MIZUHO

Mizuho Bank Europe N.V.

Annual Report for year ended 31 December 2023

Celebrating our 150TH Anniversary

1873 –2023

Innovating today.
Transforming tomorrow.

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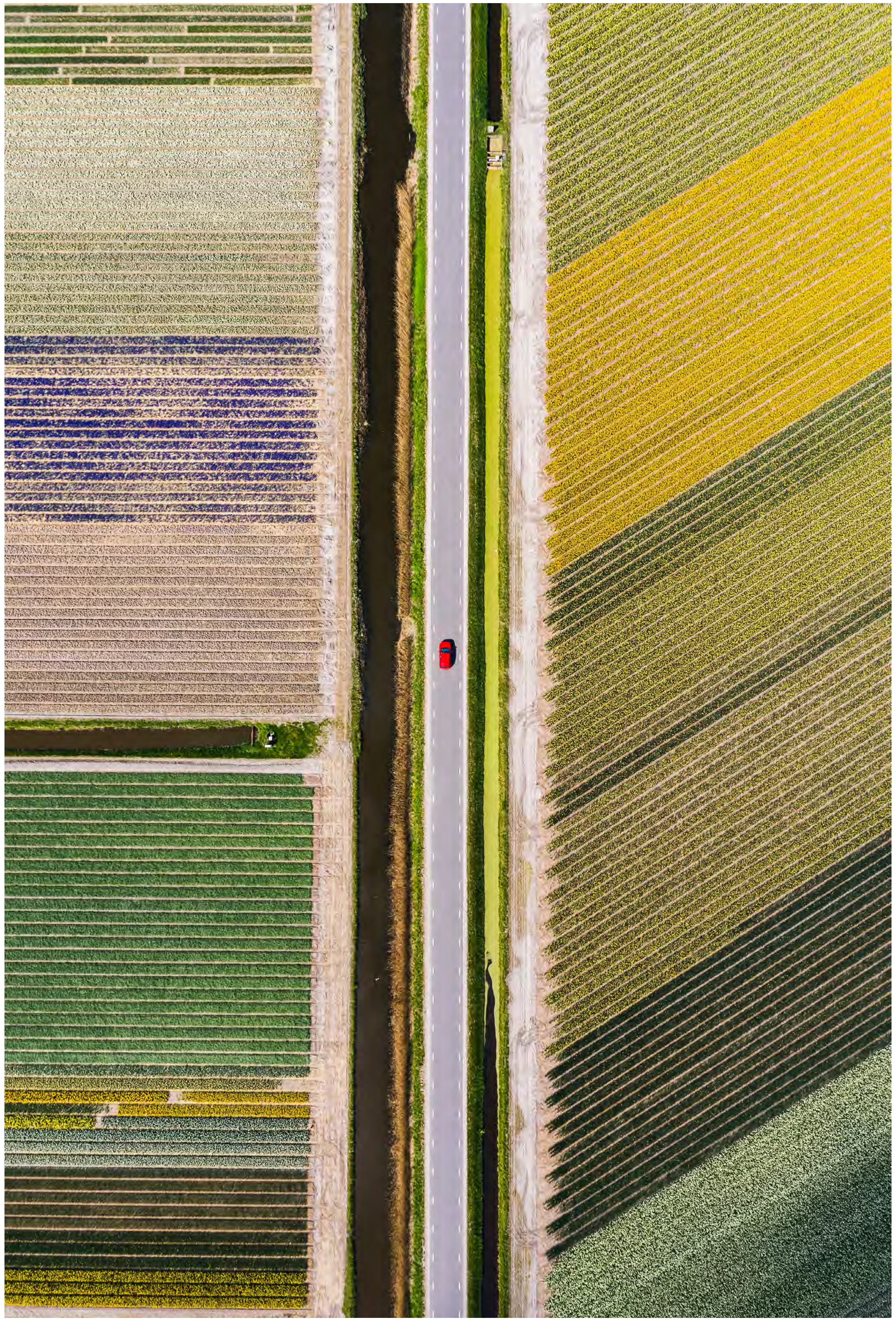


1. About Mizuho Bank Europe

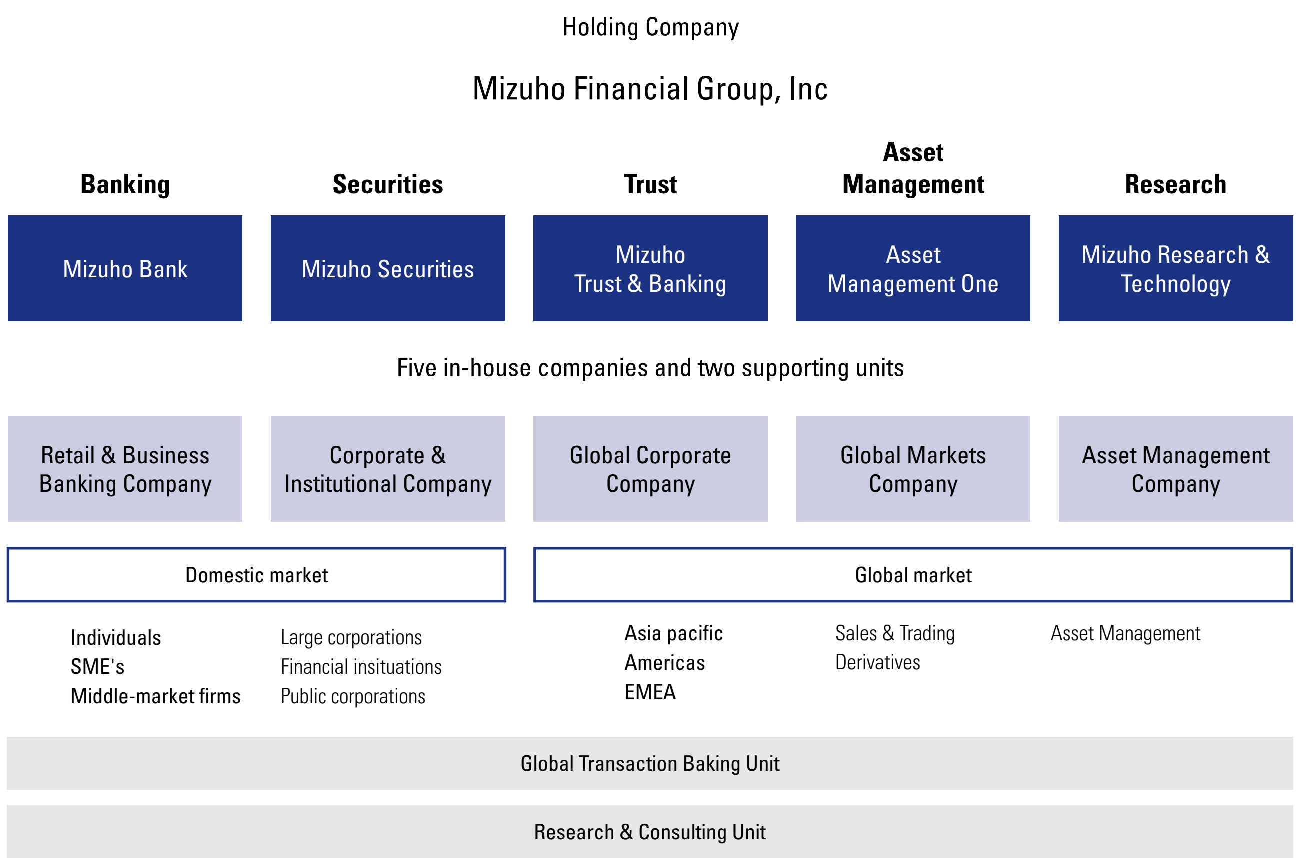
1.1. Who We Are

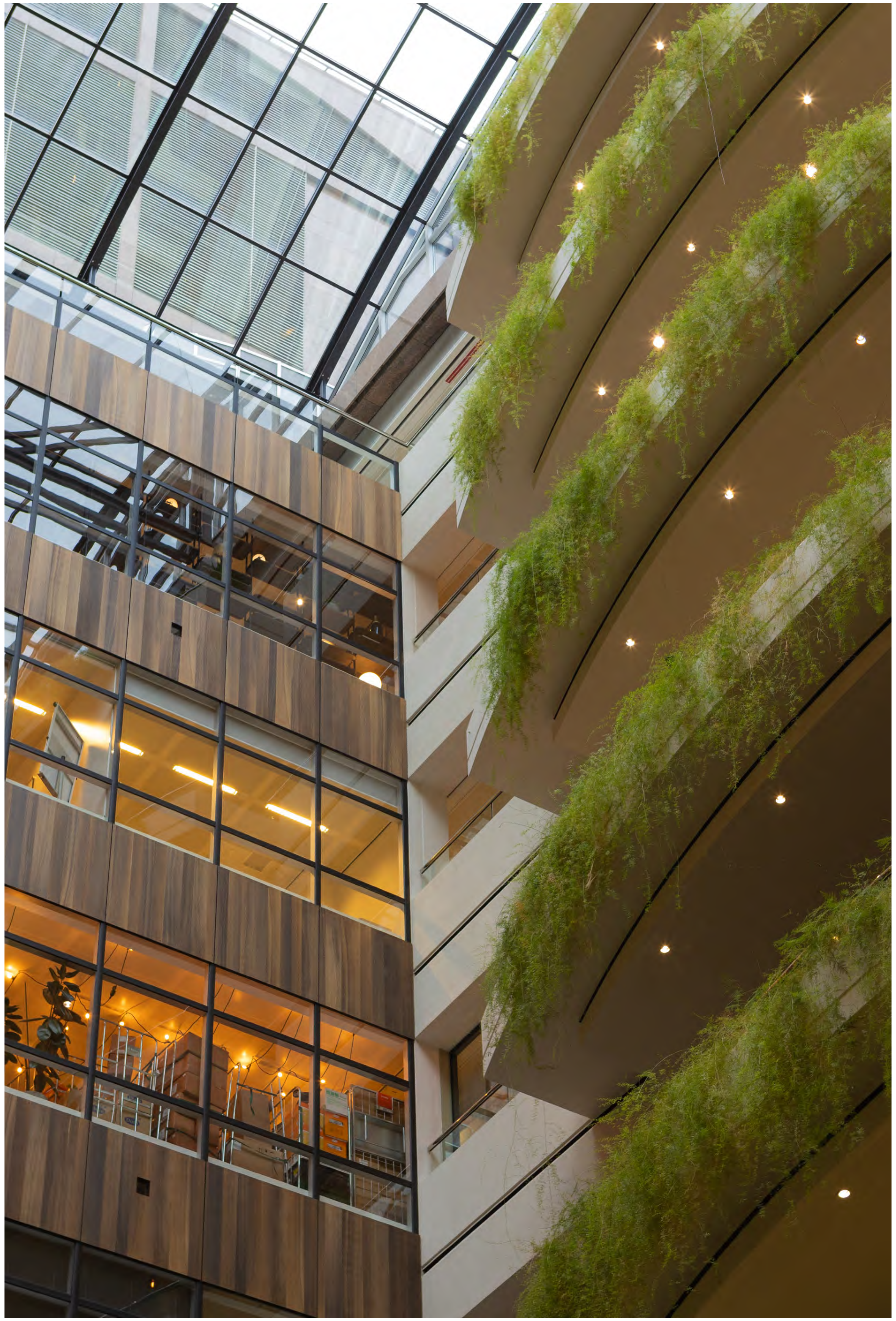
Established in 1974, Mizuho Bank Europe N.V. (MBE) is a fully licensed bank incorporated in the Netherlands and supervised by De Nederlandsche Bank (DNB) and the Autoriteit Financiële Markten (AFM). Over 45 years of experience in providing financial services to Japanese and non-Japanese customers in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

MBE is a 100% subsidiary of Mizuho Bank, Ltd. (MHBK), which in turn is a wholly-owned subsidiary of Mizuho Financial Group, Inc. (MHFG or Mizuho Group). With branches in Brussels (Belgium), Vienna (Austria) and Madrid (Spain), MBE employs 121 full time equivalents (FTE) as of 31 December 2023.

The Mizuho Group is a global financial services leader with offices in nearly 40 countries, approximately 51,200 employees, and assets of more than USD 1.9 trillion. The Mizuho Group provides expertise in retail banking, corporate finance, investment banking, asset management, capital markets, and sales and trading, to help businesses develop and find new opportunities.

Mizuho Financial Group (MHFG) Overview





1.2. Our Corporate Identity

The Mizuho Financial Group is committed to bringing fruitfulness to all our stakeholders and contributing to the prosperity of economies and societies throughout the world, by bringing together our group-wide expertise and conducting business activities and operations. To respond to the drastic changes in environment, Mizuho reassessed how we can help our clients to resolve challenges and contribute positive impact to the societies and as a result redefined our Corporate Identity and introduced our Purpose.

Corporate Philosophy – Our fundamental approach to corporate activities

Operating responsibly and transparently with foresight, Mizuho is deeply committed to serving client needs, enabling our people to flourish, and helping to improve society and the communities where we do business.

Purpose – Our raison d'être in light of the positive change we wish to have on society.

Proactively innovate together with our clients for a prosperous and sustainable future.

Value – The specific values and behaviors to realize the purpose

Be a catalyst for change.

1. Integrity: Act as a trusted partner by always upholding solid moral principles
2. Passion: Work with enthusiasm and dedication
3. Agility: Adapt to change and take prompt action
4. Creativity: Drive innovation and think outside the box
5. Empathy: Embrace diverse perspectives and collaboration to gain new insight

Corporate identity is the fundamental principle for all employees in Mizuho. MBE operates in line with the Mizuho Corporate Identity to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond. We leverage our unique position to provide the best financial solutions for our clients, committing to superior service at every step to help them achieve success.

1.3. Five Years at a Glance

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

(in €000)	2023	2022	2021	2020	2019
Assets					
Loans and advances to banks	124,486	222,266	213,046	370,612	500,315
Loans and advances to customers	2,641,717	2,590,736	2,907,214	2,247,340	2,371,183
Others (incl. central bank balances)	2,478,032	1,755,165	1,913,663	1,820,411	962,564
Total assets	5,244,235	4,568,167	5,033,923	4,438,363	3,834,062
Liabilities					
Amounts owed to banks	1,153,570	1,257,078	1,459,746	1,121,844	1,121,569
Amounts owed to customers	3,343,612	2,650,519	2,933,336	2,651,755	2,050,051
Others	126,292	99,361	115,120	162,924	167,767
	4,623,474	4,006,958	4,508,202	3,936,543	3,339,377
Shareholders' equity	620,761	561,209	525,721	501,820	494,685
Total equity and liabilities	5,244,235	4,568,167	5,033,923	4,438,363	3,834,062
Profit and loss account					
Total operating income	125,883	73,535	59,569	62,116	69,481
Total operating expenses	(45,131)	(24,931)	(27,749)	(32,584)	(37,122)
Operating result before taxation	80,752	48,604	31,820	29,532	32,359
Income tax	(21,200)	(13,116)	(7,919)	(6,712)	(8,344)
Net result	59,552	35,488	23,901	22,820	24,015
Total capital ratio	19.01%	20.11%	18.42%	19.55%	17.25%
NSFR	136%	128%	117%	130%	110%
LCR	212%	138%	185%	165%	134%
Return on Equity	9.59%	6.32%	4.55%	4.55%	4.85%

1.4. Organization

As of 31 December 2023

Supervisory Board

P.A. de Ruijter	Chair of the Supervisory Board and Chair of the HR Committee
K. Matsumoto	Chair of the Audit & Compliance Committee
L.D.A van Houwelingen	Chair of the Risk Committee
C. Seibel	

Management Board

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

Department Managers

D. Morival	Managing Director, Chief Strategy & Operating Officer (forming the Management Team together with the Management Board)	
S. Nakamura	Managing Director	Corporate Finance II
Y. Hashimoto	Managing Director	Treasury
H. van Voorst tot Voorst	Executive Director	Corporate Finance I
G.W. Schuurman	Executive Director	Credit Assessment
S. Witkamp	Executive Director	Human Resources & Facility Management
E. Thijssen	Executive Director, Corporate Secretary	Legal, Regulatory and Corporate Affairs
F. Carrasco	Executive Director	Risk Management
D. Pocock	Director	Compliance
F. Pieters	Director	Finance
V.de Mooy	Director	Internal Audit
A. van Veen	Director	Middle Office
N. Pandian	Director	IT & Data Management
T. Suzuki	Director	Strategic Planning
K. Murata	Director	Business Promotion

Brussels Branch

N. Sasaki	Branch Manager

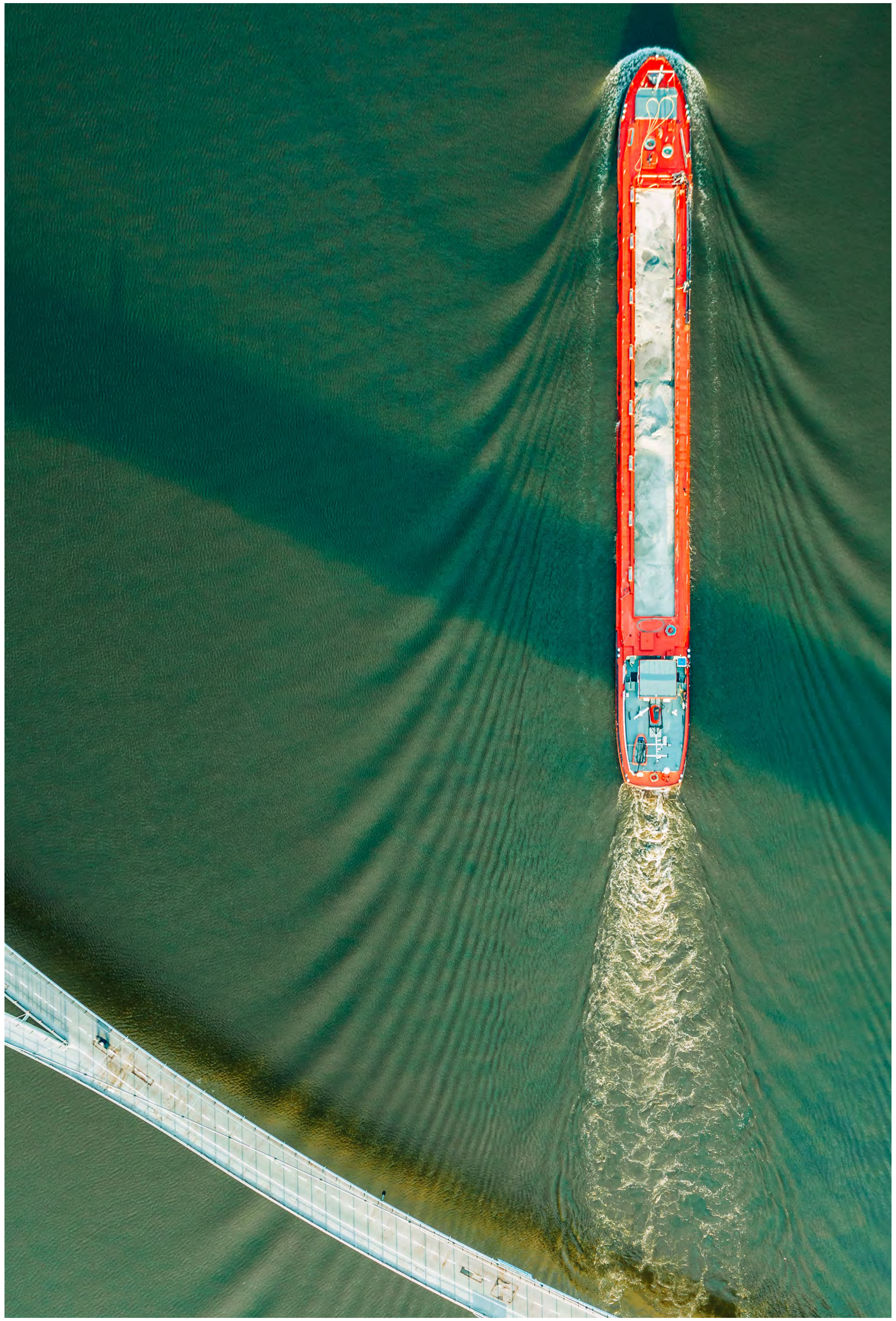
Vienna Branch

T. Yamamoto	Branch Manager

Madrid Branch

A. Cervera Rodilla	Branch Manager

About Mizuho Bank Europe



2. Report Of The Supervisory Board

2.1. Supervision

The Supervisory Board and its Committees monitored the management of Mizuho Bank Europe N.V. (“MBE” or “Bank”), and the activities of the Management Board. In the Financial Year 2023, the Supervisory Board was informed by the Management Board of the development of business, strategy/Mid-Term Plan, the financial situation of MBE, projects, regulatory & compliance matters, risks, culture & staffing situation and the outlook with respect to future developments, including Mizuho Financial Group intention to change its structure in the EU, through the creation of an Universal Bank, resulting in MBE to develop into a key hub for Banking and Securities in the EU.

