



CreditSights
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EUROPEAN OUTLOOK CONFERENCE
LONDON

**European Banks
Plain Sailing? A View From The Bridge**

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Agenda

- Overview of banks and insurers
- Regulation: what's new for 2025?
- Prospects for M&A
- Commercial real estate risks
- Other risks
- Interest rates & inflation
- Calls, tenders & supply

Stable

Modest impact

Mainly domestic

Manageable

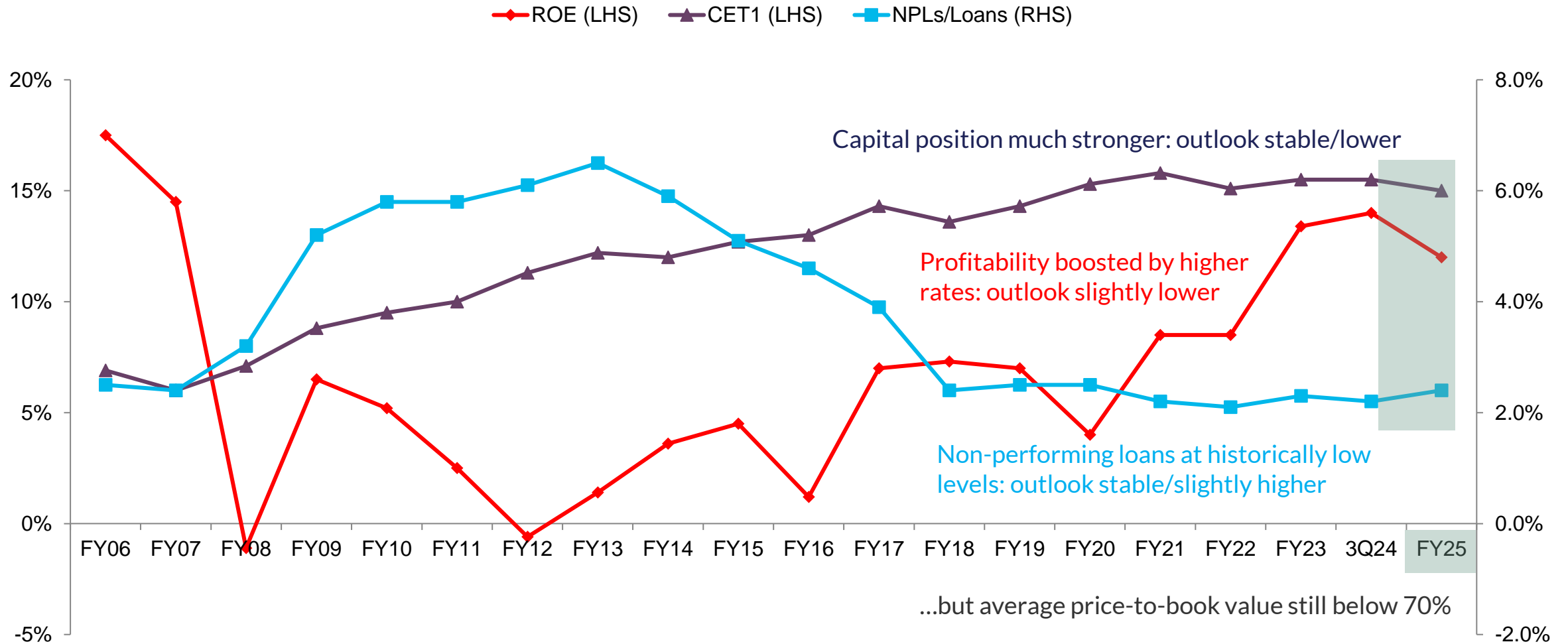
Idiosyncratic, external

Earnings negative

Continued calls

Plus:
Thoughts on
Relative Value
in 2025

European Bank Fundamentals: Steady Improvement



European Insurance Fundamental Outlook for 2025: More of the same...

