

# EUR AT1s in Focus: iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index

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## Introduction

Since their introduction under Basel III following the 2007-2008 Global Financial Crisis, Additional Tier 1 (AT1) instruments have become an integral part of European bank capital structures. Over time, the market has evolved through multiple issuance cycles and regulatory refinements, resulting in stronger documentation standards, clearer regulatory frameworks and materially higher bank capital buffers. After a period of intense scrutiny following the Credit Suisse AT1 write-down in March 2023, the market has regained strong momentum, supported by robust CET1 capital positions, resilient funding conditions reflected in tighter spreads and renewed investor confidence evidenced by well-subscribed AT1 issuances. As issuance volumes have normalized and pricing has stabilized, interest in EUR-denominated AT1s has broadened to a wider set of investors seeking higher yield within regulated bank capital. With the segment continuing to mature, market participants are placing greater emphasis on transparent market representation and robust benchmarking across the AT1 universe.

S&P Dow Jones Indices (S&P DJI) has launched a new EUR AT1 index to reflect the increasing depth and importance of the EUR AT1 market, the **iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index, with the following metrics.**

- **Weight:** Comprehensive coverage of EUR AT1s issued by banks from developed countries, with European issuers representing the majority of the universe, reflecting a segment that has historically delivered higher coupons and yield levels than traditional bank debt.
- **Diversification:** An 8% issuer cap is implemented to help mitigate concentration risk in a market historically dominated by a small number of large issuers.
- **Sustainability:** Exclusion criteria are applied based on Sustainalytics data to exclude issuers involved in activities such as controversial weapons, military contracting, thermal coal, tobacco, cannabis and predatory lending, as well as securities that do not comply with the UN Global Compact principles.

As interest in AT1s continues to grow, we take a closer look at the structure of AT1 instruments, the methodology behind the new index and how it compares with other parts of the bank capital structure.

## AT1s in a Nutshell

AT1s are hybrid bank capital instruments issued by large banks and are designed to provide income streams. European issuers represent the largest share of global AT1 issuance and lead the EUR-denominated AT1 market. Introduced under Basel III to strengthen bank balance sheets, AT1s have become a core component of the modern bank capital structure and a well-established source of steady and coupon-driven returns for investors. While AT1s are issued by banks with generally solid issuer credit ratings, the instruments themselves are rated significantly lower than senior and Tier 2 debt due to their subordinated position and loss-absorption features. As a result, AT1s typically carry high yield ratings at the instrument level, even though they are issued by investment grade banks.

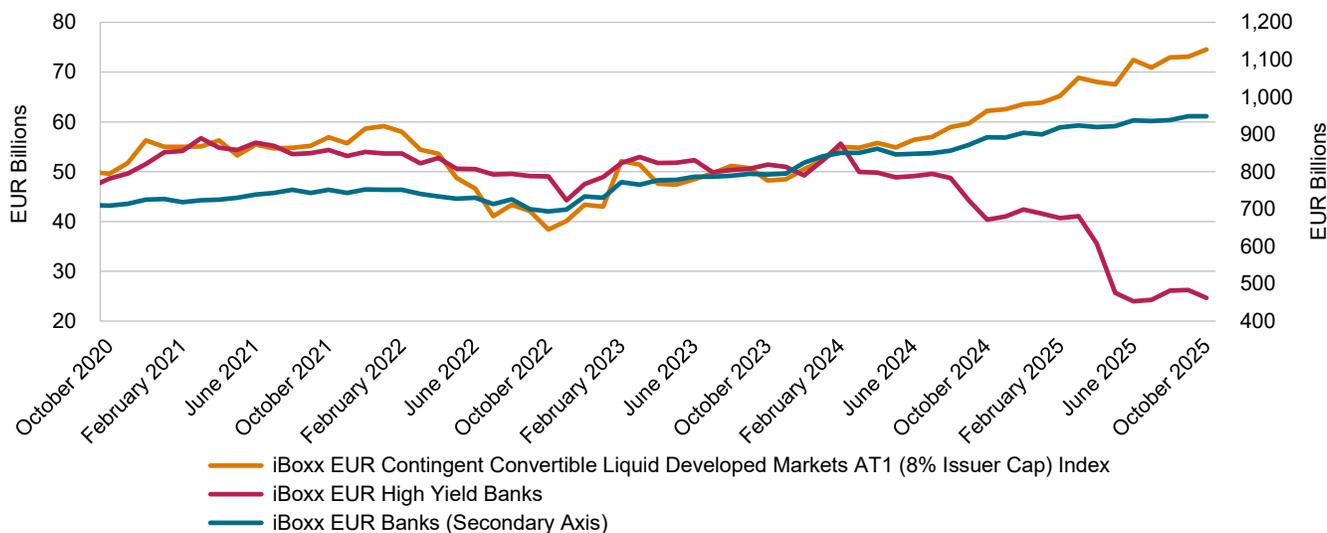
AT1s may convert into equity or be written down if the bank's regulatory capital falls below predefined regulatory thresholds. This mechanism helps to support financial system stability while allowing investors to benefit from higher coupons relative to conventional bank debt and broader corporate credit. The result has been a historically compelling profile for market participants seeking the possibility of enhanced yield within a regulated, transparent and increasingly accessible asset class.

