

# Corporate hybrid securities

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January 2023

**Important information and disclosures are found in the Disclosure appendix.**

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# Agenda

- 1 Executive summary
- 2 Market overview
- 3 Recommendations
- 4 Most preferred issuers
- 5 Least preferred issuers
- 6 Appendix

# Executive summary

- Credit markets have been in risk-off mode since the start of 2022. Inflationary pressures, tighter monetary policy, and a growth scare have contributed to a material sell-off in subordinated corporate hybrids.
- Yields-to-call and spreads over Bunds on EUR hybrids jumped to decade-highs in October 2022 (9.1% and 720 bp, respectively), but have since come down to 7.2% and 500 bp (still high levels historically). Similar movements were observed in USD hybrids.
- The increase in non-call risk sensitivity was one of the contributors to widening spreads. S&P's clarification in June 2022 stating that failure to call a hybrid results in the loss of the equity content for that hybrid, but not necessarily the rest of the hybrid stack – therefore reducing the penalty for not calling – caused investors to reassess this risk. The economics of the call, in combination with potential reputational risks, requires a nuanced assessment about the likelihood of a specific hybrid being called or not called.
- Higher market yields and the repricing of hybrids naturally lessened primary market activity. In 2023, we expect it to be largely limited to refinancing activity, unless yields fall. More limited supply is supportive for sectors such as utilities, energy, and telecoms, the largest issuers of hybrids.
- We continue to stay focused on high-quality issuers with above-average forward-looking visibility. We have BUY recommendations on numerous securities from issuers with stable investment grade (IG) issuer credit ratings, including BP, Danone, ENEL, Iberdrola, Orange, TotalEnergies, Vodafone, Volkswagen, among others.
- The main risk factor remains around broader asset market volatility. Any renewed risk-off episode would likely see hybrid valuations also suffer. The asset class could also be vulnerable to broader corporate credit quality deterioration in the event the current economic slowdown becomes more material.

# Market overview

# Inflationary pressures, tighter monetary policy, and growth scare lead to a substantial repricing since the start of 2022

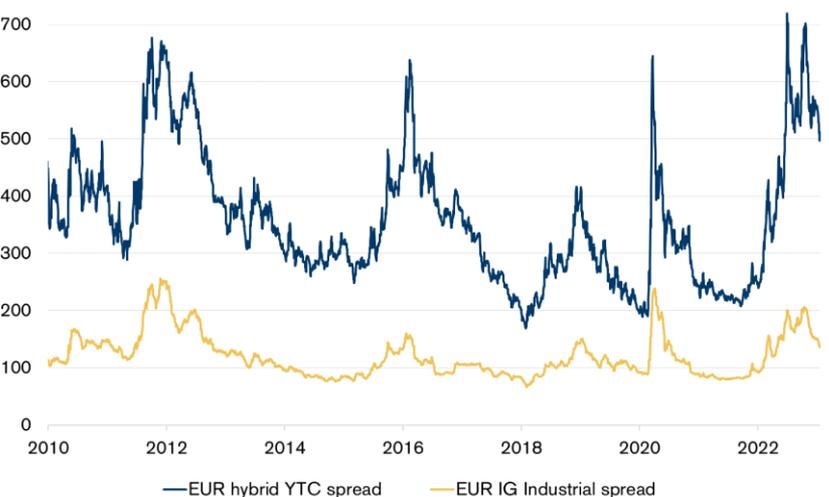
## EUR hybrid YTC and EUR IG Industrial YTM (%)

The yield-to-call on EUR hybrids reached a decade-high of 9.1% in October 2022, but has since fallen to 7.2%, historically still a high level. This was a consequence of rising rates and widening spreads.



## EUR hybrid YTC spread and EUR IG Industrial spreads (bp)

Spreads also reached a high of 720 bp versus Bunds but came down to 500 bp more recently. The perception of higher non-call risk has been one of the contributors to wider spreads.



Last data point: 20 January 2023.

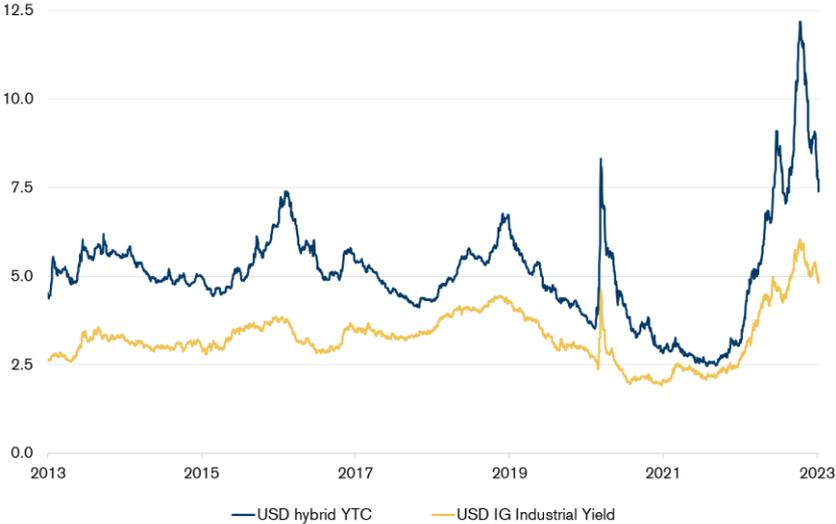
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# USD hybrids are cheaper now, but less than the levels seen in October 2022

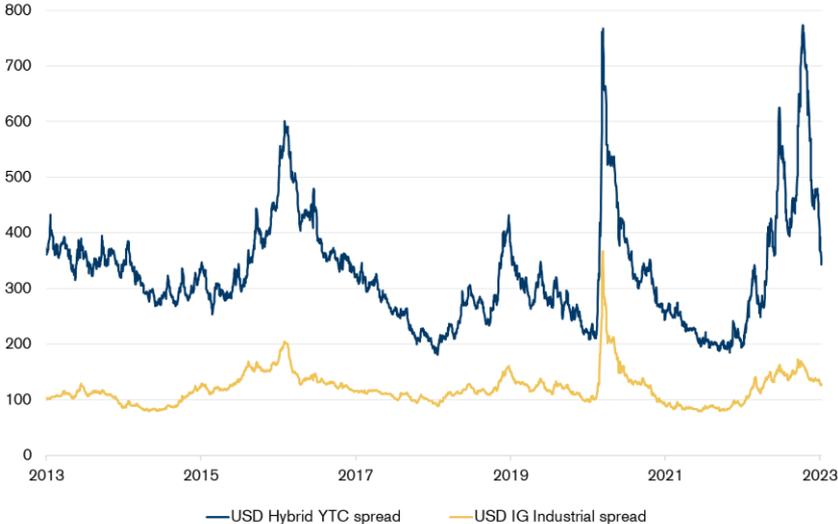
## USD hybrid YTC and USD IG Industrial YTM (%)

Hybrids offer a materially higher yield (7.5% YTC) than Industrial senior unsecured bonds (4.9% YTM) at much shorter duration. This assumes, however, that hybrids are called at the next call date.



## USD hybrid YTC spread and USD IG Industrial spreads (bp)

USD IG Industrial and hybrid spreads versus Treasuries (346 and 128 bp, respectively) have come down substantially from their peaks in October and are now more in line with median spreads since 2013 (309 and 116 bp).

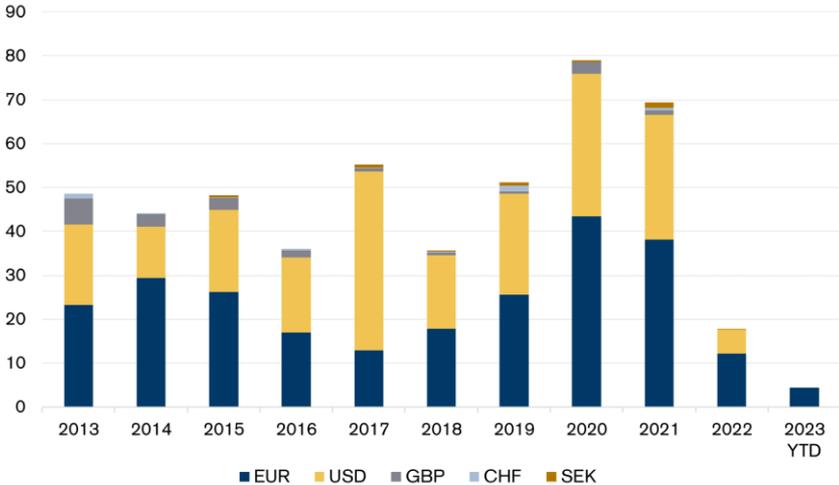


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# High rates led to very low issuance in 2022. 2023 is looking stronger, with significant potential refinancing ahead

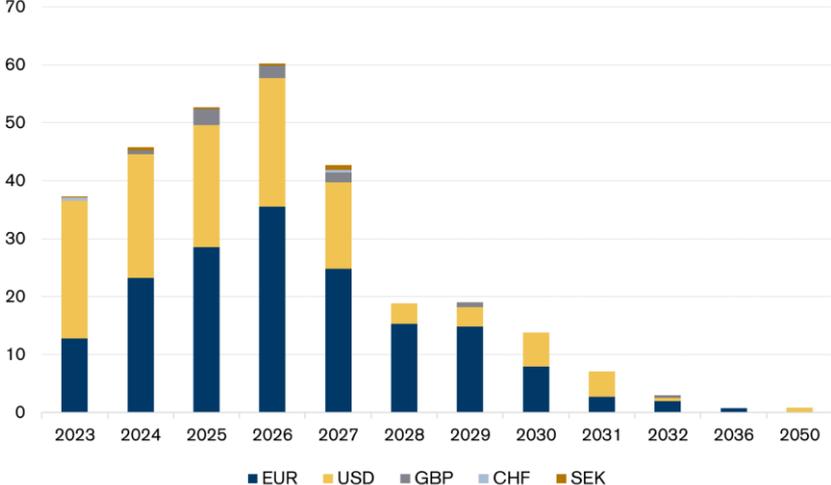
## Corporate hybrid annual issuance (EUR bn equivalent\*)

Total market size\*\* by outstanding amount is approximately EUR 329 bn, mostly in EUR and USD.



## Outstanding hybrids by first call date (EUR bn equivalent\*)

Hybrids with a first call date in 2023 total EUR 37.3 bn and can potentially be refinanced during the year.



\*Applying exchange rates as of 20 January 2023: USDEUR=0.92, GBPEUR=1.14, and CHF EUR=1.

\*\*EUR, USD, GBP, CHF, and SEK-denominated corporate (non-financials) hybrids. Other currencies excluded.

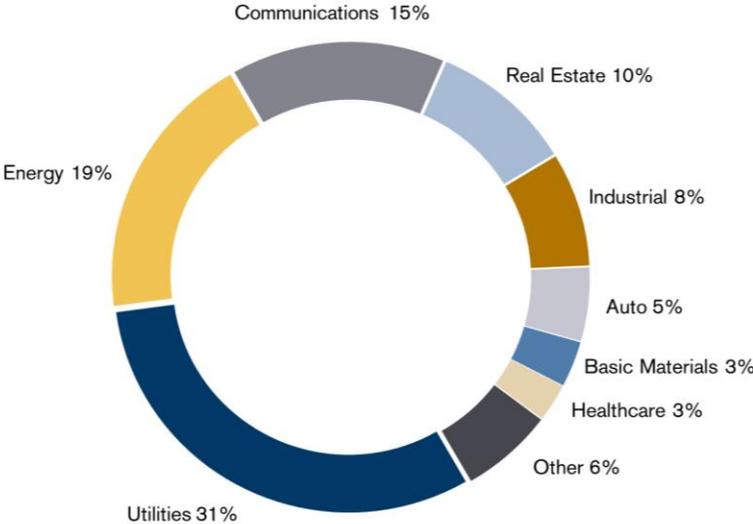
Data as of 20 January 2023, 16:00 CET

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# There is a wide range of corporate hybrids issuers and quality on offer

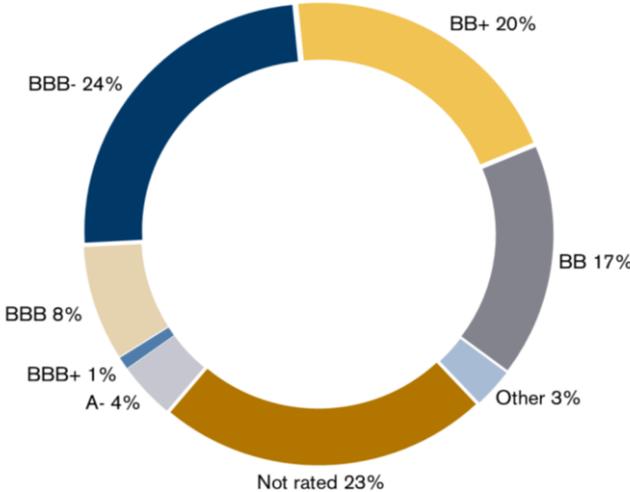
## Outstanding hybrids by sector (EUR bn equivalent\*)

The asset-intensive Utilities, Energy, Communications, and Real Estate sectors represent 75% of the amount outstanding.



## Outstanding hybrids by composite rating (EUR bn equivalent\*)

A large portion of the market is low IG / Crossover quality.



\*Applying exchange rates as of 20 January 2023: USDEUR=0.92, GBPEUR=1.14, and CHF EUR=1.  
 Data as of 20 January 2023, 16:00 CET  
 Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# So far in 2023, hybrids have been one of the best-performing fixed income sub-asset classes in EUR

Index	Benchmark spread	Yield-to-worst (YTW)	Total return (YTD)	Benchmark spread	Yield-to-worst (YTW)	Total return (YTD)
	EUR			USD		
<b>All IG (1)</b>	80	3.1%	2.9%	46	4.3%	2.9%
<b>IG Corporates (2)</b>	156	3.9%	2.4%	123	5.0%	3.5%
<b>IG Industrials (3)</b>	123	3.5%	2.6%	118	4.9%	3.8%
<b>Corporate Hybrids (4)</b>	499	7.2%	3.1%	346	7.5%	2.7%
<b>Banks AT1 (5)</b>	513	8.3%	3.8%	365	9.0%	4.4%
<b>HY Corporates (6)</b>	450	7.3%	2.8%	424	8.2%	3.5%

(1) Bloomberg EuroAgg and Bloomberg US Agg Indices; (2) Bloomberg EuroAgg Corporate and Bloomberg US Agg Corporate indices; (3) Bloomberg EuroAgg Industrial and Bloomberg US Agg Industrial indices; (4) Credit Suisse European Corporate Hybrid Total and Credit Suisse European Corporate Hybrid USD Total indices; (5) Bloomberg Contingent Capital EUR and Credit Suisse Contingent Convertible USD Total indices; (6) Bloomberg Pan-European High Yield (Euro) and Bloomberg US Corporate High Yield indices.

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Data as of 20 January 2023, 16:00 CET

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Recommendations

# Valuations have become more compelling, and hybrids can offer attractive yield enhancement to portfolios

- Corporate hybrids currently offer significant yield / spread pickup versus senior bonds due to subordination and issuer optionality (call option).
- Non-call risk sensitivity increased since S&P released a clarification in June 2022 stating that failure to call a hybrid results in the loss of the 50% equity content for that hybrid, but not necessarily the rest of the hybrid stack. This contributed to widening spreads.
- However, we expect the large, committed issuers to continue calling (and replacing) their securities at the first call date. This is because:
  - They have flexibility to redeem up to 10% of their hybrid stock in any 12-month period (and up to 25% over any 10-year period) without impacting the equity credit on the remaining hybrids, according to S&P.
  - They arguably prefer to pay a higher coupon on a new issue that represents a small part of their capital structure than to risk reputational damage from a non-call and consequently increase the cost of future senior and subordinated issuance.
  - If they do not call and replace agencies can change their view on the issuer's commitment to hybrids and potentially remove the equity credit from the issuer's other hybrids.
- For these reasons, we favour large, high-quality issuers, with strong fundamentals, above average forward-looking visibility, and a Stable fundamental credit view.
- All other things equal, higher reset spreads also incentivize issuers to call their instruments.
- The following pages summarize our recommendations. Our hybrid selection process relies on a fundamental issuer analysis, combined with our expectations regarding call probability and yield pick-up dynamics.

