MUFG Securities EMEA plc Consolidated Pillar 3 Disclosure

31ST DECEMBER 2021

MUFG Securities EMEA plc
A member of MUFG, a global financial group

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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 2021 was £1,980 million and the average number of employees during the year was 703.

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 ¥366 trillion (£2.3 trillion) at 31 December 2021. 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. 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 European Union 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 February 2019, the Council of the EU endorsed an agreement on a set of revised rules aimed at reducing risks in the EU banking sector. The amendments to the existing CRR and CRD IV are collectively referred to as "CRR2". The CRR2 changes were finalised in 2019 and applied in the EU from 28th June 2021.

In the UK, all European 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. The final rules specified how the PRA implements the remaining Basel standards with the PRA rules set out in PS22/21.

The Pillar 3 disclosures are prepared in accordance with the CRR and CRD IV as well as the European Banking Authority ("EBA") guidelines (EBA/GL/2016/11) on disclosure requirements issued in December 2016. 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.

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 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.

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 an 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. The risk appetite 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 functions.

Risk monitoring

The CRO has risk reporting lines from relevant support business functions to aid identification of risks. 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 Complex Transaction Committee, which reports to the ERMC and provides updates to the BRC. The New Business and Complex Transaction Committee is comprised of representatives from all the relevant support functions. All new products go through the International New Products 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 product.

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

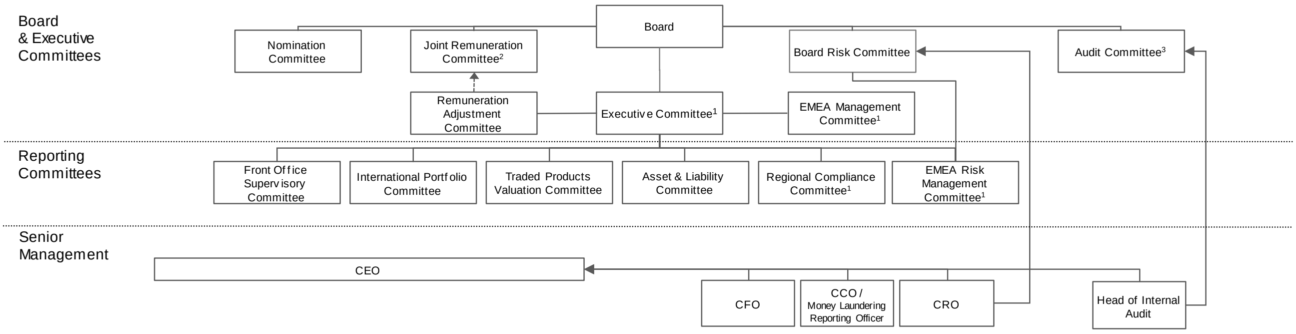
Stress testing

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

The Group undertakes stress testing across each of its businesses using stressed market moves across the market risk factors of relevance for each of those businesses.

4.3 Committee and Corporate Structure

The Group's risk committee structure as at 31st December 2021 is illustrated below:



(1) Committee covers MUS(EMEA) and MUFG Bank London branch

(2) From 1 January 2021 to 30 September 2021 Remuneration Committee included MUS(EMEA), MUS(EU) and MUFG Bank London Branch. However from 1 October 2021 to 31 December 2021, the Remuneration Committee included MUS(EMEA) and MUFG Bank London Branch only.

(3) From 1 January 2021 to 30 September 2021 Audit Committee included MUS(EMEA) and MUS(EU). However from 1 October 2021 to 31 December 2021, the Audit Committee included MUS(EMEA) and MUFG Bank London Branch only.

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 Company'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.

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. 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 2021, 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 Chief Financial Officer ("CFO") who is the primary contributor of capital and liquidity metrics.

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 of Directors 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"). Liquidity and capital risk is 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 Chief Compliance Officer ("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 was established during the 2020 financial year as an advisory committee to support the CEO with oversight and management of the controls framework.

4.4 Senior Management

Board members as of 31 December 2021 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 an impressive non-executive portfolio across a range of financial services businesses and organisations. This includes serving as Chair of CIBC World Markets and LCH Group Holdings and as a non-executive director on the London Stock Exchange Group, UK Financial Investments and Chair of the Financial Services Compensation Scheme. In 2018, he received an OBE for services to the financial services sector and services to charity. **Other appointments:** Mr Bailey is chair of 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 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 Independent Non-Executive Director Appointed: 2019	**Skills and experience**: Ms Taylor is Chair of the Remuneration Committee. She is a seasoned investment banker with 38 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:** Vice Chair of East London NHS Foundation Trust.
Stephen Jack Senior Independent Non-Executive Director Appointed: 2015	**Skills and experience**: Mr Jack is Chair of the Audit Committee. He is a Chartered Accountant who has held senior management positions in a number of international investment banking and broking organisations including being Global CFO of ING Barings, Group Finance Director of Collins Stewart Tullett plc and Group CFO of Compagnie Financiere Tradition SA. **Other appointments:** Vice chair of Cambridge Building Society, trustee of Royal Mencap Society, director of Golden Lane Housing and a trustee for the Company's pension scheme. In 2014 he was awarded an OBE for services to disabled people.
Beatrice Devillon-Cohen Independent Non-Executive Director Appointed: 2021	**Skills and experience**: Ms Devillon-Cohen is Chair of the BRC. She has 25 years' experience in investment banking having been a Managing-Director for Societe Generale CIB. She has built successful trading businesses with significant PnL 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:** Director for OTC Derivnet (until 2018), member of the Audit Committee at European Investment Bank, member of the Finance Committee at King's College London.
Katsunori Yokomaku Group Non-Executive Director Appointed: 2021	**Skills and experience**: Mr Yokomaku has held a number of positions gaining extensive global banking experience for circa 20 years, including 10 years in the Japanese banking sector, and 9 years in various senior roles in Tokyo Headquarters and overseas affiliates. He is currently the Deputy 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 Yokomaku holds various appointments within the MUFG Group, including senior positions with MUFG, AO MUFG Bank (Eurasia), MUFG Bank, and MUFG Bank (Europe) N.V.. Mr Yokomaku also holds positions externally with the Japanese Chamber of Commerce and Industry, UK (Vice chairman), Nippon Club Limited, Director (non-executive director), The Japanese School Limited, (trustee), Nippon Club (vice chairman) and Rikkyo School in England (trustee).
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 Mitsubishi UFJ Morgan Stanley Securities Co. ('MUMSS'), Ltd. Since joining MUFG Bank in 1990, he 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.
Makoto Kobayashi Group Non-Executive Director Appointed: 2020	**Skills and experience**: Mr Kobayashi is a Member of the Board of Directors, Senior Managing Executive Officer and Deputy Chief Operating Officer – International of MUSHD. Prior to this appointment in 2020, Mr Kobayashi was Head of Financial Solutions Group of MUFG Bank, responsible for the oversight of the MUFG Bank's Financial Solutions business globally, which includes syndications, M&A Finance, project finance and other structured finance. Mr Kobayashi is also Managing Executive Officer of MUFG. Mr Kobayashi began his career at the Mitsubishi Bank, Ltd. in 1985. Over his 31 years at the bank, he has attained extensive experience in the Corporate and Investment Banking (CIB) business. Prior to his current role, he served as Global Head of Structured Finance, leading the bank's project finance franchise. Over the years, he has led project teams in both Tokyo and New York, arranging numerous significant deals across the globe. Before that, Mr Kobayashi held key positions in Solutions business as Global Head of Syndicated Finance and as Global Head of M&A Finance.
John Winter Chief Executive Officer Appointed: 2019	**Skills and experience**: Mr. Winter is the CEO for MUS(EMEA) and the Regional Executive for EMEA for MUFG Bank.. Mr Winter has over 36 years of experience in financial services, including senior roles at four of the world's largest banks, developing relationships with clients in a wide range of sectors, and providing strategic advice to senior executives. Prior to joining MUFG in 2019, Mr Winter was CEO for Barclays Corporate Banking business for six years, having already spent eight years at the organisation as Head of its European Investment Banking and Debt Capital Markets business for EMEA. Mr Winter started his career at Merrill Lynch in 1985 in New York before moving to London in 1992, joining Deutsche Bank in 1996 as European Head of Debt Capital Markets. **Other appointments**: Mr Winter is a trustee of Richard House Children's Hospice.
Christopher Kyle Chief Financial Officer Appointed: 2015	**Skills and experience**: Mr Kyle is a highly experienced CFO with 30 years' experience in financial services. He is currently CFO for 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.
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 Inclusion & Diversity

