

## **Translation for convenience only !**

Essay by Hans Peter Schupp in Renditewerk  
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Hans Peter Schupp, member of the board of Fidecum AG and Portfoliomanager of the Contrarian Value Euroland Fund, comments in Renditewerk on the banking crisis.

### **Banking crisis? It pays to take a differentiated look!**

The quake at some banks is shaking the markets. Are we experiencing a new banking crisis? Or even a new financial crisis. Quite clearly: No! Because the situation at the affected banks is completely different in each case.

Take the bankruptcy of Silicon Valley Bank (SVB) and the problems of Credit Suisse (CS). The common thread in both is the "bank run," where customers withdraw their deposits due to a loss of confidence, but the reasons are completely different. SVB saw strong deposit growth, tripling its deposits to \$198 billion between the end of 2019 and the first quarter of 2022. Some of these short-term deposits were invested in long-term bonds. However, as interest rates rose, bond prices fell. But the bonds were not impaired because the bank wanted to hold them to maturity.

#### **Different banking regulations in the USA and Europe**

However, the lack of maturity matching on the balance sheet was only made possible by lax banking regulation in the United States. Banks with total assets of less than \$250 billion are not subject to stricter regulatory controls. And SVB, with \$212 billion in total assets, was below that threshold for systemically important banks. This is due to a law signed by Donald Trump in 2018 that raised the threshold for systemically important financial institutions from \$50 billion to \$250 billion. In Europe and Switzerland, this threshold for systemically important banks is 30 billion euros, much lower than in the United States. So if Silicon Valley Bank had been operating in Europe, it would have been significantly more tightly regulated.

#### **Credit Suisse made losses while other banks posted billions in profits**

Credit Suisse, on the other hand, found itself in a delicate transition period after a restructuring of the group was announced in October last year. This resulted in a loss of 7.3 billion Swiss francs, while other major European banks made billions in profits. This has led to a loss of confidence in Credit Suisse, exacerbated by the bankruptcy of SVB and a statement from Saudi National Bank, a major CS shareholder. The latter announced that it would have to observe the shareholding threshold of ten percent - for regulatory reasons - in the event of a further capital increase. Confidence was thus gone.

#### **CS problems were home-made and have hardly any impact on other institutions**

It therefore remains to be said: Credit Suisse's difficulties were home-made and do not point to general problems in the European banking sector. Will the rescue of CS now cause problems for other institutions? The takeover of Credit Suisse by UBS has resulted in around 16 billion Swiss francs of subordinated bonds, so-called "Additional Tier 1 Bonds" (AT1), being declared more or less worthless. While this may affect other credit institutions holding these bonds in their portfolios, it should not threaten their existence. Deutsche Bank, for example, has stated that it has "almost zero" exposure to these Credit Suisse AT1 bonds and is therefore unlikely to be affected by the foreseeable total default.

## **We stay overweight in the financial sector**

We therefore maintain our overweight in the financial sector. Although we have sold Aareal Bank from the portfolio, which saw only a small decline in its share price due to a compensation offer, we have increased the weighting in Deutsche Bank and Aegon in return. We do not see any loss of confidence here.

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### **Company Profile**

*Fidcum AG is a securities institution licensed by Bafin in 2008 and offers asset management concepts for professional investors. The owner-managed company operates completely independently and has been known in particular for the Contrarian Value approach for many years. In many professional years, the portfolio managers have proven themselves on the international stock markets, even in critical situations, and implement their strategies with a clear and comprehensible concept in a consistent and stylish manner. Fidcum - the fund manufactory®*

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