might attract better demand with a longer, 12 non-call seven issue, and our lead managers were neutral on this aspect. It turned out that investors were indeed quite positive on this.

**You announced the transaction the day before launch — were there any particular messages you focused on in the premarketing?**

We had a surprisingly high number of investors interested in calls. We had already done a lot of investor work on our Q1 numbers, but it turned out that investors still wanted to engage with us, particularly on the green aspect. Given that we do plenty of credit work with investors in between deals, we had also focused on the green aspect in the materials we had prepared, with a view to discussing this with investors. So we had a lot of calls in the afternoon after announcing the deal, and also investors coming back to us with questions during bookbuilding.

We are a small bank when compared against the big players, which is why we tend to take a 1.5 day approach to new issues and in general don't favour intraday execution. This also takes into account the distinctive geographic distribution of our portfolio, taking in central and eastern Europe, as we need





Photo: S Klimpt/RBI



to give investors a bit more time to do their work and arrange or increase limits. Plus this time we also had the green aspect to discuss.

#### How did investors respond to the transaction?

We received an unusually large amount of positive feedback on the day we announced the trade, with concrete indications on spreads and order sizes. So when we entered the market on the day of launch, we already had quite a good feeling about the trade, but we were still quite surprised by the very positive dynamic that we had in the book-building process — after 90 minutes, we were already above €1bn, which is exceptional for our name.

#### Did the pricing pan out in line with what you were targeting?

We were hoping to land at 170bp, but in the end our leads were convinced that 160bp was on the table because the order book was so strong, so we went ahead with pricing it at that level. We do not want to be greedy, but to leave a little room for performance, and the new issue has worked very well, tightening some 5bp afterward. I believe our name had been trading too wide in the secondary market beforehand, which further explains how we were able to price inside our initial expectations.

#### Did the less favourable market contribute to the choice of green for this Tier 2 trade?

We were convinced that the green flag would support the trade, although it is difficult to say now how much it affected the outcome.

We started issuing green bonds in 2018 and our first green bond matures the day after the value date of this new Tier 2. Our debut green bond was in senior format, but as we do not need senior funding at this point in time, it made sense to issue the next transaction, whatever the format, in green. In doing so, we have maintained our status as the biggest bank issuer of green bonds in Austria.

I would not issue an AT1 in green, but to me, issuing Tier 2 in green shows more of a commitment to sustainability because it's longer dated — in this case, it shows a commitment of at least seven years. And as an issuer, I feel that the pricing benefit is higher in a higher beta product.

So the choice of green was both an economic and a strategic one.



Katarzyna Kapeller, RBI

#### What can you tell us about your funding plan for the year and how it is going?

As indicated earlier, we are done with Tier 2 for this year. On senior non-preferred, we do not have any plans for this year, at least, because as a multiple-points-of-entry group, in the Austrian resolution group we are quite comfortable with the subordination requirement. Senior preferred might be a topic for this year, depending on business development and other factors. Currently business looks better than we anticipated at the beginning of the year, and depending on further development, we might be active in senior in private placements or even in bigger size.

#### Coming back to green, you've been issuing in that format for some time, and you mentioned that you discussed green with investors — are there any changes on the green side?

No. We still use the framework from 2018. Why? The first reason is that although the EU Taxonomy is nearly done, it is still not clear how people should implement it in their frameworks. Many issuers have therefore not yet updated their frameworks, and we also felt that we should wait to see how it is treated in the market.

Secondly, two years ago we implemented internally a social bond framework aimed at supporting social assets. It is not a formal framework, but we would like to combine it with the green one. So instead of making a small update to the green framework, we would rather combine green and social in a bigger update under an umbrella framework.

#### We have seen interesting green issuance from other RBI group members recently. How is that coordinated among you all?

We have a good and clear coordination and communication regarding the issuance calendar — who has plans to do what, when — with the neighbouring team in the Austrian head office that covers the network banks. In this case, the network banks had plans that were more fixed and had reserved issuance windows, whereas we stepped in rather opportunistically. The recent Romanian issue was in the domestic currency and placed in Romania, and these local bonds can be timed more independently as they do not affect the international issuance plans of other group members. But when it comes to the Czech or Slovak international bonds that were issued recently, then we are very closely coordinating our activities. ●

**'We would rather combine green and social in a bigger update'**

# Regulatory updates

## EBA reports on AT1 monitoring, ESG risks in Pillar 2

On 24 June, the European Banking Authority (EBA) published an updated Report on the monitoring of AT1 instruments, including an update on the monitoring of the implementation of the EBA's Opinion on legacy instruments and its considerations on ESG capital bonds.

### ESG capital bonds

In a nutshell, EBA makes no objection to the use-of-proceeds structure, but it insists on the need to have explicit provisions in the documentation. However, for now, EBA's view is that step-up and/or fees based on missing certain ESG targets or other performance indicators should not be allowed or encouraged, as they could be regarded as incentives to redeem. It seems that the EBA is not taking a definitive stance as it says it will "continue to monitor and assess these features going forward".

### Follow-up of the EBA Opinion on legacy instruments

EBA focuses on the issue of multiple layers of subordination within a capital tier. While the eligibility criteria of the CRR do not explicitly prohibit Tier 2 instruments from not ranking *pari passu*, the EBA emphasises that it does not consider it appropriate for institutions to implement a multi-layered structure for Tier 2 instruments. According to EBA, this could give rise to litigations in case of a bail-in due to the no-creditor-worse-off principle.

### Update on AT1 monitoring

- EBA notes the high standardisation of AT1 issuances and has therefore added only limited new observations to the Report since its last update in July 2018.
- CACIB notes the addition of a paragraph discussing the "exceptional circumstances" criteria that could justify an LM before the fifth anniversary.
- EBA considers that flexibility should be left to the competent authorities to decide on a case by case basis whether the criterion is fulfilled. However, EBA has observed that the mere improvement of market conditions or reduction in the cost of the issuance is not considered an exceptional circumstance.

## SRB publishes updated MREL policy

On 26 May, the Single Resolution Board (SRB) published its updated Minimum Requirements for Own Funds & Eligible Liabilities (MREL) policy. The updated policy introduces a number of new elements and refinements, based on changes required by the Banking Package.

### MREL calibration

- Regarding the recapitalisation amount (RCA), the SRB has lowered the post-resolution P2R both for external and internal MREL for banks with a high risk profile (i.e. a higher P2R setting as a result of SREP), since the SRB estimates that resolution actions will lead to a reduced bank risk profile.
- In terms of subordination settings, banks with a high



SRB chair Elke König

risk profile can be subject to the highest subordination requirement, as per the BRRD. The SRB states that it will use this subordination requirement only for banks that show: (i) shortcomings on a credible and feasible resolution strategy, and (ii) insufficient progress in removing impediments to resolution, with a particular focus on no-creditor-worse-off (NCWO).

