European Banks – Credit Update

- ECB quantitative tightening and loss of TLTRO funding poses funding dilemma for Italian banks
- SSAs returned to USD funding, taking advantage of favourable cross-currency swaps in addition to sizeable EUR transactions. FIGs saw continued strong demand for both senior and subordinated trades across a variety of currencies (EUR, USD, GBP). Shorter tenors continue to prevail
- Secondary market spreads were mostly tighter for EUR and USD. Tightening was more pronounced in medium-longer tenors, with the Tier 2 segment improving the most, encouraging further issuance

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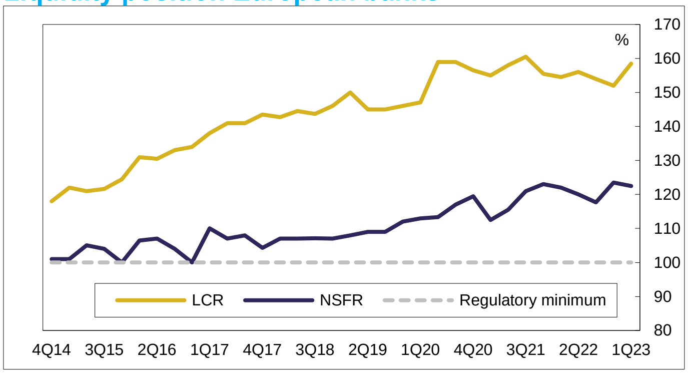
TLTRO repayments pose funding dilemma for Italian banks

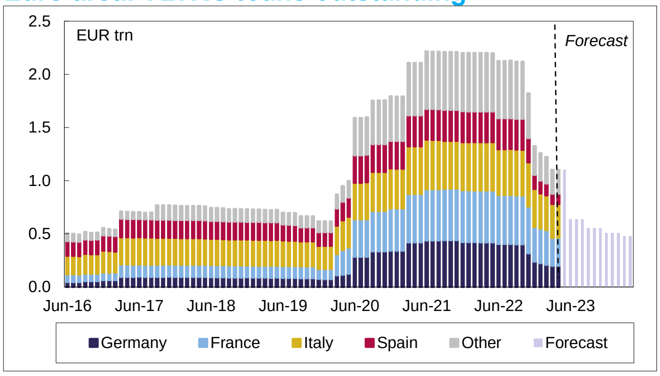
The ongoing tightening of ECB monetary policy is affecting the full range of its policy tools. Holdings under the regular Asset Purchase Program (APP) are currently being run down at an average rate of EUR15bn a month and, as of July, all reinvestments will cease, effectively doubling the pace of shrinkage of the balance sheet. Furthermore, long-term funding operations under the TLTRO programme have seen outstanding amounts fall to EUR1.1tr from their peak of EUR2.2tr. This represented 1% of total banking sector assets in the Euro area and roughly 20% of total liquidity. Euro area banks are expected to repay a large EUR477bn chunk of TLTRO-iii funds on June 24. Additionally, the ECB is not expected to announce any offsetting action given its determination to reduce excess liquidity to support the transmission of its monetary policy over coming quarters. Since these repayments are expected to be made using excess liquidity, bank's LCR ratios and HQLA compositions should also in due course return to lower, pre-pandemic levels. For banks with low liquidity reserves this could pose a problem. Many Italian banks, which will account for about 30% (EUR143bn) of the upcoming June repayments, will face the challenge of finding adequate funding replacements as they do not currently hold sufficient excess reserves to cover the full amount due. This means they will likely need to engage in new, more expensive borrowing from the ECB under its short-term Main Refinancing Operation (MRO), seek market funding, or dispose of assets.

