

A photograph of the Tower Bridge in London, showing its two massive stone towers and the suspension cables. The bridge is illuminated with blue lights. The background is a clear blue sky. The image is partially obscured by a dark blue vertical bar on the right side, which contains the text.

**MIZUHO**

Mizuho  
International plc

Annual Report  
for year ended  
31 March 2023



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# General Information

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

Ms M. Erasmus	Chair and Independent Non-Executive Director
Mr S. Bakhshi	President and Chief Executive Officer
Mr T. Ino	Deputy President and Managing Director
Mr R. Tallentire	Chief Financial Officer and Managing Director
Mr D. Weymouth	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 F. Suzuki	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

## Group Chair's Statement



Maureen Erasmus  
Chair and Independent Non-Executive Director

I am delighted to be appointed Chair of Mizuho International's Board of Directors during such a critical inflection point for Mizuho Financial Group's business in EMEA. A key strategic focus for the Board this year will be to provide challenge and support for the formation of the Corporate and Investment Bank ('CIB') in the region. The CIB model provides us with the opportunity to deliver a truly integrated client service and create a greater value proposition for our clients.

Whilst we have been making tangible progress with this integration over the past twelve months, the organisation has also been navigating significant challenges in global financial markets and society more broadly, with the war in Ukraine and the unsettling impacts of higher inflation and higher, less predictable interest rates. In our capacity as a Board, we have been acutely focused on the implications of geopolitical and economic developments. Furthermore, we have been vigilant in exercising governance, monitoring and management of our exposures in relation to our established risk appetite.

During these times of geopolitical and macro-economic uncertainty, Mizuho Financial Group continues to pursue positive contribution to the transition to a low-carbon society. The skill-set within EMEA ensures that we play a crucial role

in these ambitions, and I am proud that this year, it includes efforts to capture hydrogen and renewable finance related business by reaching the wider value chain, including Africa.

We are proud of our commitment to Inclusion & Diversity – indeed our Board composition reflects multiple nationalities and skill-sets and this cultural fusion creates our identity. As Mizuho Financial Group's new corporate identity beds in, this will further support a focus on a healthy corporate culture, and one which supports change, growth and a sustainable future for society.

During the year, we welcomed a new Board member, Mr Tadayoshi Ino, as Executive Director and Deputy President. We are pleased to have his fresh thinking, experience within the Markets business and extensive knowledge of the wider organisation. Furthermore, as we began the new financial year, Mr Fumiro Suzuki, CEO for EMEA was appointed to the Board as Non-Executive Director and representative of Mizuho Bank.

I am optimistic that the strategic changes underway to unite the region will ensure that we specialise in Mizuho's areas of competitive advantage and deliver sustainable growth.

## Strategic Report

The Directors of Mizuho International plc (the "Company") present the strategic report for the year ended 31 March 2023 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 one main class of business with two underlying business divisions, being the Investment Banking Division and the Markets Division:

- The **Investment Banking Division** arranges and underwrites new debt issuances for major corporate clients and Financial Institution Group clients of Mizuho. It 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 Advisory services to EMEA clients with a particular focus on energy, infrastructure and Sovereign Wealth fund clients; and
- The **Markets Division** provides sales and trading of fixed income securities and derivatives for global institutional investor clients, and the sourcing of European-originated products for Mizuho’s Japanese retail client base. It 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 is focused on building a sustainable, client-centric business model, which leverages Mizuho’s global relationships, people and assets.

### 2.2. Business Results

The start of the financial year was characterised by a highly volatile market environment. Actions by central banks to increase interest rates to tackle inflation, as well as the continuing fallout from the Russian invasion of Ukraine, created a difficult trading environment resulting in a significant drop in revenues during the first quarter.

Whilst the impact of these factors affected the Group’s Investment Banking division throughout the year due to reduced issuance activity, the following three quarters saw a turnaround for the Group’s Markets division, supported by well managed credit trading, favourable rates cash desk performance and the use of hedging products to minimise the impact of volatility.

The Group continues to operate in a fragmented and highly regulated landscape with high barriers of entry; the cost of doing business in the region is high. This, against the volatile trading landscape, particularly in the first quarter, gave rise to an overall £4.5 million loss for the year. The results are summarised in table 2.3.

### 2.3. 31 March 2023 Results Summary

	2023	2022
	£ millions	£ millions
Net income from operations	194.4	166.3
Administrative expenses & depreciation	(203.9)	(203.9)
Provision for liabilities	(0.9)	-
Loss on ordinary activities before taxation	(10.4)	(37.6)
Tax credit on loss on ordinary activities	5.9	8.8
Loss for the year	(4.5)	(28.8)

Within the Investment Banking division, the business underperformed versus expectations and versus the prior year, as issuers sought alternative funding sources during an unprecedented period of interest rate rises and uncertainty.

Within the Markets division, the volatile trading conditions across risk assets led to underperformance in the first quarter which was significantly turned around in the following three quarters on the back of well managed credit and cash rates inventory, effective use of hedging positions and increasing portfolio of the Structured Financing business.

Costs were under budget as a result of the Group remaining below headcount within the front office divisions; and as a result of recharges from other Mizuho entities globally. As a result of the ongoing collaboration strategy across Mizuho EMEA entities, efficiencies could be realised in the corporate functions which helped to reduce the impact of inflationary increases.

### 2.4. Key Performance Indicators (KPIs)

The Group has put in place several initiatives (refer 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:

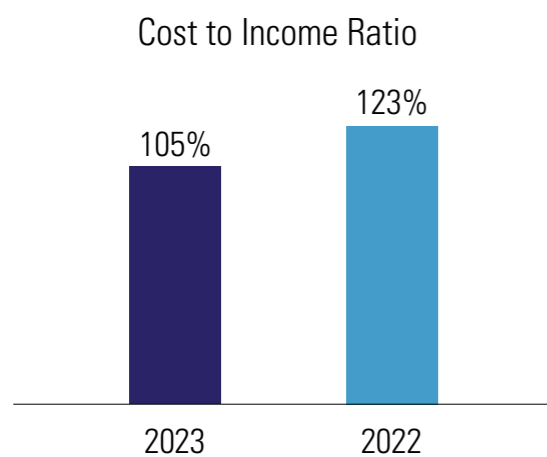
#### Financial Performance Indicators



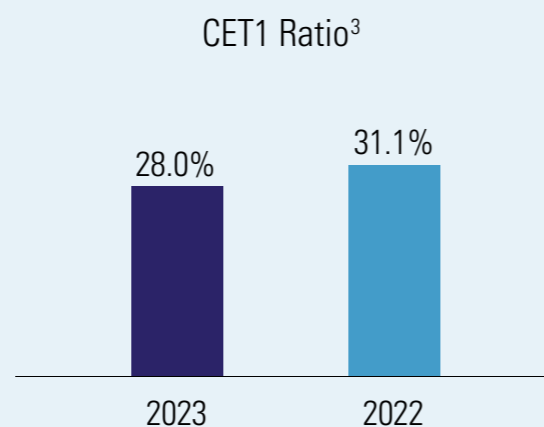
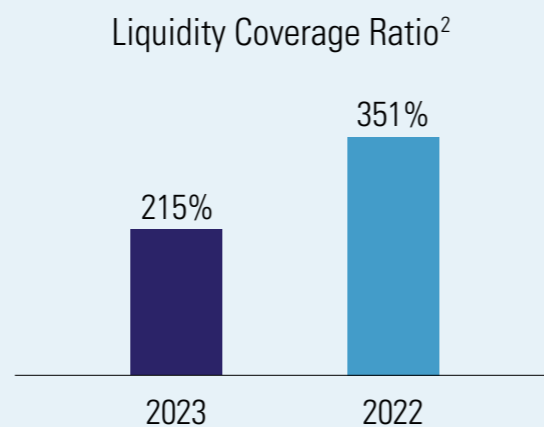
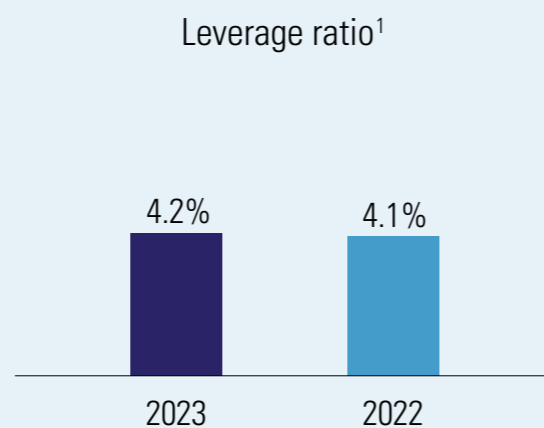
Y-o-Y change in net income from operations  
(2022: 37.3% decrease)



Y-o-Y change in administrative expenses  
(2022: 7.0%)

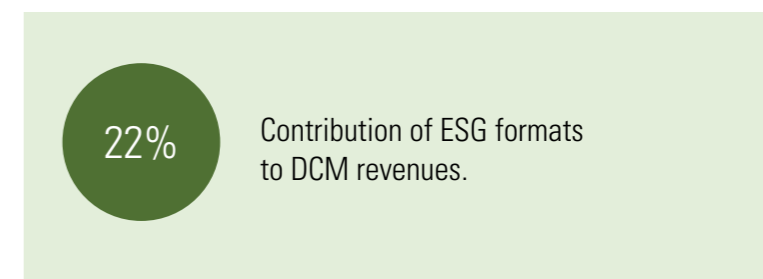
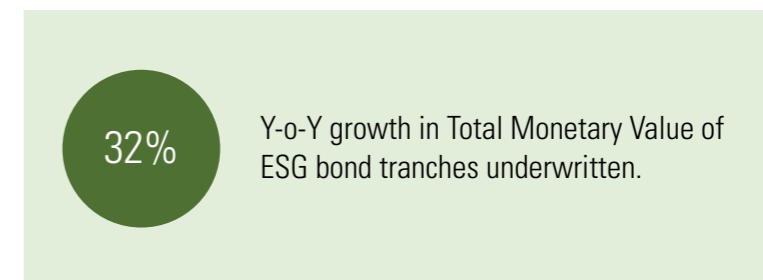


### Regulatory Indicators

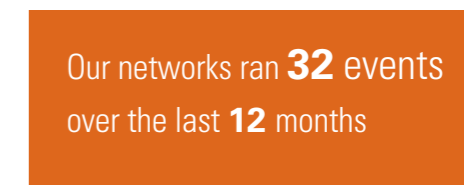


1. Leverage Ratio defined as: Common Equity Tier 1 Capital / Total Exposure Measure
2. Liquidity Coverage Ratio defined as: Liquidity Buffer / Net Liquidity Outflows over a 30 day stress period
3. CET1 Ratio defined as: Common Equity Tier 1 Capital / Total Risk Exposure Amount

### ESG Indicators



### Inclusion and Diversity Indicators



### 3. Strategic Priorities

The Group's strategy focuses on bringing together the banking and markets franchises in EMEA, and specialising around Mizuho's areas of competitive advantage, which include strong balance sheet, access to leading EMEA blue chip corporates and dominance in Japan and Asia. Leveraging these advantages and positioning itself as a debt and financing powerhouse in EMEA, the Group aims to deliver a seamless offering in the region for clients' funding, investment, transition advisory and hedging needs. The Group continues to pursue initiatives to support and govern this unified client offering.

#### 3.1. Corporate and Investment Bank ("CIB") Strategy

At the start of the financial year a new management structure for the region was announced to support deeper unification between the Group and Mizuho Bank, London branch. The new leadership structure breaks down silos between the organisations and enables a more seamless offering in EMEA. Many of the Group's employees have been dual-hatted into Mizuho Bank, London branch to support the unification and provide integrated client services.

#### 3.2. Positioning as a Debt and Financing Powerhouse

Building on Mizuho's global strength, the Group is focused on working with Mizuho Bank, London branch to position itself as a debt and financing powerhouse. This will include strengthening expertise in selective sectors and deepening sponsor relationships to capture opportunities, particularly in the Leveraged Finance space. Building on the CIB Strategy, the Group focuses on building synergies between Banking and Markets, particularly in the Credit business via an enhanced originate-to-distribute framework.

#### 3.3. Governance alignment

In line with the CIB Strategy and dual hatted teams across the Group and Mizuho Bank, London branch, a key focus is the design and implementation of an integrated operating and governance model. The unified model is designed to eliminate silos, foster one culture and drive more efficiency across the region. The implementation of the aligned operating and governance model is ongoing.



### 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 Inflationary Environment and Rising Interest Rates

With inflation at multi-decade highs, deterioration of the economic outlook in many regions and persistent geopolitical risks, central banks consistently hiked interest rates during FY22 / 23. The impact of this has been volatile asset prices, reduced market liquidity and reduced deal flow. The persistently challenging market conditions have driven issuers to seek alternative funding sources which has negatively impacted the Group's Investment Banking division. The Markets business has been able to navigate the environment more successfully, through close inventory management as well as optimised hedging.

Inflation concerns, monetary policies and geopolitical developments will continue to remain a central focus for the Group and its clients. The Group expects global interest rates to stabilise, inflation to start declining and clients to adapt to the mid-term funding environment. As well as providing a less volatile environment for the Markets business, within Banking, this is expected to stimulate more primary deal flow.

#### 4.2. Continuing Geopolitical Instability

The discordant relationships between many countries, such as China-Taiwan, China-United States and Russia-Ukraine have intensified in recent years, risking further financial fragmentation globally. Geopolitical tensions impact cross-border investment, asset prices and in turn increase funding costs. With higher funding costs come reduced lending to the private sector and further risks to financial stability and economic growth.

The Group will continue to closely monitor the geopolitical risks which are expected to remain; as well as the related repercussions on clients and markets. Managing downside risks will remain a priority; through careful credit inventory management and the utilisation of hedging products, where necessary.

### 4.3. Climate and Sustainability

Identifying and managing financial risks associated with climate change continues to be important for the Group. As the world transitions to a low carbon economy, financial institutions including the Group face significant developments in stakeholder expectations and regulation which could have a material impact on their business activities. With appropriate Board oversight and the embedding of climate risk into the Group's risk appetite, risk identification, risk measurement, stress testing and employee training management processes framework, the Group continues to make headway in managing climate risk as part of its sustainability journey. More details are available in Section 5.

## 5. Environmental, Social & Governance ("ESG") Framework

### 5.1. Introduction

MHFG has committed to align its business with the aims of the Paris Agreement and to become net zero by 2050. Meanwhile, sustainability has become a central pillar of MHFG's strategic direction – and to support this – sustainability actions have been strengthened over the course of the last year.

Notable steps taken include:

- Revision of the Net Zero Transition Plan, with a focus on a more integrated response to climate change going forward;
- Raising targets for Sustainable and Environmental and Climate Change-related finance (JPY 100tn of which JPY 50tn for Environmental and Climate Change-related finance, during the FY2019-30 period, equating to GBP 607.8bn and GBP 303.9bn, respectively);
- Disclosure of Scope 3 financed emissions for 19 sectors and setting Scope 3 targets for key sectors to achieve its net zero target by 2050;
- Disclosure of progress towards financed greenhouse gas emissions reduction targets across the Electric Power, Oil and Gas, and Coal Mining (Thermal Coal) sectors;

- Progress made towards reducing own Scope 1 and 2 GHG emissions (carbon neutral by FY30 target) by shifting electricity consumption in Japanese operations to renewable energy;
- Demonstration of a stronger focus on human rights, being the first Japanese financial institution to publish a Human Rights Report in July 2022.

Not only is sustainability embedded in strategic planning, risk management and business priorities, but it also features centrally within MHFG's Corporate Philosophy and Purpose, both of which apply to Mizuho entities globally and as such inform how the Group operates. The Corporate Philosophy and Purpose clearly emphasise the importance of sustainability for the progress and longevity of both our organisation and society more broadly. As a result, our business teams are further empowered to support our clients in their respective business transformations, and to work towards driving sustainable change within our own organisation.

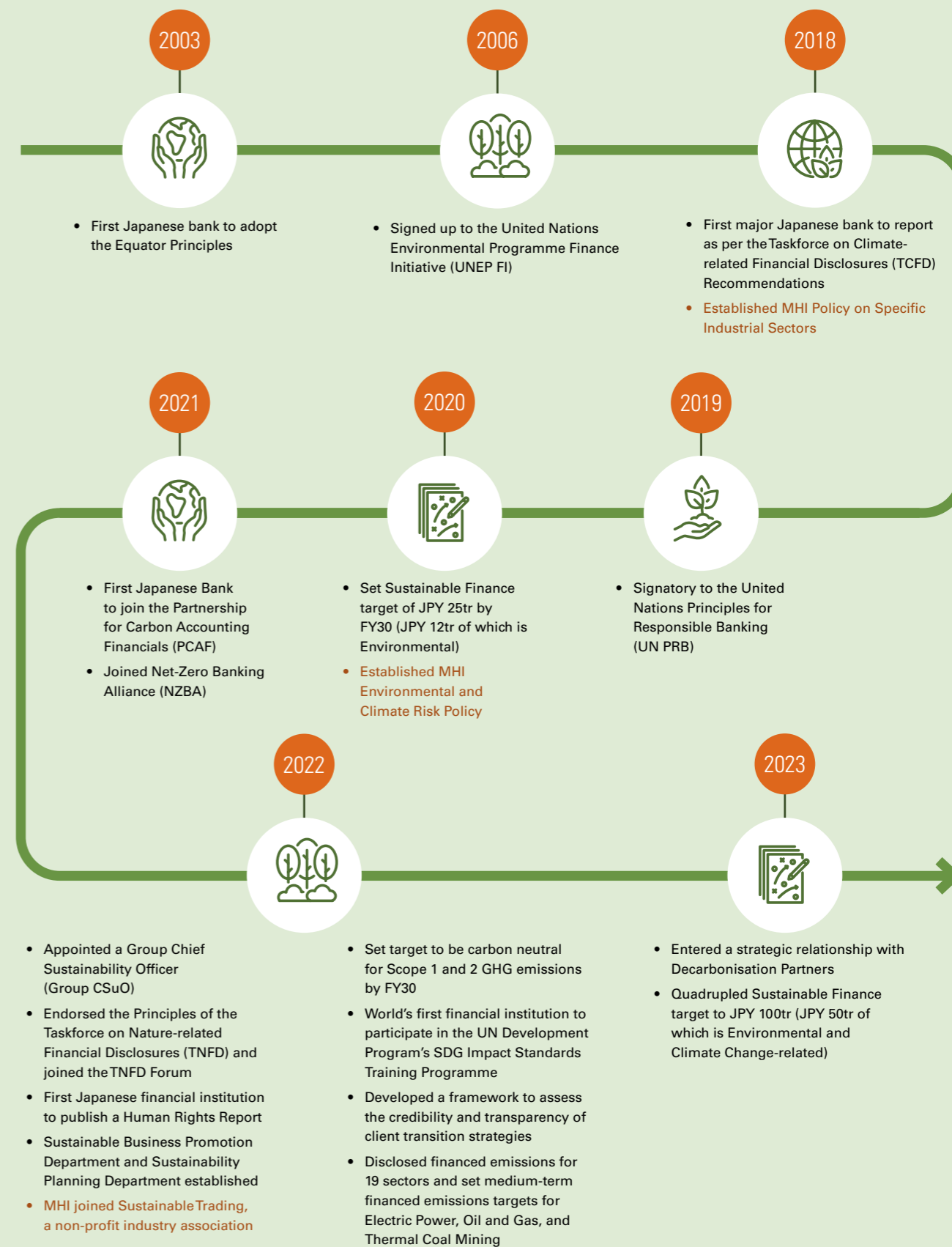
The increased focus on sustainability at MHFG during the last year has also led to the appointment of MHFG's first Group Chief Sustainability Officer in September 2022, with oversight and leadership of the Sustainable Business Promotion Department and Sustainability Planning Departments. The principal aim of this appointment is to reinforce sustainability promotion strategies and foster ever deeper collaboration across the organisation. In parallel, local appointments in EMEA, including a Head of Sustainable Finance, have strengthened the Group's ability to collaborate effectively with Head Office and Mizuho entities globally. Please refer to the section below – Developments within the Group – for more detail on local governance arrangements and the corporate structure across sustainable finance and corporate sustainability.