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

The Management Board informed the Supervisory Board in sufficiently detailed verbal and written report as well as during the formal Supervisory Board meetings, the Risk Committee meetings, the Audit & Compliance Committee meetings and the HR Committee meeting. The Management Board involved the Supervisory Board in all of the MBE’s fundamental decisions in a timely and comprehensive manner, which enabled the Supervisory Board to perform all the tasks entrusted by applicable laws, and to the extend required, regulations.

2.1.1. Composition of the Supervisory Board

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

In 2023, the Supervisory Board consisted of four (4) members, each with his/her areas of expertise and diverse nationalities: Japanese, Dutch and German. MBE embraces the principle of having a diverse and balanced composition of its Management Board and Supervisory Board. As per the criteria laid down in the Dutch Corporate Governance Code 2022 and applied by De Nederlandsche Bank (“DNB”), two (2) members of the Supervisory Board are independent ‘in state and appearance’.

In 2023, there were changes with respect to the Composition of the Supervisory Board.

The Supervisory Board membership of both Mr. S. (Shinuke) Toda and C. (Christoph) Camboly ended on 31 March 2023.

The selection of qualified candidates to fill the vacancies was based on experience, knowledge and understanding of the Bank, regulation and the main challenges MBE is currently facing. Having assessed the background, suitability, and integrity, through means of documentation and interviews, the Supervisory Board unanimously nominated the preferred candidates Mr. C. (Christoph) Seibel and Mr. K. (Kenichi) Matsumoto. The application for a declaration of non-objection regarding appointment of the preferred candidacy was submitted to DNB and the declaration of non-objection was received on 27 June and 24 July 2023, respectively.

In light of the departure of aforementioned two Supervisory Board Members, including the chairperson of the Supervisory Board, several composition changes were effectuated:

- the Chairpersonship of the Supervisory Board was transferred to Mr. P De Ruijter following receipt of the approval decision of DNB on 24th May 2023.
- the Chairpersonship of the Risk Committee of the SB was transferred to Mrs. L. Van Houwelingen following receipt of the approval decision of DNB on 15th June 2023.
- the appointment of Mr Seibel as new Supervisory Board member after receiving declarations of no-objection for this appointment on 27th June 2023.
- the appointment of Mr Matsumoto as new Supervisory Board member, and as Chairperson of the Audit & Compliance Committee of the Supervisory Board after receiving declarations of no-objections for these appointments on 24th July 2023.

In its current composition the Supervisor Board has 3 male and 1 female member. Upon new appointments of Supervisory Board members, MBE will give preference to female candidates in the event of equal suitability of candidates.

2.1.2. Meetings of the Supervisory Board

All members of the Supervisory Board are firmly committed and believe to have demonstrated this commitment throughout 2023. All Supervisory Board Meetings in 2023 were 100% attended by all supervisory board members.

In 2023, five (5) Supervisory Board Meetings were held as well as several ad-hoc meetings.

The Supervisory Board is to self-evaluate its functioning annually. Given the above described recent changes in the composition of the Supervisory Board, the Chairperson of the Supervisory Board has -with consent from the other Supervisory Board Members- established that the annual evaluation of the functioning of the Supervisory Board (and its members) is not appropriate. Consequently, the Chairperson has established that the Supervisory Board members unanimous agreed to postpone the evaluation until Q2 2024.

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

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

2.1.3. Professional Excellence

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

In 2023, two (2) PE-sessions were scheduled. In March 2023 a PE session on Cyber security was facilitated by EY and in September 2023 a PE-session was held at MBE offices on CRSD/ Sustainability by PriceWaterhouseCoopers.

2.2. Committees

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

2.2.1. Risk Committee

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

The Risk Committee assists the Supervisory Board with the performance of its duties in all risk related matters. In 2023, the Risk Committee consisted of the Chairperson Mr. P. (Peter) de Ruijter up to 15 June 2023 when the Chairpersonship of the Risk Committee was transferred to Mrs. L. Van Houwelingen (who was before such date already a member of the RC), and Mr. De Ruijter was replaced as member of the RC by Mr. C. (Christoph) Seibel as of 27 June 2023.

Four (4) Risk Committee Meetings were held in 2023.

The key topics that were discussed during the Risk Committee Meeting in 2023 were: Risk Management Framework, Supervisory Review and Evaluation Process (“SREP”), Credit and Portfolio Risk, Operational Risk, IT & Data Quality, Cyber Security, Project Portfolio, Environmental, Social and Governance (“ESG”), and several projects related to risk management.

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

Additionally, the Chairpersons of the Risk Committee were informed directly by Mr. J. (Jens) Pöhland, Chief Risk and Financial Officer (“CRFO”) and Member of the Management Board, the Head of Risk Management Department through personal meetings, monthly video calls, ad-hoc calls and email notifications.

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

2.2.2. Audit & Compliance Committee

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

The Audit & Compliance Committee assists the Supervisory Board with the performance of its duties in all Audit and Compliance related matters.

In 2023, the Audit & Compliance Committee consisted of the Chairperson Mr. P. (Peter) de Ruijter up to July, 24th 2023, when the chairpersonship was transferred to Mr. Matsumoto as a new member and chairperson, with Mr. de Ruijter continuing as member of the ACC.

Four (4) Audit & Compliance Committee Meetings were held in 2023. The key topics that were discussed during the Audit & Compliance Committee Meeting in 2023 were: internal and external Audit, Compliance, Regulatory, Systematic Integrity Risk Analysis (“SIRA”), and several projects related to topics such as Compliance and Finance.

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

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

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

2.2.3. HR Committee

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

One (1) HR Committee Meeting was held on 6 June 2023. The key topics that were discussed during the HR Committee Meeting in 2023 were: Management Board Evaluation, General MBE-HR & Local Labor Situation, Gender Diversity, succession planning, promotion and Remuneration.

MBE’s Remuneration Policy was approved by the Supervisory Board on 14 December 2023.

2.3. Developments 2023

In 2023, Mizuho Financial Group celebrated its 150 year anniversary. Upon its 150 year anniversary Mizuho has grown to become one of the largest financial services firm in the world. For MBE approaching 50 years of operating in the Netherlands, 2023 brought significant change to our organization, as a result of the expectations towards our role in Mizuho's EU strategy.

In 2023, the Management Board managed to overachieve on MBE's income targets and managed to keep MBE's expenses within the approved budget, driving its business in accordance with MBE's Medium-Term Plan that was established for FY2022 to FY2024. Considering the enhanced regional strategy, our local strategy and goals have been adjusted in places, but key principles for MBE's business have remained steady resulting in its achievements this year. In October 2023, the Mizuho Financial Group announced its intention to change its structure in the EU, through the creation of an Universal Bank, which will bring together our Banking and Securities business in the region. With the establishment of an Universal Bank, MBE Amsterdam is expected to develop into a key hub for Banking and Securities for Mizuho in Europe. For further detail we refer to the Management Board report.

The Supervisory Board endorses the strategic course chosen by the Mizuho Financial Group. The Supervisory Board is well aware that the organization faces great opportunities but also challenges in meeting the expectations set and the transition to the new organizational structure. Such challenges relate to human resource and organizational aspects, but also to commercial and governance aspects.

The Supervisory Board underwrites the Management Board desire to realign and adjust MBE's focus for other parts of the business, in order to prepare for the new organizational structure as a result of the strategic course chosen by Mizuho Financial Group, whilst simultaneously running MBE's daily operations in a stable and strongly governed way. This resulted in re-prioritization of key projects and initiatives within the newly established Project Portfolio Management framework. The Supervisory Board is pleased that, whilst internal developments have impacted and driven many of MBE's priorities, MBE's sustainability and ESG commitments, as well as the efforts to further strengthening in our risk management and compliance frameworks have been continued by the Management Board. In addition, the Supervisory Board has ensured that sufficient efforts have continued to be given to KYC, AML and sanction screening enhancements.

The Supervisory Board is also pleased with the Management Board's confidence to graduate the culture program started 2 years ago from an actively managed project into an integral part of the day-to-day process and it underlines the continued added value of the Employee Sounding Board (ESB), both underwriting MBE's strong belief that its people and culture remain one of its strongest assets, which will be of even greater importance going forward. In connection therewith, the Supervisory Board also supports the enhancement of the governance by creating a stand alone Compliance Department, separate from the newly created Legal, Regulatory and Corporate Affairs Department, as well as the establishment of a Business Promotion Department, also in light of the new organizational structure to be implemented.

The Supervisory Board will continue to supervise and advise the Management Board to the best of its ability with respect to both business as usual and the execution of the initiated transition, whilst taking into account the interests of all internal and external stakeholders, such as (but not limited to) MBE's clients, employees, supervisors, as well as the group's interests. The Supervisory Board is confident that MBE will be successful in its transition.

2.4. Regulatory Oversight

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

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

In view of the strategic course chosen by the Mizuho Financial Group to bring together its Banking and Securities business in the EU, through the creation of an Universal Bank, by developing MBE into a key hub for Banking and Securities for the region, the relationship with both home state and existing and future host state regulators will become even more important. MBE has always maintained an open and pro-active dialogue with its home state regulators, DNB and Autoriteit Financiele Markten ("AFM"). MBE has pro-actively informed and engaged with DNB and AFM, as well as host state regulators, on the strategic developments within the Mizuho Financial Group and the future of MBE.

MBE clearly remains to understand its role and responsibilities as an EU licensed banking entity. The Supervisory Board always strives to maintain a sound understanding of and always in compliance with the regulatory environment, pertaining to the Bank's business model, organizational structure as well as its risk appetite framework. Also in this respect, the Supervisory Board always maintains an open and pro-active dialogue with the regulators, and strives to meet the expectation of the regulator and all of MBE's stakeholders and clients.

As with previous years, MBE faced an increasingly demanding regulatory landscape in 2023. During 2023, the Supervisory Board had special attention for the following key projects: ESG, ERM, IT security framework, SREP, SIRA, DORA, operational risk management, outsourcing, data quality management and the KYC/AML and sanctions governance framework. External threats and events such as the increase in cyber crime require a continuous focus on data protection and cyber security.

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

2.5. Vision and Strategy

In 2023 the Management Board and Supervisory Board continued to ensure there was an alignment between MBE's strategy and that of MHFG. To that end, in 2023, the Management Board and Supervisory Board extensively discussed Mizuho Financial Group intention to change its structure in the EU, through the creation of an Universal Bank, resulting in MBE to develop into a key hub for Banking and Securities in the EU. With the establishment of the Universal Bank, MBE's organization, business capabilities and product and service offering is expected to expand.

The Supervisory Board underwrites the Management Board desire to realign and adjust MBE's focus for other parts of the business, in order to prepare for the new organizational structure as a result of the strategic course chosen by Mizuho Financial Group, whilst simultaneously running MBE's daily operations in a stable and strongly governed way. The Supervisory Board, together with the Management Board, recognizes that changes aside opportunities, could also bring uncertainties from an organizational perspective. The Supervisory Board is committed to continue to provide guidance on, among other things, the impact of the new strategic course, the macro economic situation, the overall company strategy, as well as risk management, organization, executive decisions, compliance, corporate culture & personnel strategy and on other key strategic projects and regulatory developments.

2.6. Financial Statements

In compliance with applicable laws and article 13 and 16 of MBE's Articles of Association, the Management Board presented to the General Meeting of Shareholders the financial statements of the year 2023, together with the explanatory notes. The Supervisory Board carefully reviewed the financial statements and submitted its advice, to approve the financial statements, at the Company's offices for inspection by the shareholders.

2.7. Closing Remarks

2023 has been another extraordinary year, impacted by the weaker-than-expected growth in Europe. Tight monetary conditions and in some cases, the withdrawal of fiscal support after the pandemic, paired with low productivity held back the overall European Union's performance. European economies were also still bearing the marks of the relatively high exposure to the war in Ukraine and an overheated labor market which MBE has withstood thanks to the diligence and hard work of MBE's employees and the Management Board. The Supervisory Board would like to recognize these efforts and thank all staff and the Management Board for all their hard work.

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

The Supervisory Board looks forward to continuing the fruitful cooperation in 2024.

Amsterdam, 21 March 2024

Peter de Ruijter (Chair)

Kenichi Matsumoto

Leonique van Houwelingen

Cristoph Seibel

3. Report Of The Management Board

We are pleased to present the financial statements of Mizuho Bank Europe N.V. for the financial year 2023.

3.1. Mizuho Bank Europe

In 2023, Mizuho Financial Group celebrated its 150-year anniversary. 150 years ago, when the first bank that would become Mizuho Financial Group was founded, Mizuho has grown to become one of the largest financial services firm in the world, with a global community of approximately 51,200 employees in nearly 40 countries. While the value we provide may have evolved over the years, our underlying principles have not. For MBE, in 2024 we will celebrate 50 years since first stepping foot in the Netherlands. We believe this to be a remarkable milestone, and an opportune moment to assess our position in this dynamic industry.

As mentioned in earlier sections, we as a Group have also revisited our corporate identity, our purpose, and our values to adapt to our changing value propositions, and the rapidly developing external environment. Together, we recognize that change is a constant particularly in our dynamic industry, which is part of why there have been significant decisions made within the Group on our regional strategy in Europe.

As we approach 50 years of operating in the Netherlands, 2023 brought about large waves of change in our organization, and the expectations towards our role in Mizuho's EU strategy.

In October 2023, the Mizuho Financial Group announced its intention to change its structure in the EU, through the creation of an Universal Bank, which would bring together our Banking and Securities business in the region. With the establishment of an Universal Bank, MBE is expected to develop into a key hub for Banking and Securities in the EU.

Subject to regulatory approval and key milestones being met, MBE will merge with the current Frankfurt-based Securities hub. Mizuho will continue to provide corporate banking services in the EU with a more centralized footprint focused on Amsterdam, Frankfurt, Paris, and Madrid.

These changes have an impact on the footprint in the region with offices in Brussels, Düsseldorf, Milan and Vienna due to closure, subject to regulatory approval. A provision was made for onerous contracts and restructuring. Mizuho will continue to deliver the exceptional levels of service that its clients have come to expect, with a fully integrated corporate and investment banking proposition for all its EU clients.

With the establishment of the Universal Bank, our business capabilities and product and service offering are expected to expand. For MBE this brings great opportunities as well as challenges. From an organizational perspective, we recognize that changes could bring uncertainties, and we are committed to supporting one another through this journey to achieve successful transition.

We will not merely adapt to the changes; we will leverage them as opportunities to evolve, innovate, and position ourselves for sustained success. We intend to embrace this moment as a Group, drawing strength from our collective expertise and shared purpose, to proactively innovate together with our clients for a prosperous and sustainable future.

With our renewed strategy in the region and our enhanced roles within our group, we are further committed to our client and other stakeholders in the EU with our clients' needs at the core. This is reflected in our strong financial performance for this year closing.

For 2023, interest income has doubled mainly because central banks in the US and Europe have increased the interest rate on a steady pace, which helped with outperforming our income targets. Something we are proud of and we also managed to keep our expenses under control. Our business has been steadily driven forward according to our Medium-Term Plan that was established for FY2022 to FY2024. Considering the enhanced regional strategy, our local strategy and goals have been adjusted in places, but key principles for our business have remained steady resulting in our achievements this year. For 2024 and beyond, we believe that we will continue to grow by maintaining a good relationship with our clients and providing good quality services even though a normalization of the interest rate environment can be expected.

At the same time, we recognized our need to realign and adjust our focus for other parts of the business, in order to prepare for our new chapter whilst running our daily operations in the stable and strongly governed way as we have for the many years leading up.

With a growing portfolio of strategic and regulatory projects we manage within MBE, we newly established the Project Portfolio Management framework this year. The new framework and accompanying Project Portfolio Management Committee allows us as an organization to make more holistic and well-informed decisions on our key projects and initiatives. With strong involvement from across the organization, we are able to steer more efficiently and effectively on projects ranging from system implementations to preparations for new, important regulations for our industry. Leveraging this new framework, we have been able to assess our open projects and initiatives to make faster and more Informed project management decisions.

Whilst internal developments have impacted and driven many of our priorities, 2023 has also been the year where we can say we started to take a better look at our sustainability and ESG commitments as MBE and as Mizuho Financial Group. This was supported greatly by the roll out of a cross-organizational ESG Upskilling Programme that delved into the foundations of ESG, as well as the expertise required from client engagement, reporting, and risk management perspectives to sufficiently prepare ourselves for the upcoming changes in business and regulatory environment with respect to ESG and sustainability.

This year we have also seen a further strengthening in our risk management and compliance frameworks with the introduction of an Enterprise Risk Management Policy, Risk Champions represented across the organization, a structured Systematic Integrity Risk Analysis (SIRA) framework, and improvements to our Control Self-Assessment (CSA) approach. Considerable efforts have also gone into KYC remediation and AML enhancements for over a year now and we are proud that huge leaps have been made to address weaknesses and develop our strengths in the area.

Furthermore, when looking at our people, and promoting our culture of open and honest communication to safeguard some of our key values of integrity and passion, we are confident that 2023 has been a year in which our corporate culture has been further fortified through the efforts of our leaders and our employees across the floor. Two years ago, MBE has also been working on a culture program aimed at building up an increasingly sound and resilient culture, and ultimately strengthening our organization starting from our people. We have seen successes in the program, so much so that we had comfort in graduating the program into one that is actively managed, to one that is part of our day-to-day and a great supporter of our basic principles. Our annual summer event which gathered over 100 of our employees was clear evidence of the increased connectivity and collaborative spirit on our floor.

Our Employee Sounding Board (ESB) has been a key contributor to ensuring that we develop and maintain a strong awareness of the real voices across the organization. We will continue to rely on this network so that we can pool our strengths and energy together, to embrace diverse perspectives and collaborate through an underlying value of empathy. We move on with a strong belief that our people and our culture remain as one of our strongest assets and will be of even greater importance to us going forward.

In 2023, we have also welcomed many new talented colleagues to strengthen our teams. To remain agile and forward-looking we have also restructured our department composition – Legal, Regulatory, and Corporate Affairs now stand as a department separate from our Compliance Department. We have also established a Business Promotion Department to drive business and support our sales and marketing efforts across all MBE offices, collaborating closely with regional front offices. These reorganizations have ensured better governance and control over key functions and supported the core of our business activities to enhance the levels of service we provide to our clients. We are proud of MBE’s adaptability and flexibility to the changes, and this gives us confidence in navigating a period of even bigger changes to come.

In 2024, MBE will be undertaking various activities to prepare the organization ready to become the key hub in the EU and may start to provide services and products to clients from the closing offices of Mizuho Bank, Ltd., subject to regulatory approval and client acceptance. However, the Management Board does not believe this will significantly transform our financial profiles during 2024.

Whilst both external and internal environments continue to rapidly change, we as Management Board look back on a year of great strides and look forward to another year of positive changes and sustainable growth for our clients, our communities, our people, and our organization.

3.2. Market Developments and Outlook

Looking at the macro-economic outlook, the International Monetary Fund (IMF) has raised its forecast for global growth, projecting 3.1% in 2024. However, Europe's prospects are not as positive.

Global growth is stronger than expected and will be 3.1% in 2024, the same as in 2023, as the US and emerging economies have shown resilience to previous crises, with strong consumption driving the growth, according to the IMF. The IMF has therefore decided to increase its previous forecast by 0.2%, in its latest World Economic Outlook report, factoring in upgrades for China, the United States, and large developing economies. Global GDP is expected to accelerate slightly in 2025, by 3.2%.

The outlook for Europe has been slightly downgraded for this year, largely because of a weaker-than-expected growth in 2023. Tight monetary conditions and in some cases, the withdrawal of fiscal support after the pandemic, paired with low productivity held back the block's performance. European economies were also still bearing the marks of the relatively high exposure to the war in Ukraine. The IMF estimated that the Eurozone economy has expanded by 0.5% in 2023. Looking into 2024, the IMF lowered its forecast by 0.3% compared to its previous report in October and now it projects a recovery, with the GDP growth reaching 0.9% in the block, fuelled by stronger household consumption, as slower inflation and real income growth arise.

According to the European Central Bank's (ECB) economic outlook, growth is expected to strengthen from early 2024, as real disposable income rises – supported by declining inflation, robust wage growth and resilient employment – and export growth catches up with improvements in foreign demand. The impact of the ECB's monetary policy tightening, and adverse credit supply conditions continues to feed through to the economy, affecting the near-term growth outlook. The ECB expects, these dampening effects to fade later in the projection horizon, supporting growth. Overall, annual average real GDP growth for 2023 is expected at 0.6% in 2023, before recovering to 0.8% in 2024 and stabilizing at 1.5% in 2025 and 2026. The UK economy is facing a similar scenario with a modest recovery of 0.6% growth in 2024, following an estimated 0.5% in 2023, as the lagged negative effects of high energy prices wane. Later in 2025, the UK economy is projected to swell by 1.6%, as disinflation will likely result in the Bank of England easing financial conditions with real incomes recovering.

As for Germany, the strongest economy in the EU, it is expected to see a contraction and its GDP is projected to fall by 0.3% in 2023 and will likely recover by reaching a growth of 0.5% this year, before achieving 1.6% in 2025.

France, the second biggest economy in the bloc, is expected to have 1% growth this year and 1.7% in 2025.

