Mizuho Securities Europe GmbH

Annual Report for year ended 31 March 2022

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

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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 2022. The company has its registered office at Taunustor 1, 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, to promote business in the Iberian and Italian markets and the French, 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 52,000 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 and financial institution 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 (Unaudited)

As the Company is not listed, there is no requirement to comply with the German Corporate Governance Code. However, the Company's Board (the "Board") considers 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 Code as set out below:

- As at 31 March 2022 the Board consisted of three Managing Directors (“Geschäftsführer”) which had 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 when 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 implemented regular reporting arrangements, whilst maintaining the full accountability and independence of the Company’s Board.

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

Management Report (Continued)

2. Corporate Governance (Continued)

- 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 or any 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 MHEU's Front Office Business Manager. It is responsible for supporting the Front Office Business Head in relation to the oversight over the Front Office department's activities, including the company-wide review of conduct and behavioural matters.

The Company’s organisational structure is designed to ensure that responsibilities are clearly 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 jointly 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 economic and business environment during the first 9 months of the financial year ending on 31 March 2022 was, despite the ongoing COVID-19 Pandemic, considerably more favourable than calendar year 2020. The last quarter of our financial year was, however, dominated by the war between Russia and the Ukraine which had a significant impact on markets, business environment, and the economic climate, further increased already rising inflation as well as intensified supply chain problems and certain material shortages.

During calendar year 2021, the global and EU economies rebounded from the pandemic faster than expected with 5.8% Global GDP growth and 5.4% Eurozone GDP growth. This was at least in part the result of successful vaccination programs across various EU countries allowing governments to increasingly lift restrictions and EU economies to move from recovery into expansion mode once again. Despite the overall stable to positive economic developments, a number of headwinds emerged as threats to

3. Business Performance (Continued)

the economy, especially during the second half of calendar year 2021. Bottlenecks and disruptions in global supply continued to weigh in, particular in the highly integrated manufacturing sector. Furthermore, inflation rates increased significantly, growing from 1.9% in the Euro Area in June 2021 to around 7.4% by the end of our fiscal year in March 2022. The increase in inflation was one of the main drivers for Central Banks to change their accommodating stance of the last years, reducing or eliminating bond purchasing programs and beginning to raise interest rates (in the case of the Federal Reserve and the Bank of England).

The war against Ukraine, which Russia started 24 February 2022, led to EU-wide as well as US sanctions against Russia and a material increase in volatility in both equity and fixed income markets. While we cannot yet assess the full economic impact of the war in Ukraine, it is already evident that higher commodity and energy prices and an increasing shortage of a number of agricultural goods are continuing to push up inflationary pressures which will force central banks to raise interest rates further and could have a negative impact on business investments and consumer confidence as the year progresses.

The business development of the company in this financial year was characterized by these external events, with reduced debt issuance and lower secondary trading volumes affecting our business throughout the year. Offsetting this was the continued closer corporate cooperation with Mizuho Bank which led to some positive revenue developments during the year.

The Company continues to focus on achieving a continuous 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 ensuring a successful “new” working environment in a COVID and post-COVID world.

Importantly, MHEU also completed its Brexit programme “Day 2 Plan” during the financial year, establishing a European Government Bond (EGB) trading desk in Frankfurt, strengthening its Risk Management capacity in this regard and increasing its client coverage footprint across the EU with the establishment of credit and rates sales desks in our Paris and Madrid branches. By the end of the fiscal year we had fulfilled our license requirements and successfully positioned MHEU for continued growth over the coming years.

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 teams continue to leverage the unified ‘One Mizuho’ derivative capabilities and dual hatted staff.

3.3 Revenue Diversification on GMK

MHEU 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, MHEU has focussed on the group wide 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 Board and MHI following direction from local governments and regulators. The physical and mental health as well as the safety of employees were a top priority with most 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 COVID-19 testing, masks and financial assistance measures were introduced to support safe commuting and working.

In monitoring and risk managing the situation, the Board was 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 operations of corporate functions. This supported

3. Business Performance (Continued)

decision making and allowed the Board to adapt to the volatile and unprecedented landscape.

The Board agreed a consistent approach to employee messaging and held 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 discernible degradation in services to clients and no material operational issues.

4. Situation of the Company

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

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

At the beginning of the financial year MHEU as a major investment firm in the European Union was subject to the same prudential regime as credit institutions, the main pillars of which were the Capital Requirements Regulation (“CRR”) and the Capital Requirements Directive (“CRD”) in their respective national implementation as the German Banking Act (KWG) in Germany. This changed on 26 June 2021, when not only the Regulation on the prudential requirements for investment firms ("IFR") came into force, but all EU member states also had to implement the Directive on the Prudential Supervision of Investment Firms ("IFD") into national law. In Germany, the implementation took place through the so-called Wertpapierinstitutsgesetz ("WpIG"), which together with the IFR replaced the CRR and CRD/KWG as the primary regulatory basis for MHEU's business activities. MHEU is considered a medium-sized (class 2) Investment Firms within the meaning of Section 2 (17) WpIG. The WpIG and IFR brought many changes, inter alia a new approach to calculating regulatory capital requirements, new liquidity requirements, new requirements for the design of the remuneration system, and new disclosure requirements in financial reports. Due to the lack of comparability of regulatory figures we refrain from providing previous year information in the following. However, throughout the whole financial year MHEU maintained healthy capital and liquidity measures under both regulatory regimes.

In the last quarter of the financial year MHEU also completed its Brexit programme (Day 2 Plan), which had been approved by BaFin. The core of EU client business in EGBs is now being risk managed onshore in MHEU, following a successful phased go-live approach. This added substance is the main reason for the increase in balance sheet size. Further details can be found in the notes.

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

Management Report (Continued)

4. Situation of the Company (Continued)

	2022 TEUR	2021 TEUR
Net income from operations	**27,753**	27,502
Administrative expenses & depreciation	**(23,605)**	(21,841)
thereof: Personnel expenses	**(10,197)**	(10,121)
Profit on ordinary activities before taxation	**4,148**	5,661
Tax on profit on ordinary activities	**(1,326)**	(1,855)
Profit for the year after tax	**2,822**	3,807
Total Liabilities	**759,907**	43,872
Total Equity	**47,861**	45,039

	2022 TEUR	
Tier One Capital	**44,952**	
Own Funds Requirements	**4,713**	

4.1 Profit and Loss Accounts

The Profit for this financial year after tax of TEUR 2,822 (previous year: TEUR 3,807) is summarized in the table above. Net income from operations is mainly driven by commission income generated by GIB and transfer pricing revenues by GMK that mainly come from our parent MHI. Within the primary markets space, our GIB business slightly underperformed versus expectations and the prior year as issuers waited on the sidelines to see the impact of inflation and were further deterred as a result of geopolitical tensions. The result is not significantly affected by exchange rate fluctuations.

