

MUFG Securities EMEA plc Consolidated Pillar 3 Disclosure 31ST DECEMBER 2022



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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 2022 was £1,946 million and the average number of employees during the year was 724.

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 ¥391 trillion (£2.5 trillion) at 31 December 2022. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

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

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

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



# 2. Introduction

The Basel II Framework was implemented in the 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 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.

Many of the Basel III standards have already been implemented in the UK through EU legislation that was onshored as part of the UK's exit from the EU on 31 December 2020, and subsequent work by the PRA, including through new rules and policy material relating to the 'Implementation of Basel standards: Final rules' in Policy Statement (PS) 22/21 and 'The UK leverage ratio framework' in PS21/21.

In November 2022, the PRA issued a consultation on the implementation of the remaining Basel reforms. This CP covers the parts of the Basel III standards that remain to be implemented in the UK. The PRA refers to them as the 'Basel 3.1 standards' with a proposed implementation date of 1 January 2025.



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

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

# 2.1 Management Attestation

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

Tony Syson Chief Financial Officer, MUS(EMEA)



# 3. Regulatory Approach

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

# 3.1 Methodologies for capital calculations

# Pillar 1 Credit Risk

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

# Pillar 1 Market Risk

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

# **Pillar 1 Operational Risk**

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

# **Basis of consolidation**

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



# 4. Risk Management Strategy and Governance

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

# 4.1 Risk Management Framework

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

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

# Three Lines of Defence

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

The three lines of defence are summarised below:

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

# 4.2 Risk Appetite

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Central to the Group's risk management is a clear risk appetite, consistent with its business profile and plans, as well as a strong and independent review and challenge structure. This facilitates optimisation of risk/return, embeds a healthy risk culture and assists Senior Management to effectively control and coordinate risk taking across the business. The Group's risk appetite is specified by the Board and managed through a number of metrics including capital, liquidity, earnings volatility, market, credit and non-financial risks. 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 and control functions.

# **Risk monitoring**

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

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

# New products and complex transactions

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

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

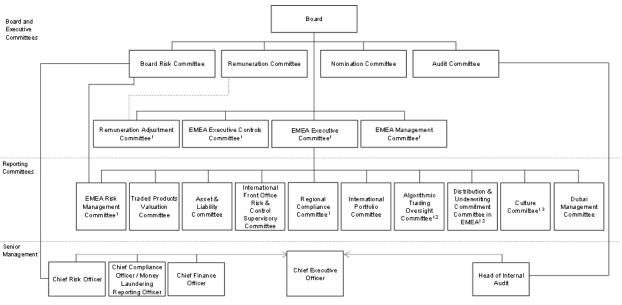
# **Stress testing**

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



#### 4.3 Committee and Corporate Structure

The Group's risk committee structure as at 31 December 2022 is illustrated below:



(1) Covers MUS(EMEA) and MUFG Bank London branch

(2) In July 2022 the reporting of the Distribution and Underwriting Commitment Committee ('DUCC') and Algorithmic Trading Oversight Committee moved from the ERMC to the EMEA Executive Committee.

(3) The EMEA Culture Committee was established during the 2022 financial year as an advisory committee to support the CEO with oversight and management of culture.

#### Board

Responsibility for the oversight of risk management resides with the Board, with support from the BRC. In this context, the Board is responsible for reviewing internal controls and the process for managing risks. The BRC oversees the development, approval, implementation and maintenance of the Group's overall risk management framework, risk appetite, risk strategy, principles and policies. As part of the Group's business strategy, the Board considers the risks to which the Group is exposed, and specifies an appetite and management strategy for each of these risks. The primary financial, operational and reputational risks are defined and discussed in further detail in the following sections.

The Board is accountable for approving the risk management framework for the Group, but has delegated responsibility to the BRC to approve this framework on their behalf. The risk management framework describes the Group's approach to risk appetite, strategy, governance, reporting and controls to ensure that risks taken are appropriately measured, monitored, reported, controlled and limited to the confines of the Group's risk appetite. The Directors consider that the framework currently in place is adequate.

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



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

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

# **Board Risk Committee**

The objective of the BRC is to exercise oversight on behalf of the Board of the key risks of the Group and reviews and makes recommendations to the Board on: (a) the Group's risk appetite and risk strategy; and (b) the Group's risk culture to ensure that it supports the Group's risk appetite. 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 2022, the BRC comprised of the Independent Non-Executive Directors, including the Chair of the Board. The BRC is supported by the regular attendance of the CEO, CRO and CFO who is the primary contributor of capital and liquidity metrics. The BRC held six scheduled meetings in 2022.

# **Joint Remuneration Committee**

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

# **Nomination Committee**

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

# Audit Committee

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

#### **Other committees**

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

Valuation risk is overseen by the Traded Products Valuation Committee ("TPVC"), which is chaired by the CFO. Liquidity and capital risk are overseen by the Asset and Liability Committee ("ALCO"), which is chaired by the CFO. Compliance, conduct and legal risk are overseen by the Regional Compliance Committee



("RCC"). Second line risk management of compliance risk and conduct risk resides with 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.

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

# 4.4 Senior Management

MUS(EMEA) Board members as of 31 December 2022 are listed in the table below.

Table 1: Board Member
-----------------------

Marshall Bailey Chair	<b>Skills and experience</b> : 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
Appointed: 2020	senior positions with RBC Capital Markets before moving to State Street where he held several roles including CEO of State Street Global Markets International. He was elected President and Global Head of ACI International – Financial Markets Association.
	Mr Bailey has since built a non-executive portfolio across a range of financial services businesses and organisations. 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.
	<b>Other appointments:</b> Mr Bailey is Chair of MUFG Securities Asia Limited, Financial Services Compensation Scheme and AON UK Limited, 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.
Stephen Jack Senior Independent Non-Executive Director	<b>Skills and experience</b> : 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.
Appointed: 2015	Compagnie Financiere Tradition SA.
, .pp o	Other appointments: Vice chair of Cambridge Building Society, director of Golden Lane
	Housing and a trustee for the Group's pension scheme. In 2014 he was awarded an OBE for services to disabled people.
Eileen Taylor Independent Non-	<b>Skills and experience</b> : Ms Taylor is Chair of the Remuneration Committee. She is a seasoned investment banker with 38 years of experience in global leadership roles based
Executive Director	in the UK, US and Asia. Ms Taylor has a strong working knowledge of the Supervisory



Appointed: 2019	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.
	<b>Other appointments:</b> Chair of East London NHS Foundation Trust and North East London NHS Foundation Trust.
Beatrice Devillon- Cohen Independent Non- Executive Director Appointed: 2021	<b>Skills and experience</b> : 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 profits in Europe, Asia and the US. She has extensive expertise in risk management, transformational change, regulation and compliance. She is also specialised in cybersecurity risk. Ms Devillon-Cohen has since built an international non-executive portfolio.
	<b>Other appointments:</b> Member of the Audit Committee at European Investment Bank, member of the Finance Committee at King's College London.
<b>Takanori Sazaki</b> Group Non- Executive Director Appointed: 2022	<b>Skills and experience</b> : Mr Sazaki has held a number of positions gaining extensive global banking experience for more than 30 years, including 10 years of experience in Investment Banking and five years of experience in Finance & Strategic Planning in Tokyo. He also held senior management experience in Bangkok and Singapore. He is currently the Regional Executive for Europe, Middle East and Africa assuming responsibility for the overall leadership of the MUFG Bank in the EMEA region.
	<b>Other appointments:</b> Mr Sazaki also holds positions externally with the Japanese Chamber of Commerce and Industry, UK (non-executive director and trustee), Nippon Club Limited, Director (non-executive director), The Japanese School Limited, (non-executive director and trustee), Japan House London Trust (non-executive director and trustee), Nippon Club (chairman) and Rikkyo School in England (trustee).
Masahiro Kuwahara Group Non- Executive Director Appointed: 2022	<ul> <li>Skills and experience: Mr Kuwahara is a member of the Board of Directors, Deputy President and Chief Operating Officer – International of MUSHD, as well as Deputy President and Head of Corporate &amp; Institutional Business Unit of Mitsubishi UFJ Morgan Stanley Securities Co. ('MUMSS'), Ltd.</li> <li>Since joining Mitsubishi Bank in 1986, he has led various high-level projects to enhance sound management of various bank functions, including corporate planning, credit policy, and risk management around the globe. Mr Kuwahara holds a bachelor's degree in law from University of Tokyo; and Master of Business Administration from the University of California at Berkeley.</li> </ul>
	<b>Other appointments:</b> In addition to his roles with MUSHD and MUMSS, he is Managing Executive Officer and Deputy Chief Operating Officer - International of MUFG.
Masashi Kanematsu Group Non- Executive Director Appointed: 2021	<b>Skills and experience</b> : 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 has held a variety of positions in the Global Markets, Global Corporates and Human Resources areas. Mr Kanematsu holds a bachelor's degree in engineering from Osaka University.
	<b>Other appointments:</b> In addition to his roles with MUMSS and MUSHD, Mr Kanematsu is the Deputy Group Head for Global Markets Business Group, MUFG and jointly responsible for the overall global market business of MUFG with the Group Head.
Christopher Kyle Chief Executive Officer Appointed: 2015	<b>Skills and experience</b> : Mr Kyle is a highly experienced financial services executive with 30 years' experience. He was appointed by the Board as Chief Executive Officer from 1 April 2022. Prior to this he was CFO for 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.
	<b>Other appointments</b> : Mr Kyle was also a director of the Group's subsidiary MUS(EU) from 25 July 2019 until 30 September 2021.



<b>Tony Syson</b> Chief Financial Officer Appointed: 2022	<b>Skills and experience</b> : Mr Syson is an experienced finance and data professional with 20 years in financial services and is a Chartered Accountant, a Prince2 practitioner, and holds the Chartered Financial Analyst designation. He is currently CFO for MUS(EMEA) and the London Branch of MUFG Bank as well as International CFO for MUFG's international securities business. He has held senior leadership positions in finance, data, and change disciplines during his 12-year tenure with MUFG. Prior to joining MUFG, Mr Syson worked for Goldman Sachs and KPMG.
	<b>Other appointments</b> : Mr Syson is also CFO for MUS International and the London Branch of MUFG Bank.
Nicola Wickes Chief Risk Officer	<b>Skills and experience</b> : 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
Appointed: 2019	was the CRO at CIBC for Europe and Asia for five years where she sat as a Board Director of CIBC World Markets plc. Ms Wickes also held a role as Non-Executive Director at the Global Risk Institution in Toronto, Canada (until April 2020), and has also worked extensively across all risk disciplines, specialising in Credit Risk at UBS and Mellon Bank.
	Other appointments: Ms Wickes is also a board member of MUFG Turkey A.Ş.

# 4.5 Diversity, Equity and Inclusion

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

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

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

- Our Women in Finance Charter target is to achieve a minimum of 25% women at Managing Director and Director level across EMEA by July 2025. As of January 2023, 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 DEI targets and achievements on a One MUFG basis for MUS(EMEA) and MUFG Bank. The figures included in this report are for MUS(EMEA) only.

Accountability for these two targets is driven through the mandatory EMEA Leadership Objective and Manager Objective. These metrics form part of senior manager evaluation, and contribute to their performance ratings



during the year-end processes. In addition, our EMEA culture dashboard captures and highlights key people metrics, including progress against our diversity metrics.

In our 2022 Employee Survey, MUFG EMEA DEI category scored 80% favourable overall, including;

- 83% agreed that "diverse people, values, and ideas are welcomed, and we operate by embracing each other's differences and characteristics."
- 81% agreed that you "see active steps being taken to enhance inclusion, equity and diversity."
- 80% agreed that "employees are treated with respect regardless of their job/title/hierarchy."

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

Our Culture Committee and DEI Steering Committee receive regular updates on progress against the DEI strategy and are attended by Open Chair representative whose role is to provide feedback and perspective from a minority background.

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



# 5. Key Prudential Metrics

The table below summarises the main prudential regulation measures and ratios.

