

European Banks – Credit Update

- First US banks to report 4Q20 earnings ended with solid bottom-line results, which were supported by strong IB revenues and the release of credit loss reserves.
- SSAs continue to soar in the primaries while tight funding conditions for FIG suppressed supply.
- Spreads in the secondary market widened as market sentiment turned progressively negative on the back of political tensions in Italy and slow vaccine rollouts.

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4Q20 US Investment Banking Revenues

JP Morgan, Citi and Wells Fargo kicked off the US earnings season last week with solid bottom-line results driven by strong performance in the investment bank as well as the release of credit loss reserves. Healthy demand for mortgage lending, continued market volatility and a tentative rise in 10-year Treasury yields have helped US banks finish 4Q20 strongly. However, the Fed's accommodative monetary policy will keep interest rates at low levels for at least two more years, which will strain net interest margins, particularly affecting banks that are more dependent on interest income, such as Wells Fargo. Earnings are expected to carry 4Q20 momentum forward and continue to improve during 2021 as loan loss provisions should decline on the back of an expected economic recovery and improved cost management.

JPM registered a record quarterly net profit of USD12.1bn, supported by USD2.9bn in reserve releases bringing total reserves to \$30.8bn (3% of total loans), which is still roughly twice as high as one year ago. The assurance of continued stimulus, vaccine rollouts and a generally more optimistic economic outlook had led to the release. The strong result also underlines JPM's revenue diversification, as non-IB contributions from the consumer and community banking as well as commercial banking recorded increased pre-tax profits.

Citi's 4Q20 net income result of USD4.6bn helped the bank finish a challenging year albeit with a significantly lower FY20 profit (-41% yoy). The strong divisional performance from Citi's North American consumer banking business and institutional client group reflects strong client activity while the bank also benefitted from credit reserve releases of USD1.5bn bringing the total down to USD27.8bn (3.8% of total loans). Citi currently finds itself in a transformation process as outgoing CEO Corbat will be replaced in February by Jane Fraser, who will be overseeing the progress of the combination of its wealth management and private banking business in an attempt to move deposit-rich clients towards fee- and commission-based products. Citi will also focus more on its equity trading business to help bridge its profitability gap to domestic peers.

Net income of USD2.9bn was Wells Fargo's strongest quarterly result of the year (+4% yoy) however, top-line revenue performance has been affected by the ultra-low interest rate environment which is likely to persist in the near future. FY20 net interest income was down 15.6% yoy, which was also due to lower average outstanding loan volumes (-USD56.8bn or 6% yoy) in both the consumer and commercial lending space. Compared to JPM and Citi, credit reserve releases were modest at USD757m bringing the total to USD19.7bn (2% of total loans). Wells is also struggling with a poor efficiency ratio of 83%, which the bank hopes to lower by saving around USD8bn in expenses through various efficiency drives in addition to building up its risk and control infrastructure. The finalised review of its business mix will see the group explore options for its asset management and corporate trust business as well as its rail portfolio, which together only account for 'low single digit' consolidated revenue.

Primary and secondary markets

Last week's European **primary market** activity was again dominated by highly subscribed SSA issues, accounting for 67% of the total EUR57.8bn FIG and SSA issuance. The European Financial Stability Facility (EFSF) launched a EUR5bn 10- and 30-year dual-tranche, which attracted combined orders of EUR70.5bn, allowing it to conclude some of its longer-term funding needs. Similarly high order books were registered for the EIB's EUR1.5bn sustainability awareness bond (15x) and the Belgian government's EUR6bn 10-year bond (8.33x). High investor interest, fuelled by the ECB's purchase programmes, has arguably distorted true levels of demand for these securities as holding periods are often just a few days before being passed on to the ECB. This emboldened some issuers to tighten prices through fair value, ultimately leading some investors to recoil. Spain sought to issue a 10-year EUR10bn senior unsecured at Bono+8bps which built up a record order book of EUR130bn, only to lose EUR75bn in placements after leads announced a halving of spreads over benchmark, leaving little to no concessions on the table for fast money investors that jumped ship. Nevertheless, retaining a higher quality investor base at 5.5x orders is still a desirable outcome.

