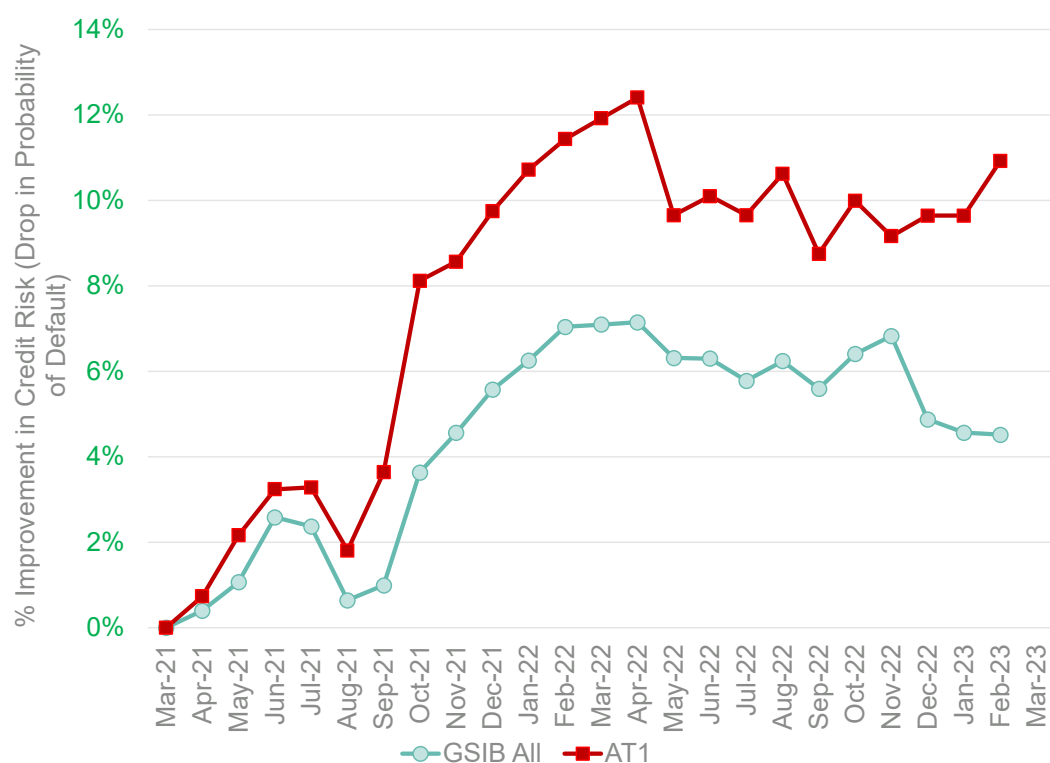


AT1 Bonds: Investor Risk Means Stronger Banks

March 2023

The Credit Suisse bail-in has cleaned out the bank’s AT1 bondholders; and across the bank universe, AT1 bond prices have dropped more than 10% this month. But consensus data suggests that for depositors and central banks, bail-in bonds provide a powerful extra prop for bank balance sheets.

The below chart shows two-year cumulative change in the (unweighted) average probability of default for (1) GSIBs and (2) AT1 issuers (based on Invesco AT1 ETF constituents).



It shows that both series peaked in Q2 2022, and have since shown a slight deterioration. However, the GSIB deterioration is slightly steeper and the AT1 group has recently shown a modest improvement.

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About Credit Benchmark

Credit Benchmark provides Credit Consensus Ratings and Analytics based on contributed risk views from 40+ of the world’s leading financial institutions, almost half of which are GSIBs, domiciled in the US, Continental Europe, Switzerland, UK, Japan, Canada, Australia and South Africa.

The risk views are collected, aggregated, and anonymized to provide an independent, real-world perspective of credit risk, delivered twice monthly to our partners. Credit Consensus Ratings and Analytics are available on 75,000 corporate, financial, fund and sovereign entities globally, 90% of which are unrated by credit rating agencies. Credit Benchmark also produces over 1,200 credit indices, which help risk practitioners better understand industry and sector macro trends.

Risk professionals at banks, insurance companies, asset managers and other firms use the data to gain visibility on entities without a public rating, inform risk sharing transactions (CRT / SRT), monitor and be alerted to changes within the portfolio, benchmark, assess and analyze trends, and fulfil regulatory requirements and capital.

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