European Banks – Credit Update

- European banks TLTRO repayments fall short of expectations but could pick up in coming months
- Delay to full implementation of Basel III regulation will provide European banks with some capital respite. However, future requirements as calculated by the EBA are already mostly met
- Strong primary market activity among SSAs and FIGs as issuers take advantage of more benign funding conditions. Banks issued across a variety of currencies and payment ranks as secondary market spreads tightened following a better than expected U.S. CPI read

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Bank TLTRO repayments lower than expected

With its policy decision to change the terms of the targeted longer-term financing operations (TLTRO) on 27 October, the ECB has also given banks additional repayment possibilities in line with the date at which the new terms start to apply (23 November). In the run up to this, banks announced their repayment intentions to the ECB on 16 November with the publication of the data occurring on 18 November. It emerged that banks returned EUR296bn in TLTRO funding, which is at the lower end of what had been expected. Forecasts varied from EUR200bn to EUR1.6tr, with the median expectation being around EUR600bn out of the total EUR2.1tr outstanding. The EUR296bn represent less than 15% of the outstanding stock and lowered the overall loan amount to EUR1.8tr. The lower than expected repayment is likely a combination of several factors. Lenders only had limited time to react to the ECB's recent policy decision and are thus likely looking to future repayment opportunities. Repaying at a later date will also allow them to preserve their current liquidity positions until they have better visibility on their overall balance sheet situation by year-end.

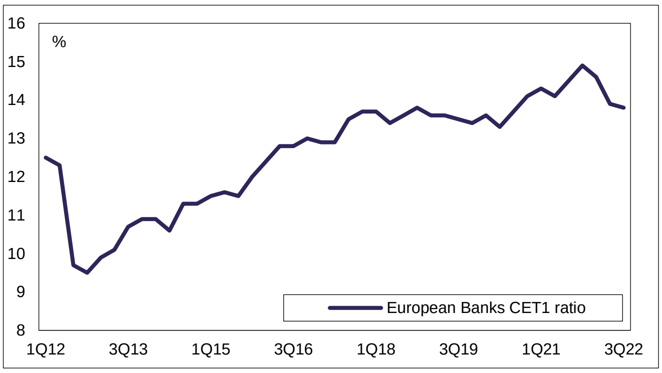
We expect to see further more substantial repayments on the next voluntary repayment date on 21 December, in part driven by net stable funding ratio (NSFR) considerations. The most sizeable portion of TLTRO loans was taken in June 2020 (EUR1.2tr) when terms were most favourable and are due to mature in June 2023. As the bulk of these residual TLTRO maturities falls within 12 months, the regulatory use of the funds towards NSFR has diminished and banks have a greater incentive to repay. This incentive is even larger from December onwards, when the remaining maturity falls below six months and funding will not be eligible for inclusion in the NSFR calculation. The lower than expected repayments so far will have also dampened some expectations by the ECB for greater releases of high-quality collateral placed with it in exchange for funding. As the central bank is primarily referring to the highest quality collateral in this instance, such as German sovereign bonds, it remains to be seen how much of it was placed with the ECB in the first place and whether those lenders opt to repay loans early.

Looking ahead, we also expect the degree to which banks decide to repay their TLTROs will likely also indirectly impact covered bond supply. At 9M22, Euro covered bond issuance of EUR225bn rose 32% compared to the same period last year as some lenders, mainly northern and western European banks use the new covered bond issuance to repay TLTRO. We therefore expect TLTRO repayments to support covered bond issuance into 2023.

Easing of full Basel III implementation provides capital relief

Member states of the European Union have recently supported a 'temporary' easing and a two-year delay until 2025 of the final phase of the Basel III banking capital rules. The revised timeline is expected to delay the implementation of the rules until 2032. This would delay an increase in the perceived risk of several types of equity exposures, fewer subordinated debt holdings would incur higher risk-weightings and lower capital increases for banks with sizeable low-risk mortgage portfolios. The decision to delay stricter capital requirements was made as the negative economic effects of the pandemic are still being felt in Europe and to avoid potential adverse impacts on the ability of European banks to lend to the wider economy. Banking groups have long argued that they already hold adequate regulatory capital amounts, which have been strengthened in recent years. This notion was further supported by an EBA report published in late September, monitoring the effects of full Basel III implementation on the sector. The report concludes that full implementation would result in an average increase of 15% of the current Tier 1 minimum required capital of EU banks. In practice, EU banks already largely meet this new requirement and would only need to raise an additional EUR1.2bn of Tier 1 capital by 2028 in order to comply.