Liquidity position European banks*



*Source: Bloomberg; *Pan European Banks Valuation Peers*

Euro area: TLTRO loans outstanding



Source: ECB

Bank of Italy expresses concern over loss of cheap TLTRO funding

In its most recent financial stability report, the Bank of Italy (BoI) expressed concern over the loss of access to cheap funding for Italian banks. According to the BoI, Italian banks are already experiencing cost of funding pressures as the shift in bank funding towards relatively more expensive liabilities, such as fixed-term deposits and bonds, is putting upward pressure on costs, while the need for larger banks to issue instruments that meet MREL persists. Excess liquidity reserves deposited at the BoI have gradually declined, averaging EUR255bn as of March 2023, EUR69bn lower than in November 2022. The decline reflects early TLTRO redemptions totalling EUR96bn during that period but outstanding amounts still amount to EUR318bn as of March, far exceeding excess reserves. According to BoI estimates, utilising the MRO to fully finance their liquidity needs would result in a 350bps hit to return on equity (RoE) for those lenders with insufficient reserve amounts or a 150bps hit to the entire Italian banking system. Alternatively, banks could look towards market-based funding to help repay outstanding TLTRO amounts. The cheapest option would be covered bonds (Obbligazioni Bancarie Garantite - OBG). The market was recently reopened by UniCredit, which issued a dual-tranche for a combined EUR3bn. However, it is unlikely that smaller Italian lenders will be able to replicate the relatively low yields achieved by UniCredit, helped by its national champion status. A growing customer deposit base could also be an option, but banks in Italy have experienced deposit outflows of 3.65% since 3Q22 when customer deposit levels peaked. As long as interest rates for depositors remain unattractive relative to alternatives and pass-through rates remain low, we expect to see low growth, if any, or even a continuation of deposit outflows.

However, those banks that have sufficient liquidity reserves are not likely to pass on higher rates to customers soon. Lenders are losing the positive net interest income (NII) contribution from TLTRO holdings as outstanding amounts are being paid-down. In order to partially compensate for this, some lenders have openly communicated that they are willing to reduce their liquidity position in order to avoid passing on higher rates to depositors, thus maintaining their net interest margins. UniCredit for instance stated that it still holds significant excess liquidity balances (~EUR130bn) with the ECB, well in excess of the ~EUR78bn in residual TLTRO borrowing. This will allow the bank to continue only gradually to

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increase the share of rate hikes passed on hikes to customers, that in 1Q23 had risen to 22% from 20% at the end of last year. UniCredit is projecting that share to reach 30% by end-2023, down from the previous expectation of 35-40%. While this should allow UniCredit to increase its NII income component over the near term, most Italian banks are not afforded this situation and will need to seek ways to top up reserves instead.

High-quality collateral may remain scarce a little while longer

The unwinding of ECB funding will also result in the release of high-quality collateral that borrowers under the TLTRO had to pledge to the central bank in the form of eligible securities. Pledged amounts increased substantially from March 2020, in line with the increased uptake of ECB funding, thus contributing to collateral scarcity in the market. The release of this collateral will increase market liquidity and possibly help reduce asset swap spreads. However, the degree to which this will alleviate collateral scarcity remains to be seen as it is not clear whether the banks with the largest amount of excess reserves, and biggest share of high-quality collateral, will also be the ones repaying their loans early, thus resupplying the market.

Primary and secondary markets

European **primary market** issuance volumes for SSAs stood at EUR33bn over the course of last week, ahead of market expectations of EUR11.5-16.5bn. FIG supply of EUR22bn was also above the weekly forecast amount of EUR10-15bn. The total 2023 year-to-date FIG volume of EUR346bn is 13.5% ahead of last year's issuance volume. SSA volumes are also ahead of last year's level, up 22.3% at EUR397bn. For the current week, survey data suggest SSA issuance volumes will range between EUR6.5-11bn and FIGs are expected to issue EUR7-12bn.

SSA activity was strong last week. The **European Union (EU)** tapped two of its lines on Tuesday for a combined EUR7bn. It sought EUR3bn from its Dec-2029 line, taking the respective total to EUR17.7bn, and EUR4bn from the Nov-2042 facility taking it to EUR14bn. Both lines tightened by 2bps on the back of strong subscription levels that exceeded 10x and 11x respectively. These deals mark the last of the EU's seven syndications in 1H23, completing 88% of its EUR80bn funding target for the first half of the year. Funding targets for 2H23 are expected to be revealed later on in June. **KfW** also placed a sizeable EUR5bn deal on the same day as the EU. The 3-year transaction saw demand grow to EUR14.5bn, helping it tighten by 2bps from IPT to MS-28. KfW stated that they have now completed all their benchmark transactions in 3, 5, 7 and 10-year maturities for the year. The new issue premium on this deal is thought to have been around 4bps. KfW also stated that it's revising its MTN programme having now raised 66% of its EUR80bn-85bn funding plan for 2023.

In addition to these and other Euro transactions, European SSAs also made a strong return in USD following the end of the US debt ceiling crisis and ahead of the FOMC meeting this week. In addition to the USD4bn raised by ADB across two legs, European SSA placed a combined USD5.25bn in primaries, enabled by favourable cross-currency swap movements when swapped back into Euros. The deals were all either 5-year transactions or shorter, with basis swaps more attractive in that part of the curve. **Finnvera, Rentenbank, Swedish Export Credit Corp, Kommuninvest** and **Municipality Finance** were the issuers, the latter supported by Daiwa Capital Markets Europe (DCME) acting as joint-lead manager on the transaction. The USD1bn, 4.5-year transaction tightened 2bps to SOFR MS+45bps on the back of USD2.6bn in book orders. MuniFin postponed USD funding but conditions had been challenging since the beginning of the year, especially around March. With strong investor interest and more than two-thirds of the allocation going to central banks, the deal priced with a NIP of just 1bp. MuniFin has now reached some 75-80% of its 2023 funding target.

