European Banks – Credit Update

- Swiss Federal Council looks to transfer public liquidity backstop for systemic banks into law. Emergency features from Credit Suisse rescue to become part of Swiss resolution toolkit
- ECB financial stability review highlights housing market concerns and focuses on bank capitalisation
- SSA issuers active across a variety of currencies while FIGs were mostly focused on short dated, senior Euro issuance. The sizeable Samurai multi-tranche by Credit Agricole provided some variety
- Secondary market spreads broadly unchanged with widening in EUR and select tightening in USD

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Swiss Federal Council looks to transfer public liquidity backstop for systemic banks into law

In late May, the Swiss government initiated a consultation on revisions to the Swiss Banking Act, notably transferring into ordinary law amendments to the resolution framework of systemically important banks (SIBs). Changes were already being made through an emergency ordinance in mid-March to facilitate the takeover of Credit Suisse by domestic peer UBS. The Swiss approach of a state liquidity provisions via a public liquidity backstop (PLB) will likely become a permanent feature of the Swiss resolution toolkit. The proposed adoption into law became necessary as the emergency ordinance is set to expire after six months from enactment. Similar liquidity backstops exist in other jurisdictions, albeit on a collateralised basis (e.g. UK, Japan or USA). The PLB is intended to be utilised when a bank's own liquid assets are not sufficient anymore to meet financial obligations or the option for the central bank to provide emergency liquidity against collateral has been exhausted. Once these two options are no longer viable, it is then possible for the central bank to provide additional liquidity which is guaranteed by the state. However, the level of guarantee must be defined on a case-by-case basis, depending on the circumstances and taking into consideration the lender's size.

Proposed amendments are credit positive for Swiss systemic banks

The consultation period on making such a liquidity backstop available to the five domestic SIBs (UBS, Credit Suisse, Raiffeisen Schweiz, Zurich Cantonal Bank and PostFinance) will run until June 21st after which it will be presented to parliament in September. The proposed enhancements are considered positive for senior creditors as they provide more clarity and flexibility in resolution. The write-down of Credit Suisse AT1 bonds by Swiss regulator FINMA before equity holders were wiped out caught many onlookers by surprise and subsequently led some investors to mount legal challenges to the practice. In our view, the outlook for success of these is limited as the Swiss AT1 documentation contains provisions outlining these scenarios. However, to remove any future ambiguity, the amendments to the banking act explicitly allows FINMA to write down AT1 instruments ahead of equity holders. While this provides the regulator with full flexibility in resolution, it will likely mean Swiss AT1 premiums will remain elevated for the foreseeable future, especially for systemically relevant institutions affected by the changes. During the takeover of Credit Suisse by UBS, the Swiss national bank (SNB) provided additional liquidity lines of CHF200bn, and net borrowings reportedly reached more than half that amount. The Swiss government recently confirmed that these amounts have been repaid but in order to protect the SNB from a potential default due to sizeable drawings in an emergency more amendments have been proposed. The law foresees that the SNB is provided with a default guarantee from the government, protecting it from any default on liquidity assistance provided to Swiss SIBs. Lastly, the revised Banking Act allows the government to provide the acquiring bank in case of a merger (in this case UBS) with up to CHF9bn in guarantees to absorb potential losses arising from taking on certain assets as part of the transaction.

Key take-aways from May ECB Financial Stability Review

The European Central Bank's (ECB) latest Financial Stability Review points towards financial stability vulnerabilities that remain elevated. Key observations by the ECB include:

- "Financial markets remain vulnerable to less favourable growth and inflation outcomes. Adverse market dynamics could be amplified by forced sales of securities by non-banks amid low liquidity buffers;
- Tighter financial and credit conditions are testing the resilience of euro area firms, households and sovereigns. The correction in property markets could turn disorderly in the event of negative macro-financial surprises;
- Euro area banks have had little exposure to the recent unexpected banking sector stress experienced in some mature economies, but funding and asset quality headwinds may weigh on future profitability; and
- It is essential to complete the banking union and strengthen policies for the non-bank financial sector to further enhance the resilience of the euro area financial sector."

