Axiom Alternative Investments

Investing with a financial sector specialist

Webinar

24th of May 2023

Disclaimer

This document is only reserved to professional investors as mentioned in the Directive 2014/65/EU of the European Parliament and of the Council of 15 May 2014 on markets in financial instruments. acting as principal or acting for third parties. to the extent that investment decisions within their own discretion.

Axiom Alternative Investment SARL is an asset management company regulated by the ‘Autorité des Marchés Financiers’ (French Financial Market Authority). n°GP-06000039.

This document is provided for informational purposes only. Due to the simplified aspect of this presentation. the information contained in this document is non exhaustive and/or incomplete and therefore cannot bear any contractual value. This document is realized for institutional investors and distribution partners. It does not constitute an offer or an advice to buy or sell any investment or specific product.

Any subscription in the fund would have to be taken after having read the offering memorandum of the fund (Prospectus and KIID) which is available upon request to the following address Axiom Alternative investments – 39 avenue Pierre 1er de Serbie – 75008 Paris or on the website http://www.axiom-ai.com/ You must consider the degree of exposure to various risks relating to your overall allocation and your personal circumstances.

I. **European Banks results Q1 2023 overview**

II. Key themes for the coming quarters

III. Expected regulatory changes

IV. Q&A

AXIOM
ALTERNATIVE INVESTMENTS

I.1 Key takeaways

A record first quarter

Barclays PLC

Barclays profits jump 27% in first quarter

BNP Paribas profits boosted after windfall from Bank of the West

French lender finds momentum in first quarter as bad-loan provisions fall and earnings rise from bond trading

BNP Paribas made a capital gain of nearly €3bn from selling its Bank of the West unit © Bloomberg

Deutsche Bank AG

Deutsche Bank reports decade-high profit during turbulent first quarter

Standard Chartered earnings improve as rising rates and China reopening boost lender

UK-based bank reports $1.8bn of statutory profits before tax in first quarter

Standard Chartered's statutory profits beat analysts' expectations © Chris Helgren/Reuters

HSBC announces $2bn share buyback as higher interest rates boost earnings

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.1 Key takeaways

Highlights

9th consecutive quarterly result

with European banks beating analysts' consensus.
95% of banks delivered net results in line with or above consensus.

Strong growth in results compared to 2022

- Q1 23 vs. Q1 22: interest income up 35%
- 2023 vs. 2022: expected interest income growth of 20%; net income up 24%.

Results driven by a range of positive factors

- Better than expected interest income
- Commissions more resilient than expected
- No disappointment on costs
- No sign of asset quality deterioration: cost of risk down to 41bps, below 2023 expectations (55bps)
- Lower loan growth results in higher CET1 ratios (+20bps)
- Deposit bases ranged from -5% to +10% over the quarter with a median of -1%

Valuation

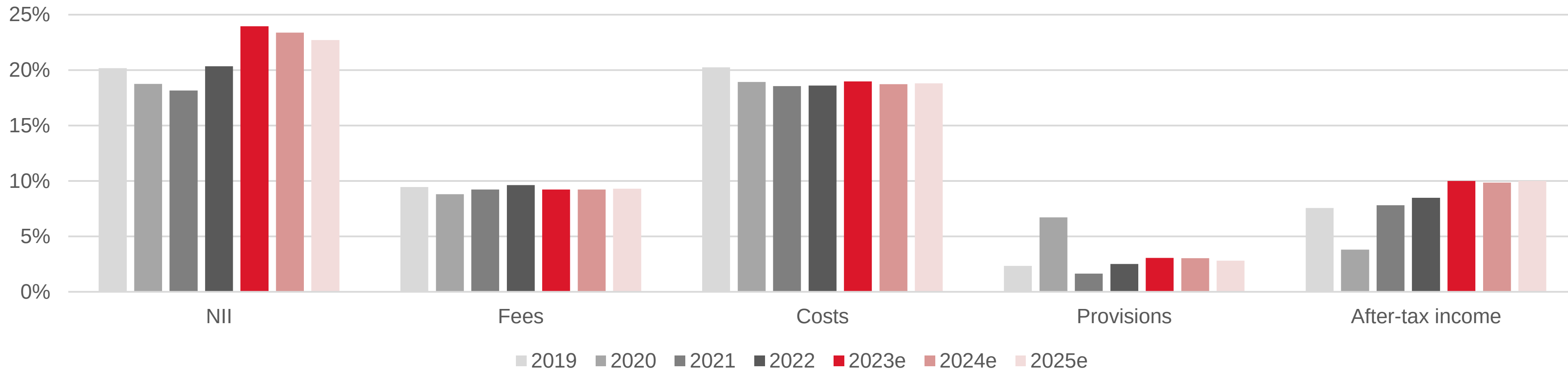
Valuations that contrast with the sector's good performance

Data as of 19/05/2023 | Source: Axiom Alternative Investments

I.2 Post Q1 consensus summary

Analyst expectations and sensitivities to macroeconomic scenarios

The sector can deliver 10% ROEs again as interest rates normalized



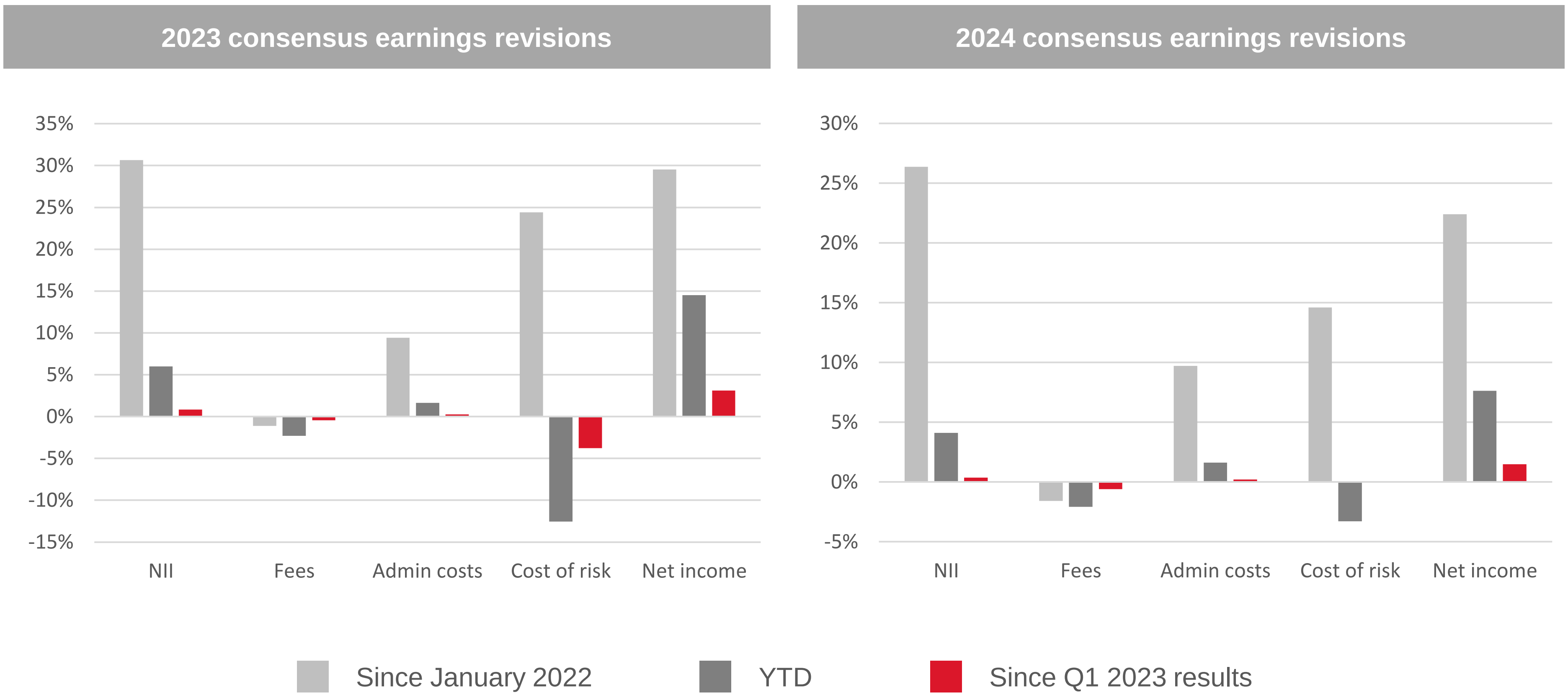
Sensitivities to macroeconomic scenarios

Item	Shock	Comment	After-tax ROE
Customer spreads	+/- 50 bps	150 - 175 bps in NIRP ; 225 - 375 bps in normal environment	+/- 3 pts
Volumes	+/- 5%	Flat loan books expected in 2023 after strong growth in 2022	+/- 1 pt
Fees	+/- 5%	Total fees tend to be stable ; deep recession -10%	+/- 0.5 pts
Costs	+/- 5%	Driven by salary inflation, cost reductions and levys	-/+ 1 pt
Provisions	+/- 40 bps	TTC: 40 bps ; Recession: 80 bps ; Depression: 120 bps	-/+ 2.5 pts

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.3 Revisions to consensus estimates

