

EUROPEAN OUTLOOK CONFERENCE

LONDON

European & US Banks Atychiphobia

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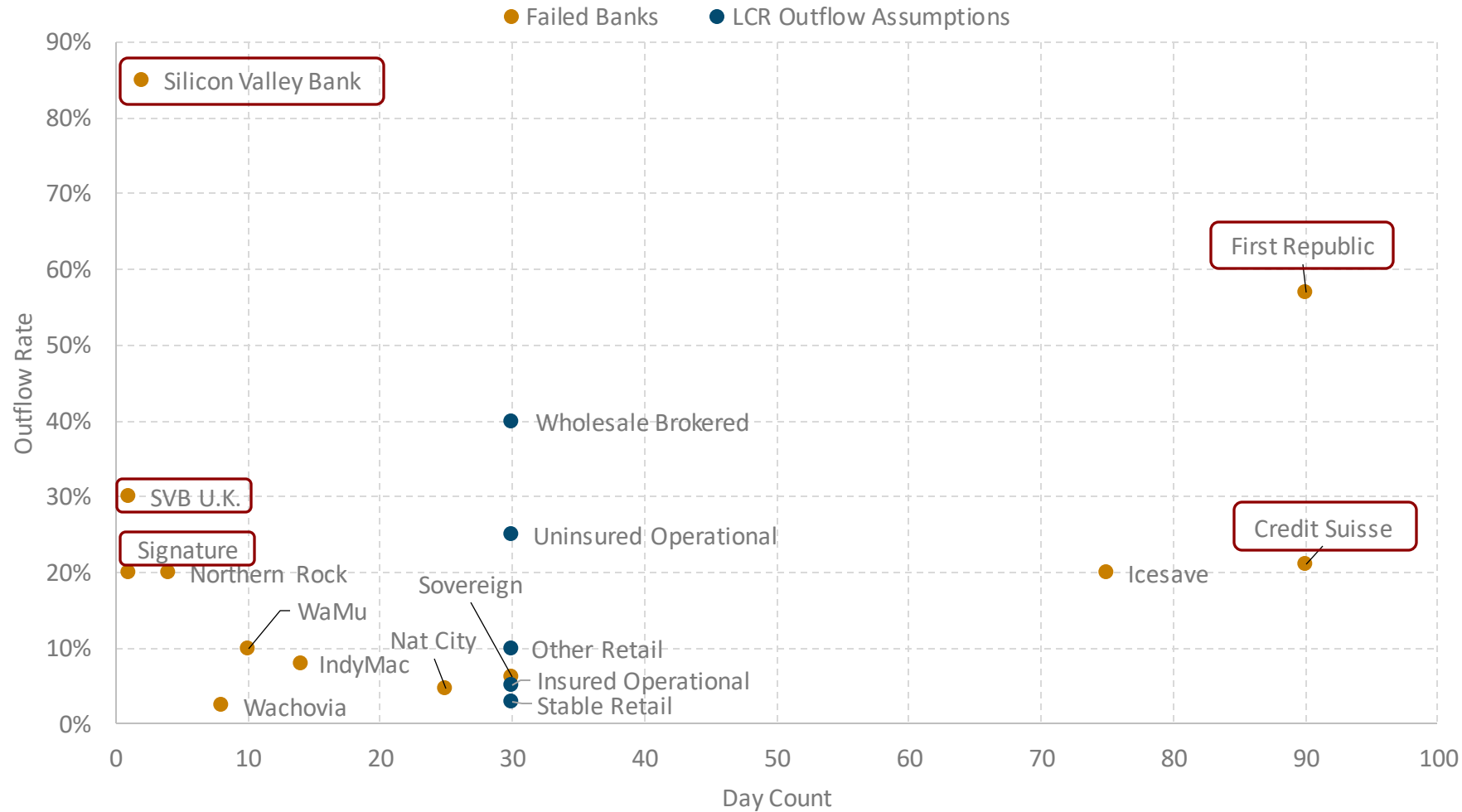
Deposit Outflows of Distressed Banks

Bank	Year	Deposit Outflow	Number of Days
Silicon Valley Bank	2023	85%	2
First Republic Bank	2023	57%	90
SVB UK	2023	30%	1
Credit Suisse	2023	21%	90
Signature Bank of New York	2023	20%	1
Icesave	2008	20%	75
Northern Rock	2007	20%	4
WaMu	2008	10%	14
IndyMac	2008	8%	30

