



Scope Insights – Events of late have led markets to a state of heightened alert. But since the recent tantrum, the bond market has dealt with conditions with a better sense of composure, although still with a somewhat conditional feel. Primary debt flows have been solid.

Market adjustments are never easy. In the current environment, there was never realistically going to be a painless shift to a rising and steepening yield curve and rotation into cyclical and value plays out of growth stocks. Market adjustments invariably over and undershoot as they take root.

From looking like the 10-year Treasury would break above recent tantrum levels of 1.60%-plus on 9 March, yields pulled back and stayed down 10 March as tech stocks surged on the back of easing inflation concerns. Oil prices took a pause from their recent rally that had been driven by recovering demand allied to supply constraints.

Day-to-day movements don't really change the longer-term narrative, however. US 2/10 spreads rising with conviction from low double digits pre-pandemic to 140bp-plus; the 10-year note up from 0.93% at the start of the year; a US breakeven inflation rate at 2.40%-plus (a level it hasn't seen for years); and US President Biden's stimulus plan suggest it's not a question of if the market will change course; more a question of what needs to be done and by whom to keep the moves up gradual and orderly.

Tuesday's USD 58bn three-year Treasury auction looked well supported at a decent 0.355% yield; Wednesday's 10-year didn't look quite so good at 1.523% but the market consensus was that it was reasonably well covered.

There's plenty to keep market participants on full alert as they attempt to divine where prices and yields head next. Today's ECB meeting; US Real Earnings and PPI prints; and next week's FOMC meeting will each add a piece to the narrative. Just like strong US employment numbers, this week's Feb US CPI print, lower corporate default projections, and the OECD's Economic Outlook (global growth projection of 5.6%) have done.

Adding to the complexity of the market read, there has been divergence in the speed and direction of Treasury and Bund yields as each plays out its idiosyncratic sub-story. Ten-year Bund yields are moving towards the zero bound; forecasts see it positive this year, but the move isn't all one way. Yield divergence and timing differences will certainly render the art of coming up with reasonable relative value proxies in US dollar and euro credit more convoluted.

Broadly speaking, the market is expecting central banks to keep the faith and push back against too accelerated a move higher. How ECB president Christine Lagarde expounds her narrative – particularly regarding the size and duration of asset-purchase schemes – will be forensically examined since there has been some uncertainty among market players about how much conviction the Bank has been showing to keep a lid on euro bond yields. The Bank of Japan's ability to keep JGB yields with its yield-curve control tolerances – which have been tested of late – will be another sign to watch out for.

Taking advantage of the publication of its EO, the OECD urged against any premature tightening of fiscal policy and in favour of an accommodative monetary stance. Temporary overshooting of headline inflation should be allowed, the organisation wrote, provided underlying price pressures remain well contained.

Solid supply in primary

Amid all the noise, the primary bond market has continued to push out decent supply. Investor demand, generally, continues to be robust for the right trades at the right time. But it's about catching the windows; momentum is definitely not what it was. Most issuers are still pricing reasonably through initial price thoughts (albeit from more cautious starting levels).

That goes for FIG trades as well as corporate and SSA issuance. Modest aftermarket spread tightening speaks to the market's sense of relative poise. Especially in Europe, where macro noise has been accompanied by credit outflows. Swedbank caused a bit of sharp intake of breath after dropping a senior non-preferred dollar tranche on 9 March that had been scheduled to accompany its senior preferred. But that was put down to deal tactics to give the bank a better end-result for the tranche that did price than with any undue concern about the credit.

One notable element of month to-date supply has been the flood of almost 60 US corporates that have pulled well in excess of USD 60bn out of the market; many taking the opportunity to straddle the maturity spectrum with multi-tranche jumbo trades. The major driver of the stampede was the 'discretion is the better part of valour' approach as treasurers lock in before the rise in yields really sets in, particularly at the long end. Sector-wise, issuance as pretty well spread.

