



MIZUHO

Mizuho Securities
Europe GmbH

Annual Report
2023/2024

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

Table of Content

Management Report	1
Independent Auditor's Report	24
Balance Sheet	27
Profit and Loss Statement	28
Notes to the Financial Statements	29
Annex	39

Management Report

The management of Mizuho Securities Europe GmbH (the “Company” or “MHEU”) presents its management report and the financial statements for the financial year ending 31 March 2024. The Company has its registered office at Taunustor 1, 60310 Frankfurt am Main, Germany.

1. Legal Structure and Business Activities

The Company is a subsidiary of Mizuho International plc (“MHI”)¹, London/United Kingdom, and was established in June 2018 in Frankfurt am Main/Germany with the objective of ensuring the smooth and uninterrupted continuation of services to MHI’s clients in the European Union (“EU”) and the European Economic Area (“EEA”) after the exit of the United Kingdom from the EU. The Company obtained a licence from the Bundesanstalt für Finanzdienstleistungsaufsicht (“BaFin”) in December 2018 covering a range of financial and banking services in Germany.

Since March 2019, the Company has also been permitted to serve clients domiciled in other countries of the EU on a cross-border basis (“EU passporting”). Shortly after commencing client business operations in April 2019, the Company established branches in Madrid/Spain (July 2019) and Paris/France (November 2019) to promote business in the Iberian and Italian markets and the French, Belgian and Luxembourg markets respectively.

The Company and its parent company MHI are part of Mizuho Financial Group Inc. (“Mizuho Financial Group” or “MHFG”), one of the world’s largest full-service financial conglomerates. With offices in over 100 locations outside of Japan, Mizuho Financial Group employs approximately 52,000 employees worldwide and offers 150 years of banking experience.

In September 2023, Mizuho EMEA Corporate Services Limited (“MECS”) joined the MHI Group as another wholly owned subsidiary. The formation of MECS aims to launch a service company in April 2024 that will consolidate the joint corporate functions for MHI and Mizuho Bank, London Branch.

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

- GIB arranges and underwrites new debt issuances for major EU/EEA corporate and financial institution and financial sponsor clients of Mizuho. GIB also engages in the underwriting of international equity offerings and convertible bonds for EU/EEA corporations, and provides selected M&A services.
- GMK specialises in sales and trading of debt securities and cleared derivatives for EU/EEA institutional investor clients, as well as the sourcing of EU/EEA-originated products for the Japanese retail client base. GMK also provides Japanese equity sales, facilitation, and investor relations services for EU/EEA clients.

2. Corporate Governance (Unaudited)

As the Company is not public, there is no requirement to comply with the German Corporate Governance Code. However, the Company’s Board (the “Board”) considers that corporate governance is of critical importance and, hence, as at the date of this report, the Company has adopted several procedures comparable to those set forth in the German Corporate Governance Code as set out below:

- As at 31 March 2024, the Board consisted of three Managing Directors (“Geschäftsführer”) who had full responsibility for control and oversight of the Company’s activities:
 - Mr. Christoph Seibel (Chief Executive Officer, “CEO”)
 - Mr. Wolfgang Köhler (Chief Risk Officer, “CRO”), and
 - Mr. Peter Krafft (Chief Financial Officer, “CFO”).

¹ MHEU, MECS and MHI together are referenced as MHI Group throughout this document.

Management Report (Continued)

2. Corporate Governance (Continued)

- The Board holds meetings on a regular basis; ad hoc meetings are scheduled when business needs require.
- The Company's Board is independent and fully accountable for its decisions. The Company's activities are directly supervised by its shareholder MHI, with regular reporting arrangements in place to the Executive Directors of MHI and certain MHI committees.
- To facilitate the effective conduct of business across the Company, the Board delegates certain matters primarily to three committees: the Underwriting & Reputational Risk Committee, the Risk Management Committee (RMC), and the New Product Committee. Whilst the Board ultimately remains accountable for all delegated matters, the responsibilities of these committees are organized to cover specific, selected matters relating to the management of the company's business. The responsibilities and composition of these committees are as follows:
 - The **Underwriting & Reputational Risk Committee** is chaired by the CEO and attended by the CRO, CFO, Head of Legal, Head of HR and Head of Compliance. It is responsible for supporting the Board in relation to debt and equity underwriting, M&A, and reputational risk matters. This includes approval of underwritings in respect of primary issues, review of significant transactions and contemplation of all other matters, including reputational risk in relation to primary transactions.
 - The **Risk Management Committee (RMC)** is chaired by the CRO and attended by the CEO, CFO, the Heads of Legal, HR, Compliance and Risk, the Chief Information Security Officer, the Outsourcing Officer, Front Office business heads, and members of the Risk Management department. It is responsible for supporting the CRO in relation to the oversight of the Company's risk profile and monitoring compliance with risk policy, limits, stress testing and overall risk appetite.
 - The **New Product Committee** is chaired by the CRO and attended by the CEO, CFO, Head of Legal and Head of Compliance. It is responsible for the review and assessment of new product and new business proposals, including an analysis of any material risks associated with such proposals. The New Product Committee issues recommendations to the Executive Board in relation to the approval of these proposals.

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

3. Business Performance

3.1 Economic Situation and Business Environment

The economic and business environment during the financial year ending on 31 March 2024 continued to be dominated by geopolitical uncertainties, in particular with regards to the ongoing conflict between Russia and Ukraine which has entered its third year in February 2024, and, since October 2023, the Israel-Hamas war in Gaza. The global economy grew in 2023 and year 2024, but in the Eurozone, it was subdued with only 0.4% growth in 2023. The US by contrast grew real GDP by 2.5% during the same period.

Central bank tightening that began in 2022 continued with the last increase by the ECB coming in September 2023 raising the deposit facility rate to 4.0%, up from 2.0% at the beginning of the year. This had the desired effect: inflation fell over the course of the year, ending at 2.9% in December 2023, compared to 9.2% in December 2022. By March 2024, the end of MHEU's financial year, inflation had further declined to 2.4% giving central banks the opportunity to lower interest rates in 2024.

Management Report (Continued)

3. Business Performance (Continued)

These factors all contributed to higher global equity prices, dipping during October/November 2023 following the attacks on Israel on 7 October 2023, but then continuing their positive performance to end the Company's financial year near all-time highs, with the US markets notably outperforming the European ones. Equally we saw considerably high debt issuance volumes around the world with an increase of 16% during our financial year.

The business development of the company in this financial year was characterized by these external factors, with increased debt issuance and higher secondary trading volumes positively affecting the business throughout the year.

4. Business Strategy

The Management Board of the Company is focused on developing a unified, client-centric Corporate and Investment Bank ("CIB") business model that capitalises on Mizuho's global relationships, talent, and resources.

MHEU plays a vital role within Mizuho Financial Group, facilitating capital flows between Japan and international markets in the EU/EEA. MHEU aims to achieve stable profits, enhance returns, and improve revenue quality by fostering deeper, differentiated client relationships and reallocating resources towards more value-added products.

The strategy focuses on increasing collaboration across Banking, Markets, and other Mizuho entities globally as well as expanding the Company's value-added offerings, thereby creating more client engagement opportunities and strengthening client relationships.

Additionally, the strategy requires building a unified Mizuho EMEA brand to serve the clients across franchises and entities and under a single, cohesive identity. As part of this effort, several significant change initiatives were implemented throughout the year, with MHEU's people playing a central role in their successful execution. More details on these change initiatives, are outlined below.

4.1 Establishment of a Universal Bank in the EU

The Mizuho Financial Group currently operates multiple entities in the EU, resulting in exposure to multiple regulatory regimes as well as some duplication of operating model processes. During the 2023/2024 financial year, a press release was issued with the plan to transform the entities into a more streamlined, unified organisation and form a new, integrated universal bank headquartered in the Netherlands. As part of this initiative, it is planned to merge MHEU with Mizuho Bank Europe N.V., which is headquartered in Amsterdam, the Netherlands ('MBE'). Extensive preparatory work was carried out during the year for the new EU entity, which is scheduled to commence operations in 2025.

4.2 Corporate and Investment Bank ("CIB") Strategy

The strategy to unify MHEU and Mizuho Bank branches and subsidiaries in the EU under a CIB model accelerated through the year; supported by new leadership in London and key framework changes including a combined governance model, shared EMEA wide performance indicators and an integrated remuneration policy, to drive unified decision making and behaviours.

The CIB integration focuses on leveraging synergies between Banking and Markets and optimising asset allocation across entities and divisions towards businesses that generate favourable returns.

Management Report (Continued)

5. Situation of the Company

MHEU returned to modest profitability in the 2023/2024 financial year, underpinned by a positive income trend in the Banking division.

In the Banking Division, an improved macroeconomic environment combined with the utilisation of synergies from the CIB model and Mizuho's global capabilities led to a significant increase in performance compared to the previous year, which also slightly exceeded last year's forecast. The increased supply in the primary markets also benefited MHEU's Debt Capital Markets ('DCM') division, enabling the company to expand its market share and further improve its position in the ranking of EU competitors.

Within the Markets Division across EMEA, internal Key Performance Indicators ('KPIs') measuring quality of sales and number of clients MHEU is cross selling to, have shown significant improvements, highlighting the impact that the CIB model is having on the Company's business performance. Within Sales and Trading, transfer pricing income was slightly below the forecast.

Cost control remained a priority in MHEU. For the financial year 2023/2024 the Company has expected a slight increase in costs primarily in personnel expenses driven by inflation. Despite a continued focus on cost management MHEU's cost came above last year's forecast.

MHEU has set out the KPIs below to effectively assess its main business performance:

	2024	2023
	TEUR	TEUR
Net income from operations	<u>30,907</u>	<u>22,025</u>
Administrative expenses & depreciation	-30,653	-26,948
Thereof: personnel expenses	<u>-13,401</u>	<u>-11,375</u>
Profit on ordinary activities before taxation	254	-4,923
Tax on profit on ordinary activities	<u>-237</u>	<u>607</u>
Profit for the year after tax	17	-4,316
Total liabilities	<u>533,077</u>	<u>293,332</u>
Total equity	<u>43,562</u>	<u>43,545</u>

	2024	2023
	TEUR	TEUR
Tier One Capital	<u>43,451</u>	<u>42,770</u>
Own Funds Requirements	<u>6,089</u>	<u>5,260</u>

In addition to above the Company has also set out the KPIs below to effectively assess the performance of its main businesses:

	2024	2023
	TEUR	TEUR
Business Performance KPIs		
Profit/Loss (-) from GIB before tax	2,179	-2,422
Profit/Loss (-) from GMK before tax	-833	-1,922

Management Report (Continued)

5. Situation of the Company (Continued)

5.1 Profit and Loss Accounts

The gain for this financial year after tax of TEUR 17 (previous year loss of TEUR -4,316) is summarised in the table above. Net income from operations is mainly driven by commission income generated by GIB, transfer pricing revenues by GMK that mainly come from our parent MHI and trading losses in our EGB business.