- The five largest deposit runs have happened in 2023
- Accelerants: role of social media and on-line banking
- Notable and unprecedented reaction by depositors to sharp falls in equities and CDS

Deposit Outflows of Distressed Banks

Bank Runs Go Hypersonic



Credit Suisse Timeline

2021

- Archegos & Greensill losses
- CHF 1.65 bn capital raise (MCNs)

2022

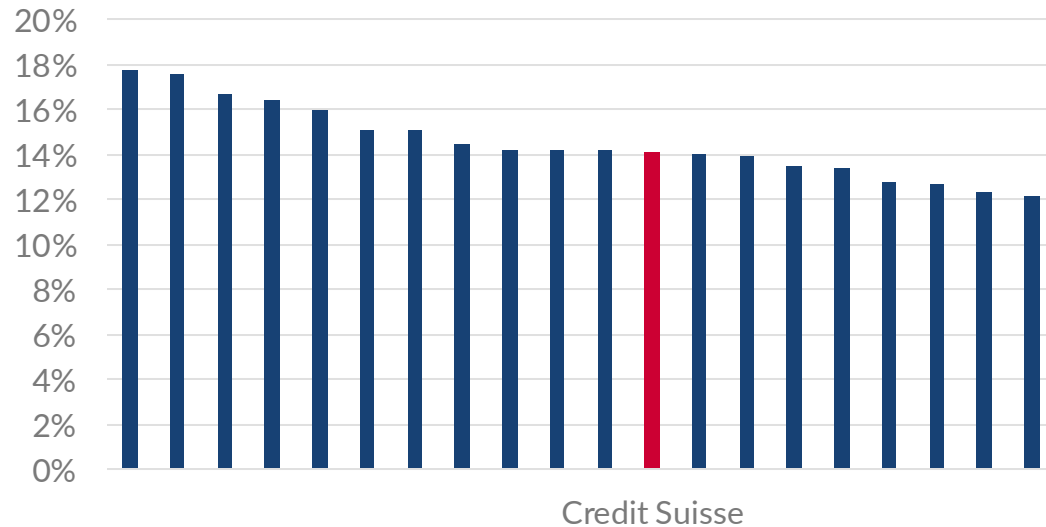
- June: profit warning, losses, strategic review
- October: market rumours, significant outflows of deposits and AuM

2023

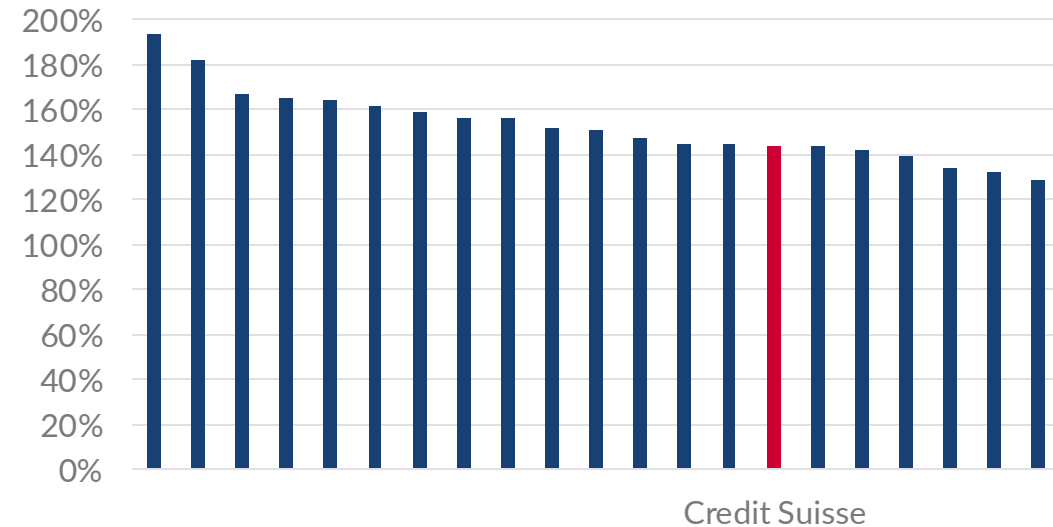
- March: Annual Report delay, shareholder lack of support, failure of SVB & SBNY
- Week of 13 March: shares & CDS under pressure, more outflows
- SNB liquidity support, UBS takeover 19 March, AT1 write-down