# EUR corporate hybrid recommendations (1/4)

Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
BUY	XS1721244371	IBERDROLA INTL BV	BBB- / Baa3 / BBB	1.875	22/02/2023	Perpetual	1,000	1,000	0%	99.8	4.3	4.4	0.3	4	100   100	4.4
HOLD	FR0013292828	DANONE SA	BBB- / Baa3 / -	1.750	23/03/2023	Perpetual	750	1,250	40%	99.6	4.4	4.2	0.4	21	100   100	4.2
HOLD	XS1501167164	TOTALENERGIES SE	A- / A3 / Au	2.708	05/05/2023	Perpetual	1,000	1,000	0%	99.6	3.9	5.6	0.3	162	100   1	5.6
HOLD	XS0968913342	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	5.125	04/09/2023	Perpetual	750	750	0%	100.4	4.3	6.0	0.6	165	1   1	6.1
HOLD	XS1888179477	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	3.100	03/10/2023	03/01/2079	2,000	2,000	0%	99.2	4.3	5.4	0.7	156	100   1	5.5
BUY	XS1797138960	IBERDROLA INTL BV	BBB- / Baa3 / BBB	2.625	26/12/2023	Perpetual	700	700	0%	98.8	4.0	4.8	1.1	95	100   100	4.9
BUY	XS0954675129	ENEL SPA	BBB- / Baa3 / BBB-	5.451	10/01/2024	Perpetual	297	1,250	76%	101.0	4.3	7.8	0.9	151	100   1	8.1
BUY	FR0013252061	VEOLIA ENVIRONNEMENT SA	- / Baa3 / -	2.875	19/01/2024	Perpetual	600	600	0%	97.9	5.1	5.4	0.9	233	100   100	5.3
HOLD	XS1028599287	ORANGE SA	BBB- / Baa3 / BBB-	5.250	07/02/2024	Perpetual	1,000	1,000	0%	101.4	3.8	6.3	0.9	104	100   1	6.5
BUY	XS1974787480	TOTALENERGIES SE	A- / A3 / Au	1.750	04/04/2024	Perpetual	1,500	1,500	0%	96.1	5.2	4.6	1.1	242	100   1	4.6
BUY	XS1713466495	HOLCIM FINANCE LUX SA	BBB- / Baa3 / -	3.000	05/04/2024	Perpetual	500	500	0%	97.6	5.1	5.8	1.3	205	100   1	5.9
BUY	XS1224710399	NATURGY FINANCE BV	BB+ / Ba1u / BBB-	3.375	24/04/2024	Perpetual	500	500	0%	98.3	4.8	5.8	1.2	208	100   100	5.8
HOLD	FR0011942283	ENGIE SA	BBB- / Baa3 / BBB	3.875	02/06/2024	Perpetual	338	1,000	66%	99.7	4.1	5.3	1.3	140	100   100	5.4
HOLD	XS1799938995	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.375	27/06/2024	Perpetual	1,250	1,250	0%	96.9	5.7	5.7	1.3	297	100   100	5.7
BUY	DE000A11QR73	BAYER AG	BB+ / Ba1 / BBB-	3.750	01/07/2024	01/07/2074	1,500	1,500	0%	98.1	5.2	5.4	1.3	248	1   1	5.4
BUY	FR0013367612	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	4.000	04/07/2024	Perpetual	1,250	1,250	0%	96.6	6.5	6.2	1.6	354	100   100	6.2
BUY	XS2035564975	ENBW ENERGIE BADEN - WU	BBB- / Baa3 / WD	1.125	05/08/2024	05/11/2079	500	500	0%	94.4	5.0	4.3	1.7	188	100   100	4.2
BUY	XS1720192696	ORSTED A/S	BB+ / Baa3 / BBB-	2.250	24/08/2024	24/11/3017	500	500	0%	95.4	5.4	4.7	1.7	236	100   1	4.7
HOLD	XS2010044977	NGG FINANCE PLC	BBB- / Ba1 / BB+	1.625	05/09/2024	05/12/2079	500	500	0%	94.5	5.3	5.0	1.5	262	100   1	5.0
HOLD	XS2069101868	KONINKLIJKE KPN NV	BB+ / Ba2 / BB+	2.000	08/11/2024	Perpetual	500	500	0%	94.5	5.3	5.1	1.9	234	100   100	5.2
BUY	XS1890845875	IBERDROLA INTL BV	BBB- / Baa3 / BBB	3.250	12/11/2024	Perpetual	800	800	0%	97.7	4.6	5.7	1.9	190	100   100	5.8
HOLD	FR0013398229	ENGIE SA	BBB- / Baa3 / BBB	3.250	28/11/2024	Perpetual	1,000	1,000	0%	98.0	4.4	5.8	1.9	175	100   100	6.0
HOLD	XS1933828433	TELEFONICA EUROPE BV	BB / Ba2 / BB+	4.375	14/12/2024	Perpetual	1,300	1,300	0%	97.3	5.9	6.7	1.9	324	100   100	6.9
BUY	FR0013413887	ORANGE SA	BBB- / Baa3 / -	2.375	15/01/2025	Perpetual	1,000	1,000	0%	95.8	4.7	5.1	2.1	192	100   100	5.2
BUY	FR0011401751	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	5.375	29/01/2025	Perpetual	1,250	1,250	0%	96.8	7.1	6.6	1.7	458	100   100	6.5

Data as of 23 January 2023, 8:46 CET.

(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# EUR corporate hybrid recommendations (2/4)

Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
BUY	XS2077670003	BAYER AG	BB+ / Ba1 / BBB-	2.375	12/02/2025	12/11/2079	1,000	1,000	0%	93.5	5.8	5.4	2.1	299	100   100	5.4
BUY	XS2000719992	ENEL SPA	BBB- / Baa3 / BBB-	3.500	24/02/2025	Perpetual	900	900	0%	95.9	5.6	6.3	2.1	295	100   1	6.4
BUY	XS1195202822	TOTALENERGIES SE	A- / A3 / Au	2.625	26/02/2025	Perpetual	2,500	2,500	0%	95.2	5.1	5.0	1.9	258	100   1	5.0
BUY	XS2114413565	AT&T INC	BB+ / Ba1 / BBB-	2.875	02/03/2025	Perpetual	2,000	2,000	0%	91.6	7.3	6.0	1.9	480	100   100	5.9
HOLD	FR0013431244	ENGIE SA	BBB- / Baa3 / BBB	1.625	08/04/2025	Perpetual	500	500	0%	93.0	5.0	4.7	2.1	254	100   100	4.7
BUY	PTEDPLOM0017	ENERGIAS DE PORTUGAL SA	BB+ / Ba2 / BB+	1.700	20/04/2025	20/07/2080	750	750	0%	91.4	5.9	4.8	2.3	305	100   100	4.7
HOLD	XS1219499032	RWE AG	NR / Ba1 / BBB-	3.500	21/04/2025	21/04/2075	282	550	49%	97.2	4.9	5.9	2.0	237	1   1	6.1
BUY	XS2187689034	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.500	17/06/2025	Perpetual	1,500	1,500	0%	94.8	5.9	6.5	2.2	343	100   100	6.6
BUY	FR0011697028	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	5.000	22/01/2026	Perpetual	1,000	1,000	0%	94.4	7.2	6.0	2.7	482	100   100	5.8
BUY	XS2244941063	IBERDROLA INTL BV	BBB- / Baa3 / BBB	1.874	28/01/2026	Perpetual	1,600	1,600	0%	91.4	5.0	5.1	2.8	270	100   100	5.1
BUY	XS2193661324	BP CAPITAL MARKETS PLC	BBB / Baa1 / BBB+	3.250	22/03/2026	Perpetual	2,500	2,500	0%	93.1	5.7	6.5	2.8	338	100   1	6.7
HOLD	XS1048428442	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	4.625	24/03/2026	Perpetual	1,750	1,750	0%	97.3	5.6	5.7	2.7	326	1   1	5.7
BUY	XS2196328608	ENBW ENERGIE BADEN - WU	BBB- / Baa3 / WD	1.875	30/03/2026	29/06/2080	500	500	0%	88.8	5.9	5.2	2.9	355	100   100	5.1
BUY	PTEDPROM0029	ENERGIAS DE PORTUGAL SA	BB+ / Ba2 / BB+	1.875	02/05/2026	02/08/2081	750	750	0%	87.9	6.1	5.3	3.2	350	100   100	5.2
BUY	XS2225157424	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	2.625	27/05/2026	27/08/2080	1,000	1,000	0%	90.2	5.9	5.8	3.0	365	100   1	5.8
BUY	FR0013445335	VEOLIA ENVIRONNEMENT SA	- / Baa3 / -	1.625	01/06/2026	Perpetual	500	500	0%	87.8	5.7	5.0	3.3	315	100   100	4.9
HOLD	XS1795406658	TELEFONICA EUROPE BV	BB / Ba2 / BB+	3.875	22/06/2026	Perpetual	1,000	1,000	0%	92.8	6.3	5.8	3.2	384	100   100	5.7
BUY	XS1713463559	ENEL SPA	BBB- / Baa3 / BBB-	3.375	24/08/2026	Perpetual	750	750	0%	91.7	6.0	5.5	3.4	358	100   1	5.4
BUY	FR0014005EJ6	DANONE SA	BBB- / Baa3 / -	1.000	16/09/2026	Perpetual	500	500	0%	86.0	5.3	4.2	3.6	279	100   100	4.1
HOLD	XS1115498260	ORANGE SA	BBB- / Baa3 / BBB-	5.000	01/10/2026	Perpetual	1,250	1,250	0%	101.5	4.5	6.4	3.3	227	100   1	6.8
BUY	XS1501166869	TOTALENERGIES SE	A- / A3 / Au	3.369	06/10/2026	Perpetual	1,500	1,500	0%	95.4	4.8	5.9	3.3	248	100   1	6.2
BUY	XS2295335413	IBERDROLA INTL BV	BBB- / - / BBB	1.450	09/11/2026	Perpetual	1,000	1,000	0%	87.3	5.2	4.7	3.7	275	100   100	4.6
BUY	XS2406737036	NATURGY FINANCE BV	BB+ / - / BBB-	2.374	23/11/2026	Perpetual	500	500	0%	88.8	5.7	5.3	3.4	345	100   100	5.2
BUY	XS2228373671	ENEL SPA	BBB- / Baa3 / BBB-	2.250	10/12/2026	Perpetual	600	600	0%	87.3	6.0	5.6	3.7	356	100   1	5.5
BUY	PTEDPXOM0021	ENERGIAS DE PORTUGAL SA	BB+ / Ba2 / BB+	1.500	14/12/2026	14/03/2082	750	750	0%	84.8	6.0	4.9	3.8	349	100   100	4.7

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# EUR corporate hybrid recommendations (3/4)

Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
BUY	FR0013534351	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	2.875	15/12/2026	Perpetual	850	850	0%	85.9	7.1	6.3	3.4	489	200   200	6.2
HOLD	FR0013447877	ORANGE SA	BBB- / Baa3 / -	1.750	19/12/2026	Perpetual	500	500	0%	89.9	4.6	4.9	3.8	222	100   100	5.0
HOLD	XS2432130610	TOTALENERGIES SE	A- / A3 / Au	2.000	17/01/2027	Perpetual	1,000	1,000	0%	87.3	5.7	4.8	3.8	321	100   1	4.7
HOLD	XS2109819859	TELEFONICA EUROPE BV	BB / Ba2 / BB+	2.502	05/02/2027	Perpetual	500	500	0%	86.8	6.3	5.5	3.6	406	100   100	5.4
BUY	XS1205618470	VATTENFALL AB	BB+ / Baa2 / WD	3.000	19/03/2027	19/03/2077	1,000	1,000	0%	91.7	5.3	5.3	3.7	304	100   1	5.3
HOLD	XS2195190520	SSE PLC	BBB- / Baa3 / BBB-u	3.125	14/04/2027	Perpetual	500	500	0%	92.9	5.0	6.0	3.7	280	100   1	6.2
HOLD	XS2035564629	ENBW ENERGIE BADEN - WU	BBB- / Baa3 / WD	1.625	05/05/2027	05/08/2079	500	500	0%	83.6	6.1	4.8	3.9	385	100   100	4.5
HOLD	XS2010045511	NGG FINANCE PLC	BBB- / Ba1 / BB+	2.125	05/06/2027	05/09/2082	750	750	0%	85.6	6.0	5.4	3.9	374	100   1	5.3
HOLD	XS2312744217	ENEL SPA	BBB- / Baa3 / BBB-	1.375	08/06/2027	Perpetual	1,250	1,250	0%	81.7	6.3	4.8	4.2	379	100   1	4.5
BUY	XS1629774230	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.875	14/06/2027	Perpetual	2,000	2,000	0%	91.3	6.2	6.1	3.8	397	100   100	6.1
HOLD	XS2056371334	TELEFONICA EUROPE BV	BB / Ba2 / BB+	2.875	24/06/2027	Perpetual	500	500	0%	86.7	6.4	5.9	3.9	421	100   100	5.8
BUY	XS2451802768	BAYER AG	BB+ / Ba1 / BBB-	4.500	25/06/2027	25/03/2082	500	500	0%	94.7	5.9	6.4	3.8	365	100   100	6.6
BUY	XS2077670342	BAYER AG	BB+ / Ba1 / BBB-	3.125	12/08/2027	12/11/2079	750	750	0%	88.5	6.1	5.9	4.2	374	100   100	5.9
HOLD	XS2405855375	IBERDROLA FINANZAS SAU	BBB- / Baa3 / BBB	1.575	16/08/2027	Perpetual	750	750	0%	84.4	5.5	4.7	4.4	312	100   100	4.5
BUY	FR0013464922	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	3.000	03/09/2027	Perpetual	500	500	0%	84.9	6.9	6.2	4.0	472	200   200	6.0
BUY	XS2010036874	ORSTED A/S	BB+ / Baa3 / BBB-	1.750	09/09/2027	09/12/3019	600	600	0%	87.0	5.0	4.7	4.2	275	100   1	4.7
HOLD	XS2290960520	TOTALENERGIES SE	A- / A3 / Au	1.625	25/10/2027	Perpetual	1,500	1,500	0%	83.4	5.7	5.0	4.6	331	100   1	4.8
HOLD	XS2437854487	TERNA RETE ELETTRICA	BBB- / Ba1 / -	2.375	09/11/2027	Perpetual	1,000	1,000	0%	85.4	6.0	5.1	4.4	359	100   1	4.9
BUY	FR0014006IX6	VEOLIA ENVIRONNEMENT SA	- / Baa3 / BB+u	2.000	15/11/2027	Perpetual	500	500	0%	83.5	6.1	5.1	4.2	385	100   100	4.9
BUY	FR0014003S56	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	2.625	01/12/2027	Perpetual	1,250	1,250	0%	82.2	7.1	5.9	4.2	488	200   200	5.7
BUY	XS2342732562	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.748	28/12/2027	Perpetual	1,000	1,000	0%	88.5	6.6	5.9	4.3	434	100   100	5.7
HOLD	XS2439704318	SSE PLC	BBB- / Baa3 / BBB-u	4.000	21/01/2028	Perpetual	1,000	1,000	0%	93.0	5.7	5.5	4.2	345	100   1	5.5
BUY	XS2576550086	ENEL SPA	BBB- / Baa3 / BBB-	6.375	16/04/2028	Perpetual	1,000	1,000	0%	102.5	5.8	6.2	4.3	361	100   1	6.3
HOLD	FR0014000RR2	ENGIE SA	BBB- / Baa3 / BBB	1.500	30/05/2028	Perpetual	850	850	0%	81.1	5.7	4.9	4.9	351	100   100	4.7
HOLD	XS2381272207	ENBW ENERGIE BADEN - WU	BBB- / Baa3 / -	1.375	31/05/2028	31/08/2081	500	500	0%	77.1	6.6	4.9	4.8	441	100   100	4.5

Data as of 23 January 2023, 8:46 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# EUR corporate hybrid recommendations (4/4)

Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
BUY	XS1799939027	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	4.625	27/06/2028	Perpetual	1,500	1,500	0%	92.9	6.2	6.6	4.5	402	100   100	6.7
HOLD	XS1888179550	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	4.200	03/07/2028	03/10/2078	500	500	0%	92.5	5.8	6.1	4.6	367	100   1	6.2
BUY	FR00140005L7	ORANGE SA	BBB- / Baa3 / BBB-	1.750	15/07/2028	Perpetual	700	700	0%	84.8	5.0	4.9	5.0	283	100   100	4.9
HOLD	XS2462605671	TELEFONICA EUROPE BV	BB / Ba2 / BB+	7.125	23/08/2028	Perpetual	750	750	0%	104.5	6.1	6.8	4.5	399	100   100	7.1
BUY	FR001400EFC6	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	7.500	06/09/2028	Perpetual	1,000	1,000	0%	102.4	7.0	7.4	4.4	481	200   200	7.7
HOLD	XS2244941147	IBERDROLA INTL BV	BBB- / - / BBB	2.250	28/01/2029	Perpetual	1,400	1,400	0%	84.1	5.4	5.4	5.3	328	100   100	5.4
HOLD	FR0014003B55	ORANGE SA	BBB- / Baa3 / BBB-	1.375	11/02/2029	Perpetual	500	500	0%	81.0	5.1	4.5	5.5	296	100   100	4.3
HOLD	XS2293060658	TELEFONICA EUROPE BV	BB / Ba2 / BB+	2.376	12/02/2029	Perpetual	1,000	1,000	0%	79.0	6.7	5.7	5.2	457	100   100	5.4
BUY	XS2193662728	BP CAPITAL MARKETS PLC	BBB / Baa1 / BBB+	3.625	22/03/2029	Perpetual	2,250	2,250	0%	88.6	5.9	6.6	5.2	374	100   1	6.9
HOLD	PTEDPY0M0020	ENERGIAS DE PORTUGAL SA	BB+ / Ba2 / BB+	1.875	14/06/2029	14/03/2082	500	500	0%	77.8	6.2	5.2	5.8	388	100   100	4.9
BUY	XS2187689380	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.875	17/06/2029	Perpetual	1,500	1,500	0%	86.8	6.4	6.6	5.2	430	100   100	6.7
HOLD	XS2295333988	IBERDROLA INTL BV	BBB- / - / BBB	1.825	09/08/2029	Perpetual	1,000	1,000	0%	80.3	5.5	5.0	6.2	309	100   100	4.9
HOLD	XS1206541366	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	3.500	20/03/2030	Perpetual	1,400	1,400	0%	84.8	6.2	5.9	5.8	406	1   1	5.8
BUY	XS2225204010	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	3.000	27/05/2030	27/08/2080	1,000	1,000	0%	82.1	6.1	6.2	6.1	397	100   1	6.3
HOLD	XS2224632971	TOTALENERGIES SE	A- / A3 / Au	2.000	04/06/2030	Perpetual	1,000	1,000	0%	78.6	5.6	5.3	6.4	350	100   1	5.2
HOLD	XS2312746345	ENEL SPA	BBB- / Baa3 / BBB-	1.875	08/06/2030	Perpetual	1,000	1,000	0%	74.5	6.3	5.2	6.6	406	100   1	4.8
HOLD	FR0013534336	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	3.375	15/06/2030	Perpetual	1,250	1,250	0%	79.3	7.1	6.9	6.0	494	200   200	6.8
BUY	XS2451803063	BAYER AG	BB+ / Ba1 / BBB-	5.375	25/06/2030	25/03/2082	800	800	0%	92.1	6.8	7.1	5.9	461	100   100	7.3
HOLD	XS2293075680	ORSTED A/S	BB+ / Baa3 / BBB-	1.500	18/08/2030	18/02/3021	500	500	0%	76.1	5.4	4.8	7.1	312	100   1	4.7
HOLD	FR00140046Y4	ENGIE SA	BBB- / Baa3 / BBB	1.875	02/01/2031	Perpetual	705	750	6%	74.4	6.0	5.2	7.2	370	100   100	4.9
BUY	XS2342732646	VOLKSWAGEN INTL FIN NV	BBB- / Baa2 / BBBu	4.375	28/03/2031	Perpetual	1,250	1,250	0%	85.8	6.7	6.3	6.2	460	100   100	6.1
HOLD	XS2576550243	ENEL SPA	BBB- / Baa3 / BBB-	6.625	16/04/2031	Perpetual	750	750	0%	102.6	6.2	6.4	6.2	413	100   1	6.6
HOLD	XS2381277008	ENBW ENERGIE BADEN - WU	BBB- / Baa3 / -	2.125	31/05/2032	31/08/2081	500	500	0%	71.5	6.2	5.4	7.8	411	100   100	5.0
HOLD	XS2290960876	TOTALENERGIES SE	A- / A3 / Au	2.125	25/07/2032	Perpetual	1,500	1,500	0%	74.5	5.7	5.4	8.5	335	100   1	5.3
HOLD	XS2432131188	TOTALENERGIES SE	A- / A3 / Au	3.250	17/07/2036	Perpetual	750	750	0%	76.7	5.8	5.7	10.4	347	100   1	5.8

