Finance for Europe

2Q 2018

Prudential Data Report

EU GSIBs prudential capital and liquidity

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What this report covers

This report collates timely information on EU GSIBs' prudential capital*, leverage and liquidity ratios with updated information as at 30 June 2018.

It also illustrates the recent performance of the debt and contingent convertibles (CoCo) markets for banks in Europe.

Most prudential data publications and statistical sources compile information that is not comparable or is published with a substantial delay. This report addresses the existing data gap by publishing comparable and consistent prudential statistics of EU GSIBs on a timely basis.

All data is sourced from public information, with the exception of CoCo markets performance and banks' debt structure by seniority. All figures exclude any estimates for the impact of the final Basel III proposals.

As this Data Report illustrates, European systemically important banks (or EU-GSIBs) have improved their capital, leverage and liquidity positions over the last years, in compliance with CRDIV.

The CRDIV rules comprise minimum requirements on bank solvency and liquidity, which seek to enhance the soundness of banks' balance sheets.

*According to the 2017 FSB GSIB list

afme/ Key Highlights

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EU GSIBs capital and liquidity ratios

	2013	2014	2015	2016	2017	1Q 2018	2Q 2018
CET1 ratio (end-point)	9.9%	11.0%	11.8%	12.3%	13.4%	13.1%	13.1%
T1 ratio (end-point)	10.8%	11.8%	13.0%	13.8%	15.1%	14.9%	14.8%
Leverage ratio (end-point)	3.6%	4.2%	4.6%	4.7%	4.9%	4.7%	4.7%
Liquidity Coverage Ratio (LCR)	-	127.5%	128.5%	132.1%	141.8%	145.1%	145.2%

Source: EUGSIBs earnings reports, EBA and Dealogic

EU systemically important banks* (EU GSIBs) continued to comply in 2Q18 with the Basel III accord and the CRDIV minimum requirements on bank solvency and liquidity.

The weighted average CET1, liquidity coverage ratio and leverage ratios for EU GSIBs stood broadly unchanged against the ratios reported in 1Q2018, as shown on the left hand table.

Among the main findings of this report:

- **EU GSIBs end-point CET1 ratio stood at 13.09% in 2Q 2018, almost unchanged from 13.15% in 1Q18.**
- **End-point Tier 1 ratios slightly decreased to 14.8% in 2Q 2018, from 14.9% in 2Q 2018.**
- **End-point Leverage ratios (LR) stood at 4.69% in 2Q 2018, almost unchanged from 4.71% in 1Q 2018.**
- **Liquidity Coverage Ratio (LCR) slightly improved at 145.2% on a weighted average basis in 2Q 2018, from 145.1% in 1Q 2018.**

During the quarter, earnings retention contributed 25bps to the CET1 ratio variation. This increase was offset by an increase in RWAs by half of the banks as a consequence of business growth in certain business lines by some banks and continued changes in risk profiles (-4 bps). Other factors including FX variation, and other bank-specific factors such as litigation and conduct charges and pension costs by one bank and share buy-backs by another bank also contributed to fully offset the contribution of profit retention (-26bps). See page 13.

*According to the 2017 FSB GSIB list

Capital raising from markets decelerated from a year ago

The amount of new capital raised during the first nine months of the year by EU banks totalled €17.1bn. This compares with €49bn raised during the same period of 2017 and €57.5bn in 2017 full-year (FY).

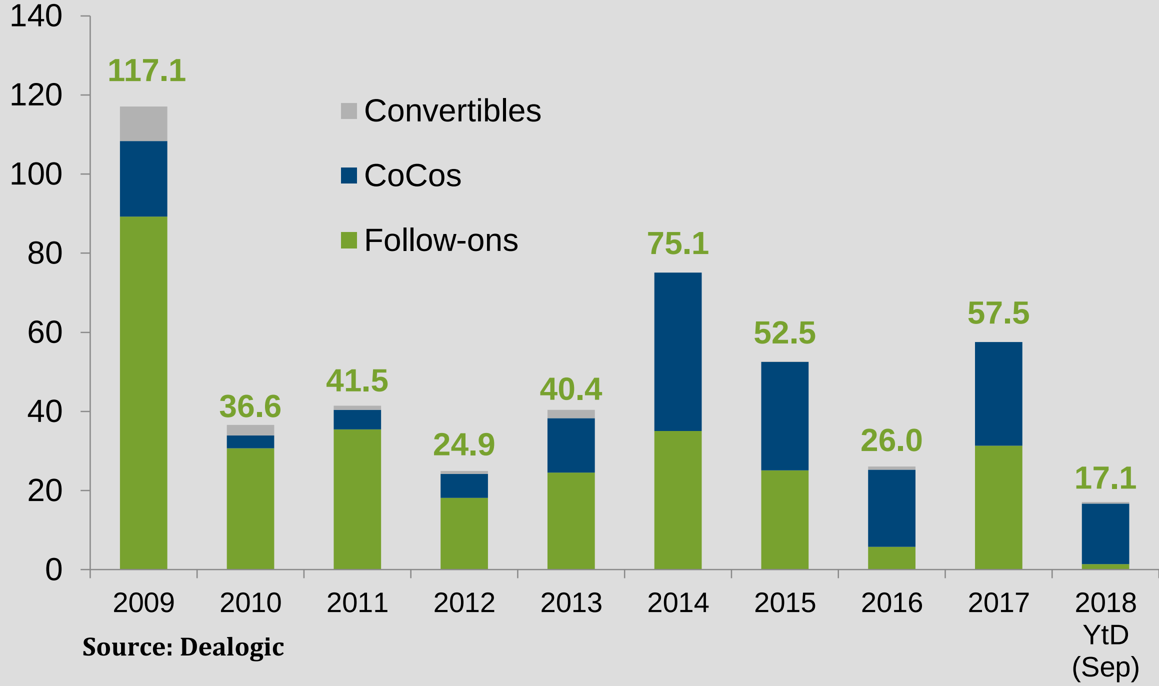
The largest contribution to total capital raising from markets was from CoCos, with a total of €15.3bn (€22.4bn in the first nine months of last year), and less significantly from secondary offerings with €1.4 bn raised during the year. Eight banks have raised fresh capital through secondary offerings during the year, compared with 18 banks in 2017FY.

The decline in capital raising from markets can be attributed to different factors, including the more comfortable capital buffers against end-point requirements due to be met by 2019 and therefore a less significant need to improve the already robust solvency ratios. Likewise, market volatility and higher coupon payments of recently issued AT1 CoCos may have deterred banks from issuing this form of debt at a similar pace as last year (see page 34).

Bail-inable bonds

As shown in page 26, EU GSIBs have continued to issue bail-inable senior non-preferred bonds, accumulating a total stock of €66.8bn as of 20 September 2018 (€26.4bn in 3Q17) representing between 0.1% and 3.1% of EU GSIBs RWAs, as banks continue to prepare for the implementation of TLAC/MREL requirements.

Fresh capital raised by EU banks (€bn)



Source: Dealogic

Key Highlights

CoCo risk premia (OAS) and coupon rates of new issues

Source: Dealogic and Thomson Reuters

Higher debt servicing costs for new CoCos

Average coupon rates for newly issued CoCos have increased during the year, from record-lows observed in the first quarter of 2018.

Average coupon rates have increased from 5.43% on average in 1Q18 to 7.18% in 3Q18 (as of September).

The increase has been driven most prominently by an increase in risk premia (Option-adjusted spreads, OAS) in the second and third quarters of the year of c100bps compared to 1Q18 average spreads. See left chart and page 34.

Long-term AAA benchmark rates have only increased by 11bps during the course of the year (10Y German bunds).

Capital Markets Union Key Performance Indicators (KPI)

AFME, in collaboration with nine International Organisations and European Trade Associations produced the first publication in annual series which will review developments in the CMU project.

The report finds that the case for promoting a European Capital Markets Union continues to be as valid as it was three years ago when CMU was launched. Although some areas have shown encouraging improvements over the last years, the report shows that European Union (EU) corporate issuers (both large companies and small and medium enterprises) continue to be over reliant on bank finance, the flow of capital continues to be fragmented along national lines, and capital markets need further scale and depth to support economic growth and innovation. See page 19.

Major upcoming regulatory, legislative and policy initiatives

There are several regulatory initiatives that are currently being considered at both the global and European level. These will potentially impact the basis of calculations for the metrics covered in this report for future iterations. Some of the key initiatives are:

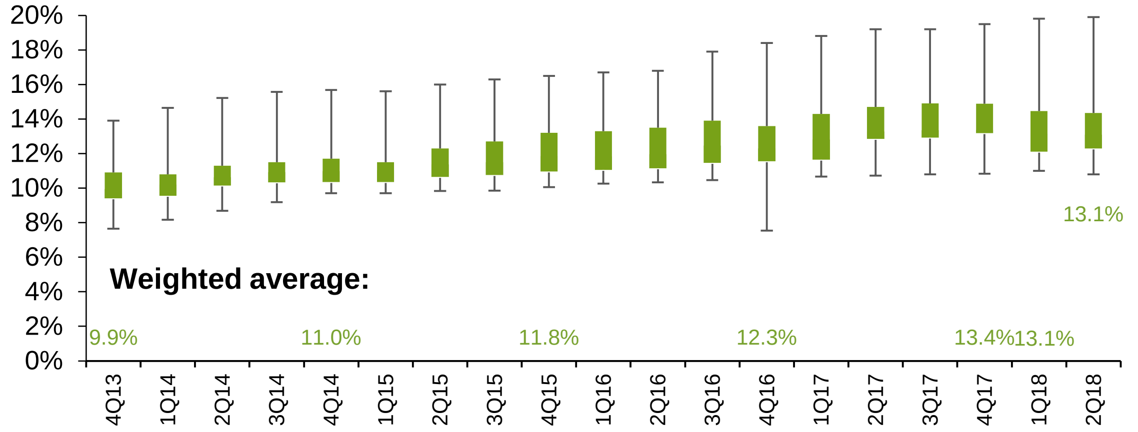
- Review of the Leverage Ratio
- Fundamental Review of the Trading Book
- Credit Valuation Adjustment
- IRB models, revised Standardised Approaches & capital floors
- Interest Rate Risk in the Banking Book

AFME is actively contributing to each initiative.

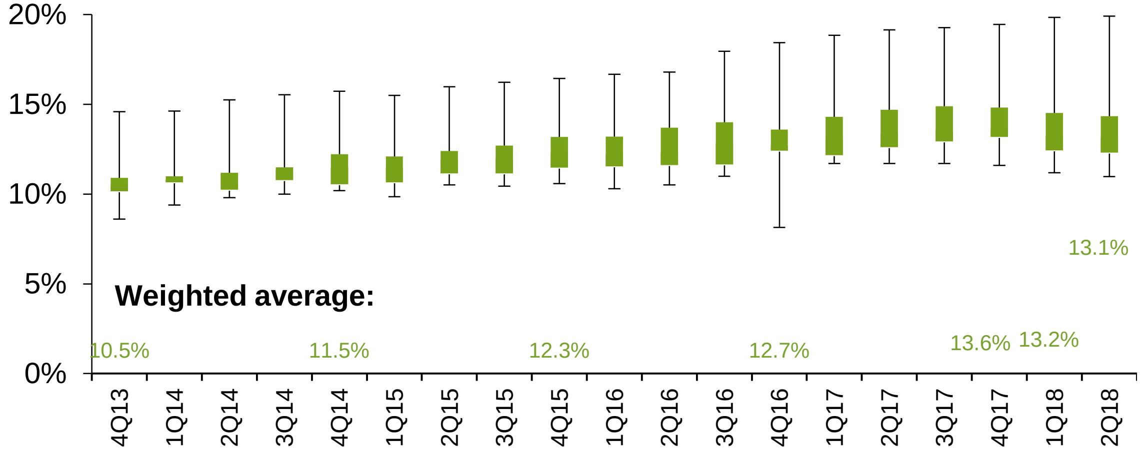
Capital and liquidity ratios

CET1 ratio

End-point



Phased-in



Source: EU GSIBs earnings reports

CET1 ratio almost unchanged during 2Q18

The end-point CET1 ratio declined by 6bps during the quarter.

