



MIZUHO

Pillar 3 disclosures
for the year ended
31 March 2023

Mizuho Securities
Europe GmbH

Pillar 3 disclosures for the year ended 31 March 2023

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1 Introduction

1.1 Objective

This document sets out disclosures in respect of Mizuho Securities Europe GmbH (“MHEU” or “the Company”), required under the German Securities Institutions Act “WpIG” and, in particular, Part Six of the Investment Firms Regulation (EU) 2019/2033 (IFR), which became applicable from 26 June 2021. MHEU is classified as a Class 2

The information presented in this document covers the period for the full financial year from 1 April 2022 to 31 March 2023 (reference date) on a solo entity basis. In accordance with Art. 46 para. 1 IFR, this disclosure report is issued along with the annual financial statements and can be found together with the annual financial statement on MHEU’s homepage <https://www.mizuhogroup.com/emea/who-we-are/governance/mizuho-securities-europe-gmbh-legal-and-compliance>. This disclosure report has been prepared in accordance with the Implementation Regulation (EU) 2021/2284, with regard to the prudential reports and disclosures by investment firms.

1.2 Regulatory and Company Information

The Company was established in June 2018 in Frankfurt am Main/Germany as a subsidiary of Mizuho International plc (MHI) based in London/United Kingdom (together “MHI Group”) to ensure 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 (Brexit). To this end, the Company obtained a licence by the Bundesanstalt für Finanzdienstleistungsaufsicht (BaFin) in December 2018 to provide a range of financial and banking services to its clients.

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

Being authorised and regulated by BaFin MHEU has been entered into BaFin’s database of authorised companies with ID number 149548. MHEU’s LEI is 213800G8QEXN34A2YG53.

1.3 Forward Looking Statements

Certain statements in this disclosure document are forward looking with respect to plans, goals and expectations relating to the future financial position, business performance and results of the Company. Although MHEU believes that the expectations reflected in these forward-looking statements are reasonable, MHEU can give no assurance that these expectations will prove to be an accurate reflection of actual results. As these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied in these forward-looking statements. MHEU shall not be under any obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

1.4 Currency

Financial information presented in this document is expressed in thousands of Euros (TEUR) - rounded to the nearest 1,000 Euros, unless otherwise stated.

2 Business Overview

MHEU and its UK parent company are part of Mizuho Financial Group Inc. (Mizuho Financial Group), one of the world's largest full-service financial conglomerates. With offices in over 100 locations outside of Japan, Mizuho Financial Group employs approximately 52,000 employees worldwide and looks proudly back on 150 years of banking experience.

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

- GIB arranges and underwrites new debt issuances for major EU/EEA corporate and financial institution clients of Mizuho Financial Group. GIB also provides underwriting of international equity offerings and convertible bonds of EU/EEA corporations, and selective M&A services.
- GMK provides sales and trading of debt securities and cleared derivatives for EU/EEA institutional investor clients, and the sourcing of EU/EEA-originated products for Mizuho Financial Group's Japanese client base. GMK also provides Japanese equity sales, facilitation and investor relations services for EU/EEA clients.

3 Risk Management

3.1 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 Management Board's strategy. The Company's Management Board ("the Board") and the Chief Risk Officer (CRO) are setting the tone from the top and foster a culture which is supportive of strong risk management and 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 principal risks and uncertainties, the maintenance and development of an appropriate risk and control framework, and for keeping the Board informed about any changes of the Company's risk profile.

3.2 Risk Culture

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

3.3 Risk Principles

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

- Maintain a predictable, moderate risk profile in line with the established risk appetite
- 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
- Ensure that effective control of balance sheet usage and concentration risk is exercised, without tolerating breaches of the limit framework

- Preserve strong capital and liquidity ratios and comply with all regulatory requirements
- Maintain a robust funding strategy with regard to both the sources and tenor of funding
- Ensure that remuneration arrangements are aligned to risk appetite

3.4 Risk Governance

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

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

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

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

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

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

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

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

3.5 Risk Profile

MHEU provides advisory, primary and secondary sales and trading functions to institutional European clients. The Company's client base consists primarily of financial institution, corporate and SSA (Supranationals, Sub-Sovereigns and Agencies) issuer clients as well as a range of institutional investor clients. MHEU trades in a relatively vanilla product set, comprising equity and debt securities and cleared derivatives, most of which fall under a back-to-back booking model

Most 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. MHEU assumes market risk through its European Government Bond trading activity.