- Preferred vs. variant resolution strategy: The SRB confirms that it computes MREL in line with the preferred strategy. Banks where the preferred resolution strategy may be partial transfer have lower MREL requirements. Until now, the MREL requirement may have been calibrated on the basis of the variant strategy, e.g. full bail-in, especially where doubts were present as to the feasibility of partial transfer, possibly resulting in higher MREL requirements than under the preferred strategy.
- Methodology for liquidation entities: The SRB clarifies that the loss absorption amount (LAA) may increase beyond the default adjustment in proportion to financial stability concerns.

### Internal MREL

- The SRB is expanding the scope of subsidiaries for which it will set internal MREL, lowering from 4% to 3% the threshold for a subsidiary's proportion of a resolution group's total risk exposure amount, leverage exposure, or total operating income.
- Regarding waivers of internal MREL requirements, it is unlikely that they will be granted to systemic subsidiaries, defined as having an absolute asset size over €100bn and representing more than 5% of the resolution group's RWA and leverage exposure.

### Approach to MREL-eligibility of UK instruments without bail-in recognition clauses (BIRC)

- The SRB confirms that liabilities issued under UK Law before 15 November 2018 are MREL-eligible even if a BIRC was not included. The exemption applies until 28

June 2025 to ensure alignment with the grandfathering rules of own funds.

#### MREL maximum distributable amount (M-MDA)

- M-MDA will apply from 28 December 2020 for external and internal TLAC and from 1 January 2022 for internal and external MREL, including subordination.
- For resolution entities, the M-MDA will apply to the external MREL requirement and subordination requirement, and for G-SIIs, to the external TLAC requirement.
- For non-resolution entities, the M-MDA will apply to the internal MREL requirement (if applicable) and, for material subsidiaries of non-EU G-SIIs, to the internal TLAC requirement (transitional until 1 January 2022).
- The SRB will undertake a two-stage assessment, the first stage being a nine month grace period and assessment before exercise of the M-MDA power.
- The method of computation of the M-MDA is the same as under the prudential and resolution MDA regimes.

#### SRB publishes approach on Bail-In Recognition Clauses

On 22 June, the SRB published its approach and expectations for the notification of the impracticability of including Bail-In Recognition Clauses (BIRC) in contracts.

Under Article 55 of the EU Bank Recovery & Resolution Directive (BRRD), banks are required to include a BIRC in the relevant documentation governed by the law of a third country. Banks are expected to introduce such clauses in the documentation supporting all AT1, Tier 2 and subordinated debt, according to Article 48(1)(d) BRRD, meeting the conditions of Article 55(1)(d) BRRD.

In line with Article 55(2) BRRD, banks may reach the determination that it is legally or otherwise impracticable to include BIRC clauses in the contractual provisions, in which case they need to notify the Resolution Authority. The impracticability process does not alter the existing obligation, but merely provides a means of potentially removing a subset of liabilities from this obligation.

- In accordance with the fourth sub-paragraph of Article 55(2) BRRD, **AT1, Tier 2 and unsecured debt instruments are not in scope of the impracticability notification** and (when governed by the laws of a third country) have to contain BIRC clauses
- In all cases, liabilities governed by third country law that are subject to the requirement to include a BIRC clause, but which do not include the clause, even for reasons of impracticability, are not eligible for MREL

(On March 22, SRB communicated that liabilities governed by UK law without BIRC will be considered as MREL eligible, if they were issued on or before 15 November 2019. This exemption shall apply until 28 June 2025.)

The SRB notification and assessment process is as follows:

- Phase 1: Until 30 September 2021, banks are expected to

notify their national resolution authority (NRA) through the Excel-based notification templates on the SRB website

- Phase 2: Starting 1 October 2021 and taking into account the taxonomy developed by the EBA in its Data Point Model 3.07, banks will be asked to submit notifications in XBRL format

The SRB will assess the complete notification, and, if necessary, require inclusion within three months of the date of receipt. This period may be extended by three months in complex cases.

#### SRB publishes crisis management and deposit insurance review blueprint

On 19 May, the SRB published a blueprint for the crisis management and deposit insurance (CMDI) framework review. The SRB named completion of the Banking Union and European Deposit Insurance Scheme (EDIS) as the priority in any reform of the CMDI framework. The SRB suggests that a full transition to a EDIS is possible in five years by gradually centralising funds. The SRB recommends that the CMDI review should enshrine the hybrid model of EDIS into law with a time-bound transition period to the fully mutualised steady state (e.g. five years). The SRB states that, in the steady state, it should be the central authority with power to manage all bank failures in the Banking Union and to handle both EDIS and the Single Resolution Fund (SRF), which could eventually be merged.

The SRB states that its current work to enhance its public interest assessment (PIA) analysis may expand the number of banks falling under resolution tools and that the current expectation in resolution planning is that nearly all banks under the direct remit of the SRB will have a positive PIA. The SRB emphasises the need for banks with a positive PIA to build up MREL to achieve resolvability, to facilitate not only bail-in, but also transfer strategies to resolve small and medium-sized banks with positive PIAs.

The blueprint recommends removal of the super-priority of Deposit Guarantee Scheme (DGS) funds and adoption of a general depositor preference to facilitate the use of DGS funds in resolution. The SRB also suggests that DGS could make contributions, though likely limited, to the resolution of small to medium-sized banks with positive PIA, and to explore the feasibility of using DGS funds to bridge the gap until use of the SRF is possible (e.g. using DGS funds to reach the 8% TLOF for capital support) or of the DGS receiving SRF liquidity support. For the liquidation of banks with negative PIAs, the SRB calls for harmonisation of measures, including for the least cost tests (LCT) and removing EDIS/DGS super-priority.

#### ECB responds to Commission CMDI/BRRD3 consultation

On 6 May, the European Central Bank (ECB) published its contribution to the Commission's consultation on the review of the crisis management and deposit insurance framework/BRRD 3. The ECB emphasised the need to enhance the crisis manage-





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Michael Benyaya  
Doncho Donchev  
(pictured left to right)  
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ment framework to cover all stages of a crisis, including early intervention, precautionary recapitalisation, preventive action by DGSs, and addressing the risk of “limbo” for banks that have been declared failing or likely to fail, as well as ensuring consistent and effective treatment for failed banks not subject to resolution through an EU administrative liquidation framework. On key points, the ECB’s response includes:

- On depositor preference: The ECB supports the introduction of general depositor preference to reduce the risk of no-creditor-worse-off claims being met with resolution funds.
- On smaller and mid-sized banks: The ECB encourages widening the scope of resolution to include smaller and mid-sized banks to include a more diverse range of business models to diversify risk and improve systemic resilience to shocks. The ECB supports the creation of an EU-level administrative liquidation framework supported by EDIS to ensure a level playing field.
- On EDIS: The ECB identifies introduction of EDIS as a key priority to weaken the bank-sovereign link and improve risk diversification and resilience to shocks. Regarding the next steps in the transition to fully-fledged EDIS, the ECB recommends further harmonisation of existing DGSs and reconsidering the use of irrevocable payment commitments (IPCs) to fund safety nets. The ECB suggests a two step governance process for the transition to EDIS, where the SRB has the power to trigger the process of administrative liquidation, but national authorities retain the right to block the transaction.
- On the scope of the PIA: The ECB welcomes the SRB’s ongoing work to broaden the scope of the PIA to improve the crisis management framework without the use of legislation.