- Life
- Non-life
- Reinsurance
- Profitability
- Regulation
- Solvency
- Supply, Calls & tenders

Stable – reinvestment yields healthy

Stable – inflation still a risk

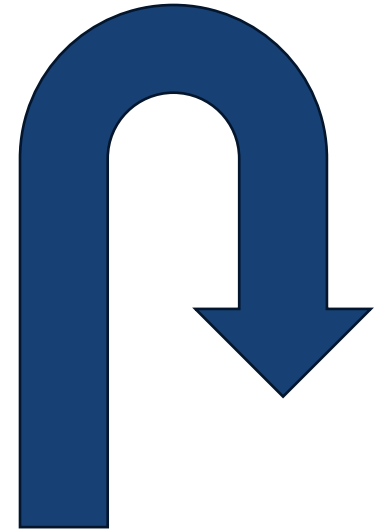
Stable – rate of tariff increases likely to slow

Stable

IRRD; UK SII reforms

Stable to lower – capital returns/M&A

Continued calls; End of SII grandfathering led supply



**Senior:
Market perform**

**Subordinated:
Market perform**

Regulation - Banks

Proposed Regulation

Timing

Impact

Basel 4 (CRR 3 / CRD 6)

2025/26
5-7 year phase-in

Modest increase in RWA
Less than initially thought

CMDI
(Crisis Management &
Deposit Insurance)

2026?
Trilogue discussion

Depositor preference
Implications for NPS/PS

Funding & liquidity

Unknown
Lessons from CS

Unknown
Possibly tighter LCR/NSFR

European Banks: CRE Exposure

NACE Real Estate Activities				
Largest exposure as % of total loans 1H24		Total Loans	Real Estate Activities	% of Total
Svenska Handelsbanken	SEK	2,435,643	783,479	32.2%
Nykredit	DKK	1,512,552	356,887	23.6%
Swedbank	SEK	1,805,142	411,028	22.8%
Danske Bank	DKK	1,911,014	418,353	21.9%
SEB	SEK	1,991,431	365,166	18.3%
Nordea	EUR	269,451	47,449	17.6%
Erste Group Bank	EUR	206,464	32,430	15.7%

Source: Pillar 3 Reports

Commercial Real Estate Loans				
Largest exposure as % of total loans 1H24		Total Loans	CRE Loans	% of Total
AIB Group	EUR	68,882	9,451	13.7%
Svenska Handelsbanken	SEK	2,435,643	329,000	13.5%
Swedbank	SEK	1,805,142	215,441	11.9%
DNB	NOK	2,019,179	233,643	11.6%
Nykredit	DKK	1,512,552	168,670	11.2%
Erste Group Bank	EUR	206,464	21,600	10.5%
SEB	SEK	1,991,431	192,949	9.7%