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US Banks IB Revenues Growth (4Q20 Y/Y)				
	Origination & Advisory	FICC	ROTCE*	Net Income (\$m)*
JPMorgan	37.0%	15.0%	24.0%	12,136
Citi	-4.7%	7.0%	11.4%	4,632
Wells Fargo	-2.8%	-0.9%	7.7%	2,992
Average	9.8%	7.0%	14.4%	6,587
(2020 Y/Y)				
JPMorgan	25.1%	40.9%	14.3%	29,131
Citi	11.0%	33.9%	6.9%	11,370
Wells Fargo	6.0%	15.0%	7.7%	3,301
Average	14.0%	29.9%	9.6%	14,601

Source: Bloomberg, Banks financial statements, compiled by DCME; *Group level.

European FIG volumes of EUR19bn during the week were just half of those seen in SSA despite the similarly high number of deals (24 vs 25). Total FIG SP and SNP issuance volumes were down 30% against YTD figures from last year. Investor reluctance to place capital can be explained by the fact that currently almost half of all issued FIG paper in 2021 has been trading wider in the secondary market, suggesting pricing levels are too tight. Recent order books were rather light, in some cases leading to little or no tightening at all. Even traditionally highly sought-after ESG paper such as LBBW's 10-year, EUR750m social bond only attracted 1.5x of demand and paid a concession of around 3bps. Concessions were also paid on UniCredit's EUR2bn dual-tranche SP transaction (5bps on each leg) and BNP's EUR1bn SNP (4bps) as order books were smaller and sentiment deteriorated during the week.

EUR denominated benchmark covered bonds had their first strong outing in 2021 with five deals that priced on Wednesday giving the market a sense of normality after what was otherwise a dry January following the ECB's December decision to extend its funding programmes. Nevertheless, the EUR6bn issued to date will only partially offset scheduled redemptions of EUR10bn last week and further EUR8bn this week with limited supply in sight. Supply of subordinated debt was also rather limited with Deutsche coming out with a USD1.25bn Tier 2 note that tightened by 60bps to T+260bps while Banco BPM's EUR400m AT1 could not tighten pricing at 6.5% on the back of modest book orders (1.4x) and political volatility stemming from Italy related to the potential collapse of the government coalition.

(Table 1) Key Transactions

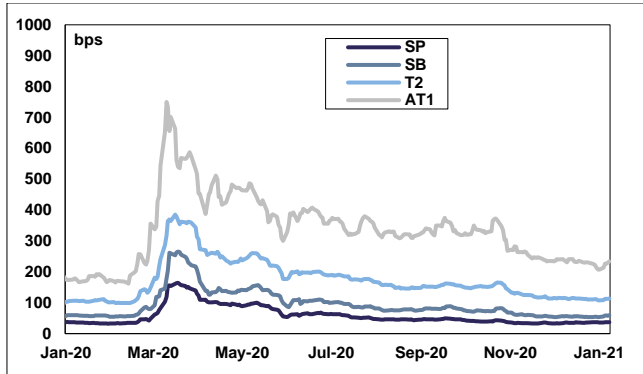
Bank	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
Credit Suisse	FRN	EUR1,500m	5NC4	3mE + 68	3mE + 85/90	>EUR2.3bn
Credit Suisse	Sr HoldCo	EUR1,500m	12Y	MS + 83	MS + 110	>EUR3.9bn
BFCM	SNP	EUR1,000m	7Y	MS + 62	MS + 80/85	>EUR1.6bn
BNP Paribas	SNP	EUR1,000m	9NC8	MS + 83	MS + 100	>EUR1.6bn
UniCredit SpA	SP	EUR1,000m	5Y	MS + 77	MS + 95	~EUR1.5bn
UniCredit SpA	SP	EUR1,000m	10Y	MS + 105	MS + 125	~EUR1.5bn
SocGen	SNP	GBP375m	7Y	G + 120	G + 130/135	>GBP500m
BPCE	SP	USD1,750m	5Y	T + 60	T + 85	-
BPCE	SP	USD1,250m	11NC10	T + 115	T + 145	-
Banco BPM	AT1	EUR400m	PNC5	6.5%	6.5%	>EUR560m
LBBW	Social SNP	EUR750m	10Y	MS + 63	MS + 80/85	>EUR50bn
Belgium Government	Gov. Bond	EUR6,000m	10Y	MS - 7	MS - 5	>EUR1.1bn
Spain Government	Gov. Bond	EUR10,000m	10Y	SPGB + 4	SPGB + 8	>EUR55bn
SNCF	Senior Unsecured	EUR1,500m	40Y	FRTR + 56	FRTR + 75-175	>EUR3.3bn

