

A low-angle photograph of the dome of St. Paul's Cathedral in London, showing its intricate architectural details and the ornate lantern on top. The sky is a clear, vibrant blue. In the foreground, delicate pink cherry blossom branches with small flowers are visible on the left and right sides, framing the central image. A dark blue vertical bar is positioned on the right side of the image, containing the company name and report title in white text.

**MIZUHO**

Mizuho  
International plc

Annual Report  
for year ended  
31 March 2022







# Table of Contents

Section	Content	Page
1.	General Information	5
2.	Group Chair's Statement	6
3.	Strategic Report	8
4.	Directors' Report	30
5.	Risk Review	40
6.	Statement of Directors' Responsibilities	72
7.	Report of the Independent Auditor	74
8.	Financial Statements	84
9.	Notes to the Financial Statements	90

## 1. General Information

### Directors as at the date of signature of the Reports and Financial Statements

Mr D. Weymouth	Chair and Independent Non-Executive Director
Mr S. Bakhshi	President and Chief Executive Officer
Mr O. Shimizu	Deputy President and Managing Director
Mr R. Tallentire	Chief Financial Officer and Managing Director
Ms M. Erasmus	Senior Independent Non-Executive Director
Mr D. Atkinson	Independent Non-Executive Director
Mr G. Bennett	Independent Non-Executive Director
Mr N. Takahashi	Non-Executive Director
Mr S. Toda	Non-Executive Director
Mr Y. Wakabayashi	Non-Executive Director

### Company Secretary

Ms S. Fox

### Auditors

Ernst & Young LLP  
25 Churchill Place  
Canary Wharf  
London E14 5EY  
United Kingdom

### Registered Office

30 Old Bailey  
London EC4M 7AU  
Tel: 020 7236 1090

Registered in England and Wales Number 1203696

## 2. Group Chair's Statement

During a challenging year globally, navigating the ongoing pandemic and geopolitical events in Europe, our people have worked tirelessly to ensure seamless delivery to our clients. From origination to distribution, the Mizuho International plc Group has focused on its core strength of connecting our European client base with the Asian market.

As a Board, we have been actively focused on developing a sustainable business model through enhanced collaboration with Mizuho Bank and progression towards an EMEA Corporate & Investment Banking ("CIB") model. During 2021, there have been significant strides forward to achieve this as many of our people became dual-hatted across the London entities and this momentum continues in 2022.

Early in the year, we welcomed a new board member, Mr Yutaka Wakabayashi, as Non-Executive Director from our head office. We are very pleased to have his institutional knowledge and extensive experience of the wider organisation from his roles globally. Also from head office, as we began the new financial year, Mr Naoki Takahashi was appointed Non-Executive Director, replacing Mr Yuzo Kanamori. We are grateful for Mr Kanamori's contributions and ongoing support from head office and we look forward to Mr Takahashi's perspectives and the additional investment banking and advisory experience that he brings to our Board in 2022.

As the London based subsidiary of a Japanese megabank, our Board composition reflects multiple nationalities and this cultural fusion creates our identity. Our approach is characterised by respect, humility, diligence and dedication. As a Board, we support the senior management team in embedding a healthy corporate culture and one which supports change and growth. Oversight of the Environmental, Social and Governance ("ESG") agenda remains high on our list of priorities.

I am optimistic that our progression towards a CIB business model will be the most important growth pathway for Mizuho to thrive in this challenging market. The synergies across Banking and Markets will allow the Mizuho International plc Group to fully compete in the markets we operate in, leveraging our position in Japan and Asia along with the overall strength of our balance sheet and credit rating as of one of the world's largest banks.

David Weymouth  
**Chair and Independent Non-Executive Director**  
**Mizuho International plc**



“ As a board, we support the senior management team in embedding a healthy corporate culture and one which supports change and growth. ”

David Weymouth  
Chair and Independent Non-Executive Director



## 3. Strategic Report

LONDON 11:28 FRANKFURT 12:28 HONG KONG 18:28 TOKYO 19:28

The Directors of Mizuho International plc (the “Company”) present the strategic report for the year ended 31 March 2022 for the Company and its principal subsidiary entity, Mizuho Securities Europe GmbH (together the “Group”).

### 1. Overview of the Group

The Group is the European, Middle East and African (“EMEA”) based securities and investment banking arm of the Mizuho Financial Group, Inc. (“Mizuho Financial Group” or “MHFG”), and is a wholly owned subsidiary of Mizuho Securities Co., Ltd (“MHSC”). The Company is authorised by the Prudential Regulation Authority (“PRA”) and regulated by the Financial Conduct Authority (“FCA”) and PRA, and is a member of the London Stock Exchange and LCH Limited. Mizuho Securities Europe GmbH (“MHEU”) is licensed by Germany’s Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”).

Mizuho Financial Group’s other entities in EMEA include Mizuho Bank, offering corporate banking services to clients, and Asset Management One, offering asset management services to institutional and wholesale clients across the region.

Closely aligned with Mizuho Financial Group’s strategy, with a focus on client demand, the Group provides a wide range of investment banking products and solutions in the EMEA region.

#### 1.1. Business Lines and Clients

The Group has two main business lines, Global Investment Banking, EMEA (“GIB”) and Global Markets, EMEA (“GMK”):

- GIB arranges and underwrites new debt issuances for major corporate clients and Financial Institution Group clients of Mizuho. GIB also provides underwriting of international equity offerings and convertible bonds for Japanese and EMEA corporations, and M&A services for Japanese firms targeting EMEA assets; and
- GMK provides sales and trading of debt and other fixed income securities and derivatives for global and EMEA institutional investor clients, and the sourcing of European-originated products for Mizuho’s Japanese retail client base. GMK also provides pan-Asian equity sales, research, corporate access and execution services for European clients, covering cash, convertible bonds and equity derivative products.

## 2. Business Strategy and Results

### 2.1. Business Strategy

The Group has a key role within Mizuho Financial Group in the intermediation of capital flows between Japan and international markets. The Group’s strategy focuses on achieving a step by step improvement in the quality of revenues through ongoing deeper collaboration with Mizuho entities, expanded value added offerings and further product diversification.

Building a truly inclusive and ethically resilient culture which creates opportunities for growth for our people underpins this strategy. The leadership team intends to build a sustainable, client focused business model, based on leveraging Mizuho’s global relationships, people and assets.

### 2.2. Business Results

Revenue performance has been impacted by volatility in the market and as a result of market uncertainties regarding interest rates and inflation, our GMK business in particular has seen significantly lower client volumes. These factors were exacerbated in the final quarter due to the conflict in Russia and Ukraine, which gave rise to fears of stagflation and further volatility.

The Group recorded a £28.8 million loss for the year, results of which are summarised in table 2.3.

### 2.3. 31 March 2022 Results Summary

	2022 £ millions	2021 £ millions
Net income from operations	166.3	265.1
Administrative expenses & depreciation	(203.9)	(221.5)
Provision for liabilities	-	0.2
(Loss)/profit on ordinary activities before taxation	(37.6)	43.8
Tax credit/(charge) on profit/(loss) on ordinary activities	8.8	(1.0)
(Loss)/profit for the year	(28.8)	42.8

Within the primary markets space, our GIB business underperformed versus expectations and the prior year, as issuers waited on the sidelines to see the impact of inflation and were further deterred as a result of geopolitical tensions.

Within GMK, the volatile and difficult trading conditions across risk assets led to underperformance which was evident across both the Credit and Rates businesses. The desks navigated widespread inflationary concerns, unpredictable price movements and significantly reduced client volumes. In the last quarter, the Russia-Ukraine conflict introduced further negative sentiment. The Group has operated a conservative stance with respect to exposures in the region, making active reductions across Credit and Rates inventory balances to minimise losses.

As a result of the ongoing collaboration strategy across Mizuho EMEA entities, the Group has continued to save costs as a result of unified, optimised and more efficient teams and supplier relationships. The hiring environment has been such that some expected new hires were delayed and in addition, given the market volatility, some revenue producing roles have been postponed, giving rise to further savings against budgeted costs.

## 2. Business Strategy and Results (Continued)

### 2.4. Key Performance Indicators (“KPIs”)

The Group has put in place several initiatives (see Section 3) to grow revenues and develop cost efficiencies going forward. In relation to Leverage Ratio, Liquidity Coverage and CET1 Ratio, the Group is committed to ensuring that full compliance with all relevant regulatory requirements is maintained. The Group has set out the below KPIs to assess its main business performance effectively:

#### Financial Performance Indicators

(37.3%)

Y-o-Y change in net income from operations  
(2021: 68.3%)

(7.0%)

Y-o-Y change in administrative expenses  
(2021: 8.7%)

#### Cost to Income Ratio

123%

83%

2022

2021

### Regulatory Indicators

#### Leverage ratio<sup>1</sup>

4.1%

4.8%

2022

2021

#### Liquidity Coverage Ratio<sup>2</sup>

351.0%

302.7%

2022

2021

#### CET1 Ratio<sup>3</sup>

31.1%

31.1%

2022

2021

1. Leverage Ratio defined as: Common Equity Tier 1 Capital / Total Exposure Measure  
2. Liquidity Coverage Ratio defined as: Liquidity Buffer / Net Liquidity Outflows over a 30 day stress period  
3. CET1 Ratio defined as: Common Equity Tier 1 Capital / Total Risk Exposure Amount

### ESG Indicators



45%

Y-o-Y growth in number of Investment Grade DCM ESG deals (both underwritten and originated).

108%

Y-o-Y growth in GBP value of Investment Grade DCM ESG deals.

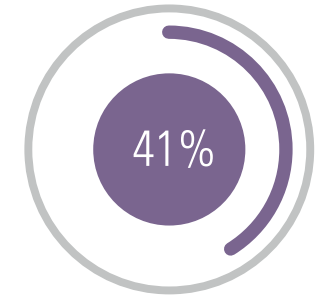
### Inclusion and Diversity Indicators



**5 inclusion networks.** These comprise of Cultural Diversity, Family, Future Leaders, Gender and Pride networks.



**20% Senior females** in the 2021 WIFC annual submission. (Defined as Executive Director and above, permanent, local hires)



**41% of permanent employees** attended mental health awareness training in FY21/22.



### 3. Strategic Priorities

The Group's strategy focuses on achieving improvement in the quality of revenues through deeper collaboration with Mizuho entities and product diversification. The Group has continued to pursue initiatives to support this strategy, with a particular focus on leveraging global relationships and enhancing returns through more cross-sell with value added products. Whilst progress has been made across these areas, focus continues on translating the collaboration and diversification initiatives into more consistent revenue streams.

#### 3.1. Deeper Collaboration with Mizuho Bank, London branch

Over recent years, the Group and Mizuho Bank, London branch have embarked on a number of initiatives to strengthen collaboration, with a focus on deepening the relationship between the two entities to optimise and leverage Mizuho's entire footprint in EMEA. Initiatives such as the integration of corporate functions, office space, selected client coverage teams and the derivatives platform have been successfully implemented.

Following Mizuho Financial Group strategy, the Group and Mizuho Bank, London branch are pursuing further collaboration. This next step integrates Corporate Banking and Investment Banking, establishing an "EMEA CIB model" to create synergy between Banking and Markets. More of the Group's leadership team have been recently dual-hatted into Mizuho Bank, London branch to lead this unification.

#### 3.2. Revenue Diversification in GMK

The Group is focused on diversifying GMK's revenue streams via a wider product set and a deeper client base. Further to the integration of the Fixed Income business across the Group and Mizuho Bank, London branch, the new unified Markets business will support a complete product delivery to service our clients. Diversifying away from market dependant flow and into corporate derivatives and financing products will be a key opportunity to continue exploring.

#### 3.3. Organisational Optimisation

The Group is part way through a multi-year, multi-initiative strategic cost and process optimisation programme to improve its cost to income ratio over the medium term. Part of this programme involves realising benefits from the consolidation of corporate functions across EMEA as well as cost benefits from a reduced office footprint as a result of hybrid working.

#### 3.4. Client Centric Business

A key priority for the Group is to expand and deepen corporate and investor relationships by bringing the strength of One Mizuho across EMEA, America and Asia to its clients. Keeping clients at the centre, the Group has sought to provide a more diversified product offering with more value added services, supported by the expertise and access of Mizuho globally. A broader focus that includes an ESG lens, will serve as a key gateway for deeper and more strategic relationships.





## 4. Principal Risks and Uncertainties

As an international investment banking and securities markets business within the group of companies headed by Mizuho Financial Group, the Group is affected by a range of risk factors. The Group's risk management framework comprises risk identification, quantification, control and risk monitoring and reporting processes designed to achieve effective management in line with the Group's risk appetite statement through a top-down delegation of authority.

More details about the Group's principal risks and its risk management framework can be found in the Risk Review section.

### 4.1. Impact of COVID-19 Pandemic

Working closely with Mizuho Financial Group entities in EMEA, the approach to the COVID-19 pandemic was overseen at the CEO and Board level, following direction from local governments and regulators. During the year, employees were invited to return to the office on a hybrid basis for many roles, supported by additional safety measures to minimise the spread of infection. The physical and mental health and safety of employees remain a top priority, whilst the Group navigates towards the new future workplace, comprised of hybrid teams. By the end of FY21/22, approximately 65% of employees were working remotely on any one day.

Workplace safety measures continue to be adjusted to reflect social distancing requirements and the leadership team regularly review local infection and hospitalisation rates to exercise more cautious measures, where required. In monitoring and managing the situation, the leadership team is supported by a daily dashboard which tracks local infection rates, vaccination metrics as well as internal operational metrics to monitor the impact on markets, trading volumes and corporate function operations. This supports decision making and allows the leadership team to quickly adapt, as required.

### 4.2. Russia-Ukraine Conflict

During the last quarter of FY21/22, the Russia-Ukraine conflict introduced further negative market sentiment, with widespread fears of stagflation and further volatility. The Group operates a conservative stance and introduced a new taskforce led by the CEO to monitor and discuss inventory

positions, risk reduction, credit risk, settlement risk, cyber risk and hedging. Significant inventory reductions across Credit and Rates business lines were initiated to minimise losses. Additional key steps taken by the Group included restricted trading in Russian securities, closure of accounts whose country of domicile or country of risk was Russia, a new policy governing the management of Russian client relationships, real-time screening of customers, their connected persons, payment, settlement instructions and news channels to ensure there are no exposures to Russian sanctioned entities or individuals. Briefings were also published to all employees to update them on the evolving requirements. As the sanctions imposed were complex, the Group monitored not just the UK but also the EU, US and Japan, taking great care to screen all clients and transactions with this lens and also liaising with the regulators to detail the Group's response.

## 5. IBOR Transition

Following the global financial crisis, regulators and central banks globally have been focusing on the reform and replacement of benchmark interest rates such as London Inter-Bank Offered Rate ("LIBOR"). These benchmark reforms have resulted in significant changes to the methodology and operation of certain benchmarks and indices, the adoption of alternative near risk-free reference rates ("RFRs") and the discontinuation of certain reference rates, including LIBOR. While most LIBOR reference rates have been discontinued effective end of December 2021, certain US Dollar LIBOR settings will continue until June 2023, although the use of these are subject to restrictions.

In response to these changes, a Group LIBOR Discontinuation Programme was set up in 2020 to oversee the Group's transition efforts from LIBOR to alternative RFRs and the following key updates can be reported:

### Non-USD Exposure Transition Events

The Group successfully completed all non-USD LIBOR transition activities and as at 31 December 2021 had no unremediated exposures to LIBOR settings that ceased as of this date. All bilateral LIBOR (non-USD) referencing transactions were transitioned in December in line with ISDA

protocols. Prior migration activities included the market-wide transitions with the Central Counterparties ("CCPs") for Euro Overnight Index Average ("EONIA"), JPY and GBP LIBOR referencing trades.

All required RFR trading capabilities have been delivered and the Group has been trading RFRs as standard for some time, which is shown by our increasing RFR exposures. There are no further IT deliveries in flight to support LIBOR cessation and the Group has no plans to make use of Synthetic LIBOR, Term Rates or Credit Sensitive Rates.

### Ongoing USD LIBOR Exposure Management

While the Group has some residual USD LIBOR exposure, over 99% are cleared via CCP, which we expect to transition by June 2023. The Group will continue to use regular compression cycles to actively manage our exposure in the interim. Our client outreach concluded in 2021, ensuring all LIBOR positions, including those referencing USD LIBOR, had suitable fallbacks in place and we have no concerns about their robustness, as they are covered by the ISDA protocols. The Group is actively trading Secured Overnight Financing Rate ("SOFR") and our main clients have moved to SOFR based swaps. The Group will continue to support clients and affiliates wishing to unwind existing USD LIBOR trades under the permitted exception scenarios as published in Article 21A of the Benchmarks Regulation included in its announcements on 16 November 2021. Given the nature of our client base, sophisticated, highly regulated market participants, there are no concerns regarding client readiness to cease trading in USD LIBOR.

### Control Processes

The controls and oversight established in 2021 via the Front Office Supervisory Committee to monitor adherence to cessation of non-USD LIBOR trading, have been extended to cover USD LIBOR. The Group has ceased new use of USD LIBOR in all but permitted exception scenarios. Overall, there has been a significant decrease in the key risks associated with the transition to RFRs for the Group, reflecting the progress made to date and a clear pathway established to overall LIBOR cessation and transition to RFRs for our remaining USD LIBOR portfolio.

### Looking Ahead

The programme has now been formally closed after the last Steering Committee meeting was held in April 2022. All other ongoing activities are embedded into business as usual, with clear ownership and appropriate oversight as part of our wider governance framework. Plans are in place to reinstate a dedicated team to transition the residual USD LIBOR exposures in 2023 in line with the timelines set by the CCPs. This team can be easily mobilized in advance of this date, if necessary, to respond to unfolding developments in the USD LIBOR transition space.

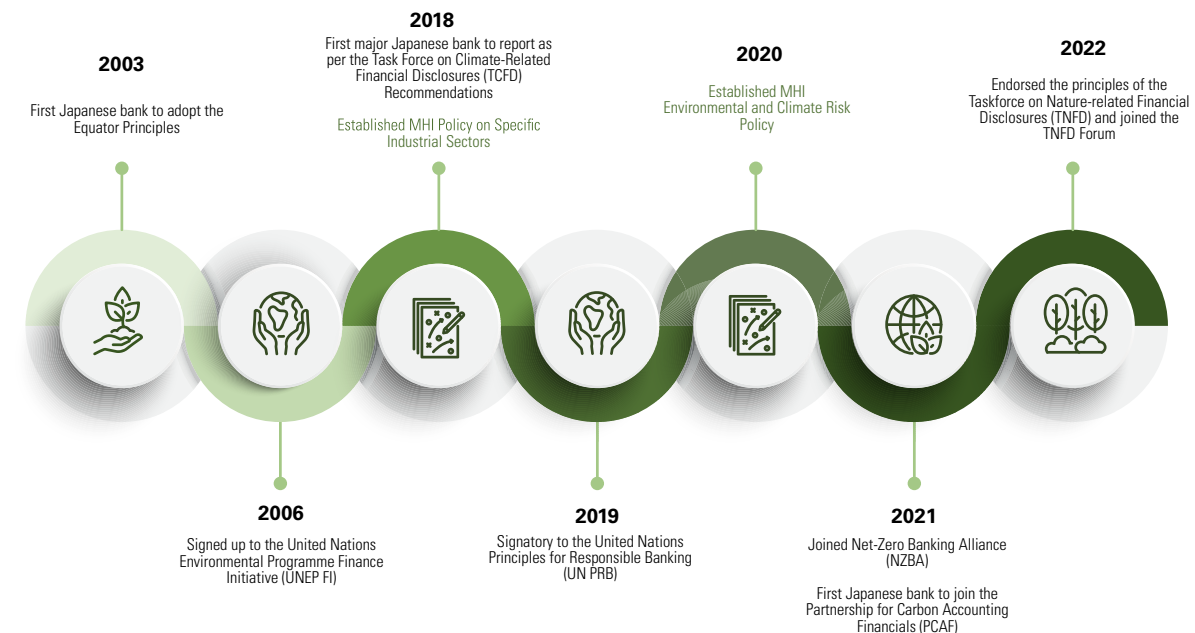




# 6. Environmental, Social and Governance (“ESG”) Framework

## 6.1. Introduction

Sustainability initiatives are in the first instance driven by the ambition of Mizuho Financial Group to make a positive contribution to the transition to a low-carbon society. Mizuho Financial Group’s long-term strategy is to create business opportunities by assessing sustainability and climate change risks, and enhancing engagement with clients and investors to support their evolving needs. Accordingly, Mizuho Financial Group is embarking on a phased transformation of its finance portfolio to align with the goals of the Paris Agreement, which it supports.



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Over the course of FY21/22, Mizuho Financial Group has demonstrated its commitment by:

- Joining the Net-Zero Banking Alliance (“NZBA”) initiative;
- Joining the Partnership for Carbon Accounting Financials (“PCAF”), being the first Japanese bank to do so;
- Assuming the responsibility of chairing the newly established PCAF Japan coalition;
- Participating in the Global Financial Markets Association (“GFMA”) carbon credit market project; and
- Participating in the Steel Climate-Aligned Finance Working Group.

Mizuho Financial Group’s commitments to these and other sustainability frameworks are cascaded down to the Group through strategic initiatives and dedicated policies, adopted locally. Changes are also being made at the operational level, in line with Mizuho Financial Group’s commitment to reduce its own operational footprint, which the Group is committed to and actively pursuing. An environmental management system certified to the ISO 14001 standard has been put in place for the EMEA head office to help manage the Group’s own operational footprint.

### Developments Within the Group

The Group acknowledges its role in creating value for a range of stakeholders. As a result, it has strengthened its governance frameworks in relation to ESG – and climate specifically – over the course of FY21/22:

- The Group CEO acts as the Senior Management Function (“SMF”) with responsibility for identifying and managing the financial risks from climate change;
- The roles and responsibilities of the Board have been clarified to ensure effective oversight of climate risk management and controls;
- The Environmental Risk Appetite Statement – included within the Internal Capital Adequacy Assessment Process (“ICAAP”) and relevant Board documents – describes the firm’s strategy for managing climate-related financial risks. This is now fully embedded into the annual governance process and subject to regular review;
- The Group’s Sustainability lead is an Executive Committee member and reports directly to the CEO;



## 6. ESG Framework (Continued)

### 6.1. Introduction (Continued)

- Further resources have been dedicated to Sustainability and Environmental Risk Management, including additional dedicated employees as well as cross functional support;
- A broad range of Sustainability initiatives have been implemented under the governance of MHI Sustainability Forum, across Governance, Risk Management, Scenario Analysis, Disclosures, Strategy, and other areas; and
- Through centralised initiatives, Front Office teams have been assigned mandatory sustainability training to support enhanced targeted engagement with the most impacted clients.

Across the market, volumes of green, social, sustainable, and sustainability-linked fixed income debt experienced healthy growth during FY21/22, with the biggest rise in issuance being in the sustainability-linked category. ESG labelled debt was particularly prominent within EUR-denominated issuance (in investment grade corporate bond markets), underscoring Europe's place as the leading market for sustainable finance. Continued growth is widely expected for the coming year. Against this favourable market backdrop, the Group identified and pursued several sustainable finance business opportunities. During FY21/22, the Group arranged a growing number of ESG debt transactions across different markets, with **45.5% year-on-year growth in the number of Investment Grade Debt Capital Markets ESG deals underwritten and originated** (compared to 22.2% year-on-year growth in FY20/21). **The GBP value of this business, on the basis of the Group's proportion of notional value, was up by 108.3% in FY21/22** (compared to 4.6% in FY20/21).

Notable successes of the year include:

- USD 800m 5-year sustainability-linked bond offering for a multinational engineering company, being the first public debt offering for the company and the first USD sustainability-linked bond from a UK corporate client; and
- A debut EUR 700m sustainability-linked offering for a French auto parts company, marking the first sustainability-linked bond in the sector.

Looking ahead, ESG regulation and enhanced disclosure expectations are likely to influence the market. Mandatory reporting of Task Force on Climate related Financial Disclosures ("TCFD"),

alignment with the Science Based Target initiative, and developments with the EU and UK taxonomies will continue to drive best practice.

### 6.2. Strategic Climate Risk

Over the course of FY21/22, the Group has substantially enhanced its approach to identifying and managing financial risks associated with climate change, in a manner proportionate to the business model, as well as the scale and complexity of its activities. As a result:

- The Board takes oversight responsibility for understanding, identifying and managing the financial risks arising from climate change, with ESG and climate risk now being tabled as a standing agenda item at the Board Risk Committee;
- Tools have been put in place and training has been delivered to support the Board's oversight of decision making and challenge in relation to climate risk management;
- A qualitative climate risk appetite statement was issued as part of the Group's ICAAP 2021 report;
- An approach has been developed and implemented for climate risk identification and measurement by sector and region, both for physical and transition risk;
- A climate scenario analysis and stress testing approach has been developed and is in use;
- Several ESG Risk policies are in place, all regularly reviewed and updated (please refer to the Climate Risk section under Risk Review for details);
- The Group's Enterprise Wide Risk Management Framework includes reference to climate change-related risks; and
- Credit Risk, Underwriting and New Product Committee processes and frameworks have been enhanced with climate risk considerations.

Building on the progress to date, the Group's approach to managing climate risk will continue to mature over time, in line with evolving industry capabilities, market practice, new standards, and regulatory requirements. With time, the approach will also evolve to cover other ESG risks, beyond those arising from climate change.

For information on the Group's response to the TCFD recommendations, please refer to the Risk Review Section.





## 6. ESG Framework (Continued)

### 6.3. Our People and Culture

The success and reputation of the Group is driven by the commitment, engagement and integrity of our people. We recognise that people are our most important asset, and as such employee wellbeing and embedding an inclusive culture where everyone can thrive and be their authentic selves, is at the heart of all we do.

The Group defines its culture based on the three pillars of **Inspiring trust**, valuing and encouraging **Diversity of thought** and driving forward a **Winning spirit**, and the following arrangements and initiatives support this culture.

#### 6.3.1. Top Down Approach

##### Senior Commitment to Inclusion & Diversity

The Board and Executive Committee remain fully committed to the Group's inclusion and diversity agenda and receive regular updates on our progress including in relation to gender. Executive Committee members continue to have objectives set by the Board which hold them accountable for achievements towards internal targets. Our head office in Tokyo also has its own targets in relation to gender balance and their commitment is demonstrated by their inclusion in the 2021 Bloomberg Financial Services Gender–Equality Index for the fifth year running.

##### Women in Finance Charter

We are proud of our status as one of the founding signatories of the Women in Finance Charter which was formed in 2016. We remain committed to increasing the number of senior management roles being held by women and we have a number of initiatives to attract, support and retain female as well as other minority groups. This year we were pleased to increase our aspirational target to 33% senior females and our senior leaders all have aspirational targets in place to support progress.

#### 6.3.2. Talent Attraction

##### Returns Programme

We were pleased to hire a small number of supported returners' roles across a number of teams for employees who are re-entering the workplace after a period of time outside of paid employment. This

is a key step forward in increasing the number of female employees within financial services and supports us in building a strong talent pipeline for the future.

##### Junior Talent Attraction

One of our key focuses is strengthening our junior talent pipeline. We continue to run our graduate programme whilst committing to a 50:50 gender balance. Furthermore, we once again hosted a successful 10 week virtual summer internship across both our front office and corporate functions which also had an equal gender balance.

#### 6.3.3. Development, Support and Retention - Creating a Supportive and Inclusive Workplace

We are making great strides in embedding a culture of equity and inclusiveness and recognise the role this has to play in achieving a truly inclusive and diverse culture. The following initiatives form part of our winning culture, which inspires trust and aims to increase diversity of thought.

##### Employee Networks

Our Inclusion Network is comprised of five EMEA wide networks of Cultural Diversity, Family, Future Leaders, Gender and Pride. Collaboration across the networks allows us to take an intersectional approach to inclusion to drive real culture change. Our inclusion Network supports our employees to create connections across the business, highlighting role models and establishing a culture where all of our employees feel able to bring their authentic selves to work. These employee resource groups play a central role in informing our policy and ensuring the needs of our people are better understood, and they have continued to play a vital link in creating connections across the organisation during the pandemic.

##### Enhanced Family Friendly Policies

We further enhanced our family friendly leave policies this year and increased our enhanced company pay to 26 weeks for adoption, maternity and shared parental leave ("SPL"). Our enhanced SPL pay matches our enhanced adoption and maternity pay meaning eligible employees can take up to 26 weeks leave at full pay. Supporting

both parents to be active care givers in their child's first year is crucial to establishing equal responsibilities going forward and embedding more equitable workplaces.

##### Flexible Working

We are committed to an embedded culture of flexible working where hybrid working is the norm for the vast majority of our roles. We also introduced core hours this year, which supports our employees with balancing their work and life commitments.

The move to flexible working no longer being solely associated with primary carers and mothers is a critical one, and the ability to capitalise on agile working solutions enables us to unlock increases in innovation, engagement and productivity.

##### Menopause

We have had an increased focus on the menopause this year and have embedded this into our company culture - from appointing a menopause champion to creating awareness via talks and training sessions. Our company frameworks now include menopause as a way of life and we have increased our benefits support to include bespoke support for our employees and their partners around menopause. This focus supports all our employees to have fulfilling roles at every stage of their careers and aims to ensure we retain our key talent.

##### My Family Care

We are pleased to continue partnering with My Family Care to offer a range of benefits to our employees including six free sessions of emergency back-up care for children, adults or the elderly. By providing this support to all employees, we enable them to better balance work and family life and remove some of the pressures associated with modern life.

##### Talent Development and Mentoring

We are proud to offer several external, cross-company mentoring programmes to our employees including the 30% Club, Mission Include and Cityparents. This year saw the success of a cross-entity Reverse Mentoring Programme whereby senior female employees mentored members of our Senior Management Team in a mutually beneficial mentoring relationship.

“ The Group defines its culture based on the three pillars of **Inspiring trust**, valuing and encouraging **Diversity of thought** and driving forward a **Winning spirit** ”





## 6. ESG Framework (Continued)

### 6.3. Our People & Culture (Continued)

Our comprehensive development suite, which supports our inclusive culture, incorporates an Inclusive Leadership Programme for our leaders. This year, we were also proud to launch the Elevate Programme – a development programme open to our mid-level female employees, to support them in developing skills for their future careers.

#### Wellbeing

The wellbeing of our employees remains our number one priority and our comprehensive wellbeing programme has enabled us to support our employees through continued turbulent times. We are continuing to run mental health awareness sessions in partnership with specialist provider Mental Health at Work for all employees and launched a Mental Health Allies programme of professionally trained employees to continue to embed our supportive and inclusive culture.

#### 6.3.4. Social Contribution Initiatives

##### Charity Partnership

The Group extends its commitment to equality, inclusion and diversity to the communities in which it operates, through its social contribution initiatives, including, amongst others, working with an employee elected One Mizuho charity partner.

From April 2021 until March 2023, we are pleased to be working with One Degree, an academic mentoring charity which aims to improve the GCSE performance and self-belief of students from disadvantaged backgrounds in London. The Group provides financial support to One Degree and also supports via their mentoring programme.

##### UK Government Taskforce to Boost Socio-Economic Diversity

The Group is proud to be participating in an independent taskforce commissioned by HM Treasury and the Department for Business, Energy and Industrial Strategy (“BEIS”) and run by the City of London Corporation. The taskforce aims to boost socio-economic diversity at senior levels in the UK financial and professional services sectors. The taskforce will challenge the lack of career progression for those coming from non-professional backgrounds and explore the intersections with other protected characteristics including gender and race. Greater socio-economic diversity increases our diversity of thought, boosts productivity, provides access to a wider pool of talent and maximises global competitiveness. As a financial institution, we understand that we have an essential role to play in facilitating social change. Moving the dial beyond the protected characteristics to make a difference is an important step in making financial services firms more inclusive and diverse.

##### Race at Work Charter

We were pleased to join the Race at Work Charter this year and have taken strides to support this by launching a survey so we can better understand our employee makeup and can measure our future progress from this point. Understanding more about the distribution of our employees will help us understand where we need to target our resources to make improvements and increase diversity in all areas of our business.

The Group remains fully committed to the journey of building a more representative workforce which embeds a culture of inclusiveness. The Group’s pillars of Inspiring trust, valuing and encouraging Diversity of thought and driving forward a Winning spirit are reinforced by the reward structure, seeking to progress towards a more balanced and inclusive workplace where everyone can thrive.







## 6. ESG Framework (Continued)

### 6.4. Modern Slavery and Procurement

The Group has a zero-tolerance approach to slavery and human trafficking and is committed to acting ethically and with integrity in all its business dealings and relationships. The Group has an Anti-Slavery and Modern Slavery Policy to which all employees must adhere.

