Pillar 3 Disclosure

31ST DECEMBER 2022

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

Contents

Tables

1. About MUFG Securities (Europe) N.V.

MUS(EU) (the "Company") is part of the International securities business of Mitsubishi UFJ Financial Group Inc. ("MUFG"). The Company is based in Amsterdam and is a wholly owned subsidiary of MUFG Securities (EMEA) plc ("MUS(EMEA)"). MUS(EMEA) is based in London and authorised by the Prudential Regulation Authority ("PRA") and regulated by the PRA and the Financial Conduct Authority ("FCA"). The Company is authorised and supervised in the Netherlands by De Nederlandsche Bank ("DNB"). MUS(EU) was granted a Credit Institution License on 31st October 2022 and was added to the credit institution register by the DNB on 1st November 2022. Certain specific activities conducted by MUS(EU) also fall under the scope of supervision by the Authority for the Financial Markets ("AFM"). MUS(EMEA) is wholly owned by Mitsubishi UFJ Securities Holdings Co. Ltd. ("MUSHD") which is a wholly-owned intermediate holding company of MUFG and is responsible for the securities and investment banking business of MUFG, including the Company.

The Company is active throughout European capital markets, focusing on debt, credit, equity, derivatives and structured products. It is engaged in market-making and dealing in the debt, credit, equity-linked and derivatives financial markets, and the management and underwriting of issues of securities and securities investment. The Company works in close partnership with MUFG and its corporate bank, the MUFG Bank Ltd. ("MUFG Bank") and its Dutch subsidiary MUFG Bank Europe N.V. ("MBE") in London and Europe. The Company operates a Paris branch to build on the current client base as well as further leverage the MUFG presence within France. However, it is intended to act as a sales function and introducer. There are no current plans for the Company to have any other branches or subsidiaries. The Company provides its cross border services and activities into the other E.E.A. countries on the basis of its MiFID II passport. The Company was granted a MiFID II Investment Firm Licence in The Netherlands in December 2018 and commenced trading in March 2019. In 2021 the DNB notified the company that as a consequence of the Investment Firm Regulation / Investment Firm Directive, the Company is to be categorised as a Credit Institution due to MUFG's group size in Europe and thus needs to apply for a Banking Licence. The Company formally submitted the application for the abbreviated Banking Licence in November 2021. MUS(EU) received a positive decision from the DNB regarding the licence confirmation in Q3 2022.

MUFG was formed in October 2005 through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings and is one of the world's largest and most diversified financial groups, with total assets of ¥391 trillion (€2.8 trillion) at 31 December 2022. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

2. Introduction

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

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

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

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

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

Basel III, released in December 2010, builds on Basel 2.5. It sets higher capital and liquidity requirements to be phased in over the coming years until fully implemented on the 1st January 2023. In the EU, Basel III was implemented through the Capital Requirements Regulation ("CRR") and Fifth Capital Requirements Directive ("CRD V") in June 2021.

In February 2019, the Council of the EU endorsed an agreement on a set of revised rules aimed at reducing risks in the EU banking sector. The package agreed by the Council and the Parliament comprises two regulations and two directives, relating to:

- Bank capital requirements (amendments to regulation 575/2013 and directive 2013/36/EU);
- The recovery and resolution of banks in difficulty (amendments to directive 2014/59/EU and regulation 806/2014).

The amendments in the package above to the existing CRR and CRD V (collectively referred to as "CRR2") include the following:

- A binding leverage ratio and changes to the exposure measure
- A binding detailed net stable funding ratio ("NSFR")
- A new Standardised Approach for counterparty credit risk
- Changes to the rules for determining the trading and non-trading book boundary and the methodologies for calculating market risk capital charges

The CRR2 changes were finalised in 2019 and applied in the EU from 28th June 2021.

The Pillar 3 disclosures are prepared in accordance with the CRR and CRD V as well as the European Banking Authority ("EBA") guidelines (EBA/GL/2016/11) on disclosure requirements issued in December 2016. The disclosures are available on the Company's corporate website (https://www.mufgemea.com/governance) in respect of remuneration as required under Article 450 of the CRR is separately published on the same website and forms part of the Pillar 3 disclosure for the Company.

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

3. Regulatory Approach

The Company is authorised and supervised in the Netherlands by the DNB and is subject to minimum capital adequacy standards. The Company calculates appropriate capital requirements for each of its material risks.

3.1 Methodologies for capital calculations

Pillar 1 Credit Risk

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

Pillar 1 Market Risk

The calculation of the Company's market risk capital requirements is based on the Standardised Approach in accordance with Title 4 of Part Three within CRR.

Pillar 1 Operational Risk

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

4. Risk Management Strategy and Governance

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

4.1 Risk Management Framework

A number of control and support functions have been established within the Company with some key activities of those control and support functions outsourced to MUS(EMEA). This section describes the roles and responsibilities of these functions in both the Company and in MUS(EMEA) as well as the relationship between the functions in the respective entities.

In accordance with the three lines of defence model of risk each function is specified as Line 1, 2 or 3. In addition Line 1 is separated into those functions which are business generating (Line 1A), those that are operationalising the business generation (Line 1B), and support functions specifically for enabling the business to take place. Day-to-day risk management is the responsibility of all employees. Accountability for second line risk management, with the exception of Legal risk, resides with the Chief Risk and Finance Officer ("CRFO"), who reports directly to the Chief Executive Officer ("CEO") and the Management Board. Market, credit, operational, compliance, conduct, reputational and model risk are overseen by the Risk Management Committee ("RMC"). Liquidity and capital risk is overseen by the Asset and Liability Committee ("ALCO"), which is chaired by the CEO.

The ALCO monitors the Company's capital adequacy and reviews the utilisation of capital at firm level and business level. The ALCO is responsible for ensuring that the Company's capital resources are sufficient both in terms of quantity and quality to meet the regulatory requirements and maintain appropriate buffers above this level. The ALCO is responsible for assessing the capital impact of anticipated regulatory developments and the company's preparedness to deal with such changes. In all matters where ALCO deems capital or liquidity resources to be inadequate it refers these to the appropriate Management or Supervisory Board.

