# European Banks – Credit Update

- Profitability of Spanish banks increases, despite the introduction of the temporary banking tax. Strong deposit funding base only faced limited outflows. Slowing mortgage market presents headwind
- French agencies return to SSA primaries following sovereign downgrade, while banks continue to issue across payment ranks. Continued Tier 2 issuance could pave way for reopening of AT1 market
- Secondary market spreads generally continue to tighten in EUR, with USD spreads also mostly tighter. Continued tightening in sub-debt segments signals improving market confidence

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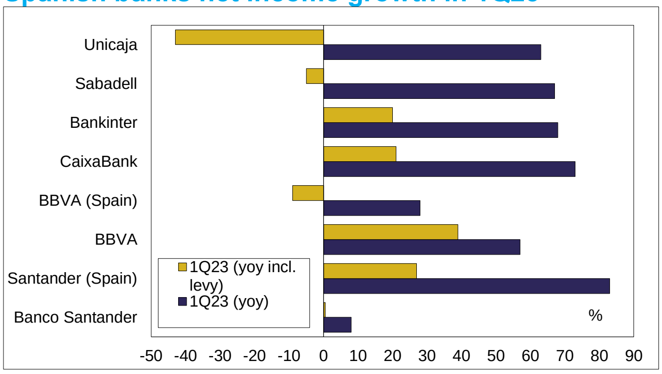
## Spanish banks' profitability rises despite introduction of windfall tax

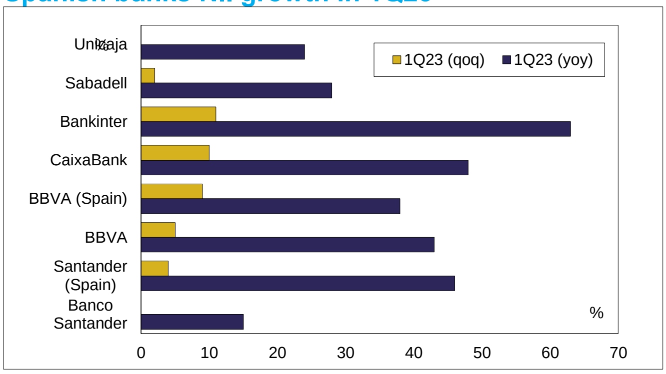
Spanish banks reported significant gains in quarterly profitability, driven primarily by rising net interest income. Average NII growth in 1Q23 was well above analysts' forecasts, up by some 40% yoy across the six largest lenders. Despite loan volumes remaining mostly flat, banks were able to leverage asset margins while maintaining low deposit betas. Fee and commission income growth, if any, mainly stemmed from asset and wealth management divisions of the banking groups with international footprints. BBVA for instance performed well across most geographies, notably LATAM and Turkey, but lower trading income somewhat hampered domestic revenues. Performance at Banco Santander was more mixed across regions, with Europe and Mexico being the main revenue drivers, offsetting some weakness in the remaining LATAM and North American businesses. The impact of the temporary banking tax was in most cases offset by strong NII contributions to bottom-line results. However, the drag on profits will continue to be a credit negative until 2024, when – politics notwithstanding – it is envisioned to end. The Spanish Banking Association (AEB) is challenging the levy at Spain's High court, arguing that it contravenes rules for a level playing field in Europe and distorts competition.