The ECB warned that high mortgage rates are rendering homes unaffordable for households and unappealing for investors, potentially leading to a 'disorderly' decline in EU home prices, especially in countries where variable-rate mortgages are predominant (i.e. Baltics, Spain, Portugal). The average interest rate on loans for house purchases in the euro area has risen to 3.44% in April 2023, almost two percentage points higher than it had been a year earlier. Not only does this steep rise in borrowing costs lead to a significant decline in loan origination but it also poses an increased default risk on loans to businesses and households, and in turn higher credit risks on bank's balance sheets. Nevertheless, the report suggest that the risk of a broader financial crisis remains contained, and European banks have demonstrated resilience due to historically strong capital and liquidity buffers. However, it also emphasises the need for banks to set aside more funds to cover losses and manage credit risks.

Renewed focus on bank capital, dividends and liquidity

The central bank noted that capital ratios of euro area banks declined in 2022, reflecting higher lending volumes and higher average riskiness of total assets. The aggregate CET1 ratio fell by 40bps last year to 15%, mainly due to RWA growth, in turn due to higher average risk weights but also due to rising overall asset balances. On the back of this, euro area banks should avoid excessive capital pay-outs to shareholders as banking sector turmoil in the US and Switzerland clouded the outlook for the industry. Stronger profitability allowed average dividends and share buybacks to be increased to 1.5% of RWA in 2022 from 0.7% during the pre-pandemic period and the aforementioned sector volatility in March has so far had little impact on future capital distributions. However, dividend futures prices since March suggest that payouts for 2024 are expected to decline by around 15%. The ECB is not considering blanket restrictions on pay-outs by banks, as it did during the pandemic, but it will be taking a closer look at pay-out ratios and other metrics, including liquidity reserves as it may communicate stricter requirements.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR8.4bn over the course of last week, below market expectations of EUR10bn-15bn. FIG supply of EUR15.6bn was above the weekly forecast amounts of EUR7bn-11.5bn. The total 2023 year-to-date FIG volume of EUR325bn is 11.3% ahead of last year's issuance volume. SSA volumes are also ahead of last year's level, up 17.2% at EUR365bn. For the current week, survey data suggest SSA issuance volumes will range between EUR11.5bn-16.5bn and FIGs are expected to issue EUR10bn-15bn.

SSA new deals in primary markets came in a variety of currencies (AUD, EUR, CHF, GBP, NOK). Earlier in the week, sizeable EUR supply from IDB Invest and Land NRW reached a combined EUR2.5bn. **Land NRW** attracted a sizeable order book for its EUR2bn, 10-year sustainability bond with a cover ratio of 6.5x. The spread tightened by 3bps during pricing to MS+3bps, thus leading to a low concession of just 1bps. **IDB Invest** brought a smaller Euro print of EUR500m with a 7-year tenor at MS+21bps. Considering IDB Invest is a less frequent issuer, particularly in Euros, the concession of 1bps on the back of 2x book orders should be seen as a strong outcome.

(Table 1) Key Benchmark Transactions

Bank	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
SSA						
IDB Invest	Sr. Unsecured	EUR500m	7Y	MS + 21	MS + 23	>EUR1bn
Land NRW	Sr. Unsecured (Sustainability)	EUR2bn	10Y	MS + 3	MS + 6	>EUR13bn
KfW	Sr. Unsecured (Tap)	GBP300m	Jul-2025	G + 58	G + 58	n.a.
KfW	Sr. Unsecured (Tap)	AUD200m	Sep-2026	ASW + 20	ASW + 20	n.a.
NIB	Sr. Unsecured	AUD300m	5Y	ASW + 40	ASW + 40	>EUR4.4bn
EIB	Sr. Unsecured (CAB Tap)	NOK1bn	May-2028	3mNibor + 14	3mNibor + 14	>EUR7.9bn
CoE	Sr. Unsecured	CHF200m	6Y	SARON – 22	SARON – 22	n.a.
NRW Bank	Sr. Unsecured	USD500m	2Y	SOFR MS + 25	SOFR MS + 25	n.a.
FIG (Senior)						
KBC	Sr. HoldCo	EUR1.25bn	3NC2	MS + 95	MS + 115	>EUR1.75bn
KBC	Sr. HoldCo (Social)	EUR750m	8.5Y	MS + 145	MS + 165	>EUR1.5bn
SocGen	SP	EUR1.25bn	4Y	MS + 95	MS + 120/125	>EUR2.1bn
HSBC	Sr. HoldCo	SGD600m	6NC5	4.50%	4.75%	>SGD800m
Sabadell	SP (Green)	EUR750m	6NC5	MS + 200	MS + 230	>EUR1.8bn
MUFG	Sr. HoldCo	EUR500m	8NC7	MS + 160	MS + 195	>EUR3.4bn
Bank of Montreal	Sr. OpCo	EUR1bn	2Y (FRN)	3mE + 45	3mE + 60	>EUR1.38bn
Ibercaja	SP	EUR500m	4NC3	MS + 245	MS + 260	>EUR725m
Nationwide	SP	EUR500m	2Y (FRN)	3mE + 50	3mE + 65	>EUR1bn
ZKB	SNP	EUR500m	6NC5	MS + 115	MS + 125/130	>EUR785m
BFCM	SP	EUR500m	4.7Y	MS + 95	MS + 115	>EUR950m
BFCM	SP	EUR1.25bn	10Y	MS + 125	MS + 150	>EUR1.75bn
Crédit Agricole	SP	JPY41.5bn	3Y	TONA + 50	TONA + 50	n.a.
Crédit Agricole	SP	JPY56.1bn	5Y	TONA + 61	TONA + 61	n.a.
Crédit Agricole	SP	JPY9.5bn	10Y	TONA + 65	TONA + 65	n.a.
Crédit Agricole	SNP	JPY14.5bn	4NC3	TONA + 92	TONA + 90/95	n.a.
Crédit Agricole	SNP	JPY27bn	6NC5	TONA + 105	TONA + 100/105	n.a.
FIG (Subordinated)						
SocGen	Tier 2	EUR1bn	10Y	MS + 270	MS + 300	>EUR3.8bn
Crédit Agricole	Tier 2	JPY9.5bn	10NC5	TONA + 180	TONA + 180	n.a.