The general administrative expenses and depreciations of TEUR 23,605 (previous year: TEUR 21,841) comprise personnel expenses and material costs incurred by the company including its branches in Madrid as well as in Paris. The increase in expenses is mainly driven by the cost resulting from the completion of the Brexit programme and the implementation of the regulatory change from CRR to IFR.

The Board of the Company does not recommend the payment of a dividend in respect of the current financial year (previous year: EUR 0) and rather proposes to accrue the capital through retained profit.

4.2 Balance Sheet

As of 31 March 2022 the company had total assets of TEUR 807,768 (previous year: TEUR 88,911). Assets and liabilities denominated in foreign currency are shown in the notes. The company's total equity increased by the profit for the year to TEUR 47,861 as of 31 March 2022 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 44,952. The increase in total regulatory capital is due to the retained earnings from last financial year. The Own Funds Requirements of the Company of TEUR 4,713 are driven by the Fixed Overhead Requirements and are calculated as per the IFR.

Consequently the solvency and adequacy of MHEU's own funds were ensured at all times during this financial year. This means that key regulatory ratios are well above the legal and internal minimum requirements. The capitalisation is to be assessed as solid. The Company was solvent at all times

4. Situation of the Company (Continued)

during the financial year. No significant financial risks are discernible in the balance sheet structure. The financial situation is also sound.

4.4 Other Key Performance Indicators (“KPIs”)

The Company has set out below KPIs to assess the performance of its main businesses effectively:

	2022	2021
	TEUR	TEUR
Business Performance KPIs		
Profit from GIB before tax	**3,846**	**5,463**
Profit from GMK before tax	**1,375**	**920**

5. Forecast and Opportunities Report

The market environment is likely to remain volatile as investors and corporates cautiously monitor inflation, geopolitical tensions in Europe as a result of the Russia-Ukraine war, and the transformation of economies and societies around the world following COVID-19 and post-Brexit. The pace of regulatory developments also continues, including new operating model resilience requirements, FRTB (new regulatory standard model for calculating Pillar 1 market risk) and other CRR/IFR reforms, climate change mitigation regulation and the EU banking package, which could change cross-border regulations. Regulatory changes expected in mid-2022, in particular resulting from the adoption of the latest draft RTS (Draft Regulatory Technical Standards) 2021/17, may also require the Company to be authorised as a credit institution. This could not only have an impact on the Company's regulatory framework, but could also negatively affect the Company's economic situation due to higher costs that were not taken into account in the 2022/23 business plan.

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

MHEU expects for the next financial year ending 31 March 2023 an increase in revenues resulting from both business lines GIB as well as GMK by an increase in staff numbers in front office offering a wider range of products from Frankfurt, Paris and Madrid. These will also lead to an increase in costs but we expect the profit to slightly increase compared to this year. In the business line GMK the budgeted profits were estimated on the assumption that the transfer pricing model will cease for product lines that are risk managed by MHEU.

The Company has a strong governance, risk and control framework with a 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 remain within Impact Tolerance as well as develop internal and external communication plans. The Company will continue to be included in the 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, 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. Throughout the COVID-19 pandemic, the health and safety of our employees has been our top priority, and we continue to take a careful and balanced approach to our response.

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

Management Report (Continued)

6. Risk Review

A comparison of policies and procedures as well as scope of activities and resource with the previous financial year as well as favourable Audit reviews demonstrates further embedding of the comprehensive Risk Management Framework. The most notable improvements were the build-up and extension of the market and credit risk management capabilities in preparation for opening an EGB trading desk which started to take on market risk in EGB positions in Q1 2022.

6.1 Risk Management Framework

The Company maintains a prudent approach to risk to ensure that it can operate safely and to support a sustainable business development in keeping with the Board's strategy. The 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 Board informed about any changes of the Company's risk profile.

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 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.

Risk Principles

The 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 in line with the established risk appetite
- 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

Risk Governance

In keeping with the governance approach of MHI Group, responsibilities for risk management are assigned to multiple functions within the organisation using a three Lines of Defence (“LoD”) model for managing financial and other operational risks which is evolving with its business activities in response to developments in markets and products.

The first line (“1. LoD”) 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 (“2. LoD”)** is provided by Risk Management and Compliance who are responsible for conducting independent challenge, oversight, escalation and reporting of risk and validating the management of risks by the first line of defence.
- **The third line (“3. LoD”)** of defence is provided by the Internal Audit Function that is independent of both the first and second line 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 Board any deficiencies that it identifies.

Management Report (Continued)

6. Risk Review (Continued)

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

The 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 Board of matters relating to his functions and company-wide risk management.

MHEU has a **Risk Management Committee**, chaired by the CRO which advises the 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.

The risk management function was expanded to ensure adequate oversight of trading activities in EGBs since the first quarter of 2022, which were part of the Day 2 plan, entailing market risk taking in MHEU's GMK business. The current organisational structure of the Risk Management Department is considered sufficient to deal with the current challenges, including the aftermath of Brexit and the ongoing geopolitical situation with its potential impact on the economic environment.

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 Board of MHEU and has a direct reporting line to the CEO. 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. Another 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 to, other than conduct risk which is overseen by the entity's Compliance function. Risk Management is structured to facilitate oversight of these principal risks and has direct responsibility for market, credit, liquidity, regulatory governance and operational risk. Across the MHI Group a common approach to risk oversight is adopted for each principal risk, in accordance with a comprehensive framework of risk policies established for those risks. Recognising the increased importance of cyber security and data protection, 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.

The disciplines within risk management 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 Company 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.

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

Management Report (Continued)

6. Risk Review (Continued)

Risk Appetite

MHEU's risk appetite describes the levels and types of risk that the Group is prepared to accept in pursuit of its business strategy. The risk appetite statement approved by them Board is to maintain 'moderate' levels of risk. This risk appetite is prudently quantified with reference to risk sensitivities, scenarios 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 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 Board.

Risk Identification and Assessment

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 1. LoD is actively engaged in an ongoing dialogue with the 2. LoD to avoid any risks which could retrospectively be deemed unnecessary.

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.

6.2 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 Company'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, most of which fall under a back-to-back booking model.

Most 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. MHEU has started to assume market risk since the inception of its European Government Bond trading activity.

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 low issuer risk due to position taking in EGB only; other positions are subject to the back-to-back booking model. Any derivative risk management solutions to clients are back-to-back and cleared.