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

3.6 Principal Risks

The Company's principal risks as an international investment banking and securities business within the Mizuho Financial Group of companies are as shown in table 1:

Table 1: Principal Risks

Principal risk	Description	How risk is managed
Credit and Counterparty risk	The risk of financial loss to the Company if an issuer of a financial instrument or a customer fails to meet its contractual obligations.	<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</p>

Principal risk	Description	How risk is managed
		meetings and also periodically reviewed by the Board.
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 FX risk and interest rate risk. Since starting trading in EGB, 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.</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>
Liquidity risk	<p>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>	<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 at the monthly Risk Management Committee, of which the Asset and Liability Committee is a sub-committee. MHEU maintains liquidity in excess of regulatory and internal risk appetite requirements,</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</p>

Principal risk	Description	How risk is managed
		and overall ownership of the ILAAP forms part of the accountabilities of the Board.
Operational risk	The risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.	<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 whose attendees comprise i.a. the Board members. Significant matters are escalated to the Board, the MHI Risk Management Committee 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>
Operational Risk, in particular cyber risk	The risk of financial loss, disruption or damage to the reputation of an organisation from a failure of its information systems.	The Company maintains a comprehensive suite of policies, standards and controls to manage information and cyber security risk which is aligned with Group-wide practices and industry standard frameworks (ISO27001/NIST).

Principal risk	Description	How risk is managed
Operational risk, in particular conduct risk	The risk that actions undertaken by the Company may lead to customer detriment or have an adverse effect on market integrity, including with regards to financial crime.	<p>The Company is committed to operating at all levels with the right culture and in accordance with its three pillars of Inspiring trust, valuing and encouraging Diversity of thought and driving forward a Winning spirit.</p> <p>The Company identifies, manages and mitigates conduct risk through its conduct risk management framework. Whilst the CRO has overall responsibility for oversight of this framework, senior managers and staff are responsible for conduct risk management within their own business areas.</p> <p>Conduct risk is managed through a variety of means, which encompass clear communication of expected values, objective setting, articulation of policy, certification processes, training, conduct risk assessment, monitoring, reporting and appraisal processes. The Company's objective setting, appraisal and remuneration processes are designed to incentivise good conduct and to discourage poor conduct.</p> <p>MHI Group's Audit & Compliance Committee receives regular updates with regard to significant conduct risk matters and reviews key conduct risk metrics.</p>
Operational risk, in particular Reputational risk	Risk to reputation arises from negative perception on the part of stakeholders that can adversely affect the company's ability to maintain existing, or establish new, business relationships and continued access to sources of funding and liquidity. This could be as a direct result of poor or inappropriate execution of business activities, staff behaviour or external factors such as false information or market rumours. Stakeholders include clients, counterparties, shareholders, investors, debtholders, market analysts, suppliers, and regulators.	<p>The Company has a well-established policy and framework for identifying, assessing and managing reputation risk; the policy is attested to annually by staff. The framework defines the company's governance arrangements, responsibilities of staff, and escalation paths in the event of actual or potential damage to the Company's reputation.</p> <p>Reputation Risk is considered when entering new products and markets, when executing specific transactions, when exiting business lines or customer groups, and when assessing the suitability of business partners, for example outsourcing arrangements. Staff behaviour is guided by the Company's values and individual conduct rules.</p>
Credit concentration risk	The risk that the Company suffers losses because the credit exposure of a group of related counterparties accumulates. The driving factors for this are single name concentration, industry	Concentration risk arises mainly from MHEU's focus on cleared activities, which is consistent with the desire to reduce counterparty risks. In addition to the credit and counterparty risk roles, MHEU therefore additionally assesses

Principal risk	Description	How risk is managed
	concentrations within the financial sector and regional concentrations.	MHEU therefore additionally assesses its capital requirements in the context of the economic capital assessment for concentration risk.
IRRBB	Outside the trading book, which is assessed via market risk, MHEU has fixed assets, the HQLA portfolio for liquidity management, sufficient long-term deposits and other liabilities that need to be assessed for interest rate	MHEU's deposit funding is short-term and therefore subject to low interest rate risk. The banking book positions are subject to economic capital valuation to ensure that the risks are adequately capitalised.
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.