Data as of 23 January 2023, 8:46 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# GBP corporate hybrid recommendations

## Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
BUY	XS1216019585	CENTRICA PLC	BB+ / Ba1 / WD	5.250	10/04/2025	10/04/2075	450	450	0%	94.6	8.0	5.2	2.0	463	100   1	7.3
BUY	XS0903532090	NGG FINANCE PLC	BBB- / Ba1 / BB+	5.625	18/06/2025	18/06/2073	1,000	1,000	0%	97.2	6.9	4.9	2.2	351	100   1	6.9
BUY	XS1888180996	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	4.875	03/07/2025	03/10/2078	500	500	0%	95.8	6.8	4.8	2.2	337	100   1	6.9
HOLD	XS2195190876	SSE PLC	BBB- / Baa3 / BBB-u	3.740	14/01/2026	Perpetual	600	600	0%	93.1	6.4	6.9	2.9	274	100   1	7.1
BUY	FR0011401728	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	6.000	29/01/2026	Perpetual	1,250	1,250	0%	92.9	8.7	7.8	2.6	542	100   100	7.6
BUY	XS2193663619	BP CAPITAL MARKETS PLC	BBB / Baa1 / BBB+	4.250	22/03/2027	Perpetual	1,250	1,250	0%	91.6	6.6	7.2	3.7	319	100   1	7.5
BUY	XS2355631693	VATTENFALL AB	BB+ / Baa2 / -	2.500	29/12/2027	29/06/2083	250	250	0%	81.1	7.2	5.6	4.9	330	100   1	5.2
HOLD	FR0011700293	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	5.875	22/01/2029	Perpetual	750	750	0%	86.2	8.9	7.4	4.8	552	100   100	6.7
HOLD	XS2293681685	ORSTED A/S	BB+ / Baa3 / BBB-	2.500	18/08/2032	18/02/3021	425	425	0%	71.1	6.7	5.8	8.2	297	100   1	5.4

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# USD corporate hybrid recommendations

## Sorted by first/next call date

Rec.	ISIN	Issuer	Ratings (1)	Coupon (%)	Next call date	Maturity	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Min denom ('000)	Reset coupon (%) (5)
HOLD	US29265WAB46	ENEL SPA	BBB- / Baa3 / BBB-	8.750	24/09/2023	24/09/2073	1,250	1,250	0%	101.2	6.9	9.3	0.6	212	200   1	9.5
HOLD	US29265WAA62	ENEL SPA	BBB- / Baa3 / BBB-	8.750	24/09/2023	24/09/2073	1,250	1,250	0%	101.5	6.4	9.3	0.6	162	200   1	9.5
BUY	XS1322373017	VATTENFALL AB	BB+ / Baa2 / WD	6.100	19/11/2023	19/11/2078	400	400	0%	100.0	6.0	7.6	0.8	134	200   1	7.7
BUY	USF2893TAM83	ELECTRICITE DE FRANCE SA	B+ / Ba1 / BBB-	5.625	22/01/2024	Perpetual	1,500	1,500	0%	97.8	8.0	6.6	0.9	339	100   1	6.5
BUY	XS1888180640	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	6.250	03/07/2024	03/10/2078	1,300	1,300	0%	97.5	8.2	6.8	1.3	357	200   1	6.7
BUY	US05565QDU94	BP CAPITAL MARKETS PLC	BBB / Baa1 / BBB+	4.375	22/06/2025	Perpetual	2,500	2,500	0%	96.9	5.8	7.3	2.2	177	1   1	7.6
HOLD	XS1254119750	RWE AG	NR / Ba1 / BBB-	6.625	30/03/2026	30/07/2075	317	500	37%	99.0	7.0	7.8	2.7	307	2   2	8.0
BUY	US92857WBV19	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	3.250	04/06/2026	04/06/2081	500	500	0%	85.5	8.3	6.4	3.0	451	1   1	6.0
BUY	US92857WBQ24	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	7.000	04/01/2029	04/04/2079	2,000	2,000	0%	103.0	6.4	7.7	4.9	288	1   1	8.5
BUY	US05565QDV77	BP CAPITAL MARKETS PLC	BBB / Baa1 / BBB+	4.875	22/03/2030	Perpetual	2,500	2,500	0%	92.5	6.2	7.2	5.9	268	1   1	8.0
HOLD	US92857WBW91	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	4.125	04/03/2031	04/06/2081	1,000	1,000	0%	79.5	7.6	6.8	6.5	405	1   1	6.3
HOLD	US92857WBX74	VODAFONE GROUP PLC	BB+ / Ba1 / BB+	5.125	04/12/2050	04/06/2081	950	950	0%	75.5	7.2	7.1	12.7	349	1   1	6.6

Data as of 23 January 2023, 8:46 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Most preferred issuers

# AT&T

## Cash flow resilience driven by strong telecom position

### Issuer profile

AT&T is a leading US telecommunications provider. Following the 2022 spin-off of its media/entertainment assets and subsequent merger with Discovery, AT&T will once again focus on its core communications activities.

### Our view

AT&T is a defensive credit, supported by strong cash flow generation arising from the company's leading telecom activities. The recent abandonment of aspirations in the media/entertainment field and concurrent renewed focus on telecommunications represent a de-risking of the business profile, in our view. The company will now prioritize speeding up capital spending to support the rollout of its 5G-enabling C-Band spectrum infrastructure, where it targets 200 million population coverage by end-2023. It will also step-up investment spending on extending fiber to around 30 million customer sites. Once leverage declines to below 2.5x, which it initially expected to reach end 2023 but may have slipped somewhat, we expect a greater focus on shareholder distributions.

Investors should note that this security is structured as a US preferred share, meaning coupon payments are treated analogous to dividends by US tax authorities (withholding tax).

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS2114413565	BB+ / Ba1 / BBB-	2.875	02/03/2025	Perpetual	EUR	2,000	2,000	0%	91.6	7.3	6.0	1.9	479	410	100   100	5.9

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) Differential of the hybrid YTC to a senior unsecured bond of the same issuer with similar modified duration. (6) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	BBB	Baa2	BBB+
CS fundamental credit view	Stable		

# Bayer

## Litigation overhang remains an uncertainty

### Issuer profile

Bayer is a diversified life science company with strong positions in Healthcare (pharmaceuticals and over-the-counter consumer health products) and Crop Science. Bayer acquired Monsanto, the world's leading crop seed franchise, in 2018 for USD 63 bn. Since then, it has had to deal with glyphosate litigation in the USA, a key ingredient in the widely used weedkiller Roundup.

### Our view

Bayer's business portfolio is defensive and non-cyclical. The credit profile is supported by its diversified position across a range of pharmaceutical products, over-the-counter consumer health business, and its leading position in crop science. The all-important anticoagulant Xarelto drug won a patent extension to January 2026 in Europe (it has patent protection until 2027 in the USA), which removes much of the possible generic pressure in pharma in the near term. With crop prices generally high, supporting farmer incomes, demand for Bayer crop protection products is likely to be favorable. Cash flow dynamics remain encouraging, in our view. Once litigation payments end (guidance of EUR 2.5 bn for 2022), we expect Bayer to apply free cash flow to debt retirement. Net debt was 3x EBITDA (including leases) at the end of 2021. We view the fundamental credit profile as Stable, but note further deleveraging is necessary to restore flexibility and support agency ratings in the mid-to-high BBB area.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	DE000A11QR73	BB+ / Ba1 / BBB-	3.750	01/07/2024	01/07/2074	EUR	1,500	1,500	0%	98.1	5.2	5.4	1.3	248	175	1   1	5.4
BUY	XS2077670003	BB+ / Ba1 / BBB-	2.375	12/02/2025	12/11/2079	EUR	1,000	1,000	0%	93.5	5.8	5.4	2.1	298	244	100   100	5.4
BUY	XS2451802768	BB+ / Ba1 / BBB-	4.500	25/06/2027	25/03/2082	EUR	500	500	0%	94.7	5.9	6.4	3.8	365	228	100   100	6.6
BUY	XS2077670342	BB+ / Ba1 / BBB-	3.125	12/08/2027	12/11/2079	EUR	750	750	0%	88.5	6.1	5.9	4.2	374	250	100   100	5.9
BUY	XS2451803063	BB+ / Ba1 / BBB-	5.375	25/06/2030	25/03/2082	EUR	800	800	0%	92.1	6.8	7.1	5.9	461	320	100   100	7.3

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

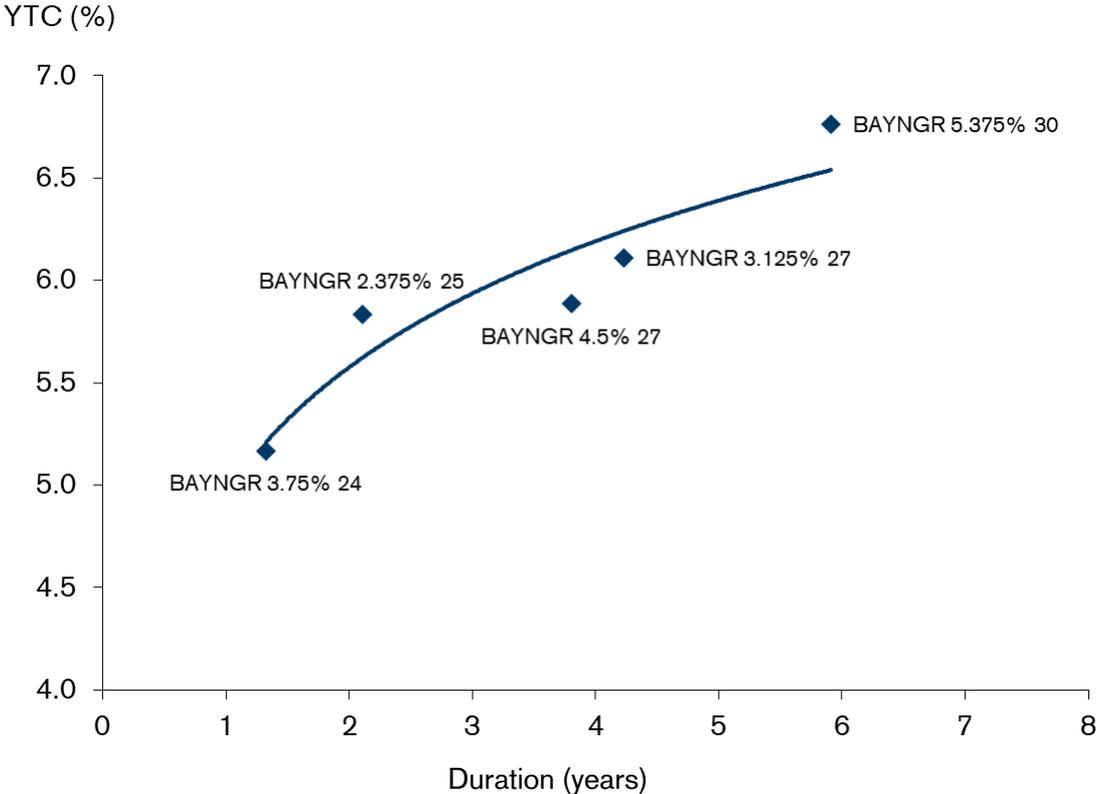
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Bayer hybrids in EUR

We view all as attractive



Data as of 20 January 2023, 16:00 CET  
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# BP

## Transitioning to a lower cash flow breakeven oil price

### Issuer profile

BP is a large oil & gas company. In 2020, BP announced a strategic pivot toward a more carbon-friendly future. It sees itself evolving into an integrated energy company with three verticals. First, it will make a gradual push into renewable energy generation and electricity. Second, it sees significant expansion potential in its convenience/mobility retail activities. This involves its traditional retail offering surrounding its extensive petrol distribution activities but expects this to be greatly expanded and complemented by the growing need for an electricity charging infrastructure. Third, it intends to high-grade its traditional carbon energy portfolio, following a value over volume strategy. Looking out to 2030, BP thinks it may be producing 40% less upstream oil & gas than today (equivalent to a reduction of up to 1.5 million barrels per day) and have around 30% less volume in its refinery business.

### Our view

Actions taken since early 2020 (opex and capex curtailments) were meant to lower the pre-dividend cash flow breakeven oil price to less than USD 35/barrel and make BP less vulnerable to potentially volatile energy prices. Since then, energy prices have rebounded to a level that is highly cash flow-supportive and helping BP quickly restore its financial flexibility. In the period to 2030, BP has embarked on an ambitious lower-carbon transformation plan that foresees a gradual decline in upstream oil & gas extraction and downstream refining activities and shift in the portfolio toward renewable energy and an increase in convenience/retail activities. The revised capital allocation framework, with a lower dividend per share and commitment to further deleverage with a proportion of any excess cash flow (when energy prices are high such as now), is credit supportive. BP specifically targets maintaining solid investment grade credit ratings. This is in part strategically necessary to support its extensive energy trading activities.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS2193661324	BBB / Baa1 / BBB+	3.250	22/03/2026	Perpetual	EUR	2,500	2,500	0%	93.1	5.7	6.5	2.8	338	226	100   1	6.7
BUY	XS2193662728	BBB / Baa1 / BBB+	3.625	22/03/2029	Perpetual	EUR	2,250	2,250	0%	88.6	5.9	6.6	5.2	374	232	100   1	6.9
BUY	XS2193663619	BBB / Baa1 / BBB+	4.250	22/03/2027	Perpetual	GBP	1,250	1,250	0%	91.6	6.6	7.2	3.7	319	239	100   1	7.5
BUY	US05565QDU94	BBB / Baa1 / BBB+	4.375	22/06/2025	Perpetual	USD	2,500	2,500	0%	96.9	5.8	7.3	2.2	177	163	1   1	7.6
BUY	US05565QDV77	BBB / Baa1 / BBB+	4.875	22/03/2030	Perpetual	USD	2,500	2,500	0%	92.5	6.2	7.2	5.9	267	177	1   1	8.0

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

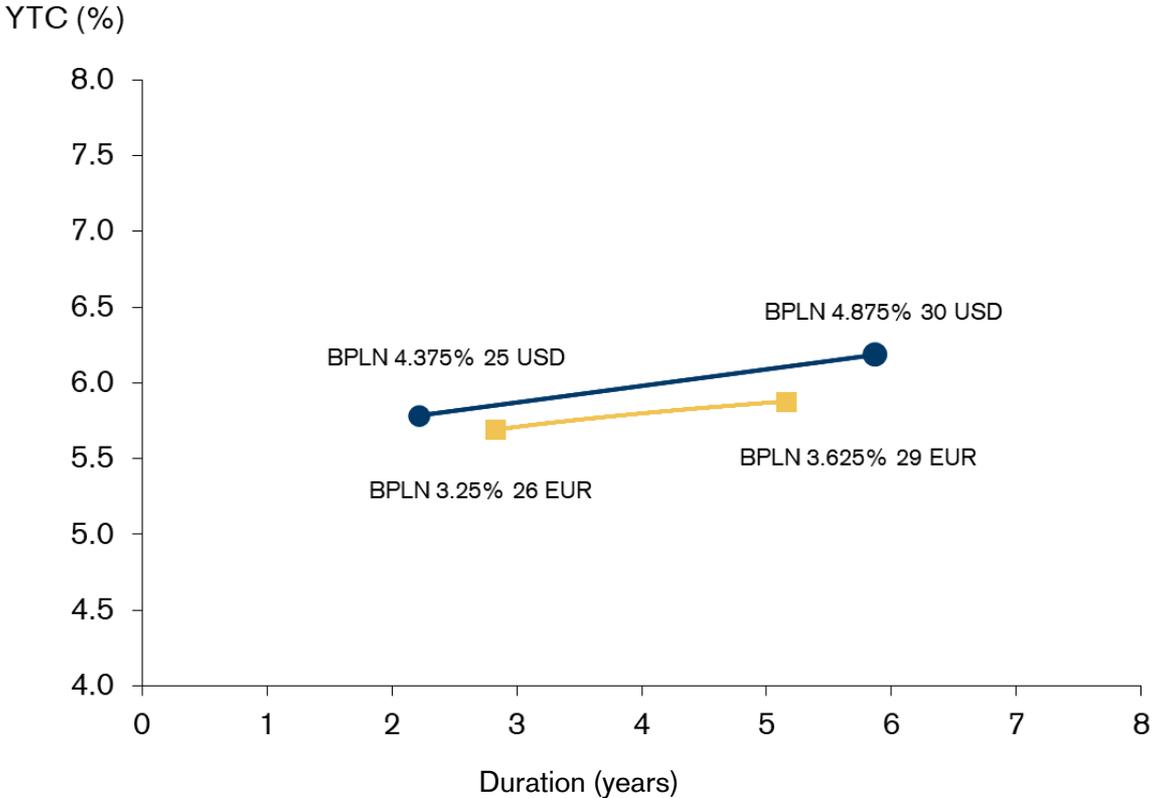
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# BP hybrids in EUR and USD

We view all as attractive



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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Centrica

## UK utility, with exploration & production (E&P) legacy

### Issuer profile

Centrica is a vertically integrated utility undergoing a major transformation. The company remains a leading energy supplier in the UK and Ireland, with a focus on providing energy services and solutions to over 9 million residential and business customers. Further to the sale of Direct Energy in North America, the company announced plans to exit its oil & gas E&P and nuclear power generation businesses to focus on its renewable energy business activities and to reach net zero by 2045.