# Table 2: Key Metrics (KM1)

		31 Dec 2022	30Jun 2022	31 Dec 2021
Available	our fundo (omounto)	£m	£m	£m
	own funds (amounts)	4 400	1 404	1 540
1	Common Equity Tier 1 ("CET1") capital	1,482	1,494	1,516
2	Tier 1 capital	1,946	1,958	1,980
3	Total capital	2,223	2,225	2,262
	hted exposure amounts			
4	Total risk-weighted exposure amount	9,644	10,333	9,263
-	tios (as a percentage of risk-weighted exposure amount)	1	r	1
5	Common Equity Tier 1 ratio (%)	15.36%	14.46%	16.37%
6	Tier 1 ratio (%)	20.17%	18.95%	21.38%
7	Total capital ratio (%)	23.05%	21.53%	24.43%
Additional	I own funds requirements based on SREP (as a percentage of	-	xposure amoun	it)
UK 7a	Additional CET1 SREP requirements (%)	2.57%	2.57%	2.57%
UK 7b	Additional AT1 SREP requirements (%)	0.86%	0.86%	0.86%
UK7c	Additional T2 SREP requirements (%)	1.14%	1.14%	1.14%
UK 7d	Total SREP own funds requirements (%)	12.56%	12.56%	12.56%
Combined	I buffer requirement (as a percentage of risk-weighted exposur	e amount)		•
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
UK 8a	Conservation buffer due to macro-prudential or systemic risk	0.00%	0.00%	0.00%
	identified at the level of a Member State (%)			
9	Institution specific countercyclical capital buffer (%)	0.19%	0.04%	0.04%
UK 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
UK 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.69%	2.54%	2.54%
UK 11a	Overall capital requirements (%)	15.25%	15.10%	15.10%
12	CET1 available after meeting the total SREP own funds requirements (%)	8.30%	7.40%	9.31%
Leverage				
13	Total exposure measure excluding claims on central banks <sup>1</sup>	50,677	54,597	63,528
13	Leverage ratio excluding claims on central banks (%)	3.84%	3.59%	3.12%
	Coverage Ratio ("LCR")	5.0470	5.5576	5.1270
15	Total high-quality liquid assets (HQLA) (Weighted value -	7,011	6,122	5,815
15	average)	7,011	0,122	5,015
UK 16a	Cash outflows - Total weighted value	7,068	6,820	7,166
UK 16b	Cash inflows - Total weighted value	4,646	4,641	4,752
16	Total net cash outflows (adjusted value)	2,422	2,180	2,414
17	Liquidity coverage ratio (%)	303%	288%	247%
	Prunding Ratio ("NSFR") <sup>1</sup>			1
18	Total available stable funding	12,538	12,676	n/a
19	Total required stable funding	11,102	10,667	n/a
20	NSFR ratio (%)	113%	119%	n/a
	for 31 <sup>st</sup> December 2021 is not disclosed as minimum compliance only h			

<sup>1</sup> NSFR data for 31<sup>st</sup> December 2021 is not disclosed as minimum compliance only became binding from 1<sup>st</sup> January 2022



# 6. Capital Resources

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

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

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

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

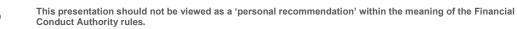


# 7. Capital Requirements

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

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

			ed exposure (RWEAs)	Total own funds requirements		
	(£m)	31 Dec 2022	31 Dec 2021	31 Dec 2022		
1	Credit risk (excluding CCR)	1,184	694	95		
2	Of which the standardised approach	1,184	694	95		
3	Of which the foundation IRB (FIRB) approach	-	-	-		
4	Of which slotting approach	-	-	-		
UK 4a	Of which equities under the simple risk-weighted approach	-	-	-		
5	Of which the advanced IRB (AIRB) approach	-	-	-		
6	Counterparty credit risk - CCR	3,475	3,510	278		
7	Of which the standardised approach	2,596	2,593	207		
8	Of which internal model method (IMM)	-	-	-		
UK 8a	Of which exposures to a Central Counterparty ("CCP")	72	337	6		
UK 8b	Of which credit valuation adjustment - CVA	807	580	65		
9	Of which other CCR	-	-	-		
10	Empty set in the UK					
11	Empty set in the UK					
12	Empty set in the UK					
13	Empty set in the UK					
14	Empty set in the UK					
15	Settlement risk	0	0	0		
16	Securitisation exposures in the non-trading book (after the	-	-	-		
	cap)					
17	Of which SEC-IRBA approach	-	-	-		
18	Of which SEC-ERBA (including IAA)	-	-	-		
19	Of which SEC-SA approach	-	-	-		
UK 19a	Of which 1250%/ deduction	-	-	-		
20	Position, foreign exchange and commodities risks (Market risk)	3,533	4,066	283		
21	Of which the standardised approach	196	125	16		
22	Of which IMA	3,337	3,941	267		
UK 22a	Large exposures	701	155	56		
23	Operational risk	751	837	60		
UK 23a	Of which basic indicator approach	-	-	-		
UK 23b	Of which standardised approach	751	837	60		
UK 23c	Of which advanced measurement approach	-	-	-		
24	Amounts below the thresholds for deduction (subject	-	-	-		
	to 250% risk weight) (For information)					
25	Empty set in the UK		·			
26	Empty set in the UK					
27	Empty set in the UK					
28	Empty set in the UK					
29	Total	9,644	9,262	772		





#### 7.1 Internal Capital Adequacy Assessment Process

The Group monitors its capital adequacy on an ongoing basis and conducts a formal annual ICAAP through which it assesses its risks, controls and capital.

The Board is involved in all the key elements of the ICAAP and approves the business and capital plans, Risk Appetite Statement, 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.

#### 7.2 Capital Buffers

A number of capital buffers were introduced under CRD IV. The current UK countercyclical capital buffer ("CCyB") rate is set at 1%. This rate was set on 13<sup>th</sup> December 2021 and has been binding since 13<sup>th</sup> December 2022. Outside the UK, the CCyB rate is determined by the regulatory authorities in each jurisdiction where the Group has exposures. The table below shows the amount of institution-specific CCyB at 31 December. In addition, the geographical distribution of credit exposures relevant for the calculation of the CCyB at 31 December 2022 is shown in Table 42 in the Appendix.

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

		31 Dec 2022
		£m
1	Total risk exposure amount	9,644
2	Institution specific countercyclical buffer rate	0.187%
3	Institution specific countercyclical buffer requirement	18



# 8. Credit Risk

Credit risk is the risk of loss resulting from client, issuer or counterparty default and arises on credit exposure in all forms, including settlement risk. The Group measures credit risk capital requirements using the Standardised Approach.

# 8.1 Methodology

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

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

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.

31 De (£m)	ec 2022	Replacement cost (RC)	Potential future exposure (PFE)	EEPE	Alpha used for computing regulatory exposure value	Exposure value pre- CRM	Exposure value post- CRM	Exposure value	RWEA
UK1	Original Exposure Method (for derivatives)	-	-	-	1.4	-	-	-	-
UK2	Simplified SA-CCR (for derivatives)	-	-	-	1.4	-	-	-	-
1	SA-CCR (for derivatives)	172	1,489	-	1.4	13,992	2,325	2,325	936
2	IMM (for derivatives and SFTs)	-	-	-		-	-	-	-
2a	Of which securities financing transactions netting sets	-	-	-		-	-	-	-
2b	Of which derivatives and long settlement transactions netting sets	-	-	-		-	-	-	-

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



2c	Of which from	-	-	-	-	-	-	-
	contractual cross-							
	product netting sets							
3	Financial collateral				-	-	-	-
	simple method (for							
	SFTs)							
4	Financial collateral				72,464	3,741	3,741	1,540
	comprehensive							
	method (for SFTs)							
5	VaR for SFTs				-	-	-	-
6	Total				86,456	6,066	6,066	2,476

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

31 De (£m)	c 2022	Exposure value	RWEA
1	Total transactions subject to the Advanced method	-	-
2	(i) VaR component (including the 3x multiplier)	-	-
3	(ii) stressed VaR component (including the 3x multiplier)	-	-
4	Transactions subject to the Standardised method	1,493	807
UK4	Transactions subject to the Alternative approach (Based on the Original Exposure Method)	-	-
5	Total transactions subject to own funds requirements for CVA risk	1,493	807



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

	31 Dec 2022 (£m)	Risk weight	lisk weight										
	Exposure classes	0%	2%	4%	10%	20%	50%	70%	75%	100%	150%	Others	value
1	Central governments or central	96	-	-	-	53	-	-	-	-	-	-	148
	banks												
2	Regional government or local	-	-	-	-	96	-	-	-	-	-	-	96
	authorities												
3	Public sector entities	183	-	-	-	506	258	-	-	374	-	-	1,321
4	Multilateral development banks	20	-	-	-	-	1	-	-	-	-	-	21
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	-	-	-	2,349	1,208	-	-	0	-	-	3,557
7	Corporates	-	-	-	-	111	23	-	-	720	-	-	854
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-
9	Institutions and corporates with a	-	-	-	-	654	6	-	-	-	-	-	660
	short-term credit assessment												
10	Other items	-	-	-	-	-	-	-	-	-	-	-	-
11	Total exposure value	299	-	-	-	3,769	1,496	-	-	1,094	-	-	6,658



# Table 8: Exposures to CCPs (CCR8)

	31 Dec 2022	Exposure value	RWEA
	(£m)		
1	Exposures to QCCPs (total)		72
2	Exposures for trades at QCCPs (excluding initial margin and default fund	2,351	52
	contributions); of which		
3	(i) OTC derivatives	1,845	40
4	(ii) Exchange-traded derivatives	95	4
5	(iii) SFTs	411	8
6	(iv) Netting sets where cross-product netting has been approved	-	-
7	Segregated initial margin	-	
8	Non-segregated initial margin	402	15
9	Prefunded default fund contributions	262	6
10	Unfunded default fund contributions	-	-
11	Exposures to non-QCCPs (total)		121
12	Exposures for trades at non-QCCPs (excluding initial margin and default	123	27
	fund contributions); of which		
13	(i) OTC derivatives	0	0
14	(ii) Exchange-traded derivatives	123	27
15	(iii) SFTs	-	-
16	(iv) Netting sets where cross-product netting has been approved	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	469	94
19	Prefunded default fund contributions	-	-
20	Unfunded default fund contributions	-	-

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

	31 Dec 2022 (£m)	Exposures be before		Exposures p post	ost CCF and CRM	RWAs and RWAs density		
	Exposure classes	On-balance- sheet exposures	Off- balance- sheet exposures	On-balance- sheet exposures	Off- balance- sheet exposures	RWAS	RWAs density (%)	
1	Central governments or central banks	4,385	-	4,385	-	36	0.82%	
2	Regional government or local authorities	140	-	140	-	19	13.70%	
3	Public sector entities	1,365	-	1,365	-	604	44.26%	
4	Multilateral development banks	722	-	721	-	0	0.06%	
5	International organisations	-	-	-	-	-	-	
6	Institutions	6,857	208	6,854	42	1,258	18.24%	
7	Corporates	1,486	486	1,485	237	1,619	94.08%	
8	Retail	-	-	-	-	-	-	
9	Secured by mortgages on immovable property	-	-	-	-	-	-	
10	Exposures in default	-	-	-	-	-	-	
11	Exposures associated with particularly high risk	-	-	-	-	-	-	



12	Covered bonds	-	-	-	-	-	-
13	Institutions and	817	-	817	-	165	20.22%
	corporates with a						
	short-term credit						
	assessment						
14	Collective investment	-	-	-	-	-	-
	undertakings						
15	Equity	-	-	-	-	-	-
16	Other items	122	-	122	-	145	118.38%
17	TOTAL	15,894	694	15,889	279	3,846	23.79%



# Table 10: Standardised Approach (CR5)

	31 Dec 2022 (£m)								Risk w	eight							Total	Of which
	Exposure classes	0%	2%	4%	10%	20%	35%	50%	70%	75%	100%	150%	250%	370%	1250%	Others	Exposure	unrated
1	Central governments or central banks	4,207	-	-	-	179	-	0	-	-	0	-	-	-	-	-	4,385	4,350
2	Regional government or local authorities	44	-	-	-	96	-	-	-	-	-	-	-	-	-	-	140	121
3	Public sector entities	227	-	-	-	506	-	258	-	-	374	-	-	-	-	-	1,365	761
4	Multilateral development banks	720	-	-	-	-	-	1	-	-	-	-	-	-	-	-	721	721
5	International organisations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
6	Institutions	-	2,167	586	-	2,934	-	1,209	-	-	0	-	-	-	-	-	6,896	5,638
7	Corporates	-	-	-	-	111	-	27	-	-	1,584	-	-	-	-	-	1,721	1,474
8	Retail	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
9	Exposures secured by mortgages on immovable property	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
10	Exposures in default	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
11	Exposures associated with particularly high risk	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
12	Covered bonds	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
13	Exposures to institutions and corporates with a short-term credit assessment	-	-	-	-	811	-	6	-	-	-	-	-	-	-	-	817	652
14	Units or shares in collective investment undertakings	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
15	Equity exposures	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
16	Other items	-	-	-	-	-	-	-	-	-	107	-	15	-	-	-	122	122
17	Total	5,198	2,167	586	-	4,637	-	1,501	-	-	2,065	-	15	-	-	-	16,169	13,839



### 8.2 Credit Risk Management

The Group manages its credit risk in accordance with policies originated and approved within the Group and endorsed by its parent company. Counterparty exposure is managed through a process of credit risk assessment, limit setting, exposure monitoring and exception reporting.

The Group assesses the default probabilities of individual counterparties by using a rating methodology incorporating external ratings, the market price of credit risk and internal fundamental analysis.

