

January 30, 2023

Daiwa Securities Group Inc.

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

Situation of Soundness in Liquidity Management as of Second Quarter in Fiscal Year 2022

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 second quarter in fiscal year 2022.

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Key Metrics (at consolidated group level)

KM1: Key Metrics

(Unit :1 Million Yen,%)

		Second Quarter in Fiscal Year 2022	First Quarter in Fiscal Year 2022	Fourth Quarter in Fiscal Year 2021	Third Quarter in Fiscal Year 2021	Second Quarter in Fiscal Year 2021
Consolidated liquidity coverage ratio						
15	Total high quality liquid assets	2,593,166	2,447,045	2,642,117	2,615,330	2,666,490
16	Total net cash outflows	1,802,474	1,733,889	1,772,313	1,797,829	1,709,909
17	Consolidated liquidity coverage ratio	143.8%	141.1%	149.0%	145.4%	155.9%
Consolidated net stable funding ratio						
18	Total available stable funding	9,154,147	8,629,425	8,480,413	8,267,404	8,815,759
19	Total required stable funding	6,211,679	6,045,794	5,713,587	5,457,139	5,490,069
20	Consolidated net stable funding ratio	147.3%	142.7%	148.4%	151.4%	160.5%

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 2,593,166 million yen, an increase of 146,121 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,552,073 million yen, an increase of 131,526 million yen from the previous quarter. Cash outflows related to other contingent funding obligations were 178,581 million yen, a decrease of 59,354 million yen from the previous quarter. Cash inflows related to inflows from fully performing exposures were 600,550 million yen, an increase of 40,733 million yen from the previous quarter. Cash inflows related to Other cash inflows were 1,082,892 million yen, a decrease of 76,306 million yen from the previous quarter. Thus total net cash outflows were 1,802,474 million yen, an increase of 68,585 million yen from the previous quarter.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 143.8%, an increase of 2.7 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 9,154,147 million yen, an increase of 524,722 million yen from the previous quarter. Wholesale funding was 5,232,684 million yen, an increase of 587,863 million yen.

Total Required Stable Funding (RSF) was 6,211,679 million yen, an increase of 165,885 million yen. Loans, repo transactions-related assets, securities and other similar assets were 3,031,754 million yen, a decrease of 43,780 million yen. And other assets were 2,732,808 million yen, an increase of 249,732 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 147.3%, an increase of 4.6 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		Second Quarter in Fiscal Year 2022		First Quarter in Fiscal Year 2022	
High Quality Liquid Assets (1)					
1	Total high quality liquid assets	2,593,166		2,447,045	
Cash Outflows (2)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,051,138	205,113	2,051,536	205,153
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,051,138	205,113	2,051,536	205,153
5	Unsecured wholesale funding	2,859,910	1,552,073	2,725,239	1,420,547
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,763,401	1,455,565	2,629,085	1,324,393
8	Unsecured debt	96,508	96,508	96,154	96,154
9	Secured funding	10,066,148	349,842	10,190,337	283,345
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	370,584	368,728	393,847	393,847
11	Outflows related to derivative exposures	346,972	346,972	369,620	369,620
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	23,612	21,756	24,227	24,227
14	Other contractual funding obligations	5,090,231	1,088,379	4,865,112	1,101,398
15	Other contingent funding obligations	189,579	178,581	249,130	237,935
16	Total cash outflows	3,742,719		3,642,228	
Cash Inflows (3)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	8,300,082	256,801	8,442,947	189,323
18	Inflows from fully performing exposures	665,707	600,550	617,742	559,817
19	Other cash inflows	4,767,324	1,082,892	4,702,618	1,159,198
20	Total cash inflows	1,940,244		1,908,339	
Consolidated Liquidity Coverage Ratio (4)					
21	Total high quality liquid assets	2,593,166		2,447,045	
22	Total net cash outflows	1,802,474		1,733,889	
23	Consolidated liquidity coverage ratio	143.8%		141.1%	
24	Number of data used for calculation of average value	62		61	

2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit:1 Million Yen, %)

Items		Second Quarter in Fiscal Year 2022					First Quarter in Fiscal Year 2022				
		Unweighted Value				Weighted Value	Unweighted Value				Weighted Value
		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year		Indeterminate	< 6months	≥ 6months < 1year	≥ 1year	
Available Stable Funding (ASF) (1)											
1	Capital	-	-	-	1,618,517	1,618,517	-	-	-	1,604,576	1,604,576
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	-	-	-	1,618,517	1,618,517	-	-	-	1,604,576	1,604,576
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	2,001,471	-	-	-	1,801,324	2,053,863	-	-	-	1,848,477
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	2,001,471	-	-	-	1,801,324	2,053,863	-	-	-	1,848,477
7	Wholesale funding	1,121,737	12,101,776	553,107	2,523,776	5,232,684	1,232,566	10,299,342	736,016	2,335,564	4,644,821
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,121,737	12,101,776	553,107	2,523,776	5,232,684	1,232,566	10,299,342	736,016	2,335,564	4,644,821
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	98,008	5,643,663	129,809	731,484	501,621	101,448	4,645,898	124,031	774,830	531,550
12	Derivative liabilities	-	-	-	-	-	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	98,008	5,643,663	129,809	731,484	501,621	101,448	4,645,898	124,031	774,830	531,550
14	Total available stable funding	-	-	-	-	9,154,147	-	-	-	-	8,629,425
Required Stable Funding (RSF) (2)											
15	High quality liquid assets	-	-	-	-	309,744	-	-	-	-	340,964
16	Deposits held at financial institutions for operational purposes	53,475	5,068	-	-	31,806	60,143	4,783	-	-	34,855
17	Loans, repo transactions-related assets, securities and other similar assets	519,520	7,801,891	900,871	1,856,321	3,031,754	535,072	7,745,986	759,591	2,007,536	3,075,534
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	4,603,600	12,683	3,614	159,327	-	4,527,923	11,507	3,231	153,881
19	Loans to and repo transactions with financial institutions (not included in item 18)	519,520	1,173,891	38,071	697,318	981,829	535,072	884,592	44,057	21,309	267,184
20	Loans to and repo transactions-related assets (not included in items 18, 19 and 22)	-	1,984,519	278,500	451,789	980,520	-	2,271,295	291,471	1,060,475	1,626,181
21	With a risk weight of less than or equal to 35% under the Standardised Approach for credit risk	-	1,664,373	202,517	11,612	363,244	-	2,035,531	141,224	8	503,191
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	0	39,881	571,617	703,600	910,078	-	62,176	412,556	922,521	1,028,288
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	42,462	483,003	-	2,776,524	2,732,808	41,615	500,359	-	2,525,209	2,483,076
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)	-	-	-	319,379	271,472	-	-	-	317,328	269,729
29	Derivative assets	-	-	-	540,574	540,574	-	-	-	401,049	401,049
30	Derivative liabilities (before deduction of variation margin posted)	-	-	-	38,066	38,066	-	-	-	33,301	33,301
31	All other assets not included in the above categories	42,462	483,003	-	1,878,505	1,882,696	41,615	500,359	-	1,773,531	1,778,997
32	Off-balance sheet items	-	-	-	135,097	105,562	-	-	-	145,611	111,359
33	Total required stable funding	-	-	-	-	6,211,679	-	-	-	-	6,045,794
34	Consolidated net stable funding ratio (NSFR)	-	-	-	-	147.3%	-	-	-	-	142.7%