6.3 Principal Risk and Uncertainties

Principal Risks

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

Management Report (Continued)

Principal risk	Description	How risk is managed
Market risk	The risk that changes in interest rates, foreign exchange rates, credit spreads, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity, will have an adverse impact on the Company's financial condition or results. The Principal Market Risks to which MHEU is exposed to are FX risk and interest rate risk. Since starting trading in EGB MHEU has assumed interest rate risk from market positions. On top of this interest rate risk is also borne by Treasury positions in HQLAs.	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. With the gradual shift away from a pure back-to-back booking model and the sole occurrence of market risk in the Treasury funding and HQLA portfolio, market risk is starting to gain in materiality for MHEU. Market risk in trading books is controlled using VaR-, Stress-, Stress VaR and revenue-Limits in addition to the established curve sensitivity limit framework.
Credit and Counterparty risk	The risk of financial loss to the Company if an issuer of a financial instrument or a customer fails to meet its contractual obligations.	The Risk Management Department performs independent credit analysis and due diligence on individual entities relevant to the Company's credit risk profile. Further it ensures compliance with credit risk limits and policies to ensure that the Company operates within the agreed credit risk appetite framework. The Company's credit risk limit framework cascades down from the Company's risk appetite owned by the Board and it includes limits for country, sector, asset class and counterparty. The Company's counterparty credit exposures are quantified to assess both current and potential credit risk. Current credit exposure represents the replacement cost of those instruments which have a positive carrying value. Potential credit exposures are based on estimates of future replacement costs over the remaining life of the instrument. The Company's credit risk profile is reviewed at the monthly Risk Management Committee and also periodically reviewed by the Board. The Company's risk policies define levels of authority for approval of standard transactions. Authority levels are governed by the counterparty's credit quality as well as the nature and potential risk of the transactions.
Liquidity risk	The risk that the Company, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, even during times of idiosyncratic and / or market stress.	The Company's liquidity risk management framework enables and ensures continuous review of the Company's liquidity position. Liquidity mismatches and stress testing results are monitored and reported on a daily basis, and are formally reviewed at the monthly Risk Management Committee, of which the Asset and Liability Committee is a sub-committee. MHEU maintains liquidity in excess of regulatory and internal risk appetite requirements Intraday liquidity risk and the risk of unforeseen initial margin posting requirements are considered to be the most material. The Company maintains liquidity resources that are adequate, both as to amount and quality, to ensure that there is no significant risk that its liabilities cannot be met as they fall due. Liquidity and funding is actively managed even though MHEU's funding sources are currently limited to MHI Group funding, and include lending from MHI and – if needed - capital injections. The Company documents its approach to liquidity risk management and its assessment of the appropriate minimum level of liquidity resources consistent with its liquidity risk appetite through its Internal Liquidity Adequacy Assessment Process ("ILAAP"). The approval and overall ownership of the ILAAP forms part of the accountabilities of the Board.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	The Company manages its exposure through an Operational Risk Framework overseen and managed by Risk Management. The Framework includes risk identification and assessment, control and monitoring, and capital management.

		Operational risk exposures are assessed and measured using a variety of approaches including: risk and control self-assessments, the setting and reporting of key operational risk indicators, internal loss event reporting, external loss event capture and scenario stress testing. Operational risk is reviewed, assessed and monitored against defined tolerance statements via the Company's corporate governance structure. In addition, the Group maintains and tests contingency facilities to support operations in the event of business disruption and has purchased insurance where required by law or regulation and to address selected business risks. The Company's operational risk profile is reviewed at the monthly Risk Management Committee whose attendees comprise i.a. the Board members. Significant matters are escalated to the Board and the MHI Board Risk Committee without delay. WpIG/IFR does not allocate capital for operational risk directly. 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.
Cyber risk	The risk of financial loss, disruption or damage to the reputation of an organisation from a failure of its information systems.	The Company maintains a comprehensive suite of policies, standards and controls to manage information and cyber security risk which is aligned with Group-wide practices and industry standard frameworks (ISO27001/NIST).
Conduct risk	The risk that actions undertaken by the Company may lead to customer detriment or have an adverse effect on market integrity, including with regards to financial crime.	The Company is committed to operating at all levels with the right culture and in accordance with its three pillars of Inspiring trust, valuing and encouraging Diversity of thought and driving forward a Winning spirit. The Company identifies, manages and mitigates conduct risk through its conduct risk management framework. Whilst the CRO has overall responsibility for oversight of this framework, senior managers and staff are responsible for conduct risk management within their own business areas. Conduct risk is managed through a variety of means, which encompass clear communication of expected values, objective setting, articulation of policy, certification processes, training, conduct risk assessment, monitoring, reporting and appraisal processes. The Company's objective setting, appraisal and remuneration processes are designed to incentivise good conduct and to discourage poor conduct. MHI Group's Audit & Compliance Committee receives regular updates with regard to significant conduct risk matters and reviews key conduct risk metrics.
Legal risk	The risk that the business activities of the Company have unintended or unexpected legal consequences and includes risk arising from inadequate documentation, legal or regulatory incapacity, insufficient authority of a counterparty and uncertainty as to the validity or enforceability of a contract. It also includes the risks arising from failure to comply with all applicable laws and regulations and the corresponding penalties that may be imposed, including significant financial fines and the loss of reputation.	The Company identifies and manages legal risk through effective use of its Legal and Compliance department, which is independent of the front office, as well as external legal advisors.
Financial risks from climate change	These risks arise through two primary channels, or 'risk factors': Physical and Transition. Physical risks from climate change relate to specific weather events (such as heatwaves, floods, wildfires and storms) and longer-term shifts in the climate (such as changes in precipitation, extreme weather variability, sea level rise, and rising mean temperatures).	Financial risks from climate change have been embedded into existing risk management frameworks so that they can be considered and managed as part of the other principal risks.