Our vision is for MUFG to fully embrace diversity and actively embed an inclusive approach to everything we do, attaching a high value to the variety of backgrounds, experiences, perspectives, skills and expertise that our employees bring to work every day. This will give MUFG the platform to achieve sustainable growth in the increasingly diverse, competitive, complex and global environment in which we do business.

Maintaining and improving Diversity and Inclusion requires proactive, continued dialogue and positive action to address culture and reform people processes. An inclusive culture requires a degree of diversity in the first instance. However, just because an organisation is diverse, does not mean it is inclusive. So, whilst we continue to focus on diversity, building an inclusive culture is key and remains a critical driver of our culture goals of One MUFG, client centricity and achievement.

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.

- We have revised our Women in Finance Charter target. Our new target is to achieve a minimum of 25% women at Managing Director and Director level by July 2025. As of January 2022, 21%* 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 2022, 53%* of MUS(EMEA) employees have disclosed this information.
- * The Group sets and reports Inclusion & Diversity 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. For reference, combined Bank/Securities female population at MD/D is 20%, and ethnicity disclosure is 59%.

The Group continues to focus on its Inclusion & Diversity strategy which has also been put in place to ensure the Group's ability to achieve agreed targets, and strengthen our workplace culture. The strategy focuses on how we attract, develop and retain diverse talent at MUFG and ensure appropriate accountability measures are in place.

In our 2021 Employee Survey, MUFG EMEA scored 77% favourable in response to the question 'I see active steps being taken to improve both inclusion and diversity' and 79% favourable in response to the question 'MUFG treats all employees with respect and values diverse perspectives'.

We have increased leadership and line manager accountability for achieving our I&D goals through the introduction of a Leadership objective for the EMEA Management Team in FY2020 with key I&D metrics forming a part of senior manager evaluation. We have also launched manager objective to all people managers for FY2021. In addition to mandatory objectives, our EMEA culture dashboard highlights key people metrics to senior leadership and includes diversity metrics.

The Group now has seven employee networks which are active across the EMEA region continue to focus on raising awareness. These are: Family Matters (all aspects of family, including carers), Pride Alliance (LGBT & Allies), Mosaic (Multiculturalism), Balance (Gender Diversity), disABILITY WORKS (Disability, including Mental Health), Social Mobility network (socio-economic background) and CONNECTIONS, our newly formed Inclusion network.

Our EMEA Executive Committee and the Board receive regular updates on key metrics, actions and concerns relating to Inclusion and Diversity, in order to influence decision making and hold leaders accountable for taking action.

5. Capital Resources

The Group's regulatory capital resources are assessed under the CRR and CRDIV. 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.

During the year, post PRA approval the following capital injection/restructuring took place during the year:

- In Q3 2021, the Company issued total GBP 100 million common shares to MUSHD which qualifies as Common Equity Tier 1 Capital ("CET1").
- In Q4 2021, two Tier 2 subordinated loans of JPY 44 billion with maturity of 5 years were repaid and replaced with a new Tier 2 subordinated loan of JPY 44 billion with maturity of 10 years.

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.

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.

The Group has fulfilled its capital requirements at all times during the year. The breakdown of year-end capital for 2021 and 2020 is shown below. Further detail on capital instruments, including the terms and conditions of capital instruments in EBA templates, is provided in the Appendix (Table 29) to this document.

Table 2: Capital Resources

Capital Resources	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Common Equity Tier 1 capital after deductions	1,517	1,501
Additional Tier 1 capital after deductions	464	464
Tier 2 capital after deductions	282	312
Total capital resources	2,263	2,277

Table 3: Capital Ratios

Capital Resources	At 31 Dec 2021 %	At 31 Dec 2020 %
Common Equity Tier 1 Ratio	16.4	18.2
Tier 1 Ratio	21.4	23.8
Total Capital Ratio	24.4	27.6

6. 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.

In the table below, the Group's Pillar 1 capital requirements set out the minimum capital required under the CRD IV.

Table 4: Capital Requirements

Pillar 1 Capital Requirements	At 31 Dec 2021 £m	2021 Average £m	At 31 Dec 2020 £m	2020 Average £m
Credit Risk (Including Concentration Risk)	349	370	408	420
Market Risk	325	287	195	235
Operational Risk	67	67	58	59
Total	741	724	661	714
Pillar 2A	422		448	
Total Capital Requirements [1]	1,163		1,109	

1 The term 'Total Capital Requirements' is defined in the Policy Statement 30/17 issued by the PRA

The capital requirements increased from the end of 2020 to 2021 from market risk, partly offset by a reduction in credit risk. A detailed description in respect of each risk type is provided in the following sections.

6.1 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, stress testing framework 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.