(Table 1) Key Benchmark Transactions

Bank	Rank	Amount	Maturity	IPT (bps)	Final Spread (bps)	Book Orders
SSA						
EIB	Sr. Unsecured	CAD700m	5Y	CORRA MS + 33	CORRA MS + 33	>CAD1.3bn
European Union	Sr. Unsecured (Tap)	EUR3bn	Dec-2029	MS - 1	MS - 3	>EUR31.2bn
European Union	Sr. Unsecured (Tap)	EUR4bn	Nov-2042	MS + 54	MS + 52	>EUR44.7bn
ADB	Sr. Unsecured	USD2bn	2Y	SOFR MS + 24	SOFR MS + 23	>USD5bn
ADB	Sr. Unsecured	USD2bn	10Y	SOFR MS + 50	SOFR MS + 49	>USD4.9bn
ADB	Sr. Unsecured (Health)	AUD300m	7Y	ASW + 49	ASW + 49	n.a.
Land Berlin	Sr. Unsecured (Tap)	EUR500m	May-2028	MS – 9	MS - 9	n.a.
Rentenbank	Sr. Unsecured	USD1.25bn	5Y	SOFR MS + 36	SOFR MS + 35	>USD1.8bn
KfW	Sr. Unsecured	EUR5bn	3Y	MS – 26	MS – 28	>EUR14.5bn
Municipality Finance	Sr. Unsecured	USD1bn	4.5Y	SOFR MS + 47	SOFR MS + 45	>USD2.6bn
SEK	Sr. Unsecured	USD1bn	5Y	SOFR MS + 55	SOFR MS + 53	>USD1.5bn
IDF Mobilities	Sr. Unsecured (Green)	EUR500m	15Y	OAT + 48	OAT + 45	>EUR4.5bn
Kommuninvest	Sr. Unsecured	USD1bn	2Y	SOFR MS + 29	SOFR MS + 29	>USD3.3bn
Finnvera	Sr. Unsecured	USD1bn	5Y	SOFR MS + 48	SOFR MS + 47	>USD1.4bn
France	Sr. Unsecured (ILN)	EUR3bn	15Y	FRTR + 14	FRTR + 13	>EUR21.5bn
Spain	Sr. Unsecured	EUR13bn	10Y	SPGB + 12	SPGB + 10	>EUR85bn
NRW Bank	Sr. Unsecured (Social)	AUD300m	3Y	ASW + 42	ASW + 42	n.a.

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FIG (Senior)						
Banco Santander	SP	EUR1bn	7Y	MS + 150	MS + 125	>EUR1.7bn
BPCE	SNP	EUR750m	11NC10	MS + 210	MS + 183	>EUR2.4bn
Bank of America	Sr. HoldCo (Green)	EUR1bn	5Y	MS + 140	MS + 105	>EUR2.1bn
SEB	SP	EUR1.25bn	2Y (FRN)	3mE + 60/65	3mE + 45	>EUR1.8bn
BNP Paribas	SP	USD1.5bn	6NC5	T + 175	T + 150	n.a.
OP Bank	SP	EUR650m	5Y	MS + 110	MS + 93	>EUR950m
Kutxabank	SNP (Green)	EUR500m	4NC3	MS + 170	MS + 155	>EUR650m
NBC	Sr. OpCo	EUR500m	2Y (FRN)	3mE + 65	3mE + 55	>EUR575m
NAB	Sr. OpCo	USD850m	2Y	T + 90/95	T + 70	n.a.
NAB	Sr. OpCo	USD650m	2Y (FRN)	SOFR + 76	SOFR + 76	n.a.
NAB	Sr. OpCo	USD1bn	5Y	T + 130/135	T + 110	n.a.
Swedbank	SP	USD850m	3Y	T + 145	T + 125	n.a.
Swedbank	SP	USD400m	3Y (FRN)	SOFR MS + 138	SOFR MS + 138	n.a.
Crédit Agricole	SNP	GPB400m	8NC7	G + 230	G + 218	>GBP875m
Banco BPM	SNP (Green)	EUR750m	5NC4	MS + 300	MS + 280	>EUR1.15bn
NatWest	Sr. HoldCo	USD1.25bn	6.25NC5.25	T + 225	T + 195	n.a.
Svenska Handelsb.	SP	USD700m	3Y	T + 112.5	T + 112.5	n.a.
Svenska Handelsb.	SP	USD500m	3Y (FRN)	SOFR MS + 125	SOFR MS + 125	n.a.
Svenska Handelsb.	SNP	USD1bn	5Y	T + 175	T + 175	n.a.
Athora	Sr. HoldCo	EUR600m	5Y	MS + 375	MS + 365	>EUR1bn
FIG (Subordinated)						
DNB	Tier 2	EUR500m	10.25NC5.25	MS + 220	MS + 200	>EUR1.3bn
BBVA	Tier 2	EUR750m	10.25NC5.25	MS + 305	MS + 280	>EUR1.25bn