Italy probably has the weakest outlook of the leading economies in the Eurozone, as the IMF estimates 0.7% growth in 2023, as well as in 2024 - and only 1.1% in 2025.Spain, on the other hand, is expected to see 1.5% growth this year, after seeing 2.4% in 2023, and is set to get back on track with 2.1% in 2025.

Both headline and core inflation are declining in the next two years, with advanced economies leading the way.

Global headline inflation (including volatile food and energy prices) is expected to fall from an estimated 6.8% last year to 5.8% in 2024 and 4.4% in 2025.

Advanced economies are expected to see faster disinflation, reaching 2.6% in 2024. (The inflation target for the European Central Bank, the Bank of England as well as the Federal Reserve is 2%).

This could leave room for easing tight monetary conditions in the US and Europe.

The IMF projects key rates to remain at current levels for the Federal Reserve, the European Central Bank, and the Bank of England until the second half of 2024, before gradually declining as inflation moves closer to targets.The report notes that economic growth could be even higher than the current forecast due to faster-than-expected disinflation and prolonged supportive fiscal policy across the globe, as well as a speedier recovery in China and if artificial intelligence is raising productivity in the medium-term.

However, the growth could be held back by new commodity price spikes from geopolitical shocks, including continued attacks in the Red Sea fuelling inflation, leading to elevated rates for a longer than expected period. This would keep businesses from borrowing money and investing, slowing down the economic growth.

The projections and economic outlook, gives MBE some confidence that current ECB interest rate environment will remain relatively stable, as well as overall portfolio and credit outlook. We remain committed to support our customers, through a more efficient and cost-efficient footprint in the region and will carefully monitor geopolitical movements.

3.3. Management Board

Recognizing the changing and challenging environment - both in terms of new client demands and how they expect to be serviced in a rapidly changing digital environment and in terms of how banks are being supervised and regulated- the Management Board has taken various steps in 2023 to further enhance our capabilities and governance processes.

In 2023, there were no changes in the composition of the Management Board. Our current Management Board members have thorough knowledge and experience in the banking business as well as international experience gained in foreign countries. However, as a result of upcoming organizational changes, we will be exploring changes to our Management Board structure. It is important for us that the structure reflects the needs of our immediate organization, as well as the wider region and Group from a governance perspective, and furthermore is equipped to capably manage the interactions between our internal needs and the fast-paced external environment.

Currently the Management Board is composed of two Japanese expatriates, Chief Executive Officer and Chief Business Officer, and the third position filled on the basis of a local and indefinite contract, Chief Risk & Financial Officer. We are well aware of MBE's role in the financial sector, as well as the interests of relevant stakeholders among which, our clients, employees, shareholder, and regulators.

Our engagement is also reflected in contributions to organizations outside of MBE. Next to being MBE's CEO, in 2023 Mr. Kajiwara has been the Vice Chair of the Japanese Chamber of Commerce and Industry in the Netherlands (JCC). Mr. Pöhland has been the Co-Chair of the Foreign Bankers' Association based in Amsterdam. Mr. Kishinoue has been a Vice Chair and Board member of the Japanese School of Amsterdam.

The Management Board has been working closely with the Supervisory Board and have proactively been communicating and seeking advice on various strategic matters. Our Supervisory Board continuously and proactively evaluated whether the Management Board has the expertise required to run a stable and sustainable organization, that also meets stakeholders and regulators expectations.

Over the year 2023, as a Board and on an individual basis, we were committed to pursuing a program of lifelong learning and we attended the Lifelong Education Program of the Supervisory Board. This year's topics included cybersecurity, and the Digital Operational Resilience Act, as well as sustainability strategy, and the Corporate Sustainability Reporting Directive. By bringing in expert knowledge on these topics and engaging in discussions with our Supervisory Board members, we deepened our understanding on these subjects.

When making decisions, as Management Board we strive to put our clients' interests first. To ensure that Mizuho's purpose and values are truly embedded and understood by all employees - we continue to enhance the onboarding program of new employees and to engage all employees in continuous discussion related to strategy, governance, culture, and more. As in previous years, Management Board are engaged in raising awareness of and taking the Dutch Banker's Oath, as it is an important part of abiding by our code of conduct, fostering our desired corporate culture, and regaining and maintaining trust in the financial sector.

We actively facilitated and participated in key discussions with our Supervisory Board, shareholder, our department managers and all employees about our current and future strategy, which included looking for new business opportunities and developments to ensure our resilience towards market developments and the evolving regulatory landscape. In addition to periodic meetings with department managers, we also actively participated in key committees, including but not-limited to the Supervisory Board Meeting, Audit & Compliance Committee of the Supervisory Board, Risk Committee of the Supervisory Board, Human Resources Committee of the Supervisory Board, Financial Risk Committee, Non-Financial Risk Committee, Asset & Liability Management Committee, Portfolio Management Committee, Client On-boarding & Review Committee, Data Quality Committee, Regulatory Radar Committee, Credit Committees, Staff Performance & Compensation Committee, and Business Continuity Management Committee.

Driven by our strong intention to listen to and act on the voices we hear from our employees, in this year we also gave significant attention to improving the communication between Management and employees. Whilst we have always been confident that there is open communication and ensured we remain approachable and available, we have also found that the frequency and content of our messages need to be improved. To address this, we have enhanced our monthly townhall meetings with expanded agendas covering a wider variety of business and strategy topics and have committed to pre-determined times during which our employees can engage in dialogue with and raise questions to Management Board. We have seen increased engagement in our townhalls and are pleased to be able to contribute to developing on the openness and transparency we strive for as an organization.

Our highly diverse and talented employees are committed to providing top-notch service to our clients, while simultaneously upholding the highest level of integrity and ensuring compliance with the regulatory environment. We continue to strive to support our people and our functions to enhance efficiencies and controls.

3.4. Financial Performance

MBE achieved a remarkable increase in profitability for 2023, exceeding the prior year by nearly €24 million. This positive outcome is primarily attributable to a substantial uptick in total income, which reached €125.8 million. The principal driver of this income growth was the rise in interest rates, leading to an increase in interest and similar income. While total operating expenses climbed to €45.1 million, representing a €20.2 million rise, this can be attributed largely to the non-recurring release of a €10.3 million pension provision made in the previous year. Consequently, the bank's net profit for 2023 established a new record, reaching €59.5 million.

3.4.1. Operating Income

Our 2023 financial performance demonstrated notable growth, with operating income reaching €125.8 million, a €52.3 million increase compared to the previous year.

This positive trend was driven primarily by a significant €28.7 million rise in net interest income, attributed to favourable interest rate movements across currencies. The result on financial operations show an increase of €18.4 million, mainly due to a reclassification of product related to foreign currency swaps (in 2022 reported under net interest for an amount of €11.8 million, further explanation on Note 29). While commission income saw a moderate growth €5.1 million. Notably, interest and similar income climbed by €111.8 million, fuelled by a €55.2 million increase in net interest income from loans, particularly within USD and EUR deals. Additionally, central bank placements generated a profit of €53.7 million, (€47.7 million higher than 2022), reflecting the impact of increased interest rates. However, interest expenses also grew by €83 million, primarily due to a €57 million increase in term deposits held by clients, with USD and EUR deposits contributing significantly.

3.4.2. Operating Expenses

Operating expenses experienced a notable rise in 2023 compared to the previous year by € 20.2 million, a year-on-year increase of 81%. The total amounted to €45.1 million (€ 24.9 million in 2022).

Excluding the pension movements for the ASC 715 liability, the other operating expenses for 2023 totalled €42.5 million (€34.4 million in 2022) an increase of €8.1 million compared to previous year. The increase can be explained by IT-related expenses, higher salaries and social securities due to increased number of FTE's, increasing supervision expenses and expenses for professional advice.

The expected credit loss allowance increased in 2023 as a result of more pessimistic macro-economic general market projections incorporated in the calculation. Together with the transfers to stage 2 this has led to an increase in the impairment related expenses, in contrast to an impairment reversal in previous year. Similar to preceding year, no actual write-offs of financial assets were recorded in 2023.

(in €'000)	2023	2022
Total operating expenses	45,131	24,931
Pension movement ASC 715 liability	(2,633)	9,473
Expected credit loss	(1,778)	636
Other operating expenses	40,720	35,040

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3.4.3. Efficiency Ratio

MBE's efficiency ratio (the ratio of operating expenses to operating income) stood at 35.9% (2022: 33.9%). The efficiency ratio corrected for movements in the pension provision and the expected credit loss is 32.35% (2022: 47.7%), which is a significantly lower compared to previous year. This is driven by the higher net interest income in 2023, which resulted in a higher increase of the operational income relative to the operational expenses.

3.4.4. Income tax

Income tax charge for 2023 totalled € 21.2 million (2022: € 13.1 million). This represents a tax burden of 26.3% (2022: 27%). The tax burden remained at the same level compared to last year, as by the end of last year the leverage ratio fell below the 9% threshold resulting in not all interest expenses being deductible for Dutch tax purposes. Further, last year the tax burden enjoyed tax rate changes which resulted in a revaluation of the deferred tax asset.

3.4.5. Balance Sheet

The total assets at year-end amounted to a record high at € 5,244 million, an increase of 14.8% compared to last year (€ 4,568 million). The rise has been mainly the result of increased balances with central banks, due to the increase on interbank placement at DNB to profit from the rise of the interest rate, to an amount of € 1,914 million (2022: € 1,289 million).

The balance of loans and advance to customers slightly increased by € 50.8 million, while the total balance sheet share decreased from 56.7% in 2022 to 50.4% this year. The share of the loans and advances to banks (excluding to central banks) decreased from 4.9% in 2022 to 2.4%.

Furthermore, on the credit side of the balance sheet the total amount owed increased significantly to € 4,497 million (2022: € 3,908 million). This increase was primarily driven by a € 693 million expansion in customer accounts, partially offset by a € 103 million decrease in interbank deposits with other financial institutions.

3.4.6. Capital adequacy and liquidity

Total capital ratio decreased to 19.01% (2022: 20.11%) as a result of the increase in risk exposure amount to € 2,959 million (2022: € 2,618 million) which is mainly explained by an increase of exposures on undrawn commitments. Own funds increased to € 562 million (2022: € 527 million).

In 2023 liquidity coverage ratio (LCR) significantly increased to 212% (2022: 138%), which is mainly the result of an increase in High Quality Liquid Assets (HQLA) due to a higher withdrawable central bank balance and the increase in unencumbered bonds. The net stable funding ratio (NSFR) slightly increased to 136% (2022: 128%), explained by the increase in the deposits from non-financial corporates.

(In €'000)	31/12/2023	31/12/2022
Total risk exposure amount	2,959,102	2,618,256
Own funds	562,449	526,610
Tier 1 capital	560,211	524,123
Tier 2 capital	2,238	2,487
Core Equity Tier 1 (CET 1) Ratio	18,93%	20.02%
Total capital ratio	19.01%	20.11%
Required Tier 1 capital	372,622	323,093
Required Tier 1 ratio	12.59%	12.34%
Required CET1 capital	304,549	262,873
Required CET1 ratio	10.29%	10.04%

3.5. Risk Management

MBE has developed a robust risk management framework, to ensure a pro-active approach in managing risks, to maintains sufficient capital and liquidity and to secure sustainable and stable business growth. The risk management framework is defined as the overall approach, including policies, processes, controls, and systems through which risk management is established, communicated, and monitored. Full details of MBE's risk governance and management framework can be found in its Pillar 3 disclosure, which is available through the Mizuho Financial Group website.

3.5.1. Enterprise Risk Management

Figure 1

The ERM framework is an overarching framework capturing the risk cycle that MBE follows. It starts with the identification of risks related to the business strategy and ends with monitoring and reporting on the most material risks and their set limits. The cycle is executed on an annual basis.

The first step is the determination of the business strategy and business plan, where the bank sets out its goals for the short- and medium term. This step is not immediately risk related. Then, the risk identification step takes place, where relevant representatives of the lines of defence, as well as the management board, explore a broad spectrum of risks. The spectrum takes into consideration the economic outlook, regulatory risks and risks identified by MHFG to eventually determine risks for MBE. This results in a risk inventory. The risks in the inventory are assessed for impact and likelihood of occurring, determining their materiality, determining the most material risks for MBE. In step 4, MBE sets the risk appetite levels for the material risks. This is an important step, as MBE makes key decisions on risk quantification methodologies to determine limits on its key indicators. Other controls may be put in place to further control the risk. In the final step of the process, which is the most elaborate one, the risk is monitored on a regular (daily/monthly/quarterly) basis. MBE monitors and reports its key risk information internally as well as external. Key considerations are that the Bank's strategy and the Bank's risk strategy should always align with each other. Also, the first as well as the second line of defence should be present in all steps. This risk management framework is appropriate to the size and complexity of MBE's business model and ensures that MBE manages risks in line with approved risk profile and risk appetite.

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3.5.2. MBE Risk Appetite

As a result of the risk identification and assessment of the ERM cycle, the MBE Risk Taxonomy is determined. The risk taxonomy classifies the risk area's most material to the bank into a logical structure, distinguishing strategic, financial and non-financial (sub-) risk areas.

The taxonomy is the starting point for MBE's Risk Appetite Framework. The corner stone of the RMF is the Risk Appetite Statement (RAS), which is a document that determines the risk types and risk levels that MBE is able and willing to accept. For all risk areas, the RAS articulates the aggregate level and types of risk the bank is willing to assume within its risk capacity, in order for the bank to achieve its business strategy and financial strategy. The RAS framework consists of 2 elements: a risk appetite framework, a qualitative statement, articulates the fundamental policy on management, business, financial and risk strategy, and sets out standards for determining the right levels for the risk appetite metrics in the RAS for MBE. It expresses the commitment by MBE senior management regarding the operation of the risk appetite framework and is shared with each department manager who is responsible for achieving the business strategy. The second element is the risk appetite statement itself that quantitatively articulates the risk that MBE is willing to accept. The taxonomy, and as a result the RAS, currently cover the risk areas in figure 2.

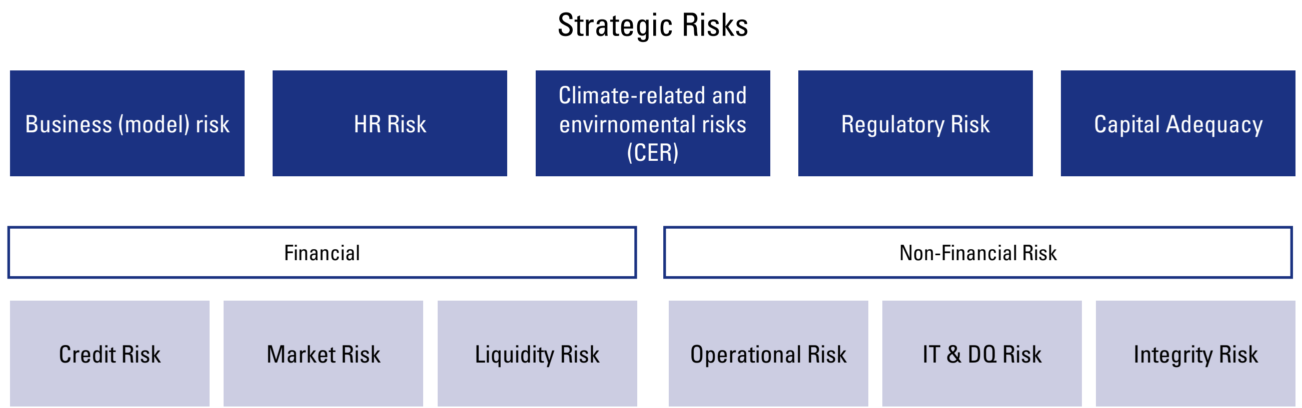


Figure 2

In general, MBE has a low-risk appetite in all risk areas and prefers to set its Risk Appetite limits conservatively. It operates a traditional banking business model, where it lends loans to corporates and receives funding from corporate customers and has no trading book. Therefore, it is also most exposed to the more traditional risks: credit risk, interest rate risk and liquidity risk on the financial side, and operational, IT and integrity risk on the non-financial side. On the financial side, most risks are mitigated by applying sufficiently conservative policies on the business side, without limiting the business targets and opportunities, and properly conservative risk appetite limits on the risk side. This ensures that MBE can continue to have a limited history of downgrades or non-performing exposures in its loan book, a well-balanced asset and liability mismatch resulting in limited Interest rate risk in the Banking book and liquidity risk.

For non-financial risks, MBE focusses on limiting operational losses and has a fully-fledged framework in place to limit these losses. For instance, MBE has dedicated first- and second-line staff in office to monitor and control risks on e.g., Information security, Outsourcing risks and Data management. With regards to it risk, we anticipate the vulnerabilities management to be enhanced through the implementation DORA.

3.5.3. Risk governance and risk culture

To promote appropriate risk-taking, MBE established a robust governance and financial foundation that are essential to our business activities. MBE deploys the three lines of defence model, where clear roles and responsibilities are defined between risk takers and owners, being the first line of defence, and the internal control functions providing risk oversight and challenging the first line, being the second and third line of defence.

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

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

The Bank also promotes and embeds a risk culture whereby the management and employees understand the risks underlying our own business and take appropriate measures when necessary. To this end, it has established the Risk Champions Network, which provides a platform for risk takers and the internal control function to exchange educational information. In addition, a thorough understanding of the risk management framework and risk appetite is one of the most important components of the on-boarding training for new joiners, regardless of their position and/or function in the company.

3.5.4. Risk developments in 2023

Over the course of 2023, MBE's risk management continued focusing on safeguarding the Bank's operations, business model, and capital & liquidity buffers by strengthening existing processes and introducing new ones. New processes implementation was driven by both external macro-economic, political and climate related events as well as self-identified need for strengthening the framework.

More specifically, MBE took the following steps:

- Operational risk: Ensure business continuity in a safe and secure environment by enhancing its information security, cyber and data security and operational risk management framework, incl. training and continuous communications to employees.
- Credit risk: A bottom-up and top-down credit risk analysis on the entire portfolio to better understand vulnerabilities of the different industries and sectors. In addition to this MBE closely monitored those clients and their exposures who are possibly most at risk from the high inflationary environment and climate-related events.
- Expected Credit Loss: MBE runs stress-testing activities to determine the Expected Credit Loss (ECL) arising from the potential credit deterioration of vulnerable exposures. MBE's borrower's ratings are now stressed by several notches downgrade depending on the expected economic repercussions per industry. The severity of the contemplated scenarios offered a range of additional ECL which were subsequently analysed, discussed, and reported internally.
- Market and liquidity risk: MBE and its parent group closely monitored the market development and liquidity situation through a wide range of early warning indicators. MBE also performed additional stress testing to ensure sufficient liquidity buffer was available to mitigate possible negative liquidity impact. The failure of the Silicon Valley Bank and some other US. banks raised the alarm to the market and regulators. MBE took precaution to assess the reasons for the fallout and reflected on its own risk management practice. This has been shared with internal committees. We deem MBE is not impacted by the market turbulence following the fallouts and its existing risk management framework is able to identify, assess, monitor, report and manage the risks appropriately, esp. considering the risk appetite defined by MBE assuring sufficient management buffer on top of the regulatory minimums.

- IRRBB: Because of the latest update of the EBA Guidelines on IRRBB and CSRBB, MBE has made updates to its models. The failure of the Silicon Valley Bank raised attention to banks' IRRBB management. In MBE's case, the IRRBB risk profile is inherently limited due to the strict hedging policy as well as the conservative risk appetite. In MBE's stress testing we make sure both NII and EVE perspectives are monitored with internal limits embed.
- Sustainability risk: MBE is well on its way to get a clear picture of the sustainability risks that it is exposed to. In 2023, MBE has performed a materiality assessment of its climate-related risk, concluding on 6 sub-risks material to MBE. See section 3.6.1 on the materiality assessment.
- Regulatory risk: MBE has added a new category to its risk framework in order to better manage its compliance with regulations, new regulations, manage the SREP requirements and requests from regulators and supervisors.

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

- MBE remained within set regulatory limits at for all its key risk indicators at all times. The internal and external (regulatory) reporting on these key metrics was accomplished without any particular issues or concerns.
- MBE's ability to meet regulatory requirements, biennially demonstrated via its Supervisory Review & Evaluation Process (SREP) submissions, was again acknowledged in 2023 through its annual ICAAP and ILAAP processes (also shared with DNB).
- Meanwhile the Bank continued to see the adoption of more inquisitive supervisory practices, including greater use of on-site inspections & questionnaires and quick scans. This reflects common leading practice and the increasing need for supervisors to engage directly with banks in order to understand their strategies, business models, risk management frameworks and approaches.

- MBE is in continuous compliance with CRD IV and Basel III. MBE is also anticipating the implementation of the new CRRIII and CRDVI (also known as "Basel IV"). MBE identified the items that need to be updated as part of the new regulation. The implementation of required changes is on track.
- On top of that, the risk management function also led several important initiatives with the aim to enhance risk management practices and create more value for the Bank:
- Data quality: Continuing with our goal of meeting the BCBS 239 principles, a great deal of effort was made to increase the data quality of the various internal and external reporting processes as well as improving upon the actual processes themselves. On an operational level, a number of improvements were made to reduce the occurrence of data quality issues, including reduction of manual data capturing and moving to systemic data input solutions. The improvement of the data quality and data management within MBE is still ongoing.