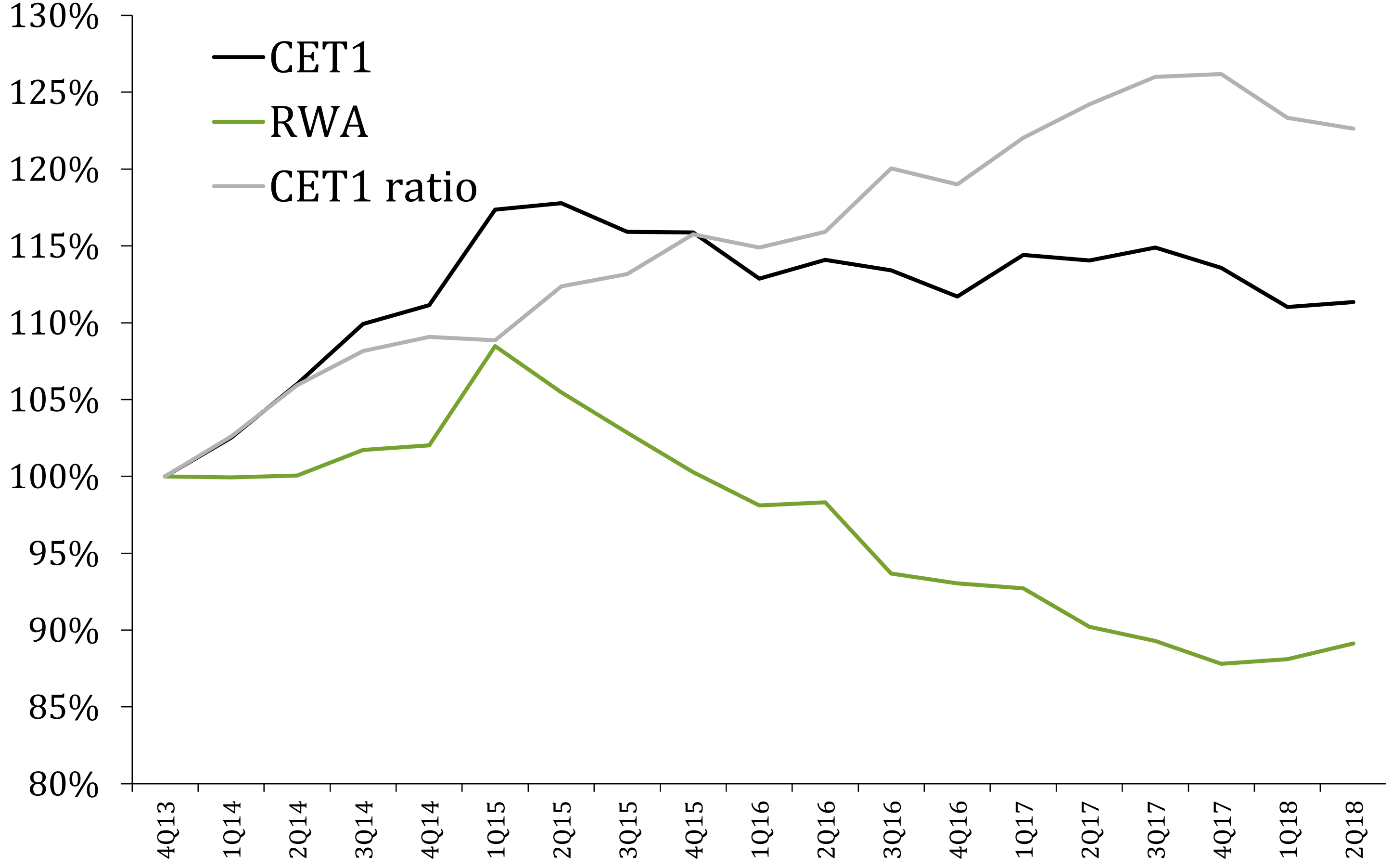
7 of the 12 EU GSIBs decreased their CET1 end-point ratio during 2Q18.

Since December 2013, the average end-point CET1 ratio has accumulated an increase of 314ps, from 9.95% to 13.09% in June 2018.

Phased-in CET1 ratio also decreased in 2Q18 on a weighted average basis, from 13.2% in 1Q18 to 13.1% in 2Q18.

CET1 ratio by components

Cumulative change of CET1, RWAs and CET1 ratio (phased-in)



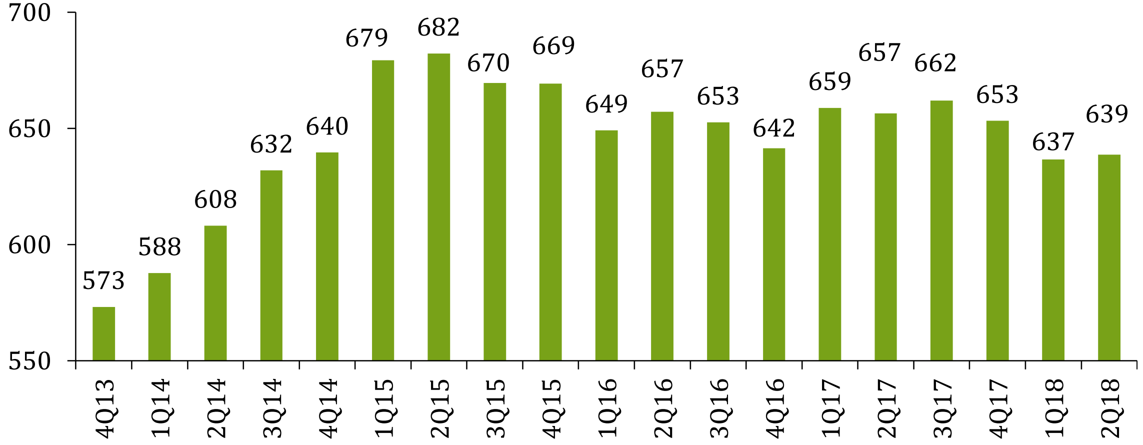
Source: EU GSIBs earnings reports

Quarterly increase in RWAs with eligible CET1 capital almost unchanged

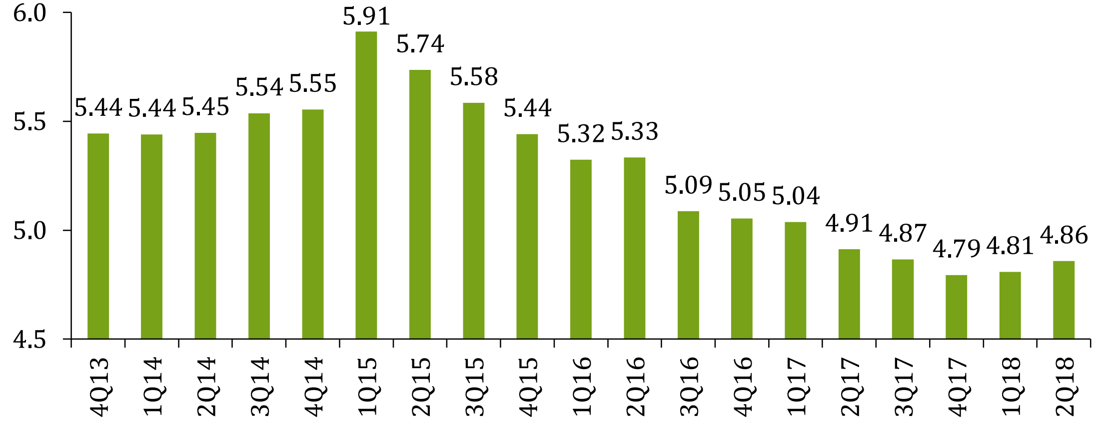
The decrease in phased-in CET1 ratio during 2Q18 was driven by an increase of 1.0% QoQ in phased-in RWAs and a slight increase in phased-in CET1 capital of 0.3% QoQ.

CET1 and RWA levels

CET1 capital (phased-in, €bn)



RWA (phased-in, €Tn)



Source: EU GSIBs earnings reports

CET1 capital accumulation and RWA restructuring

CET1 capital has decreased by €14.6 bn during the first half of the year, most prominently during 1Q18 after the implementation of IFRS9. Most recently, CET1 phased-in eligible capital marginally increased by €2bn during 2Q18.

During the year, EU GSIBs have increased RWAs by a total of c€70bn since 4Q17 (or 1.3%), reversing a downward trend observed since 1Q15. It is difficult to ascertain at this stage if the increase in RWAs is temporary or permanent, particularly given the significant heterogeneity in banks' quarterly RWA variations as shown on page 12.

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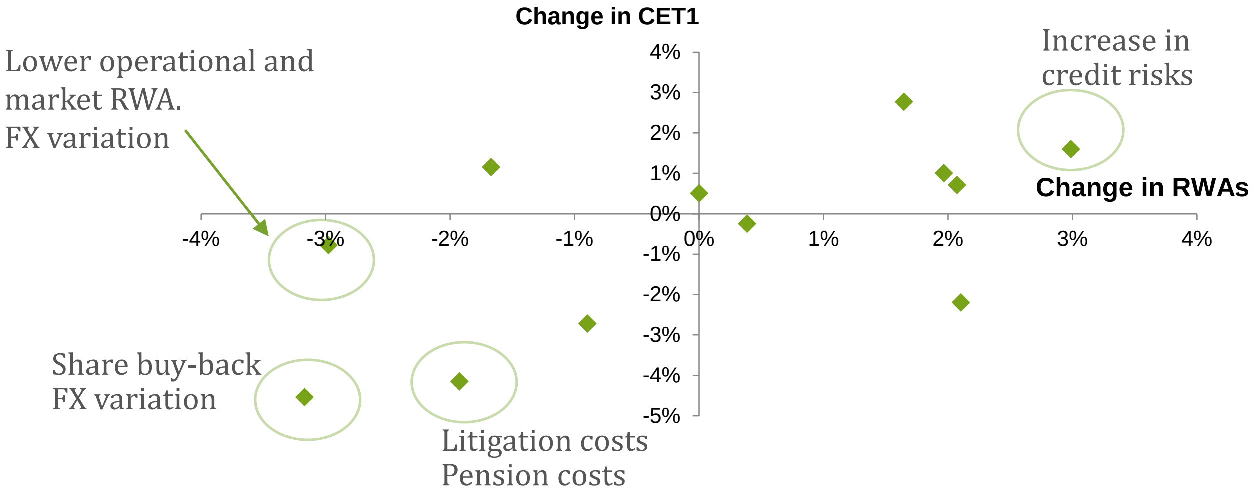
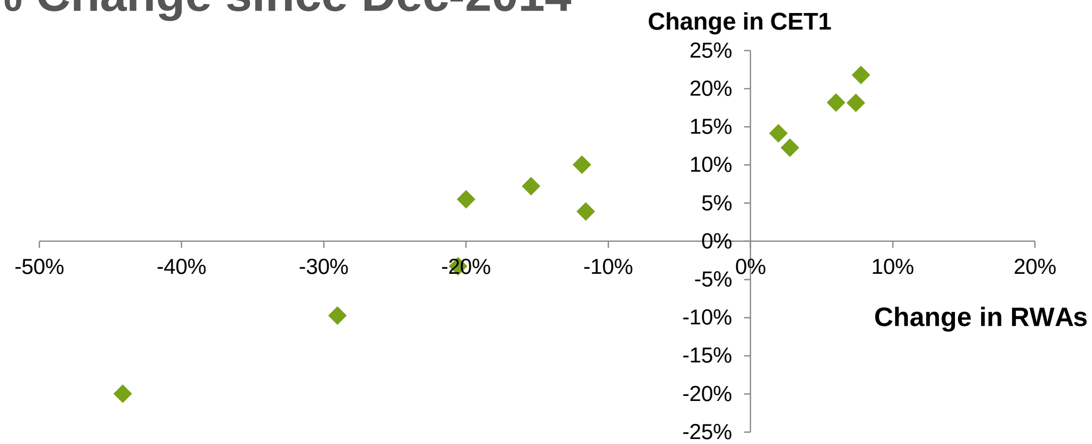
Change in CET1 capital and RWAs by banks

