MUFG Securities EMEA plc Consolidated Pillar 3 Disclosure

31ST DECEMBER 2023

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1. About MUFG Securities EMEA plc

MUFG Securities EMEA plc ("The Group") is a wholly-owned international capital markets subsidiary of Mitsubishi UFJ Securities Holdings Co. Ltd. ("MUSHD"), which is wholly owned by Mitsubishi UFJ Financial Group ("MUFG") and was established in 1983. The Group's Tier 1 capital at 31 December 2023 was £1,981 million and the average number of employees during the year was 731.

MUFG was formed in October 2005 through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings and is one of the world's largest and most diversified financial groups, with total assets of ¥397 trillion (£2.2 trillion) at 31 December 2023. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

The Group actively trades in fixed income, equity and structured finance products, providing client solutions across primary and secondary markets. The client group includes financial institutions, corporations and central banks. The Group primarily supports this client group from its base in London and additionally operates a branch in the Dubai International Financial Centre.

The Group established a wholly owned subsidiary in The Netherlands, namely MUFG Securities (Europe) N.V. ("MUS(EU)"), as well as a branch of that entity in Paris, to support the continued servicing of clients across Europe. MUS(EU) was granted a MiFID II Investment Firm Licence in The Netherlands in December 2018 and commenced trading in March 2019. MUS(EU) was granted a credit institution licence in 2022. The scope of this document covers MUFG Securities EMEA plc and MUS(EU) on a consolidated basis.

The Group works in close partnership with MUFG and its corporate bank, MUFG Bank, Ltd. ("MUFG Bank"), to ensure its clients experience seamless product delivery that meets all of their objectives.

2. Introduction

The Basel II Framework was implemented in the UK via the Capital Requirements Directive ("CRD") in June 2006. The framework is made up of three pillars:

- Pillar 1 (Minimum capital requirements)
  Pillar 1 sets out 'minimum capital requirements'. It covers the calculation of risk weighted assets ("RWA") and the capital resources requirements for credit risk, market risk and operational risk. Credit risk includes counterparty credit risk and concentration risk.

- Pillar 2 (Supervisory review process)
  Pillar 2 capital framework is intended to ensure that firms have adequate capital to support the relevant risks in their business, and that they have appropriate processes to ensure compliance with the Fourth Capital Requirements Directive ("CRD IV"). It considers whether additional capital is required over and above the Pillar 1 capital requirements. A firm's internal capital adequacy assessment process ("ICAAP") supports this process.

- Pillar 3 (Market discipline)
  Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. It covers external disclosures of capital and risk exposures to increase transparency and improve comparability and consistency of disclosures.

The Basel Committee agreed updates to the Basel framework in July 2009, commonly referred to as Basel 2.5. These seek to better capture risk from securitisation and trading book exposures and were incorporated into European law via amendments to the CRD known as the "Third Capital Requirements Directive" or "CRD III".

Basel III, released in December 2010, builds on Basel 2.5. It sets higher capital and liquidity requirements to be phased in over the coming years. In the EU, Basel III was implemented through the Capital Requirements Regulation ("CRR") and CRD IV in January 2014. The UK Prudential Regulation Authority ("PRA") published final rules for implementing CRD IV in its Policy Statement 7/13. Reporting and Disclosure requirements are covered in the Policy Statement.

In the UK, all EU legislation that was in place on 31 December 2020 was onshored into UK law, subject to certain amendments. In Oct 2021, the PRA published PS22/21 Implementation of Basel standards – Final rules and 'The UK leverage ratio framework' in PS21/21. The final rules specified how the PRA implements the remaining Basel standards with the PRA rules set out in those policy statements.

In December 2023, the PRA issued PS17/23, 'Implementation of the Basel 3.1 standards – Near-final part 1 on the implementation of the remaining Basel reforms that the PRA refers to as Basel 3.1. This covers the parts of the Basel III standards that remain to be implemented in the UK such as market risk, Credit Valuation Adjustment ("CVA") capital requirements and operational risk. The proposed implementation date of these standards is 1 July 2025.

The Pillar 3 disclosures are prepared in accordance with the latest PRA rules and the disclosures are available on the Group's corporate website (www.mufgemea.com). Disclosure in respect of remuneration as required under Article 450 of the CRR is separately published on the same website and forms part of the Pillar 3 disclosure for the Group.

The Pillar 3 disclosures were verified and approved internally, including a review by the Board of Directors to ensure that the external disclosures convey the Group's capital and risk profile comprehensively, subject to materiality and proprietary confidentiality. There is no requirement for external auditing of these disclosures.

2.1 Management Attestation

I confirm that the information included in this disclosure complies to the best of my knowledge with the CRR disclosure requirements and has been prepared in accordance with the relevant formal policies and internal processes, systems and controls of the Group.

Tony Syson
Chief Financial Officer, MUS(EMEA)

3. Regulatory Approach

The Group is regulated by the UK PRA and Financial Conduct Authority (“FCA”) and is subject to minimum capital adequacy standards. The Group calculates appropriate capital requirements for each of its material risks.

3.1 Methodologies for capital calculations

Pillar 1 Credit Risk

The Group’s credit risk requirement is measured under the Standardised Approach in accordance with Title 2 of Part Three within CRR.

Pillar 1 Market Risk

The calculation of the Group’s market risk capital requirements is primarily based on its Value at Risk (“VaR”) model which has been approved by the PRA. Market risk capital requirements for a small number of positions are calculated using the Standardised Approach.

Pillar 1 Operational Risk

The Group calculates its operational risk using the Standardised Approach in accordance with Title 3 of Part Three within CRR.

Basis of consolidation

In this disclosure, the Group is presented on a consolidated basis and there is no difference between the financial accounting consolidation and the regulatory consolidation used for regulatory reporting purposes.

4. Risk Management Strategy and Governance

The Group has a strong risk management culture with principles, frameworks and processes to identify, measure and manage its risks and capital effectively.

4.1 Risk Management Framework

Day-to-day risk management is the responsibility of all employees of the Group as set out in the three lines of defence model below. Accountability for second line risk management, with the exception of capital, compliance and conduct risk, resides with the Chief Risk Officer ("CRO"), who reports directly to the Chief Executive Officer ("CEO") and the Board Risk Committee ("BRC"). Market, credit, operational, reputational and model risk are overseen by the EMEA Risk Management Committee ("ERMC") supported by its underlying sub-committees. Capital risk resides with the Chief Financial Officer ("CFO") while the Chief Compliance Officer ("CCO") is accountable for compliance and conduct risk.

The Risk Management Framework sets out the risk management principles, risk culture, risk appetite statement, risk limits framework and the division of responsibilities for risk management.

Three Lines of Defence

To create a robust control environment to manage risks, the Group uses an activity based three lines of defence model that requires individuals to take roles and responsibilities relating to one of the three lines, depending on the activities they are conducting. This model assigns responsibility and accountability for risk management and the control environment.

The three lines of defence are summarised below:

- The first line of defence ("1LoD") owns the risks and is responsible for identifying, assessing, and managing risks (including remediation) in line with risk appetite; adhering to policies and standards set by the second line of defence ("2LoD") and meeting requirements of all in scope processes and procedures including reporting and governance; communicating changes that may impact the Group's risk profile to the 2LoD.
- The second line of defence is responsible and accountable for developing and maintaining the framework and its associated policies, procedures and guidance; developing and maintaining other risk-related policies, procedures and guidance (e.g. Financial Crime, IT, Legal etc.) that guide and affect the management of risks; providing advice, oversight and challenge.
- The third line of defence is responsible and accountable for providing independent and objective assurance of the effectiveness of governance, risk management and internal control practices in the 1LoD and 2LoD.

4.2 Risk Appetite

Central to the Group'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, embeds a healthy risk culture and assists Senior Management to effectively control and coordinate risk taking across the business. The Group's risk appetite is specified by the Board and managed through a number of metrics including capital, liquidity, earnings volatility, market, credit and non-financial risks. It is reviewed at regular meetings of the Board and recalibrated annually as part of the Group's budget and planning process. The risk appetite is cascaded through the Group 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 Group, business unit, department, and trader level and risk limits are monitored daily. Other risk appetite metrics and Key Risk Indicators ("KRI") are calculated less frequently than daily – either monthly or quarterly.

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 Group's risk register.

The Group 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 Group 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 Group, and ensure that the risks related to the proposal are within the risk appetite of the Group and has the support of the Group's risk management and control functions.

Risk monitoring

Risks and issues are escalated to ERMC and the Executive Committee. The BRC has delegated responsibility from the Board for independent oversight, review and challenge of the Group's risk profile against the agreed risk appetite under both normal and stressed conditions.

The risk profile is monitored and reported at the Executive Committee and ERMC as well as to the Board and BRC and is escalated outside the regular meeting framework if daily monitoring reveals any issues.

New products and complex transactions

The Group subjects all new business and complex transactions to the scrutiny of the International New Business and Product Committee and International Complex Transaction Committee, which report to the ERMC and provides updates to the BRC. The New Business and Product Committee and International Complex Transaction Committee are comprised of representatives from all the relevant support functions. All new and amended products go through the International New Activity Approval process which identifies the risks of the proposed product and considers the range of mitigation techniques, including hedging. Once all issues are resolved, the CRO is responsible for approving the new activity.

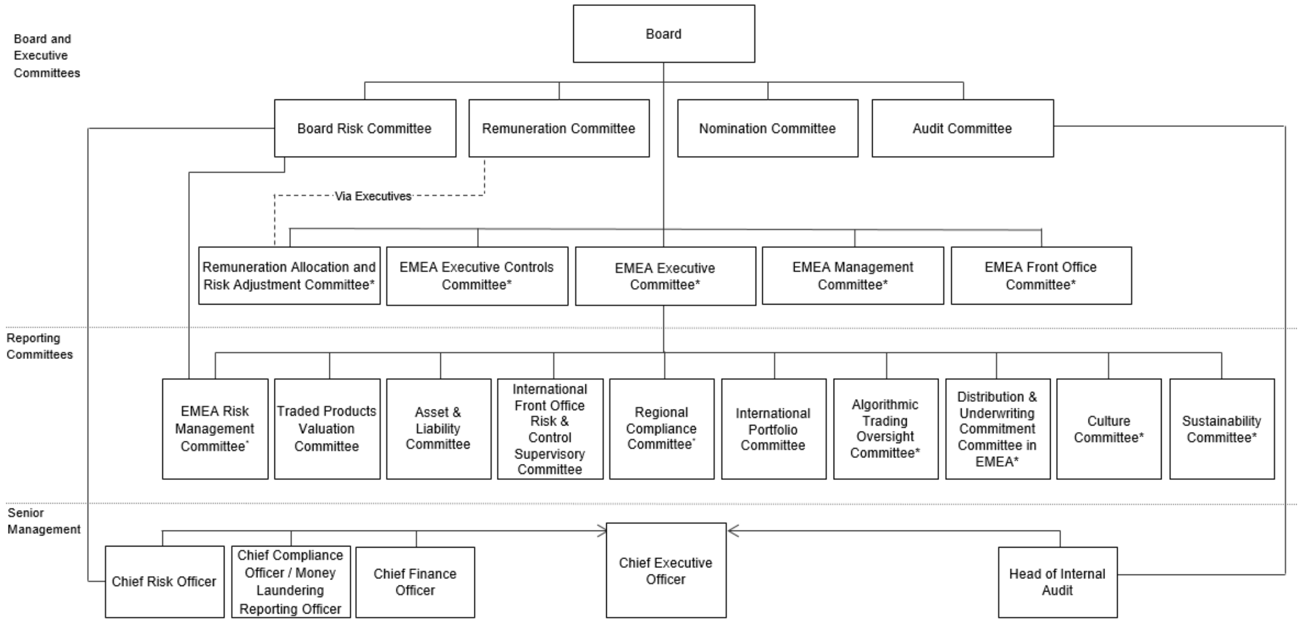
Complex transactions are subject to a similar approval process as new activities. The CRO is responsible for determining whether any complex transaction is within the Group's risk appetite and provide the final approval of all complex transactions.

Stress testing

The Group has a stress testing framework, which is reviewed by the BRC on an annual basis, 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 Group level and also by department and business line, and reported regularly to Senior Management.

4.3 Committee and Corporate Structure

The Group's risk committee structure as at 31 December 2023 is illustrated below:



(1) *Covers MUS(EMEA) and MUFG Bank London Branch
(2) The EMEA Sustainability Committee was established during the 2023 financial year responsible for overseeing the sustainability strategy and its delivery.

Board

Responsibility for the oversight of risk management resides with the Board, with support from the BRC. In this context, the Board is responsible for reviewing internal controls and the process for managing risks. The BRC oversees the development, approval, implementation and maintenance of the Group's overall risk management framework, risk appetite, risk strategy, principles and policies. As part of the Group's business strategy, the Board considers the risks to which the Group 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 is accountable for approving the risk management framework for the Group, but has delegated responsibility to the BRC to approve this framework on their behalf. The risk management framework describes the Group'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 Group's risk appetite. The Directors consider that the framework currently in place is adequate.

The Board is committed to diversity at all levels of the organisation, including on the Board itself. The Board recognises and embraces the benefits of having a diverse Board, and sees increasing diversity at Board level as an essential element of good corporate governance. A truly diverse Board 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 Board and when possible should be balanced appropriately. All Board appointments are made on merit, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses the Board's composition and recommends the appointment of new Directors. In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively in identifying suitable candidates for appointment to the Board.

The Board's policy is to appoint and retain Non-Executive Directors who can apply their wider knowledge and experience, and to review and refresh regularly the skills and experience the Board requires. The Board is satisfied that each Non-Executive Director is able to devote sufficient time to the role in order to discharge their duties effectively.

Board Risk Committee

The objective of the BRC is to exercise oversight on behalf of the Board of the key risks of the Group and reviews and makes recommendations to the Board on: (a) the Group's risk appetite and risk strategy; and (b) the Group's risk culture to ensure that it supports the Group's risk appetite and strategy. In addition to the above, the Committee is also responsible for the Group's risk management framework (incorporating principles, policies, methodologies, systems, processes, procedures and people).

As at 31 December 2023, the BRC comprised of the Independent Non-Executive Directors, including the Chair of the Board. The BRC is supported by the regular attendance of the CEO, CRO and CFO who is the primary contributor of capital and liquidity metrics. The BRC held six scheduled meetings in 2023.

Joint Remuneration Committee

The objective of the Joint Remuneration Committee is to act as an independent oversight body for the purposes of considering and approving remuneration matters for the Group (including MUFG Bank in London) in order to meet applicable legal and regulatory requirements applicable to each entity related to remuneration. The Committee shall make decisions which are consistent with the Group's current and future financial status.

Nomination Committee

The objective of the Nomination Committee is to advise the Board on the criteria for and selection of new directors. It shall keep the composition of the Board and subsidiary boards under review, including maintaining succession plans, and lead the appointment process for nominations to the Board and subsidiary boards.

Audit Committee

The objective of the Audit Committee is to assist the Board of Directors in its oversight of (i) the integrity of the Group's financial statements and other financial information provided by the Group to its shareholders, creditors, regulators or other third parties; (ii) assurance over the adequacy and effectiveness of the Group's internal controls and risk management, including specific focus on remediation and assurance activities; (iii) the work programme and performance of the Group's internal and external auditors and (iv) the Group's auditing, accounting and financial reporting processes generally. The Committee is responsible, among other matters, for determining whether the Group's internal controls over financial reporting are appropriate to the risks they are designed to monitor.

Other committees

Market, credit, operational, reputational and model risk are overseen by the ERMC supported by its underlying sub-committees.

Valuation risk is overseen by the Traded Products Valuation Committee ("TPVC"), which is chaired by the CFO. Liquidity and capital risk are overseen by the Asset and Liability Committee ("ALCO"), which is chaired by the CFO. Compliance, conduct and legal risk are overseen by the Regional Compliance Committee ("RCC"). Second line risk management of compliance risk and conduct risk resides with the CCO, who reports directly to the CEO.

Each of these executive sub-committees reports to the EMEA Executive Committee, which reports directly to the Board. In addition, the ERMC reports to the BRC, via the CRO.

The EMEA Executive Control Committee is an advisory committee which supports the CEO with oversight and management of the controls framework.

The Cross-Border Activity Committee acts as an advisory body to the International Executive Committee of MUSHD. Its purpose is to provide overall review and discussion of the combined Cross-Border Activities across the International Operating Entities in accordance with the MUS International Cross-Border Activity Policy. The Cross-Border Activity Committee is responsible for ensuring adequate coordination across Regions and International Operating Entities with respect to overall strategy, evaluation of new products and new business (conducted as Cross-Border Activities), business and support function needs and the increased risks that can arise through the conduct of Cross-Border Activities. The Cross-Border Activity Committee is chaired by Chief Operating Officer- International.

4.4 Senior Management

MUS(EMEA) Board members as of 31 December 2023 are listed in the table below.