The magnitude of the recent Sustainable Finance target upgrade – a four-fold increase to JPY100tr (GBP 607.8bn) – reflects both MHFG's progress to date and its higher ambitions and evolving business focus going forward.

With MHFG's historical strengths in carbon-intensive industries, it has adopted an engagement-based approach to support clients with their transition through constructive dialogue. The transformation of businesses and entire industries presents a range of transition finance opportunities, which MHFG companies including the Group are increasingly embracing.

## Sustainability Timeline

- MHFG initiatives
- MHI initiatives







While supporting client transition initiatives, MHFG is also focused on climate-related risk management, with the aim of reducing financed greenhouse gas emissions from carbon-related sectors, including Electric Power, Oil and Gas, and Coal Mining (Thermal Coal). This includes risk identification and assessment, as well as the verification of the credibility of clients' transition strategies.

#### Developments within the Group

In line with the progress made, as well as the growing ambition at MHFG, a broad range of sustainability initiatives continue to be implemented by the Group. This includes the work of the Sustainability Forum – a governance committee – and its theme-based working groups. The working groups cover Business and Strategy, Risk Management, Governance and Disclosure, Communications, Culture and Education, as well as Operations.

The forum, chaired by the EMEA Head of Sustainability, and its working groups are a vehicle for exchange and collaboration between the sustainability function and other departments from across the Group.

The original focus of the forum was the development of a framework for the management of climate-related financial risk, in line with the regulator's expectations as set out in the PRA's Supervisory Statement 3 / 19. This has evolved to more broadly facilitate the embedding of sustainability considerations into business-as-usual activities across the organisation.

Key focus areas and initiatives over the last year have included:

- The formation of the Mizuho EMEA Sustainability Framework;
- Alignment of business development and client engagement with MHFG's sustainability strategy, and closer cooperation with Mizuho Bank, London branch;
- Enhancing the sophistication of the climate risk identification and assessment methodology;
- Ensuring a sound and effective governance framework for sustainability and climate risk management;
- Aligning with regulatory expectations in relation to climate change and other aspects of sustainability;
- Enhancing external transparency and communication channels: and

- Monitoring and managing the Group's own operational footprint and the sustainability of our supply chain.

Mirroring the corporate structure at MHFG, locally in EMEA there are also distinct sustainable finance and corporate sustainability functions. The Group's Executive Committee receives updates on climate risk, sustainable finance, and broader sustainability-related matters of importance.

The Group's sustainability strategy is aligned with MHFG's strategic planning, and as such is focused on supporting our clients in their respective transitions, while acknowledging regional idiosyncrasies. In line with our ongoing CIB transformation, bringing together the Group and Mizuho Bank, London branch, we are now successfully providing sustainable finance solutions within the EMEA region across Debt and Loan Capital Markets.

The Sustainable Finance team work in close collaboration with sector coverage teams to support client engagement activities, while maintaining connectivity across regions with Mizuho entities in Asia and the Americas. In order to build awareness of industry standards and rapidly evolving market practice, our Sustainable Finance team have been actively participating in industry initiatives such as the International Capital Market Association and Loan Market Association working groups.

The Group has established itself as a trusted partner to European Investment Grade corporate clients, working on a range of ESG transactions. This year's notable bond deal successes – across sustainability-linked, sustainability, and green bonds – include several ESG format debuts. Deal highlights include:

- Global Coordinator for a EUR 750m 4.5-year sustainability-linked bond return to the Euro senior market, for a French Auto Components company, having previously had an active role in the company's sustainability-linked bond debut;
- Active Bookrunner for a dual-tranche EUR 500m 7.5-year and GBP 250m 10-year debut sustainability bond issuance for a UK Food Services company, marking the first sustainability bond from the sector; and
- Active Bookrunner for a multi-tranche USD 4bn sustainability-linked bond issuance for an Italian Utility, one of the largest sustainability-linked exercises of all time.



Against the backdrop of challenging conditions in primary debt capital markets, with issuance of both conventional and ESG bond formats shrinking during the year, the Group's ESG format business held up well. The total monetary value of ESG bond tranches underwritten by MHI in FY22 / 23 grew by 32.5% year-on-year (100.8% in FY21 / 22), with a 2.3% year-on-year increase in the number of tranches (131.6% in FY21 / 22), and steady revenues. As a % of total Debt Capital Markets ("DCM") revenue, ESG formats contributed 22% in FY22 / 23 compared to 15% in FY21 / 22, thus growing in relative importance for our DCM business (and mirroring the ESG-to-conventional issuance ratio shift in primary debt capital markets more broadly).

We have also been building awareness of ESG formats within our Global Markets business across Credit and Rates, in line with evolving client preferences and the growing relative importance of ESG issuance in primary markets. In 2022, the Group joined Sustainable Trading, a non-profit industry network working towards transforming ESG practices within the financial markets trading industry, including devising practical solutions and designing a mechanism for self-assessment and benchmarking.

### 5.2. Strategic Climate Risk

The Group has adopted a proportionate approach to embedding the identification and management of climate-related risks, in line with our business model and the scale and complexity of our activities. The approach has been enhanced further over the course of FY22 / 23 in keeping with evolving market practice, growing sophistication of methodologies, and better ESG data availability.

One of the key developments within the Group in relation to climate risk has been a move away from previous high-level sector and country-based assessment approaches to a more granular entity-level transition risk assessment. The outputs of the analysis are integrated into our climate risk management information and dashboards, and shared with key governance committees.

We continue to monitor the evolution of both MHFG's and broader industry-wide approaches to climate risk management, as well as scenario analysis and stress testing, across both physical and transition risks. As part of our scoping of industry approaches and climate and sustainability risk methodology developments, representatives of the Group have actively participated in industry working groups over

the last year – with United National Environment Programme Finance Initiative, Global Financial Markets Association and International Swaps and Derivatives Association – focusing on aspects of ESG data, scenario analysis, and capital. Among other themes, we note the increased focus across our industry on reputational risk stemming from potential greenwashing concerns, and are monitoring evolving industry approaches towards managing these as well as developing our own reputational risk governance framework.

Building on the progress to date, the Group's approach to managing climate risk will continue to mature over time, supported by deepening collaboration across the Mizuho global platform.

For information on the Group's response to the Task Force on Climate-related Financial Disclosures ("TCFD") Recommendations, please refer to the Risk Review Section.

### 5.3. Our People & 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. This is supported by the Group's pillars of Inspiring Trust, valuing and encouraging Diversity of Thought and driving forward a Winning spirit, which are embedded in the performance evaluation and reward structure.

Our People strategy is delivered through a number of key levers: talent attraction and assessment, learning and development; a reward strategy incentivising the delivery of our growth strategy and meeting changing regulations; and a culture of inclusivity, diversity and equity. In line with MHFG's corporate philosophy, we aim to operate responsibly and transparently with foresight and enabling our people to flourish.

The Group defines its culture based on the core value from Mizuho Financial Group as "be a catalyst for change". Underpinning this are five values, integrity, passion, agility, creativity and empathy, and the following arrangements and initiatives support this culture.

### 5.3.1. 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 2022 Bloomberg Financial Services Gender–Equality Index for the sixth 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. We continue to focus on reaching a gender ratio of 33% senior females in the firm and have various strategies in place to support this target.

### 5.3.2. Talent Attraction

#### Junior talent attraction

One of our key focuses is strengthening our junior talent pipeline. In 2022, we made the decision to bring in-house the end to end recruitment and development cycle for our Interns and Graduates.

### 5.3.3. 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. The networks continue to play a vital link in creating and maintaining connections across the organisation in the post-pandemic hybrid working environment.

#### Flexible Working

We continue to further embed our supportive and inclusive workplace culture which is supplemented by a range of competitive family friendly policies and the promotion of flexible working. We support Hybrid working practices with elements of homeworking as standard, along with the option of utilising our core hours policy. This policy allows employees flexibility in how they manage their working hours.

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 continued our focus and commitment to supporting our staff who are impacted by the menopause. Our company frameworks include menopause as a way of life, and the provision of 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

Our comprehensive development suite, which supports our inclusive culture, incorporates an Inclusive Leadership Programme for our leaders.

The Elevate leadership development programme is entering its third year. This is a programme for women across the EMEA region, who are looking to enhance their skills, widen their internal profiles and work on specific development goals. Nurturing our female talent through programmes such as this ensures we are building a strong pipeline of women into senior management roles. This in turn means we have role models for the next generation of talent.



## Wellbeing

At Mizuho, we have four main strands of wellbeing which we build our programme around: Mental, Nutritional, Financial and Physical 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..

### 5.3.4. 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.

As of April 2023, we have started partnering with a charity organisation called Little Village, a charity that was formed in 2016. They provide much needed support to families with babies and children under the age of five by providing essential items. One third of all children under the age of 5 in the UK are living in poverty. The dedication and hard work of Little Village is fuelled by the belief that every child has the right to a good childhood, and the desire all parents have to give their children the best possible start in life. Unfortunately, with the current cost of living crisis there is an ever growing demand for their help and support.

Mizuho is committed to developing a partnership which involves multiple touchpoints and involvement, including but not restricted to: Volunteering; Fundraising; Office-based donation drives; Mizuho business expertise support; Event space; Networking; Communications.

#### Socio-Economic Diversity data

Following on from our participation in a UK Government taskforce to boost socio-economic diversity, we continue to show our deep commitment to ensuring that we uphold our core values. This means we continuously strive to create an inclusive work environment and culture designed to fully support our people. Through our membership with the industry group 'Progress Together' we are collecting data to help us understand our employee population, ensuring



we build a 'just' culture where everyone has the opportunity to prosper. The data is allowing us to establish a base line regarding our diverse workforce and is a key cornerstone to us moving forward with equity at Mizuho.

#### Race at Work Charter

We continue to be signatories of the Race at Work Charter. The Group remains fully committed to the journey of building a more representative workforce which embeds a culture of inclusiveness.

### 5.4. 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
- 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 have increased our monitoring of suppliers for ESG risk and use a 'Best in Class' utility risk platform and analyst service to drive excellence throughout our supply chain.

## 5.5. Financial Crime

### 5.5.1. 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.

### 5.5.2. 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.

## 6. 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?
<b>Our Clients</b>	<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><b>See Section 1.1 – Business Lines &amp; Clients</b></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>
<b>Our People</b>	<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. 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 town halls and webinars held in person and with the option to attend remotely. 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><b>See Section 5.3 Our People &amp; Culture</b></p>
<b>Our Suppliers</b>	<p>Third parties who supply us with goods and services as well as financial intermediaries, contractors and consultants.</p>	<p>MHI's 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>

What do they tell us?	How do we respond?
<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 evolving 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 now more integrated with Mizuho Bank under a CIB model allowing us to provide integrated coverage and an increased product offering to our clients in a much more seamless and aligned manner.</p> <p><b>See Section 3 – Strategic Priorities</b></p>
<p>A recent engagement survey reported a perception from employees that colleagues and managers are respectful and supportive. There are also positive expectations from employees in regards to the future growth potential of Mizuho as well as opportunities to develop their skills and career.</p> <p>Employees believe that work processes could be improved in order to enhance productivity and they would prefer to continue with a flexible hybrid working model to support the work-life balance and to efficiently manage workloads.</p>	<p>Survey themes, comments and metrics are reviewed in detail at an Executive Committee level, and where possible, improvements are implemented.</p> <p>As the CIB business model evolves, particularly in regards to the integration of the governance model across the entities in London, employee survey feedback is incorporated into the decision making.</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> <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>
<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>

	Who are our stakeholders?	Why do we focus on these stakeholders?	How do we engage with them?
Our Communities and the Environment	Our communities are defined as the local and global societies in which we operate.	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>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 a member of 'Progress Together', focused on the journey 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 business lines.</p> <p><b>See Section 5. Environmental, Social and Governance ("ESG") Framework</b></p>
Our Investors	Our sole shareholder is the parent, MHSC.	We need to deliver a long-term sustainable business model that delivers shareholder value.	<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><b>See Directors' Report Section 5 – Corporate Governance</b></p>
Our Regulators	The UK, EMEA and Japanese regulatory authorities.	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>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>

What do they tell us?	How do we respond?
<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 has extended deeper into the market and industries are in the process of being 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 continue to establish and enhance 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><b>See Section 5. Environmental, Social &amp; Governance ("ESG") Framework</b></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; through the integration with Mizuho Bank, London branch. They would like to see progress in the delivery of the CIB model in the region.</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. Our Board has representation from Mizuho Bank, London branch to ensure the importance of the integration strategy and CIB model is understood and reported on from the perspective of both entities.</p> <p>Our Board-approved governance and limit structure ensures growth is commensurate and well monitored by the three lines of defence.</p> <p><b>See Section 2.1 – Business Strategy</b> <b>See Section 3 – Strategic Priorities</b></p>
<p>Our regulators recognise the strength of our infrastructure and governance structure and demonstrate this through their ongoing support and constructive dialogue.</p> <p>Our regulators would like to see continued focus on delivering a sustainable business model and maintaining operational resilience, as well as successfully transitioning from relevant Inter Bank Offer Rates ("IBOR") to Risk Free Rates ("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 MHFG. 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>

## 7. Outlook for the coming Financial Year

The market backdrop is likely to remain volatile amid financial sector turmoil, high inflation and ongoing geopolitical risks in regards to Russia-Ukraine, China-Taiwan etc. The ongoing pace of regulatory developments also continues, including new operational resilience requirements, Fundamental Review of the Trading Book and other Capital Requirements, Regulation / Investment Firm Regulation reforms, climate change regulation and the EU banking package which may change cross-border rules.

The Group will continue to closely monitor this backdrop, managing downside risk as a priority. The strategic focus will continue to be the development of the CIB model. This model will break down silos between the organisations and business lines in the region to ensure a seamless client offering, while still ensuring appropriate legal entity governance and risk management oversight is maintained. Significantly, it will align the Markets division with the Investment Banking division to specialise around Mizuho Financial Group's areas of competitive advantage. The Group's CIB model will be underpinned by shared goals, governance and incentives across the region and will deliver a more sustained and stable performance as the revenue mix steadily improves.

A focus on ESG will continue in relation to the Group's client offering, the Group's operational footprint and the Group's engagement with employees and other stakeholders. ESG will be further embedded into the Group's strategy through the recent appointments across key areas of risk, strategy and client delivery. These roles will work together to ensure connectivity among the various Sustainability functions locally and globally, driving sustainable finance solutions for our key clients by coordinating with colleagues across products, regions and entities. There will also be a focus on capturing hydrogen and renewable sustainable finance-related business.

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 under the CIB model in EMEA, the Group will build a sustainable, client focused business model, whilst seeking a truly inclusive and ethically resilient culture which creates opportunities for growth.

By Order of the Board

**Sara Fox**  
Company Secretary  
15 June 2023



# 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 2023.



## 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 £4.5 million for the year ended 31 March 2023 (2022: loss £28.8 million). The Directors do not recommend the payment of a dividend in respect of the current financial year (2022: £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 current inflationary and rising interest rates environment. 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 2023:

Executive Directors	Mr S. Bakhshi Mr T. Ino (appointed on 1 July 2022) Mr R. Tallentire
Non-Executive Directors	Mr D. Weymouth (Chair and Independent Non-Executive Director) Ms M. Erasmus (Independent Non-Executive Director) Mr D. Atkinson (Independent Non-Executive Director) Mr G. Bennett (Independent Non-Executive Director) Mr N. Takahashi (Non-Executive Director) (appointed on 1 April 2022) Mr S. Toda (Non-Executive Director) (resigned on 31 March 2023) Mr Y. Wakabayashi (Non-Executive Director)

Since 31 March 2023 the following appointments to the Board have been made:

Non-Executive Directors	Mr F. Suzuki (appointed on 1 April 2023)
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In addition, Ms M. Erasmus succeeded Mr D. Weymouth as the Chair of the Group on 1 April 2023.

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 2023, 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 Deputy President, the Chair of the Board, the 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 ( Ms M. Erasmus from 1 April 2023) and the other members of the committee are the three other Independent Non-Executive Directors. The meetings are also attended by the Company Secretary, and by invitation only, the Head of Human Resources and the Head of Legal and Compliance. External advisors and other individuals who are not members of the Committee may also be invited at the discretion of the Chair.

### The 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 (Mr D. Weymouth from 1 April 2023) 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)

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 responsibility for 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 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 Equality, 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 5.3. 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 are utilised to maximise the efficiency of the organisation. More details can be found in section 5.3.3 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 Little Village (see section 5.3.4. 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 trading and 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. Post pandemic, the Group recognises the shift in attitudes away from traditional work settings and has been rolling out a New Working Environment with increased emphasis on employee welfare and sustainability. 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 are not the direct responsibility of any entity within the Group, and are generally minimal.