### Our view

Centrica is a vertically-integrated utility with a dominant position in the UK's gas and electricity market. The difficult market environment in European energy markets overall and the UK in particular put the company at risk with regards to bad debt in the upcoming quarters in our view. Centrica enjoys good liquidity and reported a net cash position at end-June 2022. We think that credit metrics will remain adequate over the cycle for a solid investment-grade rating, which the company is committed to. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS1216019585	BB+ / Ba1 / WD	5.250	10/04/2025	10/04/2075	GBP	450	450	0%	94.6	8.0	5.2	2.0	463	260	100   1	7.3

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# Danone

## Defensive and diversified leader in consumer goods

### Issuer profile

Danone is one of the world's largest consumer goods producers, with a highly diversified product portfolio in its three segments: Specialized Nutrition (53% of operating profit 2020), Essential Dairy and Plant-based Nutrition (EDP) (39%), and Waters business (8%). Danone's has popular and well-positioned brands (e.g. Activia, Actimel, Volvic, Evian, Milupa).

### Our view

Danone has a highly defensive business profile due to its strong positions in various non-cyclical consumer goods segments and good geographical diversification. The company has been active in terms of portfolio management in recent years and should use leverage to position into categories with higher margins/growth opportunities. It targets net leverage of 2.5-3.0x over the medium term, ended 2021 at a reported 3.0x, but on an adjusted basis is closer to 2.3x based on our calculations, which exclude several one-offs. We have a Stable fundamental credit view.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	FR0013292828	BBB- / Baa3 / -	1.750	23/03/2023	Perpetual	EUR	750	1,250	40%	99.6	4.3	4.2	0.4	22	158	100   100	4.2
BUY	FR0014005EJ6	BBB- / Baa3 / -	1.000	16/09/2026	Perpetual	EUR	500	500	0%	86.0	5.3	4.2	3.6	279	255	100   100	4.1

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# EDF

## French nuclear powerhouse, 86% state-owned

### Issuer profile

EDF (Electricité de France) is the leading integrated French utility engaged in the generation, transmission and distribution of electricity, along with energy efficiency and management services. The main power generation comes from nuclear power (60% of produced electricity), renewable incl. hydro (26%), fossil-fired (12%), and coal (2%).

### Our view

In view of the group's systemic importance to France, combined with the majority ownership of the French government, strong government support is expected. Limited availability of its nuclear power plant as well as regulatory interventions weigh on FY 2022 earnings, adding pressure on key credit metrics. We have currently a Negative fundamental credit view, but valuations look very attractive, even if we take the lower credit quality into account.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	FR0013367612	B+ / Ba1 / BBB-	4.000	04/07/2024	Perpetual	EUR	1,250	1,250	0%	96.6	6.5	6.2	1.6	354	337	100   100	6.2
BUY	FR0011401751	B+ / Ba1 / BBB-	5.375	29/01/2025	Perpetual	EUR	1,250	1,250	0%	96.8	7.1	6.6	1.7	458	395	100   100	6.5
BUY	FR0011697028	B+ / Ba1 / BBB-	5.000	22/01/2026	Perpetual	EUR	1,000	1,000	0%	94.4	7.2	6.0	2.7	482	383	100   100	5.8
BUY	FR0013534351	B+ / Ba1 / BBB-	2.875	15/12/2026	Perpetual	EUR	850	850	0%	85.9	7.1	6.3	3.4	489	381	200   200	6.2
BUY	FR0013464922	B+ / Ba1 / BBB-	3.000	03/09/2027	Perpetual	EUR	500	500	0%	84.9	6.9	6.2	4.0	472	335	200   200	6.0
BUY	FR0014003S56	B+ / Ba1 / BBB-	2.625	01/12/2027	Perpetual	EUR	1,250	1,250	0%	82.2	7.1	5.9	4.2	488	349	200   200	5.7
BUY	FR001400EFQ6	B+ / Ba1 / BBB-	7.500	06/09/2028	Perpetual	EUR	1,000	1,000	0%	102.4	7.0	7.4	4.4	481	280	200   200	7.7
HOLD	FR0013534336	B+ / Ba1 / BBB-	3.375	15/06/2030	Perpetual	EUR	1,250	1,250	0%	79.3	7.1	6.8	6.0	494	303	200   200	6.8
BUY	FR0011401728	B+ / Ba1 / BBB-	6.000	29/01/2026	Perpetual	GBP	1,250	1,250	0%	92.9	8.7	7.8	2.6	542	348	100   100	7.6
HOLD	FR0011700293	B+ / Ba1 / BBB-	5.875	22/01/2029	Perpetual	GBP	750	750	0%	86.2	8.9	7.4	4.8	552	364	100   100	6.7
BUY	USF2893TAM83	B+ / Ba1 / BBB-	5.625	22/01/2024	Perpetual	USD	1,500	1,500	0%	97.8	8.0	6.6	0.9	338	342	100   1	6.5

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\*S&P / Moody's / Fitch

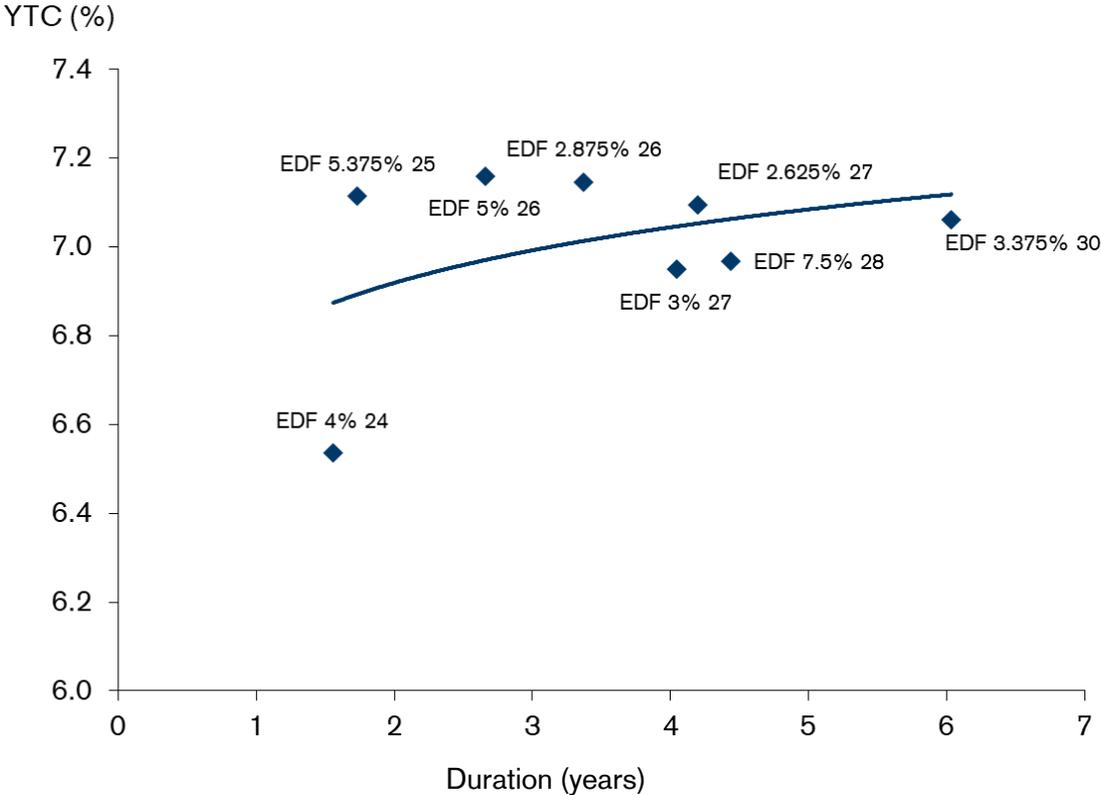
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# EDF hybrids in EUR

Flat curve suggests front-end is the better risk/reward



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# EDP

## Vertically integrated utility in Portugal, focused on renewables

### Issuer profile

EDP is the largest vertically integrated utility in Portugal, with large-scale operations also in Spain. In addition, the company operates in the USA and the rest of Europe (solar and wind business), as well as in Brazil. Its power generation fleet is mainly focused on wind (approx. 48% of installed capacity), followed by hydro (29%), gas (12%), and coal (8%) generation technology. Renewables account for 61% of FY 2021 EBITDA, followed by Networks (36%), Client Solution & Energy Management (3%) and Other (n.m.). Two-thirds of last year's operating profit was generated from activities outside Portugal (Brazil 21%, North America 20%, Spain 19%, Other 9%).

### Our view

Our Stable fundamental credit view on EDP is supported by the diversified business and asset mix, with an increasing proportion of low CO2-emitting assets and a high share of relatively stable regulated and long-term contract activities. With a continuously high demand for renewable electricity and a potential surge in power demand in general, EDP is likely to strengthen its business and financial profile further.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	PTEDPLOM0017	BB+ / Ba2 / BB+	1.700	20/04/2025	20/07/2080	EUR	750	750	0%	91.4	5.9	4.8	2.3	304	263	100   100	4.7
BUY	PTEDPROM0029	BB+ / Ba2 / BB+	1.875	02/05/2026	02/08/2081	EUR	750	750	0%	87.9	6.1	5.3	3.2	350	263	100   100	5.2
BUY	PTEDPXOM0021	BB+ / Ba2 / BB+	1.500	14/12/2026	14/03/2082	EUR	750	750	0%	84.8	6.0	4.9	3.8	349	256	100   100	4.7
NR	PTEDP4OM0025	BB+ / - / BB+	5.943	23/01/2028	23/04/2083	EUR	1,000	1,000	0%	100.0	6.0	6.0	4.4	376	256	100   100	6.0
HOLD	PTEDPYOM0020	BB+ / Ba2 / BB+	1.875	14/06/2029	14/03/2082	EUR	500	500	0%	77.8	6.2	5.2	5.8	388	261	100   100	4.9

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	A-	Baa1	NR
CS fundamental credit view	Stable		

# ENBW

## Vertically integrated utility with state ownership

### Issuer profile

Energie Baden-Wuerttemberg is the third-largest German utility, with an installed capacity of 12.7 GW (40% renewables, 34% coal, 10% nuclear, 9% gas and 7% others). Its activities include electricity generation, trading, distribution and supply of electricity and gas. Its major shareholders are the Land Baden-Wuerttemberg and Zweckverband Oberschwaebische Elektrizitaetswerke, each holding 46.75% in the company.

### Our view

A large part of ENBW's income comes from its transmission and distribution networks (roughly two thirds of EBITDA from quasi-regulated businesses/lower risk), which are lower risk and hence contribute to stable cash flows. Earnings contribution from renewables is increasing which positions ENBW solidly in the current climate change debate. Net debt increased on capex and accounting rule changes and looks relatively high for now. We see the company solidly positioned, and we thus have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS2035564975	BBB- / Baa3 / WD	1.125	05/08/2024	05/11/2079	EUR	500	500	0%	94.4	5.0	4.3	1.7	187	175	100   100	4.2
BUY	XS2196328608	BBB- / Baa3 / WD	1.875	30/03/2026	29/06/2080	EUR	500	500	0%	88.8	5.9	5.2	2.9	355	244	100   100	5.1
HOLD	XS2035564629	BBB- / Baa3 / WD	1.625	05/05/2027	05/08/2079	EUR	500	500	0%	83.6	6.1	4.8	3.9	385	271	100   100	4.5
NR	XS2381272207	BBB- / Baa3 / -	1.375	31/05/2028	31/08/2081	EUR	500	500	0%	77.1	6.6	4.9	4.8	441	342	100   100	4.5
HOLD	XS2381277008	BBB- / Baa3 / -	2.125	31/05/2032	31/08/2081	EUR	500	500	0%	71.5	6.2	5.4	7.8	410	256	100   100	5.0

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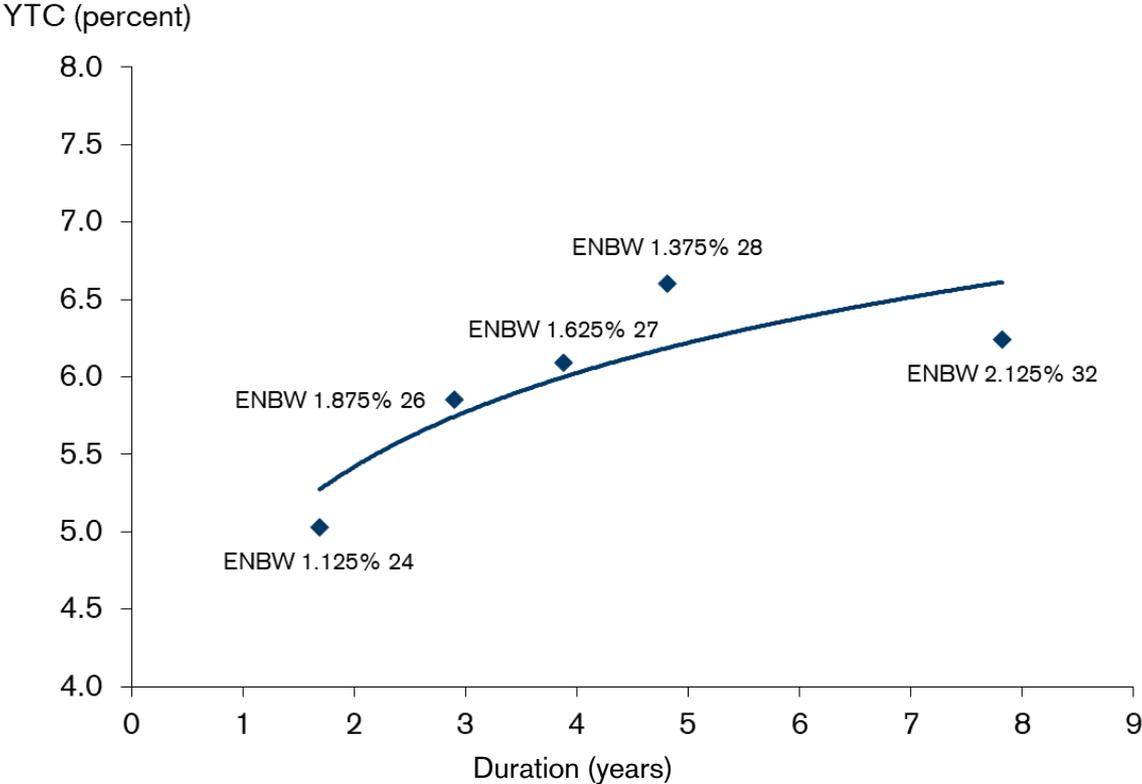
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# ENBW hybrids in EUR

Relatively flat curve suggests value is at the shorter-end



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# Enel

## Higher profitability, increased Capex, stable credit quality

### Issuer profile

Enel is Italy's largest vertically-integrated utility, and has a leading position in Spain and LatAm, as well as a presence in Russia, and South-East and Central Europe. In 2021, its generation fleet (87 GW) consisted of 58% renewables (32% hydro, 17% wind, 8% Solar & Other), 17% CCGT, 13% Oil & Gas, 8% Coal, and 4% Nuclear. By segment, the Infrastructure & Networks division contributing 40% followed by Enel Green Power (25%), Retail (16%), Generation & Trading (9%), Service & Others (9%), and Enel X (2%).

### Our view

Enel released its medium-term targets at its latest Capital Markets Day, expecting FY 2024 EBITDA of EUR 21.0-21.6 bn. The company also increased its 3-year capex target (2022–2024) to around a total of EUR 52 bn with a focus on decarbonized electricity production and regulated activities. The expected stable trend in key credit metrics explains our Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS1713463716	BBB- / Baa3 / BBB-	2.500	24/08/2023	Perpetual	EUR	50	750	93%	100.1	2.4	4.8	0.8	-40	-53	100   1	4.9
BUY	XS0954675129	BBB- / Baa3 / BBB-	5.451	10/01/2024	Perpetual	EUR	297	1,250	76%	101.0	4.3	7.8	0.9	153	110	100   1	8.1
BUY	XS2000719992	BBB- / Baa3 / BBB-	3.500	24/02/2025	Perpetual	EUR	900	900	0%	95.9	5.6	6.3	2.1	295	248	100   1	6.4
BUY	XS1713463559	BBB- / Baa3 / BBB-	3.375	24/08/2026	Perpetual	EUR	750	750	0%	91.7	6.0	5.5	3.4	358	285	100   1	5.4
BUY	XS2228373671	BBB- / Baa3 / BBB-	2.250	10/12/2026	Perpetual	EUR	600	600	0%	87.3	6.0	5.6	3.7	355	287	100   1	5.5
HOLD	XS2312744217	BBB- / Baa3 / BBB-	1.375	08/06/2027	Perpetual	EUR	1,250	1,250	0%	81.7	6.3	4.8	4.2	379	281	100   1	4.5
NR	XS2576550086	BBB- / Baa3 / BBB-	6.375	16/04/2028	Perpetual	EUR	1,000	1,000	0%	102.5	5.8	6.2	4.3	361	233	100   1	6.3
NR	XS2576550243	BBB- / Baa3 / BBB-	6.625	16/04/2031	Perpetual	EUR	750	750	0%	102.6	6.2	6.4	6.2	413	252	100   1	6.6
HOLD	XS2312746345	BBB- / Baa3 / BBB-	1.875	08/06/2030	Perpetual	EUR	1,000	1,000	0%	74.5	6.3	5.2	6.6	406	247	100   1	4.8
HOLD	US29265WAB46	BBB- / Baa3 / BBB-	8.750	24/09/2023	24/09/2073	USD	1,250	1,250	0%	101.2	6.9	9.3	0.6	212	174	200   1	9.5
HOLD	US29265WAA62	BBB- / Baa3 / BBB-	8.750	24/09/2023	24/09/2073	USD	1,250	1,250	0%	101.5	6.4	9.3	0.6	163	126	200   1	9.5

