FINANCIAL STATEMENTS

31 DECEMBER 2021

MUFG Securities (Europe) N.V.
A member of MUFG, a global financial group

Contents

Letter from the Chair of the Supervisory Board

On 22nd March 2018, MUFG Securities (Europe) N.V. ("MUS(EU)" / the "Company") was incorporated and registered in Amsterdam, the Netherlands. MUS(EU) is a wholly owned subsidiary of MUFG Securities EMEA plc ("MUS(EMEA)") based in London.

MUS(EU) provides investment services and performs investment activities within the meaning of the Act on Financial Supervision (Wet op het financieel toezicht). In particular, the Company provides client solutions across primary and secondary markets and actively trades in fixed income products. The client group includes European financial institutions, corporations and central banks. The Company primarily supports this client group from its base in Amsterdam and additionally operates a branch in Paris.

MUS(EU) was granted a MiFID II investment firm licence in the Netherlands in December 2018.

The Supervisory Board would like to express its sincere gratitude to Management Board and all employees for their dedication and team spirit during a period of considerable challenge and uncertainty.

Amsterdam, 10th of June 2022

Mr. Wietze Reehoorn, Chair of the Supervisory Board

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Directors' Report

The Directors' Report is prepared by the Management Board in accordance with Title 9, Book 2 of the Dutch Civil Law. References to the Board of Directors ("the Board") throughout this document shall refer to the Management Board.

Background

MUS(EU) is the European capital markets subsidiary of MUFG Securities EMEA plc which is the international capital markets subsidiary of Mitsubishi UFJ Securities Holdings Co. Ltd. ("MUSHD"). MUSHD's and MUS(EMEA)'s ultimate holding company is Mitsubishi UFJ Financial Group, Inc. ("MUFG").

After the outcome of the UK Referendum on EU Membership ("Brexit"), MUS(EMEA) actively assessed and considered the impact of Brexit on its ability to continue servicing European Economic Area ("E.E.A.") domiciled clients. In order to continue servicing these E.E.A. clients, MUS(EMEA) established the wholly owned subsidiary MUS(EU) on 22 March 2018. MUS(EU), including its Paris branch, are key for the continuation of MUFG's services to clients across the E.E.A.

After the transition period that ended on 31 December 2020, the UK officially left the EU with a Brexit deal approved by the UK parliament, followed by the approval of the EU parliament in January 2021. As a result, UK-based investment firms are not allowed to conduct securities business directly with EU-based corporate and smaller financial institutional counterparties without having a local presence in the relevant jurisdiction nor did they require additional local licensing. MUS (EU)'s business model is appropriate for this outcome and financial year 2021 have proven MUS (EU)'s readiness for Brexit.

Principal activities

MUS(EU) provides client solutions across primary (debt capital) and secondary markets - predominantly bonds, repurchase agreements and derivatives. The client group includes professional and eligible counterparties such as financial institutions and large corporations.

The principal activities of the Company remain largely consistent with those disclosed in the previous year financial statements.

The Company supports this client group from its head office in Amsterdam and its branch in Paris.

Results

The profit for the accounting period 1 January 2021 to 31 December 2021, after tax, amounted to €10.9 million (the period ending 31 December 2020: €11.7 million). The general meeting of the shareholder determines the allocation of this profit. The results are set out on page 27.

The financial statements of the Company are prepared in accordance with International Financial Reporting Standards ("IFRS") as adopted by the European Union and Dutch Civil and Corporate Law.

Business review, future development and strategy

The Company reported a total operating income of €48.3 million (the period ending 31 December 2020: €44.2 million) during the year 2021. Revenue drivers evidence the breadth of the business and client offering across the Company with notable income within both primary and secondary business lines (including service fee income related to inter-group service arrangements in place between MUS(EMEA) and MUS(EU)).

The persistent low interest rate environment and continued market uncertainty are driving challenging market conditions, but also presented opportunities through increased client demand for financial solutions. The Company has positioned itself well, ensuring appropriate availability and application of both capital and liquidity in order to facilitate client requirements. Despite the impact of COVID-19, Debt Capital Markets was able to secure strong origination and underwriting mandates on a range of notable client names in helping address their financing needs. The Credit Sales desk serviced institutional investors and supported trading desks in sourcing and placement of corporate bonds. Derivatives Solutions and repo trading further increased their business in 2021. The overall impact of COVID-19 on business and revenues has been limited.

Recent geopolitical developments in Eastern Europe are being monitored and assessed by management. Exposure analysis as at late-February 2022 confirms the Company has no direct exposure to the Russian Federation and Ukraine. Additionally, country limits have been amended, risk forums engaged and relevant staff mobilised as appropriate in order to react to any emerging risks.

The Company remains focused on cost control, with appropriate management tracking of spending, the right-sizing and repositioning of our resource base as well as strong remuneration governance. Considering the relatively new state of the Company, the Directors will continually balance costs versus business opportunities to ensure the ongoing viability of MUS(EU).

Collaboration and integration with other entities across the MUS(EMEA) and the MUFG Bank network represent primary enablers in our focus to deliver comprehensive client solutions. These solutions include a focus on origination, structuring and distribution across our core corporate banking as well as securities products thereby presenting MUFG as a key financial partner to our clients.

Revenue results have been achieved whilst maintaining Value at Risk ("VaR") metrics within internal limits set by the Board (refer to page 17). These metrics reflect management's focus on client-led revenues and targeted risk taking, with capital deployment and associated risk management applied where appropriate (refer to page 16).

The Company manages and monitors its capital base to ensure that sufficient capital is available to support future business plans, its risk appetite, and to meet regulatory requirements. The regulatory agenda continues to evolve, and the Company remains well positioned to respond to change whilst maintaining a strong culture of client service.

In line with key regulations, specifically Basel III Leverage Ratio requirements, management has adopted a framework of leverage-based constraints reflective of industry norms and the Company's high quality, and liquid, balance sheet. The Leverage Ratio requirements have been binding on the Company since June 2021. The related profitability impact is mitigated through a selective approach to deployment of available capacity as well as ensuring efficiency. The 2021 closing Leverage Ratio was 7.0% (2020: 7.3%).

Outlook

Management retains a positive outlook, as the Company continues to make progress against its strategic objectives, as outlined in internal medium-term business plans. Management continue to identify opportunities to leverage MUFG's global franchise strength whilst efficiently utilising the Company's capital, infrastructure and staff resources within defined risk appetite parameters. Deepening relationships with our core clients and a focus on expanding the client coverage across the MUFG network sets firm foundations for the ongoing growth of the business.

The Company remains committed to the MUFG-wide Environmental and Social Policy Framework with ongoing integration and definition of this policy likely to influence our business in the future.

The Board monitors the results of the Company by reference to various performance and risk based key metrics including:

- Revenue metrics: total operating income of €48.3 million (the period ending 31 December 2020: €44.2 million) with a focus on quality of earnings and tracking against revenue plans.
- Efficiency metrics: total operating expenses as a percentage of total operating income of 69% (the period ending 31 December 2020: 64%) with a focus on efficient cost deployment.
- Profitability metrics: return on equity ("ROE") calculated as profit attributable to owners of the company (refer to page 26), divided by the average of opening and closing total equity, of 4.8% (the period ending 31 December 2020: 5.7%) with a focus on maximising ROE in the interests of shareholder returns.
- Capital metrics: total capital requirements based on Pillar 1 requirements of €30 million (the period ending 31 December 2020: €16 million) with a focus on optimising capital allocation and drivers of requirements.
- Risk metrics: Total Value at Risk ("VaR"), as defined in the Business and Risk Management section, of €6,000 based on a 95% confidence level (the period ending 31 December 2020: €49,000 based on a 99% confidence level) with a focus on tracking VaR.

Challenges and uncertainties

The Company faces a number of challenges and uncertainties in the normal course of its business. Operational risks are inherent in the Company's business activities. Other uncertainties faced by the Company in the course of its business include: liquidity, funding, credit and market risks; the valuation of financial assets and liabilities in volatile markets; exposure to macro-economic and geopolitical uncertainty; changes to regulatory rules regarding market practices and regulatory capital.

After the transition period that ended on 31 December 2020, the UK officially left the European Union and it is clear that the political situation and hence the market outlook is somewhat uncertain. Management has been, and continues to, actively consider the impact of Brexit on the business and will manage this accordingly. Management is not aware of any specific issues faced by the Company that are not faced by the rest of the financial services sector, and is maintaining communication with market peers and regulators in this regard. MUS(EU) is central for MUFG to its strategy of continuing to service European Economic Area domiciled clients. The repapering and renegotiation of legal contracts across a priority DCM counterparty set has been successfully completed in addition to the bulk of the key trading client relationships. Derivative portfolio novations are being facilitated in line with client requests. Business planning for expected revenues across MUS (EU) does not include any material adverse effects due to Brexit.

De Nederlandsche Bank ("DNB"), the Dutch Central Bank, notified the company that as a consequence of the Investment Firm Regulation ("IFR") / Investment Firm Directive ("IFD"), MUS(EU) is to be categorised as a Credit Institution due to MUFG's group size in Europe and thus needs to apply for a Banking Licence. MUS(EU) has formally submitted the application for the abbreviated Banking Licence in November 2021 and is in discussion with the DNB regarding the licence confirmation decision, which is expected in the course of 2022. In consultation with DNB and Deloitte, the company's management board is required to have an opinion on the legal status of MUS(EU). DNB stated the following:
"Doordat MUFG Securities Europe formeel kwalificeert als "bank" (dat is onafhankelijk van de lopende vergunningsaanvraag), is recentelijk ook het rapportagekader aangepast. MUS(EU) moet nu dezelfde rapportages indienen als andere banken.'
This confirms that MUS(EU) qualifies as a bank from 26th June 2021 onwards, including the requirement to comply with prudential reporting legislation.

From a legal perspective MUS(EU) is in the following situation:

1. All activities pursued by MUS(EU) qualify as Credit Institution ('CI') activities;
2. Currently MUS(EU) is relying on its legacy investment firm license in order to operate such activities. This is a temporary status until the Banking License is obtained, noting no enforcement by DNB has taken place in the interim to pause or cease the activities;
3. MUS(EU) opines that it can continue its activities on the basis that there is a substantial probability of legalization in the near future, noting that a CI license application is ongoing and enforcement would be detrimental to MUS(EU) business due to the lack of a legislative transition period.

MUS(EU) also opines that it does not currently qualify as a Public Interest Entity ('PIE') and that the Dutch Banking Code is not yet applicable due to the omission of a CI license. Once MUS(EU) has obtained a CI license it expects to fully qualify as a PIE and it will comply with all requirements of a PIE and the Dutch Banking Code.

As part of the licence application process, MUS(EU) is implementing a number of changes to its operating model:

- Two Tier board structure has been implemented. Screening of the board members by the DNB is in progress;
- Submission of monthly Liquidity reporting to the DNB commenced July/August 2021;
- Quarterly submission of DNB returns;
- Adjustment of the MUS(EU) management structure is ongoing;
- Ethical business operations: revised policies have been provided to the DNB.

In addition, EU regulations pertaining to the Intermediate Parental Undertaking ('IPU') may have an impact on the business strategy. IPU regulation could have an impact on the combined balance sheet size of all the European MUFG entities and on the amount of capacity allocated by MUFG to the Company. The availability of balance sheet capacity is a key factor supporting trading revenue results.

Financial services firms including MUFG have transitioned demising interbank offered rates ('IBOR') business to suitable alternative rates for all impacted clients. This transition follows extensive working with industry groups and engagement with our clients to support regulatory timeframes for transition. The transition process required, amongst other deliverables, the development of infrastructure to capture new rates in the relevant timeframe, significant client communication as well as related amendment of legal agreements. Client communication included education with respect to key developments of IBOR transition, including following MUFG's adherence to the ISDA protocol during the escrow process and emphasising the importance of the ISDA protocol for contractual certainty. The Company was also fully engaged with central clearers where the transition of centrally cleared contracts followed a standardised approach. Transition efforts are expected to continue well beyond the current year given certain USD tenors will continue to be published in to June 2023.

Management are confident the Company will successfully support remaining transition requirements for clients within required timescales and ensure any material risks are appropriately mitigated.

Recent geopolitical developments in Eastern Europe are being monitored and assessed by management. Exposure analysis as at late-February 2022 confirms the Company has no direct exposure to the Russian Federation and Ukraine. Additionally, country limits have been amended, risk forums engaged and relevant staff mobilised as appropriate in order to react to any emerging risks. The full extent of the consequences and the related impact on the financial performance of the Company is currently uncertain.

Going concern

Taking the above into consideration, including the expected future profitability as evidenced in business plans; capital adequacy and funding availability, as well as the Company continuing to be of strategic importance to MUS(EMEA) and MUSHD, the Board believes it is reasonable to assume that the Company will have adequate resources in place, or receive future capital injections from the MUFG Group when needed, to continue trading for the foreseeable future. As such, the financial statements have been prepared on the going concern basis.

Risk Management and Internal Control measures

The Board is ultimately responsible for maintaining effective risk management which includes the Company's risk governance structure, the Company's system of internal controls and the Company's internal audit approach. Risk management and internal control activities are performed periodically by the designated person within the Company under supervision of the Board. The Board has introduced risk policies and risk appetite statements on the back of the approved risk policies and risk appetite statements of its parent MUS(EMEA). All policies are approved by the Board.

Under its Terms of Reference, the Risk Management Committee ("RMC") has been established to provide day to day oversight and coordination of the Company's risk management functions in accordance with the limits, strategy and business plan agreed by the Board. The RMC escalates all matters requiring approval to the Board. The Chief Risk and Finance Officer ("CRFO") and the Board have full power and authority to make decisions on all risk issues affecting the company, save for the matters reserved for approval by the Board of Directors. The main purpose of the RMC is to safeguard the financial condition and performance of the firm by assessing the significant risks arising from the activities of the firm and ensuring that these risks are actively managed in light of market conditions. The focus will be on market, credit, operational risks, liquidity and capital management.

Additionally, the CRFO has established a Risk Department within the Risk Unit, for the overall management of specific risks within the Company. The MUS(EU) Risk Unit is supported by risk departments within MUS(EMEA). Below is an overview of the principal risks managed by the RMC in the period 01 January 2021 – 31 December 2021. The risks identified by management are categorised in the Company's material risk classes below:

Strategic Risk: Management's objective is to manage earnings volatility and capital consumption to provide a source of stable, sustainable and diversified profits to the Company. The key and emerging risks for this material risk class are:

- Political impacts through extended post-Brexit financial services negotiations.
- Regulatory influence through enhanced supervision and oversight.

Operational Risk: Management's objective is to manage operational risk so that operational incidents do not materially constrain business activity and that the operational risk profile is conducive to supporting stable and effective market operations. The key and emerging risks for this material risk class are:

- Outsourcing – unable to manage the outsourced services effectively.
- Transactions processing.
- Operational resilience.

Compliance Risk: Management's objective is to manage compliance risk to minimise the possibility of compliance breaches by acting in good faith and undertaking reasonable due diligence. When our behaviour falls short of the standards required it will be addressed through management action with appropriate urgency, integrity and accountability. The key and emerging risks for this material risk class are:

- Outsourcing of KYC/AML.
- Outsourcing of sanctions monitoring.

Conduct Risk: Our objective is to conduct ourselves at all times in a manner consistent with our risk culture and principles, placing the needs of our clients and the integrity of the markets at the heart of all we do. We will maintain appropriate controls and procedures that support the efficient and effective conduct of the markets in which the Company participates and which protect the interests of our clients and other stakeholders. The key and emerging risks for this material risk class are:

- Market manipulation.
- Anti-trust & competition.

Financial Risk: Financial risks are divided into four material risk classes Credit Risk, Market Risk, Capital Risk, and Liquidity Risk. The financial material risk classes are monitored by the RMC in combination with the other risk classes.