### Spanish banks net income growth in 1Q23




*Source: Bloomberg; Company earnings reports*

### Spanish banks NII growth in 1Q23

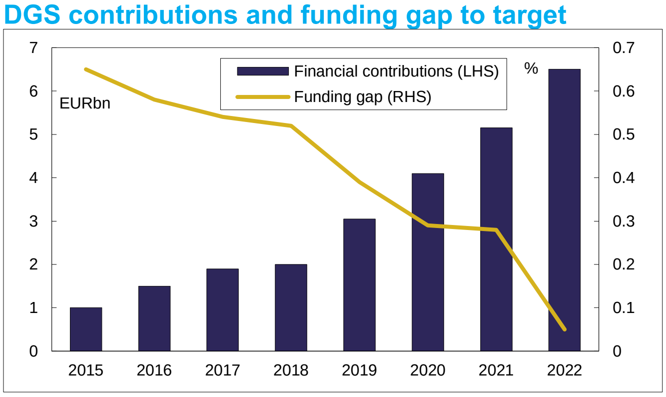



*Source: Bloomberg; Company earnings reports*

## Funding and liquidity position solid, despite some deposit outflows

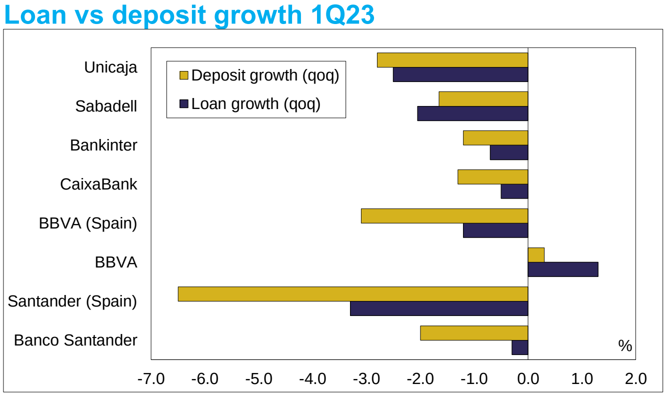
Spanish banks benefit from a stable funding base, comprising mostly of sticky retail and SME customer deposits that on average make up more than 60% of total non-equity funding. The share among smaller and entirely domestically focused banks such as Ibercaja or Unicaja was even higher (>80%). The majority of savings (66%) are covered by the Deposit Guarantee Scheme (DGS) as at FY22, the second highest coverage level in Europe after Portugal. The sector has almost met its mid-2024 DGS funding target and the high level of coverage likely reinforces the stickiness and stability of customer deposits. BBVA, Santander and Bankinter benefit from this to a lesser degree given their international presence and business models that are more geared towards corporate clients and have a higher wholesale deposits base. Many Spanish banks revised up their NII projections for 2023 on the back of low expected deposit betas, and quarterly deposit outflows in 1Q23 were limited to just -2.3% on average. Loan-to-deposit ratios remained low as lending volumes also declined during that period by 1.2% on average. Most banks in Spain, have loan-to-deposit ratios ranging anywhere between 80% to <100%, underlining their strong funding position.

### DGS contributions and funding gap to target




*Source: FGD*

### Loan vs deposit growth 1Q23




*Source: Bloomberg; Company earnings reports*

## Residential mortgage market is headwind for bank profitability

Data from the Bank of Spain and General Council of the Notariat (GCN) showed that the number of house purchases and the flow of new mortgage lending slowed significantly from 3Q22 through to 1Q23, even recording negative year-on-year growth rates. In March, the number of new signed mortgage agreements fell by 26.4% yoy, the second strongest decline in almost a decade. The Bank of Spain attributes the slowdown in housing market activity in part to households' loss of purchasing power, heightened uncertainty and the gradual tightening of mortgage lending financing conditions. The cooling of the residential mortgage market is considered credit negative for the banking sector as it represents a key income stream for domestic lenders, accounting for 44% of their loan books. In addition to the sharp rise in borrowing cost and limited housing supply into the market are exacerbating affordability issues with average mortgage rates at 3.54% compared to 1.54% one year prior, according to central bank data. If this cooling of the housing market persists, we expect Spanish banks to revise their NII projections later in the year.

## Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR10bn over the course of last week, below market expectations of EUR14.5bn-19bn. FIG supply of EUR15.5bn was at the upper end of weekly forecast amounts of EUR10.5bn-15.5bn. The total 2023 year-to-date FIG volume of EUR308bn is 7.9% ahead of last year's issuance volume. SSA volumes are also ahead of last year's level, up 17.3% at EUR356bn. For the current week, survey data suggest SSA issuance volumes will range between EUR10bn-15bn and FIGs are expected to issue EUR7bn-11.5bn.

