

Nomura Holdings (8604)

Taking advantage of directional changes in financial markets without waiting for BoJ

Rating Change: BUY | PO: 850 JPY | Price: 741 JPY

Upgrade Nomura to Buy

Based on recent earnings and valuations, we raise our price objective for Nomura from ¥640 to ¥850 (based on our FY3/24-26 weighted average EPS estimate of ¥65.9 times a multiple of 12.9x). Based on the valuation upside and leeway for increased shareholder payouts, we upgrade Nomura from Neutral to Buy. Also, Yuki Yaginuma is assuming coverage of the brokerage group from Shinichiro Nakamura starting with this report.

Catalysts could be triggered without waiting for BoJ policy

In January-June 2024, we expect (1) directional changes in global financial markets to provide opportunities for FICC-led growth in trading revenues, and (2) structural changes in Japan's financial markets to lead to a steady flow of deals exceeding US\$1bn. Both of these developments would lead to relatively substantial revenue opportunities for Nomura's wholesale business and can happen without waiting for the Bank of Japan (BoJ) to change its monetary policy. In addition, the new NISA will deliver relatively large benefit to the earnings of Nomura's IM business, which has a larger balance of assets under management. Within an investment strategy for the financial sector, we regard the brokerage industry as a subsector that can benefit from directional changes in the financial markets without being affected by the BoJ's monetary policy.

Upside even after recent outperformance

Brokerage industry valuations are at five-year highs. The brokerage majors have been the leading performers in the financial sector year to date, benefiting from the Japanese stock market rally. We think these catalysts for the traditional brokerage stocks will be realized intermittently, and the brokerage industry's P/B relative to TOPIX's remains low in light of the leeway for ROE improvement and increases in shareholder payouts. We think now is a good time to invest, as its ROE is likely to improve the most in January-March (4.3% in 2Q, 4.9% in 3Q, and 6.2% in 4Q).

Estimates (¥)	3/22A	3/23A	3/24E	3/25E	3/26E
	Other GAAP	Other GAAP	Other GAAP	Other GAAP	Other GAAP
EPS	45.23	29.74	48.11	65.80	72.01
EPS Change (YoY)	-7.0%	-34.2%	61.8%	36.8%	9.4%
Dividend / Share	22	17	25	34	37
BPS	965.8	1,048.2	1,105.8	1,167.6	1,234.5
Valuation					
P/E	16.4x	24.9x	15.4x	11.3x	10.3x
Dividend Yield*	3.0%	2.3%	3.4%	4.6%	5.0%
P/B	0.8x	0.7x	0.7x	0.6x	0.6x

* For full definitions of *IQmethod*SM measures, see page 15.

25 January 2024

Equity

Key Changes

(¥)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	640.00	850.00
2024E EPS	35.09	48.11
2025E EPS	49.43	65.80
2026E EPS	62.47	72.01

Yuki Yaginuma >>

Research Analyst
BofAS Japan
+81 3 6225 7192
yuki.yaginuma@bofa.com

Shinichiro Nakamura >>

Research Analyst
BofAS Japan
+81 3 6225 8824
shinichiro.nakamura@bofa.com

Stock Data

Price (Common / ADR)	741 JPY / 4.99 USD
Price Objective	850 JPY / 5.73 USD
Date Established	25-Jan-2024/ 25-Jan-2024
Investment Opinion	B-1-7 / B-1-7
52-Week Range	477-752 JPY
Market Value (mn)	2,665,679 JPY
Market Value (\$mn)	18,136 USD
Shares Outstanding (mn)	3,59558.9
Average Daily Value (\$mn)	77.7 USD
Free Float	79.8%
BofA Ticker / Exchange	NRSCF / TYO
BofA Ticker / Exchange	NMR / NYS
Bloomberg / Reuters	8604 JP / 8604.T
ROE (2024E)	4.7%
Net Dbt to Eqty (Mar-2023A)	NA

FICC: Fixed Income, Currencies, and Commodities

NISA: Nippon Individual Savings Account

GM: Global Markets

IM: Investment Management

PBT: Profit Before Tax

WM: Wealth Management

WS: Wholesale

>> Employed by a non-US affiliate of BofAS and is not registered/qualified as a research analyst under the FINRA rules.

Refer to "Other Important Disclosures" for information on certain BofA Securities entities that take responsibility for the information herein in particular jurisdictions.

BofA Securities does and seeks to do business with issuers covered in its research reports. As a result, investors should be aware that the firm may have a conflict of interest that could affect the objectivity of this report. Investors should consider this report as only a single factor in making their investment decision.

Refer to important disclosures on page 16 to 19. Analyst Certification on page 14. Price Objective Basis/Risk on page 14.

12650433

Timestamp: 24 January 2024 09:32PM EST

iQprofileSM Nomura Holdings (8604)

Key Income Statement Data	3/22A	3/23A	3/24E	3/25E	3/26E
(¥ Billion)					
Commissions	332	280	355	398	419
Fees from investment banking	150	113	159	171	194
Asset management and portfolio service fees	270	272	308	333	355
Net interest income	54	(36)	7	7	7
Net operating revenue	1,364	1,336	1,513	1,659	1,707
S,G & A	(1,137)	(1,186)	(1,265)	(1,325)	(1,344)
Income Before Taxes	227	149	248	334	363
Total income taxes	(80)	(58)	(94)	(125)	(136)
Net Profit	143	93	151	206	223
Fully Diluted Shares (mn)	3,162	3,120	3,142	3,124	3,100
Key Balance Sheet Data					
Trading Assets	15,231	17,510	23,275	21,022	19,521
Assets under repurchase agreements and securities lending transactions	16,876	18,117	21,770	21,770	21,770
Trading Liabilities	9,652	10,558	13,284	11,998	11,141
Liabilities under repurchase agreements and securities lending transactions	14,538	16,109	20,622	20,622	20,622
Deposits	1,761	2,138	2,403	2,403	2,403
Borrowings	10,308	11,408	12,507	12,507	12,507
Shareholder's equity	2,915	3,149	3,333	3,498	3,672
Total Assets	43,412	47,772	56,999	55,879	55,195
Retail client assets (¥ tn)	122.1	122.2	140.4	144.1	148.4
Business Performance					
EPS	45.2	29.7	48.1	65.8	72.0
ROE	5.1%	3.1%	4.7%	6.0%	6.2%
ROA	0.3%	0.2%	0.3%	0.4%	0.4%
Dividend Payout Ratio	46.0%	55.8%	48.9%	49.0%	48.7%
Quality of Earnings					
Tax Rate	35.3%	38.7%	37.7%	37.5%	37.5%
Gross leverage	14.9x	15.2x	17.2x	15.9x	14.8x
Net leverage	9.1x	9.4x	10.7x	9.9x	9.2x
CET1 ratio	17.2%	16.2%	16.2%	16.3%	16.9%

Company Sector

Securities Broker/Dealer

Company Description

Nomura is Japan's largest brokerage/investment bank. The group includes Nomura Securities, the core brokerage/investment banking unit, Nomura Asset Mgmt, which handles the asset mgmt business, and Nomura Trust & Banking. The business segments are retail (incl. domestic brokerage for retail investors), wholesale (incl. domestic and overseas investment banking and trading), and investment mgmt (incl. domestic and overseas asset mgmt). Nomura doesn't disclose earnings forecasts.

Investment Rationale

Buy: (1) Full-scale operations of the retail business, which has lagged Daiwa's, and the emergence of deals exceeding US\$1bn, the main area of structural changes affecting Japan's capital markets and a main focus of Nomura, can be expected. (2) FICC-driven growth in trading revenues can be expected as global FICC markets turn around. (3) Given the ¥300-500bn in surplus capital the company is likely to generate over the next three years, we expect some upside leeway for shareholder payouts.

Stock Data

Key Changes

(US\$)	Previous	Current
Inv. Opinion	B-2-7	B-1-7
Inv. Rating	NEUTRAL	BUY
Price Obj.	4.53	5.73
2024E EPS	0.24	0.32
2025E EPS	0.33	0.44
2026E EPS	0.42	0.48

Investment strategy for brokerage industry in January-June 2024

In this section, we summarize conditions in Japan's brokerage industry and the industry's position in an investment strategy for the financial sector. In conclusion, in January-June, we think (1) global financial market developments will provide opportunities for FICC-led growth in trading revenues; (2) structural changes in Japan's financial markets will give Nomura, which mainly focuses on deals in excess of US\$1bn, a relative advantage; and (3) within an investment strategy for the financial sector, we assume firm stock price formation for the brokerage industry as a subsector that can benefit from directional changes in the financial markets without being affected by the BoJ's monetary policy.

Outlook for global financial markets: Decline in interest rates and dollar's value provide opportunities for Nomura to boost trading revenues

We think the most important global financial market themes for Japan's financial sector in 2024 will all originate in the US. Our global macro team's key forecasts are (1) Fed rate cuts (25bp a quarter, starting tapering in this March), (2) Focusing on probability of Fed reduction (or end) of quantitative tightening starting March, and (3) USD depreciation (versus G10 and EM currencies).