Credit Suisse: Capital and Liquidity at End-2022

CET1 Ratio: 20 Largest European Banks FY22



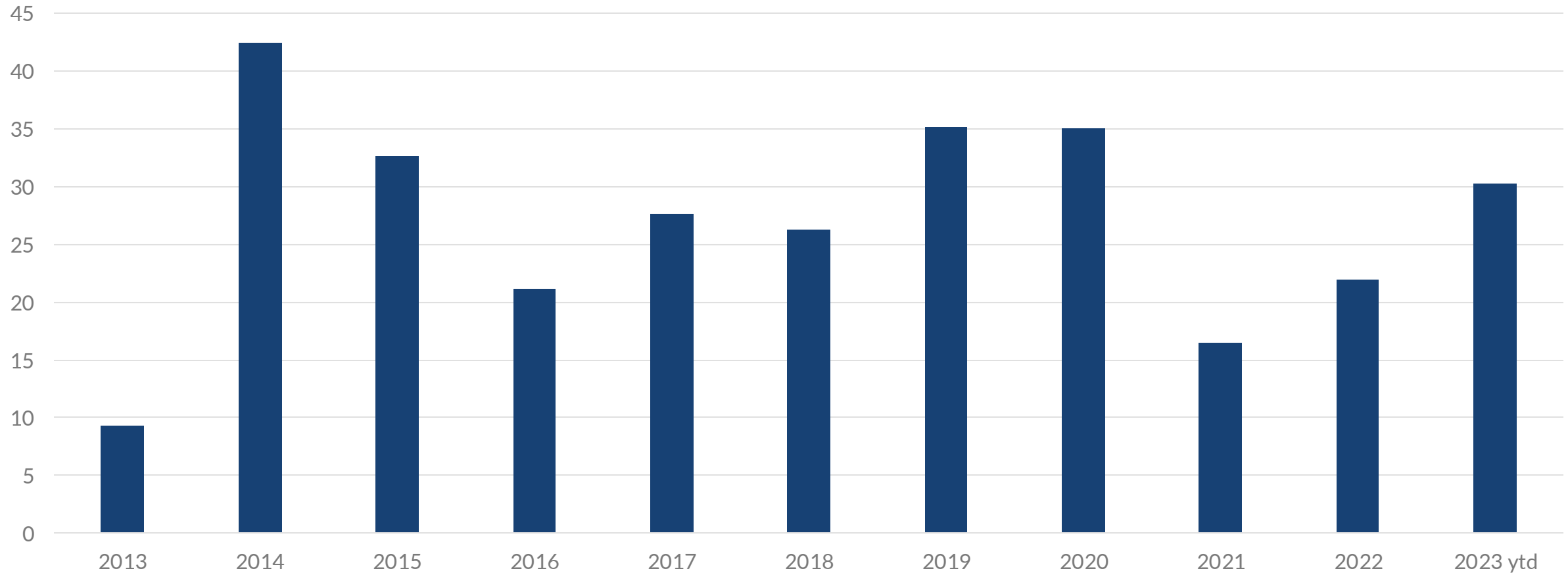
Liquidity Coverage Ratio: 20 Largest European Banks FY22



- Credit Suisse's capital and liquidity ratios in line with peers and well above requirements
- Even after losses in 2022 and substantial outflows in 4Q22

European Bank AT1 Supply

Annual Issuance (EUR bn equivalent)