Source: Interim Reports & Investor Presentations

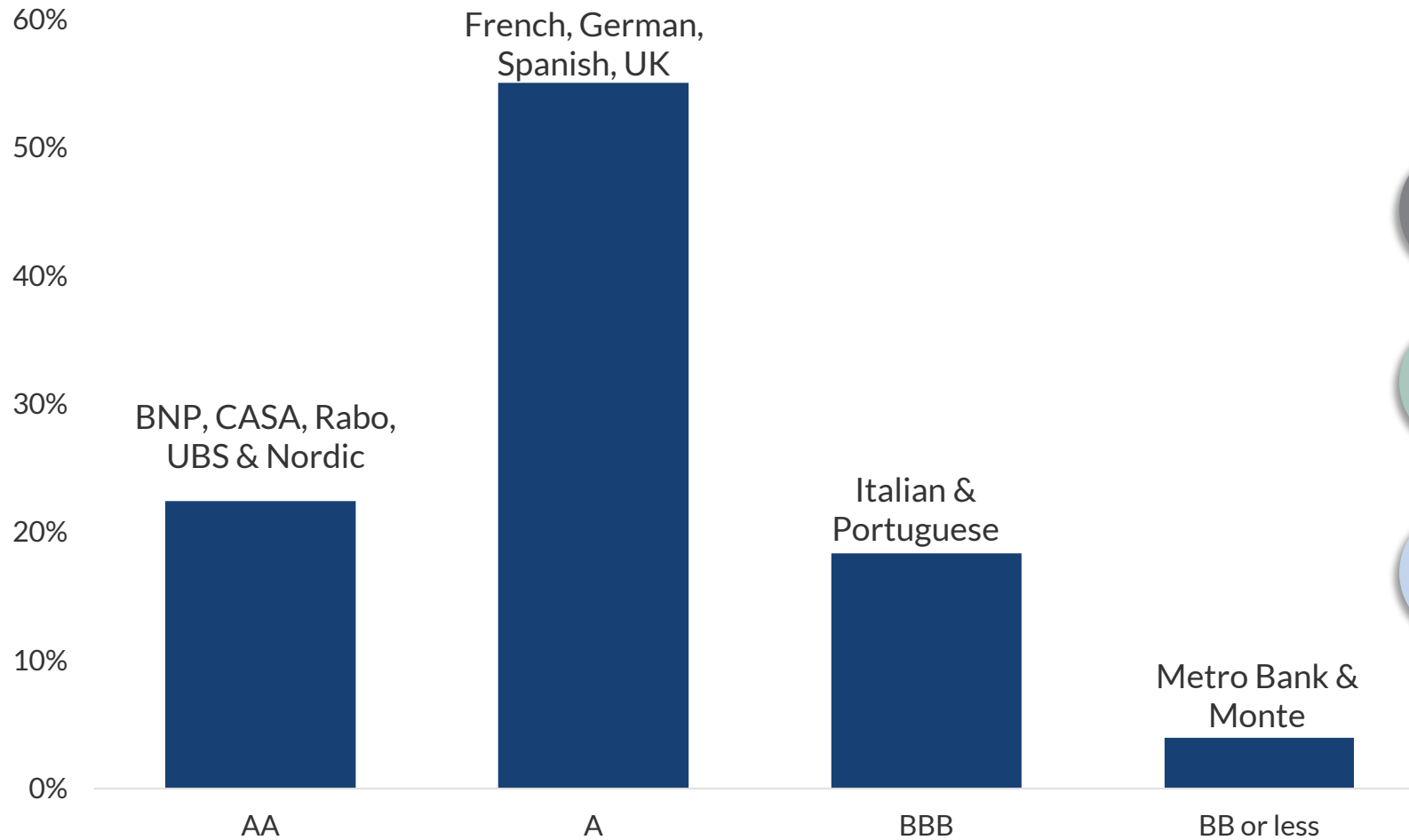
Deutsche Bank

Deutsche Bank: CRE Exposure	
EUR mn	30-Sep-24
Real Estate Activities (NACE)	48,743
o/w non-recourse	24,273
o/w stress tested portfolio	20,904
Other Sectors (non-recourse)	12,681
o/w stress tested portfolio	9,035
Total Non-Recourse CRE	36,955
o/w Stress Tested CRE Portfolio	29,940

Source: Deutsche Bank Interim Report

- €15 bn in the US: exposure to the Office sector €7 bn.
- 1.4% of total group loans and 23% of the stress tested CRE portfolio.
- Average LTV on US Office 83%.
- US CRE impairments €320 mn in 9M24, 78% of overall CRE charge.
- €13 bn of US CRE loans modified, restructured or into default since June 2023.