	Transition risks arise from the process of adjustment towards a low-carbon economy. These risks manifest, for example, as increasing underwriting, reserving, credit, or market risk for firms.	
Reputation risk	Risk to reputation arises from negative perception on the part of stakeholders that can adversely affect the company's ability to maintain existing, or establish new, business relationships and continued access to sources of funding and liquidity. This could be as a direct result of poor or inappropriate execution of business activities, staff behaviour or external factors such as false information or market rumours. Stakeholders include clients, counterparties, shareholders, investors, debtholders, market analysts, suppliers, and regulators.	The company has a well-established policy and framework for identifying, assessing and managing reputation risk; the policy is attested to annually by staff. The framework defines the company's governance arrangements, responsibilities of staff, and escalation paths in the event of actual or potential damage to the company's reputation. Reputation Risk is considered when entering new products and markets, when executing specific transactions, when exiting business lines or customer groups, and when assessing the suitability of business partners, for example outsourcing arrangements. Staff behaviour is guided by the company's values and individual conduct rules.
Fraud risk	Fraud is an intentional act by one or more individuals among management, those charged with governance, employees, or third parties, involving the use of deception to obtain an unjust or illegal advantage.	The nature of our activities puts the company at risk of loss due to fraud and corruption both from within and outside the company. The company aims to ensure that fraud and corruption are reduced to the lowest possible risk and that, should they occur, are dealt with in a firm and controlled manner. The company has an Anti-Fraud Policy which sets out roles and responsibilities of specific departments in combatting fraud; the Policy is attested to annually by staff. The company has controls designed to prevent and, where prevention is not possible, to detect fraud. The design and operating effectiveness of controls is reviewed regularly and reported to senior management together with assessments on the level of risk. There are defined processes for escalating and investigating cases of actual or suspected fraudulent activity.

Uncertainties

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

- The market and operational impacts of returning to full lockdowns in response to new COVID variants, even though COVID-19 has not had a material adverse effect on either business, operations, or staff of MHEU.
- Macroeconomic concerns such as rising inflationary pressures, increasing trends for corporate delinquencies, asset bubbles and unexpected/sudden market corrections.
- Major international current affairs/incidents such as escalations of geopolitical tensions including the Russia-Ukraine conflict, supply chain interruptions, or humanitarian/natural disasters.
- Business risk as the risk that revenues do not cover costs because of a deterioration of the company's business operation as the result of external factors.
- Dependency Risk which arises from outsourcing arrangements, the back-to-back booking model, and its funding and results in a dependency of MHEU on MHI, at least in the early years following its establishment.

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

6. Risk Review (Continued)

6.4 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 hedging of market risk positions, risk transfers, e.g. through the back-to-back booking model, credit risk mitigation techniques, business continuity planning and the purchase of insurance.

Risk Limits

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.

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 Board is regularly informed of the Company's risk exposures and compliance with risk limits. 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 Board members and a monthly risk report to the MHI Board in order to keep the Shareholder informed on an ongoing basis.

Strategy and Planning

The Company's risk management approach is closely linked to the risk management approach of the MHI Group and uses - via outsourcing contracts - its infrastructure. Through its local governance, the Company 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 Company 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 approved by the Company’s Board and reviewed on a monthly basis against the risk profile at the RMC. Upon request, they are submitted to the shareholder of MHEU.

The Company's activities comprise both the assumption and the transfer of certain risks, which the Company has to manage independently. In accordance with the Minimum Requirements for Risk Management ("MaRisk"), the Company’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 Company is exposed. For all risks that are deemed to be material the risk strategy defines the strategic approach to risk management.

All risk types the Company is exposed to are potentially material, however subsequent to the assessment process which takes place at least 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:

6. Risk Review (Continued)

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

The assessment of materiality takes into account the business plan of MHEU. The aim of continued growth in the substance of the company within the first 3 years was fulfilled with the go-live of MHEU's EGB trading activity, with the GMK business actively assuming and managing market risk positions for the first time. The volume of business in the financial year under review also grew gradually as an increased number of EU-based clients were onboarded with subsequent increases in transactions volumes.

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 (RCP) corresponds to the regulatory capital, which consists exclusively of core capital (Tier 1) equalling EUR 45.0M. The capital requirement for the risks assumed is quantified on the basis of internal, institution-specific calculation approaches and was EUR 10.3M, leaving MHEU with a coverage ratio of 439%.

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 43.8M available against a requirement of EUR 9.3M leaving MHEU with a coverage ratio of 472%. The Risk coverage actions correspond to the RCP 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.

Additionally MHEU has also implemented an ILAAP and a Recovery and Resolution Plan, both of which were submitted to the BaFin in April/May 2022.

Stress Testing

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

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

Management Report (Continued)

6. Risk Review (Continued)

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 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 framework, 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 March 2022 was TEUR 7,070. With capital resources of TEUR 44,952 the coverage ratio stood at 636%.

6.5 Climate Risk

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

Governance Responsibilities for Climate Risk

The Company's Board is responsible for climate risk and is committed to ensuring that sustainability is at the core of the Company's activities. The Environmental Policy and Environmental and Social Management Policy sets out the responsibilities of individuals, committees and all members of staff relating to climate risk as well as the role of each of the three lines of defence in managing climate-related risk.

The Board takes oversight responsibility for understanding, identifying and managing the financial risks arising from climate change, with ESG and climate risk now being regularly tabled as a standing agenda item at the Risk Management Committee. The Board receives regular ESG Management Information updates, covering Risk, Business, Operational and Social aspects. Climate risk language is included in the Terms of Reference of all the relevant committees, including New Product Committee, Underwriting and Reputational Risk Committee, Risk Management Committee, as well as the Board.

Risk Management Framework

MHEU's Board has approved an ESG risk appetite statement in 2020 which recognises the importance of environmental sustainability and the risks that arise as a result of environmental damage and climate change.

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

Climate Risk Policies

The Company currently has two policies related to ESG Risk, reviewed regularly to ensure alignment with the relevant guidance notes from regulatory bodies in Germany and Europe. The policies help clarify the Company's stance on climate change as well as our environmental awareness, and refer to specific actions that we intend to take on environmental matters.

Management Report (Continued)

6. Risk Review (Continued)

The policies are:

- Environmental Policy – Sets out the ESG objectives that form the basis of our conduct and the specific actions we will take to achieve them. Responding to climate change forms a key pillar of our business strategy.

- Environmental and Social Management Policy for Financing and Investment Activity. This policy sets out the Company's control and escalation of the MHFG initiated restricted industrial sector policy, ensuring compatibility with MHFG's Policies on Specific Industrial Sectors.

6.6 Regulatory Capital Management

With the entry into force of the WpIG during the fiscal year, MHEU will henceforth be regulated as a medium-sized (class 2) Investment Firmsunder the provisions of the WpIG. The previous qualification as a CFD/CRR investment firm under the regulation of the KWG will not be continued as a result. The regulatory capital requirements for MHEU have therefore changed, and comparison with prior years' figures is not possible. The figures below are as calculated by Regulatory Reporting and include regulatory buffers.

Regulatory capital is set at the higher of Fixed Overhead Requirement (FOR), Permanent Minimum Requirement (PMR), and the K-Factor Requirement (KFR), including regulatory buffers. The KFR is, in turn, made up of Risk to Client (RtC), Risk to Firm (RtF) and Risk to Market (RtM) factors.