Exhibit 2: Macro Environment

We forecast a larger JGB 10-year yield and stronger USD/weaker JPY vs consensus. We expect cancellation of NIRP in Apr - Jul 2024

	23 Actual	24 BofAe	24 Consensus	BofA estimates
Real GDP (US)	2.5%(BofAe)	1.7%	1.3%	Above consensus
Real GDP (Japan)	1.7%(BofAe)	0.8%	0.8%	Same as consensus
Real GDP (China)	5.3%(BofAe)	4.8%	4.6%	Same as consensus
UST 10-year yield (EoP)	3.88%	4.25%	3.79%	Above consensus
FF target range - upper limit (EoP)	5.50%	4.50%	4.30%	Above consensus
JGB 10-year yield (EoP)	0.61%	1.05%	0.92%	Above consensus
BoJ policy rate (EoP)	-0.10%	0.25%	0.00%	Expect NIRP cancellation in Apr - Jul 2024
Credit spr US IG (bps/12m target)	104	130	---	Widening vs current level
Credit spr US non-IG (bps/12m target)	334	425	---	Widening vs current level
S&P500 (EoP)	4,770	5,000	4,950	Slightly above consensus
TOPIX (EoP)	2,366	2,650	2,545	Above consensus
WTI crude oil (EoP)	72	75	80	Below consensus
USDJPY (EoP)	141	142	135	Stronger USD/weaker JPY vs consensus

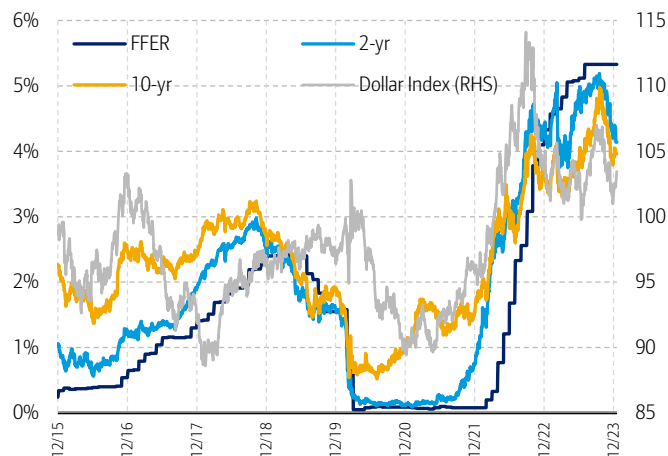
Source: Bloomberg, BofA Global Research estimates. As of Jan 23 2024. Note: Figures for GDP are based on BofA forecasts.

BofA GLOBAL RESEARCH

In particular, we think the current US interest rate environment is similar to that in November 2018-June 2019 (Exhibit 3), and given that FICC trading revenues increased in the past, trading revenues should drive the wholesale segment's results for a while, starting in 3Q (Oct-Dec) FY3/24. In addition, the combination of lower US interest rates and a weaker USD is positive for EM currency and bond markets (Exhibit 4) and should provide relatively large revenue opportunities for Nomura, which has strengths in the Asian FICC business.

Exhibit 3: US interest rates and currency indicators in last interest rate cycle

Current US interest rate environment similar to that in Nov 2018-Jun 2019



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 4: Performance of EM government bond markets

Simultaneous rise in EM government bonds and currencies



Source: Bloomberg, BofA Global Research. Note: JP Morgan EMBIs Global Diversified

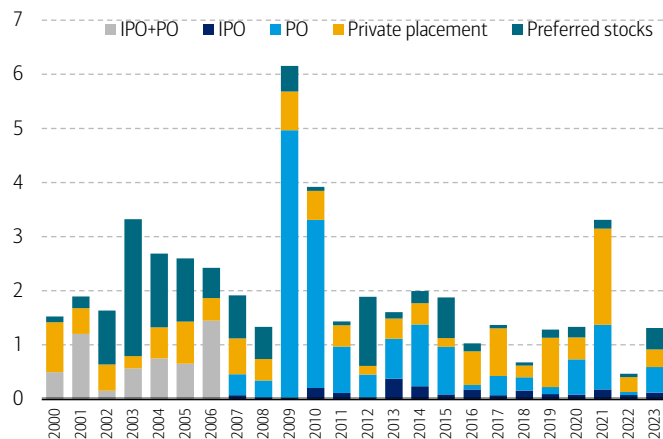
BofA GLOBAL RESEARCH

Outlook for Japan's financial markets: TSE reforms led to deals exceeding US\$1bn, an area that Nomura focuses on

Sales of strategic shareholdings, tender offers, MBOs, and other corporate actions have been spurred by increased sensitivity to ROE and the cost of capital among companies with low P/Bs, a result of the TSE's pressuring companies with P/Bs below 1x in March 2023 to take steps to address their valuations. Notably, there have been a number of relatively large deals exceeding US\$1 billion, and Nomura Holdings has done well as a lead advisor on a number of them. We assume for our estimates that in 2024 onward, there will be a series of deals in excess of US\$1 billion, an area that Nomura focuses on, given the strong Japanese stock market, positive changes publicly traded Japanese companies are making to become more capital efficient, and the "dry powder" that global private equity funds have accumulated.

Exhibit 5: Publicly traded companies' equity financing (¥ tn)

Rebound in equity financing needs in 2023

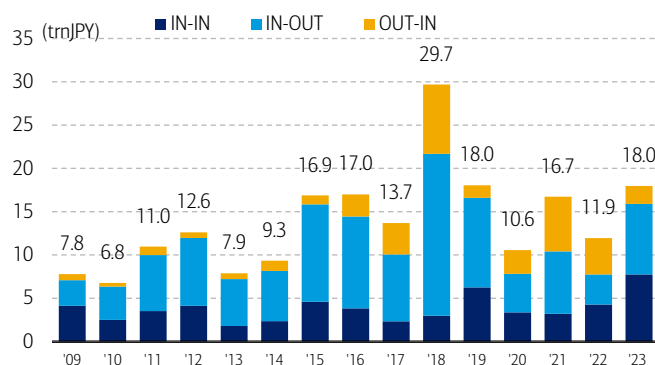


Source: JPY, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 7: M&A transaction value

Record-high amount of N-IN deals in 2023 owing to restructuring needs

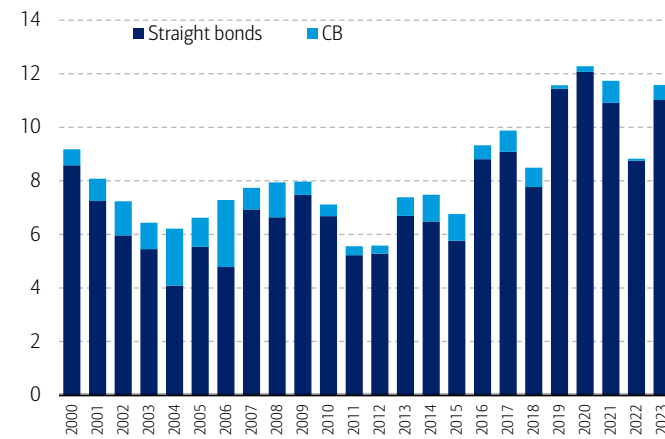


Source: MARR, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 6: Publicly traded companies' debt financing (¥ tn)

Record-high amount of debt financing in 2023

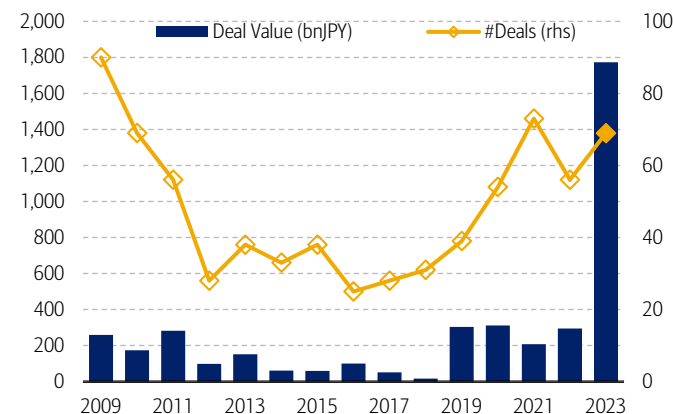


Source: JPY, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 8: Trends in transaction value and number of MBOs

A series of record-large MBOs recently



Source: MARR, BofA Global Research

BofA GLOBAL RESEARCH

FAQ: Benefits and headwinds from new NISA for traditional brokerage stocks

The new type of tax-sheltered individual savings accounts (NISAs), which have been revamped for 2024 onward, increases the maximum tax-exempt amount to ¥18mn and makes the tax-exempt period indefinite. However, we do not expect major changes in the investment behavior of the affluent to upper-mass segment, the main target of the retail divisions of traditional brokerages, as the annual investment amount is limited to only ¥3.6mn.



Still, growth in Japanese retail customers' investment assets should help increase revenues in the brokerages' asset management businesses. We think Nomura, which has a large amount of assets under management, has relatively strong results in its investment management business.

With respect to purchases through NISAs, the presence of asset builders (under 60 years old) is growing, and given the long-term/periodic /diversified investment orientation of this customer segment, online brokerages that were the first to offer commission-free trading of Japanese stocks and expand their lineup of no-load investment trusts (SBI Securities and Rakuten Securities) should be among the leaders in acquiring NISAs. In addition, the leaders in this regard will probably be the leaders in acquiring asset-building customers because it is a hassle to change financial firms for NISAs.