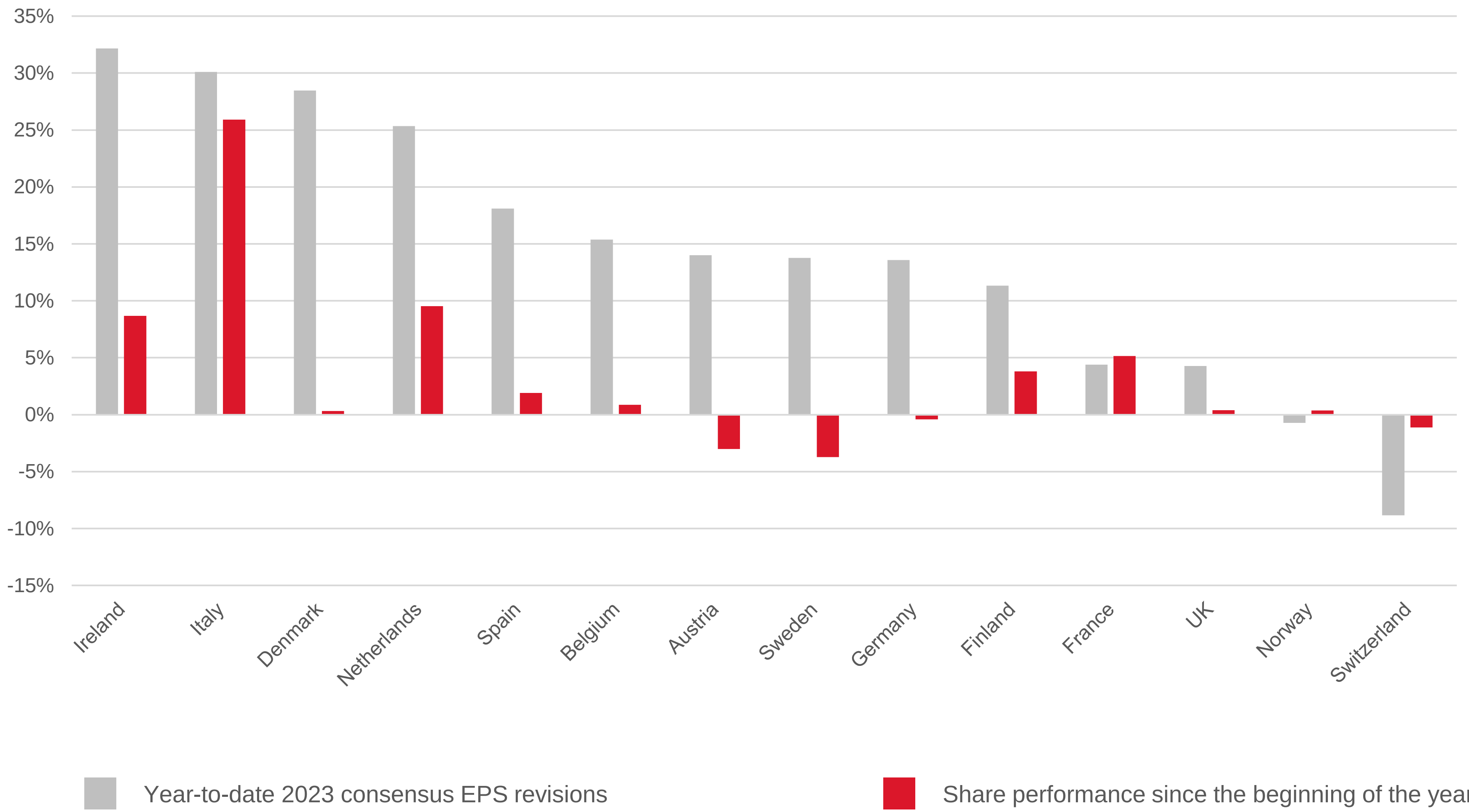
By P&L item



Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.3 Revisions to consensus estimates

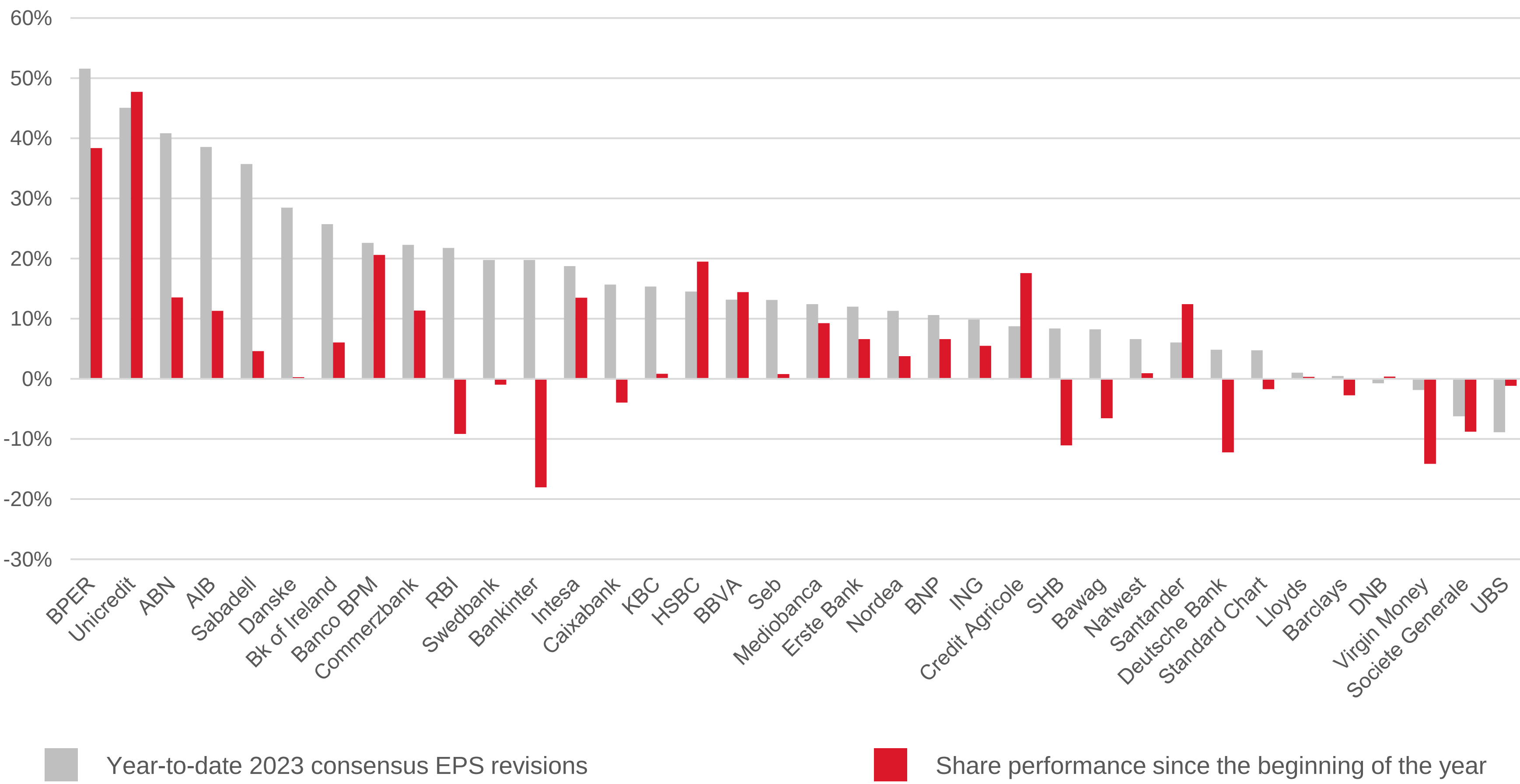
By country



Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.3 Review of the consensus for 2023 and 2024

By bank



Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.4 Market performance
Vs. other sectors

Ticker	Sector	∆ EPS 2023	Price return	Rerating	Current PE	Valuation quantile
SXRP Index	Retail	0%	19%	19%	18,4	90%
SXQP Index	Per&HouseGds	1%	18%	17%	18,0	89%
SX8P Index	Technology	7%	17%	10%	20,7	88%
SXDP Index	Healthcare	3%	10%	8%	17,0	82%
SXNP Index	Industrials	8%	13%	5%	16,3	80%
SXMP Index	Media	3%	6%	3%	15,3	63%
SX4P Index	Chemicals	6%	8%	2%	15,4	62%
SXOP Index	Construction	10%	16%	7%	13,9	52%
SXKP Index	Telcomm	-1%	13%	13%	12,6	49%
SXXP Index	All	3%	10%	7%	12,5	48%
SXFP Index	FinServ	-4%	7%	10%	12,7	46%
SXIP Index	Insurance	3%	2%	-1%	9,2	42%
SXTP Index	Trav&Leisr	23%	26%	4%	12,8	30%
SXPP Index	BasicResou	-5%	-13%	-7%	8,9	25%
SXEP Index	Oil&Gas	-15%	-1%	14%	7,5	8%
SXAP Index	Auto&Parts	7%	13%	6%	5,6	6%
SX7P Index	**Banks**	**17%**	**7%**	**-10%**	**6,3**	**4%**

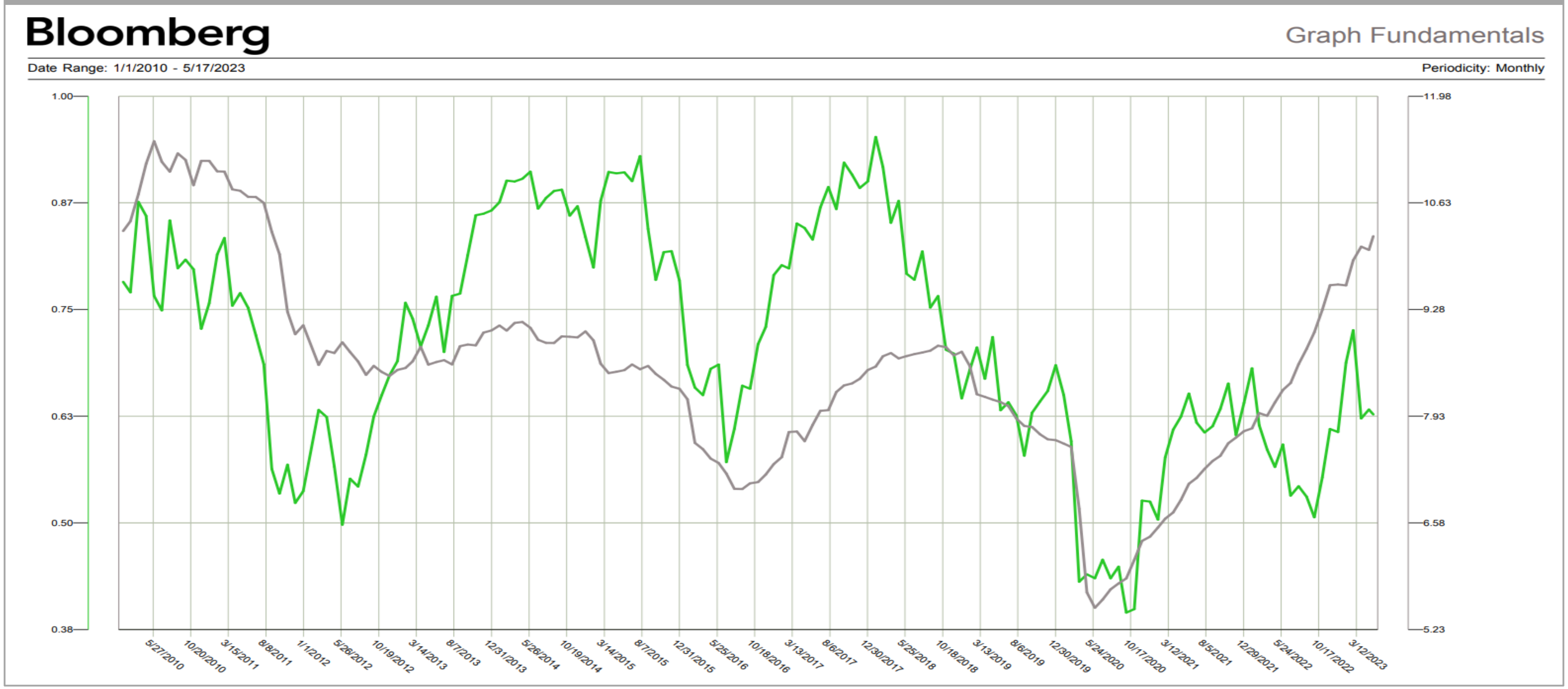
Past performance is not a reliable indicator of future performance. It does not constitute an investment recommendation