MHEU's RtC is extremely small, TEUR 0.3 as MHEU neither holds nor administers any significant amount of client money.

MHEU's RtF is moderate, TEUR 2,436 which is primarily driven by the daily trading flow in cash trades, but does include a small amount of counterparty risk due to deposits at cash clearing agents and collateral at OTC and futures clearing agents. Counterparty risk is governed by a comprehensive set of credit risk limits.

MHEU's RtM is still small, TEUR 1,157, as most of MHEU's trading was back-to-back, except for market making in EGBs, where most of the market risk is hedged with futures. Market risk is governed by a comprehensive set of market risk limits. As at 31 March 2022, MHEU reported a VaR of TEUR 110 (based on a historical 1-day simulation calculation with a confidence level of 99%). This was mainly caused by a EUR PV01 interest rate sensitivity of TEUR +4.77 in the EGB trading book and TEUR -0.85 in the treasury book, resulting in a total EUR PV01 of TEUR 3.92.

The resulting KFR (RtC + RtF + RtM), TEUR 3,593, and the PMR, TEUR 750, are both smaller than the FOR, TEUR 7,070, which also covers MHEU's appetite for, and internal assessment of, operational risk.

7. Employee Concerns – Performance Measurement and Management (Unaudited)

Within our company, our employees are our most valuable asset. The success and reputation of MHEU as part of the MHI Group is determined by the commitment, hard work and integrity of its employees. The Company and its business operations are managed in accordance with a variety of measures that are regularly reported to management. The primary metrics used to monitor and manage performance within the Group include Group include profit before tax, capital utilisation, VaR utilisation and stress test results.

7.1 Remuneration

In June 2021 MHEU become a medium-sized (class 2) Investment Firm regulated under the IFR and IFD/WpIG. However some remunerations aspects of the CRD and the Remuneration Ordinance for Institutions (the "IVV") still continued to apply for the full financial year. MHEU itself is not a "significant" institution, within the meaning of the IVV. However, the Company is obliged to comply with certain requirements with respect to their remuneration through the MHI Group. Therefore, under CRD V the

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

parent company MHI is required to identify Material Risk Takers ("MRTs") throughout its consolidation group. These individuals are referred to as "Group MRTs" and are subject to the UK regulatory remuneration rules - MHI'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, and the WpHG, 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 2022, 36 full time employees (FTE) (previous year: 39 FTE). This represents a decrease of 8% compared to 31 March 2021. 9 FTE were hired whilst 12 FTE left.

8. Environmental, Social & Governance (ESG) (Unaudited)

8.1 Environmental

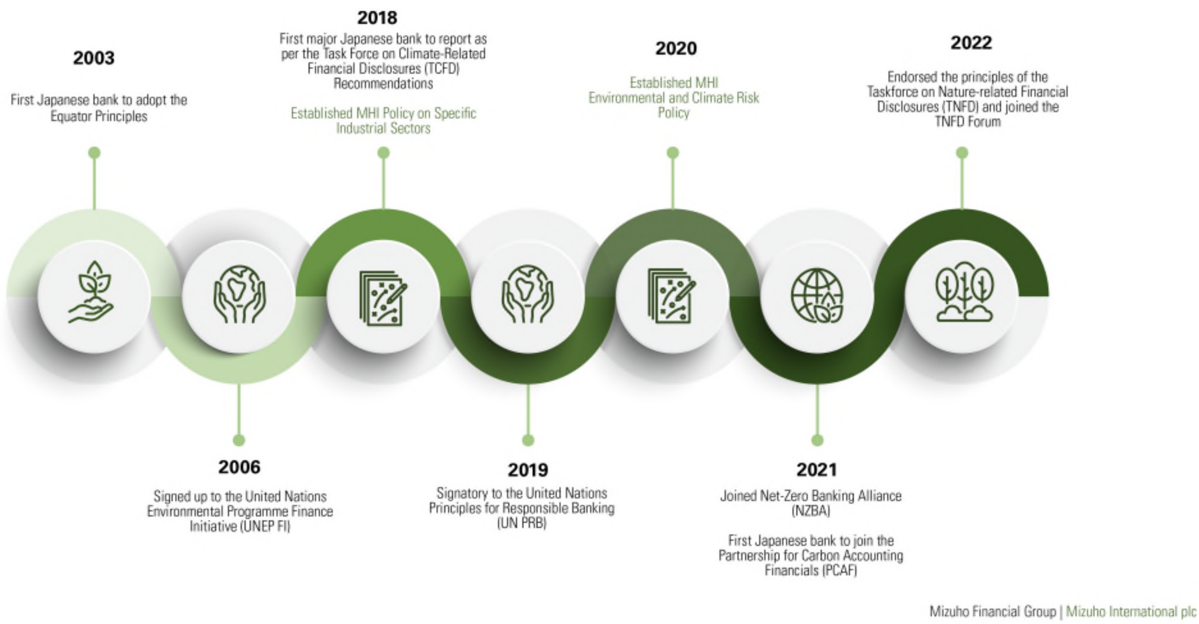
Sustainability initiatives are in the first instance driven by the ambition of Mizuho Financial Group to make a positive contribution to the transition to a low-carbon society. Mizuho Financial Group’s long-term strategy is to create business opportunities by assessing sustainability and climate change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

Over the course of fiscal year 2021/2022, Mizuho Financial Group has demonstrated its commitment by:

8. Environmental, Social & Governance (ESG) (Continued)

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

Mizuho Financial Group’s commitment to these and other sustainability frameworks are cascaded down to the Group through strategic initiatives and dedicated policies, adopted locally. Changes are also being made at the operational level, in line with Mizuho Financial Group’s commitment to reduce its own operational footprint, which the Group is committed to and actively pursuing.



Under the remit of the Board 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 was given to the BaFin ‘Guidance Notice on Dealing with Sustainability Risks’ that was 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.

8. Environmental, Social & Governance (ESG) (Continued)

Across the market, volumes of green, social, sustainable, and sustainability-linked fixed income debt experienced healthy growth during this financial year, with the biggest rise in issuance being in the sustainability-linked category. ESG labelled debt was particularly prominent within EUR-denominated issuance (in investment grade corporate bond markets), underscoring Europe's place as the leading market for sustainable finance. Continued growth is widely expected for the coming year. Against this favourable market backdrop, MHEU identified and pursued several sustainable finance business opportunities, MHEU arranged a growing number of ESG debt transactions across different markets, with 420% year-on-year growth in gross fees from ESG deals underwritten and originated by the Company.