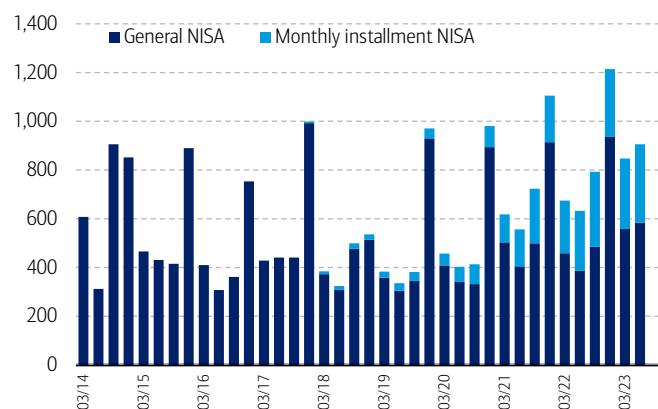
NISAs could accelerate asset transfers from traditional to online brokerages

Based on the assumption that the leaders in acquiring NISAs will probably be the leaders in acquiring asset-building customers, assets are likely to be transferred over the long term from traditional brokerage customers to online brokerage customers in connection with inheritances and estate succession. Nomura is trying to address this risk by broadening the scope of its business, but it has not earned kudos from market participants.

We do not see this as an investment theme for the next two-three years, but we would like to see traditional brokerages try to appeal to asset-building customer segments (for example, by partnering with companies that provide comprehensive asset-building support throughout one's working life ([in the form of insurance, employee benefits, banking services, and asset management](#)), offerings that Dai-ichi Life could provide over the longer term).

Exhibit 9: Amount of purchases under NISA annual investment limits (three months, ¥ bn)

Purchases under Monthly installment NISA on the rise

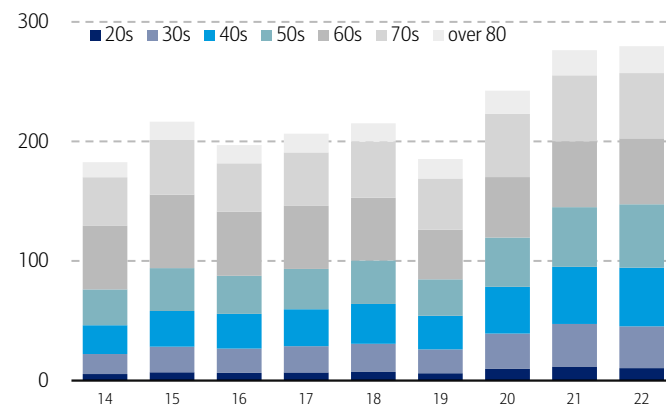


Source: JSDA, BofA Global Research

BofA GLOBAL RESEARCH

Exhibit 10: General NISA purchases by age group (¥ bn)

Asset-building groups account for over 60% of total purchases



Source: JSDA, BofA Global Research

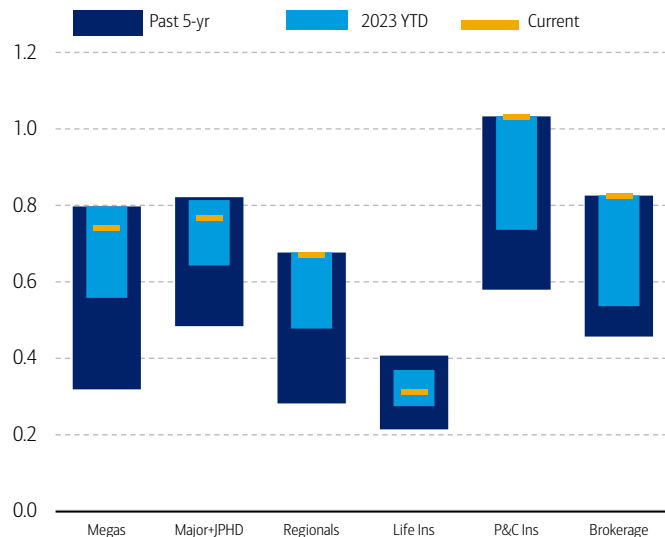
BofA GLOBAL RESEARCH

Brokerage industry's position within Japan's financial sector: Able to benefit from directional changes in financial markets without potential BoJ shift

Brokerage industry valuations are at five-year highs. The brokerage majors have been the top performers in the financial sector year to date, benefiting from the Japanese stock market rally.

Exhibit 11: Change in valuations by financial subsector

Brokerage industry valuations at five-year highs

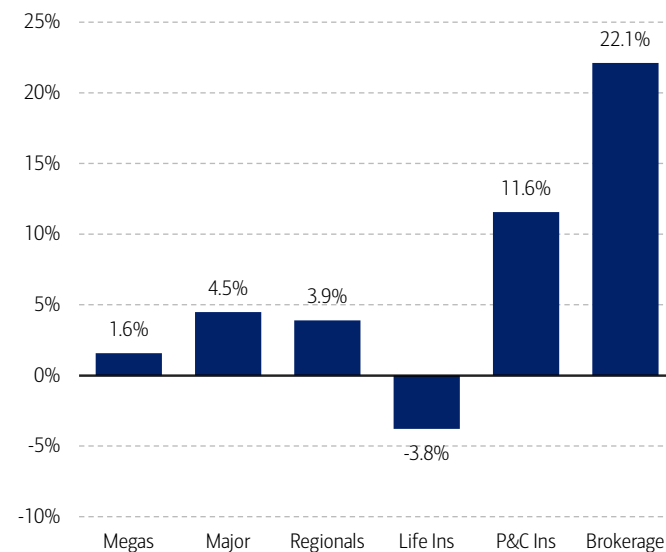


Source: Bloomberg, BofA Global Research Note: P/B shown for Megas, Major+JPHD, Regionals, and Brokerage. P/EV shown for Life Ins. P/NAV shown for P&C Ins.

BofA GLOBAL RESEARCH

Exhibit 12: Performance of financial subsectors over past three months

Two brokerage majors the top performers among financials



Source: Bloomberg, BofA Global Research

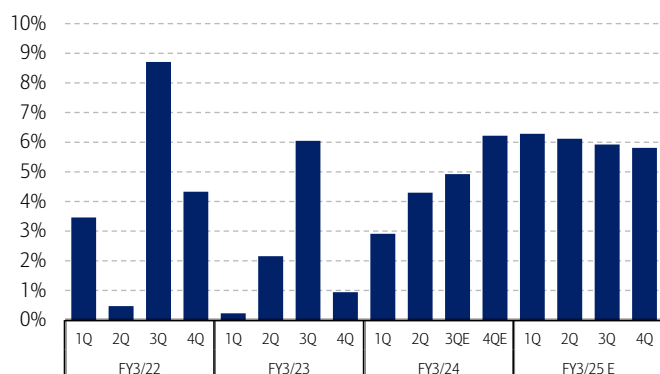
BofA GLOBAL RESEARCH

The brokerage industry's valuations have improved because of strong profit growth prospects owing to favorable conditions, as mentioned above, as well as catalysts that can be realized regardless of the BoJ's monetary policy (e.g., earnings opportunities associated with TSE reforms and ROE improvement from better results and increases in shareholder payouts). We think these catalysts will be realized intermittently, and the brokerage industry's P/B relative to TOPIX's remains low in light of the leeway for ROE improvement and increases in shareholder payouts.

Within an investment strategy for the financial sector in 1H 2024, we assume firm stock price formation for the brokerage industry as a subsector that can benefit from directional changes in the financial markets without being affected by the BoJ's monetary policy.

Exhibit 13: Nomura's quarterly ROE

End to quarterly volatility; ROE likely to be 6% in 2024 onward



Source: Company disclosure, BofA Global Research estimates. Note: Adjusted for gain on sale of equity interest in Nomura Research Institute.

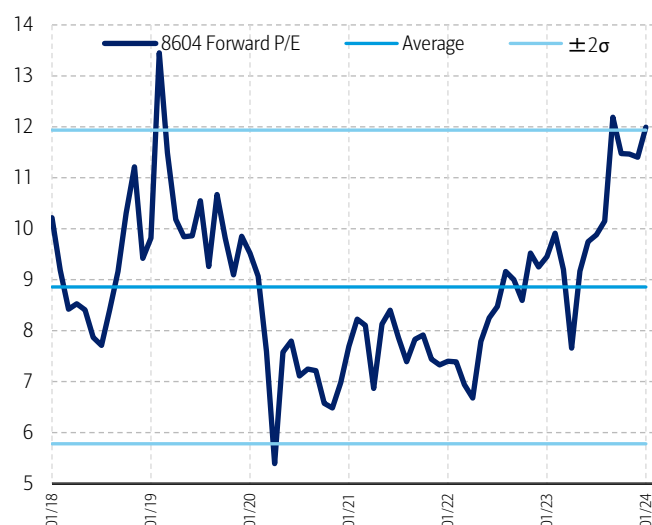
BofA GLOBAL RESEARCH

Brokerage industry valuation and ratings

We value the brokerage majors using our average EPS estimates and an appropriate multiple. Specifically, we use our FY3/24-26-weighted average EPS estimates, with the weightings (FY3/24: 20%; FY3/25: 60%; FY3/26: 20%) reflecting the extent of the market's focus on earnings each year. We also use P/E multiples that reflect a premium/discount to the five-year average 12-month forward P/E (taking into account earnings momentum over the next six to 12 months, ROE level, and expectations for shareholder payouts, for example), with an emphasis on bottom-up factors.