6.2 Capital Buffers

A number of capital buffers were introduced under CRD IV. The current UK countercyclical capital buffer ("CCyB") rate is set at 0%. This rate was set in March 2020 by the Financial Policy Committee ("FPC") as a result of the COVID-19 pandemic. A revised rate of 1.0% was announced on 13th December 2021 and will be binding from 13th December 2022. Outside the UK, the CCyB rate is determined by the regulatory authorities in each jurisdiction where the Group has exposures. The following table shows all the relevant CCyB rates on foreign exposures for UK firms in specific countries at 31 December 2021.

Table 5: CCyB Rates on Foreign Exposures

Country	At 31 Dec 2021 CCyB rate	Implementation Date
Bulgaria	0.50%	1 April 2020
Czech Republic	0.50%	1 July 2020
Hong Kong	1.00%	12 October 2020
Luxembourg	0.50%	1 January 2021
Norway	1.00%	13 March 2020
Slovakia	1.00%	1 August 2020

* All EEA states not listed above have set their CCyB rate at 0%

7. 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.

7.1 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. Under CRD IV, four methods may be used to calculate exposure values for counterparty credit risk. These four methods are Mark-to-Market, Original Exposure, Standardised and Internal Models Method. The Group uses the mark-to-market method to determine the exposure value which is the sum of current replacement cost and potential future credit exposure.

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 capital requirements:

Table 6: Credit Risk Capital Requirements[1]

Capital Requirements	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Counterparty credit risk	234	279
Concentration risk	12	-
Non-Trading book credit risk[2]	56	61
Credit valuation adjustment ("CVA")	46	68
Total credit risk capital requirement	348	408

1 Derivatives, SFTs, and exposures to central counterparties ("CCP") are included.
2 Non-trading book credit risk includes both on and off balance sheet items including fixed assets and non-trading book issuer exposures.

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 7: Counterparty Credit Risk Summary

	At 31 Dec 2021			At 31 Dec 2020		
	Exposure Value £m	RWA £m	Capital Required £m	Exposure Value £m	RWAs £m	Capital Required £m
Central Government and Central Banks	159	39	3	421	0	0
Institutions (Excluding CCP)	3,124	774	62	3,902	910	73
Institutions (CCP)	9,309	530	42	7,916	388	31
Corporates	1,090	972	78	1,312	1,195	95
Multilateral Development Banks	7	-	-	2	-	-
Regional Government and Local Authority	1	0	0	161	32	3
International Organisations	25	-	-	54	-	-
Public Sector Entity	1,083	614	49	1,390	966	77
Total	14,798	2,929	234	15,158	3,491	279

Table 8: Non Trading Book Issuer Exposure

	At 31 Dec 2021			At 31 Dec 2020		
	Exposure Value £m	RWA £m	Capital Required £m	Exposure Value £m	RWA £m	Capital Required £m
Central Government and Central Banks	276	26	2	494	29	2
Institutions (Excluding CCP)	17	-	-	18	4	0
Corporates	-	-	-	-	-	-
Multilateral Development Banks	495	-	-	662	-	-
Regional Government and Local Authority	-	-	-	28	-	-
International Organisations	38	-	-	76	-	-
Public Sector Entities	189	0	0	105	-	-
Grand Total	1,015	26	2	1,383	33	2

7.2 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. CRM is organisationally independent from the front office departments, and the Risk Analytics Group ("RAG") which is responsible for the design of new credit risk management models. Daily credit risk reports are prepared for Senior Management and trading departments using the Group's in house and vendor systems. 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 receiving collateral in accordance with the Group's Collateral Policy
- Provide credit portfolio monitoring and analysis.

On a monthly basis, CRM reports the Group's total credit risk exposure to the EMEA Credit Risk Management Committee ("ECRMC"), 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 ECRMC 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 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") 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.

7.3 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.

The tables below show breakdowns of regulatory counterparty credit exposures by geography, industry, credit quality and residual maturity. Details of derivatives exposures and exposures to Credit Default Swaps ("CDS") are also included.

Table 9: Counterparty Exposure by Exposure Class and Geography

At 31 December 2021	UK £m	Europe ex. UK £m	Japan £m	Asia ex Japan £m	North America £m	Other £m	Total £m
Central Government and Central Banks	41	117	-	-	-	-	158
Institutions (Excluding CCP)	566	1,002	474	34	985	62	3,123
Institutions (CCP)	5,173	521	616	-	2,999	-	9,309
Corporates	114	318	245	77	121	215	1,090
Multilateral Development Banks	-	3	-	-	4	-	7
Regional Government and Local Authority	-	-	-	1	0	-	1
International Organisations	-	25	-	-	-	-	25
Public Sector Entities	15	167	-	611	130	160	1,083
Total	5,909	2,153	1,335	723	4,239	437	14,796

At 31 December 2020	UK £m	Europe ex. UK £m	Japan £m	Asia ex Japan £m	North America £m	Other £m	Total £m
Central Government and Central Banks	32	389	-	-	-	-	421
Institutions (Excluding CCP)	645	1,366	351	28	1,382	130	3,902
Institutions (CCP)	4,556	514	773	-	2,073	-	7,916
Corporates	121	263	174	78	382	294	1,312
Multilateral Development Banks	-	1	-	0	1	-	2
Regional Government and Local Authority	-	-	-	140	8	13	161
International Organisations	-	54	-	-	-	-	54
Public Sector Entities	-	40	-	880	128	342	1,390
Total	5,354	2,627	1,298	1,126	3,974	779	15,158

Table 10: Corporate Counterparty Exposure by Industry

	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Financial and insurance activities[1]	912	1,037
Mining and quarrying	55	94
Transporting and storage	35	33
Manufacturing	33	41
Electricity, gas, steam and air conditioning supply	17	5
Professional, scientific and technical activities	11	10
Administrative and support service activities	11	12
Information and communication	9	50
Wholesale and retail trade	3	11
Construction	2	-
Other services activities	1	17
Real estate activities	1	2
Total	1,090	1,312

1 'Financial and insurance activities' category contains Insurance, Other financial firms, and Special purpose entities among others

Table 11: Counterparty Exposure by Credit Quality Step ("CQS")

At 31 December 2021	CQS 1 £m	CQS 2 £m	CQS 3 £m	CQS 4 £m	Unrated £m	Total £m
Central Government and Central Banks	-	-	1	-	158	159
Institutions (Excluding CCP)	576	681	3	-	1,863	3,123
Institutions (CCP)	-	-	-	-	9,309	9,309
Corporates	74	109	30	-	877	1,090
Multilateral Development Banks	6	-	-	-	-	6
Regional Government and Local Authority	-	-	-	-	1	1
International Organisations	-	-	-	-	25	25
Public Sector Entities	14	-	-	-	1,069	1,083
Total	670	790	34	-	13,302	14,796