% change QoQ



% Change since Dec-2014



Source: EU GSIBs earnings reports. Each dot represents a bank

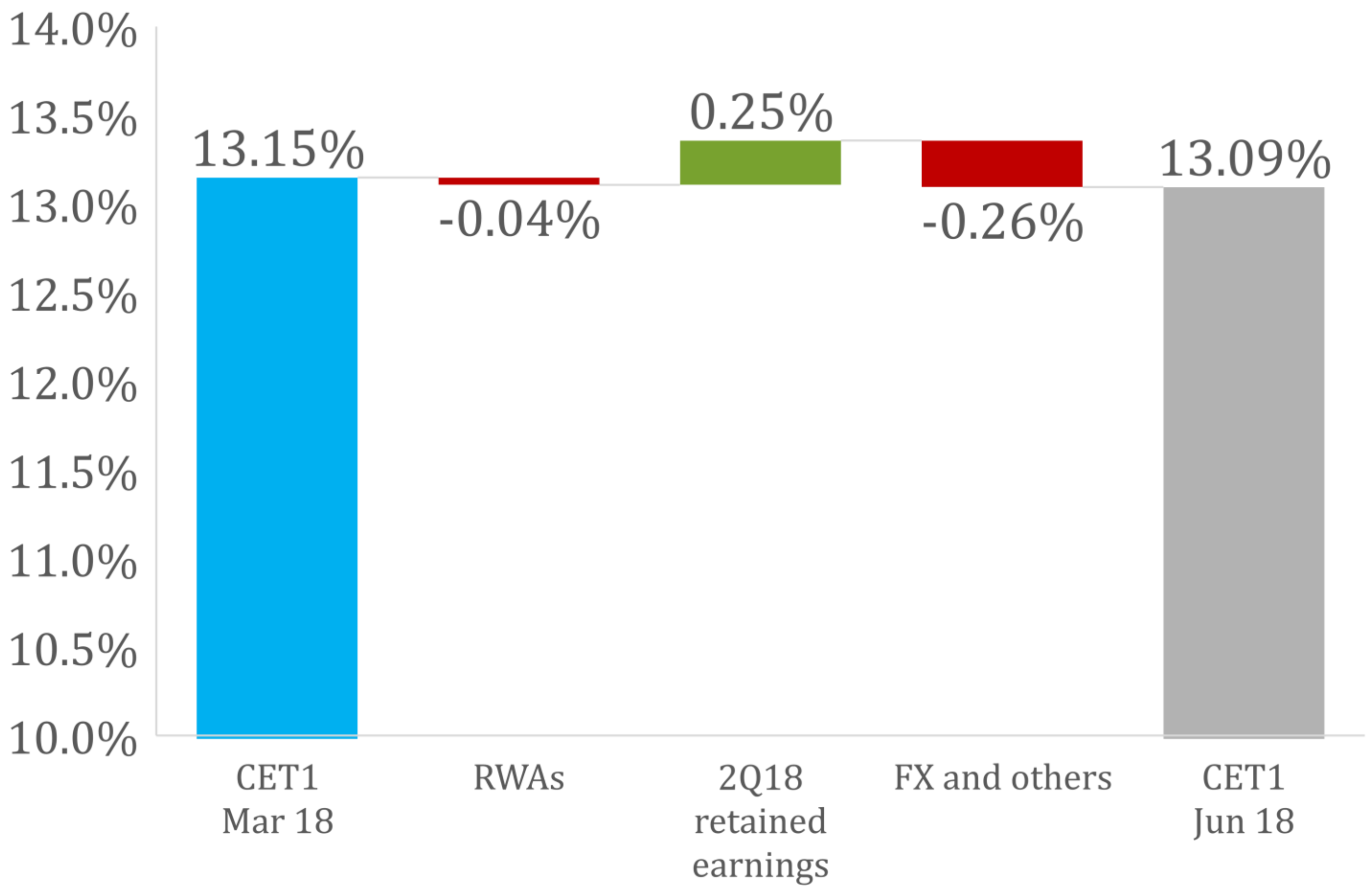
Heterogeneity in CET1 and RWA variation by banks

4 of the 12 EU GSIBs increased their RWAs and CET1 capital from 1Q18; 4 banks decreased CET1 capital and decreased RWAs; 2 banks increased RWAs and decreased CET1 capital; and 2 banks increased CET1 and reduced RWAs.

Some of the bank-specific factors behind the variations include FX translation, litigation and conduct costs, share buy-backs, and asset quality changes. The most significant variations for some selected banks are on the top left chart.

Drivers of CET1 ratio

Change in CET1 ratio by components in 2Q18 (%)



Source: EU GSIBs earnings reports

Contribution from retained earnings offset by FX variation and other factors

Earnings retention positively contributed 25bps to the quarterly variation in end-point CET1 ratio.

However, other factors like net RWA increase, FX translation and other bank-specific factors more than offset the positive contribution from retained earnings resulting in a marginal quarterly decline in CET1 ratio of 6bps.

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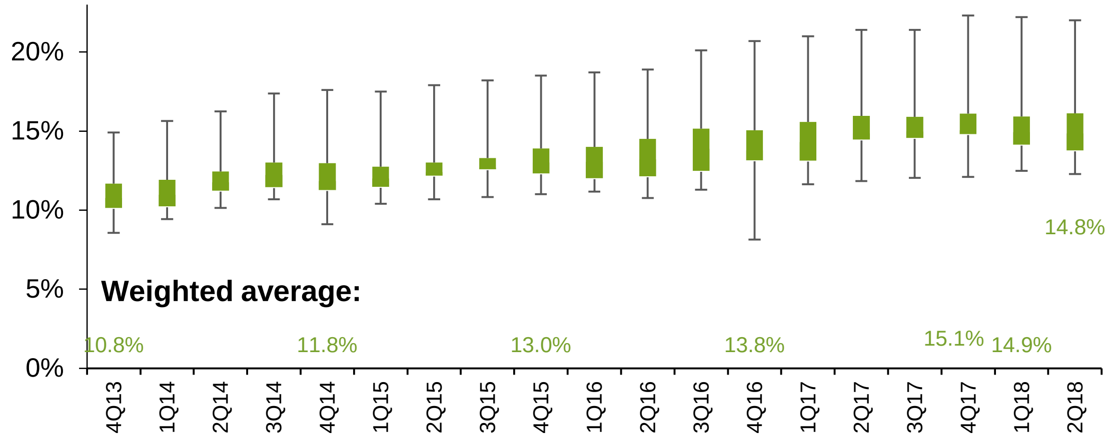
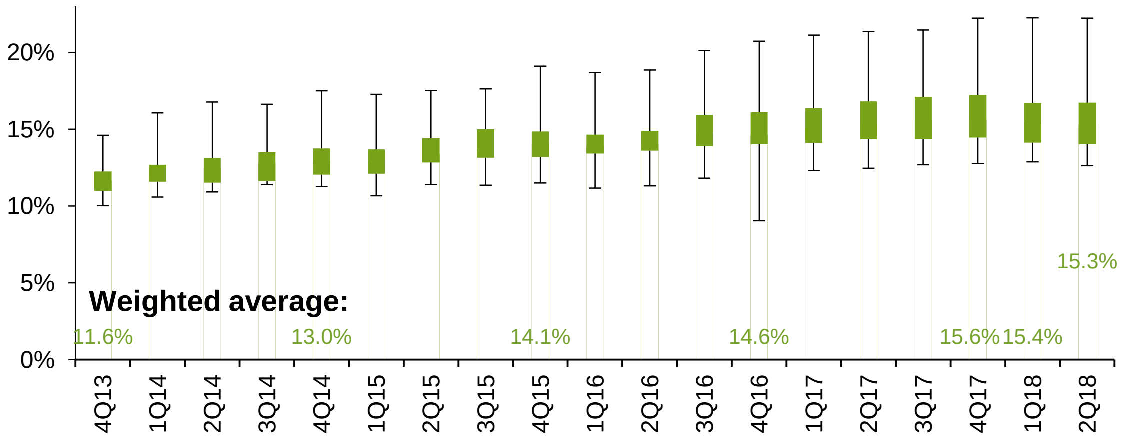
T1 ratio

End-point



Phased-in



Source: EU GSIBs earnings reports

Quarterly decline in T1 ratios

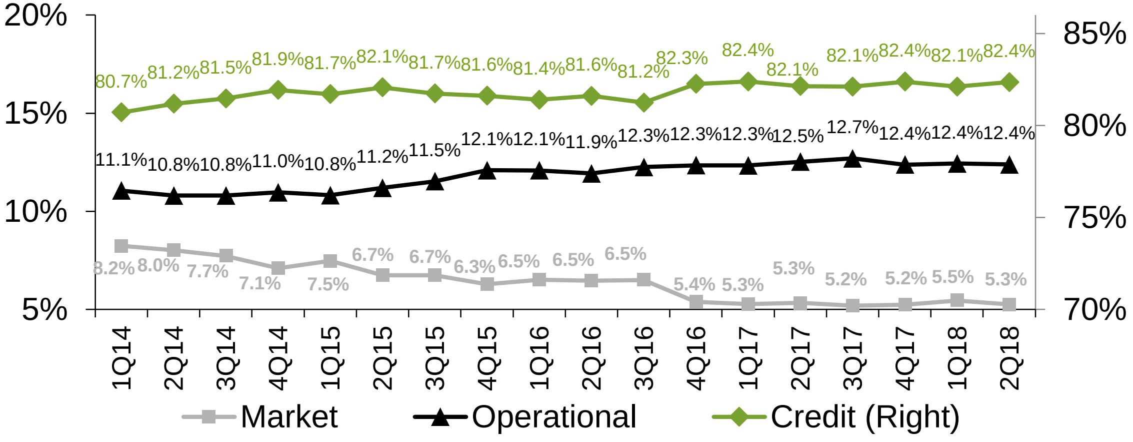
End-point T1 ratios slightly decreased from 14.9% in 1Q18 to 14.8% in 2Q18.

Only one of the 12 EU GSIBs issued Additional Tier 1 (AT1) CoCos during the quarter equivalent to €1.1bn in proceeds. The bond issuance, however, was fully offset by an increase in RWAs of a similar magnitude for this bank.

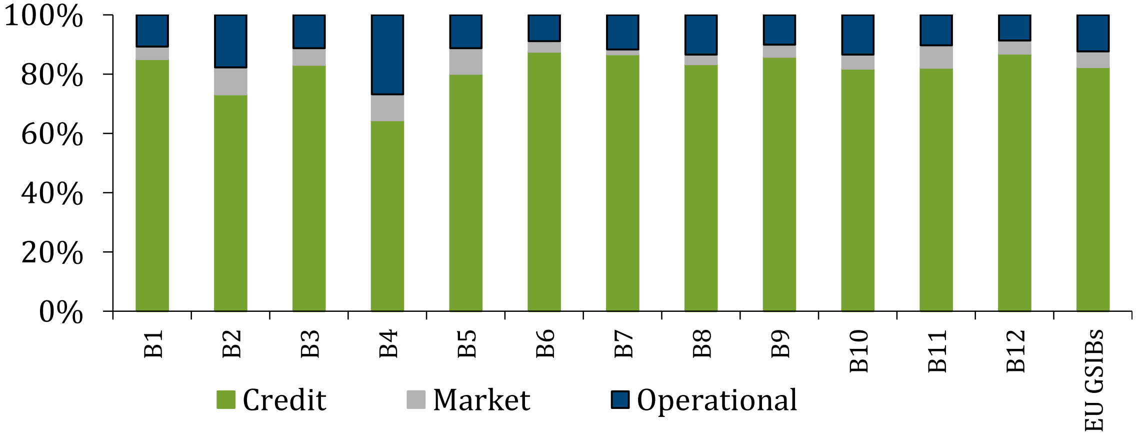
During the first part of 3Q18, two banks have issued AT1 CoCos by a total amount of €2.2bn, which should contribute to improve next quarter's T1 capital levels.