The Board is of the opinion that, to the best of its knowledge:

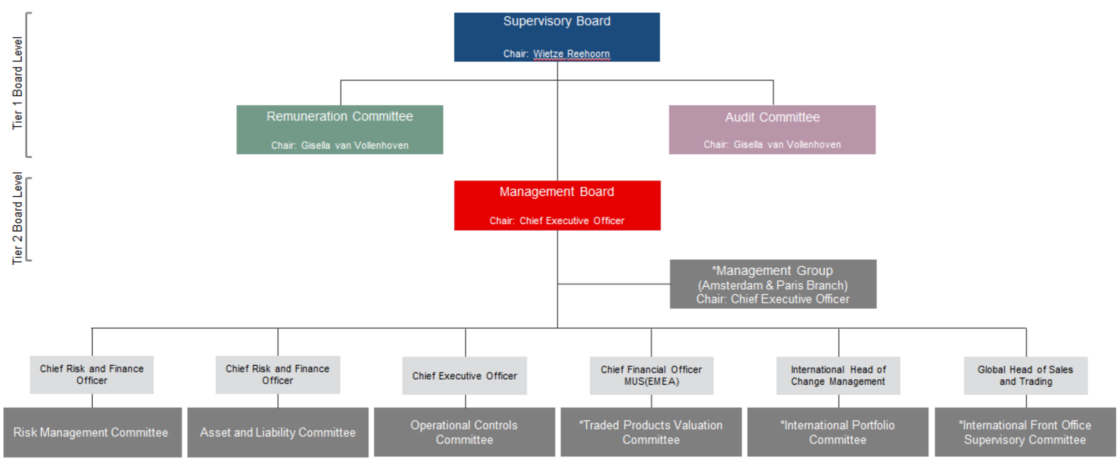
- The annual report provides sufficient insights into any deficiencies in the effectiveness of the internal risk and control systems.
- Deficiencies in the effectiveness of the internal risk and control systems have been identified.
- The internal risk management and control systems of the Company provide reasonable assurance that the financial reporting, as included in the financial statements, does not contain any material inaccuracies.
- There is reasonable expectation that the Company will be able to continue its operations and meet its liabilities for at least twelve months, therefore, it is appropriate to adopt the going concern basis in preparing the annual accounts.
- There are no material risks or uncertainties that could reasonably be expected to have a material adverse effect on the Company's continuity in the coming twelve months.

Use of financial instruments and risk management

The Company trades predominantly bonds, repurchase agreements and derivatives. Information regarding the use of financial instruments is included within the Business and Risk Management Policies on pages 16 to 24.

Internal structure of the company

December 2021



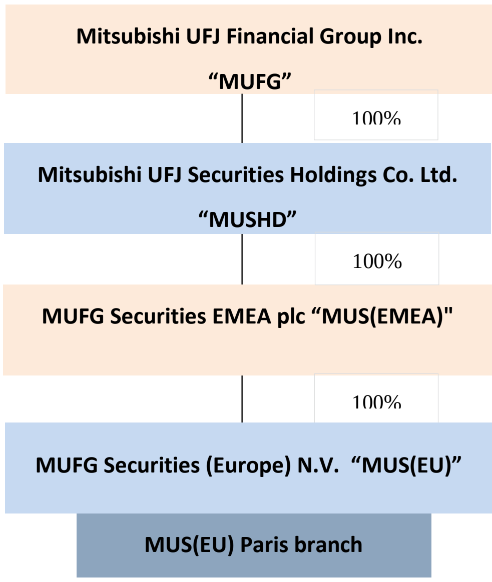
Two Tier Board structure of the Company

Up until 1st October 2021, the Company maintained a one-tier board structure which consisted of Executive Directors and Non-Executive Directors as defined in the Company's Deed of Incorporation. The Chair of the one-tier Board was appointed by the Board from amongst the Non-Executive Directors.

Effective on 1st October 2021, the Company Amended the Deed of Incorporation to reflect the establishment of a two-tier board structure. The two-tier board structure consists of a Management Board, which is comprised of two or more members; and a Supervisory Board, which is comprised of three or more individuals of which at least half will be Independent Supervisory Board members with the members and chair determined by the general meeting.

Each two-tier Board member is responsible for proper performance of the duties assigned to that member and to act in the Company's best interest including its business and its stakeholders such as clients, employees and the shareholder.

The ownership structure of the Company is presented in the chart below:



One-tier Board membership – in place until 30 September 2021

Non-Executive Board Members

The Directors during the year were as follows:

Gordon James Sangster	Chair (Independent Non-Executive Director)	(appointed 22nd March 2019 resigned 30th September 2021)
Christopher David Barnes Kyle	Group Non-Executive Director	(appointed 9th September 2019 resigned 30th September 2021)

Executive Board Members

The Directors during the year were as follows:

Yashima Akanuma	Executive Member and Chief Executive Officer	(appointed 29th July 2019)
Jeffrey Wayne Simmons	Executive Member	(appointed 17th July 2018)

For the period outlined above, the Board of Directors was comprised of one independent Non-Executive Director who was also the Chair, one Group Non-Executive Director and two Executive Directors. Group Non-Executive Directors are employed by another MUFG Group company and undertake other roles within the Group, in addition to their directorship of the Company.

Two-tier Board membership – in place from 1 October 2021

Independent Non-Executive Supervisory Board members

The Directors during the year were as follows:

Wietze Reehoorn	Chair (Independent Non-Executive Director)	(appointed 1st October 2021)
Gisella van Vollenhoven	Independent Non-Executive Director	(appointed 1st October 2021)
Colleen Frances Stack	Group Non-Executive Director	(appointed 1st October 2021)

Executive Management Board members

Effective 1st October 2021, with the implementation of the two-tier Board structure, the Executive Board Members became members of the Management Board.

For the period outlined above, the Supervisory Board of Directors was comprised of two independent Non-Executive Director, and one Group Non-Executive Director. Group Non-Executive Directors are employed by another MUFG Group company and undertake other roles within the Group, in addition to their directorship of the Company.

Biographies of each of the Directors can be found below.

One-Tier Management Board - Board of Directors

Gordon James Sangster Chair Independent Non-Executive Director Appointed: 22nd Mar 2019 Resigned: 30th Sept 2021	**Skills and experience:** Mr Sangster has a broad international experience of bank treasury, the trading and oversight of fixed income products, middle office controls, back office functions, stress testing, regulatory engagement and legal entity board memberships. Mr Sangster previously worked at Bank of America for 34 years. His last role was Managing Director and Treasurer of Asia Pacific and a member of the Regional Executive Committee, Regional Control Committee and Chair of International BSLMC. His non-executive experience includes terms with CEDEL, MBNA Credit Card, CLS Holdings and CLS Bank. **Other appointments:** • Independent Non-Executive Director of the MUFG Securities EMEA plc (until 31st Oct 2021) • Independent Non-Executive Director of MUFG Securities Asia Limited (until 30th Jun 2021)
Christopher David Barnes Kyle Group Non-Executive Director Appointed: 9th Sept 2019 Resigned: 30th Sept 2021	**Skills and experience:** Mr Kyle is a highly experienced Chief Financial Officer with 30 years of experience in financial services. Prior to joining MUFG, Mr Kyle held a number of senior roles, including Head of Logistics, Finance and Change, Markets at RBS and Chief Operating Officer of the Global Investment Bank Division of Barclays Capital. **Other appointments:** • Chief Financial Officer of the Company's parent MUFG Securities EMEA plc.
Yashima Akanuma Executive Member & CEO Appointed: 29th Jul 2019	**Skills and experience:** Mr Akanuma has 29 years of experience in global markets within MUFG and has held senior positions at MUFG across Structured Products, Commodities, Credit, Derivatives and Capital Markets. Most recently the Chief Executive Officer of MUFG Securities Asia (Singapore), Mr Akanuma joined the Singapore business in 2014 and has helped establish positive relationships with the local regulators for the securities business and has enhanced working partnerships with all parts of MUFG in the Asia region. **Other appointments:** • None.
Jeffrey Wayne Simmons Executive Member Appointed: 17th Jul 2018	**Skills and experience:** Mr Simmons has 30 years' experience in Banking coupled with 10 years in Finance. He has had various senior roles specialising in best practice Risk Management including Market Risk, Credit Risk, Risk Model Validation and Regulatory Risk consulting. As well as line management responsibilities in various institutions he has also gained extensive experience in implementing Risk Management frameworks from both a technical and operating model based perspective. Most recently he has been involved intensively with the implementation of the Operations and Risk Management functions in MUS(EU) where he acts as the Chief Risk and Finance Officer[1]. **Other appointments**: • None.

[1] As of 1st October 2021 the role of Chief Risk Officer ("CRO") was replaced with the role of Chief Risk and Finance Officer ("CRFO") and Jeff Simmons transitioned from CRO to CRFO. In addition the Head of Support and Control role was abolished and the responsibilities were split across the CRFO and CEO.

Supervisory Board members – from 1st October 2021

Wietze Reehoorn Chair Independent Non-Executive Director Appointed: 1st Oct 2021	**Skills and experience:** Mr Reehoorn has 30 years of executive level experience the majority of which has been spent at ABN Amro Bank N.V. He has held a number of commercial and corporate banking roles as well as risk and strategy/ corporate development roles. These roles include: Chief Risk Officer and Chief Strategy Officer; Chief Executive Officer of Merchant Banking, Head of Commercial and Corporate Banking and Head of Financial Restructuring and Recovery for Europe. Mr Reehoorn also served as member of the Management Board of ABN Amro Bank N.V. for eight years. Since leaving ABN Amro in 2018, Mr Reehoorn has been increasingly involved in a number of non-executive roles in various international companies / banks. **Other appointments:** • Chair Supervisory Board MUFG Bank (Europe) N.V. (2020 to present) • Members of Supervisory Board, Anthos Private Wealth Management BV (2020 to present) • Member Supervisory Council / Chair Audit Committee, Rijksuniversiteit Groningen(2014 to present) • Chair Supervisory Council, Stichting Topsport Community (2014 to present) • Member Supervisory Council / Chair of Audit Committee, Frans Hals Museum (2016 to present) • Board Member, Abe Bonnema Stichting (2015 to present) • Director, Member Investment Committee, Koninklijke Hollandsche Maatschappij der Wetenschappen (2018 to present) • Member of Board of Directors / Chair of Board Strategy & Transformation Committee / Chair of Board Corporate Governance and Nomination Committee / Member of Board Risk Committee / Member of Audit Committee, National Bank of Greece (2019 to present)

Gisella van Vollenhoven
 	
Independent Non-Executive Director
 	
Appointed: 1st Oct 2021
	Skills and experience: Ms van Vollenhoven has extensive experience in the financial sector. This experience includes Retail Banking, Insurance, Pensions, Risk Management, Supervisor, Actuary.
	
	Ms van Vollenhoven has served as a member of the Supervisory Board for several companies since 2018 as outlined below. Prior to that Ms van Vollenhoven held a number of executive positions at de Nederlansche Bank, including: the Division Director for Supervision Pension Funds; Division Director Onsite Supervision Banking Expertise; and Head of Department Supervisory Policy Insurance & Pensions. Ms van Vollenhoven also held the following positions at ING, Head of Model Validation Corporate Risk Management for ING Group and Bank; and Director Credit Risk Management for ING Retail Netherlands.
	
	Other appointments:
	• Member Supervisory Board / Chair Audit Risk and Compliance Committee, MUFG Bank (Europe) N.V. (2020 to present)
	• Member Supervisory Board / Chair Risk and Audit Committee, Bunq (2020 to present)
	• Member Supervisory Board Pensionfund Vervoer (2020 to present)
	• Member Supervisory Board / Chair Remuneration Committee / Member Appointment Committee, a.s.r. verzekeringen (2019 to present)
	• Member Supervisory Board / Vice Chair / Chair Remuneration Committee, Waarborgfonds Social Woningbouw (2018 to present)
	Ancillary positions:
	  • Member Strategic Audit Committee, Ministry of Foreign Affairs
	  • Council to the Ondernemingskamer, Gerechtshof Amsterdam
	  • Associated Partner Riskquest
	  • Member Curatorium Education "Risk Management in Financial Institutions"

Colleen Frances Stack Group Non-Executive Director Appointed: 1st Oct 2021	**Skills and experience:** Ms Stack has served as the Regional Head of the Global Financial Crime Division in EMEA for MUFG Bank and MUFG Securities since 2018. In her capacity as such, Ms Stack is an SMF-18 Money Laundering Reporting Officer. She is responsible for designing, executing and overseeing the financial crime frameworks across all markets in the EMEA region where Bank and Securities operate. She manages a staff of over 160 FTE and is also a member of the EMEA Management Committee. Prior to joining MUFG, Ms Stack was the Global Head of Reputational Risk and Client Selection at HSBC Bank plc for four years. She managed reputational and client relationship risk and facilitated the Global Reputational Risk Committee. Prior to her role at HSBC, Ms Stack served on the US Department of the Treasury in the Office of Terrorist Financing and Financial Crime as Director of Global Affairs and member of the Senior Executive Service. Ms Stack was responsible for developing innovative strategies for deploying targeted financial measures in countering all forms of illicit finance threats. Ms Stack was also commissioned by the US Department of Treasury as a Foreign Service Officer and worked in a variety of roles in offices in Russia, Washington DC and Japan. **Other appointments:** • None.

Chair and Chief Executive Officer: separation of responsibilities

The principal responsibility of Mr Wietze Reehoorn is the effective running of the Supervisory Board. The Supervisory Board Chair is not responsible for executive management matters regarding the Company's business.

The Chief Executive Officer ("CEO") is the only Executive Director who reports directly to the Supervisory Board Chair. In his role as CEO, Mr. Yashima Akanuma is responsible for all executive management matters affecting the Company. Mr Akanuma is responsible for proposing and developing the Company's strategy and overall commercial objectives, which he does in close consultation with Mr Reehoorn and the Supervisory Board.

Directors' and officers' indemnities

The Company maintained insurance against liabilities for all Directors and officers of the Company during the financial period and at the date of this report.

Roles of the Supervisory Board and Management Board[2]

The objective of the Supervisory Board is to supervise the policy of the Management Board, to supervise compliance with the general course of affairs of the Company and the business connected with it. The Supervisory Board assists the Management Board with advice. The responsibility for the proper performance of its duties is vested collectively in the Supervisory Board. Some of the Board's key responsibilities include (amongst other responsibilities):

- Advise, constructively challenge the Management regarding long term objectives, purpose, valued behaviours;
- Review performance of Management Board in light of strategy, objectives, business plans, budgets;
- Review and Approve the Medium Term Business Plan and Annual Business Plan;
- Oversee and advise on development of culture, values and standards;
- Ensure culture is embedded with the use of appropriate incentives, including remuneration;
- Review whistleblowing arrangements and reports;
- Supervise and advise the Management Board with regard to material risks;
- Supervise and advise the Management Board on the design and effectiveness of internal risk management & control systems;
- Supervise and advise the Management Board on implementation of internal governance & internal control framework;
- Oversee performance of the Company against key financial objectives as set by the Management Board;
- Approve the Company's Annual Report and Accounts;
- Oversee the dividend policy as approved by the Shareholder;
- Approve the amount of final dividend as proposed by the Management Board;
- Approve any significant changes in accounting policies and practices;
- Monitor the implementation of the internal audit plan, post involvement of the Audit Committee;
- Advise and supervise the Management Board on compliance with applicable regulatory rules and requirements;
- Monitor adequate management in relation to the Company's climate-related and Environmental Social Governance ("ESG") risks;
- Approve arrangements for annual and other general meetings;
- Consider and authorise any actual or potential conflicts of interest; and
- Determine, in conjunction with Remuneration Committee, the Company's Remuneration Policy.

The Company's Management Board is chaired by the Chief Executive Officer. The objective of the Management Board is to manage the business of the Company, including the achievement of the Company's objectives, strategy and associated risk profile. The Management Board is accountable for these matters to the Supervisory Board and the general meeting of shareholders of the Company. The responsibility for the management of the Company is vested collectively in the Management Board. When discharging its duties the Management Board shall act in accordance with the interests of the Company and the business connected with it, taking into consideration the interests of the Company's stakeholders. Primary responsibilities of the Management Board include (amongst other responsibilities):

- Set and approve business strategy and key policies;
- Set annual operating and capital expenditure budget;
- Monitor performance of all business areas;
- Create the Medium Term Business Plan and Annual Business Plan;
- Determine the Company's key financial objectives;
- Monitor the Company's overall capital position, financial resources, liquidity and risk profile;
- Decide whether to enter into proposed complex transactions with a stress loss of greater than €5 million;
- Monitor and determine stress scenarios;
- Develop, implement, maintain overall risk appetite and limits;
- Monitor, oversee and decide on matters materially affecting reputation; and
- Oversee the process of disclosure and external communications with stakeholders and authorities.

[2] The Supervisory Board was implemented under the two-tier Board structure on 1st October 2021. Previously the firm operated under a one-tier Board structure.

