

Market overview: AT1 universe

- This report gives an overview of the existing AT1 universe and summarizes outstanding AT1 bonds by currency, rating, and the issuer's country of issuance.
- Since the inception of AT1s, the amount of outstanding AT1s has constantly increased. By end-November 2016, a total of EUR-equivalent EUR 112bn AT1s had been issued. The majority of AT1s issued have issue ratings in the lower investment grade or high non-investment-grade area, i.e. in the "BBB" and "BB" category. Regarding the total outstanding AT1 amount, the main issuers are from the UK (31.3% of total outstanding), Switzerland (12.2%), France (11.9%), Spain (10.1%), and the Netherlands (7.8%). The majority of the outstanding amount is issued in USD (63.0%), followed by EUR (27.5%).
- AT1 spreads widened significantly in 1Q16, pressured by macroeconomic uncertainties and concerns about some banks' coupon payment capabilities, but have since recovered. YTD returns of AT1s entered positive territory in September for the first time in the year. We expect AT1 spreads to continue to tighten in 2017 amid more regulatory clarity for the asset class and an improving environment for banks.
- AT1s' performance was positively impacted by two favorable regulatory changes: First, the split of Pillar 2 into a requirement and guidance component that lowers the MDA trigger and thus the coupon cancellation risk. Some banks have already published their 2017 MDA triggers and the releases confirm on average 179bp lower trigger levels (sample of 18 banks in Belgium, France, Germany, Italy, Ireland, Netherlands and Spain).
- The CRD IV regulation allows up to 1.5% of Pillar 1 capital requirements to be fulfilled with AT1s. The average ratio of outstanding AT1s over RWAs for the sample of banks below is 1.29%, indicating that the 1.5% bucket for AT1s is not yet fully filled.
- Outlook 2017: We expect a EUR-equivalent issuance volume of EUR 20bn in AT1s in 2017. We expect AT1 spreads to continue to tighten in 2017 amid more regulatory clarity for the asset class and an improving environment for banks (steepening of the yield curve, improving interest rate environment, a slower introduction of stricter regulation and improving asset quality).
- Trade ideas: We recommend to buy AARB 7.625% 11/49, BBVASM 9% 5/18-49, BBVASM 7% 2/19-49, SANTAN 6.25% 3/19-49, ISPIM 7% 1/21-49.

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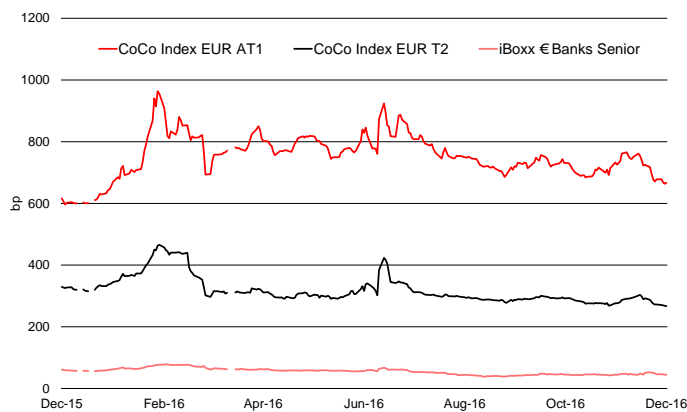
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Overview of the AT1 universe*

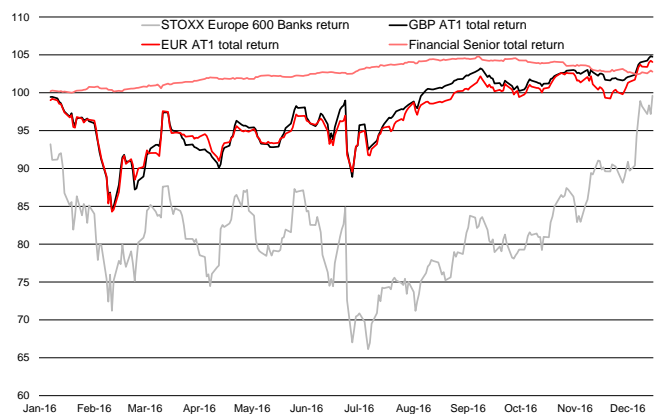
Spread performance and total return of AT1s

Spreads of AT1s widened significantly in 1Q16 pressured by macroeconomic uncertainties and concerns about some banks' coupon payment capabilities, but recovered since then. YTD returns of AT1s entered positive territory in September for the first time in the year, when stocks still showed a highly negative 2016 YTD total return. Stocks, however, have not been able to fully recover from their lows, despite bank stocks having performed well over recent months. We expect AT1 spreads to continue to tighten in 2017 amid more regulatory clarity for the asset class and an improving environment for banks (steepening of the yield curve, improving interest rate environment, improving asset quality and a slower introduction of stricter regulation).

ASSET SWAP SPREAD OF AT1 VS. T2



RETURNS OF DIFFERENT ASSET CLASSES YTD



Indices are based on UniCredit Research composition.

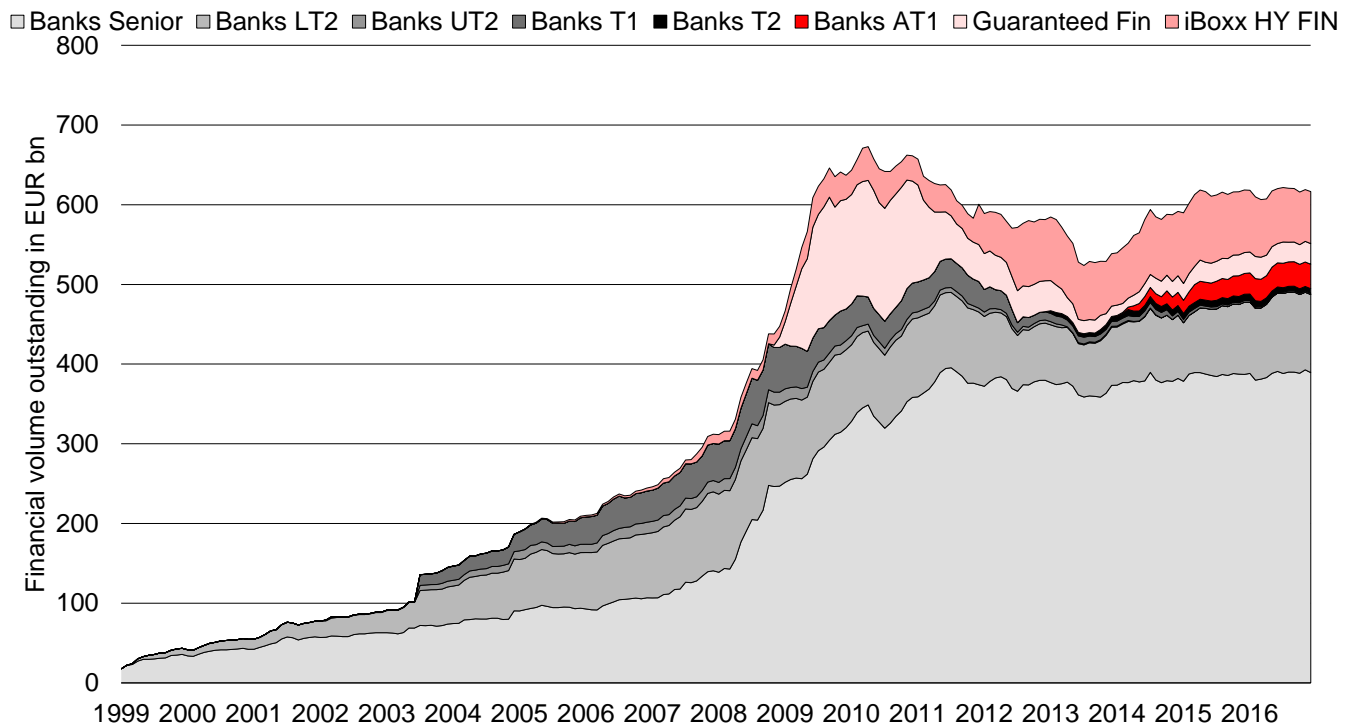
Source: Bloomberg, iBoxx, UniCredit Research