# Growth of the EUR AT1 Market

The EUR AT1 market has grown substantially over the past five years, reflecting renewed issuances, stronger balance sheets across European banks, a broadening issuer base and a recovery in investor demand. The market value of the iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index expanded from a low point of around EUR 38 billion from 24 distinct issuers in late 2022 to roughly EUR 75 billion from 30 distinct issuers by October 2025, an increase of nearly 100%. During the same period, the iBoxx EUR Banks index grew from roughly EUR 700 billion from 126 distinct issuers to nearly EUR 950 billion from 145 distinct issuers, an increase of around 35%. In contrast, the market value of the iBoxx EUR High Yield Banks index contracted meaningfully from about EUR 50 billion from 40 distinct issuers in 2020 to around EUR 25 billion from 33 distinct issuers in 2025. The high yield bank universe is largely composed of Tier 2 instruments issued by banks with weaker credit profiles. Contractions in this segment often reflect rating upgrades to investment grade, refinancing activity or reduced issuance rather than a broad decline in bank fundamentals.

In comparison, the growth of the EUR AT1 market reflects continued issuance by well-capitalized European banks and a broader acceptance of AT1s as a core component of bank capital structures. The expansion of EUR AT1s to a larger and more liquid universe provides a strong foundation for index solutions. To further support diversification within this expanding universe, the iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index applies an 8% issuer cap, helping to prevent high concentration in the largest European banks and promoting a more balanced risk profile.