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

The **FIG** space was very active once more. Early in the week it was mostly smaller, less frequent issuers that looked to place short-dated, senior Euro trades. **Ibercaja** from Spain placed EUR500m in SP format that will count towards the bank's MREL requirement. The 4NC3 transaction saw spread tighten by 15bps to a final level of MS+245bps. The deal will have likely benefitted from positive rating actions by all three major rating agencies that upgraded the issuers credit ratings between July and December of last year. The issuer's current ratings are 'BBB-/BBB-/Baa3', meaning Ibercaja is considered investment grade. The new issue premium (NIP) of 30bps is in line with concessions achieved by domestic peers with similar transactions. French bank **Crédit Agricole (CASA)** placed a sizeable Samurai deal across multiple tranches. Daiwa acted as joint-lead manager on the transaction, facilitating the largest Yen transaction from a global bank since 2019. The combined JPY157.8bn was spread across three SP (3Y, 5Y, 10Y), two SNP (4NC3, 6NC5) and a Tier 2 trance (10NC5). The deal priced close to EUR new issue levels for Crédit Agricole and inside a new USD transaction. The transaction was met with strong demand from investors despite the uncertain backdrop of US debt ceiling negotiations and was further supported by Yen redemptions in June (JPY63.4bn SP and JPY47.2bn SNP). Overall demand was focused somewhat on the SP tranches and shorter/medium tenors while the SNP legs attracted a more selective investor base of Lifers, Central Cooperatives and some Asset Managers and to a lesser extend corporates. More subordinated supply from French bank **Société Générale (SocGen)** meant that the Tier 2 market continues to go strong. Constructive conditions for established and high-quality issuers meant that the EUR1bn, 10-year bullet note tightened by 30bps on the back of 3.8x orders.

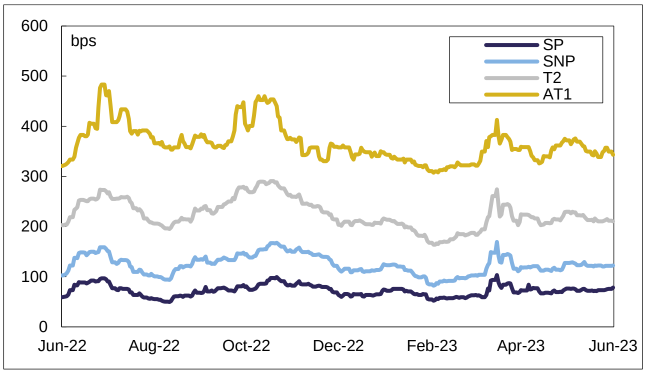
Secondary market spreads were mixed for EUR and USD. CDS indices on European senior (88bps) and subordinated financials (167bps) as measured by iTraxx benchmarks priced -3bps and -3bps against the previous week's levels.