Source BondRadar, Bloomberg.

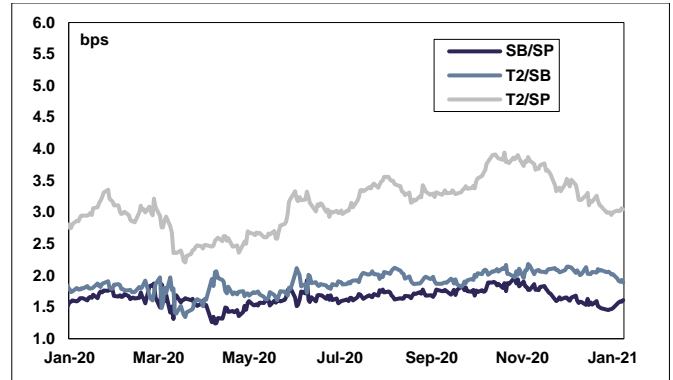
Secondary market spreads widened overall across EUR and USD. CDS price indices on European senior (63bps) and subordinated financials (123bps) as measured by iTraxx benchmarks widened against the prior week's levels by 3bps and 9bps respectively, likely due to sluggish vaccine rollouts and political tension in Italy. Based on data collected from Bloomberg, 46.3% of FIG tranches issued this year quoted wider than launch (SSA only 21.6%) which may loosen tight funding conditions in the primaries next week. Weekly EUR spreads across geographies for SP (+1bps), SNP (+4bps) and Tier 2 (+5bps) closed wider, and unsurprisingly most of the widening was registered in the Italian and Spanish periphery. Further impulses into the market during Thursday's ECB monetary policy meeting are not expected after the clear policy responses in December. We expect the Governing Council to wait for more information about the impact of the second wave on the EU economy and progress with vaccination programmes before reassessing the appropriateness of the current policy stance. Strong demand for USD issuance kept spreads more stable over the past week with USD SP marginally tighter by -0.3bps while SNP and Tier 2 were down up 1bps and 3bps respectively. Here too, Italian issuers are the outlier with considerably wider spreads than those of other countries.

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.

