



Annual Report

31 December 2023

Chamber of Commerce number 71213376

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



Contents

| | |
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| Letter from the Chair of the Supervisory Board. | 1 |
| Directors' Report | 2 |
| Business and Risk Management Policies. | 15 |
| Financial Statements. | 24 |
| Income Statement. | 24 |
| Statement of Financial Position | 25 |
| Statement of Changes in Equity | 26 |
| Cash Flow Statement | 27 |
| Notes on Financial Statements | 28 |
| Approval of the Financial Statements | 52 |
| Other Information | 53 |
| Independent auditor's report. | 54 |

Letter from the Chair of the Supervisory Board

In 2023 the Company demonstrated its commitment and value to its clients amidst continuing uncertainties in the global markets, with increasing interest rates and impacts across Europe of the Ukraine and Israel conflicts. The Supervisory Board monitored the situation and discussed this with the Board throughout the year.

As the Supervisory Board we reflect on a busy year where many topics have been covered, such as the strategy and business plan, audit plan and reports, new regulations, risk management and compliance monitoring reports, progress on ESG, progress on governance and regulatory projects. One topic we would like to highlight is the strengthening of the governance and risk management of the Company by splitting the Chief Risk and Finance officer role in a separate Chief Financial Officer and Chief Risk Officer function. Mr Adam Jesney was appointed as Chief Financial Officer in the last quarter of 2023.

We continuously supervised, monitored and advised the Management Board on these changes, the Company's strategy, business practices, risk management and other matters that required our solicited or unsolicited attention. Besides regular meetings, the Supervisory Board conducted many expert and deep dive sessions together with the Management Board, related for example to strategy, governance (in particular supporting the Management Board in the improvement of the controls framework), and staff matters such as diversity, succession and the composition of the Management Board. The Supervisory Board also interacted extensively with the wider MUFG Group in London and Tokyo to ensure transparency and alignment.

The company reflect on a year with strong execution and strong results, financial and non-financial, under difficult financial markets and labour market circumstances. The Supervisory Board would like to express its sincere gratitude to the Management Board and all staff for their dedication, enthusiasm and team spirit during a period of considerable challenge.

Amsterdam, 12th of April 2024
Wietze Reehoorn, Chair of the Supervisory Board

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Directors' Report

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

Background

On 22nd March 2018, MUFG Securities (Europe) N.V. ("MUS(EU)" / the "Company") was incorporated and registered in Amsterdam, the Netherlands.

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

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

MUS(EU) was granted a Credit Institution licence in the Netherlands on 31 October 2022 from the European Central Bank ("ECB") and was added to the credit institution register by De Nederlandsche Bank ("DNB") on 1 November 2022. Therefore, the entity has been a credit institution from 1 November 2022.

Principal activities

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

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

Results

The profit for the accounting period 1 January 2023 to 31 December 2023, after tax, amounted to €17.3 million (2022: €3.1 million). The general meeting of the shareholder determines the allocation of this profit. The results are set out on page 24.

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

Business review, future development and strategy

The Company reported a total operating income of €64.5 million (2022: €38.0 million) during the year 2023. Revenue drivers evidence the breadth of the business and client offering across the Company with notable income within both primary and secondary business lines (including service fee income related to inter-group service arrangements in place between MUS(EMEA) and MUS(EU)).

The 2023 full year results show a significant improvement versus 2022 under continued uncertainties in the global markets. Client demand for our products has improved and net fees contributed an extra €12 million to revenues, an increase of 43% to last year. The increase in market interest rates and its uncertainties in the market also presented opportunities for trading which saw a €14m improvement in revenue, up by 140% versus 2022.

Noting the above market circumstances, the entity is clearly a meaningful revenue source for the MUFG Group, key to supporting a diversified product range across multiple currencies catering to a global institutional client base. Additionally, the financial soundness of the Company remains robust, including capital and liquidity metrics which remain in excess of regulatory requirements. Management retains a positive outlook.

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

Revenue results have been achieved whilst maintaining Value at Risk ("VaR") metrics within internal limits set by the Board (refer to page 17). These metrics reflect management's focus on client-led revenues and targeted risk taking, with capital deployment and associated risk management applied where appropriate (refer to page 15).

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

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

De Nederlandsche Bank (“DNB”), the Dutch Central Bank, notified the Company that as a consequence of the Investment Firm Regulation (“IFR”) / Investment Firm Directive (“IFD”), MUS(EU) is to be categorised as a Credit Institution due to MUFG’s group size in Europe. MUS(EU) formally submitted the application for the abbreviated Banking Licence in November 2021.

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

- Two Tier board structure has been implemented;
- Submission of monthly Liquidity reporting to the DNB commenced July/August 2021;
- Monthly and quarterly submissions of DNB returns on our positions;
- Adjustment of the MUS(EU) management structure;
- Ethical business operations: revised policies have been provided to the DNB.

MUS(EU) was granted a Credit Institution licence in the Netherlands on 31 October 2022 from the ECB and was added to the credit institution register by the DNB on 1 November 2022. Therefore, the entity has been a credit institution from 1 November 2022. This licence also makes the Company a Public Interest Entity (PIE) under EU law.

Outlook

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

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

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

- **Revenue metrics:** total operating income of €64.5 million (2022: €38.0 million) with a focus on quality of earnings and tracking against revenue plans.
- **Efficiency metrics:** total operating expenses as a percentage of total operating income of 64% (2022: 89%) with a focus on efficient cost deployment.
- **Profitability metrics:** return on equity (“ROE”) calculated as profit attributable to owners of the Company, divided by the average of opening and closing total equity, of 7.2% (2022: 1.4%) with a focus on maximising ROE in the interests of shareholder returns.
- **Capital metrics:** total capital requirements based on Pillar 1 requirements of €37 million (2022: €35 million) with a focus on optimising capital allocation and drivers of requirements.

- **Risk metrics:** the 1-day total Value at Risk (“VaR”), as defined in the Business and Risk Management section, of €54,614 based on a 95% confidence level (2022: €38,300) with a focus on tracking VaR.

The Company was incorporated with the objective to continue servicing E.E.A. domiciled clients and therefore did not engage in any research and development activities during 2023 and 2022. It is not expected to do so in the future.

Challenges and uncertainties

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

New regulations

In January 2025 financial institutions and therefore also MUS(EU) need to comply with the EU regulation of the Digital Operational Resilience Act. This new regulation has five pillars: IT risk management, IT incident reporting, digital operational resilience testing, IT third party risk (outsourcing) and cyber threat information sharing. This new act is an EU enhancement of the existing DNB “best practices in IT security” and “best practices on outsourcing”. MUS(EU) is implementing the new requirements and plans to complete by the deadline.

In addition, EU regulations pertaining to the Intermediate Parental Undertaking (“IPU”) may have an impact on the organization structure of activities of the MUFG Group in Europe. Management and the parent are reviewing the impact and desired response and implementation to ensure the competitiveness of the group’s activities for the future.

The EU has released the Corporate Sustainability Reporting Directive (CSRD) which determines what needs to be reported in the annual report on non-financial data on mainly Environmental, Social and Governance topics related directly to business operations of MUS(EU) and indirectly on clients, counterparts and suppliers. The regulation will be implemented step by step and the Company’s reporting will evolve based on best practices seen in other sectors and other banks.

Global events: Israel and Ukraine conflict

The Israel and Ukraine conflicts have adversely affected global economic activities and financial markets worldwide. This has directly contributed to volatility and uncertainty in global capital markets within which the Company is active. The full extent of these adverse consequences and the related impact on the financial performance of the Company remains uncertain. The results as at December 2023 include estimates of the potential impact on asset valuations as part of our standard approach to valuing traded positions. The impact per year end 2023 is relatively limited. Capital and liquidity metrics have remained above regulatory required minimums throughout this period of heightened volatility.

Directors' Report (continued)

Global events: Israel and Ukraine conflict (continued)

Exposure analysis as at December 2023 and 2022 confirms the Company has no direct exposure to the Russian Federation, Ukraine and Israel. Additionally, country limits have been amended, risk forums engaged and relevant staff mobilised as appropriate in order to react to any emerging risks.

Dutch Banking Code

MUS(EU) implements principles and best practice provisions regarding corporate governance, as laid down in the Dutch Corporate Governance Code. MUS(EU) has a two-tier board comprising a Supervisory Board and a Management Board. The Management Board and Supervisory Board highly value the importance of good governance to further strengthen corporate governance at MUS(EU), which includes the establishment of a separate Compliance division, Risk Management division and Internal Audit team. The Compliance division reports to the Chief Risk Officer and has an independent line to the Supervisory Board. MUS(EU) has a code of conduct, corporate governance framework and governance-related policies such as a whistle blowing policy and insider trading regulations which apply to all employees and others working in MUS(EU). All members of the Management Board and Supervisory Board have taken the 'Banker's Oath'. All employees joining MUS(EU) in the Netherlands must also take this oath. Both the code of conduct and the Banker's Oath emphasize the role of banks in society and their commitment to meeting societal expectations and contributing to public trust in banks. Meetings and trainings on our core values and behaviours are regularly organised for all staff, to ensure the highest level of integrity of all staff.

Going concern

Taking the above into consideration, including the expected future profitability as evidenced in business plans; capital adequacy and funding availability, as well as the Company continuing to be of strategic importance to MUS(EMEA) and MUSHD, the Board believes that the Company will have adequate resources in place to continue trading for the foreseeable future. When needed the Company as a member of the MUFG Group can also expect assistance with receiving capital injections from the MUFG Group. Therefore the financial statements have been prepared on the basis of going concern.

Risk Management and Internal Control measures

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

Under its Terms of Reference, the Risk Management Committee ("RMC") has been established to provide day to day oversight and coordination of the Company's risk management functions in accordance with the limits, strategy and business plan agreed by the Board. The RMC escalates all matters requiring approval to the Board. The Chief Risk Officer ("CRO") and the Board have full power and authority to make decisions on all risk issues affecting the

Company, save for the matters reserved for approval by the Board. The main purpose of the RMC is to safeguard the financial condition and performance of the firm by assessing the significant risks arising from the activities of the firm and ensuring that these risks are actively managed in light of market conditions. The focus will be on market, credit, operational risks, liquidity and capital management.

Overall monitoring of specific risks within the Company is undertaken by the risk department, which reports to the CRO. The MUS(EU) Risk Unit is supported by risk departments within MUS(EMEA). Below is an overview of the principal risks managed by the RMC in the period 1 January 2023 – 31 December 2023. The risks identified by management are categorised in the Company's material risk classes below:

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

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

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

- Outsourcing – oversight risk
- Transaction processing
- Operational resilience
- Fraud prevention and detection

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

- KYC/AML (outsourced to MUFG Group sister companies)
- Sanctions monitoring (outsourced to MUFG Group sister companies)

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

- Market manipulation
- Anti-trust & competition

The Company has a code of conduct, corporate governance framework and governance-related policies such as a whistle blowing policy and insider trading regulations which apply to all employees and others working with the Company. The MUFG Group Code of Conduct defines the most essential conduct principles expected from employees in their daily activities, to create additional risk awareness and better meet expectations stated in external rules and guidelines. Employees are required to take an annual e-learning and attest to their adherence to the MUFG global Code of Conduct.