At 31 December 2020	CQS 1 £m	CQS 2 £m	CQS 3 £m	CQS 4 £m	Unrated £m	Total £m
Central government and central banks	-	-	0	-	421	421
Institutions (Excluding CCP)	859	552	10	-	2,481	3,902
Institutions (CCP)	-	-	-	-	7,916	7,916
Corporates	106	46	30	-	1,130	1,312
Multilateral Development Banks	2	-	-	-	0	2
Regional government and local authority	-	-	-	-	161	161
International organisations	-	-	-	-	54	54
Public sector entities	8	-	-	-	1,382	1,390
Total	975	598	40	-	13,545	15,158

Table 12: Counterparty Exposure by Residual Maturity

At 31 December 2021	Less than 1 year £m	1-5 years £m	More than 5 years £m	Total £m
Central government and central banks	159	-	-	159
Institutions (Excluding CCP)	2,159	282	682	3,123
Institutions (CCP)	934	2,083	6,292	9,309
Corporates	695	256	139	1,090
Multilateral development banks	0	-	6	6
Regional government and local authority	1	-	0	1
International Organisations	25	-	-	25
Public sector entities	1,069	11	3	1,083
Total	5,042	2,632	7,122	14,796

At 31 December 2020	Less than 1 year £m	1-5 years £m	More than 5 years £m	Total £m
Central government and central banks	421	0	-	421
Institutions (Excluding CCP)	2,461	85	1,356	3,902
Institutions (CCP)	456	1,076	6,384	7,916
Corporates	861	329	122	1,312
Multilateral development banks	0	-	2	2
Regional government and local authority	161	-	0	161
International Organisations	54	-	-	54
Public sector entities	1,382	6	2	1,390
Total	5,796	1,496	7,866	15,158

Table 13: Derivatives Exposure and Collateral Summary

At 31 December 2021	Excluding CCP £m	CCP £m	Total £m
Gross exposure of derivatives contracts	22,538	62,063	84,601
of which: positive fair value of derivative contracts	15,367	46,319	61,686
Less: netting benefits	14,694	51,834	66,528
Net exposure after netting benefits	7,844	10,229	18,073
Less: collateral held	6,282	1,173	7,455
Net exposure after credit mitigation	1,562	9,056	10,618

At 31 December 2020	Excluding CCP £m	CCP £m	Total £m
Gross exposure of derivatives contracts	29,582	74,825	104,407
of which: positive fair value of derivative contracts	21,179	60,882	82,061
Less: netting benefits	18,984	66,060	85,044
Net exposure after netting benefits	10,598	8,765	19,363
Less: collateral held	8,568	1,124	9,692
Net exposure after credit mitigation	2,030	7,641	9,671

Table 14: Credit Default Swap

Notional Amount	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Protection bought	20,874	19,926
Protection sold	20,833	20,407

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.

7.4 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 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.

7.5 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 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.

7.6 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.

7.7 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 and Japanese 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 Standardized Initial Margin Model developed by the International Securities Dealers Association to calculate initial margin in accordance with those rules.

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.

7.8 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.

7.9 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. FOP transactions represent a certain level of risk as the Group will be exposed to the loss of the full principal amount as well as market risk during settlement until a replacement transaction is completed. 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.

8. 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:

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

Table 15: Market Risk Capital Requirements

Capital Requirements	At 31 Dec 2021 £m	At 31 Dec 2020 £m
VaR	59	24
Stressed VaR	136	49
Incremental Risk Charge	48	50
Risks Not In VaR	72	63
Other Market Risk	10	9
Total Market Risk Capital Requirements	325	195

8.1 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 following table shows regulatory VaR figures for 2021 and 2020. The “Close” column shows the VaR at the year-end date. The “Average” column shows the average VaR measurement from each trading day in the year and the “Maximum” and “Minimum” columns show the highest and lowest VaR value in the year respectively. “Diversification benefit” is the difference between the simple sum of the VaRs for each risk factor, and the Group’s overall VaR, which is based on the simultaneous modelling of all risk factors.

Table 16: Breakdown of VaR

	At 31 Dec 2021 Close £m	2021 Average £m	2021 Maximum £m	2021 Minimum £m
Interest Rate Curve Risk	0.7	1.7	3.9	0.6
Interest Rate Vega Risk	2.9	2.6	5.8	1.6
Asset Spread Risk	1.5	1.9	4.6	1.0
Currency Risk	0.8	1.0	3.7	0.3
Equity Price Risk	0.8	0.7	2.4	0.0
Equity Vega Risk	2.1	2.1	5.6	0.9
Inflation Risk	0.5	0.4	0.9	0.1
Basis Risk	2.4	2.8	8.9	1.3
Diversification benefit	-6.8	n/a	n/a	n/a
Total VaR	**4.8**	**4.1**	**9.9**	**2.0**

	At 31 Dec 2020 Close £m	2020 Average £m	2020 Maximum £m	2020 Minimum £m
Interest Rate Curve Risk	1.2	1.2	6.0	0.4
Interest Rate Vega Risk	1.8	1.1	2.0	0.4
Asset Spread Risk	1.8	2.0	4.8	0.8
Currency Risk	0.5	0.9	2.7	0.2
Equity Price Risk	0.4	0.4	1.7	0.0
Equity Vega Risk	1.5	1.3	3.4	0.2
Inflation Risk	0.2	0.1	0.5	0.1
Basis Risk	2.1	2.2	3.4	0.9
Diversification benefit	-6.0	n/a	n/a	n/a
Total VaR	**3.5**	**2.8**	**8.1**	**1.4**

8.2 VaR Backtesting

The Group carries out a daily comparison of end of day VaR measures to the 1-day change of the portfolio’s actual value and hypothetical value on the day the profit and loss figures are produced. In 2021 the number of occasions on which actual trading book outcomes or hypothetical 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.

8.3 Stressed VaR

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

The table below shows the highest, the lowest, the mean and at 31 December 2021 and 2020 the stressed VaR measures over the reporting period and as per the period end.

Table 17: Stressed VaR (One-day Equivalent)

	2021 £m	2020 £m
At 31 December	5.7	5.1
Maximum	21.8	20.7
Minimum	3.2	3.0
Average	9.3	6.8

8.4 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 3.04 months.

The table below shows the highest, the lowest, the mean and at 31 December 2021 and 2020 the IRC over the reporting period and as per the period end

Table 18: Incremental Risk Charge

	2021 £m	2020 £m
At 31 December	36.1	45.8
Maximum	63.2	78.8
Minimum	32.6	41.6
Average	44.0	57.8

8.5 Risks Not In VaR

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

8.6 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 19: Market Risk Capital Requirement – Standardised Approach

Capital Requirements	At 31 Dec 2021 £m	At 31 Dec 2020 £m
Equity position risk	-	-
Foreign exchange position risk	3.9	3.2
Interest rate position risk	6.1	5.5
Total	10.0	8.7

8.7 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.