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

There was a slight increase in overall energy use by the Company in FY22 / 23, when compared with FY21 / 22. This is largely attributed to the increasing occupancy of the offices following implementation of a post pandemic hybrid New Working Environment. Though overall energy use has increased by 2.9% (FY22 / 23 overall energy use 4,900,697 kWh versus 4,761,772 kWh in FY21 / 22), it is still lower than pre-pandemic levels. The corresponding emissions were less than the previous year by 5.1% as overall emissions intensity from electricity consumption is lower.

The Company is committed to making continued improvements to implement energy and carbon performance. Over the past year a new energy efficiency strategy has been through adopting an occupancy demand led approach instead of a conventional time based approach. This has included:

- Plant equipment running times have been reduced to core hours
- Office lighting consumption has been reduced through application of lighting motion sensors
- Client meeting room air conditioning use is now linked to motion sensors.

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

	2023 Energy (kWh)	2023 Emissions (tCO <sub>2</sub> e)	2022 Energy (kWh)	2022 Emissions (tCO <sub>2</sub> e)
Electricity <sup>1</sup>	3,838,998	742.4	3,835,959	814.5
Gas and generator fuel <sup>2</sup>	1,052,025	192.5	877,988	162.2
Transport fuel (scope 1) <sup>3</sup>	3,462	0.9	7,782	1.5
Transport fuel (scope 3) <sup>4</sup>	6,212	1.5	40,043	9.2
<b>Total</b>	<b>4,900,697</b>	<b>937.3</b>	<b>4,761,772</b>	<b>987.4</b>
Intensity ratio: tCO <sub>2</sub> e gross figure based from mandatory fields above / Average FTE <sup>5</sup>	9,762	1.87	9,122	1.89

### Additional voluntary information:

	2023 Emissions (tCO <sub>2</sub> e)	2022 Emissions (tCO <sub>2</sub> e)
Carbon offsets <sup>6</sup>	(401.7)	(205.6)
<b>Total (Net of Carbon offsets)</b>	<b>535.6</b>	<b>781.8</b>

### Explanatory notes

1. Electricity used for Company operations at the occupied buildings in the UK and data centres.
2. Gas used for heating where this is measured.
3. Fuel and electricity used for operating one full electric car which is owned / leased by the Company.
4. Fuel used for operating employee vehicles driven for business use and business travel in rental cars.
5. Full time employees.
6. Over the reporting period, electricity at 30 Old Bailey 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
- The reporting scope covers energy used over reporting period from 1 April 2022 to 31 March 2023, 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. For example the Defra 2022 electricity grid emissions factor is 9% less carbon intensive than the Defra 2021 factor.

The Company is committed to making continued improvements to implement energy and carbon performance. Over the past year a new energy efficiency strategy has been implemented through the adoption of an occupancy demand led approach instead of a conventional time based approach. This has included:

- Plant equipment running times have been reduced to core hours;
- Office lighting consumption has been reduced through application of lighting motion sensors;
- Client meeting room air conditioning use is now linked to motion sensors.

### 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 its London office in March 2021. The Group is now seeking to extend ISO 14001 certification to additional EMEA locations.

One of the main objectives of an ISO 14001 Environmental Management System is to ensure continual improvement. The principle of **Plan – Do – Check – Act**, supported by audits and reviews, achieves this aim.

An Annual Surveillance Audit by the certification body is mandatory to maintain the ISO certification. An Annual Surveillance Audit was successfully completed in June 2022, in which the assessor noted opportunities for improvement through extending the scope to the full building in order to capture positive attributes of existing PV Panels and Biodiversity on the roof, plus noted the use of biodegradable drinks containers. The next Annual Surveillance Audit is scheduled for June 2023.

A periodic environmental compliance evaluation was conducted in January 2023 at 30 Old Bailey, London, to benchmark the findings against industry best practices and current statutory requirements. The review was conducted by an external consultant. It consisted of a visual inspection of the building, interviews with appropriate personnel, and assessing documents and records to demonstrate compliance with applicable environmental compliance obligations. A good level of compliance was observed, with waste management being identified as an area that required further improvement.

### 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 already complies with the ESOS Phase 1 and Phase 2 related aspects and is now working on Phase 3, with a compliance deadline of 5 Dec 2023. Some changes will occur in the current phase (Phase 3), the key ones being the use of intensity metrics to better align with SECR reporting, plus the inclusion of an Action Plan with a published target, which needs to be annually updated and reported, most likely as part of the SECR report. Other more ambitious elements are to be introduced in Phase 4 and beyond.

Data is being gathered for the mandatory reporting with an expected submission in quarter 3 of FY23 / 24.

## 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 significant 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 2023. 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  
15 June 2023



# 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.

The Risk Management function monitors and works closely with the Front Office. This is central to the Group's risk culture. There are regular forums for day to day business discussion, catalysed by co-location, fostering further alignment between the business strategy and risk taking. The Group's hedging policy further supports risk management, defining 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 evolves with 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.
- 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 Risk Management and Compliance functions, supported by the Finance and Legal teams. The Risk Management function is led by the CRO who reports directly into the CEO with independent oversight provided by the Chair of the Board Risk Committee.

The CRO 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 risks, and monitors compliance with these limits. There are five decision making sub-committees covering credit, market, model and operational risk, together with methodology, prudential matters and stress testing, detailed in the diagram below.



**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 Internal Capital Adequacy process (“ICAAP”) & Internal Liquidity Adequacy Assessment Process (“ILAAP”), 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 94 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
<b>Market risk</b>	<p>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.</p> <p>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.</p>	<p>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.</p>
<b>Credit and Counterparty risk</b>	<p>The risk of financial loss to the Group if an issuer of a financial instrument or a customer fails to meet its contractual obligations.</p>	<p>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 counterparty and / or issuer.</p> <p>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.</p> <p>The Group’s credit risk profile is reviewed at the bi-weekly meeting of the Risk Management Committee and also periodically reviewed by the Credit Risk Committee, the Executive Committee and the Board Risk Committee.</p> <p>The Group’s credit risk policies define roles, responsibilities and levels of authority for approving credit risk. Authority levels are governed by the counterparty’s credit quality as well as the nature and potential risk of the transactions.</p>
<b>Liquidity risk</b>	<p>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.</p>	<p>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 funding 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 ILAAP.</p> <p>Liquidity mismatches and stress testing results are monitored and reported on a daily basis, and are formally reviewed at the fortnightly 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.</p>

	Description	How risk is managed
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<p>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.</p> <p>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.</p> <p>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.</p> <p>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.</p>
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).
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 department, which is independent of the front office, as well as external legal advisors.
Financial risks from climate change	<p>These risks arise through two primary channels, or 'risk factors': Physical and Transition.</p> <p>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).</p> <p>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.</p>	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.

	Description	How risk is managed
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.	<p>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.</p> <p>The Group identifies, manages and mitigates conduct risk through its conduct risk management framework. Whilst the Head of Legal &amp; Compliance has overall responsibility for oversight of this framework, senior managers and staff are responsible for conduct risk management within their own business areas.</p> <p>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.</p> <p>Conduct risk is subject to independent oversight provided by the Chair of the Board Audit &amp; Compliance Committee. The Audit &amp; Compliance Committee receives regular updates with regard to significant conduct risk matters and reviews key conduct risk metrics.</p>
Reputation risk	Risk to reputation arises from negative perception on the part of stakeholders that can adversely affect the Group'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.	<p>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.</p> <p>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.</p>
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.	<p>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.</p> <p>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.</p>
Model risk	The potential for adverse consequences resulting from misinformed decision making based on inappropriate or misused models.	The risk is managed based on the three LoD framework for Model Risk Management where the second LoD conducts independent model validation reviews. The validation review covers tests for conceptual soundness of the methodology, quality and appropriateness of inputs, model implementation, accuracy of outputs and downstream reports and appropriateness of model usage. Model limitations and corresponding actions to mitigate identified risks, are tracked to completion by a designated committee as part of ongoing monitoring



A number of risks have also been identified which require closer senior management scrutiny 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:

- Major international current affairs / incidents such as escalations of geopolitical tensions including the Russia-Ukraine conflict, supply chain interruptions, or humanitarian / natural disasters;
- Increasing trends for corporate delinquencies, asset bubbles and unexpected / sudden market corrections;
- Resurgence of inflation and the interconnectedness of the goods and labour market;
- Risks to the Chinese economy and effects on the global economy, caused by issues such as: a military event in the Taiwan strait; cyber threats; property market crash, human rights issue escalation; and the resurgence of Covid variants;
- Japanese economic and currency effects due to potential Bank of Japan monetary policy changes.

These risks are discussed and monitored at regular risk management 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 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 CEO and CRO 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.

Within 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.

### 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 II 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

We continue to develop our approaches to climate and broader sustainability risk management, embedding these further in business-as-usual work streams of our Risk teams including the Risk Analytics, Regulatory Risk, Credit Risk and Risk Reporting teams, in collaboration with the Sustainability function. The overarching basis for the Group's approach to the management of climate risk is proportionate and consistent with its broker-dealer business model, spanning activities across corporate and government bond trading markets, as well as DCM and ECM for select clients.

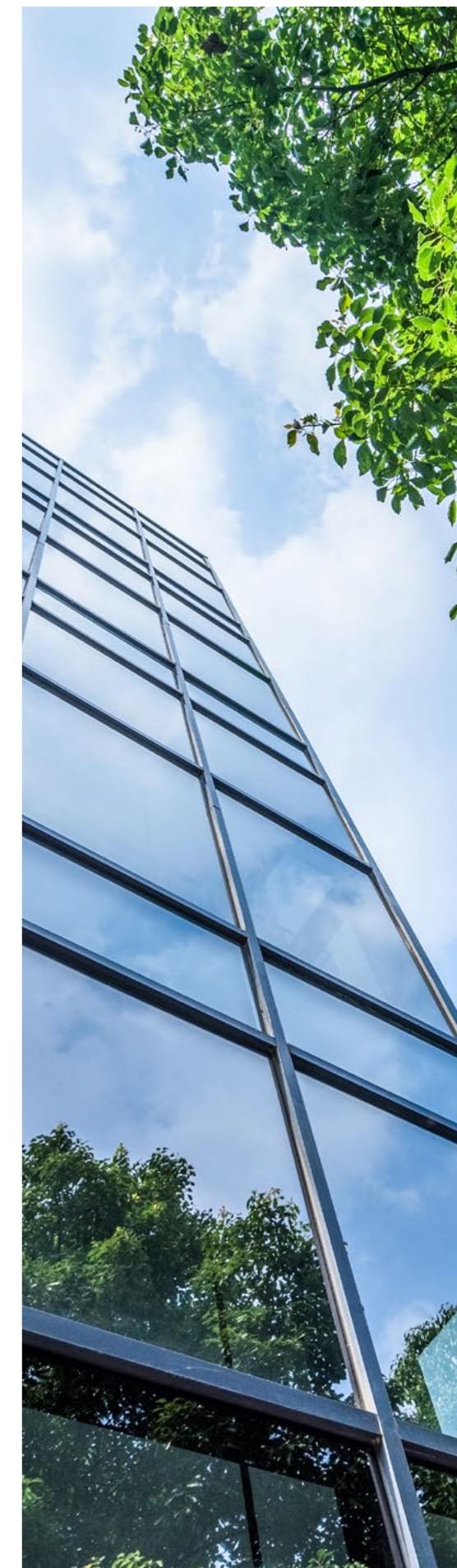
By way of governance arrangements, the Terms of Reference of the Board, the Board Risk Committee and the Executive Committee reflect their responsibilities for monitoring and managing climate risk. To support with this responsibility, key committees receive ESG management information updates covering climate risk (including stress testing), Business (DCM and Global Markets), Operational, and Social aspects.

The impact of climate risk is considered and summarised in a qualitative statement. With the improvement in available industry data, and the development of a more refined entity-level climate risk assessment methodology, we are in the process of enhancing what was previously a purely qualitative climate risk appetite statement.

### Risk management framework

As with standard risks, climate-related risks are identified and assessed using internally developed criteria, supported by the use of reputable external ESG data. MHI's climate risk assessment has gone through an iterative development process in recent years. The latest iteration marks a move away from sector- and country-based analysis (of transition and physical risk) to more detailed entity-level assessment, allowing for differentiation between entities located in the same country or operating in the same sector but having different climate risk profiles and transition paths. The impact of climate risk is considered and summarised in a qualitative statement.

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, they are relatively liquid, and for the most part, they are in lower climate risk sectors. As a result of the evolution of our climate risk assessment methodology, we are now able to more accurately quantify the Group's climate risk profile. Based on entity-level transition risk assessment, at the end of March 2023, only 4.3% of our exposures are considered to have a High or Severe climate risk profile, with 51.7% rated Medium risk, 41.4% Low or Negligible risk, and a small percentage not yet rated. Similarly to other banks, we continue to develop our climate risk assessment methodology further, tailoring it to our business model.





### Sustainability Policies

The Group has an expanding suite of sustainability policies that guide the approach and responsibilities of individuals, committees and employees in relation to climate risk as well as broader sustainability-related risks. The majority of these policies are cascaded from MHFG, and these are reviewed and updated regularly to ensure that they reflect the rapidly evolving stakeholder expectations. Among others, the policies help clarify the Group's stance on climate change and environmental matters, referring to specific actions and responsibilities in relation to these. Our key sustainability policies are:

- **MHI Environmental and Social Management Policy for Financing and Investment Activity** ensures compatibility with MHFG's position on restricted industrial sectors.
- **MHI Basic Policy on Sustainability Initiatives** covers basic matters pertaining to the implementation of sustainability initiatives, including governance and the long-term position on sustainability.
- **MHI Environmental, Climate and Social Risk Policy** sets out the Group's strategic approach and governance arrangements for the management of environmental, climate and social risk.
- **Human Rights Policy** revised by MHFG in May 2022 and adopted locally by the Group. This policy clarifies and strengthens human rights due diligence across both financing and investment, and procurement, within the respective policies.

There are additionally ESG risk-related expectations within the Third Party Risk Management ("TPRM") Policy.

### Stress testing and scenario analysis

As part of the Group's efforts to understand the transmission channels from climate risks to financial risks, we have examined the impact of three scenarios based on the Network for Greening the Financial System Climate scenarios, consistent also with the Bank of England Biennial Exploratory Scenario exercise (which the Group was not part of). At present, the scenario analysis covers physical and transition risk, on the basis of both country and sector exposures. The Group is implementing a strategic plan to increase the granularity of analysis from country and sector level to the entity level, in alignment with the recently adopted entity-level risk monitoring approach. Climate stress testing outputs are monitored regularly as part of the Risk section of the ESG Dashboard, and included in the material presented to the relevant governance committees.

The objectives of the climate scenario analysis and stress testing framework are additional 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 and understand the Group's business model vulnerability to climate change. Further, it can inform the likely responses, help 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 TCFD Recommendations, in keeping with the widespread adoption of these in the financial industry and more recent incorporation into regulatory requirements (applicable to some banks). Our parent group MHFG publishes more comprehensive disclosures within its TCFD Report, having supported the aims of the TCFD Recommendations and continuously improved its TCFD reporting since first engaging with the initiative.

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

TCFD Recommendations	Our Progress in the Financial Year
<p><b>Governance</b></p> <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 receives climate risk management information and dashboards.</p> <p>Board updates on sustainability themes have been elevated from the Board Risk Committee to the Board – including a Sustainable Finance Learning and Development session delivered this year to hone in on climate-related opportunities.</p> <p>The Board 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>b. The President and CEO undertakes the Senior Management Function responsible for Financial Risk related to Climate Change, setting a strong tone from the top for the whole organisation to follow. He is supported in this role by the Head of Sustainability, CRO, and other key Executives.</p> <p>Climate-related risks and opportunities are regularly reviewed by the Executive and Risk Management Committees, while a dedicated Sustainability Forum brings together business leads and working groups from across all areas of the business, working on embedding climate-related and other ESG considerations into business-as-usual.</p>
<p><b>Strategy</b></p> <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 financial 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 through climate risk-focused portfolio assessment, stress testing, and engagement with external initiatives and frameworks fall largely 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 in relation to climate. Risks associated with greenwashing fall within this category.</li> <li>– Policy and regulatory risk due to the rapidly evolving policy and regulatory landscape around climate and other ESG matters, and a general lack of regulatory harmonisation across geographies.</li> <li>– Physical risks (acute and chronic) are currently assessed to be less significant for the Group due to the nature of its business activities. The expected impacts are mainly indirect, in that physical risks can affect the Group's counterparties, thus impacting their credit risk profile.</li> </ul> <p>Meanwhile, 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>– Deeper collaboration across Mizuho's global platform, to deliver holistic sustainable finance solutions to meet our clients' financing needs.</li> </ul> <p>b. There is 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>Climate-related risk considerations are part of new product approval and procurement processes at the Group.</p> <p>c. The Group's own operations are also being prudently managed from an operational footprint perspective, through the use of sustainable energy and resources, waste management initiatives, as well as staff training. Additional human resources have been allocated to the Sustainability function in order to help embed climate risk-related and broader sustainability matters into business-as-usual across the Group, in support of the CIB transformation and the strategic priorities of Mizuho Financial Group.</p>

TCFD Recommendations	Our Progress in the Financial Year
<p><b>Strategy (continued)</b></p>	<p>The Group has developed its own internal climate change stress testing and scenario analysis approach, referencing the Network for Greening the Financial System (NGFS) scenarios and other industry initiatives, and in consultation with in-house economists and strategists. The exercise links climate risk to financial risk, and is based on sector and country ratings of exposures. The approach will continue to be enhanced, including through incorporation of more detailed entity-level transition-focused assessment.</p> <p>With the methodology and approach becoming more tailored and sophisticated through ongoing development, the results will be leveraged to inform the Group's strategy and employed for setting targets and thresholds for climate-related exposure levels.</p>
<p><b>Risk Management</b></p> <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. Building on an initial qualitative evaluation of climate change-related risks, the Group has developed a quantitative approach to identifying and assessing the level of physical and transition risk of its portfolio exposures.</p> <p>The Group's climate risk assessment has gone through an iterative development process in recent years. The latest iteration marks a move away from sector- and country-based analysis (of transition and physical risk) to more detailed entity-level assessment, allowing differentiation between entities located in the same country or operating in the same sector but having different climate risk profiles.</p> <p>An approach to climate scenario analysis and stress testing was originally developed during FY22 / 23, with reference to the NGFS scenarios and other industry initiatives. As the first step towards quantifying the financial risks stemming from climate change, the approach will be refined in order to be leveraged for setting of targets and thresholds in the future, as well as for capital allocation purposes.</p> <p>b. The Group's approach to managing climate-related risks is proportionate to the scale of its activities and the nature of its broker-dealer business model, with high velocity of balance sheet. The approach has been developed with reference to industry 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 also subject to further ESG policies as cascaded down from Mizuho Financial Group. These are regularly reviewed and updated, to reflect latest market practice and stakeholder demands. Climate risk-focused portfolio assessment and stress testing supports the Executives in decision making and the Board in its climate risk oversight role.</p> <p>c. The ICAAP features a qualitative climate risk appetite statement, highlighting the Group's recognition of the importance of environmental sustainability as well as the risks associated with climate change.</p> <p>The approach to scenario analysis and stress testing that was initially developed now forms the basis for further iterations and tailoring to the Group's business model, and is being expanded beyond the realm of market risk. Within credit risk, assessment of climate vulnerabilities has been embedded into counterparty risk assessment.</p> <p>Our aim is to similarly embed climate considerations across the full spectrum of risk management activities; moving consistently from what was originally a qualitative approach to an increasingly quantitative one.</p>

