European Banks – Credit Update

- 1Q23 earnings season is coming to a close. Results continue to be positive and above expectations. Strong trading performances supported French banks' earnings while Dutch banks leveraged income from deposit margins that offset weakening in mortgage volumes and margins
- Primary market activity picked up for SSAs as numerous deals were placed across a variety of currencies. Senior bonds with short-medium tenors continued to dominate new FIG deals
- Secondary market spreads in EUR tightened on last week, while USD were only marginally wider

William Hahn
Credit Analyst
+44 20 7597 8321
William.Hahn@uk.daiwacm.com

Western European banks – 1Q23 results

(↑) **Crédit Agricole** (CA), France's second-largest bank posted higher than expected profits of EUR1.23bn in 1Q23 (+115% yoy), coming in ahead of analyst estimates of EUR816bn. This resulted in an annualised RoTE of 14.2%, ahead of the bank's 2025 target of >12%. CA's bottom line benefitted from the company's second-highest ever quarterly revenue result of EUR6.1bn (+9.6% yoy). Investment banking activities that are housed within the 'Large Customer' division saw revenues rise 20.9% yoy. Sector-beating FICC income growth of 42% brought the result to EUR796m, accounting for 46% of underlying CIB income. CA stated that the strong result was driven by the recovery of the primary credit market and the performance of hedging products that benefitted from market volatility. However, senior management cautioned that they don't expect a repeat of this strong performance as some volatility and momentum would likely be lost in 2Q23. Other areas of good performance were the insurance business that saw revenues rise 32% yoy to EUR711m and Crédit Agricole's Italian subsidiary (CA Italia), where revenues were up 23% to EUR761m. In recent years, the French bank has broadened its Italian presence, notably with the acquisition of Italy's Creval in 2021 and by building a 9.2% stake in the country's third largest lender Banco BPM in April 2022. Underlying operating expenses were well managed and only up 2% yoy to EUR3.8bn, resulting in an adequate cost-to-income ratio (excl. contributions to the SRF) of 54.1% (1Q22: 55.9%), below the 2025 target of <60%. The cost of risk was 28bps (EUR374m), down 31% yoy, above 2019 pre-Covid levels of 20bps but near the bank's medium-term assumption of 25bps for 2022-2025. Group CET1 of 17.6% was unchanged and comfortable above SREP requirements (+870bps buffer). Crédit Agricole made no changes to its 2025 targets, despite the positive results.

(↑) **Société Générale** earnings were solid, with net income of EUR868m (+5.7% yoy) coming in almost twice as high as analyst forecasts. The result was underpinned by strong trading activity that resulted in EUR1.7bn in revenue (25% of the total. Particularly FICC income performed well, up 16% on an already outstanding 1Q22 trading result, while equity trading dropped off by 18% with overall lower volumes and volatility. French retail banking however underperformed, with operating income of EUR1.9bn down 11% yoy. SocGen attributed the decline to a reduced net interest margin, brought on by caps on lending rates, rising costs from regulated savings and the loss of TLTRO income. The benefit from positive rates on deposit margins was said to be temporarily offset in 2023 due to the group's short-term ALM hedging policy but the bank expects these to materialise in 2024 as hedges progressively mature. Top-line revenue was down overall by 5.3% to EUR6.6bn while operating expenses came down slightly to EUR5bn (-1.4% yoy). Cost-to-income ratio was adequate at 60.8%, below the target range of 66-68% for 2023, but senior management will likely want to lower than figure further once the new strategy is communicated. The cost of risk measure was reduced to 13bps or EUR182m in the quarter (-67% yoy) and senior management expect it to remain below 30bps this year, down from previous guidance of 30-35bps. Long-term CEO Oudea is leaving the bank in May and will be replaced by Slawomir Krupa who currently holds the title of Head of Global Banking and Investor Solutions. The new business strategy will be communicated in 3Q23 and will like focus on strengthening revenue streams, improving group-wide efficiency as measured by a lower cost-to-income ratio <60% and a consolidation of SocGen's CEE footprint. SocGen's price to tangible book value has dropped significantly since 2017 from 0.67 to currently 0.28, one of the lowest among peers.