8.2 Our People & Culture

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

The 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.

One of our key focuses is strengthening our junior talent pipeline. We continue to run our graduate programme whilst committing to a 50:50 gender balance. Furthermore, for the first time we hosted a successful 10 week summer internship across both our front office and back office.

We are committed to an embedded culture of flexible working where hybrid working is the norm for the vast majority of our roles. The move to flexible working no longer being solely associated with primary carers and mothers is a critical one, and the ability to capitalise on agile working solutions enables us to unlock increases in innovation, engagement and productivity.

The Company is committed to carrying out business with the highest standards of integrity and fair dealing, and without the use of corrupt practices or acts of bribery to obtain an unfair advantage. MHEU has an Anti-Bribery Policy, which sets out the policy and key controls implemented by the Company and the Group which include management oversight, individual's responsibilities, the conduct of risk assessments, and specific procedures in relation to gifts, hospitality, facilitation payments, use of business partners/intermediaries and procurement.

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

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

The Company is committed to equal opportunities for all. MHEU opposes all forms of discrimination, including discrimination on the grounds of age, disability, gender (including gender reassignment), marriage and civil partnership, pregnancy and parenthood, ethnic origin, religion or belief and sexual orientation. All employees, whether full-time, part-time or temporary, are treated fairly, equally and with respect. This applies to all aspects of employment, including recruitment and selection, appraisal, training and development, promotion, pay and working conditions.
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

Management Report (Continued)

8. Environmental, Social & Governance (ESG) (Continued)

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 determined by the commitment, hard work and integrity of its employees. It is critical for the company to protect and develop its most important capital, its employees, through a team-oriented work culture that promotes personal growth and employee well-being.

MHEU supports individual training and offers a variety of training courses and development programmes for employees.

MHEU also participates in a number of MHI Group diversity and inclusion networks to form a common inclusion network. Together, these networks aim to have a greater impact and drive cultural change in MHI Group. The new inclusion network currently includes the following initiatives: Cultural Diversity, Family, Gender, Faith Diversity, Pride and Future Leaders.

9. Events since the Balance Sheet Date

There were no material events since the Balance Sheet Date.

10. 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, 12 July 2022

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

Independent Auditor's Report

To Mizuho Securities Europe GmbH, Frankfurt am Main.

Report on the audit of the annual financial statements and the management report

Audit Opinion

We have audited the annual financial statements of Mizuho Securities Europe GmbH, Frankfurt am Main, comprising the Balance Sheet as at 31 March 2022 and the Profit and Loss Statement for the business year from 1 April 2021 to 31 March 2022, and the notes to the financial statements, including a description of the accounting and valuation methods. We have also audited the management report of Mizuho Securities Europe GmbH, Frankfurt am Main, Frankfurt am Main, for the financial year from 1 April 2021 to 31 March 2022. We made no audit of the content of the sections "2. Corporate Governance", "7. Employee Concerns - Performance Measurement and Management" and "8. Environmental, Social and Governance (ESG)" of the management report, which are non-management report disclosures. Non-management report disclosures in the management report are disclosures that are not required by §§ 289, 289a or §§ 289b to 289f HGB.

In our opinion, based on the findings of our audit, the accompanying financial statements

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to institutions and give a true and fair view of the net assets and financial position of the Company as at 31 March 2022 and of its results of operations for the financial year from 1 April 2021 to 31 March 2022 in accordance with German principles of proper accounting and

- the accompanying management report as a whole provides a suitable view 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 accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of sections 2., 7. and 8. of the management report mentioned above.

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 evi-dence 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, 7 and 8 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 conclu-sion on them.

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.

If, based on the work we have performed, we conclude that there has been a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibility of the legal representatives for the annual 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 institu-tions, 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 mat-ters 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 respon-sible 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;

- 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;

Independent Auditor's Report (Continued)

- 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, 13 July 2022

Ernst & Young GmbH
Wirtschaftsprüfungsgesellschaft

Hultsch
Wirtschaftsprüfer

Stapel
Wirtschaftsprüfer

Balance Sheet

Balance sheet
Mizuho Securities Europe GmbH
As at 31 March 2022

Assets	Euro	31 March 2022 Euro	31 March 2021 Euro
1. Receivables from credit institutions			
a) due on demand	26,550,355.88		24,127,444.84
b) other receivables	7,509,749.35	34,060,105.23	3,708,927.76
2. Receivables from customers From this: Secured by mortgages 0 Euro Municipal loans 0 Euro		51,931.79	0.00
3. Bonds and other fixed-income securities			
a) Bonds and notes			
aa) of public-sector issuers thereof: eligible as collateral with Deutsche Bundesbank 41,091,615.00 Euro (previous year: 41,038,096.55 Euro)		41,091,615.00	41,038,096.55
4. Equity shares and other non-fixed income securities		761,263.24	358,748.18
5. Trading assets		726,417,991.40	10,026,067.71
6. Tangible assets		1,000,089.60	1,187,934.87
7. Other assets		4,099,105.41	8,337,858.04
8. Prepaid expenses		285,525.83	126,298.98
Total assets		807,767,627.50	88,911,376.93

Liabilities	Euro	31 March 2022 Euro	31 March 2021 Euro
1. Liabilities to credit institutions			
a) due on demand	3,818.30		17,687.96
b) with agreed maturity date or notice period	182,841,676.34	182,845,494.64	35,291,858.69
2. Liabilities to customers a) Other Liabilities aa) With agreed term or period of notice		315,911.42	0.00
3. Trading liabilities		568,280,871.02	100,294.06
4. Other liabilities		943,216.39	956,734.06
5. Deferred income		31,164.72	31,347.00
6. Provisions			
a) Tax provisions	666,804.93		814,931.44
b) Other provisions	6,726,837.46	7,393,642.39	6,562,894.75
7. Funds for general banking risks		96,211.80	96,211.80
8. 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	5,039,417.17		1,232,500.15
d) Net income	2,821,697,94	47,861,115,11	3,806,917.02
Total liabilities		807,767,627.50	88,911,376.93

Profit and Loss Statement

Profit and Loss Statement
Mizuho Securities Europe GmbH
For the period 01 April 2021 - 31 March 2022