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg | [1] YTD | [2] Over the past 20 years

I.4 Market performance

Valuation

Price / book ratio – Stoxx Europe 600 Banks

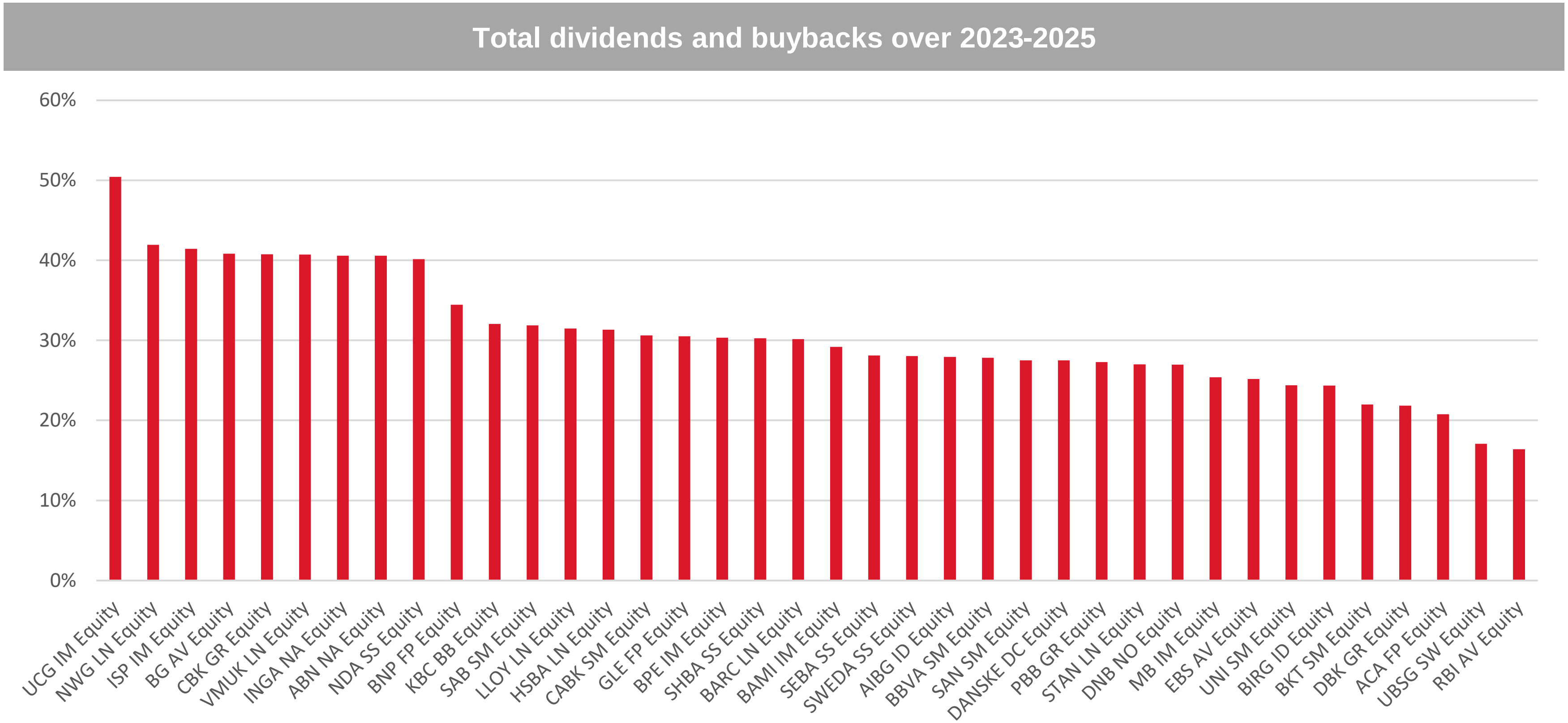


Price to book   RoE 2Y forward

Past performance is not a reliable indicator of future performance. It does not constitute an investment recommendation

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.4 Market performance
Record distribution yields



European banks pay out on average 60% of their profits, in dividends (80% of total distributions) and share buybacks (20% of total distributions).

Past performance is not a reliable indicator of future performance. It does not constitute an investment recommendation

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg

I.4 Market performance
Performance scenarios

Carry decomposition			
	2023	2024	2025
Dividend yield	7.1%	7.9%	8.8%
Buyback yield	2.0%	2.1%	2.0%

Average annual distribution yield	10.0%
Average annual TBV accretion yield	4.5%
Total annual carry	14.5%

Performance scenarios

Probability	Scenario	Interest rates	Commercial margins	Loan losses	3y ROE	Market sentiment	Likely P/B	Price return	Total 1y return
10%	Deep protracted recession	0 bps	175 bps	120 bps	2 - 4 pts	More bear	0.40	-40%	-30.3%
10%	Recession + back to 0% rates	0 bps	175 bps	80 bps	4.5 - 6.5 pts	Unchanged	0.55	-18%	-7.9%
30%	Recession with 200 bps cuts	150 bps	215 bps	80 bps	7 - 9 pts	Unchanged	0.75	12%	22.0%
30%	Slow landing	200 bps	240 bps	40 bps	8.5 - 10.5 pts	More bull	1.00	49%	59.3%
10%	No landing	350 bps	260 bps	30 bps	10 -12 pts	Unchanged	0.90	34%	44.3%
10%	Re-acceleration	400 bps	270 bps	30 bps	11 - 13 pts	More bear	0.80	19%	29.4%

Data as of 19/05/2023 | Source: Axiom Alternative Investments

I. Overview of the banking sector in Q1 2023

II. Key themes for the coming quarters

III. Expected regulatory changes

IV. Q&A

II.1 Interest Income

Customer spreads: historical context

Unless rates move back to the lower bound, customer spreads should stabilise between 2 and 3%.

Deposit mix

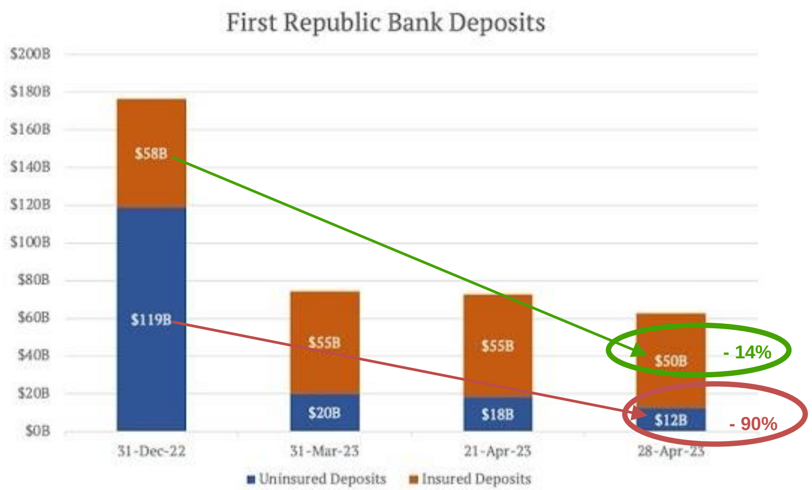
	Assumptions	% Category	Weight
Households	Overnight interest rates	35%	25%
	Deposit redeemable at notice ≤ 3M	35%	25%
	Deposit, agreed maturity ≤ 1Y	20%	14%
	Deposit, agreed maturity > 1Y	10%	7%
Corporates	Overnight interest rates	55%	17%
	Deposit, agreed maturity ≤ 1Y	15%	5%
	Deposit, agreed maturity > 1Y	30%	9%

The consensus for 2023/2024 interest income already incorporates a return to a pre-2014 deposit mix

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Kepler Chevreux

II.1 Interest Income

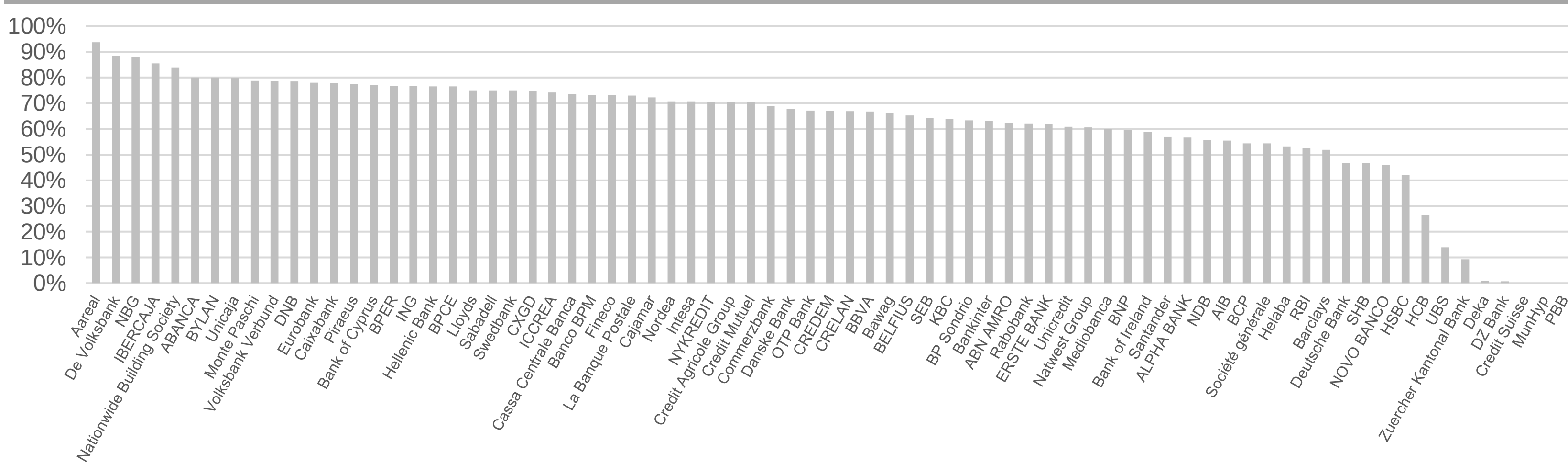
European banks benefit from stable and diversified deposit bases



Deposit stability

Recent history shows that banks in crisis situations have experienced higher deposit withdrawals than assumed in the LCR models on non-stable deposits.