European Bank AT1 Call History

European Bank AT1: Missed Calls							
Issuer	Coupon	First Call	Reset Spread	Reset Coupon	Callable	Called	Amount (mn)
Santander	6.25%	12-Mar-19	EUSA5 + 541.0	5.491%	Quarterly	12-Mar-20	€ 1,500
Aareal Bank	7.625%	30-Apr-20	EUSA1 + 718.0	6.849%	Annual	n/a	€ 300
Deutsche Bank	6.25%	30-Apr-20	USSW5 + 435.8	4.789%	5 years	n/a	\$1,250
Lloyds	6.375%	27-Jun-20	EUSA5 + 529.0	4.947%	5 years	n/a	€ 750
NordLB	8.50%	29-Jun-20	EUSA1 + 796.8	7.780%	Annual	n/a	€ 50
Banco Sabadell	6.125%	23-Nov-22	EUSA5 + 605.1	8.516%	Quarterly	23-Feb-23	€ 400
Shawbrook Group	7.875%	8-Dec-22	GUKG5 + 709.9	10.2977%	5 years	n/a	£1
RBI	6.125%	15-Dec-22	EUAMDB05 + 595.4	8.659%	Semi-annual	n/a	€ 650
Deutsche Pfandbriefbank	5.75%	28-Apr-23	EUAMDB05 + 538.3	8.474%	5 years	n/a	€ 300
Santander	5.25%	29-Sep-23	EUSA5 + 499.9	n.a.	Quarterly	29-Dec-23	€ 1,000
Zürcher Kantonalbank	2.125%	30-Oct-23	SFSNT5 + 212.5	n.a.	Annual	n/a	CHF 750