Euro Banks: Pref/OpCo Senior Ratings Distribution

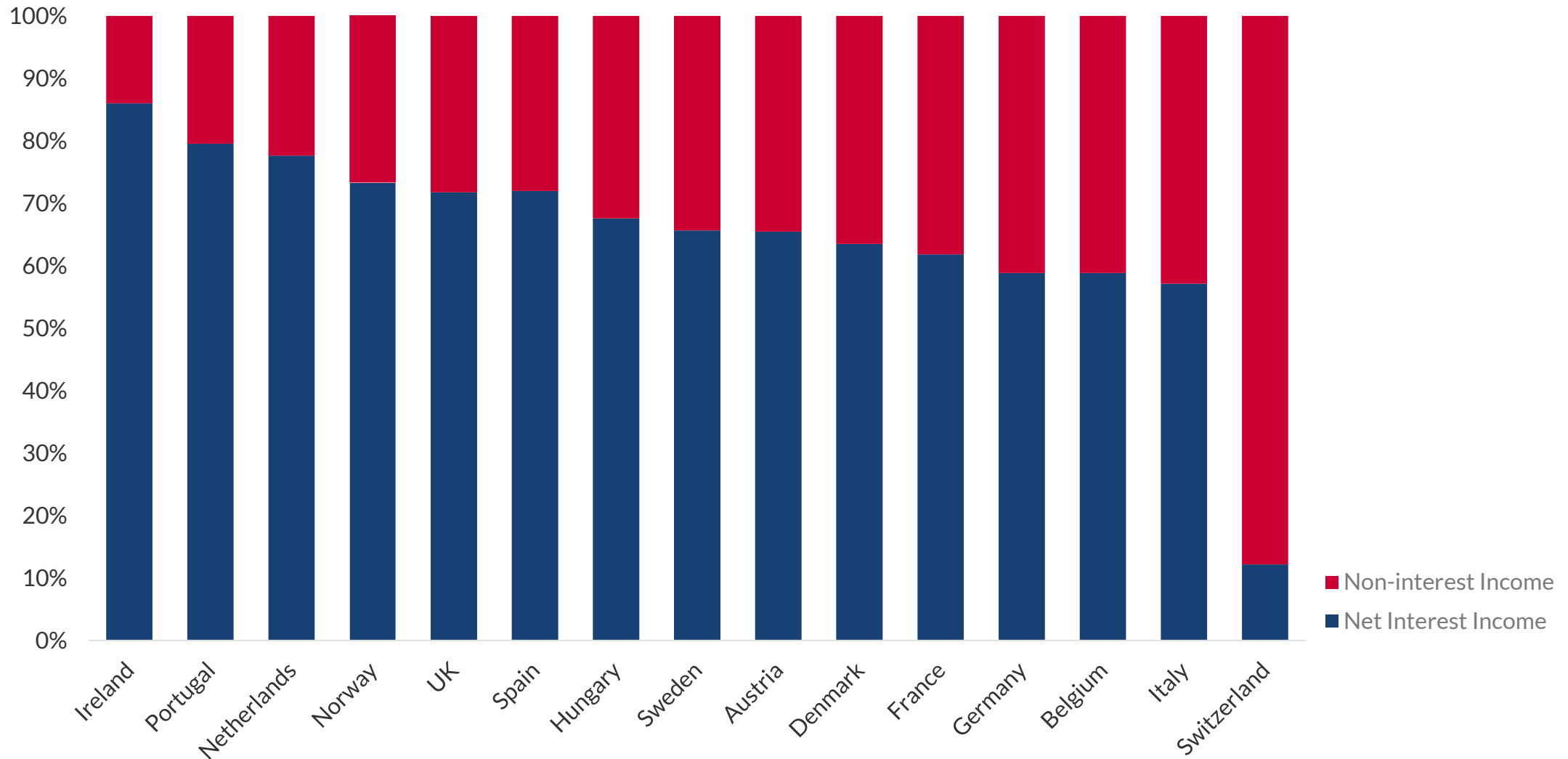


Positive ratings moves driven by idiosyncratic factors

Negative ratings moves driven by sovereign, M&A or other surprises

Depositor preference impact will vary

Euro Banks: Breaking Down Total Operating Income



Bank AT1 Calls 2025: Deutsche Bank

	XS1071551474	US251525AN16
Coupon	4.789%	7.5%
Amount	\$1.25 bn	\$1.5 bn
Next call date	30 Apr 25	30 Apr 25
First call date	30 Apr 20	30 Apr 25
Reset	8.52% (MS+435.8 bp)	*9.20% (MS+500.3 bp)
New \$ PerpNC5 (estimate)	7.75%	7.75%
Interest saved (over 5 years)	\$50 mn	\$100 mn
FX loss on redemption (RWA bp)	€290 mn (8 bp)	€240 mn (7 bp)
AT1 as % of RWA (optimal 2.0%)	3.19%	3.19%

* LIBOR phase-out: last quote

Euro Financials: FY25 Maturities, Calls, Supply

Euro Banks FY25 Refinancing: Maturities & Calls					
EUR mn eqvt	Maturities	First Calls	Next Calls	Total	% of total
Senior	86,318	14,884	-	101,202	32.0%
Sub-senior	39,525	93,365	-	132,890	42.1%
Tier 2	24,114	15,846	-	39,960	12.7%
AT1	-	36,640	3,377	40,017	12.7%
Legacy	-	-	1,774	1,774	0.6%
Total	149,957	160,735	5,151	315,843	100.0%

Source: Bloomberg, CreditSights, Data based on bonds we track

- 2025 forecast: €90 – 110 bn eqvt in pref senior, issuance will be opportunistic
- €130-40 bn in sub-senior, similar to FY24
- €40 bn eqvt of Tier 2, similar to FY24
- €35-40 bn of AT1s; 1H25 mostly refinanced already via tenders