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

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

Three Lines of Defence

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

The three lines of defence are summarised below:

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

4.2 Risk Appetite

Central to the 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 assists Senior Management to effectively control and coordinate risk taking across the business. The Company's risk appetite is specified by the Board through a number of metrics including capital, liquidity, earnings volatility, market, operational and credit risk. It is reviewed at regular meetings of the Board and recalibrated annually as part of the Company's budget and planning process. The risk appetite is cascaded through the Company via the allocation of limits to front office departments and individual traders

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

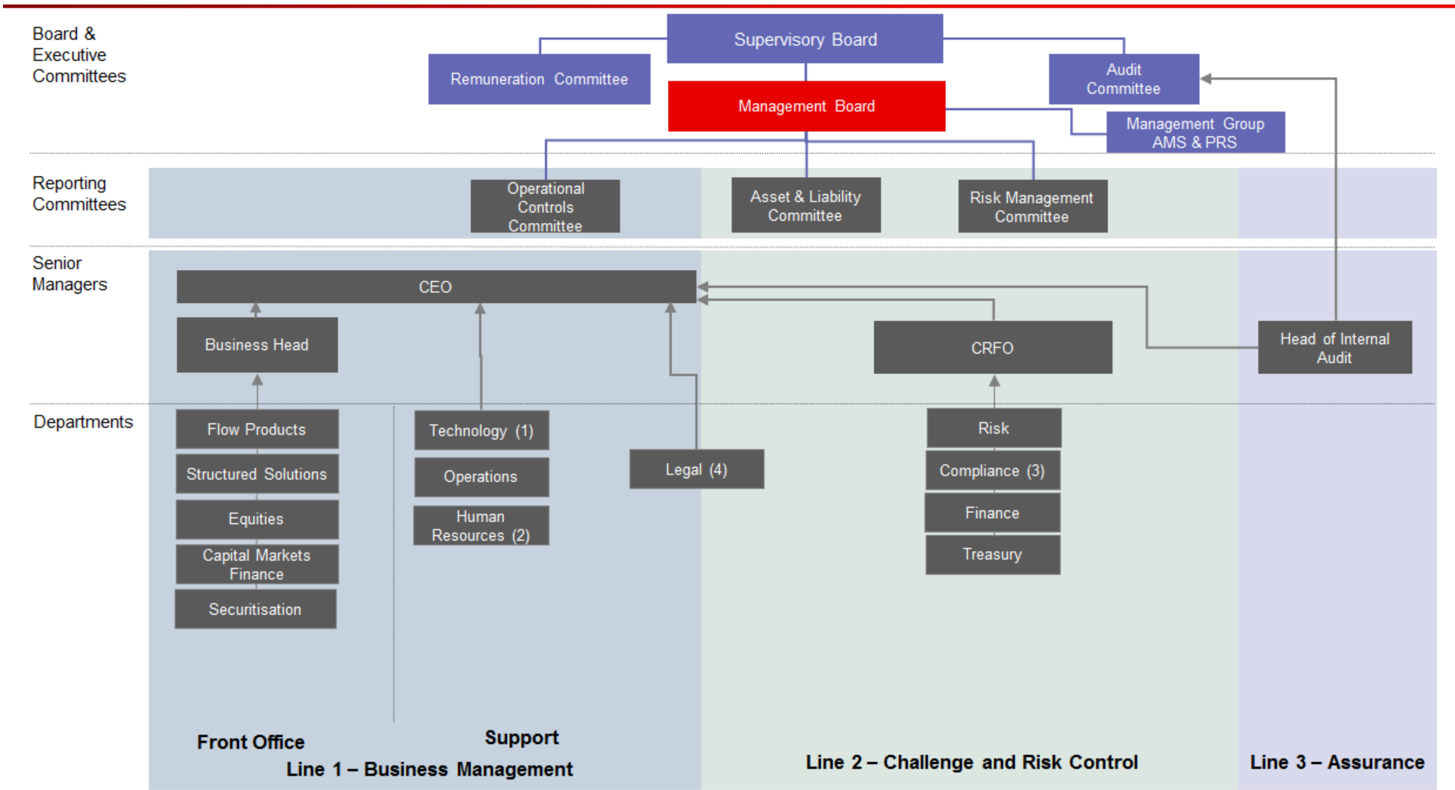
Risk monitoring

The CRFO has risk reporting lines from relevant Control business functions to aid identification of risks. Risks and issues are escalated to the Management Board. The RMC has a responsibility from the Management Board for oversight, review and support of the risk profile against the agreed risk appetite under both normal and stressed conditions.

The risk profile is monitored and reported at the RMC and Management Board and is escalated outside the regular meeting framework if daily monitoring reveals any issues.

4.3 Committee and Corporate Structure

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



Note 1. Technology support in PRS provided locally via external contractor, AMS support through dual hatted arrangement with MBE; Note 2. HR role performed by MUFG Bank Paris and MBE as an outsourced function; Note 3. Includes MUS(EU) Head of Compliance and Paris Branch Head of Compliance (via dual-hat framework with MUFG Bank Paris) supported by local MUS(EU) Compliance officer. Note 4. Legal function is performed through dual-hat framework with MBE. The integrity of the lines of defence is ensured through that individual being required to make it clear in which capacity he or she is operating under the requirement of their Job Description.

The Company maintains a two-tier board structure, the "Supervisory Board" and the Management Board. Under the two-tiered board structure the Company has a strong risk management culture with principles, processes and frameworks to identify, measure and manage its risks and capital effectively.

Supervisory Board

The objective of the Company's 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. The Supervisory Board shall be responsible for oversight of the activities of the Management Board. The Supervisory Board shall carefully consider the interest of all parties in the performance of its tasks, including clients, creditors, the shareholder and employees. The Supervisory Board shall advise the Management Board with regard to the material risks the Company is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle – with a view to assessing at the strategic level whether the allocation and liquidity impact in general are in line with the approved risk appetite, risk strategy and regulatory capital allocation and liquidity requirements and whether the commercial activities in general are appropriate in the context of the Company's risk appetite.

In addition, supervising and advising the Management Board on the design, operation and effectiveness of the internal risk management and control systems.
The current composition of the Supervisory Board is as follows:

MUS(EU) Supervisory Board			
Position	**Status**	**Description of position**	**Current holder**
Chair	Non-executive	Independent	Wietze Reehoorn
Director	Non-executive	Independent	Gisella Van Vollenhoven
Director	Non-executive	Group	Colleen Frances Stack

Management Board

Responsibility for the oversight of risk management resides with the Management Board, with support from the RMC. As part of the business strategy, Management 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 Management Board has approved a risk management framework for the Company which describes the 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 risk appetite. The Management Board is ultimately responsible for reviewing the adequacy of the risk management framework. The Directors consider that the framework currently in place is adequate. The current composition of the Management Board is as follows:

MUS(EU) Management Board			
Position	**Status**	**Description of position**	**Current holder**
Chair	Executive	Chief Executive Officer	Yuji Tokuhiro
Director	Executive	Chief Risk and Finance Officer	Jeffrey Wayne Simmons

Remuneration Committee

The objective of the Remuneration Committee is to act as an independent oversight body for the purposes of considering, supporting and approving remuneration matters and remuneration policies for the Company (and where applicable its branches) in order to meet applicable legal and regulatory requirements related to remuneration. The Committee is authorised by the Company's Supervisory Board and makes decisions in consultation with the CEO and Management Board, provide support and advice to the Supervisory Board which are consistent with the Company's current and future financial status. The Committee, in making decisions, shall give due consideration to the long-term interests of the shareholder, investors and other stakeholders in the Company and the public interest.