TCFD Recommendations	Our Progress in the Financial Year
<p><b>Metrics and Targets</b></p> <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. The Group has been through an iterative process, developing metrics for assessing climate-related risks. Updates over the last year include a move to entity-based transition-focused portfolio assessment, from a previous sector and country-based approach. The analysis allows us to segment our portfolio by level of climate risk, and shows a low overall climate risk profile with little month-on-month fluctuation. Please refer to the Risk Management Framework section above for climate risk metrics</p> <p>Metrics tracked at regular intervals cover both risks and opportunities, including portfolio composition, scenario analysis, the Group's own operational footprint, and ESG business activity. These are shared with relevant committees, Executives, and the Board in the form of the ESG Dashboard, in order to assist with decision making and with the Board's climate risk oversight responsibilities.</p> <p>Business metrics tracked cover the Debt Capital Markets and Global Markets activities of the Group. These include volume and value of ESG underwriting activity, ESG revenue share and league tables, as well as ESG value traded. Please refer to the Sustainable Finance section in the Strategic Report for Business metrics.</p> <p>The Group's own operational footprint is monitored across several indicators, including consumption of resources and the resulting emissions. We are also increasingly monitoring ESG indicators for our supply chain partners. The Group's own operational footprint is monitored across several indicators, including consumption of resources and the resulting emissions. 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 Scope 1 and Scope 2 CO2 emissions through the SECR report within the Directors Report. Please refer to Section 8 Own Operational Footprint.</p> <p>After joining the Partnership for Carbon Accounting Financials (PCAF) in FY22 / 23, MHFG became the first Japanese bank to disclose Scope 3 Financed Emissions for 19 sectors (18 of which are included in the TCFD Recommendations). With this relatively recent development, the approach and methodology is expected to be cascaded to regional Mizuho entities over time, including the Group, noting however the difference between financed and facilitated emissions (with further complexities around accurately calculating the latter).</p> <p>Setting targets around climate-related risks and opportunities is one of the key short-term priorities. With more robust climate-related (and broader sustainability) metrics now being tracked, we are in a position to do this and to leverage the targets for a range of purposes including linking to remuneration incentives.</p> <p>c. 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. As COVID-19 has altered the trajectory of most of the targets, they are expected to be reset to an updated baseline during FY23 / 24.</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. 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. Furthermore, the Group market risk appetite stress test and VaR limits are subject to approval by the Board Risk Committee.

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. Moving to FY23 / 24, the Group adopted the inflation resurgence scenario as the official market risk appetite stress test scenario.

### 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:

### 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.

2023		Average	Maximum	Minimum
VaR Risk Factor	£ thousands	£ thousands	£ thousands	£ thousands
Interest Rate	1,451	1,327	4,038	655
Credit Spread	2,941	2,315	3,736	616
Equity	442	220	799	38
FX Risk	130	108	240	23
Total VaR <sup>1</sup>	3,342	2,739	5,179	1,222

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

#### 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.

**Interest rate risk sensitivity (Audited)**

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.

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)**

2023	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	370.4	-	-	-	-	-	370.4
Loans and advances to banks	45.3	-	-	-	-	1.5	46.8
Reverse repurchase agreements with customers	-	-	-	112.5	-	-	112.5
Equity shares – other financial investments	-	-	-	-	-	3.9	3.9
Shares in group undertakings	-	-	-	-	-	9.9	9.9
Other assets	361.4	-	-	-	-	76.8	438.2
Prepayments and accrued income	-	-	-	-	-	47.7	47.7
<b>Assets</b>	<b>777.1</b>	<b>-</b>	<b>-</b>	<b>112.5</b>	<b>-</b>	<b>139.8</b>	<b>1,029.4</b>
Deposits by banks	26.6	242.7	22.8	-	-	-	292.1
Customer accounts	871.6	-	26.3	-	-	-	897.9
Repurchase Agreements with Banks	-	-	-	107.5	-	-	107.5
Debt securities in issue	990.2	49.2	203.8	447.0	30.4	-	1,720.6
Other liabilities	553.5	-	-	-	-	13.9	567.4
Accruals and deferred income	-	-	-	-	-	87.5	87.5
Provisions for liabilities	-	-	-	-	-	4.0	4.0
Shareholders' funds	-	-	-	-	-	707.7	707.7
<b>Liabilities and equity</b>	<b>2,441.9</b>	<b>291.9</b>	<b>252.9</b>	<b>554.5</b>	<b>30.4</b>	<b>813.1</b>	<b>4,384.7</b>
Off balance sheet items <sup>1</sup>	(730.4)	49.2	203.8	447.0	30.4	-	-
<b>Interest rate sensitivity gap</b>	<b>(2,395.2)</b>	<b>(242.7)</b>	<b>(49.1)</b>	<b>5.0</b>	<b>-</b>	<b>(673.3)</b>	<b>(3,355.3)</b>
<b>Cumulative gap</b>	<b>(2,395.2)</b>	<b>(2,637.9)</b>	<b>(2,687.0)</b>	<b>(2,682.0)</b>	<b>(2,682.0)</b>	<b>(3,355.3)</b>	<b>(3,355.3)</b>

**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
Shares in group undertakings	-	-	-	-	-	8.1	8.1
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>152.1</b>	<b>1,488.0</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
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>(674.6)</b>	<b>(3,026.7)</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>(3,026.7)</b>	<b>(3,026.7)</b>

## Company (Audited)

	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
<b>2023</b>							
Cash and balances at central banks	370.4	-	-	-	-	-	370.4
Loans and advances to banks	35.6	-	-	-	-	1.5	37.1
Loans and advances to customers	21.9	-	-	-	-	-	21.9
Reverse Repurchase agreements with customers	-	-	-	112.5	-	-	112.5
Equity shares – other financial investments	-	-	-	-	-	3.9	3.9
Shares in group undertakings	-	-	-	-	-	44.1	44.1
Other assets	358.1	-	-	-	-	74.7	423.8
Prepayments and accrued income	-	-	-	-	-	49.1	49.1
<b>Assets</b>	<b>786.0</b>	<b>-</b>	<b>-</b>	<b>112.5</b>	<b>-</b>	<b>173.3</b>	<b>1,071.8</b>
Deposits by banks	26.6	242.7	22.8	-	-	-	292.1
Customer accounts	871.6	-	26.3	-	-	-	897.9
Repurchase agreements with Banks	-	-	-	107.5	-	-	107.5
Debt securities in issue	990.2	49.2	203.8	447.0	30.4	-	1,720.6
Other liabilities	553.5	-	-	-	-	15.7	569.2
Accruals and deferred income	-	-	-	-	-	83.5	83.5
Provisions for liabilities	-	-	-	-	-	3.8	3.8
Shareholders' funds	-	-	-	-	-	704.6	704.6
<b>Liabilities and equity</b>	<b>2,441.9</b>	<b>291.9</b>	<b>252.9</b>	<b>554.5</b>	<b>30.4</b>	<b>807.6</b>	<b>4,379.2</b>
Off balance sheet items <sup>1</sup>	(730.4)	49.2	203.8	447.0	30.4	-	-
<b>Interest rate sensitivity gap</b>	<b>(2,386.3)</b>	<b>(242.7)</b>	<b>(49.1)</b>	<b>5.0</b>	<b>-</b>	<b>(634.3)</b>	<b>(3,307.4)</b>
<b>Cumulative gap</b>	<b>(2,386.3)</b>	<b>(2,629.0)</b>	<b>(2,678.1)</b>	<b>(2,673.1)</b>	<b>(2,673.1)</b>	<b>(3,307.4)</b>	<b>(3,307.4)</b>

## Company (Audited)

	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
<b>2022</b>							
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
Shares in group undertakings	-	-	-	-	-	44.1	44.1
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>190.5</b>	<b>1,649.6</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
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>(625.2)</b>	<b>(2,854.1)</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>(2,854.1)</b>	<b>(2,854.1)</b>

## Explanatory note on interest rate sensitivity

## 1. 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 (Audited)

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)

	Maximum exposure £ millions	Collateral <sup>1</sup> £ million	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>2023</b>				
<b>On-balance sheet:</b>				
Cash and balances at central banks	370.4	-	-	370.4
Loans and advances to banks	46.8	-	-	46.8
Reverse repurchase agreements with banks	5,841.9	(5,804.5)	-	37.4
Reverse repurchase agreements with customers	2,303.5	(2,297.4)	(0.1)	6.0
Debt and other fixed income securities	5,087.2	-	-	5,087.2
Derivative assets	13,072.6	(382.2)	(12,648.0)	42.4
Trade receivables	406.1	(26.9)	(135.3)	243.9
<b>Total on-balance sheet</b>	<b>27,128.5</b>	<b>(8,511.0)</b>	<b>(12,783.4)</b>	<b>5,834.1</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	112.6	(112.5)	-	0.1
<b>Total off-balance sheet</b>	<b>112.6</b>	<b>(112.5)</b>	<b>-</b>	<b>0.1</b>
<b>Total</b>	<b>27,241.1</b>	<b>(8,623.5)</b>	<b>(12,783.4)</b>	<b>5,834.2</b>

#### Group (Audited)

	Maximum exposure £ millions	Collateral <sup>1</sup> £ million	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>2022</b>				
<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>

## Company (Audited)

	Maximum exposure £ millions	Collateral <sup>1</sup> £ million	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>2023</b>				
<b>On-balance sheet:</b>				
Cash and balances at central banks	370.4	-	-	370.4
Loans and advances to banks	37.1	-	-	37.1
Loans and advances to customers	21.9	-	-	21.9
Reverse repurchase agreements with banks	5,841.9	(5,805.1)	-	36.8
Reverse repurchase agreements with customers	2,332.6	(2,330.1)	(0.1)	2.4
Debt and other fixed income securities	4,939.6	-	-	4,939.6
Derivative assets	13,072.3	(382.2)	(12,647.8)	42.3
Trade receivables	402.7	(26.9)	(135.3)	240.5
<b>Total on-balance sheet</b>	<b>27,018.5</b>	<b>(8,544.3)</b>	<b>(12,783.2)</b>	<b>5,691.0</b>
<b>Off-balance sheet:</b>				
Credit lines and other commitments <sup>3</sup>	112.6	(112.5)	-	0.1
<b>Total off-balance sheet</b>				
	<b>112.6</b>	<b>(112.5)</b>	<b>-</b>	<b>0.1</b>
<b>Total</b>	<b>27,131.1</b>	<b>(8,656.8)</b>	<b>(12,783.2)</b>	<b>5,691.1</b>

## Company (Audited)

	Maximum exposure £ millions	Collateral <sup>1</sup> £ million	Netting <sup>2</sup> £ millions	Net exposure to credit risk £ millions
<b>2022</b>				
<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>

## 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.



**Concentrations of exposure to credit risk (Audited)**

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 2023 totalled £32.9 million (2022: £42.0 million), and no remaining exposures exceeded £3.8 million (2022: £42.0 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)**

	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
<b>2023</b>				
France	308.3	161.3	76.1	545.7
Germany	223.2	146.4	70.6	440.2
US	323.3	-	258.7	582.0
Japan	573.8	162.5	71.7	808.0
Italy	758.6	-	39.8	798.4
UK	96.7	9.5	171.0	277.2
Spain	75.5	10.1	30.2	115.8
Netherlands	12.0	1.3	26.6	39.9
Canada	-	58.3	85.4	143.7
Other	143.4	829.0	363.9	1,336.3
<b>Total</b>	<b>2,514.8</b>	<b>1,378.4</b>	<b>1,194.0</b>	<b>5,087.2</b>

	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
<b>2022</b>				
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
Canada	-	3.9	58.0	61.9
Other	91.8	351.0	302.4	745.2
<b>Total</b>	<b>3,237.6</b>	<b>750.4</b>	<b>784.0</b>	<b>4,772.0</b>

**Company (Audited)**

	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
<b>2023</b>				
France	272.9	161.3	76.1	510.3
Germany	145.5	146.4	70.6	362.5
US	323.3	-	258.7	582.0
Japan	573.8	162.5	71.6	807.9
Italy	754.1	-	39.8	793.9
UK	96.7	9.5	171.0	277.2
Spain	70.2	10.1	30.2	110.5
Netherlands	-	1.3	26.6	27.9
Canada	-	58.3	85.4	143.7
Other	131.3	829.0	363.4	1,323.7
<b>Total</b>	<b>2,367.8</b>	<b>1,378.4</b>	<b>1,193.4</b>	<b>4,939.6</b>

	Government £ millions	Other public sector £ millions	Other £ millions	Total £ millions
<b>2022</b>				
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
Canada	-	3.9	58.0	61.9
Other	80.0	350.9	301.9	732.8
<b>Total</b>	<b>2,967.5</b>	<b>750.3</b>	<b>747.4</b>	<b>4,465.2</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. Total Counterparty exposure totalled £42.4 million as at 31 March 2023 (2022: £33.2 million) for the Group, and £42.3 million (2022: £33.6 million) for the Company. The largest individual counterparty exposure as at 31 March 2023 totalled £29.6 million (2022: £27.3 million). All exposures greater than £1 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 (Audited)**

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.

**Reverse repurchase agreements with banks****Group and Company (Audited)**

2023	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	1,512.7	166.7	79.9	1,759.3
AA- to AA+	1,968.6	9.8	7.3	1,985.7
A- to A+	1,340.2	231.6	194.2	1,766.0
BBB+ to BBB-	82.4	54.0	113.6	250.0
BB+ to B-	69.4	1.7	9.8	80.9
<b>Total</b>	<b>4,973.3</b>	<b>463.8</b>	<b>404.8</b>	<b>5,841.9</b>

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>

**Reverse repurchase agreements with customers****Group (Audited)**

2023	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	410.7	34.7	128.2	573.6
AA- to AA+	1,324.6	8.7	1.6	1,334.9
A- to A+	25.7	33.0	14.1	72.8
BBB+ to BBB-	143.2	1.4	75.3	219.9
BB+ to B-	-	-	102.3	102.3
CCC+ to C	-	-	-	-
<b>Total</b>	<b>1,904.2</b>	<b>77.8</b>	<b>321.5</b>	<b>2,303.5</b>

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>

**Company (Audited)**

2023	Government £ millions	Bank £ millions	Corporate £ millions	Total £ millions
AAA	439.8	34.7	128.2	602.7
AA- to AA+	1,324.6	8.7	1.6	1,334.9
A- to A+	25.7	33.0	14.1	72.8
BBB+ to BBB-	143.2	1.4	75.3	219.9
BB+ to B-	-	-	102.3	102.3
CCC+ to C	-	-	-	-
<b>Total</b>	<b>1,933.3</b>	<b>77.8</b>	<b>321.5</b>	<b>2,332.6</b>

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>

## Debt and other fixed income securities, Loans and advances and Cash and balances at central banks

## Group (Audited)

2023	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	1,281.3	-	-
AA- to AA+	1,219.1	22.3	370.4
A- to A+	1,283.1	22.6	-
BBB+ to BBB-	1,216.0	0.9	-
BB+ to B-	83.4	-	-
CCC+ to C	1.0	-	-
Unrated	3.3	1.0	-
	<u>5,087.2</u>	<u>46.8</u>	<u>370.4</u>

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	-
	<u>4,772.0</u>	<u>77.8</u>	<u>481.0</u>

## Debt and other fixed income securities, Loans and advances and Cash and balances at central banks

## Company (Audited)

2023	Debt and other fixed income securities £ millions	Loans and advances £ millions	Cash and balances at central banks £ millions
AAA	1,191.7	-	-
AA- to AA+	1,171.4	16.5	370.4
A- to A+	1,277.7	40.6	-
BBB+ to BBB-	1,211.1	0.9	-
BB+ to B-	83.4	-	-
CCC+ to C	1.0	-	-
Unrated	3.3	1.0	-
	<u>4,939.6</u>	<u>59.0</u>	<u>370.4</u>

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>

## 7. Liquidity Risk

### Residual contractual maturity of financial liabilities (Audited)

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

#### Group (Audited)

2023	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	292.1	292.1	2.4	24.3	242.6	22.8	-	-
Customer accounts	897.9	897.9	-	871.5	-	26.4	-	-
Repurchase agreements with banks	1,675.3	1,683.1	737.4	646.0	5.0	11.4	283.3	-
Repurchase agreements with customers	5,231.3	5,232.5	-	5,232.5	-	-	-	-
Debt securities in issue	1,616.5	1,720.6	-	627.8	246.4	311.7	503.7	31.0
Short positions <sup>1</sup>	3,418.7	3,556.6	1,053.9	2,500.3	2.4	-	-	-
Derivative liabilities <sup>2</sup>	12,833.5	12,833.5	-	72.3	87.9	229.5	4,723.1	7,720.7
Trade payables	576.8	576.8	-	576.8	-	-	-	-
Accruals and deferred income <sup>3</sup>	52.6	82.9	-	56.4	4.4	3.0	16.1	3.0
	<b>26,594.7</b>	<b>26,876.0</b>	<b>1,793.7</b>	<b>10,607.9</b>	<b>588.7</b>	<b>604.8</b>	<b>5,526.2</b>	<b>7,754.7</b>

#### 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
	<b>21,258.9</b>	<b>21,306.8</b>	<b>1,249.2</b>	<b>10,677.6</b>	<b>1,211.4</b>	<b>1,022.1</b>	<b>2,912.5</b>	<b>4,234.0</b>

### Company (Audited)

2023	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	292.1	292.1	2.4	24.3	242.6	22.8	-	-
Customer accounts	897.9	897.9	-	871.5	-	26.4	-	-
Repurchase agreements with banks	1,675.3	1,683.1	737.4	646.0	5.0	11.4	283.3	-
Repurchase agreements with customers	5,273.2	5,274.4	31.2	5,243.2	-	-	-	-
Debt securities in issue	1,616.5	1,720.6	-	627.8	246.4	311.7	503.7	31.0
Short positions <sup>1</sup>	3,305.1	3,422.7	1,035.6	2,384.7	2.4	-	-	-
Derivative liabilities <sup>2</sup>	12,833.3	12,833.3	-	72.1	87.9	229.5	4,723.1	7,720.7
Trade payables	579.0	579.0	-	579.0	-	-	-	-
Accruals and deferred income <sup>3</sup>	54.0	84.3	-	57.8	4.4	3.0	16.1	3.0
	<b>26,526.4</b>	<b>26,787.4</b>	<b>1,806.6</b>	<b>10,506.4</b>	<b>588.7</b>	<b>604.8</b>	<b>5,526.2</b>	<b>7,754.7</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>

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

1. 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.