8.8 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 30 in the Appendix for details.

9. 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.

9.1 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:

9.2 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 the Group specific stress event). Stress testing is conducted daily on both an aggregated currency basis and by material individual currency.

9.3 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.

9.4 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.

9.5 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.

9.6 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.

9.7 Liquidity Stage Assessment

The principal assessment framework within the Funding Liquidity Risk Management Policy is the liquidity stage assessment. This is a formal assessment of the external environment affecting the 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. In the event the liquidity stage is elevated, formal approval is required from the ALCO, which will in turn escalate and sanction actions as appropriate. Monitoring of the liquidity stage is conducted at the 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 Funding Liquidity Risk Policy identifies general contingency actions to be taken by departments at each stage.

Disclosures on the Liquidity Coverage Ratio ("LCR") are presented below.

Table 20: LCR Disclosure Template

Scope of consolidation : consolidated		Total weighted value			
Currency and units (GBP million)					
Quarter ending on		31 Mar 2021	30 Jun 2021	30 Sep 2021	31 Dec 2021
Number of data points used in the calculation of averages		12	12	12	12
		Total adjusted value			
		£m	**£m**	**£m**	**£m**
21	Liquidity buffer	6,027	5,725	5,627	5,815
22	Total net cash outflows	2,487	2,509	2,456	2,414
23	Liquidity coverage ratio (%)	244%	231%	232%	247%

Scope of consolidation : consolidated		Total weighted value			
Currency and units (GBP million)					
Quarter ending on		31 Mar 2020	30 Jun 2020	30 Sep 2020	31 Dec 2020
Number of data points used in the calculation of averages		12	12	12	12
		Total adjusted value			
		£m	**£m**	**£m**	**£m**
21	Liquidity buffer	5,386	5,855	5,992	6,043
22	Total net cash outflows	2,289	2,497	2,646	2,525
23	Liquidity coverage ratio (%)	242%	239%	229%	241%

Please note that 2020 figures have been restated to reflect the use of 12 data points in the average instead of three.

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, 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.

	Comment
	(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 the Liquidity Risk Management function 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.
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 Net Stable Funding Ratio ("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 July 2021. 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.

	Comment
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.

9.8 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.

Table 22: Encumbered and Unencumbered Assets

At 31 December 2021 Assets		Encumbered assets Carrying amount	 Fair value	Unencumbered assets Carrying amount	 Fair value
		010	040	060	090
		£m	**£m**	**£m**	**£m**
010	**Assets of the reporting institution**	**13,720**		**53,797**	
020	Loans on demand				
030	Equity instruments	4,219		3,964	
040	Debt securities	3,608	3,608	1,649	1,649
050	of which: covered bonds	-	-	-	-
060	of which: asset-backed securities	-	-	-	-
070	of which: issued by general governments	2,468	2,468	987	987
080	of which: issued by financial corporations	739	739	338	338
090	of which: issued by non- financial corporations	317	317	264	264
100	Loans and advances other than loans on demand				
120	Other assets	5,698		48,713	

At 31 December 2020 Assets		Encumbered assets Carrying amount	 Fair value	Unencumbered assets Carrying amount	 Fair value
		010	040	060	090
		£m	**£m**	**£m**	**£m**
010	**Assets of the reporting institution**	**14,778**		**61,294**	
020	Loans on demand				
030	Equity instruments	6,202		3,492	
040	Debt securities	4,400	4,400	1,908	1,908
050	of which: covered bonds	-	-	-	-
060	of which: asset-backed securities	-	-	-	-
070	of which: issued by general governments	3,567	3,567	1,346	1,346
080	of which: issued by financial corporations	398	398	338	338
090	of which: issued by non- financial corporations	291	291	174	174
100	Loans and advances other than loans on demand				
120	Other assets	3,542		55,639	

Table 23: Collateral Received

At 31 December 2021		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**	**49,209**	**5,059**
140	Loans on demand	-	-
150	Equity instruments	9,211	199
160	Debt securities	39,621	4,746
170	of which: covered bonds	-	0
180	of which: asset-backed securities	771	638
190	of which: issued by general governments	34,687	3,302
200	of which: issued by financial corporations	3,299	473
210	of which: issued by non-financial corporations	902	254
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		-
250	**Total assets, collateral received and own debt securities issued**	**61,329**	

At 31 December 2020		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**	**48,394**	**6,457**
140	Loans on demand	-	-
150	Equity instruments	8,248	375
160	Debt securities	40,084	6,022
170	of which: covered bonds	1	0
180	of which: asset-backed securities	856	511
190	of which: issued by general governments	34,862	4,853
200	of which: issued by financial corporations	3,449	476
210	of which: issued by non-financial corporations	946	165
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	**Own debt securities issued other than own covered bonds or asset-backed securities**	-	-
241	**Own covered bonds and asset-backed securities issued and not yet pledged**		-
250	**Total assets, collateral received and own debt securities issued**	**63,378**	

Table 24: Encumbered Assets/Collateral Received and Associated Liabilities

At 31 December 2021		Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £m
		010	030
010	Carrying amount of selected financial liabilities	47,536	39,320

At 31 December 2020		Matching liabilities, contingent liabilities or securities lent £m	Assets, collateral received and own debt securities issued other than covered bonds and ABSs encumbered £m
		010	030
010	Carrying amount of selected financial liabilities	56,117	40,584

Table 25: Information on Importance of Encumbrance

D - Information on 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.

9.9 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.

10. 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.

The PRA published PS21/21 "The UK leverage ratio framework" in Oct 2021. Per the policy statement, the Group will be 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 will be effective from 1 Jan 2023.

ALCO monitors the leverage ratio against the upcoming regulatory minimum to ensure action plans are in place to meet this regulatory minimum. 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 follow the EBA disclosure templates are presented below.