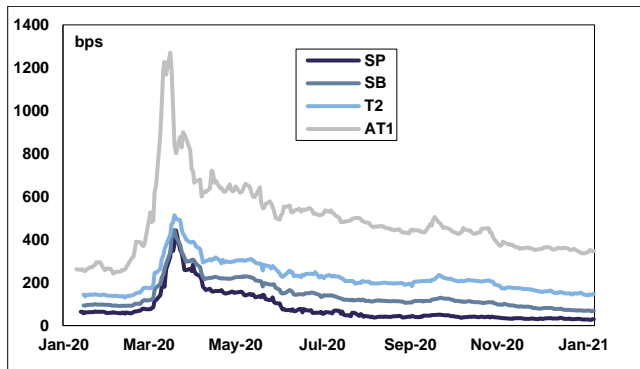
Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5D Δ	Z YTD	Dur.	Yield	Z	Z 5D Δ	Z YTD	Dur.	Yield	Z	Z 5D Δ	Z YTD
Commerz	5.4	0.1	51.6	-0.6	-1.5	3.9	0.3	73.6	3.1	3.0	4.6	1.7	208.0	11.0	-5.4
Barclays	3.3	0.2	57.4	1.0	1.1	2.8	0.1	54.7	4.6	17.2	2.0	0.9	137.2	9.4	1.3
BBVA	4.3	-0.1	39.2	5.1	6.7	3.9	0.1	57.8	6.1	8.8	5.4	0.8	125.7	7.9	-1.6
BFCM	4.4	-0.1	33.8	0.2	2.8	8.8	0.4	67.2	3.8	8.5	4.9	0.4	83.4	3.5	1.1
BNPP	2.3	-0.3	23.7	-0.3	1.6	5.0	0.3	62.9	3.5	4.9	4.6	0.6	97.8	4.3	-0.4
BPCE	3.4	-0.2	31.2	-0.2	3.6	4.5	0.2	59.8	3.5	7.0	2.4	0.3	72.1	1.8	1.5
Credit Ag.	3.2	-0.1	32.5	-0.1	1.1	5.7	0.2	59.5	4.8	8.2	4.6	0.8	113.9	2.0	1.6
Credit Sui.	5.4	0.1	51.6	-0.6	-1.5	5.3	0.4	74.1	5.1	11.6	5.6	1.2	155.7	9.5	3.2
Danske	2.3	-0.2	31.0	-0.4	0.6	2.3	0.1	57.2	0.3	2.4	3.6	0.8	126.7	-0.5	-6.1
Deutsche	2.6	0.0	44.3	0.2	-2.5	3.8	0.7	111.4	6.3	4.6	4.4	1.9	230.3	10.7	-8.0
DNB	2.8	-0.2	26.2	-0.7	0.9	3.6	0.1	52.0	0.2	0.0	1.6	0.0	49.9	0.8	3.1
HSBC	3.3	-0.1	34.2	-0.2	2.6	3.2	-0.1	46.0	4.0	9.4	5.4	0.4	77.4	2.2	0.1
ING	1.1	-0.4	9.9	-0.9	0.6	4.8	0.1	49.7	2.8	5.0	3.6	0.6	103.1	2.5	0.8
Intesa	4.1	0.2	66.6	12.3	11.0						5.1	1.7	204.8	7.4	7.5
Lloyds	2.8	-0.2	21.2	0.3	2.3	3.6	0.1	54.8	5.0	4.8	2.6	0.6	105.9	2.9	1.4
Nordea	4.0	-0.2	24.2	-0.3	-0.7	2.4	-0.2	29.8	0.1	2.9	0.6	0.2	61.8	3.0	-3.4
Rabobank	3.2	-0.3	22.0	-1.4	-1.8	5.8	0.0	39.4	4.0	3.6	1.6	0.0	42.8	1.3	1.1
RBS	3.1	0.0	41.9	0.4	1.1	5.8	0.0	39.4	4.0	3.6	1.6	0.0	42.8	1.3	1.1
Santander	3.4	-0.1	37.5	1.3	5.4	4.8	0.3	65.4	9.0	8.8	5.6	0.7	111.3	6.6	1.6
San UK	4.0	-0.1	37.4	0.4	1.5	2.4	0.0	60.6	4.9	7.9	5.6	0.7	111.3	6.6	1.6
SocGen	1.4	-0.3	24.5	0.3	0.2	6.2	0.4	78.5	3.9	4.5	3.1	0.5	93.8	3.2	0.7
StanChart	3.7	-0.1	39.5	-0.9	0.5	5.4	0.3	68.0	12.8	21.7	3.1	0.6	103.4	2.7	-3.2
Swedbank	4.2	-0.1	38.3	-0.7	0.4	5.3	0.1	55.8	0.9	2.8	5.4	0.5	94.7	0.6	-3.9
UBS	2.0	-0.3	23.1	-0.2	-1.0	3.1	0.0	54.1	5.5	8.5	0.3	0.9	72.6	19.3	-22.4
UniCredit	4.2	0.4	86.4	14.9	12.4	4.6	0.9	139.9	15.0	15.3	2.8	1.8	223.2	17.3	3.4

