

July 29, 2022

Daiwa Securities Group Inc.

**Report Regarding Consolidated Liquidity Coverage Ratio**  
**and Consolidated Net Stable Funding Ratio**

**Situation of Soundness in Liquidity Management as of Fourth Quarter in Fiscal Year 2021**

In accordance with the Financial Instruments and Exchange Act Article 57-17, “Notification, etc. of Documents Describing Status of Soundness in Management”, Daiwa Securities Group Inc. reports the situation of soundness in liquidity management as of the fourth quarter in fiscal year 2021.

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## Key Metrics (at consolidated group level)

### KM1: Key Metrics

(Unit :1 Million Yen,%)

		Fourth Quarter in Fiscal Year 2021	Third Quarter in Fiscal Year 2021	Second Quarter in Fiscal Year 2021	First Quarter in Fiscal Year 2021	Fourth Quarter in Fiscal Year 2020
Consolidated liquidity coverage ratio						
15	Total high quality liquid assets	2,642,117	2,615,330	2,666,490	2,673,653	2,760,821
16	Total net cash outflows	1,772,313	1,797,829	1,709,909	1,749,312	1,712,430
17	Consolidated liquidity coverage ratio	149.0%	145.4%	155.9%	152.8%	161.2%
Consolidated net stable funding ratio						
18	Total available stable funding	8,480,413	8,267,404	8,815,759		
19	Total required stable funding	5,713,587	5,457,139	5,490,069		
20	Consolidated net stable funding ratio	148.4%	151.4%	160.5%		

## Disclosure of Consolidated Liquidity Risk Management

### 1. Overview of Liquidity Risk Management Policy and Procedure

Daiwa Securities Group Inc. (“the Group”)’s funding activities focus on the principle of maintaining a sufficient level of liquidity in a stable and efficient manner to ensure continuous business operations.

The treasury department is designated as a division to manage the Group’s funding and takes action proactively to secure a stable funding amount during ordinary times in order to prevent business operations being disrupted in the event of severe changes occurring in the markets, and also manages to diversify maturities and sources of the procurement funds assuming a liquidity crisis when new funding or roll-over is difficult.

The risk management department is designated as a division to manage the Group’s liquidity risk and monitors the liquidity risk and reports to the board daily by utilizing the risk appetite indicators and liquidity stress test.

The Group strives to construct an appropriate liquidity risk management structure to be able to grasp the situation of the liquidity risk in a timely manner. In addition, the Group developed a contingency funding plan in order to make an appropriate response when liquidity risk become evident.

### 2. Liquidity Risk Management Indicators and other issues related to consolidated Liquidity Management

#### A) Risk appetite indicators

The Group defines the Liquidity Coverage Ratio and Net Stable Funding Ratio as liquidity risk appetite indicators at the board.

#### B) Liquidity Stress Test

The Group defines various stress scenarios and monitors daily that the liquidity portfolio covers the cash outflow prediction in the case where a certain amount of unsecured funding comes to maturity and stress occurs at the same time. Thus, even in the case where unsecured funding is not available for one year, the Group can continue its business operations.

#### C) Early Warning Indicator (“EWI”)

The Group sets certain thresholds for the indicators and monitors them as EWI to detect quickly if a liquidity risk becomes evident, and seeks to manage the forward-looking funding and liquidity risk.

#### D) Contingency Funding Plan

The Group recognizes that the occurrence of liquidity risk will have a direct impact on the business failure of financial institutions. Therefore, the Group defines a contingency funding plan in order to make an appropriate response during the time of liquidity crisis. The plan specifies policies of reporting lines and of the securement of funding according to the level of the tightness of the stress due to the internal factors such as the deterioration of the Group’s credit, and/or the external factors such as a disturbance in the financial markets.