Table 26: Summary Reconciliation of Accounting Assets and Leverage Ratio Exposures

		At 31 Dec 2021 £m	At 31 Dec 2020 £m
1	Total assets as per published financial statements	69,949	77,036
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-	-
4	Adjustments for derivative financial instruments	(7,865)	(11,176)
5	Adjustments for securities financing transactions "SFTs"	1,440	2,232
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	234	139
6a	(Adjustment for intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013)	-	-
6b	(Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013)	-	-
7	Other adjustments	(230)	(353)
8	**Total leverage ratio exposure**	63,528	67,878

Table 27: Leverage Ratio Common Disclosure

CRR Leverage Ratio Exposures		At 31 Dec 2021 £m	At 31 Dec 2020 £m
On-balance sheet exposures (excluding derivatives and SFTs)			
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	16,576	20,530
2	(Asset amounts deducted in determining Tier 1 capital)	(191)	(163)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	16,385	20,367
Derivative exposures			
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	261	287
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	10,089	9,972
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	2,399	2,363
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(2,318)	(2,238)
8	(Exempted CCP leg of client-cleared trade exposures)	-	-
9	Adjusted effective notional amount of written credit derivatives	20,833	20,407
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(20,312)	(19,349)
11	Total derivative exposures (sum of lines 4 to 10)	10,952	11,442
Securities financing transaction exposures			
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	41,596	41,630
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(7,079)	(7,931)
14	Counterparty credit risk exposure for SFT assets	1,440	2,232
15	Agent transaction exposures	-	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	35,957	35,931
Other off-balance sheet exposures			
17	Off-balance sheet exposures at gross notional amount	234	139
18	(Adjustments for conversion to credit equivalent amounts)	-	-
19	Other off-balance sheet exposures (sum of lines 17 to 18)	234	139
Capital and total exposures			
20	Tier 1 capital	1,980	1,965
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	63,528	67,879
Leverage ratio			
22	Leverage ratio	3.12%	2.89%
Choice on transitional arrangements and amount of derecognised fiduciary items			
23	Choice on transitional arrangements for the definition of the capital measure	Fully Phased In	Fully Phased In

Table 28: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

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

CRR Leverage Ratio Exposures		At 31 Dec 2021 £m	At 31 Dec 2020 £m
1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	16,576	20,530
2	Trading book exposures	9,836	15,699
3	Banking book exposures, of which:	6,740	4,831
4	Covered bonds	-	-
5	Exposures treated as sovereigns	5,461	3,612
6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	58	74
7	Institutions	898	655
8	Secured by mortgages of immovable properties	-	-
9	Retail exposures	-	-
10	Corporate	202	390
11	Exposures in default	-	-
12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	121	100

11. Other Financial Risks

11.1 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. The breadth of the business plan has increased to accommodate Brexit.

11.2 Interest Rate Risk in the Banking Book

The Group's interest rate risk in the banking book 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.

11.3 Financial Risks Arising from Climate Change

The Board is responsible for the governance and oversight of climate change, with responsibility for the oversight of risks and opportunities arising from climate change delegated to the BRC.

The primary management governance body for climate change risk is the ERMC which reports to the BRC. 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 (credit, market, operational risk, reputational).

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, approved by the BRC. In addition qualitative statements and KRIs are captured within the Group’s Risk Appetite Statement.

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. 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. Scenario analysis has been used to inform risk identification and assessment/measurement; with an internal carbon tax scenario developed to understand the impact to the business and identify potential mitigating actions. Three multi-decade scenarios have been developed 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 EMEA portfolio and the results reported to the ERMC and the EMEA Executive Committee 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. 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.

The Group recognises that the challenge to respond to the climate change crisis will require review, refinement and enhancement over the coming years.

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.

11.4 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 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.

11.5 Pension Risk

Pension risk is the risk that there is a shortfall in the value of the assets of the defined benefit pension scheme relative to its liabilities. The main risk is that the assets that the pension scheme holds decline significantly and there is no offsetting change in liabilities or the liabilities increase with no offsetting increase in the assets.

The defined benefit scheme was de-risked during 2021 following the purchase of an insurer annuity contract which transferred the future liability for pension payment to the insurer. As a result of this action this is no longer a material risk to the Group.

Further details on the Group's pension scheme can be found in MUS(EMEA)'s financial statements.

12. 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.

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 events
6. Business disruption and systems failures
7. Damage to physical assets.

12.1 Operational Risk Management Framework

The Operational Risk Management Framework 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 within the Group 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 annually mandatory on-line operational risk awareness training.

The Group has a dedicated Operational Risk Management department. 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.

12.2 Technology and Cyber Risk

The Technology and Cyber Risk team in the Operational Risk Management Department is responsible for second line oversight and challenge for technology and cyber. Technology and Cyber risk management information ("MI") is presented to the EORCC and any material matters are escalated to the ERMC.

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

13. Other Non-Financial Risks

Reputational Risk

Reputational risk is the risk of loss arising from reputational damage in the event that the business activities deviate substantially from the expectations and confidence of customers, shareholders, investors, society and other wide-ranging stakeholders. It is usually a secondary risk which exacerbates the loss from another risk type. 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 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.

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.

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.

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.

The Group has implemented a Conduct Risk management framework which identifies and manages conduct risk including 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.

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.
- Identifying and advising on legal and regulatory change and its impact on the business and assisting with scoping and implementation of mitigating systems, controls and infrastructure.
- Managing legal and regulatory risk through due diligence, review of contracts and transactions including establishing legal enforceability of collateral arrangements for 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.

14. Challenges and Uncertainties

The London Interbank Offered Rate ("LIBOR") has now been phased out of use during Q4 2021. Financial services firms including MUFG have transitioned demising interbank offered rates ("IBOR") business to suitable alternative rates for all impacted clients. This transition follows extensive working with industry groups and engagement with our clients to support regulatory timeframes for transition. The transition process required, amongst other deliverables, the development of infrastructure to capture new rates in the relevant timeframe, significant client communication as well as related amendment of legal agreements. Client communication included education with respect to key developments of IBOR transition, including following MUFG's adherence to the ISDA protocol during the escrow process and emphasising the importance of the ISDA protocol for contractual certainty. The Company was also fully engaged with central clearers where the transition of centrally cleared contracts followed a standardised approach. Additionally, the Company execution as part of an industry-wide fallback event at the London Clearing House on 1 January 2022 was a success.

Transition efforts are expected to continue well beyond the current year given certain USD tenors will continue to be published in to June 2023.

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

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 high quality liquid asset holdings.

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

On 26 March, 2021, a US client defaulted on equity financing transactions entered into with the Group, which resulted in the Group incurring significant losses. The Group has reviewed its risk management policies and procedures and is in the process of completing a number of actions to strengthen our risk management policies and their implementation.

15. Valuation and Accounting Policies

The financial statements of the Group entities are prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union 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.

16. Disclosures Made Available in the Financial Statements

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

17. Immaterial Disclosure Points

The following is a list of disclosure requirements that deem 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").
- Non-trading book exposures in equities, because there is no equity exposure in the non-trading book other than the equity held in MUS(EU).

18. Glossary of Terms

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
DVP	Delivery Versus Payment
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
ECRMC	EMEA Credit Risk Management Committee
EORCC	EMEA Operational Risk and Controls Committee
ERMC	EMEA Risk Management Committee
FCA	Financial Conduct Authority
FOP	Free of Payment
FPC	Financial Policy Committee
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
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRC	Incremental Risk Charge
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.
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.