Exhibit 14: Nomura's forward P/E

Current P/E two standard deviations above five-year average



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Nomura Holdings: Buy, price objective ¥850 (based on our FY3/24-26 weighted average EPS estimate of ¥65.9 times a multiple of 12.9x)

Our Buy rating is based on our expectation the stock's valuation will rise in light of several factors. (1) We expect the retail business, which has lagged competitor's, to ramp up operations, and the emergence of deals exceeding US\$1bn, the main area of structural changes affecting Japan's capital markets and a main focus of Nomura. (2) We expect FICC-driven growth in trading revenues as global interest rate markets turn around. (3) Given the ¥300-500bn in surplus capital the company is likely to generate over the next three years (after the finalization of Basel III), we expect some upside leeway for shareholder payouts, even with allocations of some capital for growth investments. We expect quarterly ROE (annualized) to improve from 4.3% in 2Q to 4.9% in 3Q and then to 6.2% in 4Q and full-year ROE to rise from 4.6% in FY3/24 to 6.0% in FY3/25 and then to 6.2% in FY3/26.

Exhibit 15: Our NP estimates versus consensus

Our estimates exceed consensus by double-digit percentages, owing to differences in FICC trading revenue assumptions

(JPY, bn)		FY3/24 1-3Q			FY3/24			FY3/25			FY3/26		
Name	Rating	BofAe	Cons.	Var%	BofAe	Cons.	Var%	BofAe	Cons.	Var%	BofAe	Cons.	Var%
Nomura	BUY	99,332	98,396	1%	151,163	141,246	7%	205,530	177,039	16%	223,266	186,673	20%

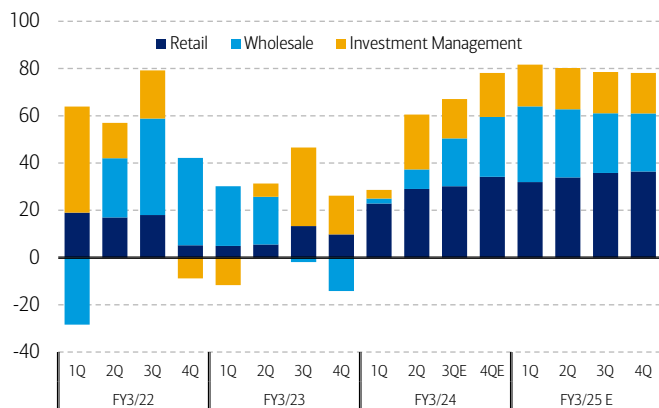
Source: IFIS, BofA Global Research estimates

BofA GLOBAL RESEARCH



Exhibit 16: Nomura's profit by segment

Double-digit percentage increase QoQ likely in next two quarters, driven by wholesale segment

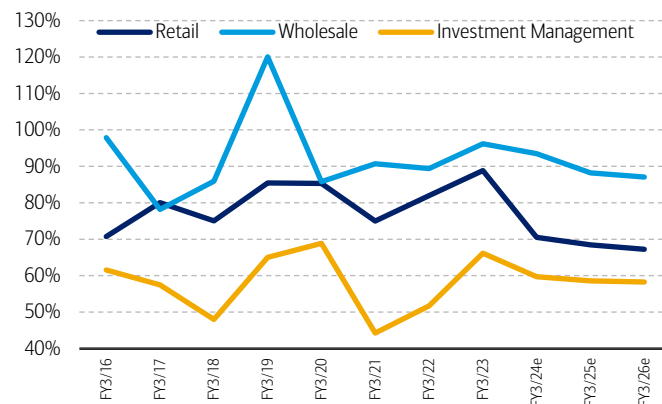


Source: Company disclosure, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 17: Nomura's cost-to-income ratio by segment

We assume cost efficiency improvements thanks to top-line growth

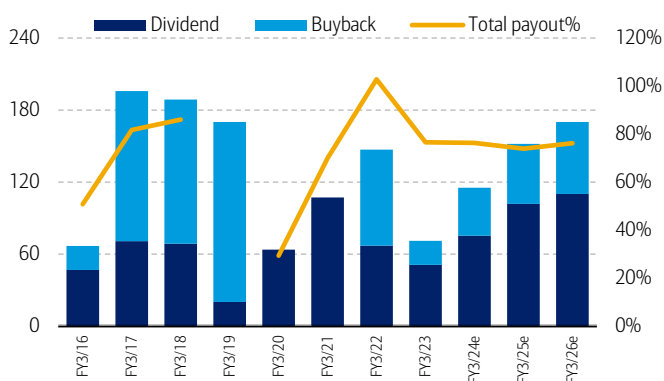


Source: Company disclosure, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 18: Nomura's total shareholder payouts and total payout ratio (¥ bn)

Our estimates reflect a total payout ratio of 75% over next three years

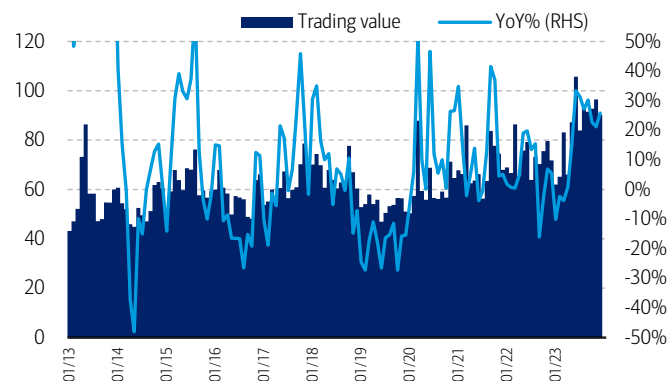


Source: Company disclosure, BofA Global Research estimates

BofA GLOBAL RESEARCH

Exhibit 19: TSE trading value (monthly; ¥ tn)

Trading value rose sharply as the stock market rallied



Source: JPX, BofA Global Research

BofA GLOBAL RESEARCH

Nomura Holdings: Anticipating a turning point in terms of full-scale wealth management operations and earnings improvement for global markets and investment banking

Nomura has outperformed since the last Fed meeting (on 14 December 2023) and has the best three-month performance (+18.2% in relative terms) among nonbank stocks (Exhibit 20). But, we think Nomura's valuation still has relative upside, as the stock still significantly trails the competitor for the past year.

Based on our revised earnings estimates and P/E multiples, we raise our price objective to ¥850 (ADR \$5.73; FY3/24-26 weighted average EPS estimate ¥65.9 (FY3/24: 20%; FY3/25: 60%; FY3/26: 20%) x P/E of 12.9x; previous price objective ¥640; ADR \$4.53; FY3/24-26 weighted average EPS estimate ¥42.1 (FY3/24: 60%; FY3/25: 30%; FY3/26: 10%) x P/E 15.3x). We upgrade to Buy from Neutral in light of the stock's upside from its current level, given (1) Full-scale operations of the retail business, which has lagged competitor's, and the emergence of deals exceeding US\$1bn, the main area of structural changes affecting Japan's capital markets and a main focus of Nomura, can be expected. (2) FICC-driven growth in trading revenues can be expected as global interest rate markets turn around. (iii) Given the ¥300-500bn in surplus capital the company is likely to generate over the next three years (after the finalization of Basel III), we expect some upside leeway for shareholder payouts.

FY3/24-26 earnings estimates

For the three main segments, we estimate FY3/24 PBT (profit before tax) of ¥248.4bn (+2.2x YoY), consolidated NP of ¥151.2bn (+63%), and EPS of ¥49.9 (+62%). One reason for the strong profit growth is a sharp increase (+3.5x) in PBT in the wealth management business to ¥116.3bn. The temporary slowdown in sales activity owing to a reorganization of teams is already over, and earnings momentum should again progressively strengthen from 3Q to 4Q. Another reason is we assume PBT in the investment management segment of ¥62.1bn (+43% YoY). We take into account an increase in business revenue (+12% YoY) on assumed growth in assets under management (+15%) thanks to favorable market conditions as well as 3-4Q total investment income of ¥13.3bn, on par with the three-year average. A third reason is we assume PBT in the wholesale segment of ¥55.9bn (+90% YoY), with mainly FICC-driven improvement in trading revenues (global markets revenue of ¥715.5bn, +9% YoY), given the global bond market developments since November 2023. We also expect investment banking revenue to improve (by +20% to ¥139.7bn), based on recent deals above US\$1bn in Japan (eg, Toyota Group's sale of cross-shareholdings). We assume the cost-to-income ratio for the three segments will improve 7.8ppt YoY to 83.3% with a top-line recovery offsetting the impact of wage increases and yen depreciation.

For the three main segments, we estimate FY3/25 PBT of ¥318.7bn (+36% YoY), consolidated NP of ¥205.5bn (+36%), and EPS of ¥68.3 (+37%), assuming continued profit momentum in the wealth management business and a peaking out of trading revenue owing to strong global FICC business. For the three main segments, we estimate FY3/26 PBT of ¥347bn (+9%), consolidated NP of ¥223.3bn (+9%), and EPS of ¥74.7 (+9%), driven by the wholesale segment and assuming a decline in trading revenue but contributions to improvement in the cost-to-income ratio from expense reductions overseas thanks to the strong yen.