Audit Committee

The objective of the Audit Committee is 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 by the Company 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 and (iv) the Company's auditing, accounting and financial reporting processes generally. The Committee is responsible, among other matters, for determining whether the Company's internal controls over financial reporting are appropriate to the risks they are designed to monitor.

Other committees

The Company's Risk Management Committee has the objective of assisting the CRFO in the oversight and coordination of the Company's risk profile in accordance with the appetites & tolerances, limits, strategy and business plans agreed by the Management Board from time-to-time. The main purpose of the Committee is to safeguard the financial condition and performance of the Company by assessing the significant risks arising from the activities of the Company and overseeing the management of these risks in light of market conditions. The focus is on market, credit, operational, liquidity and capital risk, whilst other less dynamic risks (e.g. Business Risk and Strategic Risk) are considered periodically, but less frequently.

The ALCO monitors and manages or refers to the Board and other appropriate senior management all matters relating to the Company's funding liquidity and capital profile.

The objective of the Operational Controls Committee ("OCC") is to oversee and challenge the effectiveness of the Company's internal systems and controls. Risk functions of the Company are excluded from the purview of the Committee as these functions are monitored under the supervision of the RMC and the Management Board.

4.4 Senior Management

Board members as of 31 December 2022 are listed in the table below.

Table 1: Supervisory Board Members

Wietze Reehoorn Chair Independent Non-Executive Director Appointed: 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) • Member of Supervisory Board, Anthos Private Wealth Management BV (2020 to present) • Member Supervisory Council / Chair Audit Committee, Rijksuniversiteit Groningen(2014 to January 2022) • Chair Supervisory Council, Stichting Topsport Community (2014 to present) • Member Supervisory Council / Chair of Audit Committee, Frans Hals Museum (2016 to present) • Board Member, Abe Bonnema Stichting (2015 to present) • Director, Member Investment Committee, Koninklijke Hollandsche Maatschappij der Wetenschappen (2018 to present)

	• Member of Board of Directors / Chair of Board Strategy & Transformation Committee / Chair of Board Corporate Governance and Nomination Committee / Member of Board Risk Committee / Member of Audit Committee, National Bank of Greece (2019 to present).
Gisella van Vollenhoven Independent Non-Executive Director Appointed: 2021	**Skills and experience**: Ms van Vollenhoven has extensive experience in the financial sector. This experience includes Retail Banking, Insurance, Pensions, Risk Management, Supervisor, and 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:** • Member Supervisory Board / Chair Audit Risk and Compliance Committee, MUFG Bank (Europe) N.V. (2020 to present) • Member Supervisory Board / Chair Risk and Audit Committee, Bunq (2020 to present) • Member Supervisory Board Pensionfund Vervoer (2020 to present) • Member Supervisory Board / Chair Remuneration Committee / Member Appointment Committee, a.s.r. verzekeringen (2019 to present) • Member Supervisory Board / Vice Chair / Chair Remuneration Committee, Waarborgfonds Social Woningbouw (2018 to present) • Ancillary positions: o Member Strategic Audit Committee, Ministry of Foreign Affairs o Council to the Ondernemingskamer, Gerechtshof Amsterdam Associated Partner Riskquest • Member Curatorium Education “Risk Management in Financial Institutions
Colleen Frances Stack Group Non-Executive Director Appointed: 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 Money Laundering Reporting Officer for MUFG Bank London Branch 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 in the Office of Terrorist Financing and Financial Crime as Director of Global Affairs and member of the Senior Executive Service. Ms Stack was responsible for developing innovative strategies for deploying targeted financial measures in countering all forms of illicit finance threats. Ms Stack was also commissioned by the US Department of Treasury as a Foreign Service Officer and worked in a variety of diplomatic roles in Russia, Washington, DC, and Japan. **Other appointments:** • None

Table 2: Management Board Members

Yuji Tokuhiro Chief Executive Officer Appointed: 23rd November 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 Chief Risk and Finance Officer Appointed: 2018	**Skills and experience**: Mr Simmons has 30 years' experience in Banking coupled with 10 years in Finance. He has had various senior roles specialising in best practice Risk Management including Market Risk, Credit Risk, Risk Model Validation and Regulatory Risk consulting. As well as line management responsibilities in various institutions he has also gained extensive experience in implementing Risk Management frameworks from both a technical and operating model based perspective. Most recently he has been involved intensively with the implementation of the Operations and Risk Management functions in MUS(EU) where he acts as the Chief Risk and Finance Officer. **Other appointments:** • None.

4.4 Supervisory and Management Board Gender Balance

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

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

Table 3: Supervisory and Management Board Gender Balance

Name	Gender
Supervisory Board	
Wietze Reehoorn	Male
Gisella van Vollenhoven	Female
Colleen Frances Stack	Female
Management Board	
Yuji Tokuhiro	Male
Jeffrey Wayne Simmons	Male

The Company intends to realise an improved balance in the distribution of seats in the future by hiring appropriately qualified females if Management Board Directors' seats become vacant.

5. Key Prudential Metrics

Table 4: Key Metrics (KM1)

		31 Dec 2022 €m	30Jun 2022 €m	31 Dec 2021 €m
Available own funds (amounts)				
1	Common Equity Tier 1 ("CET1") capital	222	220	208
2	Tier 1 capital	222	220	208
3	Total capital	222	220	208
Risk-weighted exposure amounts				
4	Total risk-weighted exposure amount	436	540	355
Capital ratios (as a percentage of risk-weighted exposure amount)				
5	Common Equity Tier 1 ratio (%)	50.84%	40.81%	58.72%
6	Tier 1 ratio (%)	50.84%	40.81%	58.72%
7	Total capital ratio (%)	50.84%	40.81%	58.72%
Additional own funds requirements based on SREP (as a percentage of risk-weighted exposure amount)				
EU 7a	Additional CET1 SREP requirements (%)	4.75%	5.15%	5.15%
EU 7b	Additional AT1 SREP requirements (%)	1.58%	1.72%	1.72%
EU 7c	Additional T2 SREP requirements (%)	2.11%	2.29%	2.29%
EU 7d	Total SREP own funds requirements (%)	16.44%	17.15%	17.15%
Combined buffer requirement (as a percentage of risk-weighted exposure amount)				
8	Capital conservation buffer (%)	2.50%	2.50%	2.50%
EU 8a	Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State (%)	0.00%	0.00%	0.00%
9	Institution specific countercyclical capital buffer (%)	0.34%	0.00%	0.00%
EU 9a	Systemic risk buffer (%)	0.00%	0.00%	0.00%
10	Global Systemically Important Institution buffer (%)	0.00%	0.00%	0.00%
EU 10a	Other Systemically Important Institution buffer	0.00%	0.00%	0.00%
11	Combined buffer requirement (%)	2.84%	2.50%	2.50%
EU 11a	Overall capital requirements (%)	19.28%	19.65%	19.65%
12	CET1 available after meeting the total SREP own funds requirements (%)	41.59%	31.16%	49.07%
Leverage ratio				
13	Total exposure measure excluding claims on central banks[1]	3,187	3,500	2,965
14	Leverage ratio excluding claims on central banks (%)	6.96%	6.29%	7.03%
Liquidity Coverage Ratio ("LCR")				
15	Total high-quality liquid assets (HQLA) (Weighted value - average)	629	403	353
EU 16a	Cash outflows - Total weighted value	766	694	548
EU 16b	Cash inflows - Total weighted value	575	521	409
16	Total net cash outflows (adjusted value)	192	174	140
17	Liquidity coverage ratio (%)	337%	258%	283%
Net Stable Funding Ratio ("NSFR")				
18	Total available stable funding	279	281	215
19	Total required stable funding	444	136	89
20	NSFR ratio (%)	63%	206%	242%