#### ECB extends leverage ratio relief to March 2022

On 18 June, the ECB announced that the euro area banks that it supervises directly may continue to exclude certain central

bank exposures from the leverage ratio, extending to 31 March 2022 the relief introduced due to exceptional macroeconomic circumstances in September 2020, which was originally set to expire on 27 June 2021. Banks wanting to make use of the relief are required to recalibrate the 3% leverage ratio becoming binding on 28 June so that only central bank exposures accumulated since end-2019 effectively benefit. According to the ECB’s end-2020 data, the extension will increase the headroom over the leverage ratio requirement for the 39 significant banks already excluding central bank exposures by an average of 0.5% (around €70m Tier 1 capital), with a 0.7% increase of the leverage ratio due to the exclusion of central bank exposures, partially offset by a 0.2% increase of the 3% requirement due to recalibration.

#### Sweden publishes BRRD2 implementation proposal

On 2 June, the Swedish government published its proposal on the BRRD2 implementation. A key element of interest is the area of maximum subordination requirements, as defined by the supervisory formula, where the Swedish proposal omits the ability to count Own Funds & Eligible Liabilities for the Combined Buffer Requirement (CBR). Therefore, the proposal allows the subordination requirement to be twice the total capital requirement. The Ministry of Finance has suggested that the proposal be revisited to be in line with BRRD2.

#### EIOPA launches 2021 insurance stress test

On 7 May, the European Insurance & Occupational Pensions Authority (EIOPA) launched its 2021 insurance stress test. The 2021 stress test focuses on a prolonged Covid-19 scenario, in a “lower for longer” interest rate environment. The scenario, developed in cooperation with the European Systemic Risk Board (ESRB), will assess the impact of economic consequences of the Covid-19 pandemic, which affect confidence worldwide and prolong the economic contraction. The stress test will evaluate both the impact on the capital and the liquidity position of the undertakings within its scope. The outcome of the 2021 stress test will be published in December.

# Ratings

## S&P consults on BICRA RFCs

On 8 June, S&P published two Requests for Comment on its financial institutions and banking industry country risk assessment (BICRA) methodologies, with the comments period open until 20 July.

The proposals include changes to the calibration of the framework, including the introduction of a comparable ratings analysis (CRA) adjustment to the standalone credit profile (SACP), as well as some quantitative recalibration to the way additional loss absorbing capacity (ALAC) held by banks are factored into the rating.

Overall, the impact on the universe of all outstanding ratings is expected to be limited, but we anticipate that some

large European banks could expect to see an impact.

S&P has commented that in its testing it expects fewer than 10% of issuer credit ratings to be impacted, with the majority of these changes being by one notch, and

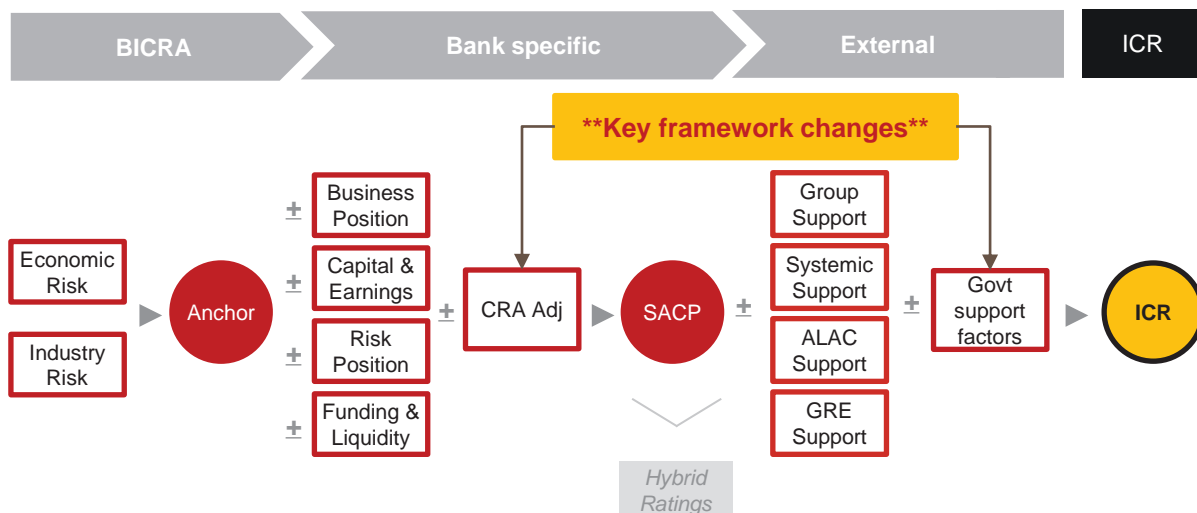
the number of upgrades outweighing the number of downgrades. The introduction of the CRA adjustment will also see around 50 hybrid instrument rating impacted, with two-thirds of those impacted being one notch downgrades.

Headline ALAC thresholds

	Up to 1 notch	Up to 2 notches
Anchor of 'bbb-' or higher*	3.0% Previously 5.0%	6.0% Previously 8.0%
Anchor in 'bb' category	2.5% Previously 4.0%	5.0% Previously 7.0%
Anchor of 'b+' or lower	2.0% Previously 3.0%	4.0% Previously 5.0%

\*For a bank with an SACP in the 'a' category, the maximum ALAC uplift is one notch;  
Source: S&P, CACIB

Overall S&P Rating Framework



Source: S&P, CACIB

- The comparable ratings analysis (CRA) adjustment will be up to one notch, and take into account: (i) transitional factors; (ii) structural elements not captured elsewhere; or (iii) peer analysis
- The external support adjustment (currently "additional factors") will be mutually exclusive and only include extraordinary government support related factors (e.g. ongoing support in the transition phase to MREL/TLAC build-up)

## Moody's publishes RFC on P&C and life insurer updates

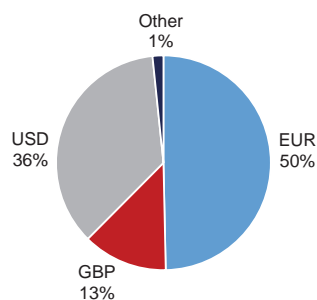
On 19 May, Moody's published a Request for Comment on updates to its P&C and life insurers rating methodologies. Moody's does not expect the methodological update, if implemented as proposed, to lead to any changes to outstanding ratings of P&C and life insurers. The proposal is to make minor changes to the methodologies to introduce the use of Moody's Capital Tool (MCT), a tool the agency has developed that uses economic and insurance scenarios to inform a risk-based analysis of capital adequacy. The proposal would not result in changes to any metrics, weights or

thresholds on Moody's scorecards; Moody's would supplement its analysis with the MCT, using the tool to inform adjusted scores for capital adequacy metrics, where it considers it appropriate. Moody's expects to use the tool to analyse P&C companies in Europe (as well as the Americas and APAC) and for many products underwritten by life insurance companies in Europe, the US and Asia, and to expand its use to more countries and products over time. Moody's also provided a white paper providing more comprehensive technical information on the MCT.