*Our definitions essentially exclude smaller issues.

AT1s are an evolving asset class

Since the inception of AT1s, the amount of outstanding AT1s has increased constantly. Until November 2016, a total of EUR-equivalent EUR 112bn AT1s have been issued. The 1.5% AT1 buffer in the total capital ratio is not yet fully utilized. In 2017, we see the potential for AT1 issuance to catch up, provided the market stabilizes, as AT1 issuance in 2016 was negatively impacted by market volatility. The chart below displays AT1's share of issues for all EUR-denominated issues.

OUTSTANDING PARENT

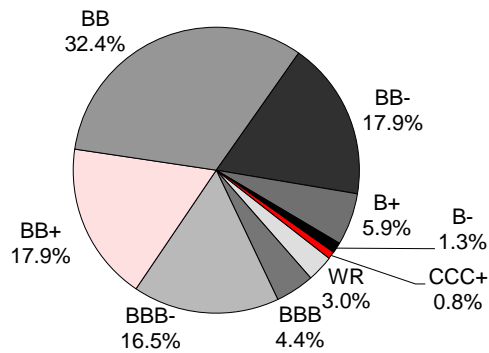


Source: iBoxx, UniCredit Research

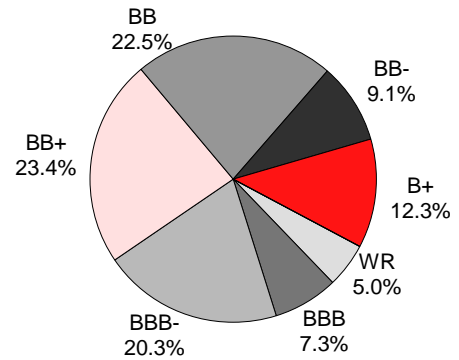
Rating

The majority of issued AT1s have issue ratings in the lower investment grade or high non-investment grade area, i.e. in the “BBB” and “BB” category. Several investors face rating triggers for their investment decisions requiring at least one investment grade rating. Outstanding AT1s with at least one investment grade rating have on average an around 200bp lower ASW spread compared to non-investment-grade-rated AT1s. The average ratings of issued AT1s has improved since June 2016; we think this has been driven by the volatile market environment, which has made the issuance of AT1s with lower ratings more difficult.