## Exhibit 1: Market Value

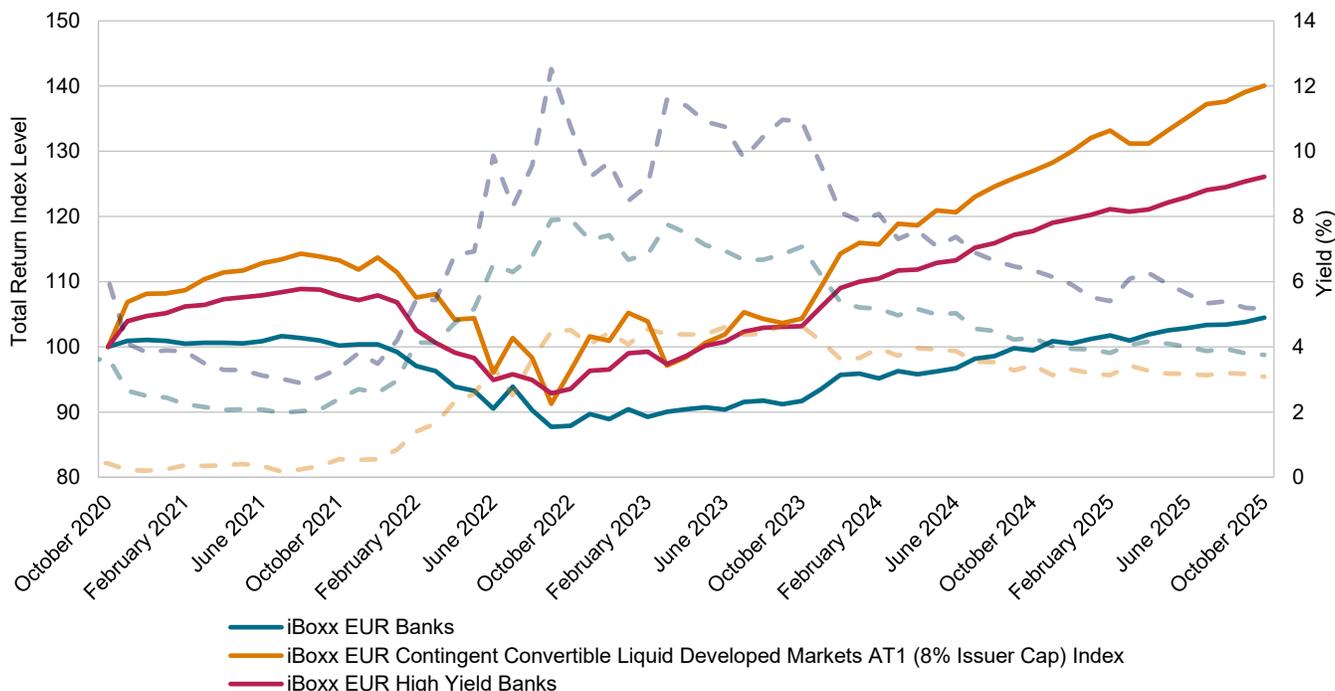


Source: S&P Dow Jones Indices LLC. Data from Oct. 31, 2020, to Oct. 31, 2025. The iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index was launched Sept. 16, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

# EUR AT1s versus Other Bank Credit

Within the broader bank credit spectrum, AT1s occupy a unique position between senior debt and T2 high yield bank instruments. When compared with the iBoxx EUR Banks and iBoxx EUR High Yield Banks indices, the iBoxx EUR iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index offered meaningful outperformance and higher yields over the past five years.