Spreads in secondary markets displayed a mixed picture. EUR secondary spreads generally widened across the board with SP wider the most in Denmark (+9.8bps), Spain (+6.9bps) and Italy (+6.8bps). This could be due to the recent series of SP transactions from lower-tier peripheral issuers. Average spread in the SNP bail-in segment remained relatively stable, only wider by +1.3bps. It was mostly the 1-3year bucket that experienced the majority of widening +5.8bps, somewhat offset by the longer dated 7-year bucket that was -1.3bps tighter. Performance was fairly evenly distributed across geographies. Tier 2 spreads continue to be solid, with minor widening compared to previous weeks' tightening. Italian lenders at the longer end of the curve (5-7 years and >7 years) as well as shorter dated German titles were the main driver of spread widening.

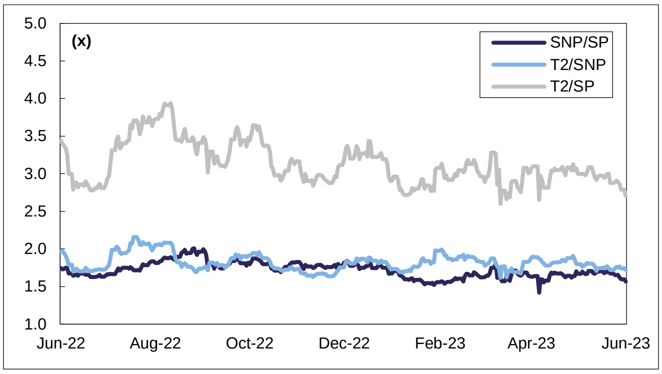
Weekly average EUR spreads were wider with SP (+5.7bps), SNP (+1.3bps) and Tier 2 (+1.4bps). USD average spreads were wider for SP (+3.0bps), but tighter for SNP (-5.4bps) and Tier 2 (-1.6bps). Based on Bloomberg data, 20% of FIG tranches and 33% of SSA tranches issued in June quoted tighter than launch.

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.