The Group invests in learning and development for all of its employees, including contractors, to ensure adherence to the Modern Slavery Policy. The Group conducts due diligence in relation to suppliers to ascertain that appropriate responses have been received from all of its suppliers to related questionnaires sent to them by the Group.

The procurement of all goods and services is assessed for ESG Risks within Mizuho.

The pillars that are assessed include:

- Environment;
- Labour & Human Rights;
- Ethics; and
- Sustainability.

Modern Slavery due diligence is covered and prioritised within both labour & human rights and supplier social practices within sustainability. The Group uses a third party provider to carry out risk assessments and risk review of our suppliers as well as ongoing monitoring via '360 degree live news feeds'. Supplier scorecards, thresholds and improvement areas are prioritised with suppliers via our third party management forum.

We shall continue to develop and enhance our ESG risk monitoring and develop appropriate Key Risk Indicators for our supplier base.

### 6.5. Financial Crime

#### 6.5.1. Anti-Corruption and Anti-Bribery

The Group is committed to carrying out business with the highest standards of integrity and fair dealing, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. The Group has an Anti-Bribery Policy, which sets out the policy and key controls implemented by

the Group which include management oversight, individual's responsibilities, the conduct of risk assessments, and specific procedures in relation to gifts, hospitality, facilitation payments, use of business partners/intermediaries and procurement.

Training and guidance in relation to this policy have been provided to employees. Employees are required to report any suspicions of bribery to the Compliance Department.

#### 6.5.2. Anti-Money Laundering and Counter-terrorist Financing

The Group's Anti-Money Laundering ("AML") Policy is designed to ensure that the Group complies with the requirements and obligations set out in UK, EU and applicable local legislation, regulations, rules and industry guidance for the financial services sector, including the need to have adequate systems and controls in place to mitigate the risk that the Group may be used to facilitate financial crime.

The AML Policy sets out the minimum standards which must be complied with across the Group, including with regard to governance, training, risk assessment, customer due diligence, monitoring and screening, reporting and record keeping.



## 7. Section 172 Statement

The Board and its Directors recognise that the long term success of our business is dependent on the way it interacts with its stakeholders. The below table sets out how key stakeholders' considerations are addressed by the Group.

	Who Are Our Stakeholders?	Why Do We Focus on These Stakeholders?	How Do We Engage With Them?	What Do They Tell Us?	How Do We Respond?
Our Clients	<p>Our clients are Corporate, Financial Institutions and Institutional Investors across Japan and EMEA who come to us for our expertise, financial products and solutions.</p> <p>See Section 1.1 – Business Lines &amp; Clients</p>	<p>Our clients are at the centre of everything we do and are essential to the success of our business. We would not be able to continue to operate without them.</p>	<p>We engage with our clients in a variety of ways, focusing on existing and new relationships for the larger Mizuho network globally.</p> <p>We have a dedicated sales team and relationship managers for this purpose and supplement this coverage with Investor Roadshows and Conferences held globally.</p>	<p>We receive feedback from our clients in the form of league table results and through our engagement with industry research and surveys to uphold our strategy for data driven and market led decision making.</p> <p>Our clients value our leading Japanese expertise and seek more value added solutions and products to meet their changing demands.</p>	<p>We respond to our clients by adjusting the strategy towards more diversification of products and a wider solutions offering to meet their needs. We are also focusing on deeper collaboration with Mizuho Bank, London branch to allow an integrated coverage and product offering.</p> <p>See Section 3 – Strategic Priorities</p>
Our People	<p>Through integrity, commitment and hard work, our people provide our clients with the best possible products and solutions that meet their needs. Our people are our brand ambassadors.</p>	<p>Our people are our most valuable asset. They are essential to our success by embodying our culture of Inspiring trust, encouraging Diversity of thought and demonstrating a Winning spirit. It is crucial for us to protect and develop our people through a collaborative working culture that supports personal growth.</p>	<p>We have an established approach to engaging with our people and gaining their perspectives through Group employee pulse surveys as well as an annual global employee engagement survey.</p> <p>These results help to inform some of our decision making and benchmark our leaders and are shared at Executive Committee and Board level.</p> <p>Our leaders regularly share information on strategy, performance and the outlook of our business through virtual townhalls and webinars. These help us to cultivate a two-way, transparent dialogue between management and our people, whereby they feel empowered to put forward ideas and suggestions.</p> <p>We also use digital channels of communication such as emails and intranet announcements.</p> <p>We have an active suite of inclusion networks which support a culture that embraces diversity in all its forms.</p> <p>See Section 6.3 Our People &amp; Culture</p>	<p>A recent employee pulse survey reported a perception of very strong leadership by our President and CEO with clear, timely and reassuring messaging that prioritises wellbeing of employees during the COVID-19 pandemic.</p> <p>There has been recurring praise for the work of our technology teams in relation to supporting employees to transition to working remotely.</p> <p>Employees are keen to continue with a hybrid working model, balancing remote and office based working through the week. Employees would also like to see more communication internally on the business strategy and performance results. They also believe there are further opportunities for improved communication between Mizuho entities in London and EMEA.</p>	<p>Survey themes, comments and metrics are reviewed in detail at an Executive Committee level, and where possible improvements are implemented.</p> <p>Our Board also takes an active interest in our people in terms of their engagement, wellbeing and development. Board members regularly attend employee town hall events and receive survey feedback and other personnel updates through regular formal HR briefings. Our Board uses this feedback to inform decision making.</p>
Our Suppliers	<p>Third parties who supply us with goods and services as well as financial intermediaries, contractors and consultants.</p>	<p>Our third party strategy is determined by the Board in light of the Group's overall business strategy and objectives.</p> <p>We focus on fostering a relationship built on trust and transparency with our suppliers which is mutually beneficial.</p>	<p>We have a Third Party Risk Management Policy and a Procurement Policy which ensures appropriate engagement, governance and control through the life cycle of the relationship.</p> <p>These policies also include a focus on societal impact to ensure we are engaging with suppliers who share our principles.</p>	<p>Our suppliers continue to engage with us and keep an ongoing dialogue to develop partnerships further.</p>	<p>We continue our dialogue with suppliers in accordance with the Group's Third Party Risk Management Policy. The dialogue is ongoing in order to continually monitor that the business and ethical standards of suppliers align with our own.</p>
Our Communities and the Environment	<p>Our communities are defined as the local and global societies in which we operate.</p>	<p>A long-term / sustainable business model requires us to recognise the many global challenges facing individuals, our communities, our environment and to support our clients on their transition towards a low-carbon future.</p>	<p>Locally we interact with the City of London and have registered for workers votes in the City to make contributions to the decision making in our local community. We are also participating in a HM Treasury taskforce on Socio-Diversity; commissioning the City of London Corp to improve socio-economic diversity at senior levels in UK financial and professional services.</p> <p>We work with local not-for-profit organisations and charity partners to make a difference to local communities, through skills-based and hands-on activities and continue to seek to raise their profile in the Square Mile through local events.</p> <p>On a larger scale, we are committed to supporting our clients' transition towards a low-carbon economy and engage with clients on this topic across the business lines.</p> <p>See Section 6. Environmental, Social and Governance ("ESG") Framework</p>	<p>Our communities in the Square Mile and across London need the support and strength from large organisations such as us.</p> <p>ESG investing will extend deeper into the market and industries will need to be reconfigured in response to the shift in consumer behaviour and government policy.</p>	<p>We recognise the challenges facing our communities and our clients, and we are establishing a responsible framework in response. This includes the appointment of a Senior Management Function for Sustainability.</p> <p>Our work with Charity partners and work done through the Charity Committee (part of our governance framework) gives financial and time commitment to our community.</p> <p>See Section 6. Environmental, Social &amp; Governance ("ESG") Framework</p>
Our Investors	<p>Our sole shareholder is the parent, MHSC.</p>	<p>We need to deliver a long-term sustainable business model that delivers shareholder value.</p>	<p>Our shareholder is engaged through representation at our Board and the wider governance structure as well as regular informal and formal communication with counterparts at MHSC.</p> <p>See Directors Report Section 5 – Corporate Governance</p>	<p>Our shareholder recognises the strength of our infrastructure and governance structure and demonstrates this through their ongoing support and constructive dialogue.</p> <p>Our shareholder would like to see continued focus on delivering a sustainable business model.</p>	<p>Our Board focuses on delivering a sustainable business model with a strategy that is underpinned by client feedback and maximises the strength of Mizuho Financial Group.</p> <p>Our Board-approved governance and limit structure ensures growth is commensurate and well monitored by the three lines of defence.</p> <p>See Section 2.1 – Business Strategy See Section 3 – Strategic Priorities</p>
Our Regulators	<p>The UK, EMEA and Japanese regulatory authorities.</p>	<p>We need to deliver a long-term sustainable business model that is compliant with current regulations and contributes successfully to the UK and European financial systems. We need to ensure that we are able to operate in a safe and sound manner, and with full regard to the protection of investors and the integrity of the markets we operate in, whilst continuing to provide a wide range of financial services.</p>	<p>There is an open and transparent dialogue with the regulators ensuring we meet all prudential and conduct based regulatory standards.</p> <p>The Head of Legal &amp; Compliance attends Board Meetings to ensure that Board decisions recognise the regulatory impact and environment.</p>	<p>Our regulator recognises the strength of our infrastructure and governance structure and demonstrates this through their ongoing support and constructive dialogue.</p> <p>Our regulator would like to see continued focus on delivering a sustainable business model, maintaining operational resilience as well as successfully transitioning from IBOR to RFRs within mandated timelines.</p>	<p>We continue to invest in strengthening our three lines of defence to respond to the ongoing focus on governance and regulatory compliance across the industry.</p> <p>Our Board focuses on delivering a sustainable business model with a strategy that is underpinned by client feedback and maximises the strength of Mizuho Financial Group. The Board has taken a special interest in the progress of the IBOR project and through the Board Risk Committee in particular, there is continued focus on stress testing, resilience and resolution planning.</p> <p>See Section 5 – IBOR Transition</p>





## 8. Outlook for the Coming Financial Year

The market backdrop is likely to remain volatile as investors and corporates cautiously monitor inflation, geopolitical tensions in Europe and the reshaping of economies and societies in the post-COVID-19 and post-Brexit world. The ongoing pace of regulatory developments also continues, including new operational resilience requirements, Fundamental Review of the Trading Book (“FRTB”) and other Capital Requirements Regulation / Investment Firm Regulation (“CRR / IFR”) reforms, climate change regulation and the EU banking package which may change cross-border rules.

The Group will continue to closely monitor this backdrop, against which the focus will be on the development of a Mizuho EMEA CIB model. This integration across Markets and Banking businesses in EMEA is key to improving our competitive edge, increasing lead role positions and bringing value added financing, derivatives and investment banking products to our client set. A unified “One Mizuho” client offering will include a focus on ESG. Enhancements to distribution are also planned in order to improve coverage to key regions and client types, including the growing low touch e-client population.

In all its activities, the Group’s people are at the centre, alongside its clients. A prerequisite for sustainable success is the continuous promotion of Learning & Development, Inclusion & Diversity as well as Culture & Conduct initiatives. Throughout the COVID-19 pandemic, the health and safety of our employees has been our top priority, and we continue to take a careful and balanced approach to our response.

The Group has a strong governance, risk and control framework with key focus on culture and conduct risk. The Group will maintain prudent levels of capital and liquidity, with a moderate risk appetite and risk profile that is dynamically managed. The Group will also continue to be included in resolution planning with the wider Mizuho Financial Group. Operational resilience remains a high priority and the Group has delivered an Operational Resilience framework, policy and supporting strategy which has been approved at Board level.

Working together as “One Mizuho” EMEA, to build a sustainable, client focused business model, the Group will seek a truly inclusive and ethically resilient culture which creates opportunities for growth.

By Order of the Board  
Sara Fox  
Company Secretary  
17 June 2022



The image shows a glass wall with the Mizuho logo, which consists of the word "MIZUHO" in a bold, sans-serif font above a stylized wave graphic. The background is a blurred office interior with a plant on the left.

## Directors' Report

The Directors who serve on the Company's board at the date of this report (the "Directors") present this report on the affairs of the Group, together with the financial statements for the year ended 31 March 2022.

### 1. Principal Activities

The Group provides investment banking and securities market services to clients of the group of companies headed by Mizuho Financial Group.

The Group has permissions from the PRA for deposit taking and other activities relating to its investment businesses pursuant to the provisions of the Financial Services and Markets Act 2000, and operates under the rules of the PRA and the FCA. The subsidiary MHEU in Frankfurt has branches in Madrid and Paris, and in addition the Company has a branch in Dubai.

### 2. Results and Dividends

The Group recorded a loss of £28.8 million for the year ended 31 March 2022 (2021: profit £42.8 million). The Directors do not recommend the payment of a dividend in respect of the current financial year (2021: £nil).

### 3. Going Concern

The Group's Directors believe that there are no material uncertainties that may cast significant doubt upon the Group's ability to continue as a going concern. The Group's financial statements have been prepared on a going concern basis.

The Directors' assessment of the Group's ability to continue as a going concern is based upon an assessment of the Group's business plans, together with related forecasts in respect of the Group's capital adequacy and liquidity positions, and the underlying principal risks and stresses to those forecast positions. Consideration has been given to the inherent uncertainties arising from the Russia-Ukraine conflict and the after effects of the COVID-19 pandemic. Further information on the Directors' assessment can be found in Note 1 to the financial statements.

### 4. Directors

The following served as Directors of the Company during the year ended 31 March 2022:

Executive Directors	Mr S. Bakhshi Mr O. Shimizu (appointed 1 April 2021) Mr R. Tallentire
Non-Executive Directors	Mr D. Weymouth (Chair and Independent Non-Executive Director) Ms M. Erasmus (Senior Independent Non-Executive Director) Mr D. Atkinson (Independent Non-Executive Director) Mr G. Bennett (Independent Non-Executive Director) Mr Y. Kanamori (Non-Executive Director) (resigned on 31 March 2022) Mr S. Toda (Non-Executive Director) Mr Y. Wakabayashi (Non-Executive Director) (appointed on 1 April 2021)

Since 31 March 2022 the following appointments to the Board have been made:

Non-Executive Directors Mr N. Takahashi (appointed 1 April 2022)

There are no Directors' interests requiring disclosure under the Companies Act 2006. The Company has granted an indemnity to its Directors against liability in respect of proceedings brought by third parties, subject to the conditions set out in section 234 of the Companies Act 2006. Such qualifying third party indemnity provision remains in force as at the date of approving the Directors' Report.



## 5. Corporate Governance

The Group's equity shares are not listed, as the Company is directly owned by MHSC, although the Group has issued debt which is listed on the Euro MTF market on the Luxembourg Exchange. The UK Corporate Governance Code applies to companies with a UK premium listing of equity shares and thus there is no mandatory requirement for the Group to comply with the Code. However, the Directors consider that Corporate Governance is an important matter and they have adopted a number of procedures as set out below:

### Board of Directors

- The Company's Board of Directors ("the Board") meets at least four times each year and more frequently where business needs require (in practice at least six times a year).
- As at 31 March 2022, the Board consisted of three Executive Directors, and seven Non-Executive Directors (including an Independent Chairman and three other Independent Non-Executive Directors and three Non-Executive Directors).
- In order to facilitate the effective conduct of business across the Company, the Board delegates certain matters to five committees, which comprise an Audit and Compliance Committee, a Board Risk Committee, a Crisis Management Committee, a Nomination Committee and a Remuneration Committee. Whilst the Board ultimately remains responsible for all delegated matters, the affairs of those committees are organised to encompass the conduct of the Company's business. The responsibilities and constitution of those committees, referred to in the singular below, are as follows:

### Audit & Compliance Committee

**The Audit and Compliance Committee** is responsible for the review and monitoring of internal control functions, financial reporting, audit effectiveness and regulatory compliance. The committee meets on a quarterly basis and more frequently if required. It is chaired by Mr G. Bennett and its members are the other Independent Non-Executive Directors. The chair of the Committee is expressly entitled to invite other Board members, the external auditors, the Head of Internal Audit, Head of Legal and Compliance and the Chief Risk Officer and also any other members of management to attend the Committee's meetings.

### Board Risk Committee

**The Board Risk Committee** is responsible for reviewing the Company's risk appetite, risk profile, performance against risk appetite, risk management framework and risk culture. In addition, the Board Risk Committee also reviews the Company's environmental and climate risk reporting and provides oversight and challenge on the day-to-day management of climate risk and climate change stress testing. The Board Risk Committee meets not less than six times a year but may meet more often as deemed necessary. It is chaired by Mr D. Atkinson, and its members are the other Independent Non-Executive Directors. It is attended by members of management invited by the chair.

### Crisis Management Committee

**The Crisis Management Committee** is responsible for managing a crisis or other situation impacting the Company, including the breach of an operating stage trigger as set out in the Company's Recovery Plan. The committee does not meet under normal operating conditions but may be convened according to circumstances described in the terms of reference. The members of the Committee will comprise its Chair (determined by the Chair of the Board in the first instance), the CEO, the CRO, the CFO, the COO, the Deputy President, the Chair of the Board, the Senior Independent non-Executive Director and other Independent non-Executive Directors and members of management as invited by the Chair.

### Nomination Committee

**The Nomination Committee** is responsible for the selection and recommendation of new members to the Board and the evaluation of the performance of the Board. The committee meets as often as necessary to fulfil its responsibilities but not less than twice a year. The Chair of the Nomination Committee is Mr D. Weymouth and the other members of the committee are the three other Independent Non-Executive Directors. The meetings are also attended by the Head of Human Resources, and other individuals who are not members of the Committee, including for example the Company Secretary, the Head of Legal and Compliance and external advisors, may also be invited to attend meetings of the Committee.

### Remuneration Committee

**The Remuneration Committee** is responsible for approving the Company's remuneration policy for its employees generally and specific remuneration at or above certain senior levels including identified Material Risk Takers ("MRTs"). The Remuneration Committee meets at least four times a year with additional meetings as necessary. It is chaired by Ms M. Erasmus and the rest of its membership comprises the Chair of the Board and the two other Independent Non-Executive Directors; meetings are also attended by the Head of Human Resources. The Chair of the Committee is also entitled to invite any other staff members or external advisers to attend the Committee's meetings.

Key: Chief Executive Officer (CEO) | Chief Financial Officer (CFO) | Chief Operations Officer (COO) | Chief Risk Officer (CRO)



## 5. Corporate Governance (Continued)

The Company's organisational structure is designed to ensure that responsibilities are defined and authority is delegated only where appropriate, and that the Board receives regular management accounts containing a sufficient level of analysis of the financial performance of the Group. In respect of internal financial controls the Directors are responsible for ensuring that the Board meets regularly to review this information and takes appropriate decisions on all material matters.

The Group, through its Board, delegates the day to day running of the business of the Group to the CEO. The CEO in turn delegates powers for certain matters to executive management, including the CFO and the CRO. The CEO is assisted by the Executive Committee, the membership of which comprises the heads of the Front office business areas and the heads of significant corporate functions. The Executive Committee's role is to act as a consultative body to the CEO, who therefore has the decision making responsibilities in relation to all matters, save in relation to charity and new product matters, where the Executive Committee's members are entitled to vote.

The CEO has empowered the Executive Committee to delegate responsibility to ten sub-committees as follows:

- Assets and Liability Committee;
- Change and Implementation Committee;
- Charity Committee;
- Data and Information Security Steering Committee;
- Primary and Secondary Front Office Supervision Committee;
- Health and Safety Committee;
- New Product Committee;
- Risk Management Committee;
- Underwriting and Reputational Risk Committee; and
- Valuation Control Committee.

Those sub-committees, apart from the Charity Committee and the New Product Committee, act as consultative bodies to their respective Chairs, who have the sole decision-making powers in relation to matters covered by those sub-committees. The

members of the Charity Committee and the New Product Committee, on the other hand, have the right to vote on the matters covered by those sub-committees respectively.

## 6. Performance Measurement and Management

The Group and its business streams are managed in accordance with a variety of measures, which are reported on a regular basis to the Executive Committee. The primary measures that are used to monitor and manage performance within the Group include profit before taxation, capital utilisation, VaR utilisation and stress test exposures (these are disclosed within the financial statements and in the Risk Review section).

### 6.1. Remuneration

The Group has adopted a Remuneration Policy that takes into account the Remuneration section of the PRA's Rulebook and the FCA's Remuneration Codes for dual-regulated firms (which are intended to promote effective risk management but retain the flexibility to change dependent on external factors including, but not limited to, legislative or regulatory measures in the future). The Group's remuneration practices, policies and procedures are consistent with the principles set out by the PRA and FCA in the documents referred to above. When determining the size of the overall bonus pool, the need to maintain and/or strengthen a sound capital base is taken into account. Individual awards are then allocated using the results of a Balanced Scorecard Appraisal. MRTs are subject to bonus deferral in accordance with the Remuneration Codes (i.e. deferral periods of four, five or seven years); a general deferral plan is in place for all other staff whose bonus award is above a threshold set out in the Remuneration Policy. Bonus awards are subject to malus adjustment (including forfeiture) and deferred bonuses will vest only to the extent determined by the Remuneration Committee in its sole discretion, having regard to matters set out in the Remuneration Policy. At least 50% of any variable remuneration awarded to MRTs (unless deemed de minimis) will be allocated in the form of awards based on Mizuho Financial Group shares and is subject to a retention period of six or twelve months.

The requirement is applied to both deferred and non-deferred awards. The Remuneration Codes require the Group to be contractually entitled to apply clawback to the variable remuneration of MRTs for seven years after the award has been made (this can be extended to ten years for Senior Managers in the event of an investigation).

### 6.2. Employment Policies

As set out in our Equity, Inclusion and Diversity Policy, the Group is committed to an inclusive culture and equity of opportunity for all. The Group opposes all forms of discrimination including on the grounds of age, disability, gender (including gender reassignment), marriage and civil partnership, pregnancy and maternity, race, religion or belief and sexual orientation. Pursuant to the policy, workers, whether full time, part time or temporary, are to be treated fairly, equally and with respect. The Equality and Diversity Policy applies to all aspects of employment, including recruitment and selection, appraisal, learning and development, promotion, pay and conditions.

The Group values and respects the differences between all our people. By promoting and ensuring an inclusive environment the Group can build on the collective and complementary skills, knowledge, background and networks of its people. Valuing inclusion and diversity is an integral part of our strategy for competing in the current and future marketplace and driving business performance and success. More details on our inclusive culture can be found in section 6.3. Our People and Culture of the Strategic Report.

The Group promotes a high performance culture and learning organisation, building on individual and group skills and learning experiences and is committed to creating a positive working environment which Inspires trust, captures a Winning spirit and where Diversity of thought is valued and encouraged to enable each employee to develop their specialist knowledge and professional experience. All employees are supported and encouraged to develop their full potential and the talents and resources of our workforce will be utilised to maximise the efficiency of the organisation. More details can be found in section 6.3.3 Development, Support and Retention of the Strategic Report under Talent Development and Mentoring.

The Group extends its commitment to equity, inclusion and diversity to the communities in which it operates, through its Corporate Social Responsibility initiatives, including, amongst others, working with our employee elected One Mizuho charity partner which in the current financial year is One Degree (see section 6.3.4. Social Contribution Initiatives of the Strategic Report).

All employees are made aware of the provisions of the Group's Equality, Inclusion and Diversity Policy through regular awareness sessions and full details of the policy are available on the Group's intranet site. Employees have a positive responsibility to comply with this policy and ensure that its terms are put into effect.

The Group values employee engagement and prides itself on regularly communicating with employees on matters affecting them and on the various factors affecting the performance of the Group. This is achieved through regular town halls, email communications, updates via dedicated intranet pages and through the Directors' Report and Financial Statements which are made available to all employees.



## 7. Financial Instruments

The Group uses financial instruments for risk management purposes, as outlined in Accounting Policy 3C in the Notes to Financial Statements. Further information about the Group's risk management objectives and policies, and its exposure to various risks, can be found in the Risk Review section.

## 8. Own Operational Footprint

The Group is committed to managing its operational environmental footprint and to reducing its associated greenhouse gas ("GHG") emissions.

### 8.1. Introduction

The Group has established key environmental performance objectives which are tracked through metrics against targets. These targets focus on reducing the Group's most significant operational environmental impacts being Scope 1 and Scope 2 GHG emissions derived from its energy consumption along with some Scope 3 GHG emissions derived from its business travel and waste production. The Group has strengthened supply chain governance and has adopted an enhanced risk based approach to improving third party environmental performance. The Group recognises that operating through COVID-19 has required temporary changes to traditional work settings and that some of these changes have been environmentally beneficial. The Group is actively developing a flexible and sustainable workplace strategy that will incorporate environmental benefits through longer-term reductions in energy, water, waste, business travel and staff commuting.

Streamlined Energy and Carbon Reporting ("SECR") is a Government scheme requiring companies to disclose their energy usage and associated carbon emissions.

The Group has assessed greenhouse gas emissions using the "GHG Reporting Protocol – A Corporate Accounting and Reporting Standard" and in accordance with Defra's "Environmental Reporting guidelines: including SECR requirements".

For this purpose, the operations of the Company rather than the Group are reported on, as MHEU being a foreign subsidiary incorporated outside the UK, is not in-scope for SECR reporting.

The reporting scope includes the following energy sources:

- Electricity used for the Company operations at the occupied buildings and data centres in the UK (scope 2, see row 1 in table below).
- Gas used to heat the Company operations at the occupied buildings in the UK and generator fuel (scope 1, see row 2 in table below).
- Transport fuel used for the Company UK operations under the Company's operational control (scope 1 and 3, see row 3 and 4 in table below).

The scope currently excludes energy use at BCP sites. Energy use at these sites is not the direct responsibility of any entity within the Group, and is generally minimal.

### 8.2. Streamlined Energy and Carbon Reporting ("SECR") Metrics

There was an increase in overall energy use by the Company in FY21/22, when compared with FY20/21. This is largely attributed to the increasing occupancy of the offices as more employees have returned to the office with the easing of COVID-19 restrictions and the implementation of a hybrid New Working Environment. Though overall energy use has increased, it is still lower than pre-pandemic levels (FY21/22 overall energy use 4,761,772 kWh versus 5,478,075 kWh in FY19/20).





## 8. Own Operational Footprint (Continued)

Company GHG emissions and energy use data for the financial year:

	2022 Energy (kWh)	2022 Emissions (tCO <sub>2</sub> e)	2021 Energy (kWh)	2021 Emissions (tCO <sub>2</sub> e)
Electricity <sup>1</sup>	3,835,959	814.5	2,580,220	601.6
Gas and generator fuel <sup>2</sup>	877,988	162.2	817,269	151.7
Transport fuel (scope 1) <sup>3</sup>	7,782	1.5	2,461	0.6
Transport fuel (scope 3) <sup>4</sup>	40,043	9.2	80,894	18.5
<b>Total</b>	<b>4,761,772</b>	<b>987.4</b>	<b>3,480,844</b>	<b>772.4</b>
Intensity ratio: tCO <sub>2</sub> e gross figure based from mandatory fields above/Average FTE <sup>5</sup>	8,383	1.74	6,839	1.52

Additional voluntary information:

	2022 Emissions (tCO <sub>2</sub> e)	2021 Emissions (tCO <sub>2</sub> e)
Carbon offsets <sup>6</sup>	(205.6)	-
<b>Total (Net of Carbon offsets)</b>	<b>781.8</b>	<b>772.4</b>

### Explanatory notes

- Electricity used for Company operations at the occupied buildings in the UK and data centres.
- Gas used for heating where this is measured.
- Fuel and electricity used for operating one hybrid car which is owned/leased by the Company.
- Fuel used for operating employee vehicles driven for business use and business travel in rental cars.
- Full time employees.
- From 01/10/21 – 31/03/22 electricity was procured through a renewable REGO contract. The carbon savings from this have been presented in the voluntary information section.

### Further explanatory notes

- All carbon emissions factors are taken from 'UK Government GHG Conversion Factors for Company Reporting' issued by Defra and BEIS, valid until 31/05/2022.
- The reporting scope covers energy used over reporting period from 1 April 2021 to 31 March 2022, in line with the financial year.
- Energy consumption collated from meter reads, expenses records, energy invoices and estimates. Estimates used where the most recent month data is not yet available or because detailed measurement is not yet possible.
- Year on year differences in energy usage do not always directly correspond to an equivalent change in associated emissions. This is due to annual changes in the carbon intensity of emissions factors that are used to calculate carbon emissions.

The Company is committed to making continued improvements to its energy and carbon performance. In FY21/22, there was a recommissioning of Combined Heat and Power ("CHP") equipment that has helped to reduce electricity consumption and improve the efficiency of delivered power and heating.

### 8.3. ISO 14001 Certification

ISO 14001 is an internationally agreed standard that sets out the requirements for an environmental management system to help organisations continuously improve their environmental performance through efficient use of resources and reduction of waste and to provide assurance to stakeholders that environmental impacts are being measured and improved.

The Company achieved ISO 14001 certification for operational functions at the Group European Head Office in London in March 2021. The Group is now seeking to extend ISO 14001 certification to additional EMEA locations.

To continually improve the ISO 14001 environmental management system, internal and external auditing is in place to frequently assess compliance and identify energy efficiency opportunities.

An Environmental Compliance Review was carried out in December 2021 at 30 Old Bailey, London, to benchmark the findings against industry best practices and current statutory requirements. The review consisted of a visual inspection of the building, interviews with appropriate personnel, and an assessment of documents and records to demonstrate compliance with applicable environmental compliance obligations.

### 8.4. ESOS Compliance

The Energy Savings Opportunity Scheme ("ESOS") is a mandatory energy assessment scheme, introduced in 2014, for organisations in the UK that meet relevant qualification criteria. An ESOS energy audit is to be undertaken every 4 years to include an analysis of a site's energy consumption and energy efficiency, identify ways in which energy efficiency can be improved and make recommendations regarding energy saving opportunities. The Group undertook the initial ESOS Phase 1 and subsequently ESOS Phase 2 with recommendations now tracked as part of the Group's environmental management system (ISO 14001).

The ESOS scheme is now in Phase 3, with mandatory reporting required to be completed by December 2023.

## 9. Future Developments

The future developments of the Group are discussed in the Strategic Report.

## 10. Events Since the Balance Sheet Date

There have been no events after the balance sheet date.

## 11. Disclosure of Information to Auditors

The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Group's auditors are unaware; and the Directors have taken all the steps that they ought to have taken as Directors to make themselves aware of any relevant audit information and to establish that the Group's auditors are aware of that information.

## 12. Independent Auditors

Ernst & Young LLP were reappointed as auditors of the Group during the financial year ended 31 March 2022. Ernst & Young LLP have expressed their willingness to continue in office and a resolution re-appointing them as Auditors of the Group and authorising the Directors to determine their remuneration will be proposed at the forthcoming Annual General Meeting.

By Order of the Board  
Sara Fox  
Company Secretary  
17 June 2022





# Risk Review

## 1. Risk Management Framework

### Risk Culture and Principles

The Group believes that a strong risk management culture is essential to achieve its business objectives. With ultimate responsibility for risk governance in the Group, the Board embeds a strong risk management culture through the establishment of an independent Risk Management function which works closely with the business and treats risk management as a shared responsibility.

This close relationship between the Risk Management function and the Front line is central to the Group's risk culture. As well as the co-location of teams, there are regular forums for day to day business discussion, fostering further alignment between the business strategy and risk taking. The Group's hedging policy further supports the risk culture, articulating the approach to mitigate potential losses and remain within the prevailing risk appetite.

The Board has established clearly defined risk principles which are summarised below:

- Maintain a predictable, moderate risk profile;
- Ensure that effective control of balance sheet usage and concentration risk is exercised, without tolerating breaches of the limit framework;
- Preserve strong capital and liquidity ratios and comply with all regulatory requirements;
- Maintain a diversified funding strategy with regard to both the sources and tenor of funding; and
- Ensure that remuneration arrangements are aligned to risk appetite.

### Risk Governance

The Group has established a comprehensive framework using a three Lines of Defence ("LoD") model for managing financial and other operational risks which is evolving with its business activities in response to developments in markets and products.

- The First line is any business or support unit that originates risk, owns it and is responsible for that risk. The first line function is obliged to understand the implication of any risks run by it and to conduct its own supervision to control/manage the risk;
- The Second line is provided by a number of functions who are responsible for conducting independent challenge, oversight and reporting of risk and validating the management of risks by the first line of defence; and
- The Third line of defence is provided by the Internal Audit Function that is independent of both the first and second lines of defence. The role of the third line is to independently check and verify the effectiveness of the first and second lines of defence and to escalate to Senior Management and the relevant board sub-committees, any deficiencies that it identifies.