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

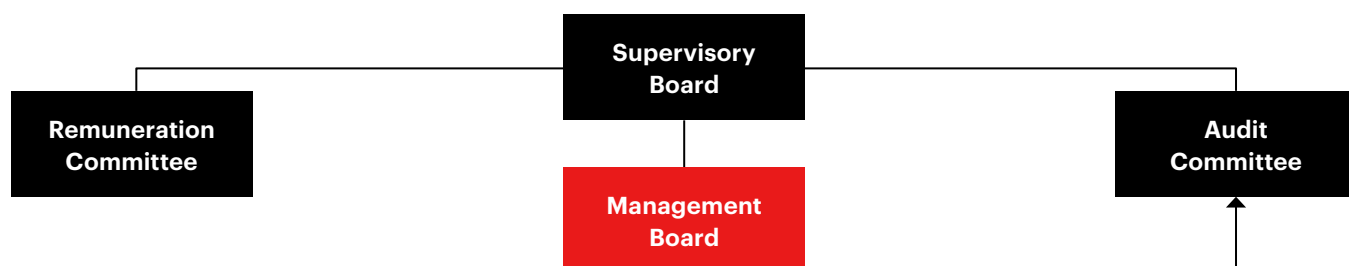
Use of financial instruments and risk management

The Company trades predominantly bonds, repurchase agreements and derivatives. Information regarding the use of financial instruments is included within the Business and Risk Management Policies on pages 15 to 23.

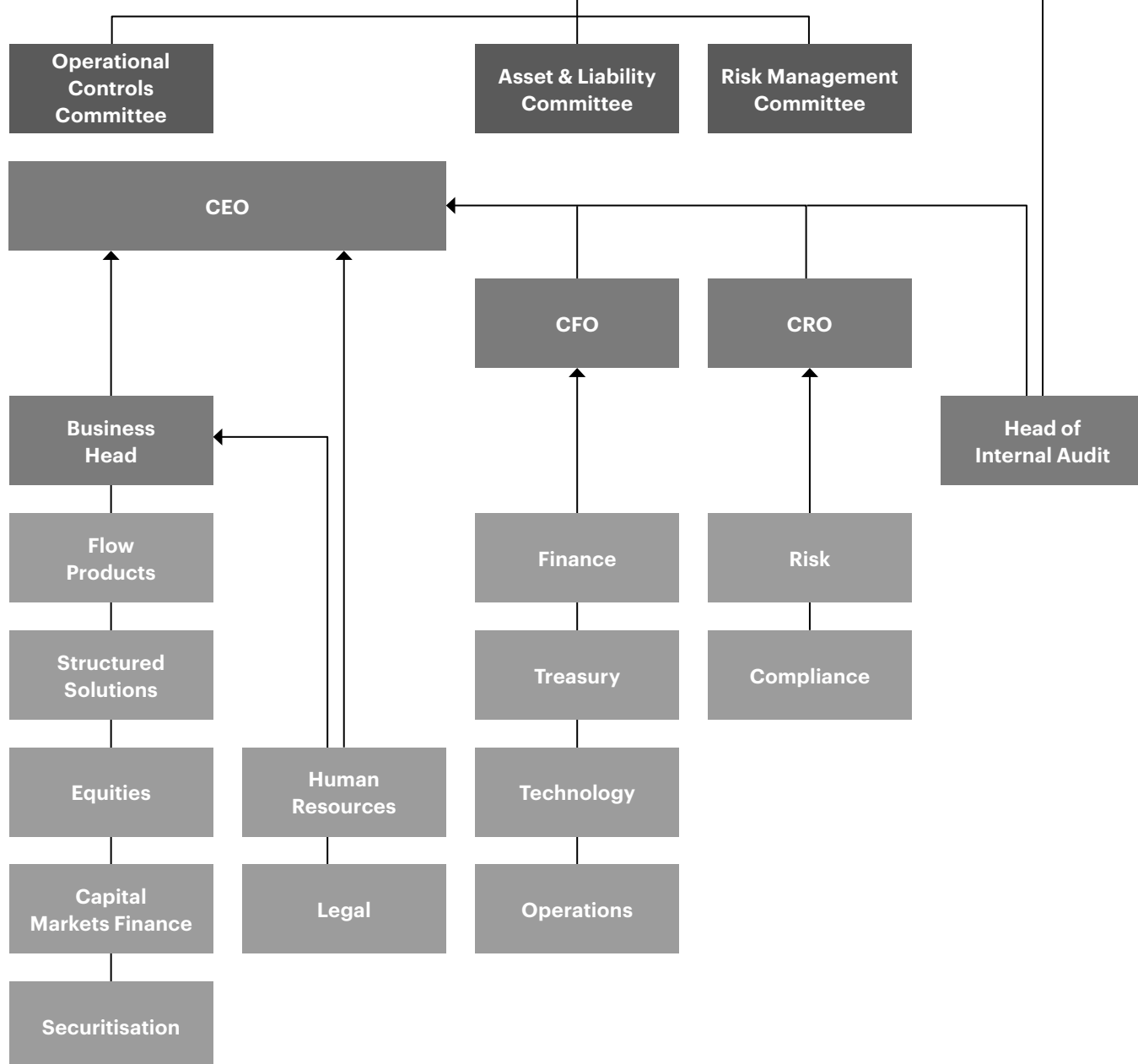
Directors' Report (continued)

Internal structure of the Company

Board & Executive Committees



Reporting Committees



Front Office

Support

Line 1 –
Business Management

Line 2 –
Challenge and Risk Control

Line 3 –
Assurance

Two-Tier Board structure of the Company

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

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

Effective 13 November 2023 the Management Board moved from a two member board (Chief Executive Officer (CEO) and Chief Risk and Finance Officer (CRFO)) to a three member board (Chief Executive Officer (CEO), Chief Risk Officer (CRO) and Chief Financial Officer (CFO)).

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

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



Two-tier Board membership

Supervisory Board members

The members during the year were as follows:

| | | |
|--------------------------------|-----------------------|------------------------------|
| Wietze Reehoorn | Chair | (appointed 1st October 2021) |
| Gisella van Vollenhoven | Independent member | (appointed 1st October 2021) |
| Colleen Frances Stack | Member from the Group | (appointed 1st October 2021) |

Executive Management Board members

The Directors during the year were as follows:

| | | |
|------------------------------|--|--|
| Yuji Tokuhiko | CEO | (appointed 23rd November 2022) |
| Jeffrey Wayne Simmons | CRFO – until 13th Nov 2023 CRO – from 13th Nov 2023 | (appointed 17th July 2018, resigned 29th February 2024) |
| Adam Jesney | CFO | (appointed 13th November 2023) |

Directors' Report (continued)

Two-tier Board membership (continued)

Biographies of each of the 2023 Directors can be found below.

Yuji Tokuhiro

CEO

Appointed: 23rd Nov 2022

Skills and experience: Mr Tokuhiro has extensive experience within the Securities business, joining from New York, where he was Deputy Chief Executive Officer of MUFG Securities Americas Inc. Previous experience also includes senior appointments within Planning and Finance departments in New York and Tokyo. Yuji has an Economics degree from Hitotsubashi University and was a previous visiting scholar at the Haas School of Business at the University of California at Berkeley.

Other appointments:

- None
-

Jeffrey Wayne Simmons

CRO

Appointed: 17th Jul 2018

Resigned: 29th Feb 2024

Skills and experience: Mr Simmons has 30 years' experience in Banking coupled with 10 years in Finance. He has had various senior roles specialising in best practice Risk Management including Market Risk, Credit Risk, Risk Model Validation and Regulatory Risk consulting. As well as line management responsibilities in various institutions he has also gained extensive experience in implementing Risk Management frameworks from both a technical and operating model-based perspective. Most recently he has been involved intensively with the implementation of the Operations and Risk Management functions in MUS(EU).

Other appointments:

- None
-

Adam Jesney

CFO

Appointed: 13th Nov 2023

Skills and experience: Mr Jesney has 25+ years' experience in the Banking industry. He joined MUFG from Sberbank CIB (UK) Ltd where he served as the Chief Executive Officer and Executive Board Director. Prior to this Mr Jesney was Chief Operating Officer at the same firm. He has also held a variety of front office positions at Royal Bank of Scotland, including Global Head of Business Management for Loans and Syndication, Global CAO and Head of Strategy for FX and Global COO for currencies, emerging markets and short term markets. Mr Jesney is also a qualified chartered governance professional.

Other appointments:

- None
-

Supervisory Board members – from 1st October 2021

Wietze Reehoorn

Chair

Independent member

Appointed: 1st Oct 2021

Skills and experience: Mr Reehoorn has 30 years of executive level experience the majority of which has been spent at ABN Amro Bank N.V. He has held a number of commercial and corporate banking roles as well as risk and strategy/ corporate development roles. These roles include: Chief Risk Officer and Chief Strategy Officer; Chief Executive Officer of Merchant Banking, Head of Commercial and Corporate Banking and Head of Financial Restructuring and Recovery for Europe.

Mr Reehoorn also served as member of the Management Board of ABN Amro Bank N.V. for eight years. Since leaving ABN Amro in 2018, Mr Reehoorn has been increasingly involved in a number of non-executive roles in various international companies / banks.

Other appointments:

- Chair Supervisory Board MUFG Bank (Europe) N.V. (2020 to present)
- Members of Supervisory Board, Anthos Private Wealth Management BV (2020 to present)
- Chair Supervisory Council, Stichting Topsport Community (2014 to present)
- Member Supervisory Council / Chair of Audit Committee, Frans Hals Museum (2016 to present)
- Board Member, Abe Bonnema Stichting (2015 to present)
- Director, Member Investment Committee, Koninklijke Hollandsche Maatschappij der Wetenschappen (2018 to present)
- Member of Board of Directors / Chair of Board Strategy & Transformation Committee / Chair of Board Corporate Governance and Nomination Committee / Member of Board Risk Committee / Member of Audit Committee, National Bank of Greece (2019 to present)

Gisella van Vollenhoven

Independent member

Appointed: 1st Oct 2021

Skills and experience: Ms van Vollenhoven has extensive experience in the financial sector. This experience includes Retail Banking, Insurance, Pensions, Risk Management, Supervisor, Actuary.

Ms van Vollenhoven has served as a member of the Supervisory Board for several companies since 2018 as outlined below. Prior to that Ms van Vollenhoven held a number of executive positions at de Nederlandsche Bank, including: the Division Director for Supervision Pension Funds; Division Director Onsite Supervision Banking Expertise; and Head of Department Supervisory Policy Insurance & Pensions. Ms van Vollenhoven also held the following positions at ING, Head of Model Validation Corporate Risk Management for ING Group and Bank; and Director Credit Risk Management for ING Retail Netherlands.

Other appointments:

- Chair of Board Chapter Zero Netherlands (Jan 2023 to present)
- Chair of Supervisory Board of 100weeks (March 2023 to present)
- Member Supervisory Board / Chair Audit Risk and Compliance Committee, MUFG Bank (Europe) N.V. (2020 to present)
- Member Supervisory Board / Chair Risk and Audit Committee, Bunq (2020 to present)
- Member Supervisory Board Pensionfund Vervoer (2020 to July 2023)
- Member Supervisory Board / Chair Remuneration Committee / Member Appointment Committee, a.s.r. verzekeringen (2019 to present)
- Member Supervisory Board / Vice Chair / Chair Remuneration Committee, Waarborgfonds Social Woningbouw (2018 to present)

Ancillary positions:

- Member Strategic Audit Committee, Ministry of Foreign Affairs
 - Council to the Ondernemingskamer, Gerechtshof Amsterdam
 - Associated Partner Riskquest
 - Member Curatorium Education "Risk Management in Financial Institutions" until July 2023
-

Directors' Report (continued)

Supervisory Board members – from 1st October 2021 (continued)

Colleen Frances Stack

Group member

Appointed: 1st Oct 2021

Skills and experience: Ms Stack has served as the Regional Head of the Global Financial Crime Division in EMEA for MUFG Bank and MUFG Securities since 2018. In her capacity as such, Ms Stack is the SMF-17 and Money Laundering Reporting Officer for MUFG Bank and MUS(EMEA). She is responsible for designing, executing and overseeing the financial crime frameworks across all markets in the EMEA region where Bank and Securities operate. She manages a staff of over 160 FTE and is also a member of the EMEA Management Committee.