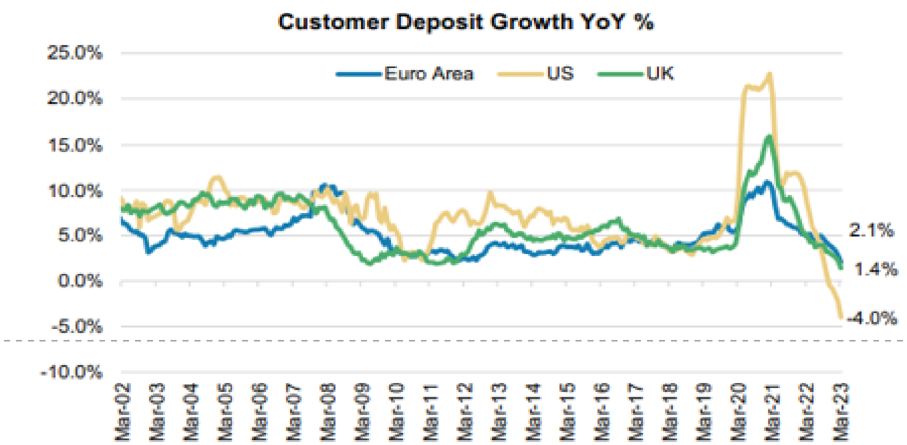
Proportion of stable deposits by bank



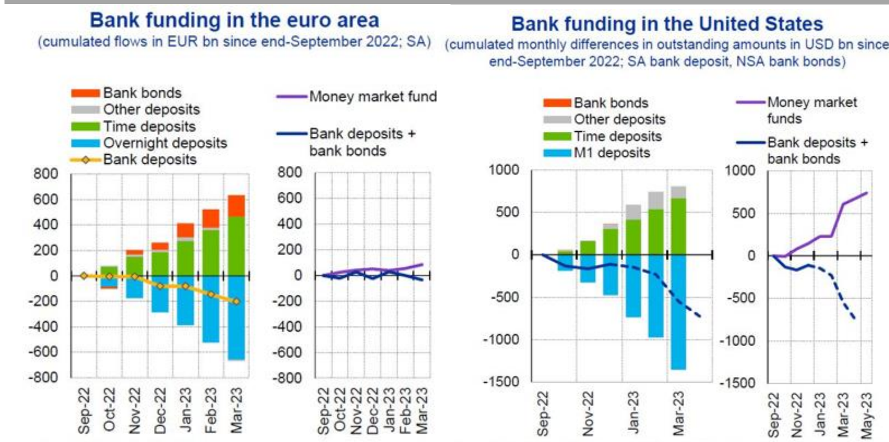
Data as of 19/05/2023 | Source: Euro-area-statistics

II.1 Interest Income
Evolution of deposit volumes

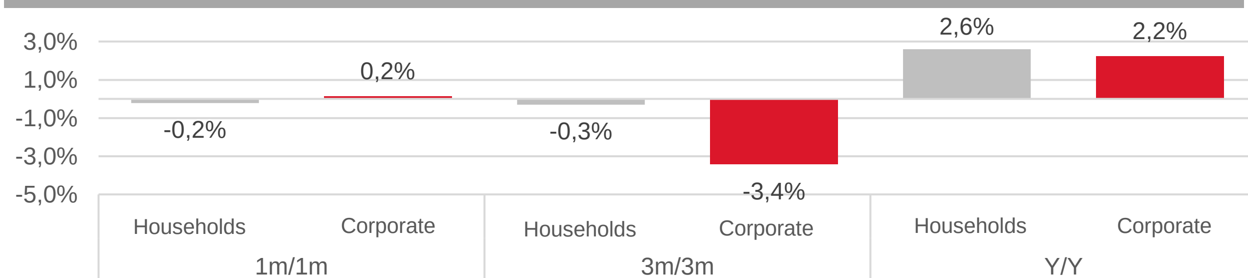
Year-on-year growth in deposits



Shift from overnight into time deposit



Corporate deposits are more volatile



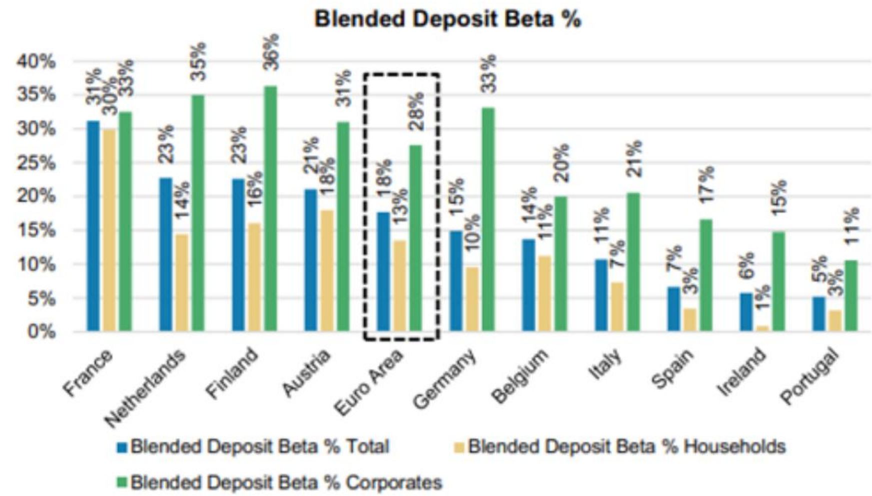
The scarcity of short-term sovereign bonds, the lack of an ECB reverse repo facility and the minor development of MMF explain the higher deposit resilience in the Euro area

Data as of 19/05/2023 | Source: Axiom Alternative Investments, ECB, Haver, Morgan Stanley Research

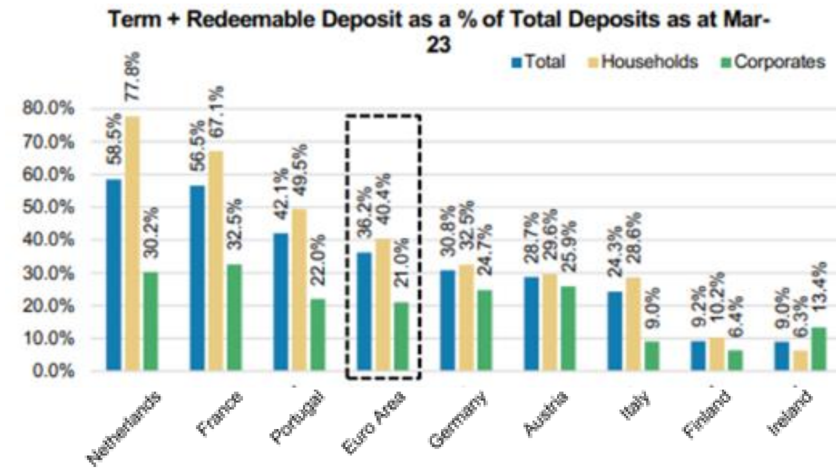
II.1 Interest Income

Cost of deposits

Average Beta of blended deposits



Deposit mix evolution



Expected final beta between 40 and 50%

Data as of 19/05/2023 | Source: Axiom Alternative Investments, Bloomberg, Haver, Morgan Stanley Research

II.1 Interest Income

Cost of deposits

March 2023	Front book rates% NFC Overnight	NFC term	HH Overnight	HH term	o/w < 2Y	o/w > 2Y	HH Redeemable	Back book rates% NFC term	HH term	o/w < 2Y	o/w > 2Y
Euro Area	0,3%	2,6%	0,2%	2,1%	2,1%	2,3%	1,2%	2,1%	1,5%	1,3%	1,7%
Austria	0,2%	2,7%	0,4%	2,3%	2,3%	2,6%	0,0%	2,2%	1,1%	1,0%	1,3%
Belgium	0,1%	2,6%	0,1%	2,5%	2,5%	2,5%	0,4%	2,4%	2,2%	2,4%	1,4%
France	0,4%	3,0%	0,0%	2,8%	2,9%	2,5%	2,3%	2,2%	2,3%	2,4%	2,3%
Germany	0,3%	2,6%	0,2%	2,2%	2,2%	2,1%	0,3%	2,1%	1,2%	1,8%	0,9%
Spain	0,2%	2,3%	0,1%	1,3%	1,3%	0,8%	0,0%	2,0%	0,5%	0,5%	0,6%
Ireland	0,1%	nm	0,0%	1,1%	1,1%	1,5%	0,2%	2,0%	0,4%	0,4%	0,4%
Italy	0,3%	2,6%	0,2%	2,8%	2,8%	2,5%	1,5%	2,4%	1,9%	2,1%	1,7%
Netherlands	0,7%	2,3%	0,1%	2,3%	2,3%	1,9%	0,5%	2,4%	1,8%	1,7%	1,8%
Portugal	0,0%	2,0%	0,0%	0,9%	0,9%	0,8%	0,0%	1,2%	0,2%	0,2%	0,4%