ISSUANCE BY RATING SINCE 2011

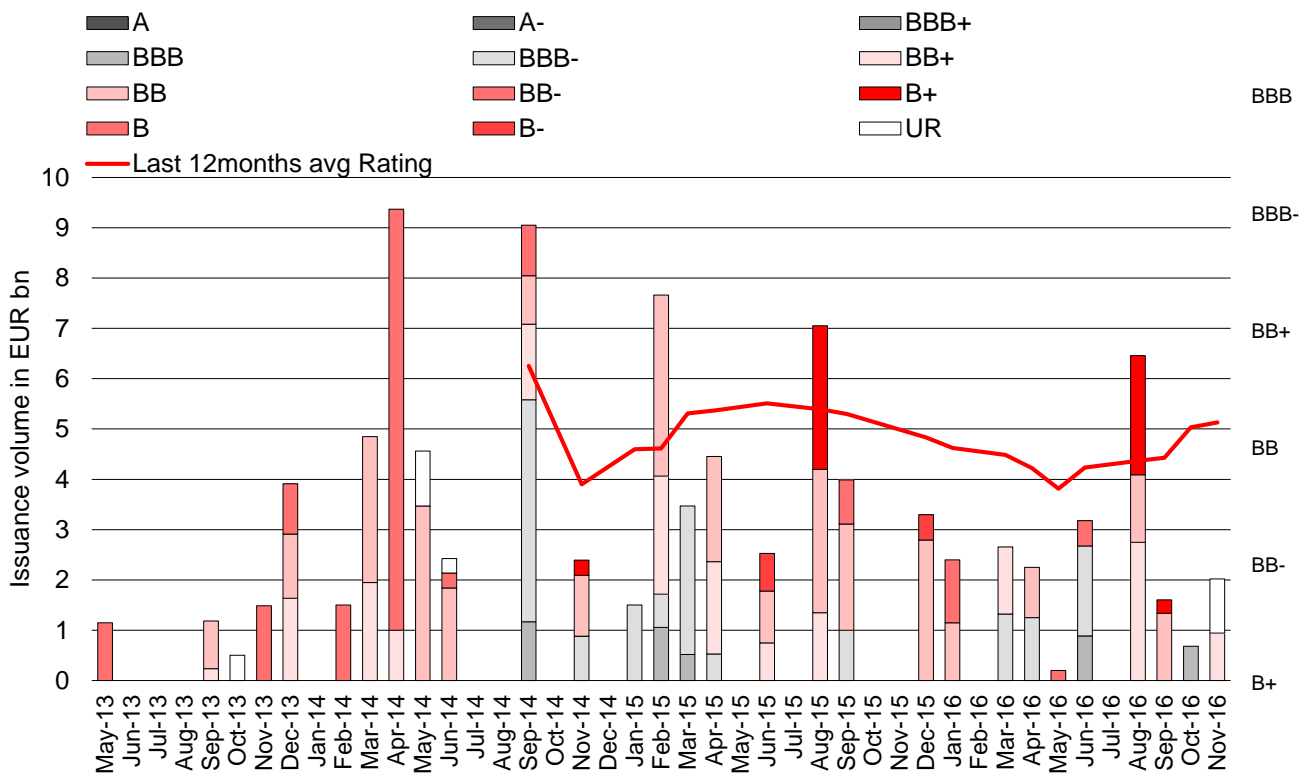


ISSUANCE BY RATING YTD



Source: iBoxx, UniCredit Research

ISSUANCES BY RATING - MONTHLY DATA

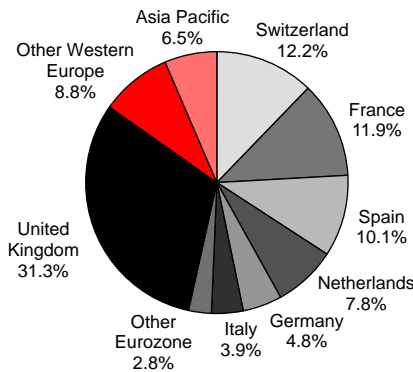


Source: iBoxx, UniCredit Research

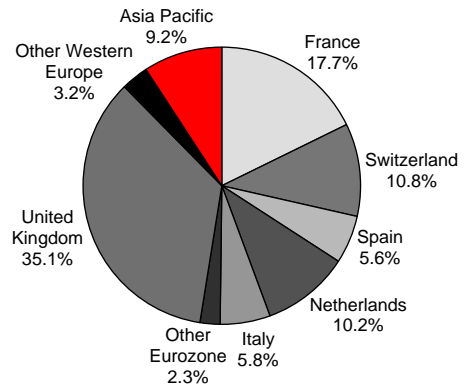
Country

Regarding the total outstanding AT1 amount, the main issuers are from the UK (31.3% of total outstanding), Switzerland (12.2%), France (11.9%), Spain (10.1%), and the Netherlands (7.8%). Considering the last 12 months of issuances, the UK and France have been very active, while issuance from Spanish and German banks has been low.

ISSUANCE BY COUNTRY SINCE 2011

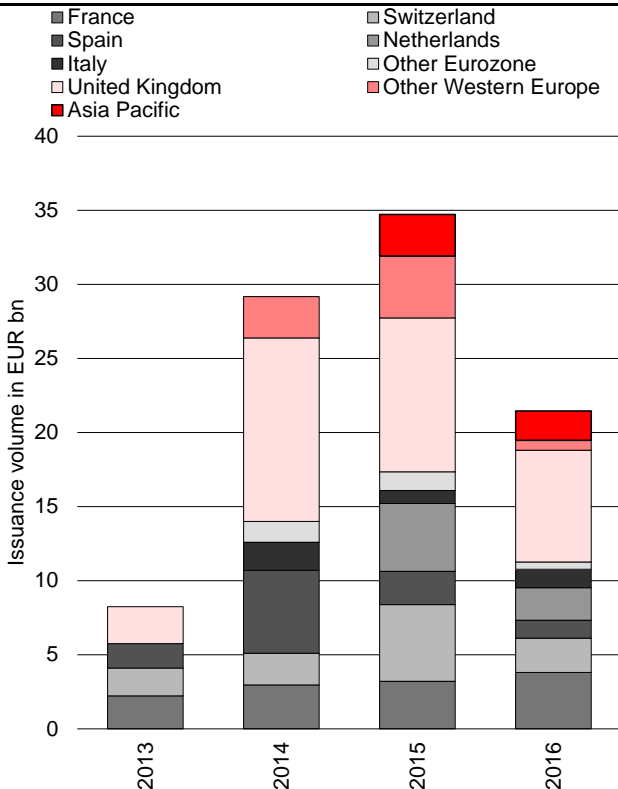


ISSUANCE BY COUNTRY YTD

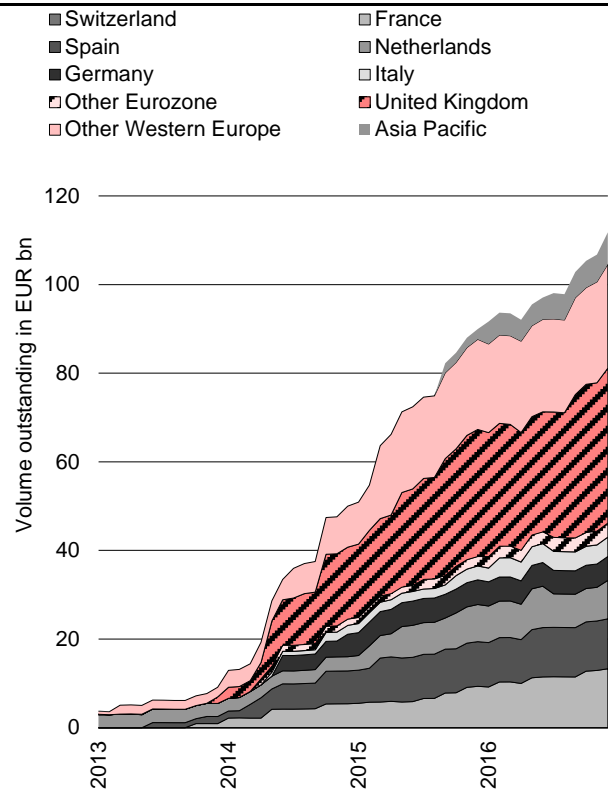


Source: iBoxx, UniCredit Research

ISSUANCE BY COUNTRY YEARLY



OUTSTANDING BY COUNTRY YTD



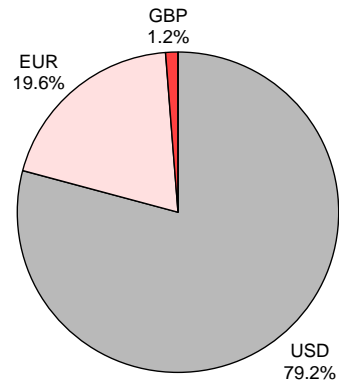
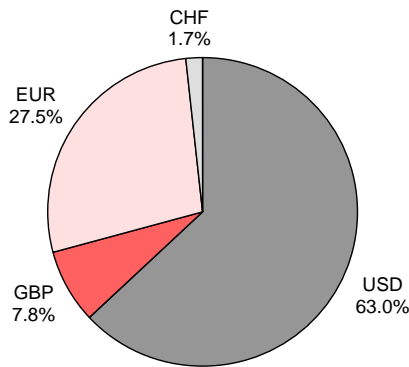
Source: Bloomberg, UniCredit Research

Issuance by Currency

The majority of the outstanding amount is issued in USD (63.0%), followed by EUR (27.5%), while GBP and CHF-denominated AT1s play a minor role. USD-denominated issuance in the last 12 months has increased compared to other currencies.