The principal risk control functions comprise of Risk Management and Compliance functions, supported by the Finance and Legal teams. The Risk Management function is led by the Chief Risk Officer who reports directly into the Chief Executive Officer with independent oversight provided by the Chair of the Board Risk Committee.



# 1. Risk Management Framework (Continued)

The Chief Risk Officer chairs the Risk Management Committee which advises the Executive Committee and Board Risk Committee on risk methodologies, limits and policies, for market, credit, liquidity and operational risk and monitors compliance with these limits. There are five sub-committees which act as consultative bodies to their Chair, who have the sole decision making powers in relation to the matters covered by those sub-committees.



## Risk Appetite

The Board's risk appetite describes the levels and types of risk that the Group is prepared to accept in pursuit of its business strategy. The risk appetite is prudently quantified with reference to scenario and stress testing, and is set so as to ensure that the Group is able to maintain a sound financial position throughout economic cycles. The risk appetite is implemented through a supporting limit framework that ensures all material sources of risk are controlled in a manner consistent with the Board's overall risk tolerance.

The Group's risk management framework comprises the following elements designed to achieve effective management in line with the risk appetite statement through a top-down delegation of authority.

## Risk Identification and Assessment

Risk drivers are identified based on the Group's risk profile, taking into consideration regulatory changes and emerging risks. Overall risk driver materiality is attributed using a High/Medium/Low classification and is derived from both quantitative and qualitative elements:

- Quantitative result considers the impact on the Group's capital base and risk appetite capital coverage limit; and
- A qualitative overlay is applied based on relevant management judgements.

Risk drivers which are considered to be material, are assessed as part of the ICAAP and are revisited annually and/or where there are material changes to the Group's risk profile, business model or regulatory environment.

In addition, risk identification is conducted by examination of all activities of the Group and is captured in the risk register that consists of all risks from all risk areas to which the Group is exposed. The risk register contains measures of materiality, mitigants and controls to ensure capital adequacy.

As stated in Note 1 on page 91 of the financial statements, the risk management disclosures in the following sections pertaining to Market risk, Credit risk and Liquidity risk form part of the financial statements. Disclosures that have been audited are labelled accordingly.



## 2. Principal Risk and Uncertainties

The Group's principal risks as an international investment banking and securities markets business within the Mizuho Financial Group of companies are as follows:

	Description	How Risk is Managed
Market Risk	The risk that changes in interest rates, foreign exchange rates, credit spreads, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity, will have an adverse impact on the Group's financial condition or results.	Risk Management is responsible for monitoring compliance with all market risk limits and policies. Management of all market risks is the responsibility of the individual business units.
	The principal market risks to which the Group is exposed are FX risk, interest rate risk, and credit spread risk. The Group's Fixed Income sales and trading business is the primary source of interest rate and credit spread risk in the Group's trading portfolios. These include trading in securities and derivatives and related hedges.	
Credit and Counterparty Risk	The risk of financial loss to the Group if an issuer of a financial instrument or a customer fails to meet its contractual obligations.	The Risk Management Department performs independent credit analysis and due diligence on individual entities relevant to the Group's credit risk profile. Further, it ensures compliance with credit risk limits and policies to ensure that the Group operates within the agreed credit risk appetite framework. The Group's credit risk limit framework cascades down from the Group's risk appetite owned by the Board and it includes limits for country, sector, asset class and counterparty.
		The Group's counterparty credit exposures are quantified to assess both current and potential credit risk. Current credit exposure represents the replacement cost of those instruments which have a positive carrying value. Potential credit exposures are based on estimates of future replacement costs over the remaining life of the instrument.
		The Group's credit risk profile is reviewed at the weekly meeting of the Risk Management Committee and also periodically reviewed by the Credit Risk Committee, the Executive Committee and the Board Risk Committee.  The Group's risk policies define levels of authority for approval of standard transactions. Authority levels are governed by the counterparty's credit quality as well as the nature and potential risk of the transactions.
Liquidity Risk	The risk that the Group, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due.	The Group's liquidity risk management framework enables and ensures continuous review of the Group's liquidity position. The Group maintains liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. Liquidity and funding is actively managed through operating in the wholesale money markets and repurchase agreement markets. The Group documents its approach to liquidity risk management and its assessment of the appropriate level of liquidity resources consistent with its liquidity risk appetite through its Internal Liquidity Adequacy Assessment Process ("ILAAP").
		Liquidity mismatches and stress testing results are monitored and reported on a daily basis, and are formally reviewed at the weekly meeting of the Risk Management Committee. The stress testing results are also periodically reviewed by the Asset and Liability Committee, the Executive Committee and the Board Risk Committee.
Model Risk	The potential for adverse consequences resulting from misinformed decision making based on inappropriate or misused models.	The nature of our activities puts the Group at risk of loss due to fraud and corruption both from within and outside the company. The Group aims to ensure that fraud and corruption are reduced to the lowest possible risk and that, should they occur, are dealt with in a firm and controlled manner.
Operational Risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	The Group manages its exposure through an Operational Risk Framework overseen and managed by Operational Risk Management. The Framework includes risk identification and assessment, control and monitoring, and capital management.
		Operational risk exposures are assessed and measured using a variety of approaches including risk and control self-assessments, the setting and reporting of key operational risk indicators, internal loss event reporting, external loss event capture and scenario stress testing.
		Operational risk is reviewed, assessed and monitored against defined tolerance statements via the Group's corporate governance structure. In addition, the Group maintains and tests contingency facilities to support operations in the event of business disruption and has purchased insurance where required by law or regulation and to address selected business risks.  The Group's operational risk profile is reviewed at the fortnightly meeting of the Risk Management Committee and also periodically reviewed by the Operational Risk Committee, the Executive Committee and the Board Risk Committee.

	Description	How Risk is Managed
Cyber Risk	The risk of financial loss, disruption or damage to the reputation of an organisation from a failure of its information systems.	The Group maintains a comprehensive suite of policies, standards and controls to manage information and cyber security risk which is aligned with Group-wide practices and industry standard frameworks (ISO27001/NIST).
Conduct Risk	The risk that actions undertaken by the Group may lead to customer detriment or have an adverse effect on market integrity, including with regards to financial crime.	The Group is committed to operating at all levels with the right culture and in accordance with its three pillars of inspiring trust, valuing and encouraging Diversity of thought and driving forward a Winning spirit.  The Group identifies, manages and mitigates conduct risk through its conduct risk management framework. Whilst the Head of Legal & Compliance has overall responsibility for oversight of this framework, senior managers and staff are responsible for conduct risk management within their own business areas.
		Conduct risk is managed through a variety of means, which encompass clear communication of expected values, objective setting, articulation of policy, certification processes, training, conduct risk assessment, monitoring, reporting and appraisal processes. The Group has established a Code of Conduct which clearly articulates expectations and provides guidance with regard to conduct matters. The Group's objective setting, appraisal and remuneration processes are designed to incentivise good conduct and to discourage poor conduct.  Conduct risk is subject to independent oversight provided by the Chair of the Board Audit & Compliance Committee. The Audit & Compliance Committee receives regular updates with regard to significant conduct risk matters and reviews key conduct risk metrics.
Legal Risk	The risk that the business activities of the Group have unintended or unexpected legal consequences and includes risk arising from inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty as to the validity or enforceability of a contract. It also includes the risks arising from failure to comply with all applicable laws and regulations and the corresponding penalties that may be imposed, including significant financial fines and the loss of reputation.	The Group identifies and manages legal risk through effective use of its Legal and Compliance services department, which is independent of the front office, as well as external legal advisors.
Financial Risks from Climate Change	These risks arise through two primary channels, or 'risk factors': Physical and Transition.	Financial risks from climate change have been embedded into existing risk management frameworks so that they can be considered and managed as part of the other principal risks. For more information on how climate-related risks are assessed and managed including their impact on the balance sheet, please see section 4. Climate Risk.
	Physical risks from climate change relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).  Transition risks arise from the process of adjustment towards a low-carbon economy. These risks manifest, for example, as increasing underwriting, reserving, credit, or market risk for firms.	
Reputation Risk	Risk to reputation arises from negative perception on the part of stakeholders that can adversely affect the company's ability to maintain existing, or establish new, business relationships and continued access to sources of funding and liquidity. This could be as a direct result of poor or inappropriate execution of business activities, staff behaviour or external factors such as false information or market rumours. Stakeholders include clients, counterparties, shareholders, investors, debt-holders, market analysts, suppliers, and regulators.	The Group has a well-established policy and framework for identifying, assessing and managing reputation risk; the policy is attested to annually by staff. The framework defines the Group's governance arrangements, responsibilities of staff, and escalation paths in the event of actual or potential damage to the Group's reputation.  Reputation Risk is considered when entering new products and markets, when executing specific transactions, when exiting business lines or customer groups, and when assessing the suitability of business partners, for example outsourcing arrangements. Staff behaviour is guided by the Group's values, and codified through a Code of Conduct.
Fraud Risk	Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.	The nature of our activities puts the Group at risk of loss due to fraud and corruption both from within and outside the Group. The Group aims to ensure that fraud and corruption are reduced to the lowest possible risk and that, should they occur, are dealt with in a firm and controlled manner.  The Group has an Anti-Fraud Policy which sets out roles and responsibilities of specific departments in combatting fraud; the Policy is attested to annually by staff. The Group has controls designed to prevent and, where prevention is not possible, to detect fraud. The design and operating effectiveness of controls is reviewed regularly and reported to senior management together with assessments on the level of risk. There are defined processes for escalating and investigating cases of actual or suspected fraudulent activity.





## 2. Principal Risk and Uncertainties (Continued)

A number of risks have also been identified which require closer senior management attention and could cause disruption to delivery of the Group's strategy, and/or material deviation of financial results/financial condition from the Group's business plan. These are typically emerging risks which have more uncertain components, with impact crystallising over a longer time frame. Additionally, there may also be exacerbating factors which are beyond the Group's control which fall within this category of uncertainties. Some of the uncertainties actively considered by Management over the year included:

- The market and operational impacts of returning to full lockdowns in response to new COVID-19 variants;
- Macro-economic concerns such as rising inflationary pressures, increasing trends for corporate delinquencies, asset bubbles and unexpected/sudden market corrections; and
- Major international current affairs/incidents such as escalations of geopolitical tensions including the Russia-Ukraine conflict, supply chain interruptions, or humanitarian/natural disasters.

These risks are discussed and monitored at regular risk committee meetings and forums, which are attended by members of the Executive Committee. For particularly impactful breaking news and events, Management adopt an agile approach to managing the events as they unfurl, with Executive Management monitoring key metrics and dashboards daily, and convening at short notice for regular catch ups (up to twice daily) to ensure downside risks are proactively managed.

## 3. Risk Control and Mitigation

As an overarching risk control, the Group operates a three lines of defence model to manage all risks.

Business and support functions which originate or accept risk are held responsible for the management and control of that risk in line with risk appetite, supporting limit framework and other related risk policies.

Risk control functions provide the second line of defence by exercising independent oversight of the management of risk by those originating functions.

### Risk Limits

The Group's risk controls are implemented in line with the risk appetite statement by setting various risk limits and policies owned by the Board which are cascaded down to more granular and specific limits which are owned by delegated risk management authorities.

### Mitigation Techniques

Risk exposures are managed by business and support functions using a range of techniques relevant to the individual risk class. Such techniques encompass market based hedging activities, credit risk mitigation techniques, diversification of funding sources and tenor, business continuity planning and the purchase of insurance.

### Key Risk Indicators, Risk Monitoring and Reporting

Risk control limits and key risk indicators are established to ensure that risk exposures remain within specified levels, and that the Group is able to operate in accordance with its overall risk appetite. A comprehensive limit framework is maintained by risk class, with defined levels of authorisation to ensure that risk exposure levels are authorised and monitored at the appropriate level within the Group's governance hierarchy.

Reporting of risk exposures in relation to risk limits, and more broadly with regards to trends in the Group's risk profile and emerging risks, is performed by the Risk Management function (and by the Compliance function with regards to conduct related matters). Reporting is conducted in relation to all principal risk factors, and is designed to enable effective governance of the Group's risk profile. In particular, the Board and the Board Risk Committee are regularly informed of the Group's risk exposures and compliance with risk limits.

In addition to monitoring current risk exposures, the Group also monitors potential future adverse developments by establishing entity-specific early warning indicators whose breach may indicate deterioration in the capital and liquidity strength. Monitoring and reporting the status of these early warning indicators forms part of Group's contingency planning arrangements.

For most risk metrics and limits, exposures are monitored daily by automated processes to support timely management information that includes a daily risk report to the Chief Executive Officer and Chief Risk Officer and a regular risk report to the Executive Committee, Risk Management Committee and Board Risk Committee at each meeting.

### Strategy and Planning

The Group conducts formal business planning on an annual basis, through which the Board's strategic objectives are developed into detailed business plans. Commercial objectives and plans are established for all significant business lines, and from these financial projections are developed, which take account of expected macroeconomic and market conditions.

The Group risk appetite is also formally reviewed on an annual basis as part of the business planning cycle, to ensure that business strategy and risk management activities are aligned. Business plans are also reviewed by Risk Management to ensure that planned developments are achievable given the Group's risk management capabilities, and to form a view with regard to the balance of risk and reward attributable to planned activities.

As part of its business planning activities, the Group also conducts capital planning to ensure that an appropriate balance between capital resources and capital requirements is maintained through the planning cycle. As part of its capital planning framework, the Group utilises stress tests to ensure that it is able to maintain a sound financial position in the event of severe economic stress. Stress tests are developed based upon potential future scenarios, selected in light of the Group's risk profile and plausible future market and economic developments. Stress tests are conducted so as to apply selected scenarios in a consistent manner to the market, credit and liquidity risks to which the Group is exposed and to take account of any concentrations of exposure.



## 3. Risk Control and Mitigation (Continued)

### Stress Testing

Stress testing and scenario analysis are an important part of the Group's business planning and risk management process. Primarily used for assessing threats to the Group's business plan on a forward looking basis, it is also used in the assessment of internal capital for market risk and, in the case of reverse stress testing, to identify scenarios that would render the Group's business model unviable.

Under the Pillar 2 framework, the Group conducts an internal evaluation of its risks and capital requirements under severe but plausible scenarios and holds additional capital as a buffer to ensure that its minimum capital requirements can be met at all times.

### Adequacy of Risk Management Arrangements

The Group assesses the adequacy of its risk management framework and of the amount of capital and liquidity that it needs to hold in respect of its risk profile on an annual basis, or more frequently if required. This assessment is formally documented within the Group's ICAAP and ILAAP, and is approved by the Board.

The most recent ICAAP and ILAAP exercises concluded that the risk management arrangements adopted by both entities were adequate in relation to their risk profile and strategy. Further, through its risk management framework, risk appetite and limit framework, independent reviews and ongoing programme of enhancements, the Company and its subsidiary confirm that their risk management is effective.

## 4. Climate Risk

In line with the PRA's Supervisory Statement 3/19 on enhancing banks' and insurers' approaches to managing financial risks from climate change, the Group has enhanced and embedded the consideration of environmental and sustainability concerns within its risk management framework. The Group has developed and embedded its approach to climate risk in a manner that is proportionate to being a dealer-broker active across corporate and government bond trading markets, as well as Debt Capital Markets ("DCM") and Equity Capital Markets ("ECM") for select clients, and having no loan book.

### Governance Responsibilities for Climate Risk

The Group's CEO is the SMF responsible for climate risk and is committed to ensuring that sustainability is at the core of the Group's activities. The Environment and Climate Risk Policy sets out the responsibilities of individuals, committees and all members of staff relating to climate risk as well as the role of each of the three lines of defence in managing climate-related risk. All staff attest that they have understood their responsibilities under the policy.

The Board takes oversight responsibility for understanding, identifying and managing the financial risks arising from climate change, with ESG and climate risk now being tabled as a standing agenda item at the Board Risk Committee. The Board receives regular ESG Management Information updates, covering Risk, Business, Operational and Social aspects.

Climate risk has been included in the Terms of Reference of all the relevant committees, including New Product Committee, Underwriting and Reputational Risk Committee, Executive Committee, Credit Risk Committee, as well as the Board of Directors and the Board Risk Committee.

### Risk Management Framework

As with standard risks, climate-related risks are identified and assessed using internally developed criteria for sectors and geographies. Inventory exposures are assessed for whether they relate to higher physical and transition risk depending on the sector and geography they are associated with. Exposures are monitored on a monthly basis, with trends being reviewed at the Board Risk Committee. The Group's exposure to higher climate risk assets is low given the nature of the business – inventory exposures are not held for long periods of time. Furthermore, balance sheet assets (which include a diverse portfolio of issuer risk) are relatively liquid. The approach to monitoring climate risk and other sustainability risks will continue to evolve in line with market practice and data availability.

### Climate Risk Policies

The firm has three policies related to ESG Risk, reviewed regularly to ensure alignment with the relevant Terms of Reference as well as an Environmental Risk Appetite Statement. The policies help clarify the Group's stance on climate change as well as our environmental awareness, and refer to specific actions that we intend to take on environmental matters. The policies are:

- **MHI Environmental and Climate Risk Policy** – Sets out the strategic approach to the management of Environmental and Climate Risk, as well as the governance arrangements concerning Environmental and Climate Risk, and sustainability more broadly;
- **MHI Basic Policy on Sustainability Initiatives** – Pertains to basic matters concerning the implementation of sustainability initiatives. Cascaded from Mizuho Financial Group; and
- **Environmental and Social Management Policy for Financing and Investment Activity** – Sets out the Company's control and escalation of the MHFG initiated restricted industrial sector policy, ensuring compatibility with MHFG's Policies on Specific Industrial Sectors. Cascaded from Mizuho Financial Group.

### Stress Testing and Scenario Analysis

As part of its efforts to understand the transmission channels from climate risks to financial risks, the Group has examined the impact of three scenarios based on the Network for Greening the Financial System Climate Scenarios, consistent also with the Bank of England ("BoE") Biennial Exploratory Scenario exercise (please note that the Group was not required to participate in this exercise). In line with the approach to regular climate risk monitoring, the impact assessment covers both physical and transition risk, on the basis of both country and sector exposures.

The objectives of the climate scenario analysis and stress testing framework are supplementary to existing stress testing for risk management and capital management purposes. The exercise helps the Group size the climate change-related risk exposure and estimated immediate losses for the current business profile, understand the Group's business model vulnerability to climate change, while informing likely responses, and improve climate change risk management and prompt consideration of strategic changes.

### TCFD Recommendations

Since 2020, the Group has been implementing the recommendations of The Financial Stability Board's Task Force on Climate-related Financial Disclosures (TCFD Recommendations). The Group is committed to evolving its disclosures to increasingly align with this leading industry-led initiative setting the standard for climate-related financial disclosures.

The table overleaf describes the progress made by the Group in implementing the TCFD recommendations.



# 4. Climate Risk (Continued)

## 4.1. TCFD Recommendations and Status of Response

The table below describes the status of the Group's response to the TCFD recommendations.

	TCFD Recommendations	Our Progress in the Financial Year
Governance	<p>a) Describe the board's oversight of climate-related risks and opportunities.</p> <p>b) Describe management's role in assessing and managing climate-related risks and opportunities.</p>	<p>a) The Board is responsible for understanding, identifying and managing the financial risks arising from climate change. To support it in this role, it has received appropriate ESG-focused training during FY21/22.</p> <p>The Board Risk Committee provides oversight and challenge of the day-to-day management of climate risk, as well as reviewing relevant risk policies and environmental and climate risk reporting.</p> <p>The Board's and its sub-committees' respective statements of responsibilities and terms of reference have been amended to incorporate climate risk considerations.</p> <p>b) The President and CEO holds the Senior Management Function responsible for Financial Risk related to Climate Change; supported in this role by the Head of Sustainability, the Chief Risk Officer, and other key executives.</p> <p>Climate-related risks and opportunities are regularly reviewed by the Executive and Risk Management Committees. A dedicated Sustainability Forum brings together business leads and working groups from across the Group, with the aim of embedding climate-related and other ESG considerations into business-as-usual.</p>
Strategy	<p>a) Describe the climate-related risks and opportunities the organisation has identified over the short, medium, and long term.</p> <p>b) Describe the impact of climate-related risks and opportunities on the organisation's business, strategy and planning.</p> <p>c) Describe the resilience of the organisation's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.</p>	<p>a) The primary risks identified are within the transition risk category:</p> <ul style="list-style-type: none"> <li>• Reputational and legal risk, in light of the growing additional scrutiny from a range of stakeholders on all aspects of ESG and banks' actions.</li> <li>• Policy and regulatory risk due to the rapidly evolving policy and regulatory landscape around climate and other ESG matters, and the lack of regulatory harmonisation across geographies.</li> </ul> <p>Physical risks are currently assessed to be less significant for the Group due to the nature of its business activities.</p> <p>Key opportunities identified relate to:</p> <ul style="list-style-type: none"> <li>• Increased engagement with clients to facilitate a smooth decarbonisation trajectory, in line with their Net Zero targets and other alignment ambitions.</li> <li>• Structuring of and offering appropriate financial solutions to meet such targets and ambitions.</li> <li>• A stronger level of diligence around higher climate risk sectors, allowing for more focused targeting and engagement.</li> <li>• Continued business promotion to maintain the momentum of ESG deals in the Group's core market segments.</li> </ul> <p>b) There is an increased focus within the Group on understanding, assessing, measuring and managing climate-related risks. Some of the risks - including exposure to more directly impacted sectors - create business opportunities, such as working with the clients in question to help them transition to a more sustainable business model in the context of a low-carbon society.</p> <p>Increased resources - within Sustainability and Environmental and Social Risk management, as well as other functions - have been dedicated to embedding ESG initiatives into business-as-usual across the Group.</p> <p>Climate-related risk considerations are part of new product approval and procurement processes.</p> <p>Business functions are actively promoting financial products and services that help mitigate climate change or facilitate adaptation to it.</p> <p>The Group's own operations are being managed with awareness of environmental impacts; through the use of sustainable energy and resources, waste management initiatives, as well as staff training.</p> <p>c) The Group has developed an internal climate change stress testing and scenario analysis approach, referencing the Network for Greening the Financial System (NGFS) scenarios and other industry initiatives. The exercise helps to clarify the links between climate risk and financial risk.</p> <p>The Group's approach to climate stress testing and scenario analysis will continue to evolve, and will be tailored further to the specific nature of the Group's business model. The results will increasingly be used to inform the Group's strategy and employed for setting targets and thresholds.</p>

	TCFD Recommendations	Our Progress in the Financial Year
Risk Management	<p>a) Describe the organisation's processes for identifying and assessing climate-related risks.</p> <p>b) Describe the organisation's processes for managing climate-related risks.</p> <p>c) Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organisation's overall risk management.</p>	<p>a) The Group has developed a quantitative approach to identifying and assessing the level of physical and transition risk of its portfolio exposures. The assessment results are regularly shared with the Board.</p> <p>The approach will be developed further by employing more granular classification of the Group's exposures as well as more sophisticated assessment of the risks stemming from these.</p> <p>An approach to climate scenario analysis and stress testing has also been developed during FY21/22, as a first step towards quantifying the impact of the financial risks stemming from climate change. In the future, this can be used for setting targets and thresholds, as well as for capital allocation purposes.</p> <p>b) The Group's approach to managing climate-related risks is driven by initial understandings of proportionality and materiality that reflect the scale of its activities and the nature of its business model. The approach has been developed with reference to market practice and regulatory guidance, as well as following the lead of Mizuho Financial Group.</p> <p>The Group has an Environmental and Climate Risk policy in place, and is subject to further ESG policies as cascaded down from Mizuho Financial Group. These are updated regularly, to reflect latest market practice and stakeholder demands.</p> <p>Climate risk-focused portfolio assessment and stress testing results support the Board in its climate risk oversight role.</p> <p>c) A qualitative climate risk appetite statement was updated within the ICAAP for 2021, highlighting the Group's recognition of the importance of environmental sustainability as well as the risks associated with climate change.</p> <p>The initial approach to scenario analysis and stress testing that has been developed will form the basis for further iterations and tailoring to the Group's business model.</p> <p>Within credit risk, ESG matters including those related to climate are embedded into counterparty risk assessment.</p>
Metrics and Targets	<p>a) Disclose the metrics used by the organisation to assess climate-related risks and opportunities in line with its strategy and risk management process.</p> <p>b) Disclose Scope 1, Scope 2, and, if appropriate, Scope 3 greenhouse gas ("GHG") emissions, and the related risks.</p> <p>c) Describe the targets used by the organisation to manage climate-related risks and opportunities and performance against targets.</p>	<p>a) Several metrics have been developed and tracked during FY22 to help with the assessment and management of climate-related risks and opportunities. These cover business activity, portfolio composition, and the Group's own operational footprint; and are shared with the Board on a regular basis.</p> <p>Climate risk metrics are based on a segmentation of the Group's portfolio by level of climate risk, both on a sector and country basis. The first generation metrics show a very low climate risk profile by sector and a moderate climate risk profile by country, with little fluctuation over time.</p> <p>Business metrics tracked include ESG deals and revenues, showing healthy growth in line with the strategic emphasis on ESG business promotion.</p> <p>The Group's own operational footprint is monitored across several indicators, including consumption of resources and the resulting emissions.</p> <p>b) The Group discloses its annual CO2 emissions through the SECR report within the Directors Report. Please refer to Section 8 Own Operational Footprint.</p> <p>With Mizuho Financial Group having joined PCAF in FY21/22, the Group is working closely with other entities in Mizuho Financial Group to introduce robust measurement of Scope 3 emissions from financing activities.</p> <p>c) Climate-related targets for business activities will follow from further development of the climate risk assessment approach, as well as the introduction of metrics tracking financed emissions. With robust metrics and targets in place, the Group will be in a position to target its risk management efforts, and link business opportunities as well as remuneration incentives to ESG factors.</p> <p>For the management of its own operational footprint, the Group has implemented an environmental management system certified to ISO 14001. It has identified key operational impacts and established environmental objectives with quantifiable metrics set against an initial 3-year plan of 5% annual improvement targets. The Group has implemented action plans required to meet these targets, with performance tracked through regular reporting.</p>



## 5. Market Risk

### Risk Analysis – Trading Financial Instruments

The Group measures and manages the market risk in its trading portfolios through position and sensitivity limits, as well as profit and loss and Value at Risk (“VaR”) limits, and stress testing limits set by MHSC. These limits and risk policies are approved by the delegated risk management authorities as defined in the Group’s risk management framework. In addition, the Group has total VaR and Market Risk and Credit Risk Capital limits set by MHSC.

The Group ensures compliance with the Volcker rule by conducting relevant controls and monitoring of metrics implemented in the Group’s three lines of defence model in accordance with the Group’s business desk designation.

### Stress Testing

Stress testing is an essential component of the tools used for managing risk within the organisation and provides information regarding risks borne by the Group. This assists senior management in understanding the potential impact of stress events on its business strategy and its available capital resources.

Stress scenarios address a wide range of severities and time horizons, taking into account correlation and diversification across both risks and asset classes. A broad set of severe but plausible scenarios and extreme reverse stress scenarios are used from Group specific events to market wide downturns. As part of its efforts to continually reassess and expand the range of stress scenarios, the Group has taken into consideration impact of COVID-19 for the financial year ended 31 March 2022 as well as for the next year.

### Value at Risk (“VaR”)

VaR is a statistical measure that produces an estimate of the potential decrease in the market value of a portfolio over a specified time horizon at a given confidence level under normal market conditions. The Group’s VaR is calculated on a daily basis and assumes a time horizon of one day and a confidence level of 99 per cent. Regular back testing of VaR is conducted to ensure effectiveness of the VaR model and its assumptions.

A summary of the daily VaR and risk statistics for the trading portfolios, based on a 99 per cent confidence level and a one day time horizon, segregated by type of market risk, is presented below:

2022		Average	Maximum	Minimum
VaR Risk Factor	£ thousands	£ thousands	£ thousands	£ thousands
Interest Rate	1,064	912	2,012	448
Credit Spread	2,896	2,675	4,983	1,098
Equity	118	187	1,468	-
FX Risk	129	117	308	13
Total VaR <sup>1</sup>	2,726	2,550	4,412	1,290

2021		Average	Maximum	Minimum
VaR Risk Factor	£ thousands	£ thousands	£ thousands	£ thousands
Interest Rate	661	881	2,063	446
Credit Spread	3,239	2,289	4,823	668
Equity	-	118	646	-
FX Risk	165	103	258	6
Total VaR <sup>1</sup>	2,212	2,104	4,284	987

#### Explanatory note on VaR Risk Factor

1. The total VaR shown in the tables above is not a sum of the component risks due to offsets between them.

### Sensitivity Analysis – Non-Trading Financial Instruments

#### Currency Risk Sensitivity

The Group’s foreign currency loans and advances to banks and customers and investments are funded in matched currencies, and in addition funding raised from debt security issuance is also used to support trading activities on a matched currency basis. Foreign currency derivatives are used when required to swap between relevant asset and liability currencies. Consequently, no significant currency exposure arises on non-trading book activities.

#### Interest Rate Risk Sensitivity

The Group’s non-trading books comprise assets and liabilities which are not held or issued for trading purposes. These include the raising and provision of funding to support the Group’s trading activities, acceptance of customer deposits and investment activities. Funding and deposit taking activity, including related derivative hedging, is conducted in such a manner as to minimise, where possible, interest rate risk.

The Group’s market risk profile is reviewed at the weekly Risk Management Committee and also periodically reviewed by the Market, Methodology and Model Risk Committee, the Executive Committee and the Board Risk Committee.



## 5. Market Risk (Continued)

### Interest Rate Risk Sensitivity (Continued)

The tables below summarise the interest rate sensitivity gaps within the Group's non-trading book. Items are allocated to time bands by reference to the earlier of the next contractual interest rate re-pricing or the maturity date.