European banks aggregate CET1 ratio



Source: Bloomberg; Pan-European Bank Valuation Peers

Criticism from regulators and delayed implementation in the UK

The ECB as well as the EBA have criticised the decision by EU member states to relax requirements that were initially agreed on in 2017, warning of an erosion of barriers that safeguard stability. The ECB criticised Basel III deviations at a time when the EU economic outlook was subject to downside risk and further warned that the EU may fall foul of global rules. Additional areas of conflict relate to the relaxation of rules surrounding EU banking subsidiaries. The Basel rules foresee that banking subsidiaries that have their main presence elsewhere should retain part of the group's capital locally based on a new "production floor". Member states will now negotiate a final deal with the European Parliament in early 2023, with further changes possible. Meanwhile, the Bank of England (BoE) stated that it would also begin implanting the final leg of Basel III rules from 2025, but that it would not match some of the easing of rules approved in the EU. The BoE will likely monitor closely decisions taken by the Fed given the significant presence of US investment banks in the UK's financial market.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR15.6bn over the course of last week, in line with market expectations of EUR13-18bn. FIG supply of EUR22.3bn was above the weekly forecast amount of EUR10.5-15.5bn. The total 2022 year-to-date FIG volume of EUR513bn is 18.1% ahead of last year's issuance volume. SSA volumes, however, remain behind last year's level, down 21% at EUR560bn. For the current week, survey data suggest SSA volumes will range between EUR6-10.5bn and FIGs are expected to issue EUR7-11.5bn.

Primary **SSA** markets saw a host of issuance with sizeable transactions from sovereigns and Supras taking centre stage. The **European Union** launched a dual-tranche transaction through its NextGeneratioEU (NGEU) and macro-financial assistance (MFA) programmes for EUR8.5bn. The 10-year NGEU trade at EUR6bn was accompanied by a 30-year leg for EUR2.5bn intended for support to Ukraine. Both lines saw pricing tighten by 2bps from guidance, resulting in a new issue premium of 3-4bps for both tranches, higher than what the EU usually pays. The wider concession can be attributed to some underperformance of existing NGEU bonds in the secondary market as well as consistent supply which is expected to rise further next year. Swedish issuers **SEK** and **Kommuninvest** accessed markets the day after the EU launched its deal on Tuesday. The Swedish Export Credit Corporation brought a EUR1bn, 5-year trade at MS+16bps (-1bps from guidance). The 'AA+' rated entity saw tame demand for its deal as book orders reached just EUR1.25bn. Kommuninvest, traditionally active in the US-Dollar, looked towards that market once more with a rather short dated August-2024 transaction. The issuer raised USD1bn at a spread of SOFR MS+20bps however, this was wider than initial price thoughts by 2bps. In an unusual move, the issuer decided to widen pricing when books opened due to movement in swap spreads and overnight feedback from investments, according to Kommuninvest. It is also thought that part of the short dated demand for US-Dollars was absorb by BNG the day before that came out with a similarly short-dated USD bond. Kommuninvest has now completed almost 90% of its 2022 funding target and may turn towards the domestic Swedish Krona market for the remaining SEK15bn given the volatility it has experienced in international currencies.