2. Derivative liabilities  
The contractual maturity of derivative liabilities is based on contractual maturity date and has been represented based on the varying value of the derivatives (net present value) rather than the contractual future cash flows

3. 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 £2.0million (2022: £4.2 million) 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 Prudential Regulation Authority.

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 V 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:

	2023	2022
	£ millions	£ millions
Tier 1 Capital	627.7	640.8
Tier 2 Capital	-	-
<b>Total capital resources</b>	<b>627.7</b>	<b>640.8</b>

Regulatory capital consists solely of Tier 1 capital as of 31 March 2023. Tier 1 comprises share capital, share premium, retained earnings, current year profit and adjustments as required under the Capital Requirement Regulations.

The Group has complied with all regulatory capital 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.

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, the Financial Reporting Standard 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.

### 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.

# 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.

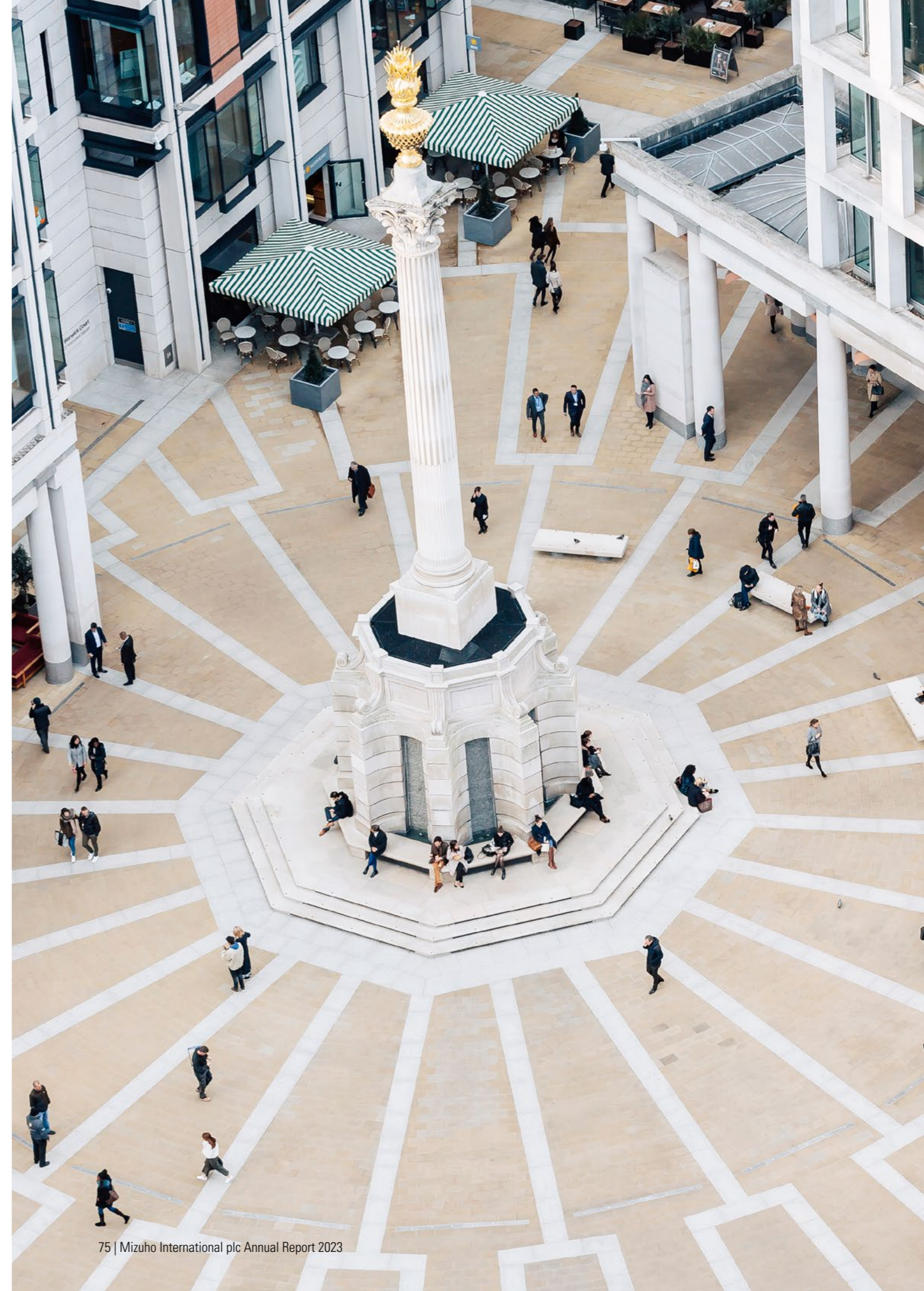
Company law requires the Directors to prepare financial statements for each financial year. Under that law the Directors have elected to prepare the Group and parent Company financial statements in accordance with the Financial Reporting Standard FRS 102, the Financial Reporting Standard applicable in 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 parent company's affairs as at 31 March 2023 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 subsidiaries (the 'Group') for the year ended 31 March 2023 which comprise:

Group	Company
Consolidated Statement of Financial Position as at 31 March 2023.	Company Statement of Financial Position as at 31 March 2023.
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 the Risk Review section identified as 'audited' from pages 40 to 73.
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 40 to 73.	

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 assessing 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, liquidity 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 were 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.

#### Overview of our audit approach

Audit scope	<ul style="list-style-type: none"> <li>• We performed an audit of the complete financial information of two components under full scope.</li> <li>• The components where we performed full 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>• Inappropriate recognition and valuation of software development expenditure through management override of controls.</li> <li>• Revenue recognition risk, including 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 was £7.0m which represents 1% of the Company's equity (see 'Our application of materiality' section below).</li> </ul>

#### 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, the potential impact of climate change, 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

Stakeholders are increasingly interested in how climate change will impact the Group. 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 48-54 - Climate Risk and on page 44 Principal Risks and Uncertainties within the Risk Review section. All of these disclosures form part of the "Other information," rather than the audited financial statements. Our procedures on these unaudited 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, in line with our responsibilities on "Other information".

In planning and performing our audit we assessed the potential impacts of climate change on the Group's business and any consequential material impact on its financial statements.

The Group has explained in note 1 Basis of preparation how they have reflected the impact of climate change in their financial statements. Our audit effort in considering the impact of climate change on the financial statements was focused on evaluating management's assessment of the impact of climate risk, physical and transition, the effects of climate risks disclosed on pages 48-54 within the Risk Review section and whether the Group's exposure to assets affected by climate risk is considered not to have a material impact on the financial statements as described in note 1 Basis of preparation. As part of this evaluation, we performed our own risk assessment to determine the risks of material misstatement in the financial statements from climate change which needed to be considered in our audit. We also challenged the Directors' considerations of climate change risks in their assessment of going concern and associated disclosures.



Based on our work we have not identified the impact of climate change on the financial statements to be a key audit matter or to impact a key audit matter.

**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.

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Inappropriate recognition and valuation of software development expenditure through management override of controls.</b></p> <p><b>During the financial year, the Group and the Company capitalised £28.7m (2022: £24.9m) and held a balance of £73.7m as at 31 March 2023 (2022: £66.2) of software development expenditure as reported in note 16.</b></p> <p>There are number of system enhancements required due to business needs, changing regulation, or commitments that the Mizuho 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.</p> <p>On an annual basis, the Group assesses whether there are indicators of impairment against non-financial assets. Where there are indicators of impairment of individual assets, the Group compares the carrying amount of the asset to the recoverable amount. The recoverable amount is calculated using the value in use approach which is based on the discounted expected cash flows.</p> <p>The level of risk remains consistent with the prior year.</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 the software capitalisation process and annual impairment review. We concluded to take a controls reliance approach.</li> </ul> <p>Our substantive testing procedures included:</p> <ul style="list-style-type: none"> <li>Assessed accounting policies in relation to capitalisation of intangible assets and impairment of non-financial assets.</li> <li>Assessed additions capitalised during the year in accordance with the capitalisation criteria set in FRS 102 and inspected evidence provided by management to substantiate the value of capitalised assets for an extended sample.</li> <li>Obtained an understanding of the nature of intangible assets capitalised and assessed impairment indicators for assets held on the balance sheet as at reporting date on a sample basis.</li> <li>Performed inquiries with management throughout our audit to identify changes in IT infrastructure, decommissioned IT systems as well as delays in implementation of new systems.</li> <li>Assessed appropriateness of identification of CGUs and allocation of intangible assets to specific CGUs or group of CGUs.</li> <li>Evaluated appropriateness of the period over which management projected cash flows in the value in use calculation.</li> </ul>	<p>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.</p> <p>Based on our assessment of the impairment model prepared by management we concluded that the recoverable amount exceeded the carrying value for the CGUs tested – no impairment was recognised.</p> <p>We concluded that the capitalised software development expenditure and related disclosures are fairly stated as at reporting date.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
	<ul style="list-style-type: none"> <li>Reconciled cash flows in the value in use calculation to the business plan approved by the Board and assessed the reasonableness of the forecast.</li> <li>Involved EY valuation and modelling specialists to assess the reasonableness of the discount rate utilised in the discount cash flow model.</li> <li>Performed sensitivity analysis of recoverable amount to changes in budgeted cash flows, forecast period and discount rate.</li> <li>Assessed the reasonableness of disclosures in the financial statements in accordance with FRS 102.</li> </ul>	

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>Revenue recognition risk, including management override of controls.</b></p> <p><b>For the year ended 31 March 2023, the Group reported fees and commissions of £132.1m (2022:£175.6m), as reported in the Consolidated Statement of Comprehensive Income. The risk associated to the arrangement fees, and fees and commissions in the Debt Capital Markets (DCM) and Equity Capital Markets (ECM) businesses is a subset of the total fees and commissions reported in note 5.</b></p> <p>Management have certain metrics (e.g. revenue, costs, profit, cost to income ratio) to meet, and as such, could look to manipulate earnings. Due to the challenging macroeconomic environment and losses recognised by the Group, management may feel increased pressure to mitigate losses forecast for the current period, or defer the recognition of revenues to a future period and manipulate the timing of the revenue recognised.</p> <p>We particularly focus this risk on arrangement fees, and fees and commissions in the Debt Capital Markets (DCM) and Equity Capital Markets (ECM) businesses, and manual top-side adjustments, included in total fees and commissions income.</p> <p>The level of risk remains consistent with the prior year.</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> </ul> <p>Our substantive testing procedures included:</p> <ul style="list-style-type: none"> <li>Evaluated the Group’s accounting policy used to recognise revenue in accordance with FRS 102.</li> <li>Performed tests of details by selecting key items and, when necessary, a representative sample from the defined populations within fees and commissions income to ensure that revenue is recognised in line with FRS 102.</li> <li>Performed procedures to test revenue cut-off at the period-end date until signing of the financial statements to determine whether transactions are recorded in the proper period and to the proper accounts.</li> <li>Tested the appropriateness of journal entries, including top-side adjustments impacting fees and commissions.</li> <li>Investigated unusual/debit balances within revenue.</li> <li>Investigated suspense account balances.</li> </ul>	<p>Based on procedures performed we concluded that fee and commission income is fairly stated for the year ended 31 March 2023.</p>

Risk	Our response to the risk	Key observations communicated to the Audit Committee
<p><b>The risk of inappropriate valuation of the fair value positions.</b></p> <p><b>At 31 March 2023, the Group reported financial assets measured at fair value of £26,208.7m (2022: £20,457.2m), and financial liabilities measured at fair value of £23,059.4m (2022: £17,527.8m), as reported in the fair value hierarchy in note 29.B of the financial statements.</b></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 the Group, 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 valuation inputs are unobservable and model-valued positions where the models are complex or have a high degree of subjectivity.</p> <p>Based on our risk assessment, while there is a higher inherent risk around the valuation of fair value positions, this does not represent a significant risk of a material misstatement in the financial statements.</p> <p>The level of risk remains consistent with the prior year.</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 2022 and as at 31 March 2023; and, valuing the population of securities using independent pricing inputs as at 31 March 2023.</li> <li>Assessing balance movements between the interim date as at 31 December 2022 and 31 March 2023.</li> <li>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.</li> <li>Testing a sample of distressed assets to assess the value recognised was materially correct.</li> </ul>	<p>Based on procedures performed we concluded that financial instruments held at fair value are fairly stated as at 31 March 2023.</p>

In the prior year, our auditor's report included a key audit matter in relation to the risk of management override of controls relating to inappropriate recognition of software development expenditure, revenue recognition, booking of management provisions and posting of manual topside journal entries. In the current year, we have made the following changes based on our risk assessment:

- We have refocused the risk of management override of controls to address the risk of inappropriate recognition of software development expenditure, and the inappropriate valuation of software capitalised;
- Separated the risk of improper revenue recognition for arrangement, DCM and ECM fees and commissions to focus on the revenue related risk, including the posting of manual topside journal entries; and,
- Removed the risk of booking management provisions given that as at 31 March 2023, management provisions, excluding the dilapidation provision, were assessed to be immaterial.

### 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 £7.0 million (2022: £6.7 million), which is 1% (2022: 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 ('PRA') 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 2022 Company's 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 2023.

#### 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% (2022: 75%) of our planning materiality, namely £5.3m (2022: £5.0m). 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 purpose 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, with procedures completed using the Company's materiality. We applied Company's materiality for the purpose of the audit of Group and Company financial statements.

#### 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 £352k (2022: £335k), 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 parent 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 74, 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 determined that the most significant are 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 key audit matters in relation to the risk of management override of controls which we considered to be areas 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 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 18 years, covering the years ending 31 March 2006 to 31 March 2023.
- 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.

**Simon Ludlam** (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor

London

20 June 2023

# Financial Statements for the Year Ended 31 March 2023



## Consolidated Statement of Comprehensive Income for the year ended 31 March 2023

	Note	2023 £ millions	2022 £ millions
Interest receivable		18.2	7.5
Interest payable		(38.7)	(4.0)
<b>Net interest (payable) / receivable</b>		<b>(20.5)</b>	<b>3.5</b>
Fees and commissions receivable	5	132.1	175.6
Fees and commissions payable	5	(53.4)	(91.3)
<b>Net fees and commissions</b>		<b>78.7</b>	<b>84.3</b>
Dealing profit	6	130.7	77.1
Other operating income	7	5.5	1.4
<b>Net income from operations</b>		<b>194.4</b>	<b>166.3</b>
Administrative expenses	8	(178.3)	(178.5)
Depreciation and amortisation	16, 17	(25.6)	(25.4)
Provisions for contingent liabilities and commitments	23	(0.9)	-
<b>Operating expenses</b>		<b>(204.8)</b>	<b>(203.9)</b>
<b>Loss on ordinary activities before taxation</b>		<b>(10.4)</b>	<b>(37.6)</b>
Tax credit on loss on ordinary activities	9	5.9	8.8
<b>(Loss) for the year</b>		<b>(4.5)</b>	<b>(28.8)</b>
<b>Other comprehensive loss</b>			
Loss for the financial year		(4.5)	(28.8)
Re-measurement losses from defined benefit scheme	24	(0.3)	(0.3)
FX translation profit / (losses) relating to net investment in subsidiary		0.1	(0.1)
<b>Total loss recognised before deferred tax</b>		<b>(4.7)</b>	<b>(29.2)</b>
Deferred Tax		-	-
<b>Total comprehensive loss for the year</b>		<b>(4.7)</b>	<b>(29.2)</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 2023

Registered number: 1203696

	Note	2023 £ millions	2022 £ millions
<b>Assets</b>			
Cash and balances at central banks		370.4	481.0
Loans and advances to banks	11	46.8	77.8
Reverse repurchase agreements with banks		5,841.9	3,854.3
Reverse repurchase agreements with customers		2,303.5	5,417.0
Debt and other fixed income securities	12	5,087.2	4,772.0
Equity Shares	13	6.1	3.5
Derivative assets	14	13,072.6	6,443.1
Shares in group undertakings	15	9.9	8.1
Intangible assets	16	73.7	66.2
Tangible fixed assets	17	27.3	29.0
Other assets	18	449.5	832.2
Prepayments and accrued income		90.0	74.7
<b>Total Assets</b>		<b>27,378.9</b>	<b>22,058.9</b>
<b>Liabilities</b>			
Deposits by banks	19	292.1	1,153.3
Customer accounts	19	897.9	295.7
Repurchase agreements with banks		1,675.3	1,775.5
Repurchase agreements with customers		5,231.3	5,799.8
Debt securities in issue	20	1,616.5	1,760.1
Short trading positions	21	3,418.7	3,560.9
Derivative liabilities	14	12,833.5	6,422.7
Other liabilities	22	581.4	452.1
Accruals and deferred income		120.5	123.3
Provisions for liabilities	23	4.0	3.1
<b>Total Liabilities</b>		<b>26,671.2</b>	<b>21,346.5</b>
<b>Equity</b>			
Called up share capital	27	709.9	709.9
Share premium account		15.6	15.6
Pension reserve		(6.5)	(6.2)
Other reserves		(0.4)	(0.5)
Profit and loss account		(10.9)	(6.4)
<b>Total Equity</b>		<b>707.7</b>	<b>712.4</b>
<b>Total Liabilities and Equity</b>		<b>27,378.9</b>	<b>22,058.9</b>

The accompanying notes on pages 94 to 151 and the audited sections in the Risk review section on pages 40 to 73 form an integral part of these financial statements.