Day-to-day responsibility for the management of credit risk resides with the front office departments and responsibility for second line review, challenge and oversight is with the Credit Risk Management ("CRM") department which is organisationally independent from the front office departments, and the Risk Analytics Group ("RAG") which is responsible for the design of credit risk management models. Daily credit risk reports are prepared for Senior Management and front office departments using the Group's in house and vendor systems with on-going deliveries of enhancements to prevailing risk methodologies/reporting to ensure that the Group adheres to the changing general regulatory guidelines/recommendations. The objective of CRM is to:

- Identify, quantify, monitor and control credit risk exposure
- Provide sufficient, timely and relevant data of credit risk exposure by counterparty across all product classes and against each respective approved credit limit
- · Maintain static data for all counterparties
- Produce timely credit risk reports as appropriate
- Mitigate credit risk by mandating collateral requirements and/or credit mitigants in the contractual terms by
  receiving collateral in accordance with the Group's Collateral Policy. The Group's collateral management
  framework includes daily reporting of collateral balances, collateral disputes or differences (if any) and
  escalation procedures.
- Provide credit portfolio monitoring and analysis.

Credit Risk is monitored constantly and Credit exposure is reported daily. On a monthly basis, CRM reports the Group's total credit risk exposure to the EMEA Credit Risk 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 EMEA Executive Committee and BRC meeting.

Credit exposure is normally measured on a net basis i.e. by taking account of received collateral and aggregating trades with both positive and negative values provided that a legally enforceable master netting agreement has been executed that permits close-out netting. To mitigate derivative counterparty credit risk, the Group has Credit Support Annexes ("CSAs") and Uncleared Margin Regulation documentation in place as required with the majority of its counterparties (this includes the exchange of initial margin with certain non-centrally cleared, over-the-counter derivatives counterparties for in-scope products) and guarantee arrangements in place with members of MUFG. Risk is managed net of these guarantees.

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



regulatory risk calculations and risk is measured on an uncollateralised basis. The Group undertakes daily and monthly monitoring of the Group's wrong way risk positions.

# 8.3 Credit Limits for Counterparty Credit Exposures

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

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

# 8.4 Residual Credit Risk

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

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

# 8.5 Credit Concentration Risk

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

# 8.6 Credit Risk Mitigation

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

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

SFTs involving the use of bonds/debt securities as collateral are considered on the basis of the rating of the counterparty and the rating and haircut of the collateral. The combination of these two factors determines the standard terms and level of pre-approval required. SFTs involving the use of equities as collateral are considered on the basis of the rating of the counterparty and the haircut. CRM may restrict the types of



collateral available for trades with a specific counterparty. Collateral should be daily tradable assets having firm price available in the markets or trading platforms. Reference assets, which are not marked to market or not readily tradable in the market have to be pre-approved by the CRO or their delegate and are considered structured securities. Asset Backed Securities ("ABS") are considered acceptable reference assets, not requiring specific pre-approval.

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

# Table 11: Credit Derivatives Exposures (CCR6)

	31 Dec 2022 (£m)	Protection bought	Protection sold
	Notionals		
1	Single-name credit default swaps	20,269	20,461
2	Index credit default swaps	3,049	2,894
3	Total return swaps	487	315
4	Credit options	-	
5	Other credit derivatives	-	-
6	Total notionals	23,805	23,670
	Fair values		
7	Positive fair value (asset)	117	217
8	Negative fair value (liability)	(220)	(115)

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

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

	31 Dec 2022 (£m)	Unsecured carrying amount	Secured carrying amount	Of which secured by collateral	Of which secured by financial guarantees	Of which secured by credit derivatives
1	Loans and advances	4,542	34,779	33,324	-	-
2	Debt securities	3,066	-	-	-	
3	Total	7,608	34,779	33,324	-	-
4	Of which non-performing exposures	-	-	-	-	-
5	Of which defaulted	-	-			

# 8.7 Collateral Management

# **Collateral & credit reserves**

The Group has CSAs and/or Contractual Margining Agreements in place which cover the majority of its non-MUFG Bank guaranteed derivative exposures. The majority of these have low or zero thresholds and are not dependent upon the Group's or other MUFG members' credit rating. For MUFG Bank guaranteed exposures, they are collateralised on the daily basis. For derivative transactions, the collateral provided is predominantly cash denominated in Japanese yen. For SFTs, the collateral is mainly securities issued by European 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 model, as do other major financial institutions, developed by the International Securities Dealers Association which is called the Standardized Initial Margin Model ("SIMM") to calculate initial margin in accordance with those rules.

	At 31 Dec 2022 (£m)	Coll	ateral used in de	Collateral used in securities financing transactions (SFTs)			
			of collateral /ed (£m)		of collateral ed (£m)	Fair value of collateral	Fair value of collateral
	Collateral Type	Segregated	Unsegregated	Segregated	Unsegregated	received	received
1	Cash	-	10,216	-	5,694	29,823	39,786
2	Debt	-	1,121	1,267	30	48,358	42,658
3	Equity	-	-	-	-	5,026	1,889
4	Other	-	-	-	-	397	-
5	Total	-	11,337	1,267	5,724	83,604	84,333

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

# **Collateral downgrade**

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

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

# 8.8 Wrong Way Risk Policy

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



#### 8.9 Settlement and Delivery Risk

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

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

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

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

The Group tends to operate under a DVP settlement system and has a policy and procedures in place to monitor, record and approve transactions that might generate settlement risk. 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.



# 9. Market Risk

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

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

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

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

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

31 De	ec 2022	RWAs	Own funds requirements		
		£m	£m		
1	VaR (higher of values a and b)	767	61		
(a)	Previous day's VaR (VaRt-1)		17		
(b)	Multiplication factor (mc) x average of previous 60 working days		61		
	(VaRavg)				
2	SVaR (higher of values a and b)	2,204	177		
(a)	Latest available SVaR (SVaRt-1))		49		
(b)	Multiplication factor (ms) x average of previous 60 working days		177		
	(sVaRavg)				
3	IRC (higher of values a and b)	366	29		
(a)	Most recent IRC measure		23		
(b)	12 weeks average IRC measure		29		
4	Comprehensive risk measure (higher of values a, b and c)	-	-		
(a)	Most recent risk measure of comprehensive risk measure		-		
(b)	12 weeks average of comprehensive risk measure		-		
(c)	Comprehensive risk measure Floor		-		
5	Other	-	-		
6	Total	3,337	267		

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



period end (31 Dec 2021)         mathematical (31 Regulatory adjustment <sup>1</sup> )         (651)         (2,009)         (148)         -         -         (2,808)         (2255)           1b         RWAs at the previous quarter-end (end of the day)         232         448         452         -         -         1,132         900           2         Movement in risk levels         (19)         155         (160)         -         -         (24)         (11)           3         Model updates/changes         (2)         4         -         -         2         (11)           4         Methodology and policy         -         -         -         2         (11)           5         Acquisitions and disposals         -			VaR	SVaR	IRC	Comprehensive risk measure	Other	Total RWAs	Total own funds requirements
period end (31 Dec 2021)         mathematical (651)         (2,009)         (148)          (2,808)         (2255)           1b         Regulatory adjustment <sup>1</sup> (651)         (2,009)         (148)          1,132         900           1b         RWAs at the previous quarter-end (end of the day)         232         448         452          1,132         900           2         Movement in risk levels         (19)         155         (160)          (24)         (11)           3         Model updates/changes         (2)         4         -          22         (0)           4         Methodology and policy         -         -         -         2         (11)           5         Acquisitions and disposals         -         -         -         -         -           6         Foreign exchange movements         -         -         -         -         -         -           7         Other         -         -         -         -         -         -         -         -           8         RWAs at the end of the disclosure period (end of the day)         1556         1,596         73         -         -			£m	£m	£m	£m	£m	£m	£m
2021)         Image: constraint of the constraint of	1	RWAs at previous	883	2,457	600	-	-	3,940	315
1a         Regulatory adjustment <sup>1</sup> (651)         (2,009)         (148)         -         -         (2,808)         (225)           1b         RWAs at the previous quarter-end (end of the day)         232         448         452         -         -         1,132         90           2         Movement in risk levels         (19)         155         (160)         -         -         (24)         (11)           3         Model updates/changes         (2)         4         -         -         2         (0           4         Methodology and policy         -         -         -         -         2         (0           5         Acquisitions and disposals         - </th <th></th> <th>period end (31 Dec</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>		period end (31 Dec							
1b       RWAs at the previous quarter-end (end of the day)       232       448       452       -       -       1,132       90         2       Movement in risk levels       (19)       155       (160)       -       -       (24)       (11)         3       Model updates/changes       (2)       4       -       -       2       (24)       (11)         3       Model updates/changes       (2)       4       -       -       2       (11)         4       Methodology and policy       -       -       -       -       2       (11)         5       Acquisitions and originations and disposals       - <th></th> <th>2021)</th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th> <th></th>		2021)							
quarter-end (end of the day)	1a	Regulatory adjustment <sup>1</sup>	(651)	(2,009)	(148)	-	-	(2,808)	(225)
day)         Image: constraint of the constraint of	1b	RWAs at the previous	232	448	452	-	-	1,132	90
2         Movement in risk levels         (19)         155         (160)         -         -         (24)         (11)           3         Model updates/changes         (2)         4         -         -         2         (1)           4         Methodology and policy         -         -         -         -         2         (1)           5         Acquisitions and disposals         -         -         -         -         -         -         -           6         Foreign exchange movements         -		quarter-end (end of the							
3         Model updates/changes         (2)         4         -         -         2         (1)           4         Methodology and policy         -         -         -         -         2         (1)           5         Acquisitions and disposals         -		day)							
4Methodology and policy5Acquisitions and disposals6Foreign exchange movements7Other8aRWAs at the end of the disclosure period (end of the day)2116072921,110888bRegulatory adjustment <sup>1</sup> 5561,596732,2251768RWAs at the end of the day)7672,2033653,335267	2	Movement in risk levels	(19)	155	(160)	-	-	(24)	(1)
5Acquisitions and disposals6Foreign exchange movements7Other8aRWAs at the end of the disclosure period (end of the day)2116072921,110888bRegulatory adjustment <sup>1</sup> 5561,596732,2251788aRWAs at the end of the day)5561,596733,335267	3	Model updates/changes	(2)	4	-	-	-	2	0
disposals       Image: space of the space of the space of the day)       Image: space of the space of the space of the day)       Image: space of the space	4	Methodology and policy	-	-	-	-	-	-	-
6       Foreign exchange movements       -	5	Acquisitions and	-	-	-	-	-	-	-
movements         -		disposals							
7       Other       - <td>6</td> <td>Foreign exchange</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td> <td>-</td>	6	Foreign exchange	-	-	-	-	-	-	-
8a         RWAs at the end of the disclosure period (end of the day)         211         607         292         -         -         1,110         89           8b         Regulatory adjustment <sup>1</sup> 556         1,596         73         -         -         2,225         178           8         RWAs at the end of the         767         2,203         365         -         -         3,335         267		movements							
disclosure period (end of the day)         disclosure period (end of the day)         disclosure period (end of the day)         disclosure period (end of the day)	7	Other	-	-	-	-	-	-	-
the day)         the day         the day <tht>the day</tht>	8a	RWAs at the end of the	211	607	292	-	-	1,110	89
8b         Regulatory adjustment <sup>1</sup> 556         1,596         73         -         2,225         178           8         RWAs at the end of the         767         2,203         365         -         -         3,335         267		disclosure period (end of							
8         RWAs at the end of the         767         2,203         365         -         -         3,335         267		the day)							
	8b	Regulatory adjustment <sup>1</sup>	556	1,596	73	-	-	2,225	178
disclosure period (31	8	RWAs at the end of the	767	2,203	365	-	-	3,335	267
		disclosure period (31							
Dec 2022)		Dec 2022)							

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

# Table 16: IMA values for trading portfolios (MR3)

2022		£m
VaR (10 day 99%)		
1	Maximum value	37
2	Average value	17
3	Minimum value	11
4	Period end	17
SVaR	(10 day 99%)	
5	Maximum value	66
6	Average value	36
7	Minimum value	15
8	Period end	49
IRC (	99.9%)	
9	Maximum value	46
10	Average value	38
11	Minimum value	23
12	Period end	23
Comprehensive risk measure (99.9%)		
13	Maximum value	-
14	Average value	-
15	Minimum value	-
16	Period end	-



# 9.1 VaR Modelling

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

The Group uses VaR methodologies to monitor the price risks arising from different trading books across portfolios. This is measured based on a 1-day holding period using confidence intervals of 99% and 95% for regulatory and internal VaR respectively.

