

January 30, 2024

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 2023

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 2023.

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Key Metrics (at consolidated group level)

KM1: Key Metrics

(Unit: 1 Million Yen,%)

		Second Quarter in Fiscal Year 2023	First Quarter in Fiscal Year 2023	Fourth Quarter in Fiscal Year 2022	Third Quarter in Fiscal Year 2022	Second Quarter in Fiscal Year 2022
Consolidated liquidity coverage ratio						
15	Total high-quality liquid assets	2,933,588	2,729,197	2,902,501	2,757,599	2,593,166
16	Total net cash outflows	2,242,910	2,077,052	2,135,355	1,974,833	1,802,474
17	Consolidated liquidity coverage ratio	130.7%	131.3%	135.9%	139.6%	143.8%
Consolidated net stable funding ratio						
18	Total available stable funding	9,800,455	9,170,359	8,127,042	7,974,379	9,154,147
19	Total required stable funding	6,583,224	6,323,935	5,920,309	5,619,064	6,211,679
20	Consolidated net stable funding ratio	148.8%	145.0%	137.2%	141.9%	147.3%

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 2,933,588 million yen, an increase of 204,391 million yen from the previous quarter.

Cash outflows related to unsecured wholesale funding were 1,821,428 million yen, an increase of 200,094 million yen from the previous quarter. Cash outflows related to secured funding were 514,327 million yen, an increase of 98,306 million yen. Cash outflows related to other contingent funding obligations were 97,401 million yen, a decrease of 32,223 million yen. And Cash inflows related to other cash inflows were 1,226,023 million yen, an increase of 54,266 million yen, thus total net cash outflows were 2,242,910 million yen, an increase of 165,858 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Liquidity Coverage Ratio was 130.7%, a decrease of 0.6 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 9,800,455 million yen, an increase of 630,096 million yen from the previous quarter. Wholesale funding was 5,895,781 million yen, an increase of 637,757 million yen.

Total Required Stable Funding (RSF) was 6,583,224 million yen, an increase of 259,289 million yen. High-quality liquid assets were 530,524 million yen, an increase of 124,544 million yen. Loans, repo transactions-related assets, securities and other similar assets were 3,462,913 million yen, an increase of 173,274 million yen. And other assets were 2,480,246 million yen, a decrease of 31,588 million yen.

As a result of the above-mentioned conditions, the Group's consolidated Net Stable Funding Ratio was 148.8%, an increase of 3.8 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 2023		First Quarter in Fiscal Year 2023	
High-Quality Liquid Assets (1)					
1	Total high-quality liquid assets	2,933,588		2,729,197	
Cash Outflows (2)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
2	Retail deposits and deposits from small business customers	2,107,202	210,720	2,001,969	200,196
3	Stable deposits	-	-	-	-
4	Less stable deposits	2,107,202	210,720	2,001,969	200,196
5	Unsecured wholesale funding	3,139,616	1,821,428	2,796,692	1,621,334
6	Operational deposits	-	-	-	-
7	Unsecured wholesale funding other than operational deposits and unsecured debt	2,981,124	1,662,936	2,623,023	1,447,665
8	Unsecured debt	158,491	158,491	173,669	173,669
9	Secured funding	11,980,101	514,327	10,362,013	416,021
10	Outflows related to derivative exposures, loss of funding on debt products, committed credit and liquidity facilities	470,556	458,582	478,299	465,461
11	Outflows related to derivative exposures	446,204	446,204	454,158	454,158
12	Outflows related to loss of funding on debt products	-	-	-	-
13	Outflows related to credit and liquidity facilities	24,352	12,378	24,141	11,303
14	Other contractual funding obligations	6,294,022	1,161,713	5,535,035	1,175,994
15	Other contingent funding obligations	108,479	97,401	140,609	129,624
16	Total cash outflows	4,264,173		4,008,634	
Cash Inflows (3)					
		Unweighted Value	Weighted Value	Unweighted Value	Weighted Value
17	Secured lending	8,871,314	224,693	7,990,846	209,825
18	Inflows from fully performing exposures	602,540	570,546	596,037	549,998
19	Other cash inflows	5,818,566	1,226,023	5,084,197	1,171,757
20	Total cash inflows	2,021,263		1,931,581	
Consolidated Liquidity Coverage Ratio (4)					
21	Total high-quality liquid assets	2,933,588		2,729,197	
22	Total net cash outflows	2,242,910		2,077,052	
23	Consolidated liquidity coverage ratio	130.7%		131.3%	
24	Number of data used for calculation of average value	62		62	