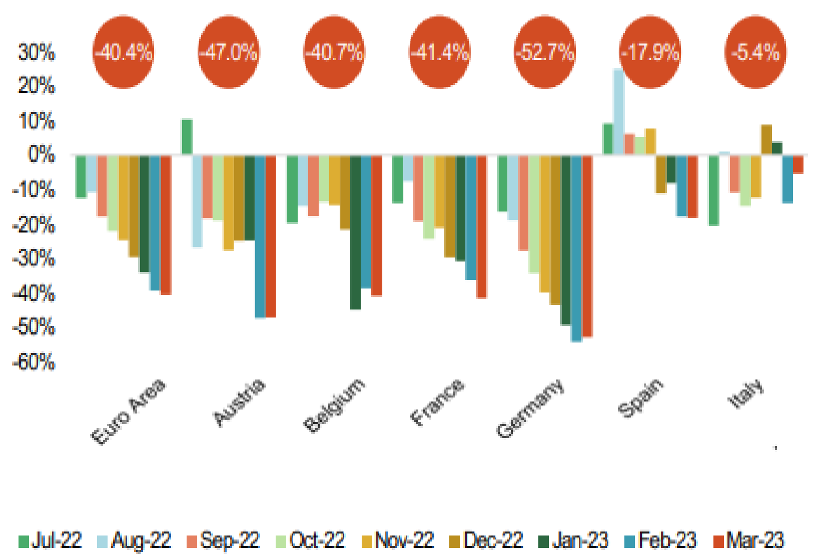
Evolution since June 2022	NFC Overnight	NFC term	HH Overnight	HH term	o/w < 2Y	o/w > 2Y	HH Redeemable	NFC term	HH term	o/w < 2Y	o/w > 2Y
Euro Area	0,36%	2,66%	0,15%	1,82%	1,87%	1,54%	0,75%	1,88%	0,36%	1,14%	0,05%
Austria	0,26%	2,76%	0,29%	1,99%	2,13%	1,78%	0%	2,16%	0,92%	0,93%	0,90%
Belgium	0,15%	2,77%	0,07%	2,28%	2,32%	2,07%	0,28%	2,44%	1,10%	2,02%	0,19%
France	0,33%	2,87%	0,02%	2,23%	2,30%	1,80%	1,55%	1,85%	0,10%	2,06%	0,01%
Germany	0,43%	2,87%	0,19%	1,83%	1,96%	1,27%	0,25%	2,01%	0,46%	1,58%	0,01%
Spain	0,12%	1,95%	0,06%	1,24%	1,25%	0,78%	0%	1,25%	0,48%	0,49%	0,35%
Ireland	0,16%	nm	0,01%	1,12%	1,10%	1,36%	0,18%	2,13%	0,36%	0,39%	0,13%
Italy	0,32%	2,42%	0,19%	2,25%	2,33%	1,78%	0,06%	1,94%	0,92%	1,44%	0,39%
Netherlands	0,98%	2,53%	0,08%	1,00%	0,92%	0,86%	0,53%	2,22%	0,19%	0,59%	0,09%
Portugal	0,03%	1,92%	0,00%	0,83%	0,84%	0,73%	0,00%	1,15%	0,17%	0,20%	-0,03%

Data as of 19/05/2023 | Source: Haver, ECB, Morgan Stanley Research

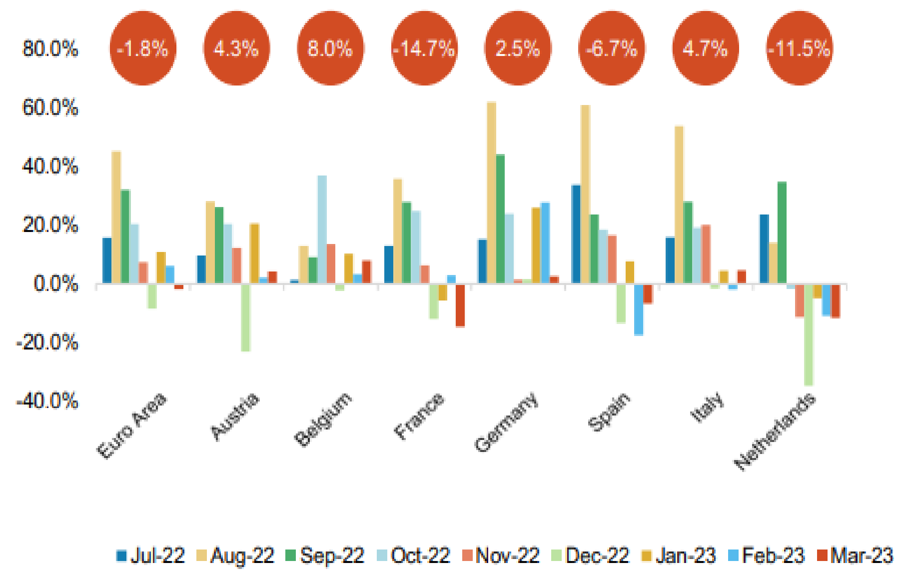
II.1 Interest Income

Evolution of loan volumes

Change in household credit production year-on-year



Change in corporate credit production year-on-year



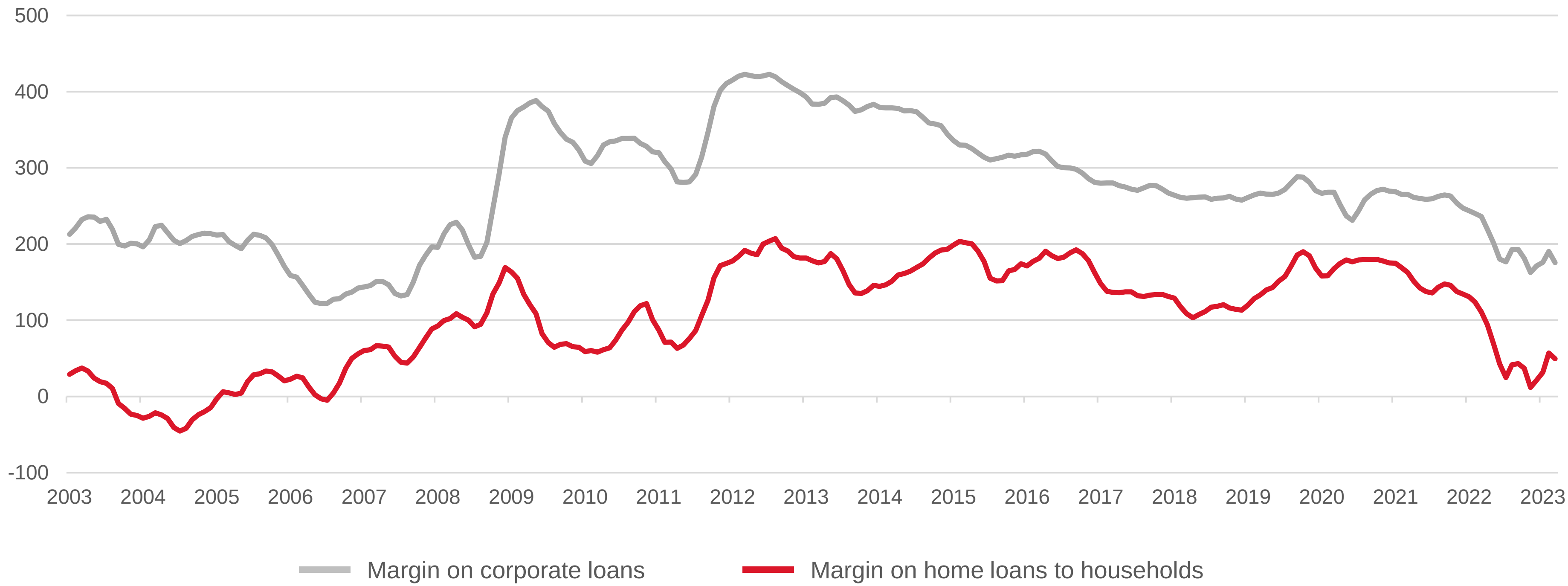
Companies have pre-funded their cash needs in 2022; nevertheless, demand remains satisfactory.
The housing market is in an adjustment phase - start of recovery expected end 2023/2024

Data as of 19/05/2023 | Source: Haver, ECB, Morgan Stanley Research

II.1 Interest Income

Loans: margin evolution

Loan margins (assuming 100% asset coverage)



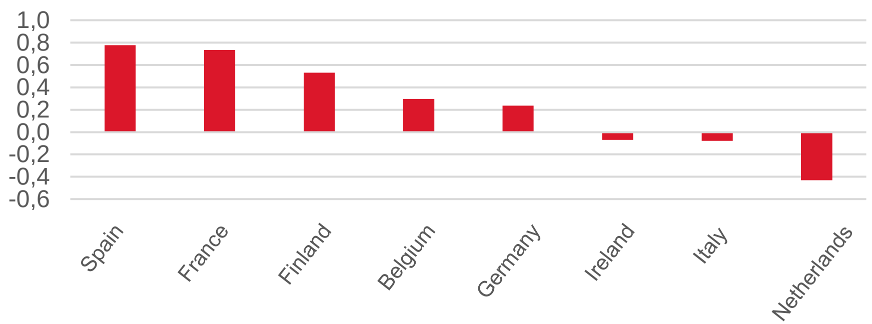
Loan margins under pressure in residential property

Data as of 19/05/2023 | Source: Axiom Alternative Investments

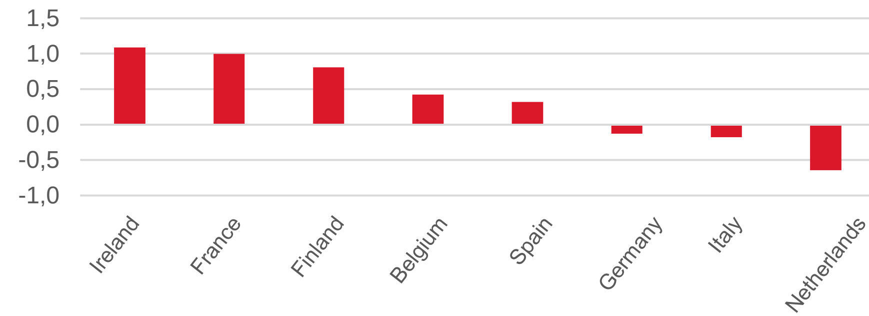
II.1 Interest Income

Loans: Margin evolution

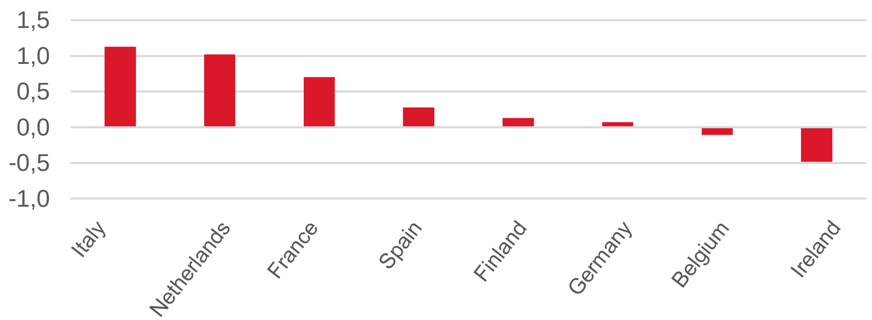
Corp Z-score



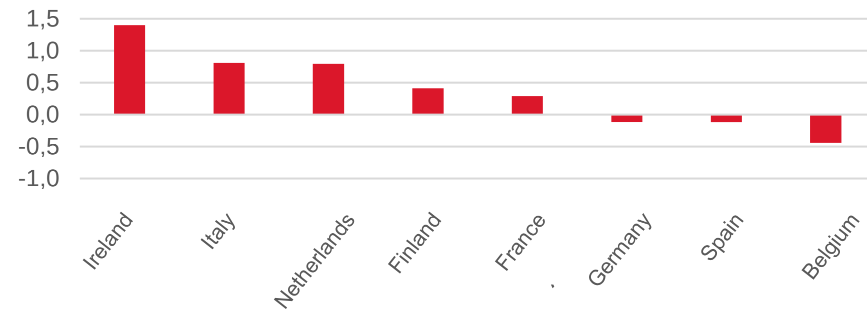
SME Z-score



Mortgage Z-score



Consumer Z-score



Asset margins begin to recover; gradual transition to the new rate environment for borrowers