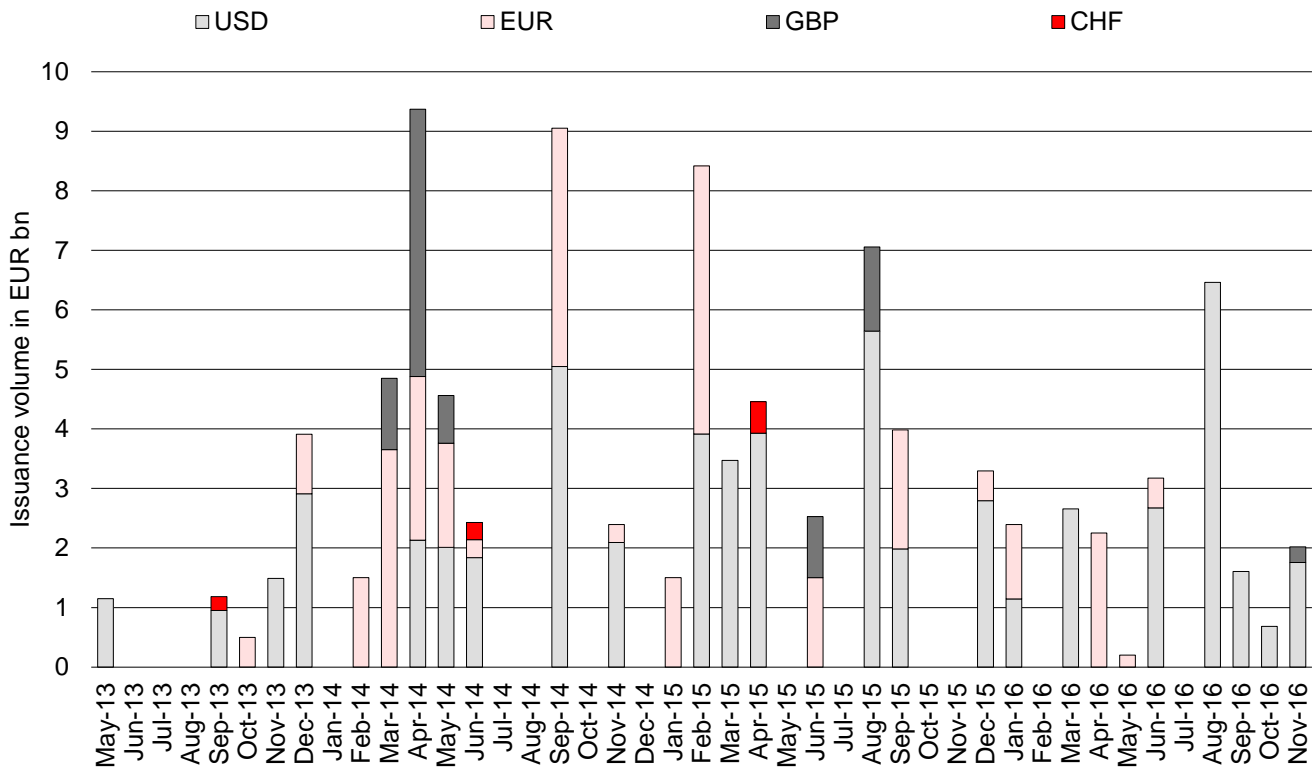
ISSUANCE BY CURRENCY SINCE 2011

ISSUANCE BY CURRENCY YTD



Source: Bloomberg, UniCredit Research

MONTHLY ISSUANCE BY CURRENCY



Source: Bloomberg, UniCredit Research

Outlook on further issuance

Introduction

A stable macroeconomic performance will likely lead to continuing small lending growth in 2017. Macroeconomic risks surrounding the Brexit negotiations might emerge once the UK officially applies to begin negotiations of its exit from the EU, which is likely to be announced in 1H17. The timeline of the Brexit talks could be postponed due to a recent UK High Court ruling, which might require the UK parliament to be involved in any decision to invoke Article 50 of the Lisbon Treaty. There are also political risks associated with the French presidential election scheduled for April 2017 and the German parliamentary election in September 2017.

Regarding regulatory topics, we expect there to be more clarity in 2017 in several areas, in particular regarding the harmonization of the minimum requirements for own funds and eligible liabilities (MREL) and TLAC, the 2017 Supervisory Review and Evaluation Process (SREP) requirements and the split of Pillar 2 into capital requirements and capital guidance. For single names, litigation risk will remain a key item on the agenda (with the focus here in particular on Deutsche Bank and Royal Bank of Scotland). Nevertheless, we remain constructive regarding financial credit and assume there will be further progress towards reducing NPLs in 2017, a settlement of outstanding litigation issues and an ongoing strengthening of the aggregate capital levels of European banks – in combination with a continuation of the strong liquidity positions of European banks and access to ECB liquidity, via, among others, TLTRO II.

Issuance outlook – General considerations

The total bond issuance volume of banks in 2017 will depend on overall macroeconomic development and planned lending growth. The seniority structure of future issuance is driven by various items: one key item is the further development of the regulatory framework and details on TLAC-eligibility and the planned harmonization of MREL with TLAC will be one driver. The intended stronger harmonization of internal risk models and changes to calculations for market and operational risk will drive risk-weighted assets, with repercussions on balance-sheet growth. Deleveraging efforts might be accelerated in order to limit the increase of risk-weighted assets. A change in the volume of such assets might also trigger additional AT1 issuance in order to fulfill the leverage-ratio requirement. Concerns about single names regarding litigation risks (such as Deutsche Bank and RBS) have already resulted in significant spread widening. Market volatility in 2016 has also led to a reduction in bond funding plans in 2016. For instance, Deutsche Bank lowered its funding plan from EUR 35bn to EUR 30bn and used TLTRO II funds as an alternative funding channel for the first time, amounting to EUR 8.2bn, as the program conditions are very attractive. Funding volume could rebound in 2017 if market conditions improve, and there is only one tranche of the four TLTRO II remaining in 2017. In some countries, idiosyncratic topics are driving 2017 issuance volume. In Austria, for example, the vast majority of grandfathered bonds mature in 2017, which will lead to larger refinancing needs.

AT1s

There is an incentive to issue cheaper AT1 than CET1. From our point of view, AT1 and CET1 will build up a rising capital buffer “from below”. As long as the 1.5% AT1 buffer in the total capital ratio is not yet exhausted and the regulatory CET1 requirements are met, there is an incentive to issue AT1s cheaper than CET1s. The planned changes in the tax deductibility of AT1 coupon payments in Sweden makes issuance less attractive, although we do not expect the planned taxation amendments to halt Swedish AT1 issuance completely. Hybrid Tier-1 instruments in 2016 can still be credited by up to 60% to the capital; the likelihood increases that because of continuously increasing capital requirements these instruments are replaced by Basel III/CRD IV-compliant instruments. AT1 instruments are still somewhat more volatile than “old style” deep sub bonds, since some of them allow conversion into shares rather than temporary or permanent depreciation.