Glossary	
NGFS	Network for Greening the Financial System
NSFR	Net Stable Funding Ratio
OTC	Over the Counter (derivatives)
PRA	Prudential Regulation Authority
PVA	Prudent Valuation Adjustment
RAG	Risk Analytics Group
RCC	Regional Compliance Committee
RCSA	Risk and Control Self-Assessment
RNIV	Risks Not In VaR
RWA	Risk Weighted Assets
SII	Self-Identified Issues
SFT	Securities Financing Transaction
SVaR	Stressed Value at Risk
T2	Tier 2 Capital
TPVC	Traded Products Valuation Committee
TSA	The Standardised Approach, used for calculating Operational Risk Capital.
VaR	Value at Risk

19. Appendix

19.1 Own Funds Disclosure

Table 29: Main Features of Capital Instruments

#	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
3	Governing law(s) of the instrument	English Law	English Law	English Law	English Law
	Regulatory treatment				
4	Transitional CRR III 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
10	Accounting classification	Shareholders' equity	Liability	Liability	Liability
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

#	Features	Common Equity	Additional Tier 1 (2016 Issuance)	Additional Tier 1 (2019 Issuance)	Subordinated Loan
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
20a	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully discretionary	Mandatory	Mandatory	Mandatory
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
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 feature	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

#	Features	Common Equity	Additional Tier 1 (2016 Issuance)	Additional Tier 1 (2019 Issuance)	Subordinated Loan
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
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

Table 30: Own Funds Disclosure Template

Own Funds		At 31 Dec 2021 £m	At 31 Dec 2020 £m
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1,383	1,283
	of which: Instrument type 1	-	-
	of which: Instrument type 2	-	-
	of which: Instrument type 3	-	-
2	Retained earnings	354	381
3	Accumulated other comprehensive income (and any other reserves)	(29)	(0)
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	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
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	1,708	1,664
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(77)	(50)
8	Intangible assets (net of related tax liability) (negative amount)	(97)	(86)
9	Empty set in the EU		
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)	(4)	-
11	Fair value reserves related to gains or losses on cash flow hedges	-	-
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)	(14)	(27)
16	Direct and indirect 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 EU	-	-
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	-
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	-
20c	of which: securitisation positions (negative amount)	-	-
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 15% threshold (negative amount)	-	-

Own Funds		At 31 Dec 2021 £m	At 31 Dec 2020 £m
23	of which: 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	-	-
24	Empty set in the EU	-	-
25	of which: deferred tax assets arising from temporary difference	-	-
25a	Losses for the current financial year (negative amount)	-	-
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	-
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	-	-
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	-
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(192)	(163)
29	Common Equity Tier 1 (CET1) capital	1,516	1,501
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	464	464
31	of which: classified as equity under applicable accounting standards	464	464
32	of which: classified as liabilities under applicable accounting standards	-	-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
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	464
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	-
38	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	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	-	-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre- CRR	-	-

Own Funds		At 31 Dec 2021 £m	At 31 Dec 2020 £m
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	-
44	Additional Tier 1 (AT1) capital	464	464
45	Tier 1 capital (T1 = CET1 + AT1)	1,980	1,965
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	282	312
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	-
	Public sector capital injections grandfathered until 1 January 2018	-	-
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 party	-	-
49	of which: instruments issued by subsidiaries subject to phase-out	-	-
50	Credit risk adjustments	-	-
51	Tier 2 (T2) capital before regulatory adjustment	282	312
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions 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	Of which new holdings not subject to transitional arrangements	-	-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-	-
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	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-	-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-	-
58	Tier 2 (T2) capital	282	312
59	Total capital (TC = T1 + T2)	2,262	2,277
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-	-
	Of which:… items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	-	-

Own Funds		At 31 Dec 2021 £m	At 31 Dec 2020 £m
	Of which:…items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)	-	-
60	Total risk-weighted assets	9,263	8,263
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	16.4%	18.2%
62	Tier 1 (as a percentage of total risk exposure amount)	21.4%	23.8%
63	Total capital (as a percentage of total risk exposure amount)	24.4%	27.6%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	7.0%	7.0%
65	of which: capital conservation buffer requirement	2.500%	2.500%
66	of which: countercyclical buffer requirement	0.042%	0.030%
67	of which: systemic risk buffer requirement	n/a	n/a
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	11.9%	13.7%
69	[non-relevant in EU regulation]	n/a	n/a
70	[non-relevant in EU regulation]	n/a	n/a
71	[non-relevant in EU regulation]	n/a	n/a
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital 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)	61	64
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	-
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	10	3
Applicable caps on the inclusion of provisions in Tier 2			
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 rating-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	-	-

Own Funds		At 31 Dec 2021 £m	At 31 Dec 2020 £m
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 EU'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.

19.2 Countercyclical capital buffer disclosure

Table 31: Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer

Level of application: Individual

At 31 December 2021		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
Row	Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Argentina	-	-	6.7	-	-	-	-	0.8	-	0.8	0.00	0.000%
010	Australia	40.6	-	20.1	-	-	-	3.2	1.3	-	4.5	0.02	0.000%
010	Austria	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Belgium	0.2	-	0.9	-	-	-	0.0	0.1	-	0.1	0.00	0.000%
010	Bermuda	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Canada	5.9	-	17.1	-	-	-	0.5	2.1	-	2.5	0.01	0.000%
010	Cayman Islands	118.7	-	4.7	-	-	-	9.1	0.3	-	9.4	0.03	0.000%
010	China	-	-	0.3	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Czech Republic	10.6	-	-	-	-	-	0.8	-	-	0.8	0.00	0.500%
010	France	10.7	-	12.8	-	-	-	0.5	0.8	-	1.3	0.00	0.000%
010	Germany	1.2	-	26.5	-	-	-	0.0	1.9	-	1.9	0.01	0.000%
010	Hong Kong	0.7	-	0.2	-	-	-	0.1	0.0	-	0.1	0.00	1.000%
010	India	70.4	-	71.6	-	-	-	5.6	5.7	-	11.4	0.04	0.000%
010	Ireland	300.9	-	3.0	-	-	-	23.7	0.2	-	24.0	0.08	0.000%
010	Israel	-	-	0.2	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Italy	1.9	-	0.5	-	-	-	0.1	0.0	-	0.1	0.00	0.000%
010	Japan	272.1	-	56.7	-	-	-	20.3	3.7	-	24.0	0.08	0.000%
010	Kazakhstan	-	-	5.0	-	-	-	-	0.4	-	0.4	0.00	0.000%
010	Korea, Republic of	0.2	-	8.7	-	-	-	0.2	0.5	-	0.7	0.00	0.000%
010	Kuwait	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Luxembourg	97.1	-	203.7	-	-	-	7.7	16.3	-	24.0	0.08	0.500%
010	Malaysia	-	-	23.5	-	-	-	-	1.3	-	1.3	0.00	0.000%
010	Mauritius	-	-	-	-	-	-	-	-	-	-	-	0.000%