Table 1: Board Members

Marshall Bailey Chair Appointed: 2020	**Skills and experience**: Mr Bailey is Chair of the Board of Directors and Chair of the Nomination Committee. He has extensive experience both as a senior executive and as a non-executive director in global financial services businesses. As an executive, he held senior positions with RBC Capital Markets before moving to State Street where he held several roles including CEO of State Street Global Markets International. He was elected President and Global Head of ACI International – Financial Markets Association. Mr Bailey has since built a non-executive portfolio across a range of financial services businesses and organisations. In 2018, he received an OBE for services to the financial services sector and services to charity. **Other appointments:** Mr Bailey is Chair of MUFG Securities Asia Limited and Financial Services Compensation Scheme and is a member of the Board of Governors of the CFA Institute, Charlottesville, Virginia, USA. Previously, he has been Chair of LCH Group Holdings Ltd (SwapClear, ForexClear, etc.), Chair of AON UK Limited, Chair of CIBC World Markets plc, Representative of the Saudi Public Investment Fund, non-executive board director of the London Stock Exchange Group, and trustee of the East End Community Foundation.
Eileen Taylor Senior Independent Non-Executive Director Appointed: 2019	**Skills and experience**: Ms Taylor is Chair of the Remuneration Committee and the Senior Independent Non-Executive Director. She is a seasoned investment banker with 39 years of experience in global leadership roles based in the UK, US and Asia. Ms Taylor has a strong working knowledge of the Supervisory Review and Evaluation Process, non-financial risk, recovery and resolution planning and corporate governance. She has previously served as CEO of Deutsche Bank's UK bank, with significant regulatory interaction. Ms Taylor brings experience of managing large, global transformation programmes, as well as significant experience of designing and implementing strategy and running front-to-back business processes. Ms Taylor is an experienced operational, market and credit risk manager through various Risk and CEO roles. **Other appointments:** Chair of East London NHS Foundation Trust and North East London NHS Foundation Trust.
Angela Crawford-Ingle Independent Non-Executive Director Appointed: 2023	**Skills and experience**: Ms Crawford-Ingle is Chair of the Audit Committee. Ms. Crawford-Ingle is a Chartered Accountant with audit experience of multinational and listed companies. She was a Partner in PwC specialising in Financial Services for twenty years, during which time she led the Insurance and Investment Management Division. After several years at PwC, Ms Crawford-Ingle set up Ambre Partners; an organisation that provides strategic, combined with operational and financial management advice. At

	Ambre, she was Vice-Chair of the Legal and Technical Committee and Chair of the Reporting Committee. Her client work included developing business platforms and teams across Europe and Asia, advising Boards on strategic issues and capital structures. **Other appointments:** Independent Non-Executive Director and Chair of the Audit Committees at Lloyds of London and TP ICAP plc. Ms Crawford-Ingle has been a Non-Executive Director of Beazley plc and Swinton Insurance, where she chaired their respective audit and risk committees. In 2018, she was appointed Chair of the Audit Committee at Openwork Ltd, and at River and Mercantile, she chaired the Audit and Risk Committee prior to their Listing; she was subsequently appointed Senior Independent Director, responsible for establishing a separate Risk Committee.
Beatrice Devillon-Cohen Independent Non-Executive Director Appointed: 2021	**Skills and experience**: Ms Devillon-Cohen is Chair of the BRC. She has over 25 years' experience in investment banking having been a Managing Director for Société Générale CIB. She has built successful trading businesses with significant profits in Europe, Asia and the US. She has extensive expertise in risk management, transformational change, regulation and compliance. She is also specialised in cybersecurity risk. Ms Devillon-Cohen has since built an international non-executive portfolio. **Other appointments:** Member of the Audit Committee at European Investment Bank, member of the Finance Committee at King's College London.
Takanori Sazaki Group Non-Executive Director Appointed: 2022	**Skills and experience**: Mr Sazaki has held a number of positions gaining extensive global banking experience for more than 30 years, including 10 years of experience in Investment Banking and five years of experience in Finance & Strategic Planning in Tokyo. He also held senior management experience in Bangkok and Singapore. He is currently the Regional Executive for Europe, Middle East and Africa assuming responsibility for the overall leadership of the MUFG Bank in the EMEA region. **Other appointments:** Mr Sazaki also holds positions externally with the Japanese Chamber of Commerce and Industry, UK (non-executive director and trustee), Nippon Club Limited, Director (non-executive director), The Japanese School Limited, (non-executive director and trustee), Japan House London Trust (non-executive director and trustee), Nippon Club (chairman) and Rikkyo School in England (trustee).
Masahiro Kuwahara Group Non-Executive Director Appointed: 2022	**Skills and experience**: Mr Kuwahara is a member of the Board of Directors, Deputy President and Chief Operating Officer – International of MUSHD, as well as Deputy President and Head of Corporate & Institutional Business Unit of Mitsubishi UFJ Morgan Stanley Securities Co. ("MUMSS"), Ltd. Since joining Mitsubishi Bank in 1986, he has led various high-level projects to enhance sound management of various bank functions, including corporate planning, credit policy, and risk management around the globe. Mr Kuwahara holds a bachelor's degree in law from University of Tokyo; and Master of Business Administration from the University of California at Berkeley. **Other appointments:** In addition to his roles with MUSHD and MUMSS, he is Managing Executive Officer and Deputy Chief Operating Officer - International of MUFG.
Masashi Kanematsu Group Non-Executive Director Appointed: 2021	**Skills and experience**: Mr Kanematsu is the Senior Managing Executive Officer and Global Head of Sales and Trading for MUSHD. He is Deputy President as well as Head of Global Markets Business Unit for MUMSS, Ltd. Since joining MUFG Bank in 1990, he has held a variety of positions in the Global Markets, Global Corporates and Human Resources areas. Mr Kanematsu holds a bachelor's degree in engineering from Osaka University. **Other appointments:** In addition to his roles with MUMSS and MUSHD, Mr Kanematsu is the Deputy Group Head for Global Markets Business Group, MUFG and jointly responsible for the overall global market business of MUFG with the Group Head.
Christopher Kyle Chief Executive Officer Appointed: 2015	**Skills and experience**: Mr Kyle is a highly experienced financial services executive with 30 years' experience. He was appointed by the Board as Chief Executive Officer from 1 April 2022. Prior to this he was CFO for the Group, MUS International and the London Branch of MUFG Bank. Prior to joining MUFG, Mr Kyle held a number of senior roles, including such as CFO and Chief Operating Officer of the Global Banking & Markets Division at RBS, Barclays and Dresdner Kleinwort Benson. He is a Qualified Accountant. **Other appointments**: Mr Kyle was also a director of the Group's subsidiary MUS(EU) from 25 July 2019 until 30 September 2021.

Tony Syson Chief Financial Officer Appointed: 2022	**Skills and experience**: Mr Syson is an experienced finance and data professional with 20 years in financial services and is a Chartered Accountant, a Prince2 practitioner, and holds the Chartered Financial Analyst designation. He is currently CFO for MUS(EMEA) and the London Branch of MUFG Bank as well as International CFO for MUFG's international securities business. He has held senior leadership positions in finance, data, and change disciplines during his 13-year tenure with MUFG. Prior to joining MUFG, Mr Syson worked for Goldman Sachs and KPMG. **Other appointments**: Mr Syson is also CFO for MUS International and the London Branch of MUFG Bank.
Nicola Wickes Chief Risk Officer Appointed: 2019	**Skills and experience**: Ms Wickes has over 30 years of experience working with the financial sector, largely in the risk environment. She joined MUFG in 2019 as CRO for MUS(EMEA) and the London Branch of MUFG Bank. Prior to joining MUFG, Ms. Wickes was the CRO at CIBC for Europe and Asia for five years where she sat as a Board Director of CIBC World Markets plc. Ms Wickes also held a role as Non-Executive Director at the Global Risk Institution in Toronto, Canada (until April 2020), and has also worked extensively across all risk disciplines, specialising in Credit Risk at UBS and Mellon Bank. **Other appointments**: Ms Wickes is also a board member of MUFG Turkey A.Ş.

4.5 Diversity, Equity and Inclusion

We are committed to incorporating Diversity, Equity and Inclusion ("DEI") into every aspect of our culture and business. Our DEI strategy is part of the overall EMEA business strategy and is embedded in the 'Strengthen Culture' pillar that aims to foster a culture of collaboration, inclusivity, diversity, empowerment and high performance. By creating belonging, leveraging our differences for success and welcoming all perspectives, we continue to create a work environment where diversity is valued as a key driver of engagement, performance, innovation and growth.

Our vision is to continue to build an inclusive, equitable and diverse workplace that reflects our society, where everyone feels they can succeed and be their authentic best. We welcome the unique perspectives of individuals from different backgrounds, cultures, skillsets and life experiences – bringing new ideas and solutions, and helping MUFG achieve sustainable growth in the increasingly dynamic, complex and competitive global business environment.

Over the past 12 months, the Group has continued to work towards its external commitments under the HM Treasury Women in Finance Charter and the Race at Work Charter.

- Our Women in Finance Charter target is to achieve a minimum of 25% women at Managing Director and Director level across EMEA by July 2025. As of January 2024, 24%* of this population in MUS(EMEA) were women.
- We have also made significant progress in increasing the Ethnicity disclosure rate of our UK population. As of January 2024, 69.8%* of MUS(EMEA) employees have disclosed this information.
- * The Group sets and reports DEI targets and achievements on a One MUFG basis for MUS(EMEA) and MUFG Bank. The figures included in this report are for MUS(EMEA) only.

Accountability for these two targets is driven through the mandatory EMEA Leadership Objective and Manager Objective. These metrics form part of senior manager evaluation, and contribute to their performance ratings during the year-end review process. In addition, our EMEA culture dashboard captures and highlights key people metrics, including progress against our diversity metrics.

In our 2023 Employee Survey, MUFG EMEA DEI category scored 80% favourable overall, including;

- 85% agreed that “diverse people, values, and ideas are respected and embraced.”
- 82% agreed they “see active steps being taken to enhance inclusion, equity and diversity.”
- 80% agreed that “employees are treated with respect regardless of their job/title/hierarchy.”
- 75% agreed their ‘’working schedule allows sufficient flexibility to meet personal/family needs’’.

To support colleagues internally and to further cultivate an inclusive culture with consistent employee engagement, we offer a selection of Employee Networks. The Networks are open to all colleagues and include various interests – such as Family Matters (all aspects of family, including carers), Pride Alliance (LGBTQI+ & Allies), Mosaic (multi-cultural network), Balance (gender diversity), disABILITY WORKS (disability, including mental health and neurodiversity), Social Mobility (socio-economic background) and CONNECTIONS, our social network. Each Network is supported by Executive Sponsors and has the autonomy to host awareness events, workshops, and educational sessions for colleagues.

In addition, we have a number of peer support and networking groups including; Senior Women Forum (aimed at women in leadership), SHEROES (aimed at VP women), Front Office Connect (aimed at women in Securities front office), Menopause Awareness Group and Women in TEC.

Our Culture Committee and DEI Steering Committee receive regular updates on progress against the DEI strategy.

Finally, our EMEA Executive Committee and the Board receive regular updates on key metrics, actions and concerns relating to DEI, in order to influence decision making and hold leaders accountable for taking action. The EMEA Executive Committee is attended by the Open Chair representative whose role is to provide feedback and perspective from an under-represented background.

5. Key Prudential Metrics

Table 2: Key Metrics (KM1)

		31 Dec 2023 £m	30Jun 2023 £m	31 Dec 2022 £m
Available own funds (amounts)				
1	Common Equity Tier 1 (“CET1”) capital	1,517	1,532	1,482
2	Tier 1 capital	1,981	1,996	1,946
3	Total capital	2,226	2,235	2,223
Risk-weighted exposure amounts (“RWEA”)				
4	Total risk-weighted exposure amount	8,578	8,770	9,644
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	17.68%	17.47%	15.36%
6	Tier 1 ratio (%)	23.09%	22.76%	20.17%
7	Total capital ratio (%)	25.94%	25.49%	23.05%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
UK 7a	Additional CET1 SREP requirements (%)	2.57%	2.57%	2.57%
UK 7b	Additional AT1 SREP requirements (%)	0.86%	0.86%	0.86%
UK7c	Additional T2 SREP requirements (%)	1.14%	1.14%	1.14%
UK 7d	Total SREP own funds requirements (%)	12.56%	12.56%	12.56%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.78%	0.43%	0.19%
UK 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
UK 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	3.28%	2.93%	2.69%
UK 11a	Overall capital requirements (%)	15.84%	15.49%	15.25%
12	CET1 available after meeting the total SREP own funds requirements (%)	10.62%	10.41%	8.30%
Leverage ratio				
13	Total exposure measure excluding claims on central banks[1]	47,689	51,036	50,677
14	Leverage ratio excluding claims on central banks (%)	4.15%	3.91%	3.84%
Additional leverage ratio disclosure requirements				
14a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.15%	3.91%	3.84%
14b	Leverage ratio including claims on central banks (%)	4.01%	3.86%	3.59%
14c	Average leverage ratio excluding claims on central banks (%)	3.89%	3.86%	n/a
14d	Average leverage ratio including claims on central banks (%)	3.75%	3.66%	n/a
14e	Countercyclical leverage ratio buffer (%)	0.27%	0.15%	0.07%
Liquidity Coverage Ratio (“LCR”)				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	6,992	7,479	7,011
UK 16a	Cash outflows - Total weighted value	7,286	7,406	7,068
UK 16b	Cash inflows - Total weighted value	4,472	4,589	4,646
16	Total net cash outflows (adjusted value)	2,814	2,817	2,422
17	Liquidity coverage ratio (%)	251%	275%	303%
Net Stable Funding Ratio (“NSFR”)				
18	Total available stable funding	11,302	12,030	12,538
19	Total required stable funding	9,626	10,743	11,102
20	NSFR ratio (%)	117%	113%	113%

6. Capital Resources

The Group's regulatory capital resources are assessed under the CRR and CRD IV. The Group's capital consists of Tier 1 – share capital, retained earnings and Additional Tier 1 ("AT1"), and Tier 2 – subordinated debt which is fixed term and denominated in Japanese yen.

The Group 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 Group'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 Group has fulfilled its capital requirements at all times during the year.

MUFG and the Group's affiliate MUFG Bank provide support arrangements to the Group, including a 'Keep Well Agreement'. The Group is not aware of any material impediments to the transfer of capital resources from its parent or affiliate.

Details of the Group's own funds can be found in tables 36 to 37 in the Appendix.

7. Capital Requirements

The Pillar 1 framework provides the basis for capital requirements arising from credit, market and operational risk. It covers the calculation of RWA and the capital requirements. The Pillar 2 framework requires firms to hold capital for all risks not sufficiently covered in the Pillar 1 framework and ensures that firms have adequate capital to support the relevant risks in their business.

Table 3: Overview of Risk Weighted Exposure Amounts (OV1)

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	(£m)	31 Dec 2023	31 Dec 2022	31 Dec 2023
1	**Credit risk (excluding CCR)**	**900**	**1,184**	**72**
2	Of which the standardised approach	900	1,184	72
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
UK 4a	Of which equities under the simple risk-weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**2,718**	**3,475**	**217**
7	Of which the standardised approach	1,990	2,596	159
8	Of which internal model method (IMM)	-	-	-
UK 8a	Of which exposures to a Central Counterparty (“CCP”)	68	72	5
UK 8b	Of which credit valuation adjustment - CVA	660	807	53
9	Of which other CCR	-	-	-
10	Empty set in the UK			
11	Empty set in the UK			
12	Empty set in the UK			
13	Empty set in the UK			
14	Empty set in the UK			
15	**Settlement risk**	**0**	**0**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
UK 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**3,476**	**3,533**	**278**
21	Of which the standardised approach	144	196	12
22	Of which IMA	3,332	3,337	267
UK 22a	**Large exposures**	**701**	**701**	**52**
23	**Operational risk**	**751**	**751**	**67**
UK 23a	Of which basic indicator approach	-	-	-
UK 23b	Of which standardised approach	751	751	67
UK 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Empty set in the UK			
26	Empty set in the UK			
27	Empty set in the UK			
28	Empty set in the UK			
29	**Total**	**8,578**	**9,644**	**686**

7.1 Internal Capital Adequacy Assessment Process

The Group monitors its capital adequacy on an ongoing basis and conducts a formal annual ICAAP through 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 and oversees the 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 its risks.

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 Group 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.

7.2 Capital Buffers

A number of capital buffers were introduced under CRD IV. The current UK countercyclical capital buffer ("CCyB") rate is set at 2% and has been binding since July 2023. Outside the UK, the CCyB rate is determined by the regulatory authorities in each jurisdiction where the Group has exposures. The table below shows the amount of institution-specific CCyB at 31 December 2023. In addition, the geographical distribution of credit exposures relevant for the calculation of the CCyB at 31 December 2023 is shown in Table 42 in the Appendix.

