Annual Report 2021

Mizuho Securities Europe GmbH

Only the German language version is binding. The English version is not an audited translation

Contents

Management Report

The management of Mizuho Securities Europe GmbH (the “Company” or “MHEU”) presents its management report and the financial statements for the financial year ending 31 March 2021. The company has its registered office at Taunustor 1 in 60310 Frankfurt am Main, Germany.

1. Legal Structure and Business Activities

The Company was established in June 2018 in Frankfurt am Main/Germany as a subsidiary of Mizuho International plc (“MHI”)[1] based in London/United Kingdom to ensure the smooth and uninterrupted continuation of services to MHI's clients in the European Union (“EU”) and the European Economic Area (“EEA”) post-Brexit. To this end, the Company obtained a licence by the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) in December 2018 to provide a range of financial and banking services to its clients.

In March 2019, the Company obtained the permission to operate cross-border to provide its services to clients domiciled in other countries of the EU („EU passporting“). After the Company commenced business activities in April 2019, branches in Madrid/Spain and Paris/France were established in July 2019 and January 2020, respectively, to promote business in the Iberian and Italian markets and the French and Belgian and Luxembourg markets, respectively.

The Company and its parent are part of Mizuho Financial Group Inc. (“Mizuho Financial Group”), one of the world's largest full-service financial conglomerates. With offices in over 100 locations outside of Japan, Mizuho Financial Group employs approximately 60,000 employees worldwide and combines 140+ years of banking experience.

Closely aligned to the Mizuho Financial Group Inc. strategy, the Company provides tailored financial products and solutions to institutional and corporate clients across the EEA. There are two main business lines in MHEU, Global Investment Banking (“GIB”) and Global Markets (“GMK”):

- GIB arranges and underwrites new debt issuances for major EU/EEA corporate clients and Financial Institution Groups clients of Mizuho Bank. GIB also provides underwriting of international equity offerings and convertible bonds EU/EEA corporations, and selective M&A services.

- GMK provides sales and trading of debt securities and cleared derivatives for EU/EEA institutional investor clients, and the sourcing of EU/EEA-originated products for the Japanese retail client base. GMK also provides Japanese equity sales, facilitation and investor relations services for EU/EEA clients.

2. Corporate Governance

As the Company is not listed, there is no requirement to comply with the German Corporate Governance Codex. However, the Company's Management Board (the "Board") consider that corporate governance is a critical matter and, hence, as at the date of this report the Company has adopted a number of procedures comparable to those set forth in the German Corporate Governance Codex as set out below:

- As at 31 March 2021 the Board consisted of three Managing Directors (Geschäftsführer) which have full responsibility for control and oversight of the Company’s activities:

    - Mr. Christoph Seibel (Chief Executive Officer, “CEO”)
    - Mr. Wolfgang Köhler (Chief Risk Officer, “CRO”), and
    - Mr. Peter Krafft (Chief Financial Officer, “CFO”).

- The Board meets at least monthly and more frequently where business needs require.

- The Board and the Company’s activities are supervised through its shareholder, represented by Executive Directors of MHI as well as certain MHI committees to which MHEU has

[1] MHEU and MHI together are referenced as MHI Group throughout this document

2. Corporate Governance (Continued)

implemented regular reporting arrangements, whilst maintaining the full accountability and independence of the Company's Board.

- In order to facilitate the effective conduct of business across the Company, the Board delegates certain matters to four committees, which comprise an Underwriting & Reputational Risk Committee, a Risk Management Committee, a New Product Committee, and a Front Office Supervision 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:

  - The Underwriting & Reputational Risk Committee is chaired by the CEO and attended by the CRO, CFO, Head of Legal and Head of Compliance. It is responsible for supporting the Board in relation to debt and equity underwriting, M&A, and reputational risk matters arising from these and all other activities of the Company. This includes inter alia approval of underwritings in respect of primary issues, review of significant transactions and consideration of all other matters, including reputational risk in relation to primary transactions.

  - The Risk Management Committee (RMC) is chaired by the CRO and attended by the CEO, CFO, Head of Legal, Head of Compliance, Head of Risk, the Chief Information Security Officer, the Outsourcing Officer, Front Office business heads, and members of the Risk Management department. It is responsible for supporting the CRO in relation to the oversight of the Company's risk profile and monitoring compliance with risk policy, limits, stress testing and risk appetite.

  - The New Product Committee is chaired by the CRO and attended by the CEO, CFO, Head of Legal and Head of Compliance. It is responsible for review and assessment of new product and new business proposals, which must include an analysis of all significant risks associated with such proposals. Recommendations are made by the New Product Committee to the Board with regards to the approval of these proposals.

  - The Front Office Supervision Committee is chaired by the Front Office Business Head and attended by the CRO, the Head of Compliance, a member of the HR department and a member of MHI's Front Office Business Management department. It is responsible for supporting the Front Office Business Head in relation to the oversight over the Front Office department's supervision, including the firm-wide review of conduct and behavioural matters.

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 documentation of the duties performed and a sufficient level of analysis of the financial performance of the Company. In respect of internal financial controls, the Managing Directors are responsible for ensuring that the Board meets regularly to review this information and takes appropriate decisions on all material matters. Decisions of the Board require to be quorate.

3. Business Performance

3.1 Economic Situation and Business Environment

The financial year ending on 31 March 2021 was characterised by three central themes that had significant impact on the business environment, economic climate and MHEU's business activities.

The COVID-19 Pandemic had significant negative consequences on all major economies in the world which led to material contracting of economic activity in many parts of the world and throughout the EU. This resulted in significant volatility in global markets, which, among other things led global central banks to keep interest rates at historically low levels and maintain or increase quantitative easing measures to keep funding costs low and economic activity intact where possible.

Management Report (Continued)

3. Business Performance (Continued)

Another central theme affecting markets in the EU and our business was Brexit and the continued process that led to the eventual exit of the United Kingdom from the European Union on 31 December 2020. Throughout 2020 financial institutions including MHEU continued with their preparations for Brexit which was made more difficult by the persisting regulatory uncertainties leading up to the eventual withdrawal agreement and indeed a hard Brexit in December 2020.

The third central theme of the year revolved around the fiercely fought and subsequently contested US presidential election that together with a growing debate about racism, social inequality and diversity led to significant volatility and investor uncertainty during the second half of the year.

Other themes during the year included geopolitical tensions in Asia and the Middle East as well as a growing sense of urgency to tackle climate change and for corporations and governments to develop more climate friendly and sustainable business models and policies.

Despite all of this, equity and credit markets performed very well, not only recovering the losses from March 2020 but in many cases reaching record highs towards the end of the calendar year which was also reflected in many financial services companies' performance during the 2nd to 4th quarter of the calendar year.

The last quarter of our financial year ending on 31 March 2021 was dominated by the inauguration of Joe Biden as the 46th US President and the immediate change in US policy, the third COVID-19 wave and related lock downs and the subsequent rollout of vaccinations in many major economies (albeit at very different speeds) and increasing global concerns about inflation.

The business development of our company in this financial year, the second one of Mizuho Securities Europe GmbH, was largely characterized by these external events, leading to significant change in working practices with remote working arrangements, the continued preparations, implementation and then execution of our Brexit plans including the migration of EU based clients to MHEU. We also benefitted from materially higher issuance activities of our clients, closer cooperation with Mizuho Bank and increased secondary trading activities to lead to a successful financial performance.

The Company's strategy focuses on achieving a step by step improvement in the quality of revenues through deeper collaboration with Mizuho entities globally and more product diversification. MHEU continued to pursue initiatives to support this strategy, whilst also focussing on protecting employees during the unprecedented situation presented by the COVID-19 pandemic and subsequent lockdowns. Furthermore, MHEU is committed to Safeguard Mizuho from any Brexit risk by being able to provide business continuity to its EEA/EU clients in any eventual future arrangement between the United Kingdom and the EU, while at the same time fulfilling all of its licence conditions.

3.2 Deeper Cooperation with Mizuho Bank

Collaboration with Mizuho Bank continues to be strengthened, with a focus on deepening the relationship between the two entities to leverage Mizuho's entire footprint and client connectivity in EMEA. Specifically in the Front Office the team continue to leverage the unified One Mizuho derivative capabilities and dual hatted staff.

3.3 Revenue Diversification on GMK

The Group is focussed on diversifying GMK's revenue base via a wider product set and a deeper client base. Further to the completion of integration projects across EMEA, the Group has focussed on the ongoing upgrade of the Rates and Financing platform to complement the strength of the existing Credit offering.

3.4 Impact of COVID-19 Pandemic

Working closely with Mizuho Financial Group entities in EMEA, the approach to the COVID-19 pandemic was overseen by the Management Board and MHI following direction from local governments and regulators. The physical and mental health and safety of employees were a top priority with an average of 88% of employees working remotely during the year. Employees in certain critical functions worked from the office premises, when absolutely necessary. Workplace safety was appropriately adjusted to reflect social distancing requirements, and reduced occupancy, desk dividers, bi-weekly

3. Business Performance (Continued)

COVID-19 testing, masks and financial assistance measures introduced to support safe commuting and working.

In monitoring and risk managing the situation, the Management Board were supported by a daily dashboard which tracked local infection rates, vaccination metrics as well as internal operational metrics to monitor the impact on markets, trading volumes and corporate function operations. This supported decision making and allowed the Management Board team to adapt to the volatile and unprecedented landscape.

The Management Board agreed a consistent approach to employee messaging and introduced a number of employee townhalls and inclusion events to remotely connect and support employees across EMEA (both MHEU and MHI Group events). Other additional support mechanism were introduced, for example resources to support the mental health of our employees and their families.

As the Company rapidly adapted to the new working practices, there was no material degradation in services to clients and no material operational issues.