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

**Suneel Bakhshi**  
President and Chief Executive Officer  
15 June 2023

## Company Statement of Financial Position as at 31 March 2023

Registered number: 1203696

	Note	2023 £ millions	2022 £ millions
<b>Assets</b>			
Cash and balances at central banks		370.4	481.0
Loans and advances to banks	11	37.1	55.4
Loans and advances to customers	11	21.9	147.4
Reverse repurchase agreements with banks		5,841.9	3,854.3
Reverse repurchase agreements with customers		2,332.6	5,478.7
Debt and other fixed income securities	12	4,939.6	4,465.2
Equity Shares	13	6.1	3.5
Derivative assets	14	13,072.3	6,443.5
Shares in group undertakings	15	44.1	41.2
Intangible assets	16	73.7	66.2
Tangible fixed assets	17	26.5	28.1
Other assets	18	443.6	830.4
Prepayments and accrued income		90.9	76.5
<b>Total Assets</b>		<b>27,300.7</b>	<b>21,971.4</b>
<b>Liabilities</b>			
Deposits by banks	19	292.1	1,153.3
Customer accounts	19	897.9	295.7
Repurchase agreements with banks		1,675.3	1,775.5
Repurchase agreements with customers		5,273.2	5,900.9
Debt securities in issue	20	1,616.5	1,760.1
Short trading positions	21	3,305.1	3,383.6
Derivative liabilities	14	12,833.3	6,422.7
Other liabilities	22	582.6	452.2
Accruals and deferred income		116.3	119.4
Provisions for liabilities	23	3.8	2.9
<b>Total Liabilities</b>		<b>26,596.1</b>	<b>21,266.3</b>
<b>Equity</b>			
Called up share capital	26	709.9	709.9
Share premium account		15.6	15.6
Pension reserve		(6.5)	(6.2)
Profit and loss account		(14.4)	(14.2)
<b>Total Equity</b>		<b>704.6</b>	<b>705.1</b>
<b>Total Liabilities and Equity</b>		<b>27,300.7</b>	<b>21,971.4</b>

The Company's loss after taxation for the year ended 31 March 2023 was £0.2 million (2022: £31.5 million loss 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  
15 June 2023

## Consolidated Statement of Changes in Equity for the year ended 31 March 2023

	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 2021	709.9	15.6	(5.9)	(0.4)	22.4	741.6
Loss for the year	-	-	-	-	(28.8)	(28.8)
Other comprehensive loss	-	-	(0.3)	(0.1)	-	(0.4)
At 31 March 2022	709.9	15.6	(6.2)	(0.5)	(6.4)	712.4
At 1 April 2022	709.9	15.6	(6.2)	(0.5)	(6.4)	712.4
Loss for the year	-	-	-	-	(4.5)	(4.5)
Other comprehensive income / (loss)	-	-	(0.3)	0.1	-	(0.2)
At 31 March 2023	709.9	15.6	(6.5)	(0.4)	(10.9)	707.7

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

- 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 2023

	Share capital £ millions	Share premium account £ millions	Pension Reserve £ millions	Profit and loss account £ millions	Total equity £ millions
At 1 April 2021	709.9	15.6	(5.9)	17.3	736.9
Loss for the year	-	-	-	(31.5)	(31.5)
Other comprehensive loss	-	-	(0.3)	-	(0.3)
At 31 March 2022	709.9	15.6	(6.2)	(14.2)	705.1
At 1 April 2022	709.9	15.6	(6.2)	(14.2)	705.1
Loss for the year	-	-	-	(0.2)	(0.2)
Other comprehensive loss	-	-	(0.3)	-	(0.3)
At 31 March 2023	709.9	15.6	(6.5)	(14.4)	704.6

## Consolidated Statement of Cash Flows for the year ended 31 March 2023

	Note	2023 £ millions	2022 £ millions
<b>Operating activities</b>			
Loss before tax		(10.4)	(37.6)
Adjusted for:			
– Non-cash items included in (loss) / profit before tax	28	(6.3)	12.6
– Provision for liabilities		0.9	(0.2)
– Movement in Other Comprehensive Income		(0.1)	(0.4)
Loss before tax net of non-cash items		(15.9)	(25.6)
– Change in operating assets	28	(5,424.2)	(3,613.0)
– Change in operating liabilities	28	5,456.5	4,012.7
Profit before tax net of working capital movements		16.4	374.1
Interest paid		(0.1)	(9.8)
interest received		11.0	24.0
Tax paid		(2.0)	(3.4)
<b>Net cash flows from operating activities</b>		<b>25.3</b>	<b>384.9</b>
<b>Investing activities</b>			
Net investment in shares in group undertakings		(0.5)	(2.0)
Dividends from investment in shares in group undertakings		0.3	0.7
Purchase of intangible assets		(28.7)	(25.3)
Purchase of tangible assets		(2.7)	(6.4)
<b>Net cash flows used in investing activities</b>		<b>(31.6)</b>	<b>(33.0)</b>
<b>Financing activities</b>			
Net repayment from debt securities in issue		(139.6)	(87.8)
Net repayment of subordinated liabilities		-	(45.0)
Net cash flows used in financing activities		(139.6)	(132.8)
<b>Net (decrease) / increase in cash and cash equivalents</b>		<b>(145.9)</b>	<b>219.1</b>
Effects of exchange rates on cash and cash equivalents		4.3	2.2
Cash and cash equivalents at beginning of the period		558.8	337.5
<b>Cash and cash equivalents at the end of the period</b>	28	<b>417.2</b>	<b>558.8</b>

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 FRS 102, the 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 40 to 73.

In preparing the financial statements, the directors have considered the impact of the physical and transition risks of climate change and identified this within the principal risks and uncertainties as set out in the Strategic Report and Risk Review sections but concluded that it does not have a material impact on these financial statements as at 31 March 2023.

### 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 current inflationary and rising interest rates environment have on the Group, the industry and the economies in which the Group operates. Despite these market uncertainties, the Group's commitment and aspiration has not changed. The Group's strategy builds further on the CIB strategy that was introduced at the beginning of FY22 / 23 as it seeks to combine synergies between Banking and Markets and position itself as a debt and financing powerhouse. 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 2023. 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.

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.

**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 under Dealing Profit. The gain or loss on the hedged financial liability attributable to the hedged risk is also recognised in the Statement of Comprehensive Income under Dealing Profit.

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**

The Group applies the Amendments to IFRS 9, IAS 39 and IFRS 7 Interest Rate Benchmark Reform issued in September 2019 (Phase 1 amendments). The amendments provide temporary relief from applying specific hedge accounting requirements to hedging relationships directly affected by IBOR reform. The reliefs have the effect that IBOR reform should not generally cause hedge accounting to terminate. However, any hedge ineffectiveness continues to be recorded in the Statement of Comprehensive Income. 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

The Group also applies the Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 Interest Rate Benchmark Reform – Phase 2 issued in August 2020. The Phase 2 amendments provide relief when changes are made to hedge relationships as a result of IBOR. 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.

#### **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 29.

#### **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.

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. 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 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 (impairment is described further in accounting policy M). 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, less estimated residual value, of each asset on a systematic basis over its expected useful life as follows:

- Short leasehold properties are written off on a straight line basis over the remaining life of the lease or twenty-five years, whichever is shorter; and
- Fixtures, equipment and vehicles are depreciated on a straight line basis over periods between two and five years.

**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 (impairment is described further in accounting policy M).

Intangible assets classified as Software Development Expenditure include costs that are directly attributable to the development and bringing into use significant computer software systems, which are 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 substantially 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. 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 24 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 29C.

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 29C. 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.

### Impairment of non-financial assets

Impairment exists when the carrying value of an asset exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The Group assesses impairment on its non-financial assets in accordance with Accounting Policy 3M, which is based on the identification of Cash Generating Units ("CGUs") that are associated with the assets, the estimation of future cash flows and the application of a Discounted Cash Flow ("DCF") model to determine value in use. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash-inflows and the growth rate used for extrapolation purposes. These estimates are most relevant to Intangible assets which are disclosed in Note 16.

## 5. Fees and Commissions

	2023 £ millions	2022 £ millions
<b>Fees and commissions receivable</b>		
- Trading activities	119.5	164.0
- Fiduciary services	12.6	11.6
	<u>132.1</u>	<u>175.6</u>
<b>Fees and commissions payable</b>		
- Trading activities	(53.3)	(91.3)
- Fiduciary services	(0.1)	-
	<u>(53.4)</u>	<u>(91.3)</u>

## 6. Dealing Profit

	2023 £ millions	2022 £ millions
Net interest income from financial instruments held for trading	43.2	4.9
Net interest expense from financial instruments designated at fair value	(0.1)	(0.2)
Net gains from financial instruments held for trading	85.1	70.3
Net gains from financial instruments designated at fair value	2.5	2.1
	<u>130.7</u>	<u>77.1</u>

Dealing profit includes foreign currency gains arising on the translation of foreign currency monetary assets and liabilities amounting to £0.2 million (2022: £0.3 million loss).

## 7. Other Operating Income

	2023 £ millions	2022 £ millions
Rental income	2.4	1.3
Net third party contribution on defined benefit scheme (Note 24)	-	-
Other	3.1	0.1
	<u>5.5</u>	<u>1.4</u>

Other includes income of £3.1 million from the sale of an IP address belonging to the Group to a third party during the year.

## 8. Administrative Expenses

	2023 £ millions	2022 £ millions
<b>Staff costs</b>		
Wages and salaries	85.0	89.7
Social security costs	10.9	10.6
Pension costs – defined contribution schemes	4.6	4.8
Share based payments	3.7	1.2
	<u>104.2</u>	<u>106.3</u>
<b>Auditors' remuneration</b>		
Audit fees	1.1	1.0
Other assurance services	0.1	0.1
	<u>1.2</u>	<u>1.1</u>
Rental charges payable under operating leases	5.4	4.6
Other administrative expenses	67.5	66.5
	<u>72.9</u>	<u>71.1</u>
	<u>178.3</u>	<u>178.5</u>

	2023 Number	2022 Number
Average number of employees		
Executive and senior managerial	121	123
Other managerial, supervisory and clerical	424	437
	<u>545</u>	<u>560</u>

	2023 £ millions	2022 £ millions
<b>Directors' emoluments</b>		
Directors' emoluments in respect of qualifying services	<u>3.8</u>	<u>3.4</u>
	2023 Number	2022 Number
Number of directors who received shares in respect of qualifying services	2	2
Number of directors to whom retirement benefits are accruing under the Company's defined contribution scheme	<u>1</u>	<u>1</u>
	2023 £ millions	2022 £ millions
Aggregate emoluments of highest paid Director	<u>1.9</u>	<u>1.5</u>
Pension contributions made to highest paid Director	<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 (2022: £0.2 million) relates to deferred share awards.

## 9. Tax credit on loss on ordinary activities

	2023 £ millions	2022 £ millions
<b>Charge for taxation</b>		
<b>Current taxation</b>		
UK Corporation tax for the current year	(1.0)	(9.7)
Foreign tax	0.2	1.2
Prior year adjustments	(5.1)	(0.3)
Current tax credit	<u>(5.9)</u>	<u>(8.8)</u>
<b>Deferred taxation</b>		
Deferred tax charge	-	-
Tax credit on loss on ordinary activities	<u>(5.9)</u>	<u>(8.8)</u>

The rate of corporation tax has increased from 19% to 25% and the rate of Banking Surcharge has decreased from 8% to 3%, both with effect from 1 April 2023. These changes were enacted in 2021 and 2022 respectively.

**Total taxation reconciliation**

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

	2023 £ millions	2022 £ millions
Loss on ordinary activities before taxation	<u>(10.4)</u>	<u>(37.6)</u>
Loss on ordinary activities multiplied by the standard rate 19%	(2.0)	(7.1)
Effects of:		
- Unrecognised tax losses	0.9	1.6
- Movements in fixed asset timing differences	(0.1)	(0.4)
- Net of income not taxable and expenses not deductible for tax purposes	1.4	0.2
- Overseas tax rate differences	-	0.5
- Other short term timing differences	-	(0.4)
- Group relief received in excess of 19%	(1.0)	(2.9)
- Prior year adjustments	<u>(5.1)</u>	<u>(0.3)</u>
Current tax credit	<u>(5.9)</u>	<u>(8.8)</u>

**Deferred taxation**

Deferred tax recognised

	Deferred tax liabilities		Deferred tax assets		
	Investments £ millions	Intangible fixed assets £ millions	Losses £ millions	Property, plant and equipment £ millions	Total £ millions
Deferred tax (liability) / asset at 1 April 2021	(0.1)	(1.7)	1.7	0.1	0.0
Credit/(charge) to profit	(0.7)	1.4	(1.4)	0.7	0.0
Deferred tax (liability) / asset at 31 March 2022	(0.8)	(0.3)	0.3	0.8	0.0
Credit/(charge) to profit	(0.1)	(1.8)	1.8	0.1	0.0
<b>Deferred tax (liability) / asset as at 31 March 2023</b>	(0.9)	(2.1)	2.1	0.9	0.0

No deferred tax balance continues to be recognised on the Balance Sheet for the excess deferred tax assets, in line with the 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 2023, the Company had an unrecognised deferred tax asset of £470.7 million (2022: £472.7 million), which includes trading losses with a gross value of £1,841.9 million (2022: £1,856.8 million). Under current UK tax legislation there is no prescribed time period for loss utilisation. The Company has deferred tax liabilities of £3.0 million which are offset by the equivalent amount of deferred tax assets. For the year ending 31 March 2024, net reversal of £nil deferred tax liabilities and deferred tax assets are expected to occur.

During the year, the Company surrendered additional tax losses of £10.0 million for the prior year ended 31 March 2022 under the UK group relief rules to a related party, Mizuho Bank, London Branch for which it will receive payment of £2.7m 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%). Additionally during the year the Company allocated its share of the banking surcharge allowances for current year (£12.5 million) and prior year (£12.5 million) to related party, Mizuho Bank, London Branch for which it will receive payment of £1.0m for each year at the rate which Mizuho Bank, London branch pays UK banking corporation tax surcharge at 8%. The prior year adjustment credit of £5.1 million, also includes £1.4 million credit adjustment to align the tax return re-submitted for the year ended 31 March 2021 in respect of a claim for R&D Expenditure Credit in accordance with Chapter 6A Part 3 of Corporation Tax Act 2009.

**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:

**Group**

	Government debt securities £ millions	Other debt securities £ millions	Total £ millions
<b>2023</b>			
Carrying amount assets	464.9	720.9	1,185.8
Carrying amount associated liabilities	<u>322.0</u>	<u>763.6</u>	<u>1,085.6</u>

	Government debt securities £ millions	Other debt securities £ millions	Total £ millions
<b>2022</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>

**Company**

	Government debt securities £ millions	Other debt securities £ millions	Total £ millions
<b>2023</b>			
Carrying amount assets	434.8	720.9	1,155.7
Carrying amount associated liabilities	<u>288.8</u>	<u>763.6</u>	<u>1,052.4</u>

	Government debt securities £ millions	Other debt securities £ millions	Total £ millions
<b>2022</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>

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

The Group and the Company have a programme to borrow and lend securities, 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

	2023	2022
	£ millions	£ millions
Liabilities financing transferred assets	1,085.6	1,017.6
Liabilities financing reverse repo transactions	5,821.0	6,557.7
Repurchase agreements	<u>6,906.6</u>	<u>7,575.3</u>

#### Company

	2023	2022
	£ millions	£ millions
Liabilities financing transferred assets	1,052.4	1,029.5
Liabilities financing reverse repo transactions	5,896.1	6,646.9
Repurchase agreements	<u>6,948.5</u>	<u>7,676.4</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 £13,420.8 million (2022: £13,681.7 million). Of these, securities with a fair value of £1,185.8 million (2022: £1,243.3 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 £13,539.2 million (2022: £14,022.7 million). Of these, securities with a fair value of £1,155.7 million (2022: £1,255.2 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 £14,522.9 million (2022: £15,592.8 million). Of these, securities with a fair value of £13,453.9 million (2022: £13,908.1 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 £14,628.6 million (2022: £15,592.8 million). Of these, securities with a fair value of £13,551.9 million (2022: £14,202.1 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:

	2023	2022
	£ millions	£ millions
Carrying amount of purchased call options	<u>53.3</u>	<u>27.3</u>



## 11. Loans and Advances

### Group

	2023 £ millions	2022 £ millions
<b>Loans and advances to banks</b>		
Repayable on demand	45.3	75.5
Other loans and advances	1.5	2.3
	<u>46.8</u>	<u>77.8</u>

### Company

	2023 £ millions	2022 £ millions
<b>Loans and advances to banks</b>		
Repayable on demand	35.6	53.1
Other loans and advances	1.5	2.3
	<u>37.1</u>	<u>55.4</u>
Loans and advances to customers		
Other loans and advances	<u>21.9</u>	<u>147.4</u>

Interest Income arising from loans and advances to banks amounted to £0.6 million (2022: £0.3 million).

Other loans and advances includes cash deposits of £1.5 million (2022: £2.3 million) held with Bank of England in adherence to regulatory requirements.

Further details of the classification and fair value measurement of loans and advances to banks are disclosed in Note 29.

## 12. Debt and other fixed income securities

### Group

	2023 £ millions	2022 £ millions
<b>Debt securities</b>		
Issued by public bodies	3,893.2	3,988.0
Issued by other issuers	1,182.6	658.7
Traded loans	11.4	125.3
	<u>5,087.2</u>	<u>4,772.0</u>

### Company

	2023 £ millions	2022 £ millions
<b>Debt securities</b>		
Issued by public bodies	3,746.2	3,717.8
Issued by other issuers	1,182.0	622.1
Traded loans	11.4	125.3
	<u>4,939.6</u>	<u>4,465.2</u>

In the year to 31 March 2023, there were no unobservable day one profits in respect of debt securities (2022: £nil).

Further details of the classification and fair value measurement of debt securities is disclosed in Note 29.

## 13. Equity Shares

### Group and Company

	2023 £ millions	2022 £ millions
Listed other than on a recognised UK exchange	2.2	-
Other financial investments	3.9	3.5
	<u>6.1</u>	<u>3.5</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 2023 was £3.8 million (2022: £3.4 million).
- Investment in a seat at the CME Group. The value of this interest at 31 March 2023 and 2022 was consistent at £0.1 million.

Further details of the classification and fair value measurement of equity shares is disclosed in Note 29 and its exposure to various risks can be found in the Risk Review section.