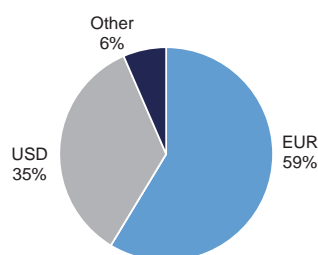
See the *Moody's Capital Tool Q&A* for more.

# Currencies, structures and distribution

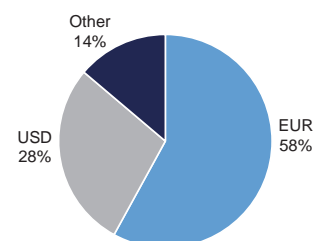
Bank hybrid issuance by currency  
(2021 ytd)



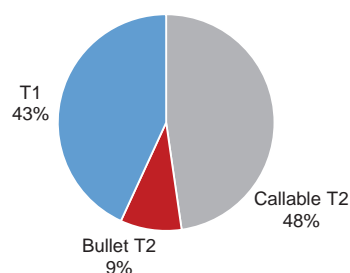
Insurance issuance by currency  
(2021 ytd)



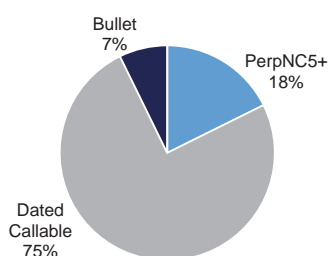
Senior non-preferred issuance by currency  
(2021 ytd)



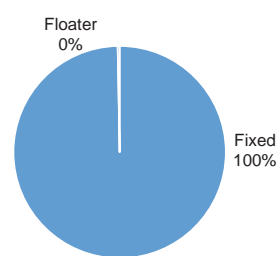
Bank issuance by instrument/structure  
(2021 ytd)



Insurance issuance by instrument/structure  
(2021 ytd)

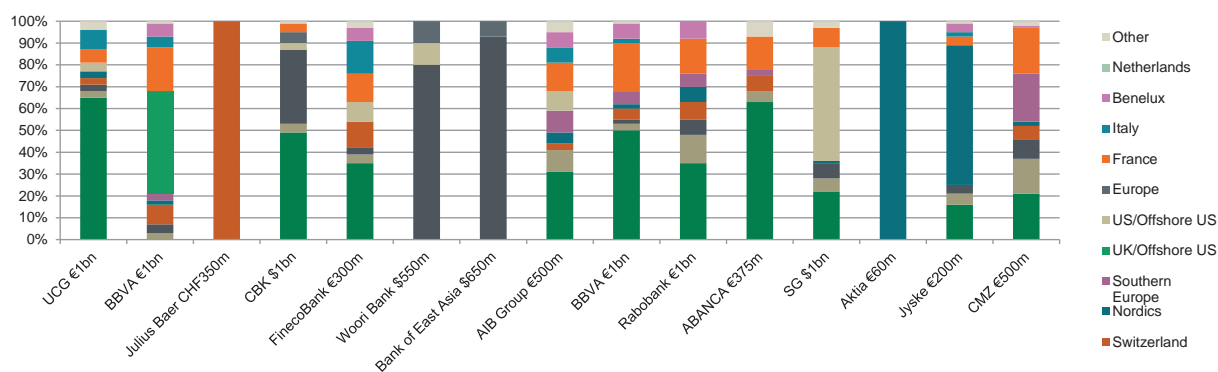


Senior non-preferred issuance by coupon  
(2021 ytd)