4. Situation of the Company

The results from MHEU's second full year of business including its most important key financial indicators are summarized below:

	2021 TEUR	2020 TEUR
Net income from operations	**27,502**	22,030
Administrative expenses & depreciation	**(21,841)**	(17,618)
thereof: Personnel expenses	**(10,121)**	(7,531)
Profit on ordinary activities before taxation	**5,661**	4,412
Tax on profit on ordinary activities	**(1,855)**	(645)
Profit for the year after tax	**3,807**	3,767
Total Liabilities	**43,872**	32,252
Total Equitiy	**45,039**	41,233

	2021 TEUR	2020 TEUR
Tier One Capital	**41,232**	37,464
Risk Weighted Assets	**61,908**	58,133
Tier One Capital Ratio	**67%**	64%
Liquidity Ratio (LiqV)	**651%**	6,129%

4.1 Profit and Loss Accounts

The Profit for the year after tax TEUR 3,807 (previous year: TEUR 3,767) is driven by fee income generated by GIB and transfer pricing revenues from MHI generated by GMK. Within GIB, success was built on the implementation of a senior sponsorship programme with key client accounts which helped to increase strategic dialogue and c-suite penetration and in turn the Group has benefited from improved pipeline quality. The result is not significantly affected by exchange rate fluctuations.

4. Situation of the Company (Continued)

The general administrative expenses and depreciations of TEUR 21,841 (previous year: TEUR 17,618) comprise personnel expenses and material costs incurred by the company including its branches in Madrid as well as in Paris.

The Management Board of the Company does not recommend the payment of a dividend in respect of the current financial year (2020: EUR 0).

4.2 Balance Sheet

As of 31 March 2021 the company had total assets of TEUR 88,911 (last financial year: TEUR 73,485). The increase in assets is mainly due to the expansion of operations in this financial year. Assets and liabilities denominated in foreign currency are shown in the notes. The amount comprises securities held as liquidity reserve TEUR 41,038, trading assets of TEUR 10,026, other assets and prepayments of TEUR 8,464 and receivables from credit institutions of TEUR 27,836. Tangible assets of TEUR 1,188 mainly consist of office fit-out costs and equipment of the Frankfurt office and the company's branches. Total liabilities comprise liabilities to credit institutions TEUR 35,310, trading liabilities of TEUR 100, other liabilities TEUR 957, provisions of TEUR 7,378 and funds for general banking risk of TEUR 96. The company's total equity increased by the profit for the year to TEUR 45,039 as of 31 March 2021 and consists of share capital, capital reserves and retained earnings.

4.3 Regulatory Ratios

As of 31 March 2021, the Company had total regulatory capital of TEUR 41,233 (previous year: TEUR 37,464) and risk-weighted assets (RWA) of TEUR 61,908 (previous year: TEUR 58,133), resulting in a total capital ratio of 67% (previous year: 64%). The increase in total regulatory capital is due to the retained earnings from last financial year. The total risk-weighted assets of the Company are mainly affected by the operational risk and the credit risk with no noteworthy change from previous year. The liquidity ratio (LiqV) as of 31 March 2021 is 651% (previous year: 6,129%) which is driven by the increased activity seen after Brexit. Consequently the solvency and adequacy of MHEU's own funds were ensured at all times in this financial year. This means that key regulatory ratios are well above the legal and internal minimum requirements. Taking into account the status of the Company on its development path, the Management Board assesses the economic situation of MHEU as overall satisfactory. The capitalisation is to be assessed as solid. The financial situation is also sound. The Company was solvent at all times during the year under review. No significant financial risks are discernible in the balance sheet structure.

4.4 Other Key Performance Indicators ("KPIs")

The Company has set out below KPIs to assess its main business performance effectively:

	2021	2020
	TEUR	TEUR
Business Performance KPIs		
Profit from GIB before tax	**5,463**	3,563
Profit from GMK before tax	**920**	914

5. Forecast and Opportunities Report

The UK's exit from the EU at the end of 2020 occurred with comparatively little market disruption, with MHEU experiencing a rapid and significant increase in its GMK business. However, the effect of Brexit cannot yet be definitely assessed with many aspects of the future EU-UK relationship not yet clarified. In particular, the outstanding decision on equivalence rules for the financial sector remains a source of uncertainty.

Whilst the global uncertainty surrounding the impact of the COVID-19 pandemic remains, the Company will continue to monitor the situation closely and take necessary measures to deal with the challenging

5. Forecast and Opportunities Report (Continued)

market circumstances. Together with its parent MHI and the Mizuho Financial Group as a whole, the Company will work with all stakeholders to review learnings from this pandemic in order to future proof and, where necessary adjust the business model going forward.

The Company seeks to build on the positive performance of the financial year ending 31 March 2021 and will continue to pursue a client-focused business model, focusing on improving the quality of revenues. This improvement will come through deeper collaboration with Mizuho entities, in particular through the newly dual hatted teams and through greater product diversification, including an integrated derivative and foreign exchange platform. The Company will expand client relationships further, focusing on Environmental, Social & Governance (ESG) and putting additional effort into value-added offerings, with a view to making better risk-adjusted returns on Group level. In addition, the company will finalise the Brexit programme (Day 2 plan), which has been approved by the BaFin, in the next fiscal year. MHEU expects for the next financial year ending 31 March 2022 an increase in revenues with the Profit to slightly decrease compared to this year, due to higher cost resulting from the completion of the Day 2 plan. In the business line GMK the budgeted profits were estimated on the assumption that the transfer pricing model will continue for the full financial year ending 31 March 2022.

This strategy, alongside its state of the art technology and a commensurate, reengineered operating model and cost base will be imperative for the Company’s growth.

The Company has a strong governance, risk and control framework with key focus on conduct risk. Operational resilience remains a high priority and the MHI Group will identify scenarios and vulnerabilities and test the ability to remaining within Impact Tolerance as well as develop internal and external communication plans. The Company will continue to be included in resolution planning with the wider Mizuho Financial Group and will maintain prudent levels of capital and liquidity, with a moderate risk appetite and risk profile that are dynamically managed.

In all its activities, the MHEU’s people are at the centre, alongside its clients. A prerequisite for the sustainable success is the continuous promotion of Learning & Development, Inclusion & Diversity as well as Culture & Conduct initiatives.

MHEU will focus further on supporting the global Group strategy with a truly inclusive, ethically resilient culture which creates opportunities for growth.

The political uncertainties relating to the post Brexit relationship between the UK and EU described above, an unexpected but possible slowdown in economic growth and eventual disruptions in regional and global financial markets may adversely affect the Company’s business prospects.

6. Risk Report

A comparison of policies and procedures as well as scope of activities and resource in the previous business year shows further embedding of the comprehensive Risk Management Framework. The most significant improvements are currently prepared in order to build up market risk management capability ahead of the opening of an European Government Bonds (EGB) trading desk in December 2021, the first market risk taking GMK desk of MHEU.

6.1 Risk Management Framework

The Company maintains a prudent approach to risk to ensure that it can operate safely and to support sustainable business development in keeping with the Board's strategy. The Management Board and the CRO are setting the tone from the top and foster a culture which is supportive of strong risk management, in line with clear principles and tolerances for risk. The Company has a strong and independent Risk Management function responsible for the identification of principal risks, the maintenance of an appropriate risk and control framework, and for keeping the Management Board informed about any changes of the Company's risk profile.

6. Risk Report (Continued)

6.2 Risk Culture

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

6.3 Risk Principles

The Management Board has established clearly defined risk principles which describe the Company's key risk management objectives in support of its business strategy, 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 robust funding strategy with regard to both the sources and tenor of funding; and
- Ensure that remuneration arrangements are aligned to risk appetite

6.4 Risk Appetite

The Management Board's risk appetite describes the levels and types of risk that the Company 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 Company 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 Management Board's overall risk tolerance. The Company adopts a structured approach to limit management which ensures that limit reporting and oversight take place at the appropriate level within the organisation. The status of the Company's overall risk profile in relation to the risk appetite is overseen by the Management Board.

6.5 Risk Governance and Assigning Responsibility

Three Lines of Defence (3LOD)

In keeping with the MHI Group's risk culture, responsibilities for risk management are assigned to multiple functions within the organisation under the three lines of defence model, to ensure that the risk management framework is robust, effective and manages all risks.

- **The first line** is any business or corporate function 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 Risk Management and Compliance who are responsible for validating the management of risks by the first line of defence and conducting independent challenge, oversight, escalation and reporting of risk.
- **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 the Management Board any deficiencies that it identifies.

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

6. Risk Report (Continued)

6.6 Risk Governance

The Management Board retains accountability for approval of the Company's risk appetite, risk management oversight and capital and liquidity matters, including compliance with applicable regulation. The CRO, being the head of the principal risk control functions Risk and Compliance, is mandated to assume responsibility for risk challenge and oversight and to update and inform the Management Board of matters relating to his functions and company-wide risk management.

6.7 Risk Management Function and Approach

MHEU maintains a strong and independent Risk Management function which is headed by the CRO who is a Member of the Management Board of MHEU and has a direct reporting line to the Chief Executive Officer. Additionally, independent oversight is provided by the Shareholder which remains fully informed on all MHEU risk management matters through regular reporting to the MHI Board Risk Committee. An escalation route also exists to the MHI Risk Management Committee.

Risk Management is mandated to oversee all material classes of risk to which MHEU is exposed, other than conduct risk which is overseen by the entity's Compliance function. Risk Management is structured to facilitate oversight of these principal risk classes and has direct responsibility for market, credit, liquidity, regulatory governance, operational risk and ESG. Across MHI Group a common approach to risk oversight is adopted for each principal risk class, in accordance with a comprehensive framework of risk policies established for those classes. Recognising the increased importance of cyber security and data protection in light of GDPR, Risk Management at MHEU also comprises Information Risk Management and Data Protection. Given the significant level of outsourcing the Business Continuity Management function also reports into Risk Management.

Risk identification, quantification, control, risk monitoring and reporting processes are designed to achieve effective management through a top-down delegation of authority in line with the risk appetite statements.

6.8 Risk Identification

Following examination of all activities of the Company, all material risk exposures are identified and recorded within the MHEU risk register, whilst responsibility for the assessment of those risks resides with both the business and the risk control functions. The risk register contains classification of materiality, mitigants and controls to ensure capital adequacy.