Prior to joining MUFG, Ms Stack was the Global Head of Reputational Risk and Client Selection at HSBC Bank plc for four years. She managed reputational and client relationship risk and facilitated the Global Reputational Risk Committee. Prior to her role at HSBC, Ms Stack served in the US Department of the Treasury's Office of Terrorist Financing and Financial Crime as Director of Global Affairs and member of the Senior Executive Service. Ms Stack was responsible for developing innovative strategies for deploying targeted financial measures in countering all forms of illicit finance threats. Ms Stack was also commissioned by the US Department of State as a Foreign Service Officer and worked in a variety of diplomatic roles in Russia, Washington, DC, and Japan.

Other appointments:

- None

Chair and Chief Executive Officer: separation of responsibilities

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

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

Directors' and officers' indemnities

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

Roles of the Supervisory Board and Management Board

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

- Advise, constructively challenge the Management Board regarding long-term objectives, purpose, valued behaviours, commercial strategy
- Review performance of Management Board in light of strategy, objectives, business plans, and budgets

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

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

- Set and approve business strategy and key policies
- Set annual operating and capital expenditure budget
- Monitor performance of all business areas

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

The Management Board has established certain committees to provide support with specific areas within its remit of responsibilities. Details of each committee's members and responsibilities can be found in the below committee reports.

Committee Report

MUS(EU) Risk Management Committee

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

MUS(EU) Asset & Liability Committee

| | |
|-------------|--|
| Objective: | To monitor and manage or refer to the Board and other appropriate senior management all matters relating to the Company's funding liquidity and capital profile. |
| Chair: | Chief Financial Officer |
| Membership: | Chief Financial Officer, Chief Executive Officer, Head of MUS(EU) Treasury or delegate |
| Frequency: | Meets monthly |
| Scope: | Monitor and manage all matters relating to Company's funding liquidity and capital |
| Committee: | Best Practice / Advisory |

MUS(EU) Operational Controls Committee

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

Directors' Report (continued)

Committee Report (continued)

MUS(EU) Management Group

| | |
|-------------|--|
| Objective: | To facilitate the management of the activities of the Company and its Paris Branch on a day-to-day basis, following instructions of the Board and Chief Executive Officer. |
| Chair: | Chief Executive Officer |
| Membership: | Chief Executive Officer, Chief Risk Officer, Chief Financial Officer, Head of Paris Branch, Head of Capital Markets, Head of Credit Sales, Head of Structured Products and Sales, Head of Derivative Solutions Group, Head of Equity Sales Group, Head of Rates/ Repo, Head of Legal, Head of Compliance |
| Frequency: | Meets monthly |
| Scope: | To support the Head of the Paris Branch and the Chief Executive Officer in the management of the Entity, and ensure adherence to regulatory requirements |
| Committee: | Discussion Forum |

The Supervisory Board has established certain committees to provide support with specific areas within its remit of responsibilities. Details of each committee's members, responsibilities and work per 31 December 2023 can be found in the below committee reports.

Committee Report

Audit Committee

| | |
|-------------|--|
| Objective: | To assist the Supervisory Board in their oversight of (i) the integrity and quality of the Company's financial statements and other financial information provided to its shareholders, creditors, regulators or other third parties; (ii) the effectiveness of the Company's internal controls and risk management systems; (iii) the performance of the Company's internal and external auditors; (iv) the Company's auditing, accounting and financial reporting processes generally. The Committee is responsible for, among other things, determining whether the Company's internal controls over financial reporting are appropriate to the risks they are designed to monitor. |
| Chair: | Gisella van Vollenhoven |
| Membership: | Gisella van Vollenhoven, Wietze Reehoorn and Colleen Stack |
| Frequency: | Meets quarterly and as required |
| Committee: | Advisory and Decision making |

Remuneration Committee

| | |
|-------------|--|
| Objective: | To act as an independent oversight body for the purposes of considering and approving remuneration matters and remuneration policies for the Company, in order to meet applicable legal and regulatory requirements in relation to remuneration. The Committee shall make decisions in consultation with the CEO and the Management Board, and provide support and advice to the Supervisory Board which is consistent with the Company's current and future financial status. |
| Chair: | Gisella van Vollenhoven |
| Membership: | Gisella van Vollenhoven, Wietze Reehoorn and Colleen Stack |
| Frequency: | Meets quarterly and as required |
| Committee: | Advisory and Decision making |

Compensation

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

Capital and shares

On 31st December 2023 the Company's issued and paid-up capital amounted to €200,045,000 (2022: €200,045,000).

Dividend and distributions

Over the 2023 net result no dividend distribution has been decided upon (2022:nil). The dividend and capital strategy of the Company will evolve with the needs of the business as well as the regulatory environment.

Loans and advances to Supervisory Board and Management Board members

Supervisory Board and Management Board members do not receive privileged financial services. On 31 December 2023, there were no loans and advances outstanding to the Supervisory Board and Management Board members.

Options or shares held by the Supervisory Board and Management Board members

On 31 December 2023 the Supervisory Board and Management Board members did not hold any options or shares in the Company.

Solvency and Liquidity

The solvency ratio defined as total of equity versus total assets as per end of the period was 6% (2022: 6%). The Liquidity Coverage Ratio defined as weighted liquid assets versus the net liquidity flows was 702% (2022: 429%), well above the regulatory minimum requirement of 100%.

Subsequent events disclosure

The Board has proposed and the Supervisory Board and shareholder have approved a dividend distribution over 2023 of the full 2023 results of nil. As at the date of signing, the Board is not aware of any material event which would warrant further disclosure.

Employees

As at 31st December 2023, the Company had 58 employees (2022: 48) and will, if the firms' expectations of ongoing growth and profitability necessitate this, strengthen its workforce base.

The Company places considerable value on the involvement of its employees, has continued to keep them informed on personnel policies or issues, matters affecting them as employees and on the various factors affecting the performance of the Company. This is achieved through formal and informal meetings, intranet and regular internal communications.

Employee representatives are consulted regularly on a wide range of matters affecting their current and future interests. These communications help to achieve a common awareness amongst employees of the financial and economic factors affecting the performance of the Company and the broader MUFG companies.

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

The Company's goal is to ensure that the employees have the right skills, knowledge and attitude to drive productivity, create efficiencies and grow the business, and that high quality and a diverse workforce are retained. The key principles of the learning & development ("L&D") policy are to support the strategic development of the Company through its people; to support the Company in achieving its strategic objectives; and to create positive, inclusive and effective employment relationships among all employees.

Supervisory and Management Board Gender balance

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

Directors' Report (continued)

Supervisory and Management Board Gender balance (continued)

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

| Name | Gender |
|---|--------|
| Supervisory Board | |
| Wietze Reehoorn | Male |
| Gisella van Vollenhoven | Female |
| Colleen Frances Stack | Female |
| Management Board | |
| Yuji Tokuhiro (Chief Executive Officer) | Male |
| Jeffrey Simmons (Chief Risk Officer) | Male |
| Adam Jesney (Chief Financial Officer) | Male |

Corporate social responsibility

Our Corporate Social Responsibility ("CSR") strategy is founded on a determination to become the world's most trusted financial group. Building trusted relationships with our local communities across EMEA is pivotal to our long-term success. Our CSR programme underpins that trust and enables us to actively respond to the needs of the communities in which we operate and deliver positive and sustainable impact. To achieve this, we support people, charities and the natural environment in communities where MUFG operates with our focus pillars.

Amsterdam, 12th of April 2024
The Management Board,
Yuji Tokuhiro, CEO
Adam Jesney, CFO

Business and Risk Management Policies

Risk Management Framework

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

Committees and Corporate Structure

1. Management Board (“the Board”)

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

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

2. Risk structure and other committees

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

On a day to day basis, Liquidity and capital risk is overseen by the Asset and Liability Committee (“ALCO”). Decisions related to liquidity and capital risks are recommended to the Board for approval.

The Company’s risk committee and corporate structure as at 31 December 2023 is illustrated on page 6.

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

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

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

- Identifying, managing and owning the risks inherent in their business activities;
- Identifying the necessary appetite for those risks required to support their business plan and the overall strategy of the business;
- Remaining within the established risk appetite and in adherence with the framework and its related policies and procedures;

- Self-identifying risks and issues and driving remediation of control weaknesses;
- Supervision, ensuring competence and training of their staff; and
- Escalate risk issues to the appropriate Committee, i.e. Management Committee, Risk Management Committee and the Asset and Liability Committee, where relevant.

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

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

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

Third Line of Defence (Assurance) – Internal Audit

Assurance role carried out by Internal Audit responsible for:

- Independent opinion to Senior Management and the Audit Committee of the Supervisory Board
- Objective appraisal of the adequacy and effectiveness of the internal control systems designed and installed by Senior Management and their remediation
- Reports to Senior Management on whether the control systems are fulfilling, or are likely to fulfil, the control objectives of the Company
- Independent reporting line to the Chair of the Audit Committee of the Supervisory Board

Risk Appetite and Risk Limits framework

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

Business and Risk Management Policies (continued)

Risk Appetite and Risk Limits framework (continued)

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

Policy Structure

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

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

Risk Management by Risk Type

Market Risk

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

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

Day-to-day responsibility for the management of market risk resides with the front office departments and responsibility for second line review, challenge and oversight is with the Market Risk Management department. The Risk Analytics Group is responsible for the design of new market risk management models. Daily market risk reports

are prepared for senior management and trading departments using the Company's in house and vendor systems.

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

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 Company uses VaR methodologies to monitor the price risks arising from different trading books across portfolios. This is measured based on a 1 day holding period using confidence levels of 99%.

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

The Company additionally calculates Stressed Value at Risk (SVaR) using an appropriately stressed 1-year lookback period as required by regulations.

VaR Backtesting

The Company carries out a daily comparison of end of day VaR measures to the 1-day change of the portfolio's value on the day the profit and loss figures are produced. In 2023 the number of occasions on which actual trading book outcomes exceeded the previous day's VaR was within the acceptable tolerances of the model. In addition to the VaR backtesting at the aggregate Company level, the Company conducts back testing on a number of sub-portfolios across the different business units.

Stressed VaR

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

Risks Not in VaR

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

Incremental Risk Charge

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

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

The Company's VaR has the following limitations:

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

The following table shows internal VaR figures for 2023 and 2022. The breakdown in terms of different risk factors is as described below. The "Close" column shows the VaR at the year-end date. The "Average" column shows the average VaR measurement from each trading day in the year and the "Maximum" and "Minimum" columns show the highest and lowest VaR value in the year respectively. "Diversification benefit" is the difference between the simple sum of the VaRs for each risk factor, and the Company's overall VaR, which is based on the simultaneous modelling of all risk factors.

| | Close €'000 | Average €'000 | Maximum €'000 | Minimum €'000 |
|---------------------------------------|----------------|------------------|------------------|------------------|
| 95% VaR as at 31 December 2023 | | | | |
| Interest Rate Curve Risk | 95.9 | 101.8 | 206.7 | 9.8 |
| Interest Rate Vega Risk | - | 0.0 | 0.0 | - |
| Asset Spread Risk | - | 0.2 | 4.4 | - |
| Currency Risk | 4.1 | 12.4 | 711.2 | 2.9 |
| Equity Price Risk | - | - | - | - |
| Equity Vega Risk | - | - | - | - |
| Inflation Risk | - | - | - | - |
| Basis Risk | 113.7 | 114.5 | 188.0 | 29.7 |
| Diversification benefit | (159.1) | n/a | n/a | n/a |
| Total VaR | 54.6 | 50.3 | 706.0 | 26.2 |

| | Close €'000 | Average €'000 | Maximum €'000 | Minimum €'000 |
|---------------------------------------|----------------|------------------|------------------|------------------|
| 95% VaR as at 31 December 2022 | | | | |
| Interest Rate Curve Risk | 151.6 | 26.3 | 168.0 | 1.7 |
| Interest Rate Vega Risk | - | 0.0 | 0.0 | - |
| Asset Spread Risk | - | 1.3 | 4.4 | - |
| Currency Risk | 10.8 | 5.5 | 22.2 | 0.8 |
| Equity Price Risk | - | - | - | - |
| Equity Vega Risk | - | - | - | - |
| Inflation Risk | - | - | - | - |
| Basis Risk | 163.3 | 24.4 | 172.9 | 3.6 |
| Diversification benefit | (287.4) | n/a | n/a | n/a |
| Total VaR | 38.3 | 12.5 | 46.0 | 3.0 |

Business and Risk Management Policies (continued)

Interest Rate Curve Risk

The risk of losses arising from changes in market interest rates.