6. Capital Resources

The regulatory capital resources are assessed under the CRR and CRDIV and consist of Common Equity Tier 1 ("CET1") – 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.

Details of the Company's own funds can be found in tables 7 and 8 in the Appendix.

7. Capital Requirements

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

Table 5: Overview of Risk Weighted Exposure Amounts (OV1)

		Risk weighted exposure amounts (RWEAs)		Total own funds requirements
	(€m)	31 Dec 2022	31 Dec 2021	31 Dec 2022
1	**Credit risk (excluding CCR)**	**38**	**64**	**3**
2	Of which the standardised approach	38	64	3
3	Of which the foundation IRB (FIRB) approach	-	-	-
4	Of which slotting approach	-	-	-
EU 4a	Of which equities under the simple risk-weighted approach	-	-	-
5	Of which the advanced IRB (AIRB) approach	-	-	-
6	**Counterparty credit risk - CCR**	**169**	**115**	**14**
7	Of which the standardised approach	89	53	7
8	Of which internal model method (IMM)	-	-	-
EU 8a	Of which exposures to a Central Counterparty ("CCP")	1	0	0
EU 8b	Of which credit valuation adjustment - CVA	80	62	6
9	Of which other CCR	-	-	-
10	Empty set in the EU			
11	Empty set in the EU			
12	Empty set in the EU			
13	Empty set in the EU			
14	Empty set in the EU			
15	**Settlement risk**	**0**	**-**	**0**
16	**Securitisation exposures in the non-trading book (after the cap)**	**-**	**-**	**-**
17	Of which SEC-IRBA approach	-	-	-
18	Of which SEC-ERBA (including IAA)	-	-	-
19	Of which SEC-SA approach	-	-	-
EU 19a	Of which 1250%/ deduction	-	-	-
20	**Position, foreign exchange and commodities risks (Market risk)**	**140**	**93**	**11**
21	Of which the standardised approach	140	93	11
22	Of which IMA	-	-	-
EU 22a	**Large exposures**	**-**	**-**	**-**
23	**Operational risk**	**88**	**84**	**7**
EU 23a	Of which basic indicator approach	-	-	-
EU 23b	Of which standardised approach	88	84	7
EU 23c	Of which advanced measurement approach	-	-	-
24	Amounts below the thresholds for deduction (subject to 250% risk weight) (For information)	-	-	-
25	Empty set in the EU			
26	Empty set in the EU			
27	Empty set in the EU			
28	Empty set in the EU			
29	**Total**	**436**	**355**	**35**

A detailed description in respect of each risk type is provided in the following sections.

6.1 Internal Capital Adequacy Assessment Process

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

The Management Board is involved in all the key elements of the ICAAP and approves the business and capital plans, Risk Appetite Statement, stress testing framework and oversees the preparation of the ICAAP document. The ICAAP process is closely aligned with the strategy setting and business planning process as well as the process for identification, measurement and control of its risks.

Stress testing is used to assess the impact of severe but plausible financial stresses on either individual or multiple risk factors and to determine appropriate capital buffers. The 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.

6.2 Capital Buffers

A number of capital buffers were introduced under CRD IV. The current Dutch countercyclical capital buffer ("CCyB") rate is set at 0%. This rate is set to change as per the Financial Policy Committee ("FPC") announcement in May 2022 where the CCyB is set to rise to 1%, the FPC cited the state of the economy and the financial sector, combined with cyclical developments as its rationale. Compliance with the new CCyB rate is per May 2023 meaning there is no impact on the current Pillar 3 disclosure. The CCyB is a variable add-on to the minimum capital requirements of up to 2.5% of risk-weighted assets, or even higher, should the circumstances and the DNB determine. Outside the Netherlands, the CCyB rate is determined by the regulatory authorities in each jurisdiction where the Company has exposures.

8. Credit Risk

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

8.1 Methodology

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

Per Article 113 of CRR, the Company is required to use rating agencies' credit assessments for the determination of risk weights under the standardised approach to credit risk. The credit assessment should be produced by an eligible External Credit Assessment Institution ("ECAI") and used in a consistent manner over time. For regulatory purposes, the Company has selected Moody's Rating Agency as its nominated ECAI. ECAI ratings are used to determine risk weightings for all the relevant exposure classes.
The Company has exposures to intragroup entities and monitors these along with large exposures to third parties on a daily basis.

8.2 Credit Risk Management

The Company manages its credit risk in accordance with policies 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 ("CRM") department. CRM is organisationally independent from the front office departments, and the Risk Analytics Group ("RAG") which is responsible for the design of new credit risk management models. Daily credit risk reports are prepared for Senior Management and trading departments using the Company's in house and vendor systems. The objective of CRM is to:

- Identify, quantify, monitor and control credit risk exposure
- Provide sufficient, timely and relevant data of credit risk exposure by counterparty across all product classes and against each respective approved credit limit
- Maintain static data for all counterparties
- Produce timely credit risk reports as appropriate
- Mitigate credit risk by receiving collateral in accordance with the 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 a review of large exposures, exposures to lower rated issuers and counterparties, and concentration risk around country and industry sectors. The RMC escalates material matters to the Management Board. The Management Board is also 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 ("CSAs") in place with the majority of its counterparties (this includes the exchange of initial margin with certain non-centrally cleared, over-the-counter derivatives counterparties for in-scope products) and guarantee arrangements in place with members of MUFG. Risk is managed net of these guarantees.