AT1s redeemed at subsequent call date shown in red

AT1s subject to tender/exchange offer shown in green

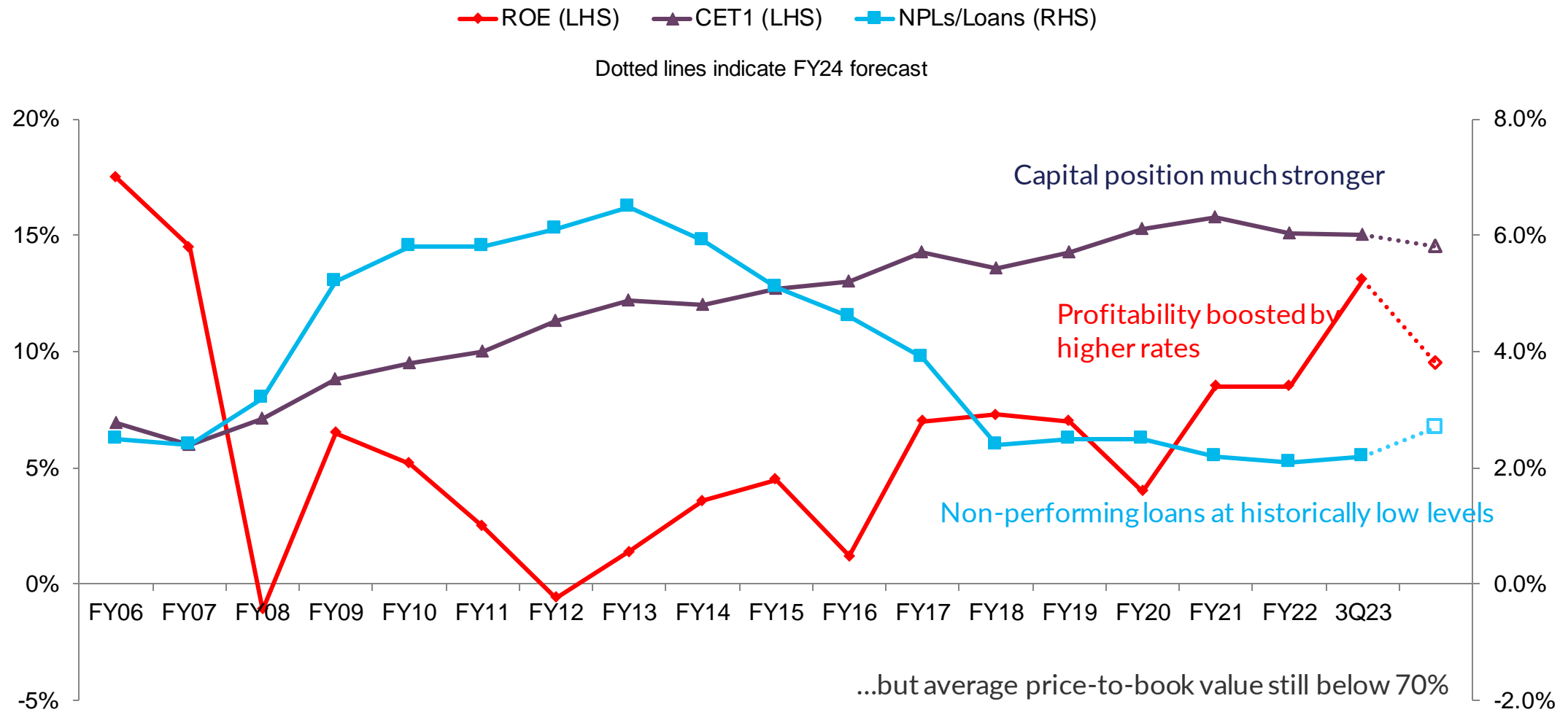
Banking Is A Risky Business

- Banks are highly levered – capital would be wiped out by losses equivalent to 5% of total assets
- A zero-failure regime would be possible only if risk-taking were banned
- So regulators focus on minimising failures, having a framework to resolve banks and to avert taxpayer losses, and avoiding systemic contagion
- SVB: successful resolution – but “systemic risk exception”
- CS: rescue economically similar to resolution – but resolution framework not used