3.7 Uncertainties

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

- 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 escalations of geopolitical tensions including the Russia-Ukraine conflict, supply chain interruptions, or humanitarian/natural disasters
- Dependency risk which arises from outsourcing arrangements, the back-to-back booking model, its funding and results in a dependency of MHEU on MHI
- Financial risks from climate change have been embedded into existing risk management frameworks so that they can be considered and managed accordingly

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

3.8 Risk Control and Mitigation

Risk exposures are managed by business and corporate functions, using a range of techniques relevant to the individual risk class. Such techniques encompass the hedging of market risk positions, risk

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

3.9 Risk Limits

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

3.10 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 of the Company's risk exposures and compliance with risk limits. In addition to monitoring current risk exposures, the Company also monitors potential future adverse developments in the markets it is active in by establishing entity-specific early warning indicators whose breach may indicate deterioration in the capital and liquidity strength. Monitoring and reporting the status of these early warning indicators forms part of the Company's recovery planning arrangements.

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

4 Governance

4.1 Number of Directorships

Directorships held by Board members are reviewed to ensure compliance with the German Corporate Governance Code (Deutscher Corporate Governance Kodex, "DCGK") requirements regarding the total number of such positions which may be held. As at 31 March 2023, the Board comprised of 3 executives who held no external directorships. The total of such directorships held by each individual director was therefore in compliance with the requirements of the DCGK.

4.2 Policy on Diversity: Objectives and Targets

Valuing diversity is an integral part of our strategy, driving business performance and success. Creating an inclusive workplace is paramount and part of the positive change we wish to have on society, underpinned by our values of Integrity, Passion, Agility, Creativity and Empathy.

The senior management team are fully committed to the Group's inclusion and diversity agenda, both within the overall organisation and the management body itself, and receive regular updates on the inclusion and diversity initiatives as well as progress towards achieving gender balance. Our Head Office in Tokyo has its own targets in relation to gender balance and their commitment is demonstrated

by their inclusion in the 2021 Bloomberg Financial Services Gender–Equality Index for the fifth year running.

MHEU's Policy on Diversity is inherited from the MHI Group's Policy on Diversity, which is disclosed in Section 2.6 of the MHI Consolidated Pillar 3 on Mizuho Group's website. Details on MHEU's Policy on Diversity can be found in Section 8 of the Annual Report on MHEU's website.

MHEU has not set specific objectives with regards on diversity for the selection of members of the Board. All appointments to the Board are based on merit, experience and skills the Board requires as a whole to operate effectively, with due regard given to the benefits of diversity.

4.3 Risk Committee Status and Meeting Structure

The Board has established a number of committees under the Board to enable detailed oversight of particular areas of Board responsibility and to facilitate oversight of senior management.

MHEU has a Risk Management Committee, chaired by the CRO which evaluates MHEU's governance, risk and control framework. It makes recommendations to the Board concerning MHEU's risk appetite and reviews the supporting Board level limit framework and key metrics. It advises the Board on risk methodologies, policies and limits for market, credit, liquidity and operational risk and monitors compliance with these limits. It evaluates and reports to the Board on matters concerning MHEU's overall risk profile and performance against risk appetite, giving consideration to key trends and concentrations, compliance with limits and significant risk issues. It also provides advice and support to the Board on climate risk and sustainability.

5 Own Funds Disclosures

5.1 Reconciliation of CET1, AT1, T2 and Deductions Applied to Own Funds

MHEU complies with the capital requirements as set out in IFR/WpIG for a Class 2 Investment Firm. The composition of own funds as per Article 49 IFR is shown in table 2.

Table 2: EU IF CC1.01 - Composition of regulatory own funds

		Amounts TEUR	Source based on reference numbers/letters of the balance sheet in the audited financial statements
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	43,444	
2	TIER 1 CAPITAL	43,444	
3	COMMON EQUITY TIER 1 CAPITAL	43,444	
4	Fully paid up capital instruments	35,000	Fully paid up Share Capital
5	Share premium		
6	Retained earnings	7,861	Retained Earnings

7	Accumulated other comprehensive income		
8	Other reserves	5,000	Other Reserves
9	Minority interest given recognition in CET1 capital		
10	Adjustments to CET1 due to prudential filters	-101	
11	Other funds		
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1		
13	(-) Own CET1 instruments		
14	(-) Direct holdings of CET1 instruments		
15	(-) Indirect holdings of CET1 instruments		
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial year	-4,316	

The full version of this table is contained in the Appendix at the end of this document.