#### Group (Audited)

2022	Less than 3 months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions	Non interest bearing £ millions	Total £ millions
Cash and balances at central banks	481.0	-	-	-	-	-	481.0
Loans and advances to banks	75.5	-	-	-	-	2.3	77.8
Reverse repurchase agreements with customers	-	-	-	40.9	-	-	40.9
Equity shares – other financial investments	-	-	-	-	-	3.5	3.5
Other assets	738.5	-	-	-	-	86.2	824.7
Prepayments and accrued income	-	-	-	-	-	52.0	52.0
<b>Assets</b>	<b>1,295.0</b>	<b>-</b>	<b>-</b>	<b>40.9</b>	<b>-</b>	<b>144.0</b>	<b>1,479.9</b>
Deposits by banks	894.3	235.5	23.5	-	-	-	1,153.3
Customer accounts	295.7	-	-	-	-	-	295.7
Repurchase agreements with Banks	-	-	-	40.9	-	-	40.9
Debt securities in issue	797.0	328.1	124.0	519.9	-	-	1,769.0
Other liabilities	429.1	-	-	-	-	12.0	441.1
Accruals and deferred income	-	-	-	-	-	99.2	99.2
Provisions for liabilities	-	-	-	-	-	3.1	3.1
Subordinated liabilities	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	712.4	712.4
<b>Liabilities and equity</b>	<b>2,416.1</b>	<b>563.6</b>	<b>147.5</b>	<b>560.8</b>	<b>-</b>	<b>826.7</b>	<b>4,514.7</b>
Off balance sheet items <sup>1</sup>	(968.8)	324.9	124.0	519.9	-	-	-
<b>Interest rate sensitivity gap</b>	<b>(2,089.9)</b>	<b>(238.7)</b>	<b>(23.5)</b>	<b>-</b>	<b>-</b>	<b>(682.7)</b>	<b>(3,034.8)</b>
<b>Cumulative gap</b>	<b>(2,089.9)</b>	<b>(2,328.6)</b>	<b>(2,352.1)</b>	<b>(2,352.1)</b>	<b>(2,352.1)</b>	<b>(3,034.8)</b>	<b>(3,034.8)</b>

#### Group (Audited)

2021	Less than 3 months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions	Non interest bearing £ millions	Total £ millions
Cash and balances at central banks	227.5	-	-	-	-	-	227.5
Loans and advances to banks	96.0	-	-	-	-	14.0	110.0
Equity shares – other financial investments	-	-	-	-	-	1.8	1.8
Other assets	392.5	-	-	-	-	121.7	514.2
Prepayments and accrued income	-	-	-	-	-	49.0	49.0
<b>Assets</b>	<b>716.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>186.5</b>	<b>902.5</b>
Deposits by banks	36.3	224.6	24.6	-	-	-	285.5
Customer accounts	228.6	-	-	-	-	-	228.6
Debt securities in issue	1,262.7	221.1	155.1	205.9	0.7	-	1,845.5
Other liabilities	158.5	-	-	-	-	54.0	212.5
Accruals and deferred income	-	-	-	-	-	127.9	127.9
Provisions for liabilities	-	-	-	-	-	3.3	3.3
Subordinated liabilities	45.2	-	-	-	-	-	45.2
Shareholders' funds	-	-	-	-	-	741.6	741.6
<b>Liabilities and equity</b>	<b>1,731.3</b>	<b>445.7</b>	<b>179.7</b>	<b>205.9</b>	<b>0.7</b>	<b>926.8</b>	<b>3,490.1</b>
Off balance sheet items <sup>1</sup>	(493.6)	131.9	155.1	205.9	0.7	-	-
<b>Interest rate sensitivity gap</b>	<b>(1,508.9)</b>	<b>(313.8)</b>	<b>(24.6)</b>	<b>-</b>	<b>-</b>	<b>(740.3)</b>	<b>(2,587.6)</b>
<b>Cumulative gap</b>	<b>(1,508.9)</b>	<b>(1,822.7)</b>	<b>(1,847.3)</b>	<b>(1,847.3)</b>	<b>(1,847.3)</b>	<b>(2,587.6)</b>	<b>(2,587.6)</b>



## 5. Market Risk (Continued)

### Interest Rate Risk Sensitivity (Continued)

#### Company (Audited)

2022	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Cash and balances at central banks	481.0	-	-	-	-	-	481.0
Loans and advances to banks	53.1	-	-	-	-	2.3	55.4
Loans and advances to customers	130.4	17.0	-	-	-	-	147.4
Reverse Repurchase agreements with customers	-	-	-	40.9	-	-	40.9
Equity shares – other financial investments	-	-	-	-	-	3.5	3.5
Other assets	736.7	-	-	-	-	86.5	823.2
Prepayments and accrued income	-	-	-	-	-	54.1	54.1
<b>Assets</b>	<b>1,401.2</b>	<b>17.0</b>	<b>-</b>	<b>40.9</b>	<b>-</b>	<b>146.4</b>	<b>1,605.5</b>
Deposits by banks	894.3	235.5	23.5	-	-	-	1,153.3
Customer accounts	295.7	-	-	-	-	-	295.7
Repurchase agreements with Banks	-	-	-	40.9	-	-	40.9
Debt securities in issue	797.0	328.1	124.0	519.9	-	-	1,769.0
Other liabilities	429.1	-	-	-	-	12.2	441.3
Accruals and deferred income	-	-	-	-	-	95.5	95.5
Provisions for liabilities	-	-	-	-	-	2.9	2.9
Subordinated liabilities	-	-	-	-	-	-	-
Shareholders' funds	-	-	-	-	-	705.1	705.1
<b>Liabilities and equity</b>	<b>2,416.1</b>	<b>563.6</b>	<b>147.5</b>	<b>560.8</b>	<b>-</b>	<b>815.7</b>	<b>4,503.7</b>
Off balance sheet items <sup>1</sup>	(968.8)	324.9	124.0	519.9	-	-	-
<b>Interest rate sensitivity gap</b>	<b>(1,983.7)</b>	<b>(221.7)</b>	<b>(23.5)</b>	<b>-</b>	<b>-</b>	<b>(669.3)</b>	<b>(2,898.2)</b>
<b>Cumulative gap</b>	<b>(1,983.7)</b>	<b>(2,205.4)</b>	<b>(2,228.9)</b>	<b>(2,228.9)</b>	<b>(2,228.9)</b>	<b>(2,898.2)</b>	<b>(2,898.2)</b>

#### Company (Audited)

2021	Less than 3 months	3-6 months	6-12 months	1-5 years	Over 5 years	Non interest bearing	Total
	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions	£ millions
Cash and balances at central banks	227.5	-	-	-	-	-	227.5
Loans and advances to banks	75.4	-	-	-	-	14.0	89.4
Loans and advances to customers	3.2	17.0	-	-	-	-	20.2
Equity shares - other financial investments	-	-	-	-	-	1.8	1.8
Other assets	388.2	-	-	-	-	121.7	509.9
Prepayments and accrued income	-	-	-	-	-	57.7	57.7
<b>Assets</b>	<b>694.3</b>	<b>17.0</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>195.2</b>	<b>906.5</b>
Deposits by banks	36.3	224.6	24.6	-	-	-	285.5
Customer accounts	228.6	-	-	-	-	-	228.6
Debt securities in issue	1,262.7	221.1	155.1	205.9	0.7	-	1,845.5
Other liabilities	158.5	-	-	-	-	54.5	213.0
Accruals and deferred income	-	-	-	-	-	125.5	125.5
Provisions for liabilities	-	-	-	-	-	3.2	3.2
Subordinated liabilities	45.2	-	-	-	-	-	45.2
Shareholders' funds	-	-	-	-	-	736.9	736.9
<b>Liabilities and equity</b>	<b>1,731.3</b>	<b>445.7</b>	<b>179.7</b>	<b>205.9</b>	<b>0.7</b>	<b>920.1</b>	<b>3,483.4</b>
Off balance sheet items <sup>1</sup>	(493.6)	131.9	155.1	205.9	0.7	-	-
<b>Interest rate sensitivity gap</b>	<b>(1,530.6)</b>	<b>(296.8)</b>	<b>(24.6)</b>	<b>-</b>	<b>-</b>	<b>(724.9)</b>	<b>(2,576.9)</b>
<b>Cumulative gap</b>	<b>(1,530.6)</b>	<b>(1,827.4)</b>	<b>(1,852.0)</b>	<b>(1,852.0)</b>	<b>(1,852.0)</b>	<b>(2,576.9)</b>	<b>(2,576.9)</b>

#### Explanatory note on interest rate sensitivity

- Off balance sheet items:  
Where interest rate swaps are hedging debt securities in issue with greater than three months' maturity, the notional of these swaps has been disclosed as an off balance sheet item banded with reference to its next floating rate reset date, to reflect the true sensitivity of the Group to interest rate risk on these structures.



## 6. Credit Risk

### Maximum Exposure and Effects of Collateral and Other Credit Enhancements

The maximum exposure to credit risk for financial assets, including derivatives, recognised on the Statement of Financial Position is typically the carrying amount and is represented on the table below which analyses maximum exposure to credit risk by asset class, representing credit risk arising from counterparty default.

The maximum exposure is shown gross of the use of master netting and collateral agreements unless such credit enhancements meet the offsetting requirements as set out in Note 3A of the Notes to the Financial Statements section.

#### Group (Audited)

2022	Maximum exposure £ millions	Collateral <sup>1</sup> £ millions	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>On-balance sheet:</b>				
Cash and balances at central banks	481.0	-	-	481.0
Loans and advances to banks	77.8	-	-	77.8
Reverse repurchase agreements with banks	3,854.3	(3,788.1)	(0.7)	65.5
Reverse repurchase agreements with customers	5,417.0	(5,361.1)	(0.1)	55.8
Debt and other fixed income securities	4,772.0	-	-	4,772.0
Derivative assets	6,443.1	(119.7)	(6,290.2)	33.2
Trade receivables	808.9	(68.7)	(80.1)	660.1
<b>Total on-balance sheet</b>	<b>21,854.1</b>	<b>(9,337.6)</b>	<b>(6,371.1)</b>	<b>6,145.4</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	117.0	(116.9)	-	0.1
<b>Total off-balance sheet</b>	<b>117.0</b>	<b>(116.9)</b>	<b>-</b>	<b>0.1</b>
<b>Total</b>	<b>21,971.1</b>	<b>(9,454.5)</b>	<b>(6,371.1)</b>	<b>6,145.5</b>

#### Group (Audited)

2021	Maximum exposure £ millions	Collateral <sup>1</sup> £ millions	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>On-balance sheet:</b>				
Cash and balances at central banks	227.5	-	-	227.5
Loans and advances to banks	110.0	-	(1.6)	108.4
Reverse repurchase agreements with banks	2,107.5	(2,078.4)	(0.4)	28.7
Reverse repurchase agreements with customers	4,288.6	(4,241.3)	(1.2)	46.1
Debt and other fixed income securities	4,261.9	-	-	4,261.9
Derivative assets	6,513.8	(98.2)	(6,369.9)	45.7
Trade receivables	509.0	(32.2)	(45.4)	431.4
<b>Total on-balance sheet</b>	<b>18,018.3</b>	<b>(6,450.1)</b>	<b>(6,418.5)</b>	<b>5,149.7</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	72.7	(72.5)	-	0.2
<b>Total off-balance sheet</b>	<b>72.7</b>	<b>(72.5)</b>	<b>-</b>	<b>0.2</b>
<b>Total</b>	<b>18,091.0</b>	<b>(6,522.6)</b>	<b>(6,418.5)</b>	<b>5,149.9</b>



## 6. Credit Risk (Continued)

### Maximum Exposure and Effects of Collateral and Other Credit Enhancements (Continued)

#### Company (Audited)

2022	Maximum exposure £ millions	Collateral <sup>1</sup> £ millions	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>On-balance sheet:</b>				
Cash and balances at central banks	481.0	-	-	481.0
Loans and advances to banks	55.4	-	-	55.4
Loans and advances to customers	147.4	-	-	147.4
Reverse repurchase agreements with banks	3,854.3	(3,849.5)	(0.9)	3.9
Reverse repurchase agreements with customers	5,478.7	(5,361.1)	(0.1)	117.5
Debt and other fixed income securities	4,465.2	-	-	4,465.2
Derivative assets	6,443.5	(119.7)	(6,290.2)	33.6
Trade receivables	807.1	(68.7)	(80.1)	658.3
<b>Total on-balance sheet</b>	<b>21,732.6</b>	<b>(9,399.0)</b>	<b>(6,371.3)</b>	<b>5,962.3</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	117.0	(116.9)	-	0.1
<b>Total off-balance sheet</b>	<b>117.0</b>	<b>(116.9)</b>	<b>-</b>	<b>0.1</b>
<b>Total</b>	<b>21,849.6</b>	<b>(9,515.9)</b>	<b>(6,371.3)</b>	<b>5,962.4</b>

#### Company (Audited)

2021	Maximum exposure £ millions	Collateral <sup>1</sup> £ millions	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>On-balance sheet:</b>				
Cash and balances at central banks	227.5	-	-	227.5
Loans and advances to banks	89.4	-	(1.6)	87.8
Reverse repurchase agreements with banks	2,107.5	(2,078.4)	(0.4)	28.7
Reverse repurchase agreements with customers	4,288.6	(4,241.3)	(1.2)	46.1
Debt and other fixed income securities	4,218.5	-	-	4,218.5
Derivative assets	6,513.8	(98.2)	(6,369.9)	45.7
Trade receivables	504.6	(32.2)	(45.4)	427.0
<b>Total on-balance sheet</b>	<b>17,949.9</b>	<b>(6,450.1)</b>	<b>(6,418.5)</b>	<b>5,081.3</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	72.7	(72.5)	-	0.2
<b>Total off-balance sheet</b>	<b>72.7</b>	<b>(72.5)</b>	<b>-</b>	<b>0.2</b>
<b>Total</b>	<b>18,022.6</b>	<b>(6,522.6)</b>	<b>(6,418.5)</b>	<b>5,081.5</b>

#### Explanatory notes on collateral and other enhancements obtained

- Collateral received:**  
Collateral received in the form of securities or cash in respect of reverse repurchase transactions, derivative transactions under relevant credit support agreements, and from a related party under a collateralised funding arrangement is shown above within Collateral.
- Netting and set-off:**  
The impact of netting and set-off under legally enforceable master netting agreements is disclosed within Netting above, and is calculated after taking account of the effect of collateral described above as well as netting posted on the balance sheet in accordance with FRS102. The amount shown under Maximum exposure is after FRS 102 netting.
- Credit lines and other commitments**  
Off-balance sheet balance includes a reverse repo commitment where the Group's maximum exposure is represented by the contractual principal amount of the commitment. Were this commitment to be drawn down, the counterparty would be expected to post collateral at least equal to the contractual principal amount and this is reflected as such in the collateral balance.



## 6. Credit Risk (Continued)

### Concentrations of Exposure to Credit Risk

Concentrations of exposure to credit risk exist when a number of counterparties are engaged in similar activities or operate in the same geographical areas or industry sectors and have similar economic characteristics so that their ability to meet contractual obligations is similarly impacted by changes in economic, political or other conditions. Significant concentrations of exposure to credit risk are discussed below.

### Reverse Repurchase Agreements

The Group's repo trading activities give rise to counterparty risk exposures, which as noted above, are mitigated through the execution of netting agreements and the agreement of margin requirements such that net counterparty exposures are maintained at a low level. The largest counterparty exposure as at 31 March 2022 totalled £42.0 million (2021: £20.0 million), and no remaining exposures exceeded £42.0 million (2021: £14.0 million).

### Debt and Other Fixed Income Securities

The Group's holdings of debt and other fixed income securities are diversified by issuer, geographic region and industry sector. A summary of the most significant geographic exposures by class of debt is given as follows:

#### Group (Audited)

2022	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
France	301.0	162.6	68.6	532.2
Germany	426.6	127.0	54.0	607.6
US	216.3	0.2	98.1	314.6
Japan	495.7	91.8	28.4	615.9
Italy	1,333.2	-	26.9	1,360.1
UK	98.0	1.8	78.7	178.5
Spain	249.5	2.3	27.9	279.7
Netherlands	25.5	9.8	41.0	76.3
Other	91.8	354.9	360.4	807.1
<b>Total</b>	<b>3,237.6</b>	<b>750.4</b>	<b>784.0</b>	<b>4,772.0</b>

2021	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
France	437.1	37.6	134.6	609.3
Germany	447.1	66.4	203.7	717.2
US	133.2	0.2	177.0	310.4
Japan	601.6	17.1	96.3	715.0
Italy	216.9	-	46.9	263.8
UK	72.9	-	204.1	277.0
Spain	161.2	0.2	22.2	183.6
Netherlands	-	-	51.6	51.6
Other	119.7	504.3	510.0	1,134.0
<b>Total</b>	<b>2,189.7</b>	<b>625.8</b>	<b>1,446.4</b>	<b>4,261.9</b>

#### Company (Audited)

2022	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
France	202.0	162.6	67.2	431.8
Germany	289.8	127.0	54.0	470.8
US	216.3	0.2	98.0	314.5
Japan	495.7	91.8	28.4	615.9
Italy	1,330.8	-	26.9	1,357.7
UK	98.0	1.8	44.1	143.9
Spain	245.3	2.3	27.9	275.5
Netherlands	9.6	9.8	41.0	60.4
Other	80.0	354.8	359.9	794.7
<b>Total</b>	<b>2,967.5</b>	<b>750.3</b>	<b>747.4</b>	<b>4,465.2</b>

2021	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
France	425.1	37.6	132.4	595.1
Germany	440.2	66.4	202.5	709.1
US	133.2	0.2	175.0	308.4
Japan	601.6	17.1	96.3	715.0
Italy	216.9	-	46.9	263.8
UK	72.9	-	204.1	277.0
Spain	157.0	0.2	22.2	179.4
Netherlands	-	-	51.6	51.6
Other	107.7	504.3	507.1	1,119.1
<b>Total</b>	<b>2,154.6</b>	<b>625.8</b>	<b>1,438.1</b>	<b>4,218.5</b>

### Derivatives

The Group's derivative trading activities give rise to counterparty risk exposures which as noted above are principally mitigated through the execution of netting agreements and the agreement of margin requirements. The largest such counterparty exposure as at 31 March 2022 totalled £27.3 million (2021: £2.7 million). Counterparty exposure totalled £33.2 million as at 31 March 2022 (2021: £45.7 million) for the Group, and £33.6 million (2021: £45.7 million) for the Company. All exposures greater than £1.0 million were against investment grade-rated financial institutions, clearing houses or other Mizuho Financial Group subsidiaries. There have been no defaults historically against these counterparties.

### Credit Quality

The following table represents an analysis of the carrying value of reverse repurchase agreements based on the credit quality rating designation of the underlying collateral received, and by internal credit ratings (or their equivalent) for debt and similar securities and loans and advances balances. The internal credit ratings are derived from S&P, Moody's and Fitch. For Japanese securities, the ratings are derived from Japanese rating agencies. For securities where external ratings are not available, the rating is internally calculated by the Group.



## 6. Credit Risk (Continued)

### Reverse Repurchase Agreements with Banks

#### Group and Company (Audited)

2022	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	1,509.9	193.4	40.9	1,744.2
AA- to AA+	1,161.3	3.3	26.1	1,190.7
A- to A+	150.5	219.9	212.5	582.9
BBB+ to BBB-	215.5	12.3	19.6	247.4
BB+ to B-	-	5.6	83.5	89.1
<b>Total</b>	<b>3,037.2</b>	<b>434.5</b>	<b>382.6</b>	<b>3,854.3</b>

2021	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	691.7	406.0	3.8	1,101.5
AA- to AA+	320.8	41.3	32.9	395.0
A- to A+	54.5	143.3	213.8	411.6
BBB+ to BBB-	98.1	0.4	81.1	179.6
BB+ to B-	2.3	3.8	13.3	19.4
CCC+ to C	-	-	0.4	0.4
<b>Total</b>	<b>1,167.4</b>	<b>594.8</b>	<b>345.3</b>	<b>2,107.5</b>

### Reverse Repurchase Agreements with Customers

#### Group (Audited)

2022	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	1,179.8	51.7	87.3	1,318.8
AA- to AA+	3,933.1	-	13.9	3,947.0
A- to A+	1.3	28.1	3.2	32.6
BBB+ to BBB-	-	52.2	44.9	97.1
BB+ to B-	-	0.4	19.6	20.0
CCC+ to C	-	-	1.5	1.5
<b>Total</b>	<b>5,114.2</b>	<b>132.4</b>	<b>170.4</b>	<b>5,417.0</b>

2021	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	356.4	37.1	21.3	414.8
AA- to AA+	3,101.1	-	6.2	3,107.3
A- to A+	-	27.2	29.4	56.6
BBB+ to BBB-	559.7	52.8	39.7	652.2
BB+ to B-	18.6	2.0	35.8	56.4
CCC+ to C	-	-	1.3	1.3
<b>Total</b>	<b>4,035.8</b>	<b>119.1</b>	<b>133.7</b>	<b>4,288.6</b>

### Company (Audited)

2022	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	1,225.8	51.7	87.3	1,364.8
AA- to AA+	3,948.8	-	13.9	3,962.7
A- to A+	1.3	28.1	3.2	32.6
BBB+ to BBB-	-	52.2	44.9	97.1
BB+ to B-	-	0.4	19.6	20.0
CCC+ to C	-	-	1.5	1.5
<b>Total</b>	<b>5,175.9</b>	<b>132.4</b>	<b>170.4</b>	<b>5,478.7</b>

2021	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	356.4	37.1	21.3	414.8
AA- to AA+	3,101.1	-	6.2	3,107.3
A- to A+	-	27.2	29.4	56.6
BBB+ to BBB-	559.7	52.8	39.7	652.2
BB+ to B-	18.6	2.0	35.8	56.4
CCC+ to C	-	-	1.3	1.3
<b>Total</b>	<b>4,035.8</b>	<b>119.1</b>	<b>133.7</b>	<b>4,288.6</b>

### Debt and Other Fixed Income Securities, Loans and Advances and Cash and Balances at Central Banks

#### Group (Audited)

2022	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	942.6	-	-
AA- to AA+	912.6	25.1	481.0
A- to A+	948.7	52.0	-
BBB+ to BBB-	1,769.4	-	-
BB+ to B-	173.5	-	-
CCC+ to C	8.3	-	-
Unrated	16.9	0.7	-
	<b>4,772.0</b>	<b>77.8</b>	<b>481.0</b>



## 6. Credit Risk (Continued)

### Credit Quality (Continued)

#### Debt and Other Fixed Income Securities, Loans and Advances and Cash and Balances at Central Banks (Continued)

##### Group (Audited)

2021	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	1,110.1	-	-
AA- to AA+	1,067.5	64.6	227.5
A- to A+	1,159.3	29.9	-
BBB+ to BBB-	764.4	15.4	-
BB+ to B-	149.0	-	-
CCC+ to C	9.3	-	-
Unrated	2.3	0.1	-
	<u>4,261.9</u>	<u>110.0</u>	<u>227.5</u>

##### Company (Audited)

2022	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	790.0	-	-
AA- to AA+	801.6	9.0	481.0
A- to A+	909.4	193.1	-
BBB+ to BBB-	1,765.6	-	-
BB+ to B-	173.4	-	-
CCC+ to C	8.3	-	-
Unrated	16.9	0.7	-
	<u>4,465.2</u>	<u>202.8</u>	<u>481.0</u>

### Company (Audited)

2021

	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	1,103.3	-	-
AA- to AA+	1,041.0	54.0	227.5
A- to A+	1,152.4	40.1	-
BBB+ to BBB-	761.5	15.4	-
BB+ to B-	148.7	-	-
CCC+ to C	9.3	-	-
Unrated	2.3	0.1	-
	<u>4,218.5</u>	<u>109.6</u>	<u>227.5</u>

## 7. Liquidity Risk

### Residual Contractual Maturity of Financial Liabilities

The tables below summarises the maturity profile of the financial liabilities:

#### Group (Audited)

2022	Carrying Amount £ millions	Contractual Amount £ millions	Repayable on demand £ millions	Less than three months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions
<b>Financial liabilities:</b>								
Deposits by banks	1,153.3	1,153.3	22.8	871.4	235.6	23.5	-	-
Customer accounts	295.7	295.7	-	295.7	-	-	-	-
Repurchase agreements with banks	1,775.5	1,775.5	386.5	697.7	139.8	341.6	209.9	-
Repurchase agreements with customers	5,799.8	5,804.7	-	5,161.3	419.0	224.4	-	-
Debt securities in issue	1,760.1	1,769.0	-	424.1	345.4	249.6	740.4	9.5
Short positions <sup>1</sup>	3,560.9	3,577.4	839.9	2,724.7	8.7	4.1	-	-
Derivative liabilities <sup>2</sup>	6,422.7	6,422.7	-	15.7	58.8	174.1	1,960.9	4,213.2
Trade payables	446.2	446.2	-	446.2	-	-	-	-
Accruals and deferred income <sup>3</sup>	44.7	62.3	-	40.8	4.1	4.8	1.3	11.3
	<u>21,258.9</u>	<u>21,306.8</u>	<u>1,249.2</u>	<u>10,677.6</u>	<u>1,211.4</u>	<u>1,022.1</u>	<u>2,912.5</u>	<u>4,234.0</u>



## 7. Liquidity Risk (Continued)

### Residual Contractual Maturity of Financial Liabilities (Continued)

#### Group (Audited)

2021	Carrying Amount £ millions	Contractual Amount £ millions	Repayable on demand £ millions	Less than three months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions
<b>Financial liabilities:</b>								
Deposits by banks	285.5	285.5	-	36.2	224.7	24.6	-	-
Customer accounts	228.6	228.6	-	228.6	-	-	-	-
Repurchase agreements with banks	1,984.1	1,984.1	750.7	953.2	63.9	216.3	-	-
Repurchase agreements with customers	3,133.7	3,132.9	42.5	2,796.6	293.0	0.8	-	-
Debt securities in issue	1,851.6	1,920.4	-	738.3	335.7	429.8	406.0	10.6
Short positions <sup>1</sup>	3,072.9	2,796.5	795.8	1,969.1	30.3	1.3	-	-
Derivative liabilities <sup>2</sup>	6,481.2	6,481.2	-	25.1	43.0	129.5	2,566.9	3,716.7
Trade payables	215.2	215.2	-	215.2	-	-	-	-
Accruals and deferred income <sup>3</sup>	73.2	74.4	-	71.4	1.1	0.4	1.3	0.2
Subordinated liabilities	45.2	48.3	-	0.2	0.2	0.4	47.5	-
	<b>17,371.2</b>	<b>17,167.1</b>	<b>1,589.0</b>	<b>7,033.9</b>	<b>991.9</b>	<b>803.1</b>	<b>3,021.7</b>	<b>3,727.5</b>

#### Company (Audited)

2022	Carrying Amount £ millions	Contractual Amount £ millions	Repayable on demand £ millions	Less than three months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions
<b>Financial liabilities:</b>								
Deposits by banks	1,153.3	1,153.3	22.8	871.4	235.6	23.5	-	-
Customer accounts	295.7	295.7	-	295.7	-	-	-	-
Repurchase agreements with banks	1,775.5	1,775.5	386.5	697.7	139.8	341.6	209.9	-
Repurchase agreements with customers	5,900.9	5,905.8	33.2	5,229.2	419.0	224.4	-	-
Debt securities in issue	1,760.1	1,769.0	-	424.1	345.4	249.6	740.4	9.5
Short positions <sup>1</sup>	3,383.6	3,383.5	813.9	2,557.8	7.7	4.1	-	-
Derivative liabilities <sup>2</sup>	6,422.7	6,422.7	-	15.7	58.8	174.1	1,960.9	4,213.2
Trade payables	446.3	446.3	-	446.3	-	-	-	-
Accruals and deferred income <sup>3</sup>	45.7	63.3	-	41.8	4.1	4.8	1.3	11.3
	<b>21,183.8</b>	<b>21,215.1</b>	<b>1,256.4</b>	<b>10,579.7</b>	<b>1,210.4</b>	<b>1,022.1</b>	<b>2,912.5</b>	<b>4,234.0</b>



## 7. Liquidity Risk (Continued)

### Residual Contractual Maturity of Financial Liabilities (Continued)

#### Company (Audited)

2021	Carrying Amount £ millions	Contractual Amount £ millions	Repayable on demand £ millions	Less than three months £ millions	3-6 months £ millions	6-12 months £ millions	1-5 years £ millions	Over 5 years £ millions
<b>Financial liabilities:</b>								
Deposits by banks	285.5	285.5	-	36.2	224.7	24.6	-	-
Customer accounts	228.6	228.6	-	228.6	-	-	-	-
Repurchase agreements with banks	1,984.1	1,984.1	750.7	953.2	63.9	216.3	-	-
Repurchase agreements with customers	3,133.7	3,132.9	42.5	2,796.6	293.0	0.8	-	-
Debt securities in issue	1,851.6	1,920.4	-	738.3	335.7	429.8	406.0	10.6
Short positions <sup>1</sup>	3,072.9	2,796.5	795.8	1,969.1	30.3	1.3	-	-
Derivative liabilities <sup>2</sup>	6,481.2	6,481.2	-	25.1	43.0	129.5	2,566.9	3,716.7
Trade payables	216.6	216.6	-	216.6	-	-	-	-
Accruals and deferred income <sup>3</sup>	75.7	76.9	-	73.9	1.1	0.4	1.3	0.2
Subordinated liabilities	45.2	48.3	-	0.2	0.2	0.4	47.5	-
	<b>17,375.1</b>	<b>17,171.0</b>	<b>1,589.0</b>	<b>7,037.8</b>	<b>991.9</b>	<b>803.1</b>	<b>3,021.7</b>	<b>3,727.5</b>

#### Explanatory notes on residual contractual maturity of financial liabilities

- Short trading positions: Short trading positions principally comprise short trading positions in debt securities. The contractual maturity of short trading positions has been presented based upon the maturity of the related reverse repurchase contracts through which the Group has borrowed securities to facilitate the trading short trading positions.*
- Derivative liabilities: The contractual maturity of derivative liabilities has been represented based on the varying value of the derivatives (net present value) rather than based on the contractual future cash flows.*
- Accruals and deferred income: Included within accruals and deferred income are fees and other coupon related payables. In addition, negative future interest on repurchase agreements are included under contractual amount to the extent of £4.2m for both Group and Company.*

## 8. Regulatory Capital Management

The primary objectives of the Group's capital management process is to ensure that the regulated Group entities comply with all externally imposed capital requirements and maintain a strong capital position in order to support the Group's business.

The Group maintains an effectively managed capital base to cover risks inherent in the business. The Capital Requirements Directive and the Capital Requirements Regulation, jointly CRD V are the relevant supervisory statements on the prudential requirements for credit institutions and investment firms within the EU, and have been transposed into UK law following the UK's departure from the EU. Accordingly

the Group's capital adequacy is monitored under the requirements of CRD V as implemented by the PRA.

The Group also performs regular capital projections that include scenario analysis, which are reviewed by the senior management of the Group and are consistent with requirements under Basel Pillar II.

The methodology used by the Group for calculating capital is based upon CRD IV Standardised Approach requirements for market, credit, settlement, credit valuation adjustment and counterparty risk and the Basic Indicator Approach for Operational Risk. The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The Group's regulatory capital is analysed below:

	2022 £ millions	2021 £ millions
Tier 1 Capital	640.8	675.3
Tier 2 Capital	-	36.0
<b>Total capital resources</b>	<b>640.8</b>	<b>711.3</b>

Regulatory capital consists solely of Tier 1 capital as of 31 March 2022. 2022 Tier 1 comprises share capital, share premium, retained earnings, current year profit and adjustments as required under the Capital Requirement Regulations. The Group's Tier 2 subordinated loan facility was repaid during the year.

The Group has complied with all regulatory requirements throughout the year.

## 9. Special Purpose Companies

### Control Environment

The Group may enter into transactions with customers in the ordinary course of business which involve the establishment of special purpose companies.

Where the transactions involve the use of special purpose companies arranged by the Group, these special purpose companies are authorised upon establishment to ensure appropriate purpose and governance. The activities of the special purpose companies sponsored or administered by the Group are closely monitored by senior management. The Group's involvement with the most significant types of special purpose companies and related transactions is described below.

### Structured Credit Intermediation Transactions

The Group has used special purpose companies to intermediate structured credit transactions. The Group or its related company enter into derivative transactions with these special purpose companies. Such special purpose companies were arranged by the Group.

The Group has used special purpose companies to provide structured credit transactions to third parties who wish to obtain exposure to reference specific securities/asset classes. The third parties obtain the risks and rewards of the reference assets through the notes issued by these special purpose companies.

Consolidation assessments have been carried out with respect to all such special purpose companies. The Group does not treat any of these companies as subsidiaries.



The Mizuho logo is displayed in a large, bold, gold-colored font. Below the letters, there is a thick, gold-colored curved line that tapers at both ends, resembling a stylized wave or a bridge.

## Statement of Directors' Responsibilities

## Statement of Directors' Responsibilities

The Directors are responsible for preparing the Annual Report and the financial statements in accordance with applicable United Kingdom law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with the Financial Reporting Standard FRS 102 applicable in the United Kingdom and Republic of Ireland. Under Company law, the Directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Group and the Company and of the profit or loss of the Group and the Company for that period.

In preparing these financial statements, the Directors are required to:

- Select suitable accounting policies in accordance with Section 10 of FRS 102 and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- Present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- Provide additional disclosures when compliance with the specific requirements in FRS 102 is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Group and Company financial position and financial performance;
- State whether applicable UK Accounting Standards, including FRS 102 have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company and the Group will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Group's and Company's transactions and disclose with reasonable accuracy at any time the financial position of the Group and the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Group and the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Under applicable law and regulations, the directors are also responsible for preparing a strategic report and directors' report that comply with that law and those regulations. The directors are responsible for the maintenance and integrity of the corporate and financial information included on the Company's website.





# Independent Auditor's Report to the Members of Mizuho International plc

## Opinion

In our opinion:

- Mizuho International plc's group financial statements and company financial statements (the "financial statements") give a true and fair view of the state of the Group's and of the Company's affairs as at 31 March 2022 and of the Group's loss for the year then ended;
- the group financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice;
- the company financial statements have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- the financial statements have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements of Mizuho International plc (the 'Company') and its subsidiary (the 'Group') for the year ended 31 March 2022 which comprise:

Group	Company
Consolidated Statement of Financial Position as at 31 March 2022	Company Statement of Financial Position as at 31 March 2022
Consolidated Statement of Comprehensive income for the year then ended	Company Statement of Changes in Equity for the year then ended
Consolidated Statement of Changes in Equity for the year then ended	Related notes 1 to 34 to the financial statements including a summary of significant accounting policies
Consolidated Statement of Cash Flows for the year then ended	Information added in the Risk and management framework within Risk Review section identified as 'audited' from pages 52 to 71
Related notes 1 to 34 to the financial statements, including a summary of significant accounting policies	
Information added in the Risk and management framework within the Risk Review section identified as 'audited' from pages 52 to 71	

The financial reporting framework that has been applied in the preparation of the financial statements is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice), including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland."

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Group and Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard as applied to public interest entities, and we have fulfilled our other ethical responsibilities in accordance with these requirements.