(Table 1) Key Transactions

Bank	Rank	Amount	Maturity	Final Spread (bps)	IPT (bps)	Book Orders
SSA						
ADB	Sr. Unsecured	GBP300m	3Y	G + 90	G + 90	>GBP320m
NGEU	Sr. Unsecured	EUR6bn	10Y	MS + 1	MS + 3	>EUR41.9bn
MFA	Sr. Unsecured	EUR2.5bn	30Y	MS + 74	MS + 76	>EUR29.5bn
IFC	Sr. Unsecured (Tap)	AUD250m	Feb-2026	ASW + 22	ASW + 22	n.a.
Italy	Sr. Unsecured (ILB)	EUR11.9bn	6Y	-	-	n.a.
KfW	Sr. Unsecured (Green)	AUD750m	3.25Y	ASW + 24	ASW + 25	n.a.
BNG	Sr. Unsecured	USD1.5bn	May-2024	SOFR MS + 18	SOFR MS + 18	>USD1.6bn
SEK	Sr. Unsecured	EUR1bn	5Y	MS + 16	MS + 17	>EUR1.25bn
Kommuninvest	Sr. Unsecured	USD1bn	Aug-2024	SOFR MS + 20	SOFR MS + 18	n.a.
FIG (Senior)						
ABN Amro	SNP (Green)	EUR1.25bn	7Y	MS + 145	MS + 170	>EUR2.5bn
ABN Amro	SNP	EUR1bn	12Y	MS + 165	MS + 190	>EUR3bn
Banco BPM	SNP (Green)	EUR500m	5NC4	MS + 330	MS + 360	>EUR1.1bn
Hamburg Commercial	SNP	EUR500m	2Y	MS + 340	MS + 350	>EUR750m
Intesa	SP	USD750m	3Y	T + 285	T + 330	>USD4.5bn
Intesa	SNP	USD1.25bn	11NC10	T + 440	T + 485	>USD5.65bn
SEB	SP	EUR1bn	3Y	MS + 55	MS + 80	>EUR1.5bn
Morgan Stanley	Senior Unsecured	GBP1.25bn	11NC10	G + 240	G + 265	n.a.
KBC	Sr. HoldCo	EUR1bn	5NC4	MS + 170	MS + 195	>EUR3bn
Credit Mutuel	SP	GBP450m	Sep-2025	G + 200	G + 210	>GBP700m
Piraeus Bank	SP	EUR350m	4NC3	8.5%	8.5%	>EUR750m
National Bank Greece	SP	EUR500m	5NC4	MS + 474	MS + 494	>EUR1.05bn
BPCE	SP	EUR1.5bn	10Y	MS + 130	MS + 150	>EUR2.75bn
FIG (Subordinated)						
SocGen	AT1	USD1.5bn	PNC5	9.375%	9.875%	>USD9bn
Caixabank	Tier 2	EUR750m	10.25NC5.25	MS + 355	MS + 400	>EUR2.7bn
ABN Amro	Tier 2	EUR1bn	10.25NC5.25	MS + 245	MS + 270	>EUR1.45bn

Source BondRadar, Bloomberg.

FIG issuers experience a strong turnout across a variety of currencies and payment ranks. Funding conditions had been benign following a better than expected U.S. CPI read two weeks ago. The traditionally crowded funding window following bank's earnings season was filled with deals in EUR, USD and GBP. Somewhat surprisingly perhaps was the sizeable supply of Sterling offered when **Morgan Stanley** launched one of the largest Sterling transaction from a FIG in 2022. The GBP1.25bn transaction also offered a long 11NC10 tenor, in contrast to mostly short dated paper supplied in previous weeks and months. Pricing of G+240bps tightened by 25bps from IPT, suggesting solid interest in the transaction. French bank **Credit Mutuel** followed Morgan Stanley into the Sterling market but crucially after the UK reported higher than expected inflation data and before the revised budget was announcement. Credit Mutuel launched a GBP450m, 3-year senior preferred deal at G+210bps, which subsequently tightened 10bps on the back of EUR700m in book orders. It is thought that the issuer paid a new issue premium of around 30bps on the deal. More supply from French issuers came BPCE and SocGen. The former issuing EUR1.5bn in SP while the latter was the only issuer to issue junior subordinated debt for USD1.5bn. In turn, **SocGen's** AT1 followed a similar junior transaction from BNP Paribas one week prior. SocGen's PNC5 deal was offered at 9.875% and on the back of considerable order (6x subscribed) eventually launched at 9.375%. Nevertheless, it priced slightly higher than the BNP Paribas' transaction that landed at 9.25%, which may in part be explained by the lower nominal size of BNP's AT1 offering (USD1bn). Both issuers were supported in their deals by the solid fundamentals reported during the recent earnings season.