Data as of 19/05/2023 | Source: Axiom Alternative Investments

II.2 Cost of risk
Historical context

The cost of risk is still below the historical median

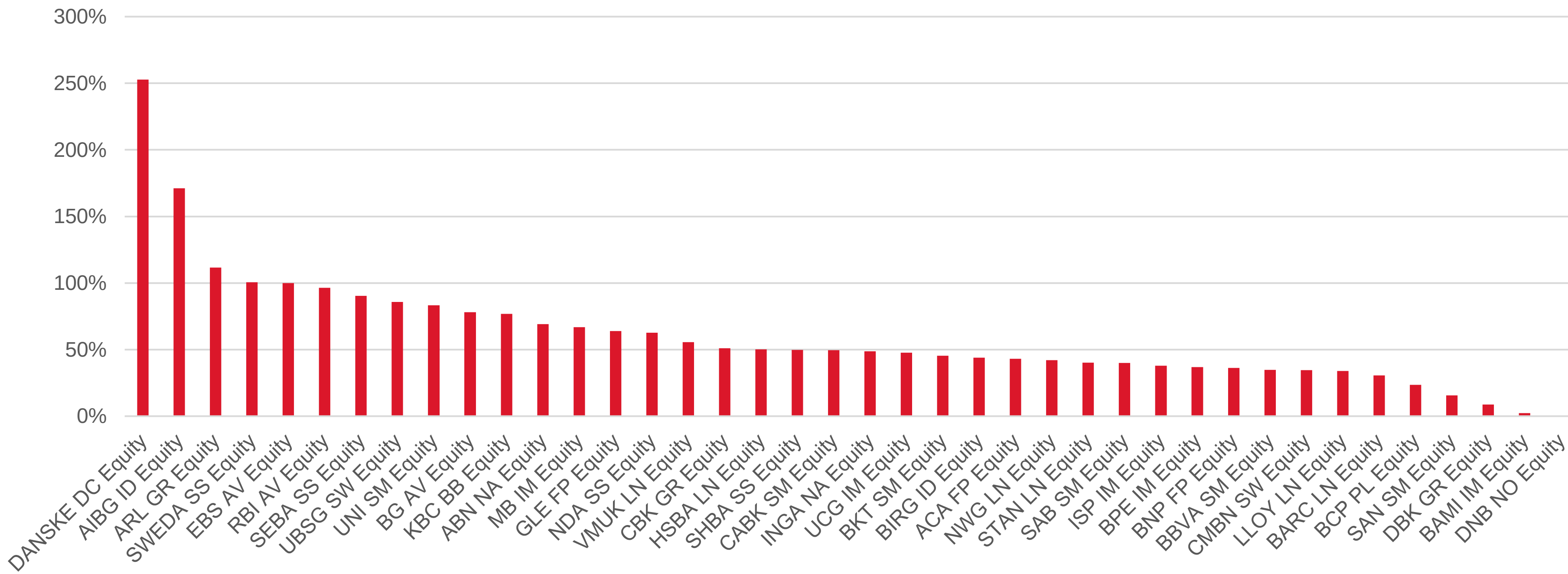
The widely expected increase in the cost of risk keeps being postponed

Data as of 19/05/2023 | Source: Axiom Alternative Investments

II.2 Cost of risk

Provisions: significant buffers

Precautionary provisions (% normalised annual provision charge)



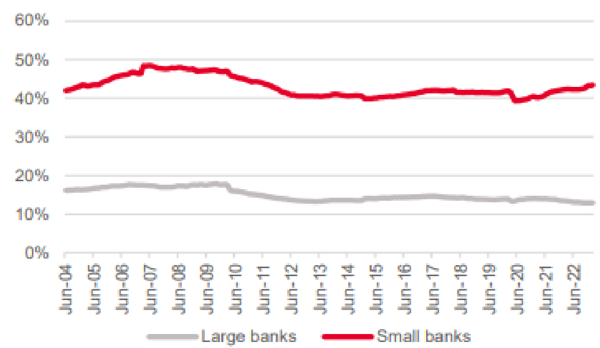
Precautionary provisions cover 2/3 of a classic recession

Data as of 19/05/2023 | Source: Autonomous Research, Axiom Alternative Investments

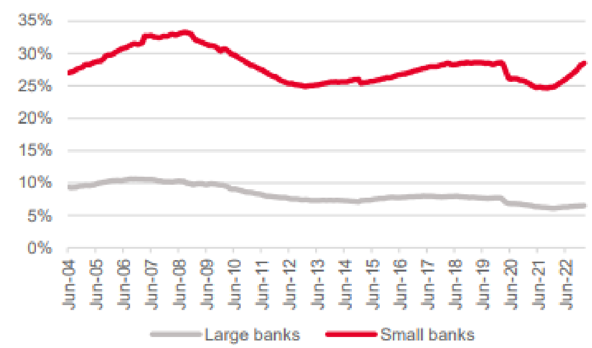
II.2 Cost of risk

CRE: overview of bank exposures

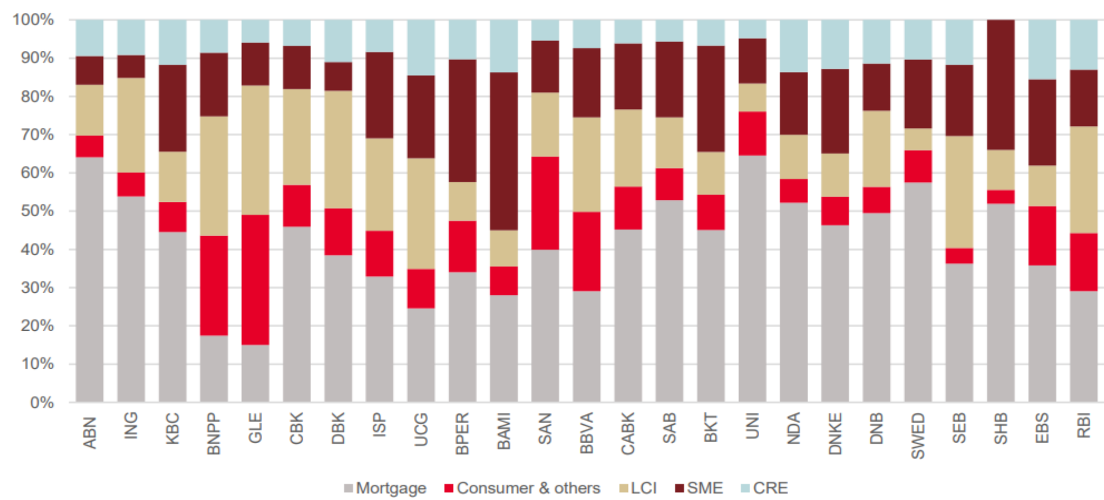
CRE loans as a % of total loans



CRE loans as a % of total assets



European banks: lending breakdown by product



Excluding US regional banks, commercial real-estate (including multi-family) typically accounts for around 10% of loans

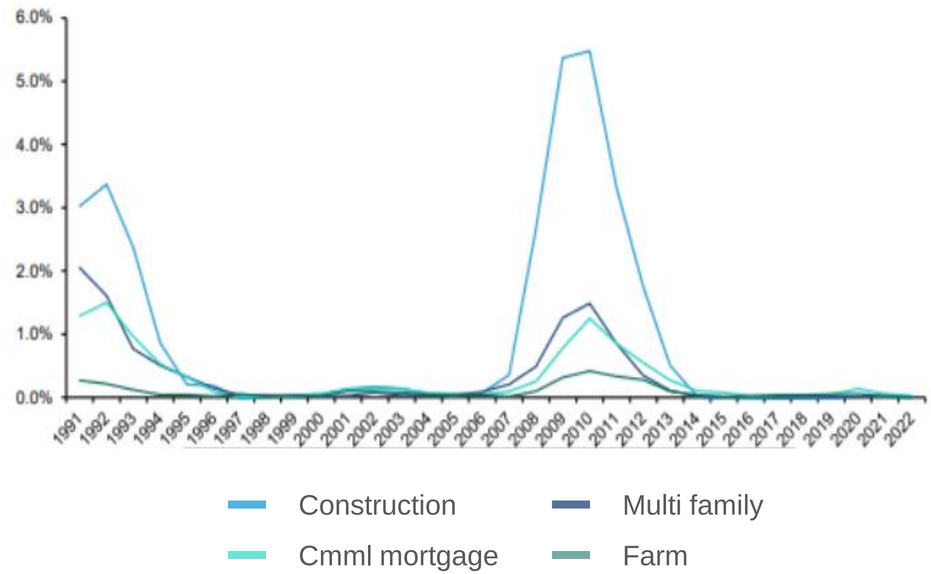
Data as of 19/05/2023 | Source: Axiom Alternative Investments, Autonomous