We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Our evaluation of the directors' assessment of the Group and Company's ability to continue to adopt the going concern basis of accounting included:

- We confirmed our understanding of management's Going Concern assessment process and enquired with management to assess the key factors that were considered in their assessment;
- We evaluated management's going concern assessment which included reviewing their evaluation of business and strategic plans, cash forecast, capital adequacy, liquidity and funding positions. It assessed these positions against internal stress tests which included consideration of principal and emerging risks. The Group's risk profile and risk management practices were considered including credit risk, market risk, compliance and conduct risk, and operational risk;
- We evaluated management's assessment by considering future business performance under different scenarios including the impact of the Group's strategic plans. We also considered other commitments of the Group, including those in respect of its subsidiary. We audited the assumptions underlying the future projections to supporting documentation and, stress tested the different scenario analyses included in management's assessment. This assessment covered a period of twelve months from the date the financial statements were authorised for issue; and,
- We assessed the Group's going concern disclosures included in the annual report in order to assess that the disclosures were appropriate and in conformity with the reporting standards.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Group and Company's ability to continue as a going concern for a period of twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the directors with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Group's ability to continue as a going concern.

## An Overview of the Scope of the Company and Group Audits

### Tailoring the Scope

Our assessment of audit risk, our evaluation of materiality and our allocation of performance materiality determine our audit scope for each company within the Group. Taken together, this enables us to form an opinion on the financial statements. We take into account size, risk profile, the organisation of the Group and effectiveness of group-wide controls and changes in the business environment and other factors such as recent internal audit results when assessing the level of work to be performed at each company. All audit work performed for the purposes of the audit was undertaken by the group audit team.

### Climate Change

There has been increasing interest from stakeholders as to how climate change will impact the financial industry in which the Group is a participant. The Group has determined that the most significant future impacts from climate change on their operations will be from physical and transition risks. These are explained on pages 48 - 51 - Climate Risk and on page 45 - the Principal Risks and Uncertainties within the Risk Review section, which form part of the 'Other Information' rather than the audited financial statements. Our procedures on these disclosures therefore consisted solely of considering whether they are materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appear to be materially misstated.

As explained in the ESG framework of the Annual Report, the Group's approach to managing climate risk will continue to mature over time, in line with evolving industry capabilities, market practice, new standards, and regulatory requirements. With time, the approach will also evolve to cover other ESG risks, beyond those arising from climate change.

Our audit effort in considering climate change was focused on ensuring that the effects of climate risks disclosed have been appropriately reflected by management in determining that the impact on the financial statements would be low.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and, directing the efforts of the engagement team. These matters were addressed in the context of our audit of the financial statements as a whole, and in our opinion thereon, and we do not provide a separate opinion on these matters.

Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of two components under full scope and specific scope.</li> <li>• The components where we performed full or specific audit procedures accounted for 100% of Profit before tax, 100% of Revenue and 100% of Total assets.</li> </ul>
Key audit matters	<ul style="list-style-type: none"> <li>• The risk of management override of controls.</li> <li>• The risk of inappropriate valuation of fair value positions.</li> </ul>
Materiality	<ul style="list-style-type: none"> <li>• Overall Group materiality of £6.7m which represents 1% of the Company's equity (see 'Our application of materiality' section below).</li> </ul>



## Key Audit Matters (Continued)

<p><b>The risk of management override of controls</b></p> <p><i>For the year ended 31 March 2022, the Group reported net fees and commissions of £84.3m (2021:£82.9m), and dealing profits of £77.1m (2021: £183.1m) in the Consolidated Statement of Comprehensive Income. The risk associated to the fees and commissions in the Debt Capital Markets (DCM) and Equity Capital Markets (ECM) businesses is a subset of the total fees and commissions; and, the arrangement fees is a subset of dealing profits.</i></p> <p><i>During the financial year, the Group and the Company capitalised £22.2m (2021: £18.6m) of internally developed software as reported in note 16.</i></p> <p><i>At 31 March 2022, management provisions, excluding provisions for litigation and dilapidation provision were assessed to be immaterial - refer to note 23.</i></p> <p>Management have certain metrics (e.g. revenue, costs, profit, cost to income ratio) to achieve in order to meet targets and as such, could look to manipulate earnings using a variety of different methods. The specific risks outlined below are to better reflect the current state of the business, especially on account of the strong performance by MHI during the previous year and the losses incurred in the current year.</p> <p>The specific risks relate to:</p> <ul style="list-style-type: none"> <li>Revenue recognition. There is a risk that management inflates income to meet revenue and profit targets, by posting manual top-side revenue adjustments. We associate this risk to arrangement fees, and fees and commissions in the Debt Capital Markets (DCM) and Equity Capital Markets (ECM) businesses.</li> <li>Inappropriate recognition of software development expenditure. There are a number of system enhancements required due to changing regulation, or commitments that the Group and the Company have agreed to. These system enhancements require management to exercise their judgment to determine whether the costs are eligible for capitalisation or whether the expense should be recognised.</li> <li>Booking of management provisions, excluding provisions for litigation and dilapidation provision. Management judgement with a higher degree of uncertainty is required to determine whether a present obligation exists and if a provision is therefore required at year end.</li> <li>Posting of manual topside journal entries. Management can manipulate the recording of journals, including the period in which they are posted.</li> </ul>	<p><b>Our response to the risk</b></p> <p>Our walkthrough and tests of controls procedures included:</p> <ul style="list-style-type: none"> <li>Performing walkthroughs and testing the design and operating effectiveness of key controls over revenue recognition as well as controls related top-side adjustments. We concluded to take a controls reliance approach.</li> <li>Performing walkthroughs and testing the design and operating effectiveness of key controls over the software capitalisation process. We concluded to take a controls reliance approach.</li> <li>Performing walkthroughs and assessing the design of key controls over the processes undertaken to assess the booking of management provisions and manual topside journals. We concluded we would take a fully substantive approach.</li> </ul> <p>Our substantive testing procedures included:</p> <ul style="list-style-type: none"> <li>We have evaluated relevant top-side revenue adjustments including revenue recorded post year-end.</li> <li>We have evaluated the costs that are eligible for capitalisation for the extended sample of capitalised expenditure.</li> <li>To address risk arising from manual journal entries, we undertook risk assessed journal entry testing on general ledger journals, and on other adjustments made in the preparation of the financial statements.</li> <li>We used our analytical tool to analyse the general ledger information and identify journal entries with characteristics which may be indicative of fraudulent activity and determined from the complete population a sample to substantively test.</li> <li>We also considered whether any transactions could be considered significant or unusual.</li> </ul>	<p><b>Key observations communicated to the Audit Committee</b></p> <p>We undertook our mandatory audit procedures which address the risk of material misstatement due to fraud and error, and management override of controls.</p> <p>Our enquiries of management and those charged with governance, and our general audit procedures did not identify anything to indicate fraudulent activity, or to be a matter for concern.</p> <ul style="list-style-type: none"> <li>Our testing of top side revenue adjustments did not identify any misstatements during the current year.</li> <li>We assessed that capitalisation criteria for software development expenses are met and the activities such as the design, construction and testing of a chosen alternative for new or improved processes, systems or services were appropriately capitalised.</li> <li>Our testing of management provisions did not identify any overstatement of provisions during the current year.</li> <li>Our testing identified no material unsubstantiated or unapproved journal entries. We also did not identify any significant or unusual transactions in the current year.</li> </ul> <p>Our testing identified no manual topside journal entries from the sample selected as being inappropriately assessed by management and posted in the incorrect period.</p>	<p><b>The risk of inappropriate valuation of the fair value positions</b></p> <p><i>At 31 March 2022, the Group reported financial assets measured at fair value of £20,457.2m (2021: £17,180.4m), and financial liabilities measured at fair value of £17,527.8m (2021: £14,685.5m), as reported in the fair value hierarchy in note 30.B of the financial statements.</i></p> <p>The process for fair valuing positions is a significant area of audit effort. We assessed that there was a risk of inappropriate valuation of positions held at fair value by MHI, which primarily arose due to the risk of the improper or inaccurate valuation or measurement of positions with estimation uncertainty, with a heightened focus on higher estimation uncertainty (HEU). We have defined HEU products as those where pricing inputs are not readily observable, valuation inputs are unobservable and model-valued positions where the models are complex or have a high degree of subjectivity.</p>	<p><b>Our response to the risk</b></p> <p>Our testing strategy in relation to the fair value positions focused on a combination of walkthroughs; tests of controls, and substantive testing procedures. We concluded to take a controls reliance approach.</p> <p>Our walkthrough and tests of controls procedures included:</p> <ul style="list-style-type: none"> <li>Performing walkthroughs around the Independent Price Verification (IPV) process and the process around model validation.</li> <li>Testing the design and operating effectiveness of key controls around IPV and model validation.</li> </ul> <p>Our substantive testing procedures included:</p> <ul style="list-style-type: none"> <li>Utilising EY valuation specialists to value a sample of repurchase/reverse repurchase agreements and derivatives using independent pricing inputs as at an interim date of 31 December 2021 and as at 31 March 2022; and, valuing the population of securities using independent pricing inputs as at 31 March 2022.</li> <li>Assessing balance movements between the interim date as at 31 December 2021 and 31 March 2022.</li> </ul> <p>Conducting management enquiries and inspection of valuation committee minutes to assess that valuations outside of IPV thresholds were being monitored and variances were being appropriately addressed.</p>	<p><b>Key observations communicated to the Audit Committee</b></p> <ul style="list-style-type: none"> <li>Based on our procedures over the control environment, we have not identified control deficiencies around the IPV and model validation processes.</li> <li>Our substantive testing procedures and the independent revaluation procedures performed by EY valuation specialists have not identified material misstatements in the trading portfolio held at fair value.</li> </ul> <p>No material valuation variances were raised at year end. We have made management enquiries and reviewed valuation committee minutes noting that any valuation variances outside of IPV thresholds were closely monitored with adjustments made as necessary.</p>
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## Our Application of Materiality

We apply the concept of materiality in planning and performing the audit, in evaluating the effect of identified misstatements on the audit and in forming our audit opinion.

### Materiality

The magnitude of an omission or misstatement that, individually or in the aggregate, could reasonably be expected to influence the economic decisions of the users of the financial statements. Materiality provides a basis for determining the nature and extent of our audit procedures.

We determined materiality for the purposes of our audit of the financial statements of the Group and Company to be £6.7 million (2021: £7.3 million), which is 1% (2021: 1 %) of the Company's equity.

We determined our materiality based on equity as the firm has not had sustained profitability historically. Our expectation is that the main users of the financial statements, such as the Prudential Regulation Authority and the immediate and ultimate controlling party, view capital preservation as a key consideration. An equity basis of materiality was used similar to the previous year. In addition, we have used the same percentage to determine materiality as the prior year.

We set materiality during the planning phase of our audit using the 30 June 2021 Group equity position. During the course of our audit we reassessed the initial materiality periodically, revising our final materiality to the Company's equity as of 31 March 2022, being the lower of the Company's equity and the Group's equity.

### Performance Materiality

The application of materiality at the individual account or balance level. It is set at an amount to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds materiality.

On the basis of our risk assessments, together with our assessment of the Group's overall control environment, our judgement was that performance materiality was 75% (2021: 75%) of our planning materiality, namely £5.0m (2021: £5.5m). We have amended our set performance materiality as part of our risk assessment of the Group and Company based on a number of different risk factors.

As noted above, all audit work performed for the purposes of the audit of the financial statements was undertaken by the group audit team. The Company and its subsidiary have been designated as full scope and specific scope respectively, with procedures completed using the Company's materiality.

### Reporting Threshold

An amount below which identified misstatements are considered as being clearly trivial.

We agreed with the Audit and Compliance Committee that we would report to them all uncorrected audit differences in excess of £335k (2021: £369k), which is set at 5% of planning materiality, as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds.

We evaluate any uncorrected misstatements against both the quantitative measures of materiality discussed above and in light of other relevant qualitative considerations in forming our opinion.

## Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The directors are responsible for the other information.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

### Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the directors' report have been prepared in accordance with applicable legal requirements.

### Matters on Which We Are Required to Report by Exception

In the light of the knowledge and understanding of the Group and the Company and its environment obtained in the course of the audit, we have not identified material misstatements in the strategic report or the directors' report.

We have nothing to report in respect of the following matters in relation to which the Companies Act 2006 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept by the Company, or returns adequate for our audit have not been received from branches not visited by us; or
- the Company financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

### Responsibilities of Directors

As explained more fully in the directors' responsibilities statement set out on page 73, the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the directors are responsible for assessing the Group and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

### Explanation as to What Extent the Audit Was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the Group and management.

- We obtained an understanding of the legal and regulatory frameworks that are applicable to the Group and Company and determined that the most significant are the regulations, license conditions and supervisory requirements of the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), the Companies Act 2006, UK Tax Legislation, the Financial Services and Markets Act 2000 and the Financial Services Act 2012. Further, by being part of the larger Mizuho Financial Group, the Group and the Company are directly impacted by the rules of the US Securities and Exchange Commission and the Japanese Financial Services Authority. The Group is also subject to the rules of various exchanges it transacts on, and the International Capital Market Association.
- We understood how the Group and Company are complying with those frameworks through enquiring of management, internal audit, Sarbanes Oxley (SOX) Project Management Office and those responsible for legal and compliance matters. We also performed an inspection of the Group's and the Company's regulatory correspondence, and minutes of the Board and various sub committees.
- We assessed the susceptibility of the Group's and Company's financial statements to material misstatement, including how fraud might occur by considering the controls that the Group and the Company have established to address risks identified by the Group, or that otherwise seek to prevent, deter, or detect fraud.
- Based on this understanding we designed our audit procedures to identify non-compliance with such laws and regulations. Our procedures involved directly testing controls implemented at the entity level, such as the regular review, maintenance and communication of conduct policies, and the monitoring of compliance by staff of such policies. Further, we tested controls at the individual transaction level which addressed appropriate approval and oversight of the Group's and the Company's activities. We performed journal entry testing, which targeted transactions or postings that have certain characteristics which could be indicative of fraudulent activity, and substantively tested the appropriateness of the posting. We have raised a key audit matter in relation to the risk of management override of controls which we considered to be an area of heightened financial statement fraud risk and audit focus. Through these procedures, we are not aware of any significant matters involving actual or suspected non-compliance with laws and regulations.
- The Group and the Company operate in the banking industry which is a highly regulated environment. The primary scope of its regulated activities is the sale and trading of securities and derivatives, and investment banking activities. As such, the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities to identify or recognise non-compliance with laws and regulations, which included the use of specialists where appropriate.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council's website at <https://www.frc.org.uk/auditorsresponsibilities>. This description forms part of our auditor's report.

### Other Matters We Are Required to Address

- We were re-appointed by the Company on 19 February 2021 to audit the financial statements for the year ending 31 March 2021 and subsequent financial periods. The period of total uninterrupted engagement including previous renewals and reappointments is 17 years, covering the years ending 31 March 2006 to 31 March 2022.
- The non-audit services prohibited by the FRC's Ethical Standard were not provided to the Group or the Company and we remain independent of the Group and the Company in conducting the audit. The audit opinion is consistent with the additional report to the Audit and Compliance Committee.

### Use of our Report

This report is made solely to the Company's members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's members as a body, for our audit work, for this report, or for the opinions we have formed.

Peter Wallace (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London

June 2022

# Financial Statements for the Year Ended 31 March 2022



## Consolidated Statement of Comprehensive Income for the Year Ended 31 March 2022

	Note	2022 £ millions	2021 £ millions
Interest receivable		7.5	4.0
Interest payable		(4.0)	(5.4)
<b>Net interest receivable/(payable)</b>		<b>3.5</b>	<b>(1.4)</b>
Fees and commissions receivable	5	175.6	182.4
Fees and commissions payable	5	(91.3)	(99.5)
<b>Net fees and commissions</b>		<b>84.3</b>	<b>82.9</b>
Dealing profit	6	77.1	183.1
Other operating income	7	1.4	0.5
<b>Net income from operations</b>		<b>166.3</b>	<b>265.1</b>
Administrative expenses	8	(178.5)	(192.0)
Depreciation and amortisation	16, 17	(25.4)	(29.5)
Provisions for contingent liabilities and commitments	23	-	0.2
<b>Operating expenses</b>		<b>(203.9)</b>	<b>(221.3)</b>
<b>(Loss)/profit on ordinary activities before taxation</b>		<b>(37.6)</b>	<b>43.8</b>
Tax credit/(charge) on (loss)/profit on ordinary activities	9	8.8	(1.0)
<b>(Loss)/profit for the year</b>		<b>(28.8)</b>	<b>42.8</b>
<b>Other comprehensive income/(loss)</b>			
(Loss)/profit for the financial year		(28.8)	42.8
Re-measurement losses from defined benefit scheme	25	(0.3)	-
FX translation losses relating to net investment in subsidiary		(0.1)	(0.4)
<b>Total (loss)/profit recognised before tax</b>		<b>(29.2)</b>	<b>42.4</b>
Deferred Tax		-	-
<b>Total comprehensive (loss)/income</b>		<b>(29.2)</b>	<b>42.4</b>

All of the activities of the Group are classified as continuing.

The Company has taken the exemption from preparing a Statement of Comprehensive Income under Section 408 of the Companies Act 2006.



## Consolidated Statement of Financial Position as at 31 March 2022

Registered number: 1203696	Note	2022 £ millions	2021 £ millions
<b>Assets</b>			
Cash and balances at central banks		481.0	227.5
Loans and advances to banks	11	77.8	110.0
Reverse repurchase agreements with banks		3,854.3	2,107.5
Reverse repurchase agreements with customers		5,417.0	4,288.6
Debt and other fixed income securities	12	4,772.0	4,261.9
Equity shares	13	3.5	1.8
Derivative assets	14	6,443.1	6,513.8
Shares in group undertakings	15	8.1	6.8
Intangible assets	16	66.2	63.2
Tangible fixed assets	17	29.0	27.0
Other assets	18	832.2	517.6
Prepayments and accrued income		74.7	82.7
<b>Total Assets</b>		<b>22,058.9</b>	<b>18,208.4</b>
<b>Liabilities</b>			
Deposits by banks	19	1,153.3	285.5
Customer accounts	19	295.7	228.6
Repurchase agreements with banks		1,775.5	1,984.1
Repurchase agreements with customers		5,799.8	3,133.7
Debt securities in issue	20	1,760.1	1,851.6
Short trading positions	21	3,560.9	3,072.9
Derivative liabilities	14	6,422.7	6,481.2
Other liabilities	22	452.1	225.3
Accruals and deferred income		123.3	155.4
Provisions for liabilities	23	3.1	3.3
Subordinated liabilities	24	-	45.2
<b>Total Liabilities</b>		<b>21,346.5</b>	<b>17,466.8</b>
<b>Equity</b>			
Called up share capital	27	709.9	709.9
Share premium account		15.6	15.6
Pension reserve		(6.2)	(5.9)
Other reserves		(0.5)	(0.4)
Profit and loss account		(6.4)	22.4
<b>Total Equity</b>		<b>712.4</b>	<b>741.6</b>
<b>Total Liabilities and Equity</b>		<b>22,058.9</b>	<b>18,208.4</b>

Approved and authorised for issue by the Board of Directors on and signed on its behalf by

Suneel Bakhshi  
President and Chief Executive Officer  
17 June 2022

## Company Statement of Financial Position as at 31 March 2022

Registered number: 1203696	Note	2022 £ millions	2021 £ millions
<b>Assets</b>			
Cash and balances at central banks		481.0	227.5
Loans and advances to banks	11	55.4	89.4
Loans and advances to customers	11	147.4	20.2
Reverse repurchase agreements with banks		3,854.3	2,107.5
Reverse repurchase agreements with customers		5,478.7	4,288.6
Debt and other fixed income securities	12	4,465.2	4,218.5
Equity shares	13	3.5	1.8
Derivative assets	14	6,443.5	6,513.8
Shares in group undertakings	15	41.2	40.6
Intangible assets	16	66.2	63.2
Tangible fixed assets	17	28.1	25.9
Other assets	18	830.4	513.3
Prepayments and accrued income		76.5	91.4
<b>Total Assets</b>		<b>21,971.4</b>	<b>18,201.7</b>
<b>Liabilities</b>			
Deposits by banks	19	1,153.3	285.5
Customer accounts	19	295.7	228.6
Repurchase agreements with banks		1,775.5	1,984.1
Repurchase agreements with customers		5,900.9	3,133.7
Debt securities in issue	20	1,760.1	1,851.6
Short trading positions	21	3,383.6	3,072.9
Derivative liabilities	14	6,422.7	6,481.2
Other liabilities	22	452.2	225.8
Accruals and deferred income		119.4	153.0
Provisions for liabilities	23	2.9	3.2
Subordinated liabilities	24	-	45.2
<b>Total Liabilities</b>		<b>21,266.3</b>	<b>17,464.8</b>
<b>Equity</b>			
Called up share capital	27	709.9	709.9
Share premium account		15.6	15.6
Pension reserve		(6.2)	(5.9)
Profit and loss account		(14.2)	17.3
<b>Total Equity</b>		<b>705.1</b>	<b>736.9</b>
<b>Total Liabilities and Equity</b>		<b>21,971.4</b>	<b>18,201.7</b>

The Company's loss after taxation for the year ended 31 March 2022 was £31.5 million (2021: £39.0 million profit after taxation).

Approved and authorised for issue by the Board of Directors on and signed on its behalf by

Suneel Bakhshi  
President and Chief Executive Officer  
17 June 2022

## Consolidated Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ millions	Share premium account £ millions	Pension Reserve £ millions	Other reserves <sup>1</sup> £ millions	Profit and loss account £ millions	Total equity £ millions
At 1 April 2020	709.9	15.6	(5.9)	-	(20.4)	699.2
Profit for the year	-	-	-	-	42.8	42.8
Other comprehensive income/(loss)	-	-	-	(0.4)	-	(0.4)
At 31 March 2021	<u>709.9</u>	<u>15.6</u>	<u>(5.9)</u>	<u>(0.4)</u>	<u>22.4</u>	<u>741.6</u>
At 1 April 2021	<b>709.9</b>	<b>15.6</b>	<b>(5.9)</b>	<b>(0.4)</b>	<b>22.4</b>	<b>741.6</b>
Loss for the year	-	-	-	-	(28.8)	(28.8)
Other comprehensive income/(loss)	-	-	(0.3)	(0.1)	-	(0.4)
At 31 March 2022	<u>709.9</u>	<u>15.6</u>	<u>(6.2)</u>	<u>(0.5)</u>	<u>(6.4)</u>	<u>712.4</u>

### Explanatory note to the Statement of Changes in Equity

1. Other reserves consists of currency translation reserve balance representing the cumulative gains and losses on the retranslation of the Group's net investment in foreign operations, net of hedging impact.

## Company Statement of Changes in Equity for the Year Ended 31 March 2022

	Share capital £ millions	Share premium account £ millions	Pension Reserve £ millions	Profit and loss account £ millions	Total equity £ millions
At 1 April 2020	709.9	15.6	(5.9)	(21.7)	697.9
Profit for the year	-	-	-	39.0	39.0
Other comprehensive income/(loss)	-	-	-	-	-
At 31 March 2021	<u>709.9</u>	<u>15.6</u>	<u>(5.9)</u>	<u>17.3</u>	<u>736.9</u>
At 1 April 2021	<b>709.9</b>	<b>15.6</b>	<b>(5.9)</b>	<b>17.3</b>	<b>736.9</b>
Loss for the year	-	-	-	(31.5)	(31.5)
Other comprehensive income/(loss)	-	-	(0.3)	-	(0.3)
At 31 March 2022	<u>709.9</u>	<u>15.6</u>	<u>(6.2)</u>	<u>(14.2)</u>	<u>705.1</u>

## Consolidated Statement of Cash Flows for the Year Ended 31 March 2022

	Note	2022 £ millions	2021 £ millions
<b>Operating activities</b>			
(Loss)/profit before tax		(37.6)	43.8
Adjusted for:			
Non-cash items included in profit/(loss) before tax	29	12.6	23.3
Provision for liabilities		(0.2)	(0.4)
Movement in Other Comprehensive Income		(0.4)	(0.5)
(Loss)/profit before tax net of non-cash items		<u>(25.6)</u>	66.2
Change in operating assets	29	(3,613.0)	6,374.7
Change in operating liabilities	29	<u>4,012.7</u>	<u>(6,952.2)</u>
(Loss)/profit before tax net of working capital movements		<b>374.1</b>	(511.3)
Net interest received on financial instruments		14.4	16.4
Net interest paid on loans and advances to banks		(0.2)	(1.3)
Tax (paid)/received		<u>(3.4)</u>	10.5
<b>Net cash flows from/(used in) operating activities</b>		<u><b>384.9</b></u>	<u>(485.7)</u>
<b>Investing activities</b>			
Net investment in shares in group undertakings		(2.0)	(0.1)
Dividends from investment in shares in group undertakings		0.7	0.4
Purchase of intangible assets		(25.3)	(21.8)
Purchase of tangible assets		<u>(6.4)</u>	<u>(3.6)</u>
<b>Net cash flows used in investing activities</b>		<u><b>(33.0)</b></u>	<u>(25.1)</u>
<b>Financing activities</b>			
Net (repayment)/proceeds from debt securities in issue		(87.8)	75.6
Net repayment of subordinated liabilities		<u>(45.0)</u>	-
<b>Net cash flows (used in)/from financing activities</b>		<u><b>(132.8)</b></u>	<u>75.6</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>219.1</b>	(435.2)
Effects of exchange rates on cash and cash equivalents		2.2	(6.6)
Cash and cash equivalents at beginning of the period		<u>337.5</u>	<u>779.3</u>
<b>Cash and cash equivalents at the end of the period</b>	29	<u><b>558.8</b></u>	<u>337.5</u>

The Company has taken the FRS102.1.12(b) exemption from preparing a Statement of Cash Flows.



# Notes to the Consolidated and Company Financial Statements



## 1. Basis of Preparation

Mizuho International plc is a public limited company incorporated in the United Kingdom and registered in England and Wales. The Registered Office is 30 Old Bailey, London, EC4M 7AU.

The Group's and the Company's financial statements have been prepared in compliance with Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') and in accordance with the provisions relating to Banking Companies and Schedule 2 of the Companies Act 2006.

Risk related disclosures which are required under the applicable Financial Reporting Standard, along with Regulatory Capital information, have been included within the Risk Review section on pages 52 to 71.

### Accounting Policies

The accounting policies that are significant in the context of the Group's financial statements are described in Note 3. The accounting policies adopted by the Group in the preparation of the financial statements are consistent with those in the previous year. "Group" refers to the Group and the Company in the accounting policies that follow.

### Basis of Measurement

The financial statements have been prepared under the historical cost convention, as modified for derivative financial instruments, financial assets and liabilities at fair value through profit and loss, which are measured at fair value.

### Going Concern

In preparing the Group and Company financial statements, the Directors must satisfy themselves that it is reasonable for them to adopt the going concern basis. The Group's Directors, having given due consideration to various factors, including the Group's principal risks, forecasts and business plans, which incorporate an assessment of both internal and regulatory capital adequacy and its sensitivity to various stress scenarios, believe that there are no material uncertainties that may cast significant doubt upon the Group's ability to

continue as a going concern. Management continues to monitor the impact that the Russia-Ukraine conflict and the after-effects of the COVID-19 pandemic have on the Group, the industry and the economies in which the Group operates. Despite these market disruptions, the Group's commitment and aspiration has not changed. The Group's strategy going forward is focused on the diversification of revenue in the GMK business and a further growth in GIB through the creation of an EMEA CIB model through greater integration and collaboration with Mizuho Bank, London branch, and a continued focus on rationalisation of the cost structure to achieve a lean operating model. Accordingly, the Directors believe the preparation of the financial statements on a going concern basis remains appropriate, as the Group expects to be able to meet its obligations as and when they fall due for a period of 12 months from the date of approval of the Financial Statements.

### Presentation Currency

The financial statements are presented in Sterling which is the Group's presentation currency and the financial information is presented in £ millions and has been rounded to the nearest £100,000 unless otherwise indicated.

### Segmental Analysis

Segmental analysis of income and net assets has not been prepared as the Group has only one class of business, being investment banking, operates in a global market which is not defined by geographical bounds, and transacts in a homogenous set of products and services across a consistent client base. The Group does not operate in countries or groups of countries which could provide useful information by being segmented based on stability of regime, exchange control regulations, or exchange rate fluctuations.

## 2. Basis of Consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 March 2022. The Group consolidates a subsidiary when it controls it. Control is the power to govern the financial and operating policies of a subsidiary so as to obtain benefits from its activities.



## 2. Basis of Consolidation (Continued)

Control is presumed to exist when the parent owns, directly or indirectly through subsidiaries, more than half of the voting power of an entity. The presumption may be overcome in exceptional circumstances if it can be clearly demonstrated that such ownership does not constitute control. Control also exists when the parent owns half or less of the voting power of an entity but it has:

- power over more than half of the voting rights by virtue of an agreement with other investors;
- power to govern the financial and operating policies of the entity under a statute or an agreement;
- power to appoint or remove the majority of the members of the board of directors or equivalent governing body and control of the entity is by that board or body; or
- power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body

Profit or loss and each component of Other Comprehensive Income are attributed to the equity holders of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies. All intra-group assets, liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

## 3. Significant Accounting Policies

### A – Financial Instruments

The Group applies IAS 39: Financial Instruments for the recognition and measurement of financial instruments.

### Regular Way Purchase or Sale of Financial Assets (excluding derivatives)

A regular way purchase or sale is a purchase or sale of a financial asset under a contract whose terms require delivery of the asset within the time frame established generally by regulation or convention in the marketplace concerned.

For regular way purchases and sales, settlement date accounting is applied for the purposes of recognising and de-recognising financial assets.

### Recognition

Financial instruments are recognised when the Group becomes party to the contractual provisions of the relevant financial asset or financial liability. Financial instruments are initially recorded at fair value plus, in the case of financial instruments not measured at fair value through profit and loss, transaction costs that are directly attributable to the acquisition or issue of the financial instrument.

### De-recognition of Financial Assets

A financial asset is de-recognised when:

- The contractual rights to receive the cash flows from the asset expire; or
- The Group has transferred substantially all the risks and rewards of the financial asset; or
- The Group has neither transferred nor retained substantially all the risks and rewards of the financial asset but has transferred control of the financial asset.

Where the Group neither transfers nor retains substantially all of the risks and rewards of ownership of a transferred asset, and retains control of the transferred asset, the Group will account for its continuing involvement in the asset. Under this approach, the Group will continue to recognise the transferred asset to the extent of the continuing involvement in that asset and recognise an associated liability such that the net carrying value of the transferred asset and associated liability is equal to the fair value of the retained rights and obligations.

### De-recognition of Financial Liabilities

Financial liabilities are de-recognised when they have been extinguished as a result of the cancellation, discharge or expiry of the obligations specified in the contract.

### Offsetting

Financial assets and liabilities are set off and the net amount presented on the Statement of Financial Position when, and only when, the Group has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Income and expenses are presented on a net basis only when permitted by accounting standards, or where gains and losses arise from a group of similar transactions, such as the Group's trading activities.

### B – Trading Financial Instruments

Non-derivative financial instruments are classified as held for trading if they are acquired for the purpose of selling in the near term or are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Non-derivative trading financial instruments include reverse repurchase and repurchase agreements, trading debt, trading loans and trading equity securities. Subsequent to initial recognition, trading financial instruments are measured at fair value. Changes in fair value, and gains or losses realised on de-recognition, are recognised in the Statement of Comprehensive Income and reported under dealing profit.

### C – Derivative Financial Instruments

#### Trading Derivative Instruments

Subsequent to initial recognition, trading derivative instruments are measured at fair value and disclosed as financial assets when the fair value is positive and financial liabilities when the fair value is negative. Changes in fair value, and realised gains or losses, are recognised in the Statement of Comprehensive Income and reported under dealing profit.

#### Derivative Financial Instruments Held for Risk Management Purposes

Derivative financial instruments held for risk management purposes include swaps and other derivative financial instruments which are used to hedge the Group's debt securities in issue (see accounting policy D – Hedge accounting). These

instruments are measured and presented in the same manner as trading derivative instruments.

### Embedded Derivatives

Derivatives embedded within financial instruments that are not held for trading or designated at fair value through profit and loss are separated from their host contracts and accounted for as derivatives if the economic characteristics of the embedded derivative are not closely related to those of the host contract and if a separate instrument with the terms of the embedded derivative meets the definition of a derivative.

Embedded derivatives are separated from their host contracts and are measured and presented in the same manner as trading derivative instruments at fair value through profit and loss.

### D – Hedge Accounting

The Group uses derivative financial instruments and debt instruments to manage exposure to interest rate risk, credit risk, currency risk and price risk. The Group applies hedge accounting when a transaction meets the criteria necessary to obtain hedge accounting treatment.