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

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

The Group's VaR has the following limitations:

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

# 9.2 VaR Backtesting

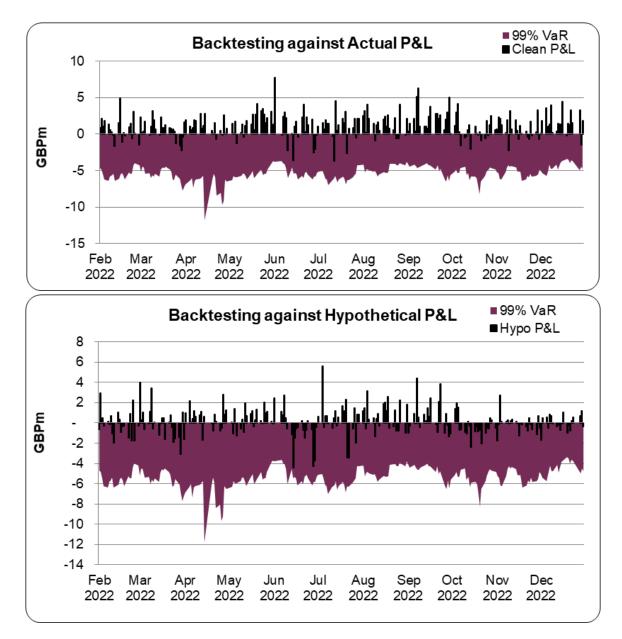
Backtesting is one of the regulatory tools used to assess the performance of the VaR model – too many exceptions would indicate the VaR model is understating the risk being run and therefore the Group would not hold enough capital for the risk. Conversely, too few exceptions would indicate VaR is overstated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

The Group carries out a daily comparison of end of day VaR measures to the 1-day change of the portfolio's actual value and hypothetical value on the day the profit and loss figures are produced. In 2022 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.



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

The following graphs show a 250-day period history for VaR backtesting at a 99% confidence level with the respective exceptions against both actual and hypothetical profit and loss as at 31 December 2022. The Group observed no negative exceptions at the aggregate Group level for the 250-day period.



#### 9.3 Stressed VaR

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

#### 9.4 Risks Not In VaR

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



#### 9.5 Incremental Risk Charge

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

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

#### 9.6 Other Market Risk

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

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

At 31 Dec 2022		RWEAs £m
	Outright products	
1	Interest rate risk (general and specific)	125
2	Equity risk (general and specific)	-
3	Foreign exchange risk	71
4	Commodity risk	-
	Options	
5	Simplified approach	-
6	Delta-plus approach	-
7	Scenario approach	-
8	Securitisation (specific risk)	-
9	Total	196

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

# 9.7 Inclusion in the Trading Book

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

# 9.8 Prudent Valuation Adjustment ("PVA")

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



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

31 Dec 2022 (£m)		Risk category			Category level AVA - Valuation uncertainty		Total category level post- diversification				
	Category level AVA	Equity	Interest rates	Foreign exchange	Credit	Commodities	Unearned credit spreads AVA	Investment and funding costs AVA		Of which: Total core approach in the trading book	Of which: Total core approach in the banking book
1	Market price uncertainty	7.5	50.4	-	4.4	-	-	4.6	33.5	33.5	33.5
2	Set not applicable in the UK										
3	Close-out cost	6.0	53.1	-	3.1	0.0	0.6	0.5	31.7	31.7	31.7
4	Concentrated positions	3.1	-	-	-	-	-	-	3.1	3.1	3.1
5	Early termination	-	-	-	-	-	-	-	-	-	-
6	Model risk	-	0.7	-	-	-	8.3	-	4.5	4.5	4.5
7	Operational risk	0.7	5.4	-	0.4	0.0	-	-	6.5	6.5	6.5
8	Set not applicable in the UK										
9	Set not applicable in the UK										
10	Future administrative costs	-	4.1	-	-	-	-	-	4.1	4.1	4.1
11	Set not applicable in the UK										
12	Total Additional Valuation Adjustments (AVAs)								83.4	83.4	83.4



## 10. Liquidity Risk

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

#### 10.1 Oversight

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

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

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

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

#### **10.2 Internal Stress Testing**

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



#### **10.3 Funds Transfer Pricing**

The Group seeks to align its liquidity risk appetite with the strategic objectives of the business through regulating the demand for liquidity and allocating the cost of liquidity on the basis of unsecured funding usage and underlying liquidity requirements. The ALCO is responsible for the FTP policy framework, and Treasury is responsible for the day to day application of the FTP framework. The cost of funding is allocated to businesses on the basis of the funding requirements to finance current inventory positions and ongoing business activities. The cost of liquidity reserved to cover contingent liquidity outflows is also allocated to the business on the basis of those activities driving the Liquid Asset Buffer ("LAB") requirement – this includes liquidity reserved to cover regulatory liquidity requirements.

#### **10.4 Funding Plan**

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

#### **10.5 Liquid Asset Buffer**

The Group holds its liquidity portfolio in a stock of high-quality government bonds and bonds issued by multilateral development banks, local government and agency issuers, as well as central bank deposits (where applicable). The size of the liquidity buffer is calibrated using both the Group's internal stress testing framework and applicable regulatory requirements. The liquidity portfolio is held on an unencumbered basis without restrictions on rehypothecation and with full Group legal ownership. The investment criteria for the liquidity portfolio are approved by ALCO with risk limits imposed and monitored by MRM.

#### **10.6 Contingency Funding Plan**

The CFP allows senior management to identify internal and external triggers indicative of a stress event, and initiate the most effective response for stabilising and mitigating liquidity risk exposures through clear operational plans, clearly defined decision-making responsibilities and effective communication with both internal and external stakeholders. The CFP also specifies the means through which additional funding should be sourced during a period of heightened liquidity concern, as well as the process by which the Group deactivates the CFP at an appropriate time.

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

#### **10.7 Liquidity Stage Assessment**

The principal assessment framework within the 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 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.



#### Table 20: Quantitative information of LCR (LIQ1)

#### Scope of consolidation: Consolidated

	£m	Total unweighted value (average)				Total weighted value (average)			
JK 1a	Quarter ending on (DD Month YYY)	31 Dec 2022	30 Sep 2022	30 June 2022	31 March 2022	31 Dec 2022	30 Sep 2022	30 June 2022	31 March 2022
JK 1b	Number of data points used in the calculation of averages	12	12	12	12	12	12	12	1
High-Q	uality Liquid Assets								
1	Total high-quality liquid assets (HQLA)					7,011	6,646	6,122	5,99
Cash -	Outflows								
2	Retail deposits and deposits from small business customers, of which:	-	-	-	-	-	-	-	
3	Stable deposits	-	-	-	-	-	-	-	
4	Less stable deposits	-	-	-	-	-	-	-	
5	Unsecured wholesale funding	80	108	114	205	80	108	114	20
6	Operational deposits (all counterparties) and deposits in networks of cooperative banks	-	-	-	-	-	-	-	
7	Non-operational deposits (all counterparties)	32	25	16	68	32	25	16	6
8	Unsecured debt	48	83	99	137	48	83	99	13
9	Secured wholesale funding					4,361	4,502	4,171	4,04
10	Additional requirements	3,590	3,315	3,122	3,043	2,453	2,259	2,190	2,18
11	Outflows related to derivative exposures and other collateral requirements	3,135	2,887	2,748	2,768	2,010	1,843	1,828	1,92
12	Outflows related to loss of funding on debt products	-	-	-	-	-	-	-	
13	Credit and liquidity facilities	455	428	374	274	442	416	362	26
14	Other contractual funding obligations	239	350	406	419	174	316	345	35
15	Other contingent funding obligations	-	-	-	-	-	-	-	
16	TOAL CASH OUTFLOWS					7,068	7,185	6.820	6,78



Cash -	Inflows								
17	Secured lending (e.g. reverse repos)	28,299	28,578	27,294	25,744	2,563	2,546	2,307	2,075
18	Inflows from fully performing exposures	-	-	-	-	-	-	-	-
19	Other cash inflows	8,350	8,618	7,994	7,642	2,095	2,500	2,391	2,386
UK- 19a	(Difference between total weighted inflows and total weighted outflows arising from transactions in third countries where there are transfer restrictions or which are denominated in non-convertible currencies)				-	-	-	-	
UK- 19b	(Excess inflows from a related specialised credit institution)					-	-	-	-
20	TOTAL CASH INFLOWS	36,649	37,196	35,288	33,386	4,658	5,046	4,698	4,461
UK- 20a	Fully exempt inflows	-	-	-	-	-	-	-	-
UK- 20b	Inflows subject to 90% cap	-	-	-	-	-	-	-	-
UK- 20c	Inflows subject to 75% cap	36,649	37,196	35,288	33,386	4,646	4,988	4,641	4,415
Total A	djusted Value								
UK- 21	LIQUIDITY BUFFER					7,011	6,646	6,122	5,999
22	TOTAL NET CASH OUTFLOWS					2,422	2,197	2,180	2,372
23	LIQUIDITY COVERAGE RATIO					303%	311%	288%	260%



#### Table 21: Liquidity Risk Management

	Comment
Strategies and processes in the	The Group employs a number of tools and policies to manage liquidity risk. These
Strategies and processes in the management of the liquidity risk	<ul> <li>Ine Group employs a number of tools and policies to manage liquidity risk. These include:</li> <li>(i) Board approved liquidity risk appetite. This specifies the amount of liquidity risk deemed acceptable in the pursuit of its strategic goals. The Board requires there are sufficient liquidity resources (in the form of a portfolio of unencumbered High Quality Liquid Assets ("HQLA") Level 1, Credit Quality Step ("CQS") 1 plus Japanese Government Bonds and central bank deposits (where applicable)) (the LAB) such that all funding requirements and unsecured debt obligations falling due within two separately defined stress scenarios can be met without the need to roll unsecured funding or the forced liquidation of assets. The two scenarios envisage a 90-day market stress, as well as a 30-day combined market and MUFG stress. In addition, the Firm requires sufficient liquidity resources are available to ensure regulatory liquidity compliance (Pillar 1 and Pillar 2 add-ons).</li> <li>(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.</li> <li>(iii) The FTP process is designed to allocate the cost of liquidity to the users of liquidity including those activities driving the LAB requirements.</li> <li>(iv) Currency stress testing. The Group's framework envisages a 2-week FX market lockout. This drives the currency composition of the liquidity buffer</li> <li>(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.</li> <li>(vi) Liquidity prediction – this is a regular ass</li></ul>
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.



	Comment
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	<ul> <li>Policies for managing liquidity risks include:</li> <li>(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.</li> <li>(ii) Compliance with regulatory liquidity metrics including the LCR, the NSFR as well as financing mismatch limits reported to the UK PRA.</li> <li>(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.</li> <li>(iv) The FTP framework allocates liquidity costs to business lines on the basis of their unsecured funding usage and underlying liquidity requirements.</li> <li>(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.</li> <li>(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.</li> <li>(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.<!--</td--></li></ul>
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.
A concise liquidity risk statement approved by the management body succinctly describing the institution's overall liquidity risk profile associated with the business strategy. This statement shall include key ratios and figures (other than those already covered in Annex II of these guidelines) providing external stakeholders with a comprehensive view of the institution's management of liquidity risk, including how the liquidity risk profile of the institution interacts with the risk tolerance set by the management body	Liquidity risk is the risk that the Group is unable to meet liabilities as they become due without significant cost or that the Group is unable to meet the minimum regulatory requirements. Liquid assets are required to protect the business from risks arising from its risk appetite. The risk appetite is to manage the balance sheet so as to withstand severe but plausible stresses without the need to significantly alter our business. Therefore the Group will seek to: (i) maintain appropriate levels of liquidity to ensure the firm manages its liquidity risk (ii) ensure that balance sheet usage is diversified by tenor and liquidity (iii) maintain a liquidity profile that allows a stress test survival period of either 30 days (combined) or 90 days (market) to be met by LAB and available liquid assets. (iv) maintain an appropriate trigger above ILG minimum to ensure sufficient time for management actions.