No specific risks were excluded from the risk identification process. The 1LOD is actively engaged in an ongoing dialogue with the 2LOD to avoid any risks which could retrospectively be deemed unnecessary.

6.9 Risk Assessment and Quantification

Risks and sub-components of risk are assessed through the implementation of a variety of measures or metrics relevant to each risk class. Risk assessment measures are developed in accordance with accepted measurement methodologies for each class of risk, and the resulting assessments are classified according to severity, to provide clear identification of MHEU's material exposures. Risk assessments are conducted in relation to both normal and stressed market conditions.

6.10 Risk Control and Mitigation

Risk exposures are managed by business and corporate functions using a range of techniques relevant to the individual risk class. Such techniques encompass the back-to-back booking model, risk transfers, credit risk mitigation techniques, business continuity planning and the purchase of insurance.

Risk control limits and key risk indicators are established to ensure that risk exposures remain within specified levels, and that the Company is able to operate in accordance within its defined 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 Company's governance hierarchy.

Management Report (Continued)

6. Risk Report (Continued)

6.11 Risk Monitoring and Reporting

Reporting of risk exposures in relation to risk limits, and more broadly with regards to trends in the Company's risk profile and emerging risks, is performed by the Risk Management function (and by the Compliance function with regards to AML risks and conduct related matters). Reporting is conducted in relation to all principal risk factors, and is designed to enable effective governance of the Company's risk profile.

The Management Board is regularly informed of the Company's risk exposures and compliance with risk limits. To achieve this the Management Board members are also members of the Risk Management Committee. In addition to monitoring current risk exposures, the Company also monitors potential future adverse developments in the markets it is active in 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 the Company's recovery planning arrangements.

For most risk metrics and limits, exposures are reported daily by automated processes to support timely management information that includes several daily risk reports to the CEO, the CFO and the CRO, monthly risk reports to the Risk Management Committee which is attended by the Management Board members and a monthly risk report to the MHI Board Risk Committee in order to keep the Shareholder informed on an ongoing basis.

7. Risk Organisation and Structure

7.1 Risk Management Structure

The Risk Management function, led by the Chief Risk Officer, comprises of the following areas:

- Credit Risk
- Market Risk
- Operational Risk
- Regulatory and Liquidity Risk
- Risk Analytics
- Risk Reporting
- Model Validation
- Information Risk Management
- Business Continuity Management
- Data Protection

The areas either have MHEU Risk officers as representatives or respective Risk Management services, primarily focused on the collation and publication of reporting and management information, are resourced at MHI and allow the MHEU Risk Management function to identify, quantify (where possible), monitor and control the risks and potential risk concentrations to which the firm is exposed to. Risk Advisory services will also be provided to MHEU as required, however, the full authority to mitigate the risks of MHEU lies exclusively with MHEU Risk staff.

MHEU has a **Risk Management Committee**, chaired by the CRO which advises the Management Board on risk methodologies, policies and limits, for market, credit, liquidity and operational risk and monitors compliance with these limits. The Chair has sole decision making powers in relation to the matters covered by the Risk Management Committee.

MHEU also has a **New Product Approval** process which ensures that the risk and reward equation of new products as well as businesses, jurisdictions, markets, processes and systems is carefully analysed and considered before a business decision is arrived at. It is chaired by the CRO.

All components of the risk management framework are regularly reviewed by **Internal Audit** which apply a risk based approach as far as their Audit Plan and frequency of review activity is concerned. The Internal Audit function itself is outsourced to a highly reputable Audit firm to ensure on one hand full independence and on the other hand scalability of the Audit work.

7. Risk Organisation and Structure (Continued)

The current organisational structure of the Risk Management Department is deemed to be sufficient for the Hard Brexit which occurred at the end of 2020. Plans have been executed to further increase the resource of Risk Management function in preparation for the arrival of the first market risk taking GMK desk, an EGB trading desk, which is part of the Day 2 plan of MHEU allowing for further growth in substance of the Company.

7.2 Adequacy of Risk Management Arrangements

The Company 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 Company's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), and is approved by the Management Board. The most recent ICAAP and ILAAP exercises concluded that the risk management arrangements adopted by the entity were adequate in relation to its risk profile and strategy. Further, through its risk management, risk appetite and limit framework, independent reviews and ongoing programme of enhancements, MHEU confirms that its risk management is effective. The regulatory capital requirement per 31 Mar 2021 was EUR 9.0 mn. With capital resources of EUR 41.2 mn the coverage ratio stood at 459%.

8. Strategic Approach to Risk Management

The firm's risk management concept is closely linked to the risk management concept of the MHI Group and uses - via outsourcing contracts - its infrastructure. Through its local governance, the firm establishes, where deemed appropriate, specific risk management controls, policies, procedures and processes and articulates its risk appetite, i.e. the maximum amount and types of risks that the firm is willing to take in accordance with the overall risk appetite of the MHI Group in the pursuit of its strategic objectives and its business plan.

The risk strategy of MHEU is incorporated into the Risk Appetite statements and the MHEU Risk policies and procedures. They are annually reviewed and approved by the Company’s Management Board or the RMC. Upon request, they are submitted to the shareholder of MHEU.

The firm's activities comprise both the assumption and the transfer of certain risks, which the firm has to manage independently. In accordance with the Minimum Requirements for Risk Management ("MaRisk"), the firm’s risk strategy defines its strategic approach to risk management and sets its risk appetite in line with the business strategy of MHEU.

The overall objective of the risk management process of MHEU is to identify, quantify (where possible), monitor and control the risks and risk concentrations to which the firm is exposed. For all risks that are deemed to be material the risk strategy defines the strategic approach to risk management.

All risks the firm is exposed to are potentially material, however subsequent to the assessment process which takes place annually prior to drafting the ICAAP the following risks are deemed to be material (quantitatively of at least medium materiality) in line with the risk inventory of MHEU:

- Credit and Counterparty Risk
- Operational Risk
- Business Risk
- Group Risk (Dependency Risk)

The assessment of materiality takes into account the business plan of MHEU which prepared the company for a Hard Brexit. Since the volume of business in the financial year under review remained lower for most of the year, in particular in secondary markets due to the delays of Brexit, and was limited to a small number of counterparties which have built out their trading activity over time and test transactions with a bigger number of counterparties, even those that were considered to be material risks only have had a minor impact on the Company. The full scale of the Hard Brexit, which materialised at year end has been partially taken into account in the ICAAP which for this reason foresaw a cut-off date of Jan 31, 2021.

Management Report (Continued)

8. Strategic Approach to Risk Management (Continued)

MHEU has implemented an ICAAP in accordance with the requirements of MaRisk and the supplementary BaFin guideline on ICAAP. The ICAAP offers a Governance framework for a detailed capital plan, risk-bearing capacity calculation and corresponding stress tests. In order to assess the Company's risk-bearing capacity, MHEU has developed and implemented a normative and an economic perspective.

The **normative perspective** takes into account the requirements for regulatory minimum capital ratios, including combined capital buffer requirement, the SREP premium and the target capital ratio. It comprises a three-year, scenario-based review of adherence with Pillar 1 quotas under a standard scenario and a negative scenario. From a normative point of view, the risk coverage potential (RDP) corresponds to the regulatory capital, which consists exclusively of core capital (Tier 1) equalling EUR 41.2mn. The capital requirement for the risks assumed is quantified on the basis of internal, institution-specific calculation approaches and was EUR 10.6mn, leaving MHEU with a coverage ratio of 387%.

The **economic perspective** aims at protecting creditors from losses from an economic point of view. This is the same risk-bearing capacity largely in line with the existing requirements for economic or net present value. The Economic risk capital is valued on the basis of a confidence level of 99.9% and a holding period of one year, or to a confidence level of 99% where the more severe expected shortfall measure is used. MHEU had a risk capital of EUR 40.0mn available against a requirement of EUR 8.6mn leaving MHEU with a coverage ratio of 463%. The Risk coverage actions correspond to the risk coverage potential (RDP) in the normative perspective.

The risk-bearing capacity concept and stress tests are validated annually on the basis of the risk inventory. The risk-bearing capacity of the company was maintained at all times during the past fiscal year. Stress tests are an integral part of risk management at MHEU. Stress tests are used to supplement the ICAAP and internal risk models to identify certain risks for portfolios at different levels that could be affected by specific shocks. Stress tests are designed to be sufficiently demanding and comprehensive in terms of business and risk coverage. In order to obtain a uniform picture of the risks, stress tests are both applied for specific risk types as well as across risk types.

Additionally MHEU has also implemented an ILAAP and a Recovery and Resolution Plan, both of which were submitted to the BaFin in April/May 2021.

9. General Risk Categories

9.1 Compliance

Compliance with all applicable laws and regulations and the fight against financial crime, in particular money laundering and terrorist financing, are of paramount importance to the Company. To ensure that it and all of its employees fully comply with all applicable legal requirements and internal policies, the Company has established an independent compliance function led by the CRO. As of the reporting date, this compliance functions consists of three full-time employees, two of whom are primarily involved in capital markets compliance and MaRisk compliance respectively, and one whose responsibility is to primarily oversee the Company’s efforts against money laundering, terrorist financing and other criminal offences. The third employee supports the Head of Compliance with the fulfilment of his MaRisk Compliance duties according to AT 4.4.2 MaRisk.

In order to fulfil its duties, the Compliance function has implemented a system of monitoring and control processes, the purpose of which is to ensure the proper conduct of the Company's business and the services it offers and, in particular, to prevent market abuse, insider trading and breaches of conduct.

The Compliance function is supported in its activities by the Compliance department of MHI, which carries out the corresponding operational processes for the Company within the framework of the existing outsourcing relationship. However, the final decision on all processes and measures remains with the Compliance function of the Company.

Both the organisation of the Compliance function and the fulfilment of the tasks incumbent upon it (in particular those under the German Securities Trading Act) are reviewed and evaluated at regular intervals, but not less than annually, by both internal and external auditors and may also become the subject of supervisory reviews and/or investigations at any time.