The general administrative expenses and depreciations of TEUR 30,653 (previous year: TEUR 26,948) comprise personnel expenses and material costs incurred by the company including its branches in Madrid as well as in Paris. The increase in expenses is mainly driven by higher costs for the outsourcing agreement with the parent company MHI and increased staff costs.

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

5.2 Balance Sheet

As of 31 March 2024, the company had total assets of TEUR 576,639 (previous year: TEUR 336,877). The increase in assets is mainly driven by higher client activity in EGB this year-end compared to last year.

Assets and liabilities denominated in foreign currency are shown in the notes. The company's total equity increased by this year's net profit from TEUR 43,545 to TEUR 43,562 as of 31 March 2024 and consists of share capital, capital reserves and retained earnings.

5.3 Regulatory Ratios

As of 31 March 2024, the company had total regulatory capital of TEUR 43,451. The company's capital requirements of TEUR 6,089 are determined by the fixed overheads in accordance with the regulatory requirements for medium-sized (class 2) securities institutions ('IFR').

Consequently, the solvency and adequacy of MHEU's own funds were ensured at all times during this financial year. This means that key regulatory ratios are well above the legal and internal minimum requirements. The capitalisation is to be assessed as solid. The Company was solvent at all times during the financial year. No significant financial risks are discernible in the balance sheet structure and the financial situation is sound.

6. Forecast and Opportunities Report

6.1 Risks and Uncertainties

As MHEU operates the international investment banking and securities market business within the Mizuho Financial Group, it is exposed to a number of risk factors and uncertainties. A number of risks have been identified which require closer senior management attention and could cause disruption to the delivery of the Company's strategy, and/or material deviation of financial results/financial conditions from the Company's business plan. Given they are typically emerging risks which have more uncertain components we call them 'Uncertainties'. The Company's risk management framework comprises risk identification, quantification, control and risk monitoring and reporting processes designed to achieve effective management in line with its risk appetite statement through a top-down delegation of authority. More details about the Principal Risks and Uncertainties can be found in the 'Risk Review' section.

Uncertain geopolitical and macro-economic outlook

The year ahead will see several major elections, including those of the EU, UK, and US. The impact of these on geopolitics, economies and societies has the potential to be significant. China's increased military presence in the South China Sea, the ongoing Israel-Hamas and the Russia-Ukraine conflicts all continue to pose significant geopolitical uncertainties which give rise to greater exposures in capital flows, trade, and commodity markets worldwide.

Management Report (Continued)

6. Forecast and Opportunities Report (Continued)

Against this backdrop, forecasting inflation and labour markets remains a key challenge for the financial markets, affecting monetary policy expectations, exchange rates, asset prices and the debt sustainability of many countries. MHEU's business will also have to adapt to the changed prices and expectations as well as the associated risks and uncertainties in the financial year 2024/2025.

MHEU will continue to closely monitor the expected geopolitical and macroeconomic risks and the associated impact on customers and markets. The management of risks will continue to be a top priority, through careful monitoring of risk positions and the use of hedging products where necessary.

Risks associated with complex organisational change

Following the announcement of plans to establish a Universal Bank, the wider Mizuho group as well as MHEU anticipate significant changes in the business footprint across EMEA, which brings with it associated transition risks. As with any period of significant change, this can also apply additional pressure on teams and certain key individuals, increasing the risk of talent loss and therefore heightening 'key functions'. To address these challenges, Mizuho including MHEU have put in place appropriate governance structures to proactively monitor and manage these changes.

Climate and Sustainability

Identifying and managing financial risks associated with climate change remains a critical priority for the Company. As the world transitions to a low carbon economy, financial institutions including MHEU face evolving stakeholder expectations and regulation, that could have a significantly impact their business activities. With appropriate Board oversight and the embedding of climate risk into the Company's risk appetite, risk identification, stress testing and employee training framework, MHEU continues to make progress in managing climate risk and opportunities as part of its broader range of sustainability initiatives.

IT and Cyber Risk

Banks are operating in an increasingly hostile cyber risk environment. Therefore, risk control mechanisms such as IT security monitoring and incident response, regular security testing, access segregation, vulnerability management and network security are fundamental focus areas to protect MHEU and enable it to continue operating in a seamless manner.

6.2 Forecast

The market backdrop is likely to remain volatile amid looming elections in multiple jurisdictions and their impact on the overall fiscal, regulatory, and geopolitical landscape. The ongoing challenge related to the future path of monetary policy will persist, as will the focus on developing operational resilience, financial resilience and strengthened climate risk management. The ongoing pace of regulatory developments also continues, including the new Digital Operational Resilience Act (DORA), Fundamental Review of the Trading Book (FRTB) and other Capital Requirements, Investment Firm Regulation reforms, climate change regulation and the EU banking package (CRR3/CRD6) which may change cross-border rules for banks. This could not only have an impact on the Company's regulatory framework, but could also negatively affect the Company's economic situation due to higher costs that were not anticipated in the 2024/2025 business plan.

MHEU will continue to monitor this backdrop closely and manage risk as a priority. The strategic focus will continue to be the further development of the CIB model. This model will break down silos between the organisations and business lines across the region to ensure a seamless client offering. Significantly, it will align the Markets division with the Investment Banking division in order to strengthen Mizuho Financial Group's areas of competitive advantage. The CIB model will be underpinned by shared goals, governance and incentives across the region and will deliver a more sustained and stable performance as the revenue mix steadily improves. The CIB model will culminate in the establishment of a new universal bank in the EU, in which the former third-country activities of MHBK (Milan, Paris and Düsseldorf) and Mizuho Bank Europe N.V., Amsterdam, Netherlands, will be merged and MHEU will be merged with the latter in 2025. In future, corporate client and securities business will therefore be conducted at just 4 locations instead of 11. This should reduce the regulatory and operational complexity for MHFG in the region.

Management Report (Continued)

6. Forecast and Opportunities Report (Continued)

Focus on ESG (Environmental, Social and Governance) will continue in relation to the MHEU's client offering, the operational footprint and the MHEU's engagement with employees and other stakeholders. As the world transitions to a low-carbon economy, financial institutions including the Group face significant developments in stakeholder expectations and regulation, which could have a material impact on their business activities. Not only is sustainability embedded in the Group's strategic planning, risk management and business priorities, but it also features centrally within MHFG's new Corporate Philosophy and Purpose announced during the year.

MHEU expects for the next financial year ending 31 March 2025 a slight increase in net revenues resulting from both business lines, GIB as well as GMK, due to favourable market conditions. MHEU also expects a slight increase in costs primarily in personnel expenses due to a slight increase in headcount and due to pay rise and increased recharge from for outsourced services. Therefore, MHEU expects to be slightly profitable again in the next financial year.

The company has a strong governance, risk, and control system with a focus on risk culture and behavioural risk. MHEU will maintain a forward-looking level of capital and liquidity, with a moderate risk appetite and risk profile that is dynamically managed, and will continue to be involved in recovery and resolution planning with the wider Mizuho Financial Group. Operational resilience remains a high priority and MHEU has developed an operational resilience framework, policy and supporting strategy that has been approved at board level.

7. Risk Review

A comparison of the rules, procedures and scope of activities and resources with the previous financial year as well as positive audit reports show that the comprehensive risk management framework is being continuously refined. One of the most notable developments was the further expansion of the corresponding market, credit and liquidity risk management capacities as part of the expansion of EGB's trading activities from the end of July 2023.

7.1 Risk Management Framework

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

Risk Culture

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

Risk Principles

The Board has established clearly defined risk principles which describe the Company's key risk management objectives in support of its business strategy, which are as follows:

- Define the types and level of risks the Company is willing and able to accept in pursuit of its strategic objectives as expressed in its business plans.
- Ensuring effective control over balance sheet utilisation and concentration risk without tolerating breaches of the limit framework.
- Maintaining a forward-looking, moderate risk profile in line with a defined risk appetite.

Management Report (Continued)

7. Risk Review (Continued)

- Maintaining a forward-looking, moderate risk profile in line with a defined risk appetite.
- Ensuring strong capital and liquidity ratios and compliance with all relevant regulatory requirements at all times.
- Maintaining a solid financing strategy in terms of both financing ratios and the term of the financing.
- Continuously reviewing the consistency of remuneration arrangements with risk appetite.

Risk Governance

In keeping with the governance approach of MHI Group, responsibilities for risk management are assigned to multiple functions within the organisation using the three Lines of Defence (“3 LoD”) model for managing financial and other operational risks, which evolves with its business activities in response to developments in markets and products.

- **The first line (“1st LoD”)** is any business or corporate function that originates risk, owns it, and is therefore responsible for that risk. The first line function is obliged to understand the implications of any risks run by it and to conduct its own supervision to control/manage the risk.
- **The second line (“2nd LoD”)** is provided by Risk Management and Compliance who are responsible for conducting independent challenge, oversight, escalation and reporting of risk and validating the management of risks by the first line of defence. The 2nd LoD also supports the Board in setting the risk appetite, risk policies and limit framework under which the Company operates.
- **The third line (“3rd LoD”)** of defence is provided by the Internal Audit function that is independent of both the first and second line of defence. The role of the 3rd LoD is to check and verify the effectiveness of the first and second lines of defence and to escalate to the Board any deficiencies that it identifies.

The Company's risk framework is implemented in line with the risk appetite statement by setting various risk limits and policies in consultation with the Board, which report to the CRO and range up to more detailed and specific limits set by individuals in the Risk Management division with delegated risk management authority.

The Board retains ultimate responsibility for approving the company's risk appetite, overseeing risk management, capital, and liquidity issues, including compliance with applicable regulations. The CRO, who heads the main risk control functions - risk and compliance - assumes responsibility for ongoing risk monitoring and informs the Board of matters relating to his functions and company-wide risk management.

MHEU has a **Risk Committee** chaired by the CRO, which advises the Management Board on risk methods, principles and limits for market, credit, and liquidity risks as well as the tolerance for operational risks and information security risks and monitors compliance with the limits. The Chair has sole decision-making authority in the Risk Committee.

MHEU also has a **New Product Committee** process which ensures that the risk and reward equation of new products as well as businesses, jurisdictions, markets, processes, and systems is carefully analysed, considered, and remains balanced before a go-live business decision is arrived at. The NPA committee is also chaired by the CRO.

All components of the risk management framework are regularly reviewed by **Internal Audit** which applies a risk-based approach as far as their audit plan and frequency of review activity is concerned. The internal audit function itself is outsourced to an audit firm to ensure on the one hand full independence and on the other hand scalability of the audit work, if needed.