The Management Board has established certain committees to provide support with specific areas within its remit of responsibilities. Details of each committee's members, responsibilities and work during the period from inception until 31 December 2021 can be found in the below committee reports.

Committee Report

MUS(EU) Risk Management Committee

Objective:	To assist the Chief Risk and Finance Officer[3] in the oversight and coordination of the Company's risk profile in accordance with the appetites and tolerances, limits, strategy and business plans.
Chair:	Chief Risk and Finance Officer
Membership:	Chief Risk and Finance Officer, Head of Paris Branch, Compliance Representative, Head of Legal, Finance Representative
Established:	25th March 2019
Frequency:	Meets monthly
Scope:	Identify and escalate to the Chief Executive Officer issues which have a significant impact on the risk profile of the Company, including recommendations for risk appetite
Committee:	Best Practice/Advisory

MUS(EU) Asset & Liability Committee

Objective:	To monitor and manage or refer to the Board and other appropriate senior management all matters relating to the Company's funding liquidity and capital profile.
Chair:	Chief Risk and Finance Officer
Membership:	Chief Risk and Finance Officer, Chief Executive Officer, Finance Representative, Head of MUS(EMEA) Treasury or Treasury representative
Established:	25th March 2019
Frequency:	Meets monthly
Scope:	Monitor and manage all matters relating to Company's funding liquidity and capital
Committee:	Best Practice/Advisory

MUS(EU) Operational Controls Committee

Objective:	To oversee and challenge the effectiveness of the Company's internal systems and controls, excluding risk functions.
Chair:	Chief Executive Officer
Membership:	Chief Risk and Finance Officer, Head of Legal, Finance Representative, Compliance Representative, Technology & Operations Representative
Established:	25th March 2019
Frequency:	Meets monthly
Scope:	To provide governance and oversight over the Company's key controls
Committee:	Mandatory/Advisory

MUS(EU) Management Group

Objective:	To facilitate the management of the activities of the Company and its Paris Branch on a day-to-day basis, following instructions of the Board and Chief Executive Officer
Chair:	Chief Executive Officer
Membership:	Chief Executive Officer, Chief Risk and Finance Officer, Head of Paris Branch, Head of Capital Markets, Head of Technology & Operations, Head of Credit Sales, Head of Structure Products and Sales, Head of Legal, Head of Compliance, Head of Finance
Established:	25th March 2019
Frequency:	Meets monthly
Scope:	To support the Paris Branch Head in the management of the Paris Branch, and ensure the Paris Branch's adherence to regulatory requirements
Committee:	Discussion Forum

[3] As of 1st October 2021 the role of Chief Risk Officer ("CRO") was replaced with the role of Chief Risk and Finance Officer ("CRFO") and Jeff Simmons transitioned from CRO to CRFO. In addition the Head of Support and Control role was abolished and the responsibilities were split across the CRFO and CEO.

Audit Committee[4]

Objective:	To assist the Board of Directors / Supervisory Board in their oversight of (i) the integrity of the Company's financial statements and other financial information provided to its shareholders, creditors, regulators or other third parties; (ii) the Company's internal controls and risk management systems; (iii) the performance of the Company's internal and external auditors; (iv) the Company's auditing, accounting and financial reporting processes generally. The Committee is responsible for, among other things, determining whether the Company's internal controls over financial reporting are appropriate to the risks they are designed to monitor.
Chair:	Stephen Jack (up until 30 September 2021) Gisella van Vollenhoven (from 1st October 2021)
Membership:	Up until 30 September 2021 members consisted of: Stephen Jack, Gordon Sangster and Eileen Taylor From 1st October 2021 members consisted of: Gisella van Vollenhoven, Wietze Reehoorn and Colleen Stack
Established:	29 April 2020
Frequency:	Meets quarterly and as required
Committee:	Advisory and Decision making

Remuneration Committee[4]

Objective:	To act as an independent oversight body for the purposes of considering and approving remuneration matters in order to meet applicable legal and regulatory requirements in relation to remuneration. The Committee shall make decisions / provide advice which is consistent with the Company's current and future financial status.
Chair:	Eileen Taylor (up until 30 September 2021) Gisella van Vollenhoven (from 1st October 2021)
Membership:	Up until 30 September 2021 members consisted of: Eileen Taylor, Stephen Jack, Gordon Sangster, and Marshall Bailey From 1st October 2021 members consisted of: Gisella van Vollenhoven, Wietze Reehoorn and Colleen Stack
Established:	13 February 2020
Frequency:	Meets approximately six times per year
Committee:	Advisory and Decision making

Executive Committee (transitioned to become the Management Board effective 1st October 2021)

Objective:	To enable the Chair to provide oversight, direction, and coordination of the Company's executive team in accordance with the strategy and business plans agreed by the Board of Directors; and to assist the Chief Executive Officer (CEO) with the performance of such duties and support the CEO in determining adjustments to bonuses as a result of breaches before a report is made by the CEO to the Remuneration Committee.
Chair:	Chief Executive Officer
Membership:	Up until 30 September 2021 members consisted of: Chief Executive Officer, Chief Risk Officer, Head of Paris Branch From 1st October 2021 members consisted of: Chief Executive Officer, Chief Risk and Finance Officer
Established:	22 January 2020
Frequency:	Meets monthly
Committee:	Advisory and Decision making

Compensation

The General Meeting shall determine the remuneration and other terms of employment for each Board Director / Supervisory Board member, in accordance with the relevant statutory provisions and remuneration policy.

Capital and shares

On 31st December 2021 the Company's issued and paid-up capital amounted to €200,045,000 (2020: €200,045,000).

Dividend and distributions

No ordinary dividends were approved or paid during 2021 (2020: nil). The dividend and capital strategy of the Company will evolve with the needs of the business as well as the regulatory environment.

Solvency and Liquidity

The solvency ratio defined as total of equity versus the balance sheet total as per end of the period was 7% (2020: 7%). The Liquidity Coverage Ratio defined as weighted liquid assets versus the net liquidity flows was 562% (2020: 596%), well above the regulatory minimum of 100%.

Subsequent events disclosure

Recent geopolitical developments in Eastern Europe are being monitored and assessed by management. Exposure analysis as at late-February 2022 confirms the Company has no direct exposure to the Russian Federation and Ukraine. Additionally, country limits have been amended, risk forums engaged and relevant staff mobilised as appropriate in order to react to any

[4] Up until 30th September 2021, the Audit Committee and Remuneration Committee were managed as joint committees with the same chair and membership. This structure changed with the creation of the MUS(EU) two-tier Board structure and as of 1st October 2021, standalone committees were created for MUS(EU).

emerging risks. The full extent of the consequences and the related impact on the financial performance of the Company is currently uncertain.

As at the date of signing, the Directors are not aware of other material events which would warrant further disclosure. Refer to Note 18.

Employees

As at 31st December 2021, the Company had 42 employees (2020: 41) and will, if the firms' expectations of ongoing growth and profitability necessitate this, strengthen its workforce base.

The Company places considerable value on the involvement of its employees, has continued to keep them informed on personnel policies or issues, matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, intranet and regular internal communications.
Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. These communications help to achieve a common awareness amongst employees of the financial and economic factors affecting the performance of the Company and the broader MUFG companies.

MUFG group has established a Diversity and Inclusion working group with the objective of maintaining and preserving our culture of high performance in a workplace that respects, appreciates and values individual differences.

Supervisory and Management Board Gender balance

The Supervisory and Management Board are committed to diversity at all levels of the organisation, including on the Supervisory and Management Board itself. The Supervisory and Management Board recognise and embrace the benefits of having diverse boards, and see increasing diversity at Supervisory and Management Board level as an essential element of good corporate governance. Truly diverse boards will include and make good use of differences in, amongst other things, the skills, social and cultural background, race, gender and other distinctions between Directors. These differences will be considered in determining the optimum composition of the Supervisory and Management Board and when possible should be balanced appropriately. All Supervisory and Management Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Supervisory and Management Board as a whole requires to be effective.

In reviewing Supervisory and Management Board composition, the Company will consider the benefits of all aspects of diversity including, but not limited to, those described above in identifying suitable candidates for appointment to the Supervisory and Management Board. The table below sets out the gender diversity of the Supervisory and Management Board.

Name	Gender
Supervisory Board	
Wietze Reehoorn	Male
Gisella van Vollenhoven	Female
Colleen Frances Stack	Female
Management Board	
Yashima Akanuma (Chief Executive Officer)	Male
Jeffrey Simmons (Chief Risk and Finance Officer)	Male

The Company intends to realise an evenly balanced distribution of seats in the future by hiring appropriately qualified females if Directors' seats become vacant.

Corporate social responsibility

Our Corporate Social Responsibility ("CSR") strategy is founded on a determination to become the world's most trusted financial group. Building trusted relationships with our local communities across EMEA is pivotal to our long term success. Our CSR programme underpins that trust and enables us to actively respond to the needs of the communities in which we operate and deliver positive and sustainable impact.

To achieve this, we support people, charities and the natural environment in communities where MUFG operates with our focus pillars. Having seen the huge socio-economic impact of the COVID-19 pandemic, this year, we have taken the time to reflect on the changing needs of our communities and have repositioned our CSR strategy so we can respond appropriately.

Disclosure of information to the auditor

The Company's external auditor, Deloitte Accountants B.V. ("Deloitte"), was appointed as of incorporation of the Company. The Directors who held office at the date of approval of this Directors' Report confirm that, so far as they are each aware, there is no relevant audit information of which the Company's auditor is unaware; and each Director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Company's auditor is aware of the same information.

Deloitte Accountants B.V. has expressed willingness to continue in office as auditor.

Business and Risk Management Policies

Risk Management Framework

The Company maintains positions in financial instruments as an integral part of daily market activities. These positions are held as part of portfolios that are maintained and monitored by instrument or risk type. The risk appetite is set by the Board and individual trading areas are allocated risk limits based on a wide range of market factors and are required to maintain portfolios within those limits. As such they are responsible for maintaining hedges, if applicable, in the portfolios. A more detailed explanation of risk strategy and factors is given below.

Committees and Corporate Structure

1. Management Board ("the Board")

The responsibility for risk management resides with the Board. As part of the Company's business strategy, the Board considers the risks to which the Company is exposed, and specifies an appetite and management strategy for each of these risks. The primary financial, operational and reputational risks are defined and discussed in further detail in the following sections.

The Board has approved an enterprise-wide risk management framework for the Company which describes the Company's approach to risk appetite, strategy, governance, reporting and controls to ensure that risks taken are appropriately measured, monitored, reported, controlled and limited to the confines of the Company's risk appetite. The Board is ultimately responsible for reviewing the adequacy of the enterprise-wide risk management framework. The Directors consider that the framework currently in place is adequate.

2. Risk structure and other committees

Day-to-day risk management is the responsibility of all employees of the Company. Accountability for second line risk management, with the exception of compliance, conduct and reputational risk, resides with the Chief Risk and Finance Officer, who reports directly to the Chief Executive Officer. Market, credit, operational, legal, conduct, compliance and model risk are overseen by the RMC.

On a day to day basis, Liquidity and capital risk is overseen by the Asset and Liability Committee ("ALCO"), which is chaired by the Chief Risk and Finance Officer. Decision related to liquidity and capital risks are recommended to the Board for approval.

The Company's risk committee and corporate structure as at 31 December 2021 is illustrated on page 7.

3. Three Lines of Defence - MUS(EU)'s governance of risk is centred on a three lines of defence approach:

First Line of Defence (Business Management) – Front Office and functional support departments/functions

Department/Function Heads and all Front Office staff responsible for:

- Identifying, managing and owning the risks inherent in their business activities;
- Identifying the necessary appetite for those risks required to support their business plan and the overall strategy of the business;
- Remaining within the established risk appetite and in adherence with the framework and its related policies and procedures;
- Self-identifying risks and issues and driving remediation of control weaknesses;
- Supervision, ensuring competence and training of their staff; and
- Escalate risk issues to the appropriate Committee, i.e. Management Committee, Risk Management Committee and the Asset and Liability Committee, where relevant.

Second Line of Defence (Challenge and Risk Control) – Risk Management Departments, Compliance and other Control support departments

Independent of Front Office, led by the Chief Risk and Finance Officer, responsible for:

- Enable the Company to maintain a system of checks and balances;
- Implementation of the framework in conjunction with the first line –comprising risk appetite and risk policies;
- Setting the risk appetite in conjunction with the first line;
- Ensuring that the business operates within the appetite established;
- Challenge the business strategy to ensure it aligns with the framework;
- Self-identifying risks and issues and driving remediation of control weaknesses;
- Escalate risk issues to the appropriate Committee, i.e. Management Committees, Risk Management Committee and the Asset and Liability Committee, where relevant.; and
- The risk function and the Risk Management Committee have a reporting line to the Board, independent of the CEO.

Third Line of Defence (Assurance) – Internal Audit
Assurance role carried out by Internal Audit responsible for:
- Independent opinion to Senior Management and the Audit Committee of the Supervisory Board;
- Objective appraisal of the adequacy and effectiveness of the internal control systems designed and installed by Senior Management and their remediation;
- Reports to Senior Management on whether the control systems are fulfilling, or are likely to fulfil, the control objectives of the Company; and
- Independent reporting line to the Chair of the Audit Committee of the Supervisory Board.

Risk Appetite and Risk Limits framework
Central to the Company's risk management is a clear risk appetite, consistent with its business profile and plans, as well as a strong and independent review and challenge structure. This facilitates optimisation of risk/return and it assists Senior Management to effectively control and coordinate risk taking across the business. The Company's risk appetite is specified by the Board through a number of metrics including capital, liquidity, earnings volatility, market, operational and credit risk. It is reviewed at regular meetings of the Board and recalibrated annually as part of the Company's budget and planning process. The risk appetite is cascaded through the Company via the allocation of limits to front office departments and individual traders.

Risk limits impose an upper constraint on the level of exposure to a particular factor or a combination of factors. Limits are imposed to express the Board and Senior Management's appetite for certain risk types and to facilitate prudent allocation of such risk appetite to individual risk takers or group of risk takers, taking client needs and revenue targets into consideration. These are set at the Company, business unit, department, and trader level and risk limits are monitored daily. The establishment of the risk appetite is largely a top down process and is supplemented and reinforced by a bottom up approach to risk identification, the results of which are maintained in the Company's risk register.

Policy Structure
The Company establishes and is subject to risk management policies. These policies formalise the behaviours and standards expected in support of the risk culture. Policies are established across each primary risk type to formalise the processes by which business activities should fall within the appetite for each risk. Additionally, risk policies are established to ensure quality of risk measurement, risk monitoring, and appropriate avenues for escalation to occur.

The Company has established formal processes governing new activities (i.e. new business, complex transactions and new product mandates), which support the identification of any additional risk to the Company and ensure that the risks related to the proposal are within the risk appetite of the Company and has the support of the Company's risk management functions.

Risk Management by Risk Type

Market Risk

Market risk is the risk of losses from movements in market prices in the trading portfolio. The Company uses a variety of risk measures to quantify and control this risk, with the overall objective of ensuring that potential losses arising from market risk remain within the appetite set by the Board:

- Value at Risk ("VaR"), Stressed Value at Risk ("SVaR"), and Incremental Risk Charge ("IRC") measures provide aggregate indicators of potential losses, subject to stated confidence levels and holding periods
- Risk factor sensitivities measure the impact of moves in each risk factor, allowing concentrations of risk to be identified and controlled
- Stress testing is used to monitor and control the exposure of the portfolio to extreme moves in market rates and prices A range of stress tests is run, covering exposures to relevant market factors and scenarios in various market conditions
- drawdown limits monitor actual losses at Company and department level.

Day–to-day responsibility for the management of market risk resides with the front office departments and responsibility for second line review, challenge and oversight is with the Market Risk Management department. The Risk Analytics Group is responsible for the design of new market risk management models. Daily market risk reports are prepared for senior management and trading departments using the Company's in house and vendor systems.

The Company makes use of a range of quantitative measures for the monitoring of market risk.

<u>VaR Modelling</u>
The VaR of a trading book is an estimate of the potential loss on risk positions as a result of movements in market rates and prices over a specific time horizon and to a given confidence level.

The Company uses VaR methodologies to monitor the price risks arising from different trading books across portfolios. This is measured based on a 1 day holding period using confidence levels of 99% and 95% for internal VaR respectively. The internal VaR confidence level was changed from 99% to 95% in 2020, to align measurements across the MUFG Group.