Management Report (Continued)

9. General Risk Categories (Continued)

9.2 Business Risk

The business risk is the risk that revenues do not cover costs because of the earnings situation or because the efficiency or effectiveness of the company's business operation has deteriorated. This risk has been identified as an idiosyncratic risk of a significant decline to earnings resulting from an adverse scenario considering macroeconomic, geopolitical, industry, regulatory or other factors.

MHEU addresses this risk through forward-looking stress testing, managing it through (i) the establishment of credible management actions to mitigate the impact of an adverse scenario and (ii) holding capital to support the residual impact post-management actions of the worst adverse scenario through its normative and economic capital assessments.

Additionally, business risk is together with other general risks in the European financial markets closely monitored and managed by the Management Board of MHEU. With its branches in the Spanish and French markets, the Management Board has further widened the scope of in depth market surveillance.

Due to the business model of MHEU (exclusively back-to-back booking with MHI), its start of operations date and equities trading exclusively in Japanese markets, there are no touch points with the so called cum/cum or cum/ex transactions and consequently no exposure has been incurred in relation to this industry issue of recent history.

In line with the simplistic business model of MHEU no financial instruments with an impact on the balance sheet were used during the reporting period in Front Office.

9.3 Dependency Risk

It is recognised that MHEU has a dependency on MHI, at least in the early years following its establishment. This arises from outsourcing arrangements, the back-to-back booking model, and its funding.

MHEU's liquidity risks associated with MHI are assessed and managed through its ILAAP, with associated limits and daily stress testing to ensure continuing liquidity adequacy and availability of funding. The risk of MHI not performing its operational obligations over a prolonged period, or its default, are recognised to pose a challenge to MHEU's ongoing viability, at least in the short term. To ensure that MHEU's creditors and the wider financial system are not impacted by such an event, a solvent wind down analysis has been conducted to demonstrate that MHEU could fully unwind its operations and balance sheet with residual capital resources remaining at the end. This forms part of the Recovery and Resolution Plan shared with the BaFin.

9.4 COVID-19 Pandemic

With a tested business continuity plan based on working from home, MHEU has been able to continue operating smoothly during the various lockdowns imposed by the German, French and Spanish Governments in response to COVID-19. Where it has been safe and necessary for staff to visit the office, hygiene, distancing, PPE measures, voluntary testing and employer promoted participation in the inoculation programme ensure maximum safety. COVID-19 has not had a material adverse effect on either business, operations, or staff of MHEU.

9.5 Financial Risks from Climate Change

Global climate change, and society's response to it, present financial risks which may crystallise over longer time horizons, but are already becoming apparent now. These risks manifest through two risk factors: Physical risks related to specific weather events (such as heatwaves, floods, wildfires and storms) and long-term shifts in climate (such as changes in precipitation and extreme weather variability, sea level rise and rising mean temperatures); and Transition risks which can arise from the process of adjustment towards a low-carbon economy. These adjustments are influenced by a range of factors including: climate-related developments in policy and regulation, the emergence of disruptive technology or business models, shifting sentiment and societal preferences, and evolving evidence, frameworks and legal interpretations.

Management Report (Continued)

9. General Risk Categories (Continued)

The MHI Group is currently developing a strategic approach that considers how actions today will affect future financial risks, in a way that is proportionate to the nature, scale and complexity of MHI Group's business.

10.Specific Risk Categories

10.1 Credit Risk

Credit risk is the risk of financial loss to the Company arising from the failure of a customer, client, issuer, or counterparty to meet its contractual obligations.

The Company's activities that give rise to counterparty credit risk, such as sales in derivatives and securities which supports MHI Group's market-making are discussed below in section 10.2 and the credit risk arising from exposure to issuers of traded debt is discussed within section 11. below.

Credit risk appetite forms a key component of the Company's overall risk appetite and is approved by the Management Board. The Company employs a range of metrics in support of this, which are used to limit and monitor the credit risk exposures in accordance with credit risk management policies. The principal sources of non-trading credit risk exposures arise from funding operations through the placement of cash resources and deposits with third parties.

Credit exposures also arise in the ordinary course of business through short term receivables and, in addition, Pillar 1 credit risk charges also apply to investments in fixed assets. The Company does not undertake commercial or retail lending activity and does not extend credit through the provision of guarantees. Non-trading credit risk exposures are measured in accordance with balance sheet carrying values, after taking account of any applicable credit risk mitigation arrangements and adjustments for credit impairment.

10.2 Counterparty Credit Risk

Counterparty credit risk forms part of the Company's overall credit risk but is differentiated from that discussed above in section 10.1 in that it arises where the failure of a counterparty to meet its contractual obligations may lead to losses of an uncertain nature, driven by fluctuations in market valuations. Counterparty credit risk forms a key component of the Company's overall risk appetite, and is approved by the Management Board. The Company employs a number of metrics in support of this which are used to limit and monitor the credit risk exposures in accordance with credit risk management policies.

The Company is exposed to counterparty credit risk only in the form of Pre-Settlement Risk arising from its sales activities for securities trading supporting MHI Group's market-making activities. The company places deposits with custodians and clearers in order to facilitate the settlement of these transactions. All of the custodians and clearers used are financial institutions rated BBB or above.

Counterparty Credit Risk Methodology

Counterparty credit risk is assessed and limits are set in accordance with the Company's methodology. Exposure is evaluated by determining the potential size of counterparty exposures which may arise from transactions over their life. The potential size of counterparty credit risk is a function of both current and potential future exposures. Potential future exposures to a counterparty default, which may arise through securities trading and derivatives contracts, are estimated using historical volatilities of key pricing variables to those contracts over their remaining life. Counterparty credit quality is assessed using external credit ratings where available, or alternatively an internal rating is assigned in accordance with internal credit rating methodology. Counterparty credit limits are established in accordance with the Company's methodology for measuring counterparty credit risk, taking into account executed documentation with permissible netting and collateral management arrangements, and consistent with the overall credit risk appetite.

The company also sets limits on the level of nostro balances in order to manage credit risk and comply with the large exposure regulations of German Banking Act (KWG). Regulatory credit risk capital is driven by MHEU’s nostro balances at custodians and clearers, plus a small amount for long-settlement transactions related to primary markets activity. For internal capital, we also add a potential future

10.Specific Risk Categories (Continued)

exposure calculation for cash trades in securities based on historical volatility and a conservative estimate of the worst-case settlement period.

The following table shows the amount of risk-weighted assets ("RWA") for credit and counterparty risk as of 31 March 2021:

	2021	2020
	TEUR	TEUR
Credit Risk		
Pillar 1 & Pillar 2	**1,504**	912
Risk Weighted Assets (RWA)	**12,534**	7,605
Capital Conservation Buffer (2.5% RWA)	**313**	190
Total Capital	**1,817**	1,102

Settlement risk is due to late or failed settlements. As at 31 Mar 2021, there were a number of failing trades due to counterparties being short of the securities traded, which were closely monitored by our Operations team in London. The internal capital for this risk is already included in the potential future exposure calculation described above, which dynamically extends the worst-case settlement period for failing trades.

Counterparty Credit Risk Mitigation

Risk mitigation techniques are used to reduce counterparty credit risks arising from the Company's activities. These techniques include the use of netting agreements, acceptance of collateral, application of haircuts, and execution or novation of transactions with central counterparties, whereby credit risk to individual counterparties is replaced by exposure to a central counterparty. Derivative sales activity is undertaken using netting agreements on a collateralised basis, unless exceptions are approved in accordance with credit risk policies. Collateral arrangements are governed by standard agreements (such as Credit Support Annexes to International Swaps and Derivatives Association (ISDA) Master Agreements and Global Master Repurchase Agreements). The forms of collateral which may be accepted are subject to the Company's internal credit risk policies, which seek to ensure that in the event of counterparty default the value of collateral held is sufficient to compensate for losses arising from such default. Collateral is revalued on a daily basis in accordance with collateral management procedures.

10.3 Liquidity Risk

Liquidity Risk is the risk that the Company does not have available sufficient capital and funding resources to enable it to meet its financial contractual obligations as they fall due. Liquidity risk can also result from the inability to convert securities into cash to meet near-term funding requirements.

MHEU is exposed to liquidity risks arising from its activities. In particular, intraday liquidity risk and the risk of additional initial margin posting requirements are considered to be the most material. MHEU's funding sources are currently limited to MHI Group funding, and include lending from MHI and – if needed - capital injections.

Strategies and processes in the Management of liquidity risk

The Company's management of liquidity risk aims to ensure that there are sufficient liquid resources, both in amount and quality, to enable MHEU to meet financial contractual obligations as they fall due, even during times of idiosyncratic and / or market stress. MHEU maintains liquidity in excess of regulatory and internal risk appetite requirements. The Company's business model is simple, largely cash-based, with derivatives predominantly being of a vanilla and cleared nature, has access to funding primarily through MHI, allocates costs to businesses in a transparent and effective way, and has a robust limit and control framework to protect against liquidity risks in excess of appetite. The Company further mitigates liquidity risks through maintenance of high quality liquid assets (HQLAs) in a segregated portfolio under the control of its Treasury function. MHEU performs stress testing of their liquidity risk positions; a dynamic and forward looking approach is taken for internal liquidity stress

10.Specific Risk Categories (Continued)

scenarios and their underlying assumptions. Reporting of liquidity risks and associated stress testing is undertaken routinely and presented to the Risk Management Committee. Significant matters are escalated to the Management Board and the MHI Risk Management Committee.

Structure and Organisation of the Liquidity Risk Management Function

Liquidity risk appetite is a component of the Company's overall risk appetite and is set and approved by the Management Board. The Management Board delegates responsibility over the day to day management of liquidity risk to the Treasurer. Responsibility for liquidity risk oversight is delegated to the Chief Risk Officer who shares reporting at the Risk Management Committee.

Scope and Nature of Liquidity Risk Reporting and Measurement Systems

Robust systems, procedures and policies ensure that liquidity regulatory reporting and risk oversight metrics are produced in compliance with the internal and regulatory requirements.