Table 4: Amount of Institution-Specific Countercyclical Capital Buffer (CCyB2)

		31 Dec 2023 £m
1	Total risk exposure amount	8,578
2	Institution specific countercyclical buffer rate	0.784%
3	Institution specific countercyclical buffer requirement	67

8. 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 Group measures credit risk capital requirements using the Standardised Approach.

8.1 Methodology

The Group takes counterparty and/or issuer credit risk through most of its business activities. Counterparty credit risk arises from derivatives and securities financing transactions ("SFTs"). It is calculated in both the trading and non-trading books. The Group uses the Standardised approach for counterparty credit risk.

Per Article 113 of CRR, the Group is required to use rating agencies' credit assessments for the determination of risk weights under the standardised approach to credit risk. The credit assessment should be produced by an eligible External Credit Assessment Institution ("ECAI") and used in a consistent manner over time. For regulatory purposes, the Group has selected Moody's Rating Agency as its nominated ECAI, with the exception of securitisation exposures where DBRS, a global credit rating agency, has been selected. ECAI ratings are used to determine risk weightings for all the relevant exposure classes. Tables below provide details of the Group's credit risk exposures and RWEA.

The Group occasionally has exposures to intragroup entities which exceed the large exposure limits defined in the CRR and the Group holds capital against these exposures. The Group monitors large exposures to third parties on the daily basis**.**

Table 5: Analysis of CCR Exposure by Approach (CCR1)

31 Dec 2023 (£m)		Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre-CRM	Exposure value post-CRM	Exposure value	RWEA
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	134	1,453	-	1.4	9,252	2,217	2,217	903
2	IMM (for derivatives and SFTs)	-	-	-		-	-	-	-
2a	Of which securities financing transactions netting sets	-	-	-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets	-	-	-		-	-	-	-

2c	Of which from contractual cross-product netting sets	-	-	-		-	-	-	-
3	Financial collateral simple method (for SFTs)					-	-	-	-
4	Financial collateral comprehensive method (for SFTs)					67,395	3,209	3,209	1,033
5	VaR for SFTs					-	-	-	-
6	**Total**					**76,647**	**5,426**	**5,426**	**1,937**

Table 6: Transactions Subject to Own Funds Requirements for CVA Risk (CCR2)

31 Dec 2023 (£m)		Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3× multiplier)	-	-
3	(ii) stressed VaR component (including the 3× multiplier)	-	-
4	Transactions subject to the Standardised method	1,427	660
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	**Total transactions subject to own funds requirements for CVA risk**	**1,427**	**660**

Table 7: Standardised Approach – CCR Exposures by Regulatory Exposure Class and Risk Weights (CCR3)

	31 Dec 2023 (£m)	Risk weight											Total exposure value
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	
1	Central governments or central banks	450	-	-	-	222	139	-	-	8	-	-	819
2	Regional government or local authorities	-	-	-	-	180	-	-	-	-	-	-	180
3	Public sector entities	84	-	-	-	233	-	-	-	44	-	-	361
4	Multilateral development banks	20	-	-	-	-	1	-	-	-	-	-	22
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	1,851	1,107	-	-	11	-	-	2,969
7	Corporates	-	-	-	-	33	59	-	-	643	0	-	735
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a short-term credit assessment	-	-	-	-	592	12	-	-	3	-	-	607
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	**Total exposure value**	**554**	**-**	**-**	**-**	**3,111**	**1,319**	**-**	**-**	**708**	**0**	**-**	**5,692**

Table 8: Exposures to CCPs (CCR8)

	31 Dec 2023 (£m)	Exposure value	RWEA
1	**Exposures to QCCPs (total)**		**130**
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	2,121	77
3	(i) OTC derivatives	1,389	28
4	(ii) Exchange-traded derivatives	317	40
5	(iii) SFTs	415	8
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	1,055	47
9	Prefunded default fund contributions	242	7
10	Unfunded default fund contributions	-	-
11	**Exposures to non-QCCPs (total)**		**-**
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

Table 9: Standardised Approach – Credit Risk Exposure and CRM Effects (CR4)

31 Dec 2023 (£m)		Exposures before CCF and before CRM		Exposures post CCF and post CRM		RWAs and RWAs density	
	Exposure classes	On-balance-sheet exposures	Off-balance-sheet exposures	On-balance-sheet exposures	Off-balance-sheet exposures	RWAs	RWAs density (%)
1	Central governments or central banks	3,011	-	3,011	-	133	4.42%
2	Regional government or local authorities	203	-	203	-	36	17.70%
3	Public sector entities	376	-	376	-	91	24.15%
4	Multilateral development banks	525	-	524	-	1	0.10%
5	International organisations	68	-	68	-	-	0.00%
6	Institutions	5,749	196	5,747	39	1,108	19.14%
7	Corporates	1,310	171	1,309	39	1,291	95.76%
8	Retail	-	-	-	-	-	-
9	Secured by mortgages on immovable property	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-
13	Institutions and corporates with a short-term credit assessment	663	-	662	-	138	20.91%
14	Collective investment undertakings	-	-	-	-	-	-
15	Equity	-	-	-	-	-	-
16	Other items	139	-	139	-	155	111.43%
17	**TOTAL**	**12,043**	**368**	**12,040**	**78**	**2,952**	**24.36%**

Table 10: Standardised Approach (CR5)

	31 Dec 2023 (£m)	Risk weight																
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Total Exposure	Of which unrated
1	Central governments or central banks	2,587	-	-	-	278	-	139	-	-	8	-	-	-	-	-	3,011	2,882
2	Regional government or local authorities	23	-	-	-	180	-	-	-	-	-	-	-	-	-	-	203	167
3	Public sector entities	99	-	-	-	233	-	-	-	-	44	-	-	-	-	-	376	285
4	Multilateral development banks	523	-	-	-	-	-	1	-	-	-	-	-	-	-	-	524	524
5	International organisations	68	-	-	-	-	-	-	-	-	-	-	-	-	-	-	68	68
6	Institutions	-	1,870	611	-	2,129	-	1,111	-	-	64	-	-	-	-	-	5,786	4,688
7	Corporates	-	-	-	-	33	-	62	-	-	1,253	0	-	-	-	-	1,348	1,286
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	647	-	12	-	-	3	-	-	-	-	-	662	527
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	128	-	11	-	-	-	139	139
17	**Total**	**3,330**	**1,870**	**611**	**-**	**3,500**	**-**	**1,326**	**-**	**-**	**1,501**	**-**	**11**	**-**	**-**	**-**	**12,118**	**10,566**

8.2 Credit Risk Management

The Group manages its credit risk in accordance with policies originated and approved within the Group 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 Group 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 ("CRM") department which is within the Risk department. The Risk Analytics Group ("RAG") is responsible for the design of credit risk management models. Daily credit risk reports are prepared for Senior Management and front office departments using the Group's in house and vendor systems with on-going deliveries of enhancements to prevailing risk methodologies/reporting to ensure that the Group adheres to the changing general regulatory guidelines/recommendations. The objective of CRM 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 mandating collateral requirements and/or credit mitigants in the contractual terms by receiving collateral in accordance with the Group's Collateral Policy. The Group's collateral management framework includes daily reporting of collateral balances, collateral disputes or differences (if any) and escalation procedures.
- Provide credit portfolio monitoring and analysis.

Credit Risk is monitored constantly and Credit exposure is reported daily. On a monthly basis, CRM reports the Group's total credit risk exposure to the EMEA Credit Risk Committee ("ECRC"), which is a sub-committee of the ERMC. Monthly reporting includes a review of large exposures, exposures to lower rated issuers and counterparties, and exposure to higher risk industry and country sectors. The ECRC escalates material matters to the ERMC. The ERMC is also the forum where credit policies are reviewed and finally approved. In addition to the ERMC, a summary of the Group's credit risk exposure is also reported to each EMEA Executive Committee and BRC meeting.

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 Group has Credit Support Annexes ("CSAs") and Uncleared Margin Rules as required in place with the majority of its counterparties (this includes the exchange of initial margin with certain non-centrally cleared, over-the-counter derivatives counterparties for in-scope products) and guarantee arrangements in place with members of MUFG. Risk is managed net of these guarantees.

Appropriate settlement limits have been established with counterparties which are recorded in the Group's risk limit/exposure systems, are readily available to the front office and are monitored on a daily basis for limit adherence. As part of the credit review process, each counterparty is normally assessed and measured for wrong-way risk. If material wrong-way risk is identified, the collateral/underlying asset is deemed ineligible for regulatory risk calculations and risk is measured on an uncollateralised basis. The Group undertakes daily and monthly monitoring of the Group's wrong-way risk positions.

8.3 Credit Limits for Counterparty Credit Exposures

Credit limits for counterparty credit exposures are assigned within the overall credit process. The credit limits are assigned taking into account various factors, such as credit worthiness of the counterparty, type of transactions undertaken with the counterparty, contractual terms, credit risk mitigants and overall risk appetite within the Group. The risk appetite is a key consideration and the credit limits are established to ensure that exposure remains within risk appetite. In addition, specific credit limits are assessed and allocated to third parties based on the estimated exposure measure.

The Group expresses its aggregate appetite for credit risk, including counterparty risk, by allocating an amount of capital to credit risk that is approved by the Board. Limits for individual counterparties and groups are allocated within this capital allocation taking into account the credit assessment of the counterparty and group as well as the nature of the business relationship with that counterparty.

8.4 Residual Credit Risk

Residual credit risks are those that are not captured by standard credit risk models. The Group's residual credit risk is made up of issuer positions in the Banking Book and wrong-way risk from reverse repo, bought Credit Default Swap ("CDS") or certain cross currency swaps.

The Group uses a combination of pre-trade approval, large haircuts, CSAs and correlated credit provisions to mitigate residual credit risk.

8.5 Credit Concentration Risk

Credit concentration risk is the risk arising from an uneven distribution of exposures, through single name, sector or geographical concentration. The Group continues to augment its concentration risk analysis and reporting with periodic delivery of enhancements to existing processes to strengthen the identification and reporting to ensure that the Group in line with changing general regulatory guidelines/recommendations. The Group analyses the credit concentrations through its daily credit exposure reports. The Group's exposures are concentrated on government bonds, the financial sector and exposures to Japanese markets and counterparties. In addition, the Group carries out stress testing and scenario analysis on its largest credit exposures.

8.6 Credit Risk Mitigation

Credit mitigation is encouraged to reduce credit risk and can be achieved through:

- Risk reducing trades – these do not need approval.
- Collateral arrangements – which must be legally enforceable to be recognised as mitigation.
- Guarantee arrangements – through which exposure may be transferred to the guarantor.

SFTs involving the use of bonds/debt securities as collateral are considered on the basis of the rating of the counterparty and the rating and haircut of the collateral. The combination of these two factors determines the standard terms and level of pre-approval required. SFTs involving the use of equities as collateral are considered on the basis of the rating of the counterparty and the haircut. CRM may restrict the types of collateral available for trades with a specific counterparty. Collateral should be daily tradable assets having firm price available in the markets or trading platforms. Reference assets, which are not marked to market or not readily tradable in the market have to be pre-approved by the CRO or their delegate and are considered structured securities. Asset Backed Securities ("ABS") are considered acceptable reference assets, not requiring specific pre-approval.

The Group provides derivative products for MUFG Bank clients as a core business. Most of these transactions are covered by a guarantee from MUFG Bank that transfers credit risk to MUFG Bank. Collateral is generally cash collateral for derivatives and high-quality government bonds. Concentrations of collateral received through securities financing are reported to Senior Management.

Table 11: Credit Derivatives Exposures (CCR6)

	31 Dec 2023 (£m)	Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	4,436	4,575
2	Index credit default swaps	478	267
3	Total return swaps	633	-
4	Credit options	-	-
5	Other credit derivatives	-	-
6	**Total notionals**	**5,548**	**4,842**
	Fair values		
7	Positive fair value (asset)	15	67
8	Negative fair value (liability)	(82)	(7)

Note: Credit derivative products are principally used for intermediations only. This is to enable our clients to take a position (or positions) in the underlying securities

Table 12: CRM Techniques Overview: Disclosure of the Use of Credit Risk Mitigation Techniques (CR3)

	31 Dec 2023 (£m)	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	3,189	32,393	32,586	-	-
2	Debt securities	4,197	-	-	-	
3	Total	7,386	32,393	32,586	-	-
4	Of which non-performing exposures	-	-	-	-	-
5	Of which defaulted	-	-			

8.7 Collateral Management

Collateral & credit reserves

The Group has CSAs and/or Contractual Margining Agreements in place which cover the majority of its non-MUFG Bank guaranteed derivative exposures. The majority of these have low or zero thresholds and are not dependent upon the Group's or other MUFG members' credit rating. For MUFG Bank guaranteed exposures, they are collateralised on the daily basis. For derivative transactions, the collateral provided is predominantly cash denominated in Japanese yen. For SFTs, the collateral is mainly securities issued by European, Japanese and United States governments. For structured financing, the collateral is assessed on a case-by-case basis to ensure adequate collateral is provided for exposures taken by the Group. The Group applies regulatory volatility adjustments to collateral for the capital calculation in line with CRR.

Documentation requirements depend on the type of product and level of credit risk. Market-Standard Master Agreements are required for market traded instruments. Any agreement that is used should also have a clean legal opinion for enforceability, close out netting and collateral set off, as appropriate, or else the exposure measure reflects the lack of such legal arrangements. For most counterparties, trading is subject to a market-standard CSA with daily margining and zero threshold. Non-standard agreements need to be individually approved. The Group's collateral management framework includes daily reporting of collateral balances, collateral disputes or differences and escalation procedures. The Group makes adjustments to P&L in respect of expected losses by counterparty using a CVA.

Since September 2016 the Group has been obliged to exchange initial margin and variation margin with certain non-centrally cleared over-the-counter derivatives counterparties and has received approval from the National Futures Association to allow it to use an internal model for the calculation of initial margin under the Commodity Futures Trading Commission's rules. It uses the model, as do other major financial institutions, developed by the International Securities Dealers Association which is called the Standardized Initial Margin Model ("SIMM") to calculate initial margin in accordance with those rules.

Table 13: Composition of Collateral for CCR Exposures (CCR5)

	At 31 Dec 2023 (£m)	Collateral used in derivatives transactions				Collateral used in securities financing transactions (SFTs)	
		Fair value of collateral received (£m)		Fair value of collateral posted (£m)		Fair value of collateral received	Fair value of collateral received
	Collateral Type	Segregated	Unsegregated	Segregated	Unsegregated		
1	Cash	-	8,795	-	3,566	29,676	37,052
2	Debt	1,238	64	1,359	483	36,293	31,966
3	Equity	-	-	-	-	4,478	1,996
4	Other	168	-	-	-	6,254	6,092
5	**Total**	**1,405**	**8,859**	**1,359**	**4,049**	**76,701**	**77,107**

Collateral downgrade

The Group manages its exposure to collateral downgrades. Executive Committee approval is required for legal agreements with counterparties which contain clauses pertaining to the Group's downgrade (i.e. require extra collateral in the event of a downgrade).

In addition, the Group monitors daily the idiosyncratic stress scenario which reflects a firm specific stress event triggered by market wide concerns about the Group's capacity to meet liabilities as they fall due and this takes into account the impact of the amount of collateral the Group would have to provide given a downgrade in its credit rating.

8.8 Wrong-Way Risk Policy

Wrong-way risk is the risk that counterparty exposures increase at the same time as the probability of counterparty failure to pay also increases. This can result in a wrong-way risk or legal dependence between: (i) the counterparty and collateral held, and/or (ii) the counterparty and the performance/ market exposure of its' derivative contracts. As part of the credit review process, each counterparty is normally assessed and measured for wrong-way risk. If material wrong-way risk is identified the collateral/underlying asset is deemed ineligible for regulatory risk calculations and risk is measured on an uncollateralised basis. The Group undertakes daily and monthly monitoring of the Group's wrong-way risk positions.

8.9 Settlement and Delivery Risk

Settlement risk is the risk of loss when a counterparty fails to meet its reciprocal obligation to exchange cash or securities on the due date. Failure to perform may result from the counterparty's default due to solvency or liquidity problems, operational problems, market liquidity constraints, or other factors. Non-reciprocal risk, i.e. pre-settlement credit risk is captured as part of the main credit risk measure.

On–the-day settlement risk arises when the Group initiates payment or delivery to the counterparty and continues until the reciprocal payment or delivery is received. With Delivery Versus Payment ("DVP") settlement, the risk of credit loss on the principal is effectively eliminated, but may give rise to other risks in the case of non-delivery. These risks are daily monitored and are mitigated through processes and/or limits that regulate the volume of business against counterparties.

Free of Payment ("FOP") transactions represent a certain level of credit risk as the Group will be exposed to the credit loss of the full principal amount as well as the market risk during settlement until a replacement transaction is completed. The Group's key controls include:

- FOP Delivery Risk credit limits reflecting the Group's assessment of the counterparty's credit worthiness.
- Delivery Risk is monitored daily to ensure that settlements are performed within the approved FOP limits.