Management Report (Continued)

7. Risk Review (Continued)

The current organisational structure of the Risk Management Department is considered sufficient to deal with the current challenges, including the ongoing geopolitical situation with its demonstrated impact on the economic environment.

Risk Management Function and Approach

MHEU's risk management function is independent, adequately resourced and headed by the CRO. The CRO is a member of MHEU's Board and reports directly to the CEO. In addition, independent oversight is provided by the shareholder, who is informed of all MHEU risk management matters through regular reporting to the monthly stakeholder meetings, the EMEA Risk Management Committee and the Risk Committee of the MHI Board. The MHI Audit Compliance Committee is also kept informed of compliance matters, which are regularly covered by the monthly report from Compliance and the MHEU Risk Committee.

The Risk Management function is mandated to oversee all classes of risk to which MHEU is exposed, other than conduct risk which is overseen by the entity's Compliance function. Risk Management is structured to facilitate oversight of these risks and has direct responsibility for market, credit, liquidity, operational and IT risks, and regulatory governance for risk. Across the MHI Group a common approach to risk oversight is adopted for each risk, in accordance with a comprehensive framework of risk policies established for those risks. Recognising the increased importance of cyber security and data protection, Risk Management at MHEU also comprises Information Risk Management and Data Protection. Given the significant level of outsourcing, the Business Continuity Management and Outsourcing Officer functions also report into the CRO, helping him to identify risks before they materialise.

The areas within Risk Management either have MHEU Risk Officers as representatives or respective Risk Management services, primarily focused on the collation and publication of reporting and management information, are resourced at MHI level, and allow the MHEU Risk Management function to identify, quantify (where possible), monitor, and control the risks and potential risk concentrations to which the Company is exposed. If required, MHEU will also be provided with consultancy or project management services by MHI, but full responsibility for the comprehensive control of risks lies exclusively with the employees of the MHEU risk management function.

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

Risk Appetite

MHEU's risk appetite describes the levels and types of risk that MHEU is prepared to accept in pursuit of its business strategy. The risk appetite statement approved by the Board is to maintain 'moderate' levels of risk. This risk appetite is prudently quantified with reference to risk sensitivities, scenarios, and stress testing, and is set so as to ensure that the Company is able to maintain a sound financial position throughout economic cycles. Management's risk appetite in terms of capital is quantified with reference to minimum capital requirements and stress tests and ensures that a very healthy surplus is maintained over the Company's assessed capital requirements.

Risk appetite is implemented through a supporting framework of limits that ensures that all material sources of risk are controlled in a manner consistent with management's overall risk policy. The Company follows a structured approach to limit management which ensures that limit reporting and monitoring is carried out at the appropriate operational level within the organisation. The status of the Company's overall risk profile in terms of risk appetite is monitored by management on an ongoing basis.

Risk Identification and Assessment

As part of an annual risk inventory, all material risks are identified and recorded in a list of MHEU's risks, with responsibility for assessing these risks lying with both the business and the risk control function. The risk inventory includes a classification of materiality, risk mitigation methods and controls to ensure capital adequacy at all times. No risks are explicitly excluded from the risk identification process.

Management Report (Continued)

7. Risk Review (Continued)

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

7.2 Risk Profile

MHEU engages in no retail banking activity. It provides advisory, primary and secondary sales and trading functions to institutional European clients. The Company's client base consists primarily of financial institutions, corporates and SSA (Supranationals, Sub-Sovereigns und Agencies) issuer clients and a range of institutional investor clients. MHEU trades in a relatively vanilla product set, comprising equity and debt securities and cleared derivatives.

Most of the market risk exposures arising from MHEU's primary and secondary market activities are transferred to other group entities in compliance with MHEU's current risk management framework. With one exception, MHEU follows a strict back-to-back booking model; MHEU only takes market risk in its trading activities with European government bonds.

The Company's investment banking and equity broking activities result in low levels of risk exposure as the underwriting activity is predominantly conducted without accepting significant underwriting risk and the equity broking activity does not expose the Company directly to equity market risk. Fixed income sales activities result in low issuer risk due to position taking in EGB only; other positions are subject to the back-to-back booking model. Any derivative risk management solutions to clients are booked and cleared back-to-back.

7.3 Risks and Uncertainties

Risks

The Company's risks as an international investment banking and securities business are as follows:

Principal risk	Description	How risk is managed
Credit and Counterparty risk (including country risk)	The risk of financial loss to the Company if an issuer of a financial instrument or a customer fails to meet its contractual obligations.	<p>The Risk Management Department performs independent credit analysis and due diligence on individual entities relevant to the Company's credit risk profile. Further, it ensures compliance with credit risk limits and policies to ensure that the Company operates within the agreed credit risk appetite framework. The Company's credit risk limit framework cascades down from its risk appetite owned by the Board and it includes limits for country, sector, asset class and counterparty.</p> <p>The Company's counterparty credit exposures are quantified to assess both current and potential credit risk. Current credit exposure represents the replacement cost of those instruments which have a positive carrying value. Potential credit exposures are based on estimates of future replacement costs over the remaining life of the instrument.</p> <p>The Company's credit risk profile is reviewed at the monthly Risk Management Committee meetings and also periodically reviewed by the Board.</p>
Market risk	<p>The risk that changes in interest rates, foreign exchange rates, credit spreads, equity prices and other rates, prices, volatilities, correlations or other market conditions, such as liquidity, will have an adverse impact on the Company's financial condition or results.</p> <p>The principal market risks to which MHEU is exposed are interest rate risk and FX risk. Since starting trading in EGB,</p>	<p>Management of all market risks is the responsibility of the individual business units. Risk Management is responsible for monitoring compliance with all market risk limits and policies.</p> <p>Market risk in the Treasury funding and HQLA portfolio is measured using yield curve sensitivities (PV01) and stress test scenarios, even though the numbers generated by the latter are small. With the gradual shift away from a pure back-to-back booking model and the sole occurrence of market risk in the Treasury funding and HQLA portfolio, market risk is starting to gain in materiality for MHEU. Market risk in trading books is controlled using VaR, stress, stress VaR and revenue limits in addition to the established curve sensitivity limit framework.</p> <p>The Company's market risk profile is reviewed at the monthly Risk Management Committee meetings.</p>

Management Report (Continued)

Principal risk	Description	How risk is managed
	MHEU has been exposed to interest rate risk from market positions. On top of this, interest rate risk is also borne by treasury positions in HQLAs.	
Liquidity risk	The risk that the Company, although solvent, does not have available sufficient financial resources to enable it to meet its obligations as they fall due, even during times of idiosyncratic and / or market stress.	<p>The Company's liquidity risk management framework enables and ensures continuous review of the Company's liquidity position.</p> <p>Liquidity mismatches and stress testing results are monitored and reported on a daily basis, and are formally reviewed monthly by the Risk Management Committee, of which the Asset and Liability Committee is a sub-committee. MHEU maintains liquidity in excess of regulatory and internal risk appetite requirements,</p> <p>Intraday liquidity risk and the risk of unforeseen initial margin posting requirements are considered to be the most material. The Company maintains liquidity resources that are adequate, both as to amount and quality, to ensure that there is no risk that its liabilities cannot be met as they fall due. Liquidity and funding is actively managed even though MHEU's funding sources are currently limited to MHI Group funding, and include lending from MHI and – if needed - capital injections.</p> <p>The Company documents its approach to liquidity risk management and its assessment of the appropriate minimum level of liquidity resources consistent with its liquidity risk appetite through its 'Internal Liquidity Adequacy Assessment Process ("ILAAP")'. The approval and overall ownership of the ILAAP forms part of the accountabilities of the Board.</p>
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<p>The Company manages its exposure through an Operational Risk Framework overseen and managed by Risk Management. The Framework includes risk identification and assessment, control and monitoring, and capital management.</p> <p>Operational risk exposures are assessed and measured using a variety of approaches including: risk and control self-assessments, the setting and reporting of key operational risk indicators, internal loss event reporting, external loss event capture and scenario stress testing.</p> <p>Operational risk is reviewed, assessed, and monitored against defined tolerance statements via the Company's corporate governance structure. In addition, the Group maintains and tests contingency facilities to support operations in the event of business disruption and has purchased insurance where required by law or regulation and to address selected business risks.</p> <p>The Company's operational risk profile is reviewed at the monthly Risk Management Committee meetings whose attendees comprise i.a. the Board members. Significant matters are escalated to the Board and the MHI Board Risk Committee without delay.</p> <p>WpIG/IFR does not allocate capital for operational risk directly. The Group uses an internal model to calculate the internal capital requirement for operational risk. MHEU's internal capital model utilised a scenario-based loss distribution model combining hypothetical severe losses and probabilities from subject matter experts within the bank together with estimated correlations.</p>
Business risk	The risk that revenues do not cover costs because the revenue situation or the efficiency of business operations has deteriorated due to external influencing factors.	MHEU uses forward-looking stress testing for this risk and manages it by (a) establishing credible management actions to mitigate the impact of an adverse scenario, credible management actions to mitigate the impact of an adverse scenario, and (b) holding sufficient capital to mitigate the impact of a worst-case scenario following management actions.

Management Report (Continued)

7. Risk Review (Continued)

Uncertainties

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

- Macroeconomic concerns such as resurgence of inflationary pressures, increasing trends for corporate delinquencies, asset bubbles and unexpected/sudden market corrections.
- Major international current affairs/incidents such as the escalation of geopolitical tensions including the Russia-Ukraine conflict and the Middle East Crisis, supply chain interruptions, or humanitarian/natural disasters.
- Dependency risk which arises from outsourcing arrangements, the back-to-back booking model, and its funding and results in a dependency of MHEU on MHI.
- Financial risks arising from climate change.
- Model risk.

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

7.4 Risk Control and Management

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

Risk Limits

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

Risk Monitoring and Reporting

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

The Board is regularly informed about the company's risk positions and compliance with the risk limits. In addition to monitoring the current risk positions, the company also monitors potential future negative developments on the markets in which it operates by defining company-specific early warning indicators, the deterioration of which could impact the company's capital and liquidity strength. Monitoring and reporting on the status of these early warning indicators is part of the company's voluntary recovery and resolution plan.

Management Report (Continued)

7. Risk Review (Continued)

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

Strategy and Risk Management approach

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

MHEU's risk strategy contributes to its risk appetite statement and is reflected in its risk policies and procedures. The risk appetite is regularly approved by the Executive Board and compared with the risk profile in the Risk Committee on a monthly basis. The risk guidelines and procedures are presented to MHEU's shareholder on request.