Adequacy of Liquidity Risk Management Arrangements

MHEU has produced and maintains an ILAAP document detailing how principal liquidity risks are assessed, quantified, and managed. Further, this document highlights the Company's approach to determining the minimum level of liquidity resources required to be maintained to mitigate those risks in line with its overall liquidity risk management and liquidity risk appetite, approved by the Management Board.

The approval and overall ownership of the ILAAP is the accountability of the Management Board. The leadership for preparation of the ILAAP document has been delegated to the CRO with support from the Risk Management Department, Finance, Regulatory Reporting, Treasury & Funding, Compliance, and impacted business areas. The document has been discussed and challenged by senior management, including the CEO and the CFO.

The ILAAP document is an integral part of the Group's liquidity management framework and informs the Management Board of the ongoing assessment and quantification of liquidity risks, how these are mitigated, and about required liquidity resources. The CRO, through the outsourced supporting functions, is responsible for maintaining and updating the ILAAP document, monitoring liquidity adequacy, and ensuring that the ILAAP document is reflective of MHEU's liquidity risk management at all times.

The ILAAP document is dynamic and updated at least annually, but also in line with changes in regulations, risk appetite, business model, and market conditions. The annual Management Board approval of the ILAAP, including statement of liquidity risk appetite, is taken as management's declaration and attestation of the overall liquidity adequacy requirement of liquidity risk management systems and conformance with overall liquidity risk profile.

10.4 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Approach and processes for Operational Risk

Operational risk tolerance forms a component of the Company's overall risk appetite and is approved by the Management Board. The Company has zero tolerance for inappropriate staff behaviour which may result in damage to its reputation or to the interests of its clients.

The principal operational risks to which the Group is exposed include knock-on effects on other risks such as technology failures (including cyber-attacks and data privacy violations), fraud, human error, the creation of unauthorised credit or market risks, regulatory breaches, and litigation.

Operational risk exposures are assessed and measured using a framework which includes: risk and control self-assessments, key risk indicators, internal loss event reporting, external loss event capture, and scenario stress testing. The type and level of risk that MHEU is willing and able to accept in pursuit

10.Specific Risk Categories (Continued)

of its strategic objectives is expressed in tolerance statements. Operational Risk tolerance is a subset of the Company's overall risk appetite and risk capacity.

The Company has a defined level of tolerance for certain types of risk materialising (conduct risk, cyber security breaches, rogue trading, regulatory breaches and actions that give rise to unacceptable levels of legal liability), while tolerance for all other operational risks is determined by financial impact. Here tolerance is defined in terms of financial impact relative to revenue. The performance against all risk appetite and tolerance statements is measured at the RMC.

The Company mitigates such risks through the maintenance of a comprehensive system of internal controls, which incorporates a strict segregation of duties between front and back office functions, the purchase of external insurance, and business continuity planning. Root cause analysis is undertaken to investigate internal instances of operational loss or near miss incidents. In cases where internal controls cannot be implemented to reduce operational risk to an acceptable level, consideration is given to avoiding or transferring the risk altogether. Via the Services Outsourcing Agreement (14. Limitation of Liability) with MHI, MHEU also effects a risk transfer to MHI which is capped only by the aggregate service fees received by MHI from MHEU in the preceding 12 month period.

Operational risk reporting is undertaken routinely to the Risk Management Committee. Significant matters are escalated to the Management Board and the MHI Board Risk Committee.

The capital requirements under Pillar 1 for operational risk are calculated by applying the Basic Indicator Approach (BIA).

As of 31 March 2021, the risk-weighted assets of the Company for operational risk amounted to TEUR 48,847 (previous year: TEUR 50,329). In recognition of the fact that the BIA is not a risk-based measure, the Group uses an internal model to calculate the internal capital requirement for operational risk. MHEU's internal capital model utilised a scenario-based loss distribution model combining hypothetical severe losses and probabilities from subject matter experts within the bank together with estimated correlations. The Company maintains sufficient capital to cover the additional capital requirements of the internal model beyond the requirements of Pillar 1. In the report year MHEU had TEUR 11 financial losses resulting from operational risk incidents.

Operational risk capital drivers as of 31 March 2021:

	2021	2020
	TEUR	TEUR
Operational Risk		
Pillar 1 & Pillar 2	**5,862**	6,039
Risk Weighted Assets (RWA)	**48,847**	50,329
Capital Conservation Buffer (2.5% RWA)	**1,221**	1,258
Total Capital	**7,083**	7,297

10.5 Market Risk

Market risk is 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 Company's financial condition or results.

Principal Market Risks

The principal market risks to which MHEU is exposed are FX risk and interest rate risk. As a consequence of MHEU's back-to-back booking model, the primary source of interest rate risk is restricted to the HQLAs which the Treasury function of MHEU maintains.

10. Specific Risk Categories (Continued)

Approach and processes for Market Risks

The Management of all market risks is the responsibility of the individual business units. Risk Management is responsible for monitoring compliance with all market risk limits and policies.

Market risk in the Treasury funding and HQLA portfolio is measured using yield curve sensitivities (PV01) and stress test scenarios, even though the numbers generated by the latter are small. All of the interest rate risk present is held in the banking book, with a net PV01 of EUR -36 / bp in the treasury book due to funding deposits and HQLA bonds held for liquidity purposes.

Market risk capital drivers as of 31 March 2021:

	2021	2020
	TEUR	TEUR
Market risk		
Pillar 1 & Pillar 2	**63**	17
Risk Weighted Assets (RWA)	**527**	145
Capital Conservation Buffer (2.5% RWA)	**13**	4
Total Capital	**76**	21

Given the back-to-back booking model and the sole occurrence of market risk in the Treasury funding and HQLA portfolio, market risk has been deemed immaterial for MHEU.

11. Risk Profile

The Mizuho Financial Group is an international financial services group, which provides retail and commercial banking, securities services and trust banking. Within the overall group, the Mizuho Securities Group provides securities and investment banking services on a global basis by utilising regional entities to risk manage regional products (e.g. US, EMEA, Asia) for distribution to clients globally.

MHEU provides advisory, primary and secondary sales and trading functions to institutional European clients. The firm’s client base consists primarily of financial institution, corporate and SSA issuer clients and a range of institutional investor clients. MHEU trades in a relatively vanilla product set, comprising equity and debt securities and cleared derivatives, under a back-to-back booking model. Market risk exposures arising from MHEU’s primary and secondary market activities are transferred to other group entities in compliance with MHEU’s current risk management framework.

In pursuit of this strategy the Management Board approved a moderate risk profile to be maintained. The Company's Investment Banking and equity broking activities result in low levels of risk exposure as the underwriting activity is predominantly conducted without accepting significant underwriting risk and the equity broking activity does not expose the Company directly to equity market risk. Fixed income sales activities result in no issuer risk due to the employed back-to-back booking model as the Company does not have to maintain sovereign, financial and corporate inventory and currently does not provide securities financing services. Any derivative risk management solutions to clients are back-to-back and cleared. The Management Board's risk appetite with respect to capital is quantified with reference to minimum capital requirements and stress testing, and ensures a very healthy surplus is maintained over the Company's assessed capital requirements. The aggregate risk appetite measure is supported by a range of supporting limits and metrics which facilitate the control of individual risk factors at a detailed operational level.

12. Employee Concerns – Performance Measurement and Management

The Company and its business streams are managed in accordance with a variety of measures, which are reported on a regular basis to the Management Board. The primary measures that are used to

12. Employee Concerns – Performance Measurement and Management (Continued)

monitor and manage performance within the Group include profit before taxation, capital utilisation, VaR utilisation and stress test exposures.

12.1 Remuneration

MHEU itself is not a "significant" institution, within the meaning of the Remuneration Ordinance for Institutions (the "IVV"). However, the Company is obliged to comply with certain requirements with respect to their remuneration through the MHI Group. As a non-significant institution, MHEU would not be required to identify Material Risk Takers ("MRTs"). However, under CRD IV (Capital Requirements Directives) the parent company MHI is required to identify MRTs throughout its consolidation group. These individuals are referred to as "Group MRTs" and are subject to the UK regulatory remuneration rules - MHEU's remuneration policy takes this into account accordingly for its employees.

The MHI Group has adopted a remuneration policy that takes into account the remuneration part of the PRA framework and the FCA remuneration codes for double-regulated companies (which promote effective risk management but should retain the flexibility to change depending on external factors, including, but not limited to, future legislative or regulatory measures).

The compensation practices, policies and procedures of the MHI Group are consistent with the principles as defined by the PRA and FCA in the documents mentioned above. In addition, MHEU will consider and comply with the EBA Guidelines for Sound Compensation Policy, KWG, the IVV and the Interpretative guidelines to the IVV, which are intended to promote sound and effective risk management.

When determining the size of the overall bonus pool, the cost of economic or regulatory capital, liquidity and the need to maintain and/or strengthen a sound capital base are 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 three, 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 MHEU’s sole discretion, having regard to matters set out in the Remuneration Policy. At least 50% of any variable remuneration awarded to MRTs will be allocated in the form of awards based on Mizuho Financial Group Inc. 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).

The remuneration policy is designed to align employees' rewards with performance and aims to protect and promote the interests of shareholders by encouraging employees to deliver sustainable performance and create long-term value by implementing the Companies and the MHI Group's objectives. The compensation strategy also provides a market-driven compensation structure to attract and retain high-calibre employees.

Additionally, MHEU provides a company pension scheme, which is a defined contribution scheme. It is based and secured by a reinsurance company (“Rückdeckungsversicherung”) and does not affect the Company’s accruals. Subject to meeting certain qualifying conditions, including employee’s contribution into a portable and tax-efficient direct insurance, all staff joining MHEU in Frankfurt are eligible to benefit from the scheme – and therewith safeguarding an efficient way of saving for retirement.

MHEU employed at 31 March 2021, 39 full time employees (FTE) (previous year: 26 FTE). This represents an increase of 50% compared to 31 March 2020. For the reporting period: 7 FTEs transferred from MHI to MHEU, 9 were hired externally whilst 3 FTE left.