3.5.5. Risk outlook in 2024

Shocks of recent years – most notably, the war in Ukraine and the COVID-19 pandemic – have reflected and accelerated a pivotal change in the global order. The economic after-effects of COVID-19 and the war in Ukraine have ushered in skyrocketing inflation in 2022, however deflation set in during the second half of 2023. A rapid normalization of monetary policies leading to monetary tightening and started a potentially low-growth, low-investment era. In early 2023, financial markets were caught off guard with the sudden failure of Silicon Valley Bank, one of the largest bank failures after the 2008 financial crisis. Adequate risk mitigating measures implemented by regulators and banks, as a response to the 2008 financial crisis, have avoided other banks being heavily affected this time, and the systemic risk that the failure of SVB brought into the financial markets is considered limited.

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

In recognition of the growing complexity and uncertainty of our current environment, there is the chance for a possible "polycrisis", relating to shortages in natural resources such as food, water, metals and minerals, illustrating the associated socioeconomic and environmental fall-out. The food and energy supply crisis, high inflation and increasing cost of living in Europe and around the world poses risk of a profound impact on individuals and society at large. As the Russia-Ukraine war and the food & energy crisis continue to unfold it is difficult to assess with clarity the short-term ramifications and long-term impact of the current events. The Gulf tensions intensified in the wake of Hamas's attack on Israel from geopolitical risk perspective. The resulting war will have a significant humanitarian impact and will present a significant and ongoing risk of escalation in the region. MBE will closely monitor this however we have not seen and do not foresee significant negative impact on the market liquidity.

Operating in this environment could potentially result in MBE having to downgrade customers or experience customer defaults in its portfolio. At the same time, the regulatory context is (again) getting more complex with the preparation and implementation of new requirements (e.g., DORA) and overhauls of existing requirements (e.g., Basel VI, CSRD). The pace in which they are introduced, as well as the interacting elements of several regulations, makes it difficult for any smaller institution to keep up with. However, looking ahead at 2024, MBE is (cautiously) optimistic. Despite the challenges we foresee for 2024 from external factors, MBE as a bank will continue to prove its license to operate with its solid financial results achieved by ensuring a proper risk-reward trade-off, supported by the first and second line and assured by the third line of defence. For 2024, from a risk perspective, our focus will be on strengthening our sustainability risk framework, cybersecurity risk framework, and funding stability. We also will be further focusing on the implementation of the regulatory changes ahead.

3.5.5.1. Cybersecurity and IT risk

Digitalization of financial services makes banks more vulnerable to cybercrime and operational IT deficiencies. This risk, in particular for the financial services industry, had already increased because of the corona pandemic and the working from home situation. During 2023, we have seen a substantial increase in cybersecurity threats and phishing scams happening in the financial markets. Furthermore, there is a strong acknowledgement that cyber incidents can result in significant costs or reputational losses for MBE and can even have systemic consequences. MBE is committed to further strengthen its information security and operational (including IT risk) risk management framework in 2024 to safeguard its operations, clients and business, and expect the implementation of the Digitalization and Operational Resilience Act (DORA) to be a key contributor to this.

3.5.5.2. Regulatory changes

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

The new banking package, in specific the Capital Requirements Directive and Regulation (CRD VI and CRR III) will revise capital requirements to strengthen the capital and liquidity positions of EU banks. In 2023 MBE has started assessing potential new requirements for MBE and has incorporated these in its execution plans for 2024, in order to be fully compliant in 2025. We do not foresee that the updated regulations will lead to significant changes to MBE's risk quantifications methodologies or capital and liquidity requirements.

Next to the updated banking package, and as mentioned in the previous section, in 2024 MBE expects to progress with the implementation of the requirements of the Digital Operational Resilience Act (DORA), which will be applicable from January 2025.

3.5.5.3. Emerging risks

Newly emerging or rapidly accelerating risks clusters drawn from the economic, environmental, societal, geopolitical and technological domains, could become tomorrow's crisis. On the medium to long-term (3-5 years), these include the following:

- Natural ecosystems: deteriorating risks to natural capital ("assets" such as water, forests and living organisms) due to growing trade-offs and feedback mechanisms relating to climate change.
- Adverse outcomes related to Artificial Intelligence: AI is everywhere, rapidly advancing and extremely accessible to the general public. While these technologies have been proven to be useful to banks in e.g., fraud detection or credit assessment processes, there are downsides to them as well. Wider use of the technologies may lead to "black boxes" which in turn may pose a risk to financial stability.
- Economic stability: growing debt crises, with repercussions for financial contagion as well as collapse of social services, emerging from a global reckoning on debt and leading to social distress.
- Human security: a recent reversal in demilitarization and growing vulnerability of nuclear-armed states to emerging technologies, emerging from new weapons and multi-domain conflicts.
- Digital rights: the potential evolution of data and cyber security threats, given the slow-burning, insidious erosion of the digital autonomy of individuals, putting privacy in peril.

3.5.5.4. Financial position

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

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

3.6. Sustainability risk

In 2023, MBE has conducted two separate materiality assessments on ESG. One risk materiality assessment as required by DNB is to assess the consequences of climate-related and environmental ("C&E") risks focusing on credit, business and operational risk domains. This assessment is a new addition to the general materiality assessment process. In the next years, the ESG materiality assessment will be embedded in the enterprise risk management framework as described in chapter 3.6.1, thus being part of the general materiality assessment.

The second materiality assessment is the double materiality assessment, as required by the Corporate Sustainability Reporting Directive. The scope of this assessment is broader than the aforementioned risk assessment (i.e. all sustainability matters within the Environment, Social and Governance pillars have been taken into account). The procedure of this assessment takes into consideration the double perspective i.e., how the risk and opportunities that sustainability related matters affect MBE (outside-in view) and how MBE's business and operations affects the environment and people (inside-out view). Further explanation provided under chapter

3.6.1. Conclusion of the risk materiality assessment

MBE assumes various risks posed by climate change and environmental degradation (climate-related and environmental risks) in each risk category. Recognition of these risks and the state of their management are regularly reported to the Management Board and supervisory board.

In FY2023, we conducted qualitative evaluations on the materiality of climate-related and environmental risk in their capacity to affect risk categories to understand the climate-related risks in an integrated manner. From these evaluations, we recognized the particular consequence of climate-related risks in the categories of credit, business and operational risk. We manage high-consequence risks as necessary and take appropriate responses. The management body is responsible for deciding which risk types are to be considered material, and which material risks are to be covered by capital. This includes a justification of why a certain risk the institution is exposed to is not considered material.

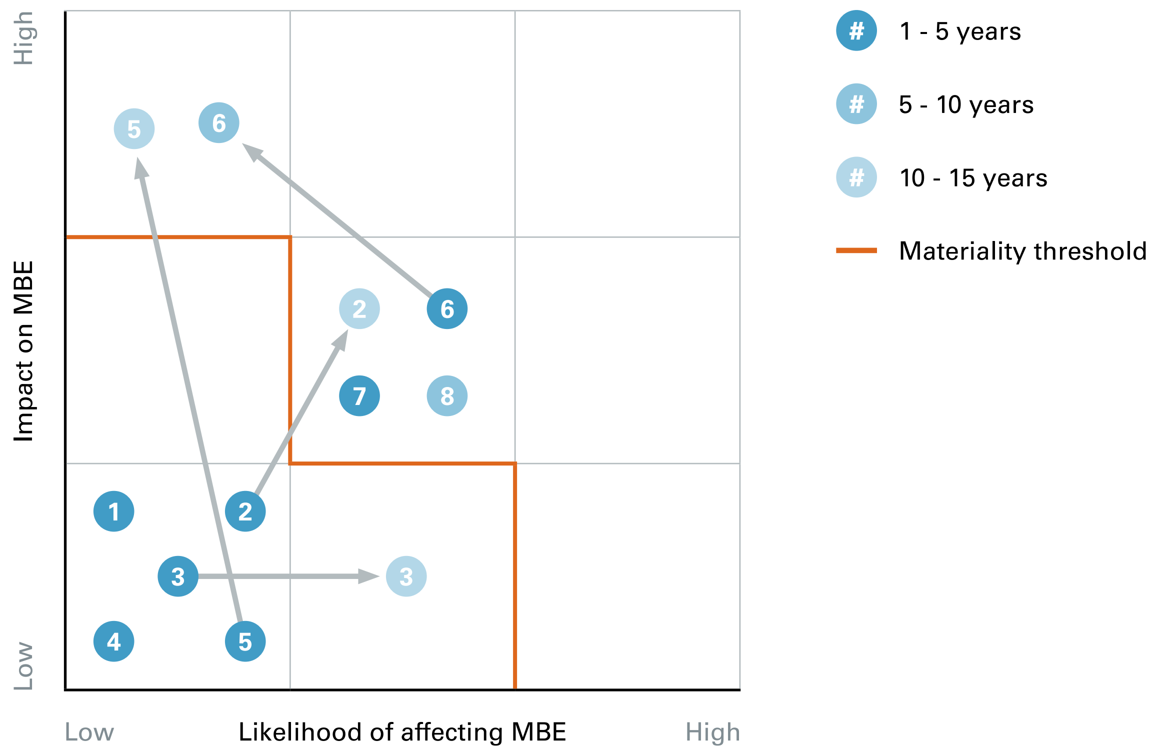


Figure 3

		Credit risk	Business risk	Operational risk
1	Technological change	✓	✓	
2	Market preferences	✓	✓	
3	Acute physical			✓
4	Chronic physical			✓
5	Ecosystem use	✓	✓	
6	Policy & litigation	✓	✓	✓
7	Reputation	✓	✓	
8	Pollution	✓	✓	

Figure 4

Figure 4 describes the eight CERs considered in the risk materiality assessment and their relevance for the traditional risk types. Figure 3 show the conclusion on the materiality of these risks over the short-, medium- and long-term. The risks material to MBE's business model and risk profile are market preferences (long-term), Ecosystem use, Policy & litigation, reputation risk and pollution. The description of these CERs in MBE aims to follow the recommendations of Taskforce on climate-related and financial disclosures and the Taskforce on nature-related financial disclosures.

3.6.2. Process for the risk materiality assessment

The materiality assessment for climate-related and environmental risks follows in principle the ERM policy in alignment with other risks. However, the particular nature of these risks requires further specification of the risk description and the time horizons of the assessment. Figure 5 provides an overview of the process for evaluating the materiality of climate-related risks.

Step 01

Risk identification

Identify potential climate-related and environmental risks.

The description of a material sustainability risk has three elements.

1. **Sustainability risk driver:** the sustainability related changes that impact the bank and its counterparties
2. **Transmission channel:** the casual chains linking risk drivers to the financial risks faced by banks and the banking sector
3. **Regulatory risk category:** the regulatory risk categories are used to reflect sustainability risks. These categories are credit, market, liquidity, operational and strategic risk.

Step 02

Risk assessment

Classify the likelihood and impact on the short-,medium- and long-term.
A qualitative measurement technique is applied with a financial decision by the management board.

1. **Timeframe:**
   Short: 0-5 years, **Medium:** 5-10 years, **Long:** 10-15 years
2. **Likelihood:**
   Low: 0-20%, **Medium:** 20-50%, **High:** 50-100%
3. **Impact:**
   Low: Minor or Minimal adverse effects on business activities
   Medium: Moderate adverse effects on business activities
   High: Major or Significant adverse effects on buisness continuity / other group entities

Figure 5: - The process for identifying material risks related to climate change and environmental degradation

3.6.3. Preparing for the Corporate Sustainability Reporting Directive

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.

As a regulated entity under the upcoming CSRD, MBE will need to start reporting in 2026 over the FY 2025. To ensure a smooth transition, we 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).

The outcome of the double materiality assessment identified that MBE's material topics are climate change, biodiversity and ecosystems, human capital, risk management and corporate governance.

Currently, we are immersed in a comprehensive gap analysis, comparing our existing reporting practices to the demanding CSRD requirements. This analysis will guide us in developing a robust reporting system.

We are confident that our proactive approach to CSRD implementation will not only strengthen our reputation but also unlock new opportunities for sustainable growth. MBE will start reporting in line with the applicable European Sustainability Reporting Standards in 2026 reporting over FY2025.

3.7. Compliance

Effective corporate governance in accordance with high international standards is and has always been one of our primary objectives. Our system of corporate governance provides the basis for responsible management and control of MBE, with a focus on long-term, sustainable value creation. It has four key elements: (i)stakeholder management, with particular focus on clients and the society MBE operates in, (ii) creating an open and balanced culture, including effective cooperation between the Management Board and the Supervisory Board, (iii) a performance-based compensation system with a sustainable and long-term focus, as well as (iv) transparent, effective and timely reporting. One of the core values of Mizuho Group as well as MBE is Integrity. As a wholly owned subsidiary of Mizuho Bank, we operate under our own banking license issued by the Dutch Central Bank. Therefore, we implement these elements in accordance with national and international laws and regulations applicable in the Netherlands. We acknowledge that compliance is an on-going process, which is why our policies and systems are under constant review.

Compliance functions are spread across different teams within MBE. The Compliance Department takes a leading role in maintaining a strong Compliance Framework, focusing on Integrity Risk Management, Core (Conduct) Compliance, Financial Crime prevention, sanctions and data protection. In doing so, the Compliance Department is providing oversight, guidance and support in the Systemic Integrity Risk Assessment, which drives the prioritization applied across the elements of the Compliance Cycle across the MBE organization. Compliance training and awareness is also key in maintaining a strong compliance framework. The MBE Risk Management Department, Legal, Regulatory & Corporate Secretary Department Finance Department and IT & Data Management Department, are also key departments in ensuring full regulatory compliance in terms of regulatory developments (including ESG), adherence prudential requirements, Information Security and data accuracy. In line with the increased regulatory focus on integrity and financial crime, several initiatives have been carried out; including enhancements to MBE's Know Your Customer ('KYC') policies, underlying procedures, and client onboarding & review processes, while also investing in new system capabilities supporting AML & Sanctions.

Transaction Monitoring systems and procedures are under constant review to ensure MBE does not facilitate money laundering or other transactions that are illegal or ethically unacceptable.

3.7.1. Banker's Oath

Under the Dutch Financial Supervision Act (Wet op het financieel toezicht, Wft) it's required for banks with a registered office in the Netherlands to ensure that all their employees take the Banker's Oath within three months of employment. MBE highly supports the purposes served by and underlying principles of the Banker's Oath, which are fully in line with the Mizuho values.

3.8. Remuneration

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

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

On the regulatory aspect, all decisions and payments are conducted in compliance with relevant regulations, such as Capital Requirements Directive (CRD) V and WBFO (Act on Remuneration Policies for Financial Institutions). In accordance with the Regulatory Framework, the Remuneration Policy and implementation are gender neutral, ensuring equal pay and being consistent with objectives of MBE's risk culture, including environmental, social and governance risk factors.

3.8.1. Our Vision on Remuneration

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

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

3.8.2. Collective Labor Agreement Banks

As a Dutch licensed bank, Mizuho Bank Europe N.V. abides by the Collective Labor Agreement (CLA) Banks. In 2023 the CLA included a 4.5% structural salary increase for all local staff working in Netherlands and will have another 4% increase per 1 January 2024.

3.8.3. Financial Remuneration

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

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

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

The independent (external) Supervisory Board members receive a fixed fee. This fee is agreed upon in advance of starting their assignment, subject to CPI increase, and not related to MBE's company's performance or results. The other (internal) Supervisory Board members are additionally compensated.

3.8.4. Variable Remuneration

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

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

All employees under an employment contract with MBE and HO-employees temporarily assigned to MBE (expats) are eligible for variable remuneration. In line with market practice, any variable remuneration more than a specified threshold locally hired staff are subject to a deferral policy. For those individuals where deferral is applicable, (i) when the bonus amount is between € 100,001 – € 200,000 20% of the amount is subject to a three year deferral to be paid in equal portions in the following years and (ii) 40% if the bonus amount is more than € 200,001 if the remaining amount exceeds € 3,000.

In 2023, we had no employees earning more than € 1 million per annum, and the total amount paid in 2023 on variable components to local contracted employees was € 1,1 million (gross) in total for our four offices.

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

- Granting and pay-out of the variable remuneration occurred based on incorrect information on meeting the goals or circumstances that were conditions for the relevant remuneration.
- The relevant employee did not comply with proper norms in respect to expertise or correct behaviour (such as a material violation of applicable rules and regulations); or
- The relevant employee has been responsible for behaviour that resulted in a significant deterioration of the financial position or reputation of MBE.

The Management Board ultimately decides on the claw-back of remuneration for non-Identified Staff, whereas the HR Committee of the Supervisory Board decides on the claw-back for Identified Staff. Such a decision shall always be taken after consulting the relevant shareholder's representative, the Head of Human Resources, and the Head of Legal and Compliance. For 2023, no reasons (or potential indications) were identified for triggering a claw-back on variable compensations.

3.9. Our People

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

The average number of employees, including expats was 121. Most of our people (108) were based in the Netherlands. In addition, we had 3 persons in Belgium, 5 in Austria and 5 in Spain.

After the post-Covid 'The Great resignation', many companies face an increased turnover and lower satisfaction rates. MBE launched a successful culture program (Wave) which successful turned turnover from 19% in 2021 to 5% 2023, and significantly increased staff motivation and output across the board.

MBE's staff population consist of 50%+ from the Millennial generation, 30 different nationalities, and an overall 50-50% gender balance. Our culture is professional, constructive and holds good credits on team play, making it an attractive workplace to be with.

3.9.1. Management Changes

- Mr. N. Pandian was appointed Head of IT/DM per 21 August 2023 and succeeded Mr. A. Zwart who left the organization at the end of June 2023.
- Mr. F. Carrasco was appointed Head of RMD per 1 March 2023 and succeeded Ms. C. Sinfiet who left the organization at the end of June 2023.
- Mr. D. Pocock was appointed Head of Compliance per 1 October 2023, taking over the Compliance responsibilities from Mr. E. Thijssen who continued to lead the newly established Legal, Regulatory and Corporate Affairs department.

3.9.2. Promoting Diversity

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

Next to the Corporate Social Responsibility (CSR) initiatives – several initiatives were launched to celebrate Diversity and Inclusion (D&I). MBE joined the Mizuho Diversity Month initiated by the group and hosted several sessions to link Mizuho employees globally. This month is about taking specific actions to gain a better understanding of diversity, share diverse perspectives, and enhance connectivity both within and outside the organization in order to promote diversity and inclusion at Mizuho.

Our overall organizational gender diversity is almost on a 50–50% balance. However, on the managerial levels there is still room for improvement. Where MBE was already working to improve this balance in the previous years, in 2023 several strategical initiatives have been implemented that are expected to lead us to a more structural number of female leaders. The company succession planning and external recruitment have a strong focus on female leaders. We also applied the new laws ('Evenwichtiger man-vrouwverhouding in de top van het bedrijfsleven') in our operations, and established a Corporate D&I plan, which includes concrete D&I actions and aspirations on our locally hired staff; by having at least 33% management positions, including the Management Board occupied by female leaders at the end of 2026. This plan is formalized and will be quarterly shared with the Supervisory Board.

3.9.3. Learning and Development

We operate in a dynamic market environment with increasing demands from regulators and clients. Our goal is to ensure that MBE employees have the right skills, knowledge and attitude to drive the results we need to achieve. Our key principles are that training should be accessible to anyone and contribute to our strategic business goals. For 2024 we have established the MBE Academy to facilitate and support our employee's training needs. These training both focus on technical knowledge as soft skills learning. This is a group focused training curriculum, next to training support facilitated on individual level ensuring specific expertise is maintained.

3.10. Doing More for Society

Given our presence in the Netherlands for almost 50 years, we recognize the importance of corporate social responsibility within the region. Specifically, we aim to provide support to both vulnerable communities in the area and local communities that share a common background to our employees' diversity. Our corporate social responsibility philosophy consists of three key components: local partnership, social contribution, and sponsorships.

3.10.1. Local Partnership

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

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

In 2022, we resumed our hands-on activities after two years of being unable to do so, which allowed us to go out again into communities and give back in person and connect with the people in our communities. In 2023, we wanted to expand in terms of the types of activities but still remain as impactful as in the past years. For one of our key activities, a team of our volunteers went to a homeless shelter to help with the overall maintenance of the building by, for example cleaning the windows, pruning the weeds and build a small garden.

We aim to get more involved in our local communities and connect with the members of our immediate society in the years to come.

3.10.2. Sponsorship

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

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

This year, we are also proud to have been a sponsor for the Japan Festival, an annual festival in the Netherlands organized by the Japan Festival Foundation, with the aim to strengthen the bond between the Japanese and Dutch communities. The theme for the 2023 festival was "Smile Together". The festival brought together once more visitors from not only the Japanese & Dutch communities but also wider international communities.