RWAs by risks

RWAs by risks



RWAs by risks and EU GSIB



Source: EU GSIBs earnings reports

Stable RWA mix by risk components

As of June 2018, 5.3% of RWAs corresponded to market risks; 12.4% to operational risks; and 82.4% to credit risks.

By banks, operational risks represented between 9% and 27% of EU GSIBs RWAs. Market risks represented between 2% and 9%, while credit risks (including counterparty risks) represented the largest proportion of RWAs for all banks at between 64% and 88%

RWA densities

RWA densities: RWA/total assets

Source: EU GSIBs earnings reports

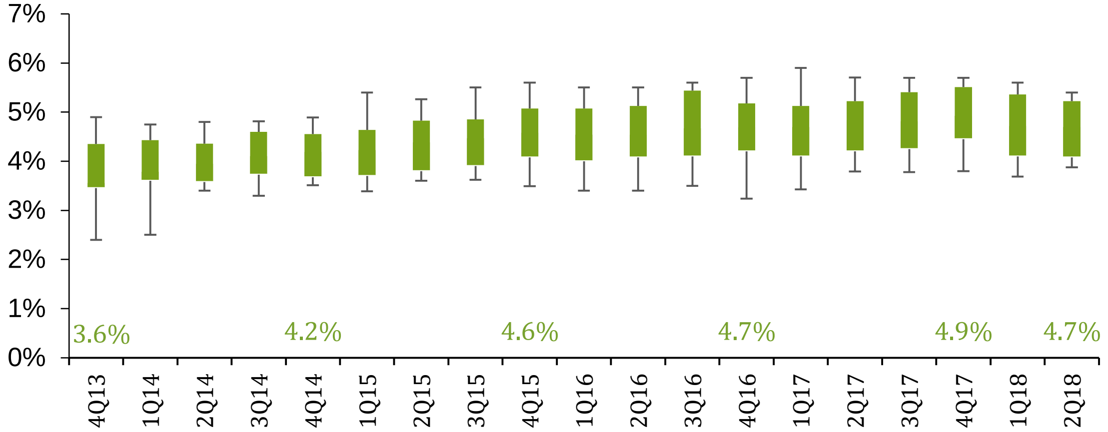
31.4% average RWA density

EU GSIBs have continued the downward trend in RWA density, in part explained by the continued de-risking of high RWA activities.

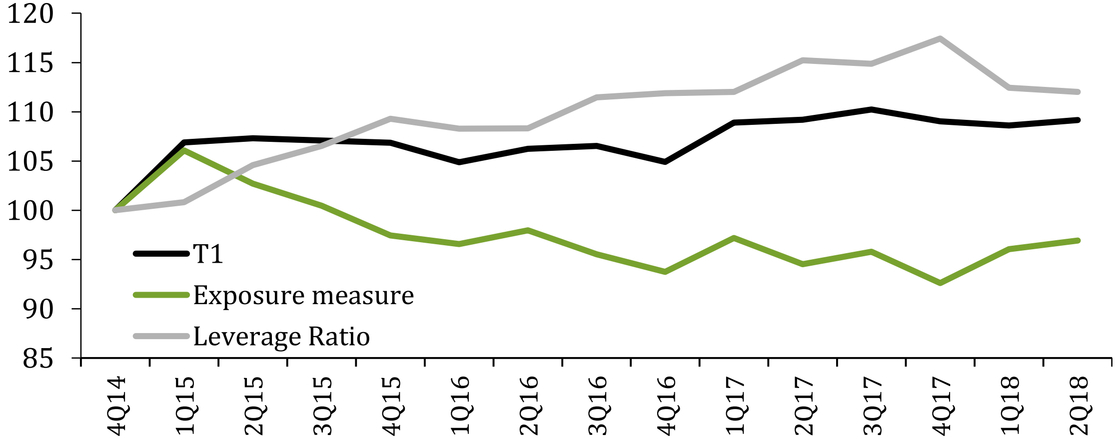
Most recently, RWA densities have decreased from 32.1% in 4Q17 to 31.4% in 2Q18.

Leverage Ratio (LR)

Leverage ratio: end-point



Cumulative change of T1 capital, exposure measure and LR



Source: EU GSIBs earnings reports

LR unchanged in 2Q17

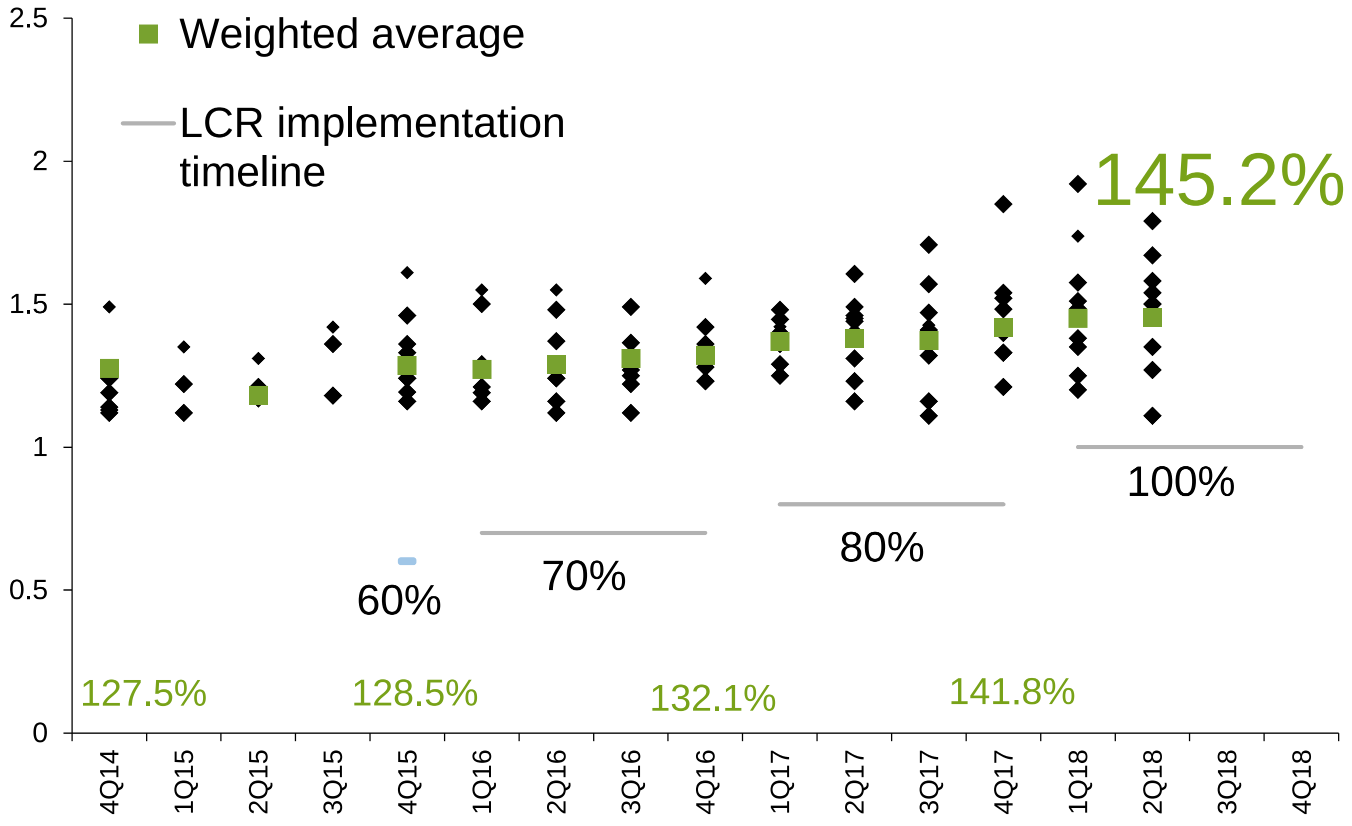
The weighted average leverage ratio stood at 4.69% in 2Q18, only 2bp below the ratio observed in 1Q18 (4.71%).

8 of the 12 banks increased their exposure measures during the quarter, with a weighted average variation of 0.8% QoQ. This increase, however, was fully offset by the leverage ratio's numerator as T1 end-point capital increased in a similar proportion during the quarter.

The weighted average ratio of 4.7% is comparable with a global minimum standard of 3% according to the Basel III accord.

Liquidity Coverage Ratio (LCR)

Liquidity coverage ratio (%)



Source: EU GSIBs earnings reports

LCR 45% above 2018 minimum required ratio (100%)

The weighted average LCR finalised the quarter at 145.2% in 2Q18, just slightly above the average ratio at the end of 1Q18 (145.1%).

CRDIV requires banks to have a sufficient level of High Quality Liquid Assets (HQLA) to withstand a stressed funding scenario of 30 days. HQLA relative to total net cash outflows over a 30-day time period must be greater than or equal to 100%.

Box: Capital Markets Union Key Performance Indicators (KPIs)

Measuring progress and planning for success

Measuring progress of CMU

AFME recently published a new report: "Capital Markets Union: Measuring Progress and Planning for Success", (available here) which is the first publication in an annual series which will review progress of CMU in delivering a deeper and more integrated capital market, as well as providing an industry perspective on some of the challenges and barriers that impede its development

This report was authored by AFME with the support of nine other trade associations and international organisations representing various Global and European capital markets stakeholders. These include the Climate Bond Initiative (CBI), and eight European trade associations representing stock exchanges (FESE), fund and asset management (EFAMA), retail and institutional investors (European Investors), pension funds (PensionsEurope), venture capital and private equity (InvestEurope), business angels (BAE, EBAN), and crowdfunding (ECN).

Seven KPIs to track progress

Seven Key Performance Indicators (KPI) have been constructed in the form of composite indicators and ratios to assess progress across the seven political priorities of the CMU Action Plan. These indicators are summarised on the right hand chart, alongside the respective CMU priority they seek to address

CMU Key Performance Indicators (KPIs)

Indicator	What it measures
Market Finance Indicator	how easy it is for companies to enter & raise capital on public markets
Household Market Investment Indicator	to what extent retail investment is being fostered
Loan Transfer Indicator	to what extent banking capacity is supporting the wider economy [through securitisation, covered bonds or loan portfolio disposals]
Sustainable Finance Indicator	to what extent long-term investments in infrastructure and sustainable investment are being made
Pre-IPO Risk Capital indicator	how well start-ups and non-listed companies can access finance for innovation
Cross-border Finance Indicator	to what extent cross-border investment is being facilitated
Market Depth Indicator	measuring the capacity of EU capital markets

Source: AFME

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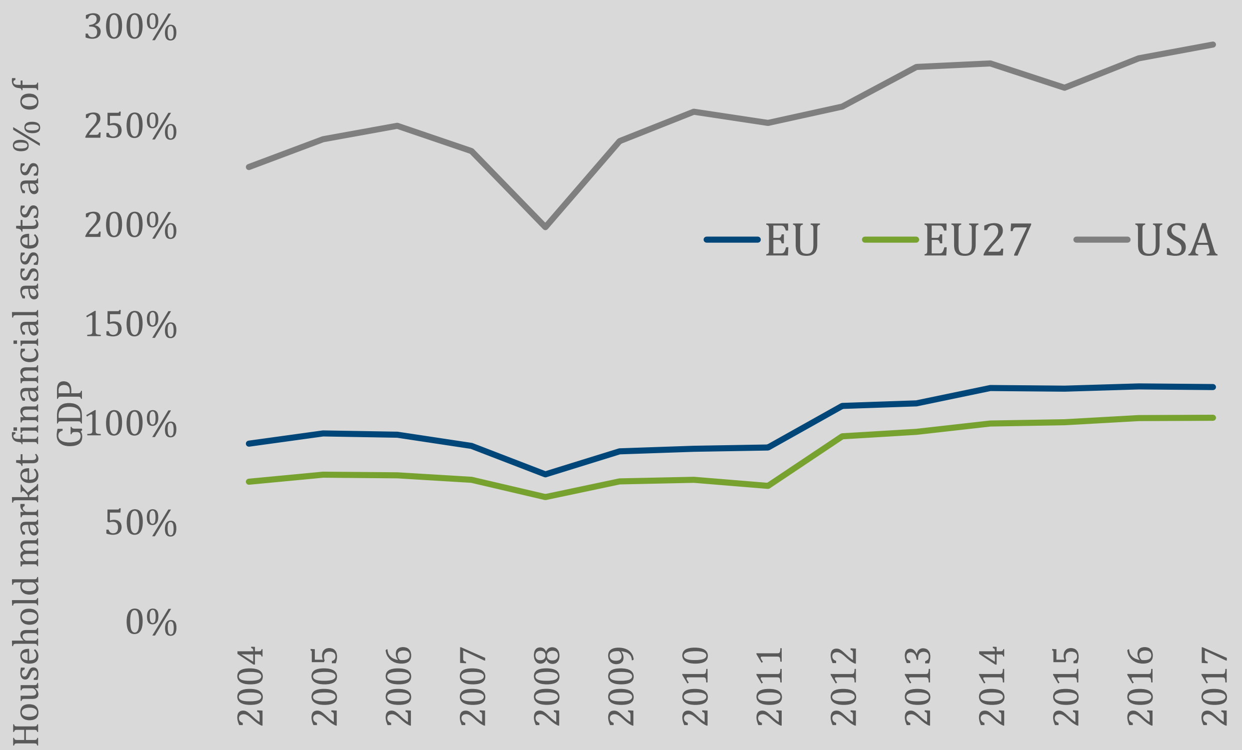
Companies continue to over rely on bank lending

Evolution of Household Market Investment Indicator

Household financial assets (ex- cash, deposits and unlisted equity) as % of GDP



Source: AFME

CMU KPI report key findings

Some of the key findings of this report are summarised in this text box.