3Q FY3/24 (October-December 2023) earnings estimates

For the three main segments, we estimate PBT of ¥67.1bn (+50% YoY, +11% QoQ), consolidated NP of ¥40.8bn (-39% YoY, reflecting an absence of gains on sale of stakes in affiliates; +16% QoQ), and EPS of ¥13.5 (-40% YoY, +16% QoQ). We expect the profit growth to be driven by the wholesale segment, specifically an improvement in trading revenue, and the ROE (annualized) to improve from 4.3% in 2Q to 4.9% in 3Q (and then to 6.2% in 4Q). We assume no shareholder payout moves.

Capital policies

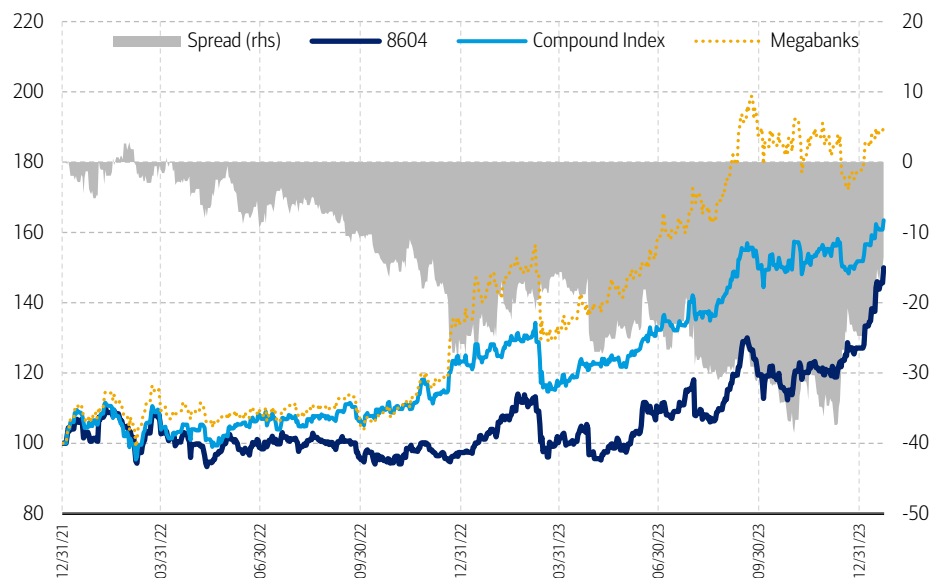
Our FY3/24-26 estimates reflect shareholder payouts that work out to a total payout ratio of 75% (a full-year dividend payout ratio of 50% plus share buybacks). We estimate FY3/24 DPS of ¥25 (+¥8 YoY) plus share buybacks of ¥40bn (to be announced in May 2024), for a total payout ratio of 76% (based on the announced amounts), FY3/25 DPS of ¥34 (+¥9) plus share buybacks of ¥50bn (total payout ratio of 74%), and FY3/26 DPS of ¥37 (+¥3) plus share buybacks of ¥60bn (total payout ratio of 76%). We expect a CET1 ratio of 16.2% at end-March 2024. Our estimates are based on historical total payout ratios, and given the ¥300-500bn in surplus capital the company is likely to generate over the next three years (after the finalization of Basel III), we expect some upside leeway for shareholder payouts, even with allocations of some capital for growth investments.

Valuation

Our price objective of ¥850 (ADR \$5.73) is based on our FY3/24-26 weighted average EPS estimate of ¥65.9 (FY3/24: 20%; FY3/25: 60%; FY3/26: 20%) times a multiple of 12.9x. This multiple is 2.5SD above the five-year average 12-month forward P/E of 8.8x, a premium we consider appropriate given the prospects for profit improvement and increases in shareholder payouts over the next three years (when the average ROE is likely to be 5.9%, versus 3.7% over the past five years).

Exhibit 20: Nomura's performance relative to financial sector (indexed to 100 = end-2021)

Best three-month performance (+18.2% in relative terms) among nonbank stocks



Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Tear sheet

Exhibit 21: Nomura Holdings (8604) Earnings estimates

We expect quarterly ROE (annualized) to improve from 4.3% in 2Q to 4.9% in 3Q and then to 6.2% in 4Q and full-year ROE to rise from 4.6% in FY3/24 to 6.0% in FY3/25 and then to 6.2% in FY3/26.

(bnJPY)	FY3/22	FY3/23	FY3/24E	FY3/25E	FY3/26E
Profit before tax	226.6	149.5	248.4	334.4	362.7
Retail	59.2	33.5	116.3	138.0	151.6
IM	71.5	43.5	62.1	69.9	72.6
WS	74.5	29.4	55.9	110.7	122.8
Cost-to-income ratio	83%	89%	84%	80%	79%
Retail	82%	89%	71%	68%	67%
IM	52%	66%	60%	59%	58%
WS	89%	96%	93%	88%	87%
NP	143.0	92.8	151.2	205.5	223.3
EPS (¥)	46.7	30.9	49.9	68.3	74.7
Diluted EPS (¥)	45.2	29.7	48.1	65.8	72.0
Total assets	43,412	47,772	56,999	55,879	55,195
Cash and cash equivalents	4,064	4,521	3,307	4,439	5,257
Loans and receivables	5,001	5,207	6,112	6,112	6,112
Total collateralized agreements	16,876	18,117	21,770	21,770	21,770
Other assets	2,241	2,416	2,536	2,536	2,536
Total liabilities	40,439	44,548	53,586	52,300	51,443
Short-term borrowings	1,050	1,009	1,065	1,065	1,065
Long-term liabilities	9,258	10,399	11,442	11,442	11,442
Other liabilities	30,131	33,140	41,078	39,793	38,936
Total equity	2,973	3,224	3,414	3,579	3,752
Common shareholders' equity	2,915	3,149	3,333	3,498	3,672
Non-controlling interests	58	76	81	81	81
ROE	5.1%	3.0%	4.6%	6.0%	6.2%
DPS (¥)	22.0	17.0	25.0	34.0	37.0
Buyback amount	80.0	20.0	40.0	50.0	60.0
Dividend yield	4.3%	3.3%	3.4%	4.6%	5.0%
TSR yield	9.4%	4.6%	5.2%	6.8%	7.7%
CET1 ratio	17.2%	16.3%	16.2%	16.3%	16.9%

Source: Company disclosure, BofA Global Research estimates

BofA GLOBAL RESEARCH

Price objective basis & risk

Nomura Holdings (8604 / NRSCF / NMR)

Our price objective of ¥850 (ADR \$5.73) is based on our FY3/24-26 weighted average EPS estimate of ¥65.9 (FY3/24: 20%, FY3/25: 60%, FY3/26: 20%) times a multiple of 12.9x. This multiple is 2.5SD above the five-year average 12-month forward P/E of 8.8x, a premium we consider appropriate given the prospects for profit improvement and increases in shareholder payouts over the next three years (when the average ROE is likely to be 5.9%, versus 3.7% over the past five years).

Upside risks: (1) Larger-than-expected trading profits thanks to strong momentum in the global financial markets. (2) Greater-than-expected shareholder payouts given capital surplus. (3) Higher expectations for shift of funds from deposits to the capital markets.

Downside risks: (1) Lower-than-expected profits of WM/GM segments due fluctuation in the global financial markets. (2) One-time losses like valuation losses. (3) Lower-than-expected shareholder payouts.

Analyst Certification

I, Yuki Yaginuma, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

Japan - Financials and Property Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	AEON Financial Service	AEOJF	8570 JP	Yuki Yaginuma
	Concordia Financial Group	CCRDF	7186 JP	Shinichiro Nakamura
	Daiwa House Industry	DWAHF	1925 JP	Takumi Kasai
	Fukuoka Financial Group	FKKFF	8354 JP	Shinichiro Nakamura
	Integral Corporation	XIAQF	5842 JP	Yuki Yaginuma
	Japan Post Bank	JPSTF	7182 JP	Shinichiro Nakamura
	Japan Post HD	JPHLF	6178 JP	Shinichiro Nakamura
	Japan Post Insurance	JPPIF	7181 JP	Shinichiro Nakamura
	Kajima Corporation	KAJMF	1812 JP	Takumi Kasai
	Katitas	KTITF	8919 JP	Takumi Kasai
	LIFENET INSURANCE	LIFNF	7157 JP	Shinichiro Nakamura
	Mitsubishi UFJ Financial Group	MUFG	MUFG US	Shinichiro Nakamura
	Mitsubishi UFJ Financial Group	MBFJF	8306 JP	Shinichiro Nakamura
	Mitsui Fudosan	MTSFF	8801 JP	Takumi Kasai
	Mizuho Financial Group	MZHOF	8411 JP	Shinichiro Nakamura
	Mizuho Financial Group	MFG	MFG US	Shinichiro Nakamura
	Money Forward	MNYFF	3994 JP	Yuki Kaneko
	MS&AD Holdings	MSADF	8725 JP	Shinichiro Nakamura
	Nihon M&A Center	NHMAF	2127 JP	Yuki Yaginuma
	Nomura Holdings	NRSCF	8604 JP	Yuki Yaginuma
	Nomura Holdings	NMR	NMR US	Yuki Yaginuma
	ORIX	ORXCF	8591 JP	Shinichiro Nakamura
	ORIX	IX	IX US	Shinichiro Nakamura
	SBI Sumishin Net Bank	XHRFF	7163 JP	Shinichiro Nakamura
	Sompo Holdings	NHOLF	8630 JP	Shinichiro Nakamura
	Sumitomo Mitsui Trust Holdings	CMTDF	8309 JP	Shinichiro Nakamura
	T&D Holdings	TDHOF	8795 JP	Shinichiro Nakamura
	Tokyu Fudosan Holdings	TTUUF	3289 JP	Takumi Kasai
NEUTRAL				
	Chiba Bank	CHBAF	8331 JP	Shinichiro Nakamura
	Dai-ichi Life Holdings	DCNSF	8750 JP	Shinichiro Nakamura
	Daiwa Securities Group	DSECF	8601 JP	Yuki Yaginuma
	GMO Payment Gateway	GMYTF	3769 JP	Yuki Yaginuma
	Haseko Corporation	HSKCF	1808 JP	Takumi Kasai

