European Banks – Credit Update

- Over the past decade, global banking sectors saw rising regulatory levies applied due to poor governance and conduct. Greater reporting transparency related to ESG will highlight this further.
- EBA funding report suggests strong rise in MREL eligible debt issuance by 2023.
- Strong primary market issuance by FIGs and SSAs with several debut themed issuances while secondary spreads continue to tighten amidst rising risk perceptions.

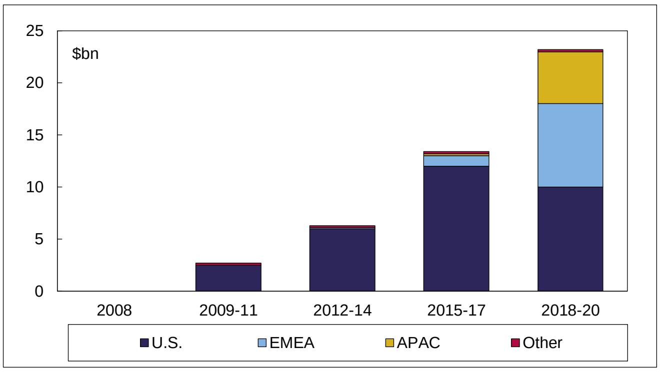
William Hahn
Credit Analyst
+44 20 7597 8355
William.Hahn@uk.daiwacm.com

Why the 'G' in ESG matters

As ESG issues are garnering ever more presence, the corporate governance aspect is an element that has often been overlooked amid considerations over climate risk and social issues. However, ever-greater transparency and regulatory oversight in a maturing ESG landscape is shining a spotlight on corporate conduct. Good governance is arguably the bedrock on which long-term and sustainable value creation is built. However, recent examples from ABN Amro and Wells Fargo show us that lax adherence ends up costing shareholders and customers alike. In early September, ABN came to an agreement with the Dutch Consumer Association to pay compensation of EUR250m to customers who were subjected to excessive interest rate charges on consumer loans bearing variable rates. Essentially, the Dutch lender didn't adjust floating rates on some consumer loans in sync with changes to the benchmark rates. While that in itself was not illegal, ABN didn't communicate the changes sufficiently to its clients, which led to a large number of customer complaints to local watch-dogs.

At first glance, the financial implications appear manageable for ABN as they had already provisioned EUR30m for this case and will book the remaining EUR220m in 3Q21. When looking at the bank's historical quarterly net income for the same period we can expect a hit to the bottom line of about 45-50%. This will also result in a reduction of the bank's CET1 ratio (18.3%) by some 15bps, which would nonetheless remain well above regulatory requirements. However, in conjunction with other fines and settlements incurred by the Dutch group in recent years a pattern of lax oversight and poor conduct appears to be putting ABN's 2024 cost target of EUR4.7bn at risk. Since 2015, ABN had to pay some EUR800m to compensate SME's for mis-selling derivatives and just in April this year they reached a settlement with prosecutors for EUR480m for violating anti-money laundering regulations. There is more financial pain on the horizon as Dutch prosecutors announced in August that they are investigating ABN's role in dividend tax transactions between 2009 and 2013. The investigation focuses on transactions in which a third party had offset dividend withholding tax credits against corporate tax liabilities in the Netherlands. ABN stated that it has set aside EUR79m for possible repayment demands in relation to this case.