A hedging relationship qualifies for hedge accounting if the following conditions are met:

- At inception, formal documentation is prepared to include:
  - Designation of the hedging relationship;
  - Identification of the hedging instrument and hedged item;
  - Nature of the risk being hedged; and
  - Description of how hedge effectiveness will be assessed.
- The hedge is expected to be highly effective (80 to 125%), and its effectiveness can be reliably measured; and
- The hedge is assessed for effectiveness on an ongoing basis.

The Group prospectively discontinues hedge accounting for a hedged relationship if:

- The hedging instrument expires or is sold, terminated or exercised;
- The hedge no longer meets the criteria for hedge accounting; or
- The Group revokes the designation.



## 3. Significant Accounting Policies (Continued)

### D - Hedge Accounting (Continued)

#### Fair Value Hedge

Hedge accounting is applied where a designated fair value hedging relationship exists between a derivative hedging instrument (see accounting policy C – derivative financial instruments held for risk management purposes) and a hedged financial liability. A fair value hedge of a financial liability represents a hedge against changes to the fair value of a liability that is attributable to a particular risk that could impact the Statement of Comprehensive Income.

The gain or loss from re-measuring the hedging instrument at fair value is recognised in the Statement of Comprehensive Income. The gain or loss on the hedged financial liability attributable to the hedged risk is recognised in the Statement of Comprehensive Income.

If hedge accounting is discontinued, for hedged financial liabilities recorded at amortised cost the fair value adjustment is amortised over the remaining term of the original hedge. If the hedged financial liability is de-recognised, the unamortised fair value adjustment is recognised immediately in the Statement of Comprehensive Income.

#### Net Investment Hedge

The Group's net investments in foreign operations, including monetary items as part of the net investment, are hedged for foreign currency risks using foreign currency borrowings. The effectiveness of the hedge is assessed on a monthly basis both prospectively and retrospectively. The effective portion of any gains or losses is recognised in Other Comprehensive Income and any ineffective portion is recognised in the Statement of Comprehensive Income. The cumulative gains or losses recognised in Other Comprehensive Income are recognised in the Statement of Comprehensive Income on full or partial disposal of the foreign operation, or other reductions in the Group's investment in foreign operation. Changes in the GBP value of net investments due to foreign currency movements are captured in the currency translation reserve and presented under Other Reserves within Equity.

### Impact of IBOR Reforms

In September 2019, the International Accounting Standards Board ("IASB") issued amendments to IFRS 9, IAS 39 and IFRS 7 standards under Phase 1 (which addresses pre-transition issues) of the IBOR reform project. The Financial Reporting Council ("FRC") similarly amended UK GAAP FRS 102 standard in December 2019. The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by the IBOR reform. Application of the reliefs has the effect of preventing hedging relationships from being discontinued as a direct result of IBOR reform. Furthermore, the amendments set out triggers for when the reliefs will end, which include the uncertainty arising from interest rate benchmark reform no longer being present. The amendments are effective for accounting periods beginning on or after 1 January 2020, with early adoption permitted. The Group has applied the Phase 1 amendments.

The amendments are applied retrospectively to all designated hedge relationships that were either in force as of the start of the reporting period or designated subsequently. In applying the amendments, the Group has made the following assumptions:

- The Group has assessed whether the hedged IBOR risk component is a separately identifiable risk only when it first designates a hedged item in a fair value hedge and not on an ongoing basis;
- In assessing whether the hedge is expected to be highly effective on a prospective basis, the Group has assumed that the IBOR interest rates upon which the hedged items and the hedging instruments are based, are not altered as a result of the IBOR reform; and
- The Group will not discontinue hedge accounting during the period of IBOR-related uncertainty solely because the retrospective effectiveness falls outside the required 80–125% range.

In August 2020, the IASB issued further amendments to IFRS 9, IAS 39 and IFRS 7 under Phase 2 of the IBOR reform project. The FRC similarly amended UK GAAP FRS 102 standard in December 2020. The Phase 2 amendments provide relief when changes are made to hedge relationships as a result of the interest rate benchmark reform. Under the relief, changes to the hedge designation and hedge documentation

due to the interest rate benchmark reform would not constitute the discontinuation of the hedge relationship nor the designation of a new hedging relationship. Furthermore, in respect of whether a risk component of a hedged item is separately identifiable, the amendments provide temporary relief to entities to meet this requirement when an alternative RFR financial instrument is designated as a risk component. These amendments allow the Group upon designation of the hedge to assume that the separately identifiable requirement is met if the Group reasonably expects the RFR risk will become separately identifiable within the next 24 months. The amendments are effective for accounting periods beginning on or after 1 January 2021, with early adoption permitted. The Group has applied the Phase 2 amendments in the current reporting period.

The Group's exposure risk management also includes the use of the Euro Interbank Offered Rate ("EURIBOR"). The calculation methodology of EURIBOR changed during 2019 and as a result, it is expected that EURIBOR will continue to exist as a benchmark rate for the foreseeable future. The Group therefore, does not consider its hedge relationships with EURIBOR as the hedged risk, to be directly affected by interest rate benchmark reform as at 31 March 2022.

### E – Financial Instruments Designated as at Fair Value Through Profit and Loss

The Group may designate financial assets and financial liabilities at fair value through profit and loss when either:

- The assets or liabilities are managed, evaluated and reported internally on a fair value basis in accordance with a documented risk management or investment strategy;
- The designation eliminates or significantly reduces an accounting mismatch which would otherwise arise; or
- The asset or liability contains an embedded derivative that significantly modifies the cash flows that would otherwise be required under the contract.

Fair value gains or losses, together with net interest income/expense, arising from financial instruments designated as at fair value through profit and loss are recognised in the Statement of Comprehensive Income account and reported under dealing profit. The amount of each class of financial asset or liability that has been designated at fair value through profit and loss is set out in Note 30.

### F – Equity Shares

The Group classifies equity shares at fair value through profit and loss. These are measured as described in accounting policy E.

### G – Loans and Advances

Subsequent to initial recognition, loans and advances are measured at amortised cost using the effective interest method (see Accounting Policy N) less impairment (see Accounting Policy M), with any resulting interest income taken to the Statement of Comprehensive Income.

### H – Repurchase and Reverse Repurchase Agreements

Securities sold under agreements to repurchase at a specified future date (repurchase agreements) are not de-recognised from the Statement of Financial Position. The corresponding cash received, including accrued interest is recognised on the Statement of Financial Position as Repurchase Agreements reflecting its economic substance as a loan to the Group.

Securities purchased under agreements to resell at a specified future date (reverse repurchase agreements) are not recognised on the Statement of Financial Position. The corresponding cash paid including accrued interest is recognised on the Statement of Financial Position as Reverse Repurchase Agreements reflecting its economic substance as a loan receivable by the Group.

Repurchase and reverse repurchase agreements are classified as held for trading at fair value through the Statement of Comprehensive Income, except where designated as banking book based on an underlying intent involving solely payment of principal and interest and which does not involve a short term profit making objective. Where a banking book election is made, Repurchase and reverse repurchase agreements are measured at Amortised Cost using the effective interest method (see Accounting Policy N).

### Securities Lending and Borrowing

Securities lending and borrowing transactions are usually collateralised by securities or cash. The transfer of the securities to counterparties is only reflected on the statement of financial position if the risks and rewards of ownership are also transferred. Cash advanced or received as collateral is recorded as an asset or liability.

### 3. Significant Accounting Policies (Continued)

#### H – Repurchase and Reverse Repurchase Agreements (Continued)

Securities borrowed are not recognised in the Statement of Financial Position, unless they are then sold to third parties, in which case, the obligation to return the securities is recorded as a short sale within financial liabilities held for trading and measured at fair value with any gains or losses included in dealing profit.

#### I – Deposits and Debt Securities in issue

Deposits and debt securities in issue are measured at amortised cost using the effective interest rate method except where the Group has designated financial liabilities as at fair value through profit and loss.

The Group has designated certain issued debt securities as at fair value in the previous years. These financial liabilities are measured as described in accounting policy E.

#### J – Fair Value Measurement

Fair value is the amount at which an asset could be exchanged, a liability settled, or an equity instrument granted, between knowledgeable, willing parties in an arm's length transaction. Financial instruments measured at fair value comprise:

- Trading financial instruments;
- Trading derivatives and derivatives held for risk management purposes;
- Embedded derivatives; and
- Financial assets and financial liabilities designated as at fair value through profit and loss.

Fair values are derived from quoted market prices or valuation techniques as described below:

##### Active Market

Financial instruments that trade within an active market are valued using quoted market prices or rates available within that market. An active market exists where regular prices are provided

by exchanges, dealers, brokers, industry groups or pricing services, and these prices represent actual market transactions.

Financial instruments may be priced from the most advantageous active market to which the Group has access, and this may result in the recognition of revenue on trade date ("day one profit"), to the extent that a fair value instrument has been traded at a favourable price in comparison to prices available within an active market.

Long positions are marked to the bid side, and short trading positions to the offered side of an active market. Where the Group holds positions which create offsetting risk positions, then those offsetting positions are valued at mid-market rates, with any resulting net risk positions being marked to the bid or offered side as appropriate.

##### No Active Market

Financial instruments that do not trade within an active market are valued using a valuation technique, which may consist of:

- Analysis of current or recent third party transactions in the same instrument; or
- Reference to the value of other instruments, that are substantially the same as the instrument to be valued; or
- Use of a valuation model.

Valuation techniques, including valuation models, meet the following conditions:

- Consistency with accepted methodologies for pricing financial instruments;
- Inclusion of all relevant factors that market participants would consider in setting a price;
- Use of market observable data where possible; and
- Periodic calibration to actual market transactions where possible.

##### Deferral of Day One Profits

If, on trade date, a valuation technique results in a different estimate of fair value to the actual transaction price, then the valuation technique will be calibrated to the transaction price, so that no gain or loss is recognised except as described below.

Gains or losses will only be recognised subsequently, to the extent that they arise from changes in a factor (including time) that market participants would consider in setting a price.

Fair value estimates from valuation techniques may be used on trade date without calibration to the transaction price, resulting in the recognition of day one gains and losses, under the following conditions:

- Fair value is supported by current market transactions in the same instrument; or
- Fair value is based upon a valuation technique whose variables include only data from observable markets.

Day one gains or losses that do not meet these criteria are deferred and amortised over the life of the financial instrument to which they relate.

#### K – Cash and Balances at Central Banks

Cash and balances at central banks in the Statement of Financial Position comprise cash held with central banks and short term deposits with an original maturity date of three months or less. These balances are measured at amortised cost using the effective interest method less impairment, with any resulting interest income taken to the Statement of Comprehensive Income.

#### L – Foreign Currencies

Foreign currency carrying values at initial recognition are translated into the functional currency at the exchange rate at the date of the transaction.

Monetary assets and liabilities denominated in foreign currencies are expressed in the functional currency of the Group at the mid-market rates of exchange ruling at the balance sheet date. Foreign currency translation differences are included in operating income.

Non-monetary items that are measured at historical cost in a foreign currency are translated into functional currency at the original transaction rate.

On consolidation, the results of overseas business are translated into the presentation currency of the Group at the average exchange rates for the period where these approximate to the rate at the date of transaction. Assets and liabilities of overseas business are translated into the presentation currency of the Group at the exchange rate prevailing at the balance sheet date. Exchange differences arising are taken to other comprehensive income and then classified as other reserves.

#### M – Identification and Measurement of Impairment

##### Financial Assets

At the end of each financial reporting period, an assessment is made as to whether there is any objective evidence of impairment in the value of financial assets. Impairment losses are recognised when objective evidence demonstrates that a loss event has occurred after the initial recognition of the financial asset, and that the loss event has an impact on the future cash flows on the financial asset that can be estimated reliably.

Impairment losses on financial assets carried at amortised cost are measured as the difference between the carrying amount of the financial assets and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

Losses are recognised in the Statement of Comprehensive Income and reflected in an allowance account against the impaired financial asset category. Interest on impaired assets continues to be recognised through the unwinding of the discount.

When a subsequent event causes the amount of impairment loss to decrease, and the decrease can be objectively related to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed through the Statement of Comprehensive Income. Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment been recognised.

##### Non-Financial Assets

On an annual basis, the Group will assess whether there are indicators of impairment against non-financial assets. Where there are indicators of impairment of individual assets, the Group will compare the carrying amount of the asset to the recoverable amount. The recoverable amount is determined as the higher of fair value less costs to sell or a value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction on similar assets or observable market prices less incremental costs for disposing of the asset.



### 3. Significant Accounting Policies (Continued)

#### M – Identification and Measurement of impairment (Continued)

The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash flows and the growth rate used for extrapolation purposes.

If the recoverable amount is less than its carrying amount, the carrying amount of the asset is impaired and it is reduced to its recoverable amount through an impairment in the Statement of Comprehensive Income unless the asset is carried at a revalued amount where the impairment loss of a revalued asset is a revaluation decrease.

An impairment loss recognised for all assets is reversed in a subsequent period if and only if the reasons for the impairment loss have ceased to apply. Any reversal is limited to the extent that the value of the asset may not exceed the original amortised cost of the asset had no impairment been recognised.

#### N – Recognition of Income and Expenses

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

#### Interest Income and Expense

Interest income and expense, in respect of financial instruments that are not recognised at fair value through profit and loss, are recognised in the Statement of Comprehensive Income using the effective interest rate method and are reported under interest receivable and payable. The effective interest rate is the rate that exactly discounts the estimated future cash payments

and receipts through the expected life of a financial asset or financial liability, or a shorter year where appropriate, to the carrying amount of the financial asset or financial liability. The effective interest rate is established on initial recognition of the financial asset or financial liability. The calculation of the effective interest rate includes all the fees and points paid or received, transaction costs, and discounts or premiums that are an integral part of the effective interest rate. Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. Negative effective interest on financial liabilities is presented under interest receivable.

#### Fees and Commissions

Fees and commissions are recognised as the service is performed. For services provided over a period of time, the income and expenses are recognised as the services are provided or received. For transaction based services, the income and expenses are recognised on completion of the underlying transaction.

#### Dealing Profit / Loss

Dealing profit / loss comprises gains less losses related to trading financial assets, trading financial liabilities, derivative instruments held for risk management purposes and the fair value hedge adjustments relating to the hedged items, and financial instruments designated as at fair value through profit and loss.

This includes all associated realised and unrealised fair value changes, interest, dividends and foreign exchange differences.

#### Dividend Income

Dividend income is recognised when the Group's right to receive payment is established.

#### O – Tangible Fixed Assets and Depreciation

Tangible fixed assets held for use in the business are stated at cost less accumulated depreciation and impairment allowances. Such cost includes costs directly attributable to making the asset capable of operating as intended.

Depreciation is provided on all tangible fixed assets at rates calculated to write off the cost,

#### P – Intangible Assets and Amortisation

Intangible assets (purchased or internally generated) which are available for use are classified as Software, stated at cost less accumulated amortisation and impairment allowances.

Intangible assets classified as Software Development Expenditure include the directly attributable costs of the development and bringing into use of significant computer software systems, not yet deemed to be available for use. Amortisation is only applied once the asset is deemed available for use, and reclassified to Software.

Development costs for internal projects are capitalised when:

- It is feasible the project will be made available for use;
- There is the intention to complete the project;
- The intangible asset generated from the project has the ability to be used;
- It will generate probable future economic benefits;
- Adequate resources are available to complete the project; and
- Expenditure can be reliably attributed to the intangible asset during development.

This is assessed on a project by project basis. The development costs for any projects not meeting these capitalisation requirements will be expensed as incurred.

Software intangible assets are amortised on a straight line basis over their useful lives. The useful economic lives of software assets are determined to be either four or five years.

#### Q – Taxation

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates and laws that are enacted or substantively enacted by the balance sheet date.

Deferred tax is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax or a right to pay less tax in the future have occurred at the balance sheet date. This is subject to deferred tax assets only being

recognised if it is considered more likely than not that there will be suitable profits from which the future reversal of the underlying timing differences can be deducted. Timing differences are the differences between the Group taxable profits and its results as stated in the financial statements, which are capable of reversal in one or more subsequent years.

Deferred tax is measured on a non-discounted basis at the tax rates that are expected to apply in the years in which the timing differences are expected to reverse based on the tax rates and laws that have been enacted or substantively enacted at the balance sheet date.

#### R – Operating Leases

The Group has entered into commercial property leases as the lessee. As the lessee, it obtains the use of the property. The classification of such leases as an operating lease requires the Group to determine, based on an evaluation of the terms and conditions of the arrangement, whether it does not retain or acquire significant risks and rewards of ownership of these assets and accordingly the lease is not required to be recognised as an asset and liability in the Statement of Financial Position.

In the instance a portion of the building space is sublet, the rental income is classified as other operating income.

Operating lease income and expenses are recognised in the Statement of Comprehensive Income on a straight line basis over the term of the lease.

#### S – Share Based Payments

The Group engages in share based payment transactions in respect of services received from certain employees of the Group. These payments may be cash or physically settled at the election of the employee on vesting. The fair value of the services received is measured by reference to the fair value of the shares granted. The cost of the employee services received in respect of the shares granted is recognised in the Statement of Comprehensive Income over the period that the services are received.

## 3. Significant Accounting Policies (Continued)

### S - Share Based Payments (Continued)

With regard to continuing employees, the service year corresponds to the vesting year of the share awards, whilst the service years of former employees who retain rights as good leavers, are deemed to end once employment with the Group has ceased. The share based payment scheme is considered to be a cash settled scheme, because the Group has granted rights to equity instruments of its ultimate parent to its employees.

The cost of cash settled transactions is measured at fair value using the underlying share price. Fair value is established initially at the grant date and at each balance sheet date thereafter until the awards are settled. During the vesting period, a liability is recognised representing the product of the fair value of the award and the portion of the vesting period expired as at the balance sheet date. From the end of the vesting period until settlement, the liability represents the full fair value of the award as at the balance sheet date. Changes in the carrying amount for the liability are recognised in Statement of Comprehensive Income.

### T – Pension Costs

The Group operates defined contribution schemes and a defined benefit scheme.

#### Defined Contribution Schemes

Contributions to defined contribution schemes are recognised within the Statement of Comprehensive Income in the year in which they become payable.

#### Defined Benefit Scheme

This scheme is closed to new entrants and has no active remaining members.

The defined benefit pension scheme requires contributions to be made to a separately administered fund. The cost of providing benefits under the defined benefit scheme is determined using the projected unit credit method, which attributes entitlement to benefits to the prior

years (to determine the present value of defined benefit obligation) and is based upon actuarial advice.

Past service costs are recognised in the Statement of Comprehensive Income on a straight line basis over the vesting year or immediately if the benefits have vested. The interest element of the defined benefit cost represents the change in present value of scheme obligations resulting from the passage of time, and is determined by applying the discount rate to the opening present value of the benefit obligation, taking into account material changes in the obligation during the year.

The interest on scheme assets is based on an assessment made at the beginning of the year of long term market returns on scheme assets, adjusted for the effect on the fair value of scheme assets of contributions received and benefits paid during the year. The difference between the interest on scheme assets and the interest cost is recognised in the Statement of Comprehensive Income as other finance income or expense.

Actuarial gains and losses, including any that have resulted from buy-in transactions, are recognised in full in Other Comprehensive Income in the year in which they occur.

The total of the present value of the defined benefit obligation (using a discount rate based on high quality corporate bonds), less any past service cost not yet recognised and less the fair value of scheme assets gives rise to a defined benefit pension liability or surplus. The fair value of scheme assets is based on market price information.

Defined benefit pension liabilities are recognised on the Statement of Financial Position, whilst defined benefit pension surpluses are only recognised to the extent of their recoverability. Defined benefit pension surpluses are determined to be recoverable only where refunds have been agreed by scheme trustees at the balance sheet date.

### U – Provisions and Contingent Liabilities

The Group recognises a provision for a present obligation resulting from a past event when it is more likely than not that it will be required to transfer economic benefits to settle the obligation and the amount of the obligation can be estimated reliably.

Contingent liabilities are possible obligations whose existence will only be confirmed by uncertain future events, and present obligations where the transfer of economic resources is uncertain or cannot be reliably measured.

Contingent liabilities are not recognised on the balance sheet but are disclosed unless the likelihood of an outflow of economic resources is remote.

### V – Investment in Subsidiary

In the parent company, investment in subsidiary is accounted at cost less any impairment allowances.

## 4. Estimates and Judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The results of the Group are sensitive to accounting policies, assumptions and estimates that underlie the preparation of the financial statements. “Group” refers to the Group and the Company in the estimates and judgements that follow.

When preparing the financial statements, it is the Directors’ responsibility under applicable UK law to select suitable accounting policies and make judgements and estimates that are reasonable and prudent. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised and in any future years affected.

The accounting policies that are deemed critical to the Group’s financial performance and position, in terms of the materiality of the items to which the policy is applied, or which involve a high degree of judgement and estimation are summarised below:

### Defined Benefits Obligation

The valuation of the defined benefits liability at the balance sheet date and the related staff costs depend on the expected future benefits to be provided, which in turn is determined using a number of economic and demographic assumptions. A range of assumptions could

be applied, and different assumptions could significantly alter the defined benefit liability and pension expense recognised. The most significant assumptions include inflation-linked assumptions (CPI and RPI), the discount rate and life expectancy. For more information, please refer to Note 25 Pension Liabilities.

### Valuation of Financial Instruments

The Group accounting policy for valuation of financial instruments is set out in accounting policy 3J. The valuation techniques used in measuring fair value of financial instruments are discussed further in Note 30C.

Where valuation techniques are used, the inputs to these models are taken from observable markets where possible. Where observable market data is not available, a degree of judgement is required in establishing fair value.

Further disclosure on valuation techniques using non observable market data is provided in Note 30C. Sensitivity analysis is provided in the Risk Review section.

### Provisions

The Group recognises provisions when there is an obligation at reporting date (legal or constructive) resulting from a past event and it is probable that a transfer of economic benefits will be required and a reliable estimate can be made as to the amount of the obligation.

Provisions are distinguished from other liabilities, as there is uncertainty about the timing or amount of future expenditure required to settle the obligation, and the Group recognises provisions based upon its best estimate of such expenditure.



## 5. Fees and Commissions

	2022 £ millions	2021 £ millions
<b>Fees and commissions receivable</b>		
- Trading activities	164.0	171.6
- Fiduciary services	11.6	10.8
	<u>175.6</u>	<u>182.4</u>
<b>Fees and commissions payable</b>		
- Trading activities	(91.3)	(99.5)
	<u>(91.3)</u>	<u>(99.5)</u>

## 6. Dealing Profit

	2022 £ millions	2021 £ millions
Net interest income from financial instruments held for trading	4.9	14.9
Net interest expense from financial instruments designated at fair value	(0.2)	(0.2)
Net gains from financial instruments held for trading	70.3	166.4
Net gains from financial instruments designated at fair value	2.1	2.0
	<u>77.1</u>	<u>183.1</u>

Dealing profit includes foreign currency gains arising on the translation of foreign currency monetary assets and liabilities amounting to £0.3 million (2021: £2.1 million).

## 7. Other Operating Income

	2022 £ millions	2021 £ millions
Rental income	1.3	0.4
Net third party contribution on defined benefit scheme (Note 25)	-	-
Other	0.1	0.1
	<u>1.4</u>	<u>0.5</u>

## 8. Administrative Expenses

	2022 £ millions	2021 £ millions
<b>Staff costs</b>		
Wages and salaries	89.7	101.9
Social security costs	10.6	10.7
Pension costs – defined contribution schemes	4.8	4.7
Share based payments	1.2	2.8
	<u>106.3</u>	<u>120.1</u>
<b>Auditors' remuneration</b>		
Audit fees	1.0	1.1
Other assurance services	0.1	0.1
	<u>1.1</u>	<u>1.2</u>
Rental charges payable under operating leases	4.6	4.4
Other administrative expenses	66.5	66.3
	<u>71.1</u>	<u>70.7</u>
	<u>178.5</u>	<u>192.0</u>

### Average number of employees

	2022 Number	2021 Number
Executive and senior managerial	123	116
Other managerial, supervisory and clerical	483	424
	<u>606</u>	<u>540</u>

### Directors' Emoluments

	2022 £ millions	2021 £ millions
Directors' emoluments in respect of qualifying services	3.4	4.5
	<u>3.4</u>	<u>4.5</u>
	<u>2</u>	<u>2</u>
	<u>1</u>	<u>1</u>
	<u>1.5</u>	<u>2.5</u>
	<u>nil</u>	<u>nil</u>

Part of the compensation of the highest paid director is deferred to future years, of which £0.2 million (2021: £0.5 million) relates to deferred share awards.

## 9. Tax (Credit)/Charge on (Loss)/Profit on Ordinary Activities

<b>Charge for Taxation</b>	<b>2022</b>	<b>2021</b>
	<b>£ millions</b>	<b>£ millions</b>
<b>Current taxation</b>		
UK Corporation tax for the current year	(9.7)	5.8
Foreign tax	1.2	1.8
Prior year adjustments	(0.3)	(6.6)
Current tax (credit)/charge	<u>(8.8)</u>	<u>1.0</u>
<b>Deferred taxation</b>		
Deferred tax charge	-	-
Tax (credit)/charge on (loss)/ profit on ordinary activities	<u>(8.8)</u>	<u>1.0</u>

### Total Taxation Reconciliation

A reconciliation between the tax expense and the accounting profit multiplied by UK standard rate of corporation tax is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£ millions</b>	<b>£ millions</b>
(Loss)/profit on ordinary activities before taxation	<u>(37.6)</u>	<u>43.8</u>
(Loss)/profit on ordinary activities multiplied by the standard rate 19%	(7.1)	8.3
Effects of:		
- Unrecognised/(Utilised) tax losses	1.6	(2.1)
- Movements in fixed asset timing differences	(0.4)	(0.9)
- Net of income not taxable and expenses not deductible for tax purposes	0.2	-
- Overseas tax rate differences	0.5	0.7
- Other short term timing differences	(0.4)	0.2
- Banking surcharge tax	-	1.4
- Group relief received in excess of 19%	(2.9)	-
- Prior year adjustments	(0.3)	(6.6)
Current tax (credit)/expense	<u>(8.8)</u>	<u>1.0</u>

### Deferred Taxation

The rate of corporation tax will increase from 19% to 25% with effect from 1 April 2023. This change was introduced by Finance Act 2021 which was substantially enacted on 24th May 2021 therefore this date constitutes the date of substantive enactment for the purposes of UK generally accepted accounting practice (UK GAAP). Furthermore, the rate of Banking Surcharge, which applies to the Company, will decrease from 8% to 3% also with effect from 1 April 2023. This change was introduced by Finance Act 2022 which was substantively enacted on 2nd February 2022 and therefore this date constitutes the date of substantive enactment for the purposes of UK GAAP.

Deferred tax continues not to be recognised on the Statement of Financial Position in line with prior year as the Directors have concluded that the level of anticipated future profits will not support the quantum of deferred tax currently unrecognised at the Balance Sheet date. At 31 March 2022, the Company had an unrecognised deferred tax asset of £472.7 million (2021: £358.1 million), which includes trading losses with a gross value of £1,857.8 million (2021: £1,850.6 million). Under current UK tax legislation there is no prescribed time period for loss utilisation.

During the year, the Company surrendered tax losses under the UK group relief rules to related party, Mizuho Bank, London branch for which it will receive payment at the rate which Mizuho Bank, London branch pays UK corporation tax, being 27% (corporation tax at 19% and UK banking corporation tax surcharge at 8%).

## 10. Transferred Financial Assets and Assets Held or Pledged as Collateral

### Transferred Financial Assets that are not Derecognised in Their Entirety

The following tables provide a summary of those financial assets that have been transferred in such a way as to not be fully derecognised, together with the associated liabilities:

<b>Group</b>	<b>2022</b>	<b>Government debt securities</b>	<b>Other debt securities</b>	<b>Total</b>
		<b>£ millions</b>	<b>£ millions</b>	<b>£ millions</b>
Carrying amount assets		990.0	253.3	1,243.3
Carrying amount associated liabilities		<u>776.1</u>	<u>241.5</u>	<u>1,017.6</u>
2021		Government debt securities	Other debt securities	Total
		£ millions	£ millions	£ millions
Carrying amount assets		504.0	501.5	1,005.5
Carrying amount associated liabilities		<u>285.2</u>	<u>485.6</u>	<u>770.8</u>
<b>Company</b>	<b>2022</b>	<b>Government debt securities</b>	<b>Other debt securities</b>	<b>Total</b>
		<b>£ millions</b>	<b>£ millions</b>	<b>£ millions</b>
Carrying amount assets		1,001.9	253.3	1,255.2
Carrying amount associated liabilities		<u>788.0</u>	<u>241.5</u>	<u>1,029.5</u>
2021		Government debt securities	Other debt securities	Total
		£ millions	£ millions	£ millions
Carrying amount assets		504.0	501.5	1,005.5
Carrying amount associated liabilities		<u>285.2</u>	<u>485.6</u>	<u>770.8</u>

These financial assets have been transferred through repurchase agreements, and there are no liabilities that have recourse only to the transferred assets.



## 10. Transferred Financial Assets and Assets Held or Pledged as Collateral (Continued)

The Group and the Company have a programme to borrow and lend securities and to sell securities under agreements to repurchase (“repos”) and to purchase securities under agreements to resell (“reverse repos”).

The securities lent or sold under agreements to repurchase are transferred to a third party and the Group receives cash in exchange, or other financial assets. These transactions are conducted under terms based on the applicable ISDA Collateral Guidelines. If the securities increase or decrease in value the Group may, in certain circumstances, require, or be required, to pay additional cash collateral. The Group has determined that it retains substantially all the risks and rewards of these securities, which include credit risk and market risk, and therefore it has not derecognised them. In addition it recognises a financial liability in respect of cash received as collateral.

The associated liabilities are recorded within the Statement of Financial Position line item Repurchase agreements, together with liabilities which have financed reverse repo transactions:

### Group

	2022 £ millions	2021 £ millions
Liabilities financing transferred assets	1,017.6	770.8
Liabilities financing reverse repo transactions	6,557.7	4,347.0
Repurchase agreements	<u>7,575.3</u>	<u>5,117.8</u>

### Company

	2022 £ millions	2021 £ millions
Liabilities financing transferred assets	1,029.5	770.8
Liabilities financing reverse repo transactions	6,646.9	4,347.0
Repurchase agreements	<u>7,676.4</u>	<u>5,117.8</u>

### Assets Pledged as Collateral

The Group and the Company pledges assets in various day-to-day transactions that are conducted under the usual terms and conditions applying to such agreements.

The Group pledged securities as collateral in repurchase agreements or as margin with a fair value of £13,681.7 million (2021: £16,267.9 million). Of these, securities with a fair value of £1,243.3 million (2021: £1,005.5 million) are recognised on the Group’s Statement of Financial Position.

The Company pledged securities as collateral in repurchase agreements or as margin with a fair value of £14,022.7 million (2021: £16,267.9 million). Of these, securities with a fair value of £1,255.2 million (2021: £1,005.5 million) are recognised on the Company’s Statement of Financial Position.

### Assets Held as Collateral

The Group and Company holds certain assets as collateral which it is permitted to sell or re-pledge in the absence of default by the owner of the collateral, under the usual terms and conditions applying to such agreements.

The Group received securities as collateral in reverse repurchase agreements with a fair value of £15,592.8 million (2021: £17,379.2 million). Of these, securities with a fair value of £13,908.1 million (2021: £16,666.9 million) have been sold or re-pledged. The Group is obliged to return the same collateral to the owner on completion of the arrangement.

The Company received securities as collateral in reverse repurchase agreements with a fair value of £15,592.8 million (2021: £17,379.2 million). Of these, securities with a fair value of £14,202.1 million (2021: £16,666.9 million) have been sold or re-pledged. The Company is obliged to return the same collateral to the owner on completion of the arrangement.

### Transferred financial assets that are derecognised in their entirety – Convertible Bonds

During the year, the Group transferred convertible bonds that are subject to call options that were neither deeply in the money nor deeply out of the money at the date of transfer. The market for these convertible bonds was and is still regarded as liquid. Additionally the agreement with the majority of the option counterparties allows for cash settlement. The Group therefore determined that, although it had not transferred substantially all of the risks and rewards to the transferee, it had not retained control of the assets and, as such, it derecognised the convertible bonds.

The carrying amount of the purchased call options are as follows:

	2022 £ millions	2021 £ millions
Carrying amount of purchased call options	<u>27.3</u>	<u>12.7</u>

## 11. Loans and Advances

Group	2022 £ millions	2021 £ millions
<b>Loans and advances to banks</b>		
Repayable on demand	75.5	96.0
Other loans and advances	2.3	14.0
	<u>77.8</u>	<u>110.0</u>
<b>Company</b>		
<b>Loans and advances to banks</b>		
Repayable on demand	53.1	75.4
Other loans and advances	2.3	14.0
	<u>55.4</u>	<u>89.4</u>
<b>Loans and advances to customers</b>		
Other loans and advances	<u>147.4</u>	<u>20.2</u>

Interest Income arising from loans and advances to banks amounted to £1.0 million (2021: £0.6 million).