M&A and tenders offers featured among use of proceeds: US health benefits provider Anthem (US\$3.5bn in four tranches) as part of its acquisition financing for MMM Holdings from InnovaCare Health; electronics and engineering firm Teledyne Technologies (USD 3bn in five tranches) as part of its deal to acquire FLIR Systems. In the Yankee market, Siemens raised USD 10bn in seven tranches as a component of Siemens Healthineers' takeover of cancer treatment specialist Varian. Coca-Cola (EUR 2bn and USD 2.5bn at six maturity points) and Mondelez (EUR 2bn in three tranches) came to market to fund tender offers.

Around 14% of that US corporate flow came via a handful of chunky reverse Yankee trades in euros, even though market participants said issuers paid up to get their hands on euros over available dollar funding through basis swaps.

Corporate hybrids and FIG subordinated paper continue to find good demand and that will likely not change even as the market re-adjusts to the new realities, given the return drivers. There is some chat, though, about how rising government bond yields might trigger a switch out of tightly priced (negative yielding) investment-grade corporate debt into the SSA complex.

In the FIG segment, negative net issuance YTD should nominally support spreads. In terms of performance, subordinated and long-dated debt has outperformed.

Subordinated bank supply so far in March has seen HSBC price a well-covered USD 2bn AT1 in two equal dollar tranches (on 2 March) at a 4% yield for the five-year call, with a pick-up of 70bp to the 10-year call. Aggregate demand reached USD 16.7bn. On the same day as HSBC priced in dollars, Banco de Sabadell priced a EUR 500m AT1 at a 5.75% yield, creating good buy-side momentum and pricing through the 5.875% initial price thoughts as EUR 1.8bn of order emerged.

Talking about catching a window, NatWest Group's GBP 400m PNC7 AT1 ticked the boxes and priced at an eye-watering yield of 4.50%.

The Tier 2 market saw Barclays price a USD 1bn 21-year trade with a call at 20 years on 3 March at a pick-up of 170bp to Treasuries. The format drew attention as European banks typically embed five-year calls (given declining regulatory value five years from maturity). Setting the call at a year to maturity was reportedly designed to appeal to US investors accustomed to this format as well as offering a true 20-year security.

At the lower end of the euro area peripheral credit spectrum, Greece's Alpha Bank tapped the Tier 2 market with a EUR 500m 10NC5 that attracted orders of EUR 850m at the 5.5% final yield (MS+582.3bp).

Caixabank bolted a green label to its EUR 1bn Tier 2 on 9 March to add to the allure of an already attractive 195bp spread over mid-swaps, building a good book of demand and pricing a full 32bp through IPTs at MS+163bp.

Corporate ESG ticking over

Talking of ESG, the past few weeks have all been about sovereign, supranational and agency issues. Public-finance issuers have accounted for around 60% of all ESG debt year-to-date, on account of jumbo programmatic issuance by frequent borrowers.

The corporate ESG sector has ticked over; transactions from a variety of geographies and sectors receiving good demand, assisted as ever by stickier ESG money helping borrowers achieve reasonable price execution.

The biggest corporate ESG deal of the past few weeks was Ardagh Group's USD 2.8bn equivalent dual-currency (US dollars and euros) four-tranche green bond. Proceeds will fund the spin-out of its metal packaging spin-out to Gores Holdings V, a SPAC sponsored by private equity group The Gores Group.

Daimler returned to the market for its second green outing, raising EUR 1bn in 12-year debt to fund the development and production of emission-free vehicles (battery electric drive, BEV; and fuel cell electric drive, FCEV). Still on the transport theme, Hamburg's public transportation company Hamburger Hochbahn sold a EUR 500m green bond to help fund its target of being 100% climate-neutral by 2030.