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\*S&P / Moody's / Fitch

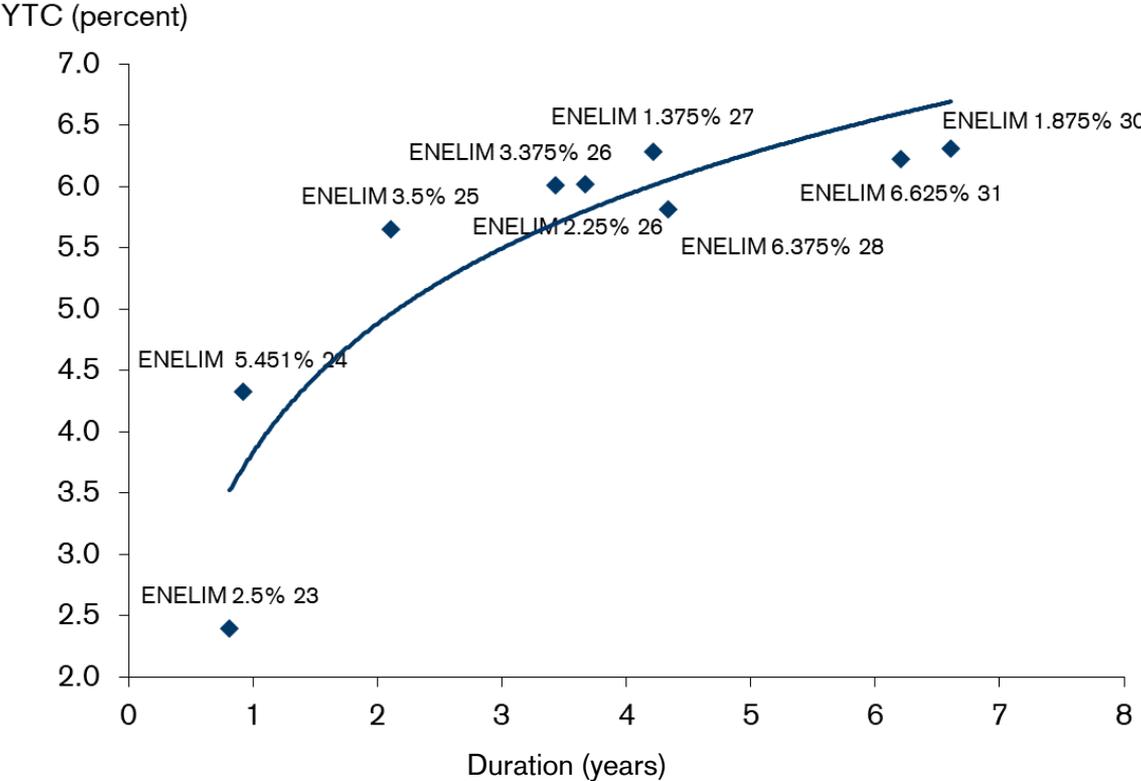
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Enel hybrids in EUR

## Intermediate maturities look attractive



Data as of 20 January 2023, 16:00 CET  
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 Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Holcim

## Optimized product portfolio supports cash flow stability

### Issuer profile

Holcim is a leading global building materials and solutions company. Pro-forma 2022 net sales (including all acquisitions and divestments signed in 2022) per region are as follows: North America 40%, Europe 32%, Latin America 10%, Middle East & Africa 9%, and Asia Pacific 9%.

### Our view

Holcim's business profile benefits from the firm's scale and strong segmental and geographical diversification. The new optimized portfolio expanded into the less cyclical and more profitable Solutions & Products (SP) segment, while disposing of smaller, unprofitable cement plants, especially in emerging markets. Proceeds from disposals paired with an improved and healthy profitability have resulted in a more robust balance sheet and improved credit metrics, a positive trend we expect to continue.

Analysts: Csaba Molnar, CFA; Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	CH0398633724	BBB- / Baa3 / -	3.500	07/12/2023	Perpetual	CHF	200	200	0%	99.5	4.1	5.1	1.0	286	234	5   5	5.1
BUY	XS1713466495	BBB- / Baa3 / -	3.000	05/04/2024	Perpetual	EUR	500	500	0%	97.6	5.1	5.8	1.4	205	203	100   1	5.9

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Iberdrola

## The globally diversified Iberian utility

### Issuer profile

Iberdrola is one of the largest Iberian utility companies. The group's vertically-integrated operations include networks, generation/supply, and renewables. The company has a total of 48 GW installed capacity generating a net output of over 135,000 GWh. The Energy Production & Customers segment contributes substantially a bit more than half to the group's FY 2021 EBITDA of EUR 12.0 bn (54%), while Networks makes up for 46%. About 75% of Iberdrola's EBITDA stems from regulated and quasi-regulated businesses in its various geographic regions. On its Capital Markets Day, Iberdrola highlighted its aim to generate 80% of EBITDA through Networks and Renewables going forward.

### Our view

We view the underlying fundamental credit profile as Stable. Iberdrola's credit profile is supported by its vertically-integrated business activities, combined with good asset quality. The bias toward regulated earnings exposes Iberdrola to higher regulatory risks, and the continued material exposure to the adverse economic and regulatory framework in its Spanish domestic market is a negative factor.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS1721244371	BBB- / Baa3 / BBB	1.875	22/02/2023	Perpetual	EUR	1,000	1,000	0%	99.8	4.2	4.4	0.3	6	139	100   100	4.4
BUY	XS1797138960	BBB- / Baa3 / BBB	2.625	26/12/2023	Perpetual	EUR	700	700	0%	98.8	4.0	4.8	1.1	96	99	100   100	4.9
BUY	XS1890845875	BBB- / Baa3 / BBB	3.250	12/11/2024	Perpetual	EUR	800	800	0%	97.7	4.6	5.7	1.9	189	145	100   100	5.8
BUY	XS2244941063	BBB- / Baa3 / BBB	1.874	28/01/2026	Perpetual	EUR	1,600	1,600	0%	91.4	5.0	5.1	2.8	270	210	100   100	5.1
BUY	XS2295335413	BBB- / - / BBB	1.450	09/11/2026	Perpetual	EUR	1,000	1,000	0%	87.3	5.2	4.7	3.7	275	230	100   100	4.6
HOLD	XS2405855375	BBB- / Baa3 / BBB	1.575	16/08/2027	Perpetual	EUR	750	750	0%	84.4	5.5	4.6	4.4	312	270	100   100	4.5
HOLD	XS2244941147	BBB- / - / BBB	2.250	28/01/2029	Perpetual	EUR	1,400	1,400	0%	84.1	5.4	5.4	5.3	328	231	100   100	5.4
HOLD	XS2295333988	BBB- / - / BBB	1.825	09/08/2029	Perpetual	EUR	1,000	1,000	0%	80.3	5.5	5.0	6.2	309	253	100   100	4.9

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

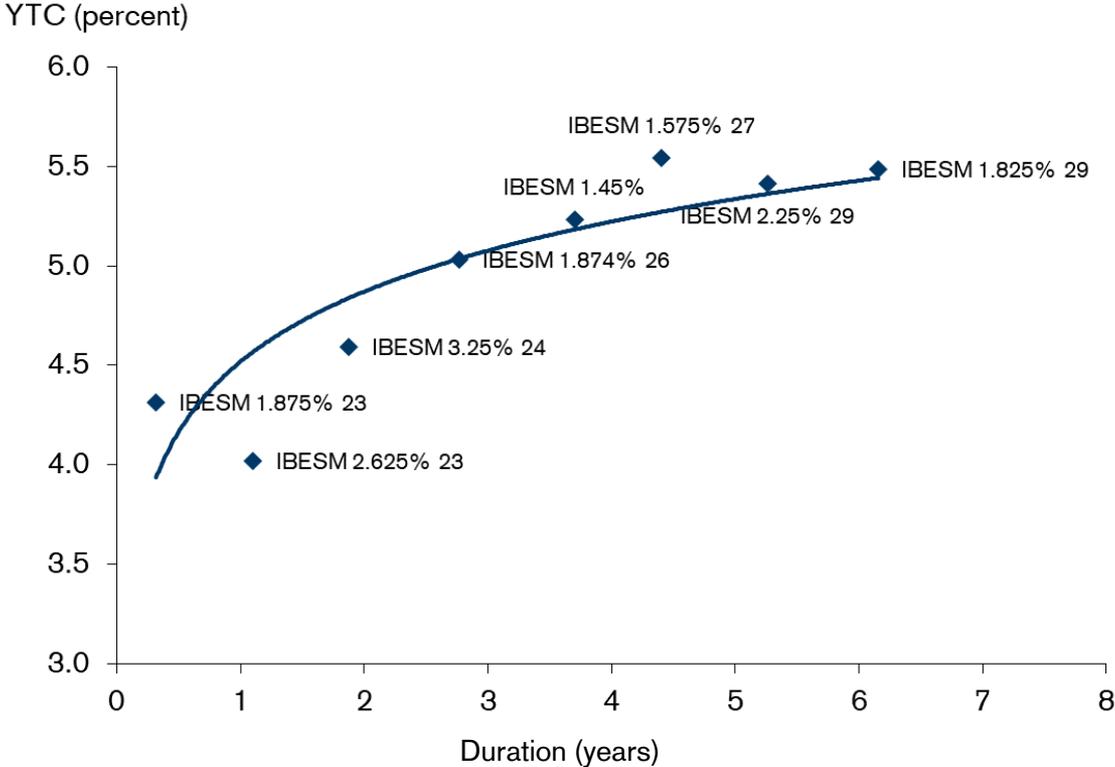
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Iberdrola hybrids in EUR

Relatively flat curve suggests value is at the shorter-end



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# National Grid

## Regulated UK and US utility with a stable business profile

### Issuer profile

National Grid is a utility with operations spanning across the UK and the USA. The utility has four main operating segments: UK Electricity Transmission (22% of FY 2021/22 operating profit), UK Gas Transmission (28%), and US Regulated (39%) and NG Venture & Other (11%).

### Our view

National Grid's business risk profile is supported by its stable business profile, which benefits from a very high share of regulated business activities (> 90% of FY 2021/22 results). The company remains committed to a strong credit rating. We view the underlying fundamental credit profile as Stable.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS2010044977	BBB- / Ba1 / BB+	1.625	05/09/2024	05/12/2079	EUR	500	500	0%	94.5	5.3	4.9	1.5	262	159	100   1	5.0
HOLD	XS2010045511	BBB- / Ba1 / BB+	2.125	05/06/2027	05/09/2082	EUR	750	750	0%	85.6	6.0	5.4	3.9	374	238	100   1	5.3
BUY	XS0903532090	BBB- / Ba1 / BB+	5.625	18/06/2025	18/06/2073	GBP	1,000	1,000	0%	97.2	6.9	4.9	2.2	352	188	100   1	6.9

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# Naturgy

## Well-diversified and vertically integrated gas player in Spain and LatAm

### Issuer profile

Naturgy is a Spanish integrated utility with major operations in the Iberian power and gas markets. It enjoys a strong position in the Iberian power and gas market, as well as in the LatAm region. Regulated businesses account for more than half of the group's EBITDA, and the goal is to increase this to a minimum of 70% in the future.

### Our view

Naturgy's credit profile is supported by a well-diversified business in terms of asset mix, as well as the geographical spread of operations, and a higher contribution from low-risk regulated distribution networks. We expect Naturgy to balance the interests of bondholders and shareholders to ensure a solid investment grade rating over the cycle. We view the underlying fundamental credit profile as solid and have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS1224710399	BB+ / Ba1u / BBB-	3.375	24/04/2024	Perpetual	EUR	500	500	0%	98.3	4.8	5.7	1.2	208	129	100   100	5.8
BUY	XS2406737036	BB+ / - / BBB-	2.374	23/11/2026	Perpetual	EUR	500	500	0%	88.8	5.7	5.3	3.4	345	220	100   100	5.2

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Orange

## Strongly positioned telecommunications company

### Issuer profile

Orange is one of Europe's leading integrated telecommunications operators. Its main market remains in France, which accounts for roughly half of group revenues, but it also has extensive activities in Spain, other European countries, Africa, and the Middle East.

### Our view

Orange has performed strongly in its home market of France. Competition has been fierce in recent years, but any top-line revenue headwinds have been offset by good cost control. The main risk to the credit likely arises from possible consolidation in the French market, though more recently the company has talked about opportunities in Africa. As always, market consolidation may shift the competitive landscape. Orange has signed an agreement to merge with MasMovil in Spain, a move we think is likely to be credit supportive. Our Stable fundamental credit view is also supported by its conservative financial risk profile as evidenced by leverage that is at the low end of the range for European telecommunications companies.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS1028599287	BBB- / Baa3 / BBB-	5.250	07/02/2024	Perpetual	EUR	1,000	1,000	0%	101.4	3.8	6.3	1.0	105	81	100   1	6.5
BUY	FR0013413887	BBB- / Baa3 / -	2.375	15/01/2025	Perpetual	EUR	1,000	1,000	0%	95.8	4.7	5.1	2.1	192	147	100   100	5.2
HOLD	XS1115498260	BBB- / Baa3 / BBB-	5.000	01/10/2026	Perpetual	EUR	1,250	1,250	0%	101.5	4.5	6.3	3.3	228	138	100   1	6.8
HOLD	FR0013447877	BBB- / Baa3 / -	1.750	19/12/2026	Perpetual	EUR	500	500	0%	89.9	4.6	4.9	3.8	222	150	100   100	5.0
BUY	FR00140005L7	BBB- / Baa3 / BBB-	1.750	15/07/2028	Perpetual	EUR	700	700	0%	84.8	5.0	4.9	5.0	283	183	100   100	4.9
HOLD	FR0014003B55	BBB- / Baa3 / BBB-	1.375	11/02/2029	Perpetual	EUR	500	500	0%	81.0	5.1	4.4	5.5	296	195	100   100	4.3

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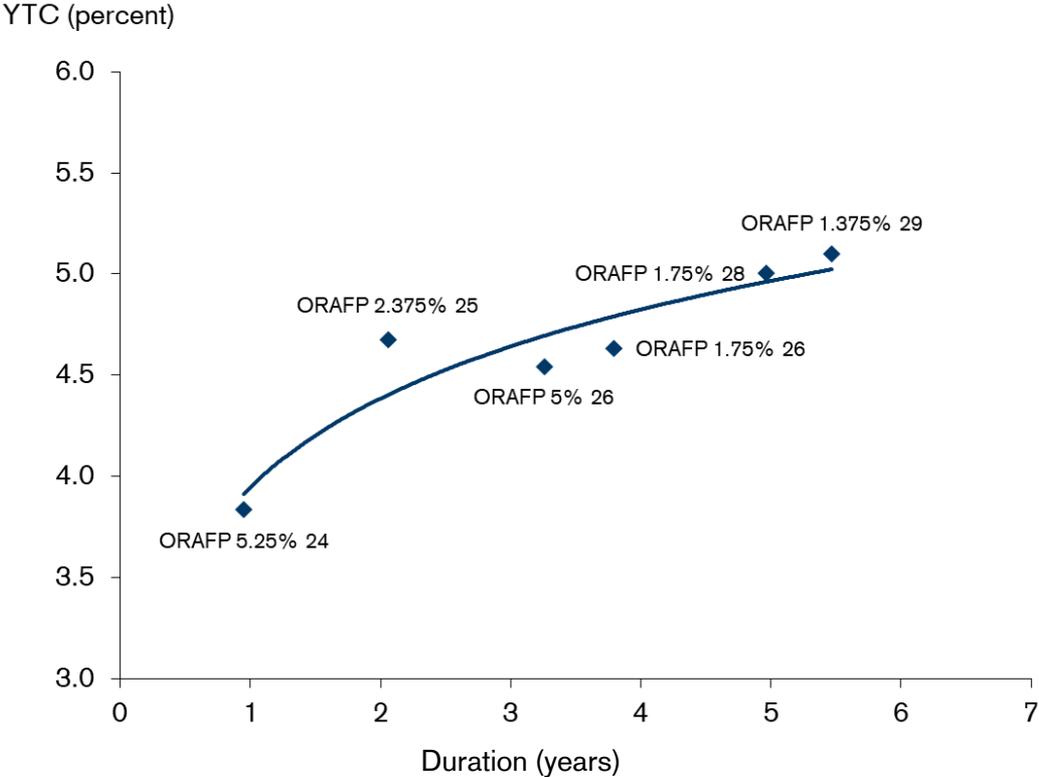
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Orange hybrids in EUR

Good value in a couple of intermediate maturities



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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Orsted

## Renewable energy leader and a poster child for climate action

### Issuer profile

Orsted is the largest global offshore wind developer (>25% market share), with 13.0 GW of gross installed capacity (end-2021), which is expected to increase to over 50 GW by 2030. Orsted operates through three main business segments: Offshore (74% of FY 2021 EBITDA), Onshore (6%), and Markets & Bioenergy (20%).

### Our view

Orsted enjoys a dominant market position, with in-house expertise in the end-to-end offshore wind farm business providing the company with scale and know-how in this growing field. Given the capital intense business, Orsted is committed to a strong BBB investment grade rating category and will balance shareholder and debtholder interests as such in our view. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS0943370543	BB+ / Baa3 / BBB-	6.250	26/06/2023	26/06/3013	EUR	94	700	87%	101.6	2.3	7.4	0.4	-27	N/A	1   1	7.6
BUY	XS1720192696	BB+ / Baa3 / BBB-	2.250	24/08/2024	24/11/3017	EUR	500	500	0%	95.4	5.4	4.7	1.7	235	N/A	100   1	4.7
BUY	XS2010036874	BB+ / Baa3 / BBB-	1.750	09/09/2027	09/12/3019	EUR	600	600	0%	87.0	5.0	4.7	4.2	275	169	100   1	4.7
NR	XS2563353361	BB+ / Baa3 / BBB-	5.250	08/09/2028	08/12/3022	EUR	500	500	0%	102.2	4.8	5.3	4.9	269	152	100   1	5.4
HOLD	XS2293075680	BB+ / Baa3 / BBB-	1.500	18/08/2030	18/02/3021	EUR	500	500	0%	76.1	5.4	4.8	7.1	312	207	100   1	4.7
HOLD	XS2293681685	BB+ / Baa3 / BBB-	2.500	18/08/2032	18/02/3021	GBP	425	425	0%	71.1	6.7	5.8	8.2	297	184	100   1	5.4

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	A+	A1	AA-
CS fundamental credit view	Stable		

# TotalEnergies

## High quality operator in a volatile sector

### Issuer profile

TotalEnergies is one of the largest publicly listed, vertically integrated international oil and gas companies in the world. It has a strong focus on the upstream business, with operations focused on the North Sea, Africa, and the Middle East. It holds a leading position in Western European refining and marketing as well as marketing in Africa, with a retail network of around 16,000 service stations. In addition, the group produces base and specialty chemicals.