Interest Rate Vega Risk

The risk of losses arising from change in implied interest rate volatility.

Asset Spread Risk

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

Currency Risk

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

Basis Risk

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

Credit Risk

Credit risk is the risk of loss resulting from client, issuer or counterparty default and arises on credit exposure in all forms, including settlement risk. The Company manages its credit risk in accordance with policies originated and approved within the Company and endorsed by its parent company. Counterparty exposure is managed through a process of credit risk assessment, limit setting, exposure monitoring and exception reporting. The Company assesses the default probabilities of individual counterparties by using a rating methodology incorporating external ratings, the market price of credit risk and internal fundamental analysis.

Day-to-day responsibility for the management of credit risk resides with the front office departments and responsibility for second line review, challenge and oversight is with the Credit Risk Management department. The Credit Risk Management ("CRM") department is organisationally independent from the front office departments, and the Risk Analytics Group which is responsible for the design of new credit risk management models. Daily credit risk exposure reports are prepared for Senior Management and trading departments using the Company's in house and vendor systems. Their objective is to:

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

On a monthly basis, CRM reports the Company's total credit risk exposure to the RMC. Monthly reporting includes amongst other

items a review of exposures, limits, concentration by counterparty type, concentration by rating and concentration by geographic profile. The RMC escalates material matters to the Board as required. The Board is the forum where credit policies are reviewed and finally approved.

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

To mitigate derivative counterparty credit risk, the Company has Credit Support Annexes in place with many of its counterparties (this includes the exchange of initial margin with certain non-centrally cleared, over-the-counter derivatives counterparties for in-scope products). In addition, guarantee arrangements are in place with members of MUFG. Risk is managed net of these guarantees. An analysis of the Company's credit exposures is included in note 20.

Credit Concentration Risk

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

Liquidity Risk

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

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

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

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

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

Internal Stress Testing

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

Funds Transfer Pricing

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

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 Company to raise unsecured financing. The ALCO will review and make recommendations to the Board with respect to the approval of funding plans including allocation of funding limits to business lines. This ensures that business activities do not impose an unknown strain on the Company's ability to source adequate liquidity in normal business conditions, and allows Treasury to plan and sustain appropriate levels of liquidity in anticipation of business line funding usage. As part of funding liquidity risk monitoring, Treasury looks at the short- and long-term currency mismatch horizons in accordance with the Board's guideline.

Liquid Asset Buffer

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

Contingency Funding Plan

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

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

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 Company and other companies within the MUSHD Group.

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

Asset Encumbrance

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

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

Regulation

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

Business and Risk Management Policies (continued)

Capital Risk

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

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

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

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

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

Internal Capital Adequacy Assessment Process

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

Stress Testing

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

The Company has a stress testing framework that includes scenario stress testing (comprising macroeconomic and event stress testing based upon forward looking, historical and reverse stress testing), as well as single risk factor stress tests (which are designed to

identify and quantify risk concentrations to particular risk factors). Results of stress testing are calculated at the Company level and also by department and business line, and reported regularly to Senior Management.

Model Risk

Model risk is the potential for loss arising from decisions based on incorrect or misused model outputs and reports. MUS(EU)'s appetite for Model Risk is conservative and the controls must be restrictive. In order to remain in appetite, several controls have been implemented, including but not limited to, implementation of model stakeholders committee to ensure appropriate oversight of model development and validation with key stakeholders from Risk and the Business. Model Stakeholder Committee is a MUS(EMEA) based committee with representatives from MUS(EU) attending the committee meetings. MUS(EU) has also delegated some authority for model approval to the Head of Risk Analytics at MUS(EMEA). Furthermore, Model Risk related metrics are also presented to MUS(EU)'s Risk Management Committee (RMC) on a monthly basis.

Operational Risk

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

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

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

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

- Operational Risk Monitoring procedures:
 - Key Indicators
 - Internal Operational Risk Event Management
 - External Operational Risk Event Management

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

Technology and Cyber Risk

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

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

Operational Risk quantification and capital calculation

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

Strategic Risk

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

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

Strategic risk incorporates business risk which is the sensitivity between expected revenues and expected costs. It is a measure of how easily the cost base can be managed in relation to lower than expected revenues. The risk of doing business is categorised as the volatility of the business planning forecast compared to the realised revenue which is dependent on the market environment (refer to Directors' Report from page 2).

Compliance Risk

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

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

Conduct Risk

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

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

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

Business and Risk Management Policies (continued)

Legal Risk

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

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

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

Reputational Risk

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

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

Status of Regulatory Capital Resources

The Company's regulatory capital resources are assessed under the Capital Requirements Regulation and the Capital Requirements Directive IV. The Company's capital as at 31st December 2023 consists only of Tier 1 Capital: share capital and retained earnings.

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

The Company has fulfilled its capital requirements at all times during the year. The Company's capital resources, Pillar 1 capital requirements and capital ratios for 2023 and 2022 are shown in the table below:

| As at 31 December | 2023 €'m | 2022 €'m |
|---|---------------------|---------------------|
| Total Common Equity Tier 1 Capital after Deductions | 227 | 222 |
| Total capital resources | 227 | 222 |
| Credit Risk (including Concentration Risk) | 21 | 17 |
| Market Risk | 8 | 11 |
| Operational Risk | 8 | 7 |
| Total capital requirements | 37 | 35 |

| As at 31 December | 2023 % | 2022 % |
|--|-------------------|-------------------|
| Common Equity Tier 1 Ratio (Common Equity Tier 1 / Risk Weighted Assets) | 48.5 | 50.8 |
| Tier 1 Ratio (Tier 1 / Risk Weighted Assets) | 48.5 | 50.8 |
| Total Capital Ratio (Total Capital / Risk Weighted Assets) | 48.5 | 50.8 |

Financial Statements

Income Statement

| | Notes | For the year ended 31 December 2023 €'000 | *For the year ended 31 December 2022 €'000 |
|--|-------|---|--|
| Interest income | 2 | 6,156 | 1,979 |
| Interest expense | 3 | (5,591) | (1,801) |
| Net interest income | | 565 | 178 |
| Fee and commissions income | 4 | 47,713 | 35,270 |
| Fee and commissions expense | 4 | (8,272) | (7,688) |
| Net fee and commissions income | | 39,441 | 27,582 |
| Trading income | | 24,523 | 10,219 |
| Total operating income | | 64,529 | 37,979 |
| Administrative expenses | 5 | (38,892) | (30,084) |
| Amortisation of intangible assets | 10 | (1,566) | (2,682) |
| Depreciation of right-of-use assets | 12 | (528) | (504) |
| Depreciation of property, plant and equipment | 11 | (378) | (550) |
| Total operating expenses | | (41,364) | (33,820) |
| Profit on ordinary activities before taxation | | 23,165 | 4,159 |
| Taxation | 7 | (5,897) | (1,052) |
| Profit attributable to owners of the Company | | 17,268 | 3,107 |
| Total comprehensive income | | 17,268 | 3,107 |

* 2022 has been restated to reclassify interest on money market deposits and cash collateral held at amortised cost from "Trading income" to "Interest income" and "Interest expense", with minimal impact. There is no impact to "Profit on ordinary activities before tax" figure. See notes 2 and 3 for further details.

Statement of Financial Position*

| As at 31 December | Notes | 2023 €'000 | 2022 €'000 |
|---|-------|------------------|------------------|
| ASSETS | | | |
| Cash and balances at central banks | 8 | 19,349 | 115,670 |
| Derivative financial assets | 9 | 1,263,983 | 1,009,970 |
| Reverse repurchase agreements | | 2,804,224 | 2,689,262 |
| Cash collateral paid to derivative counterparties | | 103,255 | 180,290 |
| Deferred tax assets | 7 | 1,122 | 1,251 |
| Intangible assets | 10 | 2,127 | 3,693 |
| Right-of-use assets | 12 | 2,043 | 1,863 |
| Property, plant and equipment | 11 | 95 | 473 |
| Other assets | 13 | 50,413 | 13,636 |
| Total assets | | 4,246,611 | 4,016,108 |
| LIABILITIES | | | |
| Deposits by banks | | - | 1 |
| Derivative financial liabilities | 9 | 1,258,756 | 1,007,229 |
| Repurchase agreements | | 1,584,541 | 1,797,973 |
| Other amortised cost loans | 14 | - | 106,491 |
| Cash collateral received from derivative counterparties | | 1,117,998 | 817,395 |
| Financial liabilities designated at fair value | 15 | - | 35,490 |
| Other liabilities | 16 | 38,969 | 22,450 |
| Total liabilities | | 4,000,264 | 3,787,029 |
| EQUITY | | | |
| Equity instruments | 17 | 200,045 | 200,045 |
| Retained earnings | | 46,302 | 29,034 |
| Total equity | | 246,347 | 229,079 |
| Total liabilities and equity | | 4,246,611 | 4,016,108 |

* Equity after appropriation of results

Financial Statements (continued)

Statement of Changes in Equity

| | Equity instruments €'000 | Retained earnings €'000 | Total equity €'000 |
|-------------------------------------|--------------------------------|-------------------------------|--------------------------|
| 2022 | | | |
| Balance as at 1 January 2022 | 200,045 | 25,926 | 225,971 |
| Profit after tax | - | 3,107 | 3,107 |
| As at 31 December 2022 | 200,045 | 29,034 | 229,079 |

| | Equity instruments €'000 | Retained earnings €'000 | Total equity €'000 |
|-------------------------------------|--------------------------------|-------------------------------|--------------------------|
| 2023 | | | |
| Balance as at 1 January 2023 | 200,045 | 29,034 | 229,079 |
| Profit after tax | - | 17,268 | 17,268 |
| Dividend | - | - | - |
| As at 31 December 2023 | 200,045 | 46,302 | 246,347 |

Cash Flow Statement

| For the period ended 31 December | Notes | 2023 €'000 | *2022 €'000 |
|--|-------|------------------|------------------|
| Reconciliation of profit before tax to net cash flows from operating activities | | | |
| Profit before tax | | 23,165 | 4,159 |
| Adjustment for non-cash items: | | | |
| Depreciation and impairment of property, plant and equipment | | 378 | 550 |
| Amortisation and impairment of intangible assets | | 1,566 | 2,682 |
| Amortisation of right of use asset | | 528 | 504 |
| Interest income | | (6,156) | (1,979) |
| Interest expense | | 5,591 | 1,801 |
| Changes in operating assets and liabilities: | | | |
| Net (increase) in derivative financial assets | | (254,013) | (232,683) |
| Net increase in derivative financial liabilities | | 251,527 | 228,279 |
| Net (increase) in reverse repurchase agreements | | (114,962) | (277,056) |
| Net increase / (decrease) in repurchase agreements | | (213,432) | (178,233) |
| Net decrease in cash collateral for derivatives | | 377,638 | 205,394 |
| Net decrease / (increase) in other assets | | (37,800) | 321 |
| Net increase in other liabilities | | 9,089 | 6,674 |
| Interest received | | 6,156 | 1,979 |
| Interest paid | | (4,673) | (685) |
| Corporation tax paid | | (10) | (3,911) |
| Net cash from / (used in) operating activities | | 44,592 | (242,204) |
| Purchase of intangible assets | | - | (11) |
| Net cash from / (used) in investing activities | | - | (11) |
| Proceeds from Other amortised cost loans | | (106,491) | 106,491 |
| Proceeds from financial liabilities designated at fair value | | (35,490) | 35,490 |
| Sub-lease collections | | 455 | 455 |
| Interest paid | | (918) | (1,116) |
| Lease payments | | (309) | (979) |
| Net cash from financing activities | | (142,753) | 140,341 |
| Net (decrease) / increase in cash and cash equivalents | | (98,161) | (101,874) |
| Opening cash and cash equivalents | | 115,669 | 218,020 |
| Net cash increase / (decrease) | | (98,161) | (101,874) |
| Foreign exchange | | 1,841 | (477) |
| Closing cash and cash equivalents net of deposits by banks | 8 | 19,349 | 115,669 |
| Cash and cash equivalents at central banks | | 19,349 | 115,670 |
| Deposits by banks | | - | (1) |
| Total cash and cash equivalents net of deposits by banks | 8 | 19,349 | 115,669 |

* 2022 has been restated to reflect a change in presentation. Previously all interest payments and receipts were classified as operating. These are now reflected in the same manner as the associated asset or liability.