Fines Levied on Financial Institutions



Source: Fitch Ratings; Fines related to AML, KYC and Sanctions

Across the pond, there is a similar case of poor governance. Wells Fargo racked up some USD5bn in fines and settlement expenses over the past five years, ultimately hampering its profitability and even leading to credit downgrades by major rating agencies. One of the main offenses for which the bank agreed to pay USD3bn in criminal and civil penalties was fraudulently opening millions of customer savings and checking accounts without client consent to inflate its success at cross-selling banking products. This became known in 2016 and subsequently in February 2018 business development was severely affected by a Fed consent order that included an asset cap, limiting the group's balance sheet size to that of FY17 (USD1.95tr). In early 2021, Wells Fargo appeared to be turning the corner as a consent order relating to anti-money laundering issues ended and the bank's proposal for overhauling its risk-management and governance structure was reportedly accepted by the Fed. This was seen as a major step towards lifting the group's asset-cap. However, the reprieve was short lived as, in September 2021, the bank was handed a USD250m civil money penalty by the Office of the Comptroller of the Currency (OCC) due to deficiencies in its home lending loss mitigation program and violations of the 2018 compliance consent order. Failures to adequately repay customers who had been charged improver or excessive fees even led to prominent U.S. political figures to call for the breaking-up of Wells Fargo due to its repeat offenses and perceived un-governability.

Alongside the fine, the OCC also issued a cease-and-desist order requiring the bank to take broad and comprehensive corrective actions to improve the execution, risk management, and oversight of the bank's loss mitigation program. The order restricts Wells from acquiring certain third-party residential mortgage servicing rights. It should be noted that the restrictions are specifically not intended to disrupt Wells' existing residential mortgage servicing contracts that make up some 13% of the bank's non-interest income as at 1H21. Despite investments in improved processes, systems and people, the OCC cited insufficient oversight and ineffective governance that caused inaccurate loan modification decisions and impaired the bank's ability to fully and timely remediate harmed customers. Progress in addressing its legacy issues is at best uneven. One way to measure this is to look towards the company's established accruals for legal actions when potential losses associated with the actions become probable. These are reported quarterly in a Form 10-Q, filed with the SEC, and as of 2Q21 Wells Fargo reported potential losses above accruals at USD2.8bn, down from a high of USD3.9bn at 2Q19 but up slightly against the last quarter by USD200m. Compared to the domestic peer average of USD1.4bn these figures present a significant drag on bottom-line results but can reasonably be expected to be absorbed by the bank's USD11.5bn pre-provisioning income for 1H21.

The growing focus on ESG topics and improved disclosure surrounding it will likely result in more timely credit implications for issuers as shareholders and investors distance themselves from entities with perceived governance weaknesses. A recent Fitch report also underscores that the financial cost of governance failures for regulated entities has risen over the past decade. Between 2008 and 2020 monetary fines amounted to USD47bn in addition to necessary steps such as restructuring at the executive management level as well as costly integration of new and improved risk management and control systems.

EBA – 2021-2023 Funding Plans Report

In early September, the European Banking Authority (EBA) published its annual update on the funding plans of banks domiciled in the EU. The plans of 160 banks in scope were submitted for the 2021-2023 period. The objective of the report is to analyse the plans that were submitted to the competent authorities and assess their feasibility. In particular, the report summarises projected trends of assets, liabilities and relative pricing. Through back-testing of past funding plans the report tries to assess the reliability of the projections made by banks. The results of the assessment show the impact the pandemic had on EU banks' funding composition and point to a gradual 'normalisation' of banks' sources of funding over the next three years. This implies in particular a partial replacement of central bank funding with market-based funding.

The EBA notes that total assets of banks increased by 8% in 2020, mainly driven by a surge in cash balances at central banks due to central bank support measures introduced in response to the pandemic. While loan growth was sluggish in 2020, the banking sector expects loans to non-financial corporates and to households to grow by 4% per year over the forecast period. In our view, loan growth expectations will largely depend on the ongoing economic recovery from the pandemic, which remains somewhat uncertain due to the phasing out of a national support measures and the possibility of new virus strains. Client deposits surged in 2020 to 73% of banks' total funding for a variety of reasons, not least because people were mandated to stay at home and didn't spend as much. Deposits from non-financial corporates are expected to decline while growth in household deposits will be muted by end-2021 before rising again in 2022 and 2023.

