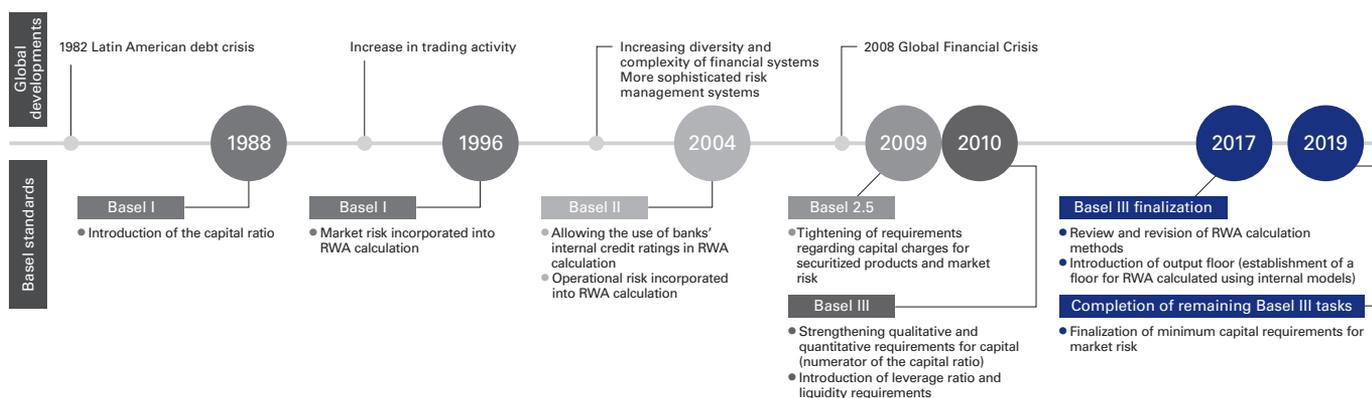


Compliance with international financial regulations

The Basel standards, a unified international regulatory framework for ensuring the soundness of banking institutions, were first created in 1988 (now referred to as Basel I). As the financial services industry and world affairs have developed, steps have been taken to steadily enhance this framework. Formulated in 2010, Basel III is a framework that tightened capital requirements along with introducing liquidity requirements to address issues that came to light in the 2008 global financial crisis. Regulatory reforms following the financial crisis were largely completed in 2017 (Basel III finalization) with reforms aimed at reducing discrepancies among banks regarding the calculation of risk-weighted assets (RWA, which is the denominator of the capital ratio). The Group of Central Bank Governors and Heads of Supervision (GHOS) agreed to postpone the initial schedule for implementing Basel III finalization by one year due to the COVID-19 outbreak, with this being phased in between 2023 and 2028.



Principal requirements under Basel III and state of compliance

As a Global Systemically Important Bank (G-SIB), Mizuho Financial Group must meet some regulatory standards at a higher level. We maintain full compliance with all the requirements in the standards and, going forward, we will steadily accumulate capital and control our balance sheet to ensure that we can satisfy any new requirements that are introduced.

| | |
|--------------------------|---|
| Capital ratio | Capital |
| | RWA (which are calculated by taking account of the risk of assets held) |
| Leverage ratio | Capital |
| | Exposure (calculated without taking account of the risk of assets held) |
| Liquidity coverage ratio | Stock of high-quality liquid assets |
| | Total net cash outflows under severe stress conditions over a specified short-term period (30 days) |
| Net stable funding ratio | Available amount of stable funding (capital, deposits, market funding, etc.) |
| | Required amount of stable funding (loans, securities, etc.) |

International financial regulations going forward

With the completion of the post-global financial crisis regulatory reforms, the Financial Stability Board and the Basel Committee on Banking Supervision, which are responsible for developing international financial regulatory standards, are turning their attention to new areas. Specifically, they have shifted their focus from developing new regulatory standards to consistent implementation of regulations in individual countries and evaluating the impact of regulatory reforms (e.g., are they having the intended effect without compromising regulatory resilience).

In addition, the environment that financial institutions operate in has reached a critical turning point, including rapidly accelerating digitalization and increasing societal

interest in sustainability. There is growing attention to the opportunities and risks that new trends such as fintech and stricter approaches to responsible financing that take into account climate change present to banks and financial systems. This has led to an uptick in international discussions about these issues. For example, the Financial Stability Board has prioritized looking at “new risks” such as concerns over cyberattacks due to the spread of fintech and how to coexist with BigTech companies.

To address these various risks, we will work closely with government, academia, and industry, while also holding proactive internal discussions.