**Exhibit 2: EUR AT1s versus Other Bank Credit**

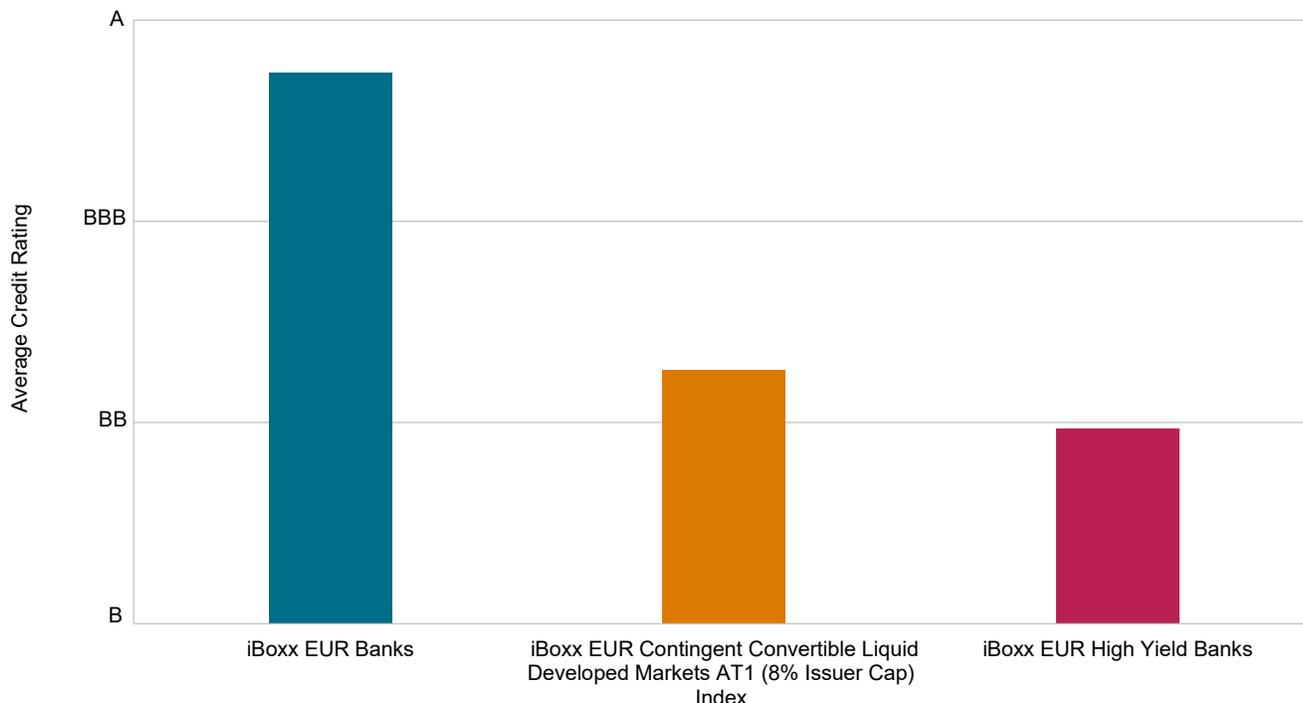


Source: S&P Dow Jones Indices LLC. Data from Oct. 31, 2020, to Oct. 31, 2025. Index levels were rebased to 100 on Oct. 31, 2020. The iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index was launched Sept. 16, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

At the same time, the majority of AT1 issuers are large, well-capitalized European banks with strong capital buffers, which means the elevated income is not primarily driven by weaker issuer credit profiles. While average credit ratings across all three indices have remained broadly stable over the past five years, the iBoxx EUR Banks index has experienced a modest decline, while the iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index and the iBoxx EUR High Yield Banks index have seen slight improvements in average credit quality. As expected, the iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index continues to sit between the investment grade and high yield bank segments average rating, reflecting its low position in the capital structure of issuers that typically have relatively strong credit profiles. Although it remains closer to high

yield territory, its average credit rating is still stronger than that of the broader EUR high yield bank universe.

### Exhibit 3: Average Credit Ratings



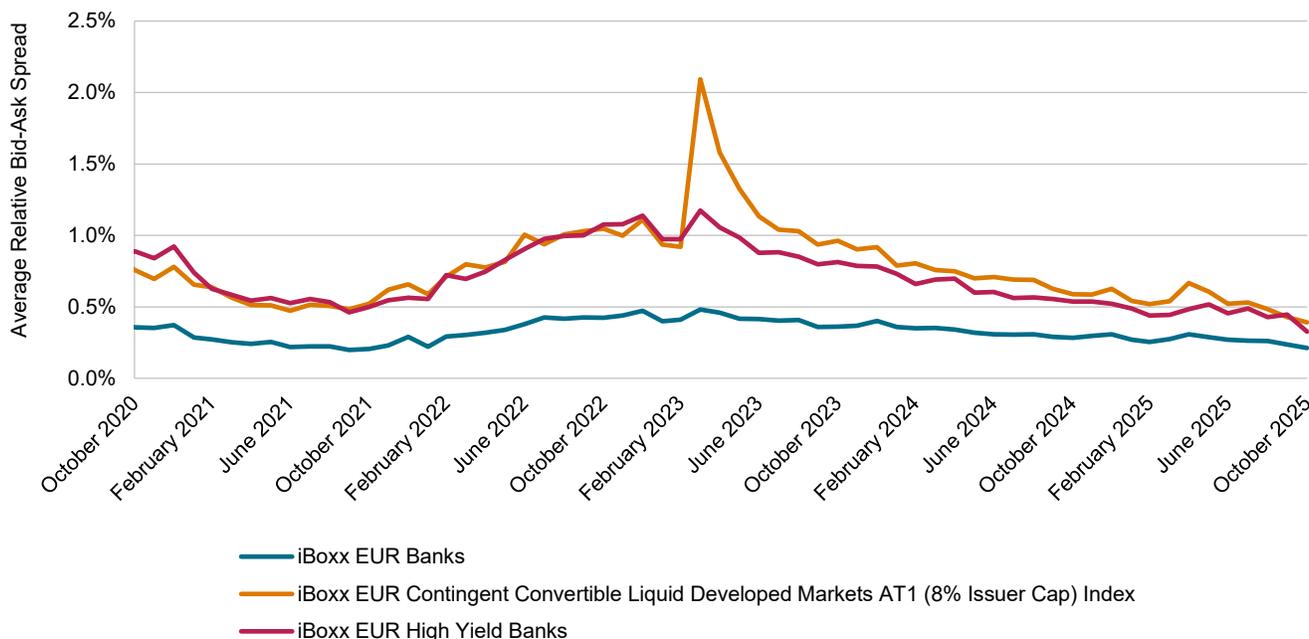
Source: S&P Dow Jones Indices LLC. Data as of Oct. 31, 2025. Chart is provided for illustrative purposes.

