MIZUHO

# Mizuho Bank Europe N.V. Annual Report 2022

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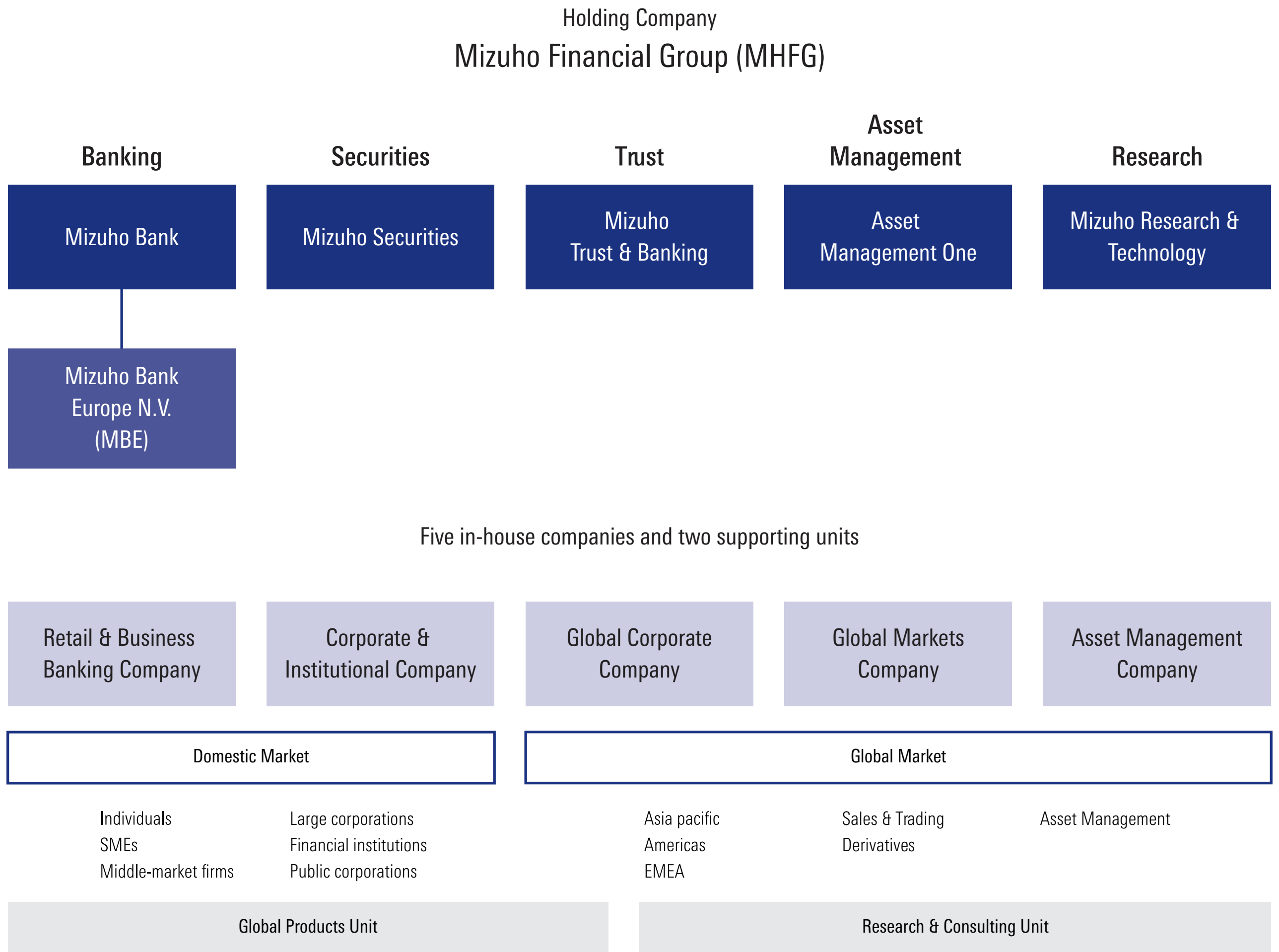
# 1. About Mizuho Bank Europe

## 1.1 Who We Are

Established in 1974, Mizuho Bank Europe N.V. ("MBE") is a fully licensed bank incorporated in the Netherlands and supervised by De Nederlandsche Bank ("DNB") and the Autoriteit Financiële Markten ("AFM"). With over 45 years of experience in providing financial services to Japanese and non-Japanese customers in the region, we have developed a solid client base and expertise throughout the European Single Market – with a focus on the markets in Benelux, Iberia, and Central & Eastern Europe – using our EU Banking Passport.

MBE is a 100% subsidiary of Mizuho Bank Ltd. ("MHBK"), which in turn is a wholly-owned subsidiary of Mizuho Financial Group ("MHFG" or "Mizuho Group"). With branches in Brussels (Belgium), Vienna (Austria), and Madrid (Spain), MBE employs 104 full time equivalents ("FTE") as of 31 December 2022.

Mizuho Group is a global financial services leader with offices in nearly 40 countries, approximately 52,400 employees, and assets of more than 1.9 trillion USD. Mizuho Group provides expertise in retail banking, corporate finance, investment banking, asset management, capital markets, and sales and trading, to help businesses develop and find new opportunities.





## 1.2 Our Vision and Values

As a leading financial services group with a global presence and a broad customer base, we approach our business activities with a commitment to:

- Provide customers worldwide with the highest quality of financial services with honesty and integrity;
- Anticipate new trends on the global stage;
- Expand our knowledge in order to help customers shape their future;
- Grow together with our customers in a stable and sustainable manner; and
- Bring together our group-wide expertise to contribute to the prosperity of economies and societies throughout the world.

These fundamental commitments support our primary role of bringing fruitfulness to all of our stakeholders and contributing to the prosperity of economies and societies in which we operate, by bringing together our group-wide expertise and conducting business activities and operations. Mizuho creates lasting value. It is what makes us invaluable.

Mizuho's Vision for the future is to be:

### 1 The most trusted financial services group

To be our customers' most trusted partner with innovative thinking and the extensive financial experience and expertise accumulated from relationships with wide-ranging customers.

### 2 The best financial services provider

To continuously provide the best leading-edge financial services to each of our customers, the related economies and societies we serve, by anticipating changes on both the global and local stages.

### 3 The most cohesive financial services group

To maximize our extensive expertise and collective capabilities as experienced financial services professionals in order to meet the diversified and changing needs of our customers, economies and societies.

MBE's local Vision within the context of the wider Mizuho Group is to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond. We work towards our vision by leveraging our unique position to provide the best financial solutions for our clients, committing to superior service at every step to help them achieve success.

The Mizuho Values are the shared values and principles of Mizuho's people, uniting all executives and employees across the globe to pursue our Vision.

1. Customer First: The most trusted partner lighting the future
2. Innovative Spirit: Progressive and flexible thinking
3. Team Spirit: Diversity and collective strength
4. Speed: Acuity and promptness
5. Passion: Communication and challenge for the future

# 1.3 Five Years at a Glance

All figures are before appropriation of profit, whereby the balance represents the figures per 31 December and the profit and loss account represents the figures for the financial year.

| (in €'000) | 2022 | 2021 | 2020 | 2019 | 2018 |
|---|---|---|---|---|---|
| **Assets** | | | | | |
| Loans and advances to banks | 222,266 | 213,046 | 370,612 | 500,315 | 476,698 |
| Loans and advances to customers | 2,590,736 | 2,907,214 | 2,247,340 | 2,371,183 | 2,309,925 |
| Others (incl. central bank balances) | 1,755,165 | 1,913,663 | 1,820,411 | 962,564 | 1,444,270 |
| Total assets | 4,568,167 | 5,033,923 | 4,438,363 | 3,834,062 | 4,230,893 |
| **Liabilities** | | | | | |
| Amounts owed to banks | 1,257,078 | 1,459,746 | 1,121,844 | 1,121,560 | 1,314,500 |
| Amounts owed to customers | 2,650,519 | 2,933,336 | 2,651,775 | 2,050,051 | 2,346,319 |
| Others | 99,361 | 115,120 | 162,924 | 167,766 | 98,390 |
| | 4,006,958 | 4,508,202 | 3,936,543 | 3,339,377 | 3,759,209 |
| Shareholders' equity | 561,209 | 525,721 | 501,820 | 494,685 | 471,684 |
| Total equity and liabilities | 4,568,167 | 5,033,923 | 4,438,363 | 3,834,062 | 4,230,893 |
| **Profit and loss account** | | | | | |
| Total operating income | 73,535 | 59,569 | 62,116 | 69,481 | 53,838 |
| Total operating expenses | (24,931) | (27,749) | (32,584) | (37,122) | (24,791) |
| Operating result before taxation | 48,604 | 31,820 | 29,532 | 32,359 | 29,047 |
| Income tax | (13,116) | (7,919) | (6,712) | (8,344) | (7,667) |
| Net result | 35,488 | 23,901 | 22,820 | 24,015 | 21,380 |
| Total capital ratio | 20.11% | 17.94% | 19.02% | 17.29% | 17.10% |
| NSFR | 128% | 117% | 130% | 110% | 138% |
| LCR | 138% | 185% | 165% | 134% | 201% |
| Return on Equity | 6.38% | 4.55% | 4.55% | 4.84% | 4.53% |



# 1.4 Organization

As of 31 December 2022

### Supervisory Board

| | |
|---|---|
| S. Toda | Chairman of the Supervisory Board and Chairman of the Personnel Committee |
| P.A. de Ruijter | Chairman of the Audit & Compliance Committee and Chairman of the Risk Committee |
| C. Camboly | |
| L.D.A. van Houwelingen | |

### Management Board

| | |
|---|---|
| S. Kajiwara | Chief Executive Officer |
| K. Kishinoue | Chief Business Officer |
| J. A. Pöhland | Chief Risk & Financial Officer |

### Department Managers

| | | |
|---|---|---|
| D. Morival | Chief Strategy & Operating Officer (forming part of the Management Team) | |
| S. Nakamura | Managing Director | Corporate Finance II |
| Y. Hashimoto | Managing Director | Treasury |
| H. van Voorst tot Voorst | Senior Director | Corporate Finance I |
| G.W. Schuurman | Senior Director | Credit Assessment |
| S. Witkamp | Senior Director | Human Resources & Facility Management |
| E. Thijssen | Senior Director, Company Secretary | Legal & Compliance, Company Secretary |
| C. van Sintfiet | Director | Risk Management |
| F. Pieters | Director | Finance |
| V. de Mooy | Director | Internal Audit |
| A. van Veen | Director | Middle Office |
| A. Zwart | Director | IT & Data Management |
| T. Suzuki | Director | Strategic Planning |
| C. Uchida | Director | Credit & Transactions Department |

### Brussles Branch

N. Sasaki — Branch Manager

### Vienna Branch

T. Yamamoto — Branch Manager

### Madrid Branch

A. Cervera Rodilla — Branch Manager

# 2. Report of the Supervisory Board

## 2.1 Supervision

The Supervisory Board and its Committees monitored the management of Mizuho Bank Europe N.V. ("MBE"), and the activities of the Management Board. In the Financial Year 2022, the Supervisory Board was informed by the Management Board of business development, strategy/Mid-Term-Plan, the financial situation of MBE, projects, regulatory & compliance matters, risks, culture & staffing, and the outlook with respect to future developments. The Management Board informed the Supervisory Board in sufficiently-detailed verbal and written reports, as well as during the formal Supervisory Board meetings, the Risk Committee meetings, the Audit & Compliance Committee meetings, and the HR Committee meeting.

The Supervisory Board supervised the Management Board, and ensured that the management and operations of MBE were properly administered, as well as supervised the policies within MBE pursued by the Management Board, and the general course of affairs of MBE. In addition, the Supervisory Board actively advised the Management Board on various matters related to strategy and (corporate) governance. The Supervisory Board takes into account the interest of all relevant stakeholders in the performance of its duties and responsibilities including, without limitation, that of MBE, its employees, customers, society, and the environment in which MBE operates. The Supervisory Board provided guidance on, among other things, the impact of the macroeconomic situation (including inflation), overall company strategy, risk management, organization, executive decisions, corporate culture & personnel strategy (including Diversity & Inclusion), as well as on various other key strategic projects and regulatory development, including other matters of actual or potential concern.

The Management Board involved the Supervisory Board in all of MBE's fundamental decisions in a timely and comprehensive manner, which enabled the Supervisory Board to perform all the tasks entrusted by applicable laws, and to the extend required, regulations.

### 2.1.1 Composition of the Supervisory Board

By ensuring the right tone from the top, the Supervisory Board is a core part of MBE's governance structure.

In 2022, the Supervisory Board consisted of four (4) members, each with his/her areas of expertise and with diverse nationalities: Japanese, Dutch, and French. MBE embraces the principle of having a diverse and balanced composition of its Management Board and Supervisory Board. As per the criteria laid down in the Dutch Corporate Governance Code 2022 and applied by De Nederlandsche Bank ("DNB"), two (2) members of the Supervisory Board are independent 'in state and appearance'.

Mr. S. (Shinsuke) Toda has been acting as Chairperson of the Supervisory Board since July 2020.

In 2022, there were a few changes with respect to the Composition of the Supervisory Board.

The Supervisory Board membership of Mr. K. (Kevin) O'Rourke ended on 31 December 2021. The selection of qualified candidates was based on experience, knowledge, and understanding of the Bank, regulation, and the main challenges MBE is currently facing. Having assessed the background, suitability, and integrity, through means of documentation and interviews, the Supervisory Board unanimously nominated a preferred candidate, Mr. C. (Christophe) Camboly. The application for a declaration of non-objection regarding appointment of the preferred candidacy was submitted to DNB, the supervisory authority, and the non-objection was received on 18 March 2022.

The term of Supervisory Board Member Mrs. G. (Gabriella) Kindert was not extended. Her term ended on 14 March 2022. The selection of a qualified replacement started shortly thereafter. The selection of qualified candidates was also based on experience, knowledge, and understanding of the Banking Sector, regulation, and the main challenges MBE is currently facing. Having assessed the background, suitability, and integrity, through means of documentation and interviews, the Supervisory Board unanimously nominated a preferred candidate, Mrs. L. (Leonique) van Houwelingen. The application for a declaration of non-objection regarding appointment of the preferred candidacy was submitted to DNB, the supervisory authority, and the non-objection was received on 9 June 2022.



### 2.1.2 Meetings of the Supervisory Board

All members of the Supervisory Board are firmly committed and believe to have demonstrated this commitment throughout 2022.

In 2022, five (5) Supervisory Board Meetings were held as well as several ad-hoc meetings. The first Supervisory Board Meeting that was held was the meeting rescheduled in Q4 2021, and held on 18 January 2022.

In 2022, the Supervisory Board also organized a two-day off-site, focusing on current state of affairs and business strategy. During this off-site, the Supervisory Board members both had closed sessions and sessions with the Management Board and Chief Strategy & Operations Office. The off-site gave all members the opportunity to exchange views about the current situation and how MBE can better operate and service its customers going forward.

All Supervisory Board Meetings in 2022 were 100% attended by all supervisory Board members.

In all of these meetings the Management Board and senior representatives of the appropriate departments participated. Main considerations and conclusions of the Audit and Compliance Committee, the Risk Committee, and the HR Committee were shared with the Supervisory Board.

To ensure all key issues are addressed in the meetings of the Supervisory Board and its sub-committees, MBE uses a yearly meeting planner. As with previous years, recurring topics such as governance, risk management, compliance matters, especially KYC/AML/Sanctions, legal matters, financial matters, resources issues, regulatory matters, (new) business initiatives, commercial development, IT infrastructure, privacy, data protection and cybercrime, as well as audit reports (internal and external) will continue to have the full attention of the Supervisory Board.

### 2.1.3. Professional Excellence

Permanent Education ("PE") focuses on securing the knowledge and skills of the Management Board and the Supervisory Board. PE -sessions are required to maintain and strengthen the desired level of knowledge and skills.

In 2022, two (2) PE sessions were scheduled. In June 2022 a PE session was held on Japanese Culture. This PE session was provided by Mr. S. (Suneel) Bakhshi, President & CEO of Mizuho International plc, at MBE offices. The second PE session was scheduled to take place in December 2022, but has been rescheduled to the first Supervisory Board Meeting of 2023, which is scheduled to take place in March 2023 due to an extension of the Supervisory Board Meeting in December 2022.

As part of the annual self-assessment cycle, the Supervisory Board discussed extensively together supported by an external advisor, its functioning and effectiveness during the Supervisory Board off-site. A number of points were identified and agreed to further enhance the functioning of the Supervisory Board, which were also shared with the Management Board. The recommendations to improve the functioning of the Supervisory Board and Management Board, and their mutual interaction have been recorded and documented. In line with the Dutch Banking Code, this self-assessment will be evaluated every three years under independent supervision, lastly in 2020 by an external specialized consultancy firm.

## 2.2 Committees

The Supervisory Board has set up three (3) Committees: the Risk Committee, the Audit and Compliance Committee, and the HR Committee.

### 2.2.1 Risk Committee

In accordance with applicable laws, the Terms or Reference for Committees and Meetings, and to the extend required regulations, the Supervisory Board set up a permanent Risk Committee in November 2012.

The Risk Committee assists the Supervisory Board with the performance of its duties in all risk-related matters. In 2022, the Risk Committee consisted of the Chairperson Mr. P. (Peter) de Ruijter, and one (1) member Mr. C. (Christophe) Camboly.

Four (4) Risk Committee Meetings were held in 2022.

The key topics that were discussed during the Risk Committee Meeting in 2022 were: Risk Management Framework, Supervisory Review and Evaluation Process ("SREP"), Credit and Portfolio Risk, Operational Risk, IT & Data Quality, Cyber Security, Project Portfolio, Environmental, Social and Governance ("ESG"), and several projects related risk management.

In all the Risk Committee Meetings, the Management Board, senior representatives where appropriate and required, the Risk Management Department, the Strategic Planning Department, the Legal & Compliance Department, the IT & DM Department, and ISO/DPO attended the meetings. The main advice, considerations, and conclusions of the Risk Committee Meetings were shared with the Supervisory Board.

Additionally, the Chairman of the Risk Committee was informed directly by Mr. J. (Jens) Pöhland, Chief Risk and Financial Officer ("CRFO") and Member of the Management Board, the Head of Risk Management Department, and the Head of Legal & Compliance through monthly video calls, ad-hoc calls, and email notifications.

The Supervisory Board also met one-on-one with other senior managers of MBE, to obtain a complete picture of MBE. As a result, the Supervisory Board members consider themselves well informed of intended business plans, corporate strategy, risk management, compliance, audit, and the overall performance of MBE and its affiliates, as well as its corporate culture.

### 2.2.2 Audit & Compliance Committee

In accordance with applicable laws, the Terms or Reference for Committees and Meetings, and to the extent required, regulations, the Supervisory Board set up a permanent Audit & Compliance Committee in November 2012.

The Audit & Compliance Committee assists the Supervisory Board with the performance of its duties in all Audit and Compliance related matters. In 2022, the Audit & Compliance Committee consisted of the Chairperson Mr. P. (Peter) de Ruijter, chartered accountant, and one (1) member Mr. C. (Christophe) Camboly.

Four (4) Audit & Compliance Committee Meetings were held in 2022. The key topics that were discussed during the Audit & Compliance Committee Meeting in 2022 were: internal and external Audit, Compliance, Regulatory, Systematic Integrity Risk Analysis ("SIRA"), and several projects related to compliance and finance.

In all the Audit & Compliance Committee Meetings, the Management Board, senior representatives where appropriate and required, the Finance Department, the Strategic Planning Department, the Legal & Compliance Department, the Internal Audit Department, and the external auditor attended the meetings. The main decisions, considerations, and conclusions of the Audit & Compliance Committee Meetings were shared with the Supervisory Board.

Additionally, the Chairman of the Audit and Compliance Committee was informed directly by Mr. J. (Jens) Pöhland, Chief Risk and Financial Officer ("CRFO") and Member of the Management Board and, the Head of Internal Audit and the Head of Legal & Compliance through monthly video calls, ad-hoc calls, and email notifications.

The Supervisory Board also met one-on-one with other (senior) managers of MBE, to obtain a complete picture of MBE. As a result, the Supervisory Board members considers themselves well informed of (intended) business plans, (corporate) strategy, risk management, compliance, audit and the overall performance of MBE and its affiliates, as well as its corporate culture.



### 2.2.3 HR Committee

In accordance with applicable laws, the Terms or Reference for Committees and Meetings, and to the extend required regulations, the Supervisory Board has set up a permanent HR Committee.

One (1) HR Committee Meeting was held in 2022. The key topics that were discussed during the HR Committee Meeting in 2022 were: Management Board evaluation, the general MBE-HR & local labor situation, gender diversity, succession planning, and remuneration.

## 2.3 Economic Developments 2022

The year 2022 remained a challenging year, as the world faced crisis upon crisis which continued to impact the global economy and societies. In the Financial Year 2022, MBE saw a very volatile external market, with high inflation figures as a result of high energy prices and disruptions to various supply chains worldwide. In the Netherlands, inflation reached a record high in September 2022, mainly due to higher energy prices. Also that month, the consumer price index ("CPI") rose by 14.5%, and energy was 200% more expensive in September 2022 than in September 2021 (and 151% higher than in August 2022).

These circumstances created economic and political instability, which had an impact on the customers of MBE and MBE's business growth. Although some of the supply chain shortages seemed to ease in the last quarter of 2022, and the oil and gas prices were falling due to expected lower demand, the expectation is that EU inflation will remain high for some time, and further interest rate hikes are expected as a result in the coming year. Although the industry and macroeconomic figures are forecasting a recession in the Netherlands and Europe in 2023, analysts and central bankers are less pessimistic about the depth and length of such recession.

Recognizing that corporate culture and staff mental health declined during the COVID-pandemic, combined with an overheated labor market, MBE continued to give special attention to the well-being of MBE's employees in 2022, taking various steps to support staff engagement and motivation. The Supervisory Board supported the Management Board in the continued close monitoring of the wellbeing of MBE's employees, and provided support where needed. Both the Supervisory Board and Management Board also extensively focused on developing a Diversity & Inclusion Plan and to create more awareness & support related to staff development.

As part of its longer term vision, MBE is in process of further strengthening its three lines of defense model and has hired additional resources and skills set to support the organization going forward. The Management Board and HR have been focusing on continuous staff engagement, staff retention initiatives and initiating a corporate culture journey. The Supervisory Board supports these initiatives to further strengthen the organization and its corporate)culture.

The Supervisory Board also welcomed the Management Board's initiative to enhance MBE's capabilities to its clients and its data management capabilities within Amsterdam, including streamlining the client onboarding processes in the coming years to reduce the client burden and enhance overall efficiencies and reliability, as well as the continuous strengthening of MBE's Know Your Customer ("KYC") and Anti-Money Laundering ("AML") capabilities.

MBE has managed to maintain stable business operations and performance in the Financial Year 2022. Maintaining stable business operations and performance led to providing MBE's clients with good support throughout the difficult times. In this regard, the Supervisory Board gives a special thanks to the Management Board, which has been able to keep a clear course and provide guidance to the staff throughout 2022, as well as to all the employees of MBE for their hard work, dedication, and continuous support.



## 2.4 Regulatory Oversight

Financial institutions play a pivotal role in the economy, both globally and locally. These institutions help in bridging the gap between idle savings and investment and its borrowers, as intermediaries.

The past decade of regulatory reform measures and oversight has ensured that the financial system has been better positioned to address turbulence and volatility in the economy. Capital and liquidity positions have been substantially strengthened, and counterparty credit risk has been reduced and mitigated through greater adoption of central clearing and collateralization of exposures. This enhanced resilience has supported banks', including MBE's, ability to provide credit and financial intermediation to the real economy.

MBE clearly understands its role and responsibilities as an EU-licensed banking entity. The Supervisory Board always strives to maintain a sound understanding of, and always be in compliance with, the regulatory environment, pertaining to the Bank's business model, organizational structure as well as its risk appetite framework. In doing so, the Supervisory Board always maintains an open and pro-active dialogue with the regulators, and strives to meet the expectations of the regulator and all of MBE's stakeholders and clients. As with previous years, MBE faced an increasingly-demanding regulatory landscape in 2022.

With respect to MBE's Remuneration Policy, the Supervisory Board closely monitored the proper implementation of the new Capital Requirements Directive ("CRD") V as well as the WBFO (Act on Remuneration Policies for Financial Institutions). MBE's Remuneration Policy was approved by the Supervisory Board in March 2022.

During 2022 and similar to 2021, the Supervisory Board had special attention for the following key projects: IT security framework, SREP, SIRA, operational risk management, outsourcing, data quality management, ESG, and the KYC/AML and sanctions governance framework. External threats and events such as the increase in cybercrime require a continuous focus on data protection and cybersecurity.

Communication with MBE's home state regulators, DNB, and Autoriteit Financiele Markten ("AFM"), has been open and constructive.

In 2022, MBE held three (3) periodical update meetings with DNB. These meetings took place in Q2, Q3 and Q4. During these update meetings MBE discussed several key topics, which included reorganization, staffing, data quality, KYC/AML, outsourcing, regional RM, and culture.

The Supervisory Board was proactively informed by the Management Board and involved in regulatory initiatives, reporting and dialogue, and the Supervisory Board is satisfied with the way the Management Board followed up on these topics. As these are considered key topics, the Supervisory Board will continue to closely monitor progress made and support the Management Board by providing guidance and assistance in these areas, when and where required.

## 2.5 Vision and Strategy

One of the responsibilities of the Supervisory Board is providing advice to the Management Board with regard to MBE's mission, strategy, and objectives. In 2019, Mizuho Financial Group ("MHFG") launched its 5-year Midterm Business Plan titled "Transitioning to the Next Generation of Financial Services" (the "Business Plan").

In the Business Plan, MHFG outlines, over a span of 5 years, how it intends to address structural changes in the industry and environment, such as digitalization, an aging society with a low birthrate, and globalization.