Actual profit and loss outcomes are also monitored to test the validity of the assumptions made in the calculation of VaR. The VaR outputs are based on a full revaluation historical simulation model and a 2 year and 1 year data window for internal VaR respectively.

The Company additionally calculates SVaR using an appropriately stressed 1-year lookback period as required by regulatory rules.

VaR Backtesting
The Company carries out a daily comparison of end of day VaR measures to the 1-day change of the portfolio's value on the day the profit and loss figures are produced. In 2021 the number of occasions on which actual trading book outcomes exceeded the previous day's VaR was within the acceptable tolerances of the model. In addition to the VaR backtesting at the aggregate Company level, the Company conducts backtesting on a number of sub-portfolios across the different business units.

Stressed VaR
The Company calculates SVaR based on inputs calibrated to historical data from a continuous 12-month period of significant financial stress relevant to the Company's portfolio.

Risks Not In VaR
The Company calculates additional capital under its Risks Not in VaR framework for certain risk factors that are not fully captured in VaR.

Incremental Risk Charge
The Company calculates IRC which captures risk from the default and rating migration of non-securitised credit exposures in the trading book. IRC is calculated using a Monte Carlo model of portfolio rating migration and default. Risk is measured over a 1 year horizon to a confidence level of 99.9% and is calculated on current positions assuming that risk will be at similar levels throughout the year.

VaR considered in isolation has limitations which are listed below in further detail. The Company also uses a wide range of other risk limits, for example stop-loss limits, risk factor sensitivity limits or stress limits, to manage its exposures.

The Company's VaR has the following limitations:
- Calculations are based on historical data which may not be the best estimate of risk factor changes that will occur in the future
- In transforming historical data into future scenarios the Company makes assumptions that may not be the best estimate of how changes will occur in the future
- Focusing on the maximum loss that is expected to be incurred 99% (or 95%) of the time says little about the smaller losses that are expected to be incurred more frequently, or the larger losses in excess of VaR that are expected to be incurred 1% (or 5%) of the time
- VaR is generally based on calculations performed at the end of each business day. The end-of-day figure may not be representative of the figure at other times of the day.

The following table shows internal VaR figures for 2021. The breakdown in terms of different risk factors is as described below. The "Close" column shows the VaR at the year-end date. The "Average" column shows the average VaR measurement from each trading day in the year and the "Maximum" and "Minimum" columns show the highest and lowest VaR value in the year respectively. "Diversification benefit" is the difference between the simple sum of the VaRs for each risk factor, and the Company's overall VaR, which is based on the simultaneous modelling of all risk factors.

95% VaR as at 31 December 2021	**Close €'000**	**Average €'000**	**Maximum €'000**	**Minimum €'000**
Interest Rate Curve Risk	15.5	37.9	94.4	10.8
Interest Rate Vega Risk	-	-	-	-
Asset Spread Risk	-	2.7	6.0	-
Currency Risk	1.5	3.0	22.3	1.0
Equity Price Risk	-	-	-	-
Equity Vega Risk	-	-	-	-
Inflation Risk	-	-	-	-
Basis Risk	11.1	50.7	116.9	8.5
Diversification benefit	(22.0)	n/a	n/a	n/a
Total VaR	**6.0**	**23.6**	**54.7**	**6.0**

As at 31 December 2020	**Close €'000**	**Average €'000**	**Maximum €'000**	**Minimum €'000**
Interest Rate Curve Risk	42.7	43.0	82.9	1.8
Interest Rate Vega Risk	-	-	-	-
Asset Spread Risk	6.2	8.1	25.3	1.7
Currency Risk	5.9	7.8	18.7	1.9
Equity Price Risk	-	-	-	-
Equity Vega Risk	-	-	-	-
Inflation Risk	-	-	-	-
Basis Risk	87.5	57.6	125.9	1.6
Diversification benefit	(93.2)	n/a	n/a	n/a
Total VaR	**49.2**	**40.6**	**70.0**	**4.0**

Interest Rate Curve Risk
The risk of losses arising from changes in market interest rates.

Interest Rate Vega Risk
The risk of losses arising from change in implied interest rate volatility.

Asset Spread Risk
The risk of losses due to the market price of bonds and credit derivatives attributable to changes in such factors as perceived credit quality or liquidity, as distinct from price changes attributable solely to market interest rates

Currency Risk
The risk of losses arising from changes in market FX rates and changes in implied FX volatility.

Basis Risk
The risk of losses arising from changes in market prices for cross currency basis, tenor basis, and other basis swaps in the interest rate market.

Credit Risk

Credit risk is the risk of loss resulting from client, issuer or counterparty default and arises on credit exposure in all forms, including settlement risk. The Company manages its credit risk in accordance with policies originated and approved within the Company and endorsed by its parent company. Counterparty exposure is managed through a process of credit risk assessment, limit setting, exposure monitoring and exception reporting. The Company assesses the default probabilities of individual counterparties by using a rating methodology incorporating external ratings, the market price of credit risk and internal fundamental analysis.
Day–to-day responsibility for the management of credit risk resides with the front office departments and responsibility for second line review, challenge and oversight is with the Credit Risk Management department. The Credit Risk Management ("CRM") department is organisationally independent from the front office departments, and the Risk Analytics Group which is responsible for the design of new credit risk management models. Daily credit risk exposure reports are prepared for Senior Management and trading departments using the Company's in house and vendor systems. Their objective is to:

- Identify, quantify, monitor and control credit risk exposure
- Provide sufficient, timely and relevant data of credit risk exposure by counterparty across all product classes and against each respective approved credit limit
- Maintain static data for all counterparties
- Produce timely credit risk reports as appropriate
- Mitigate credit risk by receiving collateral in accordance with the Company's Collateral Policy
- Provide credit portfolio monitoring and analysis.

On a monthly basis, CRM reports the Company's total credit risk exposure to the RMC. Monthly reporting includes amongst other items a review of exposures, limits, concentration by counterparty type, concentration by rating and concentration by geographic profile. The RMC escalates material matters to the Board as required. The Board is the forum where credit policies are reviewed and finally approved.

Credit exposure is normally measured on a net basis i.e. by taking account of received collateral and aggregating trades with both positive and negative values provided that a legally enforceable master netting agreement has been executed that permits close-out netting.

To mitigate derivative counterparty credit risk, the Company has Credit Support Annexes in place with many of its counterparties (this includes the exchange of initial margin with certain non-centrally cleared, over-the-counter derivatives counterparties for in-scope products). In addition, guarantee arrangements are in place with members of MUFG. Risk is managed net of these guarantees. An analysis of the Company's credit exposures is included in Note 22.

Credit Concentration Risk
Credit concentration risk is the risk arising from an uneven distribution of exposures, through single name, sector or geographical concentration. The Company analyses the credit concentrations through its daily credit exposure reports. The Company's exposures are concentrated on intergroup exposure, the financial sector and exposures to Japanese markets and counterparties.

Liquidity Risk

Liquidity risk is the risk that the Company has insufficient resources to meet its financial obligations as they fall due. This risk could arise from both institution specific and market-wide events.

The ultimate responsibility for liquidity risk management sits with the Board who sets the Company's liquidity risk appetite, which expresses the level of risk the Company chooses to take in pursuit of its strategic objectives.

The Board has determined the powers and discretions delegated to the ALCO which meets monthly or on an ad-hoc basis (as appropriate) to:

- Review and define the funding and liquidity risk policy.
- Monitor the Company's liquidity risk profile and review compliance with the Board approved liquidity risk appetite.
- Oversee and review stress testing.
- Measure, monitor and mitigate liquidity risk exposures for the Company.
- Ensure that appropriate business incentives are maintained that reflect the cost and availability of liquidity through the Company's Fund Transfer Pricing ("FTP") process and unsecured funding limit allocation process.
- Review critical liquidity risk factors and prioritise issues arising.
- Review and recommend the Company's funding plans and funding diversification strategy in light of business projections and objectives, to the Board for approval.

The Company uses a variety of quantitative and qualitative measures to monitor the adequacy of the Company's liquidity resources and to ensure an integrated approach to liquidity risk management. This framework incorporates a range of tools described on the following page.

Internal Stress Testing
The Company's primary liquidity stress testing tool is the Maximum Cumulative Outflow Model, which is designed to capture all material drivers of liquidity risk (both on and off balance sheet) under different scenarios, and to determine the size of liquidity resources needed to navigate the stress event. The model has been developed as a synthesis of market practice, regulatory requirements and past experience in stressed market conditions. The scenarios modelled are categorised as baseline (reflective of normal business conditions), systemic (refers to a market-wide liquidity event) and combined (analogous of a combined market and Company specific stress event). Stress testing is conducted on both an aggregated currency basis and by material individual currency.

Funds Transfer Pricing
The Company seeks to align its liquidity risk appetite with the strategic objectives of the business through regulating the demand for liquidity and allocating the cost of liquidity on the basis of unsecured funding usage and underlying liquidity requirements. The ALCO is responsible for the FTP policy framework with ability to escalate matters requiring approval to the Board, and Treasury is responsible for the day to day application of the FTP framework. The cost of funding is allocated to businesses on the basis of the funding requirements to finance current inventory positions and ongoing business activities. The cost of liquidity reserved to cover contingent liquidity outflows is also allocated to the business – this includes liquidity reserved to cover regulatory liquidity requirements.

<u>Funding Plan</u>
The balance sheet projection process balances aggregate business line requests for unsecured funding against Treasury's assessment of the projected balance sheet, funding requirements and capacity for the Company to raise unsecured financing. The ALCO will review and make recommendations to the Board with respect to the approval of funding plans including allocation of funding limits to business lines. This ensures that business activities do not impose an unknown strain on the Company's ability to source adequate liquidity in normal business conditions, and allows Treasury to plan and sustain appropriate levels of liquidity in anticipation of business line funding usage. As part of funding liquidity risk monitoring, Treasury looks at the short- and long-term currency mismatch horizons in accordance with the Board's guideline.

<u>Liquid Asset Buffer</u>
The Company holds its liquidity portfolio in a stock of high-quality government bonds and bonds issued by multi-lateral development banks, local government and agency issuers, as well as central bank deposits (where applicable). The size of the liquidity buffer is calibrated using both the Company's internal stress testing framework and applicable regulatory requirements. The liquidity portfolio is held on an unencumbered basis without restrictions on rehypothecation and with full Company legal ownership. The investment criteria for the liquidity portfolio are reviewed by ALCO and recommended to the Board for approval, with risk limits imposed and monitored by Market Risk Management.

<u>Contingency Funding Plan</u>
The Contingency Funding Plan ("CFP") allows senior management to identify internal and external triggers indicative of a stress event, and initiate the most effective response for stabilising and mitigating liquidity risk exposures through clear operational plans, clearly defined decision making responsibilities and effective communication with both internal and external stakeholders. The CFP also specifies the means through which additional funding should be sourced during a period of heightened liquidity concern.

The Company also maintains detailed recovery plans which consider actions to facilitate recovery or an orderly resolution from a severe stress.

<u>Liquidity Stage Assessment</u>
The principal assessment framework within the Funding Liquidity Risk Management Policy is the liquidity stage assessment. This is a formal assessment of the external environment affecting the Company and other companies within the MUSHD Group.

The liquidity stage is determined by an evaluation of the availability of funding and is monitored through a combination of early warning indicators, the Company's internal stress testing and compliance with regulatory liquidity requirements. Elevation of the liquidity stage is specifically linked to activation of the CFP, which provides a range of mitigating actions to be taken. Such actions are taken following consideration of any relevant market, economic or client impact. In the event the liquidity stage is elevated, formal approval is required from the Board, which will in turn escalate and sanction actions as appropriate. Monitoring of the liquidity stage is conducted at Company and MUSHD level on an on-going basis. Any elevation of liquidity stage risk at the MUSHD level is deemed to represent a worsening of conditions that would impact the Company too. The Funding Liquidity Risk Policy identifies general contingency actions to be taken by departments at each stage.

<u>Asset Encumbrance</u>
Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Due to the nature of its business the Company funds a portion of debt securities via repurchase agreements and other similar secured borrowing. Additionally, debt securities and cash are provided to meet initial and variation margin requirements from central clearing counterparts and margin requirements arising from derivative and repurchase agreements.

The Company monitors the mix of secured and unsecured funding sources and seeks to efficiently utilise collateral to raise secured funding and meet other collateralised obligations.

<u>Regulation</u>
The Company assesses liquidity adequacy as part of its Internal Liquidity Adequacy Assessment Process that it submits to the Regulator. The Company's compliance with prevailing regulatory liquidity requirements including the Liquidity Coverage Ratio are complemented by the internal stress testing framework. The Company manages its liquidity prudently, holding its Liquid Asset Buffer well in excess of the regulatory requirement.

Capital Risk

Capital risk is the risk that the Company has insufficient capital resources to meet the capital requirements that are incurred through execution of the business plan. The Company aims to manage and control its exposure to capital risk through its policies and procedures with objectives of:

- Holding sufficient capital resources to support the risks in which the Company engages
- Identifying an appropriate capital plan to ensure that this objective is maintained over the 3-year business plan horizon
- Managing the relative proportions of the constituent parts of capital resources such that the Company meets these objectives in an efficient manner.

The Company is responsible for the day to day oversight of the Company's capital management with the ability to escalate matters to the Board for approval. The Company measures key capital sensitivities and analysis of drivers of change in capital adequacy which is regularly reported in the ALCO. The capital position is also reported to the RMC on a monthly basis.

The Company assesses capital risk against minimum regulatory requirements and internal targets at Company level, supported by assessments of capital requirements at business level against internal targets. Capital risk reports are circulated to senior management daily and are discussed at Board and ALCO level.

The Company determines and maintains a capital planning buffer to reduce the risk of having to raise capital or reduce business at short notice. The Company's objective is to manage capital to withstand severe but plausible stresses without the need to significantly alter the business. This capital planning buffer is determined on the basis of appropriate stresses to the Company's business.

Internal Capital Adequacy Assessment Process
The Company monitors its capital adequacy on an ongoing basis and conducts a formal annual Internal Capital Adequacy Assessment Process ("ICAAP") in which it assesses its risks, controls and capital. The Board is involved in all the key elements of the ICAAP and approves the business and capital plans, Risk Appetite Statement, stress testing framework and preparation of the ICAAP document. The ICAAP process is closely aligned with the strategy setting and business planning process as well as the process for identification, measurement and control of those risks.

Stress Testing
Stress testing is used to assess the impact of severe but plausible financial stresses on either individual or multiple risk factors and to determine appropriate capital buffers. The Company manages its risk and capital resources with the objective of maintaining a regulatory ratio comfortably in excess of the minimum capital resources required by the regulators.

The Company has a stress testing framework that includes scenario stress testing (comprising macroeconomic and event stress testing based upon forward looking, historical and reverse stress testing), as well as single risk factor stress tests (which are designed to identify and quantify risk concentrations to particular risk factors). Results of stress testing are calculated at the Company level and also by department and business line, and reported regularly to Senior Management.

Model Risk

Model risk is the potential for loss arising from decisions based on incorrect or misused model outputs and reports. The Company manages model risk by having a segregation of duties between model development and validation of the model. There are governance sub-committees and working groups that oversee the models used by the Company. In the case of risk models, the Joint Model Oversight Committee ("JMOC"), which reports to the RMC, is responsible for reviewing the output of ongoing validation and for model performance. The Valuations Working Group ("VWG") oversees the use of pricing models. The independent validation of risk models is performed by the Model Risk Management function which is part of the Company's Enterprise Risk Management department and has membership on the JMOC and the VWG.

Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. The Company manages and controls its exposure to operational risk through its policies and procedures, which are designed to ensure that it:

- Mitigates the risk of exposure to fraud.
- Processes transactions correctly, accurately and on a timely basis.
- Protects the integrity and availability of information processing facilities, infrastructure and data.
- Maintains the confidentiality of its client information.
- Employs appropriate numbers of skilled staff and complies with relevant employment laws and regulations.
- Establishes workplace environments that are safe for both employees and visitors.
- Reduces both the likelihood of an incident occurring and the impact should an incident occur.

In order to remain within the Company's risk appetite a variety of controls have been implemented, including but not limited to the following:

- Operational Risk Identification and Assessment procedures:
    - Risk Control Self-Assessment
    - Scenarios & Stress Testing
    - Top & Emerging Risk
    - Product Governance
    - Change Risk Assessments
- Operational Risk Mitigation & Management procedures:
    - Control framework procedures relating to: Control Ownership, Control Performance, Control Identification, Control Testing, Control Monitoring and Control Oversight.
    - Issues & Actions (the identification of operational risk issues and associated action plans)
    - Risk Acceptance
- Operational Risk Monitoring procedures:
    - Key Indicators
    - Internal Operational Risk Event Management
    - External Operational Risk Event Management

The Company has a dedicated Operational Risk Management department. Issues of significance are escalated to the Risk Management Committee which meets on a monthly basis.