Source BondRadar; Bloomberg; CAB = Climate Awareness Bond; SAB = Sustainability Awareness Bond; SDB = Sustainable Development Bond; ILN = Inflation Linked Note

FIG primaries were very busy last week with a host of issuance across various currencies and issuer types. The week continued to be dominated by senior bond supply, including some labelled trades. **Bank of America (BofA)** was only the third U.S. bank to publicly issue a Euro denominated bond with a green label. Not only was it BofA's inaugural Euro green bond but it was also the first Euro denominated bond by a U.S. bank since the SVB collapse. The EUR2.1bn in orders suggested strong investor interest, leading to a final spread of MS+105bps and a NIP of 5-10bps. Europe's largest bank **BNP Paribas** also sought to take advantage of the improving market sentiment surrounding USD, looking across the Atlantic with a 6NC5 SP deal. Many European banks had stayed away from the USD amidst fears of a potential banking crisis among regional banks. The transaction by BNP was thus the first deal by a European FIG in USD since the SVB fallout. The sizeable USD1.5bn transaction was initially offered at T+175bps and without insight into the book size, we infer from the 25bps tightening to T+150bps that it was well received.

Subordinated FIG transactions continue to be churned out by top-tier names. Norway's **DNB Bank** brought a tightly-priced Tier 2 bond to the market with IPTs at MS+220bps. The EUR500m, 10.25NC5.25 transaction saw interest peak at EUR1.3bn, bringing the final spread to MS+200bps, the tightest level for a Tier 2 bond so far this year. It priced in line with the issuer's own November-2022 Tier 2 transaction as is thought to have carried a NIP of 10-15bps. Last week's other Tier 2 came from Spanish giant **BBVA** that ended a three-year absence from this part of the sub-debt space. The EUR750m bond carried the same tenor as DNB's Tier 2 and IPT was MS+305bps. The rather lengthy absence meant that investors were looking towards similar transactions from peers for pricing comparisons. Parallel's were draw with Santander's recent Tier 2 from mid-May that first opened the sub-debt space since the Credit Suisse turmoil. BBVA's transaction was 1.66x covered, which helped it tighten the final spread to MS+280bps. Santander's note, with the same tenor, was priced at MS+285bps. However, it should be noted that it was also twice as large and is currently quoted around 270bps. BBVA is thought to have paid a 10bps NIP on its Tier 2, the same as Santander, further underlining the parallels between the two trades.

Secondary market spreads were mixed for EUR and USD. CDS indices on European senior (88bps) and subordinated financials (165bps) as measured by iTraxx benchmarks priced +/- 0bps and -1bps against the previous week's levels.

Spreads in secondary markets were generally tighter for EUR and USD. SP made up the majority of bank bonds issued last week, and tightening spreads were most pronounced among Italian (-3.1bps) and German names (-3.9bps). Average spreads in the SNP bail-in segment improved even more, tighter by -2.7bps. Once again, SNP bond spreads tightened the most for Italian (-7.2bps) and German banks (-3.9bps). The shorter 1-3-year tenor bucket (-1.3bps) underperformed compared to the average, offset by stronger tightening at the longer end of the curve. Tier 2 spreads performed the best once more, ending the week -3.8bps tighter. Peripheral lenders led the improvement with Spanish (-8.9bps) and Italian (-5.0bps) issuers at the forefront of this development.