The key strategy formulated in the Business Plan is to go beyond the conventional boundaries of finance and to create new value incorporating both financial and non-financial products and services in order to forge new forms of partnerships with its clients. MHFG intends to realize this strategy by:

i. Drawing on the strengths the MHFG has cultivated thus far; and

ii. Accelarating digitalization initiatives and proactive collaboration with external partners.

To support the MHFG's Vision & Mission, MBE has adopted its own vision "to drive the success of our clients and advance the prosperity of the economies and societies of Europe, Middle East & Africa ("EMEA") and beyond." We work towards our vision by leveraging our unique position to provide the best financial solutions for our clients, committing to superior service at every step to help them achieve success.

In 2022, the Management Board and Supervisory Board continued to ensure there was alignment between MBE's strategy and that of MHFG. To that end, in 2022, the Management Board and Supervisory Board extensively discussed and approved a regional project intended to strengthen non-Japanese business in the region to align with North America and global trends from a country-lead to an industry-lead business model. Set up and structure was discussed intensively, focusing on MBE's situation and business enhancement, and the new structure was finally agreed in early 2022. Since the announcement, the execution was managed professionally and swiftly without negative impact to our clients or business.

The Management Board has kept the Supervisory Board appraised of the progress of the strategic project and various initiatives taken to ensure that business is being maintained.

Based on the work already performed, MBE has further strengthened its Strategy and Vision and it will remain on the agenda in 2023..

Following a physical Supervisory Board off-site meeting in September 2022 during which the way forward for MBE, opportunities and challenges (3 years horizon) from a business, governance, and culture perspective, and MBE's response to ESG were intensively discussed, the Supervisory Board believes that the local Mid-Term Strategic Plan will play an important role in expanding the business opportunities for MBE and keep MBE resilient to the challenges it will face in the near future.

Integrity and ethics are of great importance for the banking industry, which is why the Bank's corporate culture has our full attention. We encourage MBE's voluntary adherence to the (best practices of the) Dutch Corporate Governance Code and we monitored the measures that were taken to comply with its provisions. These topics remain high on the agenda of the Supervisory Board and will continue to be regularly discussed in the coming years. Complementary, the Supervisory Board will focus on MBE's Culture and focus on retention of employees.



## 2.6 Financial Statements

In compliance with applicable laws and article 13 and 16 of MBE's Articles of Association, the Management Board presented to the General Meeting of Shareholders the financial statements of the year 2022, together with the explanatory notes. The Supervisory Board carefully reviewed the financial statements and submitted its advice, to approve the financial statements, at the Company's offices for inspection by the shareholders.

## 2.7 Closing Remarks

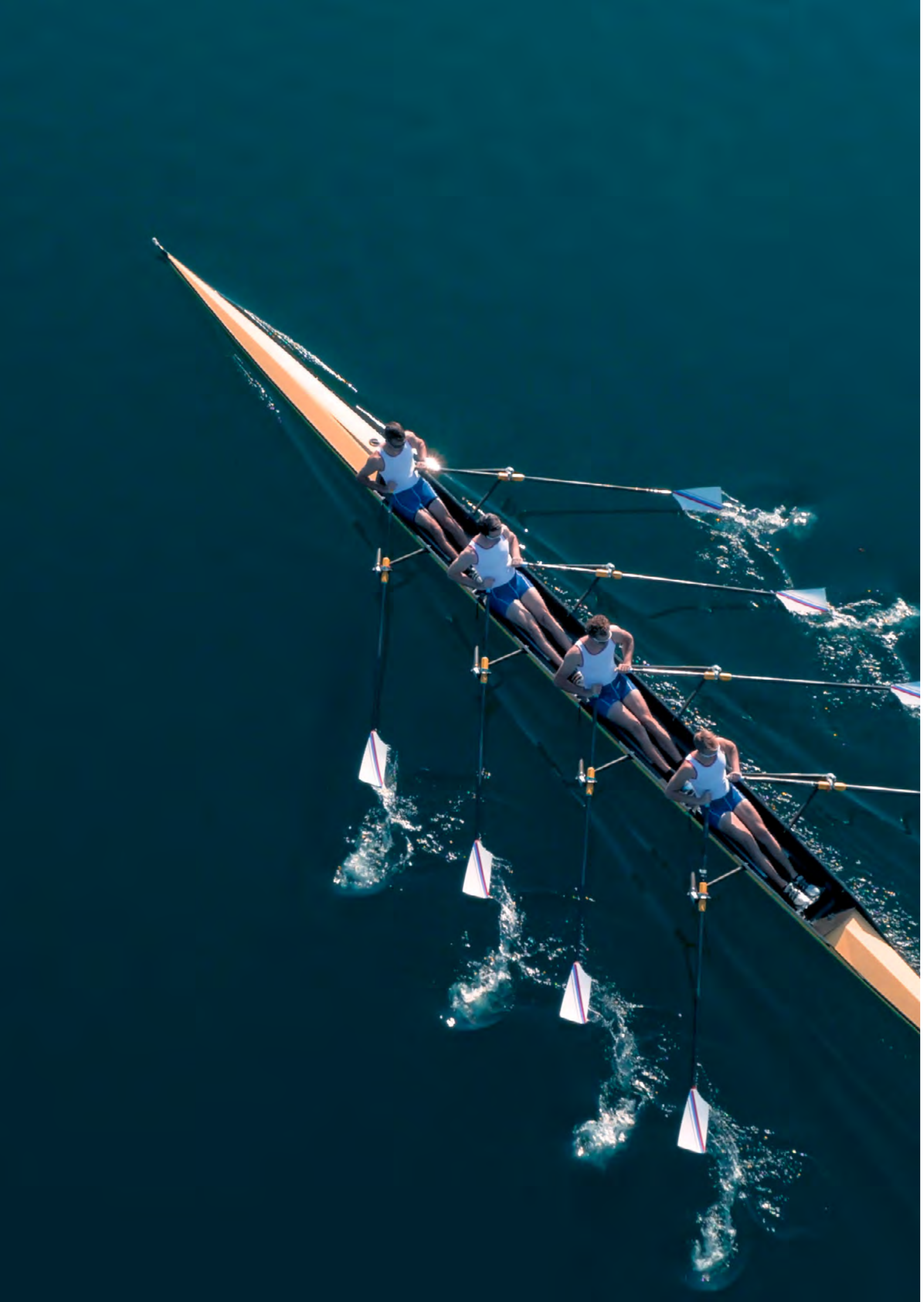
2022 has been another extraordinary year, heavily impacted by the Russian-Ukraine crisis, volatile markets, high inflation, and an overheated labor market which MBE has withstood thanks to the diligence and hard work of MBE's employees and the Management Board. The Supervisory Board would like to recognize these efforts and thank all staff and the Management Board for their hard work.

The Supervisory Board will continue to carefully monitor and supervise the impact of the current economic situation on MBE's business, clients, staff, finances, compliance, operations and risk management. The Supervisory Board will be in close coordination with the Management Board to ensure there is sufficient capacity and attention to manage the current situation. The Supervisory Board understands that where and when needed appropriate actions have already been taken by the Management Board.

The Supervisory Board looks forward to continuing the fruitful cooperation in 2023.

Amsterdam 22 March 2023

Shinsuke Toda (Chairman)
Peter de Ruijter
Christophe Camboly
Leonique van Houwelingen



# 3. Report of the Management Board

We are pleased to present the financial statements of Mizuho Bank Europe N.V. for the financial year 2022.

## 3.1 Mizuho Bank Europe

With COVID-19 being less prominent or impactful in the personal lives, business operations, and European society at large, we have seen new crisis and developments evolving which have required the Management Board to shift the attention from managing a company during a pandemic to managing a company with extreme macro economic volatility. Not only did we see supply shortages in the European (or even World) economy, we saw unprecedented spikes in energy prices and inflation figures, which in turn triggered aggressive monetary measures and stimoulous packages. As a result the Management Board needed to focus on supporting our customers and at the same time manage the overall operations of the Bank, including watching carefully the credit ratings and quality of the portfolio. The Bank has needed to also take steps to further enhance its organization and culture, creating a more enhanced 3 lines of defense model and a more purpose driven working environment. MBE and the Management Board are proud to see how staff have adapted to these unprecedented times and still been able to relentlessly deliver the service to our clients that we are used to providing.

All in all, we can proudly look back on a year where we keept delivering high value to our clients, but where we at the same time had to manage an organization that was dealing with many complex and difficult organizational and operational initiatives. Recognizing the challenges and the need to maintain superior service to our clients and advance the prosperity of the economies and societies of EMEA and beyond, the Management Board has decided to continue strengthening the organization, both in terms of increased resources and better organizational structure to enhance efficiency and effectiveness. In providing superior service, Mizuho and MBE are, offering a more industry-focused model to provide our clients with more high value and tailored services and something that will evolve over time across MBE's total client portfolio. These are great achievements, and the Management Board would like to thank all staff for their continued support and commitment.

With the Russian-Ukraine crisis continuing and high energy costs expected for the period to come, the Management Board realizes that these events will continue to create uncertainty and volatility. The Management Board also understands that the complexity of all the different sanctions is significantly impacting the compliance functions of MBE and the risks associated with that. Therefore, the Management Board needs to continue strengthening MBE's capabilities and, at the same time, supporting our customers in their pursuit of alternative business opportunities.

Furthermore, MBE has started a risk impact assessment and set up a contingency team as a preliminary measure to ensure business continuity and to mitigate any possible negative impact from this crisis. MBE has identified its indirect exposures to the industries that are risk-sensitive to this crisis and closely monitors its risk profile changes. The Management Board and the Risk Management department are aware of the current situation and are actively monitoring the daily developments of this geopolitical crisis. Where and when needed appropriate actions are taken. In addition to the above, MBE closely monitors its liquidity status to ensure an ample liquidity buffer is in place to mitigate any possible liquidity stress from the market.

MBE and the Management Board remain committed to supporting Mizuho Group and our loyal clients in the whole region and beyond.

## 3.2 Market Developments and Outlook

After a turbulent 2022, the global economy is now facing significant challenges in 2023. Growth is slowing and high inflation is proving persistent. Across the board risks are skewed to the downside, and the main elements impacting the economy will be energy, inflation, and Russia's war of aggression against Ukraine. Although not imminent at the moment, energy supply shortages later in 2023 could push prices higher again. The higher price of energy has already triggered increasing prices across a broad basket of goods and services and is expected to continue to do so. Moreover, interest rates are also expected to increase further, although more moderately compared to 2022, as it remains necessary to curb inflation. Finally, Russia's war in Ukraine is increasing the risks of debt distress in low income countries, and food insecurity.

For the Eurozone, the ECB expects a short-lived and shallow recession at the beginning of the year. As the economic consequences of the war in Ukraine unfold and fuel strong inflationary pressures, consumer and business confidence have remained subdued, while real disposable incomes are being eroded and soaring cost pressures are curtailing production, especially in energy-intensive industries.

The negative economic impact is expected to be partially mitigated by fiscal policy measures. In addition, higher than expected levels of natural gas inventories and ongoing efforts to reduce demand and replace Russian gas with alternative sources imply that the euro area is expected to avoid the need for mandated energy-related production cuts in the short term, although risks of energy supply disruptions remain elevated, in particular for the winter of 2023-24. Over the medium term, as the energy market rebalances, it is expected that uncertainty will decline, and real incomes will improve. As a result, economic growth is expected to rebound, also supported by strengthening foreign demand and the resolution of remaining supply bottlenecks, despite less favorable financing conditions.

Overall, annual average real GDP growth in the euro area is expected to slow down markedly, from 3.4% in 2022 to 0.5% in 2023, and then to rebound to 1.9% in 2024 and 1.8% in 2025.

Inflation in the euro area is expected to decline from an average of 8.4% in 2022 to 6.3% in 2023, with inflation declining from 10% in the last quarter of 2022 to 3.6% in the last quarter of 2023. Inflation is then expected to decline to an average of 3.4% in 2024 and 2.3% in 2025. The decline in inflation reflects strong energy-related downward base effects throughout the course of 2023, the gradual impact of the normalisation of the ECB's monetary policy which started in December 2021, the weaker growth outlook, the assumed decline in energy and food commodity prices, as well as the assumption that longer-term inflation expectations will remain anchored.

The ECB also considers a more severe scenario next to the above-mentioned baseline projections. It's noteworthy to fully consider this scenario too in our outlook as it may impact our business and risk assumptions for the coming period. The alternative scenario assumes gas supply shortages towards the end of this winter and throughout the following winter, leading to rationing and production cuts. The remaining flows of Russian gas would be halted and the possibility of substitution with supplies from other countries would be much more limited than assumed in the baseline. In addition, measures implemented by EU countries to constrain demand would not be successful and the coming two winters would be unusually cold, resulting in some limited shortages of gas towards the end of this winter and more severe shortages throughout the winter of 2023-24. This would trigger disruptions to value chains and a need to ration the energy used as an input in production. While some countries are less dependent on Russian gas supplies, other countries would incur severe production cuts as a consequence of a sizeable energy shortfall.

These supply disruptions would also lead to substantial increases in energy prices, while further disruptions to Ukrainian grain exports would also cause a spike in food commodity prices. The complete and permanent cut-off of the remaining Russian gas supply to the EU, as well as tightness in the global market for liquefied natural gas (LNG) when European countries replenish their gas storage reserves ahead of the 2023-24 winter, would lead gas prices to peak in late 2023 and early 2024 at €275 per MWh, i.e. at the gas price cap proposed by the European Commission in November 2022, which is around 125% above the assumptions in the baseline. Gas prices would then gradually decline as global LNG export capacity and EU LNG import capacity gradually increase. The scenario also assumes that Russia has only a limited ability to redirect oil exports, owing to the EU insurance ban for Russian oil shipments and the G7 oil price cap, causing oil prices to spike at 47% above the baseline in the first quarter of 2023, but to return to the baseline level by mid-2025 as the oil market gradually rebalances. The scenario also assumes a closure of the Black Sea shipping corridor and further disruptions to Ukrainian exports of wheat and corn, as well as spillovers from rising energy costs and fertilizer prices, pushing up international food commodity prices relative to the baseline assumptions.

Global economic activity and trade would be negatively affected in this scenario, which would weigh heavily on euro area foreign demand. The longer and more intense war in Ukraine continuing into 2023 and the increasing effects of international sanctions against Russia, coupled with higher commodity prices, heightened uncertainty and tighter financial conditions, would constitute a downward drag on the world economy, in particular for the central and eastern European region. Furthermore, with significant disruptions to trade and global value chains, euro area foreign demand would be almost 2% lower in 2023 and around 3.5% lower in 2024-25 compared with the baseline. Included is a table that compares the baseline and severe scenarios in terms of GDP growth and inflation.

Also, in the Netherlands, the war in Ukraine and the disruptions caused by the coronavirus crisis have led to a sharp rise in inflation. In particular, the very rapid rise in energy prices is having a negative financial impact on a growing number of households, as more and more energy contracts are up for renewal. As a result, consumption growth is expected to come to a standstill in the coming quarters and throughout 2023. Inflation and the related uncertainty – as well as central bank rate rises aimed at curbing inflation – are slowing down economic growth around the world.

The pace of GDP growth in the Netherlands is set to slow markedly next year to 1.5%. Public expenditure will contribute to growth, although CPB believes it will not be possible to implement a substantial part of the planned increase in spending due to supply problems and labor shortages. Exports will also generate growth. It is expected to grow by 1.9% in 2023; with higher gas prices it may grow by 0.6% in 2023.

It's notable that despite the tight labor market, wages show remarkably little growth in the Netherlands. The labor market remains tight as the moderating effect of the cooling economy is offset by growing demand for labor in the public sector. The increase in the national minimum wage (NMW) has a slight upward impact on wage growth, partly due to the knock-on effect on slightly higher wage scales. No effect on employment has been assumed in the short term; a limited downward impact is expected in the medium term and unemployment rises slightly to 3.9% in 2023. The collective labor agreements concluded thus far indicate no substantial acceleration of wage growth, despite labor market tightness and the favorable position in especially export-focused sectors. Relatively favorable corporate earnings and a declining labor income share (LIS) in 2023 suggest there is room for wage growth, although this will differ greatly depending on the sector and business.

In conclusion, and specifically for our home country the Netherlands, the economic outlook remains highly uncertain but is expected to trend downward. Not only is the gas price impacted by the course of the war in Ukraine and Russian energy policy, but the uncertainty also affects decisions by households and businesses due to the impact on confidence. There are also other risks: there is still a threat of a new wave of coronavirus, and there is also a risk that central banks will fail to curb inflation or that they will have to intervene even more aggressively to rein in inflation expectations. Widening interest rate differentials in the euro area may also create tensions. In view of these risks and the very moderate growth, it is quite possible that several quarters of negative growth will arise (a technical recession). The significance of this should not be overestimated; the tight labor market makes a rapid rise in unemployment unlikely, for example. An upside uncertainty – in addition to an end to the war and a fall in energy prices – is that consumption may turn out higher if households spend the savings built up during the coronavirus pandemic.

## 3.3 Management Board

Recognizing the changing and challenging environment - both in terms of new client demands and how they expect to be serviced in a rapidly-changing digital environment and in terms of how banks are being supervised and new regulatory requirements - the Management Board has taken various steps in 2022 to further enhance our capabilities and processes. Most noteworthy is our commitment to enhance our capabilities to our clients and our data management capabilities within Amsterdam, including streamlining our client onboarding processes in the coming years. This will ultimately reduce the client burden and enhance overall efficiencies and reliability. At the same time we continue strengthening our Know Your Customer and AML capabilities, something we will continue further improving in the coming years. The Management Board continues to promote good corporate governance and culture, which ultimately stimulates a harmonious way of decision-making and a good functioning organization.

In 2022, there were no changes in the composition of the Management Board. Given the growth of the organization and external environment, we are considering to possibly extend the size of our Management Board from three to four members in 2023/24. Our current Management Board members have thorough knowledge and experience in the banking business as well as international experience gained in foreign countries. However, as a result of certain organizational changes in order to strengthen the organization and governance, we may need to further strengthen the Management Board by adding one position.

The composition of the Management Board is filled by two Japanese expatriates (Chief Executive Officer and Chief Business Officer) and the third position is filled in on the basis of a local and indefinite contract (Chief Risk & Financial Officer). We are well aware of MBE's role in the banking sector, as well as the interests of relevant stakeholders, which include our clients, employees, shareholder and regulators. Our engagement is, among other things, reflected in contributions to organizations outside of MBE. Next to being MBE's CEO, in 2021 Mr. Kajiwara was the Vice Chair and Executive Board member of the Japanese Chamber of Commerce and Industry in the Netherlands (JCC). Mr. Pöhland has been a member of the Executive Board and Co-Chair of the Foreign Bankers' Association based in Amsterdam. Mr. Kishinouea has been a Vice Chairman and Board member of the Japanese School of Amsterdam.

The Management Board has been working closely with the Supervisory Board, and has proactively been communicating and seeking advice on various strategic matters. Our Supervisory Board continuously and proactively evaluated whether the Management Board has the expertise required to run a stable and sustainable organization, that also meets stakeholders and regulators expectations. The engagement between Management Board and Supervisory Board was higher in 2022 compared to previous years, due to various key strategic project and regulatory developments and the geopolitical developments. Various decisions were made that have a direct impact on MBE and will likely strengthen the business capabilities and organization of MBE. Over the year 2022, as a Board and on an individual basis, we were committed to pursuing a program of lifelong learning and we attended the Lifelong Education Program of the Supervisory Board . Unfortunately, due to the COVID-19 pandemic, time normally spent on the program of lifelong learning, has been lower than other years.

When making decisions, as a Management Board we strive to put our clients' interests first. Our mission statement, "Customer's (interest) first" is the guiding principle for the Mizuho Code of Conduct. To ensure that the Bank's mission statement and the company's values are truly embedded and understood by all employees , we continue to enhance the onboarding program of new employees and to engage all employees in company strategy related discussions. As in previous years, one of the Management Board Members is engaged in raising awareness of and taking the Dutch Banking Oath, as it is an important part to foster desired corporate culture and regain and maintain trust in the financial sector.

In an effort to further enhance good and long term corporate culture, in an environment where staff are working more and more outside the normal office environment, the Management Board has been focusing on, and taken various steps to support that effort. A dedicated Corporate Culture project was set up in 2021, to support corporate culture and human capital initiatives. As part of the long-term vision, the Bank is also in the process of adding additional new headcount to the organization. The Management Board, together with HR, will also focus on continuous staff engagement and staff retention initiatives.

We have also organized an off-site session with the Management Board and Supervisory Board, focusing on creating a more dynamic organization, MBE's strategy for the coming period (including ESG), and enhanced communication with our stakeholders.

We actively participated in key discussions with our Supervisory Board, shareholders, (senior) managers and all employees about our current and future strategy, which included looking for new business opportunities and developments to make the company more resilient to market developments and the evolving regulatory landscape. In addition to periodic meetings with department managers, we also actively participated in key committees, such as Supervisory Board, Audit & Compliance Committee of the Supervisory Board, Risk Committee of the Supervisory Board, Human Resources Committee of the Supervisory Board, MBE Risk Committee, Asset & Liability Management Committee, Portfolio Management Committee, Client On-boarding & Review Committee, Data Quality Committee, Staff Performance & Compensation Committee, and Management Committee. In order to enhance communication between the Management Board and employees, we regularly communicated though staff announcements and held various employee information sessions to explain items such as the company's strategy and current status. In addition to enhanced dialogue with managers. Additionally, in 2022 it was decided to establish an Employee Sound Board within MBE, where employee representatives from both Amsterdam and our branches are represented. The Management Board meets with the Employee Sound Board on a regular and frequent basis, to discuss and assess various issues and initiatives.

Our highly diverse and talented employees are committed to providing top-notch service to our clients, while simultaneously upholding the highest level of integrity and ensuring compliance with the regulatory environment. With respect to organizational changes, we made certain key changes to enhance efficiencies and controls, particularly in the field of data quality/management, IT & security, Business Promotion, KYC/AML and client services.

# 3.4 Financial Performance

Our profit in 2022 increased significantly compared to last year, by almost € 12 million. The total income took a big step forward and now sits at € 73.5 million. The total operating expenses decreased to approximately € 24.9 million, which is a decrease of € 2.8 million. This decrease was mainly caused by a substantial release of the pension provision of € 10.3 million, while the operating expenses increased compared to previous years. As a result, the overall net profit for 2022 stood at € 35.5 million, a new record.

### 3.4.1 Operating Income

In 2022 the operating income amounted to € 73.5 million. This is € 14 million higher than in 2021. The increase was seen across all categories, but mainly in interest income. Net interest income increased by € 12.6 million, the commission income is higher by € 1.1 million and the result on financial operations also increased compared to 2021 by € 0.3 million.

The net interest income has increased significantly by € 12.6 million to an even more robust € 55.5 million. The rise in interest rates across all currencies was the main cause of the increase. The net interest income from loans increased by € 25 million, which was due to rising interest rates, with a major increase from USD and EUR deals. A notable increase is also visible in the central bank's income. During 2021, the negative interest rate generated a loss from central banks of € 5.2 million, while with the increase of the interest rates an income of € 2.6 million was reported. On the other hand, interest on term deposits with clients increased by € 13 million, of which € 10.4 million relates to USD deposits.

### 3.4.2 Operating Expenses

The total operating expenses decreased by € 2.8 million, a year on year decrease of 10.2%. The decrease was triggered by the release of the pension provision.

Last year the ASC715 liability showed a decrease of € 1.2 million, while this year the decrease amounted to € 9.5 million. As a result of the rapidly increasing discount rate, the projected benefit obligation decreased by almost € 20 million. The fair value of the plan assets decreased with € 10 million which is a result of the increased expected return. Over the years, we have seen major fluctuations in the provision mainly triggered by the fluctuations in discount rate, which drives the calculation of the future obligations, and in the expected return on assets. These assumptions are evaluated every year.

Excluding the pension movements for the ASC 715 liability, the other operating expenses increased significantly compared to previous year:

| (in €'000) | 2022 | 2021 | 2020 |
|---|---|---|---|
| Total operating expenses | 24,931 | 27,749 | 32,584 |
| Pension movement ASC 715 liability | 9,473 | 1,189 | 686 |
| Expected credit loss | 636 | 1,595 | (2,053) |
| Other operating expenses | 35,040 | 30,533 | 31,217 |

After deduction of the impact of the above-mentioned events, the increase in the other operating expenses can be explained by increased IT-related expenses, higher salaries and social securities due to increased number of FTE's, increasing supervision expenses and increased expenses for professional advice.

### 3.4.3 Efficiency Ratio

As a consequence of the significant release of the pension, MBE's efficiency ratio (the ratio of operating expenses to operating income) dropped to 33.8% (2021: 46.6%). The efficiency ratio corrected for movements in the pension provision and the expected credit loss increased to 48.7% (2021: 51.2%), which is lower than in previous year. This is caused by income increasing more than the operational expenses.

Even though we adopted the expected credit loss model as from 2020, we are pleased to report that there were no actual write-offs of financial assets in 2022, unchanged from the years preceding.

Income tax charge for 2022 totaled € 13 million (2021: € 7.9 million). This represents a tax burden of 26.9% (2021: 24.9%). The tax burden increased compared to last year, as by the end of last year the leverage ratio fell below the 9% threshold resulting in not all interest expenses being deductible for Dutch tax purposes. Further, last year the tax burden enjoyed tax rate changes which resulted in a revaluation of the deferred tax asset.

### 3.4.4 Balance Sheet

Last year the total assets at year-end amounted to a record high at € 5,034 million. This year the balance sheet total decreased to € 4,568 million which is a decrease compared to the previous year of 9.0%. The decrease was mainly the result of decreased balances in the loans and advances to customers to an amount of € 2,591 million (2021: € 2,907 million).