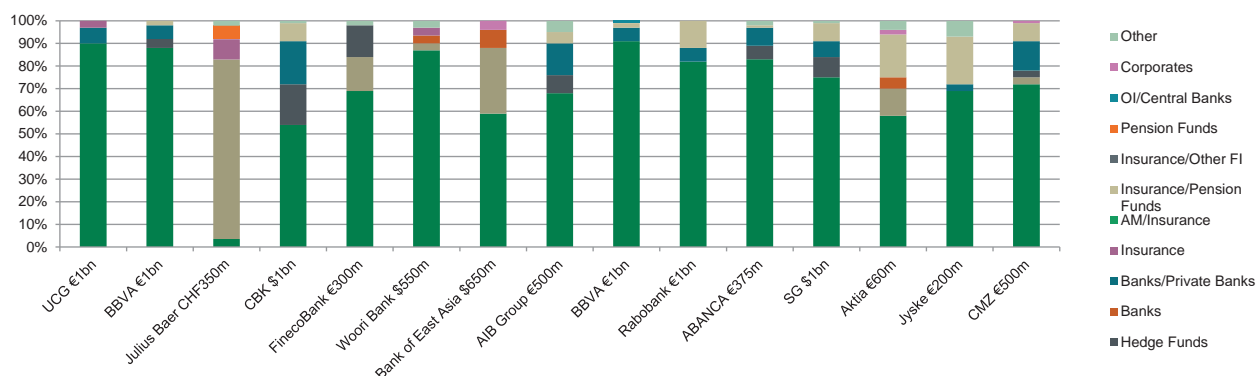


Source: Crédit Agricole CIB

## Tier 1 distribution by geography



## Tier 1 distribution by investor type



Source: Crédit Agricole CIB



# Bank AT1, Insurance Tier 2 & 3

## AT1 performance monitoring (as at 9/7/21)

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
30-Jun-21	UCGIM	Ba3/-/-	EUR	750	4.450%	Perpetual	03-Dec-27	TWD	5.125%	100.08	472	4.44	4.88	461
23-Jun-21	NWG	Ba2/B+/BBB-	USD	750	4.600%	Perpetual	28-Jun-31	EC	7.000%	100.89	323	4.49	4.58	310
15-Jun-21	CMZB	Ba2/BB/-/-	EUR	500	4.250%	Perpetual	09-Oct-27	TWD	5.125%	100.95	430	4.08	4.57	439
07-Jun-21	TPEIR	Ca/CCC/-/-	EUR	600	8.750%	Perpetual	16-Jun-26	-	5.125%	97.82	985	9.31	9.73	920
08-Jun-21	DEPTCC	A2/A/-/-	USD	500	3.375%	Perpetual	20-Jun-26	-	-	100.92	235	3.17	3.95	261
07-Jun-21	COF	Baa3/BB/BB+	USD	1,000	3.950%	Perpetual	01-Sep-26	-	-	102.45	259	3.43	4.44	316
25-May-21	UBS	-/BB/BBB	USD	750	3.875%	Perpetual	02-Jun-26	PWD	7.000%	100.13	303	3.85	4.49	310
18-May-21	SOCGEN	Ba2/BB/BB+	USD	1,000	4.750%	Perpetual	26-May-26	TWD	5.125%	103.26	319	4.01	5.18	393
12-May-21	DANBNK	-/BB+/BBB-	USD	750	4.375%	Perpetual	18-May-26	EC	7.000%	101.16	330	4.11	4.77	339
06-May-21	SANTAN	Ba1/-/-	USD	1,000	4.750%	Perpetual	12-Nov-26	EC	5.125%	101.29	363	4.48	5.13	375
06-May-21	SANTAN	Ba1/-/-	EUR	750	4.125%	Perpetual	12-Nov-27	EC	5.125%	102.47	397	3.69	4.49	431
04-May-21	DB	B1 *+/BB-/BB-	EUR	1,250	4.625%	Perpetual	30-Oct-27	TWD	5.125%	103.62	421	3.97	4.21	475
19-Apr-21	GS	Ba1/BB/BBB-	USD	675	3.800%	Perpetual	10-May-26	-	-	101.75	260	3.40	4.30	297
19-Apr-21	ALLY	-/BB-/B+	USD	1,350	4.700%	Perpetual	15-May-26	-	-	104.07	299	3.78	5.12	387
13-Apr-21	RABOBK	Baa3/-/BBB	EUR	750	3.100%	Perpetual	29-Jun-28	TWD	5.125%	100.83	317	2.97	3.44	323
18-Mar-21	KTBTB	Ba3/-/-	USD	600	4.400%	Perpetual	25-Mar-26	-	5.150%	101.44	327	4.06	4.89	353
09-Mar-21	NWG	Ba2/B+/BBB-	GBP	400	4.500%	Perpetual	31-Mar-28	EC	7.000%	102.75	335	4.03	4.66	399
02-Mar-21	SABSM	-/B+/-	EUR	500	5.750%	Perpetual	15-Mar-26	EC	5.125%	105.41	496	4.46	6.18	620
02-Mar-21	HSBC	Baa3/-/BBB	USD	1,000	4.700%	Perpetual	09-Mar-31	EC	7.000%	103.64	299	4.24	4.57	325
02-Mar-21	HSBC	Baa3/-/BBB	USD	1,000	4.000%	Perpetual	09-Mar-26	EC	7.000%	101.53	286	3.64	4.54	322
24-Feb-21	CBQKQD	-/-/-	USD	500	4.500%	Perpetual	03-Mar-26	-	-	100.41	356	4.40	5.22	387
18-Feb-21	BNP	Ba1/BBB-/BBB	USD	1,250	4.625%	Perpetual	25-Feb-31	TWD	5.125%	104.01	287	4.11	4.60	334
10-Feb-21	C	Ba1/BB+/BBB-	USD	2,300	3.875%	Perpetual	18-Feb-26	-	-	102.24	259	3.35	4.68	342
01-Feb-21	UBS	Ba1u/BB/BBB	USD	1,500	4.375%	Perpetual	10-Feb-31	PWD	7.000%	102.15	286	4.10	4.57	331
26-Jan-21	SIVB	Baa2/BB/-	USD	750	4.100%	Perpetual	15-Feb-31	-	-	102.15	261	3.83	4.28	306
18-Jan-21	EFGBNK	-/-/BBB-	USD	400	5.500%	Perpetual	25-Jul-27	PWD	7.000%	106.41	340	4.40	5.59	466
19-Jan-21	WFC	Baa2/BB+/BBB	USD	3,510	3.900%	Perpetual	15-Mar-26	-	-	103.83	225	3.02	4.64	345
12-Jan-21	BAMIIM	B3/-/-	EUR	400	6.500%	Perpetual	19-Jan-26	PWD	5.125%	109.01	468	4.28	6.70	703
07-Jan-21	ABANCA	-/-/B+	EUR	375	6.000%	Perpetual	20-Jan-26	TWD	5.125%	106.29	488	4.46	6.46	657
04-Jan-21	STANLN	Ba1/BB-/BBB-	USD	1,250	4.750%	Perpetual	14-Jan-31	EC	7.000%	102.62	317	4.41	4.98	381
10-Dec-20	HSBC	Baa3/-/BBB	USD	1,500	4.600%	Perpetual	17-Dec-30	EC	7.000%	103.14	296	4.19	4.81	365
08-Dec-20	SCHW	Baa2/BBB/BBB-	USD	2,500	4.000%	Perpetual	01-Dec-30	-	-	102.63	246	3.67	4.25	308
03-Dec-20	C	Ba1/BB+/BBB-	USD	1,500	4.000%	Perpetual	10-Dec-25	-	-	103.75	235	3.09	4.78	360
02-Dec-20	CS	Ba1u/BB-/BB+	USD	1,500	4.500%	Perpetual	03-Sep-30	PWD	7.000%	99.20	339	4.61	4.91	355
18-Nov-20	IPMID	B1/-/-	EUR	125	7.875%	Perpetual	25-Nov-25	TWD	7.000%	112.92	499	4.58	7.77	847
16-Nov-20	ERSTBK	Ba1u/BBB/-	EUR	750	4.250%	Perpetual	15-Oct-27	TWD	5.125%	106.53	336	3.09	4.56	465