(↑) **ABN Amro** 1Q23 net income was EUR523m (+77% yoy) comfortably above expectations of EUR370m, reflecting a surge in net interest income of 24% yoy to EUR1.6bn. Overall this helped offset declines in other and fee income, with top-line operating income increasing overall by 11% to EUR2.1bn. ABN benefitted from improved deposit margins in all client units but also noted that they were experiencing pressure on asset margins, especially in the mortgage lending segment due to 'strong competition' amid fewer houses being sold at lower prices. Loan growth of EUR5.5bn was mainly driven by more corporate lending while new mortgage volumes were subdued. Operating expenses were down 7% yoy to EUR1.4bn due to lower external staff costs and despite higher regulatory costs, such as larger SRF contributions. The cost-to-income ratio was improved at 65.6% from 78% one year prior, in part due to investment and remedial action towards improved anti money-laundering practices is nearing completion. Maintaining its annual cost target of EUR5.3bn seems feasible but achieving the projected 2024 figure of EUR4.7bn appears untenable given ongoing investment requirements and inflation. The CoR measure was only 4bps and in line with low figures from previous quarters, but we expect this to rise gradually to a normalised through-the-cycle figure of some 20bps as the slowdown in the domestic housing markets takes its toll. Loan impairment charges were low at just EUR14m (1Q22: EUR62m) helped by the better than expected economic outlook for the Netherlands, coming in significantly below estimates that saw the figure 10x higher. The Dutch government still holds a 56.3% stake in the bank following the 2008 government bailout. In February, it was announced that the government would reduce its stake to just below 50%, however, there were no further details or a timeline provided on this during the 1Q23 earnings presentation.

(↑) **ING,** the largest Dutch bank joined peers in announcing better than expected earnings. Net income during the first quarter was EUR1.59bn (+271% yoy), beating analysts' consensus forecast of EUR1.11bn. Fewer assets under management resulted in lower fees from investment products, and paired with reduced trading activity contributed to a 4% drop in net fee and commission income to EUR896m. NII of EUR4bn was 20.4% higher yoy but only marginally above expectations. Higher deposit margins were strong contributors but, crucially, NII from mortgages declined due to overall higher funding costs and lower prepayment penalty income. Residential mortgages account for a significant 40% of the overall loan book, and persistent weakness in this segment could affect the bottom line in the near term. Nevertheless, the net interest margin rose 11bps to 1.59% in 1Q23, when excluding TLTRO effects from previous quarters. Total operating income came in at EUR5.56bn (+21% yoy) and ING reaffirmed its 2023 growth target of >10%. Loan loss provisions were EUR152m, significantly below the EUR405m expected by analysts and far below the near EUR1bn booked in 1Q22. ING also reported a greatly reduced residual exposure to Russia of EUR2.3bn (down from EUR3.8bn), resulting in a net release of EUR118m of Russia-related provisions. Operating expenses of EUR3bn were up 4.3% and the resulting cost-to-income ratio was 58%, above the company's 2025 target range of 50-52%. ING's capital position was sound. CET 1 was 14.8% (+407bps buffer), but the group announced its intention to cut the ratio to about 12.5% by 2025 and distribute excess capital. Since 2018, ING has returned some EUR17bn to shareholders and stated that they will launch another share buyback programme in May under which they will repurchase EUR1.5bn ordinary shares, reducing CET1 by 46bps per month. However, considering headwinds from a rising cost base, lower fee income and a weaker domestic housing market, this could signal some earnings pressure ahead, which may in turn curtail future pay-outs.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at just EUR9.4bn over the course of last week, below market expectations of EUR12.5bn-17.5bn. FIG supply of EUR15bn was above weekly forecast amounts of EUR7bn-11.5bn. The total 2023 year-to-date FIG volume of EUR277bn is 11.2% ahead of last year's issuance volume. SSA volumes are also ahead of last year's level, up 18.5% at EUR321bn. For the current week, survey data suggest SSA issuance volumes will range between EUR12bn-17bn and FIGs are expected to issue EUR11bn-15.5bn.

Activity in the **SSA** space picked up again after a few quiet weeks, as various supras and agencies placed a number of deals across a variety of currencies. Last Thursday, Dutch agency **Bank Nederlandse Gemeenten (BNG Bank)** reopened the publicly syndicated USD SSA market after several weeks of quiet, by issuing an USD1.5bn 5-year social bond at SOFR MS+45bps. Daiwa Capital Markets Europe (DCME) acted as joint-lead manager on the transaction as BNG placed its first USD social benchmark transaction under its sustainable finance framework, published in October 2021. The proceeds of the bonds will be utilised for lending to Dutch Social Housing Associations to finance their SDG-linked expenses. The order book was of high quality and the transaction's momentum continued at a fast pace throughout execution, with the deal tightening 3bps from IPTs. The bond is thought to have priced flat to fair value.