Notes on Financial Statements

1 Accounting policies

Basis of preparation of company accounts

The Company was incorporated in the Netherlands and started its operating activities in 2019. The financial information includes the financial statements of the Company for the year ended 31 December 2023 and comparative period information is provided for the 1 January 2022 to 31 December 2022. The financial information has been prepared in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS-EU") and in accordance with the Dutch Civil and Corporate Law.

The financial statements have been prepared on a going concern basis due to expected future profitability, strong capital and liquidity position as well as the Company continuing to be of strategic importance to its parent MUS(EMEA). The Company's business activities, together with the factors likely to affect its future development, performance and position are set out in the strategy section of the Directors' Report from page 2. The financial position of the Company and its liquidity position are described through the financial statements beginning on page 24. In addition, the Business and Risk Management Policies from page 15 include the Company's objectives, policies and processes for managing its capital; its financial risk management objectives; limit setting and various forms of risk.

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

MUS(EU) has been granted a Credit Institution licence in October 2022 and is fully compliant with the legal requirements for such activities. As a consequence, the Company classifies as a Public Interest Entity ("PIE") under EU law and is subject to regulatory requirements and supervision of the DNB and ECB for its banking activities.

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

The financial statements have been prepared on a historical cost basis, except for certain financial instruments that are measured at fair value.

Use of estimates and judgements

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

Accounting policies where management estimates are to be applied are:

- The valuation of Level 3 financial instruments, where there is no active market for a financial instrument and valuation techniques are used that depend on unobservable parameters;
- Discretionary compensation accruals following the change of the performance review cycle as well as related vesting and payment dates.

Accounting policies where management judgement is to be applied are:

- Timing of recognition of day 1 revenue for level 3 derivatives, where applicable;
- Satisfaction of vesting conditions which relate to deferred compensation arrangements; and
- Recognition of deferred tax assets (refer to Note 7).

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

Financial instruments

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions of the instrument, and are initially measured at fair value. Regular way purchases and sales of financial instruments are recognised using settlement date accounting.

Financial assets

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

Financial assets held at amortised cost

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

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

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

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

Financial assets held mandatory at FVTPL

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

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

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

Option to designate a financial asset at FVTPL

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

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

Identification and measurement of impairment

The recognition and measurement of impairment under IFRS 9 is based on an internal expected credit loss ("ECL") model. The Company recognises potential expected credit losses for financial assets carried at amortised cost.

The Company calculates 12 month expected losses for the majority of assets held due to the high credit quality of instruments measured at amortised cost. 12 month expected credit losses represent that portion of lifetime expected credit losses which result from default events on the asset that are possible within 12 months of the reporting date. The ECL for the current and prior year is not material.

Trading liabilities

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

Financial liabilities designated at FVTPL

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

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

Repurchase and resale agreements

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

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

Derivatives

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

Notes on Financial Statements (continued)

Derivatives (continued)

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

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

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

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

Collateral

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

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

Financial liabilities held at amortised cost

Financial liabilities are held at amortised cost except where they meet the conditions listed above to be carried at FVTPL. Financial liabilities held at amortised cost include cash collateral received from derivative counterparties, amortised cost loans and other payables. Where liabilities are held at amortised cost, the carrying value is calculated using the effective interest rate method.

Derecognition of financial assets and liabilities

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

Fair value measurement of financial assets and liabilities

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

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

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

When unobservable market data has a significant impact on the valuation of financial instruments and the model valuations indicate initial profits or losses on the transaction, the entire initial gain or loss is not recognised immediately in the income statement. The initial gain or loss is measured as the difference in fair value indicated by the valuation model price and the transaction price. These gains or losses are deferred and recognised over the life of the transaction on a systematic basis, or when the inputs become observable, or the transaction matures or is closed out, or when the Company enters into an eligible offsetting or economic hedging transaction which provides a market data point to demonstrate observability of the unobservable input(s). Refer to Note 19 for further detail on the fair value of financial instruments.

Fees and commissions

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

Fees and commissions expenses include transaction and service fees. Amounts are recognised as the related services are received.

Client money segregation

The Company does not offer client money as a service in the ordinary course of business. However, in certain limited scenarios the Company may receive monies belonging to clients. In such

scenarios the funds will be transferred to the relevant clients as soon as practicable. Such monies and the corresponding amounts due to clients are not held on the Statement of Financial Position as the clients retain beneficial ownership.

Interest income and expense

The Company as an investment firm provides client solutions across primary (debt capital) and secondary markets – predominantly bonds, repurchase agreements and derivatives. The Company holds financial instruments in a trading mark-to-market business model and on FVTPL basis. Revenues are represented in fee and trading income. For financial instruments held at amortized cost the interest is included in interest income or interest expense.

Foreign currencies

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

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

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

Property, plant and equipment and intangible assets

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

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

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

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

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

Leases

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

As a lessee

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

Lease liability is initially measured at the present value of the remaining lease payments at the commencement date, discounted applying lessee's incremental borrowing rate when there is no interest rate implicit in the lease, and presented within Other Liabilities (Note 16). The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made.

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

As a lessor

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

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

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

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

Taxation

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

Notes on Financial Statements (continued)

Taxation (continued)

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

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

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

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

Deferred tax balances are not discounted.

Employee benefits

Staff is remunerated through both salary and annual performance based discretionary compensation awards. Performance based awards are calculated annually, and reflect the performance of both the individual and the Company during that annual period.

Portions of performance-based awards can be paid by the Company on deferred terms although this is not applicable at the moment.

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

Company considers that this treatment most effectively represents the costs of employee compensation for the period.

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

Pensions

The Company maintains a defined contribution pension scheme.

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

Change in accounting policies

Within the current year, the Company changed its presentation of interest receipts and payments within the cash flow statement, in order to more clearly set out these payments in accordance with the requirements of IAS 7 regarding the presentation of interest cash flows on a gross basis.

In accordance with IAS 8, retrospective restatement has been applied, resulting in a restatement of the operating, investing, and financing activities sections within the cash flow statement. As the change implemented is solely presentational within the cash flow statement, there is no other impact on the financial statements resulting from this change.

Future Accounting Developments

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

First time adoption of accounting standards

Pillar Two legislation has been enacted or substantively enacted in certain jurisdictions in which the Company and its subsidiary operate. The legislation will be effective for the Company's financial year beginning 1 January 2024. The Company has performed an assessment of its potential exposure to Pillar Two income taxes.

This assessment is based on the most recent information available regarding the financial performance of the constituent entities. Based on the assessment performed, the Pillar Two effective tax rates in the jurisdictions in which the Company operates are expected to be above 15%. Therefore, the Company does not expect a material exposure to Pillar Two income taxes.

2 Interest income

| | 2023 €'000 | 2022 €'000 |
|--------------------------------|---------------|---------------|
| Interest on non-trading assets | 6,156 | 1,979 |
| | 6,156 | 1,979 |

3 Interest expense

| | 2023 €'000 | 2022 €'000 |
|-------------------------------------|----------------|----------------|
| Interest on non-trading liabilities | (5,591) | (1,801) |
| | (5,591) | (1,801) |

4 Fees and commission income and expenses

| | 2023 €'000 | 2022 €'000 |
|--|----------------|----------------|
| Fee and commissions income | | |
| Fee income | 34,089 | 17,789 |
| Other fee and commissions income | 13,624 | 17,481 |
| Total fee and commissions income | 47,713 | 35,270 |
| Fee and commissions expense | | |
| Fee expense | (8,272) | (7,688) |
| Total fee and commissions expense | (8,272) | (7,688) |
| Net fee and commissions income | 39,441 | 27,582 |

Notes on Financial Statements (continued)

5 Administrative expenses

| | 2023 €'000 | 2022 €'000 |
|--|---------------|---------------|
| Wages and salaries | 12,807 | 11,640 |
| Retirement benefits | 1,369 | 1,223 |
| Social security costs | 4,164 | 3,398 |
| Personnel expenses | 18,340 | 16,261 |
| Auditor's remuneration (note 6) | 451 | 371 |
| Other administrative expense | 20,101 | 13,452 |
| General and administrative expenses | 20,552 | 13,823 |
| Total administrative expenses | 38,892 | 30,084 |

As at 31st December 2023, the number of employees of the Company was 58 (2022: 48), split between the Amsterdam Head Office 21 (2022: 14), of which 7 (2022: 6) were Front Office and the Paris branch 37 (2022: 34), of which 33 (2022: 30) were Front Office.

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

6 Auditor's remuneration

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

| | 2023 €'000 | 2022 €'000 |
|---|---------------|---------------|
| Fees payable to the Company's auditor for audit and other services | | |
| Statutory audit fees | 363 | 303 |
| Other engagements | 88 | 69 |
| Total auditor's remuneration | 451 | 371 |

7 Applicable taxes

| | 2023 €'000 | 2022 €'000 |
|-----------------------------------|----------------|----------------|
| Corporation tax | | |
| Current period | (5,906) | (1,518) |
| Prior year adjustment | 137 | 92 |
| Total current tax | (5,769) | (1,426) |
| Deferred tax | | |
| Origination of timing differences | (47) | 507 |
| Prior year adjustment | (81) | (133) |
| Total deferred tax | (128) | 375 |
| Total tax expense | (5,897) | (1,052) |

Consolidated corporation tax is calculated by aggregating the corporation taxes incurred in the Netherlands and in France. The corporate income tax rate in the Netherlands is 25.8% with the first €200,000 (2022: €395,000) being subject to 19% rate. France's corporate income tax rate is 25% (2022: 25%) for the year.