Looking ahead this week, the ECB's Governing Council will again vote to tighten policy on Thursday, with the increase of 25bps set to take the deposit rate to 3.5%. The Governing Council's forward policy guidance is highly likely to signal that a further hike of 25bps is expected to come in July, but that the path for rates thereafter will be guided by the following set of macroeconomic projections due in September. In the U.S., meanwhile, the upcoming Federal Open

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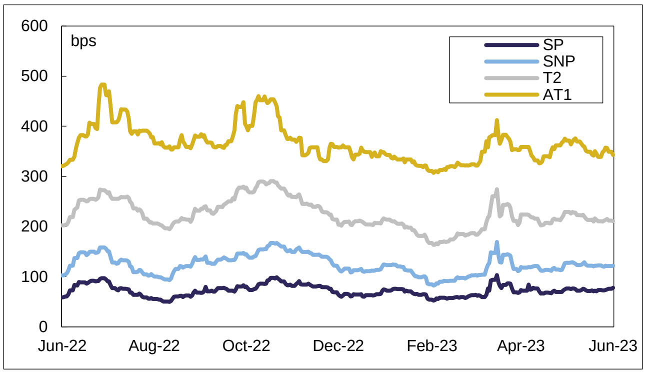
Market Committee (FOMC) meeting on June 13-14 is expected to bring a pause in the tightening cycle, leaving the federal funds rate target range at 5.0-5.25%. But the Committee's updated guidance and dot-plot will likely signal that further tightening is expected to come before in due course.

Weekly average EUR spreads were tighter with SP (-0.4bps), SNP (-2.7bps) and Tier 2 (-3.8bps). USD average spreads were wider for SP (+3.0bps), but tighter for SNP (-1.3bps) and Tier 2 (-4.0bps). Based on Bloomberg data, 78% of FIG tranches and 78% of SSA tranches issued in June quoted tighter than launch.

Western European Banks EUR Spreads and Yields

Aggregate EUR Z-spread LTM (bps)



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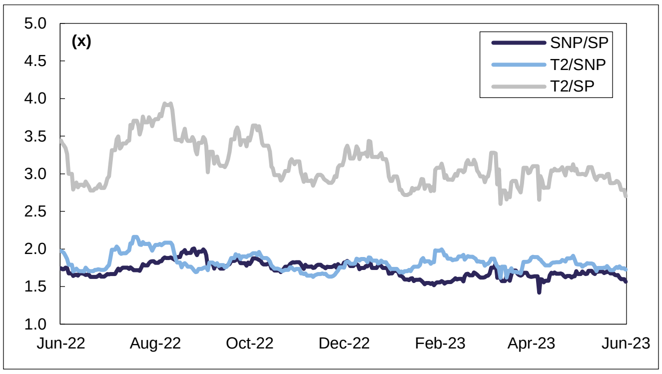


Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non- Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

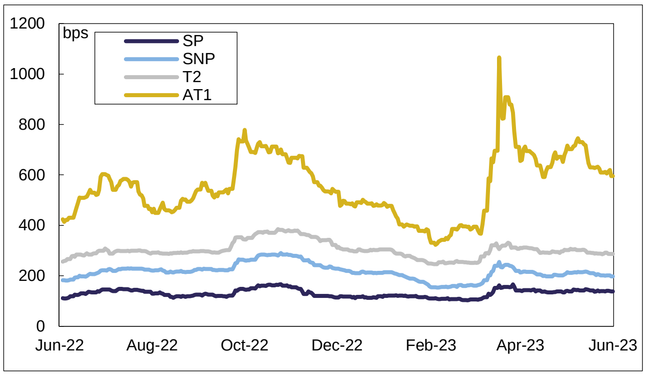
Selected Names

	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
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)



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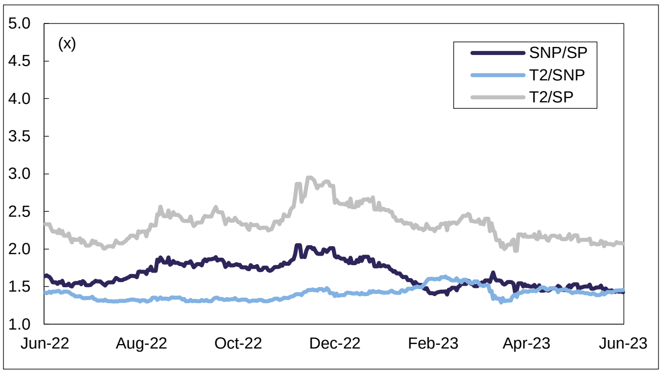

Source: Bloomberg, Daiwa Capital Markets Europe. SP = Senior Preferred/Senior OpCo; SB = Senior Non- Preferred/ Senior HoldCo; T2= Tier 2; AT1 = Additional Tier 1. All figures based on Z to worst spread of public benchmark issuances.

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
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

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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.

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