Technology and Cyber Risk
The Operational Risk Management Department is responsible for second line oversight and challenge for technology and cyber risk. Technology and cyber risk management information ("MI") is presented to the RMC.

The Company is supported by MUS(EMEA) which has a dedicated Technology Risk and Control function in the first line with responsibility for managing technology and cyber risk. Areas of focus include the top risks and threats related to: network security; malware and firewall threats; access management; data backups; security patching; user awareness training; monitoring and reporting service and security events. It also delivers testing and mitigation activities to identify any potential security vulnerabilities in the infrastructure platforms and business applications. The Company has an ongoing programme of work that continually invests in improving controls to manage technology and cyber risk.

Operational Risk quantification and capital calculation
The Company employs The Standardised Approach ("TSA") for calculating its Pillar 1 Operational Risk Capital Requirement. The Company is committed to adopting leading industry practices for managing and measuring operational risk, and has also developed a primarily scenario-based capital model to determine whether it should hold any additional capital for operational risk.

Strategic Risk

Strategic risk is the risk of loss that may arise from the pursuit of an unsuccessful business plan including insufficient diversification of revenue sources. Strategic risk is a necessary consequence of doing business and covers a number of financial risk types. Strategic risks are generally longer-term risks whereas shorter-term risks will usually be captured as part of business risk. The Company's primary approach to the management of strategic risk is through its business planning processes which highlight the key dependencies of its strategy, which allows for the assessment of strategic risk at the point that the strategy is devised and agreed. The Company's programme of qualitative reverse stress testing is intended to focus on key strategic risks, identifying scenarios that could lead to their realisation as well as contingent actions that could be taken to address their emergence and mitigate the impact of the strategic risk being realised.

The Company's strategic risks also include potential impacts arising from the Company's relationship with its stakeholders and its relationship with MUFG. These risks include but are not limited to ongoing group support, maintenance of satisfactory relationships with key regulators, continued ability to meet core client demands, and the ability to attract and retain high quality staff.

Strategic risk incorporates business risk which is the sensitivity between expected revenues and expected costs. It is a measure of how easily the cost base can be managed in relation to lower than expected revenues. The risk of doing business is categorised as the volatility of the business planning forecast compared to the realised revenue which is dependent on the market environment (refer to Directors' Report on pages 4 to 15).

Compliance Risk

Compliance risk, including Financial Crime, is the risk of financial, reputational or other damage to the Company through failing to comply with regulations, rules, guidelines, professional ethics and governance standards, codes of conduct and other similar standards.

The Company maintains a governance structure designed to ensure appropriate management, oversight and second-line assurance of significant risks and associated mitigates, including, in respect of Compliance risk, a Compliance function with sufficient authority, stature, independence, resources and access to the Board. Accountability for compliance rests with functional units across the Company which own their respective compliance risks. The Compliance function is accountable for several controls and mitigates, including monitoring, testing, advising on regulatory change and compliance matters, and escalation of issues arising. The Company's compliance programme and internal control infrastructures evolve in response to changes in best practice and the Company's risk profile, including from strategic and regulatory developments and new products.

Conduct Risk

Conduct risk is the risk that the actions of the company have a negative impact on customers, competition in the marketplace or market integrity and reputation. This risk can crystallise for many reasons, including compliance failures, conflicts of interest, poor culture and individual behaviour. It may negatively impact the company's reputation leading to loss of business, or lead to regulatory sanctions.

Effective identification and management of Conduct risk is key to the Company's future success. The Company has implemented a Conduct Risk management framework which identifies and manages Conduct risk within a robust framework, including:

- Compliance policies and front office desk procedures.
- A risk assessment framework covering conduct risk identification and mitigation, informing the compliance programme.
- Measures of Board risk appetite for Conduct risk in the context of the Company's strategic objectives and business plan.
- A formal compliance monitoring programme to review the effectiveness of key controls to mitigate potential conduct risk exposure.
- Production and analysis of Conduct risk management information.
- Company-wide Conduct risk training and awareness programme.

Legal Risk

Legal risk is the risk of loss or damage to the firm by failing to comply with any laws, regulations or contractual obligations applicable to its business activities or failure to take appropriate steps to manage legal claims or actions.

The Company manages legal risk by compliance with all applicable laws and regulations and promoting honesty and integrity by all staff. It seeks to promote prudent business growth and profitability through the rigorous control of legal and regulatory risks in support of the wider objectives of the Company. The Company has an established permanent Legal function that is independent of business activities and has sufficient resources to carry out its role including:

- Identification of the main legal and regulatory risk issues affecting the business, recommending how these will be managed and, where appropriate, elevating residual risks to the relevant front office department, risk management department or the Board and its sub-committees.
- Identifying and advising on legal and regulatory change and its impact on the business and assisting with scoping and implementation of mitigating systems, controls and infrastructure.
- Managing legal and regulatory risk through due diligence, review of contracts and transactions including establishing legal enforceability of collateral arrangements for MUS(EU) to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other credit event of obligors, negotiation of transaction documentation and the management of all legal and regulatory actions.

Reputational Risk

Reputational risk is the risk of loss arising from reputational damage in the event that the business activities deviate substantially from the expectations and confidence of customers, shareholders, investors, society and other wide-ranging stakeholders and any similar risk. It is usually a secondary risk which exacerbates the loss from another risk type. The Company's business is dependent on its reputation and it will impact its performance should it deteriorate. The Company has a Reputational Risk Framework, policy and controls to mitigate the impact and reduce the likelihood of reputational incidents.

Such incidents can occur in any type of risk from market through to operational, or from external risks over which the Company has no direct control. The Reputational Risk Management Policy sets out how the risk of reputational events is managed.

IBOR transition

Following the announcement by the UK's FCA in July 2017, LIBOR (except for USD) has been phased out by 1st January 2022. MUFG had set up internal working groups to assess impacts and actively manage the LIBOR transition while mitigating associated risks. This transition process posed a number of challenges and exposed the Company to contractual and financial risks, which were mitigated through initiatives such as development of new systems, and pricing and risk models. The Company undertook a review and amendment of legal agreements. In addition, the Company continues to engage with industry participants and clients ahead of the next phase.

Status of Regulatory Capital Resources

The Company's regulatory capital resources are assessed under the Capital Requirements Regulation and the Capital Requirements Directive IV. The Company's capital as at 31st December 2021 consists of Tier 1 – share capital.

The Company manages its risk profile and its capital resources with the objective of maintaining a capital ratio in excess of the Capital Resources Requirement for its risk profile at all times. The management of the Company's capital is carried out under the principle that it should not unexpectedly need to raise new capital or significantly reduce its risk taking in order to meet its capital management objectives.
The Company has fulfilled its capital requirements at all times during the year. The Company's capital resources, Pillar 1 capital requirements and capital ratios for 2021 are shown in the table below:

	2021 €'m	**2020 €'m**
as at 31 December		
Total Common Equity Tier 1 Capital after Deductions	208	194
Total capital resources	**208**	**194**
Credit Risk (including Concentration Risk)	14	5
Market Risk	7	5
Operational Risk	7	6
Total capital requirements	**28**	**16**

	2021 %	**2020 %**
as at 31 December		
Common Equity Tier 1 Ratio (Common Equity Tier 1 / Risk Weighted Assets)	58.7	94.6
Tier 1 Ratio (Tier 1 / Risk Weighted Assets)	58.7	94.6
Total Capital Ratio (Total Capital / Risk Weighted Assets)	**58.7**	**94.6**

Financial Statements

Income statement

	Notes	For the year ended 31 December 2021 €'000	For the year ended 31 December 2020 €'000
Fees and commissions income	2	45,298	40,482
Fees and commissions expense	2	(8,208)	(6,774)
Net fees and commissions income		**37,090**	**33,708**
Trading income		**11,180**	**10,477**
Total operating income		**48,270**	**44,185**
Administrative expenses	3	(29,674)	(24,935)
Amortisation of intangible assets	9	(2,682)	(2,421)
Depreciation of right-of-use assets	11	(499)	(501)
Depreciation of property, plant and equipment	10	(550)	(546)
Total operating expenses		**(33,405)**	**(28,402)**
Profit on ordinary activities before taxation		**14,865**	**15,783**
Taxation	5	(3,911)	(4,045)
Profit attributable to owners of the company		**10,954**	**11,738**
Total comprehensive income		**10,954**	**11,738**

Statement of financial position

As at 31 December	Notes	2021 €'000	2020 €'000
ASSETS			
Cash and balances at central banks	6	218,021	127,343
Trading portfolio financial assets	7	-	95,009
Derivative financial assets	8	777,287	671,398
Reverse repurchase agreements		2,412,206	2,127,089
Cash collateral paid to derivative counterparties		68,594	38,963
Deferred tax asset	5	876	368
Intangible assets	9	6,375	9,046
Right-of-use assets	11	2,367	2,866
Property, plant and equipment	10	1,023	1,573
Other assets	12	14,754	9,185
Total assets		**3,501,503**	**3,082,840**
LIABILITIES			
Deposits by banks		1	463
Derivative financial liabilities	8	778,950	673,823
Repurchase agreements		1,976,206	1,742,068
Cash collateral received from derivative counterparties		500,305	435,553
Other liabilities	13	20,070	15,916
Total liabilities		**3,275,532**	**2,867,823**
EQUITY			
Equity instruments	14	200,045	200,045
Retained earnings		25,926	14,972
Total equity		**225,971**	**215,017**
Total liabilities and equity		**3,501,503**	**3,082,840**

Statement of changes in equity

	Equity instruments €'000	Retained earnings €'000	Total equity €'000
2020			
Balance as at 1 January 2020	**200,045**	**3,234**	**203,279**
Profit after tax	**-**	11,738	11,738
As at 31 December 2020	**200,045**	**14,972**	**215,017**
2021			
Balance as at 1 January 2021	**200,045**	**14,972**	**215,017**
Profit after tax	-	10,954	10,954
As at 31 December 2021	**200,045**	**25,926**	**225,971**

Cash flow statement

For the period ended 31 December	Note	2021 €'000	2020 €'000
Reconciliation of profit before tax to net cash flows from operating activities			
Profit before tax		14,865	15,783
Adjustment for non-cash items:			
Depreciation and impairment of property, plant and equipment		550	546
Amortisation and impairment of intangible assets		2,682	2,420
Amortisation of right of use asset		499	501
Changes in operating assets and liabilities:			
Net (increase)/decrease in trading portfolio financial assets		95,009	(95,009)
Net (increase)/decrease in trading portfolio financial liabilities		-	(100,106)
Net decrease in derivative financial assets		(105,889)	(221,382)
Net decrease in derivative financial liabilities		105,127	223,687
Net (increase) in reverse repurchase agreements		(285,117)	(911,275)
Net increase in repurchase agreements		234,138	1,079,489
Net (increase)/decrease in cash collateral for derivatives		35,121	(19,158)
Net decrease/(increase) in other assets		(6,484)	7,566
Net (decrease)/increase in other liabilities		5,896	(32,924)
Corporation tax paid		(4,045)	6,486
Net cash from / (used in) operating activities		**92,352**	**(43,376)**
(Purchase) of property, plant and equipment		-	(3)
(Purchase) of intangible assets		(11)	(1,252)
Net cash from / (used) in investing activities		**(11)**	**(1,255)**
Sub-lease collections		455	396
Lease payments		(979)	(979)
Net cash from / (used in) in financing activities		**(524)**	**(583)**
Net (decrease) / increase in cash and cash equivalents		**91,817**	**(45,214)**
Opening cash and cash equivalents		126,880	172,094
Net cash increase / (decrease)		91,817	(45,214)
Foreign exchange		(677)	-
Closing cash and cash equivalents net of deposits by banks	6	**218,020**	**126,880**
Cash and cash equivalents at central banks		218,021	127,343
Deposits by banks		(1)	(463)
Total cash and cash equivalents net of deposits by banks	6	**218,020**	**126,880**

Notes on Financial Statements

1 Accounting policies

Basis of preparation of company accounts

The Company was incorporated in the Netherlands and started its operating activities in 2019. The financial information includes the financial statements of the Company for the year ended 31 December 2021 and comparative period information is provided for the 1 January 2020 to 31 December 2020. The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and in accordance with the Dutch Civil and Corporate Law.

The financial statements have been prepared on a going concern basis due to expected future profitability, strong capital and liquidity position as well as the Company continuing to be of strategic importance to its parent MUS(EMEA). The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategy section of the Directors' Report on pages 4 to 15. The financial position of the Company and its liquidity position are described through the financial statements beginning on page 26. In addition, the Business and Risk Management Policies on pages 16 to 24 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; and various forms of risk.

The Company has considerable financial resources in place as evidenced by the strong capital injection during the establishment of the Company. Additionally, the Company has contracts with corporates, financial institutions and central banks across the European Union. As a consequence, the Directors believe that the Company is well placed to manage its business risks successfully despite the current uncertain global economic outlook. The Directors have a reasonable expectation that the Company has adequate resources to continue in operational existence for the foreseeable future. Thus they continue to adopt the going concern basis in preparing the financial statements, see Directors' Report.

MUS(EU) is currently going through a Credit Institution license application with the relevant Regulator due to a legal change of qualification of the firm's activities. This means that MUS(EU) shall be licensed as a credit institution for its current activities (thus without factually changing the activities). Management is aware that in the low probability event that such licence is not granted by the relevant Regulator this will have a material impact on the current activities of the entity, however Management considers this event as unlikely for the following reasons.

MUS(EU) holds an Investment Firm license from the relevant Regulator for the current activities of the entity, the entity is therefore fully compliant with the legal requirements for such activities. In principle the license requirements for the same activities under the new regulatory regime is not significantly different than under the old regime. In addition the license application has sufficiently progressed such that Management is not aware of any material additional regulatory requirements that the entity is not able nor willing to fulfil, hence Management opines that there is no material impact on our going concern assumption.

For more information on the licence application reference is made to the compliance risk section on page 48.

Use of estimates and judgements

The preparation of financial information requires the use of estimates and judgements about future conditions. The use of available information and the application of assumptions are inherent in the formation of estimates; actual results in the future may differ from estimates upon which financial information is prepared.

Accounting policies where management estimates are to be applied are:

- Discretionary compensation accruals following the change of the performance review cycle as well as related vesting and payment dates.

Accounting policies where management judgement is to be applied are:

- Timing of recognition of day 1 PL, where applicable
- Satisfaction of vesting conditions which relate to deferred compensation arrangements, and
- Recognition of deferred tax assets (refer to Note 5).

The recognition of a deferred tax asset relies on an assessment of the probability and sufficiency of future taxable profits, future reversals of existing taxable temporary differences and ongoing tax planning strategies. The most significant judgements relate to expected future profitability and the extent to which management recognises these for offset against assessed tax losses.

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are initially measured at fair value.

Financial assets

Financial assets are classified as financial assets at amortised cost, financial assets at fair value through Other Comprehensive Income ("FVTOCI") or financial assets mandatory at fair value through profit and loss ("FVTPL"). The classification of financial assets is determined by a 2-step process: analysis of the business model under which the asset is held; and, where required, analysis of the contractual terms of the financial asset.

Financial assets held at amortised cost

Financial assets may be measured at amortised cost where they are:

- Held in a business model under which the Company intends to hold the asset in order to collect payments of principal and interest, and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding.

Where assets are held at amortised cost, the carrying value is calculated using the effective interest rate method, less any impairment.

Financial assets held at amortised cost include cash collateral paid to derivative counterparties and other receivables.

1 Accounting policies (continued)

Financial assets held at FVTOCI

Financial assets are measured at fair value through other comprehensive income ("FVTOCI") where they are:

- Held in a business model under which the Company may either sell the asset or hold it in order to collect contractual cash flows, and
- The contractual terms of the asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal ("SPPI") amount outstanding.

Interest income is recognised in the income statement using the effective interest method. Foreign exchange gains or losses on financial assets held at FVTOCI are recognised in net trading income. Other fair value changes are recognised directly in shareholder's equity within the financial assets held at FVTOCI reserve until the asset is sold or impaired, at which time the balance in equity is recognised in the income statement.