The Group tends to operate under a DVP settlement system and has a policy and procedures in place to monitor, record and approve transactions that might generate settlement risk. Under the policy, no transactions that are expected to generate intraday or overnight FOP settlement risk can be executed without formal credit approval of an established delivery/settlement risk limit.

Appropriate settlement limits have been established with its counterparties which are recorded in the Group's risk limit/exposure systems, are readily available to the front office and are monitored on a daily basis for limit adherence.

Over-the-Counter ("OTC") derivatives trading departments are provided with an additional monitoring system for pre-deal checking, which indicates the future settlement date of positions traded with a counterparty, their amount and availability of delivery limits. The front office and CRM are able to assess through this monitoring system if, at the settlement date, a new OTC trade will cause any excess of delivery risk over the established delivery limits. In the event that, at settlement date, the new trade is expected to have delivery risk higher than the approved limits, the trade cannot be executed unless pre-approved by CRM.

9. Market Risk

Market risk is the risk of losses from movements in market prices in the trading portfolio. The Group 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:

- 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.
- Stop loss and drawdown limits monitor actual losses at Group, business unit, department, and trader 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 ("MRM") department. RAG 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 Group's in house and vendor systems.

The market risk capital requirement is measured using internal market risk models, where approved by the PRA, or under the Standardised Approach. The Group's internal market risk models comprise VaR, SVaR, IRC, and Risks Not In VaR ("RNIV") which covers all major asset classes traded by the Group.

The table below shows the market risk capital requirements under the Internal Model Approach.

Table 14: Market Risk Under the Internal Model Approach (IMA) (MR2-A)

31 Dec 2023		RWAs £m	Own funds requirements £m
1	VaR (higher of values a and b)	563	45
(a)	Previous day's VaR (VaRt-1)		14
(b)	Multiplication factor (mc) x average of previous 60 working days (VaRavg)		45
2	SVaR (higher of values a and b)	2,448	196
(a)	Latest available SVaR (SVaRt-1))		62
(b)	Multiplication factor (ms) x average of previous 60 working days (sVaRavg)		196
3	IRC (higher of values a and b)	321	26
(a)	Most recent IRC measure		19
(b)	12 weeks average IRC measure		26
4	Comprehensive risk measure (higher of values a, b and c)	-	-
(a)	Most recent risk measure of comprehensive risk measure		-
(b)	12 weeks average of comprehensive risk measure		-
(c)	Comprehensive risk measure Floor		-
5	Other	-	-
6	**Total**	**3,332**	**267**

Table 15: RWA Flow Statements of Market Risk Exposures Under the IMA (MR2-B)

		VaR £m	SVaR £m	IRC £m	Comprehensive risk measure £m	Other £m	Total RWAs £m	Total own funds requirements £m
1	**RWAs at previous period end (31 Dec 2022)**	**767**	**2,203**	**365**	**-**	**-**	**3,335**	**267**
1a	Regulatory adjustment[1]	(556)	(1,596)	(73)	-	-	(2,225)	(178)
1b	RWAs at the previous quarter-end (end of the day)	211	607	292	-	-	1,110	89
2	Movement in risk levels	(33)	(52)	(51)	-	-	(136)	(11)
3	Model updates/changes	2	214	-	-	-	216	17
4	Methodology and policy	-	-	-	-	-	-	-
5	Acquisitions and disposals	-	-	-	-	-	-	-
6	Foreign exchange movements	-	-	-	-	-	-	-
7	Other	-	-	-	-	-	-	-
8a	RWAs at the end of the disclosure period (end of the day)	180	770	242	-	-	1,192	95
8b	Regulatory adjustment[1]	383	1,678	80	-	-	2,140	171
8	**RWAs at the end of the disclosure period (31 Dec 2023)**	**563**	**2,448**	**321**	**-**	**-**	**3,332**	**267**

[1] Indicates the difference between RWA based on spot VaR, SVaR and IRC at period end and RWA based on 60-day average VaR and SVaR and 12-week IRC.

Table 16: IMA values for trading portfolios (MR3)

2023		£m
VaR (10 day 99%)		
1	Maximum value	42
2	Average value	16
3	Minimum value	8
4	Period end	17
SVaR (10 day 99%)		
5	Maximum value	58
6	Average value	37
7	Minimum value	24
8	Period end	45
IRC (99.9%)		
9	Maximum value	39
10	Average value	24
11	Minimum value	16
12	Period end	16
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-

9.1 VaR Modelling

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 Group 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 intervals of 99% and 95% for regulatory and internal VaR respectively.

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 regulatory and internal VaR respectively.

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

The Group's VaR has the following limitations:

- Calculations are based on historical data which may not be the best estimate of risk factor changes that occur in the future.
- In transforming historical data into future scenarios, the Group 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.

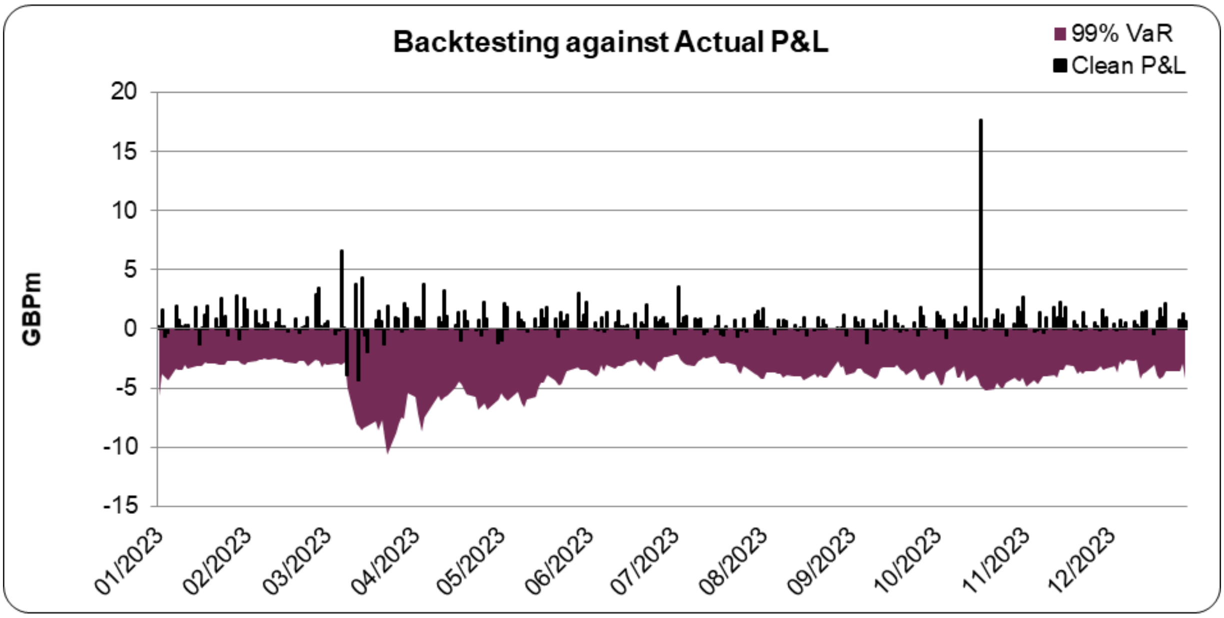
9.2 VaR Backtesting

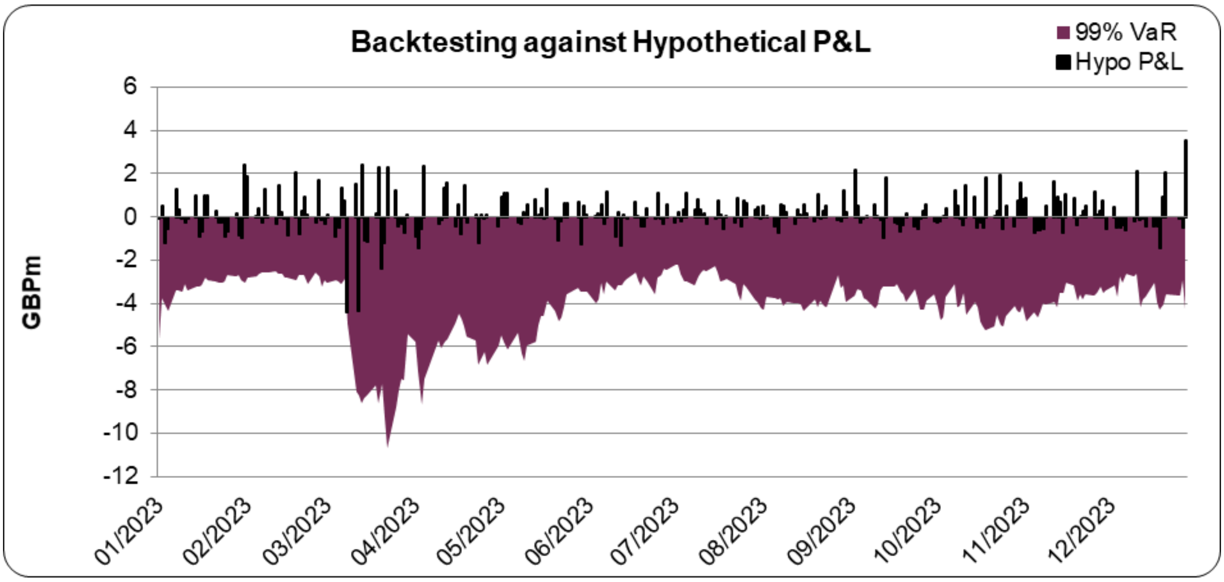
Backtesting is one of the regulatory tools used to assess the performance of the VaR model – too many exceptions would indicate the VaR model is understating the risk being run and therefore the Group would not hold enough capital for the risk. Conversely, too few exceptions would indicate VaR is overstated and hence the Group is holding too much capital, making it inefficient.

The Group 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 2023 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 Group level, the Group conducts backtesting on a number of sub-portfolios across the different business units.

Table 17: Comparison of VaR Estimates with Gains/Losses (MR4)

The following graphs show a 250-day period history for VaR backtesting at a 99% confidence level with the respective exceptions against both actual and hypothetical profit and loss as at 31 December 2023. The Group observed no negative exceptions at the aggregate Group level for the 250-day period.





9.3 Stressed VaR

The Group calculates SVaR based on inputs calibrated to historical data from a continuous 1-year period of significant financial stress relevant to the Group's portfolio.

9.4 Risks Not In VaR

The Group calculates additional capital under its RNIV framework for certain risk factors that are not fully captured in VaR.

9.5 Incremental Risk Charge

The Group calculates IRC which captures risk from the default and rating migration of non-securitised credit exposures in the trading book. The IRC is calculated at least weekly and is included in regulatory capital calculations. 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.

Liquidity horizon is calculated taking various factors into account, such as size of positions, type of issuer, concentration versus total issue, liquidity of pricing source etc. The Group portfolio weighted average liquidity horizon is 3.06 months (3.03 months for December 2022).

9.6 Other Market Risk

Other market risk consists of positions not captured in the VaR model. Exclusion from the VaR model may be due to the VaR model not being able to adequately capture the risk or not having regulatory permission to include a position in the VaR model. The Group currently does not have permission to include MUS(EU)'s exposures in its VaR model and these are captured under the Standardised Approach.

The table below shows the market risk capital requirements under the Standardised Approach.

Table 18: Market Risk Under the Standardised Approach (MR1)

At 31 Dec 2023		RWEAs £m
	Outright products	
1	Interest rate risk (general and specific)	100
2	Equity risk (general and specific)	-
3	Foreign exchange risk	61
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	**Total**	**162**

9.7 Inclusion in the Trading Book

Trading intent is a crucial element in deciding whether a position should be treated as a trading or banking book exposure. For regulatory purposes, the trading book covers all positions in CRD financial instruments which are held with trading intent. Positions in the trading book are subject to market risk capital, computed using models where the Group has the regulatory approval mentioned above. Otherwise the market risk capital requirement is calculated using the Standardised Approach as defined in the CRR.

9.8 Prudent Valuation Adjustment (“PVA”)

Where there are a range of plausible alternative valuations, the PVA is applied to accounting fair values. All trading book positions are subject to PVA which is calculated in accordance with Article 105 of the CRR. Refer to row 7 of Table 37 in the Appendix for details.

Table 19: Prudent Valuation Adjustments (PVA) (PV1)

31 Dec 2023 (£m)	Category level AVA	Risk category					Category level AVA - Valuation uncertainty		Total category level post- diversification		
		Equity	Interest rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	1.7	30.5	-	2.1	0.0	-	1.2	17.7	17.7	-
2	Set not applicable in the UK										
3	Close-out cost	2.2	38.4	-	2.9	0.0	0.9	0.2	22.3	22.3	-
4	Concentrated positions	2.3	0.0	-	0.0	-	-	-	2.4	2.4	-
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	0.2	-	-	-	6.0	-	3.1	3.1	-
7	Operational risk	0.2	3.5	-	0.3	0.0	-	-	4.0	4.0	-
8	Set not applicable in the UK										
9	Set not applicable in the UK										
10	Future administrative costs	-	3.8	-	-	-	-	-	3.8	3.8	-
11	Set not applicable in the UK										
12	**Total Additional Valuation Adjustments (AVAs)**								**53.3**	**53.3**	**-**

10. Liquidity Risk

Liquidity risk is the risk that the Group has insufficient resources to meet its financial obligations as they fall due, or incurs a significantly higher cost than usual in securing the required funds. This risk could arise from both institution specific and market-wide events.

10.1 Oversight

The ultimate responsibility for liquidity risk management sits with the Board who sets the Group's liquidity risk appetite, which expresses the level of risk the Group chooses to take in pursuit of its strategic objectives. The Board mandate to the EMEA Executive Committee in respect of liquidity risk includes specification of liquidity stress testing, approval of business line unsecured funding limits, transfer pricing rates/policy and the Contingency Funding Plan ("CFP").

The EMEA Executive Committee 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 Group'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 Group.
- Ensure that appropriate business incentives are maintained that reflect the cost and availability of liquidity through the Group's Funds Transfer Pricing ("FTP") process and unsecured funding limit allocation process.
- Review critical liquidity risk factors and prioritise issues arising.
- Determine the Group's funding plans and funding diversification strategy in light of business projections and objectives.

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

10.2 Internal Stress Testing

The Group'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 separately defined stress scenarios, and to determine the size of liquidity resources needed to navigate the particular 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 Group specific stress event). Stress testing is conducted daily on both an aggregated currency basis and by material individual currency.

10.3 Funds Transfer Pricing

The Group 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, 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 on the basis of those activities driving the Liquid Asset Buffer ("LAB") requirement – this includes liquidity reserved to cover regulatory liquidity requirements.

10.4 Funding Plan

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 Group to raise unsecured financing. The ALCO will review and approve funding plans including allocation of funding limits to business lines. This ensures that business activities do not impose an uncertain strain on the Group'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.

10.5 Liquid Asset Buffer

The Group 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 Group'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 Group legal ownership. The investment criteria for the liquidity portfolio are approved by ALCO with risk limits imposed and monitored by MRM.

10.6 Contingency Funding Plan

The 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, as well as the process by which the Group deactivates the CFP at an appropriate time.

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

10.7 Liquidity Stage Assessment

The principal assessment framework within the CFP is the liquidity stage assessment. This is a formal assessment of the external environment affecting the Group 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 Group'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. Discretion as to whether the Liquidity Stage changes remains with the CFO and CEO (with consultation with the CRO). In the event the liquidity stage is elevated, formal notification to the ALCO is required, which will in turn escalate and sanction actions as appropriate. Monitoring of the liquidity stage is conducted at Group 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 Group too. The CFP identifies general contingency actions to be taken by departments at each stage.

Table 20: Quantitative information of LCR (LIQ1)

Scope of consolidation: Consolidated

	£m	Total unweighted value (average)				Total weighted value (average)			
UK 1a	Quarter ending on (DD Month YYY)	31 Dec 2023	30 Sep 2023	30 June 2023	31 March 2023	31 Dec 2023	30 Sep 2023	30 June 2023	31 March 2023
UK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	12
High-Quality Liquid Assets									
1	Total high-quality liquid assets (HQLA)					6,992	7,267	7,479	7,196
Cash - Outflows									
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	
3	Stable deposits	-	-	-	-	-	-	-	-
4	Less stable deposits	-	-	-	-	-	-	-	-
5	Unsecured wholesale funding	256	244	189	88	256	244	189	88
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	-
7	Non-operational deposits (all counterparties)	111	117	78	39	111	117	78	39
8	Unsecured debt	145	126	112	49	145	126	112	49
9	Secured wholesale funding					2,199	2,185	2,250	2,513
10	Additional requirements	4,343	4,427	4,268	3,927	2,941	3,029	2,291	2,673
11	Outflows related to derivative exposures and other collateral requirements	4,024	4,036	3,824	3,448	2,623	2,643	2,485	2,205
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	-
13	Credit and liquidity facilities	319	390	444	479	318	386	436	468
14	Other contractual funding obligations	27,415	29,496	31,356	31,850	1,891	1,937	2,046	1,945
15	Other contingent funding obligations	-	-	-	-	-	-	-	-
16	TOAL CASH OUTFLOWS					7,286	7,395	7,406	7,219

Cash - Inflows									
17	Secured lending (e.g. reverse repos)	33,423	33,727	33,963	34,597	2,303	2,295	2,309	2,495
18	Inflows from fully performing exposures	281	306	371	393	281	306	371	393
19	Other cash inflows	7,764	7,906	8,120	7,920	1,887	1,936	1,910	1,782
UK-19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)					-	-	-	-
UK-19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	41,469	41,939	42,453	42,910	4,472	4,537	4,589	4,670
UK-20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK-20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
UK-20c	Inflows subject to 75% cap	36,787	36,956	37,005	37,014	4,472	4,537	4,589	4,659
Total Adjusted Value									
UK-21	LIQUIDITY BUFFER					6,992	7,267	7,479	7,196
22	TOTAL NET CASH OUTFLOWS					2,814	2,858	2,817	2,560
23	LIQUIDITY COVERAGE RATIO					251%	260%	275%	294%

There were no significant moves in LCR ratios over the period.