8.3 Credit Limits for Counterparty Credit Exposures

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

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

The tables below show breakdowns of regulatory counterparty credit exposures by geography, industry, credit quality and residual maturity. Details of derivatives exposures are also included.

8.4 Residual Credit Risk

Residual credit risks are those that are not captured by standard credit risk models. The Company's residual credit risk is made up of wrong way risk or certain cross currency swaps.

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

8.5 Credit Concentration Risk

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

8.6 Credit Risk Mitigation

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

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

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

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

8.7 Collateral Management

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

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

Since September 2016 the industry has been obliged to exchange initial margin and variation margin with certain non-centrally cleared over-the-counter derivatives counterparties and has received approval from the National Futures Association to allow it to use an internal model for the calculation of initial margin under the Commodity Futures Trading Commission's rules. It uses the Standardized Initial Margin Model developed by the International Securities Dealers Association to calculate initial margin in accordance with those rules.

8.8 Wrong Way Risk Policy

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

8.9 Settlement and Delivery Risk

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

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

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

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

The Company tends to operate under a DVP settlement system and has a policy and procedures in place to monitor, record and approve transactions that might generate settlement risk. FOP transactions represent a certain level of risk as the Company will be exposed to the loss of the full principal amount as well as market risk during settlement until a replacement transaction is completed. Under the policy, no transactions that are expected to generate intraday or overnight FOP settlement risk can be executed without formal credit approval of an established delivery/settlement risk limit.

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

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

9. Market Risk

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

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

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

The market risk capital requirement is measured using the Standardised Approach and the Company does not have permission from the DNB to use internal models for capital requirements.

9.1 VaR Modelling

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

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

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

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

9.2 VaR Backtesting

The Company carries out a daily comparison of end of day VaR measures to the 1-day change of the portfolio’s actual value and hypothetical value on the day the profit and loss figures are produced. In 2022 the number of occasions on which actual trading book outcomes or hypothetical trading book outcomes exceeded the previous day’s VaR was within the acceptable tolerances of the model. In addition to the VaR backtesting at the aggregate Company level, the Company conducts backtesting on a number of sub-portfolios across the different business units.

9.3 Stressed VaR

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

9.4 Other Market Risk

The Company currently does not have permission to use its internal models for capital purposes and market risk capital is captured under the Standardised Approach.

8.5 Inclusion in the Trading Book

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

9.6 Prudent Valuation Adjustment ("PVA")

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

10. Liquidity Risk

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

10.1 Oversight

The ultimate responsibility for liquidity risk management sits with the Management 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 Management 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 Management 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 Funds 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 Management 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 below:

10.2 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 separately defined stress scenarios, and to determine the size of liquidity resources needed to navigate the particular stress event. The model has been developed as a synthesis of market practice, regulatory requirements and past experience in stressed market conditions. The scenarios modelled are categorised as baseline (reflective of normal business conditions), systemic (refers to a market-wide liquidity event) and combined (analogous of a combined market and the Company specific stress event). Stress testing is conducted daily on both an aggregated currency basis and by material individual currency.

10.3 Funds Transfer Pricing

The 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, and Treasury is responsible for the day to day application of the FTP framework. The cost of funding is allocated to businesses on the basis of the funding requirements to finance current inventory positions and ongoing business activities. The cost of liquidity reserved to cover contingent liquidity outflows is also allocated to the business on the basis of those activities driving the Liquid Asset Buffer (“LAB”) requirement – this includes liquidity reserved to cover regulatory liquidity requirements.

10.4 Funding Plan

The balance sheet projection process balances aggregate business line requests for unsecured funding against Treasury’s assessment of the projected balance sheet, funding requirements and capacity for the Company to raise unsecured financing. The ALCO will review and approve funding plans including allocation of funding limits to business lines. This ensures that business activities do not impose an uncertain strain on the 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.

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

10.6 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, as well as the process by which the Company deactivates the CFP at an appropriate time.

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

10.7 Liquidity Stage Assessment

The principal assessment framework within the Funding Liquidity Risk Management Policy is the liquidity stage assessment. This is a formal assessment of the external environment affecting the 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 Management Board, which will in turn escalate and sanction actions as appropriate.*

Monitoring of the liquidity stage is conducted at the 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.

Throughout 2022, the month end reported NSFR ratio was consistently ahead of both internal and regulatory requirements. However the NSFR ratio for December was 63% - this was a consequence of a short term reverse repo inadvertently executed with a non-financial counterparty. This generated a 50% Required Stable Funding (RSF) requirement in comparison to a 5% RSF for reverse repo transactions with a financial counterpart. The transactions in question have matured, and did not represent a structural issue with the entity's funding or liquidity position. The DNB were notified immediately on the discovery of the breach. Remedial actions to prevent a re-occurrence of the breach have been taken.

Table 6: Liquidity Risk Management

	Comment
Strategies and processes in the management of the liquidity risk	The Company employs a number of tools and policies to manage liquidity risk. These include: (i) Management Board approved liquidity risk appetite. This specifies the amount of liquidity risk deemed acceptable in the pursuit of its strategic goals. The Management Board requires there are sufficient liquidity resources (in the form of a portfolio of unencumbered High Quality Liquid Assets ("HQLA") Level 1, CQS 1 plus Japanese Government Bonds and central bank deposits (where applicable)) (the LAB) such that all funding requirements and unsecured debt obligations falling due within two separately defined stress scenarios can be met without the need to roll unsecured funding or the forced liquidation of assets. The two scenarios envisage a 90 day market stress, as well as a 30 day combined market and MUFG stress. In addition the Company requires sufficient liquidity resources are available to ensure regulatory liquidity compliance (Pillar 1 and Pillar 2 add-ons). (ii) Control of unsecured funding usage. The Company allocates unsecured funding limits to business lines and monitors compliance against these limits on a daily basis, with breaches highlighted and mitigating actions taken. (iii) The FTP process is designed to allocate the cost of liquidity to the users of liquidity including those activities driving the LAB requirements. (iv) Currency stress testing. The Company's framework envisages a 2 week FX market lockout. This drives the currency composition of the liquidity buffer (v) The CFP outlines early warning indicators (both internal and external) used to indicate a potential liquidity crisis, internal triggers to determine the severity of any potential liquidity stress event as well as escalation and activation procedures. The CFP outlines potential steps to be taken in the event the CFP is activated, as well as the means to determine whether the stress has passed and process for deactivating the CFP. (vi) Liquidity prediction – this is a regular assessment of available resources and their capacity to meet potential changes in balance sheet composition over the business planning horizon.