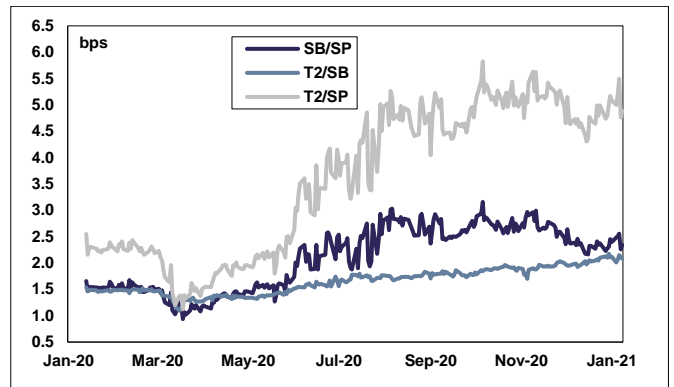
Source: Bloomberg, Daiwa Capital Markets Europe. Dur.= Duration. Yield= Yield to worst (%). Z = Z-Spread to Worst (bps). Z 5D Δ = last 5 days Z-spread net change (bps). Z YTD = year to date Z-Spread net change (bps). Blank cells represent lack of statistically significant data. Figures may not be representative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

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
Barclays	2.2	0.5	21.9	-2.3	-6.0	4.0	1.3	81.2	-0.5	-0.7	5.6	2.2	147.3	3.2	-5.6
BFCM	2.4	0.5	30.1	1.2	-0.3	4.0	1.3	81.2	-0.5	-0.7	5.6	2.2	147.3	3.2	-5.6
BNPP	2.0	0.3	12.9	1.0	-2.3	4.2	1.2	64.3	-0.9	-5.8	5.1	1.7	102.1	0.7	-1.9
BPCE	4.0	0.8	51.2	-0.6	-2.6	4.5	1.2	51.7	-0.2	-2.5	3.2	1.2	83.7	0.2	-5.5
Credit Ag.	2.6	0.6	30.4	-1.9	-1.9	3.5	1.0	48.0	1.0	-2.7	7.0	2.3	129.5	-0.9	-1.5
Credit Sui.	2.3	0.4	20.4	1.0	0.6	4.0	1.2	70.1	-0.5	-2.4	2.4	1.9	149.7	7.1	18.0
Danske	1.9	0.6	36.8	-2.3	2.0	2.6	1.0	72.8	-0.9	-6.4	2.4	1.9	149.7	7.1	18.0
Deutsche						3.4	1.4	67.5	-2.5	-5.2	7.6	3.4	270.1	-0.6	-5.1
HSBC	3.6	1.0	72.0	-1.1	-10.3	4.7	1.3	71.1	-0.1	-1.3	10.8	3.0	164.4	-0.9	-8.0
ING	3.6	1.0	72.0	-1.1	-10.3	4.4	1.1	61.8	-0.8	-1.4	2.3	1.2	82.9	-0.5	-3.4
Intesa	3.2	1.5	111.0	8.5	7.0	4.4	1.1	61.8	-0.8	-1.4	3.8	2.6	212.5	16.2	0.2
Lloyds	4.0	1.0	62.6	1.0	-0.1	3.5	1.1	64.1	0.1	0.3	4.6	1.7	112.0	-1.4	-5.0
Nordea	3.4	0.6	25.3	-0.1	0.7	2.5	0.7	34.1	-3.3	-7.7	1.6	0.8	43.7	0.2	0.1
Rabobank	3.0	0.6	23.4	-0.2	-0.7	3.8	0.9	39.7	-0.7	-3.6	4.5	1.3	71.9	-1.5	-6.5
RBS	3.0	0.6	23.4	-0.2	-0.7	3.8	0.9	39.7	-0.7	-3.6	4.5	1.3	71.9	-1.5	-6.5
Santander	5.4	1.3	65.1	-0.7	-7.3	4.8	1.5	85.8	-0.5	-3.6	6.5	2.1	125.5	3.4	-3.3
San UK	3.0	0.6	31.4	-5.7	-16.4	2.7	0.9	54.1	0.6	-9.4	4.2		15.5	-15.9	
SocGen	4.3	1.0	53.1	1.7	2.4	4.2	1.3	86.0	1.3	-1.9	4.1	1.9	130.6	-4.1	-12.6
StanChart	0.4	0.6	37.7	-0.1	-17.0	3.7	1.2	75.9	-0.1	-7.2	5.2	2.3	168.9	3.8	-11.5
UBS	9.5	1.4	58.8	-1.7	-0.7	4.3	1.1	61.4	1.0	1.3	5.2	2.3	168.9	3.8	-11.5
UniCredit	1.8	1.4	122.1	3.2	-1.3	4.4	1.9	147.1	6.7	-3.6	5.8	4.4	342.4	11.2	-10.7