The **SSA** primary market returned to strength last week across a variety of currencies (AUD, USD, EUR). French agencies in particular made a strong outing after investors and issuers had more clarity on the country's sovereign rating. Credit rating agency Fitch took action on the sovereign in late-April, downgrading it to 'AA-' (Outlook: Stable) after it had been on negative outlook since May 2020. **Caisse des Dépôts et Consignations (CDC)** and **Agence Française de Développement (AFD)** were the first to return to Euro markets. CDC placed a no-grow EUR500m sustainability bond, with proceeds to be used in accordance with the issuer's recently updated green, social and sustainability bond framework from February. The EUR500m 5-year deal tightened by 3bps to OAT+27bps as coverage was a sizeable 8.8x, landing the deal flat to fair value. AFD launched a larger EUR2bn bond for 10 years, which also attracted strong demand (4x). The bond is thought to have carried a NIP of 2bps. Later that week, more agency supply followed from **Agence France Locale (AFL)** and their 15-year bond priced 2bps inside guidance, despite book orders only at 1.35x. Nevertheless, the recent transaction means AFL has completed 75% of its 2023 funding target of EUR2bn. **Dexia** also placed a Euro bond. The agency that is co-owned by the French (46.8%) and Belgian (52.8%) states had a shorter dated 5-year bond in the market for EUR1.5bn. The spread tightened to MS+7bps (-3bps from IPT) on the back of EUR2.5bn in orders, a strong result. French agencies appear to have found a good issuance window in the market with solid demand despite the sovereign downgrade. The positive investor response likely reflects the higher yields on offer and has possibly already priced in another rating downgrade by S&P. On 2nd June, S&P is expected to announce its own rating decision which will likely follow that of Fitch, downgrading the sovereign from 'AA' (Outlook: Negative). Rating agency Moody's is the outlier among the big three agencies, as they affirmed their rating at 'Aa2' (Outlook: Stable) in April, the equivalent to 'AA'.

### (Table 1) Key Benchmark Transactions

| Bank | Rank | Amount | Maturity | Final Spread (bps) | IPT (bps) | Book Orders |
|---|---|---|---|---|---|---|
| **SSA** | | | | | | |
| IBRD | Sr. Unsecured (SDB - Tap) | AUD410m | Apr-2033 | ASW + 50 | ASW + 50 | >EUR24bn |
| Tokyo Metropol. Gov. | Sr. Unsecured | USD500m | 3Y | SOFR MS + 84 | SOFR MS + 84 | >USD4bn |
| SEK | Sr. Unsecured | AUD500m | 5Y | ASW + 63 | ASW + 65 | n.a. |
| CDC | Sr. Unsecured (Sustainability) | EUR500m | 5Y | OAT + 27 | OAT + 30 | >EUR4.4bn |
| AFD | Sr. Unsecured | EUR2bn | 10Y | OAT + 41 | OAT + 43 | >EUR7.9bn |
| NWB Bank | Sr. Unsecured (SDG) | USD1bn | 5Y | SOFR MS + 45 | SOFR MS + 47 | >USD1.8bn |
| NRW Bank | Sr. Unsecured (Green) | EUR1bn | 7Y | MS – 2 | MS – 1 | >EUR1.7bn |
| Italy | Sr. Unsecured | EUR4bn | 15Y | BTPS + 27 | BTPS + 29 | >EUR23.8bn |
| EIB | Sr. Unsecured (SAB) | AUD450m | 10Y | ASW + 52 | ASW + 52 | n.a. |
| Dexia | Sr. Unsecured | EUR1.5bn | 5Y | MS + 7 | MS + 10 | >EUR2.5bn |
| AFL | Sr. Unsecured | EUR500m | 15Y | OAT + 44 | OAT + 46 | >EUR675m |
| KfW | Sr. Unsecured | USD4bn | 5Y | SOFR MS + 34 | SOFR MS + 36 | >USD13.5bn |
| | | | | | | |
| **FIG (Senior)** | | | | | | |
| SEB | SP | GBP350m | 3Y | G + 155 | G + 160 | >GBP490m |
| Erste Bank | SP | EUR500m | 7NC6 | MS + 125 | MS + 140 | >EUR950m |
| Lloyds | Sr. Unsecured | EUR750m | 4Y | MS + 95 | MS + 120 | >EUR2.4bn |
| Swedbank | SNP | EUR750m | 3NC2 | MS + 110 | MS + 125 | >EUR1.2bn |
| Credit Agricole | SP | AUD300m | 5Y | SQ ASQ + 160 | SQ ASQ + 165 | n.a. |
| Credit Agricole | SP | AUD600m | 5Y | 3mBBSW + 160 | 3mBBSW + 165 | n.a. |
| Intesa | SP (Social) | GBP750m | 10Y | G + 265 | G + 285 | >GBP2.1bn |
| Credito Emiliano | SNP (Green) | EUR400m | 6NC5 | MS + 250 | MS + 275 | >EUR2.2bn |
| Nordea | SNP (Green) | GBP300m | 3NC2 | G + 190 | G + 200 | >GBP525m |