Table 21: Liquidity Risk Management

	Comment
Strategies and processes in the management of the liquidity risk	The Group employs a number of tools and policies to manage liquidity risk. These include: (i) Board approved liquidity risk appetite. This specifies the amount of liquidity risk deemed acceptable in the pursuit of its strategic goals. The Board requires there are sufficient liquidity resources (in the form of a portfolio of unencumbered High Quality Liquid Assets (“HQLA”) Level 1, Credit Quality Step (“CQS”) 1 plus Japanese Government Bonds and central bank deposits (where applicable)) (the LAB) such that all funding requirements and unsecured debt obligations falling due within two separately defined stress scenarios can be met without the need to roll unsecured funding or the forced liquidation of assets. The two scenarios envisage a 90-day market stress, as well as a 30-day combined market and MUFG stress. In addition, the Firm requires sufficient liquidity resources are available to ensure regulatory liquidity compliance (Pillar 1 and Pillar 2 add-ons). (ii) Control of unsecured funding usage. The Group allocates unsecured funding limits to business lines and monitors compliance against these limits on a daily basis, with breaches highlighted and mitigating actions taken. (iii) The FTP process is designed to allocate the cost of liquidity to the users of liquidity including those activities driving the LAB requirements. (iv) Currency stress testing. The Group's framework envisages a 2-week FX market lockout. This drives the currency composition of the liquidity buffer (v) The CFP outlines early warning indicators (both internal and external) used to indicate a potential liquidity crisis, internal triggers to determine the severity of any potential liquidity stress event as well as escalation and activation procedures. The CFP outlines potential steps to be taken in the event the CFP is activated, as well as the means to determine whether the stress has passed and process for deactivating the CFP. (vi) Liquidity prediction – this is a regular assessment of available resources and their capacity to meet potential changes in balance sheet composition over the business planning horizon.
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	The overall liquidity risk appetite is set by the Group’s Board and cascaded throughout the firm. The Board delegates responsibility over the day-to-day management of liquidity risk to the Executive Committee who in turn empower the Asset & Liability Committee with responsibility for the day-to-day management of liquidity risk. The Group employs the "3 lines of defence" model in the management of liquidity risk. The primary responsibility for monitoring and managing the Group's liquidity risk profile sits with Treasury function. Treasury is independent of business lines and forms part of the support functions reporting to the CFO. Treasury owns the overall stress testing framework and ensures there is sufficient liquidity available to both support business activities and to ensure compliance with the Board approved liquidity risk appetite as well as regulatory requirements. The second line of defence is provided by MRM who ensures that liquidity risk is appropriately measured, assessed and reported. This function provides review and challenge of all components of the liquidity risk management framework. The Information & Data Management function (as a second line reporting function) is responsible for reporting the Group’s liquidity position against both internal and external regulatory metrics on a regular basis. Internal Audit (as third line) provides independent review and assurance to the Board.
Scope and nature of liquidity risk reporting and measurement systems	Regulatory reporting and monitoring compliance conforms with the PRA’s requirements. The firm has robust systems and procedures in place to be able to meet these requirements.

	Comment
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Policies for managing liquidity risks include: (i) Internal stress testing. The underlying assumptions and methodology are approved by the Board. The stress models are calculated on a daily basis by the Information and Data Management function and circulated to senior management. Clear escalation processes with clear linkages to the CFP in the event triggers are breached. (ii) Compliance with regulatory liquidity metrics including the LCR, the NSFR as well as financing mismatch limits reported to the UK PRA. (iii) The size of the liquidity buffer is quantified with respect to both the internal stress tests and regulatory tolerances. Governance surrounding the investment of the liquidity buffer ensures compliance with senior management approved risk limits. MRM monitors compliance against such limits on a daily basis. (iv) The FTP framework allocates liquidity costs to business lines on the basis of their unsecured funding usage and underlying liquidity requirements. (v) Allocation of the firm's unsecured funding capacity is based on both the firm's business plans as well as an assessment of the availability of funding. This ensures that limits can be supported without reliance on short term financing. (vi) FX limits. The Group conducts liquidity stress tests for all material currencies assuming a 2-week FX market lockout. In addition, the Board has set limits on longer term structural currency imbalances. Both the currency stress tests and longer cross currency limits are monitored on a daily basis. (vii) The CFP is regularly tested and ensures that a template exists for timely and consistent decision making in the event of a stress. It provides criteria for the invocation of the CFP by identifying triggers, clear operational plans with clearly defined decision-making responsibilities in order to effectively navigate a potential stress event as well as the framework for the deactivation of the CFP once the crisis is deemed to have passed.
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy	The Group's Board approved the Firm's Internal Liquidity Adequacy Assessment Process ("ILAAP") in September 2023. The ILAAP is a regulatory requirement requiring the firms to "identify, measure, manage and monitor liquidity and funding risks across different time horizons and stress scenarios, consistent with the risk appetite established by the firm's management body". In approving the ILAAP, the Board documents that the firm's liquidity risk profile and systems used to manage liquidity risks are consistent with the risk appetite approved by the Board. The ILAAP demonstrates the Group's overall liquidity adequacy through its stress testing results, regulatory liquidity compliance, elaboration of key liquidity risks and material mitigants.
A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in Annex II of these guidelines) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body	Liquidity risk is the risk that the Group is unable to meet liabilities as they become due without significant cost or that the Group is unable to meet the minimum regulatory requirements. Liquid assets are required to protect the business from risks arising from its risk appetite. The risk appetite is to manage the balance sheet so as to withstand severe but plausible stresses without the need to significantly alter our business. Therefore, the Group will seek to: (i) maintain appropriate levels of liquidity to ensure the firm manages its liquidity risk (ii) ensure that balance sheet usage is diversified by tenor and liquidity (iii) maintain a liquidity profile that allows a stress test survival period of either 30 days (combined) or 90 days (market) to be met by LAB and available liquid assets. (iv) maintain an appropriate trigger above ILG minimum to ensure sufficient time for management actions.

10.8 Net Stable Funding Ratio

In line with the PRA rulebook, the NSFR requires the Group to have sufficient long-term stable funding to meet the long-term funding requirements of its assets and off-balance sheet activities.

Table 22: Net Stable Funding Ratio (LIQ2)

At 31 Dec 2023 £m		Unweighted value by residual maturity (average) No maturity	< 6 months	6 months to < 1yr	≥ 1yr	Weighted value (average)
Available stable funding (ASF) Items						
1	Capital items and instruments	-	-	-	-	-
2	Own funds	2,213	-	-	248	2,461
3	Other capital instruments		-	-	-	-
4	Retail deposits		-	-	-	-
5	Stable deposits		-	-	-	-
6	Less stable deposits		-	-	-	-
7	Wholesale funding:		-	-	-	-
8	Operational deposits		-	-	-	-
9	Other wholesale funding		23,298	433	6,697	8,047
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	NSFR derivative liabilities	1,984				
13	All other liabilities and capital instruments not included in the above categories		6,972	258	665	794
14	**Total available stable funding (ASF)**					**11,302**
Required stable funding (RSF) Items						
15	Total high-quality liquid assets (HQLA)					513
UK-15a	Assets encumbered for more than 12m in cover pool		-	-	-	-
16	Deposits held at other financial institutions for operational purposes		-	-	-	-
17	Performing loans and securities:		-	-	-	-
18	Performing securities financing transactions with financial customers collateralised by Level 1 HQLA subject to 0% haircut		18,464	169	65	188
19	Performing securities financing transactions with financial customer collateralised by other assets and loans and advances to financial institutions		11,870	384	1,335	2,229
20	Performing loans to non-financial corporate clients, loans to retail and small business customers, and loans to		16	-	-	-

	sovereigns, and PSEs, of which:					
21	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
22	Performing residential mortgages, of which:		-	-	-	-
23	With a risk weight of less than or equal to 35% under the Basel II Standardised Approach for credit risk		-	-	-	-
24	Other loans and securities that are not in default and do not qualify as HQLA, including exchange-traded equities and trade finance on-balance sheet products		37	88	3,738	3,711
25	Interdependent assets		-	-	-	-
26	Other assets:	-	-	-	-	-
27	Physical traded commodities				-	-
28	Assets posted as initial margin for derivative contracts and contributions to default funds of CCPs				2,002	2,251
29	NSFR derivative assets				-	-
30	NSFR derivative liabilities before deduction of variation margin posted				4,565	228
31	All other assets not included in the above categories		66	-	483	483
32	Off-balance sheet items		293	-	-	15
33	**Total RSF**					**9,626**
34	**Net Stable Funding Ratio (%)**					**117%**

10.9 Asset Encumbrance

Asset encumbrance arises from collateral pledged against secured funding and other collateralised obligations. Due to the nature of its business the Group 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 Group monitors the mix of secured and unsecured funding sources and seeks to efficiently utilise collateral to raise secured funding and meet other collateralised obligations. Disclosures on the asset encumbrance are shown in the tables below.

Importance of Encumbrance

Encumbered and unencumbered assets for the Group are disclosed using median values. The median values are calculated as the annual median of the end-of-period values for each of the four quarters in a year.

Due to the nature of business the Group sources its funds from secured market. The Group funds a significant portion of trading portfolio assets and other securities via repurchase agreements and other secured borrowing. Collateral in asset form are pledged to counterparties to support their credit exposures to the Group and to clearing brokers/houses to meet derivative initial margin requirements.

The Group monitors the mix of secured and unsecured funding sources and seeks to utilise available collateral to raise funding to meet its needs. Similarly, a portion of unencumbered assets may be monetised in a stress under the CFP to generate liquidity through use as collateral for secured funding or through outright sale.

Table 23: Encumbered and Unencumbered Assets (AE1)

At 31 December 2022		Encumbered assets		Unencumbered assets	
Assets		Carrying amount	Fair value	Carrying amount	Fair value
		010	040	060	090
		£m	**£m**	**£m**	**£m**
010	**Assets of the reporting institution**	**8,080**		**55,234**	
030	Equity instruments	667		2,616	
040	Debt securities	3,057	3,057	1,072	1,072
050	of which: covered bonds	-	-	-	-
060	of which: securitisations	-	-	-	-
070	of which: issued by general governments	2,058	2,058	839	839
080	of which: issued by financial corporations	570	570	166	166
090	of which: issued by non- financial corporations	401	401	120	120
120	Other assets	4,287		51,611	

Table 24: Collateral Received and Own Debt Securities Issued (AE2)

At 31 December 2022		Fair value of encumbered collateral received or own debt securities issued	Unencumbered Fair value of collateral received or own debt securities issued available for encumbrance
		010	040
		£m	**£m**
130	**Collateral received by the reporting institution**	**45,113**	**6,619**
140	Loans on demand	-	-
150	Equity instruments	6,755	676
160	Debt securities	38,155	5,993
170	of which: covered bonds	-	-
180	of which: securitisations	380	1,144
190	of which: issued by general governments	34,090	3,959
200	of which: issued by financial corporations	3,040	772
210	of which: issued by non-financial corporations	656	212
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or securitisations**	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		-
250	**Total assets, collateral received and own debt securities issued**	**53,193**	

Table 25: Sources of Encumbrance (AE3)

At 31 December 2022		Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered £m
		010	030
010	Carrying amount of selected financial liabilities	47,149	35,949

10.10 Regulation

The Group assesses liquidity adequacy as part of its ILAAP that it submits to the PRA. The Group's compliance with prevailing regulatory liquidity requirements including the LCR and the NSFR are complemented by the internal stress testing framework. The Group manages its liquidity prudently, holding its LAB well in excess of the regulatory requirement.

11. Leverage ratio

The Group assesses the leverage ratio to mitigate the risk of excessive leverage. The Group performs regular analysis of the leverage ratio to understand drivers and sensitivities. The Group’s leverage ratio exposure measure is mainly driven by SFTs, derivatives and inventory which includes mainly trading securities and available-for-sale securities. In addition, Tier 1 capital resources and any applicable deductions impact on the leverage ratio. Leverage ratio is reported to the ALCO, BRC and Board.

Per the PS21/21 “The UK leverage ratio framework” issued by the PRA in October 2021, the Group is subject to the binding regulatory minimum leverage ratio requirement of 3.25% plus a countercyclical leverage ratio buffer rate of 35% of the firm's CCyB rate. The new leverage ratio binding requirement has been live since 1 January 2023.

ALCO monitors the leverage ratio to ensure the Group meets the minimum regulatory requirements. In addition, balance sheet limits are in place for key exposure types which mitigate significant increase in leverage ratio exposure measure.

The disclosure of the leverage ratio below is based on the end point CRR definition of Tier 1 capital and the CRR definition of leverage exposure.

Disclosures on the leverage ratio are presented below.

Table 26: LRSum: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures (LR1)

		31 Dec 2023 £m
1	Total assets as per published financial statements	63,206
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for exemption of exposures to central banks)	(1,645)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	(15,419)
9	Adjustment for securities financing transactions (SFTs)	1,692
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	78
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(221)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-
12	Other adjustments	(2)
13	**Total exposure measure**	47,689

Table 27: LRCom: Leverage Ratio Common Disclosure (LR2)

		31 Dec 2023 £m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	11,437
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets pursuant to the applicable accounting framework	3,240
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(3,236)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital (leverage))	(221)
7	**Total on-balance sheet exposures (excluding derivatives and SFTs)**	**11,220**
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	337
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	4,019

		31 Dec 2023 £m
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-
UK-9b	Exposure determined under the original exposure method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-
11	Adjusted effective notional amount of written credit derivatives	4,842
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(4,665)
13	**Total derivative exposures**	**4,533**
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	31,818
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(7)
16	Counterparty credit risk exposure for SFT assets	1,692
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-
17	Agent transaction exposures	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-
18	**Total securities financing transaction exposures**	**33,503**
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	368
20	(Adjustments for conversion to credit equivalent amounts)	(289)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions associated with off-balance sheet exposures)	-
22	**Other off-balance sheet exposures**	**78**
	Excluded exposures	
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off-balance sheet))	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-
UK-22k	**(Total exempted exposures)**	**-**
	Capital and total exposure measure	
23	Tier 1 capital (leverage)	1,981
24	Total exposure measure including claims on central banks	49,334
UK-24a	(-) Claims on central banks excluded	(1,645)
UK-24b	**Total exposure measure excluding claims on central banks**	47,689
	Leverage ratio	
25	Leverage ratio excluding claims on central banks (%)	4.15%
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	4.15 %
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised gains and losses measured at fair value through other comprehensive income had not been applied (%)	4.15 %
UK-25c	Leverage ratio including claims on central banks (%)	4.01%
26	Regulatory minimum leverage ratio requirement (%)	3.25%
	Additional leverage ratio disclosure requirements - leverage ratio buffers	
27	Leverage ratio buffer (%)	0.27 %
UK27-a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	-
UK27-b	Of which: countercyclical leverage ratio buffer (%)	0.27%
	Additional leverage ratio disclosure requirements - disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivable	35,419

		31 Dec 2023 £m
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and netted of amounts of associated cash payables and cash receivables	33,503
UK-31	Average total exposure measure including claims on central banks	52,438
UK-32	Average total exposure measure excluding claims on central banks	50,554
UK-33	Average leverage ratio including claims on central banks	3.75%
UK-34	Average leverage ratio excluding claims on central banks	3.89%

Table 28: LRSpl: Split-up of On Balance Sheet Exposures (Excluding Derivatives, SFTs and Exempted Exposures) (LR3)

The table shows a breakdown of the on-balance sheet exposures excluding derivatives, SFTs and exempted exposures, by asset class.

Leverage Ratio Exposures		31 Dec 2023 £m	31 Dec 2022 £m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	11,437	13,106
UK-2	Trading book exposures	7,329	6,364
UK-3	Banking book exposures, of which:	4,107	6,742
UK-4	Covered bonds	-	-
UK-5	Exposures treated as sovereigns	2,773	4,927
UK-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	11	82
UK-7	Institutions	556	823
UK-8	Secured by mortgages of immovable properties	-	-
UK-9	Retail exposures	-	-
UK-10	Corporate	574	633
UK-11	Exposures in default	-	-
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	194	277

12. Other Financial Risks

12.1 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 Group'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 Group's programme of 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 Group's strategic risks also include potential impacts arising from the Group'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.