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

Report Of The Management Board

3.11. Closing Remarks

Keeping in mind that 2023 has continued to be a turbulent and challenging year -- when it comes to volatile market conditions (with certain US/CH banks under pressure) and new regulatory challenges -- MBE can look back at a year where we were able to still service the needs of our clients and meet our stakeholders' expectations. We have been able to continue supporting many of our clients during these challenging times and supported some important deals to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond. This is a great achievement, and the Management Board would like to thank all stakeholders for making it happen. Particularly, the Management Board, branch managers, senior managers, managers and all MBE employees would also like to express our sincere appreciation to our clients for their trust and continued business with Mizuho Financial Group and the Bank. We are working hard to drive the success of our clients and advance the prosperity of the economies and societies of EMEA and beyond.

Additionally, 2023 marked an important milestone for Mizuho and MBE, where a strategic decision has been taken to transfer assets and merge entities under Mizuho Bank Europe N.V. For the coming years we will need to diligently manage this project to demonstrate operational resilience and stability towards our customers and other stakeholders, so as to make the transition for our customers as seamless as possible.

The Management Board would like to take this opportunity to thank the Supervisory Board members for their continuous support and valuable contributions. Additionally, we would like to thank MBE's staff for their hard work and dedication in these unusual times, and to support our strategic direction. We look forward to continuing servicing and working with all our stakeholders to make 2023 a successful year for MBE and the Mizuho Financial Group.

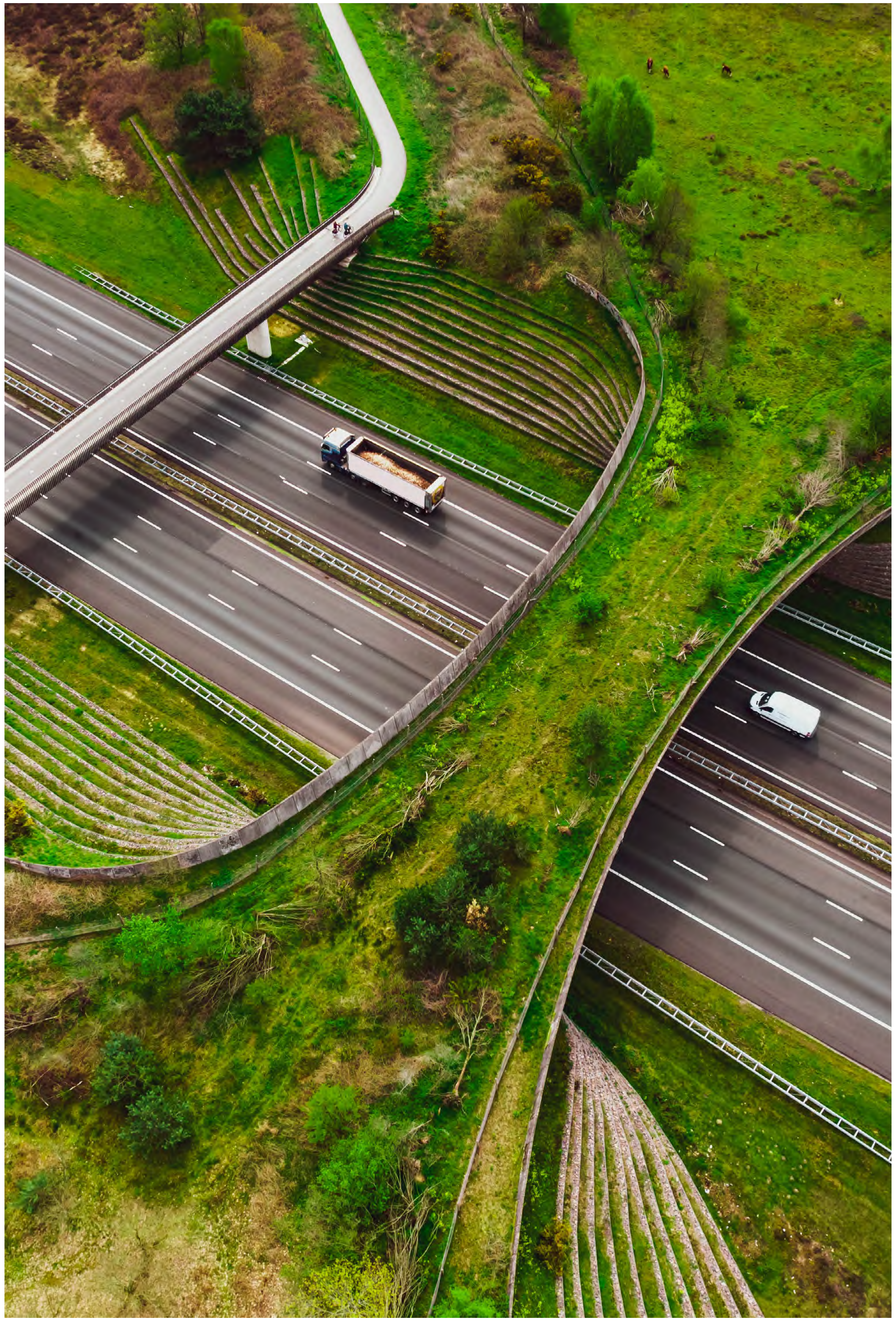
Amsterdam, 21 March 2024

Management Board

Shinsuke Kajiwara
Chief Executive Officer

Koichi Kishinoue
Chief Business Officer

Jens Pöhland
Chief Risk & Financial Officer



4. Promoting Responsible Banking

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

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

Since MBE does not have a separate website, the below overview reflects the status of our compliance with the Banking Code over the financial year 2023. For more information on each of the sections, please see the respective chapters in this Annual Report 2023.

4.1. Compliance with the Banking Code

4.1.1. Sound and ethical operation

MBE's long-term strategic vision closely aligns with Mizuho Bank's global mission of delivering exceptional service and establishing unwavering client trust. This client-centric commitment permeates our internal policies, encompassing critical areas such as risk mitigation, regulatory compliance, and corporate social responsibility. The Board of Directors and Supervisory Board actively uphold a robust governance framework, ensuring responsible stewardship and adherence to legal and ethical obligations.

At MBE, prioritizing client needs is an unwavering principle. We recognize the importance of catering to the diverse needs of all stakeholders, seamlessly integrating this principle into the core of our identity, vision, and strategic objectives. Through comprehensive training initiatives, regular management updates, and readily accessible internal communication channels, all employees are kept fully informed and engaged with MBE's vision. The Board and senior management consistently demonstrate exemplary leadership, setting the standard for adherence to these core values.

As MBE is aware of its role in and responsibilities towards society, we continued our partnership with the non-profit organization Nederland Cares as part of MBE's Corporate Social Responsibility program. The Management Board and employees have been enthusiastic about this initiative over the past years and will continue to participate in 2024.

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

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

In 2023 MBE has put more focus on strengthening its information security and the prevention of cybercrime by inter alia performing phishing tests, vulnerability scanning and penetration tests on a periodic basis. Furthermore, MBE has performed a dry run regarding cyber incidents, which has helped to provide insights in how to act in a situation MBE is experiencing a cyber incident. In 2024 MBE will further enhance its information security framework. By strengthening key departments and further enhancing MBE's IT infrastructure and employees' awareness of a safe control environment, the risks of cybercrime and data leakage will be mitigated.

4.1.2. Supervisory Board

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

The Supervisory Board did not evaluate its functioning through the annual self-assessment for the reasons set out in its report. The members of the Supervisory Board receive appropriate compensation for their work, which does not depend on the bank's results.

4.1.3. Management Board

In 2023, the Management Board consisted of three (3) three male members. In view of the bank's size and nature, such a number is considered sufficient to perform its tasks properly. In the case of vacancies, attention is given to the composition of the Management Board with respect to professional experience, competencies and, to the extent possible in the relatively small setting, to gender, nationality, and cultural background. Each member is assigned specific tasks and responsibilities, matching each member's skills and expertise, with a clear separation of risk-related and commercial-related areas. MBE's Management Board Charter provides further details outlining these responsibilities.

In 2023, there were no changes in the composition of the Management Board.

Like in previous years, in 2023 the Chair initiated the organization of MBE's Lifelong Education Program, which each member joined to maintain the level of expertise and to enhance skill and knowledge sets where necessary.

4.1.4. Risk Policy

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

4.1.5. Audit

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

4.1.6. Remuneration Policy

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

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

Save for the above-mentioned deviation, MBE fully complies with the principles of the Banking Code 2023, and we are committed to continue doing so in the following years.

Financial Statements

5. Financial Statements

5.1. Balance Sheet

(Before proposed appropriation of result for the financial year)

Assets (€'000)			**31/12/2023**		**31/12/2022**
Balances with central banks	5		1,914,086		1,289,257
Loans and advances to banks	6		124,486		222,266
Loans and advances to customers	7		2,641,717		2,590,736
Debt securities	8		487,489		376,493
Intangible fixed assets	9		917		1,470
Tangible fixed assets	10		2,659		3,780
Derivatives	11		36,076		53,206
Deferred tax assets	12		2,641		2,221
Other assets	13		2,371		8,421
Prepayment & accrued interest	14		31,793		20,317
Total assets			5,244,235		4,568,167

Liabilities (€'000)			**31/12/2023**		**31/12/2022**
Amounts owed to banks	15		1,153,570		1,257,078
Amounts owed to customers	16		3,343,612		2,650,519
Derivatives	17		49,546		62,070
Other liabilities	18		63,281		26,879
Provisions	19		11,226		7,924
Total liabilities			4,621,235		4,004,470
Sub-ordinated loan	20		2,239		2,488
Share capital	21	191,794		191,794	
Legal reserve	21	939		939	
Share premium	21	4,342		4,343	
Other reserves	21	364,134		328,646	
Result for the year	21	59,552		35,488	
			620,761		561,209
Total equity and liabilities			5,244,235		4,568,167
Contingent liabilities	22		466,700		538,855
Commitments	23		1,482,739		1,036,598

5.2. Profit and Loss Account

(In €'000)			2023		2022
Interest and similar income	25	228,190		116,361	
Interest expense and similar charges	26	(143,953)		(60,907)	
			84,237		55,454
Commission income	27	17,652		12,540	
Commission expense	28	(380)		(433)	
			17,272		12,107
Result on financial operations	29		24,374		5,974
Total operating income			125,883		73,535
Staff costs and other administrative expenses	30	(41,161)		(23,397)	
Amortization intangible fixed assets	9	(681)		(683)	
Depreciation tangible fixed assets	10	(1,511)		(1,487)	
Expected credit loss on financial assets	31	(1,778)		636	
Total operating expenses			(45,131)		(24,931)
Operation result before taxation			80,752		48,604
Income tax	32		(21,200)		(13,116)
Net result			59,552		35,488

5.3. Cash Flow Statement

(In €'000)		31/12/2023		31/12/2022	
Net result		59,552		35,488	
Adjustments:	19				
Provisions	9	2,085		(10,319)	
Amortization intangible fixed assets	10	681		683	
Depreciation tangible fixed assets	8	1,511		1,487	
Amortisation of debt securities	31	5,274		4,293	
Expected credit loss of financial assets	12	1,778		(636)	
Movement deferred taxes		(420)		2,604	
Changes in:					
Loans to banks other than on demand	6	61,563		31,672	
Amounts owed to banks	15	(103,508)		(202,668)	
Loans and advances to customers	7	(51,548)		317,215	
Amounts owed to customers	16	693,093		(282,817)	
Other assets	13	6,050		419	
Prepayments and accrued interest	14	(11,476)		(6,564)	
Movement in derivatives	11/17	4,606		23,563	
Other liabilities	18	36,402		6,059	
Cash flow from operating activities			705,643		(79,521)
Investment in debt securities	8	(316,291)		(149,966)	
Investment in intangible fixed assets	9	(128)		(224)	
Investment in tangible fixed assets	10	(390)		(170)	
Redemption of debt securities	8	200,000		150,000	
Disposals of tangible fixed assets	10	-		66	
Cash flow from investment activities			(116,809)		(294)
Subordinated loan	20	(249)		(196)	
Cash flow from finance activities			(249)		(196)
Net cash flow			588,585		(80,011)
Cash and cash equivalents at start of year	37		1,377,533		1,457,544
Cash and cash equivalents at end of year	37		1,966,118		1,377,533
			588,585		(80,011)

5.4. Statement of Movement in Equity

(in €000)	Share Capital	Legal reserve	Share premium	Other reserves	Result for the year	Total
Balance as at 1 January 2022	191,794	939	4,342	304,745	23,901	525,721
Net result	-	-	-	-	35,488	35,488
Appropriation of 2021 result	-	-	-	23,901	(23,901)	-
Balance as at 31 December 2022	191,794	939	4,342	328,646	35,488	561,209
Balance as at 1 January 2023	191,794	939	4,342	328,646	35,488	561,209
Net result	-	-	-	-	59,552	59,552
Appropriation of 2022 result	-	-	-	35,488	(35,488)	-
Balance as at 31 December 2023	191,794	939	4,342	364,134	59,552	620,761

5.5. Notes to the Financial Statements

1. General Information

Group structure

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

Activities

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

Currency

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

Going concern

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

2. Accounting principles

2a. Basis of preparation

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

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

2b. Foreign currencies

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

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

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

In preparing the financial statements, the Management Board is required to make estimates and assumptions that affect reported income, expenses, assets, liabilities and disclosure of contingent assets and liabilities. One of the estimations being the ECL model, which provides a probability-weighted calculation of credit losses based on estimates of future cash flows using both forward-looking and historical information. Use of available information and application of judgment are inherent in determining estimates. Although these estimates are based on the Management Board's best knowledge of current events and actions, actual results in the future could differ from such estimates and the differences may be material to the financial statements.

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

2d. Derecognition

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

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

2e. Offsetting financial instruments

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

2f. Impairment of financial assets

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

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

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

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

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

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

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

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

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

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

- MBE considers that the counterparty is unlikely to pay its credit obligations to MBE in full without recourse by MBE to actions such as realizing the security;
- The counterparty is in arrears by more than 90 days on any material credit obligation to MBE.

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

If an exposure is, or expected to be, uncollectable, the expected uncollectable amount should be removed from the assets of MBE's balance sheet, A write-off constitutes a de-recognition event. Write-off can relate to a financial asset in its entirety, or to a portion of it.

The following requirements apply pertaining to write-offs:

- MBE should perform at least yearly, an assessment of the recoverability of exposures classified as non-performing due to arrears for a prolonged length of time. If, following this assessment, an exposure or part of an exposure is deemed as unrecoverable, it should be written off in a timely manner.
- MBE must be conservative pertaining estimated recoveries involving legal expenses in case of bankruptcy proceedings, as these often absorb a significant portion of the proceeds and therefore estimated recoveries can be limited.
- A partial write-off may only be conceded where there is reasonable financial evidence on the credit file to demonstrate an inability on the borrower's behalf to repay the full amount of the monies owing, while for the remaining portion there is reasonable evidence that the customer can honour its obligations.

MBE is to follow a case-by-case approach, including facilities assessment belonging to the same obligor.

2g. Cash flow statement

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

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

2h. Statement of movement in equity

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

3. Principles for valuation of assets and liabilities

3a. Balances with central banks

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

3b. Loans and advances to banks

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

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

3c. Loans and advances to customers

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

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

3d. Debt securities

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

3e. Intangible fixed assets

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

3f. Tangible fixed assets

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

3g. Derivatives recorded at cost

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

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

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

3i. Corporate income taxes

(a) Current income tax

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

(b) Deferred income tax

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

Pillar Two legislation has substantively enacted in jurisdictions in which the Mizuho Bank Europe NV operates. The legislation will be effective for the Group's financial year beginning 1 January 2024. Mizuho has reviewed its corporate structure in light of the introduction of Pillar Two Model Rules. Based on the most recent financial figures, Mizuho has determined that it will not be subject to Pillar Two taxes once the legislation becomes effective since its effective tax rate is above 15% in the Netherlands and management is currently not aware of any circumstances under which this might change. Therefore, Mizuho does not expect a potential exposure to potential Pillar Two top-up tax in the Netherlands and the impact of the branches (if any) will not be material.

The Company applies for the mandatory temporary exception to the accounting for deferred taxes arising from the jurisdictional implementation of the Pillar Two model rules. Therefore, the Company does not recognize nor disclose information with respect to deferred tax assets and liabilities related to Pillar Two income taxes.

3j. Other assets

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

3k. Prepayments and accrued interest

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

3l. Amounts owed to banks

The initial measurement of the amounts owed to banks is at fair value and subsequent measurement is at amortized cost. This comprises of current accounts and deposits taken from banks. Term deposits have a fixed period and are not due on demand. Current accounts and overnight deposits are due on demand.

3m. Amounts owed to customers

The initial measurement of the amounts owed to customers is at fair value and subsequent measurement is at amortized cost. This comprises of current accounts and deposits taken from customers. Term deposits have a fixed period and are not due on demand. Current accounts and overnight deposits are due on demand.

3n. Other liabilities

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

3o. Provisions

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

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

A restructuring provision is recognized for costs resulting of the intended closure of the Brussels and Vienna office. The costs of the restructuring include costs resulting from the restructuring plan which have been communicated and shared with the relevant stakeholders.

A provision for onerous contracts is recognized for unavoidable costs of an onerous contract which must be made to exit from the contract. The costs of meeting the obligations include costs which are directly related to the contract.

3p. Contingent liabilities

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

3q. Commitments

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

4. Recognition of income and expenses

4a. Recognition of income and expense

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

4b. Interest and similar income and expenses

For all financial instruments measured at amortized cost and financial instruments designated at fair value, through profit and loss, all interest related income and expense are recognized on an effective interest rate method, including, but not limited to, interest, commitment fees, fees received upfront and related to the underlying facility or loan as well as other fees which has the character of interest and which can be linked to the underlying facility or loan.

4c. Commission income and expense

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

4d. Result on financial operations

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

4e. Operating expenses

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

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

5.6. Notes to the Balance Sheet

5. Balances with central banks

(in €000)	31/12/2023	31/12/2022
Restricted current accounts	37,933	37,529
Unrestricted current accounts	1,876,153	1,251,728
Expected credit loss	-	-
	1,914,086	1,289,257

The balances with central banks comprise of all current account balances with central banks: restricted and non-restricted. The restricted current accounts represent mandatory reserve deposits with the central banks of Austria, Belgium and the Netherlands and the collateralied account at the Dutch Central Bank to facilitate payments. The expected credit loss on balances with central banks is part of the impairment of financial assets, which are further explained in note 2f. The breakdown of the expected credit loss is part of note 5.9.1.2 ECL.

6. Loans and advances to banks

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

(in €000)	31/12/2023	31/12/2022
Current account	52,032	88,276
Term loans	72,457	134,020
Expected credit loss	(3)	(30)
	124,486	222,666

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

During 2023 and 2022 there were no actual loan losses and write-offs recorded. At the year-end there were no arrears in loan and interest repayments. The expected credit loss on loans and advances to banks is part of the impairment of financial assets, which are further explained in note 2f. The breakdown of the expected credit loss is part of note 5.9.5.2 ECL.

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

(in €000)	31/12/2023	31/12/2022
The Netherlands	2,946	126,699
EU (excluding The Netherlands)	16,321	21,737
Rest of Europe	66,035	4,811
North America	5,728	4,178
Japan	31, 126	64,099
Other	2,333	773
	124,489	222,696

7. Loans and advances to customers

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

(in €000)	31/12/2023	31/12/2022
Current account	86,897	117,363
Term loans	2,555,963	2,473,949
Expected credit loss	(1,143)	(576)
	2,641,717	2,590,736

During 2023 and 2022 there were no actual loan losses and write-offs recorded, which were not hedged. At the year-end there was an arrear in loan and interest payment from only one customer which was compensated by a cash collateral. The expected credit loss on loans and advances to customers is part of the impairment of financial assets, which are further explained in note 2f. The breakdown of the expected credit loss is part of note 5.9.1.2 ECL.

8. Debt securities

The movement in the debt securities is as follows:

(in €000)	31/12/2023	31/12/2022
Gross as at 1 January	376,502	380,828
Investments	316,291	149,966
Redemptions	(200,000)	(150,000)
Amortisation	(5,274)	(4,293)
Gross as at 31 December	487,518	376,502
Expected credit loss	(29)	(9)
Balance as at 31 December	487,489	376,493

9. Intangible fixed assets

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

(in €000)	31/12/2023	31/12/2022
At cost		
Balance as at 1 January	5,667	5,449
Additions	128	225
Disposals	(72)	(7)
Balance as at 31 December	5,723	5,667
Accumlated depreciation		
Balance as at 1 January	4,197	3,521
Amortization	681	683
Amortization on disposals	(72)	(7)
Balance as at 31 December	4,806	4,197
Book value	917	1470

10. Tangible fixed assets

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

(in €000)	31/12/2023	31/12/2022
At cost		
Balance as at 1 January	8,704	8,718
Additions	390	169
Disposals	(28)	(183)
Balance as at 31 December	9,066	8,704
Accumlated depreciation		
Balance as at 1 January	4,924	3,554
Amortization	1,511	1,487
Amortization on disposals	(28)	(117)
Balance as at 31 December	6,407	4,924
Book value	2,659	3,780

11. Derivatives - assets

The specification of the derivatives – assets is as follows:

(in €'000)	31/12/2023	31/12/2022
Derivatives recorded at cost	181	2,933
Derivatives recorded at fair value through the profit and loss	35,895	50,273
	36,076	53,206

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

(in €'000)	31/12/2023	31/12/2022
Cross currency hedge swaps	181	2,933
	181	2,933

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

(in €000)	31/12/2023	31/12/2022
Foreign currency transactions	25,559	33,066
Interest rate swaps	8,706	10,304
Cross currency swaps	1,914	7,036
CVA adjustment	(284)	(133)
	35,895	50,273

The CVA/DVA adjustment has been recorded under the derivatives as financial assets and financial liabilities. The net impact thereof is a loss and amounts to € 194,000 (2022: a profit of € 155,000).