With increasing market acceptance by investors, we expect a growing EUR-denominated AT1 market, whereby smaller names of the second row will likely join the issuance pipeline. Regarding AT1 issuance, we believe that fundamentally sound, large banks will also remain important AT1 issuers and that issuance and pricing will depend on headline and market risk and will thus be relatively volatile. Nevertheless, we believe that banks tend to postpone AT1 issuance and wait for better market conditions rather than not issuing at all. The most recent developments on the regulatory side that are positive for AT1 issuance are the division of Pillar 2 requirements into a “hard” Pillar 2 capital requirement and “softer” Pillar 2 capital guidance, the ECB’s application of only a transitional and not a fully loaded capital-conservation buffer (CCB) for MDA requirements, and corresponding similar plans in Italy.

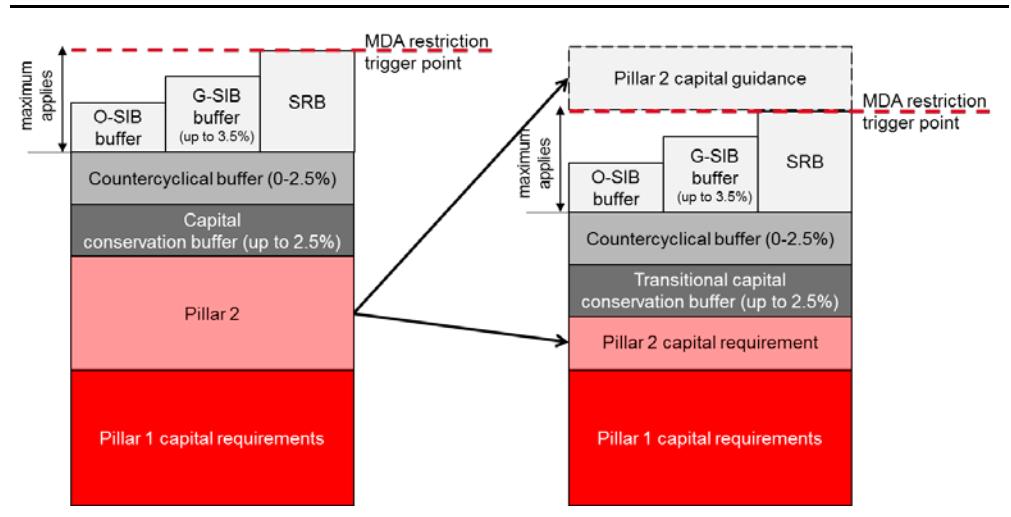
Possible issuance volumes 2017

Up until 12 December 2016, a total of EUR-equivalent 103.8bn AT1s had been issued by European financials. The 1.5% AT1 buffer in the total capital ratio is not yet exhausted. The total risk-weighted assets of the 51 largest banks in Europe amount to EUR 9.4tn. These 51 banks are those that participated in the 2016 EBA stress test and represent 70% of the EU banking sector. Taking the 1.5% AT1 buffer would lead to an AT1 universe of EUR 141bn. AT1 2016 YTD issuance of EUR-equivalent 19.9bn falls short of the EUR-equivalent 26.8bn issued in full-year 2015. In 2017, we see the potential for AT1 issuance to catch up, provided the market stabilizes, because AT1 issuance in 2016 was negatively impacted by market volatility (as a result of the MDA discussions in January/February 2016, the Brexit referendum in June and volatility surrounding Deutsche Bank in September 2016 after the leaking of a settlement offer from the US DoJ). In addition, Maturities of EUR 5bn of legacy Tier-1s will lead to a replacement requirement. **In 2017, we estimate an issuance volume of EUR-equivalent 20bn** (higher than in 2016 and leading to a gradual increase in the total volume to EUR-equivalent 141bn by 2019).

Regulatory issues – favorable changes for AT1s

New regulatory capital guidance tool introduced and shift to the transitional, not fully loaded capital conservation buffer

In July, the EBA and the ECB published more details on the future development of the Pillar 2 capital requirement. The 2017 SREP will for the first time consist of two components: Pillar 2 requirements and Pillar 2 guidance. Pillar 2 requirements are binding and Pillar 2 guidance is not. Any failure to meet Pillar 2 guidance will not automatically trigger legal action by the regulators, but the ECB expects banks to fulfill Pillar 2 guidance. Furthermore, the ECB announced that only the transitional, not the fully loaded capital conservation buffer (CCB), will flow into the MDA requirements. Some EU states (Cyprus, Estonia, Finland, Italy, Latvia, Lithuania, Luxembourg and Slovakia) imposed the full CCB as of 1 January 2016 without a phase-in. Other member states opted for a four-year phase-in period. Capital guidance will be above the level of binding capital (minimum and additional) and the combined buffer requirements (see chart below). The Pillar 2 capital guidance will not constitute any form of binding capital requirement. It is not included in the calculation of the MDA and does not trigger any automatic restriction of the distribution. Some banks have already published their 2017 MDA triggers and the releases confirm on average 179bp lower trigger levels (sample of 18 banks in Belgium, France, Germany, Italy, Ireland, Netherlands and Spain).



Source: ECB, EBA, UniCredit Research

AT1 coupon payments have priority over dividends and bonus payments

In their recent regulatory amendments, the European Commission (EC) proposed to give AT1 payments priority over dividend and bonus payments. If implemented, the law is positive for the asset class as it introduces a clear priority of payments and would de facto introduce dividend stoppers in European AT1 structures, thus reducing the coupon cancellation risk.

AT1 1.5% bucket saturation of banks

AT1s

The CRD IV regulation allows up to 1.5% of Pillar 1 capital requirements to be fulfilled with AT1s. We set out the utilization of this 1.5% bucket of AT1s for selected issuers in the table below. The amount of outstanding AT1s in USD divided by the risk-weighted assets in USD as of end of 3Q16 results in the 1.5% saturation index for each bank. The average ratio of outstanding AT1s over RWAs for the sample of banks below is 1.29%, indicating that the 1.5% bucket for AT1s is not yet fully filled.