	Comment
Structure and organisation of the liquidity risk management function (authority, statute, other arrangements)	The overall liquidity risk appetite is set by the Company's Management Board and cascaded throughout the firm. The Management Board delegates responsibility over the day to day management of liquidity risk to ALCO. The Company employs the "3 lines of defence" model in the management of liquidity risk. The primary responsibility for monitoring and managing the Company's liquidity risk profile sits with Treasury function. Treasury is independent of business lines and forms part of the support functions reporting to the CRFO. Treasury owns the overall stress testing framework and ensures there is sufficient liquidity available to both support business activities and to ensure compliance with the Board approved liquidity risk appetite as well as regulatory requirements. The second line of defence is provided by the Liquidity Risk Management function who ensures that liquidity risk is appropriately measured, assessed and reported. This function provides review and challenge of all components of the liquidity risk management framework. The Information & Data Management function (as a second line reporting function) is responsible for reporting the Company's liquidity position against both internal and external regulatory metrics on a regular basis. Internal audit (as third line) provides independent review and assurance to the Management Board.
Scope and nature of liquidity risk reporting and measurement systems	Regulatory reporting and monitoring compliance conforms with regulatory requirements. The Company has robust systems and procedures in place to be able to meet these requirements.
Policies for hedging and mitigating the liquidity risk and strategies and processes for monitoring the continuing effectiveness of hedges and mitigants	Policies for managing liquidity risks include: (i) Internal stress testing. The underlying assumptions and methodology are approved by the Management Board. The stress models are calculated on a daily basis by the Information and Data Management function and circulated to senior management. Clear escalation processes with clear linkages to the CFP in the event triggers are breached. (ii) Compliance with regulatory liquidity metrics including the LCR and the NSFR as well as financing mismatch limits reported to the regulators. (iii) The size of the liquidity buffer is quantified with respect to both the internal stress tests and regulatory tolerances. Governance surrounding the investment of the liquidity buffer ensures compliance with senior management approved risk limits. MRM monitors compliance against such limits on a daily basis. (iv) The FTP framework allocates liquidity costs to business lines on the basis of their unsecured funding usage and underlying liquidity requirements. (v) Allocation of the firm's unsecured funding capacity is based on both the firm's business plans as well as an assessment of the availability of funding. This ensures that limits can be supported without reliance on short term financing. (vi) FX limits. The Company conducts liquidity stress tests for all material currencies assuming a 2 week FX market lockout. In addition the Management Board has set limits on longer term structural currency imbalances. Both the currency stress tests and longer cross currency limits are monitored on a daily basis. (vii) The CFP is regularly tested and ensures that a template exists for timely and consistent decision making in the event of a stress. It provides criteria for the invocation of the CFP by identifying triggers, clear operational plans with clearly defined decision making responsibilities in order to effectively navigate a potential stress event as well as the framework for the deactivation of the CFP once the crisis is deemed to have passed.
A declaration approved by the management body on the adequacy of liquidity risk management arrangements of the institution providing assurance that the liquidity risk management systems put in place are adequate with regard to the institution's profile and strategy	The Management Board approved the Company's Internal Liquidity Adequacy Assessment Process ("ILAAP"). The ILAAP is a regulatory requirement requiring the firms to "identify, measure, manage and monitor liquidity and funding risks across different time horizons and stress scenarios, consistent with the risk appetite established by the firm's management body". In approving the ILAAP, the Board documents that the firm's liquidity risk profile and systems used to manage liquidity risks are consistent with the risk appetite approved by the Board. The ILAAP demonstrates the Company's overall liquidity adequacy through its stress testing results, regulatory liquidity compliance, elaboration of key liquidity risks and material mitigants.

10.8 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.

10.9 Information on Importance of Encumbrance

Encumbered and unencumbered assets for the Company are disclosed using median values. The median values are calculated as the annual median of the end-of-period values.

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

10.10 Regulation

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

11. Leverage ratio

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

The Company is subject to binding regulatory minimum leverage ratio requirements. ALCO monitors the leverage ratio against the regulatory minimum. In addition, balance sheet limits are in place for key exposure types which mitigate significant increase in leverage ratio exposure measure.

12. Other Financial Risks

12.1 Strategic Risk

Strategic risk is the risk of loss that may arise from the pursuit of an unsuccessful business plan including insufficient diversification of revenue sources. Strategic risk is a necessary consequence of doing business and covers a number of financial risk types. Strategic risks are generally longer term risks whereas shorter term risks will usually be captured as part of business risk. The 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 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.

12.2 Interest Rate Risk in the Banking Book

The Company's interest rate risk in the banking book remains small and effectively consists of internal Group borrowing from MUFG Bank. In addition, the Company periodically carries out stress testing which includes these positions.

12.3 Financial Risks Arising from Climate Change

The Management Board is responsible for the governance and oversight of climate change. All levels of governance have responsibilities for risks arising from climate change with the Management Board's core sub-committees responsible for managing risks across the core risk types (credit, market, operational risk, reputational).

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

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

The Company has developed its approach and framework to identify measures, manage and report on financial risks and opportunities arising from climate change with particular focus on governance, risk management, scenario analysis and disclosure. Climate Change has been determined as a driver of risk and therefore permeates across all risk types. In addition qualitative statements and Key Risk Indicators ("KRIs") are captured within the Company's Risk Appetite Statement as per October 2022.

Climate change considerations have been embedded within the credit assessment through the development of the Climate Change Risk heat-map. The heat-map supports identification of the key climate change risks that the credit portfolio is exposed to (transmission channels) and provides a risk based approach to targeting further analysis. The heat-map includes a physical and transition risk assessment for clients, industries and countries. Scenario analysis has been used to inform risk identification and assessment/measurement; with an internal carbon tax scenario developed to understand the impact to the business and identify potential mitigating actions. Three multi-decade scenarios have been developed which are based around the core Network for Greening the Financial System ("NGFS") scenarios covering physical, transition and combined risk. These have been applied to the EMEA portfolio and the results reported to senior management to review potential strategic actions based on the results.

The primary focus of the work has been on the corporate derivative counterparty credit risk. Operational risk considerations for climate change were captured through scenario analysis as part of the annual ICAAP process. From a legal and litigation risk perspective, the Legal department provides advisory, awareness and engagement with relevant Front Office departments in relation to legal risks arising in transactions, disclosures and due diligence. Market and liquidity risk profiles have been analysed for the trading book using shorter term stress scenarios that are aligned to the liquidity horizon of the portfolios. The Company expects the approaches to evolve in line with the industry. Consistent with the wider industry, challenges around data management remain with tactical solutions utilised whilst longer term strategic solutions are developed and further collaboration with MUFG continues.

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

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

12.4 Model Risk

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

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

13. Operational Risk

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

The 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 event occurring and the impact should an event occur.

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.

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

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

13.1 Operational Risk Management Framework

The Operational Risk Management Framework is defined within the Company's policies and detailed procedures, and comprises of the following key elements:

Governance:

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

Risk Identification:

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

Risk Assessment:

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

Risk Remediation:

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

Risk Review and Reporting:

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

The Company has a dedicated Operational Risk Management department. Issues of significance are escalated to the EMEA Operational Risk and Controls Committee ("EORCC") which meets on a monthly basis.