The amount of loans and advances to customers, without taking into account funded credit protections, decreased, while the level of used credit risk mitigations sharply increased from 70% to 76%, which led to a decrease of the on-balance sheet assets. The total balance sheet share which is accounted for by the loans and advances to customers decreased from 57.8% in 2021 to 56.6% this year. The share of the loans and advances to banks (excluding to central banks) increased from 4.2% in 2021 to 4.9%.

Furthermore, on the credit side of the balance sheet the total amounts owed decreased to € 3,908 million (2021: € 4,393 million). Of this decrease, € 203 million are related to decrease interbank deposits with banks, and € 283 million to decreased current accounts takings from customers.



## 3.5 Risk Management

Risk is an inherent part of MBE's business as a bank. The main risks that MBE is exposed to are; credit, market, liquidity, business and non-financial risks (such as integrity, operational and IT risk). To manage these risks, MBE has a solid risk management framework in place based on the three lines of defense model.

### 3.5.1 Risk Governance

Within MBE's Risk Management Framework (RMF), the Risk Management Charter (RMC) provides an overview of all aspects related to the internal risk management processes at MBE and dictates a principle-based approach to risk management to ensure that risks are identified, monitored and managed in an effective manner. The corner-stone of the RMF is the Risk Appetite Statement (RAS), which is a document that determines the risk types and risk levels that MBE is able and willing to accept.

MBE applies the three line of defense model in its RMF in the following way:

- The first line of defense owns the risk and makes sure that proper and effective controls are in place, thereby keeping the Bank within the boundaries of its risk appetite.
- A number of internal control functions form the second line of defense: the Risk Management department, Legal & Compliance department, the Information Security/Data Protection Officer, and the Credit Assessment Department.
- Besides setting up policies, key risk indicators and limits to ensure the first line of defense performs as intended, the Risk Management department also adequately identifies, measures and monitors risks in normal and stressed situations. It also oversees MBE's business activities so that they are consistent with its strategy and risk appetite.
- The Internal Audit Department is the independent third line of defense, which evaluates the effectiveness of governance, risk management and control processes performed by the first and second lines.
- The Management Board has the ultimate responsibility for managing the risks the bank is exposed to. The actions of the Management Board are monitored by the Supervisory Board.

Full details of MBE's risk governance and RMF can be found in its Pillar 3 disclosure, which is available upon request.

### 3.5.2 Risk Appetite

MBE is committed to maintaining a low risk profile and therefore sets the risk appetite as low for all risk categories. MBE establishes a competitive advantage by focusing on its clients' needs, providing solutions and taking appropriate risks that are commensurate with MBE's low risk profile. With this focus, we aim to achieve improved corporate value through continued and stable profitability, as well as by fulfilling our social responsibility.

From a top-down perspective, the Supervisory Board and Management Board ensure MBE's low risk appetite by designating that MBE keeps sufficient capital and liquidity buffers above the regulatory minimum requirements. Internal limits and target levels for all applicable risk categories are set to determine both minimum and comfortable risk levels under a business as usual situation. Additionally this mechanism allows the Bank to monitor, escalate and take preventative and/or remedial actions when necessary.

From a bottom-up perspective, MBE ensures its low risk appetite via a thorough understanding by the front offices about the risks taken and how this relates to the risk appetite. MBE's risk management function monitors the risk profile continuously and coordinates appropriate actions in case there are any concerns with regards to the risk appetite levels or limits.

Furthermore, in order to promote appropriate risk-taking, MBE established a robust governance and financial foundation that are essential to our business activities. The Bank also promotes and embeds a risk culture whereby the management and employees understand the risks underlying our own business and take appropriate measures when necessary.

In addition, a thorough understanding of the risk management framework and risk appetite is one of the most important components of the on-boarding training for new joiners, regardless of their position and/or function in the company.

### 3.5.3 Risk Developments in 2022

The year 2022 will most likely be remembered as the year that marked the end of an era and the beginning of another. The past year brought good news such as the ease of the corona-virus restrictions in most countries and the hope for a better future. However, very quickly this optimistic outlook turned sour as major war returned to Europe with the impending threat of nuclear strikes.

Thus, the macroeconomic environment was defined by the Russian invasion of Ukraine, which started a war that is still going on. Furthermore, this geopolitical crisis had consequences in all spheres, which particularly translated into a rising cost of living, high inflation, and interest rate hikes. These three topics took the headlines as it was of most importance to financial markets and economies around the world.

Given these developments and unprecedented circumstances we experienced in 2022, MBE's risk management focus was on safeguarding the Bank's operations, business model, and capital & liquidity buffers by strengthening existing processes and introducing new ones.

Specifically concerning the Russia-Ukraine crisis and high inflationary environment, MBE took the following steps:

- Operational risk: Ensure business continuity in a safe and secure environment by enhancing its information security, cyber and data security, and operational risk management framework, incl. training and continuous communications to employees.

- Credit risk: A bottom-up and top-down credit risk analysis on the entire portfolio to better understand vulnerabilities of the different industries and sectors. In addition to this MBE closely monitored those clients and their exposures who are possibly most at risk from the high inflationary environment and supply chain crisis triggered by the Russia-Ukraine war.

- Expected Credit Loss: MBE runs stress-testing activities to determine the Expected Credit Loss (ECL) arising from the potential credit deterioration of vulnerable exposures. MBE's borrowers ratings are now stressed by several notches downgrade depending on the expected economic repercussions per industry. The severity of the contemplated scenarios offered a range of additional ECL which were subsequently analyzed, discussed and reported internally.

- Market and liquidity risk: MBE and its parent group closely monitored the market development and liquidity situation through a wide range of early-warning indicators. MBE also performed additional stress testing to ensure sufficient liquidity buffer was available to mitigate possible negative liquidity impact.

Besides the measures taken by the Bank as explained above, the following items are worth pointing out:

- MBE's ability to meet regulatory requirements, demonstrated via its Supervisory Review & Evaluation Process (SREP) submissions, was again acknowledged in 2022 by receiving an outcome from DNB within MBE's expectation while biennial schedule for future SREP submissions is also continued.

- Meanwhile the Bank continued to see the adoption of more inquisitive supervisory practices, including greater use of on-site inspections & questionnaires and quick scans. This reflects common leading practice and the increasing need for supervisors to engage directly with banks in order to understand their strategies, business models, risk management frameworks and approaches.

- MBE is in continuous compliance with CRD IV and Basel III. We are monitoring the key risk indicators on an ongoing basis, e.g. capital buffers, leverage ratio, large exposures, Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR). The internal and external (regulatory) reporting on these key metrics was accomplished without any particular issue or concerns.

- Information security: Besides ensuring a safe & secure working from home environment, much energy was spent on various in-depth analysis that lead to action plans, recommendations and suggestions for improvement to the Management Board, most of which work started immediately on.

On top of that, the risk management function also led several important initiatives with the aim to enhance risk management practices and create more value for the Bank:

- Data quality: Continuing with our goal of meeting the BCBS 239 principles, a great deal of effort was made to increase the data quality of the various internal and external reporting processes as well as improving upon the actual processes themselves. On an operational level, a number of improvements were made to reduce the occurrence of data quality issues, including reduction of manual data capturing and moving to systemic data input solutions. The improvement of the data quality and data management within MBE is still ongoing.

- Credit risk management: a further step forward was taken in the robustness of the credit risk management framework in 2022. This was driven by the need for different and better insight into MBE's portfolio because of the Russia-Ukraine crisis, as well as implementing other self-identified points of improvement. Ultimately this led to a more engaged and effective Portfolio Management Committee, a series of top-down and bottom-up assessments on MBE's portfolio, a new stress testing framework as well as updates of policies, further improvements in ECL model, and various other improvements on the processes; documentation, reporting and management of credit risk.

### 3.5.4 Risk Outlook in 2023

Shocks of recent years – most notably, the war in Ukraine and the COVID-19 pandemic – have reflected and accelerated a pivotal change in the global order. The economic after-effects of COVID-19 and the war in Ukraine have ushered in skyrocketing inflation, a rapid normalization of monetary policies and started a low-growth, low-investment era. As the conflict between Russia and Ukraine approaches one year, the expectation is that economies and societies will not easily rebound from continued shocks.

Furthermore, risks that are more severe in the short term are embedding structural changes to the economic and political landscape that will accelerate other global threats in the near future. The persistence of the shocks experienced in the last few years is already reshaping the world that we live in. The world's collective focus is being channeled into the "survival" of today's crises: cost of living, social and political polarization, food and energy supplies, sluggish growth, and geopolitical confrontation, among others. Furthermore, a low-growth, low-investment, and low-cooperation era further undermines resilience and the ability to manage future shocks.

In recognition of the growing complexity and uncertainty of our current environment, there is the chance for a possible "polycrisis", relating to shortages in natural resources such as food, water, metals and minerals, illustrating the associated socioeconomic and environmental fall-out. Needless to say, the food and energy supply crisis, high inflation and increasing cost of living in Europe and around the world have had a profound impact on individuals and society at large. As the Russia-Ukraine war and the food & energy crisis continue to unfold it is difficult to assess with clarity the short term ramifications and long term impact of the current events.

Thus, looking ahead to 2023, we believe the world will experience reduced economic growth, slowly decreasing but persistent inflation and relatively high energy prices (gas/oil) compared to previous years, while central banks hike interest rates in Europe and the rest of the world. Furthermore, due to the several events and crises unfolding at the moment, the market anticipates consistent volatility over the next two years. Nevertheless, we remain cautiously optimistic with regards to major changes to MBE's risk exposures, ECL and/or default ratios. To ensure we keep a thorough view on our portfolio and to allow timely management action, credit risk and prudent portfolio management naturally remain key focus areas for MBE in 2023.

#### *3.5.4.1 Cost of living crisis & high inflation*

The sharp rise in inflation last year, which was reflected in an increase in the level of the prices of goods and services that households buy grabbed headlines worldwide, sparking concerns from central banks and governments around the world. Because a large part of companies and people's costs are related to energy, the price of oil, gas and electricity matters greatly for overall inflation. Thus, high prices were primarily driven by soaring energy prices and secondly by food prices.

This situation triggered a global cost-of-living crisis, with inflationary pressures disproportionately hitting those that can least afford it. Even before the COVID-19 pandemic, the price of basic necessities – non-expendable items such as food and housing – were on the rise. Costs further increased in 2022, primarily due to continued disruptions in the flows of energy and food from the Russia-Ukraine war. To curb domestic prices, several countries around the world introduced restrictions, including export bans, in food and energy last year, further driving up global inflation. Moreover, the looming threat of Russia pulling out of the Black Sea Grain Export Deal has also led to significant volatility in the price of essential commodities.

At the beginning, high inflation and rising costs of living were broadly perceived to be short-term risk, peaking within the next two years and easing off thereafter. However, the persistence of a global cost-of-living crisis could result in a growing proportion of the most vulnerable parts of society being priced out of access to basic needs, fueling unrest and political instability. Continued supply-chain disruptions could lead to sticky core inflation, particularly in food and energy. This could trigger further interest rate hikes, raising the risk of debt distress, a prolonged economic downturn and a vicious cycle for fiscal planning.

Although global supply chains have partly adapted, with pressures significantly lower than the peak experienced in April last year, price shocks to core necessities have significantly outpaced general inflation over this time. The FAO Price Index hit the highest level since its inception in 1990 in March last year. Energy prices are estimated to remain 46% higher than average in 2023 relative to January 2022 projections. Furthermore, the relaxation of China's COVID-19 policies could drive up energy and commodity prices further - and will test the resilience of global supply chains. As 2023 progresses MBE will continue monitoring the economic situation closely in Europe and globally to mitigate or resolve any issues arising.

#### *3.5.4.2 Energy & food supply crisis*

Our global "new normal" is a return to basics – food, energy, security – problems our globalized world was thought to be on a trajectory to solve. These risks are being amplified by the persistent health and economic overhang of a global pandemic; a war in Europe and sanctions that impact a globally-integrated economy; and an escalating technological arms race underpinned by industrial competition and enhanced state intervention. Longer-term structural changes to geopolitical dynamics – with the diffusion of power across countries of differing political and economic systems – are coinciding with a more rapidly changing economic landscape, ushering in a low-growth, low-investment and low-cooperation era and a potential decline in human development after decades of progress.

The result is a global risks landscape that feels both wholly new and eerily familiar. There is a return of "older" risks that are understood historically but experienced by few in the current generations of business leaders and public policy-makers. In addition, there are relatively new developments in the global risk landscape. These include widespread, historically high levels of public and in some cases private-sector debt; the ever more rapid pace of technological development and its unprecedented intertwining with the critical functioning of societies; and the growing pressure of climate change impacts and ambitions in an ever-shorter time frame for transition. Together, these are converging to shape a unique, uncertain and turbulent 2023 and years to come.

#### *3.5.4.3 Climate & environmental risks*

Climate and environmental risks are the focus of global risks perceptions in the coming years, and over the next decade and are the risks for which we are the least prepared. The lack of deep, concerted progress on climate targets has exposed the divergence between what is scientifically necessary to achieve net zero emissions and what is politically feasible. Growing demands on public-and private-sector resources from other crises will reduce the speed and scale of mitigation efforts over the next two years, alongside insufficient progress towards the adaptation support required for those communities and countries increasingly affected by the impacts of climate change.

As current crises divert resources from risks arising over the medium to longer term, the burdens on natural ecosystems will grow given their still undervalued role in the global economy. Nature loss and climate change are intrinsically interlinked – a failure in one sphere will cascade into the other. Without significant policy change or investment, the interplay between climate change impacts, biodiversity loss, food security and natural resource consumption will accelerate ecosystem collapse, threaten food supplies and livelihoods in climate-vulnerable economies, amplify the impacts of natural disasters, and limit further progress on climate mitigation.

Central banks and supervisory authorities are increasingly focusing on ESG and climate change-related risks. Guidelines, best practices documents and other forms of regulatory expectations are published by the ECB, EBA, DNB and other regulatory authorities and the financial industry is working hard to understand and adopt the various elements of ESG-related risks into their management frameworks.

It is certain that climate change-related risks will have both a direct and indirect impact on banks. More severe weather phenomena and the transition to a low-carbon economy will have significant adverse implications for euro area banks for the continuity of their operations as well as for the risk profile of their assets (e.g. exposures to high-carbon emission sectors). Understanding and managing climate change-related risks remains a top priority for 2023 and beyond. Furthermore, MBE is working on a more comprehensive materiality assessment on Climate and Environmental Risks (CER) and is actively working on integrating ESG into its risk management framework in 2023 and beyond.

#### *3.5.4.4 Regulatory changes*

MBE continues to be subject to significant levels of various new and amended financial regulations. To ensure full compliance, MBE continues to monitor any regulatory changes affecting the Bank by holding periodic or ad hoc meetings to analyze and discuss impacts of new and changed existing regulations.

The Capital Requirements Directive and Regulation (CRD V and CRR II) will revise capital requirements to strengthen the capital and liquidity positions of EU banks, also leading to an increase in minimum capital requirements and an aggregated capital shortfall across EU banks.

#### *3.5.4.5 Cybersecurity risk*

Digitalization of financial services makes banks more vulnerable to cybercrime and operational IT deficiencies. This risk, in particular for the financial services industry, had already increased because of the corona-virus pandemic and the work-from-home situation. During 2022, with the onset of the Russia-Ukraine crisis we have seen a substantial increase in cybersecurity threats and phishing scams. Furthermore, there is a strong acknowledgement that cyber incidents can result in significant costs or reputational losses for MBE and can even have systemic consequences. MBE is committed to further strengthening its information security and operational (including IT risk) risk management framework in 2023 to safeguard its operations, clients and business.

#### *3.5.4.6 Emerging risks*

Last but not least, newly-emerging or rapidly-accelerating risk clusters drawn from the economic, environmental, societal, geopolitical and technological domains, could become tomorrow's crisis. These include the following:

- Natural ecosystems: deteriorating risks to natural capital ("assets" such as water, forests and living organisms) due to growing trade-offs and feedback mechanisms relating to climate change.

- Economic stability: growing debt crises, with repercussions for financial contagion as well as collapse of social services, emerging from a global reckoning on debt and leading to social distress.

- Human health: chronic risks that are being compounded by strained healthcare systems facing the social, economic and health after effects of the COVID-19 pandemic.

- Human security: a recent reversal in demilitarization and growing vulnerability of nuclear-armed states to emerging technologies, emerging from new weapons and multi-domain conflicts.

- Digital rights: the potential evolution of data and cyber security threats, given the slow-burning, insidious erosion of the digital autonomy of individuals, putting privacy in peril.

#### *3.5.4.7 Financial Position*

MBE maintains a mid-term business and capital plan as a part of our ICAAP process and we have examined the impact to our profitability and capital adequacy under the stressed environment. Based on this, the Management Board believes that MBE is able to maintain a sound financial position in the mid-term, even under stress.

Detailed descriptions of individual risk management items are set out in section 5.9 (Risk Management) of this Annual Report.

# 3.6 ESG

At Mizuho, we define sustainability as environmental conservation, the sustainable development and prosperity of the economy, industry, and society both in Japan and around the world, and Mizuho's sustainable and steady growth. We identified our materiality areas (key sustainability areas) as being priority issues in our business strategy, and are proactively moving forward group-wide sustainability initiatives so that Mizuho, together with our clients and society, can achieve sustainability transformation and create new value.

At MBE, we fully align with Group strategy, leverage the Group's knowledge and capabilities, adopt these to local market needs, and pro-actively engage on upcoming Environmental, Social, and Governance (ESG) topics. Within MBE, we have identified our four focus areas for the period of fiscal year 2022 to 2024:

- Client
- Risk Management
- Regulation (reporting)
- Corporate Foundation

Our targets and action plans will be driven from these four areas, whilst aligning with and fully leveraging the Mizuho Group's strategy, capabilities, resources, and best practices in the context of ESG.

### 3.6.1 Governance

To strengthen the framework, in 2021, Mizuho Financial Group established the Sustainability Promotion Committee, and formed and expanded the specialist departments for promoting sustainable business. Moreover, based on thorough discussions by business execution and supervisory lines and with attention to both opportunity and risk, Mizuho strengthened initiatives related to climate change responses, respect for human rights, environmentally and socially responsible financing and investment activity, and sustainable business. In addition, in September 2022, the new position of Group Chief Sustainability Officer (Group CSuO) was established to promote sustainability initiatives throughout the Mizuho group.

The Group CSuO will not be affiliated with any specific in-house company, unit, or group, but rather report directly to the Group CEO, and will plan and promote sustainability initiatives for the entire Mizuho group.

For important sustainability-related matters, Mizuho's system consists of discussions at the business execution line, e.g., the Sustainability Promotion Committee and Executive Management Committee, and supervision by the Board of Directors and Risk Committee. Constructive discussions are held with outside directors who have experience and expertise in sustainability, as well as with external experts in attendance at Risk Committee and Sustainability Promotion Committee meetings. The resulting feedback is used in establishing policy and promoting initiatives.

In order to effectively and sustainably tackle the ESG topics within MBE, it is imperative to define a robust governance structure to realize the ESG strategy. To this end, in 2022 we have introduced the role of ESG Coordinator at MBE (within the Strategic Planning/ CSOO area) who ensures ESG strategy and policies are timely and fully implemented. A temporary committee structure has also been established, the ESG Promotion Committee, to steer all ESG developments until minimally fiscal year 2024. The Committee is a venue for active information sharing and gathering, including those from within the Group and externally, and also serves as a driver for enhancing upskilling and awareness efforts on the topic. Key stakeholders are represented in the ESG Promotion Committee, including Risk Management, Finance, Legal & Compliance, front offices, and the Management Team.

### 3.6.2 Environmental

Mizuho has joined the Net-Zero Banking Alliance (NZBA), an international initiative between banks aiming to align their lending and investment portfolios with net-zero greenhouse gas emissions by 2050. In line with our policy of positively contributing to the achievement of a low-carbon society (achieving net-zero greenhouse gas emissions) by 2050 and of undertaking transformation to a portfolio aligned with the targets in the Paris Agreement, we have committed to setting medium- to long-term targets for greenhouse gas emissions from financing and investment, and we are working toward measuring our greenhouse gas emissions and establishing medium- to long-term targets.

MBE has incorporated climate-related and environmental risk explicitly as a separate risk type into the risk management framework and Risk Appetite Statement (RAS), referencing relevant guidelines, for instance DNB's publication of the 'Good Practice – Integration of climate-related risk considerations into banks' and the European Central Bank's (ECB) 'Guide on climate-related and environmental risks'. MBE acknowledges that climate-related and environmental risk is dynamic in nature and that its relation with other risk types are also evolving. We therefore consider it is necessary and prudent to embed climate factors into the risk management framework and develop a more forward-looking approach, to further enhance its resilience to climate-related and environmental risk as well as enable it to capture the opportunities from changes in climate-related policies.

Mizuho at the Group level has also established the Environmental and Social Management Policy for Financing and Investment Activity to mitigate and avoid adverse impacts of financing and investment on the environment and society. In 2022, this Policy was further revised to strengthen Mizuho's initiatives on respect for human rights, responses to climate change, and the conservation of biodiversity in line with the expectations and perspectives of our stakeholders. MBE fully aligns with the Group's policy and implements it in our day to day operations and strategy.

### 3.6.3 Social

At Mizuho, as well as committing to act with respect for human rights throughout our own business activities, we have established the Human Rights Policy in order to fulfil our responsibility to respect human rights throughout our global operations and value chain in accordance with the UN Guiding Principles on Business and Human Rights. In view of increasing recognition of the importance of ensuring respect for human rights and the changes in human rights issues for financial institutions and global corporations, we have reviewed which human rights issues are of the highest concern, and are strengthening our initiatives.

In line with our Group's policy and initiatives for ensuring respect of human rights, MBE also incorporates respect for human rights into each policy and operational process and are working to prevent and mitigate adverse human rights impacts. Alongside our emphasis on engagement and cooperation with our clients and our suppliers for our initiatives in respecting human rights, we aim to provide for our employees a safe and supportive work environment, promote diversity and inclusion, prevent discrimination and harassment, ensure employee wellbeing, etc.

### 3.6.4 MBE commitments

Going forward, as the attention and importance of sustainability related strategies and initiatives continue to increase, MBE will together with our clients and society continue to strive for achieving sustainability transformation and create new value.

Through our strengthened governance structure, both Group-level and internally, MBE will also focus on upcoming regulatory disclosures and reports such as EU Taxonomy and CSRD requirements.

Together with Mizuho's global and regional network, we will engage with our clients, integrating consideration for their medium- to long-term sustainable growth, improved corporate value, and strengthened industrial competitiveness. We will actively develop and provide various solutions, utilizing our financial and non-financial functions, in order to support clients' sustainability transformation, including the transition to a low-carbon society. We will pursue growth for both Mizuho and our clients by expanding mutual opportunities and strengthening risk management.

## 3.7 Compliance

Effective corporate governance in accordance with high international standards is and has always been one of our primary objectives. Our system of corporate governance provides the basis for responsible management and control of MBE, with a focus on long-term, sustainable value creation. It has four key elements: good relations with all stakeholders, effective cooperation between the Management Board and the Supervisory Board, a performance-based compensation system with a sustainable and long-term focus, as well as transparent, effective and timely reporting. As a wholly-owned subsidiary of Mizuho Bank, we operate under our own banking license issued by the Dutch Central Bank. Therefore, we implement these elements in accordance with national and international laws and regulations applicable in the Netherlands. We acknowledge that compliance is an on-going process, which is why our policies and systems are under constant review.

In line with the increased regulatory focus on integrity and financial crime, an initiative was taken to enhance and strengthen MBE's client onboarding process and strengthen MBE's Know Your Customer ('KYC') policies and underlying procedures, system and AML & Sanction capabilities, which efforts will continue in 2023. Additionally, our Transaction Monitoring systems and procedures are under constant review to ensure we do not facilitate any money- laundering or other transactions that are illegal or unacceptable from an ethical point of view. Finally, we continuously aim to strengthen the "3 lines of defense" model within our organization.

### 3.7.1 Banker's Oath

Effective 1 April 2015, the Dutch Financial Supervision Act (Wet op het financieel toezicht, Wft) requires banks with a registered office in the Netherlands to ensure that all their employees take the Banker's Oath within three months of employment. The Banker's Oath was introduced to help restore society's trust in the financial industry. Its initial scope was extended to cover not only the Management Board and Supervisory Board members (the "first echelon"), but also all other employees of the bank. MBE highly supports the purposes served by and underlying principles of the Banker's Oath, which are fully in line with the Mizuho values.



# 3.8 Remuneration

MBE has engaged in a strategy of being aware what the key elements are for growth, and dares to drive tangible actions to pursue our vision and growth through the capabilities of our talents. To achieve our ambitions we aim to attract and develop qualified professionals and provide them a professional and constructive working environment, and perspective to grow as a professional.

To retain our well-performing professionals, MBE aims to provide market level compensation and a fair, unbiased and performance related contribution of variable pay. Especially in the current staffing market, we ensure potential leaver risk due to compensation for strategic functions is periodically monitored with external data and aligned where necessary.

On the regulatory aspect, the new Capital Requirements Directive (CRD) V were implemented on 29 December 2020 without a transitional period. For MBE this meant the variable remuneration award pay out in 2022 with respect to performance year 2021 was subject to the new remuneration rules. In accordance with the Regulatory Framework, the Remuneration Policy and implementation are gender neutral, ensuring equal pay and being consistent with objectives of MBE's risk culture, including with regard to environmental, social and governance risk factors.

The proposed implementation date of 1 July 2021 of the new legislation, the so called WBFO (Act on Remuneration Policies for Financial Institutions) has been complied with in the updated MBE Remuneration Policy in 2022, and applied to the pay out 2022 in respect to the performance year 2022.