II.2 Cost of risk

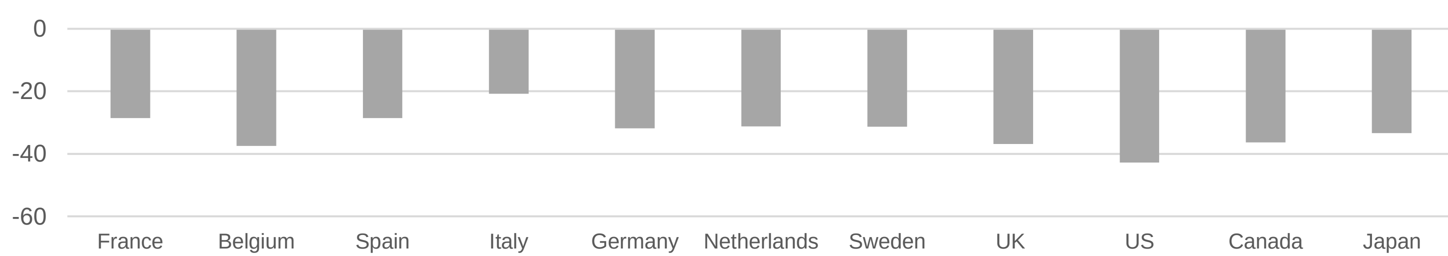
Order of magnitude of potential losses

Net loss rate on US commercial real-estate

US net loss rates by property type



EBA Stress Test



Data as of 19/05/2023 | Source: Fed H8, Autonomous Research, Axiom Alternative Investments

II.2 Cost of risk

Risk component

The different risk components by country

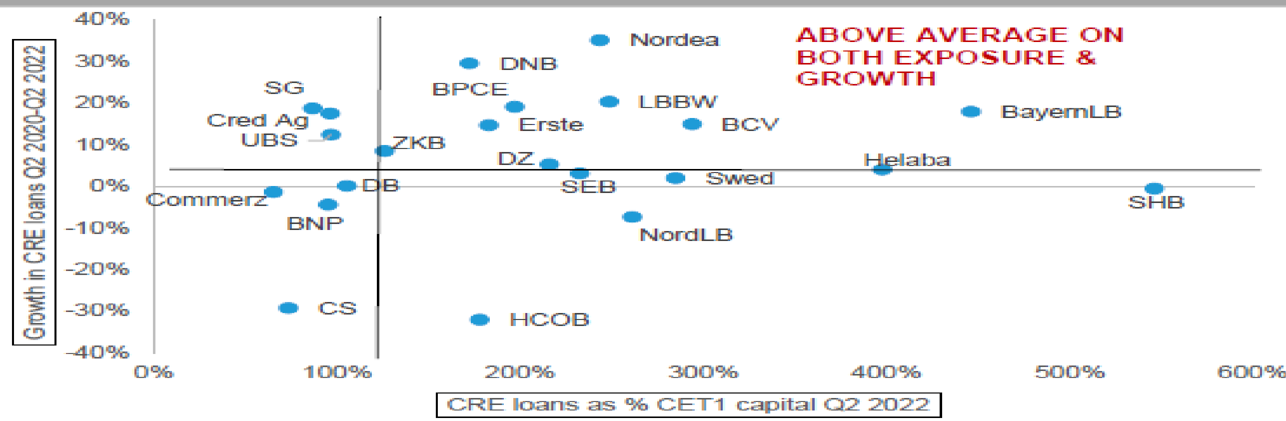
	Collateral stretch		Income & activity stretch		Financing stretch			Spillover stretch	
	CAGR in CRE prices, 2017-2021*	Prime office yields, Q2 2022	Vacancy rates, Q2 2022	CAGR in bank lending to CRE, 2017 - H1 2022	CRE bonds Issuance in 2021, as % GDP	Growth in CRE funds' AUM (2021 vs 2017, as % GDP)	Bank financing of CRE as % GDP, Q2 2022	Investment market as % GDP, 2021	Rank of ranks
Switzerland	2.2%	1.7%	2.6%	4.7%	0.7%	1.6%	43.3%	43.3%	15
Sweden	5.7%	3.0%	5.0%	3.8%	3.9%	0.4%	29.8%	47.7%	14
Germany	3.2%	3.0%	8.5%	6.8%	0.5%	3.7%	13.7%	16.7%	13
France	3.0%	2.6%	2.7%	6.2%	0.5%	2.4%	22.9%	17.3%	12
Norway	7.6%	3.5%	6.0%	7.4%	0.3%	1.2%	23%	16.2%	11
Finland	1.6%	3.0%	11.5%	2.1%	0.4%	2.2%	19.1%	34.9%	10
Netherlands	6.4%	3.0%	5.5%	0.2%	0.2%	2.7%	12.8%	21.5%	9
Denmark	0.4%	3.0%	5.3%	1.5%	0.5%	0.6%	20.1%	23%	8
Austria	1.6%	3.0%	4.3%	0.4%	0.1%	0.9%	38.2%	10.6%	7
Portugal	4.0%	4.0%	8.6%	-6.5%	0%	0%	10.9%	13.6%	5
UK	0.6%	3.3%	5.9%	-2.8%	0.4%	-0.4%	8.4%	26.7%	5
Belgium	-0.3%	3.2%	4.2%	7.5%	0.3%	0%	12.6%	10.8%	4
Italy	-1.1%	2.9%	11.0%	-9.6%	0%	1.9%	7.7%	7.2%	3
Ireland	0.1%	4.0%	8.8%	-6.5%	0.2%	2.5%	3.1%	7.3%	2
Spain	-1.7%	3.3%	9.4%	-7.4%	0.3%	0%	8.5%	9%	1

Solvency risk (increase in loan-to-value)

Risk of decreased profitability

Impact on the country's overall economy

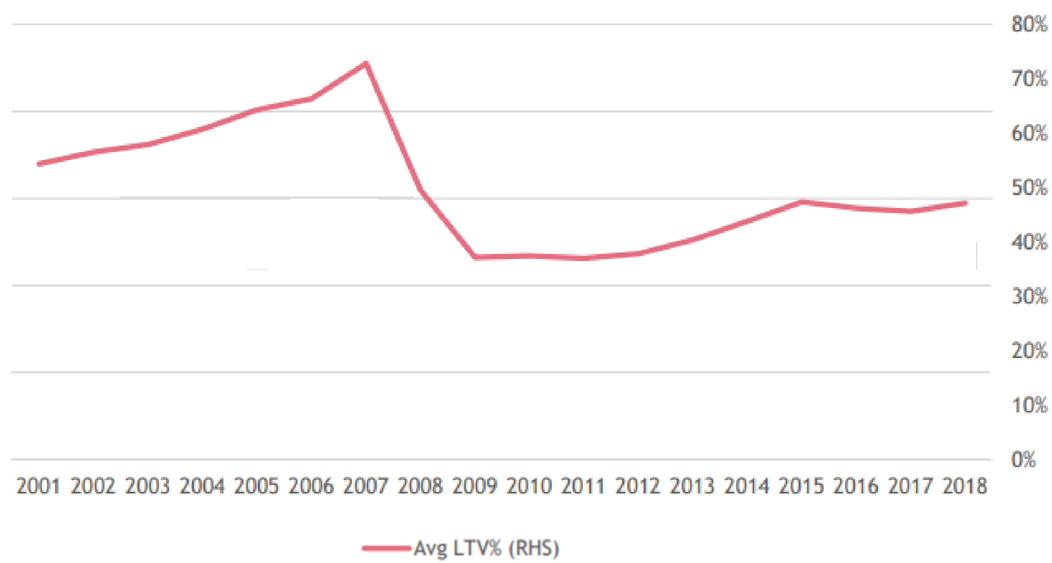
The most exposed banks: German and Nordic banks



II.2 Cost of risk

Focus on commercial real estate

LTVs are 20 percentage points lower than in 2008



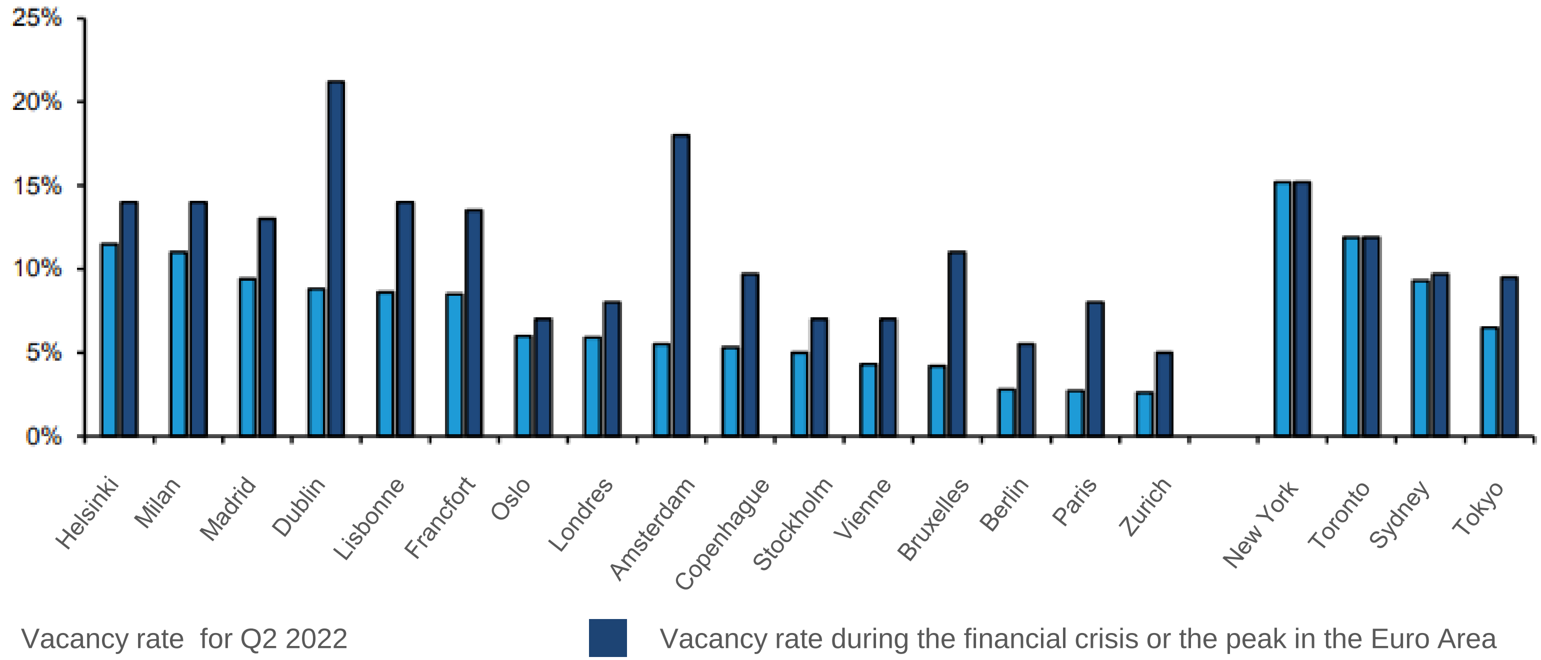
Tighter post-financial crisis regulation has resulted in more conservative origination standards for commercial property