European bank debt issuance summary: Feb 16 to Mar 10 2021

AT1

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
NatWest Group	10-Mar-21		GBP	400	552	Perpetual	31-Mar-28	4.500	4.50% yield	5% area yield	
Banco de Sabadell	02-Mar-21		EUR	500	605	Perpetual	15-Mar-26	5.750	5.75% yield	5.875% area yield	3.60x
HSBC	02-Mar-21		USD	1 000	1,000	Perpetual	09-Mar-26	4.000	4% yield	4.625% area yield	10.20x
			USD	1 000	1,000	Perpetual	09-Mar-31	4.700	4.70% yield	5.125% area yield	6.50x
BNP Paribas	18-Feb-21		USD	1 250	1,250	Perpetual	25-Feb-31	4.625	T+334bp	5.125% yield	7.00x

Source: Bond Radar, company and media reports

Tier 2

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Caixabank	09-Mar-21	Green	EUR	1 000	1 210	18-Jun-31	18-Mar-26	1.250	MS+163bp	MS+195bp area	2.20x
Alpha Bank	09-Mar-21	Green	EUR	500	605	11-Jun-31	11-Mar-26	5.500	5.50% yield	5.50% area yield	1.90x
Barclays	03-Mar-21		USD	1 000	1 000	10-Mar-42	10-Mar-41	3.811	T+170bp	T+200bp area	
Societe Generale	24-Feb-21		USD	1 000	1 000	01-Mar-41		3.625	T+160bp	T+185bp area	2.25x

Source: Bond Radar, company and media reports

Senior non-preferred

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Leeds Building Society	09-Mar-21		GBP	350	483	16-Mar-27	16-Mar-26	1.500	G+130bp	T+140bp area	1.40x
Intesa Sanpaolo	09-Mar-21	Green	EUR	1 250		16-Mar-28		0.750	MS+93bp	MS+120bp area	
Credit Mutuel Arkea	04-Mar-21	Social	EUR	500	605	11-Mar-33		0.875	MS+80bp	MS+100bp area	1.60x
Muenchener Hypothekenbank	03-Mar-21		EUR	500	602	09-Mar-29		0.375	MS+57bp	MS+75bp area	
BNP Paribas	24-Feb-21		CHF	200	222	16-Mar-29	16-Mar-28	0.500	MS+65bp	MS+68bp area	
De Volksbank	24-Feb-21	Green	EUR	500	606	03-Mar-28		0.375	MS+65bp	MS+80bp area	1.70x
BPCE	22-Feb-21		EUR	1 000	1,220	02-Mar-31		0.750	MS+78bp	MS+100bp area	2.10x
Rabobank	22-Feb-21		EUR	750	907	25-Feb-33		0.625	MS+53bp	MS+65bp-70bp	1.60x
			EUR	1 000	1,197	24-Feb-26		0.625	MS+105bp	MS+130bp area	2.60x
Intesa Sanpaolo	18-Feb-21		EUR	750	899	24-Feb-31		1.350	MS+140bp	MS+160bp area	2.60x
			JPY	41 500	393	25-Feb-26		0.594	MS+60bp	MS+55bp-60bp	
Societe Generale	18-Feb-21		JPY	8 500	80	25-Feb-31		0.899	MS+77bp	MS+75bp-80bp	1.20x
DNB Bank ASA	17-Feb-21		EUR	1 000	1,195	23-Feb-29	23-Feb-28	0.250	MS+53bp	MS+70bp area	1.40x
Rabobank	17-Feb-21	Green	USD	1 000	1,000	24-Feb-27	24-Feb-26	1.106	T+55bp	T+70bp-75bp	

Source: Bond Radar, company and media reports

Senior preferred

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Swedbank	10-Mar-21		USD	750	750	18-Mar-24		0.850	T+55bp	T+55bp	
Commerzbank	04-Mar-21		EUR	500	605	11-Sep-25		0.100	MS+48bp	MS+65bp area	2.60x
Hamburg Commercial Bank	02-Mar-21		EUR	500	605	09-Mar-26		0.375	MS+73bp	MS+85bp area	1.70x
Sparebank 1 Ostlandet	26-Feb-21	Green	EUR	500	605	03-Mar-28		0.125	MS+42bp	MS+60bp area	1.60x
Svenska Handelsbanken	25-Feb-21		AUD	400	318	5-year		BBSW+45bp	BBSW+45bp		
			AUD	200	159	5-year		1.200	S/Q ASW+45bp		
Berlin Hyp	22-Feb-21	Green	CHF	125	139	10-Mar-31		0.250	MS+23bp	MS+23bp	
Santander Consumer Finance	19-Feb-21		EUR	500	602	23-Feb-26		Zero	MS+45bp	MS+70bp area	2.60x