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.

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The statements in the preceding paragraphs are made as of January 2021.

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Registered Credit Rating Agencies are subject to the following regulations:

- 1) Duty of good faith.
- 2) Establishment of control systems (fairness of the rating process, and prevention of conflicts of interest, etc.).
- 3) Prohibition of the ratings in cases where Credit Rating Agencies have a close relationship with the issuers of the financial instruments to be rated, etc.
- 4) Duty to disclose information (preparation and publication of rating policies, etc. and public disclosure of explanatory documents).

In addition to the above, Registered Credit Rating Agencies are subject to the supervision of the Financial Services Agency ("FSA"), and as such may be ordered to produce reports, be subject to on-site inspection, and be ordered to improve business operations, whereas unregistered Credit Rating Agencies are free from such regulations and supervision.

■ Credit Rating Agencies

[Standard & Poor's]

The Name of the Credit Rating Agencies group, etc

The name of the Credit Rating Agencies group: S&P Global Ratings ("Standard & Poor's")

The name and registration number of the Registered Credit Rating Agency in the group: S&P Global Ratings Japan Inc. (FSA commissioner (Rating) No.5)

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The information is posted under "Unregistered Rating Information" (<http://www.standardandpoors.co.jp/unregistered>) in the "Library and Regulations" section on the website of S&P Global Ratings Japan Inc. (<http://www.standardandpoors.co.jp>)

Assumptions, Significance and Limitations of Credit Ratings

Credit ratings assigned by Standard & Poor's are statements of opinion on the future credit quality of specific issuers or issues as of the date they are expressed and they are not indexes which show the probability of the occurrence of the failure to pay by the issuer or a specific debt and do not guarantee creditworthiness. Credit ratings are not a recommendation to purchase, sell or hold any securities, or a statement of market liquidity or prices in the secondary market of any issues.

Credit ratings may change depending on various factors, including issuers' performance, changes in external environment, performance of underlying assets, creditworthiness of counterparties and others. Standard & Poor's conducts rating analysis based on information it believes to be provided by the reliable source and assigns credit ratings only when it believes there is enough information in terms of quality and quantity to make a conclusion. However, Standard & Poor's does not perform an audit, due diligence or independent verification of any information it receives from the issuer or a third party, or guarantee its accuracy, completeness or timeliness of the results by using the information. Moreover, it needs to be noted that it may incur a potential risk due to the limitation of the historical data that are available for use depending on the rating.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of March 7th, 2017, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of S&P Global Ratings Japan Inc. (<http://www.standardandpoors.co.jp>)

[Moody's]

The Name of the Credit Rating Agencies Group, etc

The name of the Credit Rating Agencies group: Moody's Investors Service ("MIS")