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

| | 2023 €'000 | 2022 €'000 |
|---|----------------|----------------|
| Profit on ordinary activities before taxation | 23,165 | 4,159 |
| Tax at the Dutch corporation tax rate of 25.8% | (5,977) | (1,073) |
| Current tax prior year adjustment | 138 | 92 |
| Deferred tax prior year adjustment | (81) | (133) |
| Tax losses not recognised | - | - |
| Tax losses recognised in the year and utilised | - | - |
| Deferred tax recognised in the year | - | - |
| Tax effect of expenses that are not deductible in determining taxable profits | (4) | (5) |
| Corporation tax rate differences | 27 | 66 |
| Tax expense for the period | (5,897) | (1,052) |

Notes on Financial Statements (continued)

7 Applicable taxes (continued)

Deferred tax assets

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

| | Opening balance | Charge to profit or loss €'000 | Balance as at 31 December 2023 €'000 |
|--|--------------------|---|---|
| Deferred compensation | 821 | 85 | 906 |
| Accelerated depreciation on fixed assets | 429 | (212) | 217 |
| IFRS 16 | - | (1) | (1) |
| Total | 1,251 | (128) | 1,122 |

8 Notes to the cash flow statement

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

| | 2023 €'000 | 2022 €'000 |
|--|---------------|----------------|
| Cash and balances at central banks | 19,349 | 115,670 |
| Deposits by banks repayable on demand | - | (1) |
| Total cash and cash equivalents | 19,349 | 115,669 |

2023

| | Balance as at 1 January 2023 €'000 | Financing cash and interest flows €'000 | Changes in fair values €'000 | Effect of changes in foreign exchange rates €'000 | Other non-cash movements €'000 | Balance as at 31 December 2023 €'000 |
|--|---|--|------------------------------------|--|---|---|
| MUSHD loan facility | 35,490 | (32,422) | 2 | (3,070) | - | - |
| Intercompany money market deposits | 106,491 | (103,803) | - | (2,674) | (14) | - |
| Lease liabilities | 3,620 | (309) | - | - | 1,038 | 4,349 |
| Total liabilities from financing activities | 145,601 | (136,534) | 2 | (5,744) | 1,024 | 4,349 |

2022

| | Balance as at 1 January 2022 €'000 | Financing cash and interest flows €'000 | Changes in fair values €'000 | Effect of changes in foreign exchange rates €'000 | Other non-cash movements €'000 | Balance as at 31 December 2022 €'000 |
|--|---|--|------------------------------------|--|---|---|
| MUSHD loan facility | - | 34,527 | (2) | 965 | - | 35,490 |
| Intercompany money market deposits | - | 109,968 | - | (3,490) | 13 | 106,491 |
| Lease liabilities | 4,907 | (1,012) | - | - | (275) | 3,620 |
| Total liabilities from financing activities | 4,907 | 143,483 | (2) | (2,525) | (262) | 145,601 |

9 Derivative financial instruments

| | 2023 | | |
|--|--------------------------|----------------------------|---------------------------------|
| | Notional amount €'000 | Fair value assets €'000 | Fair value liabilities €'000 |
| Derivatives held for trading | | | |
| Foreign exchange contracts | 11,742,469 | 533,655 | 536,530 |
| Interest rate contracts | 29,208,309 | 713,071 | 722,226 |
| Credit derivative contracts | 908,674 | 17,257 | - |
| Total trading contracts | 41,859,452 | 1,263,983 | 1,258,756 |
| Total derivatives financial instruments | 41,859,452 | 1,263,983 | 1,258,756 |

| | 2022 | | |
|--|--------------------------|----------------------------|---------------------------------|
| | Notional amount €'000 | Fair value assets €'000 | Fair value liabilities €'000 |
| Derivatives held for trading | | | |
| Foreign exchange contracts | 11,667,868 | 545,070 | 561,277 |
| Interest rate contracts | 14,062,247 | 439,530 | 445,952 |
| Credit derivative contracts | 455,151 | 25,370 | - |
| Total trading contracts | 26,185,266 | 1,009,970 | 1,007,229 |
| Total derivatives financial instruments | 26,185,266 | 1,009,970 | 1,007,229 |

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

OTC credit derivatives include a credit derivative asset, which relates to a financial guarantee provided by a group company, MUFG Bank, for the uncollateralised derivatives exposures within a portfolio of corporate counterparties. At year end the fair value of this derivative totalled €17.3 million (2022: €25.4 million), this amount is offset by a CVA adjustment in respect of the exposure to the underlying corporate counterparties. This largely pertains to interest rate and foreign exchange contracts.

Notes on Financial Statements (continued)

10 Intangible assets

| | Software €'000 |
|-------------------------------|-------------------|
| Cost | |
| As at 1 January 2022 | 13,015 |
| As at 31 December 2022 | 13,015 |
| As at 31 December 2023 | 13,015 |
| Amortisation | |
| As at 1 January 2022 | 6,639 |
| Charge for the period | 2,682 |
| As at 31 December 2022 | 9,322 |
| Charge for the period | 1,566 |
| As at 31 December 2023 | 10,888 |
| Carrying amount: | |
| As at 31 December 2022 | 3,693 |
| As at 31 December 2023 | 2,127 |

11 Property, plant and equipment

| | Leasehold improvements €'000 | Office furniture & fittings €'000 | Office machinery & equipment €'000 | Total €'000 |
|-------------------------------|------------------------------------|--|---|----------------|
| Cost | | | | |
| As at 1 January 2022 | 1,244 | 175 | 1,024 | 2,443 |
| As at 31 December 2022 | 1,244 | 175 | 1,024 | 2,443 |
| As at 31 December 2023 | 1,244 | 175 | 1,024 | 2,443 |
| Depreciation | | | | |
| As at 1 January 2022 | 714 | 45 | 661 | 1,420 |
| Charge for the period | 276 | 18 | 256 | 550 |
| As at 31 December 2022 | 990 | 63 | 917 | 1,969 |
| Charge for the period | 254 | 17 | 107 | 378 |
| As at 31 December 2023 | 1,244 | 80 | 1,024 | 2,347 |
| Carrying amount | | | | |
| As at 31 December 2022 | 254 | 112 | 107 | 473 |
| As at 31 December 2023 | - | 95 | - | 95 |

12 Leases

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

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

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

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

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

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

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

Right-of-use assets

| | Property €'000 | Total €'000 |
|--|-------------------|----------------|
| 2023 | | |
| Balance as at 1 January 2023 | 1,863 | 1,863 |
| Increase in right-of-use after rent increase | 708 | 708 |
| Depreciation charge for the period | (528) | (528) |
| Balance as at 31 December 2023 | 2,043 | 2,043 |

| | Property €'000 | Total €'000 |
|---------------------------------------|-------------------|----------------|
| 2022 | | |
| Balance as at 1 January 2022 | 2,367 | 2,367 |
| Depreciation charge for the period | (504) | (504) |
| Balance as at 31 December 2022 | 1,863 | 1,863 |

Notes on Financial Statements (continued)

12 Leases (continued)

| | 2023 €'000 | 2022 €'000 |
|---|---------------|---------------|
| Other amounts recognised in the income statement | | |
| Interest on lease liability | (123) | (33) |
| Interest on lease asset | 6 | 8 |
| Amounts recognised in the cash flow statement | | |
| Total cash outflow for leases | (309) | (979) |
| Total cash inflow from sub-leases | 455 | 455 |

| | 2023 €'000 | 2022 €'000 |
|---|---------------|---------------|
| Less than one year | 455 | 569 |
| One to two years | 455 | 455 |
| Two to three years | 455 | 455 |
| Three to four years | 369 | 455 |
| Four to five years | - | 375 |
| Total undiscounted lease payments receivable | 1,734 | 2,309 |
| Unearned finance income | (11) | (17) |
| Net investment in the lease | 1,723 | 2,291 |

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

Refer to note 23 for maturity analysis of lease liabilities.

13 Other assets

| | 2023 €'000 | 2022 €'000 |
|------------------------------------|---------------|---------------|
| Prepayments and accrued income | 997 | 914 |
| Lease asset | 1,723 | 2,291 |
| Other debtors | 25,693 | 10,431 |
| Intercompany money market deposits | 22,000 | - |
| | 50,413 | 13,636 |

'Other debtors' comprise intercompany receivables as well as a Eurex default fund deposit. Intercompany money markets deposits are with MUFG Securities (EMEA) plc, the immediate parent undertaking of MUFG Securities (Europe) N.V. These deposits are denominated in EUR.

14 Other amortised cost loans

| | 2023 €'000 | 2022 €'000 |
|------------------------------------|---------------|----------------|
| Intercompany money market deposits | - | 106,491 |
| | - | 106,491 |

'Intercompany money market deposits' related to amortised cost deposits from MUFG Bank.

15 Financial liabilities designated at fair value

| | 2023 €'000 | 2022 €'000 |
|---------------------|---------------|---------------|
| MUSHD loan facility | - | 35,490 |
| | - | 35,490 |

'MUSHD loan facility' represents senior unsecured intercompany borrowings lent under an uncommitted loan facility which allows the Company to borrow JPY 40 billion (€ 256 million) (from MUSHD), of which approximately JPY 5 billion (€ 32 million) was drawn per end of 2022 and redeemed in 2023.

16 Other liabilities

| | 2023 €'000 | 2022 €'000 |
|-------------------------|---------------|---------------|
| Tax and social security | 6,653 | 848 |
| Lease liability | 4,349 | 3,620 |
| Other creditors | 27,967 | 17,982 |
| | 38,969 | 22,450 |

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

Notes on Financial Statements (continued)

17 Equity instruments

| | 2023 €'000 | 2022 €'000 |
|--|---------------|---------------|
| Ordinary shares of €1 each: | | |
| Share capital at start of period | 200,045 | 200,045 |
| Allotted, called up and fully paid as at 31 December | 200,045 | 200,045 |

On 31st December 2023 the Company's issued and paid-up capital amounted €200,045,000. The nominal value for the 200,045,000 shares is €1 per share.

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

18 Report on Directors' remuneration and interests

| | 2023 €'000 | 2022 €'000 |
|--|-------------------------|-------------------------|
| | Management Board | Management Board |
| Short-term employment benefits | 682 | 727 |
| Post-employment benefits | 17 | 17 |
| Other long-term benefits | 22 | 29 |
| Notional share-based payments | 56 | 35 |
| Remuneration of key management personnel | 777 | 808 |
| Realised MTM / interest on NSUs & other long-term benefits | 24 | 27 |
| Total remuneration of key management personnel | 801 | 835 |

| | 2023 €'000 | 2022 €'000 |
|--|--------------------------|--------------------------|
| | Supervisory Board | Supervisory Board |
| Short-term employment benefits | 120 | 106 |
| Remuneration of key management personnel | 120 | 106 |
| Realised MTM / interest on NSUs & other long-term benefits | - | - |
| Total remuneration of key management personnel | 120 | 106 |

There are no other members of key management than the Management Board and Supervisory Board members of the Company.

19 Fair Value of financial instruments

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

| | 2023 | | 2022 | |
|---|-------------------------|---------------------|-------------------------|---------------------|
| | Carrying value €'000 | Fair value €'000 | Carrying value €'000 | Fair value €'000 |
| Assets | | | | |
| <i>At Amortised Cost</i> | | | | |
| Cash and balances at central banks | 19,349 | 19,349 | 115,670 | 115,670 |
| Cash collateral paid to derivative counterparties | 103,255 | 103,255 | 180,290 | 180,290 |
| Other assets | 50,413 | 50,413 | 13,636 | 13,636 |
| Liabilities | | | | |
| <i>At Amortised Cost</i> | | | | |
| Deposits by banks | - | - | 1 | 1 |
| Cash collateral received from derivative counterparties | 1,117,998 | 1,117,998 | 817,395 | 817,395 |
| Other amortised cost loans | - | - | 106,491 | 106,511 |
| Other liabilities | 38,969 | 38,969 | 22,450 | 22,450 |

Valuation of financial assets and liabilities

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

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

The fair value of certain financial instruments is measured using valuation techniques that are determined in full or partly on assumptions that are not supported by observable market prices. The effect of changing these assumptions to a range of reasonably possible alternative assumptions is negligible (2022: negligible) given the back to back nature of these trades across assets and liabilities.