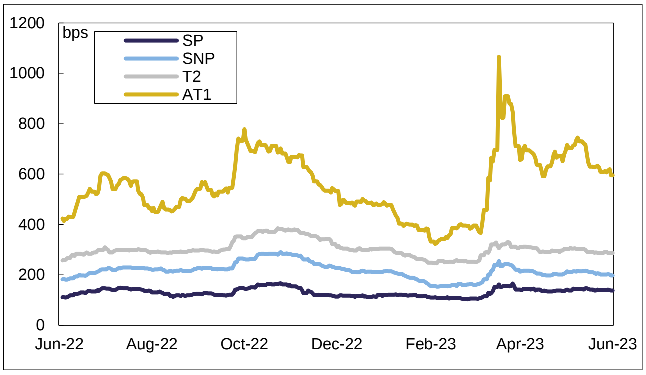
Selected Names

	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	2.1	3.8	28.6	5.2	31.9	5.8	4.2	117.5	-0.5	3.2	4.2	5.6	233.0	-0.7	18.7
Sabadell	3.0	5.0	148.0	7.5	-7.8	2.1	5.8	223.4	-1.7	-11.4	4.7	7.8	311.8	-24.7	124.5
Santander	2.5	4.2	68.7	6.6	-1.6	3.7	4.2	100.7	2.9	7.3	3.8	4.6	112.0	-3.2	11.8
Barclays PLC	1.0	4.2	9.6	6.0	31.6	2.7	4.8	141.9	0.7	-16.0	7.0	6.3	286.7	6.1	-24.9
Banco BPM	2.8	4.7	100.4	16.8	-30.1	2.9	5.3	183.8	4.3	-32.0	3.2	6.9	294.9	4.4	-96.8
BAWAG Group	3.3	4.4	107.9	2.5	0.4	4.1	4.7	148.6	-2.5	46.9					
BFCM	4.2	4.1	70.9	5.3	12.7	5.8	4.4	133.5	1.3	21.5	4.6	4.7	151.7	-2.5	22.2
BNP Paribas	4.9	4.1	78.6	2.5	5.1	4.2	4.4	119.5	2.1	-6.0	3.4	4.8	177.0	2.2	10.4
BPCE	3.6	4.0	69.6	3.6	13.1	4.5	4.4	126.3	2.8	3.0	4.4	5.5	165.6	-2.8	-16.1
BBVA	3.3	4.1	68.0	2.9	5.0	3.2	4.1	69.8	4.3	7.5	3.4	5.7	179.0	0.7	12.9
Bankinter	5.9	4.5	135.9	2.9	14.2	3.6	4.5	119.6	2.3	5.2	8.5	6.5	322.8	-8.7	-12.6
CaixaBank	2.8	4.2	67.2	0.3	-13.1	3.2	4.7	112.8	1.4	-8.7	4.7	6.2	247.4	1.9	-40.5
Commzerbank	3.0	3.7	31.8	3.7	-7.5	3.4	4.7	139.1	0.0	-24.5	3.5	6.4	108.4	13.2	-50.3
Crédit Agricole	3.7	3.9	63.2	1.9	3.9	4.4	4.2	105.2	3.0	0.8	2.8	4.5	99.5	3.5	-6.3
Danske Bank	2.3	4.2	64.1	5.2	-9.7	3.5	4.8	136.3	2.1	5.3	5.9	6.1	239.1	1.4	-3.2
Deutsche Bank	1.9	4.2	78.4	4.1	-9.4	3.8	5.4	190.9	-1.3	10.4	2.7	6.2	258.7	18.2	19.9
DNB Bank	3.9	3.9	62.5	4.6	2.7	4.5	4.3	95.0	0.6	15.1	4.1	5.0			
Erste Group	5.3	4.0	89.2	2.0	-9.6	2.9	3.9	47.4	-1.1	-54.5	6.5	6.0	257.0	-1.6	-25.6
HSBC Holdings	4.5	3.6	44.5	3.9	4.7	3.5	4.4	126.3	1.6	-5.0	3.8	4.7	148.3	0.8	2.7
ING Group						4.7	4.5	112.7	0.0	-4.6	6.1	5.6	212.7	-2.2	-4.9
Intesa Sanpaolo	3.3	4.3	98.0	1.6	-6.3	3.7	4.7	149.3	0.6	4.9	3.3	5.5	139.2	0.1	7.2
Jyske Bank	4.6	4.6	136.5	6.8	11.1	2.5	4.9	113.7	3.2	-42.3					
KBC Group						3.6	4.4	110.1	10.3	0.2	5.8	5.8	192.5	13.9	-71.4
Lloyds	1.6	3.9	15.9	15.7	-4.7	2.9	4.4	71.6	3.5	-10.8	4.7	6.1	211.5	16.0	-156.3
Mediobanca	4.0	4.5	102.3	1.8	-1.5	3.5	4.8	128.9	3.0	4.8					
NatWest Group	2.7	4.2	69.1	1.2	-15.4	3.8	4.6	134.1	1.2	-8.5	6.7	5.9	282.0	0.0	-11.7
Nordea	3.4	3.7	33.8	2.3	28.5	5.2	4.2	98.0	0.5	21.2	6.4	5.3			
Rabobank	2.7	3.5	6.2	3.6	8.8	4.8	4.2	100.8	-0.8	-5.2	5.1	5.1	187.7	-3.4	9.5
RBI	3.1	4.9	161.1	1.8	-13.6						6.6	8.2	484.2	-2.0	18.4
SEB	2.8	4.0	52.0	1.1	5.2	4.1	4.3	111.9	0.3	37.3	5.7	5.6	198.9	-19.6	8.1
Santander UK	1.7	3.9	19.5	-1.5	9.9	4.0	5.0	176.2	0.1	-17.0					
SocGen	4.0	4.1	88.1	7.0	11.8	4.8	4.6	146.1	2.8	9.2	6.7	5.8	267.8	0.4	23.1
Svensk. Handel.	3.6	3.8	56.6	0.6	7.6	4.9	4.2	100.0	0.0	18.0	6.7	5.6	207.5	9.2	33.1
Swedbank	2.8	4.1	65.5	-0.5	15.9	3.7	4.4	114.1	1.9	3.5	6.1	6.3	246.0	-19.1	24.6
Stand. Chart.						4.5	4.7	140.7	0.1	-17.7	2.1	6.2	252.7	-5.5	-21.3
UBS Group	3.0	4.2	85.9	0.6	19.7	4.3	4.9	162.9	4.0	46.7					
UniCredit	3.1	4.6	105.3	2.1	-23.6	3.0	5.0	171.4	1.7	-31.9	5.5	6.8	306.5	0.8	-76.7