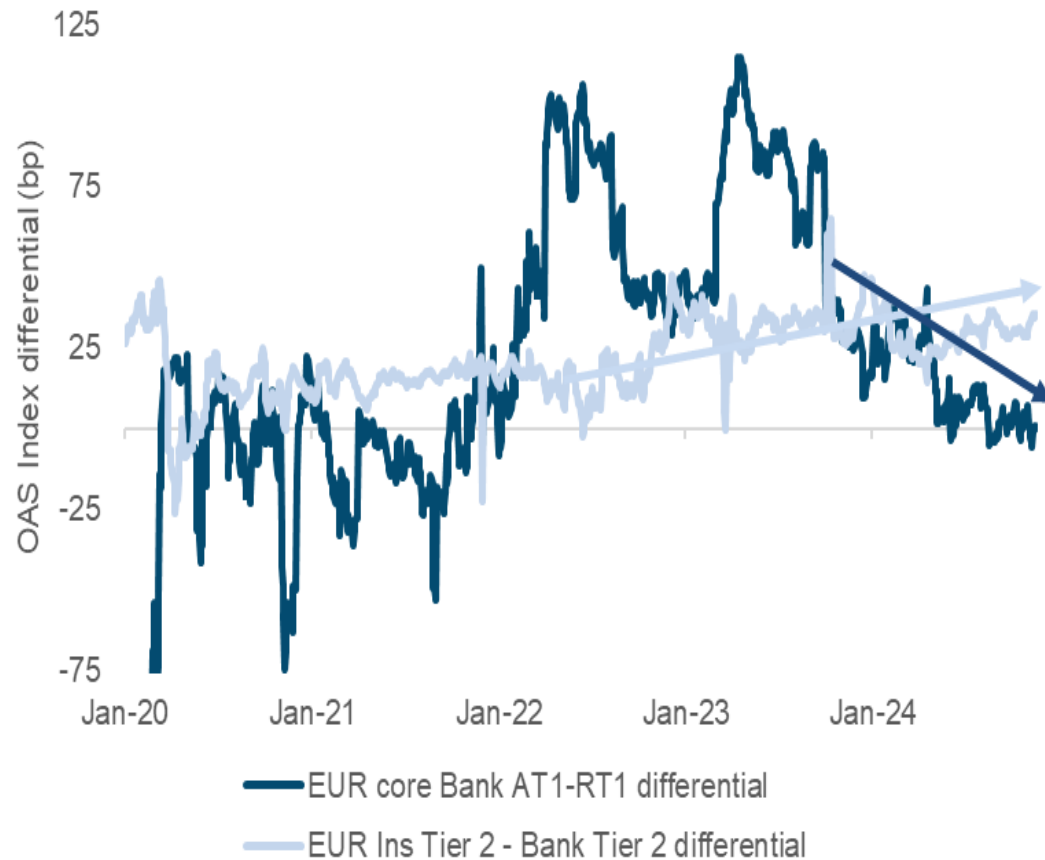
European Insurers FY25 Refinancing: Maturities and Calls						
EUR mn eqvt	Maturities	First & Next Calls			Total	% of total
		Grand-fathered	Compliant	Other		
Senior	1,376	-	1,895	-	3,270	13.0%
Dated Tier 2	626	1,413	3,685	2,475	8,199	32.5%
Perp Tier 2	-	2,500	2,636	1,750	6,886	27.3%
Tier 3	186	-	-	-	186	0.7%
RT1	-	-	1,425	60	1,485	5.9%
Tier 1 & CMS perps	-	5,180	-	-	5,180	20.6%
Total	2,188	9,093	9,641	4,284	25,206	100.0%

Other consists of names that we don't cover or where grandfathering status has not been disclosed.

Source: Bloomberg, CreditSights. Data based on bonds that we track.

- YTD 2024 issuance broadly matched Maturities & Calls
- 2025 forecast: €25-30 bn eqvt mainly in Tier 2 & RT1 ... so similar to FY24
- Expect more tenders funded by new issuance esp with SII grandfathering expiring

Euro Financials: Insurance cheapening up versus banks



- Core bank AT1 now trading flat to RT1
- Ins Tier 2 widening versus banks

Insurance bond spread correlations in EUR

	2020 to present	2020	2021	2022	2023	2024
Ins Senior vs Bank Pfd Senior	71%	98%	61%	92%	29%	60%
Ins Senior vs Bank Sub-senior	84%	99%	74%	89%	41%	64%
Ins T2 vs Bank Tier 2	97%	98%	93%	97%	91%	91%
EUR RT1 vs AT1	57%	81%	78%	66%	38%	78%
EUR RT1 vs core bank AT1	41%	81%	56%	40%	38%	78%
GBP RT1 vs AT1	87%	73%	79%	93%	65%	93%
EUR RT1 vs EUR corporate hybrids	46%	89%	77%	57%	3%	72%
EUR RT1 vs SXIP	-69%	-85%	-67%	-59%	4%	-46%

- Follow the leader... Insurance spreads highly correlated to bank spreads esp Tier 2
- Expect this to continue in absence of catalysts
- Supply unlikely to be disruptive
- Fundamental picture should remain attractive

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