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

## Insurance Tier 2 & Tier 3 performance monitoring (as at 9/7/21)

Launch	Issuer	Type	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to maturity
28-Jun-21	CCAMA	T3	-/-/BBB	EUR	500	0.750%	07-Jul-28	07-Apr-28	92	0.75
24-Jun-21	ASSGEN	T2	Baa3/-/BBB-	EUR	500	1.713%	30-Jun-32	30-Dec-31	164	1.69
14-Jun-21	MACIFS	T2	Baa1/-/-	EUR	850	2.125%	21-Jun-52	21-Mar-32	188	3.09
14-Jun-21	MACIFS	T3	Baa1/-/-	EUR	500	0.625%	21-Jun-27	21-Mar-27	90	0.66
27-May-21	FIDELI	T2	-/-/-	EUR	500	4.250%	04-Sep-31	04-Sep-26	427	4.37
21-Apr-21	WSFIN	T2	A2/A/A+	USD	500	3.750%	28-Apr-61	28-Oct-60	173	3.39
08-Apr-21	SUMILF	T2	A3/A/-	USD	920	3.375%	15-Apr-81	15-Apr-31	170	3.94
08-Apr-21	ATHORA	T2	-/-/BB+	EUR	300	2.250%	15-Jul-31	15-Apr-26	230	2.45
30-Mar-21	AIA	T2	A2/-/A-	USD	750	2.700%	Perpetual	07-Apr-26	156	3.21
29-Mar-21	AXASA	T2	A3/BBB+/BBB	EUR	1,000	1.375%	07-Oct-41	07-Apr-31	129	2.14
22-Mar-21	STBNO	T2	-/BBB/-	EUR	300	1.875%	30-Sep-51	31-Mar-31	194	2.88
15-Mar-21	HANRUE	T2	-/A/A-u	EUR	750	1.375%	30-Jun-42	30-Dec-31	116	2.02
11-Mar-21	LRELN	T2	Baa3/BB+/-	USD	450	5.625%	18-Sep-41	18-Mar-31	331	5.53
27-Jan-21	LIBMUT	T2	Baa3/BB+/BBu	USD	800	4.300%	01-Feb-61	01-Feb-26	306	4.72
19-Jan-21	ASAMLI	T2	-/-/BBB-	USD	380	4.100%	Perpetual	27-Jan-31	256	5.00
13-Jan-21	NIPLIF	T2	A3/A/-	USD	1,600	2.750%	21-Jan-51	21-Jan-31	169	3.90
12-Jan-21	ZURNVX	T2	A2/A+/-	USD	1,750	3.000%	19-Apr-51	19-Jan-31	170	3.93

Note: Green issuer name denotes issuance in green, social or sustainability format

Source: Crédit Agricole CIB

# Bank Tier 2, Insurance RT1

## Bank Tier 2 performance monitoring (as at 9/7/21)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to maturity	Reset spread
28-Jun-21	ILTYIM	-/-B-	EUR	200	4.375%	07-Oct-31	07-Jul-26	436	4.46	461
22-Jun-21	BAMIIM	B1/-/-	EUR	300	2.875%	29-Jun-31	29-Jun-26	322	3.03	317
15-Jun-21	BKTSM	-/BBB-/-	EUR	750	1.250%	23-Dec-32	23-Jun-27	137	1.49	145
14-Jun-21	BYLAN	Baa2/-/-	EUR	500	1.000%	23-Sep-31	23-Jun-26	127	1.33	135
09-Jun-21	ECLEAR	-/A/A	EUR	350	1.375%	16-Jun-51	16-Mar-31	136	1.69	130
08-Jun-21	RBIIV	Baa3/-/-	EUR	500	1.375%	17-Jun-33	17-Mar-28	154	1.69	160
08-Jun-21	ANZ	Baa1/BBB+/A-	GBP	500	1.809%	16-Sep-31	16-Sep-26	99	2.11	145
07-Jun-21	LLOYDS	Baa1/BBB-/BBB+	GBP	500	1.985%	15-Dec-31	15-Sep-26	112	2.49	160
03-Jun-21	WAL	Baa2/-/-	USD	600	3.000%	15-Jun-31	15-Jun-26	192	3.04	225
02-Jun-21	ACAFP	Baa1/BBB+/A-	GBP	500	1.874%	09-Dec-31	09-Dec-26	107	2.18	150
02-Jun-21	INTNED	Baa2/BBB/A-	EUR	500	0.875%	09-Jun-32	09-Mar-27	108	1.17	115
25-May-21	NWG	Baa3/BB+/BBB+	GBP	1,000	2.105%	28-Nov-31	26-Aug-26	125	2.38	175
24-May-21	ISPIM	Ba1/BB+/BB	USD	750	4.950%	01-Jun-42	01-Jun-41	296	4.63	-
24-May-21	ISPIM	Ba1/BB+/BB	USD	750	4.198%	01-Jun-32	01-Jun-31	247	3.85	-
17-May-21	CAJAMA	-/B/-	EUR	600	5.250%	27-Nov-31	27-May-26	492	5.13	542
17-May-21	BNP	Baa2/BBB+/A-	GBP	1,000	2.000%	24-May-31	24-May-26	110	2.25	165
12-May-21	VMUKLN	Baa3/-/BBB-	GBP	300	2.625%	19-Aug-31	19-May-26	160	2.80	225
10-May-21	IPMID	Ba2/-/-	EUR	250	3.000%	19-Aug-31	19-May-26	294	3.07	322
10-May-21	NDASS	-/A-/A	EUR	1,000	0.625%	18-Aug-31	18-May-26	91	0.94	92
05-May-21	WSTP	Baa1/BBB+/A-	EUR	1,000	0.766%	13-May-31	13-May-26	105	1.05	105
04-May-21	BKIR	Baa3/BB/BB+	EUR	500	1.375%	11-Aug-31	11-May-26	175	1.71	165
19-Apr-21	NYKRE	-/BBB/BBB+	EUR	500	0.875%	28-Jul-31	28-Apr-26	113	1.17	118
07-Apr-21	UOBSP	A2/BBB+/A	USD	750	2.000%	14-Oct-31	14-Oct-26	105	2.49	123
25-Mar-21	SOCGEN	Baa3/BBB-/BBB	EUR	1,000	1.125%	30-Jun-31	30-Jun-26	138	1.50	160
24-Mar-21	MZRHIT	-/BBB-/BBB	USD	600	3.077%	07-Apr-31	07-Apr-26	217	3.52	225
23-Mar-21	BBNIJ	Ba2/-/BB	USD	500	3.750%	30-Mar-26	-	242	3.24	-
16-Mar-21	STANLN	Baa2/BBB-/BBB+	EUR	1,000	1.200%	23-Sep-31	23-Sep-26	140	1.49	155
09-Mar-21	CABKSM	Ba1/BBB-/BBB-	EUR	1,000	1.250%	18-Jun-31	18-Mar-26	136	1.50	163
04-Mar-21	ALPHA	Caa2/CCC/-	EUR	500	5.500%	11-Jun-31	11-Mar-26	553	5.63	582
03-Mar-21	BACR	Baa3/BB+/BBB+	USD	1,000	3.811%	10-Mar-42	10-Mar-41	164	3.30	170
02-Mar-21	CBAAU	Baa1/BBB+/A-	USD	1,250	3.305%	11-Mar-41	-	144	3.09	-
02-Mar-21	CBAAU	Baa1/BBB+/A-	USD	1,500	2.688%	11-Mar-31	-	130	2.63	-
23-Feb-21	MQGAU	Baa3/BBB/BBB+	USD	1,000	3.052%	03-Mar-36	03-Mar-31	170	3.24	170
22-Feb-21	SOCGEN	Baa3/BBB-/BBB	USD	1,000	3.625%	01-Mar-41	-	190	3.56	-
08-Feb-21	DANBNK	-/BBB/BBB+	EUR	750	1.000%	15-May-31	15-Feb-26	126	1.33	140
27-Jan-21	ANZ	Baa1/BBB+/A-	EUR	750	0.669%	05-May-31	05-May-26	102	1.08	112
26-Jan-21	FRLBP	-/BBB-/BBB+	EUR	750	0.750%	02-Aug-32	03-May-27	124	1.30	123
19-Jan-21	BNP	Baa2/BBB+/A-	USD	1,250	2.824%	26-Jan-41	-	151	3.17	-
12-Jan-21	ITAU	B1/-/B+	USD	500	3.875%	15-Apr-31	15-Jan-26	328	4.63	345
11-Jan-21	DB	Ba2 *+/BB+/BB+	USD	1,250	3.729%	14-Jan-32	14-Jan-31	212	3.52	276
05-Jan-21	NAB	Baa1/BBB+/A-	USD	1,250	2.648%	14-Jan-41	-	137	3.02	-
05-Jan-21	ACAFP	Baa1/BBB+/A-	USD	1,500	2.811%	11-Jan-41	-	146	3.11	-