The Company's approach to risk management is closely linked to the MHI Group and utilises - via outsourcing agreements - its infrastructure and certain Mizuho Corporate Service ('MECS') employees who provide services in London for the entire MHI Group. As part of its local governance, the Company establishes, where deemed appropriate, specific risk management controls, policies, procedures and processes and formulates its risk appetite, i.e. the maximum level and type of risk that the Company is prepared to take in pursuit of its strategic objectives and business plan, consistent with the overall risk appetite of the MHI Group.

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

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

- Liquidity risk
- Operational risk
- Business risk

The assessment of materiality takes into account the business plan of MHEU. The aim of continued growth in the substance of the company within the first 3 years of its existence was fulfilled with the go-live and subsequent expansion of MHEU's EGB trading activity, with the GMK business now actively assuming and managing some market risk positions. The volume of business in the financial year under review also continued its upwards trajectory.

MHEU has implemented an ICAAP in accordance with the requirements of MaRisk and the supplementary BaFin guideline on ICAAP. The ICAAP offers a governance framework for a detailed capital plan, risk-bearing capacity calculation and corresponding stress tests.

In order to assess the Company's risk-bearing capacity, MHEU has developed and implemented a normative and an economic perspective.

Management Report (Continued)

7. Risk Review (Continued)

The **normative perspective** takes into account the requirements for regulatory minimum capital ratios, including combined internally defined capital buffer requirement, the SREP premium – if any - and the target capital ratio. Previously, it comprised a three-year, scenario-based review of adherence with Pillar 1 quotas under a standard scenario and a negative scenario, however due to the expectation of MHEU being consolidated MBE in financial year 2025/2026, now only a one-year forecast has been developed for this review. From a normative point of view, the risk coverage potential (RCP) corresponds to the regulatory capital, which consists exclusively of core capital (Tier 1) equalling EUR 43.4M. The capital requirement for the risks assumed is quantified on the basis of internal, institution-specific calculation approaches and was EUR 17.2M, leaving MHEU with a coverage ratio of 252%.

The **economic perspective** aims at protecting creditors from losses from an economic point of view. This is the same risk-bearing capacity largely in line with the existing requirements for economic or net present value. The economic risk capital is valued on the basis of a confidence level of 99.9% and a holding period of one year, or to a confidence level of 99% where the more severe expected shortfall measure is used. MHEU had a risk capital of EUR 36.8M available against a requirement of EUR 14.2M, leaving MHEU with a coverage ratio of 259%. The risk coverage actions correspond to the RCP in the normative perspective.

The risk-bearing capacity concept and the stress tests are validated annually. The company's risk-bearing capacity was ensured at all times in the past financial year. In addition to an ILAAP, MHEU has also voluntarily implemented a recovery and resolution plan.

ILAAP

The ILAAP report describes the internal liquidity adequacy assessment process (ILAAP) for MHEU. This process includes the identification, measurement, management and monitoring of liquidity in accordance with the Minimum Requirements for Risk Management (MaRisk). The ILAAP supports the management in ensuring that MHEU has adequate liquidity resources at all times, in terms of both amount and quality, so that the Company can meet its liabilities as they fall due, even under various stress scenarios.

Stress Testing

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

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

Adequacy of Risk Management Arrangements

The Company assesses the adequacy of its overall risk management framework and of the amount of capital and liquidity that it needs to hold in respect of its risk profile on a daily basis. This assessment is formally documented within the Company's Internal Capital Adequacy Assessment Process (ICAAP) and Internal Liquidity Adequacy Assessment Process (ILAAP), and is approved by the Board. The most recent ICAAP and ILAAP exercises concluded that the risk management arrangements adopted by the entity were adequate in relation to its risk profile and strategy. Further, through its risk management framework, risk appetite and limit framework, independent reviews, and ongoing programme of enhancements, MHEU confirms that its risk management is effective. The regulatory capital requirement per 31 March 2024 was EUR 6.09M (previous year incl. buffer: EUR 5.26M). With capital resources of EUR 43.36M (previous year: EUR 42.77M) the coverage ratio stood at 712% (previous year: 813%).

Management Report (Continued)

7. Risk Review (Continued)

7.5 Climate Risk

In line with the PRA's Supervisory Statement 3/19 on enhancing banks' and insurers' approaches to managing financial risks from climate change, MHI Group has enhanced and embedded the consideration of environmental and sustainability concerns within its risk management framework. The Company has developed and embedded its approach to climate risk in a manner that is consistent with BaFin MaRisk AT 2.2 (ESG risks within the overall risk profile) and proportionate to being a dealer broker active across corporate and government bond trading markets, as well as Debt Capital Markets ("DCM") and Equity Capital Markets ("ECM") for select clients, and maintaining no loan book.

Governance Responsibilities for Climate Risk

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

The Board takes oversight responsibility for understanding, identifying, and managing the financial risks arising from climate change, with ESG and climate risk now being regularly tabled as an agenda item at the Risk Management Committee meetings. The Board receives regular MHI Group ESG management information updates, covering risk, business, operational and social aspects. Climate risk is considered in all the relevant committees, including the New Product Committee, Underwriting and Reputational Risk Committee, Risk Management Committee, as well as the Board and has been incorporated in the relevant terms of reference.

Risk Management Framework

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

As with the material risks, climate-related risks are identified and assessed within the MHI Group using internally developed criteria for sectors and geographies. Depending on the sector and region, any inventory risks are assessed to determine whether they are associated with a higher physical and transition risk. Positions are monitored on a daily basis and trends are reviewed monthly by the Risk Committee. The MHI Group's positions in assets with higher climate risk are small given the nature of its business - positions are generally not held for long periods of time. In addition, the balance sheet assets (which comprise a diversified portfolio of issuer risks) are very liquid. The Group approach to monitoring climate risk and other sustainability risks is being further developed in line with market practice and the availability of data.

Climate Risk Policies

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

The policies are:

- Environmental Policy – Sets out the ESG objectives that form the basis of our conduct and the specific actions we will take to achieve them. An adequate response to climate change is an important pillar of our business strategy.
- Environmental and Social Management Policy for Financing and Investment Activity. This policy sets out the Company's control and escalation of the Mizuho Financial Group initiated restricted industrial sector policy, ensuring compatibility with Mizuho Financial Group's Policies on specific industrial sectors.

Management Report (Continued)

7. Risk Review (Continued)

- Environmental, Climate and Social Risk Policy. This document sets out the environmental and climate risk policy for MHEU.

Pillar 3

In Autumn 2023 MHEU worked on its second publication of a Pillar 3 disclosure which has been published on the 4th of January 2024 on the company's website.

7.6 Regulatory Capital Management

The primary objectives of MHEU's capital management process are to ensure that the regulated entity complies with all externally imposed capital requirements and maintains a strong capital position in order to support the Group's business.

MHEU has a sufficient capital base to cover the risks associated with its business. The Directive on the Supervision of Securities Institutions ('IFD') and its transposition into national law, the Act on the Supervision of Securities Institutions ('WpIG'), together with the Regulatory Requirements for Securities Institutions ('IFR'), are the relevant regulatory statements on the regulatory requirements for MHEU, which is considered a medium-sized (class 2) securities institution within the meaning of Section 2 (17) WpIG and came into force on 26 June 2021.

MHEU performs regular capital projections with scenario analyses, which are reviewed by the company's management and comply with the requirements of Basel III. The company manages its capital structure and makes adjustments as necessary should economic conditions and the risk characteristics of its activities change.

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

MHEU's RtC is extremely small, TEUR 0.03 (previous year incl. buffer: TEUR 0.2) as MHEU neither holds nor administers any significant amount of client money. Due to MHEU's business model, only fails to settle can lead to MHEU holding any client money.

MHEU's RtF is moderate, TEUR 4,257 (previous year incl. buffer: TEUR 2,296) which is primarily driven by the increased daily trading flow in cash trades, but does include a small amount of counterparty risk related to cash deposits at clearing agents and collateral at OTC and futures clearing agents. Counterparty risk is governed by a comprehensive set of credit risk limits.

MHEU's RtM is still small, TEUR 881 (previous year incl. buffer: TEUR 249), as most of MHEU's trading was back-to-back, except for market making in EGBs, where most of the market risk however is hedged with futures. Market risk is governed by a comprehensive set of market risk limits. As at 31 March 2024, MHEU reported a VaR of TEUR 157 (previous year: TEUR 44, based on a historical one-day simulation calculation with a confidence level of 99%). This was caused by a net long position in European government bonds resulting in a EUR PV01 interest rate sensitivity of TEUR -7.4k/bp in the EGB trading book and TEUR -1.2k/bp in the treasury book, producing a total EUR PV01 of TEUR -8.6k/bp.

The resulting KFR (RtC + RtF + RtM), TEUR 5,138 (previous year incl. buffer: TEUR 2,545), and the PMR TEUR 750, are both smaller than the FOR of TEUR 6,089 (previous year incl. buffer: TEUR 5,260), which also covers MHEU's appetite for, and internal assessment of, operational risk.

Management Report (Continued)

8. Employee Considerations – Performance Measurement and Management (Unaudited)

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

8.1 Remuneration

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

In addition, MHEU offers a company pension scheme, which is a defined contribution system. This is secured by a reinsurance policy. Subject to the fulfilment of certain qualifying conditions, including the employee's contribution to a transferable and tax-privileged direct insurance policy, all employees of the company in Frankfurt are entitled to benefit from this scheme - providing for their retirement in an efficient way.

Since June 2021, MHEU has been classified as a medium-sized (class 2) securities institution and is subject to the German Investment Firm Supervision Act (WpIG), with the remuneration section applying since the 2022/2023 financial year. The German Investment Firm Remuneration Ordinance ('Wpl-VergV') was published in the Federal Law Gazette on 11 January 2024. However, the remuneration sections relating to the remuneration of MHEU Solo Material Risk Takers ('MRTs') are to be applied for the first time at the beginning of the financial year following the entry into force of the WplVergV, for MHEU the next financial year 2024/2025. MHEU has therefore decided to continue to base its remuneration policy essentially on the Remuneration Ordinance for Credit Institutions ('IVV') and the parts of the Wpl-VergV already in force in this financial year and to amend them as soon as the remuneration sections of the Wpl-VergV become applicable to MHEU's MRTs.

MHEU itself is not a 'significant' institution within the meaning of the IVV. However, the company is obliged to comply with certain requirements in relation to its remuneration by the MHI Group. As the parent company MHI still bases its internal remuneration guidelines on the Capital Requirements Directive ('CRD') V, material risk takers must be identified throughout its entire scope of consolidation. These persons are referred to as 'Group MRTs' and are subject to these remuneration guidelines.

As at 31 March 2024, MHEU employed 48 full-time employees (FTEs) (previous year: 43 FTEs). This corresponds to an increase of 12% compared to 31 March 2023. 13 FTEs were newly hired, while 9 FTEs left the company.