Other loans and advances includes cash deposits of £2.3 million held with Bank of England ("BOE") in adherence to regulatory requirements.

Further details of the classification and fair value measurement of loans and advances to banks are disclosed in Note 30.

## 12. Debt and Other Fixed Income Securities

Group	2022 £ millions	2021 £ millions
<b>Debt securities</b>		
Issued by public bodies	3,988.0	2,994.0
Issued by other issuers	658.7	1,264.1
Traded loans	125.3	3.8
	<u>4,772.0</u>	<u>4,261.9</u>
<b>Company</b>		
<b>Debt securities</b>		
Issued by public bodies	3,717.8	2,959.0
Issued by other issuers	622.1	1,255.7
Traded loans	125.3	3.8
	<u>4,465.2</u>	<u>4,218.5</u>

As at 31 March 2022, there were no unobservable day one profits in respect of debt securities (2021: £nil).

Further details of the classification and fair value measurement of debt securities is disclosed in Note 30.

## 13. Equity Shares

Group and Company	2022 £ millions	2021 £ millions
Listed other than on a recognised UK exchange	-	0.2
Other financial investments	3.5	1.6
	<u>3.5</u>	<u>1.8</u>

Other financial investments comprise of:

- Investments in the carried interest partnerships of Apposite Healthcare Fund L.P and Apposite Healthcare Fund II L.P. The value of these interests at 31 March 2022 was £3.4 million (2021: £1.6 million); and
- Investment in a seat at the CME Group. The value of this interest at 31 March 2022 was £0.1 million (2021: £0.0 million)

Further details of the classification and fair value measurement of equity shares is disclosed in Note 30 and its exposure to various risks can be found in the Risk Review section.



## 14. Derivative Assets and Liabilities

Group	2022 £ millions	2021 £ millions
<b>Derivative assets</b>		
Trading derivative assets:		
Interest rate	6,056.9	6,365.0
Convertible bond options	50.3	50.7
Foreign currency	99.7	75.2
Credit	232.1	18.5
Total trading derivative assets	6,439.0	6,509.4
Derivative assets held for risk management	4.1	4.4
	<u>6,443.1</u>	<u>6,513.8</u>
<b>Derivative liabilities</b>		
Trading derivative liabilities:		
Interest rate	6,035.4	6,347.4
Convertible bond options	50.3	50.7
Foreign currency	98.4	59.0
Credit	234.9	22.5
Total trading derivative liabilities	6,419.0	6,479.6
Derivative liabilities held for risk management	3.7	1.6
	<u>6,422.7</u>	<u>6,481.2</u>
<b>Company</b>		
	2022 £ millions	2021 £ millions
<b>Derivative assets</b>		
Trading derivative assets:		
Interest rate	6,057.3	6,365.0
Convertible bond options	50.3	50.7
Foreign currency	99.7	75.2
Credit	232.1	18.5
Total trading derivative assets	6,439.4	6,509.4
Derivative assets held for risk management	4.1	4.4
	<u>6,443.5</u>	<u>6,513.8</u>
<b>Derivative liabilities</b>		
Trading derivative liabilities:		
Interest rate	6,035.4	6,347.4
Convertible bond options	50.3	50.7
Foreign currency	98.4	59.0
Credit	234.9	22.5
Total trading derivative liabilities	6,419.0	6,479.6
Derivative liabilities held for risk management	3.7	1.6
	<u>6,422.7</u>	<u>6,481.2</u>

As at 31 March 2022, there were no unobservable day one profits in respect of trading derivative assets and liabilities (2021: £nil).

Further details of the classification and fair value measurement of trading derivative assets and liabilities are disclosed in Note 30.

## Derivatives Held for Risk Management

Group and Company	2022 Assets	2022 Liabilities	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>					
Interest rate	-	3.4	-	0.1	0.1
Foreign currency	0.8	0.3	0.3	-	0.8
Credit	-	-	-	0.3	0.3
	<u>0.8</u>	<u>3.7</u>	<u>0.8</u>	<u>0.4</u>	<u>1.2</u>
<b>Embedded derivatives</b>					
Foreign currency	2.9	-	2.9	-	2.9
	<u>2.9</u>				<u>2.9</u>
<b>Total</b>					<u>4.1</u>
<b>Primary instruments</b>					
Interest rate	-	3.4	-	-	3.4
Foreign currency	0.3	0.3	0.3	-	0.3
	<u>0.3</u>	<u>3.7</u>	<u>0.3</u>	<u>-</u>	<u>3.7</u>
<b>Embedded derivatives</b>					
Interest rate	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Total</b>					<u>3.7</u>

## 14. Derivative Assets and Liabilities (Continued)

### Derivatives Held for Risk Management (Continued)

#### Group and Company

2021 Assets	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>			
Interest rate	0.2	0.2	0.4
Foreign currency	0.8	-	0.8
Credit	-	0.4	0.4
	<u>1.0</u>	<u>0.6</u>	<u>1.6</u>
<b>Embedded derivatives</b>			
Foreign currency	2.8	-	2.8
	<u>2.8</u>	<u>-</u>	<u>2.8</u>
<b>Total</b>			<u>4.4</u>
2021 Liabilities	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>			
Interest rate	0.6	-	0.6
Foreign currency	0.9	-	0.9
	<u>1.5</u>	<u>-</u>	<u>1.5</u>
<b>Embedded derivatives</b>			
Interest rate	-	0.1	0.1
	<u>-</u>	<u>0.1</u>	<u>0.1</u>
<b>Total</b>			<u>1.6</u>

#### Explanatory notes on other

1. Other includes derivatives which are held for risk management purposes on certain Fair Value Option debt issuances which are not in a designated hedge accounting relationship.

The Group uses primary derivative instruments to manage exposure to interest rate risk, foreign currency risk and credit risk arising from its structured note issuance programmes (see Note 20). These derivative instruments include interest rate swaps, foreign currency swaps and credit default swaps.

Further details of the classification and fair value measurement of derivatives held for risk management are disclosed in Note 30.

#### Derivatives Held for Risk Management Designated as Fair Value Hedges

The Group uses primary interest rate and other swap instruments to hedge its exposure to changes in fair value of fixed rate structured notes and structured note host contracts that are carried at amortised cost. The changes in fair values of the hedging derivative instruments and the hedged items attributable to the hedged risks are analysed on the next page:

#### Group and Company

	2022 £ millions	2021 £ millions
Losses on hedging derivative instruments	<u>(3.6)</u>	<u>(1.1)</u>
Gains on hedged items attributable to hedged risk: - Debt securities in issue (see Note 20)	<u>3.6</u>	<u>1.1</u>
Ineffective portion of fair value hedges	<u>-</u>	<u>-</u>
Derivative assets designated as fair value hedges	<u>0.8</u>	<u>1.0</u>
Derivative liabilities designated as fair value hedges	<u>3.7</u>	<u>1.5</u>

The table below provides details of derivatives notional balances that are in a designated hedge accounting relationship, representing the extent of the risk exposure that is directly affected by market-wide benchmarks reform.

	2022 Carrying Value of Assets £ millions	2022 Carrying Value of Liabilities £ millions	Total Nominal amount £ millions	Nominal amount impacted by IBOR reform £ millions
<b>Derivatives designated as fair value hedges</b>				
Interest rate risk	0.8	3.7	1,363.6	-
Credit risk	-	-	3.1	-
	<u>0.8</u>	<u>3.7</u>	<u>1,366.7</u>	<u>-</u>
	2021 Carrying Value of Assets £ millions	2021 Carrying Value of Liabilities £ millions	Total Nominal amount £ millions	Nominal amount impacted by IBOR reform £ millions
<b>Derivatives designated as fair value hedges</b>				
Interest rate risk	1.0	1.5	654.9	186.4
Credit risk	-	-	3.3	-
	<u>1.0</u>	<u>1.5</u>	<u>658.2</u>	<u>186.4</u>

A further breakdown of the notional balances by type of IBOR reference rate is given below:

	Nominal amount impacted by IBOR reform	
Interest Rate Benchmark	2022 £ millions	2021 £ millions
JPY LIBOR	<u>-</u>	<u>186.4</u>



## 15. Shares in Group Undertakings

Group	2022	2021
	£ millions	£ millions
Listed other than on a recognised UK exchange	<u>8.1</u>	<u>6.8</u>
<b>Company</b>		
	2022	2021
	£ millions	£ millions
Listed other than on a recognised UK exchange	7.4	6.5
Investment in subsidiary	<u>33.8</u>	<u>34.1</u>
	<u>41.2</u>	<u>40.6</u>

### Listed Other than on a Recognised UK Exchange

The Group has established separate Employee Benefit Trusts (“EBTs”) for the Company and its subsidiary, which are responsible for purchasing and holding shares of the Mizuho Financial Group for the hedging of future liabilities arising as a result of the employee share based compensation scheme. The EBTs are consolidated in the Group’s and the Company’s financial statements as part of the share based scheme for the benefit of employees. Further details of the share based payment scheme are disclosed in Note 31.

### Investment in Subsidiary

Subsidiary Ownership	Country of Incorporation	MHI’s ownership
Mizuho Securities Europe GmbH	Germany	100%

The Company has a wholly owned subsidiary, MHEU, a company incorporated in Germany. The Group is exposed to foreign currency risk through its net investment in foreign operations in MHEU. The Group hedges this currency risk on its net investment through EUR denominated borrowing as the hedging instrument. Gains/losses on the hedging instrument relating to the effective portion of the hedge are recognised in Other Comprehensive Income, while any gains/losses on the ineffective portion are recognised in the Statement of Comprehensive Income. Hedge ineffectiveness occurs in a net investment hedge if the net asset value designated at the start of the period falls below the amount of the hedging instrument. The Company assesses hedge effectiveness of the net investment hedge on a monthly basis, both on a prospective and retrospective basis.

As at 31 March 2022, the fair value of financial instruments designated as hedge of net investment in foreign operations was £33.8 million (2021: £34.1 million).

The amount of gains recognised in the income statement on the ineffective portion of the hedge during the period was £nil (2021: £nil).

## 16. Intangible Assets

Group and Company	Software	Software development expenditure	Total
	£ millions	£ millions	£ millions
<b>Cost</b>			
At 1 April 2021	173.2	22.1	195.3
Additions	-	25.2	25.2
Impairments	(0.1)	(1.4)	(1.5)
Transfers / reclassification	22.2	(22.2)	-
<b>At 31 March 2022</b>	<u>195.3</u>	<u>23.7</u>	<u>219.0</u>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2021	132.1	-	132.1
Impairments	(0.1)	-	(0.1)
Charge for the year	20.8	-	20.8
<b>At 31 March 2022</b>	<u>152.8</u>	<u>-</u>	<u>152.8</u>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<u>42.5</u>	<u>23.7</u>	<u>66.2</u>
At 31 March 2021	<u>41.1</u>	<u>22.1</u>	<u>63.2</u>

During the financial year, the Group and the Company capitalised £22.2 million (2021: £18.6 million) of internally developed software.

## 17. Tangible Fixed Assets

Group	Short leasehold property	Fixtures, equipment, integrated software and vehicles	Total
	£ millions	£ millions	£ millions
<b>Cost</b>			
At 1 April 2021	24.4	27.2	51.6
Additions	2.6	4.0	6.6
Impairments	(0.5)	-	(0.5)
<b>At 31 March 2022</b>	<u>26.5</u>	<u>31.2</u>	<u>57.7</u>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2021	6.0	18.6	24.6
Impairments	(0.1)	-	(0.1)
Charge for the year	1.4	2.8	4.2
<b>At 31 March 2022</b>	<u>7.3</u>	<u>21.4</u>	<u>28.7</u>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<u>19.2</u>	<u>9.8</u>	<u>29.0</u>
At 31 March 2021	<u>18.4</u>	<u>8.6</u>	<u>27.0</u>

## 17. Tangible Fixed Assets (Continued)

Company	Short leasehold property	Fixtures, equipment, integrated software and vehicles	Total
	£ millions	£ millions	£ millions
<b>Cost</b>			
At 1 April 2021	23.5	26.4	49.9
Additions	2.5	4.0	6.5
Impairments	(0.5)	-	(0.5)
<b>At 31 March 2022</b>	<b>25.5</b>	<b>30.4</b>	<b>55.9</b>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2021	5.7	18.3	24.0
Impairments	(0.1)	-	(0.1)
Charge for the year	1.2	2.7	3.9
<b>At 31 March 2022</b>	<b>6.8</b>	<b>21.0</b>	<b>27.8</b>
<b>Net book value</b>			
<b>At 31 March 2022</b>	<b>18.7</b>	<b>9.4</b>	<b>28.1</b>
At 31 March 2021	17.8	8.1	25.9

## 18. Other Assets

Group	2022	2021
	£ millions	£ millions
Unsettled repo receivables	68.7	58.7
Collateral pledged	669.8	392.5
Clearing house default fund contribution	50.6	42.7
Other trade receivables	19.8	15.1
<b>Trade receivables</b>	<b>808.9</b>	<b>509.0</b>
Other assets	23.3	8.6
	<b>832.2</b>	<b>517.6</b>
<b>Company</b>		
	<b>2022</b>	<b>2021</b>
	<b>£ millions</b>	<b>£ millions</b>
Unsettled repo receivables	68.7	58.7
Collateral pledged	668.0	388.2
Clearing house default fund contribution	50.6	42.7
Other trade receivables	19.8	15.0
<b>Trade receivables</b>	<b>807.1</b>	<b>504.6</b>
Other assets	23.3	8.7
	<b>830.4</b>	<b>513.3</b>

Unsettled repo receivables are all less than three months past due.

Collateral pledged relates to repo, reverse repo, futures and derivative transactions.

## 19. Deposits by Banks and Customer Accounts

Group and Company	2022	2021
	£ millions	£ millions
<b>Deposits by banks</b>		
Repayable on demand	22.8	-
With agreed maturity dates or periods of notice	1,130.5	285.5
	<b>1,153.3</b>	<b>285.5</b>
<b>Customer accounts</b>		
With agreed maturity dates or periods of notice	295.7	228.6
	<b>295.7</b>	<b>228.6</b>

Net interest expense arising from Deposits by banks and Customer accounts amounted to £0.3 million (2021: £1.2 million). Of this, £0.5 million (2021: £1.3 million) was payable to Mizuho Financial Group entities and £0.2 million (2021: £0.1 million) was net receivable from third party entities.

## 20. Debt Securities in Issue

Group and Company	2022	2021
	£ millions	£ millions
Debt securities – amortised cost	385.5	1,197.0
Debt securities – adjusted for fair value hedge accounting	1,364.9	641.0
Debt securities – designated at fair value through profit and loss	9.7	13.6
	<b>1,760.1</b>	<b>1,851.6</b>

Net interest income arising from Debt securities accounted at amortised cost (including those adjusted for fair value hedge accounting) amounted to £3.5 million (2021: Net Interest income £0.1 million).

Further details of the classification and fair value measurement of debt securities in issue are disclosed in Note 30.



## 20. Debt Securities in Issue (Continued)

### Debt Securities Adjusted for Fair Value Hedge Accounting

#### Group and Company

	2022 £ millions	2021 £ millions
Net gains recognised in the statement of comprehensive income	<u>3.6</u>	<u>1.1</u>
Contractual amount at maturity	<u>1,363.6</u>	<u>654.9</u>

### Debt Securities Designated at Fair Value Through Profit and Loss

#### Group and Company

	2022 £ millions	2021 £ millions
Net (losses)/gains recognised in the statement of comprehensive income	<u>-</u>	<u>(0.7)</u>
Contractual amount at maturity	<u>9.4</u>	<u>13.1</u>

Certain debt securities in issue were designated at fair value since these are managed on a fair value basis. The net loss recognised in the Statement of Comprehensive Income arising on debt securities that is attributable to changes in the Company's credit risk amounted to £nil (2021: £nil).

## 21. Short Trading Positions

### Group

	2022 £ millions	2021 £ millions
Short trading positions in debt securities:		
- Issued by public bodies	3,293.2	2,500.5
- Issued by other issuers	<u>267.7</u>	<u>572.4</u>
	<u>3,560.9</u>	<u>3,072.9</u>

### Company

	2022 £ millions	2021 £ millions
Short trading positions in debt securities:		
- Issued by public bodies	3,115.9	2,500.5
- Issued by other issuers	<u>267.7</u>	<u>572.4</u>
	<u>3,383.6</u>	<u>3,072.9</u>

As at 31 March 2022, there were no unobservable day one profits in respect of bonds (2021: £nil).

Further details of the classification and fair value measurement of short trading positions are disclosed in Note 30.

## 22. Other Liabilities

Group	2022 £ millions	2021 £ millions
Unsettled repo payables	90.8	32.3
Collateral received	338.3	158.5
Other trade payables	19.0	20.2
<b>Trade payables</b>	<b>448.1</b>	<b>211.0</b>
Other liabilities	1.2	8.3
Tax and social security payable	2.8	6.0
	<b>452.1</b>	<b>225.3</b>

Company	2022 £ millions	2021 £ millions
Unsettled repo payables	90.8	32.3
Collateral received	338.3	158.5
Other trade payables	18.9	20.2
<b>Trade payables</b>	<b>448.0</b>	<b>211.0</b>
Other liabilities	1.6	9.8
Tax and social security payable	2.6	5.0
	<b>452.2</b>	<b>225.8</b>

Unsettled repo payables are all past due for less than three months.

Collateral received relates to repo, reverse repo and derivative transactions.

## 23. Provisions for Liabilities

Group	Employment Matters £ millions	Infrastructure £ millions	Total £ millions
At 1 April 2021	0.2	3.1	3.3
Charged through income statement	-	0.1	0.1
Released	-	(0.1)	(0.1)
Utilised for the year	(0.2)	-	(0.2)
<b>At 31 March 2022</b>	<b>-</b>	<b>3.1</b>	<b>3.1</b>

Company	Employment Matters £ millions	Infrastructure £ millions	Total £ millions
At 1 April 2021	0.2	3.0	3.2
Charged through income statement	-	-	-
Released	-	(0.1)	(0.1)
Utilised for the year	(0.2)	-	(0.2)
<b>At 31 March 2022</b>	<b>-</b>	<b>2.9</b>	<b>2.9</b>

### Infrastructure

The Group continues to make enhancements to its systems, control framework and work place to drive efficiencies and realise synergies within its business. Infrastructure provisions relate to such projects committed to as at the balance sheet date. Utilisation of this provision is expected to be within one year.

Also included within infrastructure provisions are dilapidation provisions for 30 Old Bailey and Taunustor 1 raised in prior years. These provisions will be charged to the Statement of Comprehensive Income over the life of the respective leases.

## 24. Subordinated Debt

Group and Company	2022 £ millions	2021 £ millions
Wholly repayable within five years	-	45.2
Not wholly repayable within five years	-	-
	<b>-</b>	<b>45.2</b>

On 2 April 2015, the Group issued £45.0 million in subordinated debt to MHSC. The debt was interest bearing, with a three month reset based on LIBOR plus an agreed margin. The debt was GBP denominated with an original maturity of 2 April 2025. As part of the Group's LIBOR transition programme, the sub-debt was early terminated and repaid in October 2021. The average interest rate for the period to early maturity was 3.4%, which includes a breakage cost for early repayment (2021: 1.9%). The interest expense on subordinated debt for the year amounted to £0.8 million (2021: £0.9 million), which includes a breakage cost of £0.4 million.



## 25. Pension Liabilities

### Group and Company

#### Defined Benefits Scheme

The Group operates a defined benefits scheme, the Mizuho International plc Retirement Benefits Scheme ("Scheme"), which is a final salary scheme, established in 1978 and currently governed by the trust deed and rules dated 18 September 1998. The Scheme is a "registered pension scheme" for tax purposes. All members were contracted-out of the State Second Pension during active membership of the Scheme.

In accordance with the trust deed the Group, as Principal Employer, has the power to appoint and remove the Trustees of the Scheme. The three Trustees include a Group representative, an independent corporate Trustee and a member nominated Trustee.

There are no active members remaining in the Scheme, and it is closed to new entrants and future benefit accrual. There were 155 deferred members and 60 pensioner members who have pensions paid directly from the Scheme as at 31 March 2022.

A valuation of the scheme has been estimated as at 31 March 2022 by a qualified independent actuary, based on the results of the actuarial valuation as at 31 March 2018, adjusted for the different assumptions required under FRS102 and taking into consideration subsequent cash flows.

The principal actuarial assumptions at the balance sheet date were as follows:

	2022 % p.a.	2021 % p.a.
Discount rate	2.7	2.0
Inflation assumption (RPI)	3.8	3.4
Pension increases (RPI, max 5% p.a.)	3.6	3.3
CPI linked increases (max 5% p.a.)	2.8	2.4

The underlying mortality assumption is based upon the standard table known as S3PA on a year of birth usage with Continuous Mortality Investigation\_2021 ("CMI") future improvement factors and long-term rate of future improvement of 1.0% p.a. (2021: same but CMI\_2019). This results in the following life expectancies:

- Male age 60 now has a life expectancy of 26.3 years (previously 26.4 years)
- Female age 60 now has a life expectancy of 29.0 years (previously 28.9 years)

The amounts recognised in the Statement of Financial Position are as follows:

	2022 £ millions	2021 £ millions
Present value of Scheme liabilities	(43.9)	(50.3)
Market value of Scheme assets	56.0	60.0
Restriction of Recognisable Surplus	(12.1)	(9.7)
Deficit in the Scheme	-	-
Related deferred tax asset	-	-
<b>Net pension liability</b>	<b>-</b>	<b>-</b>

The amounts recognised in the Statement of Comprehensive Income for the year are as follows:

	2022 £ millions	2021 £ millions
Interest on Scheme assets	1.0	1.0
Interest on Scheme liabilities	(1.0)	(1.0)
Contribution paid by a related party	-	-
Loss on Scheme changes	-	(0.2)
	<u>-</u>	<u>(0.2)</u>

Changes in the present value of the Scheme liabilities are as follows:

	2022 £ millions	2021 £ millions
Present value of Scheme liabilities at 1 April	50.3	44.6
Interest on Scheme liabilities	1.0	1.0
Benefits paid	(1.7)	(2.8)
Actuarial (gains)/losses	(5.7)	7.3
Loss on Scheme changes	-	0.2
Present value of Scheme liabilities at 31 March	<u>43.9</u>	<u>50.3</u>

Changes in the fair value of the Scheme assets for the year are as follows:

	2022 £ millions	2021 £ millions
Market value of Scheme assets at 1 April	60.0	61.3
Interest on Scheme assets	1.0	1.0
Return on assets	(3.5)	0.3
Benefits paid	(1.8)	(2.8)
Contributions paid by the Group	0.3	0.2
Market value of Scheme assets at 31 March	<u>56.0</u>	<u>60.0</u>
Actuarial return on scheme assets	<u>(2.5)</u>	<u>1.3</u>

Actuarial valuations are carried out every three years on behalf of the Trustees of the scheme, by a qualified independent actuary. The actuarial assumptions underlying the actuarial valuation are different to those adopted under FRS102.

The last such finalised actuarial valuation was at 31 March 2018. This showed that the Scheme's assets were insufficient to cover the liabilities on the funding basis. A recovery plan was agreed with the Company, which eliminated the deficit by payment of additional contributions. The Scheme's Schedule of Contribution dated 2 June 2019 therefore has no contributions payable in respect of any deficit, and requires the Company to pay an amount of £227,000 per annum (2021: £227,000) in respect of expenses administering the scheme. These payments are subject to review following the next actuarial valuation, due as at 31 March 2021, which will be finalised by 30 June 2022.

## 25. Pension Liabilities (Continued)

In the year ended 31 March 2022, the Scheme carried out a partial buy-in, which insured some of the Scheme's liabilities through the purchase of annuities from a third party insurance company. These insured annuities provide an exact match for the liabilities of the relevant pensioner member. Accordingly, the same value of these annuities is included in both the assets and liabilities of the scheme.

The major categories of Scheme assets as a percentage of total Scheme assets for the year are as follows:

	2022 %	2021 %
Equities and Diversified Growth Fund	26	26
Bonds	36	64
Liability Driven Investments ("LDI")	15	9
Insured Annuities	22	-
Cash	1	1
	<u>100</u>	<u>100</u>

Analysis of amounts recognisable in the Other Comprehensive Income for the year is provided below. Included within the Return on assets figure for 2022 is an amount of £2.6m, which is the loss related to the partial buy-in and is the difference between the premium paid to the insurer and the present value of the defined benefits obligation covered by the annuities purchased.

	2022 £ millions	2021 £ millions
Return on assets	(3.5)	0.3
Actuarial gains/(losses)	5.7	(7.3)
Restriction of Recognisable Deficit/Surplus	(2.5)	7.0
Remeasurement losses recognised in other comprehensive income	(0.3)	-

Movements in the surplus / (deficit) during the year are as follows:

	2022 £ millions	2021 £ millions
Deficit in Scheme at 1 April	-	-
Amounts recognised in the Statement of Comprehensive Income	-	(0.2)
Contributions paid by the Group	0.3	0.2
Remeasurement gains and losses recognised in other comprehensive income	(0.3)	-
Deficit in Scheme at 31 March	-	-

### Employment Benefit Plans

The Company currently operates a Group Personal Pension ("GPP") arrangement which is a defined contribution scheme for UK employees. In addition, the subsidiary MHEU operates a similar defined contribution scheme for all employees in Germany. Subject to meeting certain qualifying conditions, all staff joining the Group are eligible to become members of their local scheme.

The GPP provides employees with a tax-efficient way of saving for retirement. It is a low-cost, flexible and portable arrangement which the Group also contributes towards.

Contributions are currently subject to the maximum limits as laid down by the relevant tax authority in each jurisdiction. Group contributions are made as a percentage of salary and/or bonus waivers through a salary sacrifice arrangement.

The assets of the GPP are held separately from those of the Group in independently administered funds. During the year ended 31 March 2022 the Group made contributions of £6.3 million (2021: £5.7 million) to the GPP of which £2.1 million related to the employees' salary sacrifice arrangements (2021: £1.6 million). The total expense to the Group was £4.2 million (2021: £4.1 million).

## 26. Related Party Balances

Included within assets and liabilities are the following balances due to/from Mizuho Financial Group entities:

### Group

2022	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
<b>Assets</b>			
Loans and advances to banks	-	5.9	5.9
Reverse repurchase agreements with banks	544.8	11.1	555.9
Debt and other fixed income securities	2.5	13.2	15.7
Derivative assets	51.7	106.1	157.8
Shares in group undertakings	8.1	-	8.1
Other assets	8.0	18.7	26.7
Prepayments and accrued income	9.9	8.7	18.6
	<u>625.0</u>	<u>163.7</u>	<u>788.7</u>
<b>Liabilities</b>			
Deposits by banks	23.5	1,107.1	1,130.6
Repurchase agreements with banks	51.1	2.3	53.4
Short trading positions	1.5	-	1.5
Derivative liabilities	1.2	71.0	72.2
Other liabilities	69.0	28.5	97.5
Accruals and deferred income	2.6	22.6	25.2
Provision for liabilities	-	3.1	3.1
	<u>148.9</u>	<u>1,234.6</u>	<u>1,383.5</u>



## 26. Related Party Balances (Continued)

Included within the Statement of Comprehensive Income are the following transactions due to/from Mizuho Financial Group entities:

### Group

2022	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
Interest receivable	-	0.2	0.2
Interest payable	(0.8)	(0.7)	(1.5)
Fees and commissions receivable	34.4	30.1	64.5
Fees and commissions payable	(29.6)	(28.1)	(57.7)
Dealing profit	33.2	10.2	43.4
Other operating income	-	1.3	1.3
Administrative expenses	6.2	(7.7)	(1.5)
Tax on profit on ordinary activities	-	9.7	9.7
Total income from Affiliates	<u>43.4</u>	<u>15.0</u>	<u>58.4</u>

### Group

2021	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
<b>Assets</b>			
Loans and advances to banks	-	2.3	2.3
Reverse repurchase agreements with banks	464.4	10.5	474.9
Debt and other fixed income securities	9.3	11.6	20.9
Derivative assets	52.3	44.3	96.6
Shares in group undertakings	6.8	-	6.8
Other assets	4.6	9.4	14.0
Prepayments and accrued income	13.4	8.2	21.6
	<u>550.8</u>	<u>86.3</u>	<u>637.1</u>
<b>Liabilities</b>			
Deposits by banks	24.6	260.9	285.5
Repurchase agreements with banks	6.2	18.4	24.6
Short trading positions	8.8	-	8.8
Derivative liabilities	1.0	40.2	41.2
Other liabilities	70.0	6.5	76.5
Accruals and deferred income	9.6	21.8	31.4
Provision for liabilities	-	3.1	3.1
Subordinated liabilities	45.2	-	45.2
	<u>165.4</u>	<u>350.9</u>	<u>516.3</u>

### Group

2021	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
Interest receivable	-	0.1	0.1
Interest payable	(0.9)	(1.4)	(2.3)
Fees and commissions receivable	37.1	29.0	66.1
Fees and commissions payable	(31.6)	(19.8)	(51.4)
Dealing profit	93.9	(5.7)	88.2
Other operating income	-	0.5	0.5
Administrative expenses	6.0	(10.0)	(4.0)
Tax on profit on ordinary activities	-	6.6	6.6
Total income/(expense) from Affiliates	<u>104.5</u>	<u>(0.7)</u>	<u>103.8</u>

### Company

2022	Controlling entities <sup>1</sup> £ millions	Controlled entities <sup>2</sup> £ millions	Other related parties £ millions	Total £ millions
<b>Assets</b>				
Loans and advances to banks	-	-	5.4	5.4
Loans and advances to customers	-	147.4	-	147.4
Reverse repurchase agreements with banks	544.8	-	11.1	555.9
Reverse repurchase agreements with customers	-	61.7	-	61.7
Debt and other fixed income securities	2.5	-	13.2	15.7
Derivative assets	51.7	0.7	106.1	158.5
Shares in group undertakings	7.4	33.8	-	41.2
Other assets	7.9	0.7	18.6	27.2
Prepayments and accrued income	9.7	6.9	8.6	25.2
	<u>624.0</u>	<u>251.2</u>	<u>163.0</u>	<u>1,038.2</u>
<b>Liabilities</b>				
Deposits by banks	23.5	-	1,107.1	1,130.6
Repurchase agreements with banks	51.1	-	2.3	53.4
Repurchase agreements with customers	-	101.1	-	101.1
Short trading positions	1.5	-	-	1.5
Derivative liabilities	1.2	0.6	71.0	72.8
Other liabilities	69.0	0.2	28.4	97.6
Accruals and deferred income	2.6	2.0	22.6	27.2
Provision for liabilities	-	-	2.9	2.9
	<u>148.9</u>	<u>103.9</u>	<u>1,234.3</u>	<u>1,487.1</u>

## 26. Related Party Balances (Continued)

Company	Controlling entities <sup>1</sup> £ millions	Controlled entities <sup>2</sup> £ millions	Other related parties £ millions	Total £ millions
2021				
<b>Assets</b>				
Loans and advances to banks	-	-	2.1	2.1
Loans and advances to customers	-	20.2	-	20.2
Reverse repurchase agreements with banks	464.4	-	10.5	474.9
Debt and other fixed income securities	9.3	-	11.6	20.9
Derivative assets	52.3	-	44.3	96.6
Shares in group undertakings	6.5	34.1	-	40.6
Other assets	4.6	0.1	9.4	14.1
Prepayments and accrued income	13.9	9.3	8.1	31.3
	<u>551.0</u>	<u>63.7</u>	<u>86.0</u>	<u>700.7</u>
<b>Liabilities</b>				
Deposits by banks	24.6	-	260.9	285.5
Repurchase agreements with banks	6.2	-	18.4	24.6
Short trading positions	8.8	-	-	8.8
Derivative liabilities	1.0	0.1	40.2	41.3
Other liabilities	70.0	1.6	6.5	78.1
Accruals and deferred income	10.1	3.2	21.6	34.9
Provision for liabilities	-	-	2.9	2.9
Subordinated liabilities	45.2	-	-	45.2
	<u>165.9</u>	<u>4.9</u>	<u>350.5</u>	<u>521.3</u>

### Explanatory notes on controlling entities

1. Controlling entities includes the Company's parent, Mizuho Securities, and the Company's ultimate parent, Mizuho Financial Group, Inc. All other entities within the Mizuho Financial Group structure are reported under the category 'Other related parties'.
2. Controlled entities includes the Company's subsidiary, MHEU.