Note: Green issuer name denotes issuance in green, social or sustainability format

## RT1 performance monitoring (as at 9/7/21)

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
14-Jun-21	MACIFS	Ba1/-/-	EUR	400	3.500%	Perpetual	21-Dec-28	TWD	101.19	349	3.32	3.83	359
29-Mar-21	CNPPF	Baa3/BBB/BBB-	USD	700	4.875%	Perpetual	07-Oct-30	PPWD	105.43	285	4.16	4.60	318
10-Nov-20	ALVGR	Baa1/A/-	USD	1,250	3.500%	Perpetual	17-Nov-25	TWD	103.63	182	2.61	4.18	297
10-Nov-20	ALVGR	Baa1/A/-	EUR	1,250	2.625%	Perpetual	30-Oct-30	TWD	101.89	242	2.40	2.92	277
20-Oct-20	USIMIT	B1/-/BB-	EUR	500	6.375%	Perpetual	27-Apr-30	TWD	115.72	431	4.21	6.02	674
17-Sep-20	PRE	Baa1/BBB/BBB	USD	500	4.500%	01-Oct-50	01-Apr-30	-	103.72	272	3.99	4.93	382
08-Sep-20	MET	Baa2/BBB/BBB	USD	1,000	3.850%	Perpetual	15-Sep-25	-	104.53	196	2.69	4.79	358
19-Aug-20	ESGR	-/BB+/BB+	USD	350	5.750%	01-Sep-40	01-Sep-25	-	106.23	336	4.10	6.30	547
18-Aug-20	PRU	Baa1/BBB+/BBB	USD	800	3.700%	01-Oct-50	01-Jul-30	-	104.32	186	3.14	4.16	304
17-Jun-20	LGEN	Baa3/BBB/-	GBP	500	5.625%	Perpetual	24-Mar-31	EC	112.54	319	4.05	5.38	538
05-May-20	QBEAU	Baa2/BBB/-	USD	500	5.875%	Perpetual	12-May-25	-	109.17	263	3.31	6.39	551
22-Jan-20	PHNXLN	-/BBB	USD	750	5.625%	Perpetual	29-Jan-25	EC	106.52	303	3.65	5.38	404

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

Source: Crédit Agricole CIB

# Bank SNP, HoldCo issuance

## SNP performance monitoring (as at 9/7/21)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to maturity
06-Jul-21	SRBANK	-/-/-	EUR	500	0.375%	15-Jul-27	15-Jul-26	72	0.46
23-Jun-21	BNP	Baa1/A-/A+	USD	1,000	1.675%	30-Jun-27	30-Jun-26	78	1.71
17-Jun-21	SANTAN	Baa1/A-/A-	EUR	1,000	0.625%	24-Jun-29	24-Jun-28	76	0.63
14-Jun-21	SEB	A3/A-/AA-	EUR	1,000	0.375%	21-Jun-28	-	55	0.35
14-Jun-21	DEVOBA	Baa2/-/A-	EUR	500	0.250%	22-Jun-26	22-Mar-26	62	0.30
14-Jun-21	FRLBP	-/BBB/A	EUR	750	0.750%	23-Jun-31	-	72	0.71
09-Jun-21	ABNANV	Baa2/BBB/A	USD	750	1.542%	16-Jun-27	16-Jun-26	77	1.72
09-Jun-21	OPBANK	Baa1/A-/A-	EUR	500	0.375%	16-Jun-28	-	59	0.39
08-Jun-21	SABSM	-/BB+/BBB-	EUR	500	0.875%	16-Jun-28	16-Jun-27	136	1.13
07-Jun-21	SHBASS	A3/A/AA	USD	1,000	1.418%	11-Jun-27	11-Jun-26	61	1.59
02-Jun-21	DANBNK	Baa3/BBB+/A	EUR	500	0.750%	09-Jun-29	09-Jun-28	87	0.73
02-Jun-21	SOCGEN	Baa2/BBB/A-	USD	1,250	2.889%	09-Jun-32	09-Jun-31	150	2.80
02-Jun-21	SOCGEN	Baa2/BBB/A-	USD	1,250	1.792%	09-Jun-27	09-Jun-26	96	1.92
02-Jun-21	RABKAS	Baa3/-/-	EUR	350	1.000%	09-Jun-28	09-Jun-27	117	0.99
01-Jun-21	CCBGBB	Baa2/BBB+/-	EUR	500	0.375%	08-Jun-27	-	59	0.33
01-Jun-21	SWEDA	Baa1/A-/A+	GBP	350	1.375%	08-Dec-27	08-Dec-26	60	1.35
26-May-21	ABNANV	Baa2/BBB/A	EUR	1,000	1.000%	02-Jun-33	-	75	0.85
26-May-21	CABKSM	Baa3/BBB/BBB+	GBP	500	1.500%	03-Dec-26	03-Dec-25	79	1.53
26-May-21	BFCM	Baa1/A-/A+	EUR	1,500	0.625%	03-Nov-28	-	68	0.51
25-May-21	DB	Baa3 *+/BBB-/BBB	USD	1,500	3.035%	28-May-32	28-May-31	145	2.70
18-May-21	CABKSM	Baa3/BBB/BBB+	EUR	1,000	0.750%	26-May-28	26-May-27	84	0.65
18-May-21	DNBNO	A3/A/-	USD	1,000	1.535%	25-May-27	25-May-26	61	1.58
10-May-21	SWEDA	Baa1/A-/A+	EUR	1,000	0.300%	20-May-27	20-May-26	55	0.28
26-Apr-21	LBBW	A2/-/A-	EUR	500	0.375%	07-May-29	-	42	0.28
19-Apr-21	COVBS	Baa1/-/A-	GBP	250	2.000%	20-Dec-30	-	87	1.68
13-Apr-21	ACAFF	Baa1/A-/A+	EUR	1,000	0.375%	20-Apr-28	-	65	0.45
07-Apr-21	SANTAN	Baa1/A-/A-	GBP	600	1.500%	14-Apr-26	-	66	1.28
06-Apr-21	BNP	-/-/A+	USD	250	0.000%	20-Apr-51	20-Apr-26	191	3.51
30-Mar-21	DB	Baa3 *+/BBB-/BBB	USD	750	1.447%	01-Apr-25	01-Apr-24	75	1.34
23-Mar-21	SANTAN	Baa1/A-/A-	USD	1,500	1.849%	25-Mar-26	-	74	1.53
23-Mar-21	SANTAN	Baa1/A-/A-	USD	750	2.958%	25-Mar-31	-	122	2.47
18-Mar-21	SANTAN	Baa1/A-/A-	EUR	1,000	0.500%	24-Mar-27	24-Mar-26	69	0.43
16-Mar-21	OPBANK	Baa1/A/-	EUR	500	0.250%	24-Mar-26	-	47	0.13
16-Mar-21	OPBANK	Baa1/A/-	EUR	300	0.750%	24-Mar-31	-	60	0.58
09-Mar-21	LEED	Baa2/-/A-	GBP	350	1.500%	16-Mar-27	16-Mar-26	80	1.54
04-Mar-21	CMARK	Baa1/-/A-	EUR	500	0.875%	11-Mar-33	-	74	0.83
03-Mar-21	MUNHYP	A2/-/-	EUR	500	0.375%	09-Mar-29	-	48	0.33
24-Feb-21	DEVOBA	Baa2/-/A-	EUR	500	0.375%	03-Mar-28	03-Dec-27	68	0.46
22-Feb-21	BPCEGP	Baa2/BBB+/A	EUR	1,000	0.750%	03-Mar-31	-	69	0.67
17-Feb-21	RABOBK	A3/A-/A+	USD	1,000	1.106%	24-Feb-27	24-Feb-26	57	1.48
17-Feb-21	RABOBK	A3/A-/A+	USD	1,000	1.106%	24-Feb-27	24-Feb-26	57	1.48
17-Feb-21	ISPIIM	Ba1/BBB-/BB+	EUR	750	1.350%	24-Feb-31	-	129	1.26
17-Feb-21	ISPIIM	Ba1/BBB-/BB+	EUR	1,000	0.625%	24-Feb-26	-	93	0.59
17-Feb-21	DNBNO	A3/A/-	EUR	1,000	0.250%	23-Feb-29	23-Feb-28	60	0.43
15-Feb-21	NYKRE	-/BBB+/A	EUR	750	0.375%	17-Jan-28	-	71	0.49