Management Report (Continued)

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

9.1 Environmental

MHFG has committed to align its business with the aims of the Paris Agreement and to become net zero by 2050. Meanwhile, sustainability has become a central pillar of MHFG's strategic direction and to support this - sustainability actions have been strengthened further over the course of the financial year 2023/2024.

Notable steps taken by MHFG include:

- 'Sustainability and Innovation' included as one of the pillars of the FY23-25 medium-term business plan.
- Medium-term financed emissions targets set for the Automotive and Maritime Transport sectors (in addition to already existing medium-term targets for other sector).
- Joined the International Capital Market Association's ("ICMA") Advisory Council of the Executive Committee for the Green Bond Principles, the Social Bond Principles, the Sustainability Bond Guidelines, and the Sustainability-Linked Bond Principles.
- Established Sustainability Risk Management Office and Basic Policy on Climate-related Risk Management.
- Strengthened the Social and Environmental Risk verification process.
- Registered as an Early Adopter of the Taskforce on Nature-related Financial Disclosures ("TNFD").

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

With 'Sustainability and Innovation' being one of MHFG's medium-term business plan pillars, steady progress continues to be made towards the JPY 100tn by 2030 (EUR 611.8.bn) sustainable finance target. Sustainable finance extended by MHFG since financial year 2019/2020 to first half of this financial year amounts to JPY 25.3tn (EUR 154.8.bn). To support its clients on their respective transition paths, MHFG follows an engagement-based approach through constructive dialogue. The transformation of businesses and entire industries presents a range of transition finance opportunities, which MHFG companies including the Group continue to pursue.

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

To enable the embedding of sustainability and climate-related initiatives, MHEU has launched an employee sustainability education programme covering climate change, sustainable finance, climate risk management and other pertinent areas. Through the programme, employees across functions and corporate grades build awareness of the breadth and complexity of sustainability, and its relevance to the activities of both the MHI Group and MHFG. The employee sustainability education offering will continue to evolve over time, to reflect the broadening and deepening of the role of sustainability within the finance industry.

In this financial year, the MHI Group underwent its first external sustainability assessment with EcoVadis, covering four thematic areas – Environment, Labour and Human Rights, Ethics, and Sustainable Procurement – gaining a Silver badge. This demonstrates the results of the MHEU's sustainability efforts as well as its commitment to transparency.

Management Report (Continued)

9. Environmental, Social & Governance (ESG) (Unaudited) (Continued)

MHEU's sustainability strategy is aligned with MHFG's strategic planning, and as such is based on engagement and supporting our clients in their respective transitions, while acknowledging regional and sectoral idiosyncrasies. In line with our CIB business model, we continue to provide sustainable finance solutions within the EMEA region across Debt Capital Markets.

MHEU has established itself as a trusted partner to clients across EEA, working on a wide range of ESG transactions. MHEU's ESG labelled bond business continues to make a significant contribution to the overall primary Debt Capital Markets business. In this financial year, MHFG committed to an increased sustainable finance target of JPY 100tn by 2030, of which JPY 50tn is earmarked for environment and climate-related finance; Mizuho's activities in EMEA contribute towards this target, which is monitored and disclosed by MHFG.

The Corporate Sustainability Reporting Directive (CSRD), a groundbreaking EU legislation, requires companies to report on their environmental and social impact. It aims to improve transparency and accountability on sustainability issues. To ensure a smooth implementation, MHEU in close collaboration with MBE and MHFG have already conducted a double immateriality assessment. This exercise meticulously identified not only how sustainability-related developments and events create (new) risks and opportunities for the organization (financial materiality, outside-in view), but also our impact on people, the planet, and the broader economy (impact materiality, inside-out view).

9.2 Strategic Climate Risk

Both MHFG and the MHI Group including MHEU are focused on climate-related risk management. To support this focus, targets have been set by MHFG for reducing financed emissions from carbon-intensive sectors; covering Electric Power, Oil and Gas, Coal Mining (Thermal Coal), Automotive and Maritime Transport (the latter two added in this financial year). MHFG has further committed to setting Steel and Real Estate sector financed emissions reduction targets in the near future.

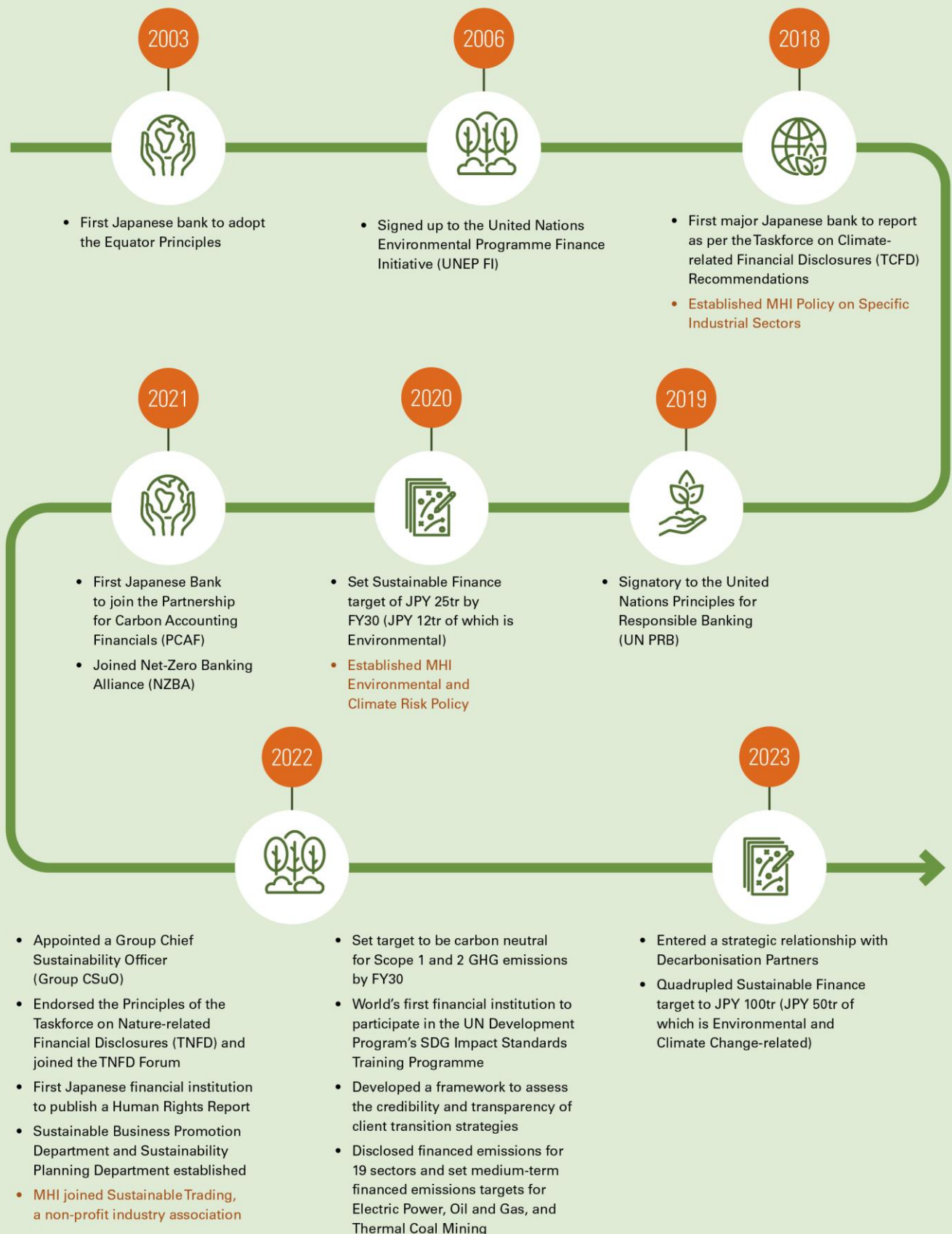
For the purposes of controlling risks in carbon-related sectors, MHFG has developed a system to identify and monitor high-risk areas through evaluation of clients' sectors and their respective transition strategies as well as responses to transition risks. To this end, the recently established Basic Policy on Climate-related Risk Management ensures an effective management system based on the distinct characteristics of climate-related risks.

MHEU adopts a proportionate approach to climate-related risks, in line with our business model and the scale and complexity of our activities. Risk management practices have been enhanced further over the course of this financial year – in keeping with evolving market practice and better ESG data quality and availability. A qualitative ESG risk materiality assessment was carried out by the MHI Group in this financial year 2023/2024, as part of the Mizuho EMEA ESG risk materiality assessment, covering climate change as part of the full spectrum of ESG risks. This marks an evolution of the MHI Group's approach to identifying, assessing, and managing ESG risks. Environmental risks – specifically, transition climate risks – emerged as the most material for the MHI Group's business, in particular impacting reputational, operational and credit risk. MHEU pays attention to the identification, assessment, and management of each of these, such as through the development of sustainable finance governance processes, third party vendor assessments, and ongoing monitoring of climate-related exposures.

Emanating from the medium-term MHFG sustainable finance- and financed emissions-related commitments and targets, there are local annual targets in place for sustainability-related opportunities (which include, climate-related opportunities, such as in the renewable energy sector). Climate-related risk exposures are subject to monitoring and remain low in the context of MHEU's portfolio (please refer to the Risk Review Section for more detail), with development of climate-related risk targets in progress. The MHI Group also has targets in place associated with sustainability upskilling and capability building, regarded as important enablers of change.

Sustainability Timeline

- MHFG initiatives
- MHI initiatives



Management Report (Continued)

9. Environmental, Social & Governance (ESG) (Unaudited) (Continued)

9.3 MHEU's Own ESG status

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

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

MHEU's two representative offices in Paris and Madrid are also located in buildings with sustainable features. The Washington Plaza in the heart of Paris, for example, has been awarded the BREEAM certificate, which evaluates ecological and socio-cultural aspects of the sustainability of buildings, and received the French sustainability certificate of the HQE. In Madrid's financial district, MHEU's office space is located at Orense 34, which has also been awarded various sustainability certificates (LEED Gold certificate, the 5-star AIS (Accessibility Indicator System) certification). In addition, it was a pioneer in obtaining WELL Health-Safety Rating certification.

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

9.4 People & Culture

MHEU's success and reputation is driven by the dedication, hard work, and integrity of our employees. MHEU recognises that its employees are the company's most important asset and therefore places employee wellbeing and the integration of an inclusive culture, where everyone can thrive, at the heart of everything it does. This is supported by the MHEU values of integrity, passion, agility, creativity and empathy, which are integrated into the company's performance evaluation and remuneration structure.

MHEU's people strategy consists of a number of key components: Talent acquisition and assessment, learning and development, a compensation strategy that incentivises the implementation of the growth strategy and compliance with changing regulation, and a culture of inclusion, diversity, and equity. In line with MHFG's corporate philosophy, MHEU strives for responsible, transparent and forward-thinking behaviour from its employees and gives them the opportunity to flourish.