| | | | | | | |
|---|---|---|---|---|---|---|
| NIBC NV | SNP | EUR500m | 2.5Y | MS + 300 | MS + 310 | >EUR800m |
| | | | | | | |
| **FIG (Subordinated)** | | | | | | |
| BPCE | Tier 2 (Social) | EUR500m | 10NC5 | MS + 265 | MS + 300 | >EUR3.8bn |
| CaixaBank | Tier 2 | EUR1bn | 11NC6 | MS + 300 | MS + 330 | >EUR1.65bn |
| Novo Banco | Tier 2 | EUR500m | 10.5NC5 | 9.875% | 10.25% | >EUR1.2bn |
| Allianz | Tier 2 | EUR1.25bn | 30.1NC10.1 | MS + 265 | MS + 285 | >EUR2.9bn |

*Source BondRadar, Bloomberg; SAB = Sustainability Awareness Bond; SDB = Sustainable Development Bond*

A number of ESG bonds were placed in **FIG** primaries as GBP, EUR, and AUD currencies dominated the week. Senior Sterling supply came from high-quality issuers such as SEB, Intesa and Nordea. **Intesa's** social SP bond was the longest senior FIG Sterling transaction so far this year as it carried a 10-year tenor. The duration on offered for the GBP750m bond was met with 2.8x demand, helping spreads tighten to G+265bps (20bps from IPT). Funding in Sterling appears more attractive for the Italian bank in this segment of the curve when compared to the EUR equivalent. NIP on the deal is thought to have been between 20-25bps. **Nordea** placed GBP300m in bail-in format. The green SNP trade was the Nordic issuer's inaugural Sterling SNP bond and priced 10bps tighter than launch at G+190bps. The NIP was estimated at 20bps. The largest book cover ratio was achieved by **Credito Emiliano (CREDEM).** The mid-sized Italian bank also launched a labelled green SNP bond, albeit in Euros (EUR400m). The bank garnered orders of EUR2.2bn, resulting in a subscription level of 5.5x. It is the issuer's first publicly placed bond since May 2022.

The sub-debt space continued its return to form, as four issuers placed a combined EUR3.25bn in Tier 2 debt. **BPCE** placed a social Tier 2 bond, following the success of Banco Santander's Tier 2 bond one week prior that opened this segment of the market. Like Santander, BPCE had no difficulty finding an audience as books closed at EUR3.8bn (7.6x covered). The EUR500m bond priced with a NIP of 10-15bps, which is a very strong result considering the higher premiums charged on senior trades last week. Another sign of strength for the subordinated debt market was that 'Ba3' rated Portuguese bank **Novo Banca** successfully placed a Tier 2 bond, rated 'B1'. The attractive 9.875% yield drew many investors, possibly helped by the prospect of a ratings upgrade of the issuer, that currently has a positive outlook on its rating by Moody's.

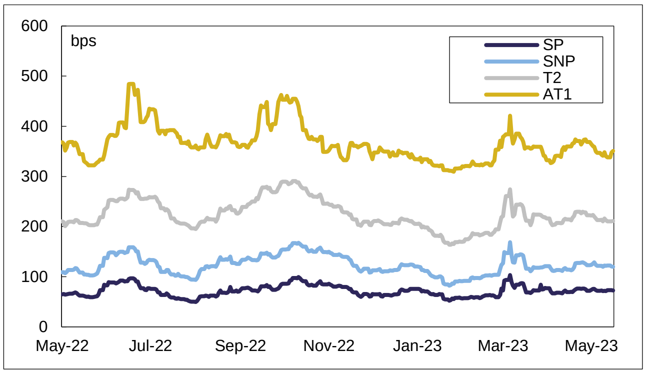
**Secondary market spreads** were mixed for EUR and USD. CDS indices on European senior (90bps) and subordinated financials (167bps) as measured by iTraxx benchmarks priced -4bps and -6bps against the previous week's levels.

Spreads in secondary markets generally improved against again. EUR secondary spreads tightened across the board with SP improving the most among German entities (-0.9bps), while Dutch banks were wider than the rest (+1.8bps) due to repricing of NIBC's SP bonds, following the issuance of the issuer's first SNP transaction since 2020. Average spread in the SNP bail-in segment remained relatively flat and tightening among Italian names (-1.7bps) was offset by widening UK (+1.3bps) and Danish banks (+1bp). The Tier 2 segment improved the most, benefitting from tightening among peripheral lenders. Italy (-5.7bps) and Spain (-5.3bps) being the largest regional beneficiaries. The positive sentiment in this segment may possibly also improve sentiment in the AT1 segment that up until now remains firmly closed.