Market finance indicator: The indicator is calculated as the proportion of equity and bond issuance by non-financial corporates as a percentage of annual bank lending and total market-based finance raised during the year

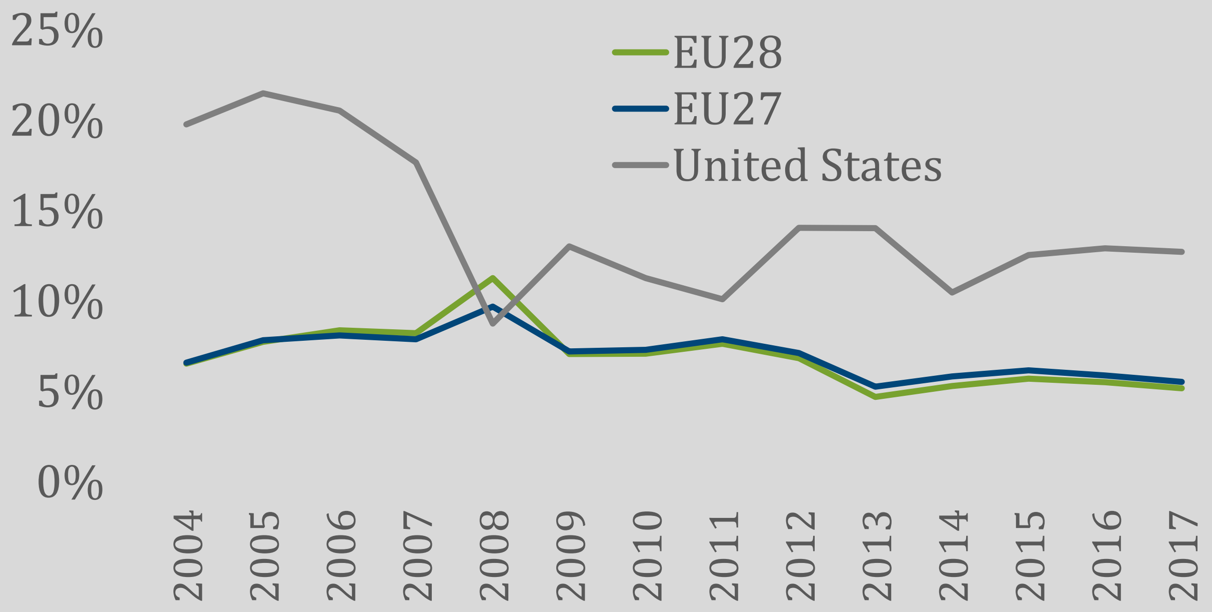
The report finds that EU non-financial corporates companies continue to over rely on bank lending, with 86% of their new funding in 2017 coming from banks and only 14% from capital markets.

Household Market investment indicator: This indicator is calculated as the amount of household financial assets saved in financial instruments (listed equity shares, investment fund shares, bonds, life insurance reserves and pension fund holdings) as a percentage of GDP

The report finds that the availability of pools of capital for investment has shown encouraging improvements in most EU countries in recent years. Over the last five years, the total amount of EU household savings in capital markets assets has increased from 114% of GDP on average in the period 2012-16 to 118.2% of GDP in 2017, led by the accumulation of household retirement savings. See left chart.

The EU is a global leader in sustainable finance

Loan Transfer Indicator: covered bond, securitisation and portfolio sales as % of outstanding loans



Source: AFME

<u>Loan transfer indicator:</u> Calculated as the annual amount of securitisation, covered bond issuance and loan portfolio transactions as a percentage of outstanding bank loans

The report finds that recent years have shown a decline in the transformation of loans into tradeable securities like covered bonds, securitisation, or loan portfolio transactions.

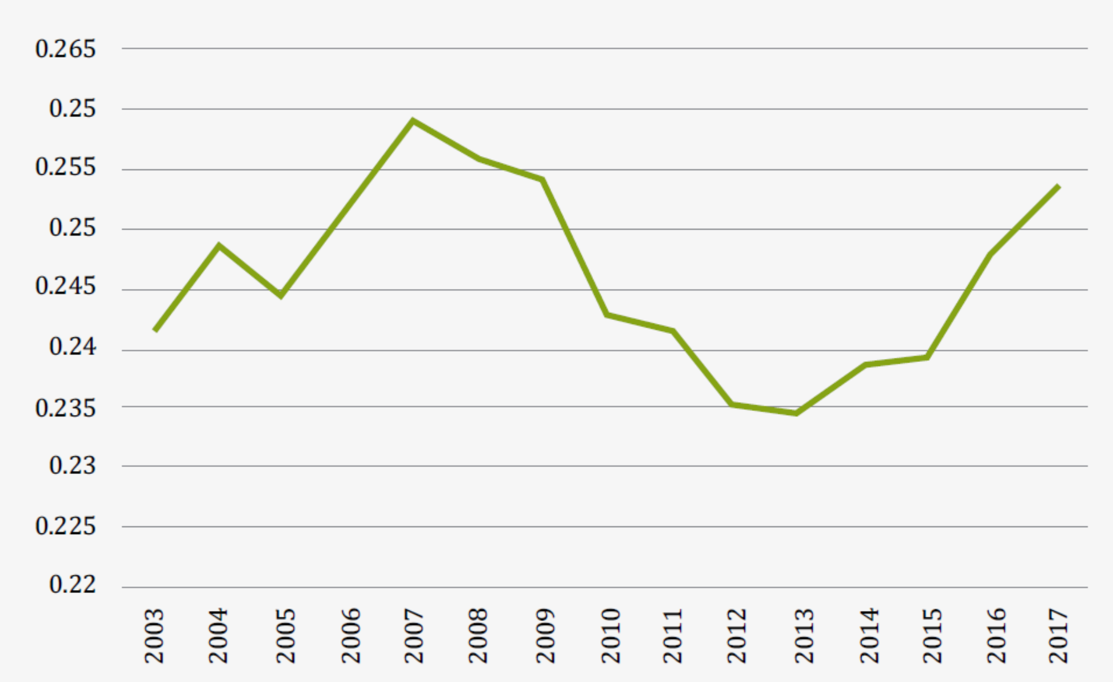
In 2017, 5.2% of the stock of EU bank loans were securitised, sold to investors through loan portfolio transactions or pooled in covered bond instruments, compared to 5.6% on average in the 2012-16 period. See left chart.

<u>Sustainable finance indicator:</u> This indicator is calculated as total bond issuance labelled as sustainable as a percentage of total bond issuance.

The report finds that Europe is a global leader in the growing field of sustainable finance. Over 2% of the EU's bonds (government, municipal, agency, corporate, securitisations, and covered bonds) issued in 2017 were labelled sustainable 4, from 0% just five years ago and compared with less than 1% in the US in 2017

Growing intra-EU integration

Intra EU Integration indicator [0: Min, 1: Max]



Source: AFME

<u>Pre-IPO risk capital indicator:</u> calculated as the annual investment through equity crowdfunding, business angels, and private equity growth funds and venture capital funds as a percentage of bank loans and risk capital investment to SMEs.

The report finds that the annual amount of pre-IPO risk capital invested into SMEs has increased in the EU from €10.6bn in 2013 (1.4% of new external SME funding) to €22.7bn (2.5% of new external SME funding) in 2017. However, risk capital investments remain low relative to GDP and a significant gap continues compared with the US (0.8% of GDP vs 0.15% of GDP in the EU).

<u>Cross-border finance indicator(s):</u> We produced two indicators to measure the degree of Capital markets integration within the EU and with the rest of the world.

These indicators are calculated as a composite indicator of cross-border M&A transactions, cross-border equity & bond issuance, cross-border private equity, and cross-border portfolio holdings— both intra-EU and with the rest of the world

The report finds that European capital markets have shown an encouraging trend towards greater integration since the aftermath of the financial crisis after the repatriation of some market activities and funding to home countries (see left chart). Progress at improving European capital markets integration with the rest of the world has been more limited

Country rankings to assess progress by area

Country Rankings by Indicator: 2017

	Market Finance Indicator	Households Market Investment	Loan Transfer Indicator	Sustainable Finance	Risk Capital indicator	Intra-EU integration (EU)	Integration with the rest of the world	Market depth indicator
Austria	17	11	17	9	13	4	14	11
Belgium	18	5	8	28	23	3	5	6
Bulgaria	28	24	19	28	8	22	21	24
Croatia	20	16	28	28	25	28	27	27
Cyprus	28	18	28	28	17	23	3	20
Czech Republic	12	19	9	28	11	9	24	15
Denmark	13	3	1	10	2	11	8	3
Estonia	22	23	28	28	1	6	26	18
Finland	5	13	14	7	9	10	12	8
France	4	6	10	3	7	14	11	5
Germany	9	8	16	6	14	19	9	10
Greece	3	26	4	28	10	20	15	16
Hungary	21	17	11	28	24	25	17	22
Ireland	2	12	5	28	4	8	10	7
Italy	10	7	7	11	26	15	16	13
Latvia	23	25	28	8	6	5	25	25
Lithuania	16	27	28	1	18	27	22	23
Luxembourg	19	14	20	28	16	1	2	9
Malta	28	9	28	28	na	21	7	17
Netherlands	6	1	12	2	5	7	4	2
Poland	15	21	18	13	na	24	20	21
Portugal	11	15	6	28	21	13	18	14
Romania	8	28	21	28	20	16	23	28
Slovakia	28	20	15	28	19	18	28	26
Slovenia	28	22	28	14	12	26	19	19
Spain	14	10	2	5	22	17	13	12
Sweden	7	4	3	4	15	12	6	4
UK	1	2	13	12	3	2	1	1

Top 5 countries
Ranked 6-19
Ranked 20-28
na data not available to produce the indicator

Source: AFME

Market Depth indicator: Finally, we produced an indicator which measures capital markets depth from a holistic perspective recognising the multiple factors behind effective capital markets development.

The indicator is calculated as a composite indicator of: (i) supply of funds, (ii) primary markets activity, (iii) market liquidity, and (iv) institutional strength

According to this indicator, market depth has increased slightly in Central and Eastern European (CEE) as capital markets in Europe's high potential economies are converging with those of the rest of Europe, but at a slow pace.

CEE has shown encouraging improvements in primary markets activity, but less significant progress in the availability of pools of capital.

Country Rankings to measure success

For each of the indicators, AFME produced individual country rakings which seek to identify the areas where further progress is needed.