The MHI Group defines its culture based on the core value from Mizuho Financial Group as "be a catalyst for change". The following arrangements and initiatives support this culture.

Senior commitment to Inclusion & Diversity

MHEU's Management Board remains fully committed to the MHI Group's inclusion and diversity agenda and receives regular updates on our progress including in relation to gender. Our head office in Tokyo also has its own targets in relation to gender balance and their commitment is demonstrated by their inclusion in the 2023 Bloomberg Financial Services Gender–Equality Index for the seventh year running.

MHEU is making good progress in embedding a culture of equality and inclusion and recognises the role it has to play in creating an inclusive and diverse culture. Focusing on diversity, equality and inclusion is not an end goal, but rather a means to creating a more inclusive, equitable and effective workplace. We recognise that our employees want to work in an environment where their ideas and voices are heard. The following initiatives illustrate how we are trying to realise this agenda:

Junior talent attraction

One of our key focuses is strengthening our junior talent pipeline. 2023 saw the MHI Group hire a record number of interns to start with the firm in the summer of 2024. We are looking forward to welcoming 55 interns to offices across the EMEA region with 2 summer interns in MHEU.

Management Report (Continued)

9. Environmental, Social & Governance (ESG) (Unaudited) (Continued)

Talent Development and Mentoring

MHEU encourages career growth and development at Mizuho. To support the talent pipelining activities, MHI Group runs a number of leadership development courses. One of the flagship programmes is called “Elevate” and is aimed at women in middle management roles across the EMEA region. It is aimed at women who are looking to develop their skills, enhance their internal profiles and work on specific development goals, with the aim of supporting their career ambitions. Nurturing female talent through programmes such as this ensures building a strong pipeline of women into senior management roles. This in turn means creating role models for the next generation .

Internal Mobility

The MHI Group believes that internal mobility promotes personal growth and professional development by enabling employees to acquire new skills, face different challenges and progress in their chosen career, leading to a fulfilling and dynamic professional development. To encourage internal mobility, two Career Development Roadshows are held each year to provide information on current internal vacancies, as well as a temporary secondment programme that allows employees to work in another department for a period of time to develop their skills and gain exposure to other aspects of the business.

Flexible Working

The MHI Group continues to emphasise a supportive and inclusive workplace culture, complemented by a range of competitive, family-friendly policies and the promotion of flexible working hours. The MHI Group supports hybrid working practices as standard with elements of home office, along with the ability to utilise core working hours. This allows employees to organise their working hours flexibly. The move towards flexible working, which is no longer exclusively associated with caring for dependants and raising children, is crucial and the ability to utilise agile working solutions enables innovation to increase engagement and productivity.

Employee Networks

The MHI Group Inclusion Network consists of five EMEA-wide networks: Cultural Diversity, Family, Future Leaders, Gender, and Pride. Collaboration between the networks enables a cross-sector approach to inclusion to drive cultural change. The Inclusion Network supports employees in creating connections within the organisation, highlighting role models, and establishing a culture where all employees feel they can bring their authentic selves to work. During Pride Month 2023, MHEU hosted its first Pride event to establish the network in the region.

9.5 Financial Crime

The Company is committed to conducting its business to the highest standards of integrity and fair dealing with customers and not to engage in corrupt practices or acts of bribery to gain an unfair advantage. MHEU has an anti-corruption policy that sets out the principles and key controls implemented by the company and the Group. These include management oversight, the responsibilities of individual employees, conducting risk assessments and specific procedures relating to gifts, hospitality, facilitation payments, the use of business partners/intermediaries and the awarding of contracts.

Employees have been trained on this policy and are provided with appropriate guidance. All employees are obliged to report any suspicion of bribery to the Compliance department.

The Company's Anti-Money Laundering Policy ('AML Policy') is designed to ensure that MHEU complies with the requirements and obligations set out in EU and applicable local laws, regulations, rules and industry guidance for the financial services sector, including the need to put in place appropriate systems and controls to reduce the risk of MHEU being misused to facilitate financial crime.

The AML policy sets out the minimum standards that must be adhered to throughout the Group, including in relation to governance, training, risk assessment, customer due diligence, monitoring and review, reporting and record keeping.

Management Report (Continued)

10. Events since the Balance Sheet Date

There were no material events since the Balance Sheet Date.

11. Going Concern

The Company's financial statements have been prepared on a going concern basis. The Board's assessment of the Company's ability to continue as a going concern is based upon an assessment of the Company's business plans, together with related forecasts in respect of the Company's capital adequacy and liquidity positions, and stresses to those forecast positions as outlined in this document (and as evidenced in the ILAAP and Recovery & Resolution plan of the Company).

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

Frankfurt am Main, 04 July 2024

Christoph Seibel (CEO)

Wolfgang Köhler (CRO)

Peter Krafft (CFO)

Independent Auditor's Report

To Mizuho Securities Europe GmbH, Frankfurt am Main.

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

Audit Opinion

We have audited the annual financial statements of Mizuho Securities Europe GmbH, Frankfurt am Main, comprising the Balance Sheet as at 31 March 2024 and the Profit and Loss Statement for the business year from 1 April 2023 to 31 March 2024, and the notes to the financial statements, including a description of the accounting and valuation methods. We have also audited the management report of Mizuho Securities Europe GmbH, Frankfurt am Main, Frankfurt am Main, for the financial year from 1 April 2023 to 31 March 2024. We made no audit of the content of the sections "2. Corporate Governance", "8. Employee Concerns - Performance Measurement and Management" and "9. Environmental, Social and Governance (ESG)" of the management report, which are non-management report disclosures. Non-management report disclosures in the management report are disclosures that are not required by §§ 289, 289a or §§ 289b to 289f HGB.

In our opinion, based on the findings of our audit

- the attached annual financial statements comply in all material respects with the German commercial law provisions applicable to institutions and give a true and fair view of the net assets and financial position of the Company as at 31 March 2024 and of its results of operations for the financial year from 1 April 2023 to 31 March 2024 in accordance with German principles of proper accounting and
- the accompanying management report as a whole provides a suitable view of the Company's position. In all material respects, this management report is consistent with the annual financial statements, complies with German legal requirements, and accurately presents the opportunities and risks of future development. Our opinion on the management report does not extend to the content of sections 2., 7. and 8. of the management report mentioned above.

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

Basis for the Audit Opinion

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

Other Information

The legal representatives are responsible for other information. The other information comprises sections "2. Corporate Governance", "8. Employee Concerns - Performance Measurement and Management" and "9. Environmental, Social and Governance (ESG)" of the management report

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

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

- shows material inconsistencies with the annual financial statements, management report or our knowledge gained during the audit, or
- appears to be substantially misrepresented elsewhere.

Independent Auditor's Report (Continued)

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

Responsibility of the legal representatives for the annual financial statements and the management report

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

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

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

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

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

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

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

- we identify and assess the risks of material misstatement of the financial statements and management report, whether due to fraud or error, plan and perform the audit procedures in response to such risks and obtain audit evidence sufficient and appropriate to provide a basis for our audit opinion. The risk that material misstatements will not be detected is greater for violations than for misstatements because violations may involve fraudulent collusion, falsification, intentional omissions, misrepresentations, or the invalidation of internal controls;
- we obtain an understanding of the internal control system relevant to the audit of the financial statements and the policies and procedures relevant to the audit of the management report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control system;
- we evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as the reasonableness of accounting estimates made by management;

Independent Auditor's Report (Continued)

- we conclude on the appropriateness of the accounting policies used by the Company's management and, based on our audit evidence, whether there is any material uncertainty related to events or conditions that may cast significant doubt upon the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are obliged to draw attention in our audit opinion to the related disclosures in the financial statements and management report or, if these disclosures are inappropriate, to modify our respective audit opinion. We draw our conclusions on the basis of the audit evidence obtained up to the date of our audit opinion. However, future events or circumstances may result in the Company being unable to continue its business operations;
- we assess the overall presentation, structure, and content of the annual financial statements, including the disclosures and whether the annual financial statements present the underlying transactions and events in such a way that the annual financial statements give a true and fair view of the net assets, financial position and results of operations of the Company in accordance with German principles of proper accounting;
- we assess the consistency of the management report with the annual financial statements, its compliance with the law and the view of the company's situation conveyed by it;
- we perform audit procedures on the future-oriented statements in the management report presented by the legal representatives. On the basis of sufficient and appropriate audit evidence, we verify in particular the significant assumptions underlying the forward-looking statements made by the legal representatives and assess the appropriate derivation of the forward-looking statements from these assumptions. We do not express an independent audit opinion on the future-oriented statements and the underlying assumptions. There is a significant unavoidable risk that future events could differ materially from the forward-looking statements.

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

Eschborn/Frankfurt am Main, 12 July 2024

Alt
Wirtschaftsprüfer

Stapel
Wirtschaftsprüfer

Balance Sheet

Balance sheet as at 31 March 2024

Mizuho Securities Europe GmbH

Assets	31 March 2024		31 March 2023		Liabilities	31 March 2024		31 March 2023	
	Euro	Euro	Euro	Euro		Euro	Euro	Euro	Euro
1. Receivables from credit institutions					1. Liabilities to credit institutions				
a) due on demand	9,722,652.22		10,971,033.58		a) due on demand	946,120.16		4,05	
b) other receivables	13,953,110.19	23,675,762.41	12,513,307.57		b) with agreed maturity date or notice period	53,363,785.70	<u>54,309,905.86</u>	33,785,830.23	
2. Receivables from customers					2. Liabilities to customers				
thereof:					a) Other Liabilities		<u>330,273.66</u>	232,376.21	
Secured by mortgages 0 Euro		82,972.64	112,705.63		aa) With agreed term or period of notice				
Municipal loans 0 Euro					3. Trading liabilities	463,651,719.36		249,791,599.72	
3. Bonds and other fixed-income securities					4. Other liabilities	5,949,796.81		1,382,732.58	
a) bonds and notes					5. Deferred income		21,759.14	30,267.94	
aa) of public-sector issuers					6. Provisions				
thereof:					a) tax provisions	103,484.58		459,001.91	
eligible as collateral with Deutsche Bundesbank 41,472,849.24 Euro (previous year: 41,672,353.11 Euro)	41,472,849.24		41,672,353.11		b) other provisions	<u>8,709,907.56</u>	8,813,392.14	7,650,448.12	
4. Equity shares and other non-fixed income securities	1,454,452.26		1,008,896.73		7. Funds for general banking risks		0.00	0.00	
5. Trading assets	476,686,238.78		260,937,446.89		8. Equity				
6. Tangible assets	518,745.47		763,395.41		a) Subscribed capital	35,000,000.00		35,000,000.00	
7. Other assets	32,414,330.36		8,601,367.15		b) Capital reserve	5,000,000.00		5,000,000.00	
8. Prepaid expenses	333,697.06		296,617.60		c) Retained earnings	3,544,862.91		7,861,115.11	
					d) Net loss (-) / Net income (+)	<u>17,338.34</u>	<u>43,562,201.25</u>	<u>-4,316,252.20</u>	
Total assets	<u>576,639,048.22</u>	<u>336,877,123.67</u>			Total liabilities	<u>576,639,048.22</u>	<u>336,877,123.67</u>		