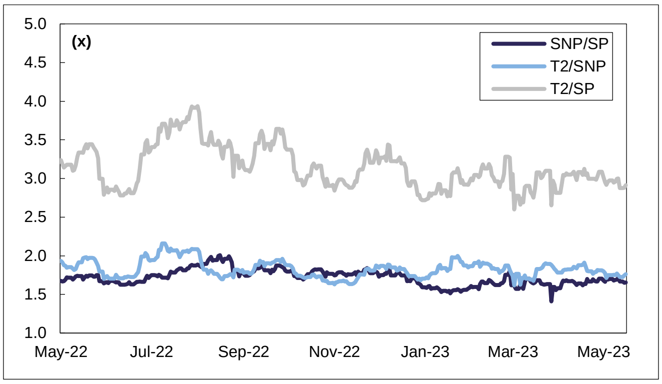
Weekly average EUR spreads were tighter with SP (-0.6bps), SNP (+0.1bps) and Tier 2 (-2.0bps). USD average spreads were wider for SP (+3.0bps), but tighter for SNP (-4.8bps) and Tier 2 (-7.9bps). Based on Bloomberg data, 83% of FIG tranches and 86% of SSA tranches issued in May quoted tighter than launch.

## Western European Banks EUR Spreads and Yields

### Aggregate EUR Z-spread LTM (bps)




### Multiples (x)




*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.*

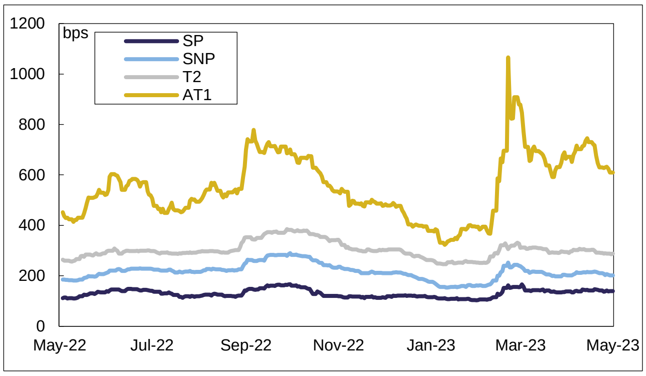
## Selected Names

| | 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 |
| ABN Amro | 2.2 | 3.7 | 22.3 | 3.2 | 29.2 | 5.8 | 4.3 | 115.2 | 2.2 | 4.2 | 4.2 | 5.5 | 232.9 | 1.7 | 22.0 |
| Sabadell | 2.4 | 4.8 | 114.2 | 0.0 | -28.7 | 2.1 | 5.8 | 220.7 | -5.6 | -10.5 | 4.7 | 7.9 | 330.2 | -15.7 | 123.0 |
| Santander | 2.5 | 4.1 | 63.5 | 1.5 | -4.6 | 3.7 | 4.1 | 98.9 | -1.4 | 4.6 | 3.9 | 4.6 | 114.7 | -1.4 | 18.2 |
| Barclays PLC | 1.0 | 4.1 | 5.5 | 5.0 | 29.5 | 2.7 | 4.8 | 140.8 | -0.3 | -13.6 | 7.0 | 6.3 | 285.8 | -0.5 | -23.8 |
| Banco BPM | 2.8 | 4.6 | 95.8 | -1.7 | -33.6 | 2.9 | 5.2 | 182.2 | -3.7 | -37.3 | 2.8 | 7.1 | 306.8 | -12.6 | -104.7 |
| BAWAG Group | 3.3 | 4.4 | 106.8 | 0.4 | 2.9 | 4.1 | 4.7 | 149.1 | -6.0 | 51.9 | | | | | |
| BFCM | 4.2 | 4.0 | 60.6 | 0.5 | 4.8 | 5.8 | 4.4 | 131.2 | 1.3 | 22.7 | 4.6 | 4.7 | 155.1 | -2.1 | 28.3 |
| BNP Paribas | 4.9 | 4.0 | 74.2 | 0.4 | 3.1 | 4.3 | 4.3 | 113.5 | 0.3 | -7.1 | 3.4 | 4.9 | 184.3 | -3.0 | 10.7 |
| BPCE | 3.6 | 3.9 | 65.5 | 0.6 | 9.7 | 4.5 | 4.4 | 120.5 | -0.1 | 1.5 | 4.4 | 5.6 | 168.1 | -5.0 | -9.3 |
| BBVA | 3.4 | 4.0 | 60.8 | 0.8 | 0.7 | 3.2 | 4.1 | 66.2 | 0.5 | 6.3 | 3.4 | 5.7 | 172.2 | -3.4 | 16.0 |
| Bankinter | 5.9 | 4.4 | 133.1 | 4.2 | 13.8 | 3.6 | 4.5 | 117.2 | 1.6 | 4.5 | 8.5 | 6.6 | 332.7 | -1.0 | -0.4 |
| CaixaBank | 2.9 | 4.1 | 64.0 | 0.8 | -14.9 | 3.1 | 4.7 | 111.1 | 0.3 | -8.5 | 4.7 | 6.2 | 247.7 | 7.7 | -35.2 |
| Commzerbank | 3.0 | 3.7 | 29.5 | 0.0 | -12.6 | 3.5 | 4.7 | 134.7 | -1.5 | -22.4 | 3.5 | 6.4 | 110.9 | -16.0 | -47.0 |
| Crédit Agricole | 3.7 | 3.8 | 65.7 | 1.4 | 2.8 | 4.4 | 4.2 | 102.2 | 1.7 | 0.0 | 2.8 | 4.5 | 96.1 | -0.1 | -6.7 |
| Danske Bank | 2.2 | 4.1 | 58.2 | 2.2 | -12.8 | 3.6 | 4.7 | 134.0 | 1.0 | 7.0 | 5.9 | 6.0 | 238.2 | -2.5 | -0.2 |