Ticker	Issuer	3Q16 risk weighted assets in mn USD	Outstanding AT1s in mn USD	AT1s/ Risk weighted assets
HSBC	HSBC Holdings	904,062	10,820	1.20%
BNP	BNP Paribas	707,786	3,786	0.53%
DB	Deutsche Bank	430,051	5,398	1.26%
ACAFP	Crédit Agricole	335,938	5,298	1.58%
BACR	Barclays Bank	483,974	6,929	1.43%
SOCGEN	Société Générale	394,643	6,798	1.72%
RBS	Royal Bank of Scotland Group	304,861	5,800	1.90%
UBS	UBS	226,002	7,723	3.42%
INTNED	ING Groep	346,510	3,250	0.94%
CS	Credit Suisse Group	281,030	5,033	1.79%
RABOBK	Coöperatieve Rabobank	232,193*	2,882	1.24%*
NDASS	Nordea Bank	151,999	2,050	1.35%
STANLN	Standard Chartered	292,055	4,000	1.37%
DANBNK	Danske Bank	121,977	1,572	1.29%
ABNANV	ABN AMRO Bank	118,322	1,048	0.89%
SHBASS	Svenska Handelsbanken	53,799	1,200	2.23%
SEB	Skandinaviska Enskilda Banken	69,968	1,100	1.57%
KBCBB	KBC Groep	98,386	1,467	1.49%
DNBNO	DNB Bank	128,532	1,500	1.17%
NYKRE	Nykredit Realkredit	53,371	524	0.98%
AARB	Aareal Bank	17,238	314	1.82%
SWEDA	Swedbank	46,833	750	1.60%
LLOYDS	Lloyds Banking Group	288,258	7,127	2.47%
ISPIM	Intesa Sanpaolo	319,203	2,310	0.72%
BBVASM	BBVA	435,154	4,192	0.96%
SANTAN	Banco Santander	648,240	4,644	0.72%
ERSTBK	Erste Bank	112,413	524	0.47%
BKIR	Bank of Ireland	57,733*	786	1.36%*
AIB	Allied Irish Banks	62,760*	524	0.83%*
POPSM	Banco Popular Espanol	83,589	1,310	1.57%

* data for 2Q16.
 Source: company reports, Bloomberg.

Trade Ideas

(A)T1 & UT2

(A)T1/UT2 OUTRIGHT BUY AND HOLD RECOMMENDATIONS

Security name	YTC (% ASK)	Current Price (ASK)	MS (TC)	ASW (TC)
AARB 7.625% 11/49	8.11	98.56	815.19	798.40
BBVASM 9% 5/18-49	5.32	104.90	401.52	378.86
BBVASM 7% 2/19-49	8.62	96.82	904.71	848.50
SANTAN 6.25% 3/19-49	9.26	94.00	972.46	896.50
ISPIM 7% 1/21-49	7.30	98.96	740.00	712.29

Data as of 15 Dec 2016. Source: Bloomberg, UniCredit Research

We recommend to buy recommendation the AT1 bond AARB 7.625% 11/29/49. In our view, Aareal Bank has good risk management skills and disciplined underwriting standards. The bank is geographical diversified, which supports the average margin. The high capitalization offers a significant buffer and ADIs cover AT1 interest payments more than 20 times over.

Spanish banks continue on their recovery path. Recent results have been confirming the asset quality improvement at both BBVA and Santander. Also the EBA's 2016 stress test results displayed a relatively resilient outcome for BBVA and Santander. Both Santander (CET1 8.20% in an adverse scenario) and BBVA (CET1 8.19% in an adverse scenario) showed limited declines in capitalization despite their large exposure to emerging markets. We stick to our overweight recommendation on BBVA's 9% USD 1.5bn 5/18-perp, BBVA's inaugural 7% EUR 1.5bn 2/19-perp and the SANTAN 6.375% 5/19-49.

Banco Santander reported 3Q16 net attributable profit of EUR 1.70bn (up by 0.9% yoy), compared to market estimates of EUR 1.54bn (Bloomberg). Net interest income declined by 2.3% yoy to EUR 7.8bn (+3.0% qoq). Total operating revenues declined by 2.1% yoy to EUR 11.1bn (-2.1% yoy). Operating expenses declined by 1.7% yoy to EUR 5.3bn, supported by the bank's efficiency plan. The cost-income ratio was 47.4%. Santander continues to have a geographically diversified business model: Europe contributed 56% to 9M16 profit (the UK 19%, Spain 14%) and the Americas 44% (Brazil 20%, Mexico 7%, the US 6%). 3Q16 loan-loss provisions increased by 13.3% qoq to EUR 2.5bn (mainly due to Brazil and the US, and Santander Consumer Finance). The NPL ratio declined to 4.15%, down 14bp qoq. NPL ratios declined qoq in Spain, Poland, Mexico and Chile, and at Santander Consumer Finance, but were stable in the UK, the US and Brazil. Coverage of non-performing loans remained high, at 72.7% in 3Q16. The bank's fully loaded 2Q16 CET1 ratio improved to 10.47% (+11bp qoq).

United Kingdom: 3Q16 net attributable profit decreased to EUR 370mn, down by 7.7% qoq, but up by 0.2% qoq on a currency-neutral basis. The decline in profit was, therefore, mainly driven by the decline in the EUR-GBP exchange rate following the Brexit referendum. The net interest margin declined to 1.75% in 3Q16 from 1.80% in 3Q15, reflecting asset-margin pressure and increased competition. The lower NIM was partly offset by higher volumes. Business volume showed good momentum: loans increased by 2% qoq and customers increased to 5.1mn from 4.6mn in 3Q15 (+11%).

BBVA reported 3Q16 net attributable income of EUR 965mn (-14.1% qoq) beating the estimates of EUR 870mn (Bloomberg). Pre-tax income increased by 33.1% yoy to EUR 1.7bn in 3Q16. Net interest income improved by 2.3% qoq to EUR 4.3bn thanks to increased activity, mainly in emerging geographical areas, and the defense of customer spreads. Net interest income in Turkey, Mexico, South America and the United States showed good performance, while in Spain lower business volume and interest margin pressure led to lower net interest income. Commissions and fees improved by 1.5% qoq to EUR 1.2bn, while trading declined by 29.5% qoq. Operating expenditure declined by 2.8% yoy. The amount paid for loan loss provision decreased constantly over the last quarters to currently EUR 1bn (-6.8% qoq) reflecting a declining NPL ratio down to 5.1% in 3Q16 compared to 5.6% in 3Q15. NPL coverage remained above 70%. Fully loaded CET1 ratio stood at 11.0% (3Q16) compared with 9.8% in 3Q15.

In Italy, we like AT1 ISPIM EUR 7% perp-01/21, given the group's relatively good fundamentals, size and ratings. ISPIM is the second-largest Italian bank with solid fundamentals and is well suited to profit from a recovery in the Italian economy.