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

	Notional amounts				31/12/2023
(in €000)	**Total**	**< 1 year**	**> 1 year < 5 years**	**> 5 years**	**Fair value**
Interest rate swaps (fair value)	213,428	8,256	148,028	57,143	8,706
Interest rate swaps (at cost)	153,259	28,976	99,084	25,200	6,619
Cross currency swaps (fair value)	232,737	217,195	5,034	10,508	1,914
Cross currency swaps (at cost)	8,675	3,338	5,337	-	216
Foreign currency transactions (fair value)	725,051	415,726	309,235	-	25,559

	Notional amounts				31/12/2022
(in €000)	**Total**	**< 1 year**	**> 1 year < 5 years**	**> 5 years**	**Fair value**
Interest rate swaps (fair value)	207,220	4,910	98,768	103,542	10,304
Interest rate swaps (at cost)	223,816	27,352	171,264	25,200	12,781
Cross currency swaps (fair value)	140,024	122,766	6,750	10,508	7,036
Cross currency swaps (at cost)	130,689	85,996	44,693	-	7,877
Foreign currency transactions (fair value)	681,103	316,259	364,844	-	33,066

MBE uses interest rate swaps (IRS) and cross currency swaps (CCS). The swaps are used, to manage the exposures to interest rate and foreign currency risks (hedge swaps), and to trade derivatives on behalf of clients (trade swaps). Transactions with clients are covered by opposite transactions with Mizuho Bank Ltd., London branch.

12. Deferred taxes

The deferred tax assets represent temporary differences caused by the pension provision, the up-front fees and the expected credit loss on financial assets. The temporary difference of the pension provision amounts to € 9,455,000 (2022: € 7,701,000) multiplied by a tax rate of 25.8% for the amount likely to be recovered. The pension provision is calculated in accordance with the requirements of the ASC 715, which is not recognized by the Dutch tax authorities.

In 2020, the expected credit loss calculated on financial assets was not accepted by the Austrian tax authorities for stage 1 and stage 2 impairments. The impairments calculated on the financial assets in the Vienna branch only consists of stage 1 and stage 2 impairments. As from 2022 the calculated stage 1 and stage 2 impairments on the financial assets in the Vienna branch as of 31 December 2020 are allowed to be amortized for a period of 5 years.

The upfront fees up received by the Vienna and Madrid branch up to 2020 were already recognized for tax purposes causing a temporary difference. This caused a deferred tax asset for both offices, which will decrease in accordance with the lifetime of the underlying contracts.

The deferred tax asset as of 31 December 2022 represented the pension provision multiplied by a tax rate of 25.8% for the amounts likely to be recovered in the Netherlands. For the amounts to be recovered in Austria the tax rate 24% within one year and a tax rate of 23% for the other amounts, and in Madrid a tax rate of 30%.

The movement in the deferred tax assets is as follows:

(in €000)	**31/12/2023**	**31/12/2022**
Balance as at 1 January	2,221	4,825
Addition	679	185
Release	(259)	(2,790)
Rate changes	-	-
Balance as at 31 December	2,641	2,221

The composition of the deferred tax assets is as follows:

(in €000)	**31/12/2023**	**31/12/2022**
Pension provision	2,440	1,987
ECL	85	130
Upfront fees	116	104
	2,641	2,221

13. Other assets

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

(in €'000)	31/12/2023	31/12/2022
Corporate income tax	-	5,961
Other taxes recievable	1	406
Other	2,370	2,054
	2,371	8,421

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

14. Prepayments and accrued interest

(in €'000)	31/12/2023	31/12/2022
Accrued interest and fees	30,870	19,357
Prepayments	923	960
	31,793	20,317

15. Amounts owed to banks

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

(in €'000)	31/12/2023	31/12/2022
Current accounts	21,983	81
Term deposits	1,131,587	1,256,997
	1,153,570	1,257,078

16. Amounts owed to customers

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

(in €'000)	31/12/2023	31/12/2022
Current accounts	1,966,625	1,226,659
Term deposits	1,376,987	1,423,860
	3,343,612	2,650,519

17. Derivatives - liabilities

The specification of the derivatives – liabilities is as follows:

(in €000)	31/12/2023	31/12/2022
Derivatives recorded at cost	6,984	13,236
Derivatives recorded at fair value through the profit and loss	42,562	48,834
	49,546	62,070

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

(in €000)	31/12/2023	31/12/2022
Cross currency heedge swaps	6,984	518
Other money market transactions	-	12,718
	6,984	13,236

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

(in €000)	31/12/2023	31/12/2022
Foreign currency transactions	33,100	32,519
Interest rate swaps	7,616	9,407
Cross currency swaps	1,902	7,007
CVA adjustment	(56)	(99)
	42,562	48,834

The CVA/DVA adjustment has been recorded under the derivatives as financial assets and financial liabilities.

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

	Notional amounts				31/12/2023
(in €000)	Total	< 1 year	> 1 year < 5 years	> 5 years	Fair value
Interest rate swaps (fair value)	213,428	8,256	148,028	57,143	7,616
Interest rate swaps (at cost)	151,083	-	148,284	2,799	1,675
Cross currency swaps (fair value)	232,737	217,195	5,034	10,508	1,902
Cross currency swaps (at cost)	153,526	46,088	107,438	-	8,871
Foreign currency transactions (fair value)	697,051	398,435	298,616	-	33,100

	Notional amounts				31/12/2022
(in €000)	Total	< 1 year	> 1 year < 5 years	> 5 years	Fair value
Interest rate swaps (fair value)	207,220	4,910	98,768	103,542	9,407
Interest rate swaps (at cost)	10,881	125	10,756	-	384
Cross currency swaps (fair value)	140,024	122,766	6,750	10,508	7,007
Cross currency swaps (at cost)	2,495	-	2,495	-	578
Foreign currency transactions (fair value)	670,186	315,697	354,490	-	32,519

MBE uses interest rate swaps (IRS) and cross currency swaps (CCS). The swaps are used, to manage the exposures to interest rate and foreign currency risks (hedge swaps), and to trade derivatives on behalf of clients (trade swaps). Transactions with clients are covered by opposite transactions with Mizuho Bank Ltd., London branch.

18. Other liabilities

The specification of the other liabilities is as follows:

(in €'000)	31/12/2023	31/12/2022
Interest and commision payable	37,069	17,701
Expenses payable	11,087	8,256
Usettled payment	2,215	729
Corporate income tax payable	10,146	-
Other taxes payable	85	164
Other	2,678	29
	63,281	26,879

The other liabilities comprise of accrued interest and commission payable, expense payable incurred during the financial year not paid at year end (invoices, bonus payable and holiday payable). The other taxes payable include the VAT and withholding tax; the unsettle payment include payments which have not been settle at year end.

19. Provisions

The specification of the provisions is as follows:

(in €'000)	31/12/2023	31/12/2022
Onerous contacts	95	-
Restructuring provision	236	-
Pension liabilities	9,455	7,701
Expected credit loss on off-balance sheet products	1,440	223
	11,226	7,924

The provision for onerous contracts is related to unavoidable costs of contracts to be terminated as a result of the establishment of the Universal Bank.

A restructuring provision is recognized for costs resulting of the intended closure of the Brussels and Vienna office. The costs of the restructuring include costs resulting from the restructuring plan which have been communicated and shared with the relevant stakeholders.

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

The expected credit loss model includes impairments on off-balance sheet products, such contingent liabilities and undrawn commitments and is part of the impairment of financial assets, which are further explained in note 2f. The breakdown of the expected credit loss is part of note 5.9.1.2 ECL. These impairments on off-balance sheet products are recorded under the provisions.

Net periodic pension cost

(in €000)	2023	2022
Current service cost	626	1,424
Interest expense	1,192	704
Expected return on plan assets	(668)	(265)
Net result during the period	1,483	(11,336)
Total pension expense/(income) ub p&l	2,633	(9,473)

Weighted average assumptions at year-end:	2023	2022
Discount rate	3.28%	3.65%
Expected return on plan assets	2.56%	2.72%
Rate of compensation increase	2.00%	2.00%

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

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

Estimated future benefit payments

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

Estimated future benefit payments (in €000)	2023	2022
Expected contributions next year	880	649
Expected benefit payments during final year +1	514	429
Expected benefit payments during final year +2	588	429
Expected benefit payments during final year +3	617	620
Expected benefit payments during final year +4	899	650
Expected benefit payments during final year +5	1,020	934
Expected benefit payments during final year +6 to 10	5,960	5,837

Benefit obligations and funded status

The disclosure shown below provides information on the projected benefit obligation, the plan assets and the amounts to be included in the accounts of MBE as of 31 December 2023. The defined benefit pension scheme is executed by an insurance company. As such, no significant operational risks remain with MBE with regard to the pension benefits. The assets are 100% insurance contracts.

(in €000)	2023	2022
Accumulated benefit obligation, at 1 January	32,888	53,542
Change in projected benefit obligation:		
Service cost	626	1,424
Interest cost	1,192	704
Actuarial (gain)/loss	1,834	(22,417)
Plan amendment	-	-
Benefits paid	(430)	(365)
Balance as at 31 December	36,110	32,888

(in €000)	2023	2022
Fair value of plan assets:		
Balance as at 1 January	25,186	35,522
Actual return on plan assets	1,020	(10,816)
Employer contributions	879	846
Benefits paid	(430)	(365)
Balance as at 31 December	26,655	25,187

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

(in €000)	2023	2022
ASC 715 Funded status at 31 December:		
Plan assets	26,655	25,187
Current liabilities	(515)	(429)
Non-current liabilities	(35,595)	(32,459)
Total asset/(liability)	(9,455)	(7,701)

Reconciliation of ASC 715 liability for pension benefits

(in €000)	2023	2022
Balance as at 1 January	(7,701)	(18,020)
Contributions in year	879	846
Total pension (expense)/income in p&l	(2,633)	9,473
Balance as at 31 December	(9,455)	(7,701)

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

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

20. Sub-ordinated loan

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

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

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

(in €'000)	31/12/2023	31/12/2022
Loans - longer than 5 years	2,239	2,488
	2,239	2,488

21. Shareholder's equity

Share capital

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

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

(in €000)	2023	2022
Balance as at 1 January	191,794	191,794
Balance as at 31 December	191,794	191,794

Legal reserve

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

Share premium

The balance of the share premium is as follows:

(in €000)	2023	2022
Balance as at 31 December	4,342	4,342

Other reserves

The movement in the other reserves is as follows:

(in €000)	2023	2022
Balance as at 1 January	328,646	304,745
Correction opening balance	-	-
Appropiation result for the year	35,488	23,901
Balance as at 31 December	364,134	328,646

Result for the year

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

(in €000)	2023	2022
Balance as at 1 January	35,488	23,901
Transfer to Other Reserves	(35,488)	(23,901)
Result for the year	59,552	35,488
Balance as at 31 December	59,552	25,488

22. Contingent liabilities

The specification of the contingent liabilities is as follows

(in €000)	31/12/2023	31/12/2022
Guarantees	430,219	525,112
Irrevocable letters of credit and acceptances	36,481	13,743
	466,700	538,855

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

23. Commitments

(in €000)	2023	2022
Commitments	1,482,739	1,036,598
	1,482,739	1,036,598

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

24. Rental commitments

MBE has entered into rental agreements for office premises amounting to € 4,511,000 (2022: € 4,975,000) of which € 1,020,000 (2022: € 1,064,000) is payable within 1 year. MBE has also entered into other agreements, such as rental agreements for houses for expats, amounting to € 570,000 (2022: € 737,000), of which € 384,000 (2022: € 451,000) is payable within 1 year. All other amounts are payable between 1 and 5 years.

5.7. Notes to the Profit and Loss Account

25. Interest and similar income

The specification of interest and similar income is as follows:

(in €000)	2023	2022
Loans	136,489	81,271
Swaps	24,075	8,258
Commitment fees	7,718	7,526
Banks	404	529
Central banks	53,774	6,111
Debt securities	4,449	-
Other	1,281	12,666
	228,190	116,361

The interest and similar income include income arising from the lending of funds and related transactions as well as commissions and other income that have the character of interest. Further, it includes the loss on a facility sold (€ 73,000 and in 2022 € 507,960) as the facility was sold under par. The other interest income mainly relates to products related to foreign currency swaps. For 2023 this income has been reclassified to result of financial operations.

Negative interest on MBE’s assets is classified as an interest expense and similar charges. For 2023 this amounts to € 0 (in 2022: € 1,827,000 due to negative interest on government bond assets).

26. Interest expense and similar charges

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

(in €000)	2023	2022
Swaps	20,025	11,586
Banks	29,276	3,504
Commitment fees	3,365	4,431
Central banks	7,316	3,730
Deposits and current accounts	73,977	16,896
Debt securities	-	1,827
Other	9,994	20,760
	143,953	60,907

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

Negative interest on MBE’s funding is classified as interest and similar income. This amounts to € 0 (in 2022: € 2,562,000).

27. Commission income

The specification of commission income is as follows:

(in €000)	2023	2022
Transaction services	516	595
Services over a certain period	17,136	11,945
	17,652	12,540

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

28. Commission expense

(in €000)	2023	2022
Commission expense	380	433
	380	433

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

29. Result on financial operations

(in €000)	2023	2022
Foreign currency results	24,331	6,364
Results derivatives	43	(390)
	24,374	5,974

The result on financial operations comprises of foreign currency results, which are mainly a result of foreign currency transactions on behalf of clients, and fair value changes of the derivatives recorded at fair value through the profit and loss. Products related to foreign currency swaps, which were last year classified under other interest income are for 2023 reclassified as result of financial operations (amount for 2023: €18,335,000 and for 2022: €11,836,000).

30. Staff costs and other administrative expenses

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

(in €000)	2023	2022
Staff costs	19,923	4,464
Other administrative costs	21,238	18,933
	41,161	23,397

The specification of the staff costs is as follows:

(in €000)	2023	2022
Wages and salaries	15,004	12,384
Pension and early retirement costs	3,169	(9,229)
Social security charges	1,437	1,159
Other social costs	313	150
	19,923	4,464

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

(in €000)	2023	2022
Contributions defined contribution plan	535	337
Other pension movements	1	(93)
Expenses in ASC 715 pension liabilities	2,633	(9,473)
	3,169	(9,229)

The average number of employees in full time equivalents (FTE) in 2023 for Amsterdam, Brussels, Vienna and Madrid was 121.5 (in 2022: 104.5 FTE):

	2023	2022
Amsterdam	108.5	90.9
Brussel	3.0	3.6
Vienna	5.8	5.8
Madrid	4.2	4.2
	121.5	104.5

31. Expected credit loss of financial assets

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

(in €000)	2023	2022
Balances with Central banks	-	-
Loans and advances to banks	(25)	3
Loans and advances to customers	566	(737)
Debt securities	21	4
Off balance sheet items	1,216	94
	1,778	(636)

32. Income tax

The specification of the income tax is as follows:

(in €000)	2023	2022
Operation result before taxation	80,751	48,604
Tax calculated at nominal tax rate	21,083	12,542
Other	(3)	-
Tax on non-deductible expenses	120	581
Tax adjustments previous years	-	(7)
	21,200	13,116

This item concerns all tax charges attributable to the financial year in respect of the income stated in the profit and loss account. The nominal tax rate is deemed to be equal to the actual effect on the profit of the year. The total amount of tax paid in 2023 is € 10,220,000 (in 2022: € 7,387,000).

The effective tax rate is 26.3% (is 2022: 27%).

The effective tax rate for MBE's Amsterdam office is 25.8% (in 2022: 27%). The nominal tax rate in the Netherlands is 19% for the first € 200,000 and for the remainder 25.8% (in 2022: 15% for the first € 395,000 and for the remainder 25.8%). The difference in 2023 between the nominal and effective tax rate is mainly caused by the other non-deductible expenses.

The effective tax rate for MBE's Brussels branch is 28.8% (in 2022: 27.0%). The nominal tax rate in Belgium is 25% (in 2022: 25%). The difference in 2022 between the nominal and effective tax rate is mainly caused by the impairments on the financial assets in the Brussels branch and other non-deductible expenses.

The effective tax rate for MBE's Vienna branch is 24.6% (in 2022: 25.2%). The nominal tax rate in Austria is 23% (in 2022: 25%). The difference in 2022 between the nominal and effective tax rate is caused by the non-deductible expenses.

The effective tax rate for MBE's Madrid branch is 30.1% (in 2022: 30.5%). The nominal tax rate in Spain is 30% (in 2022: 30%). The difference in 2023 between the nominal and effective tax rate is caused by non-deductible expenses.

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33. Country by country disclosures

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

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

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

(in €000)	2023 Amsterdam	2023 Brussels	2023 Vienna	2023 Madrid
Total income	104,440	6,265	10,304	11,303
Operation result before taxation	64,134	2,016	5,574	5,574
Income tax	(16,540)	(568)	(1,370)	(2,719)
Net result	47,593	1,447	4203	6,308

(in €000)	2022 Amsterdam	2022 Brussels	2022 Vienna	2022 Madrid
Total income	55,113	4,626	9,800	3,997
Operation result before taxation	39,205	762	6,243	2,395
Income tax	(10,600)	(204)	(1,582)	(730)
Net result	28,605	558	4,661	1,665

34. Related party disclosures

All related party transactions are executed at arm's length. We consider Mizuho Bank Ltd. (MHBK) including all its branches and subsidiaries to which MBE has an exposure as a related party of MBE.

MBE has outsourced under an Outsourcing Governance Framework (SLA), the core banking applications and back-office activities to Mizuho Bank Ltd. London branch. The outsourced activities to MHBK's London Branch as well as the expenses incurred from the head office in Tokyo amounted in 2023 to € 6,537,000 (2022: € 6,504,000).

In order to reduce the total credit exposures and capital ratios, the parent bank has provided MBE hedges, guarantees and other risk mitigating services to an amount of € 16,488,000,000 (2022: € 17,761,000,000). Which includes, guarantees to an amount of € 2,038,000,000 (2022: € 2,194,000,000), hedges throw derecognised assets to an amount of € 7,458,000,000 (2022: € 9,920,000,000) and hedges for which MBE is the lender of record but the loans are not recognized on the balance sheet to an amount of € 6,992,000,000 (2022: € 5,647,000,000).

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

(in €000)	2023	2022
Receivables from (included in the loans and advances to banks):		
Mizuho Bank Ltd.	44,438	32,599
	44,438	32,599
Payables to Mizuho Bank Ltd. (included in the amounts owed to banks)	808,995	1,018,025
	808,995	1,018,025
The notional amounts of the derivatives with Mizuho Bank Ltd. (included in the derivatives recorded at cost and recorded at fair value):		
Interest rate swaps (assets)	238,290	348,315
Cross currency swaps (assets)	241,412	141,198
Foreing currency transaction (asstes)	311,696	440,009
Interest and commission income related to:		
Banks	59	193
Swaps	20,903	4,075
Other interest	116	28
Commissions	15	-
	21,093	4,296
Interest and other expenses related to:		
Swaps	12,478	3,159
Banks	19,961	10,443
Commitment fees	3,365	4,431
Guarantee fees	2,586	2,804
Commissions	795	96
Other	24	23
	39,209	20,956

35. Remuneration of Management Board and Supervisory Board members

The total remuneration of the Management Board in 2023 amounted to € 842,000 (2022: € 847,000). The remuneration for the Supervisory Board members amounted to € 127,000 (2022: € 98,000).

36. Remuneration of the external auditors

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

(in €000)	EY NL 2023	EY Other 2023	Total 2023	EY NL 2022	EY Other 2022	Total 2022
Audit in the Netherlands	348	-	348	248	-	248
Audit in other countries	-	66	66	-	61	61
Audit related services	86	-	86	81	-	81
Other services	12	-	12	11	-	11
	446	66	512	340	61	401

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

5.8. Notes to the Cash Flow Statement

37. Cash and cash equivalents

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

(in €000)	31/12/2023	31/12/2022
Restricted balances with central banks (Note 5)	37,933	37,529
Unrestricted balances with central banks (Note 5)	1,876,153	1,251,728
Loans and advances to banks, on demand (Note 6)	52,032	88,276
	1,966,118	1,377,533

5.9. Risk Management

5.9.1. Credit Risk

5.9.1.1. Policy

Credit risk is the risk that MBE will suffer a loss due to a reduction in or complete elimination of value of assets (including off-balance-sheet items), caused by the deterioration of the financial status (or similar development) of a customer to whom credit has been provided. MBE's policy on credit risk revolves primarily around the risks associated with lending to corporate clients which constitutes MBE's most significant risk category. It consists of counterparty exposures related to loans, deposits, contingent liabilities, commitments and derivative contracts. Credit risk on positions with governments and financial institutions arises from investment activities, international payment transactions and cash management.