Source: Bond Radar, company and media reports

Senior unsecured

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Santander UK Group	08-Mar-21		USD	1 400	1 400	15-Mar-25	15-Mar-24	1.089	T+75bp	T+100bp	1.20x
			USD	600	600	15-Mar-32	15-Mar-31	2.896	T+130bp	T+150bp	
Lloyds Banking Group	04-Mar-21		USD	1 000	1 000	11-May-24	11-May-23	0.695	T+55bp	T+70bp-75bp	4.30x
			USD	1 000	1 000	11-May-27	11-May-26	1.627	T+85bp	T+105bp area	
Bank of Ireland Group	03-Mar-21	Green	EUR	750	904	10-May-27	10-May-26	0.375	MS+77bp	MS+100bp area	3.00x
Barclays	03-Mar-21		USD	1 000	1 000	10-Mar-32	10-Mar-31	2.667	T+120bp	T+145bp area	
NatWest Group	24-Feb-21	Social	EUR	1 000	1 220	26-Feb-30	26-Feb-29	0.780	MS+90bp	MS+120bp area	4.00x
UBS AG	23-Feb-21		AUD	700	553	26-Feb-26		3mBBSW+50bp	3mBBSW+50bp	BBSW+55bp area	
			AUD	300	236	26-Feb-26		S/Q ASW+50bp	S/Q ASW+50bp	S/Q ASW+55bp	
ING Groep	19-Feb-21	Green	GBP	800	1,103	07-Dec-28	07-Dec-27	1.125	G+95bp	G+110bp-115bp	1.56x
Landsbankinn hf.	18-Feb-21	Green	EUR	300	361	23-May-25		0.375	MS+87bp	MS+110bp	2.67x
UBS Group	18-Feb-21		EUR	1 000	1,203	24-Feb-28		0.250	MS+55bp		5.90x
			EUR	1 250	1,492	24-Feb-33		0.625	MS+65bp		
			CHF	360	402	24-Aug-29	24-Aug-28	0.375	MS+53bp	MS+55bp	
Leaseplan	17-Feb-21	Green	EUR	1 000	1,205	23-Feb-26		0.250	MS+70bp	MS+95bp area	2.30x

Source: Bond Radar, company and media reports

Covered

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Oldenburgische Landesbank	09-Mar-21		EUR	350	423	17-Mar-31		0.050	MS+6bp	MS+8bp area	1.26x
BPCE SFH	08-Mar-21		EUR	500	604	18-Mar-31		0.010	MS flat	MS+4bp area	4.00x
			EUR	750	906	18-Mar-41		0.375	MS+4bp	MS+7bp area	
Credit Agricole Italia	08-Mar-21	Green	EUR	500	604	15-Mar-33		0.125	MS+9bp	MS+10bp	1.50x
Hypo Tirol Bank	04-Mar-21	Social	EUR	500	605	11-Mar-31		0.100	MS+4bp	MS+9bp area	2.50x
SR Boligkredit	03-Mar-21		EUR	1 000	1,195	10-Mar-31		0.010	MS+5bp	MS+9bp area	1.50x
UniCredit Bank AG	02-Mar-21		EUR	750	908	10-Mar-31		0.010	MS+1bp	MS+5bp area	3.90x
Raiffeisenlandesbank Vorarlberg	25-Feb-21		EUR	300	364	04-Mar-36		0.250	MS+4bp	MS+8bp area	3.12x
NN Bank	24-Feb-21		EUR	500	604	04-Mar-41		0.375	MS+2bp	MS+7bp area	3.86x
Nationwide Building Society	17-Feb-21		GBP	1 000	1,390	24-Feb-31		SONIA+40bp	SONIA+40bp		1.66x