13. Environmental, Social & Governance (ESG) Matters

13.1 Environmental

As a financial institution we recognise that business activities may have both a direct and indirect impact upon the environment and society and that we have an important role to play in supporting the global transition to a low-carbon economy following the Paris climate protection agreement. We do this through actively reviewing our own operations and supporting our clients and our communities in which we operate and engaging in suitable management practices and the establishment of appropriate policies.

In order to drive these initiatives further we are coordinating them closely with our parent company in London and Mizuho Financial Group.

Mizuho Financial Group, Inc. received the highest award, the Gold Award of the Japan Ministry of the Environment's 2nd ESG Finance Awards Japan, an awards program promoting the adoption and expansion of ESG finance. The awards were established to evaluate and recognise investors and financial institutions proactively engaging in ESG finance and green projects.

Under the remit of our Risk Management Department we plan work hand in hand in order to reflect a group wide approach on ESG governance, strategy, risk management and metrics & targets reflecting current and coming European regulations on sustainability. In 2021 a particular focus will be given to the BaFin 'Guidance Notice on Dealing with Sustainability Risks' that will be reflected throughout our governance, policies and procedures.

MHEU strives to reduce the environmental impact of its business activities, including through the use of sustainable energy and resources, pollution prevention and practicing sustainable procurement.

As far as our choice of office goes we have put emphasis on ensuring that our building TaunusTurm complies with the latest criteria of sustainability. TaunusTurm is one of the newest and most modern skyscrapers in Frankfurt, whose construction as a low-energy building was aimed at drastically reducing energy requirements and emissions ("Platinum" rated for resource-saving construction and management according to the US LEED standard). The electricity we consume in our office building is to 100% produced from regenerative energy sources, nearly carbon neutral and consequently delivering a sustainable contribution to the protection of our climate.

In our offices we use energy saving electronic devices, strive for a paperless office and try to be as sustainable as possible when selecting office consumables which can preferably be refilled or sent back for recycling by the manufacturer.

As a company that has its focus in the area of sales of capital market products from the bond sector, the Company sees a major economic opportunity in the global quest for greater sustainability in the financial services sector. In order to meet this goal, a senior team member, one of the most experienced employees in the area of DCM of our parent company is overseeing our ESG agenda as Head of Sustainability EMEA.

His focus is to bring the term "Green Finance" to life by placing an increasing focus on the area of Green Bonds, i.e. bonds to finance green investments, projects and assets. Wherever possible, special care is taken to accompany Green Bonds only if they meet ICMA's Green Bond Principles or the Climate Bonds Standard of the Climate Bonds Initiative. His appointment to spearhead this critical discipline reflects our commitment going forward in putting sustainability at the heart of everything we do. ESG-focused governance is further strengthened with the establishment of the ESG Sustainability Forum with MHEU Management Board representation and ongoing reporting to the Management Board of MHEU.

13.2 Our People & Culture

The success and reputation of MHEU is driven by the commitment, hard work 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.

13.Environmental, Social & Governance (ESG) Matters (Continued)

The MHI Group defines its culture based on the three pillars of Inspiring Trust, valuing and encouraging Diversity of Thought and driving forward a Winning Spirit, and the following arrangements and initiatives support this culture.

The Company is committed to equal opportunities for all. MHEU 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.

MHEU values and respects the differences between all people in its employment. By promoting and ensuring an inclusive environment MHEU 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.

MHEU 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 and where diversity of thought is valued and encouraged to enable each employee to develop their specialist knowledge and professional experience. All employees are supported and encouraged to develop their full potential and the talents and resources of our workforce will be utilised to maximise the efficiency of the organisation.

The success and reputation of the Company is driven by the commitment, hard work and integrity of the Company's employees. As the most important asset, it is crucial for the Company to protect and develop its people through a collaborative working culture that supports personal growth and employee wellbeing.

MHEU supports individual training needs, provides a variety of training courses and promoted even more offers of remote development programmes run by Mizuho on various employee levels.

MHEU also participates in a varied suite of Diversity and Inclusion networks at MHI Group, to form a joint Inclusion Network. Together, the networks intend to generate greater impact and drive culture change across Mizuho. The new Inclusion Network currently includes the following streams: Cultural Diversity, Family, Gender, Multi-Faith, Pride and Future Leaders.

14.Events since the Balance Sheet Date

There were no material events since the Balance Sheet Date.

15.Going Concern

The Company’s financial statements have been prepared on a going concern basis.

The Boards’ assessment of the Company’s ability to continue as a going concern is based upon an assessment of the Company’s business plans, together with related forecasts in respect of the Company’s capital adequacy and liquidity positions, and stresses to those forecast positions as outlined is this document (and as evidenced in the ICAAP and Recovery & Resolution plan of the company).

The Board believe that there are no material uncertainties that may cast significant doubt upon the Company’s ability to continue as a going concern.

Frankfurt am Main, 25 June 2021

Christoph Seibel (CEO) Wolfgang Köhler (CRO) Peter Krafft (CFO)

Independent Auditor's Report

To Mizuho Securities Europe GmbH, Frankfurt am Main.

Note on the Audit of the Annual Financial Statements and the Management Report

Audit Opinions

We have audited the annual financial statements of Mizuho Securities Europe GmbH, Frankfurt am Main consisting of the balance sheet as of 31 March 2021 and the profit and loss statement for the fiscal year from 1 April 2020 to 31 March 2021 as well as the notes to the financial statements, including the presentation of the accounting policies. Furthermore, we have audited the management report of Mizuho Securities Europe GmbH, Frankfurt am Main, Frankfurt am Main for the fiscal year from 1 April 2020 to 31 March 2021. In accordance with German legal requirements, we have not audited the contents of the information contained in sections "2. Corporate Governance", "12. Employee Concerns – Performance Measurement and Management" and "13. Environmental, Social & Governance (ESG) Matters" of the Management Report.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with German commercial law applicable to institutions and give a true and fair view of the net assets and financial position of the Company as at 31 March 2021 and of its results of operations for the financial year from 1 April 2020 to 31 March 2021 in accordance with German principles of proper accounting, and

- on the whole the attached management report provides a suitable understanding of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements and suitably presents the opportunities and risks of future development. Our audit opinion on the management report does not extend to the content of the above-mentioned non-financial statement. Our audit opinion on the management report does not extend to the contents of the above-mentioned sections 2, 12 and 13 of the financial statements.

In accordance with Section 322 (3) sentence 1 HGB, we declare that our audit has not led to any objections to the correctness of the annual financial statements and the management report.

Basis for the Audit Opinion

We conducted our audit of the annual financial statements and the management report in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW). Our responsibility under these rules and principles is described in more detail in the section "Auditor's responsibility for the audit of the annual financial statements and the management report" in our audit opinion. We are independent of the Company in accordance with German commercial and professional law and have fulfilled our other German professional duties in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the annual financial statements and management report.

Other Information

The legal representatives are responsible for other information. The other information comprises sections 2, 12 and 13 of the management report.

Our audit opinion on the financial statements and the management report does not extend to the other information and, accordingly, we do not express an audit opinion or any other form of conclusion on them.

Independent Auditor’s Report (Continued)

In connection with our audit, we have a responsibility to read the other information and to evaluate whether the other information

- show material inconsistencies with the annual financial statements, management report or our knowledge gained during the audit, or

- appear to be substantially misrepresented elsewhere.

Responsibility of the Legal Representatives and the Management Board for the Financial Statements and the Management Report

The legal representatives are responsible for the preparation of the annual financial statements, which comply in all material respects with the provisions of German commercial law applicable to institutions, and for ensuring that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting. Furthermore, the legal representatives are responsible for the internal controls which they have determined, in accordance with German generally accepted accounting principles, to be necessary to enable the preparation of annual financial statements which are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the legal representatives are responsible for assessing the Company's ability to continue as a going concern. They are also responsible for disclosing any matters relating to the Company's ability to continue as a going concern, where appropriate. Furthermore, they are responsible for preparing the financial statements in accordance with the going concern principle, except where this is precluded by matters of fact or law.

In addition, the legal representatives are responsible for preparing the management report, which as a whole provides a suitable view of the Company's position and is consistent with the annual financial statements in all material respects, complies with German legal requirements and suitably presents the opportunities and risks of future development. Furthermore, the legal representatives are responsible for the precautions and measures (systems) which they have deemed necessary to enable the preparation of a management report in accordance with the applicable German legal regulations and to provide sufficient suitable evidence for the statements made in the management report.

Auditor's Responsibility for the Audit of the Annual Financial Statements and the Management Report

Our objective is to obtain reasonable assurance as to whether the annual financial statements as a whole are free from material misstatement, whether due to fraud or error, whether the management report as a whole provides a suitable understanding of the Company's position and suitably presents the opportunities and risks of future development in all material respects in accordance with the annual financial statements and the findings of our audit, as well as to issue an audit opinion which includes our audit opinions on the annual financial statements and the management report.

A reasonable assurance is a high level of assurance, but does not guarantee that an audit conducted in accordance with Section 317 HGB and German generally accepted standards for the audit of financial statements promulgated by the Institut der Wirtschaftsprüfer (IDW) will always detect material misstatement. Misrepresentations may result from violations or inaccuracies and are considered material if it could reasonably be expected that they could individually or collectively influence the economic decisions of addressees made on the basis of these financial statements and management report.

During the audit, we exercise due discretion and maintain a critical basic attitude. Beyond that

- we identify and assess the risks of material misstatement of the financial statements and management report, whether due to fraud or error, plan and perform the audit procedures in response to such risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is greater for violations than for misstatements because violations may involve fraudulent collusion, falsification, intentional omissions, misrepresentations, or the invalidation of internal controls;

Independent Auditor’s Report (Continued)

- we obtain an understanding of the internal control system relevant to the audit of the financial statements and the policies and procedures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;

- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made by management;

- we conclude on the appropriateness of the accounting policies used by the Company's management and, based on our audit evidence, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the financial statements and management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Company being unable to continue its business operations;

- we assess the overall presentation, structure and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting;

- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the view of the company's situation conveyed by it;

- we perform audit procedures on the future-oriented statements in the management report presented by the legal representatives. On the basis of sufficient and appropriate audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

Among other things, we discuss with those responsible for monitoring the audit the planned scope and timing of the audit and significant audit findings, including any deficiencies in the internal control system that we identify during our audit.