(Table 1) Key Benchmark Transactions

Bank	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
SSA						
European Union	Sr. Unsecured	EUR5bn	3Y	MS - 27	MS - 25	>EUR29bn
European Union	Sr. Unsecured (Tap)	EUR4bn	Mar-2053	MS + 84	MS + 86	>EUR59bn
AIIB	Sr. Unsecured (CAB)	AUD500m	5Y	ASW + 58	ASW + 60	n.a.
EIB	Sr. Unsecured (CAB)	NOK500m	May-2028	3mNibor + 14	3mNibor + 14	n.a.
BNG Bank	Sr. Unsecured (Social)	USD1.5bn	5Y	SOFR MS + 45	SOFR MS + 48	>USD4bn
IADB	Sr. Unsecured	AUD500m	5Y	ASW + 43	ASW + 43	n.a.
FIG (Senior)						
CaixaBank	SNP (Social)	EUR1bn	4NC3	MS + 150	MS + 170	>EUR1.5bn
NatWest	Sr. HoldCo	EUR1bn	5.75NC4.75	MS + 175	MS + 190/195	>EUR1.75bn
UBS	Senior Unsecured	AUD600m	3Y FRN	BBSW + 130	BBSW + 130	n.a.
UBS	Senior Unsecured	AUD650m	5Y FRN	BBSW + 155	BBSW + 155	n.a.
UBS	Senior Unsecured	AUD175m	5Y	ASW + 155	ASW + 155	n.a.
Abanca	SP	EUR500m	3NC2	MS + 225	MS + 240	>EUR950m
Islandsbanki	SP	EUR300m	3Y	MS + 421	MS + 445	>EUR770m
Credit Mutuel Arkea	SP (Social)	EUR500m	5Y	MS + 103	MS + 120/125	>EUR1.5bn
Credit Mutuel	SP	GBP500m	5Y	G + 175	G + 185	>GBP800m
FIG (Subordinated)						
Rothesay Life	Tier 2	GBP500m	10Y	G + 375	G + 400	>GBP1.45bn

Source BondRadar, Bloomberg; CAB = Climate Awareness Bond

The number of new **FIG** transactions picked up as 1Q23 earnings season neared its close. Notable transaction came from **NatWest** issuing an EUR1bn senior transaction at the HoldCo level. Spreads tightened by 15/20bps from IPT as books closed at 1.75x deal size, and the deal was eventually placed at MS+175bps. It was one of the largest deal of the week, alongside another EUR1bn transaction from CaixaBank. The issuer appears to have opted for size over pricing as the deal concession is thought to have been between 20-25bps. **CaixaBank** also placed EUR1bn in debt at a shorter 4NC3 tenor. The SNP bond carried a social label, drawing EUR1.5bn in orders, helping it price at MS+150 and with a NIP of 20bps, slightly better than NatWest. Nevertheless, this is somewhat elevated from previous weeks and months considering the relatively short tenor of the transaction and ESG label of the bond, underlining the slightly more challenging funding conditions currently prevailing. This is Caixa's fifth social bond since 2019 and its first of 2023, bringing combined volume to EUR5bn, equally split across all deals.

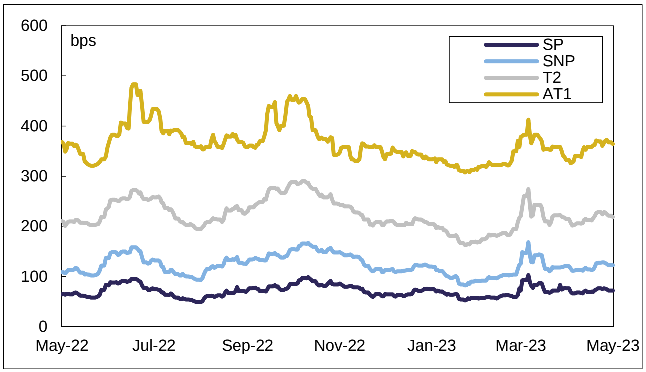
Secondary market spreads were tighter for EUR and marginally wider for USD. CDS indices on European senior (100bps) and subordinated financials (192bps) as measured by iTraxx benchmarks priced -3bps and -5bps against the previous week's levels.