Reliance on public sector sources of funding (such as the ECB's TLTRO programme) increased significantly contributing almost 7% to banks' total funding. EU banks have taken roughly EUR1.8tr of liquidity from the ECB but as 93% of that is due to mature by end-2023 the EBA expects central bank funding to fall to just 2.5% of total funding by that time. While deposits will undoubtedly remain the main source of funding, we expect the sector to look towards increased debt issuance to offset the expected decline in central bank funding as well as comply with MREL requirements. The EBA stated that over the three-year forecast period, banks plan to increase market-based funding by 12%, reaching EUR4.2tr in 2023. MREL eligible issuances, especially SNP bonds are expected to increase by 31% over forecast period, as well as AT1 (+19%), senior HoldCo instruments (+17%) and Tier 2 (+12%). The focus on MREL eligible SNP issuance is plausible in light of the narrow spread delta between SP and SNP bonds. The EBA also found that the spread between client loans and deposits continued to decline to an average of 2.22% compared to 2.31% one year prior, which will continue to place pressure on banks profitability. Looking ahead, most banks expect funding conditions to remain benign and costs to decline. On average, banks expect the decrease to be 7bps from an average 1.44% in 2020.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR30.2bn over the course of last week, above market expectations of EUR14.5bn-19.5bn. FIG supply of EUR20.7bn was also above the weekly forecast amount of EUR9.5bn-14.5bn. The total 2021 year-to-date FIG volume of EUR339bn is already 12.9% ahead of last year's issuance volume of EUR300bn. SSA volumes however, remain behind last year's level after having led them most of the year. They are down 2.3% at EUR614bn. For the week ahead, survey data suggest SSA volumes will range between EUR14bn-18.5bn and FIGs are expected to issue EUR8bn-13bn.

SSA's saw some blow-out transactions over the course of last week. Among them was the **European Union**, issuing its latest syndicated deal under the NGEU programme. Up until now, the EU had issued EUR45bn under the programme and was widely expected to issue either a 7- or 15-year deal to further build out its curve for NGEU issuances. The EU eventually came to market with a EUR9bn, 7-year bond. Books soared to EUR103bn pushing the deal 2bps tighter from

IPT, pricing at MS-14bps. At this spread level the deal is thought to have left a 1.5-2bps new issue premium on the table. The deal coincided with the EU's first Bill auction that took place mid-week offering a combined EUR5bn across three- and six-month tenors. Combined bids came in at EUR21.6bn, slightly skewed towards the shorter-dated paper. Prior to the EU-Bill auction and the aforementioned NGEU deal, the EU had announced that it still plans one further conventional bond and its debut green bond issuance to come to market in 2021. The green bond is expected for mid-October and the final conventional NGEU syndication is due in early November. **KfW** was also in the market with a green senior unsecured bond for EUR3bn. The 10-year bond priced at MS-13bps (-2bps from IPT). It is the longest maturity KfW issued in green bond format to date. With this transaction the German development bank exceeded their 2021 green bond funding target of EUR10bn by EUR1bn. It is not clear at this stage whether this transaction will count towards pre-funding for next year or not, but in terms of KfW's overall 2021 funding target they have now reached ~88% of the total EUR75-80bn envisioned. Book orders for the deal reached EUR22bn (7.3x oversubscribed) making it one of the largest non-sovereign SSA order books for a green bond ever.