The report also sets out policy recommendations which further support CMU and the political priorities of the Action Plan while tying in to each of the indicators. We hope that these recommendations contribute to the ongoing debate on the further work that needs to be done to continue building a European Capital Markets Union

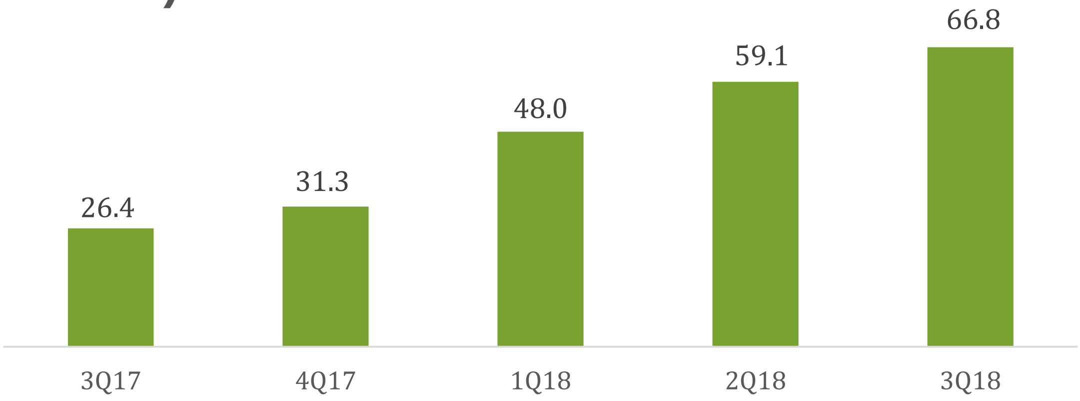
Funding structure

Senior non-preferred debt

EU GSIBs Senior non-preferred debt outstanding by banks. 3Q18 (Sep)

		Outstanding amount (EUR bn)	as % of RWAs	# Bonds
B1	348.3	0.5	0.1%	8
B2	657.1	20.4	3.1%	52
B3	360.1	3.9	1.1%	3
B4	533.3	11.0	2.1%	29
B5	318.3	1.5	0.5%	1
B6	594.8	16.0	2.7%	43
B7	363.0	9.8	2.7%	14
B8	123.0	2.2	1.8%	8
B9	360.7	1.5	0.4%	1
Total		66.8	-	159

EU GSIBs Senior non-preferred debt outstanding (EUR bn)



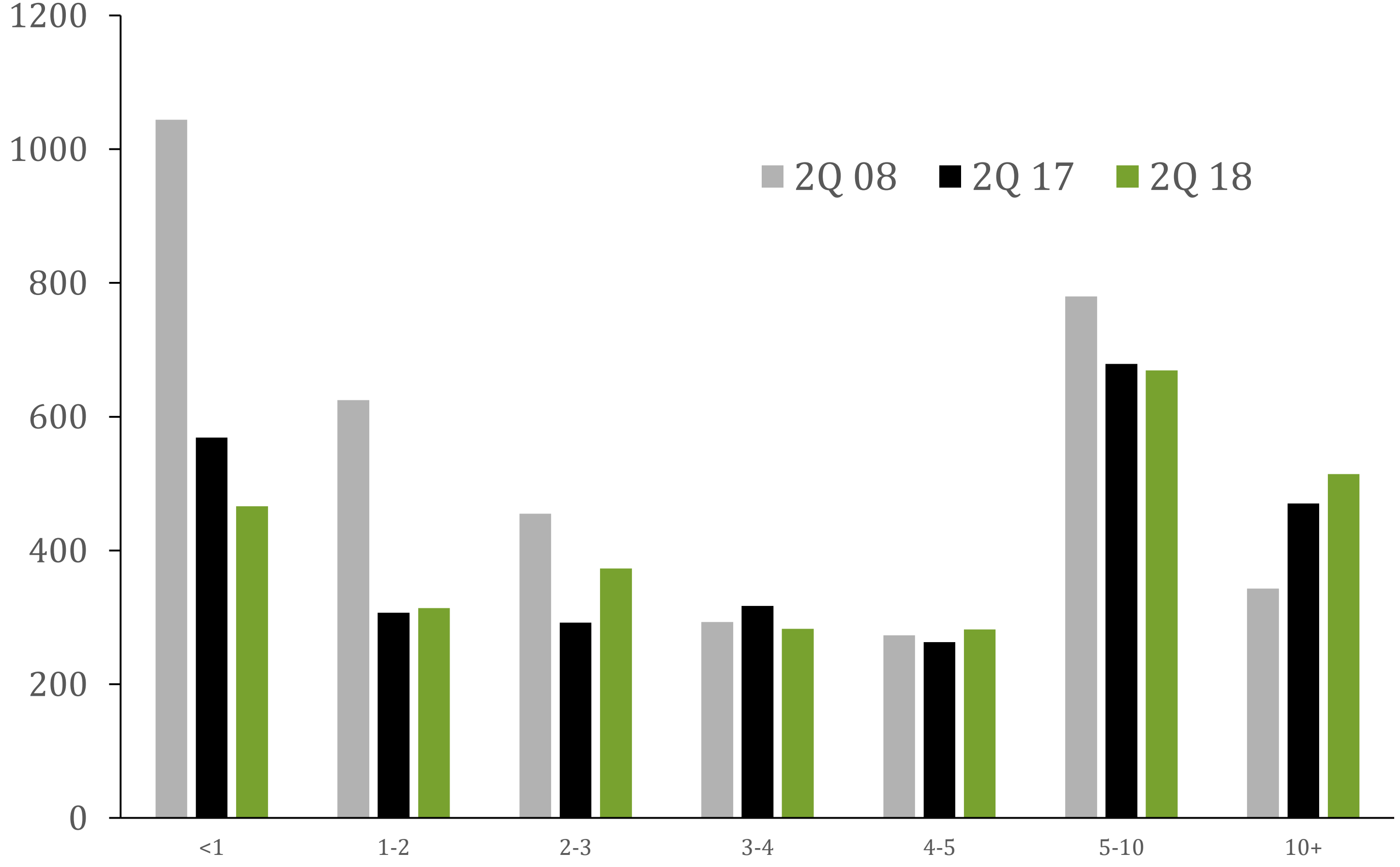
Source: Reuters Eikon. 3Q18 data retrieved on Sep 2018. Includes bonds issued by GSIB subsidiaries

EU GSIBs have continued to increase the proportion of senior non-preferred bonds which take losses after subordinated notes and before preferred senior debt

In September 2017, banks had issued an accumulated amount of €26.4 bn in this form of *bail-inable* (loss absorption) debt. The total amount has increased most recently to €66.8bn (as of Sep 2018) representing between 3.1% and 0.1% of RWAs for the banks that have issued this form of debt.

Maturity wall of EU banks' debt

Maturity profile of EU28 Banks' outstanding debt securities (€ bn, maturity in years)



Source: ECB

EU banks maturity ladder

The proportion of short-term debt (<1Y maturity) relative to outstanding debt securities has decreased from 35% in 2Q08 to 16% in 2Q18.

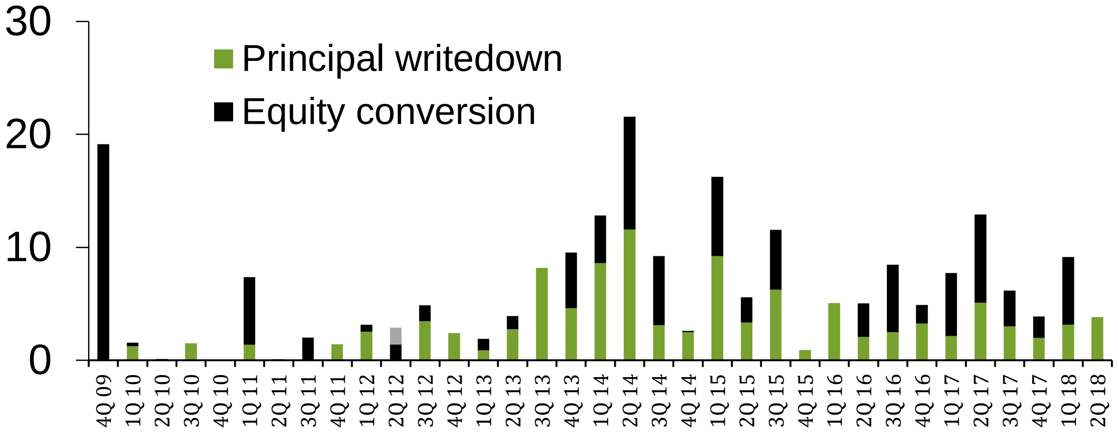
Long-term debt (>10Y maturity) has increased from 12% (2Q08) of total market debt to 17% in 2Q18.

Contingent Convertibles (CoCo)

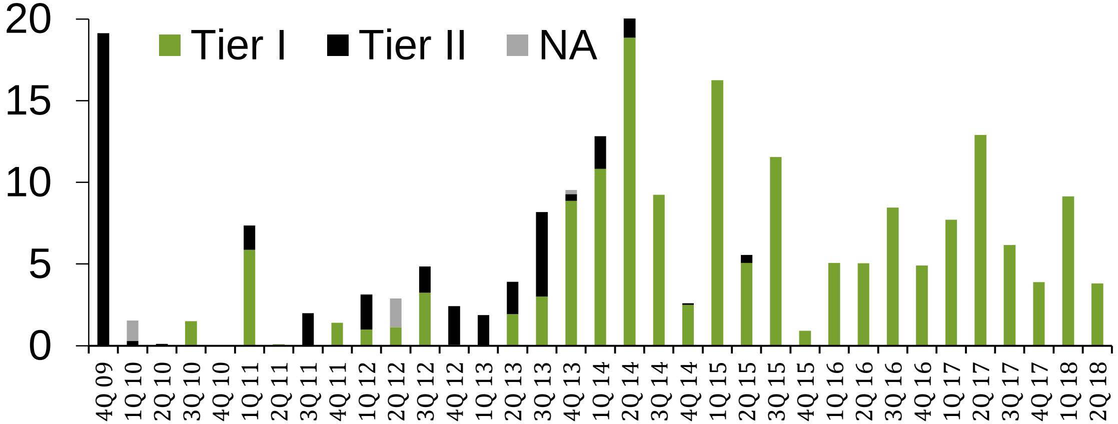
European CoCo issuance

Finance for Europe

CoCos by loss absorbing mechanism (€ bn)



CoCos by capital tiering (€ bn)