The Company does not have any financial assets held at FVTOCI.

Financial assets held mandatory at FVTPL

Financial assets are mandatory measured at fair value through profit or loss ("FVTPL") where they do not meet the criteria to be carried under a different classification.

Such financial assets are recognised initially at fair value, with transaction costs taken to the income statement, and are subsequently remeasured at fair value. All subsequent gains and losses from changes in the fair value of these assets and liabilities together with related interest income, interest expense and dividends, are recognised in the income statement within trading income as they arise.

The overall majority of the Company's financial assets are held within this category.

Option to designate a financial asset at FVTPL

The Company may irrevocably designate a financial asset as held at FVTPL upon initial recognition where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from carrying financial assets or financial liabilities on different bases.

This Company does not have any financial assets designated at FVTPL.

Option to carry certain equity investments at FVTOCI

The Company may make an irrevocable designation for certain investments in equity securities that would otherwise be measured at FVTPL to present changes in fair value through other comprehensive income. Where the Company chooses this election, dividends on those securities will be recorded through the PL as the Company becomes contractually entitled to receive them. Any other gains or losses on these securities, included those related to currency translation, are recorded in other comprehensive income and may not subsequently be reclassified to PL, but may be transferred between elements of shareholder's equity.

The Company does not have any equity investment designated at FVTOCI.

1 Accounting policies (continued)

Identification and measurement of impairment

The recognition and measurement of impairment under IFRS 9 is based on an internal expected credit loss ("ECL") model. The Company recognises potential expected credit losses for financial assets carried at amortised cost and FVTOCI. Expected credit losses are estimated on a forward-looking basis as a function of the probability of default, loss given default, and the Company's exposure at default; and represent the difference between all contractual cash flows that are due under the contract and all the cash flows that the Company expects to receive, discounted at the original effective interest rate of the instrument.

The ECL model classifies these financial assets in the following stages:

- Stage 1: Performing assets – 12-month
  ECL Financial instruments that have not experienced significant increase in credit risk since initial recognition. Provision is determined based on probability of default event occurring within the next 12 months ("12-month ECL").
- Stage 2: Under-performing assets – Lifetime ECL
  Financial instruments where a significant increase in credit risk has been identified but are not in default. Provision is determined based on probability of default event over the expected life of the financial instrument ("Lifetime ECL"). A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk (SICR) since initial recognition, which is assessed by analysis of published credit ratings and other factors where appropriate.
- Stage 3: Non-performing assets – Lifetime ECL
  Financial instruments are classified as Stage 3 where a default has been identified. The definition of default is aligned with the EBA definition within the context of risk management. Stage 3 provisions are determined based on a Lifetime ECL using a Discounted Cash Flow ("DCF") method.

The Company does not calculate any expected losses for its financial assets for the three above stages. As at end of the reporting period MUS(EU) has no FVTOCI and no material ECL on amortised cost financial assets.

Trading liabilities

Derivatives, short positions in debt (e.g. bonds, Treasury bills, MTN's), or positions which are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking, are classified as held for trading. Such financial liabilities are recognised initially at fair value, with transaction costs taken to the income statement, and are subsequently remeasured at fair value. All subsequent gains and losses from changes in the fair value of these liabilities together with related interest income, interest expense and dividends, are recognised in the income statement within trading income as they arise.

Financial liabilities designated at FVTPL

Financial liabilities, other than those held for trading, are classified in this category if they meet one or more of the criteria set out below, and are so designated by management upon initial recognition. The Company may designate financial liabilities at fair value when doing so results in more relevant information due to the following:

- It eliminates or significantly reduces valuation or recognition inconsistencies that would otherwise arise from measuring financial assets or financial liabilities, or recognising gains and losses on them, on different bases. Under this criterion, the main class of financial instruments designated by the Company includes medium term note issues and money market loans and deposits. The return on certain instruments has been matched with derivatives. An accounting mismatch would arise if the debt securities and money market transactions were accounted for at amortised cost, because the related derivatives are measured at fair value with movements in the fair value taken through the income statement. By designating these assets and liabilities at fair value, the movement in their fair value will also be recorded in the income statement.
- Groups of financial assets, financial liabilities or combinations thereof are managed and their performance evaluated, on a fair value basis in accordance with a documented risk management or investment strategy, and information about groups of financial instruments is reported to management on that basis.
- Certain financial instruments contain one or more embedded derivatives that significantly modify the cash flows resulting from those financial instruments.

The Company has no financial liabilities designated at FVTPL.

Issued debt – financial liability vs equity classification

Issued financial instruments or their components are classified as liabilities if the underlying contract results in a present obligation for the Company to either deliver cash, another financial asset, or a variable number of the Company's own equity shares to the holder of the instrument. Financial liabilities are measured at amortised cost, except for trading liabilities and liabilities designated at fair value, which are held at FVTPL.

Where issued financial instruments contain both liability and equity components, these are accounted for separately. The fair value of the debt is estimated first and the remainder of the proceeds are included within equity. No such compound instruments existed at year-end or throughout the year.

The Company has no issued debt instruments.

1 Accounting policies (continued)

Embedded derivatives

Derivatives may be embedded in other contractual arrangements. Embedded derivatives are treated as separate derivatives when their economic characteristics and risks are not clearly and closely related to those of the host; the terms of the embedded derivatives would meet the definition of a stand-alone derivative if they were contained in a separate contract; and the combined contract is a financial liability not held for trading or designated at fair value. These embedded derivatives are measured at fair value with changes in fair value recognised in the income statement.

The Company has no embedded derivatives.

Repurchase and resale agreements

Securities which have been sold subject to an agreement to repurchase remain on the balance sheet and a liability based on the net present value of the associated future cash out flows is recorded within liabilities. Securities acquired in purchase and resale transactions are not recognised on the balance sheet and an asset based on the net present value of the associated future cash receipts is recorded within assets.

Sale and repurchase and reverse repurchase agreements are managed together as a portfolio on a fair value basis and are accounted for at FVTPL. As such, the balances recorded in assets and liabilities are subsequently remeasured at fair value. Gains and losses from changes in the fair value of the associated cash flows are recognised in the income statement as they arise. Assets and liabilities are offset and the net amount reported on the balance sheet when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis.

Derivatives

Where contracts meet the definition of a derivative within IFRS 9, they are recognised initially, and are subsequently remeasured, at fair value. All changes in fair value are recognised in the income statement within trading income as they arise. Fair values are obtained from quoted market prices in active markets, or using valuation techniques where an active market does not exist. Valuation techniques include discounted cash flow models, recent market transactions and option pricing models as appropriate. All derivatives are classified as assets when their fair value is positive or as liabilities when their fair value is negative. Derivatives are recognised using trade date accounting.

The Company makes use of the exemption from derivative accounting permitted within the standard for regular way purchases and sales of securities – these are accounted for using settlement date accounting.

Financial assets and liabilities are offset and the net amount reported on the balance sheet if, and only if, the entity currently has a legally enforceable right of offset and there is an intention to settle on a net basis, or to realise an asset and settle the liability simultaneously. In many cases, even though master netting agreements are in place, the related assets and liabilities are presented gross on the balance sheet as these requirements are not met.

The value of derivative contracts has been adjusted to include the impact of counterparty credit risk ("CVA") and the cost and benefit of future funding ("FVA"). The impact of changes in the Company's own credit risk ("DVA") is materially included within the application of FVA.

The Company is the beneficiary of an intercompany guarantee from MUFG Bank which provides the Company with protection against default over a portfolio of corporate derivatives. This guarantee does not meet the definition in IFRS 9 of a financial guarantee, and as such is accounted for as a credit derivative.

Collateral

Cash collateral pledged by the Company on derivative and other liabilities is classified as an asset within financial assets at amortised cost. Cash collateral pledged by counterparties is classified within financial liabilities at amortised cost. These balances are initially measured at fair value and subsequently measured at amortised cost.

Where securities are posted to counterparties as collateral against liabilities of the Company the security will be retained on the Company's balance sheet and will not impact the recorded liability. Collateral received in the form of securities is not recorded on the balance sheet.

Financial liabilities held at amortised cost

Financial liabilities held at amortised cost include cash collateral received from derivative counterparties and other payables.

Derecognition of financial assets and liabilities

Financial assets are derecognised when the rights to receive cash flows from the assets have expired; or when the Company has transferred both its contractual right to receive the cash flows of the financial assets, and substantially all the risks and rewards of ownership; or where control is not retained. Financial liabilities are derecognised when they are extinguished, that is when the obligation is discharged, cancelled or expired.

1 Accounting policies (continued)

Hedge accounting

The Company does not apply hedge accounting.

Fair value measurement of financial assets and liabilities

Fair value is the amount for which an asset could be sold, or a liability transferred, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

When available, the Company measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if quoted prices are readily and regularly available and represent actual and regularly occurring market transactions on an arm's length basis.

If the market for a financial instrument is not active, the Company establishes fair value using valuation techniques. Valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analysis and option pricing models. The chosen valuation technique makes maximum use of market inputs, relies as little as possible on estimates specific to the Company, incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument. The Company calibrates valuation techniques and tests them for validity using prices from observable current market transactions in the same instrument or based on other available observable market data.

When unobservable market data has a significant impact on the valuation of financial instruments and the model valuations indicate initial profits or losses on the transaction, the entire initial gain or loss is not recognised immediately in the income statement. The initial gain or loss is measured as the difference in fair value indicated by the valuation model price and the transaction price. These gains or losses are deferred and recognised over the life of the transaction on a systematic basis, or when the inputs become observable, or the transaction matures or is closed out, or when the Company enters into an eligible offsetting or economic hedging transaction which provides a market data point to demonstrate observability of the unobservable input(s). Refer to Note 16 for further detail on the fair value of financial instruments.

Fees and commissions

Fees and commissions income include fees received when the Company acts as an underwriter or agent and from the provision of advisory services. Revenues are recognised when the performance obligations are satisfied in accordance with the contract. This may be at a particular point in time or over a period of time.

Fees and commissions expense represents costs incurred to fulfil contracts that give rise to fees and commissions income. Costs are recognised when they are incurred.

Client money segregation

The Company does not offer client money as a service in the ordinary course of business. However, in certain limited scenarios the Company may receive monies belonging to clients. In such scenarios the funds will be transferred to the relevant clients as soon as practicable. Such monies and the corresponding amounts due to clients are not held on the balance sheet as the clients retain beneficial ownership.

Net interest income

The Company as an investment firm provides client solutions across primary (debt capital) and secondary markets - predominantly bonds, repurchase agreements and derivatives. The Company holds financial instruments in a trading mark-to-market business model and on FVTPL basis. Revenues are represented in fee and trading income. No interest balances are presented within the income statement as the Company does not hold regulatory buffer assets or long-term investment positions.

Foreign currencies

The financial statements are presented in Euro which is the presentation and functional currency of the Company, unless stated otherwise. Amounts may not add up due to rounding.

Monetary assets and liabilities denominated in foreign currencies and open forward foreign exchange contracts are translated into the functional currency using the exchange rate at the balance sheet date. Non-monetary assets and liabilities measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items in a foreign currency not measured at fair value are translated at the exchange rate at the date of the transaction.

Gains or losses on translation are included in the income statement.

The income and expenses of the Company are translated to the Company's functional currency at the exchange rates at the dates of the transactions.

1 Accounting policies (continued)

Property, plant and equipment and intangible assets

Property, plant and equipment and intangible assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

Expenditure to bring purchased software into operational use and internally developed software are recognised as intangible assets when the Company considers that the software will be used in a manner that will generate future economic benefits and can reliably measure the costs of development.

All fixed assets are reviewed for impairment on an annual basis. Assets are impaired where it is considered that the future economic benefit of the asset is lower than its carrying amount. Such impairment losses are included directly in the income statement.

Depreciation is provided to write off the cost less estimated residual value of tangible fixed assets and intangible software assets by equal instalments over their estimated useful lives as follows:

Office furniture and fittings	5 years
Office machinery and equipment	3 – 5 years
Intangible software	4 – 7 years

Leases

The Company classifies a contract as containing a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

<u>As a lessee</u>
The Company recognises a lease liability and a corresponding right-of-use asset for all arrangements containing a lease, with the exception of short-term leases (with the term of 12 months or less) and leases of assets of low value.

Lease liability is initially measured at the present value of the remaining lease payments at the commencement date, discounted applying lessee' incremental borrowing rate when there is no interest rate implicit in the lease, and presented within Other Liabilities (Note 12). The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

The associated right-of-use asset is initially recognised at the amount equal to lease liability, adjusted by any accrued or prepaid lease payments, an initial estimate of restoration costs and any initial direct costs incurred by the company as a lessee, and presented as a separate line in the statement of financial position. Right-of-use asset is depreciated from the commencement date to the earlier of the useful life of the underlying asset or the end of the lease term. The Company applies the requirements of IAS 36 to determine whether the right-of-use asset has been impaired and to account for any identified impairment losses.

<u>As a lessor</u>
The Company enters into lease agreements as a lessor with respect to some of its office space. Leases for which the Company is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Company is an intermediate lessor, it accounts for the head lease and the sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Company's net investment outstanding in respect of the leases.

1 Accounting policies (continued)

Taxation

Taxation comprises current and deferred tax. Current tax and deferred tax are recognised in the income statement except to the extent that they relate to items recognised directly in equity.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of all temporary differences and tax losses that have originated but not reversed by the balance sheet date. Temporary differences are divergences between the Company's results for tax purposes and its results as stated in the financial statements that arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in the financial statements. Temporary differences and tax losses are taken into account if they have originated prior to the balance sheet date and are expected to reverse in one or more future periods.

Deferred tax is calculated at the tax rates that are expected to be applied to temporary differences or tax losses when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date. Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities against current tax assets, and they relate to taxes levied by the same tax authority on the same taxable entity, or on different taxable entities which intend to settle current tax liabilities and assets on a net basis.

A deferred tax asset is recognised for unused tax losses and other deductible temporary differences to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred tax balances are not discounted.

Employee benefits

Staff is remunerated through both salary and annual performance based discretionary compensation awards. Performance based awards are calculated annually, and reflect the performance of both the individual and the Company during that annual period. Portions of performance-based awards can be paid by the Company on deferred terms although this is not applicable at the moment.

Where payments are made on a deferred basis and the cash value is fixed at the award date, the Company recognises the costs of the deferred awards during the period that the award is made, even though cash payments will not be made until future periods. The Company considers that this treatment most effectively represents the costs of employee compensation for the period.

Where payments are made on a deferred basis and the cash value is linked to the MUFG share price, the Company amortises the expected cost of the award across the entire deferral period, and records as an expense only that portion which is deemed to have accrued during the current period. The Company records post grant date changes in the value of the total award due to changes in the MUFG share price directly through expenses.

Pensions

The Company maintains a defined contribution pension scheme.

Pension scheme costs which represent the contributions payable to the scheme in respect of the accounting period are charged to the income statement.

1 Accounting policies (continued)

Future Accounting Developments

There are no significant future accounting developments that are expected to have a material impact on the Company's financial reporting.

Standards adopted during the reporting period

Only those standards which have been adopted and which have a potential impact on the Company's reporting are included below. Other changes to accounting standards in the current year have been adopted but had no material impact.

Amendments to IFRS 9, IAS 39 and IFRS 7, IFRS 4 and IFRS 16 – Interest Rate Benchmark Reform Phase 2

On the 27 August 2020, IASB completed its two-phase project on interest rate benchmark reform (IBOR reform) and issued amendments to address financial reporting issues during Phase 2 of IBOR reform, when an existing interest rate benchmark is replaced with an alternative benchmark rate. The amendments introduce additional disclosure requirements and provide practical relief from certain requirements in IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 with respect to contract modifications, hedge accounting and leases.

The amendments require the Company to account for a change in the basis for determining the contractual cash flows of a financial instrument measured using effective interest method that is required by IBOR reform by updating its effective interest rate. The Company applied the amendments from 1 January 2021. The adoption did not have a material impact on the Company's financial results for the year to 31 December 2021 or the comparative period.