Expenses			31 March 2022	31 March 2021
	Euro	Euro	Euro	Euro
1. Interest expenses			248,693.26	305,928.45
2. Commission expenses			27,748,725.74	22,853,434.68
3. Net expenses of the trading portfolio			454,026.07	0.00
4. General administrative expenses				
a) Staff expenses		10,196,560.40		10,120,785.22
aa) Wages and Salaries	8,666,336.48			8,868,344.04
ab) Compulsory social security contributions and expenses for pensions and other employee benefits	1,530,223.92			1,252,441.18
thereof for pension 451,327.73 Euro (previous year: 398,069.10 Euro)				
b) other administrative expenses		13,121,951.01	23,318,511.41	11,451,629.88
5. Depreciation, amortization and write-downs of and value adjustments to intangible and fixed assets			286,920.83	268,283.73
6. Other expenses			16,452.83	97,822.31
7. Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for loan losses			296,757.19	241,908.51
8. Write-downs of and value-adjustments to stakes, shares in affiliated companies and securities treated as fixed assets			28,414.21	0.00
9. Income taxes			1,326,494.49	1,854,524.84
10. Net income			2,821,697.94	3,806,917.02
Total expenses			53,724,996.03	47,194,317.62

Revenues		31 March 2022	31 March 2021
	Euro	Euro	Euro
1. Interest income			
a) from lending and money market transactions	135,699.55		109,433.96
b) Fixed-income securities and government-inscribed debt	4.35	135,703.90	2,019.77
2. Current income from			
a) Equity shares and other variable-yield securities		25,017.10	7,860.09
3. Commission income		41,523,475.91	37,373,729.46
4. Net trading result		0.00	865,906.22
5. Income from write-ups on participating interests, investments in affiliated companies and securities treated as fixed assets		0.00	31,914.26
6. Other income		14,862,497.06	12,610,370.88
Total revenues		56,546,693.97	51,001,234.64

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) which also applies for Investment Firms.

1.1 Accounting and Valuation Methods

Cash Reserve and bank balances 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.

Securities sold under repurchase agreements and repurchased at a future date are recognized on the balance sheet over the life of the agreement. The corresponding cash received from the temporary sale of the securities, including accrued interest, is recorded as a repo on the balance sheet, reflecting its economic nature as a loan payable. Securities acquired under a repurchase agreement with a future retransfer agreement (reverse repurchase agreements) are not recognized in the balance sheet. The corresponding cash payments including accrued interest are accounted for as reverse repurchase agreements, reflecting their economic nature as a loan receivable. Repo and reverse repo transactions are recognized at fair value in the trading portfolio and in net trading income.

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 340e (3) HGB. Value at risk (VaR) measures the 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.

Notes to the Financial Statements (Continued)

1. BASIS OF PREPARATION (Continued)

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.

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.

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.

Notes to the Financial Statements (Continued)

3. CURRENCY TRANSLATION (Continued)

Assets and liabilities denominated in foreign currency:

	2022	2021
	TEUR	TEUR
Assets	**7,235**	5,138
Liabilities	**6,483**	4,674

4. MATURITY STRUCTURE

	2022	2021
	TEUR	TEUR
Receivables from credit institutions with a remaining term of		
payable on demand	**26,550**	24,127
up to 3 months	**4,689**	2,669
more than 3 months up to 1 year	**2,820**	1,040

The balance of receivables of TEUR 26,550 consists of bank balances.

	2022	2021
	TEUR	TEUR
Receivables from customers with a remaining term of		
payable on demand	**0**	0
up to 3 months	**52**	0
more than 3 months up to 1 year	**0**	0

	2022	2021
	TEUR	TEUR
Liabilities to credit institutions with a remaining term of		
payable on demand	**4**	18
up to 3 months	**158,992**	19,893
more than 3 months up to 1 year	**23,850**	15,399

	2022	2021
	TEUR	TEUR
Liabilities to customers with a remaining term of		
payable on demand	**0**	0
up to 3 months	**316**	0
more than 3 months up to 1 year	**0**	0

Notes to the Financial Statements (Continued)

5. RELATIONSHIP WITH OTHER COMPANIES OF MIZUHO GROUP

	2022	2021
	TEUR	TEUR
Receivables from credit institutions	**3,127**	2,943
Receivables from customers	**-**	-
Liabilities to credit institutions	**182,340**	34,026
Liabilities to customers	**-**	-

Receivables from credit institutions of TEUR 2,272 are with Mizuho International plc, TEUR 558 with Mizuho Bank Ltd., Tokyo, TEUR 294 with Mizuho Securities Co. Ltd., Tokyo and TEUR 3 with Mizuho Securities USA Inc.

Liabilities to credit institutions include TEUR 182,307 with Mizuho International plc, TEUR 26 with Mizuho Securities Co. Ltd., Tokyo and TEUR 7 with Mizuho Bank Ltd. Düsseldorf Branch.

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 41,092. The maturity is between 1-3 months for TEUR 8,011 and 3-6 month for TEUR 33,080. The full amount of TEUR 41,092 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 761 (previous year: TEUR 359) are fully tradeable on stock exchanges.

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 2022, 40,825 securities were held as fixed assets with a value of TEUR 474 and were part of the valuation unit and served as a hedge.

8. TRADING PORTFOLIO

The TEUR 726,418 (previous year: TEUR 10,026) in the trading assets represent TEUR 403,736 in reverse repurchase agreements with the parent company Mizuho International plc, fixed-interest securities of TEUR 321,896 and TEUR 1,061 in financial derivatives. These financial instruments are included in our trading book as at the balance sheet date. A risk adjustment of TEUR -275 was booked in accordance with Section 340e (3) HGB.

The TEUR 568,281 (previous year: TEUR 100) in the trading liabilities represent TEUR 357,038 in repurchase agreements with the parent company Mizuho International plc, fixed-interest-securities of TEUR 209,787 and TEUR 1,456 in financial derivatives.

Notes to the Financial Statements (Continued)

8. TRADING PORTFOLIO (Continued)

	2022	2021
	TEUR	TEUR
Trading assets		
Receivables from reverse repurchase agreements	**403,736**	0
Fixed-interest securities	**321,896**	9,927
Financial derivatives	**1,061**	99
Risk adjustment in accordance with 340e (3) HGB	**-275**	0

	2022	2021
	TEUR	TEUR
Trading liabilities		
Liabilities from repurchase agreements	**357,038**	0
Fixed-interest securities	**209,787**	1
Financial derivatives	**1,456**	99

The changes in the trading portfolio result from trading the first-time in European government bonds including hedging transactions in the form of futures and the resulting assumption of risk positions. These positions were excluded from the back-to-back booking model in the current fiscal year and are now recognized in the trading portfolio. Repurchase agreements are concluded to finance the positions, which are reported as receivables from reverse repurchase agreements and liabilities from repurchase agreements in the trading portfolio. As of the balance sheet date, the carrying amount of the assets sold under repurchase agreements recognized in the balance sheet was TEUR 356,265 (previous year: TEUR 0).