### 3.8.1 Our Vision on Remuneration

As a Dutch licensed bank we comply with the Dutch Banking Code to determine our approach to remuneration. Our remuneration policy consists of a variety of topics such as awarding performance, retention, and termination packages. In addition, we include topics for the composition of the variable remuneration and the performance criteria used to determine variable remuneration.

As a Japanese bank our company culture and strategy embed steady, sustainable and consistent growth. This aspect, combined with a performance management approach based on our clients' interests, defines our variable remuneration policy. We believe that a remuneration policy should avoid a negative impact on the risk appetite and our long-term business continuity. We also believe in a balanced approach between financial and non-financial objectives in our remuneration decisions.

### 3.8.2 Collective Labor Agreement Banks

As a Dutch licensed bank, Mizuho Bank Europe N.V. abides by the Collective Labor Agreement (CLA) Banks. The CLA included a 2.5% structural salary increase for all local staff working in Netherlands. The CLA expired after 31 December 2022, and a new CLA will be concluded early 2023, in effect per 1 January 2023.

### 3.8.3 Financial Remuneration

We believe that a fair and balanced remuneration package is a vital element for a sustainable corporate culture and a productive organization. For us, a balanced remuneration is in line with the market value of our employees, and reflects their performance and as well as their responsibilities.

We strive for transparency and objectivity around our (variable) remuneration, employee job descriptions, potential career growth opportunities and promotions. Clear individual objectives, company results, and a pro-active employee attitude define the key elements within our appraisal process. In this way, financial awarding is linked to the impact our professionals have on our company's continuity and sustainable growth.

For our Management Board (and Management Team) members we have a separate remuneration approach, as their performance is partly related to the overall office rating determined by Mizuho Bank in Tokyo, and the individual performance rating as assessed by the Supervisory Board on an annual basis. The office rating is not only related to financial performance, but also to internal control, operational expense control, strategic deliverables and risk avoiding performance across the year.

The external members and advisors of the Supervisory Board receive a fixed fee. This fee is agreed upon in advance of starting their assignment, subject to CPI increase, and not related to MBE's company's performance or results

### 3.8.4 Variable Remuneration

Our performance-related variable remuneration (bonus) is governed by our Remuneration Policy, as well as by laws and regulations like the Law on Remuneration for Financial Institutions (*Wet Beloningsbeleid Financiële Ondernemingen*), the Act on Controlled Remuneration (*Regeling Beheerst Beloningsbeleid*) and the Banking Code (*Code Banken*).

MBE's variable remuneration is linked to our annual appraisal framework and concrete business results, and is governed by a governance structure consisting of a series of Staff Performance and Compensation meetings, and reviewed in the HR Committee of the Supervisory Board. The Staff Performance and Compensation meetings, consists of our Management Board and the Head of Human Resources. The HR Committee is a subcommittee of the Supervisory Board, and is also attended by the Management Board and the Head of Human Resources. During this HR Committee, the Supervisory Board reviews if the purported variable remunerations are fair, consistent and compliant with MBE's Remuneration Policy. Therefore, the long-term interest of the bank, as well as the relevant international context and wider social acceptance, are all considered by this Committee in its decision making process.

All employees under an employment contract with MBE and HO-employees temporarily assigned to MBE (expats) are eligible for variable remuneration. In line with market practice, any variable remuneration in excess of a specified threshold locally hired staff are subject to a deferral policy. For those individuals where deferral is applicable, (i) when the bonus amount is between € 100,001 – € 200,000 20% of the amount is subject to a three year deferral to be paid in equal portions in the following years, and (ii) 40% if the bonus amount is more than € 200,001.

In 2022, we had no employees earning more than € 1 million per annum, and the total amount paid in 2022 on variable components to local contracted employees was € 897,053 (gross) in total for our four offices.

In line with the principles of the Banking Code, we can decide to claw-back variable remuneration wholly or in part. The following conditions are subject to claw-back, and described in our Remuneration Policy:

- Granting and pay-out of the variable remuneration occurred based on incorrect information on meeting the goals or circumstances that were conditions for the relevant remuneration;

- The relevant employee did not comply with proper norms in respect to expertise or correct behavior (such as a material violation of applicable rules and regulations); or

- The relevant employee has been responsible for behavior that resulted in a significant deterioration of the financial position or reputation of MBE.

The Management Board ultimately decides on the claw-back of remuneration for non-Identified Staff, whereas the Personnel Committee of the Supervisory Board decides on the claw-back for Identified Staff. Such a decision shall always be taken after consulting the relevant shareholder's representative, the Head of Human Resources, and the Head of Legal and Compliance. For 2022, no reasons (or potential indications) were identified for triggering a claw-back on variable compensations.

## 3.9 Our People

We believe that people make the difference. Having the right people onboard is something we are proud of. Maintaining the right corporate culture is something we highly nurture and continuously work on.

The average number of employees, including expats was 105. The majority of our people (91) were based in the Netherlands. In addition we had 4 persons in Belgium, 6 in Austria, and 4 in Spain.

At the second year of Covid many organizations faced the phenomenon of 'The Big resignation', where people selfreflected during Covid and made decisions reconsidering their career and work-life-balance. Also, MBE saw an increase in turnover in '20-'21. We actively engaged with our employee needs and HR strategies, by implementing several cultural initiatives and enhanced our flexible working policy improving the employee experience. Next to this, our working environment types itself best as an energetic, dynamic, proactive and pleasant. Over 50% of our people are from the Millennial generation, and with our 28 different nationalities and fully-compensated visa support we offer a highly inclusive and attractive environment for professionals coming from all over the world.

To ensure we keep close relations and understand the needs of our people, we have implemented a periodic pulse check survey, and employee Sound Board and is the organizational HR performance periodically monitored and discussed between HR, Management Board and Supervisory Board.

Lastly, after #Metoo and some scandals in the Dutch television industry, the public discussion around social behavior and integrity increased to another level. As a bank, our quality has a high correlation and dependency with the quality of our professionals. For obvious reasons it should be a given that every employee experiences a harassment and bullying free working environment, and that concerns can be safely discussed and followed up on where needed. As a bank we have increased the number of preventative measures in 2022 to further protect our people, working environment and culture by further professionalizing our policies and trust person framework. Next to this we intensified the interactions on this topic between HR, managers, Management Board and Supervisory Board to maintain the awareness and taking the right actions where it was required.

### 3.9.1 Management Changes

- Per 1 January 2022, Mr. van Voorst tot Voorst has been assigned as Head of Corporate Finance 1, succeeding Mr. van Leeuwen, who left the organization at the end of December 2021.
- Per 1 February 2022 Ms. Sintfiet has been assigned as Head of Risk Management succeeding Mr. Morival who was appointed to Chief Strategy & Operating Officer per 1 December 2021.
- Mr. Kishinoue was appointed as Chief Business Officer, member of the Management Board per 1 April 2022, succeeding Mr. Katayama who ended his assignment on 21 June 2022.
- Ms. Suzuki was appointed as Head of Strategic Planning per 1 July 2022, subsequently to her interim period as Head of Strategic Planning which started at 1 December 2021.
- Mr. Hashimoto was appointed as Head of Treasury per 23 October 2022, succeeding Mr. Iwata who ended his assignment on 10 November 2022.
- Ms. De Mooy was appointed Head of Internal Audit per 1 December and succeeded Mr. Lambert who left the organisation after 31 July 2022.

### 3.9.2 Promoting Diversity

Mizuho is a diverse organization with members with a broad range of backgrounds, values, knowledge, and experience. Our work environment is welcoming, and different perspectives are respected. With almost 30 different nationalities represented amoing our employees, our global workforce is one of our strongpoints as an organization, and we are proud to be a highly-inclusive workplace where this diversity is embraced.

In addition to the CSR initiatives – several initiatives were launched to celebrate D&I. MBE joined the Mizuho Diversity Month initiated by the group, and hosted several sessions to link Mizuho employees globally.

This month is about taking specific actions in order to gain a better understanding of diversity, share diverse perspectives, and enhance connectivity both within and outside the organization in order to promote diversity and inclusion at Mizuho.

Our overall organizational gender diversity is almost on a 50–50% balance. However, at the managerial levels there is still room for improvement. While MBE was already working to improve this balance in the previous years, in 2022 several strategical initiatives have been implemented that are expected to lead us to a more structural number of female leaders. The company succession planning and external recruitment have a strong focus on female leaders. We also applied the new laws ('Evenwichtiger man-vrouwverhouding in de top van het bedrijfsleven') in our operations, and established a Corporate D&I plan, which includes concrete D&I actions and aspirations on our locally hired staff; by having at least 33% management positions, including the Management Board occupied by female leaders at the end of 2026. This plan is formalized and will be shared quarterly with the Supervisory Board.

### 3.9.3 Learning and Development

We operate in a dynamic market environment with increasing demands from regulators and clients. Our goal is to ensure that MBE employees have the right skills, knowledge and attitude to drive the results we need to achieve. Our key principles is that training should be accessible to anyone and contribute to our strategic business goals.

## 3.10 Doing More for Society

Given our presence in the Netherlands for more than 45 years, we recognize the importance of corporate social responsibility within the region. Specifically, we aim to provide support to both vulnerable communities in the area and local communities that share a common background to our employees' diversity. Our corporate social responsibility philosophy consists of three key components: local partnership, social contribution, and sponsorships.

### 3.10.1 Local Partnership

Since 2017, we have continued our partnership with Nederland Cares, a foundation driven to tackle some of the major social challenges such as poverty, loneliness, and homelessness through organized volunteering events and programs. Through our partnership, as MBE, we support social projects on an annual basis as well as participate as volunteers in activities and events at local organizations on a regular basis to help members of vulnerable communities.

For our sponsored projects, we provide local organizations with additional financial support so that they can continue their important work to provide support and create a positive impact on our society.

In the past two years, we were not able to participate in as many hands-on volunteering activities, however, in 2022 we were pleased to have been able to go out again into communities and give back in person, and connect with the people in our communities. Activities included cooking for financially disadvantaged communities (aimed also at combatting loneliness), cleaning up a community park, and visiting an elderly care facility to decorate for Christmas and spend some festive moments with its residents.

### 3.10.2 Sponsorship

Considering our roots in Japan and our extensive Japanese client portfolio, we are committed to supporting local Japanese organizations. We strive to show our commitment to the expansion of the local Japanese community and want to contribute indirectly to the development of business between the Netherlands and Japan.

As such, we are a sponsor of the Japan Desk in the Amstelland Hospital (the Japan Desk was established in March 2010 to support mainly the Japanese expatriates and their families for medical consultation in their native language in the Netherlands).

This year, we are also proud to have been a sponsor for the Japan Festival, an annual festival organized by the Japan Festival Foundation, with the aim to strengthen the bond between the Japanese and Dutch communities. The theme for the 2022 festival was "Reconnect for tomorrow". After two years of being unable to celebrate, the festival brought together once more visitors from not only the Japanese & Dutch communities but also wider international communities.

Furthermore, we support the cultural exchange between the Netherlands and Japan. We are a long-time supporter of the famous Van Gogh Museum in the museum quarter of Amsterdam. We are a part of the Global Circle of the Van Gogh Museum, a network of patrons, who make a vital contribution to the accessibility of the Museum and its collection.



## 3.11 Closing Remarks

Keeping in mind that 2022 has continued to be an extremely challenging year -- when it comes to public health, volatile market conditions and new regulatory challenges -- MBE can look back at a year where we were able to still service the needs of our clients and meet stakeholders' expectations. We have been able to continue supporting many of our clients during unprecedented times, and supported some important deals to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond. This is a great achievement, and the Management Board would like to thank all stakeholders for making it happen. Particularly, the Management Board, branch managers, senior managers, managers and all MBE employees would also like to express our sincere appreciation to our clients for their trust and continued business with Mizuho Financial Group and the Bank. We are working hard to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond.

The Management Board would also like to take this opportunity to thank the Supervisory Board members for their continuous support and valuable contributions. Additionally we would like to thank MBE's staff for their hard work and dedication in these unusual times. We look forward to continuing servicing and working with all our stakeholders to make 2022 a successful year for MBE and the Mizuho Financial Group.

Amsterdam, 22 March 2023

**Management Board**

Shinsuke Kajiwara
Chief Executive Officer,
Member of the Management Board

Koichi Kishinoue
Chief Business Officer,
Member of the Management Board

Jens Pöhland
Chief Risk & Financial Officer,
Member of the Management Board

# 4. Future Oriented Banking

On 1 January 2010, the Dutch Banking Code came into effect, which laid out the guiding principles for Dutch banks in terms of corporate governance, risk management, audit and remuneration on a so-called 'comply or explain' basis. It was introduced in response to a report entitled 'Restoring Trust' published in 2009 by the Advisory Committee on the Future of Banks (Adviescommissie Toekomst Banken) in the Netherlands.

In 2013 a follow-up report was published by the Committee Wijffels, in which the committee called upon Dutch banks to take additional steps towards regaining trust from clients and society as a whole. In response, the Dutch Banking Association (NVB) introduced a set of documents entitled 'Future Oriented Banking'. The package comprises a Social Charter, an updated Banking Code and a Banker's Oath with associated Rules of Conduct. The principles of the Banking Code 2010 that have been incorporated into legislation are not included in the new code, but naturally we continue to comply with these principles.

Since MBE does not have a separate website, the below overview reflects the status of our compliance with the renewed Banking Code over the financial year 2022. For more information on each of the sections, please see the respective chapters in this Annual Report 2022.

## 4.1 Compliance with the Banking Code

### 4.1.1 Sound and ethical operation

We have an ambitious, but realistic medium and long-term business plan and strategy, aligned with the Mizuho Bank's global mission to provide clients with the highest quality services and to be our clients most trusted bank. We embed this strategy in our internal policies on, among other things, risk, compliance and corporate social responsibility. The Management Board and Supervisory Board, with due regard for each other's duties and powers, are responsible for a sound governance structure and compliance therewith. Putting the client first, while taking into account the needs of all other stakeholders is an integral part of MBE's identity, vision, and strategy. All employees are made aware of MBE's vision through the use of training, management updates and MBE's intranet. The Management Board and Supervisory Board lead by example.

As MBE is well aware of its role in and responsibilities towards society, we continued our partnership with the non-profit organization Nederland Cares as part of MBE's Corporate Social Responsibility program. The Management Board and employees have been enthusiastic about this initiative and will continue to participate in 2023.

The 'Know Your Customer' and 'Customer Due Diligence' procedures are essential for a bank, and therefore on a continuous basis we monitor changes in the external landscape and review and update our procedures in line therewith. The bank's risk framework is continuously being enhanced, taking into account MBE's mission, strategy and objectives. To enhance dialogue with other compliance departments, together with Mizuho Bank London branch the EMEA Regulatory and Compliance network is held on a regular basis.

Acknowledging the fact that IT plays a vital role in the functioning of the bank, MBE is committed to maintaining a solid IT infrastructure, and enhancing the same where necessary. In this age of digitalization, the proper delivery of services and data to our stakeholders in terms of availability, confidentiality and integrity is of the utmost importance. To safeguard the proper functioning of MBE's IT and outsourced operations, this is taken into account in decisions and processes by every department within MBE, up to the Management Board.

In 2022 MBE put more focus on strengthening its information security and the prevention of cybercrime by inter alia performing phishing tests, vulnerability scanning and penetration tests on a periodic basis. Furthermore, MBE has performed a dry run with regard to cyber incidents, which has helped to provide insights in how to act in a situation MBE is experiencing a cyber incident. In 2023 MBE will further enhance its information security framework. By strengthening key departments and further enhancing MBE's IT infrastructure and employees' awareness of a safe control environment, the risks of cybercrime and data leakage will be mitigated.



### 4.1.2 Supervisory Board

MBE's Supervisory Board is composed in a way that it can perform its tasks properly. Each member has its specific competencies and expertise needed to adequately perform its supervising tasks with a critical, independent view. The Supervisory Board has four (4) members, two of which are independent. For the concept of independence, DNB refers to the criteria laid down in the Dutch Corporate Governance Code. Even though the Corporate Governance Code only applies to listed entities, MBE voluntarily adheres to its provisions where and when possible. The Supervisory Board members are of different nationalities, and one of them is female.

The Supervisory Board evaluated its functioning through the annual self-assessment, which is evaluated every three years under independent supervision. The members of the Supervisory Board receive appropriate compensation for their work, which does not depend on the bank's results.

### 4.1.3 Management Board

In 2022, the Management Board consisted of three (3) members. In view of the bank's size and nature, such a number is considered sufficient to perform its tasks properly. In the case of vacancies, attention is given to the composition of the Management Board with respect to professional experience, competencies and, to the extent possible in the relatively small setting, to gender, nationality, and cultural background. Each member is assigned specific tasks and responsibilities, matching each member's skills and expertise, with a clear separation of risk-related and commercial-related areas. MBE's Management Board Charter provides further details outlining these responsibilities.

In 2022, there was one (1) change in the composition of the Management Board. Mr. Katayama, Chief Business Officer and Member of the Management Board, was replaced by Mr. Kishinoue.

Like in previous years, in 2022 the chairman initiated the organization of MBE's Lifelong Education Program, which each member joined in order to maintain the level of expertise and to enhance skill and knowledge sets where necessary.

### 4.1.4 Risk Policy

MBE's risk management framework is transparent, comprehensive and has a short- and long-term focus. It covers all relevant risk types and business lines and also takes reputational risks and non-financial risks into account. The Management Board determines MBE's risk appetite, which is subsequently approved by the Supervisory Board and they take this into account in all strategic discussions and business operations. Any material changes to the risk appetite in the interim also requires the Supervisory Board's approval. The Supervisory Board supervises the risk capital and liquidity strategy of the bank and obtains advice in that respect from the Audit and Compliance Committee and the Risk Committee.

### 4.1.5 Audit

MBE has an Internal Audit department with an independent position within the bank, for objective assurance as the third line of defense. On the basis of the Internal Audit Plan, the Internal Audit department evaluates and examines whether or not adequate governance, risk management and control processes are in place. The head of the Internal Audit department reports to the Management Board, but also has a direct reporting line to the chairman of the Audit and Compliance Committee of the Supervisory Board. Exchange of information between the Internal Audit department, the external auditor and the Supervisory Board takes place in the Audit and Compliance Committee. In addition, the Internal Audit department is in regular contact with the chairman of the Audit & Compliance Committee and the external auditor for discussion and consultation purposes. Tripartite talks between the MBE Management Board, the external auditor and the supervisor to discuss risk analyses, planning and results upon request by DNB.

### 4.1.6 Remuneration Policy

MBE's Remuneration Policy, which is applicable to all employees working with the bank, reflects the principles of the Banking Code and is in line with national and international law, and to the extent required regulations, on sound remuneration policies. To ensure that policies remain compliant, they are reviewed on a regular basis by the Management Board as well as the HR Committee and the Supervisory Board. Our Remuneration Policy has a primarily long-term focus and is in line with MBE's risk policy.

MBE's Remuneration Policy is set up in a transparent way and incorporates an internal and external balance of interests, taking into account the expectations of various stakeholders and social acceptance. However, in light of the size of the organization, the composition of the Management Board and our shareholder structure, it has been decided not to benchmark remuneration of the Management Board members outside of the financial sector, which has been discussed with the Supervisory Board.

Save for the above-mentioned deviation, MBE fully complies with the principles of the Banking Code 2022 and we are committed to continue doing so in the following years.



# 5. Financial Statements

## 5.1 Balance Sheet

(Before proposed appropriation of result for the financial year)

| Assets (in €'000) | | | 12/31/2022 | | 12/31/2021 |
|---|---|---|---|---|---|
| Balances with central banks | 5 | | 1,289,257 | | 1,410,164 |
| Loans and advances to banks | 6 | | 222,266 | | 213,046 |
| Loans and advances to customers | 7 | | 2,590,736 | | 2,907,214 |
| Debt securities | 8 | | 376,493 | | 380,824 |
| Intangible fixed assets | 9 | | 1,470 | | 1,928 |
| Tangible fixed assets | 10 | | 3,780 | | 5,163 |
| Derivatives | 11 | | 53,206 | | 88,166 |
| Deferred tax assets | 12 | | 2,221 | | 4,825 |
| Other assets | 13 | | 8,421 | | 8,840 |
| Prepayment & accrued interest | 14 | | 20,317 | | 13,753 |
| Total assets | | | 4,568,167 | | 5,033,923 |

(Before proposed appropriation of result for the financial year)

| Liabilities (in €'000) | | | 12/31/2022 | | 12/31/2021 |
|---|---|---|---|---|---|
| Amounts owed to banks | 15 | | 1,257,078 | | 1,459,746 |
| Amounts owed to customers | 16 | | 2,650,519 | | 2,933,336 |
| Derivatives | 17 | | 62,070 | | 73,467 |
| Other liabilities | 18 | | 26,879 | | 20,820 |
| Provisions | 19 | | 7,924 | | 18,149 |
| Total liabilities | | | 4,004,470 | | 4,505,518 |
| Sub-ordinated loan | 20 | | 2,488 | | 2,684 |
| Share capital | 21 | 191,794 | | 191,794 | |
| Legal reserve | 21 | 939 | | 939 | |
| Share premium | 21 | 4,342 | | 4,342 | |
| Other reserves | 21 | 328,646 | | 304,745 | |
| Result for the financial year | 21 | 35,488 | | 23,901 | |
| Shareholder's equity | | | 561,209 | | 525,721 |
| Total equity and liabilities | | | 4,568,167 | | 5,033,923 |
| | | | | | |
| Contingent liabilities | 22 | | 538,855 | | 416,597 |
| Commitments | 23 | | 1,036,598 | | 839,458 |

## 5.2 Profit and Loss Account

| (in €'000) | | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Interest and similar income | 26 | 116,361 | | 87,541 | |
| Interest expense and similar charges | 27 | (60,907) | | (44,638) | |
| | | | 55,454 | | 42,903 |
| Commission income | 28 | 12,540 | | 11,545 | |
| Commission expense | 29 | (433) | | (527) | |
| | | | 12,107 | | 11,018 |
| Result on financial operations | 30 | | 5,974 | | 5,648 |
| Total operating income | | | 73,535 | | 59,569 |
| Staff costs and other administrative expenses | 31 | (23,397) | | (27,259) | |
| Amortization intangible fixed assets | 9 | (683) | | (603) | |
| Depreciation tangible fixed assets | 10 | (1,487) | | (1,482) | |
| Expected credit loss of financial assets | 32 | 636 | | 1,595 | |
| Total operating expenses | | | (24,931) | | (27,749) |
| Operation result before taxation | | | 48,604 | | 31,820 |
| Income tax | 33 | | (13,116) | | (7,919) |
| Net result | | | 35,488 | | 23,901 |

# 5.3 Cash Flow Statement

| (in €'000) | | | 2022 | | 2021 |
|---|---|---|---|---|---|
| Net result | | | 35,488 | | 23,901 |
| Pension provision | 19 | (10,319) | | (1,189) | |
| Amortization intangible fixed assets | 9 | 683 | | 603 | |
| Depreciation tangible fixed assets | 10 | 1,487 | | 1,482 | |
| Amortization of debt securities | 8 | 4,293 | | 6,203 | |
| Expected credit loss of financial assets | 32 | (636) | | (1,595) | |
| Movement in derivatives | 11/17 | 23,563 | | (23,885) | |
| Movement deferred taxes | 12 | 2,604 | | 209 | |
| Adjustments | | | 21,675 | | (18,172) |
| Loans to banks other than on demand | 6 | 31,672 | | 150,330 | |
| Amounts owed to banks | 15 | (202,668) | | 337,902 | |
| Loans and advances to customers | 7 | 317,215 | | (659,136) | |
| Amounts owed to customers | 16 | (282,817) | | 281,561 | |
| Other assets | 13 | 419 | | 449 | |
| Prepayments and accrued interest | 14 | (6,564) | | (137) | |
| Sub-ordinated loan | 20 | (196) | | (83) | |
| Other liabilities | 18 | 6,059 | | (2,805) | |
| Cash flow from operating activities | | | (136,880) | | 108,081 |
| Investment in debt securities | 8 | (149,966) | | (156,041) | |
| Investment in intangible fixed assets | 9 | (224) | | (579) | |
| Investment in tangible fixed assets | 10 | (170) | | (422) | |
| Redemptions of debt securities | 8 | 150,000 | | - | |
| Disposals of tangible fixed assets | 10 | 66 | | 19 | |
| Cash flow from investment activities | | | (294) | | (157,023) |
| Net cash flow | | | (80,011) | | (43,213) |
| Cash and cash equivalents at start of year | 38 | | 1,457,544 | | 1,500,757 |
| Cash and cash equivalents at end of year | 38 | | 1,377,533 | | 1,457,544 |
| | | | (80,011) | | (43,213) |



# 5.4 Statement of Movement in Equity

| (in €'000) | Share capital | Legal reserve | Share premium | Other reserves | Result for the year | Total |
|---|---|---|---|---|---|---|
| Balance as at 1 January 2021 | 191,794 | 939 | 4,342 | 281,925 | 22,820 | 501,820 |
| Net result | - | - | - | - | 23,901 | 23,901 |
| Appropriation of 2020 result | - | - | - | 22,820 | (22,820) | - |
| Balance as at 31 December 2021 | 191,794 | 939 | 4,342 | 304,745 | 23,901 | 525,721 |
| Balance as at 1 January 2022 | 191,794 | 939 | 4,342 | 304,745 | 23,901 | 525,721 |
| Net result | - | - | - | - | 35,488 | 35,488 |
| AAppropriation of 2021 result | - | - | - | 23,901 | (23,901) | - |
| Balance as at 31 December 2022 | 191,794 | 939 | 4,342 | 328,646 | 35,488 | 561,209 |

# 5.5 Notes to the Financial Statements

## 1. General Information

*Group structure*

Mizuho Bank Europe N.V. (MBE) was established in 1974 and is a 100% subsidiary of Mizuho Bank Ltd., which in turn is a wholly-owned subsidiary of the Mizuho Financial Group. MBE is a public limited liability company with its corporate seat in Amsterdam and registered at the Chamber of Commerce under RSIN number: 003263332. MBE is since May 2020 located at Amsterdam Atrium, 3rd Floor, Strawinskylaan 3053, 1077 ZX in Amsterdam (the Netherlands) and has three branches: Brussels (Belgium), Vienna (Austria) and Madrid (Spain).