#### **10.8 Net Stable Funding Ratio**

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



### Table 22: Net Stable Funding Ratio (LIQ2)

At 31 De	c 2022	Unweigh	ted value by res	idual maturity (a	verage)	Weighted
£m		No maturity	< 6 months	6 months to < 1yr	≥ 1yr	value (average)
Available	e stable funding (ASF) Items	ì				
1	Capital items and	-	-	-	-	-
	instruments					
2	Own funds	-	-	-	2,442	2,442
3	Other capital instruments	-	-	-	-	-
4	Retail deposits	-	-	-	-	-
5	Stable deposits	-	-	-	-	-
6	Less stable deposits	-	-	-	-	-
7	Wholesale funding:	-	-	-	-	-
8	Operational deposits	-	-	-	-	-
9	Other wholesale funding	-	22,600	755	6,867	8,373
10	Interdependent liabilities		-	-	-	-
11	Other liabilities:	-	-	-	-	-
12	NSFR derivative liabilities	2,307				
13	All other liabilities and		9,372	391	1,527	1,723
	capital instruments not					
	included in the above					
	categories	L				40.500
14	Total available stable					12,538
	funding (ASF)					
Require	d stable funding (RSF) Items					
15	Total high-quality liquid					534
	assets (HQLA)					
UK-15a	Assets encumbered for	Γ	-	-	-	-
	more than 12m in cover					
	pool					
16	Deposits held at other	Ē	-	-	-	-
	financial institutions for					
	operational purposes					
17	Performing loans and	-	-	-	-	-
	securities:					
18	Performing securities	-	17,744	210	144	353
	financing transactions					
	with financial customers					
	collateralised by Level 1					
	HQLA subject to 0%					
	haircut	-				
19	Performing securities		12,814	352	1,356	2,313
	financing transactions					
	with financial customer					
	collateralised by other					
	assets and loans and					
	advances to financial					
20	institutions		500		40	
20	Performing loans to non-		526	21	18	111
	financial corporate					
	clients, loans to retail and small business					
	customers, and loans to					

45



77	Ratio (%)					
34	Net Stable Funding					
33	Total RSF					
32	Off-balance sheet items		492	-	-	
	categories					
	included in the above					
31	All other assets not		-	-	512	
	variation margin posted					
	before deduction of				0,000	
30	NSFR derivative liabilities				5,683	
29	NSFR derivative assets				-	
	funds of CCPs					
	contracts and contributions to default					
	margin for derivative					
20	Assets posted as initial				2,797	
28	commodities				0 707	
27	Physical traded				-	
26	Other assets:	-	-	-	-	
25	Interdependent assets		-	-	-	
25	balance sheet products					
	and trade finance on-					
	exchange-traded equities					
	as HQLA, including					
	default and do not qualify					
	securities that are not in					
24	Other loans and		269	110	4,473	
0.4	for credit risk				=-	
	Standardised Approach					
	under the Basel II					
	than or equal to 35%					
23	With a risk weight of less		-	-	-	
	mortgages, of which:					
22	Performing residential		-	-	-	
	for credit risk					
	Standardised Approach					
	under the Basel II					
	than or equal to 35%					
21	With a risk weight of less		362	-	-	
	which:					
	which					

#### **10.9 Asset Encumbrance**

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

The Group monitors the mix of secured and unsecured funding sources and seeks to efficiently utilise collateral to raise secured funding and meet other collateralised obligations. Disclosures on the asset encumbrance are shown in the tables below.



#### Importance of Encumbrance

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

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

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

At 31 December 2022		Encumber	ed assets	Unencumbe	ered assets
Asset	s	Carrying amount	Fair value	Carrying amount	Fair value
		010	040	060	0
		£m	£m	£m	£
010	Assets of the reporting institution	10,480		62,926	
030	Equity instruments	819		3,916	
040	Debt securities	3,460	3,460	1,251	1,2
050	of which: covered bonds	-	-	-	
060	of which: securitisations	-	-	-	
070	of which: issued by general governments	2,569	2,569	945	9.
080	of which: issued by financial corporations	656	656	183	1
090	of which: issued by non- financial corporations	263	263	123	1:
120	Other assets	5,537		57,784	

#### Table 23: Encumbered and Unencumbered Assets (AE1)



090 £m

1,251

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

At 31	December 2022	Fair value of	Unencumbered
		encumbered collateral	Fair value of collateral
		received or own debt	received or own debt
		securities issued	securities issued available
			for encumbrance
		010	040
		£m	£m
130	Collateral received by the reporting institution	49,084	5,828
140	Loans on demand	-	-
150	Equity instruments	6,205	226
160	Debt securities	42,868	5,602
170	of which: covered bonds	-	-
180	of which: securitisations	502	951
190	of which: issued by general governments	38,282	3,892
200	of which: issued by financial corporations	3,248	679
210	of which: issued by non-financial corporations	879	145
220	Loans and advances other than loans on demand	-	-
230	Other collateral received	-	-
240	Own debt securities issued other than own covered	-	-
	bonds or securitisations		
241	Own covered bonds and asset-backed securities		-
	issued and not yet pledged		
250	Total assets, collateral received and own debt	58,358	
	securities issued		

#### Table 25: Sources of Encumbrance (AE3)

At 31 December 2022		Matching liabilities, contingent liabilities or securities lent	Assets, collateral received and own debt securities issued other than covered bonds and securitisations encumbered
		£m	£m
		010	030
010 C	Carrying amount of selected financial liabilities	52,520	37,753

#### **10.10 Regulation**

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



## 11. Leverage ratio

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

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

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

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

Disclosures on the leverage ratio are presented below.

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

		31 Dec 2022 £m
1	Total assets as per published financial statements	71,812
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of prudential consolidation	-
3	(Adjustment for securitised exposures that meet the operational requirements for the recognition of risk transference)	-
4	(Adjustment for exemption of exposures to central banks)	(3,587)
5	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the total exposure measure in accordance with point (i) of Article 429a(1) of the CRR)	-
6	Adjustment for regular-way purchases and sales of financial assets subject to trade date accounting	-
7	Adjustment for eligible cash pooling transactions	-
8	Adjustment for derivative financial instruments	(19,386)
9	Adjustment for securities financing transactions (SFTs)	1,815
10	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	278
11	(Adjustment for prudent valuation adjustments and specific and general provisions which have reduced tier 1 capital (leverage))	(221)
UK-11a	(Adjustment for exposures excluded from the total exposure measure in accordance with point (c) of Article 429a(1) of the CRR)	-



		31 Dec 2022 £m
UK-11b	(Adjustment for exposures excluded from the total exposure measure in accordance with point (j) of Article 429a(1) of the CRR)	-
12	Other adjustments	(34)
13	Total exposure measure	50,677

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

		31 Dec 2022
		£m
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs, but including collateral)	13,107
2	Gross-up for derivatives collateral provided, where deducted from the balance sheet assets	
	pursuant to the applicable accounting framework	4,825
3	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	(4,442)
4	(Adjustment for securities received under securities financing transactions that are recognised as an asset)	-
5	(General credit risk adjustments to on-balance sheet items)	-
6	(Asset amounts deducted in determining Tier 1 capital (leverage))	(222)
7	Total on-balance sheet exposures (excluding derivatives and SFTs)	13,268
	Derivative exposures	
8	Replacement cost associated with SA-CCR derivatives transactions (i.e. net of eligible cash variation margin)	360
UK-8a	Derogation for derivatives: replacement costs contribution under the simplified standardised approach	-
9	Add-on amounts for potential future exposure associated with SA-CCR derivatives transactions	4,111
UK-9a	Derogation for derivatives: potential future exposure contribution under the simplified standardised approach	-
UK-9b	Exposure determined under the original exposure method	-
10	(Exempted CCP leg of client-cleared trade exposures) (SA-CCR)	-
UK-10a	(Exempted CCP leg of client-cleared trade exposures) (simplified standardised approach)	-
UK-10b	(Exempted CCP leg of client-cleared trade exposures) (original exposure method)	-
11	Adjusted effective notional amount of written credit derivatives	23,670
12	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	(23,078)
13	Total derivative exposures	5,063
	Securities financing transaction (SFT) exposures	
14	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	33,847
15	(Netted amounts of cash payables and cash receivables of gross SFT assets)	(7)
16	Counterparty credit risk exposure for SFT assets	1,815
UK-16a	Derogation for SFTs: counterparty credit risk exposure in accordance with Articles 429e(5) and 222 of the CRR	-
17	Agent transaction exposures	-
UK-17a	(Exempted CCP leg of client-cleared SFT exposures)	-
18	Total securities financing transaction exposures	35,655
	Other off-balance sheet exposures	
19	Off-balance sheet exposures at gross notional amount	694
20	(Adjustments for conversion to credit equivalent amounts)	(416)
21	(General provisions deducted in determining tier 1 capital (leverage) and specific provisions	. ,
	associated with off-balance sheet exposures)	-
22	Other off-balance sheet exposures	278
	Excluded exposures	

50

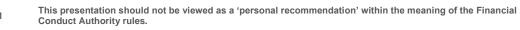


		31 Dec 2022
		£m
UK-22a	(Exposures excluded from the total exposure measure in accordance with point (c) of Article	
	429a(1) of the CRR)	-
UK-22b	(Exposures exempted in accordance with point (j) of Article 429a(1) of the CRR (on- and off-	
	balance sheet))	-
UK-22g	(Excluded excess collateral deposited at triparty agents)	-
UK-22k	(Total exempted exposures)	-
	Capital and total exposure measure	
23	Tier 1 capital (leverage)	1,946
24	Total exposure measure including claims on central banks	54,264
UK-24a	(-) Claims on central banks excluded	(3,587)
UK-24b	Total exposure measure excluding claims on central banks	50,677
	Leverage ratio	
25	Leverage ratio excluding claims on central banks (%)	3.84
UK-25a	Fully loaded ECL accounting model leverage ratio excluding claims on central banks (%)	3.84
UK-25b	Leverage ratio excluding central bank reserves as if the temporary treatment of unrealised	
	gains and losses measured at fair value through other comprehensive income had not been	
	applied (%)	3.84
UK-25c	Leverage ratio including claims on central banks (%)	3.59
26	Regulatory minimum leverage ratio requirement (%)	3.25
	Additional leverage ratio disclosure requirements - leverage ratio buffers	
27	Leverage ratio buffer (%)	0.07
UK27-a	Of which: G-SII or O-SII additional leverage ratio buffer (%)	-
UK27-b	Of which: countercyclical leverage ratio buffer (%)	0.07
	Additional leverage ratio disclosure requirements - disclosure of mean values	
28	Mean of daily values of gross SFT assets, after adjustment for sale accounting transactions	
	and netted of amounts of associated cash payables and cash receivable	-
29	Quarter-end value of gross SFT assets, after adjustment for sale accounting transactions and	
	netted of amounts of associated cash payables and cash receivables	-
UK-31	Average total exposure measure including claims on central banks	-
UK-32	Average total exposure measure excluding claims on central banks	-
UK-33	Average leverage ratio including claims on central banks	-
UK-34	Average leverage ratio excluding claims on central banks	-

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

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

Leverag	e Ratio Exposures	31 Dec 2022	31 Dec 2021
		£m	£m
UK-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted		
	exposures), of which:	13,106	16,576
UK-2	Trading book exposures	6,364	9,836
UK-3	Banking book exposures, of which:	6,742	6,740
UK-4	Covered bonds	-	-
UK-5	Exposures treated as sovereigns	4,927	5,461
UK-6	Exposures to regional governments, MDB, international organisations and		
	PSE not treated as sovereigns	82	58
UK-7	Institutions	823	898
UK-8	Secured by mortgages of immovable properties	-	-
UK-9	Retail exposures	-	-
UK-10	Corporate	633	202





Leverag	e Ratio Exposures	31 Dec 2022 £m	31 Dec 2021 £m
UK-11	Exposures in default	-	-
UK-12	Other exposures (e.g. equity, securitisations, and other non-credit		
	obligation assets)	277	121



## 12. Other Financial Risks

#### **12.1 Strategic Risk**

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

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

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

#### 12.2 Interest Rate Risk in the Banking Book

The Group's interest rate risk in the banking book ("IRRBB") remains small. The Group calculates VaR internally on these positions on a daily basis as part of its monitoring process. In addition, the Group periodically carries out stress testing which includes these positions. IRRBB is considered a sub-risk of market risk and the risk appetite, management, monitoring and roles and responsibilities relating to it are consistent with other market risks disclosed in section 9.

#### **AEVE** ΛNI (£m) Tier 1 capital Period 31 Dec 2022 31 Dec 2021 31 Dec 2022 31 Dec 2021 31 Dec 2022 31 Dec 2021 010 Parallel shock up 4.3 6.8 020 Parallel shock down (6.3)2.6 030 6.6 Steepener shock 4.1 040 Flattener shock (1.9)(4.4)050 Short rates shock up 1.2 (1.9) 060 Short rates shock (0.3)4.8 down 070 Maximum (6.3) (4.4)080 **Tier 1 capital** 1,946

#### Table 29: Quantitative Information on IRRBB (IRRBB1)



1,980

#### 12.3 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.

#### 12.4 Model Risk

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

The Group manages model risk by having a segregation of duties between model development and validation of the model. There are governance sub-committees and working groups that oversee the models used by the Group. In the case of risk models, the Model Oversight Committee ("MOC"), which reports to the ERMC, is responsible for reviewing the output of ongoing validation and for model performance. The TPVC oversees the use of pricing models. The independent validation of risk models is performed by the Model Risk Management function which is part of the Group's Enterprise Risk Management department and has membership on the MOC and the TPVC.



## 13. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

The Group manages and controls its exposure to operational risk through its policies and procedures, which are designed to ensure that it:

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

The Group employs The Standardised Approach ("TSA") for calculating its Pillar 1 operational risk capital requirement. The Group is committed to adopting leading industry practices for managing and measuring operational risk, and has also developed a primarily scenario based capital model to determine whether it should hold any additional capital for operational risk as part of Pillar 2.