Source: Dealogic and Thomson Reuters

70% YoY decline in CoCo issuance during the quarter

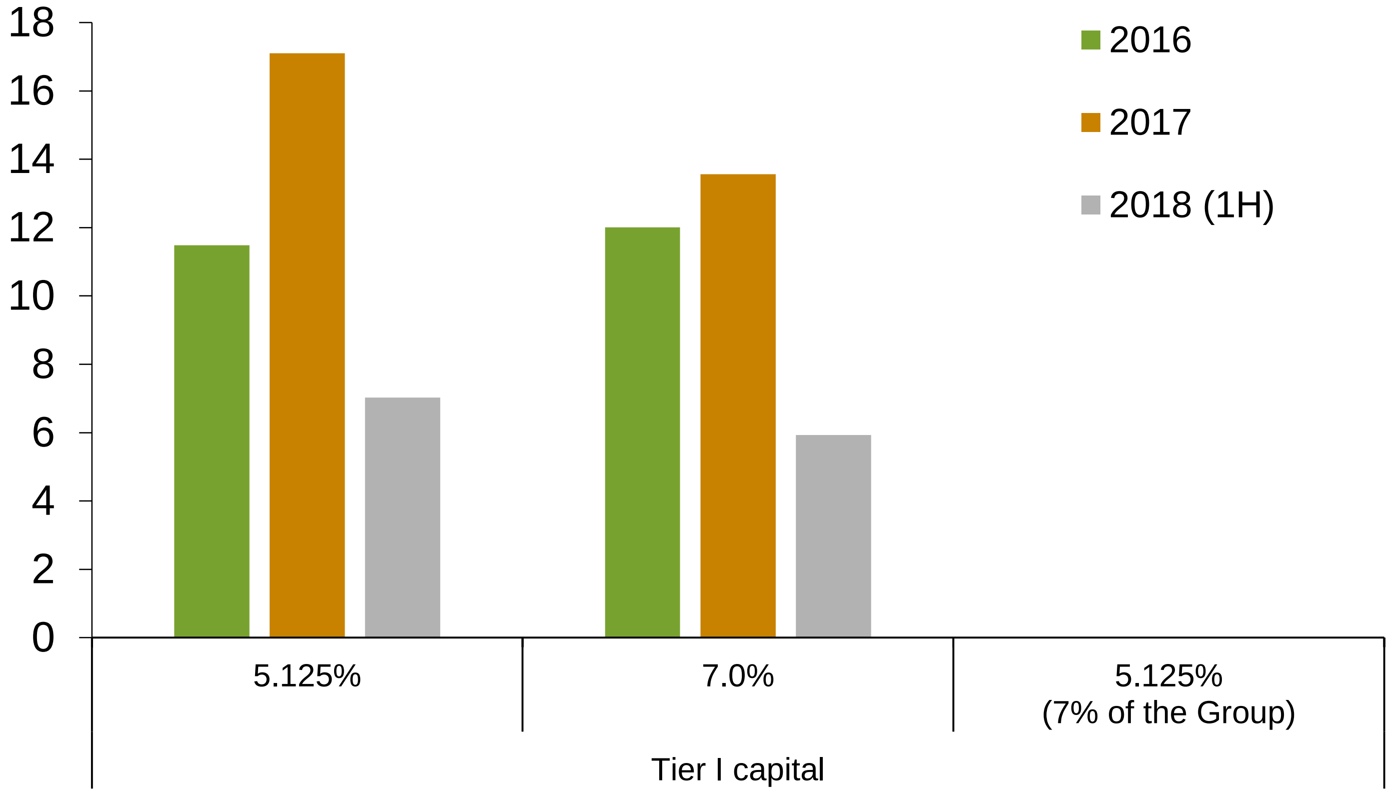
European banks issued a total of €3.8 bn in CoCo bonds during 2Q18, the lowest quarterly volume since 4Q15.

All the CoCo bonds issued in 2Q18 were structured contingent on T1 performance with a loss absorbing mechanism on the basis of principal writedown.

However, market activity for the third quarter of 2018 reported as of 20 September suggest a quarterly increase in CoCo issuance with a total of €7.5bn issued so far during 3Q18. This would represent, however, a cumulative decline in CoCo issuance during 2018 of -23% YtD.

CoCo issuance by trigger

CoCos by trigger (€ bn)



Source: Dealogic and Thomson Reuters

CoCo instruments contingent on Tier 1 performance are typically structured with capital triggers of 5.125% and 7%

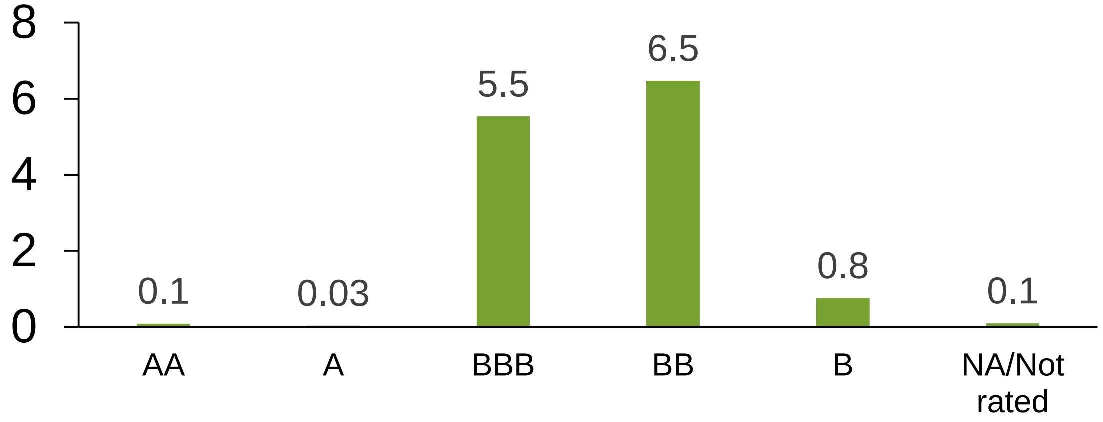
During 2Q18, 8 instruments representing 72% of the issued value (or €2.8bn) were structured with capital triggers of 5.125% contingent on Tier 1 performance.

3 instruments representing €1.0bn in volume were structured with a trigger of 7%, also contingent on Tier 1 performance.

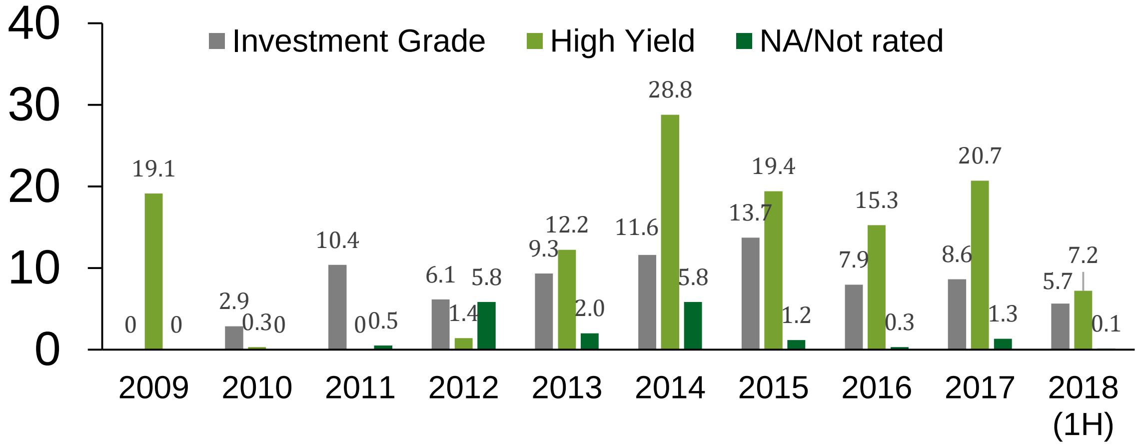
One instrument issued during the quarter was structured with a 5.125% capital trigger contingent on the bank's T1 performance and 7% on the group's T1 ratio.

CoCos by credit rating

1H 18 CoCo issuance by credit rating (€ bn)



CoCos issuance by credit risk (€ bn)



Source: Dealogic. Credit rating at date of issuance

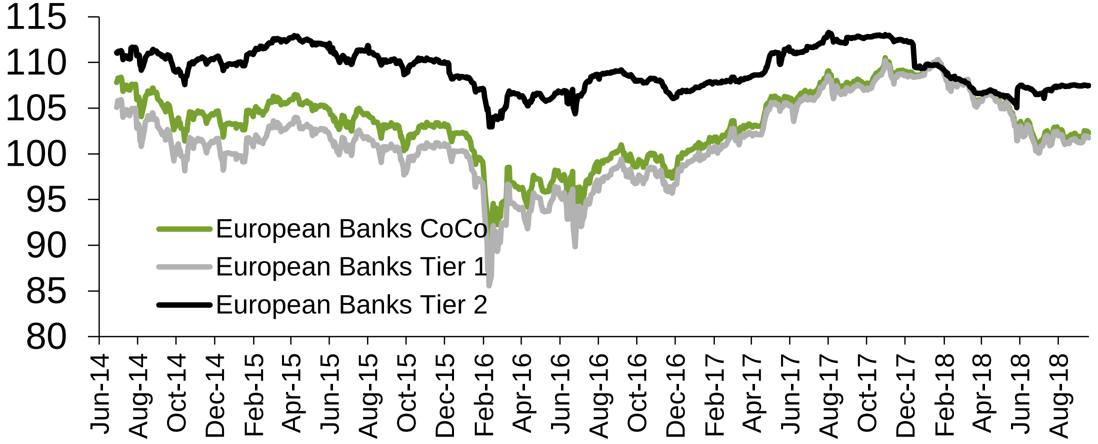
CoCo credit quality

CoCos issued in the first half of 2018 were assessed with credit ratings of between AA and B (or between Aa2 and B2 in the Moody's scale).

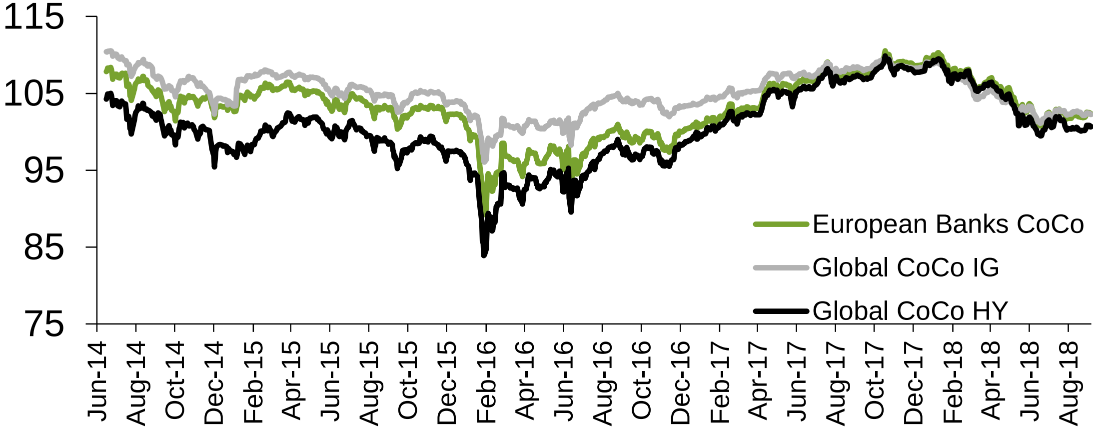
43% of the total issuance value in the first half of 2018 was rated at investment grade ratings (AAA to BBB-), 56% were rated at BB+ or below, while the remaining 1% were not rated.

CoCo prices

CoCo prices by capital tiering



CoCo prices by credit risk



Source: Barclays capital

CoCo instruments reverse gains seen in 2017

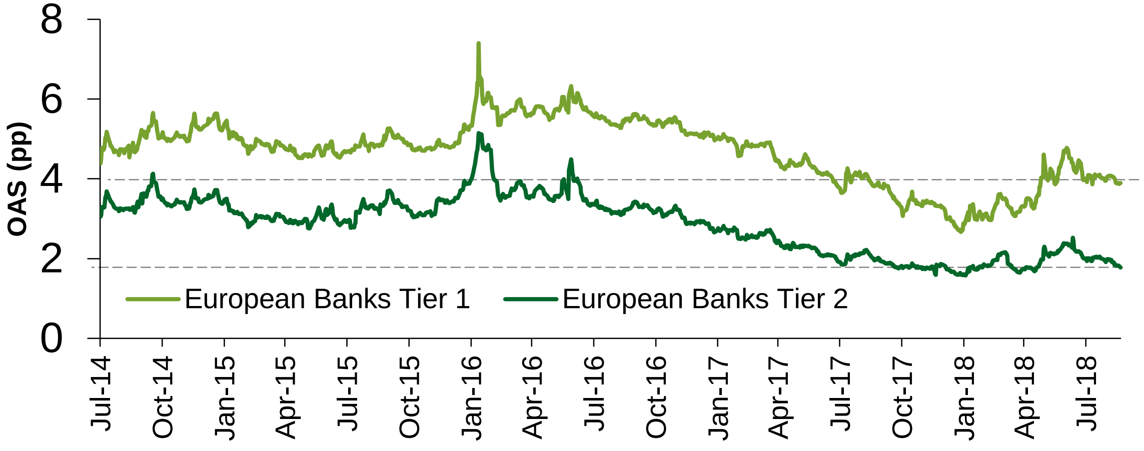
CoCo prices have receded in the course fo the year, with a decline of 5.8% YtD (as of September 2018) for European Banks average CoCo prices (including T1 and T2 instruments).