Source: Bond Radar, company and media reports

Non-European bank debt issuance summary: Feb 16 to Mar 10 2021

AT1

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Commercial Bank of Qatar	24-Feb-21		USD	500	500	Perpetual	03-Mar-26	4.500	4.50% yield	4.75% area yield	1.80x
National Bank of Kuwait	18-Feb-21		USD	700	700	Perpetual	24-Aug-26	3.625	3.625% yield	4% area yield	2.64x

Source: Bond Radar, company and media reports

Tier 2/subordinated

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	
Commonwealth Bank of Australia	02-Mar-21		USD	1,500	1,500	11-Mar-31		2.688	T+130bp	T+150bp-155bp	
			USD	1,250	1,250	11-Mar-41		3.305	T+125bp	T+145bp area	
DBS Group Holdings	01-Mar-21		USD	500	500	10-Mar-31	10-Mar-26	1.822	T+110bp	T+135bp area	
State Street	26-Feb-21		USD	850	850	03-Mar-31		2.200	T+78bp	T+105bp area	2.65x
Macquarie Bank	23-Feb-21		USD	1,000	1,000	03-Mar-36	03-Mar-31	3.052	T+170bp	T+200bp area	

Source: Bond Radar, company and media reports

Senior unsecured

Issuer	Pricing date	ESG	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	
Toronto-Dominion Bank	10-Mar-21		AUD	175	139	Five-year		1.500	S/Q ASW+65bp	S/Q ASW+65bp	
			AUD	200	159	Five-year		BBSW+65bp	BBSW+65bp	BBSW+65bp	
JP Morgan Chase	10-Mar-21		USD	2 000	2 000	16-Mar-24	16-Mar-23	0.697	T+53bp	T+65bp area	
			USD	1 000	1 000	16-Mar-24	16-Mar-23	SOFR+58bp	SOFR+58bp	SOFR+65bp area	
Woori Card	10-Mar-21	Social	USD	200	200	23-Mar-26		1.750	T+100bp	T+125bp area	
Bank Muscat	10-Mar-21		USD	500	500	17-Mar-26		4.750	4.755	5%-5.125%	3.20x
Zhesang Bank	09-Mar-21		USD	500	500	16-Mar-24		1.100	T+80bp	\	
			USD	2 500	2 500	11-Mar-27	11-Mar-26	1.658	T+80bp	T+100bp	
			USD	2 000	2 000	11-Mar-32	11-Mar-31	2.651	T+105bp	T+125bp	
Bank of America	08-Mar-21		USD	1 000	1 000	11-Mar-52	13-Mar-51	3.483	T+115bp	T+135bp	
			USD	550	550	11-Mar-24		0.929	T+65bp	T+110bp area	
China Everbright Bank	04-Mar-21		USD	900	900	15-Mar-29	15-Mar-24	4.000	T+278bp		
LPL Financial	04-Mar-21		USD	700	700	08-Mar-23	08-Mar-22	0.523	T+40bp	T+55bp area	
Goldman Sachs	01-Mar-21		USD	450	450	08-Mar-23	08-Mar-22	SOFR+43bp	SOFR+43bp	SOFR+55bp area	
			USD	1 750	1,750	08-Mar-24	08-Mar-23	0.673	T+55bp	T+70bp area	
			USD	700	700	08-Mar-24	08-Mar-23	SOFR+58bp	SOFR+58bp	SOFR+70bp area	
			USD	3 000	3,000	08-Mar-27	08-Mar-26	1.431	T+73bp	T+90bp area	
			USD	400	400	08-Mar-27	08-Mar-26	SOFR+81bp	SOFR+81bp	SOFR+90bp area	
			USD	750	750	04-Mar-24		0.550	T+32bp	T+high40s	
Toronto-Dominion Bank	01-Mar-21		USD	750	750	04-Mar-24		SOFR+35.5bp	SOFR+35.5bp	SOFR+high 40s	
Truist Financial	25-Feb-21	Social	USD	1 250	1,250	02-Mar-27		1.267	T+50bp	T+70bp area	
Agricultural Bank of China Macao	24-Feb-21		HKD	3 000	450	02-Mar-23		0.660	0.66% yield	0.95% yield	2.47x
Agricultural Bank of China Singapore	24-Feb-21		USD	300	300	02-Mar-24		0.750	T+60bp	T+105bp area	
			USD	300	300	02-Mar-26		1.250	T+70bp	T+150bp area	6.67x
Banco Santander Chile	24-Feb-21		USD	100	100	26-Jan-24		0.715			
Bank of New Zealand	24-Feb-21		USD	750	750	03-Mar-26		1.000	T+52bp	T+70bp area	
Bank of Nova Scotia	24-Feb-21		USD	950	950	02-Mar-26		1.050	T+47bp	T+65bp area	
			USD	300	300	02-Mar-26		SOFR+54.5bp	SOFR+54.5bp	SOFR+65bp area	
Westpac New Zealand	18-Feb-21		NZD	650	468	24-Feb-26		1.439	MS+55bp		
Mizuho Financial Group	16-Feb-21		USD	1 400	1,400	22-May-27	22-May-26	1.234	T+67bp	T+90bp-95bp	
			USD	600	600	22-May-32	22-May-31	2.172	T+87bp	T+110bp area	
Suncorp Metway	16-Feb-21		AUD	750	583	Feb-26		BBSW+45bp	BBSW+45bp		