Under IFR, MHEU is required to provide a reconciliation of the Company's audited financial statements to regulatory own funds, as shown in table 3. The annual financial statements of MHEU were prepared in accordance with the principles of the German Commercial Code (HGB) and the German Ordinance on Accounting for Banks and Financial Services Institutions (RechKredV) which also applies for Investment Firms.

Please note that throughout the document, the component parts of tables may not cast due to rounding.

Table 3: EU IFCC2:
Own funds: reconciliation of
regulatory own funds to bal-
ance sheet in the audited fi-
nancial statements

		Balance sheet (from published /audited fi- nancial statements) in TEUR	Cross reference to EU IF CC1
		As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial state- ments			
1	Receivables from credit institutions	23,484	
2	Receivables from customers	113	
3	Bonds and other fixed-income se- curities	41,672	
4	Equity shares and other non-fixed income securities	1,009	
5	Trading assets	260,937	
6	Tangible assets	763	
7	Other assets	8,601	
8	Prepaid Expenses	297	
	Total Assets	336,877	
Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements			
1	Liabilities to credit institutions	33,786	
2	Liabilities to customers	232	
3	Trading liabilities	249,792	
4	Other liabilities	1,383	
5	Deferred income	30	
6	Provisions	8,109	
7	Fund for general banking risk	-	
	Total Liabilities	293,332	
Shareholders' Equity			
1	Subscribed capital	35,000	(row 4) Fully paid up capital instrument
2	Capital reserve	5,000	(row 8) Other reserves
3	Retained earnings	7,861	(row 6) Retained Earnings
4	Net Income	4,316	
	Total Shareholders' equity	43,545	

5.2 Description of CET1, AT1 and T2 Instruments

Under IFR, MHEU is required to provide a description of the main features of “Own Instruments issued by the Company”. MHEU has issued ordinary share capital, the details of which are set out below.

All capital resources included are of standard form and the main terms and conditions of the capital instruments are disclosed in table 4. The Company's regulatory capital resources comprised of €43.4m of CET1 capital. This figure includes share capital, retained earnings and other reserves.

In 2023 the Firm did not hold any Additional Tier 1 (AT1) or Tier 2 (T2) instruments.

Table 4: EU I CCA: Own funds: Main features of own instruments issued by the firm

1	Issuer	MHEU
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	German Commercial Code (Handelsge-setzbuch)
5	Instrument type (types to be specified by each jurisdiction)	Common Shares
6	Amount recognised in regulatory capital (currency in million, at most recent reporting date)	€ 35,000,000
7	Nominal amount of instrument	€ 35,000,000
8	Issue price	1 EUR
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance (€ 35,000,000)	7 January 2019
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	No

23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	The most subordinated claim
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

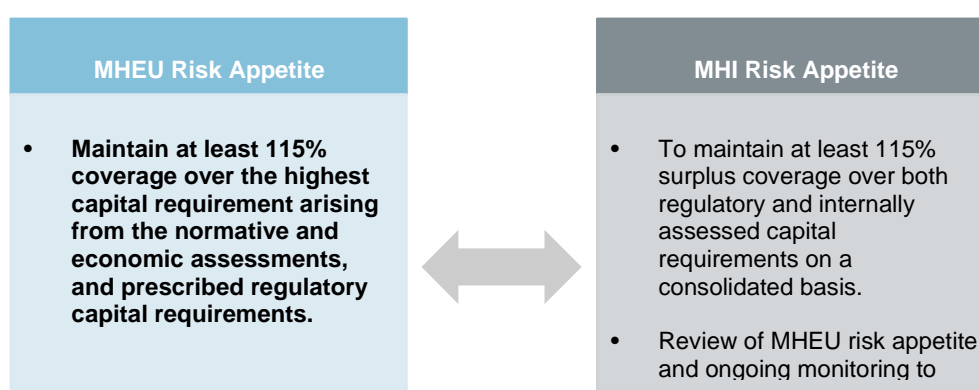
6 Capital Adequacy

6.1 Approach to Capital Adequacy

Assessment of capital adequacy and the Company's approach is refreshed in its entirety once a year for the Internal Capital Adequacy Assessment Process (ICAAP), but is both monitored and modified - if needed - for material events throughout the year. This process is undertaken with the aim of establishing levels of internal capital to maintain adequacy on an ongoing basis over the medium term, based on two complementary internal perspectives, plus the regulatory IFR capital assessment:

Graphic 1: Overview over MHEU's approach to Capital Adequacy

Normative capital assessment	Economic capital assessment	Regulatory capital assessment
<ul style="list-style-type: none"> • Medium-term projections over 3 years. • Covers ongoing fulfilment of all relevant regulatory requirements (including under adverse scenarios) and external constraints. • Takes into account all material risks and changes in legal / regulatory / 	<ul style="list-style-type: none"> • Internal assessment over a 1-year horizon. • Assesses level of internal capital required to cover risks that may cause economic losses, based on fair value considerations. • Point-in-time quantification of current situation feeding into a medium-term 	<ul style="list-style-type: none"> • Regulatory capital • Covers the fulfilment of the IFR/IFD requirements.



6.2 Capital Requirements as at 31 March 2023

Under IFR/IFD, MHEU calculates its Pillar 1 requirement as being the higher of the following on a daily basis:

- Permanent Minimum Capital Requirement
- Fixed Overhead Requirement
- Total K-Factor Requirements

Consequently, during the year ended 31 March 2023, the Company's Pillar 1 Requirement was the Company's Fixed Overhead Requirement, being TEUR 6,089, shown in table 5. The Risk to Market K-Factor is determined by the general market risk in EGB trading, while the Risk to the Firm K-Factor is equalling the Daily Trading Flow of cash trades in GMK.

Table 5: Own Funds Requirements

OWN FUNDS REQUIREMENTS	Amounts TEUR
Own Funds requirement	6,089
Permanent minimum capital requirement	750
Fixed overhead requirement	6,089
Total K-Factor Requirement	2,545
Risk to Client	0.2

Risk to Market	249
Risk to Firm	2,296

As of 31 March 2023, the Company held total regulatory capital of TEUR 43,444. The decrease in total regulatory capital is due to the loss incurred in this financial year. The Own Funds Requirements of the Company of TEUR 6,089 are exclusively driven by the Fixed Overhead Requirements and are calculated as per the IFR.

All key regulatory ratios were above the legal and the internally set minimum requirements. Consequently, the adequacy of MHEU's own funds was ensured at all times during the financial year. This includes the requirement under Article 43 of the IFR for the Company to hold minimum liquid assets of at least 1/3 of its Fixed Overhead Requirement, which was 2m EUR. MHEU held 53m EUR in Liquid assets as of 31 March 2023, and therefore has met the minimum Liquidity Requirements at all times during the financial year.

7 Remuneration Policy and Practices

7.1 Introduction

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 the Board. The primary metrics used to monitor and manage performance within the Group include profit before tax, capital utilisation, VaR utilisation and stress test results.

Class 2 Investment Firms must disclose their remuneration policies or practices in accordance with Article 51 IFR. The duty of disclosure applies to the Board and employees whose professional activities have a significant impact on the risk profile of the Investment Firm ("Identified Staff or Material Risk Takers (MRTs)"). Since the corresponding ordinance of the German Federal Ministry of Finance based on the authorisation of § 46 para. 3 WpIG is still pending, there is no legal requirement to remunerate the Identified Staff of MHEU on a solo basis. However, the Company is obliged to comply with certain requirements of MHI Group with respect to their remuneration. Therefore, under CRD V the parent company MHI is required to identify Material Risk Takers (MRTs) throughout its consolidation group. These individuals are referred to as "Group MRTs" and are subject to the UK regulatory remuneration rules - MHEU's remuneration policy takes this into account accordingly for its employees. MHEU has four Group MRTs of which three are Board members. The remuneration of the three Board members is disclosed in the Annual Report, so as not to make available the remuneration of the other Group MRT, only the aggregated remuneration of the Board Members ("Geschäftsführer") is shown (in table 6).

7.2 Remuneration Policy

Since the Remuneration Ordinance for Investment Firms ("Wpl-VergV") had still not been adopted by the end of this financial year, MHEU's Management Board decided to continue to base its remuneration policy mainly on the Remuneration Ordinance for Institutions ("IVV") and to change the approach once the Wpl-VergV becomes applicable. Within the meaning of the IVV MHEU itself is not a "significant" institution.

