

2) We have also been looking Contingent Convertibles bonds, which have been issued post-crisis primarily by European banks as securities that absorb losses when capital of the issuing bank falls below a certain level (i.e. trigger). Two such examples that we've highlighted:

**SocGen 6.00 2049 (Offer Px- 95.51, YTC - 7.26%)**

- The bond is a non call 5y (NC5) structure with first call date on 01/27/2020, after which it floats to USSW5 + 4.067%. Post first call date, it is callable every five years
- Using the forward curve, the yield to perpetuity is ~7.00% (assuming it is not called)
- Principal Trigger: The Common Equity Tier 1 (CET1) trigger for the bond is 5.125%. SocGen currently runs a fully loaded CET1 ratio of 10.5%, the buffer to a principal write down is ~€20bn.
- Coupon deferral: The coupons may get deferred if the CET1 ratio falls below 8% (this rule starts to phase in from Jan 01, 2016 and is only fully applicable in 2019). The buffer to this requirement is a very healthy ~11bn
- Notes: Buying one of the highest yielding/ lowest \$ NC5 AT1; Buffers to any triggers are very healthy and higher than the averages in the sector; SocGen has filled its AT1 requirements, so the probability of a new issue re-pricing this bond is "low"; French banks have traditionally been the most investor friendly of all Euro Zone banks (i.e. still call all institutional deals on first call date)

**SEB 5.75 2049 (Offer Px - 99.26, YTC - ~6.0%)**

- The bond is a non call 5y (NC5) structure with first call date on 05/13/2020, after which it floats to USSW5 + 3.850%. Post first call date, it is callable every six months.
- Using the forward curve, the yield to perpetuity is ~6.4% (assuming it is not called)
- Principal Trigger: The CET1 trigger for the bond is 8.0%. SEB currently runs a fully loaded CET1 ratio of 17.8%, the buffer to a principal write down of ~10% is one of the highest among all AT1 issuers
- Coupon deferral: The coupons may get deferred if the CET1 ratio falls below ~10.5% (this rule starts to phase in from Jan 01, 2016 and is only fully applicable in 2019). The buffer to this requirement is also one of the highest given the very high CET1 ratio.
- Notes: SEB is one of the most profitable and well capitalized banks in the world; Business mix ensures that it is less exposed to the Swedish property market vs. the peer group; Another issuer where the need for further AT1 is very limited, so new issue is less likely and the bond should have a strong regional bid (35% of the issue was placed with Nordic asset managers); this the desk's best pick among the high quality IG rated AT1s

3) Lastly, please find a run of bank \$1000 bank preferreds. Pricing is indicative as of today, 11/18/2015.

Nxt Call B Px A Px B YTC B CUR Floats Notes

Nxt Call	B Px	A Px	B YTC	B CUR	Floats	Notes
AXP	5.20	11/15/19	98%-99%	5.518	5.259	+ 342.8 S 2MM
AXP	4.90	03/15/20	96-96%	5.964	5.104	+ 328.5 S 5MM
BAC	5.20	06/01/23	93%-94%	6.254	5.547	+313.5 S 2MM
BAC	5.125	06/17/19	96%-97%	6.193	5.304	+338.7 S 5MM
BAC	6.25	09/05/24	100%-101%	6.118	6.196	+370.5
BAC	6.50	10/23/24	104%-105%	5.809	6.205	+417.4
BAC	8.00	01/30/18	103%-104	6.376	7.748	+ 363
BAC	8.125	05/15/18	103%-104%	6.462	7.831	+ 364 S 2MM
BAC	6.10	03/17/25	100%-100%	6.063	6.085	+3.898
BK	4.95	06/20/20	98%-99%	5.259	5.013	+ 342 S 3MM
BK	4.50	06/20/23	92%-93%	5.693	4.865	+ 246 Q
C	6.30	05/15/24	97%-98	6.691	6.462	+ 342

Nxt Call B Px A Px B YTC B CUR Floats Notes

C	6.125	11/15/20	100%-100%	6.036	6.102	+ 447.8 MKt 3MM
C	5.95 N	08/15/20	98%-99%	6.288	6.033	+ 409.5
C	5.95	01/30/23	97%-98%	6.365	6.095	+ 407