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

	31 Dec 2022 (£m)	Re	levant indicat	Own funds requirements	Risk weighted	
	Banking activities (£m)	Year-3	Year-2	Last year		exposure amount
1	Banking activities subject to basic indicator approach (BIA)	-	-	-	-	-
2	Banking activities subject to standardised (TSA) / alternative standardised (ASA) approaches	370	472	159	60	750
3	Subject to TSA:	370	472	159		
4	Subject to ASA:	-	-	-		
5	Banking activities subject to advanced measurement approaches AMA	-	-	-	-	-

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

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



#### **13.1 Operational Risk Management Framework**

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

#### Governance:

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

#### **Risk Identification:**

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

#### **Risk Assessment:**

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

#### **Risk Remediation:**

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

#### **Risk Review and Reporting:**

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

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



#### 13.2 Fraud Risk

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

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

#### 13.3 Technology Risk

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

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

#### 13.4 Cyber Risk

The Technology Cyber team within the first line has responsibility for the protection of the Group's environment against external threat and security of the Group's data. Areas of focus include threats related to: network security; malware and firewall threats; access management; security patching; user awareness training; monitoring and reporting service and security events. It also delivers testing and mitigation activities to identify any potential security vulnerabilities in the infrastructure platforms and business applications. The Group has an ongoing programme of work that continually invests in improving controls to manage the cyber threat/risk.

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



#### 13.5 Third Party Risk Management

The Group has a control framework for Outsourcing Oversight and Third Party Risk Management ("TPRM"). First line responsibility and accountability for TPRM resides with all staff, with ORM providing second line oversight and challenge. The Group is enhancing this framework to meet enhanced internal and external requirements and will be implemented throughout 2023, thus giving enhanced control with ORM involved in working and project groups.

All critical outsourcing, cloud and third party contracts have been reviewed and an operating model for TPRM has been implemented, including an outsourcing register. The key components of the framework under enhancement include a risk appetite statement, roles and responsibilities for the execution of the underlying risk management activities across the lifecycle, and operationalising an Outsourcing Oversight Committee.



## 14. Other Non-Financial Risks

#### 14.1 Reputational Risk

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

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

#### 14.2 Compliance Risk

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

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

#### 14.3 Conduct Risk

Conduct risk is the risk that the actions of the Group have a negative impact on customers, competition in the marketplace or market integrity and reputation. This risk can crystallise for many reasons, including compliance failures, conflicts of interest, poor culture and individual behaviour. It may negatively impact the Group's reputation leading to loss of business and/or regulatory or criminal sanctions. Accountability for conduct rests with functional units across the Group which own their respective conduct risks.

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

#### 14.4 Legal Risk

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

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

- Identification of the main legal and regulatory risk issues affecting the business, recommending how these will be managed and, where appropriate, elevating residual risks to the relevant front office department, risk management department or the Board and its sub-committees.
- 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.



## 15. Challenges and Uncertainties

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

#### **Global Events: Ukraine Conflict and Coronavirus**

Recent global events such as the Ukraine conflict and the ongoing outbreak of the 2019 Novel Coronavirus ('COVID-19'), have significantly and adversely affected global economic activities and financial markets worldwide. This has directly contributed to volatility and uncertainty in global capital markets within which the Group is active. The full extent of these adverse consequences and the related impact on the financial performance of the Group is currently uncertain. The results as at December 2022 include estimates of the potential impact on asset valuations as part of our standard approach to valuing traded positions. Capital and liquidity metrics have remained above regulatory required minimums throughout this period of heighted volatility and the Group has maintained the coupon distribution on AT1 capital instruments noting fiduciary duties for adequate capital maintenance and solvency testing.

The ongoing Ukraine conflict in Eastern Europe is being monitored and assessed by management. Exposure analysis as at December 2022 confirms the Group 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.

Management continue to monitor regional and global market updates regards COVID-19, including remaining in contact with MUFG Group management and our regulators as appropriate. The Group has experienced limited business disruption, if any, to date and will react accordingly should this situation evolve. Remote working, coupled with effective and ongoing maintenance of risk management processes and internal controls has supported our ability to continue servicing clients.

#### **Interbank Offered Rates Transition**

The London Interbank Offered Rate ('LIBOR'), with the exception of certain USD LIBOR tenors, was phased out of use during 2021. Transition efforts are continuing in to 2023 until the transition of USD tenors which will continue to be published in to June 2023. Financial services firms including MUFG have transitioned demising interbank offered rates ('IBOR') business to suitable alternative rates for all impacted clients. This transition followed extensive working with industry groups, engagement with our clients, amendment of legal agreements and the development of infrastructure. These efforts supported the transition which was completed within regulatory expectation and industry-wide timeframes for transition. Where relevant, MUFG adhered to the ISDA protocol during the escrow process which was important regards ensuring contractual certainty. The Group remains fully engaged with central clearers and was active in the, successful, industry-wide fallback event at the London Clearing House in January 2022.

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



#### United Kingdom Exit from the European Union

Management has been, and continues to, actively consider the impact of Brexit on the business and will manage this accordingly. Management is not aware of any specific issues faced by the Company that are not faced by the rest of the financial services sector within the United Kingdom as a whole, and is maintaining communication with market peers and regulators in this regard. MUS(EU) is central to our strategy of continuing to service European Economic Area domiciled clients.

#### **Exposure to Japanese Markets**

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



## 16. Valuation and Accounting Policies

The financial statements of the Group entities are prepared in accordance with 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.

## 17. Past Due, Non-Performing and Forborne Exposures

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

#### Table 31: Maturity of Exposures (CR1-A)

	Net exposure value												
	£m	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	Total						
1	Loans and advances	-	33,587	1,214	91	4,429	39,321						
2	Debt securities	-	394	1,781	856	36	3,066						
3	Total	-	33,981	2,995	947	4,465	42,387						



31 Do (£m)	ec 2022	Gross carrying a	mount/nominal a	mount					s in fair va		accumulat o credit ris		ve	Accumulated partial write- off	Collateral and guarantees rec	
		Performing expo	sures		Non-per exposur				ing expos Ilated imp visions		changes	res – lated neg s in fair va predit risk	lue		Performing exposures – accumulated impairment and provisions	On non- performing exposures
			Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3		Of which stage 1	Of which stage 2		Of which stage 2	Of which stage 3			
005	Cash balances at central banks and other demand deposits	4,065	4,065	-	-	-	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	39,321	39,321	-	-	-	-	-	-	-	-	-	-	-	-	-
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	5	5	-	-	-	-	-	-	-	-	-	-	-	-	-



	I				1			1	1	1	1	1				1
040	Credit institutions	15,451	15,451	-	-	-	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	22,708	22,708	-	-	-	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	1,157	1,157	-	-	-	-	-	-	-	-	-	-	-	-	-
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	3,066	3,066	-	-	-	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	2,100	2,100	-	-	-	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	444	444	-	-	-	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	302	302	-	-	-	-	-	-	-	-	-	-	-	-	-
140	Non-financial corporations	220	220	-	-	-	-	-	-	-	-	-	-	-	-	-
150	Off-balance- sheet exposures	694	694	-	-	-	-	-	-	-	-	-	-	-	-	-



160	Central banks	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
170	General governments	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
180	Credit institutions	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
190	Other financial corporations	694	694	-	-	-	-	-	-	-	-	-	-	-	-	-
200	Non-financial corporations	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
210	Households	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
220	Total	47,146	47,146	-	-	-	-	-	-	-	-	-	-	-	-	-



31 De	ec 2022					Gross carry	ying amount/	nominal amo	ount				
(£m)		Perfor	ming exposur	es				Non-pe	rforming exp	osures			
			Not past due or past due ≤ 30 days	Past due > 30 days ≤ 90 days		Unlikely to pay that are not past due or are past due ≤ 90 days	Past due > 90 days ≤ 180 days	Past due > 180 days ≤ 1 year	Past due > 1 year ≤ 2 years	Past due > 2 years ≤ 5 years	Past due > 5 years ≤ 7 years	Past due > 7 years	Of which defaulted
005	Cash balances at central banks and other demand deposits	4,065	4,065	-	-	-	-	-	-	-	-	-	-
010	Loans and advances	39,321	39,321	-	-	-	-	-	-	-	-	-	-
020	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
030	General governments	5	5	-	-	-	-	-	-	-	-	-	-
040	Credit institutions	15,451	15,451	-	-	-	-	-	-	-	-	-	-
050	Other financial corporations	22,708	22,708	-	-	-	-	-	-	-	-	-	-
060	Non-financial corporations	1,157	1,157	-	-	-	-	-	-	-	-	-	-
070	Of which SMEs	-	-	-	-	-	-	-	-	-	-	-	-
080	Households	-	-	-	-	-	-	-	-	-	-	-	-
090	Debt securities	3,066	3,066	-	-	-	-	-	-	-	-	-	-
100	Central banks	-	-	-	-	-	-	-	-	-	-	-	-
110	General governments	2,101	2,101	-	-	-	-	-	-	-	-	-	-
120	Credit institutions	444	444	-	-	-	-	-	-	-	-	-	-
130	Other financial corporations	302	302	-	-	-	-	-	-	-	-	-	-

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



210 <b>220</b>	Households Total	- 47,146	46,452		-		T	T	-	l	T	T	-
	corporations												
200	Non-financial	-			-								-
	corporations												
190	Other financial	694			-								-
180	Credit institutions	-			-								-
	governments												
170	General	-			-								-
160	Central banks	-			-								-
	sheet exposures												
150	Off-balance-	694			-								-
	corporations												
140	Non-financial	220	220	-	-	-	-	-	-	-	-	-	-



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

31 De	c 2022	Gross carrying amount				Accumulated	Accumulated
(£m)			Of which non-perforn	ning	Of which loans	impairment	negative changes
				Of which	and advances		in fair value due
				defaulted	subject to		to credit risk on
					impairment		non-performing
							exposures
010	Agriculture, forestry and fishing	-	-	-	-	-	-
020	Mining and quarrying	-	-	-	-	-	-
030	Manufacturing	-	-	-	-	-	-
040	Electricity, gas, steam and air	997	-	-	-	-	-
	conditioning supply						
050	Water supply	-	-	-	-	-	-
060	Construction	-	-	-	-	-	-
070	Wholesale and retail trade	-	-	-	-	-	-
080	Transport and storage	7	-	-	-	-	-
090	Accommodation and food service	-	-	-	-	-	-
	activities						
100	Information and communication	153	-	-	-	-	-
110	Financial and insurance activities	-	-	-	-	-	-
120	Real estate activities	-	-	-	-	-	-
130	Professional, scientific and technical	-	-	-	-	-	-
	activities						
140	Administrative and support service	-	-	-	-	-	-
	activities						
150	Public administration and defence,	-	-	-	-	-	-
	compulsory social security						
160	Education	-	-	-	-	-	-
170	Human health services and social	-	-	-	-	-	-
	work activities						
180	Arts, entertainment and recreation	-	-	-	-	-	-
190	Other services	-	-	-	-	-	-
200	Total	1,157	-	-	-	-	-



31 Dec 2022 (£m)		Loans and advances												
			Performing		Non-performing									
						Unlikely	Past due > 90 days							
				Of which past due > 30 days ≤ 90 days		to pay that are not past due or are past due ≤ 90 days		Of which past due > 90 days ≤ 180 days	Of which: past due > 180 days ≤ 1 year	Of which: past due > 1 years ≤ 2 years	Of which: past due > 2 years ≤ 5 years	Of which: past due > 5 years ≤ 7 years	Of which: past due > 7 years	
010	Gross carrying amount	39,321	39,321	-	-	-	-	-	-	-	-	-	-	
020	Of which secured	34,779	34,779	-	-	-	-	-	-	-	-	-	-	
030	Of which secured with immovable property	-	-	-	-	-	-	-	-	-	-	-	-	
040	Of which instruments with LTV higher than 60% and lower or equal to 80%	-		-	-	-								
050	Of which instruments with LTV higher than 80% and lower or equal to 100%	-		-	-	-								
060	Of which instruments with	-		-	-	-								

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



	LTV higher than 100%												
070	Accumulated impairment for secured assets	-	-	-	-	-	-	-	-	-	-	-	-
080	Collateral												
090	Of which value capped at the value of exposure	33,324	33,324	-	-	-	-	-	-	-	-	-	-
100	Of which immovable property	-	-	-	-	-	-	-	-	-	-	-	-
110	Of which value above the cap	4,000	4,000	-	-	-	-	-	-	-	-	-	-
120	Of which immovable property	-	-	-	-	-	-	-	-	-	-	-	-
130	Financial guarantees received	-	-	-	-	-	-	-	-	-	-	-	-
140	Accumulated partial write-off	-	-	-	-	-	-	-	-	-	-	-	-



## 18. Disclosures Made Available in the Financial Statements

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

### 19. Immaterial Disclosure Points

The following is a list of disclosure requirements that 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").
- The following tables have not been included in the disclosures as the Group has no non-performing exposures:
  - Changes in the Stock of Non-Performing Loans and Advances (CR2)
  - Quality of Non-Performing Exposures by Geography (CQ4)
- Non-trading book exposures in equities, because there is no equity exposure in the non-trading book other than the equity held in MUS(EU).