Spreads in secondary markets mostly improved against previous weeks as the general risk sentiment in Europe appears to be diverging from the US. Continued positivity from European banks' earnings reports displaced concerns of potential spill-over effects from the turmoil in the US regional banking sector. Funding conditions for European issuers were thus conducive, albeit at slightly elevated levels compared to previous months. EUR secondary spreads tightened across the board with SP improving the most among Swiss and Swedish entities (both -2.8bps). The positive results by French and Dutch banks were reflected in their higher than average spread tightening in the SNP bail-in segment. Nordic and Swiss titles benefitted the most among Tier 2, with the medium tenors performing best (-28.7bps vs -6.2bps on average).
As expected by Daiwa economists, the BoE last week hiked the Bank Rate by a further 25bps, taking it to 4.50% with cumulative tightening this cycle now at 440bps. The Monetary Policy Committee's (MPC) forward guidance remained unchanged, stating that "If there were to be evidence of more persistent pressures, then further tightening in monetary policy would be required".

Weekly average EUR spreads were tighter with SP (-2bps), SNP (-4.1bps) and Tier 2 (-6.2bps). USD average spreads were wider for SP (+3.0bps), SNP (+0.8bps) but tighter for Tier 2 (-2.4bps). Based on Bloomberg data, 54% of FIG tranches and 50% of SSA tranches issued in May quoted tighter than launch.

Western European Banks EUR Spreads and Yields

Aggregate EUR Z-spread LTM (bps)



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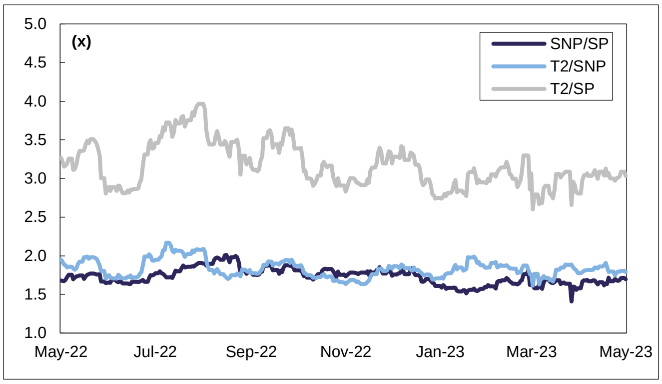

Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non- Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD
Commerz	3.1	3.6	38.0	-4.4	-2.7	3.2	4.6	144.6	-4.4	-14.2	2.7	5.0	156.0	-4.6	2.5
Barclays	1.0	4.0	4.4	0.5	28.9	2.8	4.7	149.5	-3.4	-7.6	7.1	6.4	310.1	-3.7	0.9
BBVA	3.4	3.9	62.1	-3.1	-0.2	3.3	3.9	70.2	-1.3	8.0	3.4	5.8	188.8	-4.7	26.8
BFCM	4.3	3.9	65.5	-4.1	10.7	5.9	4.3	131.1	-5.9	20.9	5.5	4.8	175.0	-11.5	32.9
BNPP	3.7	3.8	46.3	-0.7	1.2	4.3	4.2	114.0	-4.5	-7.7	3.3	4.6	148.7	-9.1	28.9
BPCE	3.7	3.8	70.0	-3.6	13.0	4.5	4.3	123.2	-4.2	3.9	8.2	5.7	173.6	-8.9	5.9
Credit Ag.	3.6	3.7	57.9	-4.3	4.0	4.5	4.1	102.9	-6.0	1.5	2.8	4.4	99.5	0.9	-4.3
Credit Sui.	4.5	4.3	109.9	-4.1	-79.1	4.0	5.3	206.9	-34.2	-254.2					
Danske	2.2	4.1	59.1	-4.0	-13.5	3.6	4.6	137.9	-3.8	6.5	6.1	6.0	238.0	-15.1	5.4
Deutsche	2.0	4.0	69.8	-3.6	-16.9	4.0	5.3	206.2	-7.7	19.3	2.6	6.6	314.8	-22.8	78.5
DNB	3.8	3.7	59.0	-2.6	1.3	4.5	4.1	93.4	-4.2	14.7	4.2	4.9			
HSBC	4.2	3.5	36.7	-2.4	9.0	3.3	4.3	122.0	-2.5	-5.3	3.8	4.6	150.7	-1.5	9.7
ING	2.3	6.8	335.2	-2.9	34.5	4.7	4.3	105.0	-3.7	-0.2	5.7	5.6	223.9	-10.9	5.3
Intesa	3.3	4.2	92.2	-1.1	-10.8	3.8	4.7	156.6	-5.5	15.4	3.7	5.0	150.8	-3.7	11.8
Lloyds	1.6	3.8	16.1	1.8	-4.5	2.9	4.1	65.7	-0.5	-15.3	4.7	6.7	243.2	51.8	-210.6
Nordea	3.4	3.5	35.8	-3.5	27.6	5.3	4.0	100.9	-5.8	24.7	6.6	5.1			
Rabobank	2.8	3.4	7.6	-0.3	11.4	4.9	4.1	101.8	-4.5	4.5	5.6	5.1	200.5	-15.8	25.1
Santander	2.5	3.9	62.9	-3.7	-3.1	3.7	4.0	101.8	-2.1	6.7	3.4	4.4	124.8	-3.4	24.4
San UK	1.8	3.7	16.6	-1.0	6.8	4.2	4.9	182.2	-2.9	-14.5	3.4	4.4	124.8	-3.4	24.4
SocGen	4.0	3.9	86.0	-5.3	10.6	4.9	4.5	143.8	-5.6	7.4	6.8	6.2	293.9	-13.8	41.1
StanChart	3.4	3.9	83.5	-4.1	-17.2	4.5	4.6	146.9	-7.0	-13.2	4.8	6.2	290.5	7.0	-1.0
Swedbank	2.9	3.9	66.3	-2.2	15.1	3.9	4.3	122.6	-5.2	7.8	7.5	5.6	252.5	-3.2	19.6
UBS	3.0	4.0	83.7	-1.3	17.7	4.3	4.9	163.3	-4.7	46.7	5.0	5.5			
UniCredit	3.1	4.4	107.1	-3.6	-25.2	3.0	5.0	179.6	-4.2	-24.8	5.5	7.2	356.3	-20.7	-21.6

Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative of the whole market.

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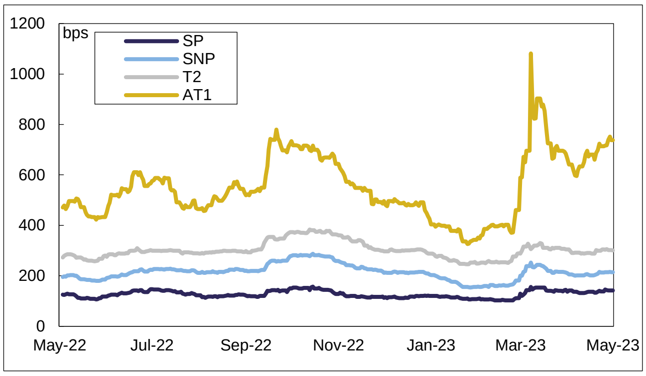
Aggregate USD Z-spread LTM (bps)



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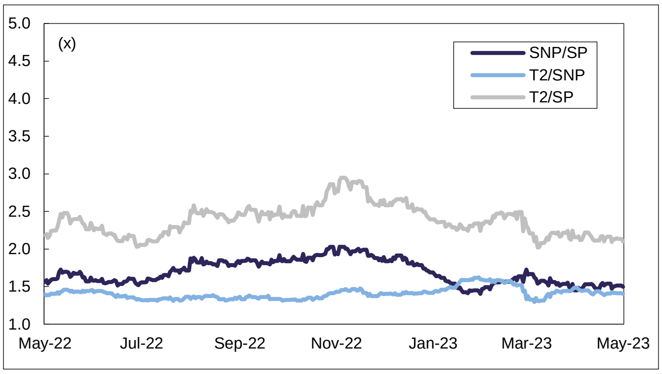

Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non- Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD
Barclays	1.0					3.8	6.0	236.4	-0.7	3.6	4.5	6.5	318.0	3.9	12.6
BFCM	4.3	3.9	65.5	-4.1	10.7	2.9	5.8	213.9	-4.3	9.8	4.5	6.5	318.0	3.9	12.6
BNPP	3.7	3.8	46.3	-0.7	1.2	4.3	5.5	196.1	0.1	-6.7	3.4	5.9	235.3	0.7	-2.0
BPCE	3.7	3.8	70.0	-3.6	13.0	4.1	5.9	213.0	2.1	5.7	2.6	6.9	345.5	-2.5	-6.1
Credit Ag.	3.6	3.7	57.9	-4.3	4.0	2.8	5.5	166.0	0.8	10.1	6.7	6.2	275.4	1.4	-22.2
Credit Sui.	1.7	6.6	262.7	-12.7	-42.0	3.5	6.8	306.7	-23.7	-142.8	2.2	9.0	478.3	80.1	-58.7
Danske	2.2	4.1	59.1	-4.0	-13.5	2.7	6.3	200.0	0.0	2.0	2.2	9.0	478.3	80.1	-58.7
Deutsche	2.0	4.0	69.8	-3.6	-16.9	2.4	6.8	315.2	-2.8	27.6	7.0	8.6	519.5	3.6	62.0
HSBC	4.2	3.5	36.7	-2.4	9.0	3.7	5.7	208.6	-1.2	-14.2	8.7	6.2	292.7	0.8	-11.7
ING	2.3	6.8	335.2	-2.9	34.5	3.6	5.4	181.2	-2.3	-5.9	8.7	6.2	292.7	0.8	-11.7
Intesa	3.3	4.2	92.2	-1.1	-10.8	6.7	7.3	400.3	1.3	-34.4	4.6	8.6	528.3	3.5	26.1
Lloyds	1.9				0.0	3.5	5.6	182.2	1.6	14.7	6.7	6.6	325.3	0.4	14.5
Nordea	3.4	3.5	35.8	-3.5	27.6	3.5	5.2	166.3	0.9	23.7	6.6	5.8			
Rabobank	2.8	3.4	7.6	-0.3	11.4	3.8	5.4	175.1	3.5	12.4	7.3	5.8	218.0	1.3	26.7
Santander	2.5	3.9	62.9	-3.7	-3.1	3.7	5.6	211.5	2.9	7.7	6.4	6.5	323.4	-0.4	24.6
San UK	1.0					3.8	6.2	251.6	1.9	11.1	2.1	6.5	255.7		0.0
SocGen	4.0	3.9	86.0	-5.3	10.6	3.8	6.3	267.9	1.3	14.4	7.1	7.4	401.5	-1.3	64.1
StanChart	3.4	3.9	83.5	-4.1	-17.2	2.4	5.9	181.9	-2.2	-14.9	8.7	6.9	346.5	-1.8	-1.1
UBS	2.2	5.8	146.9	-4.6	59.6	3.7	5.9	239.8	-1.1	38.7	8.7	6.9	346.5	-1.8	-1.1
UniCredit	3.1	4.4	107.1	-3.6	-25.2	3.1	6.8	299.1	-7.5	91.8	6.6	8.6	505.3	-3.2	-28.2

Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative of the whole market.

Credit Research

Key contacts

London		
Head of Research	*Chris Scicluna*	+44 20 7597 8326
Financials, Supras/Sovereigns & Agencies, ESG	*William Hahn*	+44 20 7597 8321
Head of Translation, Economic and Credit	*Mariko Humphris*	+44 20 7597 8327
Research Assistant	*Katherine Ludlow*	+44 20 7597 8318
Tokyo		
Domestic Credit		
Chief Credit Analyst, Financials, Power, Communication, Wholesale Trade, Air Transportation	*Toshiyasu Ohashi*	+81 3 5555 8753
Local government, Government agency	*Kouji Hamada*	+81 3 5555 8791
Electronics, Non-Banks, Real Estate, REIT, Retail trade, Chemicals, Iron & Steel, Marine	*Takao Matsuzaka*	+81 3 5555 8763
Transportation, Pulp & Paper, Oil, Land Transportation	*Kazuaki Fujita*	+81 3 5555 8765
Automobiles, Foods, Heavy equipment, Construction, Machinery	*Ayumu Nomura*	+81 3 5555 8693
International Credit		
Non-Japanese/Financials	*Fumio Taki*	+81 3 5555 8787
Non-Japanese/Financials	*Hiroaki Fujioka*	+81 3 5555 8761
Non-Japanese/Corporates	*Stefan Tudor*	+81 3 5555 8754
ESG		
Chief Securitisation Strategist	*Koji Matsushita*	+81 3 5555 8778
Strategist	*Shun Otani*	+81 3 5555 8764
Strategist	*Takao Matsuzaka*	+81 3 5555 8763
Strategist	*Kaori Ichikawa*	+81 3 5555 8758