*Activities*

The main activities of MBE and all its branches are corporate banking, to lead and participate in syndicates and to deal in bonds and other financial instruments such as foreign exchange and derivative products. MBE has a banking license under the Dutch Financial Supervision act (Wet op het financieel toezicht).

*Currency*

MBE uses euro (€) as functional currency and presentation currency, since the currency of the primary economic environment, the Netherlands, is euro.

*Going concern*

The Management Board has made an assessment of its ability to continue as a going concern and is satisfied that it has the resources to continue in business for the foreseeable future. Furthermore, the Management Board is not aware of any material uncertainties that may cast significant doubt upon the ability of the bank to continue as a going concern. Therefore, the financial statements continue to be prepared on the going concern basis.

## 2. Accounting principles

*2a. Basis of preparation*

The financial statements for this financial year have been prepared in accordance with the legal requirements for the financial statements of banks contained in Part 9, Book 2 of the Dutch Civil Code. The financial statements have been prepared on a historical cost basis, unless stated otherwise.

The principle accounting policies adopted are set out below. These have been applied consistently for all years presented.

*2b. Foreign currencies*

Monetary assets and liabilities denominated in foreign currencies as well as forward transactions in foreign currencies, which relate to funds borrowed and lent, are converted at the spot rate as at balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies ae converted at the spot rate as at transaction date.

Exchange rate differences arising from the conversion of assets and liabilities are stated in the profit and loss account. Transactions and the resulting income and charges in foreign currencies are converted at the rate applicable on transaction date.

*2c. Use of estimates in the preparation of financial statements*

In preparing the financial statements, the Management Board is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. One of the estimations being the ECL model. Use of available information and application of judgment are inherent in determining estimates. Although these estimates are based on the Management Board's best knowledge of current events and actions, actual results in the future could differ from such estimates and the differences may be material to the financial statements.

The cost of the defined benefit pension plan and the pension liabilities is determined using an independent actuarial valuation. The actuarial valuation involves making assumptions on discount rate, expected inflation, expected wage increases, expected return on net assets, expected indexation and on mortality and disability rates, employment turnover and retirement. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty. In order to assure consistency in the calculation, the assumptions used are in line with assumptions from previous years. We refer to note 19 for the calculation of pension liability and the assumptions used.

*2d. Derecognition*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognized when:



- the rights to receive cash flows from the asset have expired, or
- the bank has the right to transfer the assets at any given time to a third party in exchange for the balance of any and all remaining amounts due by a debtor to the bank; or
- the bank has transferred substantially all the risks and rewards of the asset.

*2e. Offsetting financial instruments*

Financial assets and financial liabilities are offset and the net amount reported in the balance sheet if, and only if, there is an enforceable legal right to offset the recognized amounts and there is an intention to settle on a net basis, or to realize the asset and settle the liability simultaneously.

*2f. Impairment of financial assets*

A provision for expected credit loss must be raised for financial assets recognized at amortized cost, such as balances with central banks, loans and advances to banks, loans and advances to customers, debt securities and as well as  for off-balance sheet products. This provision is determined on the ECL model that depends on the changes in the credit risk of counterparties compared to the initial recognition of the asset.

MBE assesses at each balance sheet date whether there are changes in credit risk for all financial assets measured at amortized cost and calculates up to date that could lead to adjustments to the expected credit loss on this financial asset or group of financial assets. The impairment recognition as well as the impairment reversals are recognized in the profit & loss account.

MBE has conducted the impairment with the internal ECL model. The most important concepts and assumptions underlying this model, have been determined and captured in a policy. The three stages approach has been adopted to the determination of the expected credit losses:

1. Stage 1: 12-month ECL – performing assets. Financial assets that have not had a significant increase in credit risk since initial recognition require a provision for expected credit losses associated with the probability of default events occurring within the next 12 months.
2. Stage 2: Lifetime ECL – underperforming assets. For financial assets, which endure a significant increase in credit risk (SICR) since initial recognition, a provision will be calculated based on all possible default events over the lifetime of the financial asset.
3. Stage 3: Lifetime ECL – nonperforming assets. Financial assets, which are considered to meet the definition of default, are classified into stage 3. This requires a provision over the lifetime of the financial asset. The interest income is based on the effective interest on the amortized cost carrying amount; i.e. net of any credit allowance.

The definitions are applied for each individual financial asset on the basis of its characteristics. MBE assesses all financial assets measured at amortized cost for any significant deterioration of the credit risk. When a significant deterioration arises, the ECL is based on the probability of default during the lifetime of the asset rather than on the probability during a period of the next 12 months.

Based on Mizuho's probabilities of default term structures, the "investment grade" ratings (for internal ratings A1-B2)[1] are deemed as low credit risk. MBE applies absolute credit quality criteria relating to a "financial instrument having low default credit risk at the reporting date" prescribed in IFRS 9 paragraph 5.5.10 and paragraph 5.5.22 to 5.5.24. Hence, if a facility has reporting date rating within investment grade, it is classified as Stage 1.

The above-mentioned stages refer to the significant increase of the credit risk of the financial asset. MBE has adopted the following characteristics for the assessment of the SICR. For this assessment, MBE has identified sets of qualitative and quantitative triggers to identify SICR to move assets from Stage 1 to Stage 2:

- A three notches downgrade of the credit rating of the counterparty;
- Macro-economic factors show a significant increase of the credit risk;
- The counterparty is in arrears by more than 30 days;
- In case of forbearance.

An asset flagged as Stage 2 due to forbearance can be transferred back to Stage 1 once the conditions are no longer met, subject to compliancy of internal procedures after the probation period of a minimum of 1 year that allows the discontinuation of a forbearance classification.

[1] See internal ratings equivalence with external ratings in the credit risk paragraph (5.9.5)

MBE moves a financial asset to Stage 3 when it is considered to be in default. MBE applies the definition of default of an obligor as specified in Article 178 of the Regulation (EU) No 575/2013 (CRR). According to the mentioned regulation, an obligor defaults when either or both of the following has taken place:

- MBE considers that the counterparty is unlikely to pay its credit obligations to MBE in full without recourse by MBE to actions such as realizing the security;

- The counterparty is in arrears by more than 90 days on any material credit obligation to MBE.

MBE incorporates forward-looking information by calculating unbiased, probability-weighted ECL based on PD forecasts under baseline, favorable and downturn scenarios. These scenarios are built using the macroeconomic forecasts provided by reputable sources (International Monetary Fund and European Central Bank).

*2g. Cash flow statement*

The cash flow statement has been drawn up according to the indirect method, subdivided into the cash flows from operating activities, investment activities and financing activities during the period. Cash and cash equivalents, as referred to in the cash flow statement, comprises of non-restricted balances with central banks and amounts due from banks on demand.

In the net cash flow from operating activities, the net result is adjusted in respect to items in the profit and loss account and movements in balance sheet items, which do not result in actual receipts or expenditure during the financial year.

*2h. Statement of movement in equity*

This item shows the movement in share capital and reserves including profit of the current year.

## 3. Principles for valuation of assets and liabilities

*3a. Balances with central banks*

This item comprises of current account balances with central banks, including the mandatory reserve deposits.

*3b. Loans and advances to banks*

Loans and advances to banks are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are initially recorded at fair value and measured subsequently at amortized cost using the effective interest rate method. Interest on loans and advances is included in interest income and is recognized on an effective interest rate method.

For an allowance for credit losses we refer to note 2f. The allowance is reported as a reduction of the carrying value of a claim on the balance sheet. Additions and reductions to the allowances for credit losses are recorded in the profit and loss account under the impairment of financial assets.

*3c. Loans and advances to customers*

Loans and advances to customers are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such financial assets are initially recorded at fair value and measured subsequently at amortized cost using the effective interest rate method. Interest on loans and advances is included in interest income and is recognized on an effective interest rate method.

For an allowance for credit losses we refer to note 2f. The allowance is reported as a reduction of the carrying value of a claim on the balance sheet. Additions and reductions to the allowances for credit losses are recorded in the profit and loss account under the impairment of financial assets.

*3d. Debt securities*

Debt securities are classified as purchased loans and bonds. These bonds are measured at amortized cost using the effective interest rate method as it is still the intention to hold the bonds until maturity, but also to increase the flexibility to manager these assets for cost mitigation. This method uses an effective interest rate that exactly discounts estimated future cash receipts through the expected life of the financial asset to the net carrying amount of the financial asset. Gains and losses are recognized in the income statement when the investments are derecognized or impaired, as well as through the amortization process.

*3e. Intangible fixed assets*

Software is stated at cost less accumulated amortization and any accumulated impairment. Amortization is charged over the estimated useful lives, using straight-line method, over a period of 5 years. The assets' residual values and estimated useful lives are reviewed at the end of each annual reporting period.

*3f. Tangible fixed assets*

Leasehold improvements, office equipment and other tangible fixed assets are stated at cost less accumulated depreciation and any accumulated impairment. Depreciation is charged over the estimated useful lives, using straight-line method, over a period of 5 years. The assets' residual values and estimated useful lives are reviewed at the end of each annual reporting period.

*3g. Derivatives recorded at cost*

MBE makes use of derivative instruments with the purpose to manage exposures to interest rate and foreign currency risk. This includes amongst others hedge swaps. As a result the interest rate and foreign currency risk of the hedged items are mitigated. For the valuation of these derivatives, MBE applies the cost price hedge accounting method. The cost price hedge relations are evaluated on a yearly basis for its effectiveness on all critical characteristics: start date, maturity date, nominal amount, cash flow schedule and interest details. The derivatives recorded at cost are the amounts to be received and paid resulting from the foreign currency component of the cross currency swaps being revalued to a reporting currency equivalent.

*3h. Derivatives recorded at fair value through profit and loss*

MBE has also taken positions in derivatives with the expectation of profiting from favorable movements in prices and rates. These derivatives are recognized as financial assets or financial liabilities held for trading and are recorded in the balance sheet at fair value. Changes in fair value of derivatives are recognized in the result on financial operations. The credit valuation adjustment (CVA) and the debit valuation adjustment (DVA) are incorporated into the valuation of the derivatives to reflect the risk of default of the counterparty and MBE respectively.

*3i. Corporate income taxes*

*(a) Current income tax*

Corporation tax is calculated on the basis of the commercial profit, taking into account permanent differences between fiscal and commercial profit. The current income tax payable (receivable) is calculated on the basis of the applicable tax law in the applicable country and is recognized as an expense (income) for the period, using tax rates that have been enacted or substantially enacted by the end of the reporting period.

*(b) Deferred income tax*

The deferred tax assets and/or liabilities are determined on the basis of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax basis used in the calculation of taxable profit. Deferred tax assets are calculated based on tax rates that have been enacted or substantially enacted by the end of the reporting period. Deferred tax assets are recognized when it is probable that future taxable profit will be available against which these temporary differences can be utilized.

*3j. Other assets*

Other assets are measured at cost less a provision. They comprise of taxes receivable and amounts receivable, other than prepayments and accrued interest. A provision is established when there is objective evidence that the bank will not be able to collect all amounts due according to the original terms of the receivables.

*3k. Prepayments and accrued interest*

Prepayments and accrued interest are measured at cost. These amounts are recoverable within one year. The accrued interest is considered to be a financial asset and it follows the impairment clause as presented under 2g.

*3l. Amounts owed to banks*

The initial measurement of the amounts owed to banks is at fair value and subsequent measurement is at amortized cost. This comprises of current accounts and deposits taken from banks. Current accounts and overnight deposits are due on demand.

*3m. Amounts owed to customers*

The initial measurement of the amounts owed to customers is at fair value and subsequent measurement is at amortized cost. This comprises of current accounts and deposits taken from customers. Current accounts and overnight deposits are due on demand.

*3n. Other liabilities*

Other liabilities are recorded at their carrying value and measured at amortized costs. The other liabilities comprise of the revaluation of the derivatives recorded at cost, expenses payable and other amounts payable.

*3o. Provisions*

MBE has a defined benefit pension plan for which contributions are made to a separate pension insurance fund. The valuation of the pension plan is in accordance with ASC 715 compensation – retirement benefits issued by Financial Accounting Standards Board (FASB). The cost of providing benefits under the defined benefit plan is determined separately using the projected unit credit actuarial valuation method. Actuarial gains and losses are recognized as income or expense. These gains or losses are recognized over the expected average remaining working lives of the employees participating in the plan.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly. The value of the assets is restricted to the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

#### *3p. Contingent liabilities*

Contingent liabilities consist of guarantees and irrevocable letters of credit and acceptances. They are included at their face value and are recorded off-balance. The contingent liabilities commit MBE to make payments on behalf of customers in the event of a specific act. Guarantees and irrevocable letters of credit carry a similar credit risk to loans.

#### *3q. Commitments*

Commitments represent the undrawn part of the committed facilities. They are included at their face value and are recorded off-balance. Even though these committed facilities may not be recognized on the balance sheet, they do contain credit risk and are therefore part of MBE's overall risk.

### 4. Recognition of income and expenses

#### *4a. Recognition of income and expense*

Revenue is recognized to the extent that it is probable that economic benefits will flow to the bank and the revenue can be reliably measured. Expenses are recognized in the year to which they relate. Negative interest on government bonds is reclassified to interest expenses.

#### *4b. Interest and similar income and expenses*

For all financial instruments measured at amortized cost and financial instruments designated at fair value, through profit and loss, interest income and expense are recognized on an effective interest rate method.

#### *4c. Commission income and expense*

Commission income and expense is attributed to the period in which it arises. It comprises of Income earned from services over a certain period in time and Income earned from transaction services. Income earned from services over a certain period in time are recognized over the lifetime of the asset. Income earned from transaction services are booked in the period to which the service is provided to the client.

#### *4d. Result on financial operations*

The result on financial operations comprises of foreign currency results, which are mainly a result of foreign currency transactions on behalf of clients, and fair value changes of the derivatives recorded at fair value through the profit and loss.

#### *4e. Operating expenses*

Operating expenses are taken to the profit and loss account in the period to which they relate. Amortization and depreciation charges on tangible and intangible fixed assets are based on cost and are calculated by a straight-line method over the estimated lives of the concerning assets.

Leases entered into by MBE are operating leases. The total payments made under operating leases are charged to staff costs and other administrative expenses in the profit and loss account on a straight line basis over the period of the lease.



# 5.6 Notes to the Balance Sheet

### 5. Balances with central banks

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Restricted current accounts | 37,529 | 45,042 |
| Unrestricted current accounts | 1,251,728 | 1,365,122 |
| Expected credit loss | - | - |
| | 1,289,257 | 1,410,164 |

The balances with central banks comprise of all current account balances with central banks: restricted and non-restricted. The restricted current accounts represent mandatory reserve deposits with the central banks of Austria, Belgium and the Netherlands and the collateralized account at the Dutch Central Bank to facilitate payments. The expected credit loss on balance with central banks is part of the impairment of financial assets, which are further explained in 5.9.5.2 ECL.

### 6. Loans and advances to banks

The specification of the loans and advances to banks is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Current accounts | 88,276 | 47,380 |
| Term loans | 134,020 | 165,692 |
| Expected credit loss | (30) | (26) |
| | 222,266 | 213,046 |

The loans and advances to banks comprise of all loans and advances to banks falling under the supervision of the government or the central banks, which are not included in the balances with central banks and insofar as not embodied in the form of debt securities including fixed income securities.

During 2022 and 2021 there were no actual loan losses and write-offs recorded. At the year-end there were no arrears in loan and interest repayments. The expected credit loss on loans and advances to banks is part of the impairment of financial assets, which are further explained in 5.9.5.2 ECL.

The specification of the loans and advances to banks per geographical region before expected credit loss is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| The Netherlands | 126,699 | 140,091 |
| EU (excluding the Netherlands) | 21,737 | 32,049 |
| Rest of Europe | 4,811 | 10,339 |
| North America | 4,178 | 3,845 |
| Japan | 64,099 | 26,295 |
| Other | 772 | 453 |
| | 222,296 | 213,072 |

### 7. Loans and advances to customers

The specification of the loans and advances to customers is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Current accounts | 117,363 | 100,630 |
| Term loans | 2,473,949 | 2,807,897 |
| Expected credit loss | (576) | (1,313) |
| | 2,590,736 | 2,907,214 |

During 2022 and 2021 there were no actual loan losses and write-offs recorded. At the year-end there were no arrears in loan and interest repayments. The expected credit loss on loans and advances to customers is part of the impairment of financial assets, which are further explained in note 2f.

### 8. Debt securities

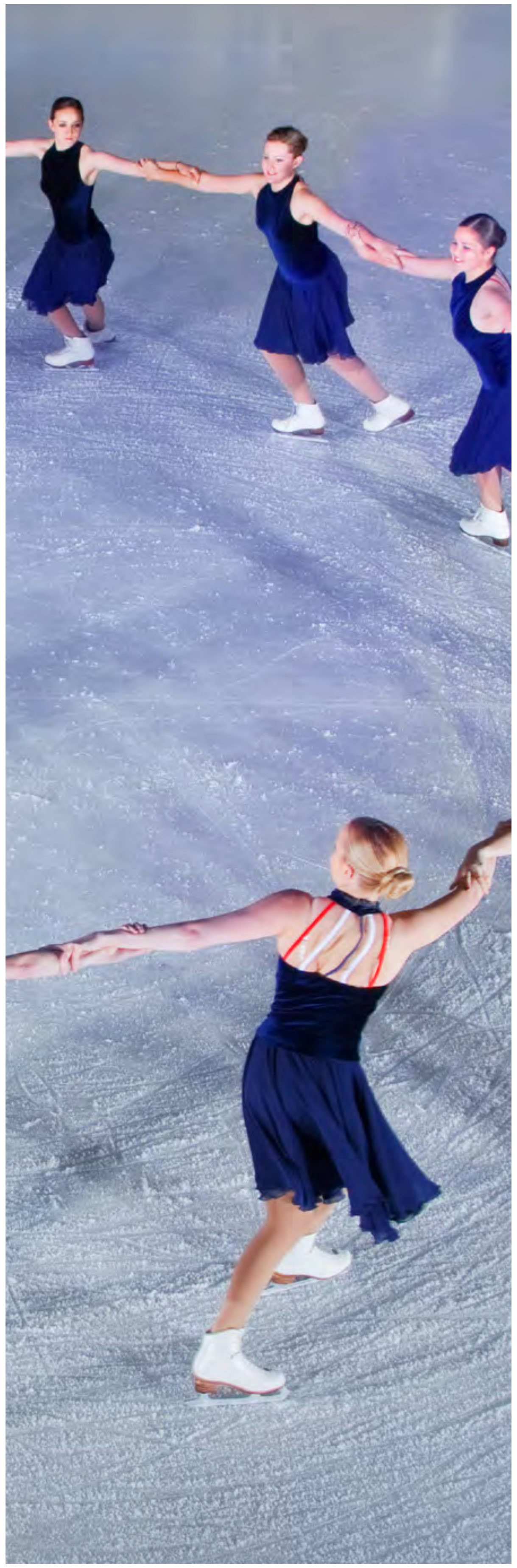
The movement in the debt securities is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Gross balance as at 1 January | 380,828 | 230,990 |
| Investments | 149,966 | 156,041 |
| Redemptions | (150,000) | - |
| Amortization | (4,293) | (6,203) |
| Gross balance as at 31 December | 376,501 | 380,828 |
| Expected credit loss | (8) | (4) |
| Balance as at 31 December | 376,493 | 380,824 |

### 9. Intangible fixed assets

The intangible fixed assets comprise of software. The movement in the intangible fixed assets is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| At cost | | |
| Balance as at 1 January | 5,449 | 4,914 |
| Additions | 225 | 578 |
| Disposals | (7) | (43) |
| Balance as at 31 December | 5,667 | 5,449 |
| Accumulated amortization | | |
| Balance as at 1 January | 3,521 | 2,961 |
| Amortization | 683 | 603 |
| Amortization on disposals | (7) | (43) |
| Balance as at 31 December | 4,197 | 3,521 |
| Book value | 1,470 | 1,928 |



## 10. Tangible fixed assets

The tangible fixed assets comprise of office equipment, computers and vehicles. The movement in the tangible fixed assets is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| At cost | | |
| Balance as at 1 January | 8,718 | 8,434 |
| Additions | 169 | 423 |
| Disposals | (183) | (139) |
| Balance as at 31 December | 8,704 | 8,718 |
| Accumulated depreciation | | |
| Balance as at 1 January | 3,554 | 2,193 |
| Depreciation charge | 1,487 | 1,482 |
| Depreciation on disposals | (117) | (120) |
| Balance as at 31 December | 4,924 | 3,555 |
| Book value | 3,780 | 5,163 |

## 11. Derivatives - Assets

The specification of the derivatives – assets is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Derivatives recorded at cost | 2,933 | 13,292 |
| Derivatives recorded at fair value through the profit and loss | 50,273 | 74,874 |
| | 53,206 | 88,166 |

The specification of the derivatives recorded at cost is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Hedge swaps | 2,933 | 4,745 |
| Other money market transactions | - | 8,547 |
| | 2,933 | 13,292 |

The specification of the derivatives recorded at fair value through the profit and loss is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Foreign currency transactions | 33,066 | 29,132 |
| Interest rate swaps | 10,304 | 24,945 |
| Cross currency swaps | 7,036 | 21,008 |
| CVA adjustment | (133) | (211) |
| | 50,273 | 74,874 |

The CVA/DVA adjustment has been recorded under the derivatives as financial assets and financial liabilities. The net impact thereof is a profit and amounts to € 89,000 (2021: a profit of € 49,000).

The specification of the gross notional amounts of the derivatives is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Interest rate swaps | 207,220 | 305,085 |
| Cross currency swaps | 140,024 | 266,663 |

The specification of the fair values and the related notional amounts of the outstanding derivatives is as follows:

| (in €'000) | Notion Total | Amounts <1YR | >1YR <5YR | >5YR | 31/12/2022 Fair value |
|---|---|---|---|---|---|
| Interest rate swaps (fair value) | 207,220 | 4,910 | 98,768 | 103,542 | 10,304 |
| Interest rate swaps (at cost) | 223,816 | 27,352 | 171,264 | 25,200 | 12,781 |
| Cross currency swaps (fair value) | 140,024 | 122,766 | 6,750 | 10,508 | 7,036 |
| Cross currency swaps (at cost) | 130,689 | 85,996 | 44,693 | - | 7,877 |

| (in €'000) | Notion Total | Amounts <1YR | >1YR <5YR | >5YR | 31/12/2021 Fair value |
|---|---|---|---|---|---|
| Interest rate swaps (fair value) | 305,085 | 43,380 | 108,347 | 153,358 | 24,945 |
| Interest rate swaps (at cost) | 103,431 | - | 81,431 | 22,000 | 646 |
| Cross currency swaps (fair value) | 266,663 | 258,274 | 8,389 | - | 21,008 |
| Cross currency swaps (at cost) | 135,302 | 46,808 | 88,494 | - | 9,058 |

All transactions with clients are covered by opposite transactions with Mizuho Bank Ltd., London branch.

## 12. Deferred taxes

The deferred tax assets represent temporary differences caused by the pension provision and the expected credit loss on financial assets in the Vienna branch. The temporary difference of the pension provision amounts to € 7,701,000 (2021: € 18,020,000) multiplied by a tax rate of 25.9% for the amount likely to be recovered. The pension provision is calculated in accordance with the requirements of the ASC 715, which is not recognized by the tax authorities.

In 2020, the expected credit loss calculated on financial assets was not accepted by the Austrian tax authorities for stage 1 and stage 2 impairments. The impairments calculated on the financial assets in the Vienna branch only consists of stage 1 and stage 2 impairments. As from 2021 the calculated stage 1 and stage 2 impairments on the financial assets in the Vienna branch as at 31 December 2020 are allowed to be amortized for a period of 5 years.

The deferred tax asset as at 31 December 2021 represented the pension provision multiplied by a tax rate of 25.8% for the amounts likely to be recovered in the Netherlands. For the amounts to be recovered in Austria the tax rate 24% within one year and a tax rate of 23% for the other amounts.

The movement in the deferred tax assets is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 4,825 | 5,033 |
| Addition | 185 | - |
| Release | (2,789) | (343) |
| Rate changes | - | 135 |
| Balance as at 31 December | 2,221 | 4,825 |

The composition of the deferred tax assets is as follows:

| (in €'000) | 31/12/2022 | 12/31/2021 |
|---|---|---|
| Pension provision | 1,987 | 4,649 |
| ECL | 130 | 176 |
| Upfront fees | 104 | - |
| | 2,221 | 4,825 |

## 13. Other assets

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Corporate income tax | 5,961 | 7,888 |
| Other taxes receivable | 406 | 205 |
| Other | 2,054 | 747 |
| | 8,421 | 8,840 |

The other taxes receivable include withholding tax and VAT and other include amounts, which are not attributable to clients.