The Company has prepared a Value-at-Risk analysis which reflects interdependencies between market risk factors, refer to page 17.

Notes on Financial Statements (continued)

19 Fair Value of financial instruments (continued)

| 2023 | | | | |
|--|------------------|------------------|------------------|------------------|
| | Level 1 €'000 | Level 2 €'000 | Level 3 €'000 | Total €'000 |
| Assets | | | | |
| <i>Financial Assets at FVTPL</i> | | | | |
| Reverse repurchase agreements – fair value | - | 2,804,224 | - | 2,804,224 |
| Derivative financial instruments | - | 1,237,390 | 26,593 | 1,263,983 |
| | - | 4,041,614 | 26,593 | 4,068,207 |
| Liabilities | | | | |
| <i>Financial Liabilities at FVTPL</i> | | | | |
| Repurchase agreements – fair value | - | 1,584,541 | - | 1,584,541 |
| Derivative financial instruments | - | 1,252,502 | 6,254 | 1,258,756 |
| Financial liabilities designated at fair value | - | - | - | - |
| | - | 2,837,043 | 6,254 | 2,843,297 |
| | | | | |
| 2022 | | | | |
| | Level 1 €'000 | Level 2 €'000 | Level 3 €'000 | Total €'000 |
| Assets | | | | |
| <i>Financial Assets at FVTPL</i> | | | | |
| Reverse repurchase agreements – fair value | - | 2,689,262 | - | 2,689,262 |
| Derivative financial instruments | - | 998,096 | 11,874 | 1,009,970 |
| | - | 3,687,358 | 11,874 | 3,699,232 |
| Liabilities | | | | |
| <i>Financial Liabilities at FVTPL</i> | | | | |
| Repurchase agreements – fair value | - | 1,797,973 | - | 1,797,973 |
| Derivative financial instruments | - | 995,396 | 11,833 | 1,007,229 |
| Financial liabilities designated at fair value | - | 35,490 | - | 35,490 |
| | - | 2,828,859 | 11,833 | 2,840,692 |

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

| | Total assets €'000 | Total liabilities €'000 | Valuation technique(s) | Significant unobservable inputs | Range | | |
|------------------------------|--------------------------|-------------------------------|---------------------------|------------------------------------|--------|--------|--------|
| 2022 | | | | | Min | Max | Units |
| Derivatives | | | | | | | |
| Foreign exchange derivatives | 531 | (532) | Option model | IR – IR Correlation | 35.00 | 60.00 | % |
| | | | | FX – IR Correlation | 20.00 | 60.00 | % |
| | | | | Correlation – underlying assets | 66.00 | 66.00 | % |
| Interest rate derivatives | 11,342 | (11,301) | Option model | Deal contingent probability | 100.00 | 100.00 | % |
| | | | | Deal contingent term | 2.2 | 2.2 | Months |
| | 11,874 | (11,833) | | | | | |

- Correlation is a measure of the relationship between the movements of two variables (i.e. how much the change in one variable may be linked to the change in the other variable). Correlation is often an input into valuation of derivative contracts with more than one underlying risk. A significant increase in correlation in isolation can result in a movement in fair value that is favourable or unfavourable depending on the specific terms of the instrument.
- Deal contingent probability is the probability of an underlying project initiative going ahead. In the event of the project completing, associated swaps will be invoked, however if the project does not complete the swaps do not materialise. Deal contingent term indicates the term at which the underlying project initiative is expected to complete.
- The CVA beta relates to a parameter that is used to infer a credit curve for a credit name which does not have a tradable credit curve in the market. The beta expresses a relationship between a liquid credit index and credit names of similar sectors, ratings and regions.

Notes on Financial Statements (continued)

20 Financial Risk Management

The Company maintains positions in financial instruments as an integral part of daily market activities. These positions are held as part of portfolios that are maintained and monitored by instrument or risk type. The Company implements policies and procedures in order to adequately identify and monitor, assess and manage these risk types. Additional detail is included within Business and Risk Management Policies from page 15.

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

Risk Management by Financial Risk Type:

Market Risk

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

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 gross credit risk exposure of the Company is deemed to be the total assets balance reported on the Statement of Financial Position – refer to page 24. The Company manages its credit risk in accordance with policies originated and approved within the Company and endorsed by its parent company with the objective of ensuring adequate credit mitigates are in place and remaining exposures are adequately managed. Counterparty exposure is managed through a process of credit risk assessment, limit setting, exposure monitoring and exception reporting – refer to Credit Risk on page 18.

Liquidity Risk

Liquidity risk is the risk that the Company has insufficient resources to meet its financial obligations as they fall due. This risk could arise from both institution specific and market-wide events. The Company's liquidity risk appetite expresses the level of risk the Company chooses to take in pursuit of its strategic objectives.

Day to day oversight of liquidity risk management is delegated to the ALCO including specification of liquidity stress testing, approval of business line unsecured funding limits, transfer pricing rates/policy and the contingency funding plan. Matters which require approval are escalated to the Board. Refer to Liquidity Risk on pages 18 and 19.

Capital Risk

Capital risk is the risk that the Company has insufficient capital resources to meet the capital requirements that are incurred through execution of the business plan. The Company aims to manage and control its exposure to capital risk through its policies and procedures with the key objective of holding sufficient capital resources to support the risks in which the Company engages. The ALCO has responsibility for day to day oversight of the Company's capital management. Matters which require approval are escalated to the Board. The Company measures key capital sensitivities and analysis of drivers of change in capital adequacy which is regularly reported in the ALCO. The capital position is assessed against minimum regulatory requirements and internal targets – refer to Capital Risk on page 20 and the Status of Regulatory Capital Resources on page 22.

Compliance risk

Compliance risk, including Financial Crime, is the risk of financial, reputational or other damage to the Company through failing to comply with regulations, rules, guidelines, professional ethics and governance standards, codes of conduct and other similar standards. For more information on this topic refer to page 4 in our board report.

21 Post-balance sheet events

As at the date of signing, the Directors are not aware of any material events which would warrant further disclosure.

22 Collateral

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

Collateral resold or repledged

| | 2023 | | 2022 | |
|---------------------|---------------------|----------------------------|---------------------|----------------------------|
| | Fair Value €'000 | Sold or repledged €'000 | Fair Value €'000 | Sold or repledged €'000 |
| Accepted collateral | 4,619,139 | 2,930,235 | 3,579,634 | 2,809,179 |

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

Collateral Management of Repurchase Agreements

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

Notes on Financial Statements (continued)

23 Contractual maturity analysis

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

| | 2023 | | | | | |
|--|--------------------|------------------------------|--------------------------------------|--------------------------------------|-------------------------|------------------|
| | On demand €'000 | Due within 3 months €'000 | Due between 3 and 12 months €'000 | Due between 1 and 5 periods €'000 | Over 5 periods €'000 | Total €'000 |
| Deposits by banks | - | - | - | - | - | - |
| Repurchase agreements | 44,509 | 2,087,258 | - | - | - | 2,131,767 |
| Cash collateral received from derivatives counterparties | 1,117,998 | - | - | - | - | 1,117,998 |
| Derivatives | 1,258,756 | - | - | - | - | 1,258,756 |
| Financial liabilities designated at fair value | - | - | - | - | - | - |
| Other amortised cost loans | - | - | - | - | - | - |
| Other liabilities (excl. lease liability) | 34,212 | - | - | - | - | 34,212 |
| Lease liability | - | 222 | 734 | 3,801 | - | 4,757 |
| | 2,455,475 | 2,087,480 | 734 | 3,801 | - | 4,547,490 |

| | 2022 | | | | | Total €'000 |
|--|--------------------|------------------------------|--------------------------------------|--------------------------------------|-------------------------|----------------|
| | On demand €'000 | Due within 3 months €'000 | Due between 3 and 12 months €'000 | Due between 1 and 5 periods €'000 | Over 5 periods €'000 | |
| Deposits by banks | 1 | - | - | - | - | 1 |
| Repurchase agreements | 103,936 | 2,030,569 | 300,000 | - | - | 2,434,505 |
| Cash collateral received from derivatives counterparties | 817,395 | - | - | - | - | 817,395 |
| Derivatives | 1,007,229 | - | - | - | - | 1,007,229 |
| Financial liabilities designated at fair value | - | - | - | 35,492 | - | 35,492 |
| Other amortised cost loans | - | 35,507 | 71,016 | - | - | 106,523 |
| Other liabilities (excl. lease liability) | 18,551 | - | - | - | - | 18,551 |
| Lease liability | - | - | 723 | 3,176 | - | 3,899 |
| | 1,947,112 | 2,066,076 | 371,739 | 38,668 | - | 4,423,595 |

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

24 Offsetting financial assets and financial liabilities

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

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

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

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

| | Amounts subject to enforceable netting arrangements | | | | | | | |
|----------------------------------|---|-------------------------|---------------------------------------|--------------------------------|--------------------------|-------------------------------|---------------------|------------------------------|
| | Effects of offsetting on balance sheet | | | Related amounts not offset | | | Exposure | |
| | Gross amounts €'000 | Amounts offset €'000 | Net amounts on balance sheet €'000 | Financial instruments €'000 | Cash collateral €'000 | Financial collateral €'000 | Net amount €'000 | Balance sheet total €'000 |
| As at 31 December 2023 | | | | | | | | |
| Derivative financial assets | 1,263,983 | - | 1,263,983 | 753,764 | 159,314 | - | 350,905 | 1,263,983 |
| Reverse repurchase agreements | 3,349,918 | 545,694 | 2,804,224 | 759,259 | - | 2,042,442 | 2,523 | 2,804,224 |
| Total Assets | 4,613,901 | 545,694 | 4,068,207 | 1,513,023 | 159,314 | 2,042,442 | 353,428 | 4,068,207 |
| | | | | | | | | |
| Derivative financial liabilities | 1,258,756 | - | 1,258,756 | 753,764 | 31,404 | - | 473,588 | 1,258,756 |
| Repurchase agreements | 2,130,235 | 545,694 | 1,584,541 | 759,259 | - | 824,619 | 663 | 1,584,541 |
| Total Liabilities | 3,388,991 | 545,694 | 2,843,297 | 1,513,023 | 31,404 | 824,619 | 474,251 | 2,843,297 |
| As at 31 December 2022 | | | | | | | | |
| Derivative financial assets | 1,009,970 | - | 1,009,970 | 610,339 | 291,199 | - | 108,432 | 1,009,970 |
| Reverse repurchase agreements | 3,329,027 | 639,765 | 2,689,262 | 1,071,660 | - | 1,610,942 | 6,660 | 2,689,262 |
| Total Assets | 4,338,997 | 639,765 | 3,699,232 | 1,681,999 | 291,199 | 1,610,942 | 115,092 | 3,699,232 |
| | | | | | | | | |
| Derivative financial liabilities | 1,007,229 | - | 1,007,229 | 610,339 | 53,395 | - | 343,495 | 1,007,229 |
| Repurchase agreements | 2,437,737 | 639,764 | 1,797,973 | 1,071,660 | - | 724,667 | 1,646 | 1,797,973 |
| Total Liabilities | 3,444,966 | 639,764 | 2,805,202 | 1,681,999 | 53,395 | 724,667 | 345,141 | 2,805,202 |

Notes on Financial Statements (continued)

25 Related-party transactions

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

| | 2023 | | | |
|-------------------|-------------------------|---------------|--------------------------------|----------------|
| | Parent Company €'000 | MUFG €'000 | Other Related Parties €'000 | Total €'000 |
| Income | 85,199 | 808 | - | 86,007 |
| Expenses | 53,313 | 5,846 | - | 59,159 |
| Total assets | 2,162,344 | 764,107 | 16,130 | 2,942,581 |
| Total liabilities | 1,439,302 | 910,210 | 4,919 | 2,354,431 |

| | 2022 | | | |
|-------------------|-------------------------|---------------|--------------------------------|----------------|
| | Parent Company €'000 | MUFG €'000 | Other Related Parties €'000 | Total €'000 |
| Income | 24,686 | 253 | 1,047 | 25,986 |
| Expenses | 5,108 | 6,323 | - | 11,431 |
| Total assets | 1,742,877 | 416,263 | - | 2,159,140 |
| Total liabilities | 1,723,954 | 598,165 | 6,314 | 2,328,433 |

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

No provisions for doubtful debts related to the amount of outstanding balances are recognized in respect of related parties.