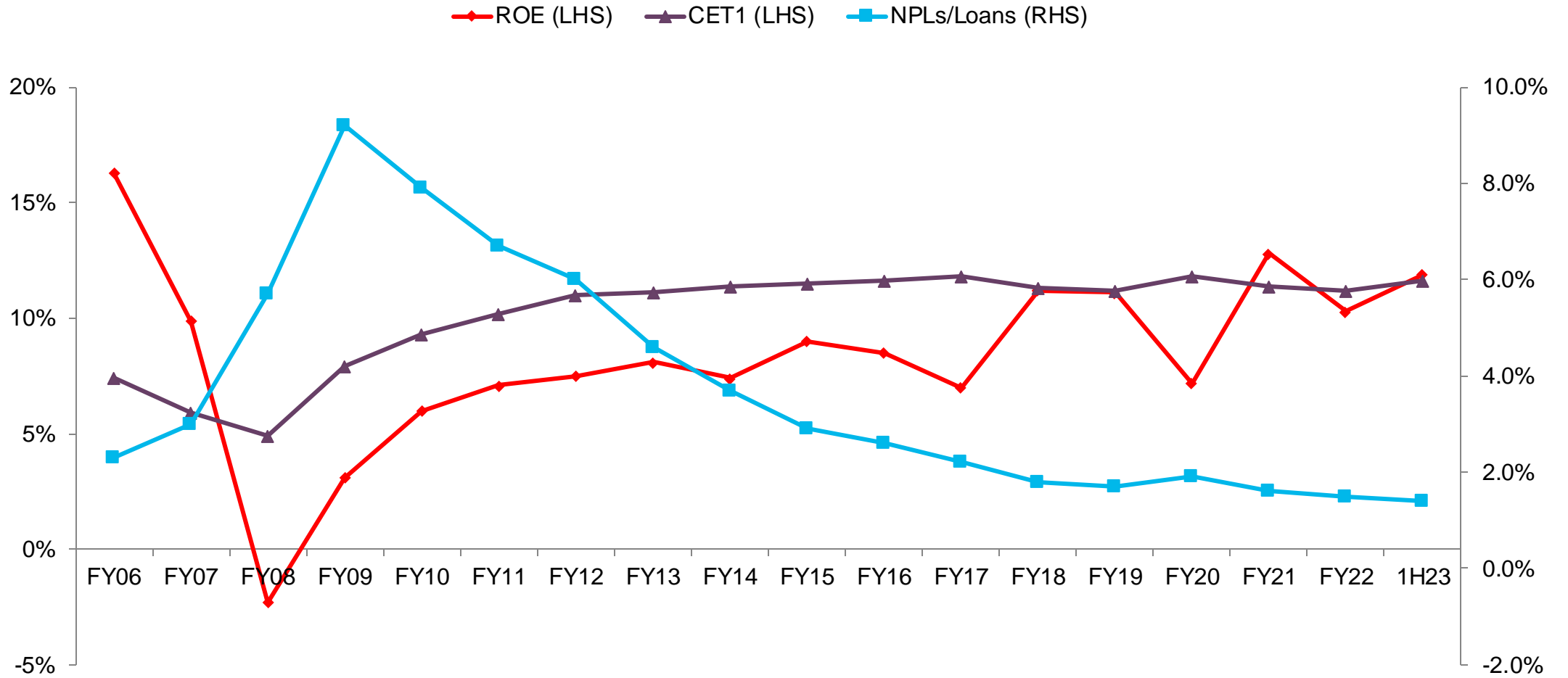
Lessons From The Turmoil

- Business models are important: risk culture and concentration, outliers
- Questions over practicality of resolution – legal challenges
 - “There were fears that a resolution would destabilise the financial system”¹
- Possible recalibration of LCR and NSFR (modelled deposit outflows)
 - Influence of social media, outflows in reaction to weakness in equities/CDS
- AT1 complexity, transparency and understanding of risk
- Potential regulatory changes

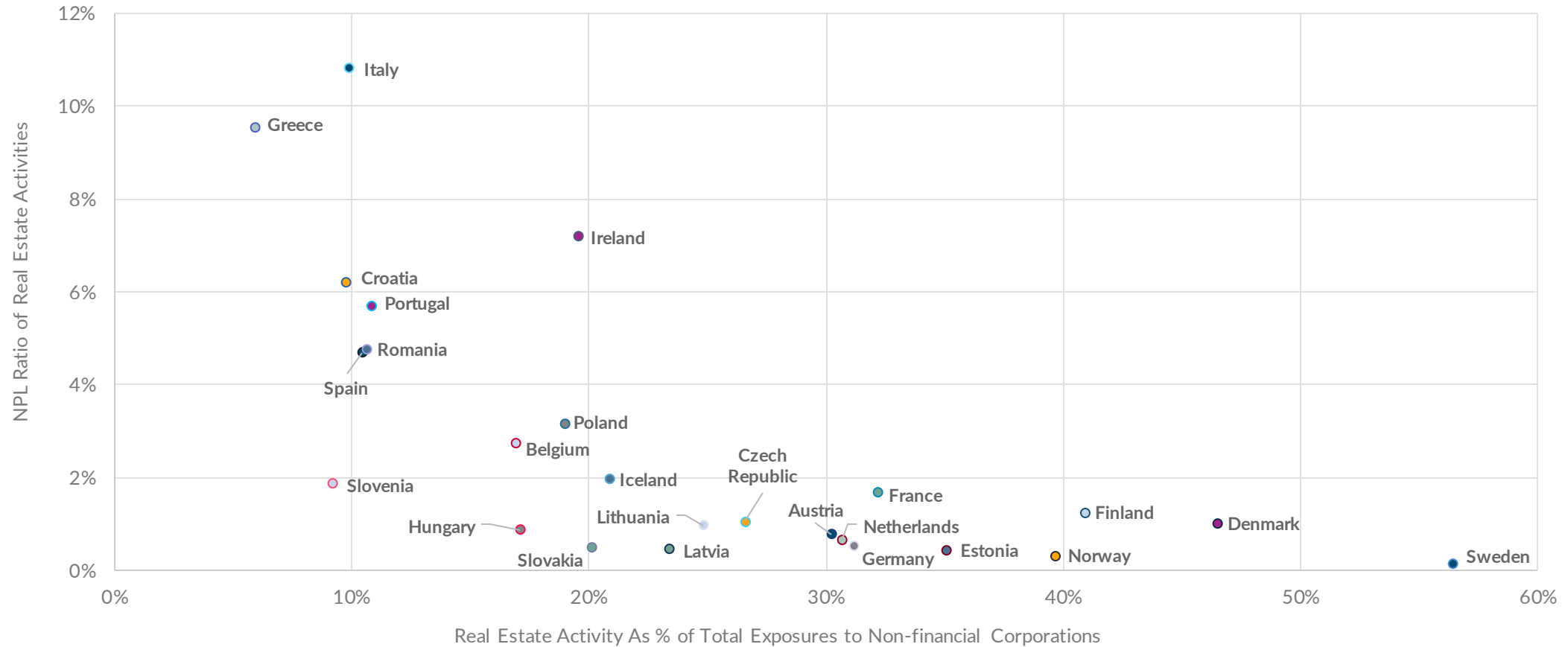
European Bank Fundamentals: Steady Improvement



U.S. Bank Fundamentals: Same Story



Commercial Real Estate: Exposure Concentration versus NPL Ratio



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