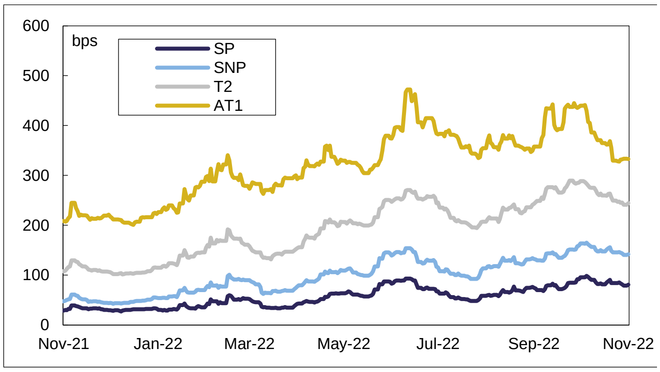
Secondary market spreads were mostly tighter for EUR and USD. CDS indices on European senior (105bps) and subordinated financials (184bps) as measured by iTraxx benchmarks also priced +/-0bps and -2bps tighter against the previous week's levels.

After some arguably more hawkish comments from ECB President Lagarde last week, noting that interest rates are expected to rise further and suggested that merely withdrawing accommodation may not be enough to bring inflation back in a timely manner, the coming week's account from the ECB's 27 October Governing Council meeting will be of note. At the October meeting, the central bank raised its interest rates by 75bps, taking the deposit rate to 1.5%. Further impulses into the market are expected from the FOMC minutes for further hints of near-term policy adjustments. The 01-02 November meeting saw the Fed raise interest rates by 75bps for a fourth consecutive meeting, but with the accompanying statement offering a very slight dovish tilt. However, this was countered by a hawkish post-meeting press conference with Fed Chair Powell indicating that Fed officials will be looking for rates to climb higher than previously expected and to remain restrictive for some time. In the UK meanwhile, on Thursday a Bank of England watchers' conference will include keynote speeches from BoE Deputy Governor Ramsden and ECB Executive Board member Schnabel, as well as panel appearances from BoE Chief Economist Pill and external MPC member Mann.

Weekly average EUR spreads were partially tighter with SP (-4.8bps), SNP (-7.1bps) and Tier 2 (-5.7bps). USD average spreads were also tighter throughout the week, with SP (-12.5bps), SNP (-19.5bps) and Tier 2 (-10.8bps). Based on Bloomberg data, 74% of FIG tranches and 44% of SSA tranches issued in November quoted tighter than launch.

Western European Banks EUR Spreads and Yields

Aggregate EUR Z-spread LTM (bps)



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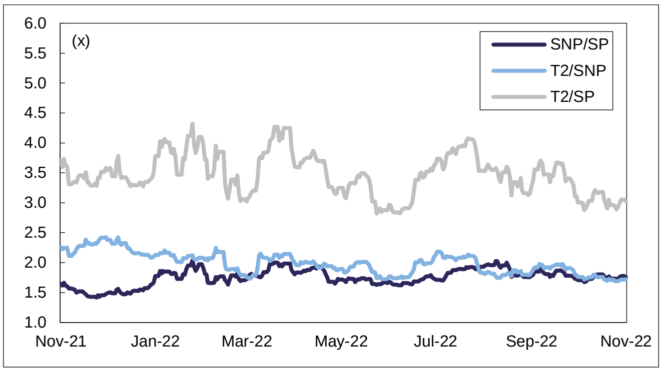


Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non- Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