Japan - Financials and Property Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
	Kyoto Financial Group	XIDPF	5844 JP	Shinichiro Nakamura
	Mitsubishi Estate	MITEF	8802 JP	Takumi Kasai
	Rakuten Bank	XHRUF	5838 JP	Shinichiro Nakamura
	Resona Holdings	RSNHF	8308 JP	Shinichiro Nakamura
	Sekisui House	SKHSF	1928 JP	Takumi Kasai
	Shizuoka Financial Group	SFGIF	5831 JP	Shinichiro Nakamura
	Strike Company Limited	XVSEF	6196 JP	Yuki Yaginuma
	Sumitomo Mitsui Financial Group	SMFNF	8316 JP	Shinichiro Nakamura
	Sumitomo Mitsui Financial Group	SMFG	SMFG US	Shinichiro Nakamura
	Sumitomo Realty & Development	SURDF	8830 JP	Takumi Kasai
	Tokyo Tatemono	TYTMF	8804 JP	Takumi Kasai
UNDERPERFORM				
	Aozora Bank	AOZOF	8304 JP	Shinichiro Nakamura
	Credit Saison	CSASF	8253 JP	Yuki Yaginuma
	Daito Trust Construction	DITTF	1878 JP	Takumi Kasai
	M&A Capital Partners	MNACF	6080 JP	Yuki Yaginuma
	Obayashi Corporation	OBYCF	1802 JP	Takumi Kasai
	Seven Bank	SEBNF	8410 JP	Shinichiro Nakamura
	Shimizu Corporation	SHMUF	1803 JP	Takumi Kasai
	Suruga Bank	SRGBF	8358 JP	Shinichiro Nakamura
	Taisei Corporation	TISCF	1801 JP	Takumi Kasai
	Tokio Marine Holdings	TKOMF	8766 JP	Shinichiro Nakamura
	Tokio Marine Holdings	TKOMY	TKOMY US	Shinichiro Nakamura
RSTR				
	Digital Garage	DLGEF	4819 JP	Yuki Yaginuma

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

iQmethodSM is the set of BofA Global Research standard measures that serve to maintain global consistency under three broad headings: Business Performance, Quality of Earnings, and valuations. The key features of iQmethod are: A consistently structured, detailed, and transparent methodology. Guidelines to maximize the effectiveness of the comparative valuation process, and to identify some common pitfalls.

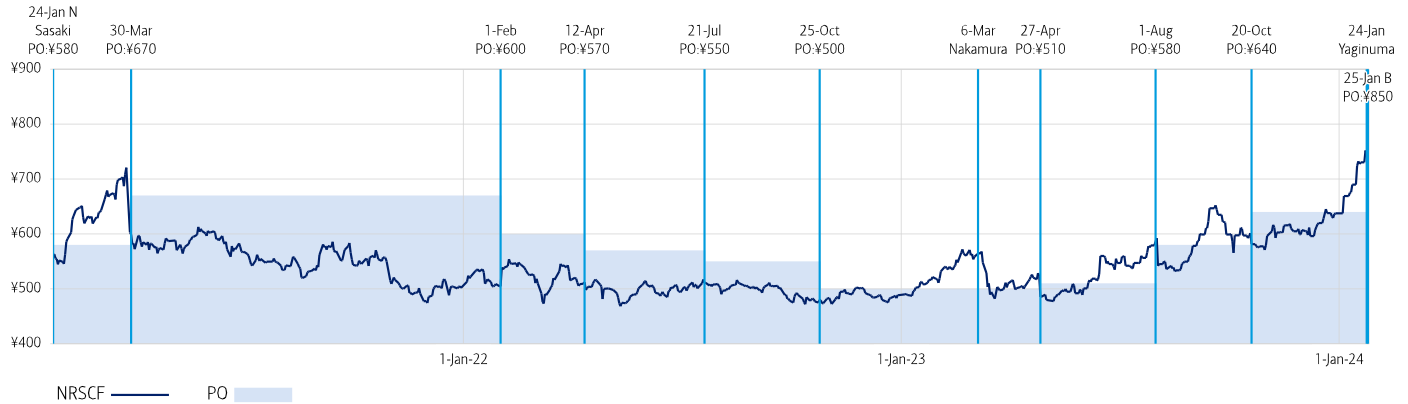
iQdatabase[®] is our real-time global research database that is sourced directly from our equity analysts' earnings models and includes forecasted as well as historical data for income statements, balance sheets, and cash flow statements for companies covered by BofA Global Research.

iQprofileSM, **iQmethodSM** are service marks of Bank of America Corporation. **iQdatabase[®]** is a registered service mark of Bank of America Corporation.

Disclosures

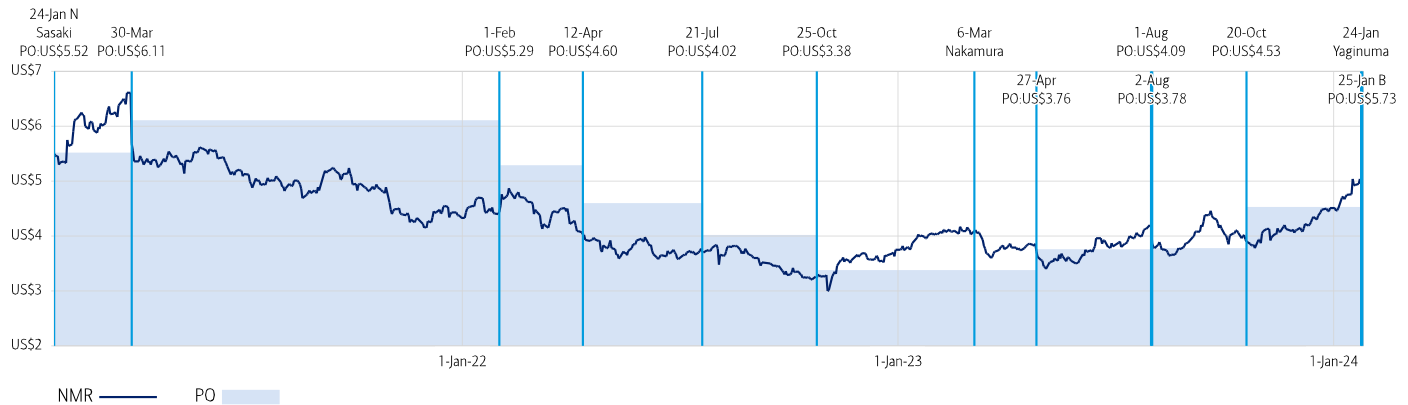
Important Disclosures

Nomura Holdings (NRSCF) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Nomura Holdings (NMR) Price Chart



The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Financial Services Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	156	53.79%	Buy	94	60.26%
Hold	72	24.83%	Hold	48	66.67%
Sell	62	21.38%	Sell	35	56.45%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

FUNDAMENTAL EQUITY OPINION KEY: Opinions include a Volatility Risk Rating, an Investment Rating and an Income Rating. **VOLATILITY RISK RATINGS**, indicators of potential price fluctuation, are: A - Low, B - Medium and C - High. **INVESTMENT RATINGS** reflect the analyst's assessment of both a stock's absolute total return potential as well as its attractiveness for investment relative to other stocks within its Coverage Cluster (defined below). Our investment ratings are: 1 - Buy stocks are expected to have a total return of at least 10% and are the most attractive stocks in the coverage cluster; 2 - Neutral stocks are expected to remain flat or increase in value and are less attractive than Buy rated stocks and 3 - Underperform stocks are the least attractive stocks in a coverage cluster. An investment rating of 6 (No Rating) indicates that a stock is no longer trading on the basis of fundamentals. Analysts assign investment ratings considering, among other things, the 0-12 month total return expectation for a stock and the firm's guidelines for ratings dispersions (shown in the table below). The current price objective for a stock should be referenced to better understand the total return expectation at any given time. The price objective reflects the analyst's view of the potential price appreciation (depreciation).

Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

INCOME RATINGS, indicators of potential cash dividends, are: 7 - same/higher (dividend considered to be secure), 8 - same/lower (dividend not considered to be secure) and 9 - pays no cash dividend. **Coverage Cluster** is comprised of stocks covered by a single analyst or two or more analysts sharing a common industry, sector, region or other classification(s). A stock's coverage cluster is included in the most recent BofA Global Research report referencing the stock.