## 14. Derivative Assets and Liabilities

### Group

	2023	2022
	£ millions	£ millions
<b>Derivative assets</b>		
Trading derivative assets:		
– Interest rate	12,573.4	6,056.9
– Convertible bond options	70.7	50.3
– Foreign currency	124.3	99.7
– Credit	303.3	232.1
Total trading derivative assets	<u>13,071.7</u>	<u>6,439.0</u>
Derivative assets held for risk management	<u>0.9</u>	<u>4.1</u>
	<u>13,072.6</u>	<u>6,443.1</u>
<b>Derivative liabilities</b>		
Trading derivative liabilities:		
– Interest rate	12,321.8	6,035.4
– Convertible bond options	70.6	50.3
– Foreign currency	124.3	98.4
– Credit	311.0	234.9
– Equity	0.1	-
Total trading derivative liabilities	<u>12,827.8</u>	<u>6,419.0</u>
Derivative liabilities held for risk management	<u>5.7</u>	<u>3.7</u>
	<u>12,833.5</u>	<u>6,422.7</u>

### Company

	2023	2022
	£ millions	£ millions
<b>Derivative assets</b>		
Trading derivative assets:		
– Interest rate	12,573.1	6,057.3
– Convertible bond options	70.7	50.3
– Foreign currency	124.3	99.7
– Credit	303.3	232.1
Total trading derivative assets	<u>13,071.4</u>	<u>6,439.4</u>
Derivative assets held for risk management	<u>0.9</u>	<u>4.1</u>
	<u>13,072.3</u>	<u>6,443.5</u>
<b>Derivative liabilities</b>		
Trading derivative liabilities:		
– Interest rate	12,321.6	6,035.4
– Convertible bond options	70.6	50.3
– Foreign currency	124.3	98.4
– Credit	311.0	234.9
– Equity	0.1	-
Total trading derivative liabilities	<u>12,827.6</u>	<u>6,419.0</u>
Derivative liabilities held for risk management	<u>5.7</u>	<u>3.7</u>
	<u>12,833.3</u>	<u>6,422.7</u>

In the year to 31 March 2023, there were no unobservable day one profits in respect of trading derivative assets and liabilities (2022: £0.9million). The associated Day 1 reserve was £0.9 million (2022: £0.9 million).

Further details of the classification and fair value measurement of trading derivative assets and liabilities are disclosed in Note 29.

### Derivatives held for risk management

#### Group and Company

2023 Assets	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>			
Interest rate	0.7	-	0.7
Foreign currency	-	-	-
Credit	-	0.2	0.2
	<u>0.7</u>	<u>0.2</u>	<u>0.9</u>
<b>Total</b>			<u>0.9</u>
<b>2023 Liabilities</b>	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>			
Interest rate	5.5	-	5.5
Foreign currency	0.2	-	0.2
	<u>5.7</u>	<u>-</u>	<u>5.7</u>
<b>Total</b>			<u>5.7</u>

**Derivatives held for risk management (Continued)****Group and Company**

2022 Assets	Within a fair value hedge relationship £ millions	Other <sup>1</sup> £ millions	Total £ millions
<b>Primary instruments</b>			
Interest rate	-	0.1	0.1
Foreign currency	0.8	-	0.8
Credit	-	0.3	0.3
	<u>0.8</u>	<u>0.4</u>	<u>1.2</u>
<b>Embedded derivatives</b>			
Foreign currency	2.9	-	2.9
	<u>2.9</u>	<u>-</u>	<u>2.9</u>
<b>Total</b>			<u>4.1</u>
<b>2022 Liabilities</b>	<b>Within a fair value hedge relationship £ millions</b>	<b>Other<sup>1</sup> £ millions</b>	<b>Total £ millions</b>
<b>Primary instruments</b>			
Interest rate	3.4	-	3.4
Foreign currency	0.3	-	0.3
	<u>3.7</u>	<u>-</u>	<u>3.7</u>
<b>Total</b>			<u>3.7</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 29.

**Derivatives held for risk management (Continued)****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 below:

**Group and Company**

	2023 £ millions	2022 £ millions
Losses on hedging derivative instruments	<u>(3.8)</u>	<u>(3.6)</u>
Gains on hedged items attributable to hedged risk:		
- Debt securities in issue (see Note 20)	<u>3.8</u>	<u>3.6</u>
Ineffective portion of fair value hedges	<u>-</u>	<u>-</u>
Derivative assets designated as fair value hedges	<u>0.7</u>	<u>0.8</u>
Derivative liabilities designated as fair value hedges	<u>5.7</u>	<u>3.7</u>

**15. Shares in Group Undertakings****Group**

	2023 £ millions	2022 £ millions
Listed other than on a recognised UK exchange	<u>9.9</u>	<u>8.1</u>

**Company**

	2023 £ millions	2022 £ millions
Listed other than on a recognised UK exchange	<u>8.9</u>	<u>7.4</u>
Investment in subsidiary	<u>35.2</u>	<u>33.8</u>
	<u>44.1</u>	<u>41.2</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 30.

**Investment in subsidiary**

Subsidiary	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 2023, the fair value of financial instruments designated as hedge of net investment in foreign operations was £35.2 million (2022: £33.8 million).

The amount of gains recognised in the income statement on the ineffective portion of the hedge during the period was £nil (2022: £nil).

**16. Intangible Assets****Group and Company**

	Software £ millions	Software development expenditure £ millions	Total £ millions
<b>Cost</b>			
At 1 April 2022	195.3	23.7	219.0
Additions	-	28.7	28.7
Transfers / reclassification	19.1	(19.1)	-
<b>At 31 March 2023</b>	<b>214.4</b>	<b>33.3</b>	<b>247.7</b>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2022	152.8	-	152.8
Charge for the year	21.2	-	21.2
<b>At 31 March 2023</b>	<b>174.0</b>	<b>-</b>	<b>174.0</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>40.4</b>	<b>33.3</b>	<b>73.7</b>
<b>At 31 March 2022</b>	<b>42.5</b>	<b>23.7</b>	<b>66.2</b>

During the financial year, the Group and the Company capitalised £19.1 million (2022: £22.2 million) of internally developed software.

**17. Tangible Fixed Assets****Group**

	Short leasehold property £ millions	Fixtures, equipment, integrated software and vehicles £ millions	Total £ millions
<b>Cost</b>			
At 1 April 2022	26.5	31.2	57.7
Additions	0.4	2.3	2.7
<b>At 31 March 2023</b>	<b>26.9</b>	<b>33.5</b>	<b>60.4</b>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2022	7.3	21.4	28.7
Charge for the year	1.5	2.9	4.4
<b>At 31 March 2023</b>	<b>8.8</b>	<b>24.3</b>	<b>33.1</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>18.1</b>	<b>9.2</b>	<b>27.3</b>
At 31 March 2022	19.2	9.8	29.0

**Company**

	Short leasehold property £ millions	Fixtures, equipment, integrated software and vehicles £ millions	Total £ millions
<b>Cost</b>			
At 1 April 2022	25.5	30.4	55.9
Additions	0.3	2.2	2.5
<b>At 31 March 2023</b>	<b>25.8</b>	<b>32.6</b>	<b>58.4</b>
<b>Accumulated depreciation and amortisation</b>			
At 1 April 2022	6.8	21.0	27.8
Charge for the year	1.4	2.7	4.1
<b>At 31 March 2023</b>	<b>8.2</b>	<b>23.7</b>	<b>31.9</b>
<b>Net book value</b>			
<b>At 31 March 2023</b>	<b>17.6</b>	<b>8.9</b>	<b>26.5</b>
At 31 March 2022	18.7	9.4	28.1

## 18. Other Assets

### Group

	2023	2022
	£ millions	£ millions
Unsettled repo receivables	67.8	68.7
Collateral pledged	293.6	669.8
Clearing house default fund contribution	26.6	50.6
Other trade receivables	18.1	19.8
<b>Trade receivables</b>	<b>406.1</b>	<b>808.9</b>
Less: provision for trade receivables	(2.9)	-
Other assets	46.3	23.3
	<b>449.5</b>	<b>832.2</b>

### Company

	2023	2022
	£ millions	£ millions
Unsettled repo receivables	67.8	68.7
Collateral pledged	290.3	668.0
Clearing house default fund contribution	26.6	50.6
Other trade receivables	18.0	19.8
<b>Trade receivables</b>	<b>402.7</b>	<b>807.1</b>
Less: provision for trade receivables	(2.9)	-
Other assets	43.8	23.3
	<b>443.6</b>	<b>830.4</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

	2023	2022
	£ millions	£ millions
<b>Deposits by banks</b>		
Repayable on demand	2.4	22.8
With agreed maturity dates or periods of notice	289.7	1,130.5
	<b>292.1</b>	<b>1,153.3</b>
<b>Customer accounts</b>		
With agreed maturity dates or periods of notice	897.9	295.7
	<b>897.9</b>	<b>295.7</b>

Net interest expense arising from Deposits by banks and Customer accounts amounted to £21.8 million (2022: £0.3 million). Of this, £9.6 million (2022: £0.5 million) was payable to Mizuho Financial Group entities and £12.2 million (2022: £0.2 million) was net payable to third party entities.

## 20. Debt Securities in Issue

### Group and Company

	2023	2022
	£ millions	£ millions
Debt securities – amortised cost	443.4	385.5
Debt securities – adjusted for fair value hedge accounting	1,165.0	1,364.9
Debt securities – designated at fair value through profit and loss	8.1	9.7
	<b>1,616.5</b>	<b>1,760.1</b>

Net interest expense arising from Debt securities accounted at amortised cost (including those adjusted for fair value hedge accounting) amounted to £11.5 million (2022: Net Interest income £3.5 million).

Further details of the classification and fair value measurement of debt securities in issue are disclosed in Note 29.

### Debt securities adjusted for fair value hedge accounting

#### Group and Company

	2023	2022
	£ millions	£ millions
Net gains recognised in the statement of comprehensive income	3.8	3.6
Contractual amount at maturity	1,249.9	1,363.6

### Debt securities designated at fair value through profit and loss

#### Group and Company

	2023	2022
	£ millions	£ millions
Net (losses) / gains recognised in the statement of comprehensive income	-	-
Contractual amount at maturity	7.9	9.4

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 (2022: £nil).

## 21. Short Trading Positions

Group	2023	2022
	£ millions	£ millions
Short trading positions in debt securities:		
– Issued by public bodies	3,104.3	3,293.2
– Issued by other issuers	314.4	267.7
	<u>3,418.7</u>	<u>3,560.9</u>
<b>Company</b>	<b>2023</b>	<b>2022</b>
	£ millions	£ millions
Short trading positions in debt securities:		
- Issued by public bodies	2,990.7	3,115.9
- Issued by other issuers	314.4	267.7
	<u>3,305.1</u>	<u>3,383.6</u>

In the year to 31 March 2023, there were no unobservable day one profits in respect of short trading positions (2022: £nil).

Further details of the classification and fair value measurement of short trading positions are disclosed in Note 29.

## 22. Other Liabilities

Group	2023	2022
	£ millions	£ millions
Unsettled repo payables	96.1	90.8
Collateral received	457.4	338.3
Other trade payables	19.3	19.0
<b>Trade payables</b>	<u>572.8</u>	<u>448.1</u>
Other liabilities	5.0	1.2
Tax and social security payable	3.6	2.8
	<u>581.4</u>	<u>452.1</u>
<b>Company</b>	<b>2023</b>	<b>2022</b>
	£ millions	£ millions
Unsettled repo payables	96.1	90.8
Collateral received	457.4	338.3
Other trade payables	21.5	18.9
<b>Trade payables</b>	<u>575.0</u>	<u>448.0</u>
Other liabilities	5.0	1.6
Tax and social security payable	2.6	2.6
	<u>582.6</u>	<u>452.2</u>

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

	Total £ millions
At 1 April 2022	3.1
Charged through income statement	0.9
Released	-
Utilised for the year	-
<b>At 31 March 2023</b>	<b>4.0</b>

### Company

	Total £ millions
At 1 April 2022	2.9
Charged through income statement	0.9
Released	-
Utilised for the year	-
<b>At 31 March 2023</b>	<b>3.8</b>

The Group may become subject to various litigation matters over the normal course of business. Where a claim is considered to be more likely than not to result in a settlement, a provision is made based on management's best estimate of the cost to the Group of settling such claims.

Total provisions above relate to dilapidation provisions for 30 Old Bailey and Taunustor 1 raised in prior years, and certain occupancy related property matters for which a charge has been recognised in the current year.

## 24. 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 147 deferred members and 72 pensioner members who have pensions paid directly from the Scheme as at 31 March 2023.

A valuation of the scheme has been estimated as at 31 March 2023 by a qualified independent actuary, based on the results of the actuarial valuation as at 31 March 2021, 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:

	2023 % p.a.	2022 % p.a.
Discount rate	4.7	2.7
Inflation assumption (RPI)	3.3	3.8
Pension increases (RPI, max 5% p.a.)	3.2	3.6
CPI linked increases (max 5% p.a.)	2.3	2.8

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. (2022: same but CMI\_2020). This results in the following life expectancies:

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

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

	2023 £ millions	2022 £ millions
Present value of Scheme liabilities	(31.9)	(43.9)
Market value of Scheme assets	32.6	56.0
Restriction of Recognisable Surplus	(0.7)	(12.1)
Deficit in the Scheme	-	-
Related deferred tax asset	-	-
<b>Net pension liability</b>	<b>-</b>	<b>-</b>

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

	2023 £ millions	2022 £ millions
Interest on Scheme assets	1.2	1.0
Interest on Scheme liabilities	(1.2)	(1.0)
Contribution paid by a related party	-	-
	<u>-</u>	<u>-</u>

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

	2023 £ millions	2022 £ millions
Present value of Scheme liabilities at 1 April	43.9	50.3
Interest on Scheme liabilities	1.2	1.0
Benefits paid	(2.0)	(1.7)
Actuarial gains	(11.2)	(5.7)
Present value of Scheme liabilities at 31 March	<u>31.9</u>	<u>43.9</u>

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

	2023 £ millions	2022 £ millions
Market value of Scheme assets at 1 April	56.0	60.0
Interest on Scheme assets	1.2	1.0
Return on assets	(22.8)	(3.5)
Benefits paid	(2.1)	(1.8)
Contributions paid by the Group	0.3	0.3
Market value of Scheme assets at 31 March	<u>32.6</u>	<u>56.0</u>
Actual return on scheme assets	<u>(21.6)</u>	<u>(2.5)</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 2021. 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 19 May 2022 therefore has no contributions payable in respect of any deficit, and requires the Company to pay an amount of £227,000 per annum (2022: £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 2024.

In the year ended 31 March 2023, the Scheme carried out a second buy-in, which insured all of the Scheme's remaining 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.

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

	2023 %	2022 %
Equities and Diversified Growth Fund	0	26
Bonds	0	36
Liability Driven Investments ("LDI")	0	15
Insured Annuities	96	22
Cash	4	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 2023 is an amount of £11.5 million (2022: £2.6 million loss related to the first buy-in), which is the loss related to the second 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. The remaining decrease in Return on Assets, materially offset by actuarial gains on the scheme's liabilities, is driven primarily by changes in the discount rate assumption.

	2023 £ millions	2022 £ millions
Return on assets	(22.8)	(3.5)
Actuarial gains	11.2	5.7
Restriction of Recognisable Surplus / (Deficit)	11.3	(2.5)
Remeasurement losses recognised in other comprehensive income	<u>(0.3)</u>	<u>(0.3)</u>

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

	2023 £ millions	2022 £ millions
Deficit in Scheme at 1 April	-	-
Amounts recognised in the Statement of Comprehensive Income	-	-
Contributions paid by the Group	0.3	0.3
Remeasurement gains and losses recognised in other comprehensive income	(0.3)	(0.3)
Deficit in Scheme at 31 March	<u>-</u>	<u>-</u>



**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 2023 the Group made contributions of £6.3 million (2022: £6.3 million) to the GPP of which £2.2 million related to the employees' salary sacrifice arrangements (2022: £2.1 million). The total expense to the Group was £4.1 million (2022: £4.2 million).

**25. Related Party Balances**

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

**Group**

2023	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
<b>Assets</b>			
Loans and advances to banks	-	1.3	1.3
Reverse repurchase agreements with banks	2,271.9	33.8	2,305.7
Debt and other fixed income securities	29.0	4.0	33.0
Derivative assets	71.7	114.9	186.6
Shares in group undertakings	9.9	-	9.9
Other assets	12.9	28.0	40.9
Prepayments and accrued income	11.8	4.3	16.1
	<u>2,407.2</u>	<u>186.3</u>	<u>2,593.5</u>
<b>Liabilities</b>			
Deposits by banks	22.8	266.9	289.7
Repurchase agreements with banks	108.7	-	108.7
Short trading positions	8.1	-	8.1
Derivative liabilities	6.6	43.8	50.4
Other liabilities	58.3	64.8	123.1
Accruals and deferred income	2.6	15.1	17.7
Provision for liabilities	-	3.1	3.1
	<u>207.1</u>	<u>393.7</u>	<u>600.8</u>

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

2023	Controlling entities <sup>1</sup> £ millions	Other related parties £ millions	Total £ millions
Interest receivable	-	0.1	0.1
Interest payable	(0.9)	(11.9)	(12.8)
Fees and commissions receivable	39.6	23.1	62.7
Fees and commissions payable	(14.1)	(14.8)	(28.9)
Dealing profit	92.0	15.3	107.3
Other operating income	-	2.4	2.4
Administrative expenses	8.5	(2.1)	6.4
Tax on profit on ordinary activities	-	4.7	4.7
Total income from Affiliates	<u>125.1</u>	<u>16.8</u>	<u>141.9</u>

**Company**

2023	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	-	-	1.2	1.2
Loans and advances to customers	-	21.9	-	21.9
Reverse repurchase agreements with banks	2,271.9	-	33.8	2,305.7
Reverse repurchase agreements with customers	-	29.1	-	29.1
Debt and other fixed income securities	28.9	-	4.0	32.9
Derivative assets	71.7	-	114.9	186.6
Shares in group undertakings	8.9	35.2	-	44.1
Other assets	12.8	0.9	27.9	41.6
Prepayments and accrued income	11.8	7.5	4.2	23.5
	<u>2,406.0</u>	<u>94.6</u>	<u>186.0</u>	<u>2,686.6</u>
<b>Liabilities</b>				
Deposits by banks	22.8	-	266.9	289.7
Repurchase agreements with banks	108.7	-	-	108.7
Repurchase agreements with customers	-	41.9	-	41.9
Short trading positions	8.1	-	-	8.1
Derivative liabilities	6.6	-	43.8	50.4
Other liabilities	58.3	2.9	64.7	125.9
Accruals and deferred income	2.5	2.2	15.1	19.8
Provision for liabilities	-	-	2.9	2.9
	<u>207.0</u>	<u>47.0</u>	<u>393.4</u>	<u>647.4</u>

<b>Group</b>			
<b>2022</b>	<b>Controlling entities £ millions</b>	<b>Other related parties £ millions</b>	<b>Total £ millions</b>
<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>

<b>2022</b>	<b>Controlling entities<sup>1</sup> £ millions</b>	<b>Other related parties £ millions</b>	<b>Total £ millions</b>
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>

<b>Company</b>				
<b>2022</b>	<b>Controlling entities<sup>1</sup> £ millions</b>	<b>Controlled entities<sup>2</sup> £ millions</b>	<b>Other related parties £ millions</b>	<b>Total £ millions</b>
<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>

**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.

## 26. Share Capital

<b>Group and Company</b>	<b>2023 Number</b>	<b>2023 £ millions</b>	<b>2022 Number</b>	<b>2022 £ millions</b>
<b>Issued called up and fully paid</b>				
Ordinary shares of GBP 10 each	<b>70,985,797</b>	<b>709.9</b>	70,985,797	709.9

## 27. Operating Lease Commitments

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

Group	2023	2022
	£ millions	£ millions
	Buildings	Buildings
Not later than one year	5.0	4.9
Later than one year and not later than five years	19.0	19.0
Later than five years	30.9	35.3
	<u>54.9</u>	<u>59.2</u>

The total lease payments recognised as an expense by the Group for the year ended 31 March 2023 were £5.4 million (2022: £4.6 million). Future minimum lease payables were recognised on a straight line basis over the life of the lease.