13.2 Technology and Cyber Risk

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

The Company has a dedicated Technology Risk and Control function in the first line with responsibility for 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 and reduce the threat from technology and cyber risk.

13.3 Outsourcing Risk

A number of processes related to back-office and support functions have been outsourced to MUS(EMEA), MUFG Bank Europe, MUFG Bank London and Tokyo. The IT infrastructure and a large part of the support activities are serviced by MUS(EMEA) staff in London. MUS(EMEA) has built up the necessary systems infrastructure to support securities, derivatives and underwriting activity, and already acts as a derivatives hub for the International Securities business.

MUS(EU) retains sufficient systems, and a sufficient number of skilled staffs in order to ensure appropriate local management and operations. This also ensures operational continuity in the event that MUS(EMEA) is unable to perform the outsourced functions. In particular, MUS(EU) retains staff in Risk, Finance, Compliance, Operations and Legal. Though services are outsourced, Responsibility and Accountability remain with MUS(EU).

All outsourced services are governed by service agreements, robust SLA's, and periodic governance meetings. A Vendor Management framework is in place which includes amongst others the periodic monitoring of quality of services via KPIs.

14. Other Non-Financial Risks

Reputational Risk

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

Reputational risk is managed by the Management Board and effectively delegated to the Risk Management Committee. Material transactional reputational risks should be escalated to the Management Board and MUFG Group governance bodies. MUS(EU) has implemented an escalation channel to the MUS(EMEA) Reputational Risk committee ("RRC") which oversees the reputational risk profile of the Company.

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, codes of conduct, professional ethics, governance and other standards.

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

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

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

Legal Risk

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

The 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 Management Board and its sub-committees.
- Identifying and advising on legal and regulatory change and its impact on the business and assisting with scoping and implementation of mitigating systems, controls and infrastructure.
- Managing legal and regulatory risk through due diligence, review of contracts and transactions including establishing legal enforceability of collateral arrangements for the Company to liquidate or take possession of collateral in a timely manner in the event of the default, insolvency, bankruptcy or other credit event of obligors, negotiation of transaction documentation and the management of all legal and regulatory actions.

15. Challenges and Uncertainties

The London Interbank Offered Rate ("LIBOR") has now been phased out of use during Q4 2021. Financial services firms including MUFG have transitioned demising interbank offered rates ("IBOR") business to suitable alternative rates for all impacted clients. This transition follows extensive working with industry groups and engagement with our clients to support regulatory timeframes for transition. The transition process required, amongst other deliverables, the development of infrastructure to capture new rates in the relevant timeframe, significant client communication as well as related amendment of legal agreements. Client communication included education with respect to key developments of IBOR transition, including following MUFG's adherence to the ISDA protocol during the escrow process and emphasising the importance of the ISDA protocol for contractual certainty.

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

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

The business activities of the ultimate parent company, MUFG, whilst carried out on a global level, are focused on the Japanese market. The downgrade of Japanese debt, interest rate volatility and associated monetary and fiscal policy decisions could impact the results of the Company. Management are fully aware of these risks and monitor them on an ongoing basis as well as ensuring appropriate levels of high quality liquid asset holdings.

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

16. Valuation and Accounting Policies

The financial statements of the Company are prepared in accordance with applicable International Financial Reporting Standards ("IFRS") as adopted by the European Union should be read in conjunction with this document. See footnotes to the financial statements for details of accounting and valuation principals applicable to these positions.

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

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

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

17. Disclosures Made Available in the Financial Statements

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

18. Immaterial Disclosure Points

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

- Disclosures in relation to retail banking, commercial banking because the Company does not conduct those businesses.
- Indicators of global systemic importance, because the Company is not identified as Global Systemically Important Institution ("G-SII").

19. List of Abbreviations

Glossary	
ABS	Asset Backed Security
AFM	Authority for the Financial Markets
ALCO	Asset and Liability Committee
AT1	Additional Tier 1 Capital
CCP	Central Clearing Counterparty
CCyB	Countercyclical Capital Buffer
CEO	Chief Executive Officer
CET1	Common Equity Tier 1 Capital
CFP	Contingency Funding Plan
CQS	Credit Quality Step
CRD	Capital Requirements Directive
CRM	Credit Risk Management
CRFO	Chief Risk and Finance Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
DNB	De Nederlandsche Bank
DVP	Delivery Versus Payment
EBA	European Banking Authority
ECAI	External Credit Assessment Institution
EORCC	EMEA Operational Risk and Controls Committee
ERMC	EMEA Risk Management Committee
FCA	Financial Conduct Authority
FOP	Free of Payment
FPC	Financial Policy Committee
FTP	Funds Transfer Pricing
G-SII	Global Systemically Important Institution
HQLA	High Quality Liquid Assets
ICAAP	Internal Capital Adequacy Assessment Process
IFRS	International Financial Reporting Standards
ILAAP	Internal Liquidity Adequacy Assessment Process
IRC	Incremental Risk Charge
KRI	Key Risk Indicator
LAB	Liquid Asset Buffer
LCR	Liquidity Coverage Ratio
LIBOR	London Inter-Bank Offered Rate
MBE	MUFG Bank Europe N.V.
MI	Management Information
MOC	Model Oversight Committee
MRM	Market Risk Management
MUFG	Mitsubishi UFJ Financial Group
MUFG Bank	MUFG Bank, Ltd. MUFG's corporate bank.
MUS(EMEA)	MUFG Securities EMEA plc. Parent company of MUS(EU)
MUS(EU)	MUFG Securities (Europe) N.V
MUSHD	Mitsubishi UFJ Securities Holdings Co. Ltd. MUS(EMEA)'s parent company, which is wholly owned by Mitsubishi UFJ Financial Group.
NGFS	Network for Greening the Financial System
NSFR	Net Stable Funding Ratio
OCC	Operational Controls Committee
OTC	Over the Counter (derivatives)
PRA	Prudential Regulation Authority

Glossary	
PVA	Prudent Valuation Adjustment
RAG	Risk Analytics Group
RCSA	Risk and Control Self-Assessment
RMC	Risk Management Committee
RWA	Risk Weighted Assets
SII	Self-Identified Issues
SFT	Securities Financing Transaction
SVaR	Stressed Value at Risk
T2	Tier 2 Capital
TPVC	Traded Products Valuation Committee
TSA	The Standardised Approach, used for calculating Operational Risk Capital.
VaR	Value at Risk

20. Appendix

20.1 Own Funds Disclosure

Table 7: Composition of Regulatory Own Funds (CC1)