12.2 Interest Rate Risk in the Banking Book

The Group's interest rate risk in the banking book ("IRRBB") remains small. The Group calculates VaR internally on these positions on a daily basis as part of its monitoring process. In addition, the Group periodically carries out stress testing which includes these positions and using the six prescribed PRA Stress scenarios for the Economic Value of Equity (EVE) sensitivities and the two prescribed parallel shocks for the Net Interest Income (NII) sensitivities calculations. IRRBB is considered a sub-risk of market risk and the risk appetite, management, monitoring and roles and responsibilities relating to it are consistent with other market risks disclosed in section 9.

NII sensitivities are computed under a constant balance sheet assumption and are assessed over both one year and three years horizon. In line with regulatory guidelines prescribed by Rules 9.11 of the PRA Rulebook, an immediate parallel shock of +/-250bps is applied to GBP, +/- 200bps to USD/EUR, and +/-100bps to JPY over the defined time horizon. A maturity dependent interest rate floor is applied where applicable starting with -100 basis points for immediate maturities and increase by 5 basis points per year, eventually reaching 0% for maturities of 20 years.

The group regularly carries out the supervisory outlier test as per PRA guidance and the results have always been below the defined threshold.

Table 29: Quantitative Information on IRRBB (IRRBB1)

	(£m)	ΔEVE		ΔNII		Tier 1 capital	
	Period	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022	31 Dec 2023	31 Dec 2022
010	Parallel shock up	(4.9)	6.8	(8.1)			
020	Parallel shock down	(35.0)	(6.3)	(35.2)			
030	Steepener shock	0.3	4.1				
040	Flattener shock	(10.6)	(1.9)				
050	Short rates shock up	(3.5)	1.2				
060	Short rates shock down	(9.9)	(0.3)				
070	**Maximum**	**(35.0)**	**(6.3)**	**(35.2)**			
080	**Tier 1 capital**					**1,981**	**1,946**

12.3 Financial Risks Arising from Climate Change

The Board of Directors holds ultimate oversight of climate-related risks and opportunities, with support from the BRC and the Executive Committee.

The Board has formally delegated to the BRC the responsibility of understanding and assessing risks from environmental, social and governance factors including those arising from climate change. The BRC oversees these risks through the Group's Risk Appetite Statement and Risk Management Framework. Within the Group's governance structure, the primary management body responsible for risks arising from climate change is the ERMC, reporting to the Executive Committee and the BRC.

Both the BRC and ERMC receive a climate change risk update twice a year. Climate risk updates are reported to the Board through the summarised reports provided by the BRC following each of their meetings. Additionally, climate matters may also be included in the standing reports provided to the Board by the Executives, chiefly the CEO, CFO, and CRO, thereby ensuring a comprehensive climate risk management review at the Board level. However, all levels of governance have responsibilities for risks arising from climate change with the ERMC's core sub-committees responsible for managing risks across the core risk types from a second line perspective (credit, market, strategic, operational, and reputational risk).

In June 2023, the Group established a Sustainability Committee to oversee the development and execution of the Group's sustainability strategy. The Sustainability Committee is held quarterly and reviews progress against plans, emerging regulations and considers risks and escalations. The Sustainability Committee is chaired by the Deputy Regional Executive for EMEA and reports into the EMEA Executive Committee.

The EMEA Executive Committee provides executive oversight, coordination, and direction for the Group's executive team, with their actions aligning with the strategy and established business plans for EMEA. As the most senior Executive decision-making body within the Group, the EMEA Executive Committee also holds general management responsibilities, which include addressing climate and Environmental, Social and Governance ("ESG") matters.

The CEO is delegated the responsibility of implementing the Board's strategy, including its sustainability strategy.

The CRO is the Senior Manager responsible for managing the risks arising from climate change, specifically through the design and implementation of the risk management framework. Given the breadth of climate change and the potential impact across the business, all senior managers are responsible for managing risks arising from climate change pertinent to their part of business.

Climate change presents both risks and opportunities for the Group across its customers, business operations and wider stakeholders. The Group recognises climate change risk covers both physical risks (i.e. the impact of acute weather events and chronic changes to the climate) and transitional risks (i.e. the impact of shifts to a low-carbon economy).

The Group has developed its approach and framework to identify measures, manage and report on financial risks and opportunities arising from climate change with particular focus on governance, risk management, scenario analysis and disclosure. Climate Change has been determined as a driver of risk and therefore permeates across all risk types. This consideration is documented in the Group's Risk Management Framework, which is approved by the BRC, undergoes a review and approval process at least every two years, or more frequently as required. The Framework was most recently updated in June 2023.Qualitative statements and KRIs reflecting this understanding are also captured within the Group's Risk Appetite Statement, demonstrating the integration of climate change considerations in our risk management framework.

The risks arising from climate change are tracked as part of the Top and Emerging Risk report at the ERMC. Bottom-up risk identification has been completed through the inclusion of climate change within the Group's Risk Register and is reviewed on an annual basis. Climate change considerations have been embedded within the credit assessment through the development of the Climate Change Risk heat-map. The heat-map supports identification of the key climate change risks that the credit portfolio is exposed to (transmission channels) and provides a risk-based approach to targeting further analysis. The heat-map includes a physical and transition risk assessment for clients, industries and countries. The outputs from the heat-map are reported to the EMEA Credit Risk Committee on a monthly basis.

A range of stress testing is carried out to identify risks and potential losses that may not be sufficiently identified through other risk measures, or under extreme conditions. This includes a programme of scenario analysis to test the Group's financial resilience on a quarterly basis by identifying vulnerabilities from the joint implications for market, credit, liquidity and operational risks. The Group's stress testing framework is reviewed on an annual basis by the BRC, Scenario analysis has been used to inform risk identification and assessment/measurement; with an internal fossil fuel transition risk scenario developed, based on the Group's previously developed Carbon Tax Scenario, to understand the impact to the business and identify potential mitigating actions. A transition risk scenario was developed as most applicable to test financial resilience based on the Group's business model. The scenario reflects the Group's operating model by capturing market risk and credit risk, including from structured transactions, and is run on a quarterly basis with the results presented to the ERMC. The recent energy and inflation crisis put more pressure on business costs, and forced the private sector to accelerate the green transition. This scenario assumes a more rapid transition than originally planned by the corporate clients such as increased capital investment in greener technology. This causes a negative impact on their revenue and performance in the short-term. Additionally, market demand for crude oil remains strong due to the colder winters and hot summer weather expected in the UK and European countries under the scenario, resulting in higher oil prices across the projection window.

Three multi-decade scenarios have been developed, in line with the industry approach, which are based around the core Network for Greening the Financial System ('NGFS') scenarios covering physical, transition and combined risk. These have been applied to the MUFG EMEA portfolio and the results reported to the ERMC to review potential strategic actions based on the results. The primary focus of the work has been on the corporate derivative counterparty credit risk. Operational risk considerations for climate change were captured through scenario analysis as part of the annual ICAAP process. From a legal and litigation risk perspective, the Legal department provides advisory, awareness and engagement with relevant Front Office departments in relation to legal risks arising in transactions, disclosures and due diligence. Market and liquidity risk profiles have been analysed for the trading book using shorter term stress scenarios that are aligned to the liquidity horizon of the portfolios. Utilising scenario analysis/stress testing described above and the risk management tools/process described below, the Group's exposure and financial resilience to risks arising from climate change is currently assessed as low risk, reflective of the nature of the securities business. The Group expects the approaches to evolve in line with the industry. Consistent with the wider industry, challenges around data management remain with tactical solutions utilised whilst longer term strategic solutions are developed and further collaboration with MUFG continues.

MUFG is developing a broader approach to manage risks arising from climate change including a long-term strategy for managing such risks, which will be further embedded within the EMEA risk framework.

12.4 Model Risk

Model risk is the potential for loss arising from decisions based on incorrect or misused model outputs and reports.

The Group 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 Group. In the case of risk models, the Model Oversight Committee ("MOC"), which reports to the ERMC, is responsible for reviewing the output of ongoing validation and for model performance. The TPVC oversees the use of pricing models. The independent validation of risk and pricing models is performed by the Model Risk Management function which is part of the Group's Enterprise Risk Management department and has membership on the MOC and the TPVC.

13. 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 Group 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 event occurring and the impact should an event occur.

The Group employs The Standardised Approach ("TSA") for calculating its Pillar 1 operational risk capital requirement. The Group 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 as part of Pillar 2.

Table 30: Operational Risk Own Funds Requirements and Risk-Weighted Exposure Amounts (OR1)

	31 Dec 2023 (£m) Banking activities (£m)	Relevant indicator			Own funds requirements	Risk weighted exposure amount
		Year-3	Year-2	Last year		
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	474	204	438	67	837
3	Subject to TSA:	474	204	438		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

In order to facilitate the management of operational risk, the Group breaks down its Risk Taxonomy using the Basel II categories:

1. Execution, delivery and process management
2. Clients, products and business practices
3. Internal fraud risks
4. External fraud risks
5. Employment practices and workplace safety
6. Business disruption and systems failures
7. Damage to physical assets.

13.1 Operational Risk Management Framework

The Operational Risk Management Framework ("ORMF") is defined within the Group's policies and detailed procedures, and comprises of the following key elements:

Governance:

- Governance: The Operational Risk Governance Structure outlines the committees and meetings through which key risk and control concerns and events are escalated, risk management action is driven and risk management decisions are made.
- Risk Appetite: The Group has defined its Operational Risk Appetite in both quantitative and qualitative terms, reflecting both the financial and non-financial impacts that can arise from operational risk.

Risk Identification:

- Internal Operational Risk Events: The Group systematically collects details of both operational risk losses (or gains) above a certain threshold and details of events, even if they have not led to losses (or gains) e.g. near misses, and root cause analysis where applicable.
- Key Risk & Control Indicators: The Group uses metrics to monitor its operational risk profile and to alert management when risk levels exceed acceptable ranges.
- External Operational Risk Events: Business and support departments use information obtained from external events to assess their own risk profile, understand "lessons learned" and evaluate and adapt their current control environment from events which have impacted similar firms' business processes.

Risk Assessment:

- Risk and Control Self-Assessments ("RCSA"): Departments within the Group assess the operational risks they face, and the effectiveness of their controls at mitigating those key operational risks, relative to the Group's appetite.
- Scenario Analysis: The Group uses scenario analysis to assess the risks of extreme but plausible events.
- Key Control Attestations: Managers attest to the adequacy of their control environment twice a year.

Risk Remediation:

- Self-Identified Issues ("SII"): Departments identify, record and manage the remediation of deficiencies and/or weaknesses in their risk and control environments.
- Remedial Actions: Progress in completing remedial actions is tracked and reported.
- Insurance Policies: As part of its risk management approach, the Group uses insurance to mitigate the impact of some operational risks.

Risk Review and Reporting:

- Reporting: The operational risk department and management uses reports to understand, monitor, manage and control operational risks.
- Training: Staff are required to undertake mandatory on-line operational risk awareness training annually.

Day–to-day responsibility and accountability for the identification, assessment and management of operational risk resides with all Business Units and Support Functions; the Operational Risk Management ("ORM") department are responsible and accountable for developing and maintaining the ORMF; and providing second line review, challenge and oversight. Issues of significance are escalated to the EMEA Operational Risk and Controls Committee ("EORCC"), which reports to the ERMC and meets on a monthly basis.

13.2 Fraud Risk

The Fraud Risk team in ORM own the EMEA Fraud Risk Policy and the EMEA Fraud Risk Framework and are responsible for second line oversight and challenge to ensure these are complied with by the first line risk and control owners. The policy and framework cover both Internal and External Fraud risk.

The policy and framework continue to be embedded across the Group. The Fraud Risk team support the first line risk and control owners by overseeing and challenging the fraud risk and control landscape, ensuring that there are adequate anti-fraud controls implemented, Fraud Risk key indicators are defined and monitored and the team deliver fraud training and awareness sessions to both MUFG employees and MUFG clients. The fraud escalation and reporting process along with the trade surveillance controls continue to facilitate timely reporting of incidents and identification of unusual transactions. In addition, there is an ongoing programme of work to maintain fraud risk awareness and control.

13.3 Technology Risk

The Group has a dedicated Risk and Control function in the first line with responsibility for Technology Risk. Areas of focus include the top risks of IT Disruption, IT Resilience and Service Management, this includes network stability; access management; data backups; patching; user awareness training; monitoring and reporting of IT Incidents. It also delivers testing and mitigation activities to identify any potential vulnerabilities or improvements in the infrastructure platforms and business applications. The Group has an ongoing programme of work that continually invests in improving controls to manage technology risk.

The Technology team in ORM is responsible for second line oversight and challenge, this covers the creation and management of the SII, approving the RCSAs and monitoring the recording of Events against the ORMF. The team are also part of the Crisis Incident Response team, providing risk subject matter expert ("SME") expertise. Technology risk management information ("MI") is presented to the EORCC and any material matters are escalated to the ERMC.

13.4 Cyber Risk

The Technology Cyber team within the first line has responsibility for the protection of the Group's environment against external threat and security of the Group's data. Areas of focus include threats related to: network security; malware and firewall threats; access management; 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 Group has an ongoing programme of work that continually invests in improving controls to manage the cyber threat/risk.

The Cyber Risk team in ORM is responsible for second line oversight and challenge for Cyber. This includes participation in scenarios and desktop exercises to test the perimeter security. The team also monitor external events to understand threats to the MUFG infrastructure and then follow up on and challenge lessons learnt. The team are also part of the Cyber Crisis Incident Response team, providing risk SME expertise. MI is presented to the EORCC and any material matters are escalated to the ERMC.

13.5 Third Party Risk Management

The Group has a control framework for Outsourcing Oversight and Third Party Risk Management (“TPRM”). First line responsibility and accountability for TPRM resides with all staff, with ORM providing second line oversight and challenge. The Group is enhancing this framework to meet enhanced internal and external requirements and changes have been implemented in 2023 and will continue in 2024. This will provide enhanced control and oversight and ORM have and will continue to be involved in project activities.

Critical outsourcing, cloud and third party contracts are in the process of being reviewed under the new operating model for TPRM. The key components of the framework under enhancement include a roles and responsibilities for the execution of the new target operating model and operationalising an Outsourcing Oversight Committee. The areas of focus for 2024 include legacy remediation work according to third party supplier’s materiality and further awareness/socialisation of Service Manager’s responsibilities.

13.6 Operational Resilience

Operational resilience is the Group’s ability to prevent, adapt, respond to, recover and learn from operational disruption. Operational disruptions and the unavailability of important business services have the potential to cause wide-reaching harm to consumers and risk to market integrity, threaten the viability of the Group and cause instability in the financial system.

The Group has developed an Operational Resilience Framework to identify and map important business services, determine impact tolerances, run scenario testing to identify vulnerabilities and to remediate any vulnerabilities identified.

The Group is required to be fully compliant with policy statements issued by the Bank of England, PRA and FCA by Q1 2025.

14. Other Non-Financial Risks

14.1 Reputational Risk

Reputational risk is the risk of damage to the corporate value that arises from the negative reputation that the business activities of the Group deviate substantially from the expectations and trust of customers, shareholders, investors, society and other wide-ranging stakeholders and any similar risk. The Group's business is dependent on its reputation and it will impact its performance should it deteriorate. The Group has a Reputational Risk Management policy and controls to mitigate the impact and reduce the likelihood of reputational incidents. The policy includes escalation to the EMEA Reputational Risk Management Committee which oversees the reputational risk profile of the Group on behalf of the ERMC.

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

14.2 Compliance Risk

Compliance risk, including Financial Crime, is the risk of financial, reputational or other damage to the Group through failing to comply with regulations, rules, guidelines, codes of conduct, professional ethics, governance and other standards. Compliance risk is the responsibility of all employees of the Group as set out in the three lines of defence model with accountability for second line risk management residing with the CCO.

The Group maintains a governance structure designed to ensure appropriate management, oversight and second-line assurance of significant risks and associated mitigants, 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 Group which own their respective compliance risks. The Compliance function is accountable for several controls and mitigants, including monitoring, testing, advising on regulatory change and compliance matters, and escalation of issues arising. The Group's compliance programme and internal control infrastructures evolve in response to changes in regulation, best practice and the Group's risk profile, including from strategic initiatives and new products.

14.3 Conduct Risk

Conduct risk is the risk that the actions of the Group 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 Group's reputation leading to loss of business and/or regulatory or criminal sanctions. Accountability for conduct rests with functional units across the Group which own their respective conduct risks.

The Group has implemented a Conduct Risk management framework which identifies and manages conduct risk through:

- 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 Group's strategic objectives and business plan.