Price Charts for the securities referenced in this research report are available on the [Price Charts website](#), or call 1-800-MERRILL to have them mailed.

BofAS or one of its affiliates acts as a market maker for the equity securities recommended in the report: Nomura Holdings.

BofAS or an affiliate was a manager of a public offering of securities of this issuer within the last 12 months: Nomura Holdings.

The issuer is or was, within the last 12 months, an investment banking client of BofAS and/or one or more of its affiliates: Nomura Holdings.

BofAS or an affiliate has received compensation from the issuer for non-investment banking services or products within the past 12 months: Nomura Holdings.

The issuer is or was, within the last 12 months, a non-securities business client of BofAS and/or one or more of its affiliates: Nomura Holdings.

BofAS or an affiliate has received compensation for investment banking services from this issuer within the past 12 months: Nomura Holdings.

BofAS or an affiliate expects to receive or intends to seek compensation for investment banking services from this issuer or an affiliate of the issuer within the next three months: Nomura Holdings.

BofAS or one of its affiliates is willing to sell to, or buy from, clients the common equity of the issuer on a principal basis: Nomura Holdings.

The issuer is or was, within the last 12 months, a securities business client (non-investment banking) of BofAS and/or one or more of its affiliates: Nomura Holdings.

BofA Global Research personnel (including the analyst(s) responsible for this report) receive compensation based upon, among other factors, the overall profitability of Bank of America Corporation, including profits derived from investment banking. The analyst(s) responsible for this report may also receive compensation based upon, among other factors, the overall profitability of the Bank's sales and trading businesses relating to the class of securities or financial instruments for which such analyst is responsible.

Other Important Disclosures

From time to time research analysts conduct site visits of covered issuers. BofA Global Research policies prohibit research analysts from accepting payment or reimbursement for travel expenses from the issuer for such visits.

Prices are indicative and for information purposes only. Except as otherwise stated in the report, for any recommendation in relation to an equity security, the price referenced is the publicly traded price of the security as of close of business on the day prior to the date of the report or, if the report is published during intraday trading, the price referenced is indicative of the traded price as of the date and time of the report and in relation to a debt security (including equity preferred and CDS), prices are indicative as of the date and time of the report and are from various sources including BofA Securities trading desks.

The date and time of completion of the production of any recommendation in this report shall be the date and time of dissemination of this report as recorded in the report timestamp.

Recipients who are not institutional investors or market professionals should seek the advice of their independent financial advisor before considering information in this report in connection with any investment decision, or for a necessary explanation of its contents.

Officers of BofAS or one or more of its affiliates (other than research analysts) may have a financial interest in securities of the issuer(s) or in related investments.

Refer to [BofA Global Research policies relating to conflicts of interest](#).

'BofA Securities' includes BofA Securities, Inc. ('BofAS') and its affiliates. Investors should contact their BofA Securities representative or Merrill Global Wealth Management financial advisor if they have questions concerning this report or concerning the appropriateness of any investment idea described herein for such investor. 'BofA Securities' is a global brand for BofA Global Research.

Information relating to Non-US affiliates of BofA Securities and Distribution of Affiliate Research Reports:

BofAS and/or Merrill Lynch, Pierce, Fenner & Smith Incorporated ("MLPF&S") may in the future distribute, information of the following non-US affiliates in the US (short name: legal name, regulator): Merrill Lynch (South Africa): Merrill Lynch South Africa (Pty) Ltd., regulated by The Financial Service Board; MLI (UK): Merrill Lynch International, regulated by the Financial Conduct Authority (FCA) and the Prudential Regulation Authority (PRA); BofASE (France): BofA Securities Europe SA is authorized by the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers (AMF). BofA Securities Europe SA ("BofASE") with registered address at 51, rue La Boétie, 75008 Paris is registered under no 842 602 690 RCS Paris. In accordance with the provisions of French Code Monétaire et Financier (Monetary and Financial Code), BofASE is an établissement de crédit et d'investissement (credit and investment institution) that is authorised and supervised by the European Central Bank and the Autorité de Contrôle Prudentiel et de Résolution (ACPR) and regulated by the ACPR and the Autorité des Marchés Financiers. BofASE's share capital can be found at www.bofam.com/BofASEdisclaimer; BofA Europe (Milan): Bank of America Europe Designated Activity Company, Milan Branch, regulated by the Bank of Italy, the European Central Bank (ECB) and the Central Bank of Ireland (CBI); BofA Europe (Frankfurt): Bank of America Europe Designated Activity Company, Frankfurt Branch regulated by BaFin, the ECB and the CBI; BofA Europe (Madrid): Bank of America Europe Designated Activity Company, Sucursal en España, regulated by the Bank of Spain, the ECB and the CBI; Merrill Lynch (Australia): Merrill Lynch Equities (Australia) Limited, regulated by the Australian Securities and Investments Commission; Merrill Lynch (Hong Kong): Merrill Lynch (Asia Pacific) Limited, regulated by the Hong Kong Securities and Futures Commission (HKSCF); Merrill Lynch (Singapore): Merrill Lynch (Singapore) Pte Ltd, regulated by the Monetary Authority of Singapore (MAS); Merrill Lynch (Canada): Merrill Lynch Canada Inc, regulated by the Canadian Investment Regulatory Organization; Merrill Lynch (Mexico): Merrill Lynch Mexico, SA de CV, Casa de Bolsa, regulated by the Comisión Nacional Bancaria y de Valores; Merrill Lynch (Argentina): Merrill Lynch Argentina SA, regulated by Comisión Nacional de Valores; BofAS Japan: BofA Securities Japan Co., Ltd., regulated by the Financial Services Agency; Merrill Lynch (Seoul): Merrill Lynch International, LLC Seoul Branch, regulated by the Financial Supervisory Service; Merrill Lynch (Taiwan): Merrill Lynch Securities (Taiwan) Ltd., regulated by the Securities and Futures Bureau; BofAS India: BofA Securities India Limited, regulated by the Securities and Exchange Board of India (SEBI); Merrill Lynch (Israel): Merrill Lynch Israel Limited, regulated by Israel Securities Authority; Merrill Lynch (DIFC): Merrill Lynch International (DIFC Branch), regulated by the Dubai Financial Services Authority (DFSA); Merrill Lynch (Brazil): Merrill Lynch S.A. Corretora de Títulos e Valores Mobiliários, regulated by Comissão de Valores Mobiliários; Merrill Lynch KSA Company: Merrill Lynch Kingdom of Saudi Arabia Company, regulated by the Capital Market Authority.

This information: has been approved for publication and is distributed in the United Kingdom (UK) to professional clients and eligible counterparties (as each is defined in the rules of the FCA and the PRA) by MLI (UK), which is authorized by the PRA and regulated by the FCA and the PRA - details about the extent of our regulation by the FCA and PRA are available from us on request; has been approved for publication and is distributed in the European Economic Area (EEA) by BofASE (France), which is authorized by the ACPR and regulated by the ACPR and the AMF; has

been considered and distributed in Japan by BofAS Japan, a registered securities dealer under the Financial Instruments and Exchange Act in Japan, or its permitted affiliates; is issued and distributed in Hong Kong by Merrill Lynch (Hong Kong) which is regulated by HKSCF; is issued and distributed in Taiwan by Merrill Lynch (Taiwan); is issued and distributed in India by BofAS India; and is issued and distributed in Singapore to institutional investors and/or accredited investors (each as defined under the Financial Advisers Regulations) by Merrill Lynch (Singapore) (Company Registration No 198602883D). Merrill Lynch (Singapore) is regulated by MAS. Merrill Lynch Equities (Australia) Limited (ABN 65 006 276 795), AFS License 235132 (MLEA) distributes this information in Australia only to 'Wholesale' clients as defined by s.761G of the Corporations Act 2001. With the exception of Bank of America N.A., Australia Branch, neither MLEA nor any of its affiliates involved in preparing this information is an Authorised Deposit-Taking Institution under the Banking Act 1959 nor regulated by the Australian Prudential Regulation Authority. No approval is required for publication or distribution of this information in Brazil and its local distribution is by Merrill Lynch (Brazil) in accordance with applicable regulations. Merrill Lynch (DIFC) is authorized and regulated by the DFSA. Information prepared and issued by Merrill Lynch (DIFC) is done so in accordance with the requirements of the DFSA conduct of business rules. BofA Europe (Frankfurt) distributes this information in Germany and is regulated by BaFin, the ECB and the CBI. BofA Securities entities, including BofA Europe and BofASE (France), may outsource/delegate the marketing and/or provision of certain research services or aspects of research services to other branches or members of the BofA Securities group. You may be contacted by a different BofA Securities entity acting for and on behalf of your service provider where permitted by applicable law. This does not change your service provider. Please refer to the [Electronic Communications Disclaimers](#) for further information.