### Our view

TotalEnergies has a strong focus on its upstream activities, but it also garners some diversification via refining, marketing, and petrochemical activities. Efforts to lower opex and capex and high-grading of the upstream portfolio help to lower the cash flow breakeven oil price and lessen its vulnerability to potentially volatile and low energy prices. Current spot energy prices are highly cash flow generative and are quickly helping it to restore its financial flexibility. High energy prices are offsetting the disruption caused by the Russian sanctions and pullback from any activities in the area. Medium term, structurally higher energy prices are necessary to fund the transition to alternative energy sources. We have a Stable fundamental credit view, noting the energy major's adherence to a broadly conservative financial policy.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS1501167164	A- / A3 / Au	2.708	05/05/2023	Perpetual	EUR	1,000	1,000	0%	99.6	3.9	5.5	0.3	163	114	100   1	5.6
BUY	XS1974787480	A- / A3 / Au	1.750	04/04/2024	Perpetual	EUR	1,500	1,500	0%	96.1	5.2	4.6	1.1	241	234	100   1	4.6
BUY	XS1195202822	A- / A3 / Au	2.625	26/02/2025	Perpetual	EUR	2,500	2,500	0%	95.2	5.1	5.0	1.9	258	185	100   1	5.0
BUY	XS1501166869	A- / A3 / Au	3.369	06/10/2026	Perpetual	EUR	1,500	1,500	0%	95.4	4.8	5.9	3.3	249	161	100   1	6.2
HOLD	XS2432130610	A- / A3 / Au	2.000	17/01/2027	Perpetual	EUR	1,000	1,000	0%	87.3	5.7	4.8	3.8	320	251	100   1	4.7
HOLD	XS2290960520	A- / A3 / Au	1.625	25/10/2027	Perpetual	EUR	1,500	1,500	0%	83.4	5.7	5.0	4.5	331	252	100   1	4.8
HOLD	XS2224632971	A- / A3 / Au	2.000	04/06/2030	Perpetual	EUR	1,000	1,000	0%	78.6	5.6	5.3	6.4	350	237	100   1	5.2
HOLD	XS2290960876	A- / A3 / Au	2.125	25/07/2032	Perpetual	EUR	1,500	1,500	0%	74.5	5.7	5.4	8.2	335	242	100   1	5.3
HOLD	XS2432131188	A- / A3 / Au	3.250	17/07/2036	Perpetual	EUR	750	750	0%	76.7	5.8	5.7	10.4	347	244	100   1	5.8

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\*S&P / Moody's / Fitch

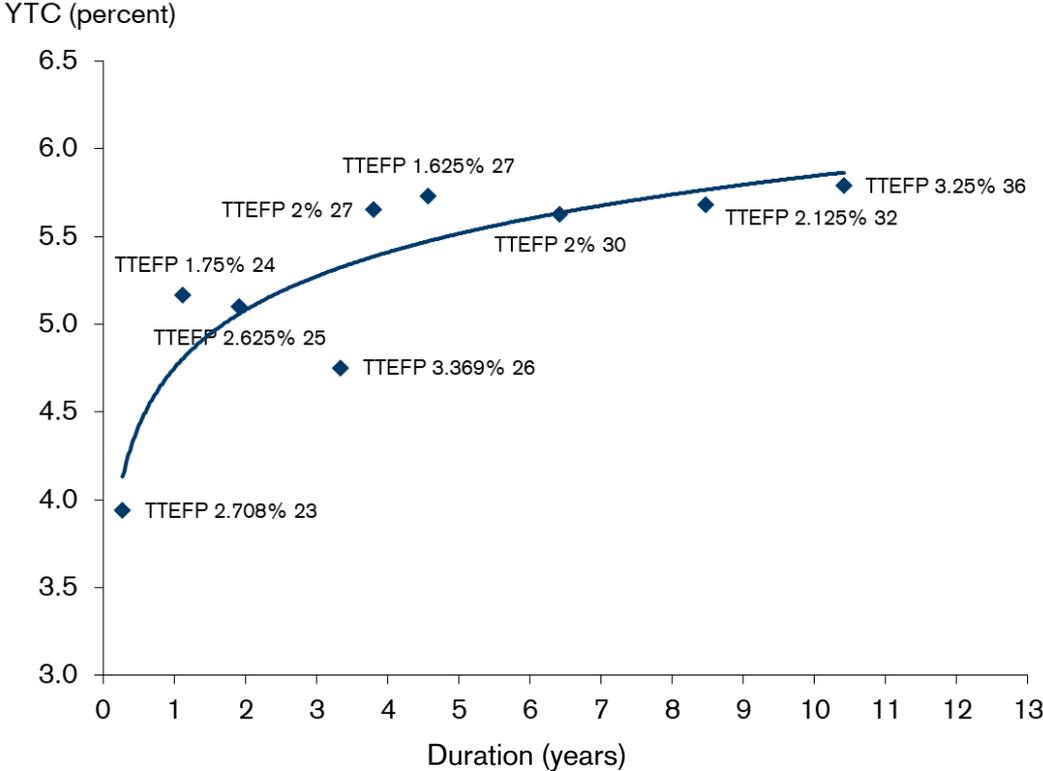
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# TotalEnergies hybrids in EUR

Value is highest at the shorter-end



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# Vattenfall

## Sweden's CO<sub>2</sub>-free electricity powerhouse

### Issuer profile

Wholly-owned by the Government of Sweden, Vattenfall is the largest utility in the Nordic region, engaged in activities across the energy value-chain, including power generation activities, networks business, and sales. It has a mix of high and low CO<sub>2</sub>-emitting generation assets, and its generation portfolio consists of hydro and nuclear (about 35% of electricity production each), fossil-based power plants (20%), and renewables (10%). About a quarter of operating income emanates from the low-risk fully regulated business with stable earnings. Sweden and Germany together account for over 80% of total electricity generated.

### Our view

The company is fully committed to continuing its transformation into a fossil-free vertically integrated utility. The balance sheet strongly improved on net debt reduction through operating cash flows. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	XS1205618470	BB+ / Baa2 / WD	3.000	19/03/2027	19/03/2077	EUR	1,000	1,000	0%	91.7	5.3	5.3	3.7	304	199	100   1	5.3
BUY	XS2355631693	BB+ / Baa2 / -	2.500	29/12/2027	29/06/2083	GBP	250	250	0%	81.1	7.2	5.6	4.9	330	N/A	100   1	5.2
NR	XS2342252603	BB+ / Baa2 / -	4.182	26/11/2027	26/05/2083	SEK	3,000	3,000	0%	94.0	6.1	5.3	0.1	#N/A N/A	N/A	2000   1000	4.7
NR	XS2342250730	BB+ / Baa2 / -	2.400	26/11/2027	26/05/2083	SEK	500	500	0%	87.0	5.5	4.7	4.7	312	N/A	2000   1000	4.6
BUY	XS1322373017	BB+ / Baa2 / WD	6.100	19/11/2023	19/11/2078	USD	400	400	0%	100.0	6.1	7.6	0.8	140	N/A	200   1	7.7

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) Differential of the hybrid YTC to a senior unsecured bond of the same issuer with similar modified duration. (6) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	BBB	Baa1	BBB
CS fundamental credit view	Stable		

# Veolia Environment

## Diversified business risk profile operating in mostly regulated sectors

### Issuer profile

France-based Veolia is the world's largest environmental services company following the acquisition and integration of Suez, thereby offering water, waste, and energy management solutions to various industrial clients and local authorities.

### Our view

Veolia's credit profile is supported by its worldwide leading position in water and waste management, its diversification across regions, businesses and customers, and its high share of revenues from long-term contracts. It benefits from a wide scale of operations and positive long-term structural dynamics. It enjoys relatively stable cash flows, as the main part of its activities come from regulated utility or environmental services. Looking ahead, Veolia has interesting future growth prospects (driven by increasing awareness and concern about the environment, water, and waste-water management services), but its profitability is structurally low. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
BUY	FR0013252061	- / Baa3 / -	2.875	19/01/2024	Perpetual	EUR	600	600	0%	97.9	5.1	5.4	0.9	233	199	100   100	5.3
NR	FR00140007K5	BB+ / Baa3 / BB+	2.250	20/01/2026	Perpetual	EUR	850	850	0%	90.7	5.7	5.5	2.7	338	255	100   100	5.5
BUY	FR0013445335	- / Baa3 / -	1.625	01/06/2026	Perpetual	EUR	500	500	0%	87.8	5.7	5.0	3.3	315	247	100   100	4.9
BUY	FR0014006IX6	- / Baa3 / BB+u	2.000	15/11/2027	Perpetual	EUR	500	500	0%	83.5	6.1	5.1	4.3	384	267	100   100	4.9
NR	FR00140007L3	BB+ / Baa3 / BB+	2.500	20/01/2029	Perpetual	EUR	1,150	1,150	0%	81.5	6.3	5.8	5.1	417	290	100   100	5.7

Data as of 20 January 2023, 16:00 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	BBB	Baa2	BBB
CS fundamental credit view	Stable		

# Vodafone

## Diversified European telecommunications company

### Issuer profile

Vodafone is a large telecommunications company with a well-diversified asset base. The bulk of EBITDA is generated in Germany, Italy, Spain, and the UK, but it also has sizable operations in other markets. Vodafone has been active in M&A in recent years, e.g. acquiring cable operators in Germany and Spain and merging more challenged activities with peers in India and the Netherlands, while exiting from the US market. These strategic steps have made Vodafone more European and more converged, able to offer the full range of telecommunications services.

### Our view

Vodafone reported H1 2023 (end-September 2022, FY ends 31 March) net debt/EBITDA of 3.1x, vs. 2.7x at the start of the year. This is set to decline by year-end as H2 is seasonally stronger and as disposal proceeds come through. Specifically, Vodafone has inked a deal to monetize its mobile tower assets while keeping a 50% ownership stake and a degree of operational control. Depending on the final structure of this transaction, Vodafone will lower leverage by 0.2-0.5x. We expect this to bring the company back to the low end of its target leverage corridor of 2.5-3.0x. S&P revised its outlook to Positive in mid-November 2022, acknowledging the progress on deleveraging. Our Stable fundamental credit view reflects the competitive nature of Vodafone's markets, the need for further portfolio actions to improve individual market structures, and the still high capital intensity of the business. Further out, expectations for higher shareholder distributions and upward pressure on capital investment spending (fiber investments in Germany, whether funded on or off-balance sheet) may complicate the capital allocation framework and offset the otherwise favorable trajectory in credit metrics. Challenges remain, but we think Vodafone is relatively strongly positioned. We like its geographic market diversity, focus on a moderate leverage target, and strong liquidity profile.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS1888179477	BB+ / Ba1 / BB+	3.100	03/10/2023	03/01/2079	EUR	2,000	2,000	0%	99.2	4.3	5.4	0.7	157	112	100   1	5.5
BUY	XS2225157424	BB+ / Ba1 / BB+	2.625	27/05/2026	27/08/2080	EUR	1,000	1,000	0%	90.2	5.9	5.8	3.0	365	270	100   1	5.8
HOLD	XS1888179550	BB+ / Ba1 / BB+	4.200	03/07/2028	03/10/2078	EUR	500	500	0%	92.5	5.8	6.1	4.6	366	268	100   1	6.2
BUY	XS2225204010	BB+ / Ba1 / BB+	3.000	27/05/2030	27/08/2080	EUR	1,000	1,000	0%	82.1	6.1	6.2	6.1	397	266	100   1	6.3
BUY	XS1888180996	BB+ / Ba1 / BB+	4.875	03/07/2025	03/10/2078	GBP	500	500	0%	95.8	6.8	4.8	2.2	338	260	100   1	6.9
BUY	XS1888180640	BB+ / Ba1 / BB+	6.250	03/07/2024	03/10/2078	USD	1,300	1,300	0%	97.5	8.1	6.8	1.3	357	337	200   1	6.7
BUY	US92857WBV19	BB+ / Ba1 / BB+	3.250	04/06/2026	04/06/2081	USD	500	500	0%	85.5	8.3	6.4	3.0	450	350	1   1	6.0
BUY	US92857WBQ24	BB+ / Ba1 / BB+	7.000	04/01/2029	04/04/2079	USD	2,000	2,000	0%	103.0	6.4	7.7	4.9	287	205	1   1	8.5
HOLD	US92857WBW91	BB+ / Ba1 / BB+	4.125	04/03/2031	04/06/2081	USD	1,000	1,000	0%	79.5	7.6	6.8	6.5	405	258	1   1	6.3
HOLD	US92857WBX74	BB+ / Ba1 / BB+	5.125	04/12/2050	04/06/2081	USD	950	950	0%	75.5	7.2	7.1	12.7	349	166	1   1	6.6

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

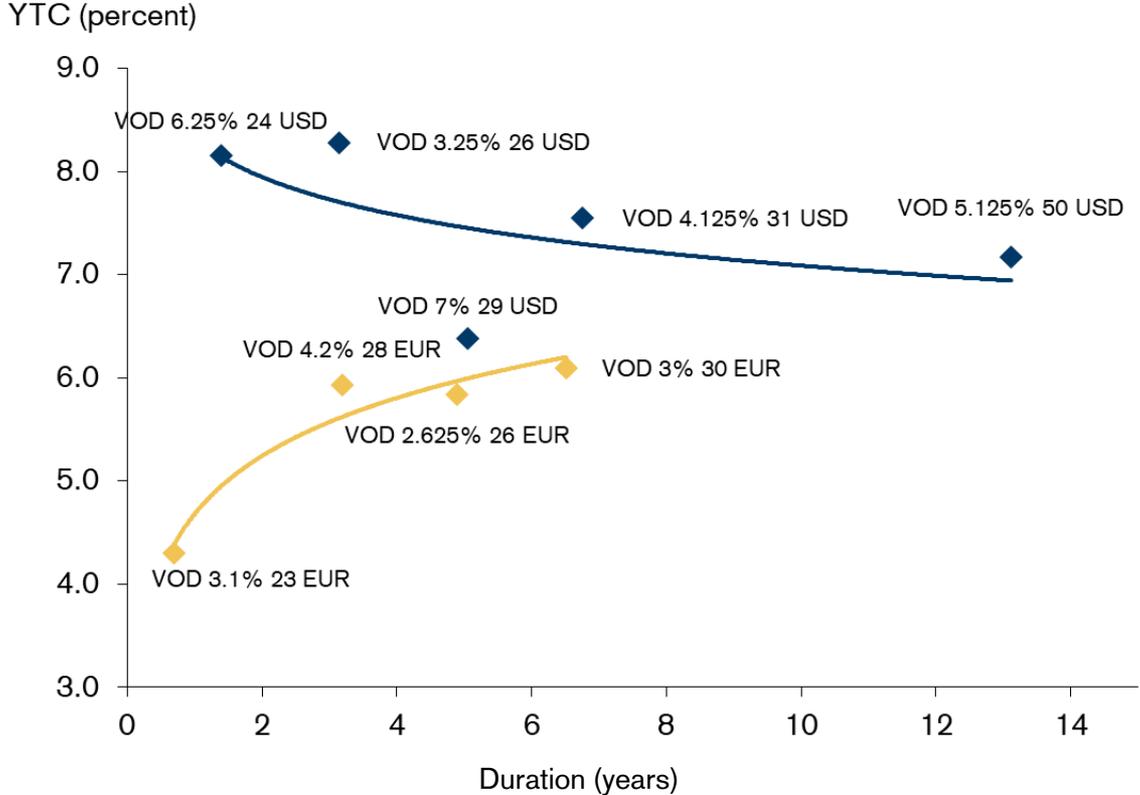
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Vodafone hybrids in EUR

Value is in the intermediate maturities



Data as of 20 January 2023, 16:00 CET  
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 Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Volkswagen

## Leading scale in the automotive sector

### Issuer profile

Volkswagen is one of the world's top three carmakers. It sells vehicles under multiple brands, including Volkswagen, Audi, Porsche, SEAT, Lamborghini, Bentley, MAN, Scania, Skoda, and Volkswagen Commercial vehicles.

### Our view

VW is among the best positioned in the sector to contend with cyclical and secular challenges, in our view. It has the necessary scale, geographic diversification, technological competence, brand strength, and financial muscle to adapt to the changing dynamics. Diesel engine-related cash outflows have declined. The fiasco has spurred the carmaker to fully commit to the electric vehicle transition. The Porsche IPO causes some earnings / cash flow leakage but releases significant capital that is to be used to help fund the transition to vehicle electrification and software capability necessary for autonomous driving. Specifically, of the around EUR 20 bn raised via the Porsche IPO, half will be retained by VW to help fund its investment commitments and half will be returned to shareholders.