Source: Bond Radar, company and media reports

Corporate ESG debt issuance summary: Feb 16 to Mar 10 2021

Issuer	Pricing date	Label	Currency	Size (m)	USD equiv (m)	Maturity	Call	Coupon	Pricing	IPTs	Over-subscription
Prologis International Funding II	09-Mar-21	Green	EUR	500	605	23-Mar-33		0.750	MS+65bp	MS+90bp area	2.10x
GIMV	08-Mar-21	Sustainability	EUR	100	121	15-Mar-29		2.250	2.25% yield	2.50% yield area	1.85x
Citycon	04-Mar-21	Green	EUR	350	424	12-Mar-28		1.625	MS+200bp	MS+240bp area	3.71x
Daimler	04-Mar-21	Green	EUR	1 000	1 211	11-Mar-33		0.750	MS+70bp	MS+95bp area	2.60x
Workspace	04-Mar-21	Green	GBP	300	414	11-Mar-28		2.250	G+175bp	G+190bp area	2.67x
Boston Properties	02-Mar-21	Green	USD	850	850	01-Apr-32		2.550	T+118bp	T+145bp area	
Clearway Energy	02-Mar-21	Green	USD	925	925	15-Feb-31	15-Feb-26	3.750	3.75% (T+234bp)	3.875% area	
Mastercard	02-Mar-21	Sustainable	USD	600	600	15-Mar-31		1.900	T+50bp	T+75bp-80bp	
Ardagh Metal Packaging	26-Feb-21	Green	USD	600	600	01-Sep-28	15-May-24	3.250	T+205bp	3.25% area	
			EUR	450	545	01-Sep-28	15-May-24	2.000	Bunds+245bp	2% area	
			USD	1,050	1,050	01-Sep-29	15-May-24	4.000	T+280bp	4% area	
			EUR	500	605	01-Sep-29	15-May-24	3.000	Bunds+338bp	3% area	
Castle Peak Power	24-Feb-21	Transition	USD	300	300	03-Mar-31		2.125	T+87.5bp	T+125bp area	4.67x
Equinix	24-Feb-21	Green	EUR	500	607	15-Mar-27		0.250	MS+60bp	MS+100bp area	
			EUR	600	723	15-Mar-33		1.000	MS+98bp	MS+135bp area	
Southwestern Public Service	23-Feb-21	Green	USD	250	250	01-May-50		3.150	T+95bp	T+110bp area	
Georgia Power	22-Feb-21	Sustainable	USD	750	750	15-Mar-51		3.250	T+107bp	T+130bp area	2.00x
H&M	19-Feb-21	Sustainability-linked	EUR	500	598	25-Aug-29		0.250	MS+50bp	MS+90bp-100bp	7.60x
Hamburger Hochbahn	19-Feb-21	Green	EUR	500	594	24-Feb-31		0.125	MS+27bp	MS+50bp-55bp	6.00x

Source: Bond Radar, company and media reports

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