Eschborn/Frankfurt am Main, 29 June 2021

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hultsch	Stapel
Wirtschaftsprüfer	Wirtschaftsprüfer

Balance Sheet

Balance sheet as at 31 March 2021
Mizuho Securities Europe GmbH

Assets		31 March 2021	31 March 2020
	Euro	Euro	Euro
1. Receivables from credit institutions			
a) due on demand	24,127,444.84		8,221,645.72
b) other receivables	3,708,927.76	27,836,372.60	4,681,644.59
2. Bonds and other fixed-income securities			
a) Bonds and notes			
aa) of public-sector issuers thereof: eligible as collateral with Deutsche Bundesbank 41,038,096.55 Euro (previous year: 36,013,109.90 Euro)		41,038,096.55	36,013,109.90
3. Equity shares and other non-fixed income securities		358,748.18	0.00
4. Trading assets		10,026,067.71	17,464,774.89
5. Tangible assets		1,187,934.87	1,305,328.04
6. Other assets		8,337,858.04	5,733,383.22
7. Prepaid expenses		126,298.98	65,053.64
Total assets		88,911,376.93	73,484,940.00

Liabilities		31 March 2021	31 March 2020
	Euro	Euro	Euro
1. Liabilities to credit institutions			
a) due on demand	17,687.96		
b) with agreed maturity date or notice period	35,291,858.69	35,309,546.65	26,531,130.31
2. Trading liabilities		100,294.06	0.41
3. Other liabilities		956,734.06	1,383,226.03
4. Deferred income		31,347.00	0.00
5. Provisions			
a) Tax provisions	814,931.44		645,086.29
b) Other provisions	6,562,894.75	7,377,826.19	3,692,996.81
6. Funds for general banking risks		96,211.80	0.00
7. Equity			
a) Subscribed Capital	35,000,000.00		35,000,000.00
b) Capital reserve	5,000,000.00		5,000,000.00
c) Retained earnings	1,232,500.15		0.00
d) Net income	3,806,917.02	45,039,417.17	1,232,500.15
Total liabilities		88,911,376.93	73,484,940.00

Profit and Loss Statement

Profit and Loss Statement
Mizuho Securities Europe GmbH
For the period 01 April 2020 - 31 March 2021

Expenses	Euro	Euro	**31 March 2021** Euro	**31 March 2020** Euro
1. Interest expenses			305,928.45	165,108.14
2. Commission expenses			22,853,434.68	12,428,803.25
3. General administrative expenses				
a) Staff expenses		10,120,785.22		7,531,126.14
aa) Wages and Salaries	8,868,344.04			6,647,243.79
ab) Compulsory social security contributions and expenses for pensions and other employee benefits	1,252,441.18			883,882.35
thereof for pension 398,069.10 Euro (previous year: 338.765,70 Euro)				
b) other administrative expenses		11,451,629.88	21,572,415.10	9,835,894.16
4. Depreciation, amortization and write-downs of and value adjustments to intangible and fixed assets			268,283.73	250,773.14
5. Other expenses			97,822.31	23,425.05
6. Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for loan losses			241,908.51	213,023.47
7. Income taxes			1,854,524.84	645,086.29
8. Net income			3,806,917.02	3,767,159.70
Total expenses			47,194,317.62	31,093,239.64

Revenues	Euro	**31 March 2021** Euro	**31 March 2020** Euro
1. Interest income			65,324.11
a) from lending and money market transactions	109,433.96		
b) Fixed-income securities and government-inscribed debt	2,019.77	111,453.73	
2. Current income from			
a) Equity shares and other variable-yield securities		7,860.09	0.00
3. Commission income		37,373,729.46	23,019,082.96
4. Net trading result		865,906.22	5.80
5. Income from write-ups on participating interests, investments in affiliated companies and securities treated as fixed assets		31,914.26	0.00
6. Other income		12,610,370.88	11,775,986.47
Total revenues		51,001,234.64	34,860,399.34

Notes to the Financial Statements

1. BASIS OF PREPARATION

Mizuho Securities Europe GmbH is a limited liability company registered in the commercial register of the local court of Frankfurt am Main under register number HRB 112041.

The registered office of the Company is Taunustor 1, 60310 Frankfurt am Main.

The annual financial statements of the company were prepared in accordance with the principles of the German Commercial Code (HGB) and the German Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV).

1.1 Accounting and Valuation Methods

Cash Reserve, Cash on hand, Bundesbank balances, bank balances and cheques are carried at nominal value.

Receivables from credit institutions are measured at amortised cost less impairment losses.

Securities in the liquidity reserve are treated as current assets. The strict lower of cost or market principle in accordance with Section 253 (3) HGB applies: In the event of temporary impairment, there is a devaluation obligation.

Hedge accounting valuation units (Bewertungseinheiten) are formed in accordance with Section 254 HGB. The hedging relationships ends when the underlying transaction or hedging instrument expires, is sold or exercised or the requirements for the formation of valuation units are no longer met. There are no valuation units for highly probable transactions.

In general, for purchases and sales of cash transactions including shares settlement date accounting is applied for the purposes of recognising and de-recognising financial instruments in the Companies' general ledger.

All financial instruments classified as held for trading, including derivatives, debt instruments and Equity securities are recognised at fair value less the risk discount in accordance with Section 340e (3) HGB. The Company determines the classification of its financial assets to the trading portfolio upon initial recognition based on the purpose for which the financial instruments were acquired and their characteristics.

The initial recognition of trading assets is at acquisition costs. The subsequent measurement is at fair value. This is usually done by Mark-to-Market with prices quoted in an active market. If no active market is available, fair value is based on commonly accepted valuation models - known as Mark-to-Market-Model. If no active market and no valuation model is available, fair value is equal to amortised costs.

A risk discount has to be recognized as an expense according to Section 340c HGB. Value at risk (VaR) is one possibility to measure risk discount. In order to reflect any remaining realization risk for unrealized gains, the result of the fair value measurement is reduced by a risk adjustment, which is deducted from trading assets. The risk adjustment is based on value-at-risk which is calculated using a holding period of ten days and a confidence level of 99% with a minimum observation period of one year.

The Special Item Reserve for the general banking risk as requested by Section 340g in connection with Section 340e HGB, which equals at least 10% of the net earnings of the trading book until the trading-related special reserve corresponds to 50% of the five-year average of net trading revenues after risk adjustment. This reserve may only be consumed to either release an amount exceeding the 50% limit or to cover net trading losses.

Tangible and intangible assets are reported at their acquisition or manufacturing cost less any depreciation. Depreciation is carried out in accordance with the principles of the HGB over the estimated useful life of the asset.

Other assets are carried at nominal value.

Notes to the Financial Statements (Continued)

1. BASIS OF PREPARATION (Continued)

Accrued and deferred items are created pursuant to the applicable principles of Section 250 HGB, These items are deferred correspondingly as income or expenses in the accounting period.

Liabilities to banks are shown at the settlement amount including interest accrued up to the balance sheet date.

Other liabilities are shown at their settlement amount and - if they are interest-bearing - including interest accrued up to the balance sheet date.

Provisions for uncertain liabilities are measured at the necessary settlement amount in accordance with sound business judgment. Provisions with a term of more than one year were discounted in accordance with Section 253 (2) HGB using the average interest rates of the last seven years published by the Deutsche Bundesbank.

Provisions are only recognised if the following criteria are met:

- There is an obligation to third parties which must be anticipated (an external obligation).
- There is a probable claim and
- The economic causation lies in the year under review.

Equity is reported at nominal value.

Deferred taxes assets are not recognised in exercise of the option set out under Section 274 (1) sentence 2 HGB.

The income statement is prepared using the total cost method.

2. FUNCTIONAL CURRENCY

The financial statements are presented in euros, which is the Company's functional currency, and financial information is presented in thousands of euros (TEUR) - rounded to the nearest 1,000 euros unless otherwise stated.

3. CURRENCY TRANSLATION

Currency translation is carried out in accordance with the principles of Sections 256a and 340h HGB.

Assets denominated in foreign currencies and treated as fixed assets but not separately hedged in the same currency are carried at historical cost unless the change in the foreign exchange rate is not temporary and the assets must be depreciated. Other assets and liabilities denominated in foreign currencies and outstanding spot transactions are translated at the spot rate on the balance sheet date and forward exchange transactions at the forward rate on the balance sheet date.

The definition of foreign currency positions, for which the Company applies the special hedging method pursuant to Section 340h HGB, reflects internal risk management procedures.

The recognition of foreign exchange gains and losses depends on which foreign currency positions they relate to.

Assets and liabilities denominated in foreign currency:

	2021 **TEUR**	2020 TEUR
Assets	**5,138**	2,614
Liabilities	**4,674**	2,568

Notes to the Financial Statements (Continued)

4. MATURITY STRUCTURE

	2021	2020
	TEUR	TEUR
Receivables from credit institutions with a remaining term of		
payable on demand	**24,127**	8,222
up to 3 months	**2,669**	3,183
more than 3 months up to 1 year	**1,040**	1,499

The balance of receivables of TEUR 24,127 consists of bank balances.

	2021	2020
	TEUR	TEUR
Liabilities to credit institutions with a remaining term of		
payable on demand	**18**	
up to 3 months	**19,893**	25,259
more than 3 months up to 1 year	**15,399**	1,272

The Company has no outstanding receivables from and payables to customers as of 31 March 2021.

5. RELATIONSHIP WITH OTHER COMPANIES OF MIZUHO GROUP

	2021	2020
	TEUR	TEUR
Receivables from credit institutions	**2,943**	2,223[2]
Receivables from customers	**-**	-
Liabilities to credit institutions	**34,026**	25,089
Liabilities to customers	**-**	-

Receivables from credit institutions of TEUR 2,644 are with Mizuho International plc and TEUR 299 with Mizuho Bank Ltd., Tokyo.

Liabilities to credit institutions include TEUR 33,862 with Mizuho International plc. and TEUR 164 with Mizuho Securities USA Inc.