## Qualitative Disclosure (Consolidated)

### 1. Qualitative disclosure of consolidated Liquidity Coverage Ratio

#### A) Changes in consolidated Liquidity Coverage Ratio over previous quarter

The Group's total High Quality Liquid Asset (HQLA) was 2,642,117 million yen, an increase of 26,787 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,598,964 million yen, an increase of 108,844 million yen from the previous quarter, Cash outflows related to other contractual funding obligations were 973,870 million yen, a decrease of 170,052 million yen, and Cash outflows related to other contingent funding obligations were 222,006 million yen, an increase of 34,419 million yen, thus total net cash outflows were 1,772,313 million yen, a decrease of 25,516 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 149.0%, an increase of 3.6 percent. For the past two years, changes in the ratio have been relatively stable.

#### B) Evaluation of the Group's consolidated Liquidity Coverage Ratio

The Group defines "The Rule of Regulatory Liquidity Management", and not only manages to keep the Liquidity Coverage Ratio above the regulatory limit, but also sets an internal alert level, and periodically reviews whether the ratio is above the internal alert level.

The Group's consolidated Liquidity Coverage Ratio is sufficiently above the minimum requirement.

#### C) Composition of HQLA

There is no significant change in the composition of HQLA over the previous quarter.

#### D) Other issues related to the consolidated Liquidity Coverage Ratio

There is no significant item for disclosure.

## 2. Qualitative disclosure of consolidated Net Stable Funding Ratio

### A) Changes in consolidated Net Stable Funding Ratio over previous quarter

The Group's total Available Stable Funding (ASF) was 8,480,413 million yen, an increase of 213,009 million yen from the previous quarter. Capital before the application of capital deductions was 1,554,359 million yen, an increase of 3,500 million yen. Funding from retail and small business customers was 1,845,694 million yen, a decrease of 19,409 million yen. And wholesale funding was 4,589,973 million yen, an increase of 185,949 million yen.

Total Required Stable Funding (RSF) was 5,713,587 million yen, an increase of 256,448 million yen. Loans, repo transactions-related assets, securities and other similar assets were 2,898,848 million yen, an increase of 188,355 million yen. And other assets were 2,327,257 million yen, an increase of 103,938 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 148.4%, a decrease of 3.0 percent. The ratio is sufficiently above the minimum requirement.

### B) Application of Exception for Interdependent Asset and Liability

Not applicable.

### C) Other issues related to the consolidated Net Stable Funding Ratio

There is no significant item for disclosure.

## Quantitative Disclosure (Consolidated)

### 1. Quantitative disclosure of consolidated Liquidity Coverage Ratio

(Unit :1 Million Yen,%)

Items		Fourth Quarter in Fiscal Year 2021		Third Quarter in Fiscal Year 2021	
<b>High Quality Liquid Assets (1)</b>					
1	Total high quality liquid assets	2,642,117		2,615,330	
<b>Cash Outflows (2)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,048,566	204,856	1,974,079	203,908
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,048,566	204,856	1,974,079	203,908
5	Unsecured wholesale funding	2,959,234	1,598,964	2,783,694	1,490,120
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,875,435	1,515,165	2,678,388	1,382,535
8	Unsecured debt	83,799	83,799	105,306	107,584
9	Secured funding	9,355,219	246,124	8,159,139	249,511
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	276,720	276,720	253,067	260,754
11	Outflows related to derivative exposures	254,869	254,869	238,202	245,416
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	21,851	21,851	14,865	15,338
14	Other contractual funding obligations	5,241,067	973,870	4,995,738	1,143,922
15	Other contingent funding obligations	233,337	222,006	198,633	187,587
16	Total cash outflows	3,522,543		3,535,805	
<b>Cash Inflows (3)</b>					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	7,916,617	150,603	6,955,265	120,067
18	Inflows from fully performing exposures	603,911	531,743	559,606	516,332
19	Other cash inflows	5,022,507	1,067,883	4,356,250	1,101,575
20	Total cash inflows	1,750,230		1,737,976	
<b>Consolidated Liquidity Coverage Ratio (4)</b>					
21	Total high quality liquid assets	2,642,117		2,615,330	
22	Total net cash outflows	1,772,313		1,797,829	
23	Consolidated liquidity coverage ratio	149.0%		145.4%	
24	Number of data used for calculation of average value	59		63	