### Company

Company	2023	2022
	£ millions	£ millions
	Buildings	Buildings
Not later than one year	4.6	4.5
Later than one year and not later than five years	18.1	18.0
Later than five years	30.9	35.3
	<u>53.6</u>	<u>57.8</u>

The total lease payments recognised as an expense by the Company for the year ended 31 March 2023 were £4.9 million (2022: £4.2 million). Future minimum lease payables were recognised on a straight line basis over the life of the lease.

## 28. Notes to the Cash Flow Statement

	2023	2022
	£ millions	£ millions
<b>Non-cash items included in loss before tax</b>		
Net foreign exchange difference	(4.3)	(2.2)
Interest receivable	(55.7)	(17.1)
Interest payable	33.5	8.8
Write-off of intangible and tangible assets	0.1	1.7
Depreciation and amortisation	25.6	25.0
Gains on revaluation of debt securities in issue	(3.9)	(3.7)
(Gains) / Losses on shares in group undertakings	(1.3)	0.8
Dividends received	(0.3)	(0.7)
	<u>(6.3)</u>	<u>12.6</u>
	2023	2022
	£ millions	£ millions
<b>Change in operating assets</b>		
Reverse repurchase agreements with banks	(1,987.6)	(1,746.8)
Reverse repurchase agreements with customers	3,113.5	(1,128.4)
Debt and other fixed income securities	(315.2)	(510.1)
Equity shares and other variable yield securities	(2.7)	(1.6)
Derivative assets	(6,629.4)	70.6
Other assets	390.6	(302.5)
Prepayments and accrued income	6.6	5.8
	<u>(5,424.2)</u>	<u>(3,613.0)</u>
<b>Change in operating liabilities</b>		
Deposits by banks	(861.3)	867.8
Customer accounts	602.3	67.1
Repurchase agreements with banks	(100.2)	(208.7)
Repurchase agreements with customers	(568.5)	2,666.1
Short trading positions	(142.2)	487.9
Derivative liabilities	6,410.8	(58.6)
Other liabilities	129.0	226.9
Accruals and deferred income	(13.4)	(35.9)
Provision for liabilities	-	(0.1)
Subordinated liabilities	-	0.2
	<u>5,456.5</u>	<u>4,012.7</u>
<b>Cash and cash equivalents is defined as including:</b>		
Cash and balances at central banks	370.4	481.0
Loans and advances to banks	46.8	77.8
<b>Cash and cash equivalents at the end of the period</b>	<u>417.2</u>	<u>558.8</u>

## Analysis of changes in net debt

	At 1 April 2022 £ millions	Cash Flows £ millions	Interest and finance charges £ millions	Changes in market value / exchange rate £ millions	At 31 March 2023 £ millions
Cash and balances at central banks	481.0	(110.6)	-	-	370.4
Loans and advances to banks	77.8	(47.6)	12.3	4.3	46.8
Loans and advances to customers	-	(0.1)	0.1	-	-
Reverse repurchase agreements with customers	40.9	70.5	1.2	-	112.5
Net derivatives held for risk management <sup>1</sup>	0.4	(1.3)	-	(4.0)	(4.9)
Deposits by banks and customers <sup>2</sup>	(1,449.0)	280.8	(21.8)	-	(1,190.0)
Debt securities in issue	(1,760.1)	151.1	(11.5)	4.0	(1,616.5)
Repurchase agreements with customers	(40.9)	(65.8)	(0.8)	-	(107.5)
	<u>(2,649.9)</u>	<u>277.0</u>	<u>(20.5)</u>	<u>4.3</u>	<u>(2,389.2)</u>

## Explanatory notes on analysis of changes in net debt

- 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
- Deposits by banks & customers have been combined together for presentation purposes for this Note

## 29. Financial Assets and Financial Liabilities

## A – Classification of financial assets and financial liabilities

## Group

	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>2023</b>				
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	370.4	370.4
Loans and advances to banks	-	-	46.8	46.8
Reverse repurchase agreements with banks	5,841.9	-	-	5,841.9
Reverse repurchase agreements with customers	2,191.0	-	112.5	2,303.5
Debt and other fixed income securities	5,087.2	-	-	5,087.2
Equity shares	2.2	3.9	-	6.1
Derivative assets	13,071.7	0.9	-	13,072.6
Shares in group undertakings	-	9.9	-	9.9
Trade receivables	11.3	-	411.1	422.4
Prepayments and accrued income	42.3	-	31.4	73.7
	<u>26,247.6</u>	<u>14.7</u>	<u>972.2</u>	<u>27,234.5</u>

	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>2023</b>				
<b>Financial liabilities:</b>				
Deposits by banks	-	-	292.1	292.1
Customer accounts	-	-	897.9	897.9
Repurchase agreements with banks	1,675.3	-	-	1,675.3
Repurchase agreements with customers	5,123.8	-	107.5	5,231.3
Debt securities in issue	-	8.1	1,608.4	1,616.5
Short Positions	3,418.7	-	-	3,418.7
Derivative liabilities	12,827.8	5.7	-	12,833.5
Trade payables	14.0	-	562.8	576.8
Accruals and deferred income <sup>1</sup>	33.0	-	19.6	52.6
	<u>23,092.6</u>	<u>13.8</u>	<u>3,488.3</u>	<u>26,594.7</u>

## A – Classification of financial assets and financial liabilities (continued)

## Group

	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>2022</b>				
<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	-	806.3	813.8
Prepayments and accrued income	22.7	-	33.9	56.6
	<u>20,471.6</u>	<u>15.7</u>	<u>1,439.9</u>	<u>21,927.2</u>

	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>2022</b>				
<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	-	432.3	443.3
Accruals and deferred income <sup>1</sup>	24.1	-	20.6	44.7
	<u>17,549.4</u>	<u>13.4</u>	<u>3,693.2</u>	<u>21,256.0</u>

## A – Classification of financial assets and financial liabilities (continued)

## Company

	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>2023</b>				
<b>Financial assets:</b>				
Cash and balances at central banks	-	-	370.4	370.4
Loans and advances to banks	-	-	37.1	37.1
Loans and advances to customers	-	-	21.9	21.9
Reverse repurchase agreements with banks	5,841.9	-	-	5,841.9
Reverse repurchase agreements with customers	2,220.1	-	112.5	2,332.6
Debt and other fixed income securities	4,939.6	-	-	4,939.6
Equity shares	2.2	3.9	-	6.1
Derivative assets	13,071.4	0.9	-	13,072.3
Shares in group undertakings	-	8.9	-	8.9
Trade receivables	10.8	-	408.2	419.0
Prepayments and accrued income	41.8	-	32.4	74.2
	<u>26,127.8</u>	<u>13.7</u>	<u>982.5</u>	<u>27,124.0</u>

	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>2023</b>				
<b>Financial liabilities:</b>				
Deposits by banks	-	-	292.1	292.1
Customer accounts	-	-	897.9	897.9
Repurchase agreements with banks	1,675.3	-	-	1,675.3
Repurchase agreements with customers	5,165.7	-	107.5	5,273.2
Debt securities in issue	-	8.1	1,608.4	1,616.5
Short Positions	3,305.1	-	-	3,305.1
Derivative liabilities	12,827.6	5.7	-	12,833.3
Trade payables	13.4	-	565.6	579.0
Accruals and deferred income <sup>1</sup>	32.8	-	21.2	54.0
	<u>23,019.9</u>	<u>13.8</u>	<u>3,492.7</u>	<u>26,526.4</u>

**A – Classification of financial assets and financial liabilities (continued)****Company**

	Held for trading £ millions	Designated as at fair value £ millions	Loans and receivables £ millions	Total £ millions
<b>2022</b>				
<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	-	804.7	811.9
Prepayments and accrued income	22.4	-	35.7	58.1
	<u>20,226.3</u>	<u>15.0</u>	<u>1,565.1</u>	<u>21,806.4</u>

	Held for trading £ millions	Designated as at fair value £ millions	Financial liabilities £ millions	Total £ millions
<b>2022</b>				
<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	-	432.5	443.4
Accruals and deferred income <sup>1</sup>	23.9	-	21.8	45.7
	<u>17,472.9</u>	<u>13.4</u>	<u>3,694.6</u>	<u>21,180.9</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.

**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 categorised 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 29 categorised in accordance with the hierarchy described above.

## Group

2023	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Fair value Total £ millions
Reverse repurchase agreements with banks	-	5,798.4	43.5	5,841.9
Reverse repurchase agreements with customers	-	2,040.1	150.9	2,191.0
Debt and other fixed income securities	2,768.6	2,318.2	0.4	5,087.2
Equity securities	2.2	0.1	3.8	6.1
– Interest rate	24.1	12,550.0	-	12,574.1
– Convertible bond option	-	-	70.7	70.7
– Foreign currency	-	124.3	-	124.3
– Credit	-	303.5	-	303.5
Derivative assets	24.1	12,977.8	70.7	13,072.6
Shares in group undertakings	9.9	-	-	9.9
<b>Financial assets</b>	<b>2,804.8</b>	<b>23,134.6</b>	<b>269.3</b>	<b>26,208.7</b>
Repurchase agreements with banks	-	1,534.0	33.8	1,567.8
Repurchase agreements with customers	-	5,222.0	9.3	5,231.3
Short trading positions	2,850.0	568.4	0.3	3,418.7
– Interest rate	17.5	12,309.8	-	12,327.3
– Convertible bond option	-	-	70.6	70.6
– Foreign currency	-	124.3	0.2	124.5
– Credit	-	311.0	-	311.0
– Equity	0.1	-	-	0.1
Derivative liabilities	17.6	12,745.1	70.8	12,833.5
Debt securities in issue	-	-	8.1	8.1
<b>Financial liabilities</b>	<b>2,867.6</b>	<b>20,069.5</b>	<b>122.3</b>	<b>23,059.4</b>

## 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>

## Company

2023	Level 1 £ millions	Level 2 £ millions	Level 3 £ millions	Fair value Total £ millions
Reverse repurchase agreements with banks	-	5,798.4	43.5	5,841.9
Reverse repurchase agreements with customers	-	2,069.2	150.9	2,220.1
Debt and other fixed income securities	2,621.6	2,317.6	0.4	4,939.6
Equity securities	2.2	0.1	3.8	6.1
– Interest rate	23.8	12,550.0	-	12,573.8
– Convertible bond option	-	-	70.7	70.7
– Foreign currency	-	124.3	-	124.3
– Credit	-	303.5	-	303.5
Derivative assets	23.8	12,977.8	70.7	13,072.3
Shares in group undertakings	8.9	-	-	8.9
<b>Financial assets</b>	<b>2,656.5</b>	<b>23,163.1</b>	<b>269.3</b>	<b>26,088.9</b>
Repurchase agreements with banks	-	1,534.0	33.8	1,567.8
Repurchase agreements with customers	-	5,263.9	9.3	5,273.2
Short trading positions	2,736.3	568.5	0.3	3,305.1
– Interest rate	17.3	12,309.8	-	12,327.1
– Convertible bond option	-	-	70.6	70.6
– Foreign currency	-	124.3	0.2	124.5
– Credit	-	311.0	-	311.0
– Equity	0.1	-	-	0.1
Derivative liabilities	17.4	12,745.1	70.8	12,833.3
Debt securities in issue	-	-	8.1	8.1
<b>Financial liabilities</b>	<b>2,753.7</b>	<b>20,111.5</b>	<b>122.3</b>	<b>22,987.5</b>

## Company

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	-	5,376.7	61.1	5,437.8
Debt and other fixed income securities	3,106.7	1,358.5	-	4,465.2
Equity securities	-	0.1	3.4	3.5
– Interest rate	47.9	6,009.4	0.1	6,057.4
– Convertible bond option	-	-	50.3	50.3
– Foreign currency	-	99.7	3.7	103.4
– Credit	-	232.4	-	232.4
Derivative assets	47.9	6,341.5	54.1	6,443.5
Shares in group undertakings	7.4	-	-	7.4
<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	-	1,695.0	39.7	1,734.7
Repurchase agreements with customers	-	5,900.9	-	5,900.9
Short trading positions	2,888.7	494.9	-	3,383.6
– Interest rate	41.8	5,997.0	-	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	41.8	6,330.3	50.6	6,422.7
Debt securities in issue	-	-	9.7	9.7
<b>Financial liabilities</b>	<b>2,930.5</b>	<b>14,421.1</b>	<b>100.0</b>	<b>17,451.6</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 minimise 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.



**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 – “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 2023 and 31 March 2022 respectively, and the effect on the Statement of Comprehensive Income for the following derivative fair value adjustments is:

**Group and Company**

	2023 £ millions	2022 £ millions	Movement £ millions	Loss / (gain) *
CVA	0.1	0.1	-	-
DVA	-	-	-	-
FVA (FCA / FBA)	(0.2)	(0.1)	(0.1)	Gain
MVA	1.2	1.2	-	-
Total XVA reserve	1.1	1.2	(0.1)	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.

**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.

## 30. 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:

	2023	2022
	£ millions	£ millions
Carrying value of share based payment liability	7.2	5.8
Expense arising from share-based payment transactions	3.7	1.2

## 31. 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 ceased after 31 December 2021. In response to these changes, a Group LIBOR Discontinuation Programme set up in 2020, successfully delivered the transition of all non-USD LIBOR exposures ahead of the cessation dates.

A smaller, more focused LIBOR Transition programme was reinstated in the fourth quarter of 2022 / 23 to manage the transition of the remaining MHI Group USD LIBOR exposures and ensure readiness for the demise of USD LIBOR as a representative rate as at 30 June 2023. The Group has ceased new use of USD LIBOR in all but permitted exception scenarios, with the governance, controls and oversight established in 2021 via the Front Office Supervisory Committee to monitor adherence to cessation of LIBOR trading continuing to operate effectively. Overall, the residual risks associated with the transition away from USD LIBOR for the Group are assessed as low, 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.

As at 31 March 2023, the Group's exposure to USD LIBOR was predominately in the form of cleared and Exchange Traded derivatives, which will follow industry wide CCP transition timelines, with transition events planned in April and May 2023. In addition, the Group holds a small portfolio of Cash Products where the intention is to exit ahead of 30 June 2023, however if market conditions do not facilitate this approach, the Group has the necessary transition capability to facilitate the transition to fallback rates. Given the nature of our client base, who are sophisticated and highly regulated market participants, there are no concerns regarding client readiness and for the group to cease trading in USD LIBOR by the 30 June 2023 cessation deadline.

The following table provides a summary of residual USD LIBOR exposures as at 31 March 2023, which are yet to transition.

**Group and Company**

	2023	2022
	£ millions	£ millions
<b>Non-derivative Financial assets</b>		
– Debt and other fixed income securities	3.4	8.5
– Reverse Repurchase agreements with banks	-	79.8
– Prepayments and accrued income	-	0.1
<b>Non-derivative Financial liabilities</b>		
– Debt and other fixed income securities	4.5	
– Repurchase agreements with banks	-	79.8
– Accruals and deferred income	-	0.1
<b>Derivatives notional amounts</b>		
– Exchange traded Derivatives notionals	19,434.0	29,223.0
– OTC IR & FX Derivatives notionals – Cleared through CCP	310,411.0	216,178.0
– OTC IR & FX Derivatives notionals	-	152.0

## 32. Country by Country Tax Payments

Group	Income £ millions	Loss before tax £ millions	Capital £ millions	Retained earnings £ millions	Tangible assets £ millions	Tax paid £ millions	Average number of employees
Country (Business)							
UK (Banking)	175.3	(1.0)	709.9	(0.9)	26.5	0.1	497
Germany (Banking)	10.7	(4.9)	31.4	2.4	0.6	1.7	35
United Arab Emirates (Primary debt)	0.2	(5.3)	-	(13.5)	-	-	5
Spain (Banking)	3.9	0.4	-	0.5	0.1	0.1	4
France (Banking)	4.4	0.4	-	0.6	0.1	0.1	4
Consolidated adjustments	(0.1)	-	(31.4)	-	-	-	-
<b>Total</b>	<b>194.4</b>	<b>(10.4)</b>	<b>709.9</b>	<b>(10.9)</b>	<b>27.3</b>	<b>2.0</b>	<b>545</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.

## 33. Contingent Liabilities

During the normal course of business, the Group may become subject to legal proceedings and other regulatory matters. The Group recognises a provision for a liability in relation to these matters when it is probable that an outflow of economic benefits will be required to settle an obligation resulting from past events, and a reliable estimate can be made of the amount of the obligation. Where the circumstances do not require a provision to be recognised but the probability of an outflow of economic benefits is not considered remote, this may give rise to a contingent liability which requires disclosure.

On 31 October 2022, three former employees of the Company were held by the FCA to have contravened Regulation (EU) No 596 / 2014 of the European Parliament and of the Council of 16 April 2014 on market abuse. The decision in respect of each former employee is currently subject to appeal to the Upper Tribunal (Tax and Chancery Chamber).

In the unlikely event that the appeal in respect of one or more former employees is unsuccessful and following the exhaustion of all legal avenues, the Company's maximum potential liability would be restricted to reimbursing its insurer the legal costs incurred by the Company in relation to this matter, which has so far been claimed and paid to the Company.

## 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:

Public Relations Office  
Mizuho Financial Group, Inc.  
Otemachi Tower  
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<https://www.mizuhogroup.com/investors/financial-information/financial-statements>



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