Derivative financial instruments consist of futures contracts recognized at fair value at the respective mark-to-market prices and forward transactions in fixed-income securities as well as purchases and sales of the same bonds (back-to-back model), for which there is a period of six to twelve days between the trade date and the settlement date and the settlement date falls in the next financial year. Forward contracts are accounted for at fair value using the discounted cash flow method.

At financial year end, the active derivative trading portfolio consisted of bond-related derivatives with a total market value of TEUR 753 and futures with a market value of TEUR 308. The passive derivative trading portfolio consists of forward contracts with fixed-interest securities with a market value of TEUR -951 and futures contracts with a market value of TEUR -505.

As of 31 March 2022, the carrying amount of the assets sold under repurchase agreements recognized in the balance sheet was TEUR 357,038 (previous year: TEUR 0).

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 1 April 2021	973	760	11	1,744
Additions	17	42	40	99
Disposals	-	-	-	-
Transfers	-	11	-11	-
At 31 March 2022	**990**	**813**	**40**	**1,843**
Accumulated depreciation and amortisation				
As at 1 April 2021	285	271	0	556
Scheduled depreciation	142	145	-	287
Extraordinary depreciation	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 March 2022	**427**	**416**	**0**	**843**
Remaining book value				
At 31 March 2022	**563**	**397**	**40**	**1,000**
At 31 March 2021	**688**	**489**	**11**	**1,188**

10. OTHER ASSETS

Other assets to the value of TEUR 4,099 (previous year: TEUR 8,338) are essentially composed by margin payments of TEUR 2,192, tax receivables of TEUR 779, accrued coupons of TEUR 374 and security deposits for MHEU’s offices of TEUR 112.

11. OTHER LIABILITIES

Other liabilities of TEUR 943 (previous year: TEUR 956) mainly comprise liabilities resulting from value-added taxes of TEUR 172 and Human Resources related payables of TEUR 131.

12. PROVISIONS

Provisions in the year under review amount to TEUR 7,394 (prior year: TEUR 7,378) and are mainly composed out of bonus provisions TEUR 4,001, service agreements with the parent company of TEUR 849, regulatory fees of TEUR 817 and corporate tax provisions of TEUR 667.

Notes to the Financial Statements (Continued)

13. EQUITY

Mizuho Securities Europe GmbH’s total equity as of 31 March 2022 is TEUR 47,861 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 5,039 (previous year: TEUR 1,233) and a net income for this year of TEUR 2,822.

14. NET INTEREST INCOME

The interest result of TEUR -113 (previous year: TEUR -195) is made up of interest income of TEUR 136 (previous year: TEUR 111) and interest expenses of TEUR 249 (previous year: TEUR 306).

15. NET COMMISSION INCOME

Net commission income of TEUR 13,775 (previous year: TEUR 14,520) consists of commission income of TEUR 41,524 (previous year: TEUR 37,373) and commission expenses of TEUR 27,749 (previous year: TEUR 22,853) and is mainly from the Global Investment Banking (GIB) business.

16. NET TRADING RESULT

The net trading result amounts to TEUR -454 (previous year: TEUR +866). It is based on a net trading loss of TEUR -179 and a risk adjustment of TEUR -275 in accordance with Section 340e (3) HGB.

17. OTHER OPERATING INCOME

The other operating income as of 31 March 2022 amounts to TEUR 14,862 (previous year: TEUR 12,610). The amount mainly consists of income of TEUR 12,755 from the intra-group transfer pricing agreement with the parent company Mizuho International plc and TEUR 1,330 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 8,666 (previous year: TEUR 8,868) and social security expenses and expenses for pensions of TEUR 1,530 (previous year: TEUR 1,252) for headquarter in Frankfurt and the branches in Madrid and Paris.

Other administrative expenses of TEUR 13,122 (previous year: TEUR 11,452) mainly consist of costs for the services mainly with Mizuho International plc in the UK of TEUR 8,929, cost for market data services of TEUR 1,254, professional fees of TEUR 1,049 and rent of TEUR 624 (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 287 (previous year: TEUR 268).

20. OTHER OPERATING EXPENSE

Other operating expenses amounted to TEUR 16 in the reporting period (previous year: TEUR 98) and is recognition of FX gains/losses.

Notes to the Financial Statements (Continued)

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

This item includes TEUR 297 (previous year: TEUR 241) from write-downs on bonds in the Liquidity Asset Buffer (Liquiditätsreserve).

22. TAXES ON PROFIT

Profit-based taxes of the current year amount to TEUR 1,326 (previous year TEUR 1,855). The amount breaks down into Corporate Income Tax of TEUR 679, Solidarity Surcharge of TEUR 31 and Trade Tax of TEUR 616.

23. AUDITOR'S FEE

The auditor's fee as at 31 March 2022 is made up as follows in accordance with Section 285 No. 17 HGB:

	2022
	TEUR
a) Annual audit services	**180**
b) other certification services	**64**
c) other services	**0**
Total	**244**

24. APPROPRIATION OF RESULTS

A revenue reserve of TEUR 2,822 was proposed for the year (previous year: TEUR 3,807).

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 2022 is as follows:

	2022	2021
	Number	Number
Management	**3**	3
Others	**33**	36
	36	39

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

	2022	2021
	Average	Average
Management	**3**	3
Others	**34**	29
	37	32

Notes to the Financial Statements (Continued)

26. MANAGEMENT

As at 31 March 2022 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)

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 2,030 (previous year: TEUR 2.347), this value includes 42,091 (previous year: 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
30 Old Bailey
London, EC4M 7AU
United Kingdom

https://www.mizuhogroup.com/emea/who-we-are/governance/mizuho-international-plc-legal-and-compliance/annual-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, Inc. can be obtained from:

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

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

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, 12 July 2022

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

Annex

COUNTRY BY COUNTRY REPORTING ACCORDING TO SECTION 42 WPIG

Group	Revenues Mio. EUR	Profit before tax Mio. EUR	Taxes Mio. EUR	Government aid received Mio. EUR	Average number of employees in FTE
Germany (Investment services)	22.6	3.7	1.2	0	32
Spain (Primary Debt)	2.6	0.2	<0.1	0	2
France (Primary Debt)	2.9	0.2	<0.1	0	3
Total	**28.1**	**4.1**	**1.3**	**0**	**37**

Approval of the Financial Statements as of 31.03.2022

The annual financial statements as of March 31, 2022 were prepared by the management, audited by Ernst und Young GmbH Wirtschaftsprüfungsgesellschaft and were given an unqualified audit certificate, were approved on July 20, 2022.

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