- A formal compliance monitoring programme which includes assessing the effectiveness of key controls mitigating potential conduct risk exposure.
- Production and analysis of Conduct risk MI.
- Group-wide Conduct risk training and awareness programme.

14.4 Legal Risk

Legal risk is the risk of financial loss or reputational damage to the firm arising from failure to identify, understand or adequately manage the firm’s legislative and regulatory obligations; contractual rights and obligations; non-contractual obligations (such as duties of care); non-contractual rights (such as intellectual property); and legal disputes.

The Group 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 Group. The Group 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.
- Managing legal and regulatory risk through due diligence, review of contracts and transactions including establishing legal enforceability of collateral arrangements for the Group 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.

15. Challenges and Uncertainties

The Group faces a number of challenges and uncertainties in the normal course of its business. Operational risks are inherent in the Group's business activities and are covered in more detail on pages 57 to 60. Other uncertainties faced by the Group in the course of its business including liquidity, funding, credit and market risks, the valuation of financial assets and liabilities in volatile markets, exposure to macro-economic and geopolitical uncertainty and changes to regulatory rules and regulatory capital requirements. Volatility in Pound Sterling versus major trading currencies will impact the financial position of the Group due to the predominantly Sterling denominated capital base. This has been embedded in scenario planning as appropriate.

Ukraine – Russia and Israel – Hamas Conflicts

Recent global events such as the Ukraine – Russia and Israel – Hamas conflicts have adversely affected global economic activities and financial markets worldwide. This has directly contributed to volatility and uncertainty in global capital markets within which the Group is active. Financial results for the year to 31 December 2023 do not evidence a specific, material, adverse impact on the performance of the Group due to the continued conflict between Russia and the Ukraine or that between Israel and Hamas. Whilst certain entities within the MUFG are directly exposed to potential losses on strategic investments or client exposures within these countries, the Group does not have any exposure and has suspended country limits.

Market Volatility

The market events that impacted a number of US Regional Banks, with the notable knock-on impact to Credit Suisse, were not seen to have material consequences to the Group. The Group's exposure to the US regional Banks was small with no exposure to Silicon Valley Bank, Signature Bank and First Republic Banks, positions with Credit Suisse were managed down prior to the crisis.

EquiLend Cybersecurity Incident

The EquiLend cybersecurity incident in January 2024 highlights the risk to the Group from hacking and similar incidents on third party data providers where the Group may not receive trade or other data. Existing trades during the period continued to settle and the Group did not suffer any losses as a result of the incident. The Group has continues to monitor cybersecurity threats via its Cyber Technology team.

Interbank Offered Rates Transition

The London Interbank Offered Rate ('LIBOR'), being the USD LIBOR tenors, were phased out during Q2 2023 in preparation for the transition event on 1 July 2023, where 14,790 trades were successfully transitioned. Financial services firms including MUFG have transitioned demising interbank offered rates ('IBOR') business to suitable alternative rates for all impacted clients. This transition follows the successful transition of non-USD LIBOR, 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 the 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 Group was also fully engaged with central clearers where the transition of centrally cleared contracts followed a standardised approach.

United Kingdom Exit from the European Union

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 Group that are not faced by the rest of the financial services sector within the United Kingdom as a whole, and is maintaining communication with market peers and regulators in this regard. MUS(EU) is central to our strategy of continuing to service European Economic Area domiciled clients.

Exposure to Japanese Markets

The Group is exposed to fluctuations in the Japanese market through its debt issuance programme and its investment in high quality Japanese Government securities. The business activities of the ultimate parent company, MUFG, whilst carried out on a global level, are focused on the Japanese market. The downgrade of Japanese debt, interest rate volatility and associated monetary and fiscal policy decisions could impact the results of the Group. Management are fully aware of these risks and monitor them on an ongoing basis as well as ensuring appropriate levels of HQLA holdings.

16. Valuation and Accounting Policies

The financial statements of the Group entities are prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board should be read in conjunction with this document. See footnotes to the financial statements for details of accounting and valuation principals applicable to these positions.

Trading portfolio financial assets, reverse repurchase agreements, derivative financial instruments and financial instruments measured at fair value through other comprehensive income or fair value through profit or loss are stated at fair value. The fair value of these financial instruments is the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

The fair values of financial instruments are determined by reference to observable market prices where these are available and the market is active. Where market prices are not available or are unreliable because of poor liquidity, fair values are determined using valuation models, which where possible, use observable market parameters. The process of calculating the fair value using valuation techniques may necessitate the estimation of certain pricing parameters, assumptions or model characteristics.

The Group maintains systems and controls sufficient to provide reliable valuation estimates, including documented policies, clearly defined roles and responsibilities and departments accountable for verification that are independent of the front office. The Group makes use of various policies in the control framework for the valuation of financial instruments including but not limited to those in respect of model validation, independent price verification, provisions and valuation adjustments, P&L reporting, mark to market pricing and new products implementation.

17. Past Due, Non-Performing and Forborne Exposures

Disclosure of past due, non-performing and forborne exposures.

Table 31: Maturity of Exposures (CR1-A)

	£m	On demand	Net exposure value <= 1 year	 > 1 year <= 5 years	 > 5 years	 No stated maturity	 Total
1	Loans and advances	-	32,044	585	0	2,295	35,582
2	Debt securities	-	787	2,130	1,241	39	4,197
3	**Total**	**-**	**32,832**	**2,714**	**1,241**	**2,993**	**39,779**

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Table 32: Performing and Non-Performing Exposures and Related Provisions (CR1)

31 Dec 2023 **(£m)**		Gross carrying amount/nominal amount						Accumulated impairment, accumulated negative changes in fair value due to credit risk and provisions						Accumulated partial write-off	Collateral and financial guarantees received	
		Performing exposures			Non-performing exposures			Performing exposures – accumulated impairment and provisions			Non-performing exposures – accumulated negative changes in fair value due to credit risk and provisions				Performing exposures – accumulated impairment and provisions	On non-performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	**Cash balances at central banks and other demand deposits**	**1,870**	**1,870**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**35,582**	**35,582**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	2	2	-	-	-	-	-	-	-	-	-	-	-	-	-

040	Credit institutions	13,667	13,667	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	21,710	21,710	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	203	203	-	-	-	-	-	-	-	-	-	-	-	-	-
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	**Debt securities**	**4,197**	**4,197**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	3,017	3,017	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	406	406	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	325	325	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	450	450	-	-	-	-	-	-	-	-	-	-	-	-	-
150	**Off-balance-sheet exposures**	**368**	**368**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	368	368	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220	**Total**	**42,016**	**42,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 33: Credit Quality of Performing and Non-Performing Exposures by Past Due Days (CQ3)

31 Dec 2023 (£m)		Gross carrying amount/nominal amount											
		Performing exposures			Non-performing exposures								
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	**Cash balances at central banks and other demand deposits**	**1,870**	**1,870**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
010	**Loans and advances**	**35,582**	**35,582**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	2	2	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	13,667	13,667	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	21,710	21,710	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	203	203	-	-	-	-	-	-	-	-	-	-
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	-	-	-	-	-	-	-	-	-	-	-	-
090	**Debt securities**	**4,197**	**4,197**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	3,017	3,017	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	406	406	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	325	325	-	-	-	-	-	-	-	-	-	-

140	Non-financial corporations	450	450	-	-	-	-	-	-	-	-	-	-
150	Off-balance-sheet exposures	**368**			**-**								**-**
160	Central banks	-			-								-
170	General governments	-			-								-
180	Credit institutions	-			-								-
190	Other financial corporations	368			-								-
200	Non-financial corporations	-			-								-
210	Households	-			-								-
220	**Total**	**42,016**	**42,016**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**

Table 34: Credit Quality of Loans and Advances to Non-Financial Corporations by Industry (CQ5)

31 Dec 2023 (£m)		Gross carrying amount				Accumulated impairment	Accumulated negative changes in fair value due to credit risk on non-performing exposures
			Of which non-performing		Of which loans and advances subject to impairment		
				Of which defaulted			
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	29	-	-	-	-	-
030	Manufacturing	1	-	-	-	-	-
040	Electricity, gas, steam and air conditioning supply	92	-	-	-	-	-
050	Water supply	-	-	-	-	-	-
060	Construction	-	-	-	-	-	-
070	Wholesale and retail trade	-	-	-	-	-	-
080	Transport and storage	-	-	-	-	-	-
090	Accommodation and food service activities	-	-	-	-	-	-
100	Information and communication	81	-	-	-	-	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	-	-	-	-	-	-
130	Professional, scientific and technical activities	-	-	-	-	-	-
140	Administrative and support service activities	-	-	-	-	-	-
150	Public administration and defence, compulsory social security	-	-	-	-	-	-
160	Education	-	-	-	-	-	-
170	Human health services and social work activities	-	-	-	-	-	-
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	203	-	-	-	-	-
200	**Total**	**1,157**	**-**	**-**	**-**	**-**	**-**

Table 35: Collateral Valuation – Loans and Advances (CQ6)

31 Dec 2023		Loans and advances											
(£m)			Performing		Non-performing								
						Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days						
				Of which past due > 30 days ≤ 90 days				Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years
010	Gross carrying amount	35,582	35,582	-	-	-	-	-	-	-	-	-	-
020	Of which secured	32,393	32,393	-	-	-	-	-	-	-	-	-	-
030	Of which secured with immovable property	-	-	-	-	-	-	-	-	-	-	-	-
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	-		-	-	-							
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	-		-	-	-							
060	Of which instruments with	-		-	-	-							

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	LTV higher than 100%												
070	Accumulated impairment for secured assets	-	-	-	-	-	-	-	-	-	-	-	-
080	Collateral												
090	Of which value capped at the value of exposure	32,586	32,586	-	-	-	-	-	-	-	-	-	-
100	Of which immovable property	-	-	-	-	-	-	-	-	-	-	-	-
110	Of which value above the cap	3,966	3,966	-	-	-	-	-	-	-	-	-	-
120	Of which immovable property	-	-	-	-	-	-	-	-	-	-	-	-
130	Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-	-
140	Accumulated partial write-off	-	-	-	-	-	-	-	-	-	-	-	-

18. Disclosures Made Available in the Financial Statements

- The definitions for accounting purposes of past due and impaired.
- Policy for hedge accounting.

19. Immaterial Disclosure Points

The following is a list of disclosure requirements that are deemed to be immaterial for the Group to disclose:

- Disclosures in relation to retail banking, commercial banking because the Group does not conduct those businesses.
- Indicators of global systemic importance, because the Group is not identified as Global Systemically Important Institution (“G-SII”).
- The following tables have not been included in the disclosures as the Group has no non-performing exposures:
  - Changes in the Stock of Non-Performing Loans and Advances (CR2).
  - Quality of Non-Performing Exposures by Geography (CQ4).
- Non-trading book exposures in equities, because there is no equity exposure in the non-trading book.

20. List of Abbreviations

Glossary	
ABS	Asset Backed Security
ALCO	Asset and Liability Committee
AT1	Additional Tier 1 Capital
BRC	Board Risk Committee
CCO	Chief Compliance Officer
CCP	Central Counterparty
CCyB	Countercyclical Capital Buffer
CDS	Credit Default Swap
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 Capital
CFO	Chief Financial Officer
CFP	Contingency Funding Plan
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
DEI	Diversity, Equity and Inclusion
DVP	Delivery Versus Payment
ECAI	External Credit Assessment Institution

Glossary	
ECRC	EMEA Credit Risk Committee
EORCC	EMEA Operational Risk and Controls Committee
ERMC	EMEA Risk Management Committee
ESG	Environmental, Social and Governance
FCA	Financial Conduct Authority
FOP	Free of Payment
FTP	Funds Transfer Pricing
The Group	The consolidated MUFG Securities EMEA plc entity, comprised of the solo MUFG Securities EMEA plc entity and MUS(EU).
G-SII	Global Systemically Important Institution
HQLA	High Quality Liquid Assets
IBOR	Interbank Offered Rate
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRC	Incremental Risk Charge
IRRBB	Interest Rate Risk in the Banking Book
KRI	Key Risk Indicator
LAB	Liquid Asset Buffer
LCR	Liquidity Coverage Ratio
LIBOR	London Inter-Bank Offered Rate
MI	Management Information
MOC	Model Oversight Committee
MRM	Market Risk Management
MUFG	Mitsubishi UFJ Financial Group
MUFG Bank	MUFG Bank, Ltd. MUFG's corporate bank.
MUMSS	Mitsubishi UFJ Morgan Stanley Securities Co
MUS(EMEA)	MUFG Securities EMEA plc. The solo MUFG Securities entity, not including MUS(EU).
MUS(EU)	MUFG Securities (Europe) N.V. A wholly owned subsidiary of MUS(EMEA) in The Netherlands.
MUSHD	Mitsubishi UFJ Securities Holdings Co. Ltd. The Group's parent company, which is wholly owned by Mitsubishi UFJ Financial Group.
NGFS	Network for Greening the Financial System
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework
OTC	Over-the-Counter (derivatives)
PRA	Prudential Regulation Authority
PVA	Prudent Valuation Adjustment
QCCP	Qualifying Central Counterparty
RAG	Risk Analytics Group
RCC	Regional Compliance Committee
RCSA	Risk and Control Self-Assessment
RNIV	Risks Not In VaR
RWA	Risk Weighted Assets
RWEA	Risk Weighted Exposure Amount
SII	Self-Identified Issues
SFT	Securities Financing Transaction
SME	Subject Matter Expert
SVaR	Stressed Value at Risk
T2	Tier 2 Capital
TPRM	Third Party Risk Management
TPVC	Traded Products Valuation Committee
TSA	The Standardised Approach, used for calculating Operational Risk Capital.

Glossary	
VaR	Value at Risk

21. Appendix

21.1 Own Funds Disclosure

Table 36: Main Features of Regulatory Own Funds Instruments and Eligible Liabilities Instruments (CCA)

	Features	Common Equity	Additional Tier 1 (2016 Issuance)	Additional Tier 1 (2019 Issuance)	Subordinated Loan
1	Issuer	MUFG Securities EMEA plc	MUFG Securities EMEA plc	MUFG Securities EMEA plc	MUFG Securities EMEA plc
2	Unique identifier (e.g. CUSIP, ISIN, or Bloomberg identifier for private placement)	BBG000D8HBY7	N/A	N/A	N/A
2a	Public or private placement	Private	Private	Private	Private
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law
3a	Contractual recognition of write down and conversion powers of resolution authorities	N/A	Conversion	Conversion	N/A
Regulatory treatment					
4	Current treatment taking into account, where applicable, transitional CRR rules	Common Equity Tier 1	Tier 1	Tier 1	Tier 2
5	Post-transitional CRR rules	Common Equity Tier 1	Tier 1	Tier 1	Tier 2
6	Eligible at solo/(sub-)consolidated/ solo & (sub-)consolidated	Solo	Solo	Solo	Solo
7	Instrument type (types to be specified by each jurisdiction)	Common shares	Other Tier1 Instruments	Other Tier1 Instruments	Other Tier 2 Instruments
8	Amount recognised in regulatory capital (Currency in millions, as of most recent reporting date)	GBP 1,383 million	GBP 307 million	GBP 157 million	GBP 282 million
9	Nominal amount of instrument	N/A	GBP 307 million	GBP 157 million	JPY 44 billion
UK-9a	Issue price	£1 per share	GBP 307 million	GBP 157 million	JPY 44 billion
UK-9b	Redemption price	N/A	GBP 307 million	GBP 157 million	JPY 44 billion
10	Accounting classification	Shareholders' equity	Liability	Liability	Liability

	Features	Common Equity	Additional Tier 1 (2016 Issuance)	Additional Tier 1 (2019 Issuance)	Subordinated Loan
11	Original date of issuance	N/A	15/12/2016	29/11/2019	15/12/2021
12	Perpetual or dated	Perpetual	Perpetual	Perpetual	15/12/2031
13	Original maturity date	N/A	N/A	N/A	N/A
14	Issuer call subject to prior supervisory approval	No	No	No	No
15	Optional call date, contingent call dates and redemption amount	N/A	N/A	N/A	N/A
16	Subsequent call dates, if applicable	N/A	N/A	N/A	N/A
Coupons / dividends					
17	Fixed or floating dividend/coupon	N/A	Floating	Floating	Fixed
18	Coupon rate and any related index	N/A	6 month GBP LIBOR + 2.3625% pa	6 month GBP LIBOR + 2.026% pa	0.837%
19	Existence of a dividend stopper	No	No	No	No
UK-20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory	Mandatory
UK-20b	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary	Mandatory	Mandatory	Mandatory
21	Existence of step up or other incentive to redeem	No	No	No	No
22	Noncumulative or cumulative	Non-cumulative	Non-cumulative	Non-cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible	Convertible	Convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A	Common Equity Tier 1 Capital Ratio falls below 7.00%	Common Equity Tier 1 Capital Ratio falls below 7.00%	N/A
25	If convertible, fully or partially	N/A	Fully	Fully	N/A
26	If convertible, conversion rate	N/A	Ordinary shares equal to aggregate principal amount divided by £1.00	Ordinary shares equal to aggregate principal amount divided by £1.00	N/A
27	If convertible, mandatory or optional conversion	N/A	Mandatory	Mandatory	N/A