The name and registration number of the Registered Credit Rating Agency in the group: Moody's Japan K.K. (FSA commissioner (Rating) No.2)

How to acquire information related to an outline of the rating policies and methods adopted by the person who determines Credit Ratings

The information is posted under "Unregistered Rating explanation" in the section on "The Use of Ratings of Unregistered Agencies" on the website of Moody's Japan K.K. (The website can be viewed after clicking on "Credit Rating Business" on the Japanese version of Moody's website (https://www.moody.com/pages/default_ja.aspx))

Assumptions, Significance and Limitations of Credit Ratings

Credit ratings are Moody's Investors Service's ("MIS") current opinions of the relative future credit risk of entities, credit commitments, or debt or debt-like securities. MIS defines credit risk as the risk that an entity may not meet its contractual, financial obligations as they come due and any estimated financial loss in the event of default. Credit ratings do not address any other risk, including but not limited to: liquidity risk, market value risk, or price volatility. Credit ratings do not constitute investment or financial advice, and credit ratings are not recommendations to purchase, sell, or hold particular securities. No warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability or fitness for any particular purpose of any such rating or other opinion or information, is given or made by MIS in any form or manner whatsoever.

Based on the information received from issuers or from public sources, the credit risks of the issuers or obligations are assessed. MIS adopts all necessary measures so that the information it uses in assigning a credit rating is of sufficient quality and from sources MIS considers to be reliable. However, MIS is not an auditor and cannot in every instance independently verify or validate information received in the rating process.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of April 16th, 2018, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of Moody's Japan K.K. (https://www.moody.com/pages/default_ja.aspx)

[Fitch]

The Name of the Credit Rating Agencies group, etc

The name of the Credit Rating Agencies group: Fitch Ratings ("Fitch")

The name and registration number of the Registered Credit Rating Agency in the group: Fitch Ratings Japan Limited (FSA commissioner (Rating) No.7)

How to acquire information related to an outline of the rating policies and methods adopted by the person who determines Credit Ratings

The information is posted under "Outline of Rating Policies" in the section of "Regulatory Affairs" on the website of Fitch Ratings Japan Limited (<https://www.fitchratings.com/site/japan>)

Assumptions, Significance and Limitations of Credit Ratings

Ratings assigned by Fitch are opinions based on established criteria and methodologies. Ratings are not facts, and therefore cannot be described as being "accurate" or "inaccurate". Credit ratings do not directly address any risk other than credit risk. Credit ratings do not comment on the adequacy of market price or market liquidity for rated instruments. Ratings are relative measures of risk; as a result, the assignment of ratings in the same category to entities and obligations may not fully reflect small differences in the degrees of risk. Credit ratings, as opinions on relative ranking of vulnerability to default, do not imply or convey a specific statistical probability of default.

In issuing and maintaining its ratings, Fitch relies on factual information it receives from issuers and underwriters and from other sources Fitch believes to be credible. Fitch conducts a reasonable investigation of the factual information relied upon by it in accordance with its ratings methodology, and obtains reasonable verification of that information from independent sources, to the extent such sources are available for a given security or in a given jurisdiction. The assignment of a rating to any issuer or any security should not be viewed as a guarantee of the accuracy, completeness, or timeliness of the information relied on in connection with the rating or the results obtained from the use of such information. If any such information should turn out to contain misrepresentations or to be otherwise misleading, the rating associated with that information may not be appropriate. Despite any verification of current facts, ratings can be affected by future events or conditions that were not anticipated at the time a rating was issued or affirmed.

For the details of assumption, purpose and restriction of credit ratings, please refer to "Definitions of ratings and other forms of opinion" on the website of Fitch Rating Japan Limited.

This information is based on information Daiwa Securities Co. Ltd. has received from sources it believes to be reliable as of September 27th, 2019, but it does not guarantee accuracy or completeness of this information. For details, please refer to the website of Fitch Rating Japan Limited (<https://www.fitchratings.com/site/japan>)

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