## 14. Prepayments and accrued interest

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Accrued interest and fees | 19,357 | 12,896 |
| Prepayments | 960 | 857 |
| | 20,317 | 13,753 |

## 15. Amounts owed to banks

The specification of the amounts owed to banks is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Current accounts | 81 | 83 |
| Term deposits | 1,256,997 | 1,459,663 |
| | 1,257,078 | 1,459,746 |

## 16. Amounts owed to customers

The specification of the amounts owed to customers is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Current accounts | 1,226,659 | 1,517,598 |
| Term deposits | 1,423,860 | 1,415,738 |
| | 2,650,519 | 2,933,336 |

## 17. Derivatives

The specification of the derivatives – liabilities is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Derivatives recorded at cost | 13,236 | 517 |
| Derivatives recorded at fair value through the profit and loss | 48,834 | 72,950 |
| | 62,070 | 73,467 |

The specification of the derivatives recorded at cost is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Hedge swaps | 518 | 517 |
| Other money market transactions | 12,718 | - |
| | 13,236 | 517 |

The specification of the derivatives recorded at fair value through the profit and loss is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Foreign currency transaction | 32,519 | 28,592 |
| Interest rate swaps | 9,407 | 23,358 |
| Cross currency swaps | 7,007 | 21,021 |
| DVA adjustment | (99) | (21) |
| | 48,834 | 72,950 |

The CVA/DVA adjustment has been recorded under the derivatives as financial assets and financial liabilities. The net impact thereof is a loss and amounts to € 89,000 (2021: a profit of € 49,000).

The specification of the gross notional amounts of the derivatives is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Interest rate swaps | 207,220 | 299,485 |
| Cross currency swaps | 140,024 | 266,663 |



The specification of the fair values and the related notional amounts of the derivatives is as follows:

| (in €'000) | Notional amounts | | | | 31/12/2022 |
|---|---|---|---|---|---|
| | Total | <1YR | >1YR <5YR | >5YR | Fair value |
| Interest rate swaps (fair value) | 207,220 | 4,910 | 98,768 | 103,542 | 9,407 |
| Interest rate swaps (at cost) | 10,881 | 125 | 10,756 | - | 384 |
| Cross currency swaps (fair value) | 140,024 | 122,766 | 6,750 | 10,508 | 7,007 |
| Cross currency swaps (at cost) | 2,495 | - | 2,495 | - | 578 |

| (in €'000) | Notional amounts | | | | 31/12/2021 |
|---|---|---|---|---|---|
| | Total | <1YR | >1YR <5YR | >5YR | Fair value |
| Interest rate swaps (fair value) | 299,485 | 43,380 | 102,747 | 153,358 | 23,358 |
| Interest rate swaps (at cost) | 161,759 | 77,077 | 84,682 | - | 683 |
| Cross currency swaps (fair value) | 266,663 | 258,274 | 8,389 | - | 21,021 |
| Cross currency swaps (at cost) | 22,883 | 22,883 | - | - | 386 |

All transactions with clients are covered by opposite transactions with Mizuho Bank Ltd., London branch; the counterparty risk is therefore considered to be limited.

## 18. Other liabilities

The specification of the other liabilities is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Interest and commission payable | 17,701 | 6,094 |
| Expenses payable | 8,256 | 8,872 |
| Unsettled payments | 729 | 5,553 |
| Other taxes payable | 164 | 99 |
| Other | 29 | 202 |
| | 26,879 | 20,820 |

## 19. Provisions

The specification of the provisions is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Pension liabilities | 7,701 | 18,020 |
| Expected credit loss on off-balance sheet products | 223 | 129 |
| | 7,924 | 18,149 |

The expected credit loss model includes impairments on off-balance sheet products, such contingent liabilities and undrawn commitments. These impairments are recorded under the provisions.

MBE has entered into a defined benefit pension scheme and reports a provision for pension liabilities in accordance with ASC 715.

***Net periodic pension cost:***

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Current service cost | 1,424 | 2,117 |
| Interest expense | 704 | 446 |
| Expected return on plan assets | (265) | 106 |
| Amortization of unrecognized results | (11,336) | (3,082) |
| Total pension expense/(income) in p&l | (9,473) | (413) |

| Weighted average assumptions at year-end: | 2022 | 2021 |
|---|---|---|
| Discount rate | 3,65% | 1.32% |
| Expected return on plan assets | 2,72% | 0.87% |
| Rate of compensation increase | 2.00% | 2.00% |

The actuarial valuation is based on assumptions. The expected return on plan assets has been determined in such a way that discounting the cash flows results in the surrender value of the plan assets. The assumptions are being reviewed by and discussed between the Management Board and the actuary, who is making the actuarial valuation, on a yearly basis.

The indexation for active and inactive employees are not the same (rate of compensation increase), but both are based on the inflation rate which is agreed with MBE's pension provider.

*Estimated future benefit payments*

The disclosure shown below provides information on the expected contribution for next year as well as on the expected benefit payments in the coming years:

| Estimated future benefit payments (in €'000): | 2022 | 2021 |
|---|---|---|
| Expected contributions next year | 649 | 1,200 |
| Expected benefit payments during financial year + 1 | 544 | 464 |
| Expected benefit payments during financial year + 2 | 620 | 564 |
| Expected benefit payments during financial year + 3 | 650 | 627 |
| Expected benefit payments during financial year + 4 | 934 | 656 |
| Expected benefit payments during financial year + 5 | 5,837 | 5,443 |
| Expected benefit payments during financial year + 6 to 10 | 5,443 | 4,935 |

*Benefit obligations and funded status*

The disclosure shown below provides information on the projected benefit obligation, the plan assets and the amounts to be included in the accounts of MBE as of 31 December 2022. The defined benefit pension scheme is executed by an insurance company. As such, no significant operational risks remain with MBE with regard to the pension benefits. The assets are 100% insurance contracts.

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Accumulated benefit obligation, at 1 January | 53,542 | 58,880 |
| Change in projected benefit obligation: | | |
| Service cost | 1,424 | 2,117 |
| Interest cost | 704 | 446 |
| Actuarial (gain)/loss | (22,417) | (7,634) |
| Plan amendment | - | - |
| Benefits paid | (365) | (267) |
| Balance as at 31 December | 32,888 | 53,542 |

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Fair value of plan assets: | | |
| Balance as at 1 January | 35,522 | 39,671 |
| Actual return on plan assets | (10,816) | (4,658) |
| Employer contributions | 846 | 776 |
| Benefits paid | (365) | (267) |
| Balance as at 31 December | 25,187 | 35,522 |

The fair value of the plan assets is based on the surrender value.

| (in €'000) | 2022 | 2021 |
|---|---|---|
| ASC 715 Funded status at 31 December: | | |
| Plan assets | 25,187 | 35,522 |
| Current liabilities | (429) | (365) |
| Non-current liabilities | (32,459) | (53,177) |
| Total asset/(liability) | (7,701) | (18,020) |

*Reconciliation of ASC 715 liability for pension benefits*

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | (18,020) | (19,209) |
| Contributions in year | 846 | 776 |
| Total pension (expense)/income in p&l | 9,473 | 413 |
| Balance as at 31 December | (7,701) | (18,020) |

New joiners as from 1 January 2019 are offered a defined contribution plan. Therefore they are not part of the ASC715 pension provision.

All gains and losses are directly booked in the profit and loss account.

## 20. Sub-ordinated loan

On 22 March 2019 MBE entered into an uncommitted sub-ordinated term loan facility with its parent company, Mizuho Bank Ltd. The drawdown period ranges from the facility start date up to 22 March 2020, whereby the final maturity date is 10 years after each drawdown date. The loan is denominated in Japanese Yen. The interest is 3 months libor plus 60 basis points.

Early repayment is callable after 5 years and subject to regulatory approval. The loan is wholly subordinated to claims of all non-subordinated creditors and shall therefore rank in right and priority of payment after all sub-ordinated claims from MBE's creditors.

The specification of the sub-ordinated loan is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Loans – longer than 5 years | 2,488 | 2,684 |
| | 2,488 | 2,684 |



## 21. Shareholder's equity

*Share capital*

The authorized share capital amounts to € 192,500 of which € 191,794 is issued and paid up. All shares have a nominal value of € 45.00 each. In 2002 the nominal value was changed from NLG to EUR. A legal reserve was formed for the difference (€ 939).

In 2017, MBE issued 1,111,111 shares at nominal value of € 45.00 each. This was fully paid up by MHBK, of which MBE is the 100% subsidiary.

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 191,794 | 191,794 |
| Balance as at 31 December | 191,794 | 191,794 |

*Legal reserve*

The reserve contains the amount of rounding difference regarding the redenomination of the shares from NLG to EUR in 2002.

*Share premium*

The balance of the share premium is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 31 December | 4,342 | 4,342 |

*Other reserves*

The movement in the other reserves is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 304,745 | 281,925 |
| Correction opening balance | - | - |
| Appropriation result for the year | 23,901 | 22,820 |
| Balance as at 31 December | 328,646 | 304,745 |

*Result for the year*

The movement in the result for the year is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balance as at 1 January | 23,901 | 22,820 |
| Transfer to Other reserves | (23,901) | (22,820) |
| Result for the year | 35,488 | 23,901 |
| Balance as at 31 December | 35,488 | 23,901 |

## 22. Contingent liabilities

The specification of the contingent liabilities is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Guarantees | 525,112 | 411,691 |
| Irrevocable letters of credit and acceptances | 13,743 | 4,877 |
| | 538,855 | 416,568 |

The contingent liabilities include all liabilities arising from transactions in which the bank has guaranteed the commitments of third parties.

## 23. Commitments

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Commitments | 1,036,598 | 839,458 |
| | 1,036,598 | 839,458 |

The commitments concern the total amount of commitments in respect of undrawn irrevocable facilities that may give rise to a credit risk.

## 24. Rental commitments

MBE has entered into rental agreements for office premises amounting to € 4,975,000 (2021: € 4,593,000) of which € 1,020,000 (2021: € 966,000) is payable within 1 year. MBE has also entered into other agreements, such as rental agreements for houses for expats, amounting to € 737,000 (2021: € 1,024,000), of which € 451,000 (2021: € 291,000) is payable within 1 year. All other amounts are payable between 1 and 5 years.

## 25. Capital adequacy

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Total risk weighted amount | 2,618,256 | 2,799,701 |
| Own funds | 526,610 | 502,386 |
| Tier 1 capital | 524,123 | 499,701 |
| Tier 2 capital | 2,487 | 2,685 |
| Core Equity Tier 1 (CET 1) Ratio | 20.02% | 17.85% |
| Total capital ratio | 20.11% | 17.94% |
| Required Tier 1 capital | 323,093 | 324,756 |
| Required Tier 1 ratio | 12.34% | 11.52% |
| Required CET1 capital | 262,873 | 269,832 |
| Required CET1 ratio | 10.04% | 9.57% |

# 5.7 Notes to the Profit and Loss Account

### 26. Interest and similar income

The specification of interest and similar income is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Loans | 81,271 | 56,219 |
| Swaps | 8,258 | 9,995 |
| Commitment fees | 7,526 | 8,231 |
| Banks | 529 | 3,580 |
| Central banks | 6,111 | 1,414 |
| Others | 12,666 | 8,102 |
| | 116,361 | 87,541 |

The interest and similar income includes income arising from the lending of funds and related transactions as well as commissions and other income that have the character of interest. The other interest income mainly relates to the result on foreing currency swaps (€ 11,836,000 and in 2021 € 7,154,000), which increased due to higher business opportunities in currencies. Further, it includes the loss on a facility sold (€ 507,960) as the facility was sold under par.

Negative interest on MBE's assets is classified as an interest expense and similar charges. This amounts to € 1,827,000 (in 2021: € 4,254,000) which is due to negative interest on government bond assets.

The average interest return is calculated at 0.338% (2021: 0.076%). The average interest is calculated per income category, taking the overall weighting into account.

### 27. Interest expense and similar charges

The specification of interest expense and similar charges is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Swaps | 11,586 | 13,347 |
| Banks | 3,504 | 32 |
| Commitment fees | 4,431 | 4,569 |
| Central banks | 3,730 | 6,653 |
| Deposits and current accounts | 16,896 | 1,712 |
| Others | 20,760 | 18,325 |
| | 60,907 | 44,638 |

The interest expense and similar charges include costs arising from borrowing of funds and related transactions as well as other charges that have the character of interest. The other interest expenses mainly relate to guarantee expenses and utilization fees.

Negative interest on MBE's funding is classified as interest and similar income. This amounts to € 2,562,000 (in 2021: € 7,137,000).

The average funding cost is calculated at minus 0.047% (2021: -0.041%). The average interest is calculated per expense category, taking the overall weighting into account.

### 28. Commission Income

The specification of commission income is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Transaction services | 595 | 427 |
| Services over a certain period | 11,945 | 11,118 |
| | 12,540 | 11,545 |

The commission income includes income from transaction services and from service over a certain period. This comprises income from fees received in respect of banking services supplied to third parties insofar as these do not have the character of interest. Income from transaction services relate to fees which have a one-off character and which are recognized once the fee is realised. Income from services over a certain period relates to fees which are recognized on straight line basis (or another basis which is applicable for these revenues).

### 29. Commission expense

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Commission expense | 433 | 527 |
| | 433 | 527 |

The commission expense concerns expenses paid in respect of fees for banking services supplied by third parties insofar as these do not have the character of interest.

### 30. Result on financial operations

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Foreign currency results | 6,364 | 5,577 |
| Results derivatives | (390) | 71 |
| | 5,974 | 5,648 |

The result on financial operations comprises of foreign currency results, which are mainly a result of foreign currency transactions on behalf of clients, and fair value changes of the derivatives recorded at fair value through the profit and loss.

### 31. Staff costs and other administrative expenses

The specification of the staff costs and other administrative expenses is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Staff costs | 4,464 | 12,483 |
| Other administrative expenses | 18,933 | 14,776 |
| | 23,397 | 27,259 |

The specification of the staff costs is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Wages and salaries | 12,384 | 11,534 |
| Pension and early retirement costs | (9,229) | (97) |
| Social security charges | 1,159 | 1,008 |
| Other social costs | 150 | 38 |
| | 4,464 | 12,483 |

The specification of the pension and early retirement costs is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Contributions defined contribution plan | 337 | 188 |
| Other pension movements | (93) | 128 |
| Movement in ASC 715 pension liabilities | (9,473) | (413) |
| | (9,229) | (97) |

The average number of employees in full time equivalents (FTE) in 2022 for Amsterdam, Brussels, Vienna and Madrid was 104.5 (in 2021: 90.8 FTE):

| | 2022 | 2021 |
|---|---|---|
| Amsterdam | 90.9 | 77.1 |
| Brussel | 3.6 | 4.0 |
| Vienna | 5.8 | 5.5 |
| Madrid | 4.2 | 4.2 |
| | 104.5 | 90.8 |

### 32. Expected credit loss of financial assets

The specification of the expected credit loss of financial assets is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Balances with central banks | - | (1) |
| Loans and advances to banks | 3 | (88) |
| Loans and advances to customers | (737) | (738) |
| Debt securities | 4 | (3) |
| Off balance sheet products | 94 | (765) |
| | (636) | (1,595) |

### 33. Income tax

The specification of the income tax is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Operation result before taxation | 48,604 | 30,820 |
| Tax calculated at nominal tax rate | 12,542 | 8,041 |
| Rate changes | - | (135) |
| Tax on non-deductible expenses | 581 | 5 |
| Tax adjustments previous years | (7) | 8 |
| | 13,116 | 7,919 |

This item concerns all tax charges attributable to the financial year in respect of the income stated in the profit and loss account. The nominal tax rate is deemed to be equal to the actual effect on the profit of the year. The total amount of tax paid in 2022 is € 7,387,000 (in 2021: € 9,132,000).

The effective tax rate is 26.6% (is 2021: 24,9%).

The effective tax rate for MBE's Amsterdam office is 26.5% (in 2021: 24.3%). The nominal tax rate in the Netherlands is 15% for the first € 395,000 and for the remainder 25.8% (in 2021: 15% for the first € 245,000 and for the remainder 25%). The difference in 2022 between the nominal and effective tax rate is mainly caused by the non-deductible interest expenses due to the leverage under the 9% threshold and other non-deductible expenses.

The effective tax rate for MBE's Brussels branch is 27.0% (in 2021: 23.6%). The nominal tax rate in Belgium is 25% (in 2021: 25%). The difference in 2021 between the nominal and effective tax rate is mainly caused by the impairments on the financial assets in the Brussels branch and other non-deductible expenses.

The effective tax rate for MBE's Vienna branch is 25.2% (in 2021: 25.8%). The nominal tax rate in Austria is 25% (in 2021: 25%). The difference in 2021 between the nominal and effective tax rate is caused by the non-deductible expenses.

The effective tax rate for MBE's Madrid branch is 30.5% (in 2021: 30.6%). The nominal tax rate in Spain is 30% (in 2021: 30%). The difference in 2022 between the nominal and effective tax rate is caused by non-deductible expenses.

## 34. Country by country disclosures

MBE has offices in four countries. The main office is since May 2020 located at Amsterdam Atrium, 3rd Floor, Strawinskylaan 3053, 1077 ZX in Amsterdam (the Netherlands). There is a branch office at Avenue Louise 480, 1050 in Brussels (Belgium), a branch office at DC Tower, Donau-City Strasse 7, 1220 in Vienna (Austria) and at Calle Orense 34, Planta 8, Edificio Iberia Mart II, 28020 in Madrid (Spain). MBE did not receive any public subsidies for any of the offices.

The difference between the total income and the total income of the offices combined is caused by the SLA charges from the Amsterdam office to its branches.

The specification of the key financials for the offices is as follows:

| | 2022 Amsterdam | 2022 Brussels | 2022 Vienna | 2022 Madrid |
|---|---|---|---|---|
| Total income | 55,113 | 4,626 | 9,800 | 3,997 |
| Operation result before taxation | 39,205 | 762 | 6,243 | 2,395 |
| Income tax | (10,600) | (204) | (1,582) | (730) |
| Net result | 28,605 | 558 | 4,661 | 1,665 |

| | 2021 Amsterdam | 2021 Brussels | 2021 Vienna | 2021 Madrid |
|---|---|---|---|---|
| Total income | 50,087 | 4,189 | 6,898 | 3,778 |
| Operation result before taxation | 25,274 | 1,131 | 3,206 | 2,209 |
| Income tax | (6,151) | (266) | (826) | (676) |
| Net result | 19,123 | 865 | 2,380 | 1,533 |

## 35. Related party disclosures

All related party transactions are executed at arm's length. MBE has outsourced the core banking applications and back office activities to Mizuho Bank Ltd. London branch. The expenses incurred from the head office in Tokyo as well as by the London branch for software and for SLA charges amounted in 2022 to € 6,504,000 (2021: € 7,075,000).

Regarding the total credit exposures, the parent bank has provided MBE hedges, guarantees and other risk mitigating services to an amount of € 17,761,360,000 (2021: € 15,627,287,000).

The specification of the assets, liabilities, income and expenses with related parties is as follows:

| **(in €'000)** | **31/12/2022** | **31/12/2021** |
|---|---|---|
| Receivables from (included in the loans and advances to banks): | | |
| Mizuho Bank Ltd. | 32,599 | 18,652 |
| | 32,599 | 18,652 |
| Payables to Mizuho Bank Ltd. (included in the amounts owed to banks) | 1,018,025 | 926,123 |
| | 1,018,025 | 926,123 |
| The notional amounts of the derivatives with Mizuho Bank Ltd. (included in the derivatives recorded at cost and recorded at fair value): | | |
| Interest rate swaps (assets) | 556,664 | 567,474 |
| Cross currency swaps (assets) | 273,208 | 424,798 |
| Interest and commission income related to: | | |
| Banks | (82,517) | (21,948) |
| Swaps | 4,075 | (608) |
| Other | 28 | - |
| | (78,414) | (22,556) |
| Interest and other expenses related to: | | |
| Banks | 10,443 | 19,413 |
| Swaps | 3,159 | 9,688 |
| Fees | 7,239 | 13,277 |
| Commissions | 92 | 21 |
| Pledges | 4 | 1,452 |
| Other | 23 | 144 |
| | 20,960 | 43,995 |

## 36. Renumeration of Management Board and Supervirosry Board Members

The total remuneration of the Management Board in 2022 amounted to € 847,000 (2021: € 899,000). The remuneration for the independent Supervisory Board members amounted to € 98,000 (2021: € 103,000).

## 37. Remuneration of the external auditors

The following audit firm fees (excluding VAT) were expenses in the profit and loss account in the reporting period. The specification is as follows:

| (in €'000) | EY NL 2022 | EY Other 2022 | Total 2022 | EY NL 2021 | EY Other 2021 | Total 2021 |
|---|---|---|---|---|---|---|
| Audit in the Netherlands | 248 | - | 248 | 200 | - | 200 |
| Audit in other countries | - | 61 | 61 | - | 57 | 57 |
| Audit related services | 81 | - | 81 | 77 | - | 77 |
| Other services | 11 | - | 11 | 11 | - | 11 |
| | 340 | 61 | 401 | 288 | 57 | 345 |

The fees listed above relate to the fees charged to MBE by the audit firm (and affiliated firms) responsible for auditing the annual report. The disclosed fees are based on the audit of the annual report over the financial year it relates to, even though a significant part of the audit activities are being performed after the year end. These fees do not include services rendered by internal auditors or by other audit firms.

# 5.8 Notes to the Cash Flow Statement

### 38. Cash and cash equivalents

The specification of the cash and cash equivalents is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Restricted balances with central banks (Note 5) | 37,529 | 45,042 |
| Unrestricted balances with central banks (Note 5) | 1,251,728 | 1,365,122 |
| Loans and advances to banks, on demand (Note 6) | 88,276 | 47,380 |
| | 1,377,533 | 1,457,544 |



# 5.9 Risk Management

### 5.9.1 Fair Value

The purpose of this information is to give users of the financial statements insight in the fair value of the financial instruments. Fair value is defined as the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. As far as possible, the fair value is based on market prices. In those situations where a market price is not available, the fair value is estimated using models that discount future cash flows. Related items are marked (*). The valuation methods for those instruments for which the market value differs from the carrying amounts are explained in more detail below. Balances marked by (**) are instruments for which the fair value approximates the carrying amount due to their short term nature.

***Loans and advances to customers***

Loans and advances are net of charges for impairment. The estimated fair value of loans and advances represents the discounted amount of estimated future cash flows expected to be received. Expected cash flows are discounted at current market rates to determine fair value.

***Debt securities***

The aggregate fair values are calculated based on quoted market prices, where possible. For those notes of which quoted market prices are not available, a discounted cash flow model is used based on a current yield curve appropriate for the remaining term to maturity.

***Funds entrusted***

Part of the funds entrusted represent current account takings from customers with no or low interest rates, therefire the fair value is approximated at the carrying value. For the term deposit and interbank takings the fair value is determined based on discounted future cash flows.

| (in €'000) | | 31/12/2022 | | 31/12/2021 |
|---|---|---|---|---|
| | Book Value | Fair value | Book value | Fair value |
| Assets | | | | |
| Balances with central banks (**) | 1,289,257 | 1,289,257 | 1,410,164 | 1,410,164 |
| Loans and advances to banks (*) | 222,266 | 226,461 | 213,046 | 213,621 |
| Loans and advances to customers (*) | 2,590,736 | 2,611,219 | 2,907,214 | 2,929,660 |
| Debt securities | 376,493 | 367,003 | 380,824 | 380,365 |
| | 4,478,752 | 4,493,940 | 4,911,248 | 4,933,810 |
| Foreign currency transactions (*) | 33,066 | 34,820 | 29,132 | 28,757 |
| Hedge swaps (*) | 2,933 | 20,659 | 4,745 | 9,704 |
| Other money market transactions | - | - | 8,547 | 7,237 |
| Interest rate swaps (*) | 10,304 | 10,304 | 24,945 | 24,945 |
| Cross currency swaps (*) | 7,036 | 7,036 | 21,008 | 21,008 |
| | 4,532,091 | 4,566,758 | 4,999,625 | 5,025,461 |
| Liabilities | | | | |
| Banks (*) | 1,257,078 | 1,255,117 | 1,459,746 | 1,457,675 |
| Funds entrusted (* / **) | 2,650,519 | 2,651,099 | 2,933,336 | 2,930,061 |
| | 3,907,597 | 3,906,216 | 4,393,082 | 4,387,736 |
| Foreign currency transactions (*) | 32,519 | 32,249 | 28,592 | 28,133 |
| Swaps hedge (*) | 518 | 962 | 517 | 1,069 |
| Other money market transactions | 12,718 | 12,753 | - | - |
| Interest rate swaps (*) | 9,407 | 9,407 | 23,358 | 23,358 |
| Cross currency swaps (*) | 7,007 | 7,007 | 21,021 | 21,021 |
| | 3,969,766 | 3,968,594 | 4,466,570 | 4,461,317 |

### 5.9.2 Risk Policies

MBE's approach to risk management matches its low complexity. Our Risk Management Framework (RMF) aims to limit the impact of unexpected events on our solvency, liquidity, and business & operational performance to the greatest possible extent.

We consciously strive for a low-risk profile by having strategies as well as systems and procedures in place for the identification and mitigation of risks. Making clear choices and adequately embedding risk management at all organizational levels are important in this respect.

Overall, compliance with the Wet op het financieel toezicht (Wft) is an integral component of risk management within MBE. The Wft describes requirements to mitigate financial risks, such as credit risk, interest rate risk, foreign exchange risk, and liquidity risk but also for non-financial risks such as operational risk, IT risk, strategic risk, legal and integrity risk, and reputational risk.

Based on the consolidated reporting of Mizuho Bank Ltd. in Japan, MBE is exempted from the DNB's Pillar 3 public disclosure requirements. However, MBE will provide a Pillar 3 risk profile disclosure to interested parties at their request.

### 5.9.3 Risk Appetite

Risk appetite is the core of MBE's risk governance framework. Risk appetite is the aggregate level and types of risk the bank is willing to assume within its risk capacity, in order to achieve its business strategy and financial strategy. The risk appetite is set in the Risk Appetite Statement document, which is approved by the Management Board and Supervisory Board of MBE.

We express our risk appetite through the Risk Appetite Statement and Risk Appetite Metrics. The Risk Appetite Statement is a qualitative statement articulating the fundamental policy on management, business, financial and risk-taking strategy. Taking into account MBE's Risk Appetite Statement, the Risk Appetite Metrics define the level or risk that MBE's Management Board is willing to assume. The Risk Appetite Metrics are set for credit risk, capital strength, liquidity risk, profitability, interest rate risk, operational risk, integrity risk and reputation risk.