	Features	Common Equity	Additional Tier 1 (2016 Issuance)	Additional Tier 1 (2019 Issuance)	Subordinated Loan
28	If convertible, specify instrument type convertible into	N/A	Ordinary Shares	Ordinary Shares	N/A
29	If convertible, specify issuer of instrument it converts into	N/A	MUFG Securities EMEA plc	MUFG Securities EMEA plc	N/A
30	Write-down features	No	No	No	No
31	If write-down, write-down trigger(s)	N/A	N/A	N/A	N/A
32	If write-down, full or partial	N/A	N/A	N/A	N/A
33	If write-down, permanent or temporary	N/A	N/A	N/A	N/A
34	If temporary write-down, description of write-down mechanism	N/A	N/A	N/A	N/A
34a	Ranking of the instrument in normal insolvency proceedings	N/A	N/A	N/A	Subordinated
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	The most subordinated claim	Subordinated to the claims of all senior creditors	Subordinated to the claims of all senior creditors	Subordinated to the claims of all senior creditors
36	Non-compliant transitioned features	No	No	No	No
37	If yes, specify non-compliant features	N/A	N/A	N/A	N/A
37a	Link to the full term and conditions of the instrument (signposting)	N/A	N/A	N/A	N/A

Table 37: Composition of Regulatory Own Funds (CC1)

		31 Dec 2023 £m	Ref
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,383	A
	of which: Instrument type 1	-	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	383	B
3	Accumulated other comprehensive income (and any other reserves)	(28)	C
UK 3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**1,738**	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(57)	
8	Intangible assets (net of related tax liability) (negative amount)	(152)	D
9	Empty set in the UK		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	(0)	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	(12)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Empty set in the UK	-	
UK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
UK-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
UK-20c	of which: securitisation positions (negative amount)	-	
UK-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	

		31 Dec 2023 £m	Ref
24	Empty set in the UK	-	
25	of which: deferred tax assets arising from temporary difference	-	
UK-25a	Losses for the current financial year (negative amount)	-	
UK-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably adjusts the amount of CET1 items insofar as such tax charges reduce the amount up to which those items may be used to cover risks or losses (negative amount)	-	
26	Empty set in the UK	-	
27	Qualifying AT1 deductions that exceeds the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-	
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(221)**	
29	**Common Equity Tier 1 (CET1) capital**	**1,517**	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	464	A
31	of which: classified as equity under applicable accounting standards	464	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1	-	
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase-out	-	
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**464**	
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
41	Empty set in the UK	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital		
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	**-**	
44	**Additional Tier 1 (AT1) capital**	**464**	
45	**Tier 1 capital (T1 = CET1 + AT1)**	**1,981**	
Tier 2 (T2) capital: instruments			
46	Capital instruments and the related share premium accounts	245	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
UK-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2	-	

		31 Dec 2023 £m	Ref
UK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	-	
49	of which: instruments issued by subsidiaries subject to phase-out	-	
50	Credit risk adjustments	-	
51	**Tier 2 (T2) capital before regulatory adjustments**	**245**	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	
54a	Empty set in the UK	-	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	
56	Empty set in the UK	-	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
UK-56b	Other regulatory adjustments to T2 capital	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	
58	**Tier 2 (T2) capital**	**245**	
59	**Total capital (TC = T1 + T2)**	**2,226**	
60	**Total Risk exposure amount**	**8,578**	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	17.7%	
62	Tier 1 (as a percentage of total risk exposure amount)	23.1%	
63	Total capital (as a percentage of total risk exposure amount)	25.9%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	7.2%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: countercyclical buffer requirement	0.784%	
67	of which: systemic risk buffer requirement	n/a	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	
68	**Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)**	**10.9%**	
69	[non-relevant in UK]	n/a	
70	[non-relevant in UK]	n/a	
71	[non-relevant in UK]	n/a	
Amounts below the thresholds for deduction (before risk weighting)			

		31 Dec 2023 £m	Ref
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	43	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% thresholds and net of eligible short positions)	-	
74	Empty set in the UK		
75	Deferred tax assets arising from temporary difference (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	0	
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

Note: The Group has adopted the UK's regulatory transitional arrangements for IFRS 9 (Article 473a of the CRR). The own funds above have reflected the IFRS 9 transitional arrangements. The difference in own funds with and without IFRS 9 transitional arrangements is immaterial, so the own funds without the transitional arrangement are not disclosed separately.

Table 38: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements (CC2)

		Balance sheet as in published financial statements[1] 31 Dec 2023 £m	Under regulatory scope of consolidation 31 Dec 2023 £m	Ref
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash and balances at central banks	1,853	1,853	
2	Securities at FVTOCI	1,145	1,145	
3	Trading portfolio financial assets	7,049	7,049	
4	Derivative financial assets	16,992	16,992	
5	Reverse repurchase agreements	27,587	27,587	
6	Other financing at fair value	812	812	
7	Cash collateral on securities borrowed	3,632	3,632	
8	Cash collateral paid to derivative counterparties	3,035	3,035	
9	Assets at amortised cost	123	123	
10	Deferred tax asset	4	4	
11	Intangible assets	150	150	D
12	Right-of-use assets	23	23	
13	Property, plant and equipment	10	10	
14	Investment in subsidiary[2]	214	214	
15	Other assets	239	239	
	Total Assets	**62,869**	**62,869**	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
1	Trading portfolio financial liabilities	5,403	5,403	
2	Derivative financial liabilities	16,409	16,409	
3	Repurchase agreements	24,383	24,383	
4	Cash collateral on securities lent	148	148	
5	Cash collateral received from derivative counterparties and brokers	6,165	6,165	
6	Financial liabilities designated at fair value	4,513	4,513	
7	Financial liabilities at amortised cost	3,373	3,373	
8	Other liabilities	220	220	
	Total Liabilities	**60,615**	**60,615**	
Shareholders' Equity[3]				
1	Equity instruments	1,847	1,981	A
2	Other reserves	(4)	(28)	C
3	Retained earnings	411	383	B
	Total shareholders' equity	**2,255**	**2,336**	

[1] MUS(EMEA) balance sheet is reported as the Group does not publish consolidated financial statements

[2] Investment in MUS(EU). This is eliminated from the consolidated balance sheet

[3] Shareholders’ equity under regulatory scope reflects the values used in regulatory capital calculations for the consolidated entity

Table 39: Differences Between Accounting and Regulatory Scopes of Consolidation and Mapping of Financial Statement Categories with Regulatory Risk Categories (LI1)

£m		Carrying values as reported in published financial statements[1]	Carrying values under scope of regulatory consolidation	Carrying values of items				
				Subject to the credit risk framework	Subject to the CCR framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to own funds requirements or subject to deduction from own funds
	Breakdown by asset class according to the balance sheet in the published financial statements							
1	Cash and balances at central banks	1,853	1,853	1,853	-	-	-	-
2	Securities at FVTOCI	1,145	1,145	1,145		-	1,145	-
3	Trading portfolio financial assets	7,049	7,049	2,630		-	6,748	-
4	Derivative financial assets	16,992	16,992		13,120	-	13,120	-
5	Reverse repurchase agreements	27,587	27,587		27,587	-	27,587	-
6	Other financing at fair value	812	812	812		-		-
7	Cash collateral on securities borrowed	3,632	3,632	-	3,632	-	3,632	-
8	Cash collateral paid to derivative counterparties	3,035	3,035		3,035	-	3,035	-
9	Assets at amortised cost	123	123	123	-	-	-	-
10	Deferred tax asset	4	4	4	-	-	-	-
11	Intangible assets	150	150	-	-	-	-	150
12	Right-of-use assets	23	23	23	-	-	-	-
13	Property, plant and equipment	10	10	10	-	-	-	-
14	Investment in subsidiary[2]	214	214	152	-	-	-	62
15	Other assets	239	239	239	-	-	-	-
	Total Assets	**62,869**	**62869**	**6,867**	**47,375**	-	**55268**	**213**
	Breakdown by liability classes according to the balance sheet in the published financial statements					-		

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1	Trading portfolio financial liabilities	5,403	5,403	1,707	-	-	5,403	-
2	Derivative financial liabilities	16,409	16,409	-	16,393	-	16,393	16
3	Repurchase agreements	24,383	24,383	-	24,383	-	24,383	-
4	Cash collateral on securities lent	148	148	-	148	-	148	-
5	Cash collateral received from derivative counterparties and brokers	6,165	6,165	-	6,165	-	6,165	-
6	Financial liabilities designated at fair value	4,513	4,513	-	-	-	-	4,513
7	Financial liabilities at amortised cost	3,373	3,373	-	-	-	-	3,373
8	Other liabilities	220	220	-	-	-	-	220
	Total Liabilities	**60,615**	**60,615**	**1,707**	**47,089**	**-**	**52,501**	**8,114**

1. MUS(EMEA) balance sheet is reported as the Group does not publish consolidated financial statements

2. The total carrying values under the regulatory scope of consolidation do not equal the sum of the amounts shown in the remaining columns of this table as some of the assets included in these items are subject to regulatory capital charges in more than one risk framework.

Table 40: Main Sources of Differences Between Regulatory Exposure Amounts and Carrying Values in Financial Statements (LI2)

	£m	Total	Items subject to			
			Credit risk framework	Securitisation framework	CCR framework	Market risk framework
1	**Assets carrying value amount under the scope of regulatory consolidation (as per template LI1)[1]**	**62,664**	**6,867**	**-**	**47,375**	**55,268**
2	**Liabilities carrying value amount under the regulatory scope of consolidation (as per template LI1)[1]**	**52,501**	**1,707**	**-**	**47,089**	**52,501**
3	**Total net amount under the regulatory scope of consolidation**	**10,163**	**5,159**	**-**	**286**	**2,768**
4	**Off-balance-sheet amounts**	**368**	**368**	**-**	**-**	
5	*Differences in valuations*	-	-	**-**	-	
6	*Differences due to different netting rules, other than those already included in row 2*	13,661	-	**-**	13,661	
7	*Differences due to consideration of provisions*	-	-	**-**	-	
8	*Differences due to the use of credit risk mitigation techniques (CRMs)*	(11,451)	-	**-**	(11,451)	
9	*Differences due to credit conversion factors*	(289)	(289)	**-**	-	
10	*Differences due to Securitisation with risk transfer*	-	-	**-**	-	
11	*Other differences*	-	-	**-**	-	
12	**Exposure amounts considered for regulatory purposes**	**12,445**	**5,238**	**-**	**2,496**	**2,768**

1 Excludes amounts subject to deduction from capital or not subject to regulatory capital requirements

2 Exposure amounts considered for regulatory purposes disclosed only for credit risk and securitisation frameworks as a more meaningful measure for those risk types, no exposures are reported against the Market Risk framework.

Table 41: Outline of the Differences in the Scopes of Consolidation (Entity by Entity) (LI3)

Name of the entity	Method of accounting consolidation	Method of regulatory consolidation					Description of the entity
		Full consolidation	Proportional consolidation	Equity method	Neither consolidated nor deducted	Deducted	
MUFG Securities (EMEA) plc	Full Consolidated	V					PRA Designated Investment Firm
MUFG Securities (Europe) N.V.	Full Consolidated	V					Credit Institution

21.2 Countercyclical Capital Buffer Disclosure

Table 42: Geographical Distribution of Credit Exposures Relevant for the Calculation of the Countercyclical Buffer (CCyB1)

31 December 2022		General credit exposures		Relevant credit exposures – Market risk				Own fund requirements				Risk-weighted exposure amounts	Own funds requirement weights (%)	Countercyclical capital buffer rate (%)
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book	Value of trading book exposure for internal models	Securitisation exposure	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisation positions in the non-trading book	Total			
Row	Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Australia	12.2	-	9.6	-	-	21.9	1.0	0.8	-	1.7	21.9	0.01	1.000%
010	Austria	0.0	-	0.1	-	-	0.1	0.0	0.0	-	0.0	0.1	0.00	0.000%
010	Bahrain	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Belgium	0.7	-	2.9	-	-	3.7	0.1	0.2	-	0.3	3.7	0.00	0.000%
010	Bermuda	1.9	-	0.2	-	-	2.1	0.0	0.0	-	0.0	0.6	0.00	0.000%
010	Canada	3.5	-	25.6	-	-	29.2	0.3	2.0	-	2.3	29.1	0.01	0.000%
010	Cayman Islands	19.0	-	14.9	-	-	33.8	1.4	1.2	-	2.6	32.7	0.01	0.000%
010	Czech Republic	1.7	-	-	-	-	1.7	0.1	-	-	0.1	1.7	0.00	2.000%
010	Denmark	6.0	-	0.7	-	-	6.7	0.5	0.1	-	0.5	6.7	0.00	2.500%
010	Egypt	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Finland	1.0	-	0.6	-	-	1.6	0.1	0.0	-	0.1	1.6	0.00	0.000%
010	France	20.9	-	82.9	-	-	103.7	1.6	6.6	-	8.2	103.1	0.05	0.500%

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010	Germany	5.7	-	63.4	-	-	69.1	0.5	5.1	-	5.5	69.0	0.03	0.750%
010	Guernsey	-		16.7			16.7	-	1.3		1.3	16.7	0.01	0.000%
010	Hong Kong	2.2	-	0.0	-	-	2.2	0.2	0.0	-	0.2	2.2	0.00	1.000%
010	Ireland	581.5	-	27.6	-	-	609.1	46.5	2.2	-	48.7	608.7	0.27	1.000%
010	Israel	0.2	-	-	-	-	0.2	0.0	-	-	0.0	0.2	0.00	0.000%
010	Italy	3.9	-	10.9	-	-	14.8	0.3	0.9	-	1.2	15.2	0.01	0.000%
010	Japan	101.8	-	54.3	-	-	156.1	7.7	4.3	-	12.0	150.0	0.07	0.000%
010	Jersey	0.5	-	-	-	-	0.5	0.0	-	-	0.0	0.5	0.00	0.000%
010	Jordan	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Korea, Republic of	81.3	-	0.0	-	-	81.3	6.5	0.0	-	6.5	81.3	0.04	0.000%
010	Kuwait	0.6	-	-	-	-	0.6	0.1	-	-	0.1	0.6	0.00	0.000%
010	Liberia	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Luxembourg	33.2	-	19.6	-	-	52.8	2.6	1.6	-	4.2	52.7	0.02	0.500%
010	Marshall Islands	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Morocco	0.1	-	-	-	-	0.1	0.0	-	-	0.0	0.1	0.00	0.000%
010	Netherlands	55.9	-	38.5	-	-	94.4	4.2	3.1	-	7.3	91.0	0.04	1.000%
010	New Zealand	-		5.4			5.4	-	0.4		0.4	5.4	0.00	0.000%
010	Norway	0.8	-	3.6	-	-	4..4	0.1	0.3	-	0.4	4.4	0.00	2.500%
010	Oman	0.2	-	-	-	-	0.2	0.0	-	-	0.0	0.2	0.00	0.000%
010	Panama	-	-	1.9	-	-	1.9	-	0.1	-	0.1	1.9	0.00	0.000%
010	Portugal	1.0	-	-	-	-	1.0	0.1	-	-	0.1	0.8	0.00	0.000%
010	Qatar	0.7	-	4.6	-	-	5.3	0.1	0.4	-	0.4	5.3	0.00	0.000%
010	Saudi Arabia	2.1	-	0.1	-	-	2.2	0.2	0.0	-	0.2	2.2	0.00	0.000%
010	Singapore	1.1	-	-	-	-	1.1	0.1	-	-	0.1	1.1	0.00	0.000%
010	Spain	8.8	-	0.0	-	-	8.8	0.7	0.0	-	0.7	8.8	0.00	0.000%
010	Sweden	2.4	-	7.5	-	-	9.9	0.1	0.6	-	0.7	8.9	0.00	2.000%
010	Switzerland	4.0	-	2.8	-	-	6.8	0.3	0.2	-	0.5	6.8	0.00	0.000%
010	Taiwan	14.5	-	-	-	-	14.5	1.2	-	-	1.2	14.5	0.01	0.000%
010	United Arab Emirates	2.7	-	6.7	-	-	9.4	0.2	0.5	-	0.7	8.6	0.00	0.000%
010	United Kingdom	387.8	-	43.5	-	-	431.3	32.1	3.5	-	35.6	445.0	0.19	2.000%
010	United States of America	185.7	-	343.3	-	-	529.0	11.1	27.5	-	38.6	482.1	0.21	0.000%
010	Virgin Islands (British)	0.5	-	0.0	-	-	0.5	0.0	0.0	-	0.0	0.5	0.00	0.000%
020	**Total**	**1,546.4**	**-**	**787.8**	**-**	**-**	**2,334.2**	**119.8**	**63.0**	**-**	**182.9**	**2,285.8**	**1.00**	