## 27. Share Capital

### Group and Company

	2022 Number	2022 £ millions	2021 Number	2021 £ millions
<b>Issued called up and fully paid</b>				
Ordinary shares of GBP 10 each	70,985,797	709.9	70,985,797	709.9

## 28. Operating Lease Commitments

Future minimum rentals payable under non-cancellable operating leases are as follows:

Group	2022 £ millions Buildings	2021 £ millions Buildings
Not later than one year	4.9	4.6
Later than one year and not later than five years	19.0	18.4
Later than five years	35.3	37.7
	<u>59.2</u>	<u>60.7</u>

The total lease payments recognised as an expense by the Group for the year ended 31 March 2022 were £4.6 million (2021: £4.4 million). Future minimum lease payables were recognised on a straight line basis over the life of the lease.

### Company

	2022 £ millions Buildings	2021 £ millions Buildings
Not later than one year	4.5	4.3
Later than one year and not later than five years	18.0	17.1
Later than five years	35.3	37.6
	<u>57.8</u>	<u>59.0</u>

The total lease payments recognised as an expense by the Company for the year ended 31 March 2022 were £4.2 million (2021: £3.9 million). Future minimum lease payable were recognised on a straight line basis over the life of the lease.

## 29. Notes to the Cash Flow Statement

	2022 £ millions	2021 £ millions
<b>Non-cash items included in loss before tax</b>		
Net foreign exchange difference	(2.2)	6.6
Net interest payable on financial instruments	(8.4)	(14.8)
Net interest receivable from loans and advances to banks	0.1	1.5
Write-off of intangible and tangible assets	1.7	1.3
Depreciation and amortisation	25.0	29.5
(Losses) on revaluation of debt securities in issue	(3.7)	(0.7)
Gains on shares in group undertakings	0.8	0.3
Dividends received	(0.7)	(0.4)
	<u>12.6</u>	<u>23.3</u>



## 29. Notes to the Cash Flow Statement (Continued)

	2022 £ millions	2021 £ millions
<b>Change in operating assets</b>		
Reverse repurchase agreements with banks	(1,746.8)	(1,144.5)
Reverse repurchase agreements with customers	(1,128.4)	1,606.5
Debt and other fixed income securities	(510.1)	736.1
Equity shares and other variable yield securities	(1.6)	(0.2)
Derivative assets	70.6	5,053.2
Other assets	(302.5)	130.4
Prepayments and accrued income	5.8	(6.8)
	<u>(3,613.0)</u>	<u>6,374.7</u>
<b>Change in operating liabilities</b>		
Deposits by banks	867.8	(186.1)
Customer accounts	67.1	(681.1)
Repurchase agreements with banks	(208.7)	369.7
Repurchase agreements with customers	2,666.1	(505.1)
Short trading positions	487.9	(655.3)
Derivative liabilities	(58.6)	(5,032.8)
Other liabilities	226.9	(279.5)
Accruals and deferred income	(35.9)	19.1
Provision for liabilities	(0.1)	(0.2)
Subordinated liabilities	0.2	(0.9)
	<u>4,012.7</u>	<u>(6,952.2)</u>
<b>Cash and cash equivalents is defined as including:</b>		
Cash and balances at central banks	481.0	227.5
Loans and advances to banks	77.8	110.0
<b>Cash and cash equivalents at the end of the period</b>	<u>558.8</u>	<u>337.5</u>

## Analysis of Changes in Net Debt

	At 1 April 2021 £ millions	Cash Flows £ millions	Interest and finance charges £ millions	Changes in market value/ exchange rate £ millions	At 31 March 2022 £ millions
Cash and balances at central banks	227.5	253.5	-	-	481.0
Loans and advances to banks	110.0	(35.4)	1.0	2.2	77.8
Loans and advances to customer	-	(0.1)	0.1	-	-
Net derivatives held for risk management <sup>1</sup>	2.8	1.4	-	(3.8)	0.4
Deposits by banks and customers <sup>2</sup>	(514.1)	(934.6)	(0.3)	-	(1,449.0)
Debt securities in issue	(1,851.6)	84.2	3.5	3.8	(1,760.1)
Subordinated liabilities	(45.2)	46.0	(0.8)	-	-
	<u>(2,070.6)</u>	<u>(585.0)</u>	<u>3.5</u>	<u>2.2</u>	<u>(2,649.9)</u>

### Explanatory notes on analysis of changes in net debt

1. Net derivatives held for risk management include derivatives in a designated hedge accounting relationship to hedge structured debt issuances as well as for certain Fair Value option elected debt issuances. For more details, refer to Note 14 and Note 20
2. Deposits by banks & customers have been combined together for presentation purposes for this Note

## 30. Financial Assets and Financial Liabilities

### A. Classification of Financial Assets and Financial Liabilities

#### Group

2022	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	481.0	481.0
Loans and advances to banks	-	-	77.8	77.8
Reverse repurchase agreements with banks	3,854.3	-	-	3,854.3
Reverse repurchase agreements with customers	5,376.1	-	40.9	5,417.0
Debt and other fixed income securities	4,772.0	-	-	4,772.0
Equity shares	-	3.5	-	3.5
Derivative assets	6,439.0	4.1	-	6,443.1
Shares in group undertakings	-	8.1	-	8.1
Trade receivables	7.5	-	809.2	816.7
Prepayments and accrued income	22.7	-	33.9	56.6
	<u>20,471.6</u>	<u>15.7</u>	<u>1,442.8</u>	<u>21,930.1</u>

2022	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>Financial liabilities:</b>				
Deposits by banks	-	-	1,153.3	1,153.3
Customer accounts	-	-	295.7	295.7
Repurchase agreements with banks	1,734.6	-	40.9	1,775.5
Repurchase agreements with customers	5,799.8	-	-	5,799.8
Debt securities in issue	-	9.7	1,750.4	1,760.1
Short Positions	3,560.9	-	-	3,560.9
Derivative liabilities	6,419.0	3.7	-	6,422.7
Trade payables	11.0	-	435.2	446.2
Accruals and deferred income <sup>1</sup>	24.1	-	20.6	44.7
Subordinated liabilities	-	-	-	-
	<u>17,549.4</u>	<u>13.4</u>	<u>3,696.1</u>	<u>21,258.9</u>

#### Group

2021	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	227.5	227.5
Loans and advances to banks	-	0.5	109.5	110.0
Reverse repurchase agreements with banks	2,107.5	-	-	2,107.5
Reverse repurchase agreements with customers	4,288.6	-	-	4,288.6
Debt and other fixed income securities	4,261.9	-	-	4,261.9
Equity shares	0.2	1.6	-	1.8
Derivative assets	6,509.4	4.4	-	6,513.8
Shares in group undertakings	-	6.8	-	6.8
Trade receivables	3.4	-	508.6	512.0
Prepayments and accrued income	33.7	-	35.0	68.7
	<u>17,204.7</u>	<u>13.3</u>	<u>880.6</u>	<u>18,098.6</u>

2021	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>Financial liabilities:</b>				
Deposits by banks	-	-	285.5	285.5
Customer accounts	-	-	228.6	228.6
Repurchase agreements with banks	1,984.1	-	-	1,984.1
Repurchase agreements with customers	3,133.7	-	-	3,133.7
Debt securities in issue	-	13.6	1,838.0	1,851.6
Short positions	3,072.9	-	-	3,072.9
Derivative liabilities	6,479.6	1.6	-	6,481.2
Trade payables	12.8	-	202.4	215.2
Accruals and deferred income <sup>1</sup>	27.5	-	45.7	73.2
Subordinated liabilities	-	-	45.2	45.2
	<u>14,710.6</u>	<u>15.2</u>	<u>2,645.4</u>	<u>17,371.2</u>



## 30. Financial Assets and Financial Liabilities (Continued)

### A. Classification of Financial Assets and Financial Liabilities (Continued)

#### Company

2022	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	481.0	481.0
Loans and advances to banks	-	-	55.4	55.4
Loans and advances to customers	-	-	147.4	147.4
Reverse repurchase agreements with banks	3,854.3	-	-	3,854.3
Reverse repurchase agreements with customers	5,437.8	-	40.9	5,478.7
Debt and other fixed income securities	4,465.2	-	-	4,465.2
Equity shares	-	3.5	-	3.5
Derivative assets	6,439.4	4.1	-	6,443.5
Shares in group undertakings	-	7.4	-	7.4
Trade receivables	7.2	-	807.6	814.8
Prepayments and accrued income	22.4	-	35.7	58.1
	<u>20,226.3</u>	<u>15.0</u>	<u>1,568.0</u>	<u>21,809.3</u>

2022	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>Financial liabilities:</b>				
Deposits by banks	-	-	1,153.3	1,153.3
Customer accounts	-	-	295.7	295.7
Repurchase agreements with banks	1,734.6	-	40.9	1,775.5
Repurchase agreements with customers	5,900.9	-	-	5,900.9
Debt securities in issue	-	9.7	1,750.4	1,760.1
Short Positions	3,383.6	-	-	3,383.6
Derivative liabilities	6,419.0	3.7	-	6,422.7
Trade payables	10.9	-	435.4	446.3
Accruals and deferred income <sup>1</sup>	23.9	-	21.8	45.7
	<u>17,472.9</u>	<u>13.4</u>	<u>3,697.5</u>	<u>21,183.8</u>

#### Company

2021	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	227.5	227.5
Loans and advances to banks	-	0.5	88.9	89.4
Loans and advances to customers	-	-	20.2	20.2
Reverse repurchase agreements with banks	2,107.5	-	-	2,107.5
Reverse repurchase agreements with customers	4,288.6	-	-	4,288.6
Debt and other fixed income securities	4,218.5	-	-	4,218.5
Equity shares	0.2	1.6	-	1.8
Derivative assets	6,509.4	4.4	-	6,513.8
Shares in group undertakings	-	6.5	-	6.5
Trade receivables	3.4	-	504.3	507.7
Prepayments and accrued income	33.7	-	43.2	76.9
	<u>17,161.3</u>	<u>13.0</u>	<u>884.1</u>	<u>18,058.4</u>

2021	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>Financial liabilities:</b>				
Deposits by banks	-	-	285.5	285.5
Customer accounts	-	-	228.6	228.6
Repurchase agreements with banks	1,984.1	-	-	1,984.1
Repurchase agreements with customers	3,133.7	-	-	3,133.7
Debt securities in issue	-	13.6	1,838.0	1,851.6
Short positions	3,072.9	-	-	3,072.9
Derivative liabilities	6,479.6	1.6	-	6,481.2
Trade payables	12.8	-	203.8	216.6
Accruals and deferred income <sup>1</sup>	27.5	-	48.2	75.7
Subordinated liabilities	-	-	45.2	45.2
	<u>14,710.6</u>	<u>15.2</u>	<u>2,649.3</u>	<u>17,375.1</u>

#### Explanatory note on classification of financial assets and financial liabilities

1. Accruals and deferred income contains accrued interest relating to financial liabilities, including deposits by banks, customer accounts, repurchase agreements and debt securities in issue.

## 30. Financial Assets and Financial Liabilities (Continued)

### B. Fair Value Hierarchy

The Group has allocated its financial instruments into a three-level fair value hierarchy based on the priority of the inputs to the valuation methodology.

The fair value hierarchy gives the highest priority to quoted prices in active markets for identical assets or liabilities and the lowest priority to unobservable inputs. If the inputs used to measure the financial instruments fall within different levels of the hierarchy, the categorisation is based on the lowest level input that is significant to the fair value measurement of the instrument.

Financial assets and liabilities recorded on the Statement of Financial Position are categorised based on the inputs to the valuation techniques as follows:

Level 1 – Financial assets and liabilities whose values are based on unadjusted quoted prices for identical assets or liabilities in an active market that the Group has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 instruments. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these products does not entail a significant degree of judgment.

Level 2 – Financial assets and liabilities whose values are based on quoted prices in markets that are not active or model inputs that are observable either directly or indirectly for substantially the full term of the asset or liability.

Level 3 – Financial assets and liabilities whose values are based on prices or valuation techniques that require market data inputs that are both unobservable and significant to the overall fair value measurement. These inputs reflect management's own assertions about the assumptions a market participant would use in pricing the asset or liability.

The availability of observable market data will vary from product to product and is affected by a wide variety of factors, including but not exclusive to the type of product and the liquidity of markets and other characteristics particular to the product. Where the valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised by the Group in determining fair value is greatest for instruments categorized in Level 3 of the fair value hierarchy.

The Group considers market data that is current as of the measurement date, irrespective of whether that date falls within a period of market dislocation. In such circumstances the observability of market data may be reduced for many products. This condition could cause an instrument to be reclassified between levels within the fair value hierarchy.

The following tables show the analysis of the fair values for fair value instruments disclosed in Note 30A categorised in accordance with the hierarchy described above.

### Group

2022	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Fair value Total £ millions
Reverse repurchase agreements with banks	-	3,821.9	32.4	3,854.3
Reverse repurchase agreements with customers	-	5,315.1	61.1	5,376.2
Debt and other fixed income securities	3,376.9	1,395.1	-	4,772.0
Equity securities	-	0.1	3.4	3.5
Interest rate	48.1	6,008.8	0.1	6,057.0
Convertible bond option	-	-	50.3	50.3
Foreign currency	-	99.7	3.7	103.4
Credit	-	232.4	-	232.4
Derivative assets	48.1	6,340.9	54.1	6,443.1
Shares in group undertakings	8.1	-	-	8.1
<b>Financial assets</b>	<b>3,433.1</b>	<b>16,873.1</b>	<b>151.0</b>	<b>20,457.2</b>
Repurchase agreements with banks	-	1,695.0	39.7	1,734.7
Repurchase agreements with customers	-	5,799.8	-	5,799.8
Short trading positions	3,066.0	494.9	-	3,560.9
Interest rate	42.2	5,996.6	-	6,038.8
Convertible bond option	-	-	50.3	50.3
Foreign currency	-	98.4	0.3	98.7
Credit	-	234.9	-	234.9
Derivative liabilities	42.2	6,329.9	50.6	6,422.7
Debt securities in issue	-	-	9.7	9.7
<b>Financial liabilities</b>	<b>3,108.2</b>	<b>14,319.6</b>	<b>100.0</b>	<b>17,527.8</b>



## 30. Financial Assets and Financial Liabilities (Continued)

### B. Fair Value Hierarchy (Continued)

Group	Fair value				Company	Fair value			
	2021	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions		Fair value Total £ millions	2022	Level 1 £ millions	Level 2 £ millions
Reverse repurchase agreements with banks	-	2,107.5	-	2,107.5	Reverse repurchase agreements with banks	-	3,821.9	32.4	3,854.3
Reverse repurchase agreements with customers	-	4,288.6	-	4,288.6	Reverse repurchase agreements with customers	-	5,376.7	61.1	5,437.8
Debt and other fixed income securities	2,311.9	1,949.4	0.6	4,261.9	Debt and other fixed income securities	3,106.7	1,358.5	-	4,465.2
Equity securities	-	0.2	1.6	1.8	Equity securities	-	0.1	3.4	3.5
Interest rate	12.4	6,353.0	-	6,365.4	Interest rate	47.9	6,009.4	0.1	6,057.4
Convertible bond option	-	-	50.7	50.7	Convertible bond option	-	-	50.3	50.3
Foreign currency	-	75.2	3.6	78.8	Foreign currency	-	99.7	3.7	103.4
Credit	-	18.9	-	18.9	Credit	-	232.4	-	232.4
Derivative assets	12.4	6,447.1	54.3	6,513.8	Derivative assets	47.9	6,341.5	54.1	6,443.5
Shares in group undertakings	6.8	-	-	6.8	Shares in group undertakings	7.4	-	-	7.4
<b>Financial assets</b>	<b>2,331.1</b>	<b>14,792.8</b>	<b>56.5</b>	<b>17,180.4</b>	<b>Financial assets</b>	<b>3,162.0</b>	<b>16,898.7</b>	<b>151.0</b>	<b>20,211.7</b>
Repurchase agreements with banks	-	1,984.1	-	1,984.1	Repurchase agreements with banks	-	1,695.0	39.7	1,734.7
Repurchase agreements with customers	-	3,133.7	-	3,133.7	Repurchase agreements with customers	-	5,900.9	-	5,900.9
Short trading positions	2,403.0	669.9	-	3,072.9	Short trading positions	2,888.7	494.9	-	3,383.6
Interest rate	14.8	6,333.3	-	6,348.1	Interest rate	41.8	5,997.0	-	6,038.8
Convertible bond option	-	-	50.7	50.7	Convertible bond option	-	-	50.3	50.3
Foreign currency	-	59.0	0.9	59.9	Foreign currency	-	98.4	0.3	98.7
Credit	-	22.5	-	22.5	Credit	-	234.9	-	234.9
Derivative liabilities	14.8	6,414.8	51.6	6,481.2	Derivative liabilities	41.8	6,330.3	50.6	6,422.7
Debt securities in issue	-	-	13.6	13.6	Debt securities in issue	-	-	9.7	9.7
<b>Financial liabilities</b>	<b>2,417.8</b>	<b>12,202.5</b>	<b>65.2</b>	<b>14,685.5</b>	<b>Financial liabilities</b>	<b>2,930.5</b>	<b>14,421.1</b>	<b>100.0</b>	<b>17,451.6</b>

## 30. Financial Assets and Financial Liabilities (Continued)

### B. Fair Value Hierarchy (Continued)

#### Company

2021	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Fair value Total £ millions
Reverse repurchase agreements with banks	-	2,107.5	-	2,107.5
Reverse repurchase agreements with customers	-	4,288.6	-	4,288.6
Debt and other fixed income securities	2,277.0	1,940.9	0.6	4,218.5
Equity securities	-	0.2	1.6	1.8
Interest rate	12.4	6,353.0	-	6,365.4
Convertible bond option	-	-	50.7	50.7
Foreign currency	-	75.2	3.6	78.8
Credit	-	18.9	-	18.9
Derivative assets	12.4	6,447.1	54.3	6,513.8
Shares in group undertakings	6.5	-	-	6.5
<b>Financial assets</b>	<b>2,295.9</b>	<b>14,784.3</b>	<b>56.5</b>	<b>17,136.7</b>
Repurchase agreements with banks	-	1,984.1	-	1,984.1
Repurchase agreements with customers	-	3,133.7	-	3,133.7
Short trading positions	2,403.0	669.9	-	3,072.9
Interest rate	14.8	6,333.3	-	6,348.1
Convertible bond option	-	-	50.7	50.7
Foreign currency	-	59.0	0.9	59.9
Credit	-	22.5	-	22.5
Derivative liabilities	14.8	6,414.8	51.6	6,481.2
Debt securities in issue	-	-	13.6	13.6
<b>Financial liabilities</b>	<b>2,417.8</b>	<b>12,202.5</b>	<b>65.2</b>	<b>14,685.5</b>

### C. Methods and Valuation Techniques Used to Determine Fair Values

Fair value is the amount at which an asset could be exchanged, a liability settled, or an equity instrument granted could be exchanged, between knowledgeable, willing parties in an arm's length transaction.

The Group carries positions in financial instruments at a point within the bid-ask range that meets the Group's best estimate of fair value. Bid prices reflect the highest price that a party is willing to pay for an asset. Ask prices represent the lowest price that a party is willing to accept for an asset. For offsetting positions in the same financial instrument, the same price within the bid-ask spread is used to measure both the long and short positions.

The Group determines the fair value of financial instruments either by using prices obtained directly from external data, estimated on the basis of the price established in recent transactions involving similar instruments or by using valuation techniques. These valuation techniques incorporate generally accepted models commonly used by the financial community. They maximize the use of observable inputs and minimize the use of unobservable inputs. They are calibrated to reflect current market conditions.

The fair value for many cash instruments and OTC derivative contracts are derived using pricing models. Pricing models take into account the contract terms as well as multiple input parameters, including, where applicable, equity prices, interest rate yield curves, credit curves, correlation, creditworthiness of the counterparty, creditworthiness of the Group, option volatility and currency rates.

Valuation adjustments are applied as appropriate, when some factors such as model, liquidity and credit risks are not captured by the models or their underlying inputs, but are nevertheless considered by market participants when setting the exit price. The exit costs are priced in terms of bid-mid and mid-ask spreads, which are marked to levels observed in trade activity, broker quotes or other external third-party data. Where these spreads are unobservable for a financial instrument or market data point, spreads are derived from observable levels of similar positions.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market parameters are not readily available, assumptions are set to reflect those that the Group believes market participants would use in pricing the asset or liability at the measurement date. Where the Group manages a group of financial assets and financial liabilities on the basis of its net exposure to either market or credit risks, the Group measures the fair value of those financial instruments consistently with how market participants would price the net risk exposure at the measurement date.

The methods and valuation techniques used to determine fair values used for financial instruments shown at fair value on the Statement of Financial Position are described in more detail below by class of financial instrument.

#### Reverse repurchase and repurchase agreements

Reverse repurchase agreements and repurchase agreements are carried on the Statement of Financial Position at fair value, with changes in fair value taken through Statement of Comprehensive Income.

The fair value is determined in accordance with relevant market derived interest rates, which principally vary by reference asset type, currency, maturity and the degree of market demand for collateral which underlies individual contracts. Where appropriate, transactions with the same counterparty are reported on a net basis.

Certain Reverse repurchase agreements on underlying CLO warehouse notes are carried on the Statement of Financial Position at Amortised cost, since MHI is not market making or otherwise holding a trading position for short term gains and essentially is financing the counterparty on the CLO warehouse with the intent to hold to maturity and earn daily accrual interest on the financing amount.



## 30. Financial Assets and Financial Liabilities (Continued)

### C. Methods and Valuation Techniques Used to Determine Fair Values (Continued)

#### Debt and Other Fixed Income Securities

Highly liquid securities are priced from readily available quoted prices. Less liquid securities are priced giving consideration to quoted prices & market derived rates for those securities.

Illiquid securities are valued by benchmarking model-derived prices to quoted market prices and trade data for identical or comparable securities. These securities are priced using relevant proxy market data as far as possible, and this data chiefly comprises market rates derived from more liquid securities of that issuer, rates implied from recent transactions in that or proxy securities and rates derived from credit derivative markets.

#### Equity Shares

Common and preferred shares traded in active markets are valued using dealer price quotations or exchange prices recorded on the security exchange on which the security is principally traded.

Exchange traded funds are valued at the closing price recorded by the security exchange on which the security is principally traded.

Other financial investments included in equity shares principally comprise investments in a private equity partnership, which is valued based upon regular valuation reports provided by the fund manager.

#### Derivatives

The fair value of OTC derivatives is taken to be the sum of the estimated future cash flows arising from the instrument, discounted to present value at the date of measurement, using valuation techniques commonly used by the financial markets to determine the Net Present Value ("NPV").

#### Credit Derivatives

Credit derivatives that reference liquid reference assets, indices or issuers are valued using observable interest rates, credit spreads and recovery rates. To the extent that credit spreads are unobservable, these are determined with reference to recent transactions or proxy spreads from relevant debt securities.

#### Other Derivatives

Vanilla interest rate, inflation and currency derivatives are priced using industry standard models that incorporate observable market interest, inflation and currency rates.

Interest rate, currency and equity derivatives that incorporate option related or other more complex features are priced using industry standard and proprietary valuation techniques. These utilise input parameters which include FX rates, interest rates, and equity prices, together with relevant volatility and correlation rates, and other model parameters. Certain derivative transactions executed with other Mizuho group counterparties have been priced using valuations provided by those counterparties, and those valuations have been based on the techniques described above.

Overnight Indexed Swaps ("OIS") discounting has been applied to the Group's derivative transactions conducted under agreements which provide for collateralisation of credit exposures, taking account of factors such as margin thresholds and the currency of collateral provided.

#### XVA

XVA fair value adjustments comprise Credit Valuations Adjustments ("CVA"), Debit Valuations Adjustments ("DVA"), Margin Valuations Adjustments ("MVA") and Funding Valuations Adjustments ("FVA"), which in themselves include Funding Benefit Adjustments ("FBA") and Funding Cost Adjustments ("FCA")

The closing XVA balances for year ending 31 March 2022 and 31 March 2021 respectively, and the effect on the Statement of Comprehensive Income for the following derivative fair value adjustments is:

#### Group and Company

	2022 £ millions	2021 £ millions	Movement £ millions	Loss/(gain) *
CVA	0.1	0.1	-	-
DVA	-	-	-	-
FVA (FCA/FBA)	(0.1)	(0.1)	-	-
MVA	1.2	1.7	0.5	Gain
Total XVA reserve	1.2	1.7	0.5	Gain

\* Increased XVA balances represent a loss and decreased XVA balances represent a gain.

#### Credit Valuation Adjustment

The CVA is the mark to market cost of protection required to hedge credit risk from counterparties in the Group's derivative portfolio, and depends on expected and potential future exposures, default probability and recovery rates. The assessment takes into account whether collateral, netting arrangements or break clauses are in place.

The Group applies credit-related valuation adjustments to its derivative portfolios. The impact of changes in the counterparty's credit data is considered when measuring fair value. In determining the expected exposure, the Group simulates the distribution of the future exposure to a counterparty, then applies market-based default probabilities to the future exposure, leveraging independent third-party credit default swap ("CDS") spread data. Where CDS spread data is unavailable for a specific counterparty, CDS spread data that reference a comparable counterparty may be utilised. The Group also considers collateral held and legally enforceable master netting agreements that mitigate the Group's exposures.

In respect of counterparties that are regarded as distressed, the adjustment is determined through a more judgemental consideration of the likelihood of recovery with regards to the circumstances of those individual counterparties. Key items taken into consideration include the size of the Group's and third party claims upon the counterparty in comparison to the counterparty's available assets.

#### Debit Valuation Adjustment

DVA are taken to reflect the credit quality of the Group in the valuation of liabilities measured at fair value. This is determined symmetrically to the CVA on the same products & calculation methodologies, based on the negative potential and expected exposures and the Group's own creditworthiness. The Group's credit spread is observed through the CDS market to estimate the probability of default and loss given default as a result of a systemic event affecting the Group.

## 30. Financial Assets and Financial Liabilities (Continued)

### C. Methods and Valuation Techniques Used to Determine Fair Values (Continued)

#### Funding Valuation Adjustment

The Group's FVA framework incorporates the impact of funding to its valuation estimates for derivatives. The framework incorporates the Group's best estimate of the funding cost or benefit that a relevant market participant would consider in the transfer of a derivative. The FVA methodology applies to both assets and liabilities. The key inputs within this process are the expected funding requirement arising from the Group's positions with each counterparty, giving consideration to the collateral arrangements. A hypothetical funding cost for a transfer to a market participant with similar credit standing as the Group, as exercised in the principal market, has been applied.

#### Margin Valuation Adjustment

The Group's MVA framework reports the impact on funding costs associated with the posting of Initial margin. Such margin must be funded as in the majority of cases, its re-hypothecation is not permissible. Those derivatives which require the posting of such margin will price in those related costs within the fair value representation.

The methodology adopted incorporates the ISDA proposed model (SIMM) and the Group's own assessment of the market risk sensitivities prevalent in the derivatives portfolio. The funding level applied within the calculation is identical to that consumed within the FVA model.

#### Debt Securities in Issue

Debt securities – adjusted for fair value hedge accounting

The carrying amount of financial liabilities measured at amortised cost are adjusted by the amount of the changes in the fair value associated with those hedged risks.

Debt securities – designated at fair value through profit and loss

Debt securities in issue designated at fair value through profit and loss are priced using an industry standard discounted cash flow analysis model that incorporates the valuation of the relevant market rates which drive the calculation of coupon and principal payments, together with an assessment of the Group's own credit spread.

## 31. Share Based Payment

The Group has adopted a deferral plan as part of its remuneration policy, that creates a mechanism to reward staff in line with the longer term performance of their respective divisions and the Group as a whole. The plan also aims to encourage the ongoing retention and motivation of employees over the longer term.

The deferral plan applies to MRTs and other staff whose variable remuneration exceeds defined thresholds. Half of the variable remuneration awarded to MRTs is required to be in the form of shares in the Mizuho Financial Group (or the cash equivalent value of such shares at distribution). Either 40% or 60% of the total variable remuneration of MRTs must be awarded in deferred form, which vests over four and / or five and / or seven years from the date of the non-deferred awards, and is subject to forfeiture conditions. Share based remuneration may also be awarded to non MRTs in the context of hiring, by way of buyout of existing bonus arrangements (including any deferral and / or retention years). Such share based remuneration will be subject to appropriate performance adjustment requirements.

Subject to good leaver provisions, deferred bonuses / awards may be forfeited in the following circumstances: voluntary resignation; or termination of employment for misconduct or gross misconduct; or an employee's failure to comply with the Group's professional standards and / or the PRA's Principles of Approved Persons; or restatement or recalculation of individual, departmental, and / or corporate financial performance; or in the case of MRTs only, assessment or reassessment of individual, departmental, and / or corporate financial performance; or a material error; or a material failure of risk management.

The cost of share based awards has been recognised in the Statement of Comprehensive Income in a time apportioned manner over the relevant vesting years. The liability on the Statement of Financial Position comprises this accrued cost, less any vested awards that have been paid out. Details of awards made, share based payment liabilities and expenses recognition are provided below:

	2022	2021
	£ millions	£ millions
Carrying value of share based payment liability	5.8	5.3
Expense arising from share-based payment transactions	1.2	2.8

## 32. IBOR Reform

Following the global financial crisis, regulators and central banks globally have been focusing on the reform and replacement of benchmark interest rates such as LIBOR. Pursuant to FCA announcements during 2021, all GBP and JPY LIBOR and EONIA tenors ceased, and representative LIBOR rates also ceased after 31 December 2021.

In response to these changes, a Group LIBOR Discontinuation Programme was set up in 2020 to oversee the Group's transition efforts from LIBOR to alternative RFRs. The program successfully delivered the transition of all non-USD LIBOR exposures ahead of the cessation dates.

However, for USD LIBOR, certain actively used tenors will continue to be in-force until June 2023, subject to specific permitted exception scenarios set out under 21A of the Benchmarks regulation. The Group has some residual exposure to these USD LIBOR tenors, the vast majority of which are cleared via CCP, which we expect to transition by June 2023, in line with regulatory requirements and CCP led initiatives.



## 32. IBOR Reform (Continued)

The following table provides a summary of residual LIBOR exposures as at 31 March 2022, which are yet to transition.

### Group and Company

2022	USD LIBOR £ millions
<b>Non-derivative Financial assets</b>	
Debt and other fixed income securities	8.5
Reverse Repurchase agreements with banks	79.8
Prepayments and accrued income	0.1
<b>Non-derivative Financial liabilities</b>	
Repurchase agreements with banks	79.8
Accruals and deferred income	0.1
<b>Derivatives notional amounts</b>	
Exchange traded Derivatives notionals	29,223.0
OTC IR & FX Derivatives notionals – Cleared through CCP	216,178.0
OTC IR & FX Derivatives notionals	152.0

## 33. Country by Country Tax Payments

Group Country (Business)	Income £ millions	(Loss)/ profit before tax £ millions	Capital £ millions	Retained earnings £ millions	Tangible assets £ millions	Tax (received) /paid £ millions	Average number of employees
UK (Banking)	142.5	(38.3)	709.9	(5.9)	28.1	1.4	565
Germany (Banking)	18.5	3.4	31.4	7.2	0.7	1.7	33
United Arab Emirates (Primary debt)	-	(3.1)	-	(8.2)	-	-	3
Spain (Primary Debt)	2.1	0.2	-	0.2	0.1	0.1	2
France (Primary Debt)	2.5	0.2	-	0.3	0.1	0.2	3
Consolidated adjustments	0.6	-	(31.4)	-	-	-	-
<b>Total</b>	<b>166.3</b>	<b>(37.6)</b>	<b>709.9</b>	<b>(6.4)</b>	<b>29.0</b>	<b>3.4</b>	<b>606</b>

The Group is committed to responsible management of its tax affairs. Tax is managed in accordance with Local laws and the Group is transparent in its interaction with tax authorities. In the UK, the Group has reaffirmed adoption of the HMRC's Code of Practice on Taxation.

## 34. Parent Undertakings

Mizuho International plc is directly owned by Mizuho Securities Co., Ltd a company which is incorporated in Japan. The Group's ultimate parent undertaking is Mizuho Financial Group, Inc., which is incorporated in Japan.

Copies of the group financial statements for Mizuho Financial Group, Inc. can be obtained from:

Corporate Communications  
Public Relations Office  
Mizuho Financial Group, Inc.  
Otemachi Tower  
1-5-5 Otemachi, Chiyoda-ku, Tokyo  
100-8176, JAPAN

<https://www.mizuhogroup.com/investors/financial-information/financial-statements>



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