In establishing the Risk Appetite Framework, MBE has also adopted Behavioral Guidelines for a Sound Risk Culture, which was established by MHFG to heighten senior management's and employees' risk sensitivity and improve their responses and countermeasures in the event of risks. These guidelines provide the foundation for appropriate values and courses of action that should be employed by Mizuho's senior management and employees when approaching risks. We have embedded these guidelines in the foundation of our risk appetite framework.

### 5.9.4 Risk Organization

We base the structure of our RMF on the three lines of defense principle. Assigned to the first line are the commercial and operational departments and concerns day-to-day responsibility for risk control. Risk Management, Credit Assessment, and Legal and Compliance comprise the second line and are responsible for initiating risk policies and supervision of risk control. Internal Audit forms the third line and is responsible for performing independent audits on the RMF.

The Management Board and the Supervisory Board supervise the risks and capital adequacy requirements in relation to MBE's operations. For this purpose, two committees are in place. The quarterly Risk Committee assesses all risks identified relating to MBE's business activities. Secondly, the Risk Committee of the Supervisory Board is in place to advise the Supervisory Board on risk management framework, policies and developments.

The Management Board, together with the Supervisory Board, bears the ultimate responsibility for MBE's RMF. The Management Board and Supervisory Board review and approve the RMF in principle on an annual basis.

### 5.9.5 Credit Risk

#### *5.9.5.1 Policy*

Credit risk constitutes MBE's most significant risk category. Credit risk is the possibility of a loss resulting from a borrower's failure to repay a loan or other contractual obligations. MBE calculates credit risk in accordance with the Standardized Approach (SA).

MBE's policy on credit risk revolves primarily around the risks associated with lending to corporate clients.

Credit risk on positions with governments and financial institutions arises from investment activities, international payment transactions and cash management

MBE performs on-going credit evaluations of clients' financial conditions, both at the MHBK group level and at local level.

MBE seeks to use several products, where possible, to mitigate its credit exposure. The products come in various forms such as letters of credit, parental guarantees and guarantees from other Mizuho offices, collateralized deposits from clients and credit enhancements such as pledge agreements.

On a monthly basis, portfolio developments are discussed in the Portfolio Management Committee. Any negative trend identified in the risk profile with respect to a particular client, a particular sector, or type of loan can lead to the adjustment of MBE's applicable lending policy.

The credit risk for the balances with central banks, loans and advances to banks, and loans and advances to customers includes accrued interest.

| (in €'000) | | | | | 31/12/2022 |
|---|---|---|---|---|---|
| | Maximum credit risk | Cash collateral | Guarantees received | Net exposure | Risk weighted amount |
| Governments and Central banks | 1,298,140 | - | - | 1,298,140 | 5,291 |
| Loans and advances to banks | 239,926 | - | - | 239,926 | 458,366 |
| Loans and advances to customers | 2,616,201 | - | 963,590 | 1,652,611 | 1,416,235 |
| Debt securities | 377,559 | - | - | 377,559 | 0 |
| Contingent liabilities | 538,826 | - | 169,863 | 368,963 | 125,666 |
| Commitments | 1,036,599 | - | 90,310 | 946,289 | 380,236 |
| | 6,107,251 | - | 1,223,763 | 4,883,488 | 2,385,794 |
| Derivatives | | | | | |
| Foreign currency contracts | 53,032 | - | - | 53,032 | 46,260 |
| Cross currency swaps | 1,649 | - | - | 1,649 | 1,649 |
| Interest rate swaps | 8,801 | - | - | 8,801 | 11,575 |
| Netting contracts | 68,747 | - | - | 68,747 | 34,373 |
| | 132,229 | - | - | 132,229 | 93,857 |
| Total | 6,239,480 | - | 1,223,763 | 5,015,717 | 2,479,651 |

| (in €'000) | | | | | 31/12/2021 |
|---|---|---|---|---|---|
| | Maximum credit risk | Cash collateral | Guarantees received | Net exposure | Risk weighted amount |
| Governments and Central banks | 1,425,119 | - | - | 1,425,119 | 12,063 |
| Loans and advances to banks | 213,261 | - | 21,799 | 191,462 | 459,893 |
| Loans and advances to customers | 2,914,688 | - | 1,147,636 | 1,767,053 | 1,623,420 |
| Debt securities | 381,458 | - | - | 381,458 | - |
| Contingent liabilities | 416,568 | - | 148,930 | 267,638 | 167,407 |
| Commitments | 839,459 | - | 119,297 | 720,162 | 625,784 |
| | 6,190,553 | - | 1,437,662 | 4,752,892 | 2,888,567 |
| Derivatives | | | | | |
| Foreign currency contracts | 28,543 | 19,280 | - | 9,263 | 26,434 |
| Cross currency swaps | 866 | - | - | 866 | 866 |
| Interest rate swaps | 2,813 | - | - | 2,813 | 2,813 |
| Netting contracts | 99,660 | - | - | 99,660 | 48,221 |
| | 131,882 | 19,280 | - | 112,602 | 78,334 |
| Total | 6,322,435 | 19,280 | 1,437,662 | 4,865,494 | 2,966,901 |

Credit quality by class of financial asset:

A 17-grades internal rating scale is used to measure credit risk which is subject to Mizuho Bank policies and procedures.

The internal rating scale, the description of each scale and its equivalence to external ratings are disclosed in the table below:

<table>
<tr><th>Customer Categorization</th><th colspan="2">Credit Rating</th><th colspan="2">Customer Profile</th><th colspan="2">Comparable External Rating</th></tr>
<tr><td rowspan="11">Ordinary Customers</td><td rowspan="3">A</td><td>1</td><td rowspan="11">Business conditions are favorable and there are no specific problems in the customer’s financial position.</td><td rowspan="3">Very high probability of peformance on obligations. Extremely stable in terms of credit management.</td><td>AAA</td><td rowspan="5">Investment Grade</td></tr>
<tr><td>2</td><td>AA</td></tr>
<tr><td>3</td><td>A</td></tr>
<tr><td rowspan="2">B</td><td>1</td><td rowspan="2">No problem, for the time being, with performance on obligations. Sufficiently stable in terms of credit management. ("For the time being" means that fi the business environment should change in the future, there isa possibility that the change would affect the customer)</td><td>BBB+/BBB</td></tr>
<tr><td>2</td><td>BBB-</td></tr>
<tr><td rowspan="3">C</td><td>1</td><td rowspan="3">No problem, for the time being, with performance on obligations and stability in terms of credit management. (“For the time being” means that if the business environment should change in the future, there is a possibility that the change would affect the customer.)</td><td rowspan="3">(BB)</td><td rowspan="12">Non-Investment Grade</td></tr>
<tr><td>2</td></tr>
<tr><td>3</td></tr>
<tr><td rowspan="3">D</td><td>1</td><td rowspan="3">No problem at present with performance on obligations but has low resistance to future changes in the business environment.</td><td rowspan="3">(B)</td></tr>
<tr><td>2</td></tr>
<tr><td>3</td></tr>
<tr><td>Customers with Special Attention (I)</td><td rowspan="3">E</td><td>1</td><td colspan="2">Customers with Special Attention (I):<br>Customers that require close observation, such as customers whose business conditions are on a deteriorating trend or have unstable business performance; customers that have minor problems in their financial position or have problems in their financial position bus recovery according to plan is anticipated.</td><td rowspan="6">(CCC or lower)</td></tr>
<tr><td>Customers with Special Attention (II)</td><td>2</td><td colspan="2">Customers with Special Attention (II):<br>Customers that require particularly close observation, such as customers that have problematic lending conditions, e.g. interest reduced, forgiven, or suspended; customers that have problems with performance of obligations</td></tr>
<tr><td>Customers Under Strict Management</td><td>R</td><td colspan="2">Customers that are assessed to have Claims under Strict Management as stipulated in Provision 4 Item 4 of the Law concerning urgent measures for the reconstruction of the functions of the financial system (1998 Financial Reconstruction Commission Rules and Regulations No.2) in terms of exposure.</td></tr>
<tr><td>Customers to be Insolvent</td><td>F</td><td>1</td><td colspan="2">Customers to be Insolvent:<br>Customers that are not insolvent, but are having business difficulties with insufficient progress on their business improvement plans. There is a high probability that the customer will become insolvent (includes customers that are under continuing support of a financial institution and/or other entities).</td></tr>
<tr><td>Unrecoverable Customers</td><td>G</td><td>1</td><td colspan="2">Unrecoverable Customers:<br>Customers that are not at present legally or formally bankrupt, but are having serious business difficulties, and it is deemed that there is no prospect for recovery. The customer is essentially bankrupt.</td></tr>
<tr><td>Insolvent Customer</td><td>H</td><td>1</td><td colspan="2">Insolvent Customers:<br>Customers that are legally and formally bankrupt</td></tr>
</table>



The following table discloses the exposure and ECL for each internal credit risk rating:

**31/12/2022**

| | (in €’000) | Maximum credit risk | % | ECL | % | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|---|---|---|---|
| **Investment grade** | A1 | 1,670,905 | 27% | 9 | 1% | 1,670,905 | - | - |
| | A2 | 253,908 | 4% | 8 | 1% | 253,908 | - | - |
| | A3 | 665,039 | 11% | 46 | 6% | 665,039 | - | - |
| | B1 | 1,951,033 | 32% | 199 | 24% | 1,951,033 | - | - |
| | B2 | 753,701 | 12% | 148 | 18% | 753,701 | - | - |
| | B3 | 25,745 | 0% | 6 | 1% | 25,745 | - | - |
| **Non-investment grade** | C1 | 402,022 | 7% | 82 | 10% | 382,022 | 20,000 | - |
| | C2 | 80,394 | 1% | 27 | 3% | 80,394 | - | - |
| | C3 | 39,782 | 1% | 26 | 3% | 32,776 | 7,006 | - |
| | D1 | 56,272 | 1% | 94 | 11% | 30,915 | 25,357 | - |
| | D2 | 43,271 | 1% | 14 | 2% | 39,283 | 3,988 | - |
| | D3 | 78,503 | 1% | 92 | 11% | 638 | 77,865 | - |
| | E1 | 7,666 | 0% | 21 | 3% | 3,532 | 4,134 | - |
| | E2 | 12,067 | 0% | 12 | 1% | 11,967 | 100 | - |
| | F1 | 66,943 | 1% | 53 | 6% | - | - | 66,943 |
| | G1 | - | 0% | - | 0% | - | - | - |
| | H1 | - | 0% | - | 0% | - | - | - |
| | Total | 6,107,251 | 100% | 837 | 100% | 5,901,858 | 138,450 | 66,943 |

**31/12/2021**

| | (in €’000) | Maximum credit risk | % | ECL | % | Stage 1 | Stage 2 | Stage 3 |
|---|---|---|---|---|---|---|---|---|
| **Investment grade** | A1 | 1,801,800 | 29% | 5 | 0% | 1,801,800 | - | - |
| | A2 | 301,953 | 5% | 9 | 1% | 301,953 | - | - |
| | A3 | 699,027 | 11% | 37 | 3% | 699,027 | - | - |
| | B1 | 1,274,245 | 21% | 85 | 6% | 1,274,245 | - | - |
| | B2 | 1,125,190 | 18% | 130 | 9% | 1,125,190 | - | - |
| **Non-investment grade** | C1 | 246,125 | 4% | 47 | 3% | 231,135 | 14,990 | - |
| | C2 | 247,445 | 4% | 40 | 3% | 217,439 | 30,006 | - |
| | C3 | 175,500 | 3% | 50 | 3% | 175,364 | 136 | - |
| | D1 | 48,382 | 1% | 4 | 0% | 1,563 | 46,820 | - |
| | D2 | 52,101 | 1% | 202 | 14% | 2,426 | 49,675 | - |
| | D3 | 77,550 | 1% | 143 | 10% | 7,903 | 69,647 | - |
| | E1 | 58,012 | 1% | 638 | 43% | 2,614 | 55,398 | - |
| | E2 | 13,028 | 0% | 16 | 1% | 5 | 13,023 | - |
| | F1 | 70,194 | 1% | 66 | 4% | - | - | 70,194 |
| | G1 | - | 0% | - | 0% | - | - | - |
| | H1 | - | 0% | - | 0% | - | - | - |
| | Total | 6,190,553 | 100% | 1,472 | 100% | 5,840,664 | 279,695 | 70,194 |

The following table discloses the movement schedule of the changes in gross carrying amount of the on-balance sheet financial assets, such as banks placements, debt securities, overdraft and loans, and their corresponding ECL:

| (in €'000) | | | | 31/12/2022 |
|---|---|---|---|---|
| **Gross carrying amount** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance as at 1 January | 4,593,021 | 276,796 | 70,194 | 4,940,011 |
| New transactions | 2,803,452 | 117,180 | - | 2,920,632 |
| Payments and assets derecognised | (3,169,064) | (261,521) | (3,266) | (3,433,852) |
| Transfers to Stage 2 | (1,000) | 1,000 | - | - |
| Impact on ECL of transfers | - | - | - | - |
| Foreign currency and other adjustments | 51,960 | - | - | 51,960 |
| | 4,278,369 | 133,455 | 66,928 | 4,478,752 |

| (in €'000) | | | | 31/12/2022 |
|---|---|---|---|---|
| **ECL** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance as at 1 January | 291 | 986 | 66 | 1,343 |
| New transactions | 259 | 122 | - | 381 |
| Payments and assets derecognised | (136) | (961) | (13) | (1,110) |
| Transfers to Stage 2 | (1) | 1 | - | - |
| Impact on ECL of transfers | - | - | - | - |
| Foreign currency and other adjustments | - | - | - | - |
| | 413 | 148 | 53 | 614 |

The following table discloses the the movement schedule of the changes in gross carrying amount of the off-balance sheet items, such as contingent liabilities and commitments, and their corresponding ECL:

| (in €'000) | | | | 31/12/2022 |
|---|---|---|---|---|
| **Gross carrying amount** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance as at 1 January | 1,252,428 | 3,598 | - | 1,256,026 |
| New transactions | 665,921 | 2,996 | - | 668,917 |
| Payments and assets derecognised | (363,775) | (1,362) | - | (365,137) |
| Transfers to Stage 1 | 413 | (413) | - | 0 |
| Transfers to Stage 2 | (33) | 33 | - | 0 |
| Impact on ECL of transfers | - | - | - | - |
| Foreign currency and other adjustments | 15,647 | - | - | 15,647 |
| | 1,570,601 | 4,852 | - | 1,575,453 |

| (in €'000) | | | | 31/12/2022 |
|---|---|---|---|---|
| **ECL** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Balance as at 1 January | 127 | 2 | - | 129 |
| New transactions | 88 | 22 | - | 110 |
| Payments and assets derecognised | (16) | - | - | (16) |
| Transfers to Stage 1 | - | - | - | - |
| Transfers to Stage 2 | - | - | - | - |
| Impact on ECL of transfers | - | - | - | - |
| Foreign currency and other adjustments | - | - | - | - |
| | 199 | 24 | - | 223 |



### *5.9.5.2 ECL*

As of 1 January 2020, MBE implemented methodologies for estimating expected credit losses in line with International Financial Reporting Standard 9 ("IFRS 9"). The IFRS 9 ECL model is developed in cooperation with MHBK. Changes in loss allowances are regularly monitored and discussed in relevant committees.

Per year end, the changes of loss allowance at an amount equal to 12-month and lifetime expected credit losses are measured for financial assets in scope of the IFRS9 Policy. The exposure of stage 3 amounts equals to € 66,928,000 (in 2021 € 70,194,000) and is fully guaranteed by Mizuho Group, hence the stage 3 exposure's credit risk is fully transferred. The total ECL allocated to Stage 3 is € 53,000 (in 2021 € 66,000).

The 2022 ECL amount is € 836,000. In 2021, the ECL amount was € 1,472,000. The difference between this year's ECL and last year's ECL is a positive result which will been taken into the profit and loss account

The ECL and exposure per stage is disclosed as follows:

| (in €'000) | | 31/12/2022 | | 31/12/2021 |
|---|---|---|---|---|
| **Class** | **Maximum credit risk** | **ECL** | **Maximum credit risk** | **ECL** |
| Stage 1 | 5,901,858 | 612 | 5,840,664 | 418 |
| Stage 2 | 138,450 | 172 | 279,695 | 988 |
| Stage 3 | 66,943 | 53 | 70,194 | 66 |
| Total | 6,107,251 | 837 | 6,190,553 | 1,472 |

The table below provides an overview of maximum credit risk and ECL per category at year end 2022.

| (in €'000) | Maximum credit risk | | | | ECL | | | |
|---|---|---|---|---|---|---|---|---|
| | **Stage 1** | **Stage 2** | **Stage 3** | **Total** | **Stage 1** | **Stage 2** | **Stage 3** | **Total** |
| Governments and central banks | 1,298,140 | - | - | 1,298,140 | - | - | - | - |
| Loans and advances to banks | 239,926 | - | - | 239,926 | 30 | - | - | 30 |
| Loans and advances to customers | 2,415,661 | 133,597 | 66,943 | 2,616,201 | 375 | 148 | 53 | 576 |
| Debt securities | 377,559 | - | - | 377,559 | 8 | - | - | 8 |
| Contingent liabilities | 533,973 | 4,853 | - | 538,826 | 85 | 24 | - | 109 |
| Commitments | 1,036,599 | - | - | 1,036,599 | 114 | - | - | 114 |
| Total | 5,901,857 | 138,450 | 66,943 | 6,107,251 | 612 | 172 | 53 | 837 |

MBE takes into account the effect of collateral and other credit enhancements in the calculation of ECL.

In accordance with MBE policy, assumptions and parameters of the IFRS 9 ECL model are regularly reviewed and discussed in the monthly Portfolio Management Committee. The macroeconomic variables which are used for the calculation of the forward looking probabilities of default, are regularly updated.

##### *5.9.5.3 Forbearance*

MBE has in place a policy for monitoring its forbearance portfolio. Forborne exposures are those exposures in which the contractual agreements have been adjusted to include concessions towards a debtor facing or about to face difficulties in meeting its financial commitments. A concession refers to either of these two following actions:

- A modification of the previous terms and conditions of a contract that the debtor is considered unable to comply with due to its financial difficulties ('troubled debt') resulting in insufficient debt service ability and that would not have been granted had the debtor not been experiencing financial difficulties;

- A total or partial refinancing of a troubled debt contract, which would not have been granted had the debtor not been in financial difficulties.

At year-end 2022, no forbearance measures have been granted.

### 5.9.6 Concentration Risk

Asset concentrations are reported per single exposure, per sector and per geographical region.

The largest credit concentration by industry sector was sovereign and supranational, which amounted to € 1,675,699,000 or 27% of the total portfolio , followed by telecommunication of € 608,438,000 (10%) and utilities of € 433,090,000 (7%). This compares with the largest sector concentration of sovereign and supranational of € 1,806,577 ,000 (30%) followed by utilities of € 463,620,000 (8%) and chemicals of € 385,261.000 (6%) last year.

The largest sector of credit concentration remained the same from the previous year due to large placing at the DNB account and holdings of Dutch government bonds for liquidity purposes. MBE sets guideline levels for maximum concentrations and monitors these levels in the Portfolio Management Committee on a monthly basis. MBE also monitors concentration risk based on the Prudential Regulation Authority's methodology.

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| Sovereign & Supranational | 1,675,699 | 1,806,577 |
| Utilities | 433,090 | 462,273 |
| Banks & Other Financials | 427,391 | 428,746 |
| Telecommunications | 608,438 | 407,135 |
| Chemicals | 286,537 | 376,903 |
| Electrical Equipments | 416,154 | 305,863 |
| Leasing | 313,818 | 290,825 |
| Energy | 269,199 | 284,592 |
| Food & Drinks | 388,658 | 274,208 |
| Trading & Wholesale | 116,419 | 228,244 |
| Pharmaceutical | 25,912 | 170,548 |
| Other Materials | 63,990 | 158,862 |
| Automotives | 181,212 | 149,603 |
| Professional & Business Services | 117,768 | 133,550 |
| Steel & Metals | 155,125 | 122,560 |
| Rail & Road Transport | 101,584 | 93,084 |
| Machinery & Precision Machinery | 80,177 | 87,981 |
| Medical Equipment | 118,560 | 80,360 |
| Home Electronics | 28,011 | 77,949 |
| Transport Equipments | 74,350 | 70,197 |
| Other Manufacturing | 99,227 | 65,752 |
| Construction | 61,799 | 52,480 |
| Consumer Finance | 26,166 | 21,762 |
| Consumer Products & Services | 23,233 | 21,091 |
| Textiles | 7,401 | 16,000 |
| Healthcare | 7,228 | 3,400 |
| Information Services | 7 | 8 |
| Real Estate | 98 | - |
| | 6,107,251 | 6,190,553 |

The geographical distributtion of the credit exposures per region, based on the client location, is as follows:

| (in €'000) | 31/12/2022 | 31/12/2021 |
|---|---|---|
| The Netherlands | 2,434,944 | 2,405,001 |
| EU (excluding the Netherlands) | 2,853,945 | 2,893,979 |
| Rest of Europe | 107,803 | 252,777 |
| North America | 37,132 | 157,948 |
| Japan | 622,537 | 354,920 |
| Other | 50,890 | 125,929 |
| | 6,107,251 | 6,190,553 |

### 5.9.7 Investments

MBE held no investments as per year-end 2022.



### 5.9.8 Operational Risk

MBE is exposed to certain types of operational risk. Operational risk is defined as the risk of MBE incurring losses resulting from inadequate or failed internal processes, people and systems or from external events. MBE calculates the capital charge for operational risk based on the Basic Indicator Approach (BIA) method.

MBE's policy on Operational and Data Risk focuses on identifying, measuring, managing, reporting and controlling operational risk, including risks surrounding Legal Risk, Compliance Risk and Reputational Risk.

To protect MBE against significant financial losses, we have taken out insurance policies offering coverage against claims and losses by virtue of its services. In summary, this concerns Comprehensive Crime Insurance, Directors & Officers Insurance and an accident insurance policy.

Key instruments to manage MBE's operational risk are risk self-assessments, risk committees, customer complaint procedures, security assessments, risk event management, control framework and an incident database.

### 5.9.9 Market Risk

Market risk constitutes MBE's least significant risk. Market risk is the risk of loss because of changes in market variables, including objective variables such as interest rates, exchange rates, and share prices. Furthermore, some variables are not directly observable, such as volatility and correlations.

Under Pillar 1 of Basel rules, MBE is exempt from calculating market risk capital requirements since its gross long positions and the sum of its gross short positions in all foreign currencies, do not exceed 100% of eligible capital and its overall net open position does not exceed 2% of its eligible capital.

MBE's policy on market risk is not to be exposed to material open positions in interest rate and foreign currency risks. In principle, we either match our lending and borrowing on an individual basis or enter into derivatives to hedge the interest rate and foreign currency risk on a one-by-one basis.

### 5.9.10 Interest Rate Risk

The notes to the financial statements include (remaining) contractual maturity calendars for most financial instruments. A large number of financial instruments carry a variable rate of interest. Therefore, the period between 31 December 2022 (or 31 December 2021) and the first interest reset date following such date, when interest conditions will reset to market conditions, is assessed to understand the interest rate risk inherent in these financial instruments.

Furthermore, MBE enters into interest rate derivative contracts to adjust the interest rate mismatch inherent in the on-balance financial instruments to the desired bandwidths.

In addition to interest rate risk of the financial products in the banking book, changes in discount rate following the interest rate movements impact MBE's defined benefit obligation.

Stress testing is performed for interest rate risk in the banking book. Stress losses are calculated under both parallel and non-parallel shifts in the yield curve:

- A 200 bp sudden downward rate shock would result in a positive impact on market value of equity of € 6,583,000 (2021: € 1,603,000 in absolute).

- A 200 bp sudden upward rate shock would result in a negative impact on market value of equity of

- € 8,743,000 (2021: € 12,111,000 in absolute).

- The impact of a gradual downward rate movement by a 200 bp is assessed at € 3,398,000 (2021:

- € 694,000 in absolute) negative impact on net income.

- A gradual upward rate movement by a 200 bp would result in a positive impact on the net income of € 5,129,000 (2021 € 5,786,000 in absolute).

The fluctuation of year-over-year results are mainly driven by the balance sheet and interest rate movements.