As at 31 December 2021	USD Libor	GBP Libor	Total
	£'000	£'000	£'000
Derivatives assets	228,231	44,997	273,229
Derivatives liabilities	-236,069	-46,355	-282,424
FV Totals	-7,838	-1,357	-9,195

2 Fees and Commission income and expenses

	2021 €'000	2020 €'000
Fee and commissions income		
Fee income	28,859	28,148
Other fee and commissions income	16,439	12,334
Total Fee and commissions income	**45,298**	**40,482**
Fee and commissions expense		
Fee expense	(8,208)	(6,774)
Total Fee and commissions expense	**(8,208)**	**(6,774)**
Net Fee and commissions income	**37,090**	**33,708**

3 Administrative expenses

	2021 €'000	2020 €'000
Personnel expenses		
Wages and salaries	11,134	9,940
Retirement benefits	1,090	1,024
Social security costs	2,936	2,956
	15,160	**13,920**
General and administrative expenses		
Auditor's remuneration (Note 4)	255	255
Other administrative expense	14,259	10,760
	14,514	**11,015**
Total administrative expenses	**29,674**	**24,935**

As at 31st December 2021, the number of employees of the Company was 42 (2020:41), split between the Amsterdam Head Office 15 (2020:17), of which 5 (2020:5) were Front Office and the Paris branch 27 (2020:24), of which 23 (2020:21) were Front Office.

Included within 'Wages and salaries' is a discretionary compensation accrual representing management's best estimate of the charge.

4 Auditor's remuneration

The analysis of the auditor's remuneration is as follows:

	2021 €'000	2020 €'000
Fees payable to the Company's auditor for audit and other services		
Statutory audit fees	255	255
Total auditor's remuneration	**255**	**255**

5 Applicable taxes

	2021 €'000	2020 €'000
Corporation tax		
Current period	(4,187)	(3,748)
Prior year adjustment	(232)	(229)
Total current tax	**(4,419)**	**(3,977)**
Deferred tax		
Origination of timing differences	225	(67)
Prior year adjustment	283	-
Total deferred tax	**508**	**(67)**
Total tax expense	**(3,911)**	**(4,045)**

Consolidated corporation tax is calculated by aggregating the corporation taxes incurred in the Netherlands and France. The corporate income tax rate in the Netherlands is 25% in 2020 with the first €245,000 being subject to a 15% rate. France's corporate income tax rate is 26.5% (2020: 28%) for the year.

The charge for the year can be reconciled to the profit in the income statement as follows:

	2021 €'000	2020 €'000
Profit on ordinary activities before taxation	14,865	15,783
Tax at the Dutch corporation tax rate of 25%	(3,716)	(3,946)
Current tax prior year adjustment	(232)	(229)
Deferred tax prior year adjustment	283	-
Tax losses not recognised	-	-
Tax losses recognised in the year and utilised	-	561
Deferred tax recognised in the year	-	70
Tax effect of expenses that are not deductible in determining taxable profits	(7)	(3)
Corporation tax rate differences	(239)	(498)
Tax expense for the period	**(3,911)**	**(4,045)**

Deferred tax assets

The following are the deferred tax assets and liabilities recognised by the Company for the current reporting period.

	Opening balance	Charge to profit or loss €'000	Balance as at 31 December 2021 €'000
Deferred compensation	184	414	597
Accelerated depreciation on fixed assets	183	94	278
IFRS 16	1	0	1
Total	**368**	**508**	**876**

6 Notes to the cash flow statement

Cash and cash equivalents comprise cash and short-term bank deposits with an original maturity of three months or less, net of outstanding bank overdrafts. The carrying amount of these assets is approximately equal to their face value. Cash and cash equivalents as shown in the statement of cash flows can be reconciled to the related items in the balance sheet position as shown below.

	2021 €'000	2020 €'000
Cash and balances at central banks	218,021	127,343
Deposits by banks repayable on demand	(1)	(463)
Total cash and cash equivalents	**218,020**	**126,880**

	2021					
	Balance as at 1 January 2021 €'000	Aquisition €'000	Lease payment €'000	Effect of interest rate €'000	Other changes €'000	Balance as at 31 December 2021 €'000
Lease liabilities	5,993	-	(979)	(37)	(70)	4,907
Total liabilities from financing activities	**5,993**	**-**	**(979)**	**(37)**	**(70)**	**4,907**

	2020					
	Balance as at 1 January 2020 €'000	**Aquisition €'000**	**Lease payment €'000**	**Effect of interest rate €'000**	**Other changes €'000**	**Balance as at 31 December 2020 €'000**
Lease liabilities	6,909	-	(979)	(40)	102	5,993
Total liabilities from financing activities	**6,909**	**-**	**(979)**	**(40)**	**102**	**5,993**

7 Trading portfolio financial assets

	2021 €'000	**2020 €'000**
Government bonds	-	95,009
Total trading portfolio financial assets	**-**	**95,009**
Of which listed:		
Debt securities	-	95,009
	-	**95,009**

8 Derivative financial instruments

	2021		
	Notional amount €'000	**Fair value assets €'000**	**Fair value liabilities €'000**
Derivatives held for trading			
Foreign exchange contracts	12,880,636	535,080	560,743
Interest rate contracts	12,916,891	214,157	218,207
Credit derivative contracts	271,290	28,050	-
Total trading contracts	**26,068,817**	**777,287**	**778,950**
Total derivatives financial instruments	**26,068,817**	**777,287**	**778,950**

	2020		
	Notional amount €'000	**Fair value assets €'000**	**Fair value liabilities €'000**
Derivatives held for trading			
Foreign exchange contracts	11,604,445	306,588	(314,009)
Interest rate contracts	11,850,835	357,455	(359,814)
Credit derivative contracts	278,275	7,355	
Total trading contracts	**23,733,555**	**671,398**	**(673,823)**
Total derivatives financial instruments	**23,733,555**	**671,398**	**(673,823)**

The value of derivative contracts has been adjusted to include the impact of counterparty credit risk ('CVA') and the cost of benefit of future funding ('FVA').

OTC credit derivatives include a credit derivative asset, which relates to a financial guarantee provided by a group company, MUFG Bank, for the uncollateralised derivatives exposures within a portfolio of corporate counterparties. At year end the fair value of this derivative totalled €28.1 million (2020: €7.4 million), this amount is offset by a CVA adjustment in respect of the exposure to the underlying corporate counterparties. This largely pertains to interest rate and foreign exchange contracts.

9 Intangible assets

	Software €'000
Cost	
As at 1 January 2020	11,752
Additions	1,252
As at 31 December 2020	**13,004**
Additions	11
As at 31 December 2021	**13,015**
Amortisation	
As at 1 January 2020	1,538
Charge for the period	2,420
As at 31 December 2020	**3,958**
Charge for the period	2,681
As at 31 December 2021	**6,639**
Carrying amount:	
As at 31 December 2020	**9,046**
As at 31 December 2021	**6,376**

10 Property, plant and equipment

	Leasehold improve-ments €'000	Office furniture & fittings €'000	Office machinery & equipment €'000	Total €'000
Cost				
As at 1 January 2020	1,241	175	1,024	2,440
Additions	3			3
As at 31 December 2020	**1,244**	**175**	**1,024**	**2,443**
As at 31 December 2021	**1,244**	**175**	**1,024**	**2,443**
Depreciation				
As at 1 January 2020	157	10	157	324
Charge for the period	281	18	247	546
As at 31 December 2020	**438**	**28**	**405**	**870**
Charge for the period	276	18	256	549
As at 31 December 2021	**714**	**45**	**661**	**1,420**
Carrying amount				
As at 31 December 2020	**806**	**147**	**619**	**1,572**
As at 31 December 2021	**530**	**130**	**363**	**1,023**

11 Leases

The Company's leases include office space in addition to previously recognised finance leases for certain fixtures, equipment and software. Lease terms vary between periods of 5 to 10 years.

Lease contracts include lease and non-lease components. For the office lease, the Company has chosen to apply the practical expedient and account for lease and non-lease components as a single contract. For the data centre lease, the Company has elected to separate the components based on their respective stand-alone prices.

Right-of-use assets ("ROU assets") are measured at cost, which comprises the amount of the initial measurement of lease liability with no other payments, initial direct costs or restoration costs applicable.

Lease liability is measured on the net present value basis and includes fixed payments only as all leases are on a fixed repayment basis. No arrangements have been entered into for contingent rental payments, residual value guarantees, purchase options or penalties for terminating the lease.

Payments relating to short term leases, which are signed for the period of 12 months or less, are recognised on the straight line basis. The Company does not have any leases classified as low value.

The Company entered into finance sub-leasing arrangements as a lessor for certain office space. The sub-lease contract does not include extension or early termination options.

The Company is not exposed to foreign currency risk as a result of the lease arrangements, as all leases are denominated in EUR.

Right-of-use assets

2021	Property €'000	Total €'000
Balance as at 1 January 2021	2,866	2,866
Additions to right-of-use assets	-	-
Increase in right-of-use after rent increase	-	-
Derecognition due to sub-lease	-	-
Depreciation charge for the period	(499)	(499)
Balance as at 31 December 2021	**2,367**	**2,367**

	Property €'000	Total €'000
2020		
Balance as at 1 January 2020	3,367	3,367
Additions to right-of-use assets	-	-
Increase in right-of-use after rent increase	-	-
Derecognition due to sub-lease	-	-
Depreciation charge for the period	(501)	(501)
Balance as at 31 December 2020	**2,866**	**2,866**

	2021 €'000	2020 €'000
Other amounts recognised in the income statement		
Interest on lease liability	(37)	(40)
Interest on lease asset	9	11
Amounts recognised in the cash flow statement		
Total cash outflow for leases	(979)	(979)
Total cash inflow from sub-leases	455	396

	2021 €'000	2020 €'000
Less than one year	455	455
One to two years	455	455
Two to three years	455	455
Three to four years	455	455
Four to five years	455	455
Over 5 years	382	853
Total undiscounted lease payments receivable	**2,657**	**3,128**
Unearned finance income	(25)	(35)
Net investment in the lease	**2,632**	**3,093**

The undiscounted lease payments receivable increased due to the yearly rent indexation in France.

Refer to note 20 for maturity analysis of lease liabilities.

12 Other assets

	2021 €'000	2020 €'000
Prepayments and accrued income	530	441
Lease asset	2,632	3,093
Other debtors	11,592	5,651
	14,754	**9,185**

'Other debtors' comprise intercompany receivables as well as a Eurex default fund deposit.

13 Other liabilities

	2021 €'000	2020 €'000
Tax and social security	1,488	1,497
Lease liability	4,907	5,993
Other creditors	13,675	8,426
	20,070	**15,916**

'Other creditors' comprise intercompany payables, lease liabilities, VAT payable and compensation related accruals.

14 Equity instruments

	2021 €'000	2020 €'000
Ordinary shares of €1 each:		
Share capital at start of period	200,045	200,045
Allotted, called up and fully paid as at 31 December	200,045	200,045

On 31st December 2021 the Company's issued and paid-up capital amounted €200,045,000. The nominal value for the 200,045,000 shares is €1 per share.

The Company's authorised share capital is 600 million shares with a nominal value of €1 per share.

Statement of changes in Equity

	Total equity €'000
Balance as at 1 January 2020	**203,279**
Add: Profit for the period	11,738
Balance as at 31 December 2020	**215,017**

	Total equity €'000
Balance as at 1 January 2021	**215,017**
Add: Profit for the period	10,954
Balance as at 31 December 2021	**225,971**

	Equity instruments €'000	Retained earnings €'000	Total equity €'000
2020			
Balance as at 1 January 2020	**200,045**	**3,234**	**203,279**
Profit after tax	**-**	11,738	11,738
As at 31 December 2020	**200,045**	**14,972**	**215,017**
2021			
Balance as at 1 January 2021	**200,045**	**14,972**	**215,017**
Profit after tax	-	10,954	10,954
As at 31 December 2021	**200,045**	**25,926**	**225,971**

No ordinary dividends were approved or paid for the period 2021. The Board of Directors has retained all profits for the period to equity.

15 Report on Directors' remuneration and interests

	2021 €'000	2020 €'000
Remuneration of key management personnel	**Executive Directors**	**Executive Directors**
Short-term employment benefits	597	535
Post-employment benefits	15	9
Other long-term benefits	12	10
Notional share-based payments	5	4
Total remuneration of key management personnel	**629**	**558**

Remuneration of key management personnel	2021 €'000 Non-Executive Directors	2020 €'000 Non-Executive Directors
Short-term employment benefits	51	29
Post-employment benefits	-	-
Other long-term benefits	-	-
Notional share-based payments	-	-
	51	**29**

16 Fair Value of financial instruments

The majority of the Company's assets and liabilities are carried on the balance sheet at fair value, in which case fair value is equal to the carrying value. The following table presents a comparison by category of book amounts and fair value of the Company's financial assets and liabilities for those items which are not carried at fair value on the balance sheet.

	2021		2020	
	Carrying value €'000	**Fair value €'000**	**Carrying value €'000**	**Fair value €'000**
Assets *At Amortised Cost*				
Cash and balances at central banks	218,021	218,021	127,343	127,343
Cash collateral paid to derivative counterparties	68,594	68,594	38,963	38,963
Other assets	14,149	14,149	8,480	8,480
Liabilities *At Amortised Cost*				
Deposits by banks	1	1	463	463
Cash collateral received from derivative counterparties	500,305	500,305	435,553	435,553
Other liabilities	15,190	15,190	11,584	11,584

Valuation of financial assets and liabilities

Valuation techniques incorporate assumptions about factors that other market participants would use in their valuations, including interest rate yield curves, exchange rates, volatilities and prepayment and default rates. The Company measures fair value using the following fair value hierarchy that reflects the significance of the inputs used in making measurements:

- Level 1: Quoted market price (unadjusted) in an active market for an identical instrument.
- Level 2: Valuation techniques based on observable inputs, either directly (i.e. as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data.
- Level 3: Valuation techniques using significant unobservable inputs. This category includes all instruments where the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments where significant unobservable adjustments or assumptions are required to reflect differences between the instruments.

The fair value of certain financial instruments is measured using valuation techniques that are determined in full or partly on assumptions that are not supported by observable market prices. The effect of changing these assumptions to a range of reasonably possible alternative assumptions is negligible (2020: negligible) given the back to back nature of these trades across assets and liabilities (refer to range disclosures included on page 47).

The Company has prepared a Value-at-Risk analysis which reflects interdependencies between market risk factors, refer to page 19.

16 Fair Value of financial instruments (continued)

	2021			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets				
Financial Assets at FVTPL				
Trading portfolio financial assets	-	-	-	-
Reverse repurchase agreements - fair value	-	2,412,206	-	2,412,206
Derivative financial instruments	-	775,500	1,787	777,287
	-	**3,187,706**	**1,787**	**3,189,493**
Liabilities				
Financial Liabilities at FVTPL				
Trading portfolio financial liabilities	-	-	-	-
Repurchase agreements - fair value	-	1,976,206	-	1,976,206
Derivative financial instruments	-	777,163	1,787	778,950
	-	**2,753,369**	**1,787**	**2,755,156**

	2020			
	Level 1 €'000	**Level 2 €'000**	**Level 3 €'000**	**Total €'000**
Assets				
Financial Assets at FVTPL				
Trading portfolio financial assets	95,009	-	-	95,009
Reverse repurchase agreements - fair value	-	2,127,089	-	2,127,089
Derivative financial instruments	-	669,296	2,102	671,398
	95,009	**2,796,385**	**2,102**	**2,893,496**
Liabilities				
Financial Liabilities at FVTPL				
Trading portfolio financial liabilities	-	-	-	-
Repurchase agreements - fair value	-	1,742,068	-	1,742,068
Derivative financial instruments	-	671,721	2,102	673,823
	-	**2,413,789**	**2,102**	**2,415,891**

The table below shows a reconciliation from the beginning balances to the end balances for the fair value of instruments in level 3 of the fair value hierarchy. This does not include movements in level 1 or level 2 derivatives that are also used to hedge the level 3 assets and liabilities.

Roll forward table

	Derivative assets €'000	**Derivative liabilities €'000**
2021		
Opening balance 1 January 2021	2,102	(2,102)
Total gains/(losses) in profit or loss	169	(169)
Total gains in reserves	-	-
Purchases	-	-
Issues	-	-
Settlements	(484)	484
Transfers into level 3	-	-
Transfers from level 3	-	-
Closing balance 31 December 2021	**1,787**	**(1,787)**
Net unrealised gains/(losses) in P&L	169	(169)

	Derivative assets €'000	Derivative liabilities €'000
2020		
Opening balance 1 January 2020	-	-
Total gains/(losses) in profit or loss	2,102	(2,102)
Total gains in reserves	-	-
Purchases	-	-
Issues	-	-
Settlements	-	-
Transfers into level 3	-	-
Transfers from level 3	-	-
Closing balance 31 December 2020	**2,102**	**(2,102)**
Net unrealised gains/(losses) in P&L	2,102	(2,102)

Financial Instruments valued using models with unobservable inputs
The amount that has yet to be recognised in the Company income statement relating to the difference between the fair value at initial recognition (the transaction price) and the amount that would have arisen had valuation techniques used for subsequent measurement been applied at initial recognition, less subsequent releases, is nil.