ISSUANCE LIST (since Sept 2013)

Issue Date	Issuer	Ticker Coupon Maturity (Call)	Out (mn)	Tier	Country	Currency	Rating	MS@Issue
11/21/16	ING	INTNED 6.875% PERP (AT1)	1,000	AT1	NL	USD	Ba1/--/BBB-	--
11/10/16	HSBANK	HSBANK 5.5% PERP (AT1)	888	AT1	CN	USD	n.a.	--
11/10/16	VIRGMN	VIRGMN 8.75% PERP (AT1)	230	AT1	GB	GBP	n.a.	793
10/18/16	DNB	DNBNO 6.5% PERP (AT1)	750	AT1	NO	USD	Baa3/BBB/--	--
09/22/16	State Bank of India	SBIIN 5.5% PERP (AT1)	300	AT1	IN	USD	B1/B+/--	--
09/13/16	Société Générale	SOCGEN 7.375% PERP (AT1)	1,500	AT1	FR	USD	Ba2/BB+/--	--
08/31/16	Barclays	BACR 7.875% PERP (AT1)	1,500	AT1	GB	USD	Ba2/B+/BB+	--
08/18/16	Standard Chartered	STANLN 7.5% PERP (AT1)	2,000	AT1	GB	USD	Ba1/BB-/BB+	--
08/15/16	RBS	RBS 8.625% PERP (AT1)	2,650	AT1	GB	USD	B1/B/BB-	--
08/10/16	UBS	UBS 7.125% PERP (AT1)	1,100	AT1	CH	USD	Ba1/BB+/BB+	--
06/15/16	Aust. & NZ. Banking Group	ANZ 6.75% PERP (AT1)	1,000	AT1	AU	USD	Baa1/BBB-/BBB	--
06/02/16	Erste Bank	ERSTBK 8.875% PERP (AT1)	500	AT1	AT	EUR	Ba3/BB/--	--
06/01/16	HSBC	HSBC 6.875% PERP (AT1)	2,000	AT1	GB	USD	Baa3/--/BBB	--
05/10/16	Bankinter	BKTSM 8.625% PERP (AT1)	200	AT1	ES	EUR	Ba3/--/--	887
04/26/16	Rabobank	RABOBK 6.625% PERP (AT1)	1,250	AT1	NL	EUR	Baa3/--/BBB-	--
04/14/16	BBVA	BBVASM 8.875% PERP (AT1)	1,000	AT1	ES	EUR	Ba2/--/BB	--
03/30/16	BNP Paribas	BNP 7.625% PERP (AT1)	1,500	AT1	FR	USD	Ba1/BBB-/BBB-	--
03/21/16	UBS	UBS 6.875% PERP (AT1)	1,500	AT1	CH	USD	Ba1/BB+/BB+	--
01/19/16	Crédit Agricole	ACAFP 8.125% PERP (AT1)	1,250	AT1	FR	USD	Ba1/BB+/BB+	--
01/19/16	Intesa Sanpaolo	ISPIM 7% PERP (AT1)	1,250	AT1	IT	EUR	Ba3/B+/BB-	--
12/16/15	China Construction Bank	CCB 4.65% PERP (AT1)	3,050	AT1	CN	USD	Ba2/BB/--	--
12/03/15	Allied Irish Banks	AIB 7.375% PERP (AT1)	500	AT1	IE	EUR	B2/--/B	--
09/29/15	HSBC	HSBC 6% PERP (AT1)	1,000	AT1	GB	EUR	Baa3/--/BBB	534
09/29/15	Société Générale	SOCGEN 8% PERP (AT1)	1,250	AT1	FR	USD	Ba2/BB+/--	--
09/22/15	ABN Amro Bank	ABNANV 5.75% PERP (AT1)	1,000	AT1	NL	EUR	Ba1/BB/BB+	--
09/17/15	Intesa Sanpaolo	ISPIM 7.7% PERP (AT1)	1,000	AT1	IT	USD	Ba3/B+/BB-	546
08/19/15	BNP Paribas	BNP 7.375% PERP (AT1)	1,500	AT1	FR	USD	Ba1/BBB-/BBB-	515
08/11/15	Barclays	BACR 7.875% PERP (AT1)	1,000	AT1	GB	GBP	Ba2/B+/BB+	610
08/10/15	RBS	RBS 7.5% PERP (AT1)	2,000	AT1	GB	USD	B1/B/BB-	--
08/10/15	RBS	RBS 8% PERP (AT1)	1,150	AT1	GB	USD	B1/B/BB-	--
08/07/15	UBS	UBS 6.875% PERP (AT1)	1,575	AT1	CH	USD	--/BB+/BB+	459
06/18/15	Bank of Ireland	BKIR 7.375% PERP (AT1)	750	AT1	IE	EUR	B1/B+/--	--
06/17/15	BNP Paribas	BNP 6.125% PERP (AT1)	750	AT1	FR	EUR	Ba1/BBB-/BBB-	523
06/10/15	Santander UK	SANUK 7.375% PERP (AT1)	750	AT1	GB	GBP	Ba2/B+/BB+	554
04/16/15	ING	INTNED 6% PERP (AT1)	1,000	AT1	NL	USD	Ba1/BB/BBB-	445
04/16/15	ING	INTNED 6.5% PERP (AT1)	1,250	AT1	NL	USD	Ba1/BB/BBB-	445
04/02/15	Raiffeisen Schweiz	RAIFFS 3% PERP (AT1)	550	AT1	CH	CHF	Baa3/--/--	--
04/02/15	Standard Chartered	STANLN 6.5% PERP (AT1)	2,000	AT1	GB	USD	Ba1/BB-/BB+	--
03/30/15	HSBC	HSBC 6.375% PERP (AT1)	2,450	AT1	GB	USD	Baa3/--/BBB	437
03/26/15	DNB	DNBNO 5.75% PERP (AT1)	750	AT1	NO	USD	Baa3/BBB/--	--
03/12/15	Nordea	NDASS 5.25% PERP (AT1)	550	AT1	SE	USD	Ba1/BBB/BBB	--
02/26/15	Nykredit	NYKRE 6.25% PERP (AT1)	500	AT1	DK	EUR	--/BB+/BB+	599
02/25/15	Svenska Handelsbanken	SHBASS 5.25% PERP (AT1)	1,200	AT1	SE	USD	Baa2/BBB/BBB+	334
02/19/15	Swedbank	SWEDA 5.5% PERP (AT1)	750	AT1	SE	USD	Baa3/BBB/BBB	--