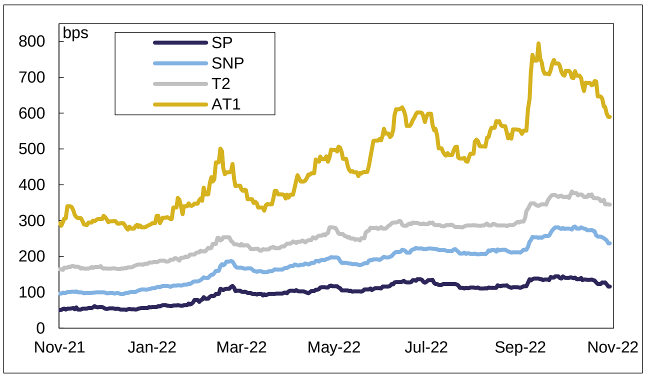
Selected Names

	Sr Preferred/Sr OpCo					Sr Non-Preferred/Sr HoldCo					Tier 2				
	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD	Dur.	Yield	Z	Z 5DΔ	Z YTD
Commerz	3.5	3.5	71.2	-6.9	41.2	3.4	4.9	206.3	-9.5	130.9	3.0	4.9	203.6	-25.1	53.5
Barclays	1.5	3.1	13.8	-8.7	-11.2	3.2	4.8	194.2	-8.5	127.1	6.0	7.8	535.6	20.7	433.0
BBVA	4.1	3.7	91.2	-4.8	3.2	2.9	3.5	68.2	-8.2	27.9	3.8	5.3	236.8	-7.0	140.6
BFCM	3.4	3.5	67.4	-5.7	30.6	6.3	4.1	137.5	-8.4	80.9	4.9	4.3	153.9	-8.8	45.2
BNPP	2.5	3.0	18.8	-2.6	-2.2	4.7	4.3	150.7	-7.6	78.2	3.7	4.4	154.0	-5.2	75.6
BPCE	3.6	3.5	65.3	-1.7	24.5	4.7	4.2	140.3	-5.7	68.5	6.5	4.8	132.8	-1.6	68.9
Credit Ag.	3.8	3.4	47.9	-3.7	3.5	4.9	4.1	127.5	-5.9	65.4	3.2	4.2	137.0	-3.7	55.8
Credit Sui.	4.8	5.2	237.4	-12.9	133.9	4.4	6.7	389.2	8.8	268.4					
Danske	2.2	3.7	82.7	-10.2	52.9	3.4	4.5	164.6	-8.7	98.8	6.4	5.9	304.1	-10.0	199.7
Deutsche	2.5	3.9	100.0	-4.1	63.5	4.0	5.4	263.7	-11.4	163.5	3.1	5.9	303.0	-1.0	121.9
DNB	3.7	3.6	77.6	-4.8	22.2	6.1	3.9	115.2	-7.4	59.9	4.9	6.3	393.8	11.9	377.0
HSBC	4.7	3.3	56.1	-5.7	21.2	3.9	4.3	161.1	-7.9	80.1	4.3	4.5	138.0	-4.8	75.5
ING	1.0	4.3	104.4	-19.3	-54.1	5.1	4.3	150.4	-6.9	84.9	5.7	5.3	253.0	-1.5	172.6
Intesa	3.7	3.8	107.8	-8.5	38.6	3.1	4.5	168.9	-9.7	69.2	3.8	5.0	206.9	-10.7	26.0
Lloyds	2.1	3.5	56.0	-4.3	48.0	2.6	4.1	132.4	-7.5	56.3	5.2	8.2	541.0	7.6	492.0
Nordea	3.9	3.1	27.8	-3.8	13.9	5.9	3.7	93.1	-5.8	17.5	7.4	5.2			40.9
Rabobank	3.2	2.9	8.8	-4.5	-3.8	5.0	4.0	125.0	-4.5	69.5	5.5	4.7	187.8	1.0	-2.1
RBS	2.6	5.0	213.5	-8.6	69.6	5.0	4.0	125.0	-4.5	69.5	5.5	4.7	187.8	1.0	-2.1
Santander	2.9	3.7	80.0	-4.7	40.6	4.2	4.1	128.2	-8.1	70.0	3.8	4.2	139.6	-9.0	50.0
San UK	2.2	3.2	35.0	-2.0	28.2	3.7	4.8	225.0	-3.9	92.9	3.8	4.2	139.6	-9.0	50.0
SocGen	4.5	3.7	89.8	-2.2	30.9	4.8	4.4	158.2	-7.3	97.5	6.0	5.8	297.8	-4.3	184.0
StanChart	3.3	3.7	88.2	-2.9	37.9	4.8	4.8	197.2	-7.8	133.6	6.8	6.3	345.8	2.4	224.3
Swedbank	3.3	3.5	73.7	-2.2	23.2	4.2	4.1	133.7	-5.1	73.6	3.9	11.0	372.4	4.0	236.5
UBS	3.5	3.6	79.1	-5.6	51.0	3.9	4.2	138.5	-7.3	72.2	3.5	5.0	130.8	42.0	81.1
UniCredit	3.7	4.4	159.8	-10.3	99.7	3.4	5.1	229.2	-10.8	103.4	6.0	7.6	474.9	-4.5	246.3

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.