Ever since the end of the summer break, the **FIG** pipeline has been strong. This continued to be the case last week as **ABN Amro's** came to market with its debut green SNP bond. The EUR1bn bond had an 8-year maturity and priced at MS+60bps (-25bps from IPT). Final books were reportedly 2.6x subscribed signalling a successful day in the capital markets for the Dutch lender despite the adverse news stemming from its EUR250m compensation payment to the Dutch Consumer Association discussed in more detail above. Other key transactions came from **Hamburg Commercial Bank (HCOB)**, formerly HSH Nordbank. The bank issued an SNP for EUR500m, 5NC4 at MS+90bps, thus completing its 2021 funding targets. In late 2020, the bank struggled to issue a Tier 2 bond and resorted to the SNP format instead. In November 2020, HCOB successfully debuted a 3NC2 benchmark SNP bond issuance, followed by a 5-year SP benchmark issuance in March 2021. The bank announced that it would look towards AT1 issuance in 2022. There was a further debut ESG-themed bond by Portuguese bank **Caixa Geral de Depositos (CGD)** as they were looking to build their MREL base with a sustainability SP. **mBank**, Commerzbank's polish subsidiary has mandated arrangers for their upcoming green SNP for EUR500m making them the first Polish bank issuing in that format. The green bond will be issued in accordance with mBank's Green Bond Framework dated May 2020. The framework adheres to the ICMA Green Bond Principles and received a second party opinion for the framework by Sustainalytics and a pre-issuance certification by the Climate Bonds Initiative.

(Table 1) Key Transactions

Bank	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
SSA						
KfW	Sr. Unsecured (Green)	EUR3bn	10Y	MS - 13	MS - 11	>EUR22bn
European Union	Sr. Unsecured	EUR9bn	7Y	MS - 14	MS - 12	>EUR103bn
IDA	Sustainable Development Bond	GBP1.5bn	7Y	G + 29	G + 30	>GBP1.7bn
NRW Bank	Sr. Unsecured (Social)	EUR1bn	7Y	MS - 3	MS - 3	n.a.
EIB	EARN (No grow)	EUR3bn	5Y	MS - 15	MS - 12	>EUR36bn
FIG (Senior)						
ABN Amro	SNP (Green)	EUR1bn	8Y	MS + 60	MS + 85	>EUR2.6bn
Alpha Bank	SP	EUR500m	6.5NC5.5	MS + 284.5	2.75%	>EUR930m
Credit Agricole	SNP (Social)	EUR1bn	8NC7	MS + 68	MS + 90/95	>EUR3bn
KBC Group	Sr. HoldCo	GBP400m	6NC5	G + 92	G + 105	>GBP790m
Caixa Geral de Depositos	SP (Sustainability)	EUR500m	6NC5	MS + 70	MS + 90/95	>EUR1.45bn
HCOB	SNP	EUR500m	5NC4	MS + 90	MS + 110	>EUR1.75bn
BAML	Sr. Unsecured (FRN)	EUR2bn	5NC4	3mE + 50	3mE + 75	>EUR3bn
FIG (Subordinated)						
Banco Santander	AT1	EUR1bn	PNC8	3.625%	4.00%	>EUR2.75bn
Julius Baer	AT1	USD320m	PNC7	3.625%	4.25%	>USD4.3bn

Source BondRadar, Bloomberg.

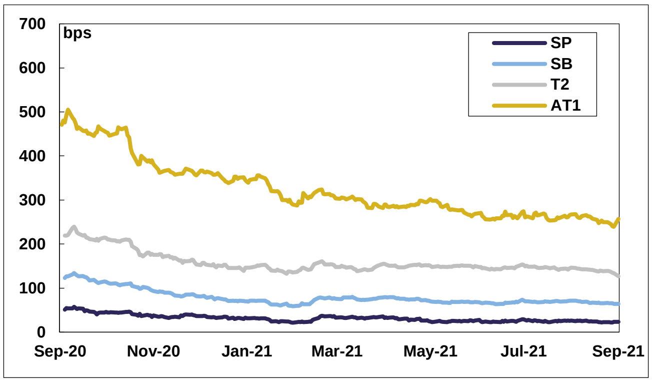
Secondary markets remained stable in EUR and USD while risk perceptions have risen recently after being close to their 52-week lows for the past few weeks. CDS price indices on European senior (58ps) and subordinated financials (112bps), as measured by iTraxx benchmarks, priced 7bps and 4bps wider against last week's levels.