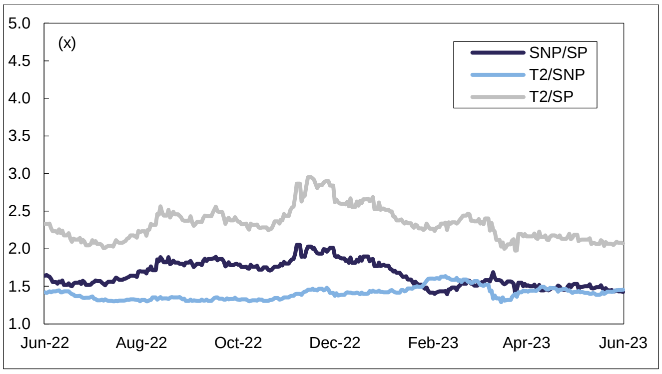
Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5DΔ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative 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	209.3	-3.2	-26.5	2.6	7.1	350.4	-4.7	-46.8
Santander	1.4	5.9	125.3	-3.7	-12.7	3.6	5.8	184.2	-5.2	-10.7	6.4	6.6	294.2	-0.2	-3.3
Barclays PLC	1.4					3.9	6.1	217.8	-5.5	-22.4	4.5	6.6	292.7	-7.5	1.2
BFCM	2.2	5.5	116.1	-5.1	2.4										
BNP Paribas	4.0	5.4	159.5	-2.9	-4.7	4.2	5.8	184.1	-4.0	-13.7	3.3	6.2	219.3	0.0	-34.9
BPCE	3.4	5.6	160.9	-2.7	-7.4	4.0	6.2	209.7	-5.2	-13.4	5.1	6.9	323.6	-3.9	-31.4
BBVA	2.2	5.8	133.1	-4.3	11.9	2.9	6.1	195.7	-16.8	-9.1					
CaixaBank						3.9	6.4	254.2	-7.8	6.9					
Crédit Agricole	2.5	5.5	116.0	-4.1	0.5	2.6	6.0	159.3	0.5	5.1	6.6	6.4	266.8	-6.4	-34.7
Danske Bank	2.2	6.8	174.2	-1.2	-5.1	2.6	6.7	184.3	-9.4	-7.8					
Deutsche Bank	3.7	5.9	182.7	-3.9	76.0	3.1	7.0	287.8	-3.1	-0.4	6.9	8.4	476.9	1.3	13.2
DNB Bank	2.2					3.8	5.9	166.7	-2.7	-8.5					
HSBC Holdings						3.7	5.9	186.4	-3.4	-39.6	8.6	6.2	263.2	-5.1	-30.9
ING Group						3.5	5.6	169.2	-4.2	-16.7					
Intesa Sanpaolo	3.6	6.9	345.5	-10.3	-26.2	6.8	7.4	379.0	-3.0	-57.2	4.7	8.7	496.3	-8.0	-11.9
KBC Group						3.9	5.8	195.5	-5.6	-19.1					
Lloyds	5.2	5.3	184.8	0.0	-2.9	3.4	5.9	160.8	-3.2	-13.6	6.6	6.6	302.9	-5.4	0.0
NatWest Group	1.7	6.0	89.9	-2.9	-12.4	3.6	5.9	188.6	-3.5	-11.5	7.5	7.9	346.7	7.9	-31.1
Nordea	2.1	5.7	118.9	-1.3	32.8	3.4	5.6	156.3	-7.1	13.0	7.9	6.5	277.9	-1.8	27.8
Rabobank	1.7	5.5	45.5	-6.6	5.5	3.7	5.8	169.3	-6.3	4.7	4.0	6.1	216.6	-0.7	-4.4
SEB	2.0	5.6	130.9	2.2	29.0										
Santander UK	3.7	6.6	237.9	-0.6	1.8	3.7	6.6	237.9	-0.6	1.8	6.7	6.6	255.7	0.0	0.0
SocGen	2.0	5.9	139.3	0.5	34.8	3.7	6.5	254.1	-6.4	1.6	8.9	7.5	379.8	-6.0	36.6
Svensk. Handel.	1.9	5.7	117.3	6.4	15.4	3.8	5.6	157.4	-8.2	-7.3					
Swedbank	2.5	5.4	104.7	-0.2	5.2	3.7	5.9	198.0	-1.6	26.6					
Stan. Chart.						2.4	6.2	170.7	-5.2	-31.0	7.7	7.0	310.3	-0.4	-31.7
UBS Group	1.5	6.1	125.6	-8.3	31.8	3.7	6.1	225.6	-9.1	20.5					
UniCredit	3.7	6.5	308.8	-2.6	-6.1	2.8	7.3	297.0	0.8	89.7	6.6	8.6	476.2	-16.8	-54.0

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
Memberships: Japan Securities Dealers Association, The Financial Futures Association of Japan, Japan Investment Advisers Association, Type II Financial Instruments Firms Association