Western European Banks USD Spreads and Yields

Aggregate USD Z-spread LTM (bps)



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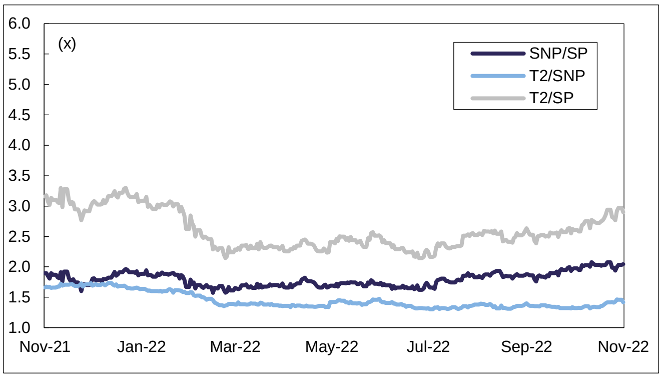

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Barclays	1.4					4.1	6.7	272.2	-20.4	108.3	5.2	7.5	386.7	-27.2	194.1
BFCM	3.4	3.5	67.4	-5.7	30.6	3.3	6.7	260.6	-22.0	-12.6	5.2	7.5	386.7	-27.2	194.1
BNPP	2.5	3.0	18.8	-2.6	-2.2	4.5	6.4	219.6	-18.4	111.3	3.8	6.7	258.7	-19.4	127.1
BPCE	3.6	3.5	65.3	-1.7	24.5	4.5	6.5	254.1	-19.6	110.5	3.0	7.2	318.7	-13.4	148.1
Credit Ag.	3.8	3.4	47.9	-3.7	3.5	3.5	6.1	194.3	-23.4	99.5	6.9	6.9	316.7	-17.7	155.0
Credit Sui.	2.1	7.6	301.2	-8.7	211.6	3.2	8.4	431.9	-13.0	188.1	2.6	10.7	602.6	3.9	328.6
Danske	2.2	3.7	82.7	-10.2	52.9	2.8	7.3	265.1	-14.5	112.5	2.6	10.7	602.6	3.9	328.6
Deutsche	2.5	3.9	100.0	-4.1	63.5	2.8	7.5	320.7	-35.2	206.9	7.1	8.7	495.8	-14.6	282.6
HSBC	4.7	3.3	56.1	-5.7	21.2	3.3	6.6	234.4	-24.5	120.3	8.6	7.3	357.9	-16.1	60.6
ING	1.0	4.3	104.4	-19.3	-54.1	3.9	6.2	198.0	-14.4	77.5	4.5	14.7	930.9	-38.3	872.2
Intesa	3.7	3.8	107.8	-8.5	38.6	6.8	8.1	446.0		-6.5	4.9	9.1	540.8	-12.8	229.4
Lloyds	2.3					3.3	6.5	217.6	-15.8	81.4	6.8	7.0	338.7	-15.7	63.2
Nordea	3.9	3.1	27.8	-3.8	13.9	3.9	5.8	177.6	-16.3	45.4	6.8	6.3			-13.7
Rabobank	3.2	2.9	8.8	-4.5	-3.8	4.1	6.0	190.3	-12.2	85.4	3.3	6.3	239.2	-16.0	104.0
RBS	2.6	5.0	213.5	-8.6	69.6	4.1	6.0	190.3	-12.2	85.4	3.3	6.3	239.2	-16.0	104.0
Santander	2.9	3.7	80.0	-4.7	40.6	4.5	6.5	260.6	-32.6	104.8	6.7	7.4	367.9	-10.5	193.1
San UK	1.4			0.0	34.0	3.5	7.0	276.4	-23.7	161.0	2.5				127.8
SocGen	4.5	3.7	89.8	-2.2	30.9	3.8	6.9	250.9	-22.3	132.2	3.3	7.3	343.4	-25.2	131.5
StanChart	3.3	3.7	88.2	-2.9	37.9	2.9	6.9	241.9	-17.4	115.7	7.8	7.7	366.3	-12.3	155.0
UBS	2.0	5.5	73.1	-14.4	28.7	4.1	6.2	222.4	-21.2	72.4	7.8	7.7	366.3	-12.3	155.0
UniCredit	2.7	5.3	234.9	-7.7	38.3	3.4	7.6	246.6	-23.0	121.4	7.3	9.9	599.9	-11.4	305.4

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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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.

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

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

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

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

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

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

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

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

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

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

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