In the U.S. the two-day FOMC meeting that will conclude on Wednesday will be the main event. The spread of the Delta variant over the past couple of months has added to downside risks for the economy, with the August employment report highlighting a slowdown in payroll growth, while CPI data for that month supported the Fed's argument that recent price pressures were largely transitory. For investors, one key point of interest will be updated guidance on the likely timing of a start to the tapering of the Fed's asset purchases, and the FOMC could justify backing away from the indication in July that it might be appropriate to begin reducing its asset purchases this year. The Fed's updated Summary of Economic Projections will also give insight into the expected timing of an eventual subsequent lift in the Fed's policy rate. In Europe, the focus will be on BoE monetary announcements on Thursday although policy is likely to remain on hold as power price spikes set to push inflation higher amidst lower GDP growth. Risk appetite all seems likely to be impacted by news regarding funding difficulties at China's Evergrande and associated contagion.

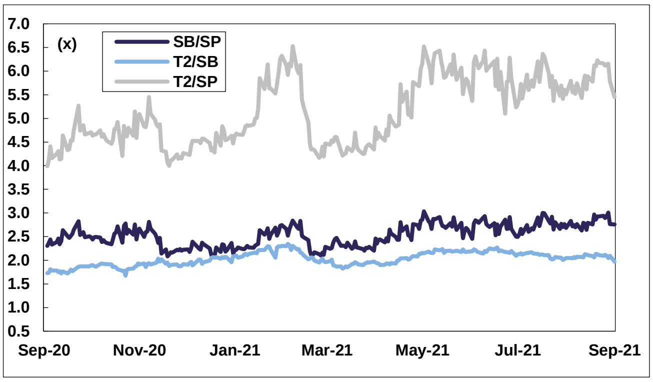
Weekly average EUR spreads were tighter again across payment ranks with SP (-1.1bps), SNP (-2.5bps) and Tier 2 (-0.5bps). USD average weekly spreads also tightened week on week with SP (-0.8bps), SNP (-1.2bps) and Tier 2 (-4.4bps). Based on data collected from Bloomberg, only 3% of FIG tranches issued in September and 5% of SSAs tranche quoted wider than launch.

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	2.5	0.6	13.3	1.2	-24.4	3.7	1.4	62.8	-2.2	-21.3	5.7	2.5	138.1	-4.7	-34.3
BFCM	1.8	0.5	19.2	0.1	-15.0	3.7	1.4	62.8	-2.2	-21.3	5.7	2.5	138.1	-4.7	-34.3
BNPP	1.4	0.2	6.4	1.7	-8.7	5.4	1.7	75.3	-1.3	-14.3	4.9	2.2	112.6	-3.0	-9.6
BPCE	4.5	1.3	44.8	-1.2	-21.1	4.7	1.8	72.3	-0.9	-14.4	2.7	1.3	72.4	0.6	-15.0
Credit Ag.	2.4	0.7	18.5	0.4	-4.6	3.6	1.3	57.3	-0.3	-14.1	6.4	2.5	126.1	-4.4	-14.6
Credit Sui.	2.1	0.4	21.6	0.2	-2.7	3.8	1.6	72.6	-2.6	0.5	1.9	1.6	119.2	-7.8	-10.2
Danske	3.2	1.0	38.6	-1.0	-7.8	2.0	0.9	57.8	-0.5	-27.0	1.9	1.6	119.2	-7.8	-10.2
Deutsche	4.9	1.5	54.7	3.0		3.0	1.2	71.4	-1.1	-45.5	4.3	2.7	183.8	-7.4	-106
HSBC	2.9	0.9	53.0	-2.6	-29.3	4.3	1.5	64.4	-1.0	-14.9	10.2	3.2	156.2	-2.4	-10.8
ING	2.9	0.9	53.0	-2.6	-29.3	4.3	1.5	57.2	-1.3	-16.7	1.7	1.3	91.7	-2.2	-19.0
Intesa	2.7	1.2	76.4	-1.7	-26.4	4.3	1.5	57.2	-1.3	-16.7	3.9	3.3	213.4	-2.7	-56.0
Lloyds	6.5	2.0	89.3	-2.3	-30.2	2.9	1.2	47.6	-1.5	-12.0	4.1	2.4	114.8	-3.9	-40.1
Nordea	2.6	0.6	10.0	0.3	-12.3	1.9	0.6	18.6	2.1	-22.3	1.0			1.9	-16.5
Rabobank	3.5	0.9	20.4	-2.0	-16.4	3.6	1.3	43.7	0.0	-6.7	4.0	1.5	59.2	-0.8	-12.1
RBS	3.5	0.9	20.4	-2.0	-16.4	3.6	1.3	43.7	0.0	-6.7	4.0	1.5	59.2	-0.8	-12.1
Santander	2.7	0.7	26.5	0.3	-23.5	4.9	1.8	75.4	-4.1	-22.5	5.9	2.2	111.5	0.9	-19.8
San UK	2.4	0.6	19.2	0.8	-19.4	3.4	1.5	66.3	0.2	-14.1	3.7			-0.5	-89.4
SocGen	3.7	1.2	48.4	2.0	-2.2	4.1	1.7	83.9	-2.0	-21.4	3.8	2.0	113.0	-3.2	-32.6
StanChart	0.7	0.2	0.4	-2.4	-54.3	3.2	1.4	66.4	0.9	-19.6	4.9	2.4	141.2	-2.8	-29.5
UBS	2.6	0.5	22.8	-1.4	-9.2	4.2	1.5	59.2	-1.9	-8.5	4.9	2.4	141.2	-2.8	-29.5
UniCredit	4.9	2.2	119.9	-3.7	-50.0	3.7	1.7	106.6	-0.7	-41.0	5.8	3.9	265.9	-11.7	-70.2