Transactions executed with related parties are entered into at market price on an arm's length basis.

The Company has entered in to a Deed Poll guarantee arrangement which guarantees MUS(EU)'s derivative contract liabilities to external counterparties. The terms of the arrangement stipulate MUFG Bank as the guarantor of these liabilities. The Company incurs a fee for this benefit. This arrangement is in addition to the guarantee provided by MUFG Bank, for the uncollateralised derivatives exposures within a portfolio of corporate counterparties (refer to note 9).

There are no material related party transactions with key management, and persons connected with them, other than remuneration disclosed in note 18.

26 Company information

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

MUFG Securities (Europe) N.V.
World Trade Center, Tower One, 11th Floor
Zuidplein 98
1077 XV Amsterdam
The Netherlands

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

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

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

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

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

Approval of the Financial Statements

The financial statements were approved by the Board of Directors and Supervisory Board and authorized for issue on the 12th of April 2024.

On behalf of

MUFG Securities (Europe) N.V.

Mr. Wietze Reehoorn

Ms. Gisella van Vollenhoven

Ms. Colleen Frances Stack

Mr. Yuji Tokuhiro

Mr. Adam Jesney

Other Information

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

Provisions of Articles of Association concerning profit appropriation

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

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

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

To the Management Board and the Supervisory Board of MUFG Securities (Europe) N.V.

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

Our opinion

We have audited the financial statements 2023 of MUFG Securities (Europe) N.V., based in Amsterdam.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of MUFG Securities (Europe) N.V. as at 31 December 2023, and of its result and its cash flows for the year ended 31 December 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

The financial statements comprise:

1. The statement of financial position as at 31 December 2023.
2. The following statements for the year ended 31 December 2023: the income statement, the statements of changes in equity and cash flows.
3. The notes comprising material accounting policy information and other explanatory information.

Basis for our opinion

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

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

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

Information in support of our opinion

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at EUR 31,000,000. The materiality is based on 0.75% of Total Assets. We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the Supervisory Board that misstatements in excess of EUR 1,550,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the company and its environment and the components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the Supervisory Board exercises oversight, as well as the outcomes. We refer to section Business and Risk Management Policies of the annual report for the Management Board's fraud risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration that are set at the MUFG group level. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.

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

We identified the following fraud risks and performed the following specific procedures:

- Management override of controls (presumed risk).
- Day one profit and loss (cutoff).

We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness of internal controls that mitigate fraud risks. In addition, we performed procedures to evaluate key accounting estimates for management bias in particular relating to important judgment areas and significant accounting estimates as disclosed in the financial statements. We

have also used data analysis to identify and test the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

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

We considered available information and made enquiries of relevant representatives of the Management Board, Supervisory Board, Internal Audit and Compliance.

We tested the appropriateness of journal entries recorded in the general ledger and other adjustments made in the preparation of the financial statements.

We evaluated whether the selection and application of accounting policies by the company, particularly those related to subjective measurements and complex transactions, may be indicative of fraudulent financial reporting.

We evaluated whether the judgments and decisions made by management in making the accounting estimates included in the financial statements indicate a possible bias that may represent a risk of material misstatement due to fraud. Management insights, estimates and assumptions that might have a major impact on the financial statements are disclosed in note 1 of the financial statements.

We rebutted the presumed fraud risk on revenue recognition. Revenue has high volumes of transactions with a relative low value per transaction. The fees are split among MUFG and its upstream related parties in accordance with the inter-firm service agreement in place between parties. These are subject to transfer pricing arrangements supported by external accounting firms in line with guidelines issued by the OECD. Revenue from the client is cash settled typically within 30 days and therefore a high level of assurance can be obtained through agreeing to external communications in the form of cash payments. Furthermore, there are no accounting and reporting complexities associated to the transactions (with exception of the separate risk related to Day one profit and loss) as the revenue is recognized as the services are provided and deal is closed.

For any significant transactions we evaluated whether the business rationale of the transactions suggests that they may have been entered into to engage in fraudulent financial reporting or to conceal misappropriation of assets.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the company through discussion with members of the Management Board and Supervisory Board, reading minutes, reports of Internal Audit, the Management and Supervisory Board, the Compliance Committee, the Risk Management Committee, the Remuneration Committee and the Assets and Liability Committee.

As a result of our risk assessment procedures, and while realizing that the effects from non-compliance could considerably vary, we considered the following laws and regulations: (corporate) tax law, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the financial statements.

We obtained sufficient appropriate audit evidence regarding provisions of those laws and regulations generally recognized to have a direct effect on the financial statements.

Apart from these, the company is subject to other laws and regulations where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation.

Given the nature of the company's business and the complexity of these other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations. We consider regulatory compliance a key audit matter. For a detailed description and how we have addressed this matter in our audit reference is made to the key audit matters section hereafter.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the company's ability to continue its business, or to avoid material penalties (e.g., compliance with the terms of operating licenses and permits or compliance with environmental regulations) and therefore non-compliance with such laws and regulations may have a material effect on the financial statements.

Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to (i) inquiry of management, the Supervisory Board, the Management Board and others within the company as to whether the company is in compliance with such laws and regulations and (ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

Naturally, we remained alert to indications of (suspected) non-compliance throughout the audit.

Finally, we obtained written representations that all known instances of (suspected) fraud or non-compliance with laws and regulations have been disclosed to us.

Independent auditor's report (continued)

Audit approach going concern

Our responsibilities, as well as the responsibilities of the Management Board and the Supervisory Board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we performed procedures including evaluating the Management Board's assessment of the company's ability to continue as a going concern and considering the impact of financial, operational, and other conditions.

The operating profits have been positive in the last year, and the capital and liquidity metrics have remained above regulatory required minimums throughout the year. In addition, the company has a JPY 40 billion uncommitted inter-company liquidity line from MUSHD – at year end, this was undrawn. Backing from the group is also supported by the available MUSHD loan facility which allows the company to borrow an additional JPY 35 billion from MUSHD. We consider management's assessment reasonable that MUFG Securities (Europe) N.V. ('MUS(EU)') will have adequate resources in place, or receive future capital injections from the MUFG Group when needed, to continue trading for the foreseeable future. Based on these procedures, we did not identify any reportable findings related to the company's ability to continue as a going concern.

Our key audit matters

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

These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matters

Compliance and Regulatory Exposure

Description

There is an industry risk that emerging compliance areas have not been identified and/or addressed by the Management Board for financial statement purposes. This includes the consideration whether there is a need for the recognition of a contingent liability disclosure on the future outcome of regulatory investigations.

We identified that the risk of non-compliance with laws and regulations mainly relates to the laws and regulations which have an indirect impact on the financial statements, such as the Financial Supervision Act (Wft), Decree on the Supervision of Financial Enterprises (BGfo), Anti-Money Laundering and Anti-Terrorist Financing Act (Wwft) (inclusive global regulations on Anti-Money Laundering (AML), Counter Terrorist Financing (CTF) and sanctions, Know Your Customer (KYC), Market Abuse Regulation, Markets in

Financial Instruments Directive II (MiFID II –including transaction reporting), the General Data Protection Regulation (GDPR), the Capital Requirements Regulations (CRR) and Capital Requirements Directive IV (CRD IV).

The recognition and measurement of provisions and the disclosure of contingent liabilities requires considerable management judgements around the future outcome of regulatory investigations. Given the inherent uncertainty and the judgmental nature, we determined the provisions and disclosures on contingent liabilities due to non-compliance with laws and regulations to be of particular importance to our audit. Since this area is subject to a higher risk of material misstatement, we determined this to be a key audit matter in our audit.

Reference is made to the paragraph "Business and Risk Management Policies" in the Annual Report and note 1 of the Financial Statements.

How the key audit matter was addressed in the audit

We obtained an understanding of the significant laws and regulations with which MUFG Securities (Europe) N.V. ('MUS(EU)') has to comply and how it is instituting and operating appropriate systems of internal control to comply with those laws and regulations.

We had dialogues with members of the Management Board on a regular basis to understand emerging and potential regulatory exposures. We challenged management's view on these regulatory exposures based upon our knowledge and experience of emerging industry trends and the regulatory environment.

To identify potential regulatory investigations that could lead to the need for potential provisions or disclosures in the financial statements, we read MUS(EU)'s relevant correspondence with its key regulators being the Autoriteit Financiële Markten ('AFM') and De Nederlandsche Bank ('DNB').

We read the minutes of the Management Board and the Supervisory Board meetings and attended the Audit Committee meetings throughout the year up to the signing date of our auditor's report. In addition, we have read through the Compliance, Risk Management, Remuneration and Assets & Liability Committee meeting minutes.

We inquired with the Compliance department to understand the risk position of each new as well as existing regulatory investigations and reviewed reports and assessments of MUS(EU)'s Internal Audit department relating to compliance with laws and regulations.

During the inquiries performed and reading of the minutes and reports, we noted that compliance, related matters and improvement of procedures and tooling around compliance continue to receive attention of the Management Board.

We obtained an understanding of the initiatives which are part of these programs through reading of progress reports, inquiry of the employees involved, the Management Board, the Audit Committee, reading of correspondence with AFM and DNB related to these matters and discussed the outcomes of reports issued on these topics. We have made use of auditor's (compliance) expert to assist us with this.

Finally, we assessed the disclosures in the Financial Statements that highlight the uncertainties and exposures of contingent liabilities due to non-compliance with laws and regulations.

Our observations

The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. Our procedures performed did not result in any reportable matters.

Report on the other information included in the annual report

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

The other information consists of:

- Letter from the Chair of the Supervisory Board.
- Directors report.
- Business and Risk management policies.
- Other information.

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

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

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements.

By performing these procedures, we comply with the requirements of Part 9 of Book 2 of the Dutch Civil Code and the Dutch Standard 720. The scope of the procedures performed is substantially less than the scope of those performed in our audit of the financial statements.

The Management Board is responsible for the preparation of the other information, including the Directors Report in accordance with Part 9 of Book 2 of the Dutch Civil Code, and the other information as required by Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

We were engaged by the Supervisory Board as auditor of MUFG Securities (Europe) N.V. as of the audit for the year 2019 and have operated as statutory auditor ever since that financial year. The company started to classify as a Public Interest Entity under EU law as of the financial year 2022.

No prohibited non-audit services

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

Description of responsibilities regarding the financial statements

Responsibilities of the Management Board and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, the Management Board is responsible for assessing the company's ability to continue as a going concern. Based on the financial reporting frameworks mentioned, the Management Board should prepare the financial statements using the going concern basis of accounting unless the Management Board either intends to liquidate the company or to cease operations, or has no realistic alternative but to do so.

The Management Board should disclose events and circumstances that may cast significant doubt on the company's ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

Independent auditor's report (continued)

Our responsibilities for the audit of the financial statements (continued)

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

We have exercised professional judgement and have maintained professional scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Concluding on the appropriateness of the Management Board's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

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

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

Amsterdam, 12 April 2024
Deloitte Accountants B.V.
Signed on the original: T.J.M. Lommerse

MUFG Securities (Europe) N.V.

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The Netherlands