High Yield CoCo instruments have generated the largest price losses of the year, with price indices 6.6% below the levels of the end of 2017, compared with a decline of 5.6% YtD of investment grade CoCos.

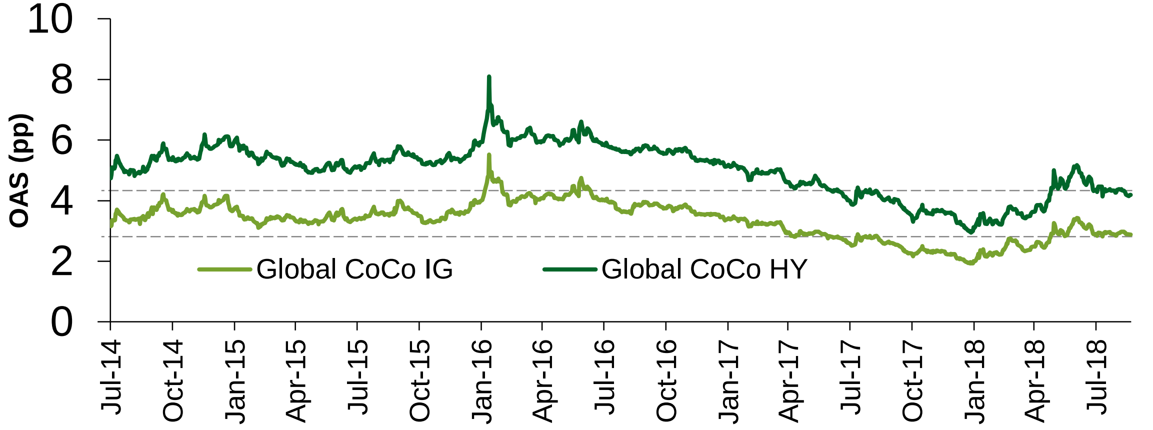
Price losses have been mostly driven by a higher risk premia for CoCo instruments.

CoCo risk premia

CoCo option-adjusted spreads (OAS) by capital tiering (%)



CoCo option-adjusted spreads (OAS) by credit risk (%)



Source: Barclays capital

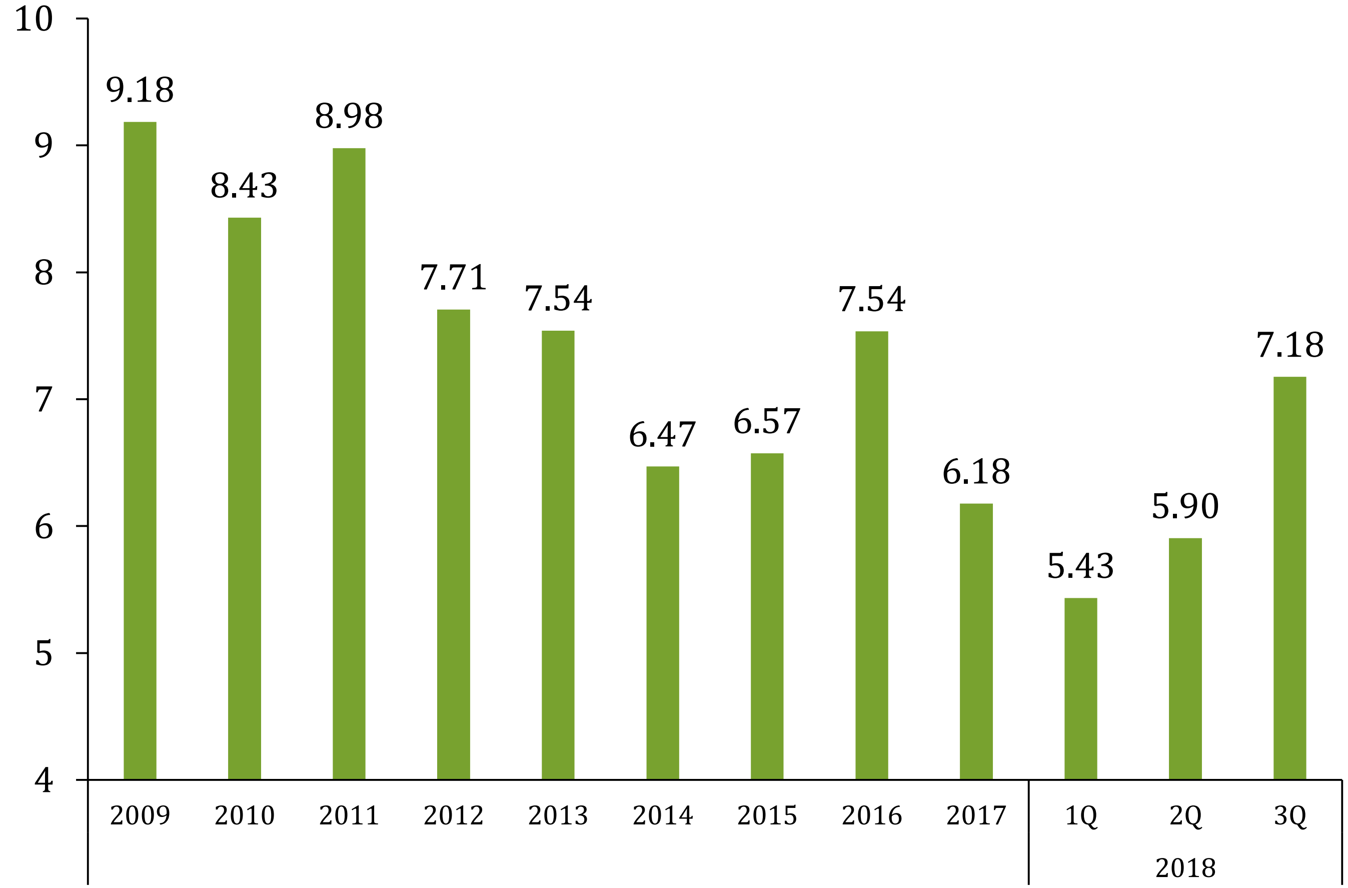
Option-adjusted spreads (OAS) against benchmark risk-free rates (or risk premium) have increased during the year

AT1 OAS have increased 59bps year-to-date from 330bps in late December 2017 to 389bps in September 2018.

The most prominent increase in risk premia was observed in the second quarter of the year, as AT1 OAS reached 465 bps at the end of June.

CoCo coupon rates

Weighted average coupons of fixed-rate CoCos (%)



Source: Dealogic and Barclays capital. 3Q18 includes CoCos issued as of 20 September and average OAS during the quarter as of 20-September

Increase in coupon rates of newly originated CoCos

Average coupon rates for newly issued CoCos have steadily increased during the year from record-lows reached in 1Q18 to 7.18 in 3Q18.

The increase in coupon rates has been driven by higher risk premia for CoCo instruments, with an increase in CoCo option-adjusted spreads of 59 bps over the year (and c100bps compared to 1Q18 average spreads). Long-term AAA benchmark rates have only increased 11bps during the course of the year.

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Recently issued CoCos

Pricing Date	Issuer	Tier Capital	Deal Total Value (Euro)	Trigger	Conversion mechanism	Issue Rate	Effective Rating (Launch)	Maturity	Coupon
17-Jan-18	Raiffeisen Bank International AG	Tier I	500,000,000	5.125%	Writedown	Fixed rate conv. to floating rate note	BB-	Perpetual	4.5
24-Jan-18	UBS Group Funding (Switzerland) AG	Tier I	1,630,324,027	7.000%	Writedown	Fixed rate conv. to floating rate note	BBB-	Perpetual	5
25-Jan-18	Alfa Bank	Tier I	404,710,834	5.125%	Writedown	Fixed rate conv. to floating rate note	B	Perpetual	6.95
25-Jan-18	Belfius Bank & Insurance	Tier I	500,000,000	5.125%	Writedown	Fixed rate conv. to floating rate note	BB	Perpetual	3.625
30-Jan-18	Eika Boligkreditt AS	Tier I	20,945,808	5.125%	Writedown	Floating rate note	Not rated	Perpetual	3-mth NIBOR +315
12-Mar-18	Santander	Tier I	1,500,000,000	5.125%	Equity conversion	Fixed rate	BB+	Perpetual	4.75
13-Mar-18	CaixaBank	Tier I	1,250,000,000	5.125%	Equity conversion	Fixed rate	BB-	Perpetual	5.25
19-Mar-18	HSBC Holdings plc	Tier I	1,424,037,757	7.000%	Equity conversion	Fixed rate conv. to floating rate note	BBB	Perpetual	6.5
19-Mar-18	HSBC Holdings plc	Tier I	1,830,905,688	7.000%	Equity conversion	Fixed rate conv. to floating rate note	BBB	Perpetual	6.25
21-Mar-18	Romsdal sparebanken	Tier I	3,683,629	5.125%	Writedown	Floating rate note	Not rated	Perpetual	3-mth NIBOR +370
03-Apr-18	Ibercaja Banco SAU	Tier I	350,000,000	5.125%	Writedown	Fixed rate conv. to floating rate note	B	Perpetual	7
04-Apr-18	Societe Generale	Tier I	1,017,087,063	5.125%	Writedown	Fixed rate conv. to floating rate note	BB+	Perpetual	6.75
06-Apr-18	SpareBank 1 SMN	Tier I	31,284,054	5.125%	Writedown	Floating rate note	A	Perpetual	3-mth NIBOR +315
12-Apr-18	Deutsche Pfandbriefbank AG	Tier I	300,000,000	7.000%	Writedown	Fixed rate conv. to floating rate note	BB-	Perpetual	5.75
17-Apr-18	KBC Group NV	Tier I	1,000,000,000	5.125%	Writedown	Fixed rate conv. to floating rate note	BB+	Perpetual	4.25
18-Apr-18	BAWAG Group AG	Tier I	300,000,000	5.125%	Writedown	Fixed rate	BB+	Perpetual	5
20-Apr-18	Landkreditt Bank AS	Tier I	15,615,728	5.125%	Writedown	Floating rate note	Not rated	Perpetual	3-mth NIBOR +330
27-Apr-18	Sparebanken Hemne	Tier I	3,097,638	5.125%	Writedown	Floating rate note	Not rated	Perpetual	3-mth NIBOR +400
23-May-18	Sydbank A/S	Tier I	100,000,000	7.000%	Writedown	Fixed rate	BB+	Perpetual	5.25
30-May-18	Hoist Finance AB	Tier I	40,000,000	5.125%	Writedown	Fixed rate	Not rated	Perpetual	8
30-May-18	TF Bank AB	Tier I	9,701,768	5.125% (7% of the Group)	Writedown	Floating rate note	Not rated	Perpetual	3-mth SIBOR +675
20-Jun-18	Danske Bank	Tier I	647,277,121	7.000%	Writedown	Fixed rate	BBB-	Perpetual	7
09-Jul-18	Credit Suisse Group AG	Tier I	1,702,852,278	7.000%	Writedown	Fixed rate	BB	Perpetual	7.5
07-Aug-18	Barclays plc	Tier I	2,163,471,940	7.000%	Equity conversion	Fixed rate	BB-	Perpetual	7.75
08-Aug-18	BNP Paribas	Tier I	647,472,698	5.125%	Writedown	Fixed rate conv. to floating rate note	BBB-	Perpetual	7
28-Aug-18	Bank of Cyprus Holdings plc	Tier I	220,000,000	5.125%	Writedown	Fixed rate conv. to floating rate note	Not rated	Perpetual	12.5
04-Sep-18	Rabobank	Tier I	1,000,000,000	5.125% (7% of the Group)	Writedown	Fixed rate conv. to floating rate note	BBB-	Perpetual	4.625
05-Sep-18	Credit Suisse Group AG	Tier I	1,295,504,599	7.000%	Writedown	Fixed rate	BB	Perpetual	7.25
10-Sep-18	Bankia	Tier I	500,000,000	5.125%	Writedown	Fixed rate	BB-	Perpetual	6.375

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Disclaimer and Methodology

For a description of the methodology of this report please visit https://www.afme.eu/en/reports/Statistics/

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