Data as of 19/05/2023 | Source: Autonomous Research, Axiom Alternative Investments

II.2 Cost of risk

Focus on commercial real estate

« Prime » office vacancy rate



In Europe, vacancy rates are still far from crisis levels, unlike in the US

Data as of 19/05/2023 | Source: Autonomous Research, Axiom Alternative Investments

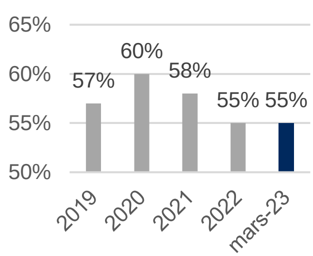
II.2 Cost of risk

Focus on commercial real estate: the example of Aareal

Aareal

Loan portfolio and asset quality

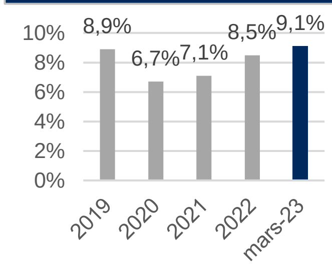
Loan-to-Value



Loan-to-Value by type

%	2019	2020	2021	2022	Mach 2023
Hotels	55	62	60	56	56
Logistics	54	56	55	52	52
Offices	57	58	58	57	57
Commercial	61	61	59	56	56

Yield on debt

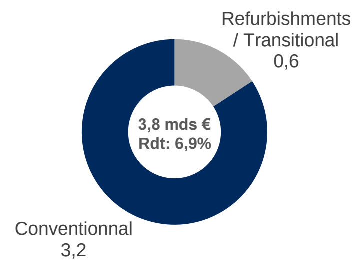


Yield on debt by type

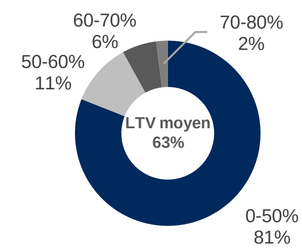
%	2019	2020	2021	2022	Mach 2023
Hotels	9,6	3,0	5,0	9,0	10,1
Logistics	8,5	9,2	8,7	9,0	9,2
Offices	7,7	8,1	7,6	6,9	6,7
Commercial	9,6	8,8	9,1	9,8	10,4

Asset quality - Focus on the US office market

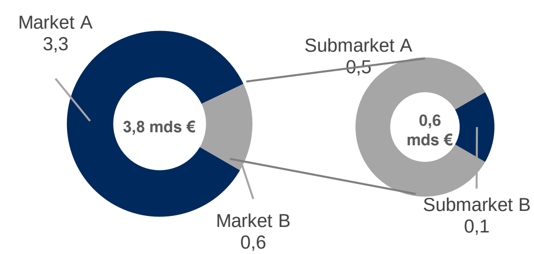
type of financing



Distribution of loan-to-value



Portfolio by location



Past performance is not a reliable indicator of future performance. It does not constitute an investment recommendation

Data as of 19/05/2023 | Source: Autonomous Research, Axiom Alternative Investments

II.2 Cost of risk

Focus on commercial real estate

Metrics and comments from the most exposed banks

Bank	Worrisome CRE metric	Exposure Q2 2022	Commentary
SHB	Sweden screens as a vulnerable country. Large exposure to CRE	€77.8bn, NPL ratio = 0.2%	Average LTV of 47% with 99.7% below 75%. 30 largest property management clients have ICR of 4.4x and LTV of 44%. Stressed for +350bps higher rates, ICR falls to 2.2x (no client below 1.0x)
Nordea	Underwritter of riskier loans + Swedish risk. Growing exposure to CRE.	€60.9bn, NPL ratio = 0.4%	€19bn of the book is to housing associations and other residential exposures. €10bn of other CRE and construction exposure to Sweden and €12bn to Norway. Average LTV described as "a little over 50%" at Q3 stage
Deutsche Bank	Underwritting of riskier borrowers	€50.5bn, NPL ratio = 2.6%	Company talks of a €33bn CRE exposure of which €22bn is in the US investment bank. €2-3bn refinances in 2023 and company guidance already assumes some provisions will be necessary. Back in 2020, disclosed average LTV of 60%
ING	Large underwritting of CRE bonds and loans	€44.2bn, NPL ratio = 1.7%	Well diversified capped book by geography and sector. Average LTV approx.50%
Erste	Above average CRE exposure and strong recent loan growth	€35.9bn, NPL ratio = 2.6%	Well diversified portfolio focused on major cities in Austria and CEE. Back in 2020, gave an average LTV of 60%, approx. 25% of the book is to Austrian housing associations.
Swedbank	Underwritter of riskier loans + Swedish risk	€35.5bn, NPL ratio = 0.1%	Average LTV of 52% with well spread portfolio (81% Sweden). Debt service tolerance stressed to rates 6-8%
SEB	Sweden screens as a vulnerable country. Large exposure to CRE	€33.8bn, NPL ratio = 0.1%	Average LTV of 45%. 20% largest clients have average ICR of 4.5x. In stressed scenario of 3% STIBOR average ICR would be 2.0x (no client below 1.0x)
DNB	Norway screens as a vulnerable country. Large and growing exposure to CRE	€30.8bn, NPL ratio = 0.7%	94% focused on Norway, with 75% classified as low risk (PD of <0.75%). 14% of the portfolio in retail and shopping malls
NatWest	Underwritting of sub-investment grade bonds and loans	€30.8bn, NPL ratio = 1.2%	CRE book has shrunk by approx 15% since mid 2020. Disclosed average LTV of 48% at Q3 2022. Sub-IG underwritting relates largely to a single blackstone SPV.
BCV	Switzerland screens as a vulnerable country. Large exposure to CRE	€9.7bn, NPL ratio = 0%	Real estate and construction accounts for 24% of customer loans. Impaired loans are zero, and existing provisions amount to CHF 4m (on performing exposure of CHF 9.7bn). We estimate that collateral is split roughly 25% commercial / 75% residential property

Data as of 28//04/2023 | Source: Autonomous Research, Axiom AI

I. European Banks results Q1 2023 overview

II. Key themes for the coming quarters

III. Expected regulatory changes

IV. Q&A

AXIOM ALTERNATIVE INVESTMENTS

III. Expected regulatory changes

Liquidity Ratios and Interest Rate Hedging

Liquidity risk management

Basel Committee

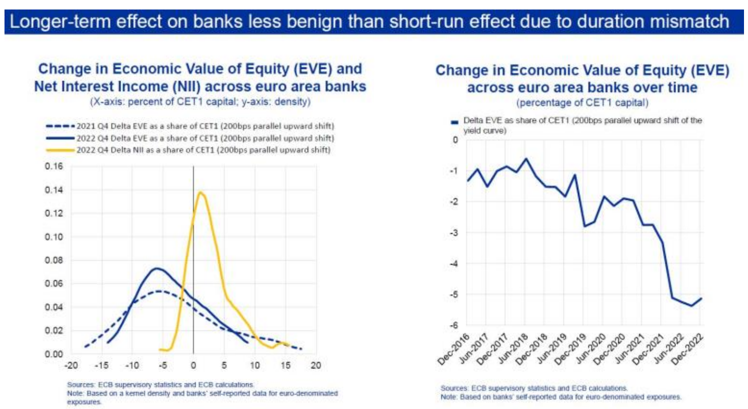
→ New parameters on unstable deposits (Swiss private banks are the most vulnerable)
→ Concentration rules (to avoid SVB/First Republic/Silvergate situations)
→ Estimated impact on profitability: between 1% and 3%.

US

→ Abolition of the Trump measures (extension of liquidity rules to all banks)

Interest rate risk hedging

Europe



→ Possible evolution: Move from Pillar 2 to Pillar 1 (as in Australia)

US

Adjusting the FED's stress tests to better capture interest rate risk

Data as of 28//04/2023 | Source: Autonomous Research, Axiom AI

I. European Banks results Q1 2023 overview

II. Key themes for the coming quarters

III. Expected regulatory changes

IV. Q&A

AXIOM
ALTERNATIVE INVESTMENTS

IV. Q&A
Key Takeaways

A record first quarter

- **9th quarter in a row** where results exceeded consensus.
- A combination of positive factors such as **net interest margins up 35%** vs. Q1 22, a **contained decline in deposits** (-1%), a **controlled cost of risk** (41 bps vs. 55 expected) and **precautionary provisions that cover 2/3** of a typical recession
- A 25% to 30% upward revision of earnings expectations for 2023 and 2024 since January 2022.

Structural support elements

- **The end of negative interest rates** allows a return to ROE (return on equity) of over 10%.
- **Overall annual sector return** of around **14%** (dividends, share buybacks, equity accretion) over 2023/2024/2025.

Valuations anticipate a very negative macroeconomic scenario

- Despite an estimated ROE of 10%-11%, **the sector trades on price-to-book ratios of around 65%.**
- This valuation implies a scenario of recession and a return to low or zero interest rates.
- In a classic recession scenario with a rate cut of up to 200 bps, the sector should recover moderately.
- **A more optimistic scenario** of a soft landing and rates sustainably above 200 bps **would result in a >40% rise.**

Key themes to watch

- Net interest income dynamics, between asset and hedge rollovers, deposit rate increases, and lending margins.
- Evolution of the level and mix of deposits (household versus corporate, insured versus non-insured, national champions versus small banks)
- Level of demand for mortgage loans and corporate loans
- Cost of risk dynamics and possible use of prudential provisions (equal to 2/3 of a normal provisioning year)
- A particular focus on commercial real estate (it represents 10% of total bank balance sheets in Europe compared to over 30% for US regional banks).

AXIOM
ALTERNATIVE INVESTMENTS

Thank you for attending the Axiom Alternative Investments webinar.

See you next quarter.