MBE performs on-going credit evaluations of clients' financial conditions, both at the MHBK group level and at local level. The frequency of these reviews differs depending on the individual borrower's risk profile but takes place at least once a year.

MBE uses credit risk mitigation measures in order to achieve a satisfactory portfolio asset quality. These measures come in various forms such as parental guarantees, guarantees received from other Mizuho offices, collateralized deposits from clients and credit enhancements such as pledge agreements.

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

For regulatory purposes the exposure and risk weighted amounts related to credit risk are determined following the Standardised Approach (SA) in accordance with the Capital Requirements Regulation (CRR) .

Maximum exposure to credit risk for financial instruments is measured by the gross carrying amount, which includes the interest accrued on financial assets. There is no netting applied.

The financial instrument which are subject to the IFRS 9 impairment requirements are reported in the assets as part of the balances with central banks, loans and advances to banks, loans and advances to customers, debt securities and the off-balance items contingent liabilities and commitments. The next table provides a reconciliation of the maximum exposure of these ECL eligible balances to the statement of financial positions.

[2] EU Regulation No 575/2013 of the European Parliament and of the CouncilL

					31/12/2023
(in €000)	Gross carrying ammount	Allowances for credit losses	Cash collateral	Accurals	Asset Balance
Balances with central banks	1,914,709	-	-	(623)	1,914,086
Loans and advances to banks	125,077	(3)	-	(588)	124,486
Loans and advances to customers	2,666,276	(1,143)	(10,377)	(13,039)	2,641,717
Debt securities	488,575	(29)	-	(1,057)	487,489
Total on-balance (ECL eligible)	5,194,637	(1,175)	(10,377)	(15,307)	5,167,778
Contingent liabilities	466,700	(472)			
Commitment	1,482,739	(967)			
Total off-balance (ECL eligible)	1,949,439	(1,439)			
Total	7,144,076	(2,614)			

				31/12/2023
(in €'000)	Gross carrying amount	Cash collateral	Guarantee Received	Net Exposure
Balances with central banks	1,914,709	-	(8)	1,914,701
Loans and advances to banks	125,077	-	-	125,077
Loans and advances to customers	2,666,276	(10,377)	(1,018,810)	1,637,089
Debt securities	488,575	-	-	488,575
Total on-balance (ECL eligible)	5,194,637	(10,377)	(1,018,810)	4,165,442
Contingent liabilities	466,700	-	(254,769)	211,931
Commitment	1,482,739	-	(61,047)	1,421,692
Total off-balance (ECL eligible)	1,949,439	-	(315,816)	1,633,623
Total	7,144,076	(10,377)	(1,334,634)	5,799,065

(in €000)	Gross carrying ammount	Allowances for credit losses	Cash collateral	Accurals	31/12/2022 Asset Balance
Balances with central banks	1,289,396	-	-	(139)	1,289,257
Loans and advances to banks	222,521	(30)	-	(225)	222,266
Loans and advances to customers	2,615,150	(576)	-	(23,838)	2,590,736
Debt securities	377,576	(8)	-	(1,075)	376,493
Total on-balance (ECL eligible)	4,504,643	(614)	-	(25,277)	4,478,752
Contingent liabilities	538,855	(109)			
Commitment	1,036,598	(114)			
Total off-balance (ECL eligible)	1,575,453	(223)			
Total	6,080,096	(837)			

(in €'000)	Gross carrying amount	Cash collateral	Guarantee Received	31/12/2022 Net Exposure
Balances with central banks	1,289,396	-	-	1,289,396
Loans and advances to banks	222,521	-	-	222,521
Loans and advances to customers	2,615,150	-	(1,172,531)	1,442,619
Debt securities	377,576	-	-	377,576
Total on-balance (ECL eligible)	4,504,643	-	(1,172,531)	3,332,112
Contingent liabilities	538,855	-	(169,863)	368,992
Commitment	1,036,598	-	(90,310)	946,288
Total off-balance (ECL eligible)	1,575,453	-	(260,173)	1,315,280
Total	6,080,096	-	(1,432,704)	4,647,392

A 17-grades internal rating scale is used to measure credit risk which is subject to Mizuho Bank policies and procedures. The internal rating scale, the description of each scale and its equivalence to external ratings are disclosed in the table below:

Customer Categorization	Credit Rating		Customer Profile		Comparable Exteneral Rating	
Ordinary Customers	A	1	Business conditions are favourable and there are no specific problems in the customer's financial position.	Very high probability of performance on obilgations. Extremley stable in terms of credit management	AAA	Investment grade
		2			AA	
		3			A	
	B	1		No problem for the time being, with performance on obligations. Sufficiently stable in terms of credit management.	BBB+/BBB	
		2			BBB-	
	C	1		No problem, for the time being, with perfomance on obligations and stability in terms of credit management. ("For the time being" means that if the business environmnent should change in the future, there is a poissibility that the change would affetct the customer.)	(BB)	Non-Invesment grade
		2				
		3				
	D	1		No problem at present with perfomance on obligations but has low resistance to future changes in the business environment.	(B)	
		2				
		3				
Customers with Special Attention (I)	E	1	Customers with Special Attention (I): Customers that requitre close observation, such as customers whose buisness condition are on a deteriorating trend or have unstable business performance; customers that have minor problems in their finacial psotiion or have problems in their fiancial psoition but recovery according to plan is anticipated.		(CCC or lower)	
Customers with Special Attention (II)		2	Customers with Special Attention (II): Customers that require paritculary close observation, such as customers that have problematic lending conditions, e.g. interest reduced, forgiven, or suspended; customers that have problems with perfomance of obligations			
Customers under strict Management		R	Customers that are assessed to have Claims under Strict Management as stipulated in Provision 4 Item 4 of the Law concerning urgent measures for the reconstruction of the functions of the financial system (1998 Financial Reconstruction Comission Rules and Regulations No.2) in terms of exposure			
Customers to be Insolvent	F	1	Customers to be Insolvent: Customers that are not insolvent, but are having business difficulties with insufficent progress on their business improvement plans. There is a high probability that the customer will become insolvent (includes customers that are under the continuing support of a financial instituation and/or other entities)			
Unrecoverable Customers	G	1	Unrecoverable Customers: Customers that are not at present legally or formally bankrupt, but are having serious business difficultiues, and it is deemed that there is no prospect for recovery. The customer is esstentially bankrupt.			
Insolvent Customer	H	1	Insolvent Customers: Customers that are legally and formally bankrupt.			

The credit quality of a financial assets and its exposure is measured using these internal ratings. The following table discloses the exposure and ECL amount for each internal credit risk rating per category: loans and advances to banks and customers, and other ECL eligible financial instruments. The latter includes the central bank balances, debt securities, contingent liabilities and commitments.

31/12/2023

		(in €000)	Gross carrying amount	%	ECL	%	Stage 1	Stage 2	Stage 3
Loans and advances to banks and customers	Investment grade	A1	-	0%	-	0%	-	-	-
		A2	111,318	4%	6	1%	111,318	-	-
		A3	674,237	24%	51	4%	674,237	-	-
		B1	842,147	30%	103	9%	842,147	-	-
		B2	665,231	24%	373	33%	665,231	-	-
	Non-investment grade	C1	211,266	8%	61	5%	211,266	-	-
		C2	82,995	3%	72	6%	82,995	-	-
		C3	64,329	2%	37	3%	40,771	23,558	-
		D1	3,374	0%	3	0%	3,374	-	-
		D2	25,100	1%	10	1%	18,089	7,011	-
		D3	32,344	1%	411	36%	857	31,487	-
		E1	5,853	0%	11	1%	3,553	2,300	-
		E2	6,202	0%	4	0%	4,451	1,751	-
		F1	66,957	3%	4	0%	-	-	66,957
		G1	-	0%	-	0%	-	-	-
		H1	-	0%	-	0%	-	-	-
		Total	2,791,353		1,146		2,658,289	66,107	66,957
Other ECL eligible financial instruments	Investment grade	A1	2,078,149	48%	-	0%	2,078,149	-	-
		A2	464,947	11%	37	3%	464,947	-	-
		A3	285,750	6%	17	1%	285,750	-	-
		B1	575,073	13%	114	8%	575,073	-	-
		B2	592,812	14%	161	11%	592,812	-	-
	Non-investment grade	C1	66,564	1%	18	1%	66,428	136	-
		C2	269	0%	-	0%	269	-	-
		C3	258,239	6%	831	56%	46	258,193	-
		D1	-	0%	-	0%	-	-	-
		D2	30,844	1%	290	20%	30,754	90	-
		D3	41	0%	-	0%	8	33	-
		E1	35	0%	-	0%	-	35	-
		E2	-	0%	-	0%	-	-	-
		F1	-	0%	-	0%	-	-	-
		G1	-	0%	-	0%	-	-	-
		H1	-	0%	-	0%	-	-	-
		Total	4,352,723		1,468		4,094,236	258,487	-
		Total	7,144,076		2,614		6,752,525	324,594	66,957

31/12/2023

		(in €000)	Gross carrying amount	%	ECL	%	Stage 1	Stage 2	Stage 3
Loans and advances to banks and customers	Investment grade	A1	-	0%	-	0%	-	-	-
		A2	159,340	6%	4	1%	159,340	-	-
		A3	547,414	19%	39	6%	547,414	-	-
		B1	1,101,615	39%	112	19%	1,101,615	-	-
		B2	349,168	12%	94	16%	349,168	-	-
	Non-investment grade	C1	310,241	11%	69	11%	290,223	20,018	-
		C2	80,394	3%	27	5%	80,394	-	-
		C3	36,404	1%	3	0%	32,530	3,874	-
		D1	46,113	2%	66	11%	20,944	25,169	-
		D2	43,279	2%	14	2%	39,278	4,001	-
		D3	76,994	3%	92	15%	633	76,361	-
		E1	7,687	0%	21	3%	3,536	4,151	-
		E2	12,079	0%	12	2%	11,979	100	-
		F1	66,943	2%	53	9%	-	-	66,943
		G1	-	0%	-	0%	-	-	-
		H1	-	0%	-	0%	-	-	-
		Total	2,837,671		606		2,637,054	133,674	66,943
Other ECL eligible financial instruments	Investment grade	A1	1,459,754	45%	-	0%	1,459,754	-	-
		A2	307,948	10%	15	7%	307,948	-	-
		A3	88,069	3%	5	2%	88,069	-	-
		B1	849,452	26%	86	37%	849,452	-	-
		B2	430,279	13%	61	26%	430,279	-	-
	Non-investment grade	C1	91,811	3%	13	6%	91,811	-	-
		C2	-	0%	-	0%	-	-	-
		C3	3,378	0%	23	10%	246	3,132	-
		D1	10,193	0%	28	12%	10,006	187	-
		D2	-	0%	-	0%	-	-	-
		D3	1,541	0%	-	0%	8	1,533	-
		E1	-	0%	-	0%	-	-	-
		E2	-	0%	-	0%	-	-	-
		F1	-	0%	-	0%	-	-	-
		G1	-	0%	-	0%	-	-	-
		H1	-	0%	-	0%	-	-	-
		Total	3,242,425		231		3,237,573	4,852	-
		Total	6,080,096		837		5,874,627	138,526	66,943

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

(in €000) Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	2,637,054	133,674	66,943	2,837,671
New transactions	2,317,078	53,524	-	2,370,602
Payments and derecognition	(1,625,009)	(125,520)	-	(1,750,529)
Transfers of financial instruments	(17,889)	17,889	-	-
Other changes	(652,945)	(13,460)	14	(666,391)
Balance at 31 December 2023	2,658,289	66,107	66,957	2,791,353

(in €000) ECL amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	405	148	53	606
New transactions	351	421	-	772
Payments and derecognition	(216)	(131)	-	(347)
Transfers of financial instruments	(2)	2	-	-
Other changes	178	(12)	(49)	116
Balance at 31 December 2023	715	427	4	1,146

(in €000) Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	2,802,395	276,796	70,194	3,149,385
New transactions	1,406,633	117,384	-	1,524,017
Payments and derecognition	(1,382,618)	(254,264)	-	(1,636,882)
Transfers of financial instruments	(1,000)	1000	-	-
Other changes	(188,356)	(7,242)	(3,251)	(198,849)
Balance at 31 December 2022	2,637,054	133,674	66.943	2,837,671

(in €000) ECL amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	286	986	66	1,338
New transactions	256	122	-	378
Payments and derecognition	(143)	(883)	-	(1,026)
Transfers of financial instruments	(1)	1	-	-
Other changes	7	(78)	(13)	(84)
Balance at 31 December 2023	405	148	53	606

New transactions include the instruments which newly originated within the fiscal year, while payment and derecognition include the instruments which ceased to exist or were derecognised. In 2023 there were only transfers from stage 1 to stage 2 as a result of the quantitative triggers within the ECL model, indicating a downgrade of the credit quality of the exposure. Other changes include any changes to the existing transactions which remained within the same stage classification throughout the year.

The following table discloses the movements in the gross carrying amount of the other ECL eligible financial instruments and their corresponding ECL:

(in €000) Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	3,237,573	4,852	-	3,242,425
New transactions	713,412	85,593	-	799.005
Payments and derecognition	(816,090)	(3,153)	-	(819,243)
Transfers of financial instruments	(56,307)	56,307	-	-
Other changes	1,015,648	114,888	-	1,130,536
Balance at 31 December 2023	4,094,236	258,487	-	4,352,723

(in €000) ECL amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	207	24	-	231
New transactions	375	101	-	476
Payments and derecognition	(98)	(23)	-	(121)
Transfers of financial instruments	(732)	732	-	-
Other changes	884	-	-	883
Balance at 31 December 2023	635	833	-	1,468

(in €000) Gross carrying amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2022	3,043,054	3,598	-	3,046,652
New transactions	848,561	2,996	-	851,557
Payments and derecognition	(520,595)	(1,362)	-	(521,957)
Transfers of financial instruments	380	(380)	-	-
Other changes	(133,827)	-	-	(133,827)
Balance at 31 December 2022	3,237,537	4,852	-	3,242,425

(in €000) ECL amount	Stage 1	Stage 2	Stage 3	Total
Balance at 1 January 2023	132	2	-	134
New transactions	91	22	-	113
Payments and derecognition	(55)	(1)	-	(56)
Transfers of financial instruments	-	-	-	-
Other changes	39	-	-	40
Balance at 31 December 2023	207	24	-	230

5.9.1.2. ECL

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

Per year end, the mutations in the loss allowance for the 12-month and lifetime expected credit losses are measured for financial assets in scope of the IFRS9 Policy. The exposure of stage 3 amounts equals to € 66,957,000 (in 2022 € 66,943,000) and is fully guaranteed by Mizuho Group. The total ECL allocated to Stage 3 is € 4,690 (in 2022 € 53,000).

The 2023 ECL amount is € 2,954,000. In 2022, the ECL amount was € 837,000. The ECL amount has increased mainly due to more pessimistic macro-economic general market projections incorporated in the calculation of the ECL model. The difference between this year's ECL and last year's ECL is a negative result which will been taken into the profit and loss account.

The ECL and exposure per stage is disclosed as follows:

	31/12/2023				31/12/2022			
Loans and advances to banks and customers	**Gross carrying amount**	**%**	**ECL**	**%**	**Gross carrying amount**	**%**	**ECL**	**%**
Stage								
Stage 1	2,658,289	95%	715	63%	2,637,054	93%	405	67%
Stage 2	66,107	2%	427	37%	133,674	5%	148	24%
Stage 3	66,957	3%	4	0%	66,943	2%	53	9%
Total	2,791,353		1,146		2,837,671		606	

	31/12/2023				31/12/2022			
Other ECL eligible financial instruments	**Gross carrying amount**	**%**	**ECL**	**%**	**Gross carrying amount**	**%**	**ECL**	**%**
Stage								
Stage 1	4,094,236	94%	635	43%	3,237,573	100%	207	90%
Stage 2	258,486	6%	833	57%	4,852	0%	24	10%
Stage 3	-	0%	-	0%	-	0%	-	0%
Total	4,352,723		1,468		3,242,425		231	
Total	7,144,076		2,614		6,080,096		837	

Financial Statements

The table below provides an overview of the gross carrying amount and ECL per balance item and ECL stage classification:

(in €'000)	**Gross carrying amount**				**ECL**			**31/12/2023**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances with central banks	1,914,709	-	-	1,914,709	-	-	-	-
Loans and advances to banks	125,077	-	-	125,077	3	-	-	3
Loans and advances to customers	2,533,211	66,108	66,957	2,666,276	713	426	4	1,143
Debt securities	488,575	-	-	488,575	29	-	-	29
Total on-balance (ECL eligible)	5,061,572	66,108	66,957	5,194,637	745	426	4	1,175
Contingent liabilities	318,791	147,909	-	466,700	342	130	-	472
Commitments	1,372,162	110,577	-	1,482,739	263	704	-	967
Total off-balance (ECL eligible)	1,690,953	258,486	-	1,949,439	605	834	-	1,439
Total	6,752,525	324,594	66,957	7,144,076	1,350	1,260	4	2,614

(in €'000)	**Gross carrying amount**				**ECL**			**31/12/2022**
	Stage 1	**Stage 2**	**Stage 3**	**Total**	**Stage 1**	**Stage 2**	**Stage 3**	**Total**
Balances with central banks	1,289,396	-	-	1,289,396	-	-	-	-
Loans and advances to banks	222,521	-	-	222,521	29	-	-	29
Loans and advances to customers	2,414,534	133,673	66,943	2,615,150	375	148	53	576
Debt securities	377,577	-	-	377,577	9	-	-	9
Total on-balance (ECL eligible)	4,304,028	133,673	66,943	4,504,644	413	148	53	614
Contingent liabilities	534,000	4,853	-	538,853	85	24	-	109
Commitments	1,036,599	-	-	1,036,599	114	-	-	114
Total off-balance (ECL eligible)	1,570,599	4,853	-	1,575,452	199	24	-	223
Total	5,874,627	138,526	66,943	6,080,096	612	172	53	837

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

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

5.9.1.3. Forbearance

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

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

At year-end 2023, no forbearance measures have been granted.

5.9.2. Concentration Risk

Concentration risk is reported per single exposure, per sector and per geographical region. The credit exposures used to determine the concentration risk include the loans and advances to banks and customers, contingent liabilities and undrawn commitments.

The largest credit concentration by industry sector telecommunications with an exposure of € 548,117,000 (11%) followed by the sectors energy € 494,277,000 (10%) and utilities € 439,224,000 (9%). In comparison, the largest sector concentration in previous year was also telecommunications with an exposure of € 608,439,000 (14%) followed by the sectors leasing € 439,049,000 (10%) and utilities € 433,089,000 (10%). Although decreased in total exposure, the Telecommunications sector remained the largest exposure for MBE.

MBE sets guideline levels for maximum concentrations and monitors these levels in the Portfolio Management Committee on a monthly basis. MBE also monitors concentration risk based on the Prudential Regulation Authority's methodology.