| Deutsche Bank | 1.9 | 4.2 | 74.1 | 2.2 | -10.6 | 3.9 | 5.3 | 191.3 | -0.1 | 14.6 | 2.7 | 6.2 | 263.2 | -6.0 | 18.0 |
| DNB Bank | 3.8 | 3.9 | 57.7 | 1.6 | -0.4 | 4.5 | 4.2 | 91.9 | 2.3 | 16.9 | 4.1 | 4.9 | | | |
| Erste Group | 5.3 | 4.0 | 84.5 | 2.5 | -8.1 | 2.9 | 3.9 | 47.3 | -0.7 | -51.2 | 6.5 | 6.0 | 259.1 | -4.2 | -20.2 |
| HSBC Holdings | 4.5 | 3.6 | 41.3 | 1.9 | 4.4 | 3.6 | 4.4 | 124.4 | -1.0 | -3.5 | 3.8 | 4.7 | 147.7 | 1.6 | 4.7 |
| ING Group | | | | | | 4.7 | 4.4 | 109.2 | -1.6 | -2.0 | 6.1 | 5.6 | 213.4 | -1.7 | -2.9 |
| Intesa Sanpaolo | 3.3 | 4.3 | 96.0 | 0.9 | -7.0 | 3.7 | 4.7 | 149.1 | -1.9 | 12.4 | 3.3 | 5.6 | 144.0 | 2.5 | 10.1 |
| Jyske Bank | 4.6 | 4.6 | 133.8 | 0.4 | 10.5 | 2.5 | 4.9 | 107.4 | 2.5 | -42.8 | | | | | |
| KBC Group | | | | | | 3.7 | 4.3 | 108.8 | 1.8 | -6.3 | 5.8 | 5.8 | 193.9 | -3.8 | -69.5 |
| Lloyds | 1.6 | 3.8 | 5.3 | -5.0 | -19.0 | 2.9 | 4.3 | 66.5 | 3.0 | -9.7 | 4.9 | 6.5 | 239.5 | -1.3 | -169.0 |
| Mediobanca | 4.1 | 4.5 | 100.9 | -0.6 | -1.1 | 3.5 | 4.7 | 126.7 | -1.6 | 3.3 | | | | | |
| NatWest Group | 2.7 | 4.1 | 65.3 | 2.3 | -17.8 | 3.9 | 4.6 | 131.4 | 0.9 | -10.4 | 6.9 | 5.9 | 284.2 | -3.7 | -8.9 |
| Nordea | 3.4 | 3.7 | 31.4 | 0.2 | 26.1 | 5.2 | 4.2 | 96.9 | 0.3 | 23.7 | 6.4 | 5.2 | | | |
| Rabobank | 2.7 | 3.4 | 0.2 | -0.1 | 3.8 | 4.8 | 4.2 | 98.7 | -1.0 | -0.5 | 5.4 | 5.2 | 194.0 | -1.1 | 17.8 |
| RBI | 3.0 | 4.9 | 156.4 | -2.0 | -15.2 | | | | | | 6.6 | 8.3 | 495.1 | -8.4 | 17.7 |
| SEB | 2.8 | 3.9 | 47.8 | -0.3 | 4.2 | 4.1 | 4.3 | 109.6 | 0.1 | 39.3 | 5.9 | 5.6 | 198.9 | 1.4 | 19.3 |
| Santander UK | 1.7 | 3.9 | 14.2 | -2.1 | 9.8 | 4.1 | 5.0 | 178.5 | 0.9 | -15.2 | | | | | |
| SocGen | 4.0 | 4.0 | 83.9 | -1.2 | 4.4 | 4.9 | 4.6 | 144.2 | -0.2 | 8.4 | 5.2 | 5.9 | 259.0 | -3.3 | 32.1 |
| Svensk. Handel. | 3.7 | 3.8 | 52.9 | 1.0 | 7.4 | 4.9 | 4.2 | 97.6 | -1.1 | 18.0 | 6.6 | 5.6 | 203.1 | -3.1 | 35.6 |
| Swedbank | 2.8 | 4.0 | 60.8 | 0.7 | 14.0 | 3.7 | 4.3 | 112.2 | -1.2 | 2.4 | 6.1 | 6.4 | 259.2 | 17.9 | 46.9 |
| Stand. Chart. | | | | | | 4.5 | 4.7 | 140.0 | 0.1 | -16.2 | 2.1 | 6.2 | 255.2 | -3.2 | -15.5 |
| UBS Group | 3.0 | 4.2 | 80.7 | 1.7 | 18.5 | 4.3 | 4.9 | 158.9 | 1.0 | 42.4 | | | | | |
| UniCredit | 3.1 | 4.5 | 102.8 | 0.7 | -25.0 | 3.0 | 5.0 | 169.9 | -0.1 | -31.9 | 5.5 | 6.8 | 310.7 | -5.9 | -74.3 |