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	*William Hahn*	+44 20 7597 8355
Research Assistant	*Katherine Ludlow*	+44 20 7597 8318
Tokyo		
Domestic Credit		
Chief Credit Analyst	*Toshiyasu Ohashi*	+81 3 5555 8753
Electronics, Automobiles, Non-Banks, Real Estate, REIT	*Takao Matsuzaka*	+81 3 5555 8763
Chemicals, Iron & Steel	*Kazuaki Fujita*	+81 3 5555 8765
International Credit		
Non-Japanese/Samurai, European Sovereigns	*Hiroaki Fujioka*	+81 3 5555 8761
Non-Japanese/Samurai	*Fumio Taki*	+81 3 5555 8787
Non-Japanese	*Jiang Jiang*	+81 3 5555 8755
London Translation		
Head of Translation, Economic and Credit	*Mariko Humphris*	+44 20 7597 8327

DAIR <GO>

All of the research published by the London and New York research teams is available on our Bloomberg page at DAIR <GO>.

Access our research at:
http://www.uk.daiwacm.com/ficc-research/research-reports

Explanatory Document of Unregistered Credit Ratings
This report may use credit ratings assigned by rating agencies that are not registered with Japan's Financial Services Agency pursuant to Article 66, Paragraph 27 of the Financial Instruments and Exchange Act. Please review the relevant disclaimer regarding credit ratings issued by such agencies at: https://lzone.daiwa.co.jp/l-zone/disclaimer/creditratings.pdf

IMPORTANT

This report is provided as a reference for making investment decisions and is not intended to be a solicitation for investment. Investment decisions should be made at your own discretion and risk. Content herein is based on information available at the time the report was prepared and may be amended or otherwise changed in the future without notice. We make no representations as to the accuracy or completeness. Daiwa Securities Co. Ltd. retains all rights related to the content of this report, which may not be redistributed or otherwise transmitted without prior consent.

Conflicts of Interest: Daiwa Securities Co. Ltd. may currently provide or may intend to provide investment banking services or other services to the company referred to in this report. In such cases, said services could give rise to conflicts of interest for Daiwa Securities Co. Ltd.

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