# Fig 1: Bank capital securities

## A simplified overview

### **Senior bonds**

Fixed maturity bonds, coupons to be paid

Senior to

#### Lower Tier -2

Fixed maturity bonds, coupons to be paid, subordinated to senior debt

Senior to

### **Upper Tier -2**

Usually perpetual bonds, coupons deferrable and cumulative

Senior to

#### Tier-1

Perpetual bonds, coupons deferrable and non -cumulative (Preferred shares)

Senior to

Shareholders equity

Common shares

Outranked only by preferential or secured claims

Only loss-absorbing in the event of insolvency; only subordinated to senior debt

Lossabsorbing, i.e. coupon and principal can be written down to remain solvent; can also be fixed maturity bonds

Core Capital: no obligation to pay share dividends; Tier -1 coupons can be cancelled if Tier-1 ratio would fall below the regulatory minimum (defined in the prospectus); lossabsorbing, i.e. nominal amount may be written down to remain solvent

Source: UBS WMR