6. DEBT SECURITIES AND OTHER FIXED-INTEREST BEARING SECURITIES FROM PUBLIC ISSUERS

The item bonds and other fixed-interest securities from public-sector issuers includes federal bonds in the amount of TEUR 41,038. The maturity is between 1-3 months for TEUR 28,016 and 3-6 month for TEUR 13,022. The full amount of TEUR 41,038 is listed on the stock exchange.

7. EQUITY SHARES AND OTHER NON-FIXED INCOME SECURITIES

Equity shares and other non-fixed income securities of TEUR 359 (previous year: 0) are fully tradeable on stock exchanges.

[22] Last year's statement contained an amount of EUR 181. As this figure is not correct, now the appropriate number is used.

7. EQUITY SHARES AND OTHER NON FIXED INCOME SECURITIES (Continued)

There are employees of MHEU who receive variable salary components in the form of shares which are allocated to the employees over future years. The value of the provision to the employees depends on the number of shares and the share price. For hedging purposes, MHEU has acquired the shares at the time when awarded and holds them as a hedge. The purpose of the hedge is to avoid changes in the P&L which are caused by share price volatility. The shares perfectly hedge the provision to the employees. Any change in the share price leads to a change of the provision with the same amount. As of 31 March 2021, 16,725 securities were held as fixed assets with a value of TEUR 206 and were part of the valuation unit and served as a hedge.

8. TRADING PORTFOLIO

The TEUR 10,026 in the trading assets represent TEUR 9,927 fixed-interest securities and TEUR 99 in financial derivatives. These securities are included in our trading book as at the balance sheet date. The TEUR 100 in the trading liabilities represent TEUR 99 in financial derivatives and TEUR 1 in fixed-interest securities.

	2021	2020
	TEUR	TEUR
Trading assets		
Fixed-interest securities	**9,927**	25,259
Non-fixed-interest securities	**0**	429
Financial derivatives	**99**	0

	2021	2020
	TEUR	TEUR
Trading liabilities		
Financial derivatives	**99**	0
Fixed-interest securities	**1**	0

Derivative financial instruments are recognized at fair value according to the discounted cash flow method and consist of purchases and sales of the same bonds (back-to-back model) for which there is a period of six to eight days between the trade date and the settlement date plus the settlement date falls in the next financial year.

Notes to the Financial Statements (Continued)

9. FIXED ASSET REGISTER

	Short leasehold property	Fixtures, equipment, integrated software and vehicles	Assets under construction	Total
	TEUR	**TEUR**	**TEUR**	**TEUR**
Cost				
As at 1st April 2020	891	702	0	1,593
Additions	82	58	11	151
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 March 2021	**973**	**760**	**11**	**1,744**
Accumulated depreciation and amortisation				
As at 1st April 2020	147	141	0	288
Scheduled depreciation	138	130	-	268
Extraordinary depreciation	-	0	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 March 2021	**285**	**271**	**0**	**556**
Remaining book value				
At 31 March 2021	**688**	**489**	**11**	**1,188**
At 31 March 2020	**744**	**561**	**0**	**1,305**

10. OTHER ASSETS

Other assets to the value of TEUR 8,338 (previous year: TEUR 5,733) are essentially composed by margin payments of TEUR 5,000 and receivables resulting from transfer pricing agreements of the GMK business in the amount of TEUR 2,816.

11. OTHER LIABILITIES

Other liabilities of TEUR 956 (previous year: TEUR 1,383) mainly comprise Human Resources related payables of TEUR 290 and liabilities resulting from value-added taxes of TEUR 250.

12. PROVISIONS

Provisions in the year under review amount to TEUR 7.378 (prior year: TEUR 4,338) and are mainly composed out of Bonus Provisions TEUR 4,057, service agreements with the parent company of TEUR 879 and Tax of TEUR 815.

13. EQUITY

Mizuho Securities Europe GmbH’s total equity as of 31 March 2021 is TEUR 45,039 and comprises subscribed capital of TEUR 35,000 (previous year: TEUR 35,000), the capital reserve amounts to TEUR 5,000 (previous year: TEUR 5,000), retained earnings of TEUR 1,233 (previous year: 0) and a net income for this year of TEUR 3,807.

Notes to the Financial Statements (Continued)

14. NET INTEREST INCOME

The interest result is made up of interest income of TEUR 111 (previous year: TEUR 65) and interest expenses of TEUR 306 (previous year: TEUR 165).

15. NET COMMISSION INCOME

Net commission income of TEUR 14,520 consists of commission income of TEUR 37,373 (previous year: TEUR 23,019) and commission expenses of TEUR 22,853 (previous year: TEUR 12,429) and is mainly from the GIB business.

16. NET TRADING RESULT

Net trading income amounts to TEUR 866 (previous year: 0). It is based on gross trading income of TEUR 962 less 10% that was added to the fund of general banking risks in accordance with Section 340e (4) HGB.

17. OTHER OPERATING INCOME

The other operating income as of 31 March 2021 amounts to TEUR 12,610 (previous year: TEUR 11,776). The amount mainly consists of income of TEUR 11,094 from the intra-group transfer pricing agreement with the parent company Mizuho International plc and TEUR 1,196 from intra-group transfer pricing agreements with Mizuho Securities Co Ltd. in GMK.

18. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses mainly include personnel expenses and other administrative expenses. Personnel expenses consist mainly of wages and salaries of TEUR 8,868 (previous year: TEUR 6,647) and social security expenses and expenses for pensions of TEUR 1,252 (previous year: TEUR 884) for headquarter in Frankfurt and the branches in Madrid and Paris.

Other administrative expenses of TEUR 11,452 (previous year: TEUR 9,836) mainly consist of costs for the services mainly with Mizuho International plc in the UK of TEUR 7,682, professional fees of TEUR 1,239, costs for market data services of TEUR 761, and rent of TEUR 609 (incl. ancillary costs).

19. DEPRECIATION, AMORTIZATION AND WRITE-DOWNS OF AND VALUE ADJUSTMENTS TO INTANGIBLE ASSETS AND FIXED ASSETS

The depreciation for the current year relates to depreciation on fixed assets of TEUR 268 (previous year: TEUR 251).

20. OTHER OPERATING EXPENSE

Other operating expenses amounted to TEUR 98 in the reporting period (previous year: TEUR 23) and is recognition of FX gains/losses.

21. WRITE DOWNS OF AND VALUE ADJUSTMENTS TO CLAIMS AND CERTAIN SECURITIES

This item includes TEUR 241 (previous year: TEUR 213) from write-downs on bonds in the Liquidity Asset Buffer (Liquiditätsreserve).

Notes to the Financial Statements (Continued)

22. TAXES ON PROFIT

Profit-based taxes of the current year amount to TEUR 1,855 (previous year TEUR 645). The amount breaks down into Corporate Income Tax of TEUR 951, Solidarity Surcharge of TEUR 44 and Trade Tax of TEUR 860.

23. AUDITOR'S FEE

The auditor's fee as at 31 March 2021 is made up as follows in accordance with Section 285 No. 17 HGB:

	2021
	TEUR
a) Annual audit services	**170**
b) other certification services	**68**
c) other services	**1**
Total	**239**

24. APPROPRIATION OF RESULTS

A revenue reserve of TEUR 3,807 was proposed for the year (previous year: TEUR 1,233).

No interim dividend was paid out (previous year: 0), and the management does not recommend payment of a final dividend (previous year: 0).

25. EMPLOYEES

The number of employees as of 31 March 2021 is as follows:

	2021	2020
	Number	Number
Management	**3**	3
Others	**36**	23
	39	26

The average number of employees during the financial year is as follows

	2021	2020
	Average	Average
Management	**3**	3
Others	**29**	22
	32	25

26. MANAGEMENT

As at 31 March 2021 the Board consisted of three Managing Directors (Geschäftsführer) which have full responsibility for control and oversight of the Company's activities:

- Mr. Christoph Seibel (Chief Executive Officer),
- Mr. Wolfgang Köhler (Chief Risk Officer) and
- Mr. Peter Krafft (Chief Financial Officer)

Notes to the Financial Statements (Continued)

26.MANAGEMENT (Continued)

None of the above-mentioned members of the Management Board has a mandate on a supervisory board or other supervisory body. The remuneration granted to the members of the Management Board in the course of the year amounted to TEUR 2,347, this value includes 45,285 Mizuho Financial Group, Inc. shares (ISIN JP3885780001).

27.GROUP RELATIONSHIPS

Mizuho Securities Europe GmbH is a wholly owned subsidiary of Mizuho International plc, which is directly owned by Mizuho Securities Co Ltd., a company based in Japan. The Company's parent company is Mizuho Financial Group, Inc. with its registered office in Japan. The parent company Mizuho International plc prepares the consolidated financial statements for the smallest group of companies.

Copies of the consolidated financial statements of Mizuho International plc can be obtained from:

Mizuho International plc
Mizuho House,
30 Old Bailey
London, EC4M 7AU
United Kingdom
https://www.mizuho-emea.com/who-we-are/governance/financial-reports

The parent company Mizuho Financial Group Inc. creates the consolidated Annual Reports for the largest group of companies.

Copies of the consolidated financial statements of Mizuho Financial Group, Inccan be obtained from:

Corporate Communications
Public Relations Office
Mizuho Financial Group, Inc.
Otemachi Tower
1-5-5 Otemachi, Chiyoda–ku, Tokyo
100–8176, JAPAN
http://www.mizuho-fg.com/investors/financial/fin_statements/index.html

28.SUPPLEMENTARY REPORT

No significant events have occurred since the end of the financial year that have an impact on the development of earnings, the company's earnings, financial and asset position.

Frankfurt am Main, 25 June 2021

Christoph Seibel (CEO) Wolfgang Köhler (CRO) Peter Krafft (CFO)

Approval of the Financial Statements as of 31.03.2021

The annual financial statements as of March 31, 2021 were prepared by the management, audited by Ernst und Young GmbH Wirtschaftsprüfungsgesellschaft and were given an unqualified audit certificate, were approved on July 21, 2021.

MIZUHO