The following table provides a maturity calendar of interest-bearing financial instruments, including interest rate derivatives, by the earlier of interest rate reset or redemption date as at 31 December 2022 and 31 December 2021 respectively:

| (in €'000) | | | | | | 31/12/2022 |
|---|---|---|---|---|---|---|
| | Variable | <= 3M | <= 1YR | <= 5 YR | => 5 YR | Total |
| **Assets** | | | | | | |
| Balances with central banks | 39,257 | 1,250,000 | - | - | - | 1,289,257 |
| Loans and advances to banks | 87,284 | 5,590 | 129,292 | - | - | 222,266 |
| Loans and advances to customers | - | 900,090 | 594,302 | 588,100 | 508,244 | 2,590,736 |
| Debt securities | - | 50,042 | 127,202 | 199,249 | - | 376,493 |
| | 126,541 | 2,205,722 | 850,796 | 787,349 | 508,244 | 4,478,752 |
| **Liabilities** | | | | | | |
| Banks | (80) | (427,047) | (73,419) | (752,734) | (3,798) | (1,257,078) |
| Funds entrusted | (1,226,659) | (1,094,242) | (329,618) | - | - | (2,650,519) |
| | (1,226,739) | (1,521,289) | (403,037) | (752,734) | (3,798) | (3,907,597) |
| **Derivatives** | | | | | | |
| Swaps | - | 22,761 | 90,712 | 229,207 | 25,200 | 367,880 |
| | - | 22,761 | 90,712 | 229,207 | 25,200 | 367,880 |
| Net interest position | (1,100,198) | 661,772 | 357,047 | (194,592) | 479,246 | 203,275 |

| (in €'000) | | | | | | 31/12/2021 |
|---|---|---|---|---|---|---|
| | Variable | <= 3M | <= 1YR | <= 5 YR | => 5 YR | Total |
| **Assets** | | | | | | |
| Balances with central banks | 1,410,164 | - | - | - | - | 1,410,164 |
| Loans and advances to banks | 46,467 | 22,662 | 139,978 | 3,939 | - | 213,046 |
| Loans and advances to customers | - | 984,624 | 619,416 | 830,515 | 472,659 | 2,907,214 |
| Debt securities | - | 100,059 | 50,285 | 230,480 | - | 380,824 |
| | 1,456,631 | 1,107,345 | 809,679 | 1,064,934 | 472,659 | 4,911,248 |
| **Liabilities** | | | | | | |
| Banks | (83) | (589,464) | (125,000) | (722,830) | (22,368) | (1,459,745) |
| Funds entrusted | (1,517,598) | (978,701) | (437,037) | - | - | (2,933,336) |
| | (1,517,681) | (1,568,165) | (562,037) | (722,830) | (22,368) | (4,393,081) |
| **Derivatives** | | | | | | |
| Swaps | | 34,971 | 111,747 | 254,607 | 22,000 | 423,325 |
| | | 34,971 | 111,747 | 254,607 | 22,000 | 423,325 |
| Net interest position | (61,050) | (495,792) | 135,895 | 87,497 | 428,291 | 94,842 |

### 5.9.11 Foreign Currency Risk

MBE's financial position and cash flows are affected by exchange rate fluctuations to a limited extent. Most of the positions in the statement of financial position and transactions are denominated in euros. MBE ensures that the exchange rate risk is managed effectively within the limits set. The foreign exchange positions are listed in the table below.



| (in €'000) | | 31/12/2022 | | | Open position |
|---|---|---|---|---|---|
| | Debit | Credit | Net | Derivatives | (absolute) |
| USD | 3,176,144 | (3,917,651) | (741,507) | 741,571 | 64 |
| JPY | 548,050 | (494,179) | 53,871 | (53,845) | 26 |
| GBP | 239,179 | (237,610) | 1,569 | (1,552) | 17 |
| Other | 525,280 | (496,219) | 29,061 | (28,886) | 175 |
| | 4,488,653 | (5,145,659) | (657,006) | 657,288 | 282 |

| (in €'000) | | 31/12/2021 | | | Open position |
|---|---|---|---|---|---|
| | Debit | Credit | Net | Derivatives | (absolute) |
| USD | 4,050,761 | (4,615,361) | (564,600) | 564,048 | (552) |
| JPY | 557,389 | (517,944) | 39,445 | (39,437) | 8 |
| GBP | 199,172 | (198,399) | 773 | (766) | 7 |
| Other | 573,097 | (493,057) | 80,040 | (79,327) | 713 |
| | 5,380,419 | (5,824,761) | (444,342) | 444,518 | 176 |

### 5.9.12 Liquidity Risk

Liquidity risk is the risk that an organization may not be able to fund increases in assets or meet obligations as they fall due, unless at an unreasonable cost. Therefore, liquidity risk is the risk that the bank will be unable to meet its payment obligations when it falls due under normal and stress circumstances.

MBE's liquidity policy can be best described as being conservative. The Internal Liquidity Adequacy Assessment Process (ILAAP), which is reported to the DNB every two years, combines the policy with the quantitative aspects of liquidity risk. The objective of MBE's liquidity risk management is thus to ensure the availability of sufficient cash flows to meet all financial commitments. Customer deposits and interbank funding (which is largely from the parent) are the primary sources of liquidity for our operations.

A conservative liquidity buffer is held to absorb severe stress circumstances of net outflows of liquidity. Stress scenarios take into account idiosyncratic, market, and combined stresses. There is a continuous evaluation of the adequacy of this liquidity buffer, as well as on the available liquidity contingency measures.

The following table indicates the remaining contractual maturity of financial instruments as of 31 December 2022 and 31 December 2021 respectively:

| (in €'000) | | | | | | 31/12/2022 |
|---|---|---|---|---|---|---|
| | On demand | <= 3M | <= 1YR | <= 5 YR | => 5 YR | Total |
| **Assets** | | | | | | |
| Balances with central banks | 39,257 | 1,250,000 | - | - | - | 1,289,257 |
| Loans and advances to banks | 87,284 | 5,590 | 129,292 | - | - | 222,266 |
| Loans and advances to customers | - | 900,090 | 594,302 | 588,100 | 508,244 | 2,590,736 |
| Debt securities | - | 50,042 | 127,202 | 199,249 | - | 376,493 |
| | 126,541 | 2,205,722 | 850,796 | 787,349 | 508,244 | 4,478,752 |
| **Liabilities** | | | | | | |
| Banks | (80) | (427,047) | (73,419) | (752,734) | (3,798) | (1,257,078) |
| Funds entrusted | (1,226,659) | (1,094,242) | (329,618) | - | - | (2,650,519) |
| | (1,226,739) | (1,521,289) | (403,037) | (752,734) | (3,798) | (3,907,597) |
| **Derivatives** | | | | | | |
| Swaps | | | | | | |
| Inflows | - | 19,227 | 304,052 | 60,393 | 20,704 | 404,376 |
| Outflows | - | (20,515) | (305,442) | (60,131) | (20,704) | (406,792) |
| FX | | | | | | |
| Inflows | - | 2,114,058 | 464,287 | 697,032 | - | 3,275,377 |
| Outflows | - | (2,113,927) | (464,090) | (696,811) | - | (3,274,828) |
| Net position | (1,100,198) | 683,376 | 446,566 | 35,098 | 504,446 | 569,288 |

| (in €'000) | | | | | | 31/12/2021 |
|---|---|---|---|---|---|---|
| | On demand | <= 3M | <= 1YR | <= 5 YR | => 5 YR | Total |
| **Assets** | | | | | | |
| Balances with central banks | 1,410,164 | - | - | - | - | 1,410,164 |
| Loans and advances to banks | 46,467 | 22,662 | 139,978 | 3,939 | - | 213,046 |
| Loans and advances to customers | - | 984,624 | 619,416 | 830,515 | 472.659 | 2,907,214 |
| Debt securities | - | 100,059 | 50,285 | 230,480 | - | 380,824 |
| | 1,456,631 | 1,107,345 | 809,679 | 1,064,934 | 472,659 | 4,911,248 |
| **Liabilities** | | | | | | |
| Banks | (83) | (589,464) | (125,000) | (722,830) | (22,368) | (1,459,745) |
| Funds entrusted | (1,517,598) | (978,701) | (437,037) | - | - | (2,933,336) |
| | (1,517,681) | (1,568,165) | (562,037) | (722,830) | (22,368) | (4,393,081) |
| **Derivatives** | | | | | | |
| Swaps | | | | | | |
| Inflows | - | 284,440 | 278,251 | 103,351 | - | 666,042 |
| Outflows | - | (286,449) | (279,323) | (104,497) | - | (670,269) |
| FX | | | | | | |
| Inflows | - | 1,672,514 | 489,359 | 437,005 | - | 2,598,878 |
| Outflows | - | (1,672,378) | (489,145) | (436,814) | - | (2,598,337) |
| Net position | (61,050) | (460,820) | 247,642 | 342,104 | 450,291 | 518,167 |

### 5.9.13 Compliance and Legal Risk

Legal risk arises from uncertainties about the legal enforceability of the obligations of the bank's customers and counterparties including those with respect to derivatives, as well as the possibility that legal or regulatory changes may adversely affect the bank's position. MBE employs two (2) legal counsel, seven (7) compliance officers who are trained in timely observing, addressing and repressing legal and compliance risks. A component thereof is the protection of the reputation of the bank. To minimize legal risks the bank uses standard legal agreements for financial products as much as possible and, when necessary, consults external legal expertise.

The scope and nature of compliance within the financial industry have evolved and are no longer limited to rules-based banking regulations. Given the changes in the compliance and regulatory landscape and the resulting long-term impact on banks, MBE has standardized various compliance rules, set up policies and procedures, adopted lean principles and provides training for employees on a regular basis to improve awareness and knowledge. Furthermore, various mitigating measures were taken to minimize the risks due to international sanctions.



## 5.10 Appropriation of result

***Appropriation of result for the financial year 2021***

The appropriation of the net result of 2021 is in accordance with the shareholder's decision of 29 March 2022 included in the other reserves.

***Proposed appropriation of result for the financial year 2022***

The net profit for the year ended 31 December 2022 amounted to € 35,488,000 and is awaiting the discussion of the General Meeting of Shareholders. The Management Board proposes to add the net profit for the year to the other reserves. This proposal has not been recorded in the financial statements.

The proposal of the profit distribution is as follows:

| (in €'000) | 2022 | 2021 |
|---|---|---|
| Available profit | 35,488 | 23,901 |
| Less: dividend | - | - |
| Transfer to other reserves | 35,488 | 23,901 |

## 5.11 Post balance sheet events

No events took place after balance sheet date that would result in material adjustments.

Amsterdam, 22 March 2023

**Supervisory Board of Directors**

Shinsuke Toda
Peter de Ruijter
Christophe Camboly
Leonique van Houwelingen

**Management Board**

Shinsuke Kajiwara
Koichi Kishinoue
Jens Pöhland

# 6. Other Information

### 6.1 Statutory rules concerning appropriation of the result

In accordance with article 17 of the Articles of Association the profit for the year will be at the disposal of the shareholder by the General Meeting of Shareholders. Profit can only be distributed to the shareholder for as far as the total shareholder's equity exceeds the issued and paid-up share capital and non-distributable reserves.

# 7. Independent Auditor's Report

## Report on the audit of the financial statements 2022 included in the annual report

### Our opinion

We have audited the financial statements 2022 of Mizuho Bank Europe N.V. based in Amsterdam.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Mizuho Bank Europe N.V. as at 31 December 2022, and of its result for 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The balance sheet as at 31 December 2022
2. The profit and loss account for 2022
3. The notes comprising a summary of the accounting policies and other explanatory information

### Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. Our responsibilities under those standards are further described in the ***Our responsibilities for the audit of the financial statements*** section of our report.

We are independent of Mizuho Bank Europe N.V. (hereinafter also 'MBE' or 'the company') in accordance with the EU Regulation on specific requirements regarding statutory audit of public-interest entities, the "Wet toezicht accountantsorganisaties" (Wta, Audit firms supervision act), the "Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten" (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the "Verordening gedrags- en beroepsregels accountants" (VGBA, Dutch Code of Ethics).

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

### Information in support of our opinion

We designed our audit procedures in the context of our audit of the financial statements as a whole and in forming our opinion thereon. The following information in support of our opinion and any findings were addressed in this context, and we do not provide a separate opinion or conclusion on these matters.

*Our understanding of the business*

MBE is a licensed bank in the Netherlands and performs corporate banking activities, including leading and participating in syndicates and dealing in bonds and other financial instruments. MBE has branch offices in Belgium, Austria and Spain and is a 100% subsidiary of Mizuho Bank Ltd., which in turn is a wholly-owned subsidiary of Mizuho Financial Group (hereinafter also 'Mizuho Group'). We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

We determined materiality and identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error in order to design audit procedures responsive to those risks and to obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

In order to obtain sufficient and appropriate audit evidence to provide an opinion on the financial statements, we have performed a full-scope audit on the financial information of MBE as a whole (no components) and by one audit team.

*Materiality*

| | |
|---|---|
| Materiality | € 2.600.000 (2021: € 2.600.000) |
| Benchmark applied | 0.5% of shareholder's equity |
| Explanation | Based on our professional judgment, a benchmark of 0.5% of shareholder's equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of the company. We determined materiality consistent with previous year. |

We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 130.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

*Teaming and use of specialists*

We ensured that the audit team included the appropriate skills and competences which are needed for the audit of a client in the banking industry. We included specialists in the areas of IT audit, forensics, regulatory reporting and income tax and have made use of our own experts in the areas of credit risk modelling, valuation of financial instruments, and actuarial calculations.

*Our focus on climate-related risks and the energy transition*

Climate change and the energy transition high on the public agenda and lead to significant change for many businesses and society. The management board reported in the section 3.6 of the report of the board of managing directors how the company is addressing climate-related and environmental risks also taking into account related regulatory and supervisory guidance and recommendations.

As part of our audit of the financial statements, we evaluated the extent to which climate-related risks and the effects of the energy transition are taken into account in estimates and significant assumptions. Furthermore, we read the management report and considered whether there is any material inconsistency between the non-financial information in section 3.6 and the financial statements.

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2022.

*Our focus on fraud and non-compliance with laws and regulations*

### Our Responsibility

Although we are not responsible for preventing fraud or non-compliance and we cannot be expected to detect non-compliance with all laws and regulations, it is our responsibility to obtain reasonable assurance that the financial statements, taken as a whole, are free from material misstatement, whether caused by fraud or error. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

### Our audit response related to fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and the management board's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 3.5 of the report of the board of managing directors for the management board's risk assessment after consideration of potential fraud risks.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as the Mizuho code of conduct, whistleblowing policy and incident database. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due to fraud is present.

We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

As in all of our audits, we addressed the risks related to management override of controls. For these risks we have performed procedures among others to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2c to the financial statements. We have also performed procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties. These risks did however not require significant auditor's attention.

The following fraud risk identified required significant attention during our audit:

Presumed risks on revenue recognition

| | |
|---|---|
| Fraud risk | We presumed that there are risks of fraud in revenue recognition. We evaluated that commission income in particular gives rise to such risks. |
| Our audit approach | We describe the audit procedures responsive to the presumed risk of fraud in revenue recognition in the description of our audit approach for the key audit matter 'Completeness and accuracy of commission income'. |

We considered available information and made enquiries of relevant executives, directors, internal audit, legal & compliance, human resources, and the supervisory board.

The fraud risks we identified, enquiries and other available information did not lead to specific indications for fraud or suspected fraud potentially materially impacting the view of the financial statements.

### Our audit response related to risks of non-compliance with laws and regulations

We performed appropriate audit procedures regarding compliance with the provisions of those laws and regulations that have a direct effect on the determination of material amounts and disclosures in the financial statements. Furthermore, we assessed factors related to the risks of non-compliance with laws and regulations that could reasonably be expected to have a material effect on the financial statements from our general industry experience, through discussions with the management board, inspection of the integrity risk analysis (SIRA), reading minutes, inspection of internal audit and compliance reports, and performing substantive tests of details of classes of transactions, account balances or disclosures.

We also inspected lawyers' letters and correspondence with regulatory authorities and remained alert to any indication of (suspected) non-compliance throughout the audit. In case of potential non-compliance with laws and regulations that may have a material effect on the financial statements, we assessed whether the company has an adequate process in place to evaluate the impact of non-compliance for its activities and financial reporting and, where relevant, whether the company implemented remediation plans. Finally we obtained written representations that all known instances of non-compliance with laws and regulations have been disclosed to us.

*Our audit response related to going concern*

As disclosed in section 'Going concern' in Note 1 to the financial statements, the financial statements have been prepared on a going concern basis. When preparing the financial statements, the management board made a specific assessment of the company's ability to continue as a going concern and to continue its operations for the foreseeable future.

We discussed and evaluated the specific assessment with the management board exercising professional judgment and maintaining professional skepticism. We considered whether the management board's going concern assessment, based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, contains all relevant events or conditions that may cast significant doubt on the company's ability to continue as a going concern and whether the company will continue to comply with prudential requirements. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion.

Based on our procedures performed, we did not identify material uncertainties about going concern. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

*Our key audit matters*

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements. We have communicated the key audit matters to the supervisory board. The key audit matters are not a comprehensive reflection of all matters discussed.

In comparison with previous year, our key audit matters did not change.



**Estimation of the provision for expected credit loss on loans and advances to customers**

| | |
|---|---|
| Risk | MBE provides loans to corporate clients with a focus on the European and Japanese markets. MBE applies the expected credit loss method of IFRS 9 'Financial Instruments' as allowed in Dutch Accounting Standards to recognize expected credit losses on these loans and advances. At 31 December 2022, the gross balance of loans and advances to customers of MBE amounts to EUR 2.591 million; the provision for expected credit loss of EUR 0.6 million is deducted from the gross loan balance. The provision for expected credit loss and credit risk have been disclosed in notes 2f, 5.6.7 and 5.9.5 to the financial statements.<br><br>The expected credit losses are calculated based on risk staging of loans and advances to customers and using assumptions such as the probability of default, the loss given default, macro- economic scenarios and other forward-looking information. The estimation of expected credit losses is a key area of judgment for the management board and is subject to inherent estimation uncertainty.<br><br>Given the materiality of the loans and advances to customers of MBE, the complex accounting requirements with respect to estimating the provision for expected credit loss and the subjectivity involved in the judgments made, we considered this to be a key audit matter. |
| Our audit approach | Our audit procedures included, amongst others, evaluating the appropriateness of MBE's accounting policies related to the estimation of the provision for expected credit loss in accordance with the relevant paragraphs and application guidance of IFRS 9. We also obtained an understanding of the estimation process, as relevant to our audit of the financial statements. We evaluated the design and implementation of internal controls relevant to the lending and credit risk management processes.<br><br>With the support of our internal modelling specialists, we evaluated the appropriateness of the models used by MBE for collectively determined provisions and verified whether the model was adequately designed and implemented. In addition, we performed retrospective testing procedures by comparing modelled predictions to actual results.<br><br>We performed substantive procedures, including the reconciliation of the data used in the model calculations and disclosures to source systems. We made an overall assessment of the provision levels by risk stage to determine if they were reasonable considering the risk profile of the loans and advances to customers, arrears management and credit risk management practices such as guarantees and pledge agreements.<br><br>We challenged the criteria used to allocate loans and advances to risk stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate stage allocation. We also evaluated the provision for expected credit loss on stage 3 exposures which are calculated individually.<br><br>Finally, we evaluated the adequacy and completeness of the related disclosures in accordance with the relevant paragraphs and application guidance of IFRS 7 'Financial instruments: disclosures'. In particular we evaluated that disclosures are sufficiently detailed and convey the degree of estimation uncertainty. |
| Key observations | Based on our procedures performed we consider the estimation of and disclosures on the provision for expected credit loss on loans and advances to customers to be reasonable and in accordance with Part 9 of the book 2 of the Dutch Civil Code. |

**Completeness and accuracy of commission income**

| | |
|---|---|
| Risk | MBE recognizes income from fees in respect of banking services. Fees that are an integral part of the effective interest rate of a financial instrument are presented as interest income. Commission income includes fees which do not have the character of interest.<br><br>Commissions that have the character of interest have been disclosed in notes 4b and 5.7.26, and commission income has been disclosed in notes 4c and 5.7.28 to the financial statements.<br><br>The completeness and accuracy of revenue recognition is considered a key audit matter due to the pervasive impact on the bank's financial statements and the presumed risks of fraud in revenue recognition. Due to the nature of commission income, we focused our attention on this revenue stream. |
| Our audit approach | Our audit procedures included obtaining an understanding of the different sources of income as part of our planning and risk assessment procedures. We evaluated the appropriateness of MBE's accounting policies related to fees in respect of banking services in accordance with Part 9 of the book 2 of the Dutch Civil Code. We have evaluated the design and implementation of the controls on the lending processes that generate fee income.<br><br>As part of our substantive audit procedures, we have performed analytical procedures and detailed testing on fees. For a sample of transactions, we traced and agreed the recorded fees for banking services to underlying source documentation. We performed tests of details by recalculating the revenues based upon the contractual details. We verified correct recognition of either interest income or commission income, including cut-off. With the support of transfer pricing specialists, we determined that the revenue recognized on related party transactions is generated in the normal course of business and at an arm's length basis.<br><br>Finally, we evaluated the adequacy of the related disclosures. |
| Key observations | Based on our procedures performed we consider the commission income to be reasonable and in compliance with the relevant accounting standards. |

**Reliability and continuity of IT environment**

| | |
|---|---|
| Risk | The activities and financial reporting of MBE are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, and operations, support the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls. The dependency on IT environment could lead to undetected misstatements in financial reporting. Appropriate IT controls are required to ensure that applications process data as expected and that changes are made in an appropriate manner. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data.<br><br>The IT environment of MBE is characterized by a high level of outsourcing to other Mizuho Group entities. As described in section 3.5.3 of the report of the board of managing directors, information security, outsourcing and data management have the attention of the management board and the supervisory board.<br><br>As appropriate control on the IT environment, including outsourced services to other Mizuho Group entities, is fundamental to financial reporting, we consider reliability and continuity of the IT environment to be a key audit matter. |
| Our audit approach | Our audit procedures included obtaining an understanding of the IT environment, outsourced services to other Mizuho Group entities and cyber security as part of our planning and risk assessment procedures to the extent necessary for the scope of our audit of the financial statements. We evaluated the design and tested operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. We included IT auditors in our audit team to assess the IT applications managed at MBE and at other Mizuho Group entities in the United Kingdom, Japan and USA.<br><br>We tested user access by assessing the controls in place for in-scope applications, in particular those pertaining to the addition and periodic recertification of user access. We tested change management controls in relation to amendments to applications, and assessed IT application controls and data interface controls.<br><br>Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place and assessed what additional testing procedures were necessary to mitigate any residual risk. |
| Key observations | Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements. |

## Report on other information included in the annual report

The annual report contains other information in addition to the financial statements and our auditor's report thereon.

Based on the following procedures performed, we conclude that the other information:

- Is consistent with the financial statements and does not contain material misstatements
- Contains the information as required by Part 9 of Book 2 of the Dutch Civil Code for the management report and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements. By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the management report in accordance with Part 9 of Book 2 of the Dutch Civil Code and other information required by Part 9 of Book 2 of the Dutch Civil Code.



## Report on other legal and regulatory requirements

*Engagement*

We were engaged by the supervisory board as auditor of Mizuho Bank Europe N.V. on 12 February 2021, as of the audit for the year 2021 and have operated as statutory auditor ever since that date.

*No prohibited non-audit services*

We have not provided prohibited non-audit services as referred to in Article 5(1) of the EU Regulation on specific requirements regarding statutory audit of public-interest entities.

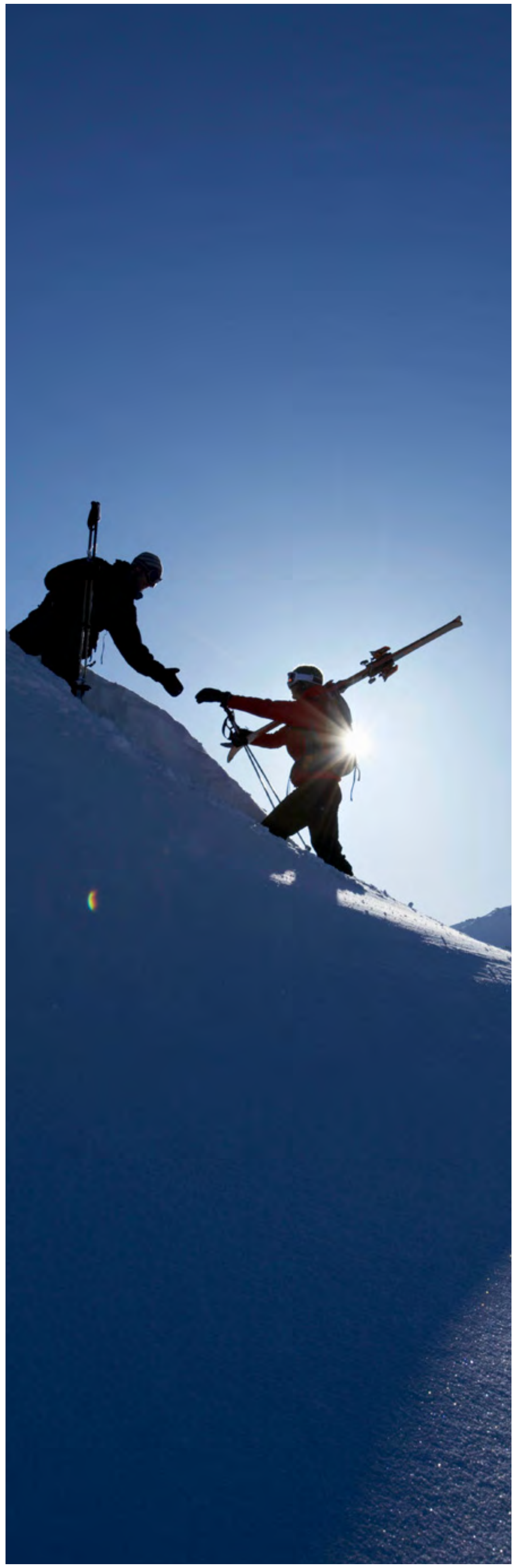
## Description of responsibilities regarding the financial statements

*Responsibilities of the management board and the supervisory board for the financial statements*

The management board is responsible for the preparation and fair presentation of the financial statements in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, the management board is responsible for such internal control as the management board determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

As part of the preparation of the financial statements, the management board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting framework mentioned, the management board should prepare the financial statements using the going concern basis of accounting unless the management board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so. The management board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The supervisory board is responsible for overseeing the company's financial reporting process.



*Our responsibilities for the audit of the financial statements*

Our objective is to plan and perform the audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not detect all material errors and fraud during our audit.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. The 'Information in support of our opinion' section above includes an informative summary of our responsibilities and the work performed as the basis for our opinion.

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit 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
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

*Communication*

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit.

In this respect we also submit an additional report to the audit & compliance committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

We provide the supervisory board with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the supervisory board, we determine the key audit matters: those matters that were of most significance in the audit of the financial statements. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, not communicating the matter is in the public interest.

**Amsterdam, 22 March 2023**

Ernst & Young Accountants LLP

P.J.A.J. Nijssen