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

## 20. List of Abbreviations



	Glossary
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
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
IRRBB	Interest Rate Risk in the Banking Book
KRI	Key Risk Indicator
LAB	Liquid Asset Buffer
LAB	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.
NGFS	Network for Greening the Financial System
NSFR	Net Stable Funding Ratio
ORM	Operational Risk Management
ORMF	Operational Risk Management Framework
OTC	Over the Counter (derivatives)
PRA	Prudential Regulation Authority
PVA	Prudent Valuation Adjustment
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
SME	Subject Matter Expert
SVaR	Stressed Value at Risk
T2	Tier 2 Capital
TPRM	Third Party Risk Management
TPVC	Traded Products Valuation Committee
	The Standardised Approach, used for calculating Operational Risk Capital.
TSA	The Standardised Approach, used for calculating Operational Nisk Capital.



## 21. Appendix

#### 21.1 Own Funds Disclosure

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

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



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



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



#### Table 37: Composition of Regulatory Own Funds (CC1)

		31 Dec 2022 £m	Ref
Common	Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	1,383	А
	of which: Instrument type 1	-	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	333	В
3	Accumulated other comprehensive income (and any other reserves)	(13)	
UK 3a	Funds for general banking risk	(10)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share		
-	premium accounts subject to phase out from CET1	_	
5	Minority interests (amount allowed in consolidated CET1)		
5 5a	Independently reviewed interim profits net of any foreseeable charge or dividend		
5a 6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	- 1 703	
0	Common Equity Tier T (CETT) capital before regulatory adjustments	1,703	
Common	Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(83)	
8	Intangible assets (net of related tax liability) (negative amount)	(123)	D
9	Empty set in the UK		
10	Deferred tax assets that rely on future profitability excluding those arising from	-	
	temporary difference (net of related tax liability where the conditions in Article 38 (3)		
	are met) (negative amount)		
11	Fair value reserves related to gains or losses on cash flow hedges of financial	-	
	instruments that are not valued at fair value		
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit	-	
	standing		
15	Defined-benefit pension fund assets (negative amount)	(15)	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments	-	
	(negative amount)		
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector	-	
	entities where those entities have reciprocal cross holdings with the institution		
	designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector	-	
	entities where the institution does not have a significant investment in those entities		
	(amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector	-	
	entities where the institution has a significant investment in those entities (amount		
	above 10% threshold and net of eligible short positions) (negative amount)		
20	Empty set in the UK	-	
JK-20a	Exposure amount of the following items which qualify for a RW of 1250%, where the	-	
	institution opts for the deduction alternative		
JK-20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
JK-20c	of which: securitisation positions (negative amount)	-	
JK-20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold,	-	
-	net of related tax liability where the conditions in Article 38 (3) are met) (negative		
	amount)		
22	Amount exceeding the 17.65% threshold (negative amount)		
23	of which: direct, indirect and synthetic holdings by the institution of the CET1		
20	instruments of financial sector entities where the institution has a significant	_	
	investment in those entities		



		31 Dec 2022	Ref
		£m	
24	Empty set in the UK	-	
25	of which: deferred tax assets arising from temporary difference	-	
UK-25a	Losses for the current financial year (negative amount)	-	
UK-25b	Foreseeable tax charges relating to CET1 items except where the institution suitably	-	
	adjusts the amount of CET1 items insofar as such tax charges reduce the amount up		
	to which those items may be used to cover risks or losses (negative amount)		
26	Empty set in the UK	-	
27	Qualifying AT1 deductions that exceeds the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)	-	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(221)	
29	Common Equity Tier 1 (CET1) capital	1,482	
		1,102	
Additiona	al Tier 1 (AT1) capital: instruments		
30	Capital instruments and the related share premium accounts	464	А
31	of which: classified as equity under applicable accounting standards	464	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share	-	
	premium accounts subject to phase out from AT1 as described in Article 486(3) CRR		
UK-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out	-	
	from AT1		
UK-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1		
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority	-	
-	interest not included in row 5) issued by subsidiaries and held by third parties		
35	of which: instruments issued by subsidiaries subject to phase-out		
<u>36</u>	Additional Tier 1 (AT1) capital before regulatory adjustments	464	
50			
Additiona	al Tier 1 (AT1) capital: regulatory adjustments		
37			
•.	Direct, indirect and synthetic holdings by an institution of own AT1 instruments	-	
0.	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
		-	
	(negative amount)	-	
	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution	-	
38	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
38	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector	-	
38	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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	-	
38 39	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> </ul>	-	
38 39	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector</li> </ul>	-	
38 39	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount	-	
38 39 40	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>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 above 10% threshold and net of eligible short positions) (negative amount above 10% threshold and net of eligible short positions) (negative amount)</li> </ul>	-	
38 39 40 41	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>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)</li> <li>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)</li> <li>Empty set in the UK</li> </ul>	-	
38 39 40 41 42	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>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)</li> <li>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)</li> <li>Empty set in the UK</li> <li>Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)</li> </ul>	-	
38 39 40 41 42 42 42a	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) 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) Empty set in the UK Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) Other regulatory adjustments to AT1 capital	- - - - - - - -	
38 39 40 41 42 42a 42a 43	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>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)</li> <li>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)</li> <li>Empty set in the UK</li> <li>Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)</li> <li>Other regulatory adjustments to AT1 capital</li> </ul>	- - - - - -	
38 39 40 41 42 42 42a 43 44	(negative amount)Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)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)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)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)Empty set in the UKQualifying T2 deductions that exceed the T2 items of the institution (negative amount)Other regulatory adjustments to AT1 capitalAdditional Tier 1 (AT1) capital	- - - - - - 464	
38 39 40 41 42 42 42a 43 44	<ul> <li>(negative amount)</li> <li>Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)</li> <li>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)</li> <li>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)</li> <li>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)</li> <li>Empty set in the UK</li> <li>Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)</li> <li>Other regulatory adjustments to AT1 capital</li> </ul>	- - - - - -	
38 39 40 41 42 42a 42a 43 44 45	(negative amount)Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)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)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)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)Empty set in the UKQualifying T2 deductions that exceed the T2 items of the institution (negative amount)Other regulatory adjustments to AT1 capitalAdditional Tier 1 (AT1) capital	- - - - - - 464	
38 39 40 41 42 42a 42a 43 44 45	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) 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) Empty set in the UK Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) Other regulatory adjustments to AT1 capital Total regulatory adjustments to Additional Tier 1 (AT1) capital Additional Tier 1 (AT1) capital Tier 1 capital (T1 = CET1 + AT1)	- - - - - - 464	
38 39 40 41 42 42a 43 44 43 44 45 Tier 2 (T2 46	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) 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) 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) Empty set in the UK Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) Other regulatory adjustments to AT1 capital Total regulatory adjustments to Additional Tier 1 (AT1) capital Additional Tier 1 (AT1) capital Tier 1 capital (T1 = CET1 + AT1) Capital: instruments and the related share premium accounts	- - - - - - 464 1,946	
38 39 40 41 42 42a 43 44 45 Tier 2 (T2	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) 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) 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) Empty set in the UK Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) Other regulatory adjustments to AT1 capital Total regulatory adjustments to Additional Tier 1 (AT1) capital Additional Tier 1 (AT1) capital Tier 1 capital (T1 = CET1 + AT1) Capital: instruments Capital instruments and the related share premium accounts Amount of qualifying items referred to in Article 484 (5) CRR and the related share	- - - - - - 464 1,946	
38 39 40 41 42 42a 43 44 43 44 45 Tier 2 (T2 46	(negative amount) Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount) 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) 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) 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) Empty set in the UK Qualifying T2 deductions that exceed the T2 items of the institution (negative amount) Other regulatory adjustments to AT1 capital Total regulatory adjustments to Additional Tier 1 (AT1) capital Additional Tier 1 (AT1) capital Tier 1 capital (T1 = CET1 + AT1) Capital: instruments Capital instruments and the related share premium accounts	- - - - - - 464 1,946	



		31 Dec 2022 £m	Re
JK-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2		
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by	-	
	subsidiaries and held by third parties		
49	of which: instruments issued by subsidiaries subject to phase-out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustments	277	
Tier 2 (T2	) capital: regulatory adjustments		
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and	-	
	subordinated loans (negative amount)		
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans	-	
	of financial sector entities where those entities have reciprocal cross holdings with		
	the institution designed to inflate artificially the own funds of the institution (negative		
	amount)		
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans	-	
- •	of financial sector entities where the institution does not have a significant investment		
	in those entities (amount above 10 % threshold and net of eligible short positions)		
	(negative amount)		
540			
54a	Empty set in the UK	-	
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans	-	
	of financial sector entities where the institution has a significant investment in those		
	entities (net of eligible short positions) (negative amounts)		
56	Empty set in the UK	-	
UK-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the	-	
	institution (negative amount)		
UK-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	277	
59	Total capital (TC = T1 + T2)	2,223	
60	Total Risk exposure amount	9,644	
0		ł	
Capital ra	tios and buffers Common Equity Tier 1 (as a percentage of total risk exposure amount)	15.4%	
62	Tier 1 (as a percentage of total risk exposure amount)	20.2%	
63	Total capital (as a percentage of total risk exposure amount)	23.0%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with	7.2%	
	Article 92 (1) CRR, plus additional CET1 requirement which the institution is required		
	to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer		
	requirement in accordance with Article 128(6) CRD) expressed as a percentage of		
	risk exposure amount)		
65	of which: capital conservation buffer requirement	2.500%	
66	of which: countercyclical buffer requirement	0.188%	
67	of which: systemic risk buffer requirement	n/a	
UK-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically	n/a	
	Important Institution (O-SII) buffer		
~~	Common Equity Tier 1 available to meet buffers (as a percentage of risk	10.9%	
68	exposure amount)		
68		n/a	
	[non-relevant in LIK]		
<b>68</b> 69 70	[non-relevant in UK]		
	[non-relevant in UK] [non-relevant in UK] [non-relevant in UK]	n/a n/a	

80



		31 Dec 2022 £m	Ref
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector	52	
	entities where the institution does not have a significant investment in those entities		
	(amount below 10% threshold and net of eligible short positions)		
73	Direct and indirect holdings by the institution of the CET1 instruments of financial	-	
	sector entities where the institution has a significant investment in those entities		
	(amount below 17.65% thresholds and net of eligible short positions)		
74	Empty set in the UK		
75	Deferred tax assets arising from temporary difference (amount below 17.65%	6	
	threshold, net of related tax liability where the conditions in Article 38 (3) CRR are		
	met)		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised	-	
	approach (prior to the application of the cap)		
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal	-	
	ratings-based approach (prior to the application of the cap)		
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based	-	
	approach		
	l instruments subject to phase-out arrangements (only applicable between 1 Jan 201	14 and 1 Jan 202	2)
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and	-	
	maturities)		
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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