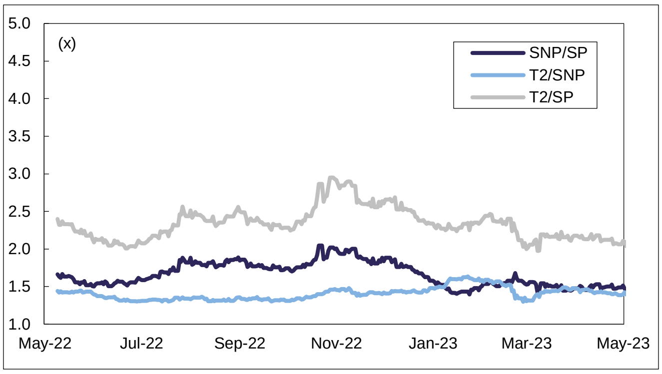
*Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative of the whole market. Issuance >300m*

## Western European Banks USD Spreads and Yields

### *Aggregate USD Z-spread LTM (bps)*




### *Multiples (x)*




*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 |
| ABN Amro | | | | | | 4.8 | 6.0 | 210.6 | 0.5 | -23.3 | 2.6 | 7.1 | 356.0 | -4.1 | -42.3 |
| Santander | 1.4 | 5.9 | 135.3 | 0.1 | 1.9 | 3.6 | 5.8 | 187.0 | -9.0 | -0.8 | 6.3 | 6.6 | 300.1 | -5.8 | -1.9 |
| Barclays PLC | 1.4 | | | | | 3.9 | 6.1 | 220.4 | -6.3 | -16.9 | 4.5 | 6.7 | 300.6 | -6.4 | 7.5 |
| BFCM | 2.2 | 5.5 | 121.9 | -1.7 | 6.9 | | | | | | | | | | |
| BNP Paribas | 4.0 | 5.3 | 155.6 | -6.0 | -1.8 | 4.2 | 5.8 | 187.6 | -4.5 | -14.4 | 3.4 | 6.1 | 225.9 | -3.9 | -27.5 |
| BPCE | 3.4 | 5.5 | 166.6 | -5.7 | -7.2 | 4.0 | 6.2 | 212.5 | -3.1 | -8.2 | 5.1 | 6.9 | 330.6 | -7.5 | -22.2 |
| BBVA | 2.2 | 5.7 | 135.4 | 6.9 | 17.1 | 2.9 | 6.1 | 200.8 | 8.3 | 7.7 | | | | | |
| CaixaBank | | | | | | 4.0 | 6.4 | 256.6 | -10.0 | 12.8 | | | | | |
| Crédit Agricole | 2.5 | 5.4 | 117.7 | -0.9 | 0.5 | 2.7 | 6.0 | 161.9 | 0.8 | 7.5 | 6.6 | 6.4 | 273.4 | -2.8 | -29.6 |
| Danske Bank | 2.2 | 6.8 | 169.1 | -10.4 | -4.5 | 2.6 | 6.7 | 195.2 | -6.2 | 0.1 | | | | | |
| Deutsche Bank | 3.7 | 5.9 | 183.2 | -10.8 | 78.2 | 2.4 | 6.9 | 293.5 | -9.9 | 12.8 | 6.9 | 8.5 | 483.0 | -5.7 | 24.1 |
| DNB Bank | 2.2 | | | | | 3.8 | 5.8 | 167.3 | -8.1 | -5.8 | | | | | |
| HSBC Holdings | | | | | | 3.7 | 5.9 | 190.3 | -6.6 | -32.8 | 8.6 | 6.3 | 277.0 | -2.6 | -31.4 |
| ING Group | | | | | | 3.5 | 5.6 | 176.0 | -6.4 | -13.3 | | | | | |