This information has been prepared and issued by BofAS and/or one or more of its non-US affiliates. The author(s) of this information may not be licensed to carry on regulated activities in your jurisdiction and, if not licensed, do not hold themselves out as being able to do so. BofAS and/or MLPF&S is the distributor of this information in the US and accepts full responsibility for information distributed to BofAS and/or MLPF&S clients in the US by its non-US affiliates. Any US person receiving this information and wishing to effect any transaction in any security discussed herein should do so through BofAS and/or MLPF&S and not such foreign affiliates. Hong Kong recipients of this information should contact Merrill Lynch (Asia Pacific) Limited in respect of any matters relating to dealing in securities or provision of specific advice on securities or any other matters arising from, or in connection with, this information. Singapore recipients of this information should contact Merrill Lynch (Singapore) Pte Ltd in respect of any matters arising from, or in connection with, this information. For clients that are not accredited investors, expert investors or institutional investors Merrill Lynch (Singapore) Pte Ltd accepts full responsibility for the contents of this information distributed to such clients in Singapore.

General Investment Related Disclosures:

Taiwan Readers: Neither the information nor any opinion expressed herein constitutes an offer or a solicitation of an offer to transact in any securities or other financial instrument. No part of this report may be used or reproduced or quoted in any manner whatsoever in Taiwan by the press or any other person without the express written consent of BofA Securities.

This document provides general information only, and has been prepared for, and is intended for general distribution to, BofA Securities clients. Neither the information nor any opinion expressed constitutes an offer or an invitation to make an offer, to buy or sell any securities or other financial instrument or any derivative related to such securities or instruments (e.g., options, futures, warrants, and contracts for differences). This document is not intended to provide personal investment advice and it does not take into account the specific investment objectives, financial situation and the particular needs of, and is not directed to, any specific person(s). This document and its content do not constitute, and should not be considered to constitute, investment advice for purposes of ERISA, the US tax code, the Investment Advisers Act or otherwise. Investors should seek financial advice regarding the appropriateness of investing in financial instruments and implementing investment strategies discussed or recommended in this document and should understand that statements regarding future prospects may not be realized. Any decision to purchase or subscribe for securities in any offering must be based solely on existing public information on such security or the information in the prospectus or other offering document issued in connection with such offering, and not on this document.

Securities and other financial instruments referred to herein, or recommended, offered or sold by BofA Securities, are not insured by the Federal Deposit Insurance Corporation and are not deposits or other obligations of any insured depository institution (including, Bank of America, N.A.). Investments in general and, derivatives, in particular, involve numerous risks, including, among others, market risk, counterparty default risk and liquidity risk. No security, financial instrument or derivative is suitable for all investors. Digital assets are extremely speculative, volatile and are largely unregulated. In some cases, securities and other financial instruments may be difficult to value or sell and reliable information about the value or risks related to the security or financial instrument may be difficult to obtain. Investors should note that income from such securities and other financial instruments, if any, may fluctuate and that price or value of such securities and instruments may rise or fall and, in some cases, investors may lose their entire principal investment. Past performance is not necessarily a guide to future performance. Levels and basis for taxation may change.

This report may contain a short-term trading idea or recommendation, which highlights a specific near-term catalyst or event impacting the issuer or the market that is anticipated to have a short-term price impact on the equity securities of the issuer. Short-term trading ideas and recommendations are different from and do not affect a stock's fundamental equity rating, which reflects both a longer term total return expectation and attractiveness for investment relative to other stocks within its Coverage Cluster. Short-term trading ideas and recommendations may be more or less positive than a stock's fundamental equity rating.

BofA Securities is aware that the implementation of the ideas expressed in this report may depend upon an investor's ability to "short" securities or other financial instruments and that such action may be limited by regulations prohibiting or restricting "shortselling" in many jurisdictions. Investors are urged to seek advice regarding the applicability of such regulations prior to executing any short idea contained in this report.

Foreign currency rates of exchange may adversely affect the value, price or income of any security or financial instrument mentioned herein. Investors in such securities and instruments, including ADRs, effectively assume currency risk.

BofAS or one of its affiliates is a regular issuer of traded financial instruments linked to securities that may have been recommended in this report. BofAS or one of its affiliates may, at any time, hold a trading position (long or short) in the securities and financial instruments discussed in this report.

BofA Securities, through business units other than BofA Global Research, may have issued and may in the future issue trading ideas or recommendations that are inconsistent with, and reach different conclusions from, the information presented herein. Such ideas or recommendations may reflect different time frames, assumptions, views and analytical methods of the persons who prepared them, and BofA Securities is under no obligation to ensure that such other trading ideas or recommendations are brought to the attention of any recipient of this information.

In the event that the recipient received this information pursuant to a contract between the recipient and BofAS for the provision of research services for a separate fee, and in connection therewith BofAS may be deemed to be acting as an investment adviser, such status relates, if at all, solely to the person with whom BofAS has contracted directly and does not extend beyond the delivery of this report (unless otherwise agreed specifically in writing by BofAS). If such recipient uses the services of BofAS in connection with the sale or purchase of a security referred to herein, BofAS may act as principal for its own account or as agent for another person. BofAS is and continues to act solely as a broker-dealer in connection with the execution of any transactions, including transactions in any securities referred to herein.

Copyright and General Information:

Copyright 2024 Bank of America Corporation. All rights reserved. iQdatabase® is a registered service mark of Bank of America Corporation. This information is prepared for the use of BofA Securities clients and may not be redistributed, retransmitted or disclosed, in whole or in part, or in any form or manner, without the express written consent of BofA Securities. BofA Global Research information is distributed simultaneously to internal and client websites and other portals by BofA Securities and is not publicly-available material. Any unauthorized use or disclosure is prohibited. Receipt and review of this information constitutes your agreement not to redistribute, retransmit, or disclose to others the contents, opinions, conclusion, or information contained herein (including any investment recommendations, estimates or price targets) without first obtaining express permission from an authorized officer of BofA Securities.

Materials prepared by BofA Global Research personnel are based on public information. Facts and views presented in this material have not been reviewed by, and may not reflect information known to, professionals in other business areas of BofA Securities, including investment banking personnel. BofA Securities has established information barriers between BofA Global Research and certain business groups. As a result, BofA Securities does not disclose certain client relationships with, or compensation received from, such issuers. To the extent this material discusses any legal proceeding or issues, it has not been prepared as nor is it intended to express any legal conclusion, opinion or advice. Investors should consult their own legal advisers as to issues of law relating to the subject matter of this material. BofA Global Research personnel's knowledge of legal proceedings in which any BofA Securities entity and/or its directors, officers and employees may be plaintiffs, defendants, co-defendants or co-plaintiffs with or involving issuers mentioned in this material is based on public information. Facts and views presented in this material that relate to any such proceedings have not been reviewed by, discussed with, and may not reflect information known to, professionals in other business areas of BofA Securities in connection with the legal proceedings or matters relevant to such proceedings.

This information has been prepared independently of any issuer of securities mentioned herein and not in connection with any proposed offering of securities or as agent of any issuer of any securities. None of BofAS any of its affiliates or their research analysts has any authority whatsoever to make any representation or warranty on behalf of the issuer(s). BofA Global Research policy prohibits research personnel from disclosing a recommendation, investment rating, or investment thesis for review by an issuer prior to the publication of a research report containing such rating, recommendation or investment thesis.

Any information relating to the tax status of financial instruments discussed herein is not intended to provide tax advice or to be used by anyone to provide tax advice. Investors are urged to seek tax advice based on their particular circumstances from an independent tax professional.

The information herein (other than disclosure information relating to BofA Securities and its affiliates) was obtained from various sources and we do not guarantee its accuracy. This information may contain links to third-party websites. BofA Securities is not responsible for the content of any third-party website or any linked content contained in a third-party website. Content contained on such third-party websites is not part of this information and is not incorporated by reference. The inclusion of a link does not imply any endorsement by or any affiliation with BofA Securities. Access to any third-party website is at your own risk, and you should always review the terms and privacy policies at third-party websites before submitting any personal information to them. BofA Securities is not responsible for such terms and privacy policies and expressly disclaims any liability for them.

All opinions, projections and estimates constitute the judgment of the author as of the date of publication and are subject to change without notice. Prices also are subject to change without notice. BofA Securities is under no obligation to update this information and BofA Securities ability to publish information on the subject issuer(s) in the future is subject to applicable quiet periods. You should therefore assume that BofA Securities will not update any fact, circumstance or opinion contained herein.

Subject to the quiet period applicable under laws of the various jurisdictions in which we distribute research reports and other legal and BofA Securities policy-related restrictions on the publication of research reports, fundamental equity reports are produced on a regular basis as necessary to keep the investment recommendation current.

Certain outstanding reports or investment opinions relating to securities, financial instruments and/or issuers may no longer be current. Always refer to the most recent research report relating to an issuer prior to making an investment decision.

In some cases, an issuer may be classified as Restricted or may be Under Review or Extended Review. In each case, investors should consider any investment opinion relating to such issuer (or its security and/or financial instruments) to be suspended or withdrawn and should not rely on the analyses and investment opinion(s) pertaining to such issuer (or its securities and/or financial instruments) nor should the analyses or opinion(s) be considered a solicitation of any kind. Sales persons and financial advisors affiliated with BofAS or any of its affiliates may not solicit purchases of securities or financial instruments that are Restricted or Under Review and may only solicit securities under Extended Review in accordance with firm policies.

Neither BofA Securities nor any officer or employee of BofA Securities accepts any liability whatsoever for any direct, indirect or consequential damages or losses arising from any use of this information.