Profit and Loss Statement

Profit and Loss Statement

Mizuho Securities Europe GmbH

For the period 01 April 2023 - 31 March 2024

Expenses	31 March 2024		31 March 2023		Revenues	31 March 2024		31 March 2023	
	Euro	Euro	Euro	Euro		Euro	Euro	Euro	Euro
1. Interest expenses			1,380,362.27	594,090.57	1. Interest income				
2. Commission expenses			36,677,842.66	27,652,583.66	a) from lending and money market transactions	379,224.60			120,392.73
3. Net expenses of the trading portfolio			135,734.00	0.00	b) Fixed-income securities and government-inscribed debt	<u>0.00</u>	379,224.60		0.00
4. General administrative expenses					2. Current income from				
a) Staff expenses		13,401,477.14		11,374,867.00	a) Equity shares and other variable-yield securities		48,688.16		36,221.05
aa) Wages and Salaries	11,369,527.10			9,622,316.58	3. Commission income		50,800,308.94		35,707,615.87
ab) Compulsory social security contributions and expenses for pensions and other employee benefits thereof for pension 574,563.31 Euro (previous year: 486,932.33 Euro)	<u>2,031,950.04</u>			1,752,550.42	4. Net trading result		0.00		171,928.30
b) other administrative expenses		<u>16,963,416.83</u>	30,364,893.97	15,278,474.27	5. Income from write-ups on loans and certain securities and from the release of provisions in loan business		1,388,825.82		50,366.29
5. Depreciation, amortization and write-downs of and value adjustments to intangible and fixed assets			288,029.66	295,507.79	6. Income from write-ups on participating interests, investments in affiliated companies and securities treated as fixed assets		482,503.45		135,986.31
6. Other expenses			49,060.12	0.00	7. Other income		16,050,256.69		14,049,619.30
7. Write-downs of and value adjustments to claims and certain securities as well as additions to provisions for loan losses			0.00	0.00	8. Net loss		-		4,316,252.20
8. Write-downs of and value-adjustments to stakes, shares in affiliated companies and securities treated as fixed assets			0.00	0.00					
9. Income taxes			236,546.64	-607,141.24					
10. Net income			17,338.34	-					
Total expenses			<u>69,149,807.66</u>	<u>54,588,382.05</u>	Total revenues		<u>69,149,807.66</u>		<u>54,588,382.05</u>

Notes to the Financial Statements

1. BASIS OF PREPARATION

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

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

The annual financial statements were prepared in accordance with the provisions of the German Commercial Code (HGB), the German Limited Liability Companies Act (GmbHG), the German Investment Firm Supervision Act (WpIG) and the German Ordinance on Accounting for Banks, Financial Services Institutions and Securities Institutions (RechKredV).

1.1 Accounting and Valuation Methods

Cash reserve and bank balances are carried at nominal value.

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

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

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

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

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

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

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

A risk discount has to be recognized as an expense according to Section 340e (3) HGB. Value at risk (VaR) measures the risk discount. In order to reflect any remaining realization risk for unrealized gains, the result of the fair value measurement is reduced by a risk adjustment, which is deducted from trading assets. The risk adjustment is based on value-at-risk which is calculated using a holding period of ten days and a confidence level of 99% with a minimum observation period of one year.

The Special Item Reserve for the general banking risk as requested by Section 340g in connection with Section 340e HGB, which equals at least 10% of the net earnings of the trading book until the trading-related special reserve, corresponds to 50% of the five-year average of net trading revenues after risk adjustment. This reserve may only be released to offset a net trading loss, to offset a net loss for the year if there is no coverage from a carried forward profit from the previous year, to offset a loss carried

Notes to the Financial Statements (Continued)

1. BASIS OF PREPARATION (Continued)

forward from the previous year if it is not covered by the net income of the current year or if the reserve is exceeding 50% of the average of the last five annual net trading gains.

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

Other assets are carried at nominal value.

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

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

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

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

Provisions are only recognised if the following criteria are met:

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

Equity is reported at nominal value.

Deferred taxes assets are not recognised in exercise of the option set out under Section 274 (1) sentence 2 HGB. In the event of a difference between the commercial and the tax balance sheet which leads to a deferred tax liability, a provision for deferred taxes is booked.

2. FUNCTIONAL CURRENCY

The financial statements are presented in euros, which is the Company's functional currency, and financial information is presented in thousands of euros (TEUR) - rounded to the nearest 1,000 euros unless otherwise stated. Due to rounding, there may be minor discrepancies in the totals in this report.

3. CURRENCY TRANSLATION

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

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

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

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

Notes to the Financial Statements (Continued)

3. CURRENCY TRANSLATION (Continued)

Assets and liabilities denominated in foreign currency:

	2024	2023
	TEUR	TEUR
Assets	7,883	6,555
Liabilities	7,514	6,470

4. MATURITY STRUCTURE

	2024	2023
	TEUR	TEUR
Receivables from credit institutions with a remaining term of payable on demand	9,723	10,971
up to 3 months	10,881	8,983
more than 3 months up to 1 year	3,072	3,530

The balance of receivables of TEUR 9,723 consists of bank balances.

	2024	2023
	TEUR	TEUR
Receivables from customers with a remaining term of payable on demand	0	0
up to 3 months	83	113
more than 3 months up to 1 year	0	0

	2024	2023
	TEUR	TEUR
Liabilities to credit institutions with a remaining term of payable on demand	946	0
up to 3 months	50,170	30,638
more than 3 months up to 1 year	3,194	3,142

Liabilities to customers with a remaining term of payable on demand	0	0
up to 3 months	330	239
more than 3 months up to 1 year	0	0

Notes to the Financial Statements (Continued)

5. RELATIONSHIP WITH OTHER COMPANIES OF MIZUHO GROUP

	2024 TEUR	2023 TEUR
Receivables from credit institutions	7,103	6,125
Receivables from customers	-	-
Liabilities to credit institutions	52,103	33,454
Liabilities to customers	-	-

Receivables from credit institutions of TEUR 5,975 (previous year: TEUR 5,800) are with Mizuho International plc, TEUR 664 (previous year: TEUR 129) with Mizuho Bank Ltd. Tokyo, TEUR 211 (previous year: TEUR 0) with Mizuho Bank London Branch, TEUR 190 (previous year: TEUR 0) with Mizuho Bank Netherland N.V., TEUR 38 (previous year: TEUR 48) with Mizuho Securities USA Inc., TEUR 17 (previous year: TEUR 148) with Mizuho Securities Co. Ltd., Tokyo, TEUR 8 (previous year: TEUR 0) with Mizuho Securities Pte., Ltd, Singapore and TEUR 1 (previous year: TEUR 0) with Mizuho Securities Asia Limited.

Liabilities to credit institutions include TEUR 51,869 (previous year: TEUR 33,389) with Mizuho International plc, TEUR 211 (previous year: TEUR 50) with Mizuho Securities Co. Ltd., Tokyo, TEUR 23 (previous year: TEUR 9) with Mizuho Bank Ltd. Düsseldorf Branch and TEUR 1 (previous year: TEUR 0) with Mizuho Bank Paris Branch.

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

The item bonds and other fixed-interest securities from public-sector issuers includes federal bonds in the amount of TEUR 41,473 (previous year: TEUR 41,672). The maturity is between 1-3 months for TEUR 19,780 (previous year: TEUR 27,817) and 3-6 months for TEUR 21,693 (previous year: TEUR 13,855). The full amount of TEUR 41,473 (previous year: TEUR 41,672) is listed on the stock exchange.

7. EQUITY SHARES AND OTHER NON-FIXED INCOME SECURITIES

Equity shares and other non-fixed income securities of TEUR 1,454 (previous year: TEUR 1,009) are tradeable on stock exchanges except for shares with an amount of TEUR 62 (previous year: TEUR 0).

There are employees of MHEU who receive variable salary components in the form of shares which are allocated to the employees over future years. The value of the provision to the employees depends on the number of shares and the share price. For hedging purposes, MHEU has acquired the shares at the time when awarded and holds them as a hedge. The purpose of the hedge is to avoid changes in the P&L which are caused by share price volatility. The shares perfectly hedge the provision to the employees. Any change in the share price leads to a change of the provision with the same amount. As of 31 March 2024, 63,136 securities (previous year: 56,259) were held as fixed assets with a value of TEUR 1,156 (previous year: TEUR 732) and were part of the valuation unit and served as a hedge. Shares that were part of the valuation unit were valued at market price.

8. TRADING PORTFOLIO

The TEUR 476,686 (previous year: TEUR 260,937) in the trading assets represent TEUR 269,530 (previous year: TEUR 135,003) in reverse repurchase agreements which are mainly with the parent company Mizuho International plc, fixed-interest securities of TEUR 206,058 (previous year: TEUR 125,980) and TEUR 1,540 (previous year: TEUR 79) in financial derivatives. These financial instruments are included in our trading book as at the balance sheet date. A risk adjustment of TEUR - 441 (previous year: TEUR -125) was booked in accordance with Section 340e (3) HGB.

Notes to the Financial Statements (Continued)

8. TRADING PORTFOLIO (Continued)

The TEUR 463,652 (previous year: TEUR 249,792) in the trading liabilities represent fixed-interest securities of TEUR 245,043 (previous year: TEUR 129,260), TEUR 217,095 (previous year: TEUR 120,398) in repurchase agreements which are mainly with the parent company Mizuho International plc and TEUR 1,514 (previous year: TEUR 134) in financial derivatives.

	2024	2023
	TEUR	TEUR
Trading assets		
Receivables from reverse repurchase agreements	269,530	135,003
Fixed-interest securities	206,058	125,980
Financial derivatives	1,540	79
Risk adjustment in accordance with 340e (3) HGB	-441	-125
	2024	2023
	TEUR	TEUR
Trading liabilities		
Fixed-interest securities	245,043	129,260
Liabilities from repurchase agreements	217,095	120,398
Financial derivatives	1,514	134

Repurchase agreements are concluded to finance the positions in the trading portfolio and are therefore reported as receivables from reverse repurchase agreements and liabilities from repurchase agreements in the trading portfolio. As of the balance sheet date, the carrying amount of the assets sold under repurchase agreements recognized in the balance sheet was TEUR 215,861 (previous year: TEUR 127,520).