(in €000)				31/12/2023
Sector	Loans and advances	Contingent liabilities	Commitments	Total
Telecommunications	396,352	-	151,765	548,117
Energy	105,578	63,588	325,111	494,277
Utilities	226,043	197	212,984	439,224
Electrical Equipments	157,876	146,394	118,077	422,347
Leasing	311,523	-	31,072	342,595
Food & Drinks	246,951	84,442	5,000	336,393
Branks & Other Financials	245,411	29,548	41,070	316,029
Rail & Road Transport	118,396	74,580	67,143	260,119
Chemicals	145,978	5,541	105,820	257,339
Construction	111,838	1,791	86,505	200,134
Machinery & Precision Machinery	121,124	10,207	67,295	198,626
Steel & Metals	56,038	-	98,145	154,183
Pharmaceutical	37,791	52	103,167	141,010
Automotives	111,709	775	25,000	137,484
Trading & Wholesale	89,244	31,878	9,762	130,884
Tranport Equipments	65,619	133	16,355	82,107
Medical Equipment	53,560	77	9,968	63,605
Professional & Business Services	26,814	14,511	-	41,325
Other Materials	31,129	2,484	5,000	38,613
Consumer Products & Services	32,698	-	-	32,698
Textiles	32,012	-	-	32,012
Consumer Finance	30,050	-	-	30,050
Other Manufacturing	25,470	495	-	25,965
Healthcare	8,735	-	-	8,735
Home Electronics	3,405	-	3,500	6,905
Information Services	4	7	-	11
Real Estate	5	-	-	5
	2,791,353	466,700	1,482,739	4,740,792

(in €000)				31/12/2022
Sector	**Loans and advances**	**Contingent liabilities**	**Commitments**	**Total**
Telecommunications	273,958	-	334,481	608,439
Energy	50,500	166,588	52,111	269,199
Utilities	288,615	204	144,270	433,089
Electrical Equipments	319,986	75,657	20,529	416,172
Leasing	400,939	80	38,030	439,049
Food & Drinks	233,886	84,143	70,629	388,658
Branks & Other Financials	220,392	40,444	22,715	283,551
Rail & Road Transport	19,516	57,911	24,157	101,584
Chemicals	240,331	758	45,455	286,544
Construction	43,681	-	18,118	61,799
Machinery & Precision Machinery	62,508	11,578	6,093	80,179
Steel & Metals	56,720	-	98,434	155,154
Pharmaceutical	10,086	52	15,773	25,911
Automotives	125,514	763	55,000	181,277
Trading & Wholesale	92,773	11,458	12,223	116,454
Tranport Equipments	58,599	133	15,618	74,350
Medical Equipment	81,826	77	36,667	118,570
Professional & Business Services	28,478	82,234	7,057	117,769
Other Materials	73,339	6,654	19,238	99,231
Consumer Products & Services	23,229	-	-	23,229
Textiles	7,401	-	-	7,401
Consumer Finance	26,167	-	-	26,167
Other Manufacturing	63,887	114	-	64,001
Healthcare	7,228	-	-	7,228
Home Electronics	28,013	-	-	28,013
Information Services	1	7	-	8
Real Estate	98	-	-	98
	2,837,671	538,855	1,036,598	4,413,124

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The distribution of the credit exposures by geographical area is based on the country where the customer is located:

(in €000)				31/12/2023
Region	**Loans and advances**	**Contingent liabilities**	**Commitments**	**Total**
The Netherlands	617,825	55,411	141,501	814,737
EU (excluding the Netherlands)	1,590,007	366,727	1,029,345	2,986,079
Rest of Europe	66,094	32,606	171,859	270,559
North America	91,105	902	-	92,007
Japan	420,002	10,992	30,724	461,718
Other	6,320	62	109,310	115,692
	2,791,353	466,700	1,482,739	4,740,792

(in €000)				31/12/2022
Region	**Loans and advances**	**Contingent liabilities**	**Commitments**	**Total**
The Netherlands	736,224	99,208	131,032	966,464
EU (excluding the Netherlands)	1,633,922	388,021	623,719	2,645,662
Rest of Europe	45,907	32,788	29,139	107,834
North America	35,165	902	1,065	37,132
Japan	373,621	17,874	213,637	605,132
Other	12,832	62	38,006	50,900
	2,837,671	538,855	1,036,598	4,413,124

5.9.3. Operational Risk

MBE ensures that operational risk management is aligned with the strategy, processes, people, technology and external environment that potentially impacts the organization. Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. MBE calculates the capital charge for operational risk based on the Basic Indicator Approach (BIA) method.

The ORM policy provides key principles of operational risk management within MBE and details of the tools used to identify, assess, quantify, and monitor operational risks in order to optimize operational risk management.

The key principles are based upon three categories:

1. Developing an appropriate risk management environment;
2. The ability to identify, measure, monitor and optimize the management of operational risks;
3. Providing satisfactory evidence that operational risk is being controlled.

Key instruments to manage MBE's operational risk are control self-assessments, risk reporting to relevant risk committees, embedding risk event management, and establishing an integrated control framework.

Control Self Assessment

On a bi-annual basis a control self-assessment is conducted where material risks and related controls are identified and documented. A risk-based approach is taken to perform the risk assessment on key activities where significant risks could result in financial, regulatory or reputational impact. The risks are categorized in four categories: operational risks, internal fraud, external fraud and others. The results of the control self-assessments are embedded in the integrated control framework and provide reasonable assurance that operational and fraud risks are targeted to decrease likelihood and reduce impact.

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

5.9.4. Market Risk

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

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

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

5.9.5. Interest Rate Risk

A large number of financial instruments carry a variable rate of interest to reduce the interest rate exposure. Therefore, the period between 31 December 2023 (or 31 December 2022) and the first interest reset date following such date, when interest conditions will reset to market conditions, is assessed to understand the interest rate risk inherent in these financial instruments.

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

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

- A 200 bp sudden downward rate shock would result in a positive impact on market value of equity of € 11,918,000 (2022: € 6,583,000).
- A 200 bp sudden upward rate shock would result in a negative impact on market value of equity of €5,214,000 (2022: € 8,743,000).
- The impact of a gradual downward rate movement by a 200 bp is assessed at € 13,182,000 (2022: €3,398,000) negative impact on net income.
- A gradual upward rate movement by a 200 bp would result in a positive impact on the net income of € 15,140,000 (2022 € 5,129,000).

The fluctuation of year-over-year results are mainly driven by the balance sheet, interest rate movements, as well as the update of the model assumptions.

5.9.6. Foreign Currency Risk

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

		31/12/2023			Open position
(in €000)	Debit	Credit	Net	Derivatives	(absolute)
USD	2,027,975	(2,027,910)	65	-	(65)
JPY	454,975	(454,976)	(1)	-	1
GBP	299,746	(299,746)	-	-	-
Other	434,701	(271,657)	163,044	(163,025)	(19)
	3,217,398	(3,054,290)	163,108	(163,025)	(84)

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

5.9.7. Liquidity Risk

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

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

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

The following table indicates the undiscounted cashflows on the remaining contractual maturity of financial instruments as of 31 December 2023 and 31 December 2022 respectively:

						31/12/2023
(in €000)	**On demand**	**<= 3M**	**<= 1YR**	**<= 5 YR**	**=> 5 YR**	**Total**
Assets						
Balances with central banks	44,086	1,870,000	-	-	-	1,914,086
Loans and advances to banks	51,018	23,444	-	50,023	-	124,485
Loans and advances to customers	-	954,604	418,053	736,587	532,287	2,641,531
Debt securities	-	125,087	25,006	337,394	-	487,487
	95,104	2,973,135	443,059	1,124,004	532,287	5,167,589
Liabilities						
Banks	(354)	(550,376)	(384,918)	(192,873)	(3,420)	(1,131,941)
Funds entrusted	(1,966,624)	(1,321,837)	(54,675)	(476)	-	(3,343,612)
	(1,966,978)	(1,872,213)	(439,593)	(193,349)	(3,420)	(4,475,553)
Derivatives						
Swaps						
Inflows	-	46,088	436,970	122,617	20,347	626,021
Outflows	-	(42,480)	(437,072)	(119,320)	(20,347)	(619,218)
FX						
Inflows	-	1,884,622	535,741	600,574	-	3,020,936
Outflows	-	(1,884,515)	(535,541)	(600,424)	-	(3,020,480)
Net position	(1,871,874)	1,104,637	3,564	934,102	528,867	699,295

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						31/12/2022
(in €000)	**On demand**	**<= 3M**	**<= 1YR**	**<= 5 YR**	**=> 5 YR**	**Total**
Assets						
Balances with central banks	39,257	1,250,000	-	-		1,289,257
Loans and advances to banks	87,284	5,690	129,292	-		222,266
Loans and advances to customers	-	900,960	594,302	588,100	508,244	2,590,736
Debt securities	-	50,042	127,202	199,249	-	376,493
	126,541	2,205,822	850,796	787,349	508,244	4,478,752
Liabilities						
Banks	(80)	(427,047)	(73,419)	(752,734)	(3,798)	(1,257,078)
Funds entrusted	(1,226,659)	(1,094,242)	(329,618)	-	-	(2,650,519)
	(1,226,739)	(1,521,289)	(403,037)	(752,734)	(3,798)	(3,907,597)
Derivatives						
Swaps						
Inflows	-	19,227	304,052	60,393	20,704	404,376
Outflows	-	(20,515)	(305,442)	(60,131)	(20,704)	(406,792)
FX						
Inflows	-	2,114,058	464,287	697,032	-	3,275,377
Outflows	-	(2,113,927)	(464,090)	(696,811)	-	(3,274,828)
Net position	(1,100,198)	683,376	446,566	35,098	504,446	569,288

[2]. Art. 1 of the Decree of Prudential Rules of the Dutch Law regulating financial market (Wft (Bpr Wft)).

5.9.8. Legal Risk

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

5.9.9. Integrity (Compliance) risk

The scope and nature of compliance with various regulations and standards within the financial industry has evolved and is no longer limited to rules-based banking regulations. Given the changes in the Compliance and regulatory landscape and the resulting long-term impact on banks, MBE has standardized various compliance rules, set up policies and procedures, adopted lean principles and provides training for employees on a regular basis to improve awareness and knowledge.

MBE uses the terms "Integrity Risk" and "Compliance Risk" interchangeably. Integrity Risk arises from events that (may) occur as a result of poor Integrity of a counterparty (client / supplier, etc.), an employee or MBE as an organization leading to damage to the reputation and/or the financial results, of MBE or ideed of the Dutch financial market as a while, "as a result of inadequate compliance with standards and legal requirements." . Integrity is a Core corporate value of the Mizuho Group. MBE's Compliance Department supports MBE in managing Integrity risk by facilitating the Systemic Integrity Risk Assessment (SIRA), as required by Dutch law. SIRA serves as a steering tool for Management to identify and minimize risk, in the areas of Financial Crime, Sanctions Violations or circumventions, Corporate Governance & Conduct, and the (integrity of) Prudential Supervision.

5.10. Fair Value

The purpose of this information is to give users of the financial statements insight in the fair value of the financial instruments. Fair value is defined as the amount for which a financial instrument could be exchanged between knowledgeable, willing parties in an arm's length transaction. The fair value is based on market prices. In those situations where a market price is not available, the fair value is estimated using models that discount future cash flows.

For the balances with central banks, banks and current account overdrafts (as part of the loans and advances to banks and customers), the fair value approximates the book value due to their short term nature The valuation methods for those instruments for which the market value differs from the book value are explained in more detail below.

Loans and advances to banks and customers

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

Debt securities

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

Amounts owed to bank and customers

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

Derivative transactions

For the hedge derivative transactions which are recorded at cost on the balance, the fair value is determined based on the model of discounted cash flows similar to the trade derivative transactions.

(in €000)	Book Value	31/12/2023 Fair value	Book Value	31/12/2022 Fair Value
Assets				
Balances with central banks	1,914,086	1,914,086	1,289,257	1,289,257
Loans and advances to banks	124,486	114,643	222,266	226,461
Loans and advances to customers	2,641,717	2,652,954	2,590,736	2,611,219
Debt securities	487,489	489,065	376,493	367,003
	5,167,778	5,170,748	4,478,752	4,493,940
Hedge swaps	181	6,835	2,933	20,659
Other money market transactions	-	-	-	-
Foreign currency transactions	25,559	25,559	33,066	33,066
Interest rate swaps	8,706	8,706	10,304	10,304
Cross currency swaps	1,914	1,914	7,036	7,036
Total asset instruments	5,204,138	5,213,762	4,532,091	4,565,005
Liabilities				
Amounts owed to banks	1,153,570	1,135,438	1,257,078	1,255,117
Amounts owed to customers	3,343,612	3,347,161	2,650,519	2,651,099
	4,497,182	4,482,599	3,907,59	3,906,216
Hedge swaps	6,984	10,546	518	962
Other money market transactions			12,718	12,753
Foreign currency transactions	33,100	33,100	32,519	32,519
Interest rate swaps	7,616	7,616	9,407	9,407
Cross currency swaps	1,902	1,902	7,007	7,007
Total liability instruments	4,546,784	4,543,763	3,969,766	3,968,864

5.11. Appropriation of result

Appropriation of result for the financial year 2022

The net result of the financial year 2022 is in accordance with the shareholder's decision of 29 March 2023 included in the other reserves.

Proposed appropriation of result for the financial year 2023

The net profit for the year ended 31 December 2023 amounted to € 59,552,000 and is awaiting the discussion of the General Meeting of Shareholders. The Management Board proposes to add the net profit for the year to the other reserves. This proposal has not been recorded in the financial statements.

The proposal of the profit distribution is as follows:

(in €000)	**2023**	**2022**
Available profit	59,552	35,488
Less: dividend	-	-
Transfer to other reserves	59,552	35,488

5.12. Post balance sheet events

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

Amsterdam, 21 March 2024

Supervisory Board of Directors:

Peter de Ruijter

Kenichi Matsumoto

Leonique van Houwelingen

Cristoph Seibel

Management Board:

Shinsuke Kajiwara

Koichi Kishinoue

Jens Pöhland

Other Information

6. Other Information

6.1. Statutory rules concerning appropriation of the result

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

7. Independent Auditor's Report

To: the shareholder and supervisory board of Mizuho Bank Europe N.V

Report on the audit of the financial statements 2023 included in the annual report

Our opinion

We have audited the financial statements 2023 of Mizuho Bank Europe N.V. based in Amsterdam, the Netherlands.

In our opinion the accompanying financial statements give a true and fair view of the financial position of Mizuho Bank Europe N.V. as at 31 December 2023 and of its result for 2023 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

- The balance sheet as at 31 December 2023
- The profit and loss account for 2023
- The notes comprising a summary of the accounting policies and other explanatory information

Basis for our opinion

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

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

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

Information in support of our opinion

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

Our understanding of the business

MBE is a licensed bank in the Netherlands and performs corporate banking activities, including leading and participating in syndicates and dealing in bonds and other financial instruments. MBE has branch offices in Belgium, Austria and Spain and is a 100% subsidiary of Mizuho Bank Ltd., which in turn is a wholly-owned subsidiary of Mizuho Financial Group (hereinafter also Mizuho Group).

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

We paid specific attention in our audit to a number of areas driven by the operations of the company and our risk assessment.

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

Materiality	€ 3.000.000 (2022: € 2.600.000)
Benchmark applied	0.5% of shareholder's equity
Explanation	Based on our professional judgment, a benchmark of 0.5% of shareholder's equity is an appropriate quantitative indicator of materiality as it best reflects the financial position of the company. We determined materiality consistent with previous year.

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

We agreed with the supervisory board that misstatements in excess of €150.000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Teaming and use of specialists

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

Our focus on climate-related risks and the energy transition

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

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

Based on the audit procedures performed, we do not deem climate-related risks to have a material impact on the financial reporting judgements, estimates or significant assumptions as at 31 December 2023.

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

Our responsibility

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

Our audit response related to fraud risks

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

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

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

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

We addressed the risks related to management override of controls, as this risk is present in all companies. For these risks we have performed procedures among other things to evaluate key accounting estimates for management bias that may represent a risk of material misstatement due to fraud, in particular relating to important judgment areas and significant accounting estimates as disclosed in note 2c to the financial statements. We have also performed procedures to identify and address high-risk journal entries and evaluated the business rationale (or the lack thereof) of significant extraordinary transactions, including those with related parties.

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

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

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

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

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

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

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

Our audit response related to going concern

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

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

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

Our key audit matters

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

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

Estimation of the provision for expected credit loss on loans and advances to customers	
Risk	MBE provides loans to corporate clients with a focus on the European and Japanese markets. MBE applies the expected credit loss method of IFRS 9 Financial Instruments as allowed in Dutch Accounting Standards to recognize expected credit losses on these loans and advances. At 31 December 2023, the gross balance of loans and advances to customers of MBE amounts to €2.643 million; the provision for expected credit loss of €1.3 million is deducted from the gross loan balance. The provision for expected credit loss and credit risk have been disclosed in notes 2f, 5.6.7 and 5.9.1 to the financial statements. The expected credit losses are calculated based on risk staging of loans and advances to customers and using assumptions such as the probability of default, the loss given default, macro-economic scenarios and other forward-looking information. The estimation of expected credit losses is a key area of judgment for the management board and is subject to inherent estimation uncertainty. Given the materiality of the loans and advances to customers of MBE, the complex accounting requirements with respect to estimating the provision for expected credit loss and the subjectivity involved in the judgments made, we considered this to be a key audit matter.
Our audit approach	Our audit procedures included, amongst others, evaluating the appropriateness of MBE's accounting policies related to the estimation of the provision for expected credit loss in accordance with the relevant paragraphs and application guidance of IFRS 9. We also obtained an understanding of the estimation process, as relevant to our audit of the financial statements. We evaluated the design and implementation of internal controls relevant to the lending and credit risk management processes. With the support of our own credit risk modelling specialists, we evaluated the appropriateness of the models used by MBE for collectively determined provisions and verified whether the model was adequately designed and implemented. In addition, we performed retrospective testing procedures by comparing modelled predictions to actual results. We performed substantive procedures, including the reconciliation of the data used in the model calculations and disclosures to source systems. We made an overall assessment of the provision levels by risk stage to determine if they were reasonable considering the risk profile of the loans and advances to customers, arrears management and credit risk management practices such as guarantees and pledge agreements. We challenged the criteria used to allocate loans and advances to risk stage 1, 2 or 3 in accordance with IFRS 9 and tested a sample of loans on appropriate stage allocation. We also evaluated the provision for expected credit loss on stage 3 exposures which are calculated individually. Finally, we evaluated the adequacy and completeness of the related disclosures in accordance with the relevant paragraphs and application guidance of IFRS 7 'Financial instruments: disclosures'. In particular we evaluated that disclosures are sufficiently detailed and convey the degree of estimation uncertainty.
Key observations	Based on our procedures performed we consider the estimation of and disclosures on the provision for expected credit loss on loans and advances to customers to be reasonable and in accordance with Part 9 of the book 2 of the Dutch Civil Code.

Completeness and accuracy of commission income	
Risk	MBE recognizes income from fees in respect of banking services. Fees that are an integral part of the effective interest rate of a financial instrument are presented as interest and similar income. Fees which do not have the character of interest are presented as commission income. Commissions that have the character of interest have been disclosed in notes 4b and 5.7.25, and commission income that does not have the character of interest has been disclosed in notes 4c and 5.7.27 to the financial statements. The completeness and accuracy of revenue recognition is considered a key audit matter due to the pervasive impact on the bank's financial statements and as described in the section Our audit response related to fraud risks the presumed risks of fraud in revenue recognition. Due to the nature of commission income, whereby depending on specific circumstances, the commission is presented as interest and similar income or commission income, we focused our attention on this revenue stream.

Completeness and accuracy of commission income	
Our audit approach	Our audit procedures included obtaining an understanding of the different sources of income as part of our planning and risk assessment procedures. We evaluated the appropriateness of MBE's accounting policies related to fees in respect of banking services in accordance with Part 9 of Book 2 of the Dutch Civil Code. We have evaluated the design and implementation of the controls on the lending processes that generate fee income. As part of our substantive audit procedures, we have performed analytical procedures and detailed testing on fees. For a sample of transactions, we traced and agreed the recorded fees for banking services to underlying source documentation. We performed tests of details by recalculating the revenues based upon the contractual details, with a specific focus on one-off commissions. We verified correct recognition of either interest income or commission income, including cut-off. With the support of transfer pricing specialists, we determined that the revenue recognized on related party transactions is generated in the normal course of business and at an arm's length basis. Finally, we evaluated the adequacy of the related disclosures.
Key observations	Based on our procedures performed we consider the commission income to be reasonable and in compliance with the relevant accounting standards.

Reliability and continuity of IT environment	
Risk	The activities and financial reporting of MBE are highly dependent on the reliability and continuity of the IT environment. Effective general IT controls with respect to change management, logical access, and operations, support the integrity and continuity of the IT systems as well as the operating effectiveness of the automated controls. The dependency on IT environment could lead to undetected misstatements in financial reporting. Such controls contribute to mitigating the risk of potential fraud or errors as a result of changes to applications and data. The IT environment of MBE is characterized by a high level of outsourcing to other Mizuho Group entities. As described in section 3.5 of the report of the management board, information security, outsourcing risks and data management have the attention of the management board and the supervisory board. As appropriate control on the IT environment, including outsourced services to other Mizuho Group entities, is fundamental to financial reporting, we consider reliability and continuity of the IT environment to be a key audit matter.
Our audit approach	Our audit procedures included obtaining an understanding of the IT environment, outsourced services to other Mizuho Group entities and cyber security as part of our planning and risk assessment procedures to the extent necessary for the scope of our audit of the financial statements. We evaluated the design and tested operating effectiveness of IT general controls over the applications, operating systems and databases that are relevant to financial reporting. We included IT auditors in our audit team to assess the IT applications managed at MBE and at other Mizuho Group entities in the United Kingdom and Japan. We tested user access by assessing the controls in place for in-scope applications, in particular those pertaining to the addition and periodic recertification of user access. We tested change management controls in relation to amendments to applications, and assessed IT application controls and data interface controls. Where control deficiencies were identified, we tested remediation activities performed by management and compensating controls in place and assessed what additional testing procedures were necessary to mitigate any residual risk.
Key observations	Our testing of the general IT controls and the substantive tests performed, provided sufficient evidence to enable us to rely on the adequate and continued operation of the IT systems relevant for our audit of the financial statements.

Report on other information included in the annual report

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

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

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

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

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

Report on other legal and regulatory requirements

Engagement

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

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

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

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

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

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

Our responsibilities for the audit of the financial statements

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

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

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

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

Our audit further included among others:

- Performing audit procedures responsive to the risks identified, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

Communication

We communicate with the supervisory board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit. In this respect we also submit an additional report to the audit & compliance committee of the supervisory board in accordance with Article 11 of the EU Regulation on specific requirements regarding statutory audit of public-interest entities. The information included in this additional report is consistent with our audit opinion in this auditor's report.

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

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

Amsterdam, 21 March 2024

Ernst & Young Accountants LLP

signed by P.J.A.J. Nijssen