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

The compensation practices, policies and procedures of the MHI Group are consistent with the principles as defined by the PRA and FCA in the documents mentioned above. In addition, MHEU is complying with the EBA Guidelines for Sound Compensation Policy, the KWG, the IVV and the interpretative guidelines to the IVV, and the WpHG, which are all aimed at promoting sound and effective risk management.

7.3 Determination of Remuneration

When determining the size of the overall bonus pool, the cost of economic or regulatory capital, the liquidity and the need to maintain and/or strengthen a sound capital base are taken into account. Individual awards are then allocated using the results of a balanced scorecard appraisal. Group MRTs are subject to bonus deferral in accordance with the Remuneration Codes (i.e. deferral periods of three to seven years); a general deferral plan is in place for all other staff whose bonus award is above a threshold set out in the Remuneration Policy. Bonus awards are subject to malus adjustment (including forfeiture) and deferred bonuses will vest only to the extent determined by MHEU's sole discretion, having regard to matters set out in the Remuneration Policy. At least 50% of any variable remuneration awarded to Group MRTs will be allocated in the form of awards based on Mizuho Financial Group Inc. shares and is subject to a retention period of six or twelve months. The Remuneration Codes require the Group to be contractually entitled to apply clawbacks to the variable remuneration of Group MRTs for seven years after the award has been made (this can be extended to ten years for Senior Managers in the event of an investigation).

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

7.4 Pension

Additionally, MHEU provides a company pension scheme, which is a defined contribution scheme. It is based on and secured by a reinsurance company ("Rückdeckungsversicherung") and does not affect the Company's accruals. Subject to meeting certain qualifying criteria, including employee's contribution into a portable and tax-efficient direct insurance, all staff joining MHEU in Frankfurt are eligible to benefit from the scheme.

7.5 Quantitative Disclosure Information Remuneration Structure

Table 6: Quantitative Disclosure Information Remuneration Structure

<i>in million Euro - Financial Year 2022/2023</i>	Board	Other Group MRTs*
Remuneration awarded in the financial year - 2022/2023 - Art. 51 c) (i)		
Beneficiaries (by headcount)	3	1
Beneficiaries (full time equivalent)	3	1
Total Remuneration 2022/2023	2.0	ND*

thereof fixed remuneration	1.1	
thereof fixed remuneration in cash	1.1	
thereof fixed in shares or in instruments linked to shares	-	
thereof fixed in other instruments	-	
thereof total variable remuneration	0.9	
Total amount of variable remuneration from financial year 2022/2023 - Art. 51 c) (ii)	0.9	ND*
thereof upfront variable in cash non-deferred	0.2	
thereof upfront variable in shares or in instruments linked to shares	0.2	
thereof upfront variable in other instruments	-	
thereof deferred variable remuneration in cash	0.2	
thereof deferred variable remuneration in shares or in instruments linked to shares	0.2	
thereof deferred variable remuneration in other instruments	-	
Total amount of outstanding variable remuneration withheld in previous years (before 2022/2023) - Art. 51 c) (iii)	2.0	ND*
thereof paid in 2022/2023	0.7	
thereof only due in future subsequent years	1.3	
Total amount of deferred remuneration to vest and to be paid with explicit risk adjustment (malus and clawbacks) applied in 2022/2023 - Art. 51 c) (iv)	0	0
Total amount of guaranteed variable remuneration (new recruitment bonuses) - Art. 51 c) (v)	0	0
Total severance payments from previous periods paid out in the current year 2022/2023 - Art. 51 c) (vi)	0	0
Total amount of severance payments awarded in the current financial year 2022/2023 - Art. 51 c) (vii)	0	0

* Other Group MRT Not Disclosed in the financial year 2022/2023, as this would inevitably lead to the identification of the employee's remuneration.

A derogation under Article 32(4) of the IFD was not claimed.

8 Investment Policy

In conjunction with its current business activities, MHEU does not hold any shares with voting rights and does therefore not vote in general meetings of other companies.

9 Environmental Social and Governance Risks

This note covers environments, social and governance risks, including physical and transition risks, which may affect the operations of MHEU. This note is based on Article 53 EU 2019/2033 referencing Article 35, EU 2019/2034.

MHEU recognises the importance of environmental sustainability and the risks that arise as a result of environmental damage and climate change. MHEU will seek to partner with its clients, suppliers and other stakeholders to recognise the importance of environmental sustainability and take action accordingly. This can include refusing to participate in transactions or supplier engagements that would directly or indirectly have an unfavourable impact on the environment.