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

At financial year end, the active derivative trading portfolio consisted of interest-rate swap contracts with a total market value of TEUR 1,124 (previous year: TEUR <1), bond-related derivatives with a total market value of TEUR 367 (previous year: TEUR 40) and futures with a market value of TEUR 48 (previous year: TEUR 38). The passive derivative trading portfolio consists of interest-rate swap contracts with a total market value of TEUR -1,124 (previous year: TEUR <1), forward contracts with fixed-interest securities with a market value of TEUR -367 (previous year: TEUR -40) and futures contracts with a market value of TEUR -22 (previous year: TEUR -93). Bonds forward and swap contracts were purchased back-to-back with purchases and sales with the same contract values and have therefore offsetting market values.

Notes to the Financial Statements (Continued)

9. FIXED ASSET REGISTER

	Short leasehold property	Fixtures, equipment, integrated software and vehi- cles	Assets under construc- tion	Total
	TEUR	TEUR	TEUR	TEUR
Cost				
As at 1st April 2023	995	889	18	1,902
Additions	-	34	9	43
Disposals	-	-	-	-
Transfers	-	16	-16	-
At 31 March 2024	995	938	12	1,945
Accumulated depreciation and amortisation				
As at 1st April 2023	572	566	-	1,139
Scheduled depreciation	148	140	-	288
Extraordinary depreciation	-	-	-	-
Additions	-	-	-	-
Disposals	-	-	-	-
Transfers	-	-	-	-
At 31 March 2024	720	706	-	1,426
Remaining book value				
At 31 March 2024	275	232	12	519
At 31 March 2023	423	322	18	763

10. OTHER ASSETS

Other assets to the value of TEUR 32,414 (previous year: TEUR 8,601) are essentially composed by trades that failed to settle (TEUR 24,137) (previous year: TEUR 206), margin payments of TEUR 4,013 (previous year: TEUR 3,950), tax receivables of TEUR 2,055 (previous year: TEUR 3,358), accrued coupons of TEUR 1,884 (previous year: TEUR 522) and security deposits for MHEU's offices of TEUR 121 (previous year: TEUR 120).

11. OTHER LIABILITIES

Other liabilities of TEUR 5,950 (previous year: TEUR 1,383) mainly comprise liabilities resulting from trades that failed to settle (TEUR 3,734) (previous year: TEUR 126), accrued coupons payables of TEUR 1,157 (previous year: TEUR 366), Human Resources related payables of TEUR 517 (previous year: TEUR 93) and liabilities which result from value-added taxes of TEUR 420 (previous year: TEUR 410).

12. PROVISIONS

Provisions in the year under review amount to TEUR 8,813 (previous year: TEUR 8,109) and are mainly composed of bonus provisions TEUR 5,640 (previous year: TEUR 4,352), service agreements with the parent company of TEUR 970 (previous year: TEUR 1,100), regulatory fees of TEUR 491 (previous year: TEUR 857) and corporate tax provisions of TEUR 103 (previous year: TEUR 459).

Notes to the Financial Statements (Continued)

13. FUND FOR GENERAL BANKING RISK

Section 340e (4) HGB requires that a certain amount of the net trading result needs to be allocated to the funds for general banking risk that is defined in Section 340g HGB. The amount may only be reversed for one of the reasons defined under section 340e (4) HGB. As a result of the net trading loss, no result was allocated to the funds for general banking risk (previous year: TEUR -96).

14. EQUITY

Mizuho Securities Europe GmbH's total equity as of 31 March 2024 is TEUR 43,562 (previous year: TEUR 43,545) and comprises subscribed capital of TEUR 35,000 (previous year: TEUR 35,000), the capital reserve amounts to TEUR 5,000 (previous year: TEUR 5,000), retained earnings of TEUR 3,545 (previous year: TEUR 7,861) and a net profit for this year of TEUR 17 (previous year: TEUR -4,316).

15. NET INTEREST INCOME

The interest result of TEUR -1,001 (previous year: TEUR -474) is made up of interest income of TEUR 379 (previous year: TEUR 120) and interest expenses of TEUR 1,380 (previous year: TEUR 549). The expense increase mainly results from higher interest rates on loans.

16. NET COMMISSION INCOME

Net commission income of TEUR 14,122 (previous year: TEUR 8,055) consists of commission income of TEUR 50,800 (previous year: TEUR 35,708) and commission expenses of TEUR 36,678 (previous year: TEUR 27,653) and is mainly from the GIB business.

17. NET TRADING RESULT

The net trading result amounts to TEUR -136 (previous year: TEUR 172). It is based on a net trading gain of TEUR 180 (previous year: TEUR -74) and a negative effect of TEUR -316 (previous year: TEUR 149) from a risk adjustment which was booked in accordance with Section 340e (3) HGB.

18. OTHER OPERATING INCOME

The other operating income as of 31 March 2024 amounts to TEUR 16,050 (previous year: TEUR 14,050). The amount mainly consists of income of TEUR 14,241 from the intra-group transfer pricing agreement (previous year: TEUR 12,694) with the parent company Mizuho International plc and TEUR 1,327 from intra-group transfer pricing agreements with Mizuho Securities Co Ltd. in GMK (previous year: TEUR 1,221). Provisions with an amount of TEUR 127 were released.

19. GENERAL ADMINISTRATIVE EXPENSES

General administrative expenses mainly include personnel expenses and other administrative expenses. Personnel expenses consist mainly of wages and salaries of TEUR 11,370 (previous year: TEUR 9,622) and social security expenses and expenses for pensions of TEUR 2,032 (previous year: TEUR 1,753) for the headquarters in Frankfurt and the branches in Madrid and Paris.

Other administrative expenses of TEUR 16,963 (previous year: TEUR 15,278) mainly consist of costs for the services of Mizuho International plc in the UK of TEUR 11,514 (previous year: TEUR 10,340), cost for market data services of TEUR 1,732 (previous year: TEUR 1,567), professional fees of TEUR 1,593 (previous year: TEUR 1,424) and rent of TEUR 797 (incl. ancillary costs) (previous year: TEUR 742).

Notes to the Financial Statements (Continued)

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

The depreciation for the current year relates to depreciation on fixed assets of TEUR 288 (previous year: TEUR 296).

21. OTHER OPERATING EXPENSE

Other operating expenses amounted to TEUR 49 in the reporting period (previous year: TEUR 0). The amount results from losses on FX-revaluations.

22. WRITE-UPS ON LOANS AND CERTAIN SECURITIES

This item includes TEUR 1,389 (previous year: TEUR 50) from realized gains on bonds in the Liquidity Asset Buffer (Liquiditätsreserve). The increase is the result of increased positive interest rates in the financial year.

23. TAXES ON PROFIT

Profit-based taxes of the current year amount to TEUR 237 (previous year: TEUR -607). The amount breaks down into a corporate income tax of TEUR 233, trade taxes of TEUR 5 and a solidarity surcharge tax credit of TEUR -1.

24. OECD PILLAR 2 MODEL RULES

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions the Mizuho Group operates. The legislation will be effective for the Group's financial year beginning 1 April 2024. The Group is in scope of the enacted or substantively enacted legislation and is currently performing an assessment of the potential exposure to Pillar Two income taxes.

Germany has implemented domestic minimum top-up tax rules ("QDMTT") which apply to Mizuho Germany constituent entities for the financial year beginning 1 April 2024. The assessment of QDMTT by the Mizuho Germany entities is based on the most recent country-by-country report filed by the Group, which is for the year ending 31 March 2023. Since this report shows a German combined effective tax rate significantly higher than 15%, it is anticipated that the German entities will fall within the QDMTT transitional safe harbour, and therefore no liability will arise under QDMTT. The German entities are continuing their assessment, including the gathering of data for the year ended 31 March 2024.

25. Other financial obligations

Other financial obligations in accordance with Section 285 (3a) HGB include rental obligations for the rental of business premises in Frankfurt, Madrid, and Paris totalling TEUR 1,138 (previous year: TEUR 1,551).

All of the obligations are to other Mizuho companies.

Notes to the Financial Statements (Continued)

26. AUDITOR'S FEE

The auditor's fee as at 31 March 2024 is made up as follows in accordance with Section 285 No. 17 HGB:

	2024
	TEUR
a) Annual audit services	266
b) other certification services (Audit of reporting obligations and rules of conduct pursuant to Section 89 (1) of the German Securities Trading Act (WpHG)	59
c) other services	-
Total	325

27. APPROPRIATION OF RESULTS

The net gain for the year of TEUR 17 is proposed to be fully allocated to the company's retained earnings (previous year: TEUR -4,316).

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

28. EMPLOYEES

The number of employees as of 31 March 2024 is as follows:

	2024	2023
	Number	Number
Management	3	3
Others	45	40
	48	43

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

	2024	2023
	Average	Average
Management	3	3
Others	41	39
	44	42

29. MANAGEMENT

As at 31 March 2024 the Board consisted of three Managing Directors (Geschäftsführer) who have full responsibility for control and oversight of the Company's activities:

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

The remuneration granted to the members of the Board in the course of the year amounted to TEUR 2,348 (previous year: TEUR 2,040), this value includes 31,856 (previous year: 33,155) Mizuho Financial Group, Inc. shares (ISIN JP3885780001).

Notes to the Financial Statements (Continued)

29. MANAGEMENT (Continued)

Mr. Seibel was appointed to the Supervisory Board of Mizuho Bank Europe N.V., located in Amsterdam/Netherlands, on 17 August 2023. None of the other above-mentioned members of the Board have a mandate on a supervisory board or other supervisory body.

30. GROUP RELATIONSHIPS

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

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

Mizuho International plc
30 Old Bailey
London, EC4M 7AU
United Kingdom

<https://www.mizuhogroup.com/emea/who-we-are/governance/mizuho-international-plc-legal-and-compliance/annual-reports>

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

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

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

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

31. SUPPLEMENTARY REPORT

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

Frankfurt am Main, 04 July 2024

Christoph Seibel (CEO)

Wolfgang Köhler (CRO)

Peter Krafft (CFO)

Annex

COUNTRY BY COUNTRY REPORTING ACCORDING TO SECTION 42 WPIG

Group	Revenues	Profit before tax	Taxes	Government aid received	Average number of employees
	Mio. EUR	Mio. EUR	Mio. EUR	Mio. EUR	in FTE
Germany (Investment services)	19.2	-0.8	<0.1	0	33
Spain (Investment services)	5.8	0.5	0.1	0	6
France (Investment services)	5.9	0.5	0.1	0	5
Total	30.9	0.3	0.2	0	44



Mizuho Securities Europe GmbH
TaunusTurm 34th Floor, Taunustor 1, 60310
Frankfurt am Main. Germany

[mizuhogroup.com/emea](https://www.mizuhogroup.com/emea)