

Daiwa Capital Markets to acquire KBC Group's Global Convertible Bonds and Asian Equity Derivatives businesses

July 05, 2010 – Daiwa Capital Markets (Daiwa), the investment banking arm of leading Japanese brokerage and financial services company Daiwa Securities Group, is acquiring the global convertible bonds and Asian equity derivatives business lines of Belgium's KBC Group NV for a total consideration of approximately \$1 billion¹, consisting of approximately \$0.2 billion for staff, IT infrastructure and other assets (excluding the trading position) and approximately \$0.8 billion for the trading position. The acquisition, which is subject to regulatory approval, forms a major part of Daiwa's strategy to build a leading global derivatives business centred on Asia.

The units being acquired by Daiwa are leading specialists in equity-linked derivatives and global convertible bonds, representing an excellent strategic fit with Daiwa's desire to further diversify its earnings streams, across regions and products. Through the acquisition Daiwa's clients now have access to market leading platforms in the convertible bonds and Asian equity derivatives markets.

The global convertible bonds business, which operates from offices in Hong Kong, London and New York, offers a complete range of secondary market services for issuers and investors across the global universe of convertible bonds, counting some 350 clients across 25 countries. It is one of the top ranked convertible bond houses, providing competitive pricing and consistent liquidity.

The Asian derivatives business, which operates out of Hong Kong, provides market making services in the listed Hong Kong warrants market and generates customer flow business from the issuance of equity-linked notes and over-the-counter derivatives based on the equity of Asian companies. The unit is a consistent top 3 issuer of Hong Kong warrants and in the top five in terms of trading volume, according to data from the Hong Kong Stock Exchange.

The businesses have invested heavily in market leading analytics and will continue to do so under their new parent. Daiwa is acquiring the profitable global convertible bond and Asian equity derivatives business lines in all three locations, staffed by approximately 150 professionals.

In June 2008 Daiwa took the strategic decision to scale up its structured products platform, starting with its home market in Japan and the firm is now expanding its offerings across Asia. This acquisition follows announcements, made last November, that the Japanese investment bank intends to double its headcount in Asia.

¹ The exact amount will be determined at completion when assets are transferred at market value at that time

“This targeted business acquisition accelerates our development in product lines that we had planned to build up over the coming years, making these businesses an excellent strategic fit,” comments Dominique Blanchard, Daiwa’s Hong Kong-based Global Head of Derivatives. “Daiwa will now be home to a highly regarded convertible bonds trading platform that will enjoy synergies with the firm’s primary origination business. Our newly acquired derivatives business, meanwhile, will significantly boost our equity capabilities as we build a high quality Asian derivatives platform across rates, fixed income, FX, and equity markets. We are fully committed to these business lines and I look forward to working closely together with our new colleagues to maintain and develop their competitiveness and high quality services, as they become part of Daiwa’s global derivatives platform.”

Both the convertible bonds and equity derivatives businesses will sit within Daiwa’s Global Derivatives product line, headed by Dominique Blanchard.

Luc Popelier, Brussels-based CEO of KBC Group’s Market Activities, continues: “I am delighted that KBC’s Global Convertible Bond and Asian Equity Derivatives businesses can now continue their growth path with a solid and reliable international financial group like Daiwa. The experience and know-how that both businesses have built up over the years will enable them to continue responding to the increasing demand for new innovative products and for high-quality service. We look forward to that and wish our Global Convertible Bond and Asian Equity Derivatives colleagues a successful future business development under the Daiwa label.”

Mr Matsushima, Global Head of Markets at Daiwa in Tokyo, notes that the acquisition brings further competitiveness to Daiwa Securities Group - adding a new array of products for global institutional investors: “Last November we announced plans to globalise our offerings, centring our efforts on the growing Asian markets. With this acquisition we demonstrate our commitment not just to growing in Asia, but also to building a globally competitive derivatives business. The acquisition cements and accelerates our plans to become a major player in the global convertible bonds and Asian equity derivatives space.”

Notes to editors:

Daiwa Capital Markets (www.daiwacm.com) is the wholly-owned investment banking arm of Daiwa Securities Group. The award winning firm has more than 4,000 employees worldwide and provides integrated financial services including brokerage, derivatives, capital raising, IPOs, M&As and other creative financial solutions to clients through a network of more than 20 offices in Asia, the Middle East, Europe, North America and Asia.

Daiwa Securities Group (www.daiwa-grp.jp/english/) is one of the largest brokerage and banking groups in Japan and employs more than 16,000

professionals worldwide providing comprehensive financial services, including retail brokerage, investment banking and asset management. Daiwa Securities Group has been in continuous operation in the financial services industry since 1902.

Daiwa Capital Markets is acquiring KBC Group's Asian Equity Derivatives and Convertible Bond business lines (www.kbc.com and www.kbcfp.com).

KBC Financial Product's Global Convertibles and Asian Equity Derivatives units were established from D.E. Shaw Financial Products Group in 1993 and 1998, respectively. D.E. Shaw was acquired by KBC in 1999. Global Convertibles' product range covers a complete set of primary and secondary market services for issuers and investors in convertible bonds on the European, US and Asian and Japanese markets. It is a top-ranked player making markets in more than 1,200 global convertible bonds issues.

Asian Equity Derivatives provides market making services in listed Hong Kong warrants and issues equity linked notes and options based on the equity of Asian companies. It is a top 3 ranked issuer of Hong Kong warrants and operates a QFII licence allowing purchases of A-shares of Chinese companies.

Over time, both businesses have expanded their product and service offerings and have established themselves as recognised market players and true household names in their specific domain. They operate on the backbone of a scalable, adaptable and integrated global state-of-the-art platform.