Analyst: Manuel Hürzeler

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS0968913342	BBB- / Baa2 / BBBu	5.125	04/09/2023	Perpetual	EUR	750	750	0%	100.4	4.3	6.0	0.6	166	115	1   1	6.1
HOLD	XS1799938995	BBB- / Baa2 / BBBu	3.375	27/06/2024	Perpetual	EUR	1,250	1,250	0%	96.9	5.7	5.7	1.3	297	211	100   100	5.7
BUY	XS2187689034	BBB- / Baa2 / BBBu	3.500	17/06/2025	Perpetual	EUR	1,500	1,500	0%	94.8	5.9	6.5	2.2	343	239	100   100	6.6
HOLD	XS1048428442	BBB- / Baa2 / BBBu	4.625	24/03/2026	Perpetual	EUR	1,750	1,750	0%	97.3	5.6	5.7	2.7	326	164	1   1	5.7
BUY	XS1629774230	BBB- / Baa2 / BBBu	3.875	14/06/2027	Perpetual	EUR	2,000	2,000	0%	91.3	6.2	6.1	3.8	397	229	100   100	6.1
BUY	XS2342732562	BBB- / Baa2 / BBBu	3.748	28/12/2027	Perpetual	EUR	1,000	1,000	0%	88.5	6.6	5.9	4.3	434	266	100   100	5.7
BUY	XS1799939027	BBB- / Baa2 / BBBu	4.625	27/06/2028	Perpetual	EUR	1,500	1,500	0%	92.9	6.2	6.6	4.5	402	230	100   100	6.7
BUY	XS2187689380	BBB- / Baa2 / BBBu	3.875	17/06/2029	Perpetual	EUR	1,500	1,500	0%	86.8	6.4	6.6	5.3	430	243	100   100	6.7
HOLD	XS1206541366	BBB- / Baa2 / BBBu	3.500	20/03/2030	Perpetual	EUR	1,400	1,400	0%	84.8	6.2	5.9	5.8	406	203	1   1	5.8
BUY	XS2342732646	BBB- / Baa2 / BBBu	4.375	28/03/2031	Perpetual	EUR	1,250	1,250	0%	85.8	6.7	6.3	6.2	460	306	100   100	6.1

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

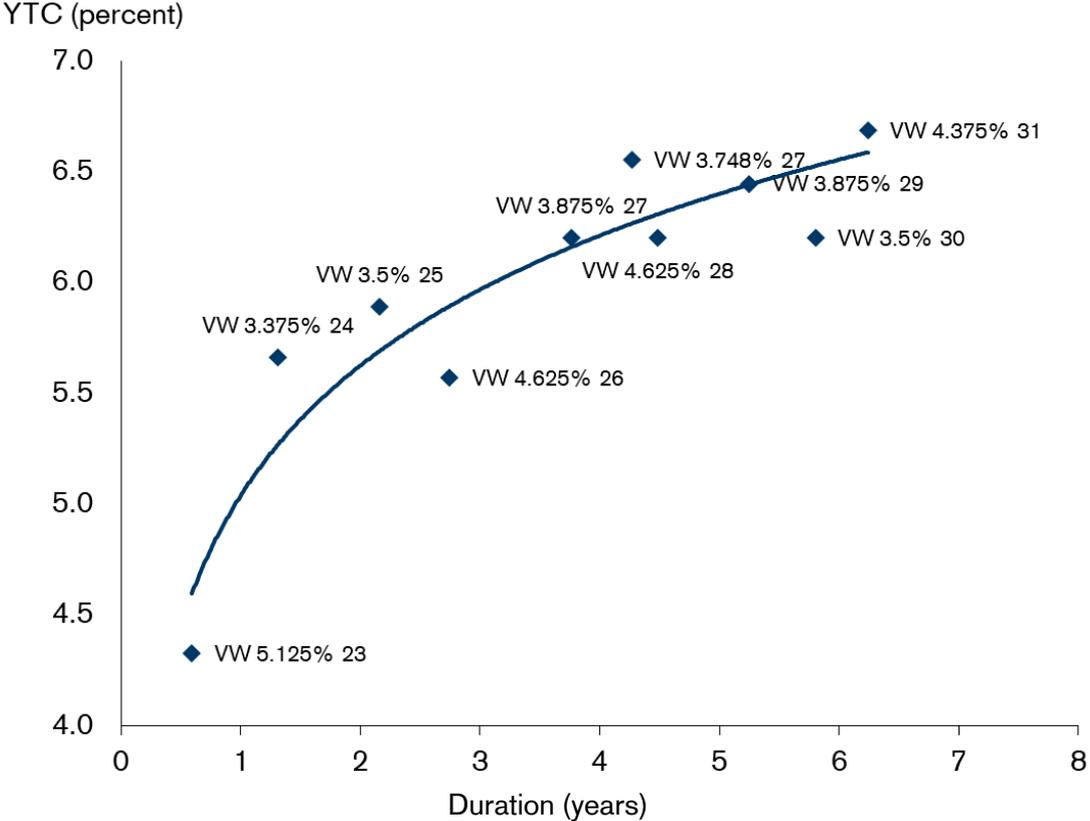
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Volkswagen hybrids in EUR

Value is in intermediate maturities and further out



Data as of 20 January 2023, 16:00 CET  
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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Least preferred issuers

Issuer credit rating (S/M/F)*	A-	A2	A
CS fundamental credit view	Stable		

# BHP

## Strongly placed in the cyclical mining sector

### Issuer profile

BHP is the world's largest mining company, with strong positions in iron ore, copper, and coking coal. The company exited its energy activities via a combination with Woodside and subsequent spin-off to shareholders in June 2022. This reduced the business diversity, leading to a downgrade to A- by S&P.

### Our view

BHP has large, low-cost, scalable mines with a long reserve life, particularly in iron ore, but also copper, and coking coal. At current commodity prices, BHP is highly cash generative. Over the medium term, copper prices look well supported due to rising demand from vehicle electrification. The balance sheet is strong (minimal net debt), supported by high cash flow generation, moderate capital investment spending, and the abandonment of the former progressive dividend policy. Our Stable fundamental credit view reflects the possible emergence of growth projects (higher capex), the policy to distribute excess cash flow generation to shareholders, and possible volatility in key commodity prices.

The company no longer sees any role for hybrid securities in its capital structure given the strength of its balance sheet. Given the lack of commitment to the sub-asset class, S&P removed the equity credit on all hybrids in September 2020. BHP has launched multiple tenders for its hybrids and affirmed its intention to call them at par once it has repurchased 80% of the original issue size (clean-up call).

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
TERMINATED	XS1309436910	BBB / Baa1 *+ / BBB+u	5.625	22/10/2024	22/10/2079	EUR	254	750	66%	101.2	4.9	7.3	1.6	228	180	100   1	7.6

Data as of 20 January 2023, 16:00 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	BBB+	Baa1	A-
CS fundamental credit view	Stable		

# Engie

## Business profitability more stable than in the past

### Issuer profile

Engie is a France-based integrated utility and the second largest electricity company in the country. Its key shareholder is the French government with a 33% stake. The utility is split in six global business units: Networks (28% of H1 2022 EBIT), Renewables (16%), Nuclear (16%), Others (16%), Thermal (13%), Supply (8%), and Energy Solutions (3%). It enjoys a well-diversified generation portfolio (101 GW) with gas-fired generation plants marketing the main pillar (50% of installed capacity), followed by renewables (37%), nuclear (6%), coal (4%), and other (3%). The company is transforming towards energy efficiency, renewable, and digital technologies, and away from wholesale-exposed electricity production (with a high share of thermal generation). It has a sizable earnings contribution (more than 80% of EBITDA) from the regulated and long-term contracted activities.

### Our view

The expected stable trend in key credit metrics explains our Stable fundamental credit view. Engie has repositioned its business profile in recent years towards a vertically integrated utility company with an increasing focus on renewable energy beside the traditional electricity production and less risky quasi-regulated network activities combined with a service offering for energy solutions.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	FR0011942283	BBB- / Baa3 / BBB	3.875	02/06/2024	Perpetual	EUR	338	1,000	66%	99.7	4.1	5.3	1.3	140	71	100   100	5.4
HOLD	FR0013398229	BBB- / Baa3 / BBB	3.250	28/11/2024	Perpetual	EUR	1,000	1,000	0%	98.0	4.4	5.8	1.9	175	102	100   100	6.0
HOLD	FR0013431244	BBB- / Baa3 / BBB	1.625	08/04/2025	Perpetual	EUR	500	500	0%	93.0	5.0	4.7	2.1	254	164	100   100	4.7
HOLD	FR0014000RR2	BBB- / Baa3 / BBB	1.500	30/05/2028	Perpetual	EUR	850	850	0%	81.1	5.7	4.8	4.9	350	229	100   100	4.7
HOLD	FR00140046Y4	BBB- / Baa3 / BBB	1.875	02/01/2031	Perpetual	EUR	705	750	6%	74.4	6.0	5.2	7.2	370	242	100   100	4.9

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# KPN

## Former Dutch incumbent telecommunications operator

### Issuer profile

Koninklijke KPN is the former Dutch incumbent telecom operator. After the disposal of its German mobile operator (E-Plus) to Telefonica, KPN's geographical mix has narrowed. KPN has an approximate 30% domestic market share in the Dutch mobile services business (effectively a three-player market post the Ziggo/Vodafone joint venture and the DT/Tele2 combination). In the fixed service market, KPN has around 40% market share.

### Our view

KPN has high market shares in mobile/fixed/broadband in its home market of the Netherlands. The issuer has progressively exited activities outside of its home market, thereby lessening its geographic diversity. KPN targets maintaining an investment grade credit rating, keeping net debt/EBITDA <2.5x. KPN has attracted the attention of leveraged investors, though political sensitivities would need to be addressed. A leveraged buyout would likely see multiple notch downgrades to credit ratings. This event risk keeps us cautious on the name. Most KPN bonds, including the hybrids, have change of control covenants, but since investor puts are typically at par or 101, investors in bonds trading above the put prices might still experience losses.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS2069101868	BB+ / Ba2 / BB+	2.000	08/11/2024	Perpetual	EUR	500	500	0%	94.5	5.3	5.1	1.9	234	204	100   100	5.2
NR	XS2486270858	BB+ / NR / BB+	6.000	21/09/2027	Perpetual	EUR	500	500	0%	101.7	5.6	6.3	4.1	338	224	100   1	6.6
HOLD	USN4297BBC74	BB+ / Ba2 / BB+	7.000	28/03/2023	28/03/2073	USD	146	600	76%	100.5	4.1	8.6	0.2	-51	N/A	200   1	8.7

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	NR	Baa2	BBB+
CS fundamental credit view	Stable		

# RWE

## Becoming a renewables player

### Issuer profile

RWE is a Germany-based electricity generator and trading company with a leading position in the German, UK, and Dutch energy markets. The company runs a 38 GW electricity generation portfolio, whereof 45% of the capacity is flexible (mainly gas), 29% lignite & hard coal as well as nuclear, and 26% wind, solar and batteries. RWE aims to become CO2 neutral by 2040 and to have around 50 GW of green electricity generation capacity. In FY 2021, 76% of the company's EBITDA came from its core business such as offshore wind, onshore wind, solar, hydro and other renewables, as well as supply & trading, while 24% came from its coal and nuclear production unit.

### Our view

After the spin-off of Innogy and the asset swap deal with E.ON, RWE is becoming a leading renewable energy player, which we appreciate for the long-term focus. It aims to become CO2 neutral by 2040 driven by the expansion of renewables and the closure of lignite and coal production facilities over time. It also plans to invest a total of EUR 30 bn net in cash to drive green growth, adding 35 GW gross and 25 GW net capacity with the aim to have a total of 50 GW green installed net capacity by 2030. In FY 2030, more than 95% of EBITDA should come from core businesses and by 2030 EBITDA should exceed EUR 5 bn. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS1219499032	NR / Ba1 / BBB-	3.500	21/04/2025	21/04/2075	EUR	282	550	49%	97.2	4.9	5.9	2.0	237	168	1   1	6.1
HOLD	XS1254119750	NR / Ba1 / BBB-	6.625	30/03/2026	30/07/2075	USD	317	500	37%	99.0	7.0	7.8	2.7	306	N/A	2   2	8.0

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) Differential of the hybrid YTC to a senior unsecured bond of the same issuer with similar modified duration. (6) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

PAST PERFORMANCE IS NOT AN INDICATOR OF FUTURE PERFORMANCE. PERFORMANCE CAN BE AFFECTED BY COMMISSIONS, FEES OR OTHER CHARGES AS WELL AS EXCHANGE RATE FLUCTUATIONS.

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# SSE

## Vertically-integrated UK utility with an ambition to become net-zero

### Issuer profile

SSE is a vertically integrated utility with operations in the UK and Ireland (generation, transmission, distribution, supply, storage, and services).

### Our view

SSE's credit profile is supported by its regulated network activities (transmission and distribution account for almost 50% of operating profit) and the relatively well diversified operations as a vertically integrated utility. The balance sheet remains relatively solid, even in an environment of continuing high capital investment and generous shareholder distributions. Net debt was again lowered in the FY 2021/22 due to asset disposals, with net debt/EBITDA of 4.0x, which is within the guidance of a ratio smaller than 4.5x. For the current year, SSE guides to higher profit and expects record capital investments to further strengthen its position in renewables. Our Stable fundamental credit view reflects the company's solid financial results, and we see the company as solidly positioned in the high BBB rating area.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS2195190520	BBB- / Baa3 / BBB-u	3.125	14/04/2027	Perpetual	EUR	500	500	0%	92.9	5.0	6.0	3.8	280	177	100   1	6.2
HOLD	XS2439704318	BBB- / Baa3 / BBB-u	4.000	21/01/2028	Perpetual	EUR	1,000	1,000	0%	93.0	5.7	5.5	4.2	345	239	100   1	5.5
HOLD	XS2195190876	BBB- / Baa3 / BBB-u	3.740	14/01/2026	Perpetual	GBP	600	600	0%	93.1	6.4	6.9	2.9	275	N/A	100   1	7.1

Data as of 20 January 2023, 16:00 CET.

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

Issuer credit rating (S/M/F)*	BBB-	Baa3	BBB
CS fundamental credit view	Stable		

# Telefonica

## Is LatAm a source of strength or weakness?

### Issuer profile

Telefonica is the market leader in the Spanish telecom market. It also has significant market shares in the UK and German markets, but in mobile only. The merger between Telefonica's O2 with the largely cable activities of Virgin Media in the UK in June 2021 was an important strategic step, consolidating the market and strengthening the position of the merged entity. Further geographic diversification is provided by the company's extensive market position in Brazil. Outside of Brazil, Telefonica is looking to exit its Latin American activities.

### Our view

...Telefonica is strongly positioned in its domestic Spanish market across mobile and broadband. Earlier acquisitions of E-Plus in Germany and GVT in Brazil strengthened its market position in both of those markets. However, three of its four main markets likely require further strategic action to improve their respective market positions. The aim is to become a fully converged telecom player able to invest in the necessary infrastructure for the 5G rollout. The combination between O2 with Virgin Media in the UK is a step in the right direction. We also view the Brazilian telecommunications market as ripe for further in-market consolidation. Telefonica is looking to release capital by monetizing much of its Latam activities outside of Brazil. These funds in conjunction with the proceeds from the UK merger and subsequent deleveraging of that entity to 4-5x EBITDA should support deleveraging at Telefonica. Our Stable fundamental credit view reflects the priority the firm has accorded to improving leverage metrics, even if progress has been rather slow and mostly inorganically driven. We believe management is committed to maintaining investment grade ratings.

Analyst: Martim Ramada, CFA

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
TERMINATED	XS1795406575	BB / Ba2 / BB+	3.000	04/09/2023	Perpetual	EUR	750	1,250	40%	98.3	5.9	5.3	0.8	224	285	100   100	5.3
TERMINATED	XS1050461034	BB / Ba2 / BB+	5.875	31/03/2024	Perpetual	EUR	1,000	1,000	0%	100.4	5.5	6.9	1.1	275	244	100   100	7.0
HOLD	XS1933828433	BB / Ba2 / BB+	4.375	14/12/2024	Perpetual	EUR	1,300	1,300	0%	97.3	5.9	6.7	1.9	324	281	100   100	6.9
HOLD	XS1795406658	BB / Ba2 / BB+	3.875	22/06/2026	Perpetual	EUR	1,000	1,000	0%	92.8	6.3	5.8	3.2	384	308	100   100	5.7
HOLD	XS2109819859	BB / Ba2 / BB+	2.502	05/02/2027	Perpetual	EUR	500	500	0%	86.8	6.3	5.5	3.6	406	309	100   100	5.4
HOLD	XS2056371334	BB / Ba2 / BB+	2.875	24/06/2027	Perpetual	EUR	500	500	0%	86.7	6.4	5.9	3.9	421	322	100   100	5.8
NR	XS2410367747	BB / Ba2 / BB+	2.880	24/02/2028	Perpetual	EUR	750	750	0%	84.0	6.7	5.9	4.3	447	342	100   100	5.6
HOLD	XS2462605671	BB / Ba2 / BB+	7.125	23/08/2028	Perpetual	EUR	750	750	0%	104.5	6.1	6.8	4.5	399	289	100   100	7.1
HOLD	XS2293060658	BB / Ba2 / BB+	2.376	12/02/2029	Perpetual	EUR	1,000	1,000	0%	79.0	6.7	5.7	5.2	456	334	100   100	5.4

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

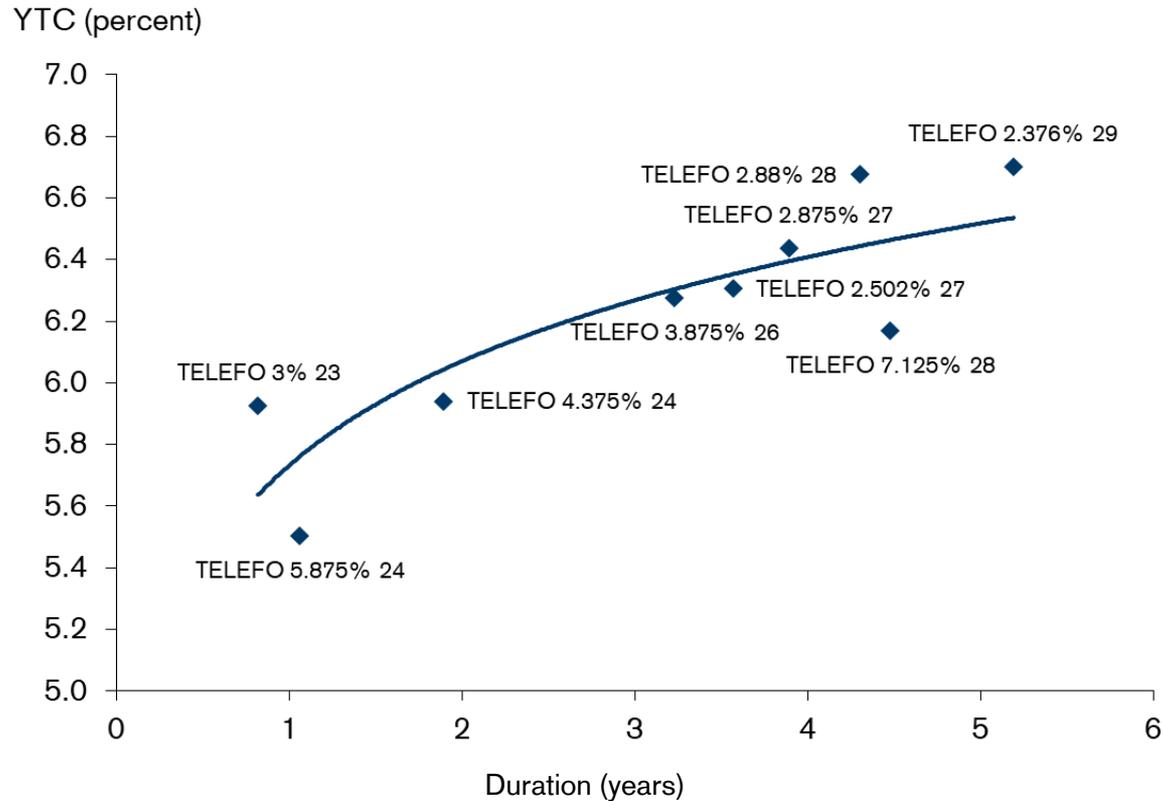
(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) Differential of the hybrid YTC to a senior unsecured bond of the same issuer with similar modified duration. (6) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

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Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Telefonica hybrids in EUR

Hybrids offer high yields, but fundamentals keep us sidelined



Data as of 20 January 2023, 16:00 CET

Historical and/or projected performance indications and financial market scenarios are not reliable indicators of current or future performance.