| Intesa Sanpaolo | 3.6 | 7.0 | 353.3 | -9.1 | -26.2 | 6.7 | 7.5 | 386.4 | -1.7 | -49.7 | 4.6 | 8.7 | 502.0 | -2.2 | -4.3 |
| KBC Group | | | | | | 3.9 | 5.8 | 200.9 | -10.4 | -13.5 | | | | | |
| Lloyds | 5.2 | 5.3 | 184.8 | 0.0 | -2.9 | 3.4 | 5.8 | 162.0 | -8.6 | -9.1 | 6.6 | 6.7 | 307.8 | -5.5 | 2.4 |
| NatWest Group | 1.7 | 6.0 | 84.3 | -13.2 | -22.1 | 3.7 | 5.9 | 189.3 | -5.2 | -6.9 | 7.5 | 7.9 | 353.1 | -33.3 | -51.1 |
| Nordea | 2.1 | 5.7 | 114.5 | 4.0 | 33.2 | 3.4 | 5.5 | 161.1 | -4.9 | 16.5 | 7.9 | 6.5 | 278.7 | -9.3 | 29.6 |
| Rabobank | 1.7 | 5.5 | 48.1 | -2.9 | 18.2 | 3.7 | 5.8 | 170.9 | -1.0 | 8.2 | 4.6 | 6.1 | 222.0 | -6.1 | -4.4 |
| SEB | 2.0 | 5.6 | 131.2 | 0.6 | 28.5 | | | | | | | | | | |
| Santander UK | 3.8 | 6.6 | 242.9 | -7.5 | 7.5 | 3.8 | 6.6 | 242.9 | -7.5 | 7.5 | 6.6 | 6.6 | 255.7 | 0.0 | 0.0 |
| SocGen | 2.0 | 5.9 | 139.3 | 1.2 | 29.9 | 3.7 | 6.5 | 257.5 | -3.9 | 7.6 | 8.8 | 7.5 | 393.5 | -5.6 | 41.6 |
| Svensk. Handel. | 1.9 | 5.7 | 116.2 | 5.2 | 19.2 | 3.8 | 5.7 | 165.5 | 2.3 | 0.9 | | | | | |
| Swedbank | 2.5 | 5.4 | 104.2 | -4.7 | 7.9 | 3.7 | 5.9 | 202.5 | -8.0 | 26.7 | | | | | |
| Stan. Chart. | | | | | | 2.4 | 6.2 | 174.8 | -3.0 | -24.2 | 7.7 | 7.0 | 320.4 | -7.9 | -31.7 |
| UBS Group | 1.5 | 6.1 | 125.0 | -9.0 | 37.4 | 3.7 | 6.1 | 228.1 | -3.4 | 32.1 | | | | | |
| UniCredit | 3.7 | 6.5 | 311.0 | -4.3 | -6.1 | 3.0 | 7.3 | 295.0 | -2.9 | 88.9 | 6.5 | 8.6 | 478.4 | -8.7 | -48.8 |

*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. Issuance >300m*

# Credit Research

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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
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