9.1 Governance

Mizuho Financial Group has put in place a framework for ensuring steady implementation of initiatives aimed at realizing a sustainable society. This includes regular reports to the Board of Directors regarding progress on environmental initiatives and other information. Group companies, including MHEU, implement environmental initiatives under a governance and management framework aligned with their respective business structure and scale. The Board is responsible for understanding, identifying and managing the financial risks that arise from environmental and social risk and climate change. MHEU, as a subsidiary of MHI, is also part of the MHFG governance framework on ESG risk, and the MHEU CEO and CRO are members of the ESG sub-committee of the MHI Underwriting & Reputational Risk Committee. CRO and CFO are also members of the Mizuho EMEA Sustainability forum.

MHEU has a number of specific ESG policies which guide the firm in identification, assessment and management of ESG risks.

9.2 Identification, assessment and management of ESG risks

Risk management processes incorporate the identification and management of ESG risks. The Risk Management Committee, chaired by the CRO, reviews climate risks and provides effective management of firm-wide environmental, climate and social risk. The Underwriting and Reputational Risk Committee, chaired by the CEO, reviews the environmental, climate and social risks, and associated reputational risk, for every underwriting and M&A transaction brought to its attention. Transactions permitted to be performed under businesses' own authority nevertheless follow the same ESG framework. The MHI stress testing committee, in which the MHEU Head of Risk is a member, designs and carries out climate change stress testing, for the group as well as MHEU.

Credit, operational, regulatory and market risk teams incorporate ESG assessments in the risk management process, including within the respective management policies.

9.3 Assessment of significant concentrations of assets with ESG Risks

First and second line of defence are responsible for identifying ESG risks as noted in policy. Stress testing and scenario analysis are a core element of MHEU's planning and risk management process.

ESG credit risks have been assessed by reviewing MHEU's portfolio of positions and trades, using as input external counterparty and issuer carbon ratings. ESG market risks have been assessed via stress testing. No critical, high or material ESG risks were identified at the reference date.

Appendix

Reconciliation of CET1, AT1, T2 and deductions applied to own funds.

MHEU complied with the capital requirements set down in the IFR/IFD. Template EU IF CC1.01 details the Composition of Regulatory Own Funds of MHEU as at 31 March 2023.

Table 2: EU IF CC1.01 – Composition of Regulatory Own Funds		Amounts €m
1	OWN FUNDS	43,444
2	TIER 1 CAPITAL	43,444
3	COMMON EQUITY TIER 1 CAPITAL	43,444
4	Fully paid up capital instruments	35,000
5	Share premium	
6	Retained earnings	7,861
7	Accumulated other comprehensive income	
8	Other reserves	5,000
9	Minority interest given recognition in CET1 capital	
10	Adjustments to CET1 due to prudential filters	-101
11	Other funds	
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	
13	(-) Own CET1 instruments	
14	(-) Direct holdings of CET1 instruments	
15	(-) Indirect holdings of CET1 instruments	
16	(-) Synthetic holdings of CET1 instruments	
17	(-) Losses for the current financial year	-4,316
18	(-) Goodwill	
19	(-) Other intangible assets	
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	
23	(-) CET1 instruments of financial sector entities where the institution does not have a significant investment	
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	
25	(-) Defined benefit pension fund assets	

26	(-) Other deductions	
27	CET1: Other capital elements, deductions and adjustments	
28	ADDITIONAL TIER 1 CAPITAL	
29	Fully paid up, directly issued capital instruments	
30	Share premium	
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	
32	(-) Own AT1 instruments	
33	(-) Direct holdings of AT1 instruments	
34	(-) Indirect holdings of AT1 instruments	
35	(-) Synthetic holdings of AT1 instruments	
36	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment	
38	(-) Other deductions	
39	Additional Tier 1: Other capital elements, deductions and adjustments	
40	TIER 2 CAPITAL	
41	Fully paid up, directly issued capital instruments	
42	Share premium	
43	(-) TOTAL DEDUCTIONS FROM TIER 2	
44	(-) Own T2 instruments	
45	(-) Direct holdings of T2 instruments	
46	(-) Indirect holdings of T2 instruments	
47	(-) Synthetic holdings of T2 instruments	
48	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	
49	(-) T2 instruments of financial sector entities where the institution has a significant investment	
50	Tier 2: Other capital elements, deductions and adjustments	



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