2. Quantitative disclosure of consolidated Net Stable Funding Ratio

(Unit: 1 Million Yen, %)

Items		Second Quarter in Fiscal Year 2023					First Quarter in Fiscal Year 2023				
		Unweighted Value				Weighted Value	Unweighted Value				Weighted Value
		Indeterminate	< 6 months	≥ 6 months < 1 year	≥ 1 year		Indeterminate	< 6 months	≥ 6 months < 1 year	≥ 1 year	
Available Stable Funding (ASF) (1)											
1	Capital	-	-	-	1,684,377	1,684,377	-	-	-	1,675,086	1,675,086
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	-	-	-	1,684,377	1,684,377	-	-	-	1,675,086	1,675,086
3	Other capital instruments that are not included in the above category	-	-	-	-	-	-	-	-	-	-
4	Funding from retail and small business customers	2,098,234	-	-	-	1,888,410	2,108,378	-	-	-	1,897,540
5	Stable deposits	-	-	-	-	-	-	-	-	-	-
6	Less stable deposits	2,098,234	-	-	-	1,888,410	2,108,378	-	-	-	1,897,540
7	Wholesale funding	1,339,099	13,030,311	385,227	2,800,524	5,895,781	1,240,422	12,103,795	407,129	2,547,945	5,258,024
8	Operational deposits	-	-	-	-	-	-	-	-	-	-
9	Other wholesale funding	1,339,099	13,030,311	385,227	2,800,524	5,895,781	1,240,422	12,103,795	407,129	2,547,945	5,258,024
10	Liabilities with matching interdependent assets	-	-	-	-	-	-	-	-	-	-
11	Other liabilities	80,506	6,492,577	18,828	579,408	331,885	85,470	6,410,060	31,577	699,735	339,707
12	Derivative liabilities	-	-	-	-	-	-	-	-	-	-
13	All other liabilities and equity not included in the above categories	80,506	6,492,577	18,828	579,408	331,885	85,470	6,410,060	31,577	699,735	339,707
14	Total available stable funding	-	-	-	-	9,800,455	-	-	-	-	9,170,359
Required Stable Funding (RSF) (2)											
15	High-quality liquid assets	-	-	-	-	530,524	-	-	-	-	405,980
16	Deposits held at financial institutions for operational purposes	37,661	5,235	-	-	24,066	53,445	5,074	-	-	31,797
17	Loans, repo transactions-related assets, securities and other similar assets	603,876	9,965,939	995,750	2,199,854	3,462,913	507,029	9,199,483	958,958	2,206,936	3,289,639
18	Loans to and repo transactions with financial institutions (secured by level 1 assets)	-	6,815,392	6,640	1,250	31,785	-	6,148,151	6,167	945	27,760
19	Loans to and repo transactions with financial institutions (not included in item 18)	603,876	1,447,263	23,981	835,584	1,184,540	507,029	1,042,616	23,479	798,020	1,071,154
20	Loans to and repo transactions-related assets (not included in items 18, 19 and 22)	-	1,670,290	458,229	498,941	1,235,086	-	1,975,428	448,148	500,317	1,154,393
21	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	1,369,721	375,503	6,608	579,769	-	1,696,276	351,871	11,605	502,040
22	Residential mortgages	-	-	-	-	-	-	-	-	-	-
23	With a risk weight of less than or equal to 35% under the Standardized Approach for credit risk	-	-	-	-	-	-	-	-	-	-
24	Securities that are not in default and do not qualify as HQLA and other similar assets	0	32,994	506,900	864,079	1,011,502	0	33,288	481,164	907,654	1,036,332
25	Assets with matching interdependent liabilities	-	-	-	-	-	-	-	-	-	-
26	Other assets	14,208	476,877	120	2,533,602	2,480,246	13,690	451,042	-	2,567,426	2,511,834
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)	-	-	-	246,170	209,245	-	-	-	225,033	191,278
29	Derivative assets	-	-	-	520,446	520,446	-	-	-	577,314	577,314
30	Derivative liabilities (before deduction of variation margin posted)	-	-	-	30,099	30,099	-	-	-	29,667	29,667
31	All other assets not included in the above categories	14,208	476,877	120	1,736,887	1,720,456	13,690	451,042	-	1,735,412	1,713,575
32	Off-balance sheet items	-	-	-	121,096	85,469	-	-	-	119,074	84,680
33	Total required stable funding	-	-	-	-	6,583,224	-	-	-	-	6,323,935
34	Consolidated net stable funding ratio (NSFR)	-	-	-	-	148.8%	-	-	-	-	145.0%