Own Funds		At 31 Dec 2022 €m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Common Equity Tier 1 capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	200	A
	of which: Instrument type 1	-	
	of which: Instrument type 2	-	
	of which: Instrument type 3	-	
2	Retained earnings	26	B
3	Accumulated other comprehensive income (and any other reserves)	-	
EU-3a	Funds for general banking risk	-	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	
5	Minority interests (amount allowed in consolidated CET1)	-	
EU-5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	226	
Common Equity Tier 1 (CET1) capital: regulatory adjustments			
7	Additional value adjustments (negative amount)	(0)	
8	Intangible assets (net of related tax liability) (negative amount)	(4)	C
9	Empty set in the EU		
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
11	Fair value reserves related to gains or losses on cash flow hedges of financial instruments that are not valued at fair value	-	
12	Negative amounts resulting from the calculation of expected loss amounts	-	
13	Any increase in equity that results from securitised assets (negative amount)	-	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	
15	Defined-benefit pension fund assets (negative amount)	-	
16	Direct, indirect and synthetic holdings by an institution of own CET1 instruments (negative amount)	-	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant	-	

Own Funds		At 31 Dec 2022 €m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
	investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
20	Empty set in the EU	-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	
20c	of which: securitisation positions (negative amount)	-	
20d	of which: free deliveries (negative amount)	-	
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met) (negative amount)	-	
22	Amount exceeding the 17.65% threshold (negative amount)	-	
23	of which: direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	
24	Empty set in the EU	-	
25	of which: deferred tax assets arising from temporary differences	-	
EU-25a	Losses for the current financial year (negative amount)	-	
EU-25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	
26	Empty set in the EU	-	
27	Qualifying AT1 deductions that exceeds the AT1 items of the institution (negative amount)	-	
27a	Other regulatory adjustments to CET1 capital (including IFRS 9 transitional adjustments when relevant)		
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	(4)	
29	Common Equity Tier 1 (CET1) capital	222	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	
31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) CRR and the related share premium accounts subject to phase out from AT1 as described in Article 486(3) CRR	-	
EU-33a	Amount of qualifying items referred to in Article 494a(1) CRR subject to phase out from AT1		
EU-33b	Amount of qualifying items referred to in Article 494b(1) CRR subject to phase out from AT1	-	
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	
35	of which: instruments issued by subsidiaries subject to phase-out	-	
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-	

Own Funds		At 31 Dec 2022 €m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct, indirect and synthetic holdings by an institution of own AT1 instruments (negative amount)	-	
38	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	-	
41	Empty set in the EU	-	
42	Qualifying T2 deductions that exceed the T2 items of the institution (negative amount)	-	
42a	Other regulatory adjustments to AT1 capital		
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-	
44	Additional Tier 1 (AT1) capital	-	
45	Tier 1 capital (T1 = CET1 + AT1)	222	
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	
47	Amount of qualifying items referred to in Article 484 (5) CRR and the related share premium accounts subject to phase out from T2 as described in Article 486(4) CRR	-	
EU-47a	Amount of qualifying items referred to in Article 494a (2) CRR subject to phase out from T2		
EU-47b	Amount of qualifying items referred to in Article 494b (2) CRR subject to phase out from T2	-	
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	
49	of which: instruments issued by subsidiaries subject to phase-out	-	
50	Credit risk adjustments	-	
51	Tier 2 (T2) capital before regulatory adjustment	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct, indirect and synthetic holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	
53	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	

Own Funds		At 31 Dec 2022 €m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
54a	Empty set in the EU	-	
55	Direct, indirect and synthetic holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	
56	Empty set in the EU	-	
EU-56a	Qualifying eligible liabilities deductions that exceed the eligible liabilities items of the institution (negative amount)	-	
EU-56b	Other regulatory adjustments to T2 capital	-	
57	Total regulatory adjustments to Tier 2 (T2) capital	-	
58	Tier 2 (T2) capital	-	
59	Total capital (TC = T1 + T2)	222	
60	Total risk exposure amount	436	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	50.8%	
62	Tier 1 (as a percentage of total risk exposure amount)	50.8%	
63	Total capital (as a percentage of total risk exposure amount)	50.8%	
64	Institution CET1 overall capital requirement (CET1 requirement in accordance with Article 92 (1) CRR, plus additional CET1 requirement which the institution is required to hold in accordance with point (a) of Article 104(1) CRD, plus combined buffer requirement in accordance with Article 128(6) CRD) expressed as a percentage of risk exposure amount)	7.3%	
65	of which: capital conservation buffer requirement	2.500%	
66	of which: countercyclical buffer requirement	0.338%	
67	of which: systemic risk buffer requirement	n/a	
EU-67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	46.3%	
69	[non-relevant in EU regulation]	n/a	
70	[non-relevant in EU regulation]	n/a	
71	[non-relevant in EU regulation]	n/a	
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of own funds and eligible liabilities of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 17.65% threshold and net of eligible short positions)	-	
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 17.65% threshold, net of related tax liability where the conditions in Article 38 (3) CRR are met)	-	

Own Funds		At 31 Dec 2022 €m	Source based on reference numbers/letters of the balance sheet under the regulatory scope of consolidation
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	-	
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	-	
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	-	
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	Current cap on CET1 instruments subject to phase-out arrangements	-	
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	
82	Current cap on AT1 instruments subject to phase-out arrangements	-	
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	
84	Current cap on T2 instruments subject to phase-out arrangements	-	
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	

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

Table 8: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements (CC2)

		Balance sheet as in published financial statements 31 Dec 2022 €m	Under regulatory scope of consolidation 31 Dec 2022 €m	Ref
Assets - Breakdown by asset class according to the balance sheet in the published financial statements				
1	Cash and balances at central banks	116	116	
2	Derivative financial assets	1,010	1,010	
3	Reverse repurchase agreements	2,689	2,689	
4	Cash collateral paid to derivative counterparties	180	180	
5	Deferred tax asset	1	1	
6	Intangible assets	4	4	C
7	Right-of-use assets	2	2	
8	Property, plant and equipment	0	0	
9	Other assets	14	14	
	Total Assets	**4,016**	**4,016**	
Liabilities - Breakdown by liability class according to the balance sheet in the published financial statements				
1	Deposits by banks	0	0	
2	Derivative financial liabilities	1,007	1,007	
3	Repurchase agreements	1,798	1,798	
4	Other amortised cost loans	106	106	
5	Cash collateral received from derivative counterparties	817	817	
6	Financial liabilities designated at fair value	35	35	
7	Other liabilities	22	22	
	Total Liabilities	**3,787**	**3,787**	
Shareholders' Equity				
1	Equity instruments	200	200	A
2	Retained earnings	29	29	B
	Total shareholders' equity	**229**	**229**	