At 31 December 2021		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
Row	Country	010	020	030	040	050	060	070	080	090	100	110	120
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Mexico	-	-	10.8	-	-	-	-	0.9	-	0.9	0.00	0.000%
010	Netherlands	55.4	-	41.1	-	-	-	3.2	2.9	-	6.1	0.02	0.000%
010	Norway	-	-	0.5	-	-	-	-	0.0	-	0.0	0.00	1.000%
010	Panama	-	-	6.2	-	-	-	-	0.7	-	0.7	0.00	0.000%
010	Philippines	0.4	-	-	-	-	-	0.0	-	-	0.1	0.00	0.000%
010	Portugal	-	-	4.6	-	-	-	-	0.4	-	0.4	0.00	0.000%
010	Qatar	1.6	-	-	-	-	-	0.1	-	-	0.1	0.00	0.000%
010	Singapore	-	-	0.2	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	South Africa	-	-	10.8	-	-	-	-	0.9	-	0.9	0.00	0.000%
010	Spain	0.3	-	5.6	-	-	-	0.0	0.5	-	0.5	0.00	0.000%
010	Sweden	-	-	0.1	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Switzerland	1.6	-	2.2	-	-	-	0.1	0.2	-	0.2	0.00	0.000%
010	Taiwan	5.3	-	-	-	-	-	0.4	-	-	0.4	0.00	0.000%
010	United Arab Emirates	25.8	-	0.4	-	-	-	0.6	0.0	-	0.6	0.00	0.000%
010	United Kingdom	276.7	-	48.6	-	-	-	24.1	3.4	-	27.5	0.09	0.000%
010	United States of America	311.0	-	1,121.6	-	-	-	20.9	129.4	-	150.3	0.50	0.000%
010	Uzbekistan	-	-	1.1	-	-	-	-	0.1	-	0.1	0.00	0.000%
010	Virgin Islands (British)	0.7	-	30.1	-	-	-	0.1	2.4	-	2.5	0.01	0.000%
020	Total	1,609.8	-	1,746.3	-	-	-	121.4	177.2	-	298.5	1.00	

At 31 December 2020		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
Row	Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Argentina	-	-	0.8	-	-	-	-	0.1	-	0.1	0.00	0.000%
010	Australia	2.3	-	4.7	-	-	-	0.0	0.2	-	0.3	0.00	0.000%
010	Austria	-	-	1.1	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Belgium	0.7	-	3.3	-	-	-	0.1	0.3	-	0.3	0.00	0.000%
010	Bermuda	5.0	-	0.8	-	-	-	0.4	0.1	-	0.5	0.00	0.000%
010	Canada	3.0	-	15.1	-	-	-	0.2	1.8	-	2.0	0.01	0.000%
010	Cayman Islands	167.3	-	5.0	-	-	-	12.7	0.4	-	13.1	0.05	0.000%
010	China	-	-	1.7	-	-	-	-	0.2	-	0.2	0.00	0.000%
010	Czech Republic	11.4	-	-	-	-	-	0.9	-	-	0.9	0.00	0.500%
010	France	9.2	-	32.2	-	-	-	0.7	1.9	-	2.6	0.01	0.000%
010	Germany	-	-	66.3	-	-	-	-	3.5	-	3.5	0.01	0.000%
010	Hong Kong	26.6	-	1.4	-	-	-	2.1	0.2	-	2.3	0.01	1.000%
010	India	67.4	-	67.7	-	-	-	5.4	5.4	-	10.8	0.04	0.000%
010	Ireland	152.0	-	118.5	-	-	-	12.2	9.5	-	21.6	0.08	0.000%
010	Israel	-	-	0.0	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Italy	-	-	5.0	-	-	-	-	0.4	-	0.4	0.00	0.000%
010	Japan	202.6	-	68.7	-	-	-	14.0	5.2	-	19.3	0.07	0.000%
010	Kazakhstan	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Korea, Republic of	-	-	2.0	-	-	-	-	0.2	-	0.2	0.00	0.000%
010	Kuwait	-	-	3.8	-	-	-	-	0.3	-	0.3	0.00	0.000%
010	Luxembourg	68.3	-	222.0	-	-	-	5.5	17.6	-	23.1	0.08	0.250%
010	Malaysia	0.4	-	0.1	-	-	-	0.0	0.0	-	0.0	0.00	0.000%
010	Mauritius	6.8	-	-	-	-	-	0.5	-	-	0.5	0.00	0.000%
010	Mexico	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Netherlands	58.7	-	107.6	-	-	-	4.7	6.2	-	10.9	0.04	0.000%
010	Norway	-	-	-	-	-	-	-	-	-	-	-	1.000%
010	Panama	-	-	0.6	-	-	-	-	0.1	-	0.1	0.00	0.000%

At 31 December 2020		General credit exposures		Trading book exposure		Securitisation exposure		Own funds requirements				Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Exposure value for IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	Of which: General credit exposures	Of which: Trading book exposures	Of which: Securitisation exposures	Total		
		010	020	030	040	050	060	070	080	090	100	110	120
Row	Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Philippines	1.3	-	-	-	-	-	0.1	-	-	0.1	0.00	0.000%
010	Portugal	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Qatar	1.8	-	-	-	-	-	0.1	-	-	0.1	0.00	0.000%
010	Singapore	-	-	0.1	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	South Africa	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Spain	0.5	-	5.5	-	-	-	0.0	0.4	-	0.4	0.00	0.000%
010	Sweden	-	-	0.0	-	-	-	-	0.0	-	0.0	0.00	0.000%
010	Switzerland	0.1	-	7.7	-	-	-	0.0	0.4	-	0.4	0.00	0.000%
010	Taiwan	9.0	-	-	-	-	-	0.7	-	-	0.7	0.00	0.000%
010	United Arab Emirates	58.9	-	7.7	-	-	-	1.3	0.6	-	1.9	0.01	0.000%
010	United Kingdom	224.2	-	101.5	-	-	-	19.3	7.2	-	26.5	0.09	0.000%
010	United States of America	752.6	-	714.2	-	-	-	56.5	80.2	-	136.7	0.48	0.000%
010	Uzbekistan	-	-	-	-	-	-	-	-	-	-	-	0.000%
010	Virgin Islands (British)	55.7	-	9.1	-	-	-	4.5	0.7	-	5.2	0.02	0.000%
020	Total	1,885.8	-	1,574.2	-	-	-	141.9	143.1	-	285.0	1.00	

Table 32: Amount of institution-specific countercyclical capital buffer

Row		At 31 December 2021 Column 010 £m	At 31 December 2020 Column 010 £m
010	Total risk exposure amount	9,263	8,263
020	Institution specific countercyclical buffer rate	0.04%	0.03%
030	Institution specific countercyclical buffer requirement	3.9	2.5