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse

# Terna

## Electricity grid operator with monopolistic position in Italy

### Issuer profile

Terna is the largest independent electricity grid operator in Europe with a total network size of almost 75,000 km. The company owns 99.6% of the Italian Transmission Grid making the business profile strongly regulated and earnings and cash flow more predictable thanks to the cost-plus recovery scheme (97% of H1 2022 EBITDA came from regulated business). Terna's medium-term plan until 2025 is dominated by an increase in sustainable investments reflected in up to EUR 9 bn of investments. The unregulated business (3% of EBITDA) comprises services to support the energy transition, including connectivity and energy solutions with growth opportunities coming from digitalization. Under its FY 2025 Industrial Plan Update, Terna guides to EUR 10 bn of cumulated Capex and a low single digit EBITDA growth. CDP RETI holds 30% of Terna shares.

### Our view

Terna's credit profile is characterized by a high share of regulated EBITDA generation, which adds earnings stability and cash flow predictability. The fully-regulated high-voltage transmission grid services allow a full-cost recovery over time and provide a stable profit margin for the group, with very limited competition. The company enjoys a monopolistic market position in Italy with a de facto full ownership of the transmission grid. The unregulated services business in Italy are often complementary to the existing business or can be leveraged via existing business contacts. Financial leverage is rather high and investments have to be pre-financed. Liquidity is solid with limited exposure to short-term debt maturities. We have a Stable fundamental credit view.

Analyst: Daniel Rupli

Rec.	ISIN	Ratings (1)	Coupon (%)	Next call date	Maturity	Cur.	Amount out (m)	Amount issued (m)	Rep. (2)	Ask price (3)	YTC (%)	YTM (%)	Modified Duration	Spread to bmrk (bp) (4)	Spread to senior (bp) (5)	Min denom ('000)	Reset coupon (%) (6)
HOLD	XS2437854487	BBB- / Ba1 / -	2.375	09/11/2027	Perpetual	EUR	1,000	1,000	0%	85.4	6.0	5.1	4.4	359	274	100   1	4.9

Data as of 20 January 2023, 16:00 CET.

\*S&P / Moody's / Fitch

(1) S&P / Moody's / Fitch issue rating. (2) Percentage repurchased, calculated as amount outstanding divided by amount issued. (3) Indicative only and subject to normal market volatility. (4) Refers to the difference in yield to the similar maturity Government benchmark, measured to call. (5) Differential of the hybrid YTC to a senior unsecured bond of the same issuer with similar modified duration. (6) The indicative approximate new coupon, obtained by adding the reset spread to the current value of the reset index (the actual reset coupon will depend on the value of the reset index at the time of the call/reset).

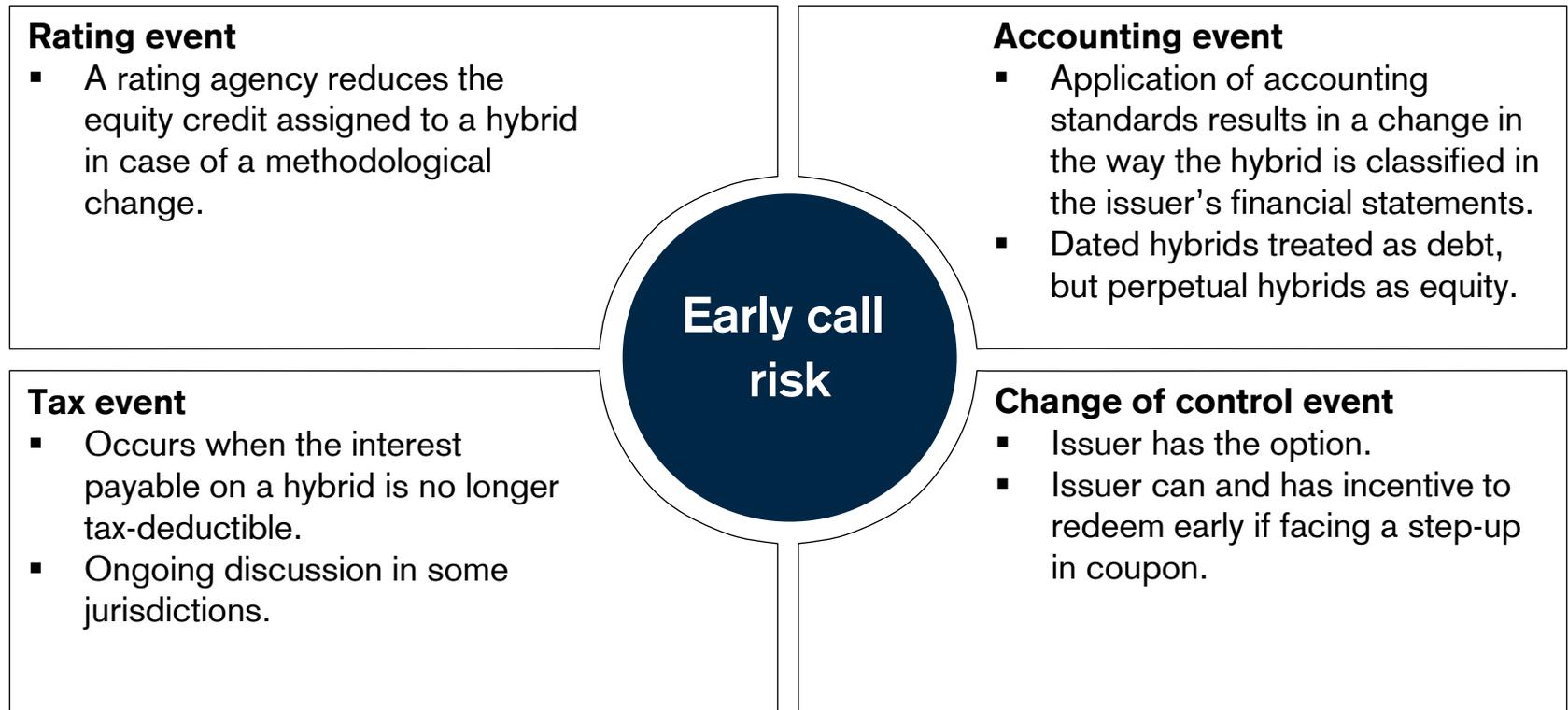
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# Appendix

# Corporate hybrids are very different from bank CoCos

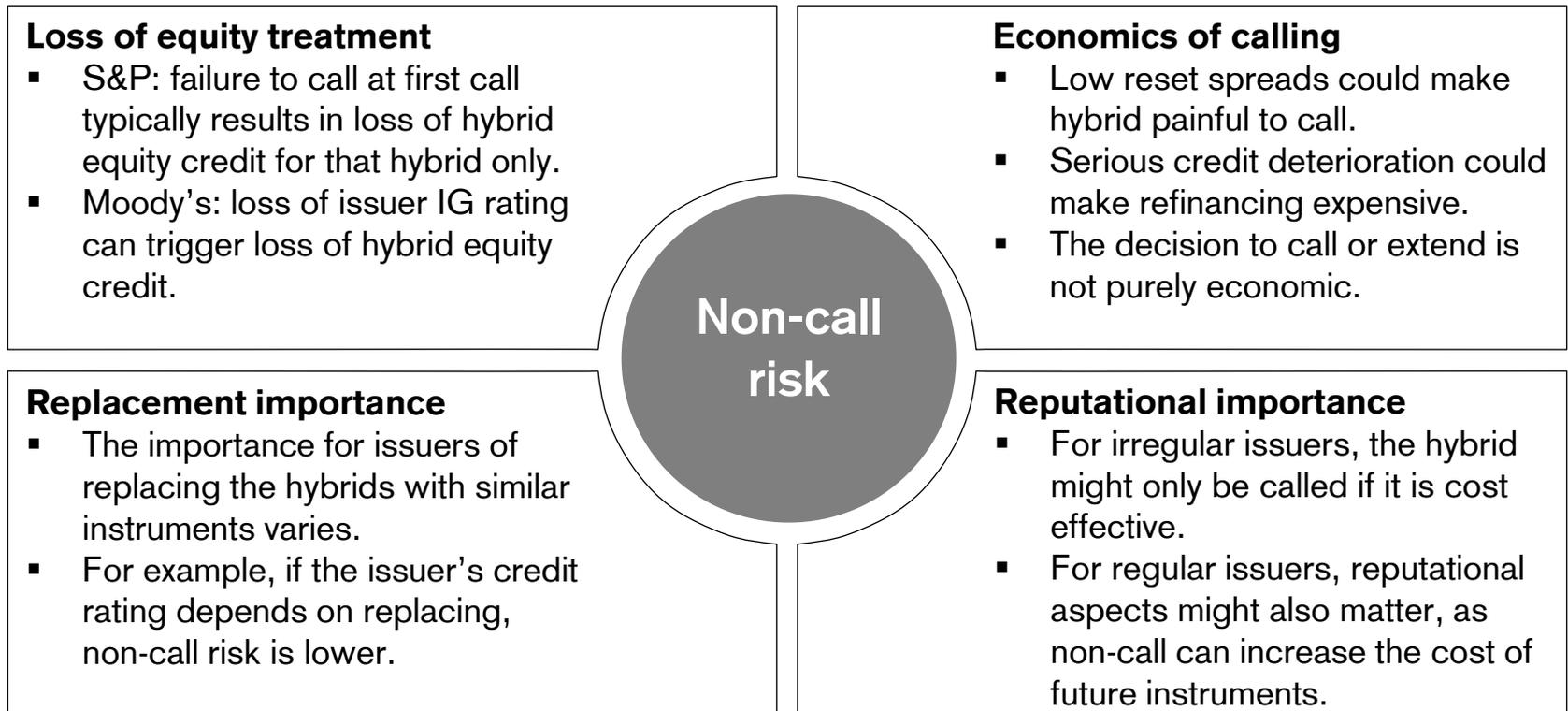
	<b>Subordinated Corporate Hybrids</b> (typically, 50% equity treatment rating agencies)	<b>Bank Contingent Capital Notes</b> (additional Tier 1 capital)
<b>Ranking</b>	Deeply subordinated, senior only to ordinary shares	Deeply subordinated, senior only to ordinary shares
<b>Maturity</b>	Long dated, for example 60 years or perpetual (IFRS treats the former as 100% debt and the latter as 100% equity)	Perpetual
<b>Optional redemption/Call</b>	Issuer can elect to redeem at first call, and if not called then typically every coupon payment date	Issuer can elect to redeem at first call and every fifth anniversary thereafter
<b>Coupon</b>	Fixed rate coupon until the first call date Thereafter, reset to initial time to first call, referencing the relevant swap rate plus initial spread plus step-up	Fixed rate coupon until the first call date Thereafter reset to the prevailing swap plus the initial spread
<b>Coupon deferral</b>	Cumulative Deferral can be optional or mandatory (latter is rare) Dividend pusher requires that any coupons be paid, including any deferred coupons if dividends are paid	Non-cumulative Discretionary, though capital structure hierarchy is typically observed Cancelled if insufficient distributable reserves Regulator can stop coupons if breach of buffers
<b>Call incentive</b>	High for S&P rated hybrids as non-call results in removal of favorable 50% equity treatment. More attention now on the economics of the call, as loss of equity treatment on non-call won't be applied to the whole stack of hybrids	Economic, probability of call is a function of the reset spread and prevailing market conditions
<b>Special redemption (early call risk)</b>	Issuer may redeem hybrid if 1) loss of equity credit, 2) change in accounting treatment, 3) change in tax treatment (loss of deductibility or imposition of withholding tax)	Issuer may redeem the notes if 1) notes are disqualified from regulatory capital or 2) change in tax treatment
<b>Going concern principal loss absorption</b>	None	Write down temporarily, permanently or converted into equity upon specific occurrence (e.g. 5.125% CET1)
<b>Point of non-viability</b>	None	Statutory or contractual provisions allowing the resolution authorities to write down or convert the notes

# Companies can call hybrids early for different reasons...



**A drop in hybrid prices means clean-up clauses (which allow an issuer to call a residual amount at par) become less of an issue.**

# ... and they can also not exercise the call option (non-call or “extension” risk)



**Non-call risk has been repriced in 2022. We think fundamentally strong issuers continue to have an incentive to follow the conventional practice and call/replace.**

# Clean-up calls at par can also lead to losses if investors do not react before repurchases exceed a specific threshold

- Tender offers can result in an issuer calling a hybrid at par if 70 to 90% or more of the hybrid is successfully tendered (clean-up call or substantial repurchase event clause)
- Examples of clean-up calls since 2021:

Date	ISIN	Issuer	Currency	Coupon	Issue date	First call date	Maturity	Amount issued (m)	Amount outstanding before clean-up (m)	Rep. before clean-up (1)	Clean-up call threshold
Feb-21	XS1191320297	GRAND CITY PROPERTIES SA	EUR	3.750	18/02/2015	18/02/2022	Perpetual	500	85	83%	80%
Mar-21	XS1819537132	CPI PROPERTY GROUP SA	EUR	4.375	09/05/2018	09/08/2023	Perpetual	550	9	98%	75%
May-21	XS1115490523	ORANGE SA	EUR	4.000	01/10/2014	01/10/2021	Perpetual	1,000	69	93%	90%
May-21	XS1028597315	ORANGE SA	GBP	5.875	07/02/2014	07/02/2022	Perpetual	650	44	93%	90%
May-21	XS1405777746	SES SA	EUR	4.625	10/06/2016	02/01/2022	Perpetual	750	114	85%	80%
Aug-21	XS1974894138	SAMHALLSBYGGNADSBOLAGET	EUR	4.625	26/04/2019	27/04/2024	Perpetual	300	18	94%	80%
Aug-21	XS1490960942	TELEFONICA EUROPE BV	EUR	3.750	15/09/2016	15/03/2022	Perpetual	1,000	128	87%	80%
Oct-21	DE000A2GSFF1	EVONIK INDUSTRIES AG	EUR	2.125	07/07/2017	07/08/2022	07/07/2077	500	97	81%	80%
Dec-21	XS1141810991	STEDIN HOLDING NV	EUR	2.618	01/12/2014	01/12/2021	Perpetual	500	28	94%	75%
Apr-22	DE000A14J611	BAYER AG	EUR	2.375	02/04/2015	02/10/2022	02/04/2075	1,300	258	80%	80%
Oct-22	XS0969341147	AMERICA MOVIL SAB DE CV	EUR	6.375	06/09/2013	06/09/2023	06/09/2073	550	63	89%	80%
Dec-22	XS1731823255	TELEFONICA EUROPE BV	EUR	2.625	07/12/2017	07/03/2023	Perpetual	1,000	129	87%	75%
Jan-23	XS1115502988	ORANGE SA	GBP	5.750	01/10/2014	01/04/2023	Perpetual	600	39	93%	90%

Data as of 20 January 2023, 16:00 CET

1) Repurchased amount as percentage of original issue size before clean-up call.

Source: BLOOMBERG PROFESSIONAL™ service, Credit Suisse.

# Additional considerations

- Hybrids are typically rated two notches lower than the senior unsecured rating of an issuer. Hybrids rated low BBB can be downgraded to high-yield and incur technical selling pressure.
- If an issuer's S&P rating falls to non-IG, hybrids automatically receive a 5-year equity credit extension (beyond the first call date) – this increases non-call risk. If an issuer's Moody's rating becomes non-IG, its hybrids lose their equity credit (early call risk).
- All other things equal, the smaller the absolute amount of coupon payments relative to cash flow or dividend payments the better.
- The use of hybrids to partially fund M&A or specific projects is generally preferable to opportunistic funding of high shareholder returns.
- Issuers that prioritize their liquidity profiles by, among other things, cancelling the dividend will typically see increased speculation regarding coupon deferral risk.
- Hybrids are a high beta instrument, and their risk is pro-cyclical: in an economic downturn, issuers will seek to use hybrids to protect their ratings. When credit trends are improving, issuers may call and not replace hybrids.
- Sensitivity to early calls increases with high hybrid prices, since calls are typically at par.

# Risk warning (1/3)

Every investment involves risk, especially with regard to fluctuations in value and return. If an investment is denominated in a currency other than your base currency, changes in the rate of exchange may have an adverse effect on value, price or income.

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# Risk warning (2/3)

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**Past performance is not an indicator of future performance. Performance can be affected by commissions, fees or other charges as well as exchange rate fluctuations.**

## **Sensitivities**

Sensitivity analysis is understood as the change in the market value (e.g. price) of a financial instrument for a given change in a risk factor and/or model assumption. Specifically, the market value of any financial instrument may be affected by changes in economic, financial and political factors (including, but not limited to, spot and forward interest and exchange rates), time to maturity, market conditions and volatility, and the credit quality of any issuer or reference issuer.

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Investments may have no public market or only a restricted secondary market. Where a secondary market exists, it is not possible to predict the price at which investments will trade in the market or whether such market will be liquid or illiquid.

# Risk warning (3/3)

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