## 2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit:1 Million Yen, %)

Items		Fourth Quarter in Fiscal Year 2021					Third Quarter in Fiscal Year 2021				
		Unweighted Value				Weighted Value	Unweighted Value				Weighted Value
		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year	
<b>Available Stable Funding (ASF) (1)</b>											
1	Capital	-	-	-	1,554,359	1,554,359	-	-	-	1,550,859	1,550,859
2	Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital (excluding the proportion of Tier 2 instruments with residual maturity of less than one year) before the application of capital deductions	-	-	-	1,554,359	1,554,359	-	-	-	1,550,859	1,550,859
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	2,050,772	-	-	-	1,845,694	2,072,336	-	-	-	1,865,103
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	2,050,772	-	-	-	1,845,694	2,072,336	-	-	-	1,865,103
7	Wholesale funding	1,483,147	9,702,086	512,524	2,214,951	4,589,973	1,367,944	8,329,649	682,768	2,249,075	4,404,024
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,483,147	9,702,086	512,524	2,214,951	4,589,973	1,367,944	8,329,649	682,768	2,249,075	4,404,024
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	103,231	4,288,108	134,537	673,382	490,385	105,001	4,855,313	116,010	609,184	447,417
12	Derivative liabilities	-	-	-	-	-	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	103,231	4,288,108	134,537	673,382	490,385	105,001	4,855,313	116,010	609,184	447,417
14	Total available stable funding	-	-	-	-	8,480,413	-	-	-	-	8,267,404
<b>Required Stable Funding (RSF) (2)</b>											
15	High quality liquid assets	-	-	-	-	362,843	-	-	-	-	397,783
16	Deposits held at financial institutions for operational purposes	31,554	4,283	-	-	20,060	28,408	4,025	-	-	18,229
17	Loans, repo transactions-related assets, securities and other similar assets	525,374	6,669,349	645,034	1,945,191	2,898,848	443,322	6,327,739	531,093	1,812,899	2,710,493
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	4,085,150	18,322	2,736	109,177	-	3,698,190	11,861	1,381	69,293
19	Loans to and repo transactions with financial institutions (not included in item 18)	520,374	863,378	42,484	14,731	254,844	443,319	772,088	30,163	12,314	221,469
20	Loans to and repo transactions-related assets (not included in items 18, 19 and 22)	-	1,674,865	172,661	995,426	1,504,947	-	1,764,558	188,249	926,216	1,476,022
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	-	1,373,293	109,569	11	434,703	-	1,479,281	127,377	42	466,295
22	Residential mortgages	-	-	-	-	-	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA and other similar assets	5,000	45,956	411,567	932,298	1,029,880	3	92,903	300,820	872,988	943,709
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	46,317	462,901	-	2,358,868	2,327,257	36,317	416,771	-	2,258,117	2,223,319
27	Physical traded commodities including gold	-	-	-	-	-	-	-	-	-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs (including those that are not recorded on consolidated balance sheet)	-	-	-	290,804	247,184	-	-	-	248,416	211,153
29	Derivative assets	-	-	-	297,629	297,629	-	-	-	250,217	250,217
30	Derivative liabilities (before deduction of variation margin posted)	-	-	-	25,048	25,048	-	-	-	16,646	16,646
31	All other assets not included in the above categories	46,317	462,901	-	1,745,387	1,757,396	36,317	416,771	-	1,742,838	1,745,303
32	Off-balance sheet items	-	-	-	137,033	104,574	-	-	-	134,286	107,311
33	Total required stable funding	-	-	-	-	5,713,587	-	-	-	-	5,457,139
34	Consolidated net stable funding ratio (NSFR)	-	-	-	-	148.4%	-	-	-	-	151.4%