2021	Total assets €'000	Total liabilities €'000	Valuation technique(s)	Significant unobservable inputs	Range Min	Max	Units
Derivatives							
Foreign exchange derivatives	1,787	(1,787)	Option model	IR - IR Correlation	35.00	60.00	%
				FX - IR Correlation	20.00	60.00	%
				Correlation - underlying assets	66.00	66.00	%
	1,787	**(1,787)**					

2020	Total assets €'000	Total liabilities €'000	Valuation technique(s)	Significant unobservable inputs	Range Min	Max	Units
Derivatives							
Foreign exchange derivatives	2,102	(2,103)	Option model	IR - IR Correlation	35.00	60.00	%
				FX - IR Correlation	20.00	60.00	%
				Correlation - underlying assets	66.00	66.00	%
	2,102	**(2,102)**					

The following provides a summary description of significant unobservable inputs included in the table above:

- Correlation is a measure of the relationship between the movements of two variables (i.e. how much the change in one variable may be linked to the change in the other variable). Correlation is often an input into valuation of derivative contracts with more than one underlying risk. A significant increase in correlation in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.

17 Financial Risk Management

The Company maintains positions in financial instruments as an integral part of daily market activities. These positions are held as part of portfolios that are maintained and monitored by instrument or risk type. The Company implements policies and procedures in order to adequately identify and monitor, assess and manage these risk types. Additional detail is included within Business and Risk Management Policies on pages 16 to 24.

Policies and procedures are established across each primary risk type to ensure quality of risk measurement, risk monitoring, and appropriate avenues for escalation to occur.

Risk Management by Financial Risk Type:

<u>Market Risk</u>

Market risk is the risk of losses from movements in market prices in the trading portfolio. The Company uses a variety of risk measures, mainly VaR based, to quantify and control this risk with the overall objective of ensuring that potential losses arising from market risk remain within the appetite set by the Board – refer to Market Risk on pages 15 to 16.

<u>Credit Risk</u>

Credit risk is the risk of loss resulting from client, issuer or counterparty default and arises on credit exposure in all forms, including settlement risk. The gross credit risk exposure of the Company is deemed to be the total assets balance reported on the balance sheet – refer to page 27. The Company manages its credit risk in accordance with policies originated and approved within the Company and endorsed by its parent company with the objective of ensuring adequate credit mitigates are in place and remaining exposures are adequately managed. Counterparty exposure is managed through a process of credit risk assessment, limit setting, exposure monitoring and exception reporting – refer to Credit Risk on page 17.

<u>Liquidity Risk</u>

Liquidity risk is the risk that the Company has insufficient resources to meet its financial obligations as they fall due. This risk could arise from both institution specific and market-wide events. The Company's liquidity risk appetite expresses the level of risk the Company chooses to take in pursuit of its strategic objectives. Day to day oversight of liquidity risk management is delegated to the ALCO including specification of liquidity stress testing, approval of business line unsecured funding limits, transfer pricing rates/policy and the contingency funding plan. Matters which require approval are escalated to the Board . Refer to Liquidity Risk on pages 17 to 18.

<u>Capital Risk</u>

Capital risk is the risk that the Company has insufficient capital resources to meet the capital requirements that are incurred through execution of the business plan. The Company aims to manage and control its exposure to capital risk through its policies and procedures with the key objective of holding sufficient capital resources to support the risks in which the Company engages. The ALCO has responsibility for day to day oversight of the Company's capital management. Matters which require approval are escalated to the Board. The Company measures key capital sensitivities and analysis of drivers of change in capital adequacy which is regularly reported in the ALCO. The capital position is assessed against minimum regulatory requirements and internal targets – refer to Capital Risk on page 19 and the Status of Regulatory Capital Resources on page 22.

<u>Compliance risk</u>

As a consequence of the recent Investment Firm Regulation ("IFR") / Investment Firm Directive ("IFD"), MUS(EU) is to be categorised as a Credit Institution and thus needs to apply for a Banking License. The current MiFID license from the Autoriteit Financiele Markten ("AFM") will remain in place until the banking license is granted. In November 2021 MUS(EU) has formally submitted the application for the abbreviated Banking License to the De Nederlandsche Bank ("DNB"). MUS(EU) is in the process of implementing all the requirements to obtain such a License in the course of 2022. For more information on this topic refer to page 5 in our board report.

18 Post-balance sheet events

Recent geopolitical developments in Eastern Europe are being monitored and assessed by management. Exposure analysis as at late-February 2022 confirms the Company has no direct exposure to the Russian Federation and Ukraine. Additionally, country limits have been amended, risk forums engaged and relevant staff mobilised as appropriate in order to react to any emerging risks. The full extent of the consequences and the related impact on the financial performance of the Company is currently uncertain.

As at the date of signing, the Directors are not aware of other material events which would warrant further disclosure. There has been no material adverse change in the prospects of the Company as at the financial year ended 31st December 2021.

19 Collateral

Under certain transactions, including reverse repurchase agreements and stock borrowing transactions, the Company is allowed to resell or repledge the collateral held. The fair value of collateral accepted with the right to repledge to others was as follows:

	2021		2020	
	Fair Value €'000	**Sold or repledged €'000**	**Fair Value €'000**	**Sold or repledged €'000**
Accepted collateral	4,194,038	3,689,663	2,434,748	2,004,844

These balances represent substantially all of the collateral received by the Company in relation to assets. The Company has the obligation to return the collateral on the maturity date of the secured transaction. The process by which assets are pledged as collateral and accepted as collateral is generally conducted under standard documentation used by financial market participants.

Collateral Management of Repurchase Agreements

Securities purchased under agreements to resell ("reverse repurchase agreements") and securities sold under agreements to repurchase ("repurchase agreements") are mainly collateralised by highly rated credit bonds (predominantly government and corporate bonds). The repurchase agreements are treated as collateralised financing transactions and are carried at fair value. It is the Company's policy to generally take possession of securities purchased under agreements to resell at the time such agreements are made. The Company's agreements with counterparties contain provisions allowing for additional collateral to be obtained, or excess collateral returned, based on market valuations of such collateral. The Company re-values the collateral underlying its repurchase and reverse repurchase agreements on a daily basis. In the event the market value of such securities falls below the related agreement to resell at contract amount plus accrued interest, the Company will generally request additional collateral.

Unconsolidated structured entities in which the Company has an interest

The Company is involved with special purpose entities in the normal course of business. These have been established as structured entities such that voting or similar rights are not the deciding factor in determining control of the entity.

The structured entities are typically asset repackaging transactions established to source funding, purchase credit protection or provide returns to investors that are not otherwise readily available in the market. The principle risk to the structure is the credit risk of the securities acting as collateral to the investors who retain the risk and rewards.

The following tables represent the total assets, maximum exposure to loss and assets and liabilities which relate to the Company's interest in non-consolidated special purpose vehicles ("SPVs"). Maximum exposure is determined by the carrying amount of any on-balance sheet assets net of any recourse liabilities, where applicable.

As at 31 December 2021	SPVs for structured financing €'000
Derivative financial instruments	6,395
Total Assets	**6,395**
Derivative financial instruments	698
Total Liabilities	**698**
Maximum Exposure	**6,208**

As at 31 December 2020	SPVs for structured financing €'000
Derivative financial instruments	8,575
Total Assets	**8,575**
Derivative financial instruments	2,495
Total Liabilities	**2,495**
Maximum Exposure	**8,575**

20 Contractual maturity analysis

The breakdown of financial liabilities by contractual maturity is shown in the table below. These are based on the contractual terms, except for derivatives which are deemed to be on demand. The balances do not agree directly to the balances in the balance sheet as the table incorporates contractual cash flows on an undiscounted basis. The repurchase agreement balances are presented on a gross basis, not taking account of any balances which have been offset in the balance sheet. Derivative contracts are reflected as on demand at their fair value.

	2021					
	On demand €'000	**Due within 3 months €'000**	**Due between 3 and 12 months €'000**	**Due between 1 and 5 periods €'000**	**Over 5 periods €'000**	**Total €'000**
Deposits by banks	1	-	-	-	-	1
Trading portfolio financial liabilities	-	-	-	-	-	-
Repurchase agreements	232,700	2,769,071	300,000			3,301,771
Cash collateral received from derivatives counterparties	500,305	-	-	-	-	500,305
Derivatives	778,950	-	-	-	-	778,950
Other liabilities (excl. lease liability)	10,283	-	-	-	-	10,283
Lease liability	-	245	734	3,509	635	5,123
	1,522,239	**2,769,316**	**300,734**	**3,509**	**635**	**4,596,433**

	2020					
	On demand €'000	**Due within 3 months €'000**	**Due between 3 and 12 months €'000**	**Due between 1 and 5 periods €'000**	**Over 5 periods €'000**	**Total €'000**
Deposits by banks	463	-	-	-	-	463
Trading portfolio financial liabilities	-	-	-	-	-	-
Repurchase agreements	660,974	1,182,013	95,013	-	-	1,938,000
Cash collateral received from derivatives counterparties	435,553	-	-	-	-	435,553
Derivatives	673,823	-	-	-	-	673,823
Other liabilities (excl. lease liability)	5,591	-	-	-	-	5,591
Lease liability	-	245	734	3,641	1,482	6,102
	1,776,404	**1,182,258**	**95,747**	**3,641**	**1,482**	**3,059,532**

The Company holds liquid assets comprising cash and cash equivalents and investment securities for which there is an active and liquid market. These assets can be readily sold to meet liquidity requirements.

21 Offsetting financial assets and financial liabilities

In accordance with IAS 32 Financial Instruments: Presentation, the Company reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously. The following table shows the impact of netting arrangements on:

- All financial assets and liabilities that are reported net on the balance sheet; and
- All derivative financial instruments, reverse repurchase and repurchase agreements and other similar secured lending and borrowing agreements that are subject to enforceable master netting arrangements or similar agreements, but do not qualify for balance sheet netting.

The table identifies the amounts that have been offset in the balance sheet and also those amounts that are covered by enforceable netting arrangements (offsetting arrangements and financial collateral) but do not qualify for netting under the requirements of IAS 32 described above.

The net amounts presented in the following table are not intended to represent the Company's actual exposure to credit risk, as a variety of credit mitigation strategies are employed in addition to netting and collateral arrangements.

	Amounts subject to enforceable netting arrangements							
	Effects of offsetting on balance sheet			**Related amounts not offset**			**Exposure**	
	Gross amounts €'000	**Amounts offset €'000**	**Net amounts on balance sheet €'000**	**Financial instru-ments €'000**	**Cash collateral €'000**	**Financial collateral €'000**	**Net amount €'000**	**Balance sheet total €'000**
As at 31 December 2021								
Derivative financial assets	777,287	-	777,287	498,262	197,542	-	81,483	777,287
Reverse repurchase agreements	3,737,918	1,325,712	2,412,206	520,134	-	1,866,394	25,678	2,412,206
Total Assets	4,515,205	1,325,712	3,189,493	1,018,396	197,542	1,866,394	107,161	3,189,493
Derivative financial liabilities	778,950	-	778,950	498,262	1,904	-	278,784	778,950
Repurchase agreements	3,301,918	1,325,712	1,976,206	520,134	-	1,454,926	1,146	1,976,206
Total Liabilities	4,080,868	1,325,712	2,755,156	1,018,396	1,904	1,454,926	279,930	2,755,156
As at 31 December 2020								
Derivative financial assets	671,398	-	671,398	457,020	150,743	-	63,635	671,398
Reverse repurchase agreements	2,326,957	199,868	2,127,089	719,319	-	1,401,646	6,124	2,127,089
Total Assets	2,998,355	199,868	2,798,487	1,176,339	150,743	1,401,646	69,759	2,798,487
Derivative financial liabilities	673,823	-	673,823	457,020	34,803	-	182,000	673,823
Repurchase agreements	1,941,936	199,868	1,742,068	719,319	-	1,022,632	117	1,742,068
Total Liabilities	2,615,759	199,868	2,415,891	1,176,339	34,803	1,022,632	182,117	2,415,891

22 Related party transactions

Balances and transactions between the Company and related parties are disclosed below.

	Parent Company €'000	**MUFG €'000**	**Other Related Parties €'000**	**Total €'000**
		2021		
Income	15,474	622	916	17,012
Expenses	9,722	7,489	-	17,211
Total assets	1,248,079	582,575	2,199	1,832,853
Total liabilities	1,020,757	273,781	-	1,294,538
		2020		
Income	22,907	267	11	23,185
Expenses	4,554	6,388	-	10,942
Total assets	740,116	461,296	5,238	1,206,650
Total liabilities	1,224,995	279,659	-	1,504,654

All related parties are wholly owned subsidiaries of MUFG, with the exception of Jackson Square Aviation Ireland Ltd, which is presented as 'Other Related Parties' due to their affiliate status with MUFG.

No provisions for doubtful debts related to the amount of outstanding balances are recognized in respect of related parties. Transactions executed with related parties are entered into at market price on an arm's length basis.

The Company has entered in to a Deed Poll guarantee arrangement which guarantees MUS(EU)'s derivative contract liabilities to external counterparties. The terms of the arrangement stipulate MUFG Bank as the guarantor of these liabilities. The Company incurs a fee for this benefit. This arrangement is in addition to the guarantee provided by MUFG Bank, for the uncollateralised derivatives exposures within a portfolio of corporate counterparties (refer to note 8).

There are no material related party transactions with key management, and persons connected with them, other than remuneration disclosed in Note 16.

23 Company information

MUFG Securities (Europe) N.V. is a private company incorporated in the Netherlands under Chamber of Commerce number 71213376. The principal activities of the Company and the nature of the Company's operations are set out in the Directors' Report. The address of the registered office is:

MUFG Securities (Europe) N.V.
World Trade Center, Tower H, 11^{th} floor
1077 XV, Amsterdam
The Netherlands

The Company's immediate parent undertaking is MUFG Securities EMEA plc, a company registered in England and Wales under the Companies Act 2006. Below the address of its registered office where also the audited consolidated financial statements of MUFG Securities EMEA plc are available:

MUFG Securities EMEA plc.
25 Ropemaker Street
London EC2Y 9AJ
United Kingdom

The MUFG Securities EMEA plc immediate parent undertaking is Mitsubishi UFJ Securities Holding Co. Ltd., a company incorporated in Japan. The Company's ultimate company and ultimate controlling party is Mitsubishi UFJ Financial Group, incorporated in Japan.

The audited consolidated financial statements of Mitsubishi UFJ Securities Holdings Co. Ltd. are made available to the public annually and may be obtained from its registered office at:

Mitsubishi UFJ Securities Holdings Co., Ltd.
5-2, Marunouchi 2-chome
Chiyoda-ku
Tokyo 100-0005
Japan

Approval of the Financial Statements

The financial statements were approved by the Board of Directors and Supervisory Board authorized for issue on 10th of June 2022.

On behalf of

MUFG Securities (Europe) N.V.

-- --

Mr. Wietze Reehoorn

Ms. Gisella van Vollenhoven

-- --

Ms. Colleen Frances Stack

Mr. Yashima Akanuma

Jeff Simmons

Mr. Jeffrey Simmons

Other Information

Provisions of Articles of Association concerning profit appropriation

The provisions regarding the reservation and distribution of profits are included in Article 23 "Profit and Reserves" of the amended Articles of Association. The following provisions have been mentioned in the aforementioned Article:

1. The general meeting shall determine the allocation of the accrued profits.
2. Distributions can only be made up to the amount of the Distributable Part of the Shareholders' Equity.
3. A distribution of profits shall take place after the adoption of the Annual Accounts from which it appears that the distribution is permitted.
4. Subject to article 23.4 and section 2:105 paragraph 4 DCC, the board may resolve to interim distribution of profits.
5. Subject to article 23.4, the general meeting may resolve to make distributions out of a reserve in whole or in part.
6. The claim of a shareholder to receive any distributions shall lapse within five years after they have become due for payment.
7. In calculating the amount of any distribution on shares, shares held by the Company shall be disregarded.

The Board proposes to add the current result over the period to equity. This proposal has been reflected in the financial statements.