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Daiwa Securities Co. Ltd. and Daiwa Securities Group Inc.: Daiwa Securities Co. Ltd. is a subsidiary of Daiwa Securities Group Inc.

Other Disclosures Concerning Individual Issues:
1) As of 26 April 2016, Daiwa Securities Co. Ltd., its parent company Daiwa Securities Group Inc., GMO Financial Holdings, Inc., and its subsidiary GMO CLICK Securities, Inc. concluded a basic agreement for the establishment of a business alliance between the four companies.
As of end-December 2017, Daiwa Securities Group Inc. owned shares in GMO Financial Holdings, Inc. equivalent to approximately 9.3% of the latter's outstanding shares. Given future developments in and benefits from the prospective business alliance, Daiwa Securities Group Inc. could boost its stake in GMO Financial Holdings, Inc. to up to 20% of outstanding shares.

2) Daiwa Real Estate Asset Management is a subsidiary of Daiwa Securities Group Inc. and serves as the asset management company for the following J-REITS: Daiwa Office Investment Corporation (8976), Daiwa Securities Living Investment Corporation (8986).

3) Samty Residential Investment became a consolidated subsidiary of Daiwa Securities Group Inc. effective 10 September 2019.

4) On 30 May 2019, Daiwa Securities Group Inc. formalized an equity/business alliance with Samty, and as of 14 June 2019 it owned 16.95% of shares outstanding in Samty along with convertible bonds with a par value of Y10bn. Conversion of all of said convertible bonds into common shares would bring the stake of Daiwa Securities Group Inc. in Samty to 27.28%.

5) Daiwa Securities Group Inc. and Credit Saison Co., Ltd. entered into a capital and business alliance, effective 5 September 2019. In line with this alliance, Daiwa Securities Group Inc. is to acquire up to 5.01% of Credit Saison's total common shares outstanding (excl. treasury shares; as of 31 Jul 2019).

Notification items pursuant to Article 37 of the Financial Instruments and Exchange Law
(This Notification is only applicable to where report is distributed by Daiwa Securities Co. Ltd.)
If you decide to enter into a business arrangement with our company based on the information described in this report, we ask you to pay close attention to the following items.

- In addition to the purchase price of a financial instrument, our company will collect a trading commission* for each transaction as agreed beforehand with you. Since commissions may be included in the purchase price or may not be charged for certain transactions, we recommend that you confirm the commission for each transaction. In some cases, our company also may charge a maximum of ¥2 million per year as a standing proxy fee for our deposit of your securities, if you are a non-resident.
- For derivative and margin transactions etc., our company may require collateral or margin requirements in accordance with an agreement made beforehand with you. Ordinarily in such cases, the amount of the transaction will be in excess of the required collateral or margin requirements**.
- There is a risk that you will incur losses on your transactions due to changes in the market price of financial instruments based on fluctuations in interest rates, exchange rates, stock prices, real estate prices, commodity prices, and others. In addition, depending on the content of the transaction, the loss could exceed the amount of the collateral or margin requirements.
- There may be a difference between bid price etc. and ask price etc. of OTC derivatives handled by our company.
- Before engaging in any trading, please thoroughly confirm accounting and tax treatments regarding your trading in financial instruments with such experts as certified public accountants.

* The amount of the trading commission cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.
** The ratio of margin requirements etc. to the amount of the transaction cannot be stated here in advance because it will be determined between our company and you based on current market conditions and the content of each transaction etc.

When making an actual transaction, please be sure to carefully read the materials presented to you prior to the execution of agreement, and to take responsibility for your own decisions regarding the signing of the agreement with our company.

Corporate Name: Daiwa Securities Co. Ltd.
Registered: Financial Instruments Business Operator, Chief of Kanto Local Finance Bureau (Kin-sho) No.108
Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association