This combination has contributed to a growing interest in AT1 allocations as potential solutions for balancing enhanced yield with a sector underpinned by robust regulatory oversight.

## Evolution of EUR AT1 Spreads and Liquidity

Relative bid-ask spreads across the EUR-denominated bank credit spectrum have narrowed over the past five years, reflecting improved market depth and liquidity. In October 2020, the average relative bid-ask spreads stood at 36 bps for the iBoxx EUR Banks index, 89 bps for the iBoxx EUR High Yield Banks index and 76 bps for the iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index. All three tightened over time, with the AT1 market experiencing the most pronounced spike in early 2023 during the Credit Suisse AT1 write-down event. By October 2025, relative bid-ask spreads had normalized to 21 bps, 33 bps and 39 bps, respectively. The convergence of AT1 and high yield bank liquidity highlights the segment’s growing resilience and the continued improvement in trading conditions as issuances and investor participation quickly recovered.

### Exhibit 4: Average Relative Bid-Ask Spreads



Source: S&P Dow Jones Indices LLC. Data from Oct. 31, 2020, to Oct. 31, 2025. The iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index was launched Sept. 16, 2025. All data prior to such date is back-tested hypothetical data. Past performance is no guarantee of future results. Chart is provided for illustrative purposes and reflects hypothetical historical performance. Please see the Performance Disclosure at the end of this document for more information regarding the inherent limitations associated with back-tested performance.

## Indexing EUR AT1s: Why Now?

The past five years have underscored the growing relevance of EUR AT1s within the bank capital structure. In the current yield-seeking environment that is seeing the gradual reduction of interest rates globally, this segment has delivered higher yields than the iBoxx EUR Banks and iBoxx EUR High Yield Banks indices, supported by strong issuer fundamentals, improving liquidity and a substantial increase in size. As the EUR AT1 universe continues to expand and mature, the need for transparent and consistent measurement has become increasingly important.

The iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index serves as a robust benchmark for the EUR AT1 segment, combining broad market coverage with issuer caps and ESG-based exclusions. Indexing AT1s is meant to provide a measurement of a segment that has historically provided higher yields while unlocking the potential of a regulated capital structure and a robust methodology that aligns with the current Sustainable Finance Disclosure Regulation sustainability exclusion.

## Performance Disclosure/Back-Tested Data

The iBoxx EUR Contingent Convertible Liquid Developed Markets AT1 (8% Issuer Cap) Index was launched on September 16, 2025. All information presented prior to an index's Launch Date is hypothetical (back-tested), not actual performance, and is based on the index methodology in effect on the index launch date. However, when creating back-tested history for periods of market anomalies or other periods that do not reflect the general current market environment, index methodology rules may be relaxed to capture a large enough universe of securities to simulate the target market the index is designed to measure or strategy the index is designed to capture. For example, market capitalization and liquidity thresholds may be reduced. In addition, forks have not been factored into the back-test data with respect to the S&P Cryptocurrency Indices. For the S&P Cryptocurrency Top 5 & 10 Equal Weight Indices, the custody element of the methodology was not considered; the back-test history is based on the index constituents that meet the custody element as of the Launch Date. Also, the treatment of corporate actions in back-tested performance may differ from treatment for live indices due to limitations in replicating index management decisions. Complete index methodology details are available at [www.spglobal.com/spdji](http://www.spglobal.com/spdji). Back-tested performance reflects application of an index methodology and selection of index constituents with the benefit of hindsight and knowledge of factors that may have positively affected its performance, cannot account for all financial risk that may affect results and may be considered to reflect survivor/look ahead bias. Actual returns may differ significantly from, and be lower than, back-tested returns. Past performance is not an indication or guarantee of future results.

Please refer to the methodology for the Index for more details about the index, including the manner in which it is rebalanced, the timing of such rebalancing, criteria for additions and deletions, as well as all index calculations. Back-tested performance is for use with institutions only; not for use with retail investors.

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