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

		Balance sheet as in	Under regulatory scope	Re
		published financial	of consolidation	
		statements <sup>1</sup>		
		31 Dec 2022	31 Dec 2022	
		£m	£m	
٨٥	sets - Breakdown by asset class according to the bala	anaa chaat in tha nublichad	financial statements	
<b>дэ</b> з 1	Cash and balances at central banks	3,963	3,963	
2	Securities at FVTOCI	1,399	1,399	
3	Trading portfolio financial assets	6,227	6,227	
4	Derivative financial assets	20,373	20,373	
5	Reverse repurchase agreements	27,643	27,643	
6	Other financing at fair value	1,053	1,053	
7	Cash collateral on securities borrowed	5,702	5,702	
8	Cash collateral paid to derivative counterparties	4,578	4,578	
9	Deferred tax asset	8	8	
10	Intangible assets	120	120	D
11	Right-of-use assets	24	24	
12	Property, plant and equipment	10	10	
	Investment in subsidiary <sup>2</sup>	203	203	
13		203	203	
13 14	-			
13 14	Other assets Total Assets	219 71,522	203 219 <b>71,522</b>	
14 Lia	Other assets	219 <b>71,522</b>	219 <b>71,522</b>	
14 Lia	Other assets Total Assets pilities - Breakdown by liability class according to the	219 71,522 e balance sheet in the publi	219 71,522 shed financial statements	
14 <b>Lia</b> 1	Other assets Total Assets bilities - Breakdown by liability class according to the Deposits by banks	219 71,522 e balance sheet in the publi	219 71,522 shed financial statements	
14 Lia 1 2	Other assets Total Assets Dilities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities	219 71,522 e balance sheet in the publi 1 6,970	219 71,522 shed financial statements 1 6,970	
14 Lia 1 2 3	Other assets Total Assets bilities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities	219 71,522 balance sheet in the publi 1 6,970 22,050	219 71,522 shed financial statements 1 6,970 22,050	
14 Lia 1 2 3 4	Other assets Total Assets bilities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements	219 71,522 balance sheet in the publi 1 6,970 22,050 23,482	219 71,522 shed financial statements 1 6,970 22,050 23,482	
14 Lia 1 2 3 4 5	Other assets Total Assets bilities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66	219 71,522 shed financial statements 1 6,970 22,050 23,482 66	
14 Lia 1 2 3 4 5	Other assets Total Assets bilities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66	219 71,522 shed financial statements 1 6,970 22,050 23,482 66	
14 Lial 1 2 3 4 5 6	Other assets Total Assets Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933	219 71,522 shed financial statements 1 6,970 22,050 23,482 66 6,933	
14 Lia 1 2 3 4 5 6 7	Other assets Total Assets Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers Financial liabilities designated at fair value	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933 6,933	219 <b>71,522</b> <b>shed financial statements</b> 1 6,970 22,050 23,482 66 6,933 6,932	
14 Lia 1 2 3 4 5 6 7 8	Other assets Total Assets Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers Financial liabilities designated at fair value Financial liabilities at amortised cost	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647	219 71,522 shed financial statements 1 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647	
14 Lial 1 2 3 4 5 6 7 8 9	Other assets Total Assets Definities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers Financial liabilities designated at fair value Financial liabilities at amortised cost Other liabilities	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647 211	219 <b>71,522</b> <b>shed financial statements</b> 1 6,970 22,050 23,482 66 6,933 6,932 2,647 211	
14 Lial 1 2 3 4 5 6 7 8 9	Other assets Total Assets Delities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers Financial liabilities designated at fair value Financial liabilities Other liabilities Total Liabilities	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647 211	219 <b>71,522</b> <b>shed financial statements</b> 1 6,970 22,050 23,482 66 6,933 6,932 2,647 211	
14 1 2 3 4 5 6 7 8 9 9 <b>Sha</b> 1	Other assets Total Assets Delities - Breakdown by liability class according to the Deposits by banks Trading portfolio financial liabilities Derivative financial liabilities Repurchase agreements Cash collateral on securities lent Cash collateral received from derivative counterparties and brokers Financial liabilities designated at fair value Financial liabilities Total Liabilities reholders' Equity	219 71,522 balance sheet in the publi 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647 211 69,292	219 <b>71,522</b> <b>shed financial statements</b> 1 6,970 22,050 23,482 66 6,933 6,932 2,647 211 <b>69,292</b>	
14 Lia 1 2 3 4 5 6 7 8 9 9 Sha	Other assets         Total Assets         bilities - Breakdown by liability class according to the         Deposits by banks         Trading portfolio financial liabilities         Derivative financial liabilities         Repurchase agreements         Cash collateral on securities lent         Cash collateral received from derivative         counterparties and brokers         Financial liabilities designated at fair value         Financial liabilities         Other liabilities         Total Liabilities         reholders' Equity         Equity instruments	219 71,522 balance sheet in the publi 1 6,970 22,050 23,482 66 6,933 6,933 6,932 2,647 211 69,292	219 71,522 shed financial statements 1 6,970 22,050 23,482 66 6,933 6,932 2,647 211 69,292	A

<sup>1</sup> MUS(EMEA) balance sheet is reported as the Group does not publish consolidated financial statements

<sup>2</sup> Investment in MUS(EU). This is eliminated from the consolidated balance sheet



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

 Categories (LI1)

		Carrying values	Carrying values		Ca	rrying values of iten	ns	
	£m	as reported in	under scope of	Subject to the	Subject to the	Subject to the	Subject to the	Not subject to
		published	regulatory	credit risk	CCR framework	securitisation	market risk	own funds
		financial	consolidation	framework		framework	framework	requirements or
		statements <sup>1</sup>						subject to
								deduction from
								own funds
	Breakdown by asset class according to the balance sheet							
	in the published financial							
	statements							
1	Cash and balances at central	3,963	3,963	3,963	-	-	-	-
-	banks	0,000	0,000	0,000				
2	Securities at FVTOCI	1,399	1,399	1,399		-	1,399	-
3	Trading portfolio financial assets	6,227	6,227	1,654		-	6,219	-
4	Derivative financial assets	20,373	20,373		19,087	-	19,087	-
5	Reverse repurchase agreements	27,643	27,643		27,643	-	27,643	-
6	Other financing at fair value	1,053	1,053	1,053		-		-
7	Cash collateral on securities	5,702	5,702	-	5,702	-	5,702	-
	borrowed							
8	Cash collateral paid to derivative	4,578	4,578		4,578	-	4,578	-
	counterparties							
9	Deferred tax asset	8	8	8	-	-	-	-
10	Intangible assets	120	120		-	-	-	120
11	Right-of-use assets	24	24	24	-	-	-	-
12	Property, plant and equipment	10	10	10	-	-	-	-
13	Investment in subsidiary <sup>2</sup>	203	203	148	-	-	-	55
14	Other assets	219	219	219	-	-	-	-
	Total Assets	71,522	71,522	8,477	57,010	-	64,628	175
	Breakdown by liability classes					-		
	according to the balance sheet							
	in the published financial statements							
1								
	Deposits by banks	1	1	-	-	-	-	1



	Total Liabilities	69,292	69,292	2,555	52,479	-	59,441	9,851
9	Other liabilities	211	211	-	-	-	-	211
	cost							
8	Financial liabilities at amortised	2,647	2,647	-	-	-	-	2,647
	fair value							
7	Financial liabilities designated at	6,932	6,932	-	-	-	-	6,932
	brokers							
	derivative counterparties and							
6	Cash collateral received from	6,933	6,933	-	6,933	-	6,933	-
5	Cash collateral on securities lent	66	66	-	66	-	66	-
4	Repurchase agreements	23,482	23,482	-	23,446	-	23,446	36
3	Derivative financial liabilities	22,049	22,049	-	22,034	-	22,034	16
	liabilities							
2	Trading portfolio financial	6,970	6,970	2,555	-	-	6,962	8

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

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

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

		Total	Items subject to						
	£m		Credit risk	Securitisation	CCR	Market risk			
			framework	framework	framework	framework			
1	Assets carrying value amount under the scope of regulatory consolidation (as per	71,347	8,477	-	57,010	64,628			
	template LI1) <sup>1</sup>								
2	Liabilities carrying value amount under the regulatory scope of consolidation (as per	59,441	2,555	-	52,479	59,441			
	template LI1) <sup>1</sup>								
3	Total net amount under the regulatory scope of consolidation	11,906	5,922	-	4,532	5,187			
4	Off-balance-sheet amounts	694	694	-	-				
5	Differences in valuations	-	-	-	-				
6	Differences due to different netting rules, other than those already included in row 2	17,060	-	-	17,060				
7	Differences due to consideration of provisions	-	-	-	-				
8	Differences due to the use of credit risk mitigation techniques (CRMs)	(12,835)	-	-	(12,835)				
9	Differences due to credit conversion factors	(416)	(416)	-	-				
10	Differences due to Securitisation with risk transfer	-	-	-	-				
11	Other differences	-	-	-	-				
12	Exposure amounts considered for regulatory purposes	16,409	6,200	-	8,756				

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



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

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

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

#### 21.2 Countercyclical Capital Buffer Disclosure

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

31 Dec	ember 2022	General credit	t exposures	Relevar exposures ris	s – Market			Own fund requirements				Risk- weighted exposure	Own funds requireme nt weights	Counterc yclical capital
		Exposure value under the standardised approach	Exposure value under the IRB approach	Sum of long and short position of trading book	Value of trading book exposur e for internal models	Securitisati on exposure	Total exposure value	Relevant credit risk exposures - Credit risk	Relevant credit exposures – Market risk	Relevant credit exposures – Securitisatio n positions in the non- trading book	Total	amounts	(%)	buffer rate (%)
Row	Country	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m		
010	Argentina	-	-	0.1	-	-	0.1	-	0.0	-	0.0	0.1	0.00	0.000%
010	Australia	35.5	-	-		-	35.5	2.7	-	-	2.7	33.8	0.01	0.000%
010	Austria	0.0	-	3.3	-	-	3.3	0.0	0.3	-	0.3	3.3	0.00	0.000%
010	Bahrain	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Belgium	1.1	-	0.3	-	-	1.4	0.1	0.0	-	0.1	1.4	0.00	0.000%
010	Bermuda	0.0	-	0.4	-	-	0.4	0.0	0.0	-	0.0	0.4	0.00	0.000%
010	Canada	0.1	-	3.2	-	-	3.3	0.0	0.3	-	0.3	3.3	0.00	0.000%
010	Cayman Islands	93.0	-	6.4	-	-	99.3	7.4	0.5	-	7.9	99.3	0.04	0.000%
010	China	-	-	2.9	-	-	2.9	-	0.2	-	0.2	2.9	0.00	0.000%
010	Czech Republic	2.6	-	-	-	-	2.6	0.2	-	-	0.2	2.6	0.00	1.500%
010	Denmark	7.2	-	-	-	-	7.2	0.6	-	-	0.6	7.2	0.00	2.000%
010	Egypt	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%



010	Finland	1.0	-	-	-	-	1.0	0.1	-	-	0.1	1.0	0.00	0.000%
010	France	12.4	-	44.0	-	-	56.4	1.0	3.5		4.5	55.9	0.02	0.000%
010	Germany	19.4	-	6.0	-	-	25.4	1.6	0.5	-	2.0	25.4	0.01	0.000%
010	Hong Kong	0.2	-	5.3	-	-	5.5	0.0	0.4	-	0.4	5.5	0.00	1.000%
010	Hungary	0.1	-	-	-	-	0.1	0.0	-	-	0.0	0.1	0.00	0.000%
010	Ireland	679.4	-	43.3	-	-	722.7	54.3	3.5	-	57.8	722.6	0.26	0.000%
010	Israel	0.1	-	0.0	-	-	0.1	0.0	0.0	-	0.0	0.1	0.00	0.000%
010	Italy	3.4	-	14.4	-	-	17.9	0.3	1.2	-	1.5	18.2	0.01	0.000%
010	Japan	117.2	-	49.1	-	-	166.3	9.1	3.9	-	13.0	162.6	0.06	0.000%
010	Jersey	0.6	-	-	-	-	0.6	0.0	-	-	0.0	0.6	0.00	0.000%
010	Jordan	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Korea, Republic of	-	-	22.9	-	-	22.9	-	1.8	-	1.8	22.9	0.01	0.000%
010	Kuwait	0.9	-	-	-	-	0.9	0.1	-	-	0.1	0.9	0.00	0.000%
010	Liberia	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Luxembourg	77.0	-	240.9	-	-	317.9	6.2	19.3	-	25.4	317.9	0.11	0.500%
010	Marshall Islands	0.0	-	-	-	-	0.0	0.0	-	-	0.0	0.0	0.00	0.000%
010	Morocco	0.1	-	-	-	-	0.1	0.0	-	-	0.0	0.1	0.00	0.000%
010	Netherlands	113.0	-	67.1	-	-	180.1	8.6	5.4	-	14.0	174.6	0.06	0.000%
010	Norway	1.3	-	3.8	-	-	5.1	0.1	0.3	-	0.4	5.1	0.00	2.000%
010	Oman	0.2	-	-	-	-	0.2	0.0	-	-	0.0	0.2	0.00	0.000%
010	Panama	-	-	1.8	-	-	1.8	-	0.1	-	0.1	1.8	0.00	0.000%
010	Philippines	0.4	-	-	-	-	0.4	0.0	-	-	0.0	0.4	0.00	0.000%
010	Portugal	0.4	-	-	-	-	0.4	0.0	-	-	0.0	0.4	0.00	0.000%
010	Qatar	0.9	-	0.4	-	-	1.3	0.1	0.0	-	0.1	1.2	0.00	0.000%
010	Saudi Arabia	0.9	-	-	-	-	0.9	0.1	-	-	0.1	0.9	0.00	0.000%
010	Singapore	1.0	-	-	-	-	1.0	0.1	-	-	0.1	1.0	0.00	0.000%
010	Spain	12.3	-	-	-	-	12.3	1.0	-	-	1.0	12.3	0.00	0.000%
010	Sweden	9.4	-	0.3	-	-	9.7	0.4	0.0	-	0.4	5.1	0.00	1.000%
010	Switzerland	3.7	-	1.4	-	-	5.1	0.3	0.1	-	0.4	5.1	0.00	0.000%
010	Taiwan	8.2	-	-	-	-	8.2	0.6	-	-	0.6	7.5	0.00	0.000%
010	United Arab													0.0000/
010	Emirates	79.3	-	2.2	-	-	81.4	1.3	0.2	-	1.5	18.6	0.01	0.000%
010	United Kingdom United States of	267.1	-	37.7	-	-	304.8	23.0	3.0	-	26.0	324.9	0.12	1.000%
	America	343.0	-	421.9	-	-	764.8	25.4	33.7	-	59.2	739.8	0.27	0.000%
010	Virgin Islands (British)	1.3	-	0.6	-	-	2.0	0.1	0.1	-	0.2	2.0	0.00	0.000%
020	Total	1,894.0	-	979.5	-	-	2,873.6	144.8	78.4	-	223.1	2,789.1	1.00	