## HoldCo performance monitoring (as at 9/7/21)

Launch	Issuer	Issue ratings	Currency	Amount (m)	Coupon	Maturity date	First call date	I-Spread	Yield to maturity
09-Jun-21	NWG	Baa2/BBB/A	USD	1,500	1.642%	14-Jun-27	14-Jun-26	71	1.69
07-Jun-21	SANUK	Baa1/BBB/A	USD	1,000	1.673%	14-Jun-27	14-Jun-26	80	1.63
02-Jun-21	C	A3/BBB+/A	USD	2,750	1.462%	09-Jun-27	09-Jun-26	67	1.59
25-May-21	KBCBB	Baa1/A-/A-	EUR	500	0.750%	31-May-31	-	65	0.64
16-Mar-21	STANLN	A2/BBB+/A	USD	500	1.214%	23-Mar-25	23-Mar-24	66	1.37
03-Mar-21	BACR	Baa2/BBB/A	USD	1,000	2.667%	10-Mar-32	10-Mar-31	120	2.50
17-Feb-21	INTNED	Baa1/A-/A+	GBP	800	1.125%	07-Dec-28	07-Dec-27	63	1.36
02-Feb-21	UBS	A3u/A-/A+	USD	2,000	2.095%	11-Feb-32	11-Feb-31	96	2.27
11-Jan-21	CS	Baa1/BBB+/A-	EUR	1,500	0.625%	18-Jan-33	-	96	1.05
11-Jan-21	CS	Baa1/BBB+/A-	EUR	1,500	0.462%	16-Jan-26	16-Jan-25	-	0.29

Note: Green issuer name denotes issuance in green, social or sustainability format

Source: Crédit Agricole CIB



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JUNE 2021



BAYERNLB

**EUR 500,000,000**

1.000% 10.25NC5.25 Green  
Tier 2 Bond  
Due 2031

Joint Lead Manager

JUNE 2021



LA BANQUE POSTALE

**EUR 750,000,000**

0.750% Inaugural Social  
Senior Non-Preferred  
Due 2031

Joint Bookrunner & Sole Social Bond  
Structuring Advisor

JUNE 2021



RAIFFEISEN BANK  
INTERNATIONAL AG

**EUR 500,000,000**

1.375% 12NC7  
Green Tier 2 Bond  
Due 2033

Joint Lead Manager

JUNE 2021



ING GROEP N.V.

**EUR 500,000,000**

0.875% 11NC6 Green Tier 2  
Due 2031

Joint Bookrunner

MAY 2021



CAIXABANK, S.A.

**EUR 1,000,000,000**

0.75% Social Senior  
Non-Preferred  
Due 2028

Joint Bookrunner

APRIL 2021



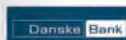
BERLIN HYP AG

**EUR 500,000,000**

0.375% Senior Preferred  
Sustainability-Linked Bond  
Due 2031

Sole Sustainability-Linked Bond  
Structuring Advisor and Joint  
Lead Manager

FEBRUARY 2021



DANSKE BANK A/S

**EUR 750,000,000**

1.000% 10.25NC5.25  
Tier 2  
Due 2031

Joint Bookrunner

JANUARY 2021



BANCO DE SABADELL SA

**EUR 500,000,000**

2.5% Tier 2  
Due 2031

Joint Bookrunner

JANUARY 2021



SUMITOMO MITSUI  
FINANCIAL GROUP

**USD 500,000,000**

0.508% Senior Notes  
Green Bond  
Due 2024

Joint Bookrunner

JANUARY 2021



ABANCA CORPORACION  
BANCARIA S.A.

**EUR 375,000,000**

6% Additional Tier 1  
Due PNC5.5 2030

Joint Bookrunner

SEPTEMBER 2020



COMMERZBANK AG

**EUR 500,000,000**

6.500% Additional Tier 1  
Perpetual NC9.6

Joint Bookrunner

AUGUST 2020



INTESA SANPAOLO S.P.A.

**EUR 750,000,000**

5.500% Additional Tier 1  
PerpNC7.5

**EUR 750,000,000**

5.875% Additional Tier 1  
PerpNC11

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