...continued overleaf

Issue Date	Issuer	Ticker Coupon Maturity (Call)	Out (mn)	Tier	Country	Currency	Rating	MS@Issue
02/19/15	UBS	UBS 5.75% PERP (AT1)	1,000	AT1	CH	EUR	--/BB+/BB+	529
02/19/15	UBS	UBS 7.125% PERP (AT1)	1,250	AT1	CH	USD	--/BB+/BB+	--
02/19/15	UBS	UBS 7% PERP (AT1)	1,250	AT1	CH	USD	--/BB+/BB+	487
02/18/15	BBVA	BBVASM 6.75% PERP (AT1)	1,500	AT1	ES	EUR	Ba2/--/BB	--
02/18/15	Danske Bank	DANBNK 5.875% PERP (AT1)	750	AT1	DK	EUR	Ba1/BBB-/BB+	--
02/12/15	Banco Popular Espanol	POPSM 8.25% PERP (AT1)	750	AT1	ES	EUR	Caa1/--/B-	--
01/22/15	Rabobank	RABOBK 5.5% PERP (AT1)	1,500	AT1	NL	EUR	Baa3/--/BBB-	525
11/21/14	Deutsche Bank	DB 7.5% PERP (AT1)	1,500	AT1	DE	USD	B1/B+/BB	--
11/20/14	Aareal Bank	AARB 7.625% PERP (AT1)	300	AT1	DE	EUR	--/--/BB-	--
11/13/14	SEB	SEB 5.75% PERP (AT1)	1,100	AT1	SE	USD	Baa3/--/BBB	385
09/23/14	Nordea	NDASS 6.125% PERP (AT1)	500	AT1	SE	USD	Ba1/BBB/BBB	--
09/23/14	Nordea	NDASS 5.5% PERP (AT1)	1,000	AT1	SE	USD	Ba1/BBB/BBB	356
09/18/14	Crédit Agricole	ACAFP 6.625% PERP (AT1)	1,250	AT1	FR	USD	Ba1/BB+/BB+	--
09/17/14	HSBC	HSBC 5.625% PERP (AT1)	1,500	AT1	GB	USD	Baa3/--/BBB	--
09/17/14	HSBC	HSBC 6.375% PERP (AT1)	2,250	AT1	GB	USD	Baa3/--/BBB	--
09/17/14	HSBC	HSBC 5.25% PERP (AT1)	1,500	AT1	GB	EUR	Baa3/--/BBB	--
09/11/14	Banco Santander	SANTAN 6.25% PERP (AT1)	1,500	AT1	ES	EUR	Ba1/--/--	--
09/10/14	UniCredit	UCGIM 6.75% PERP (AT1)	1,000	AT1	IT	EUR	--/--/BB-	--
06/18/14	Credit Suisse	CS 6.25% PERP (AT1)	2,500	AT1	CH	USD	--/BB/BB	--
06/17/14	Barclays	BACR 6.5% PERP (AT1)	300	AT1	GB	EUR	--/B+/BB+	--
06/05/14	Julius Baer	BAERVX 4.25% PERP (AT1)	350	AT1	CH	CHF	n.a.	376
05/27/14	Deutsche Bank	DB 7.125% PERP (AT1)	650	AT1	DE	GBP	B1/B+/BB	--
05/27/14	Deutsche Bank	DB 6.25% PERP (AT1)	1,250	AT1	DE	USD	B1/B+/BB	--
05/27/14	Deutsche Bank	DB 6% May-49 (AT1)	1,750	AT1	DE	EUR	B1/B+/BB	--
05/19/14	Banco Santander	SANTAN 6.375% PERP (AT1)	1,500	AT1	ES	USD	Ba1/--/--	--
04/08/14	Crédit Agricole	ACAFP 6.5% Jun-49 (AT1)	1,000	AT1	FR	EUR	--/BB+/BB+	512
04/07/14	Lloyds Banking Group	LLOYDS 7.5% PERP (AT1)	1,675	AT1	GB	USD	--/BB-/BB+	--
04/07/14	Société Générale	SOCGEN 6.75% Apr-49 (AT1)	1,000	AT1	FR	EUR	Ba2/--/BB+	554
04/03/14	UniCredit	UCGIM 8% Apr-49 (AT1)	1,250	AT1	IT	USD	--/--/BB-	--
04/01/14	Lloyds Banking Group	LLOYDS 6.375% PERP (AT1)	750	AT1	GB	EUR	--/BB-/BB+	--
04/01/14	Lloyds Banking Group	LLOYDS 7% PERP (AT1)	1,481	AT1	GB	GBP	--/BB-/BB+	--
04/01/14	Lloyds Banking Group	LLOYDS 7.625% PERP (AT1)	1,494	AT1	GB	GBP	--/BB-/BB+	--
04/01/14	Lloyds Banking Group	LLOYDS 7.875% PERP (AT1)	750	AT1	GB	GBP	--/BB-/BB+	--
03/19/14	KBC Groep	KBCBB 5.625% Mar-49 (AT1)	1,400	AT1	BE	EUR	--/BB/BB	476
03/12/14	Danske Bank	DANBNK 5.75% Oct-49 (AT1)	750	AT1	DK	EUR	--/BBB-/BB+	--
03/12/14	Banco Santander	SANTAN 6.25% PERP (AT1)	1,500	AT1	ES	EUR	Ba1/--/--	--
03/11/14	Nationwide	NWIDE 6.875% PERP (AT1)	1,000	AT1	GB	GBP	--/BB+/BB+	--
02/19/14	BBVA	BBVASM 7% PERP (AT1)	1,500	AT1	ES	EUR	--/--/BB	--
12/18/13	Société Générale	SOCGEN 7.875% Dec-49 (AT1)	1,750	AT1	FR	USD	Ba2/BB+/BB+	--
12/11/13	Credit Suisse	CS 7.5% Dec-49 (AT1)	2,250	AT1	CH	USD	--/BB/BB	--
12/10/13	Barclays	BACR 8% PERP (AT1)	1,000	AT1	GB	EUR	--/B+/BB+	675
11/20/13	Barclays	BACR 8.25% PERP (AT1)	2,000	AT1	GB	USD	--/B+/BB+	670
10/10/13	Banco Popular Espanol	POPSM 11.5% PERP (AT1)	500	AT1	ES	EUR	n.a.	--
09/06/13	Société Générale	SOCGEN 8.25% Sep-49 (AT1)	1,250	AT1	FR	USD	Ba2/BB+/BB+	--
09/04/13	Credit Suisse	CS 6% PERP (AT1)	290	AT1	CH	CHF	--/--/BB	--
05/09/13	BBVA	BBVASM 9% PERP (AT1)	1,500	AT1	ES	USD	--/--/BB	--

Source Bloomberg, UniCredit Research

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Company	Date	Rec.	Company	Date	Rec.	Company	Date	Rec.
RBS	08/08/2016	Underweight	RBS	31/03/2016	Restricted	SOCGEN	16/08/2016	Restricted
RBS	29/04/2016	Marketweight	SOCGEN	03/11/2016	Marketweight			

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Recommendations relative to an index:

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Marketweight: We recommend having the same portfolio exposure in the name as the respective iBoxx index. We expect that the average total return of the instruments of the issuer is equal to the total return of the index.

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Outright recommendations:

Hold: We recommend holding the respective instrument for investors who already have exposure. We expect that the total return of the instruments of the issuer is equal to the yield.

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Sell: We recommend selling the respective instrument for investors who already have exposure. We expect that the total return of the instruments of the issuer is less than the yield.

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Not rated: Suspension of coverage.

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