MUFG Bank (Europe) N.V. Annual Report

For the year ended 31 March 2022

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

Contents

Message from the CEO

Mr Harm Bots

Financial performance for the financial year ended 31 March 2022

MUFG Bank (Europe) N.V. (MBE) has once again demonstrated its resilience and agility to deliver on the overall commitments we made to our shareholders last year. In spite of a difficult external environment, exasperated further by Russia's invasion of Ukraine at the start of 2022, we have a lot to be proud of. We are on, or above, target with our business plans. Also, we have been able to remain dedicated and deliver our cost goals, which is a great accomplishment.

Supporting our clients

The financial year ended 31 March 2022 (FY21) has been a year when the power of teamwork has really mattered. Our diverse employee base, combined with a unique global network, continues to set us apart and we are increasingly harnessing this One MUFG mind-set to serve our clients. In FY21, several projects have shown that based on these capabilities and beliefs, we can outperform and deliver to our global and Japanese clients. One of these is our world-class Trade Payable Services (TPS platform), a leading supply chain finance platform. The TPS platform enables our clients to do business on a global scale. At the same time, it has enabled us to grow in supply chain finance, improve our financial performance, and last but not least, differentiate us from competitors.

Building a future proof bank

MBE is entering a new important phase. We will continue to deliver on our financial goals. And we will start building and investing in the areas where we can solidify our client offering. We have successfully navigated another year of Covid and have now entered our 'New Normal', or our agreed hybrid way of working. For FY22 we have set priorities around this new way of working with regard to our people. Remote working does come with the challenge of striking an optimal work-life balance. We will continue to support employees as this plays out. We actively encourage our people to stay healthy, both physically and mentally. Their health is essential to creating a safe and collaborative environment in which we can continue to prosper. The wellbeing of our people is and will remain a priority, and we introduced various programmes to support them with personal and/or work-related challenges, such as working from home practices and our Employee Assistance Programme.

Investing in our people

Our aim is to build an organisation where people feel empowered and safe to speak up. One that is inclusive for everyone regardless what ethnicity they originate from, what their belief is, their gender or sexual orientation. In FY21 we have started to deliver on these commitments. In FY21 our employee base consisted of 35 different nationalities, and 12% females in leadership roles. We will continue to focus on Inclusion and Diversity going forward.

The key to more diversity and engagement also lies in focusing on collaborative meetings and challenging people to contribute and share ideas. In FY21 we organised more regular WebEx events to keep staff informed. Also we initiated a series of open lunch and chat sessions with leadership, as well as so called jam sessions where our subject matter experts inform and engage their colleagues on a broad range of MBE-related topics.

A sustainable future

The Management Board is committed to embedding the enhanced framework and strengthening MBE's compliance awareness. MBE has continued to invest in its long-term relationship with regulators such as the Dutch Central Bank (DNB). With regulators we discussed the impact of the global pandemic, the bank's business model, credit risk, liquidity risk management and most recently the situation in Ukraine and its impact on the world economy. We maintain an active dialogue on enhancements to our AML framework and report our progress to DNB every quarter.

On behalf of our employees, I would like to express my gratitude to all our clients and thank them for their continued support and business. We remain committed to supporting their aspirations and investing in areas where we know we can add value.

Harm Bots

Message from the Supervisory Board Chairman

Mr Wietze Reehoorn

This year again demonstrated the commitment of MBE to its clients, especially now with the current geopolitical situation in Russia/Ukraine which causes tension and uncertainty for clients and also for employees. MBE is monitoring the impact on clients and employees very well and in a structured way. When the dust has settled more information on the impact will become available. Ensuring the working environment was fit for purpose was still a focus point.

The Supervisory Board is proud of how MBE and all its employees managed also this financial year the Covid-19 pandemic that heavily influenced people's personal and professional lives. The organization adopted very well to the working from home norm and is now slowly turning back to a combination of working from home and in the office. Throughout the year, the bank maintained a high level of service to its clients, which in turn meant that clients retained their trust in MBE as a leading international bank.

As a Supervisory Board, we look back on a busy year in which many important topics have been covered, such as the execution of the Medium-Term Business Plan, the Systematic Integrity Risk Analyses (SIRA), Know Your Customer (KYC), Anti Money Laundering (AML) and the changes in the Management Board to name just a few. Mr. Harm Bots has been appointed as Chief Business Officer per 1 October 2021 and has been appointed as the CEO & President per 1 April 2022. With this appointment the role of the CEO will become a more strategy and business focused role.

The task allocation and composition of the Management Board changed per 1 April 2022; Mr. Hatano has been appointed as Deputy President as per 1 April 2022 and Mrs. Dimitrijevic has been appointed as new CRO as per 15 April 2022, replacing Mr. Rosenberg.

We continuously supervised, monitored and advised the Management Board on these Management Board changes, the company's strategy, business practices, risk management and other matters that required our solicited or unsolicited attention. Besides regular meetings, the Supervisory Board conducted many expert and deep dive sessions together with the Management Board, related for example to MBE's strategy, the composition of the Management Board and Remuneration. The Supervisory Board also reached out to MUFG in London and Tokyo to enhance the cooperation within and learn from the MUFG Group.

Wietze Reehoorn

Who we are

ABOUT MBE

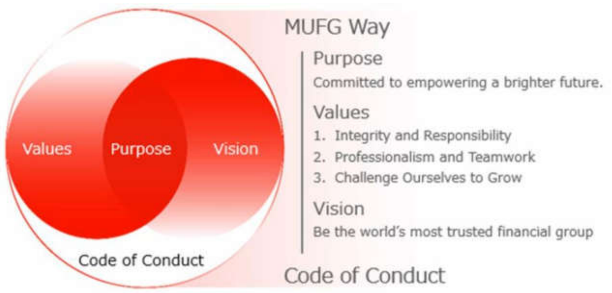
MBE is a firmly established global player in EMEA, serving Japanese and global clients through MUFG in the Netherlands, branches and subsidiaries across Continental Europe. MBE offers a broad range of products including corporate lending, foreign exchange, trade finance, derivatives, payment solutions, transaction banking, international syndicated finance, and structured finance in Continental Europe.

MBE is a fully-owned subsidiary of MUFG Bank, Ltd one of the world's largest banks in terms of assets. MUFG, with more than 140 years of activity, has the largest overseas network of any Japanese bank, comprising offices and subsidiaries in more than 50 countries. It is the premier commercial banking arm of Mitsubishi UFJ Financial Group, Inc. (MUFG), one of the world's largest and most diversified financial groups.

Our business model & activities

MUFG's vision is to be the world's most trusted financial group by providing the highest quality service for clients, while building sustainable trust with the communities where we operate. In this way, we can serve clients and society, and foster shared and sustainable growth. This corporate vision underlies all our activities and guides all MUFG activities as we grow our business. Our unchanging purpose now and into the future is to empower a brighter future for our stakeholders.

To achieve our vision, our highest priority is protecting the interests of our clients, while maintaining a robust organisation that is effective, professional and responsive. This requires a strong understanding of and responsiveness to the individual needs of our clients, so we can provide them with reliable and strategic support and help them achieve their business strategy.



MBE is incorporated as a commercial bank under Dutch law. As part of a prominent Japanese banking group with a high international reputation, MBE aims to fulfil our corporate clients' needs in close cooperation with the parent bank.

MBE's competitiveness derives from its capacity to fully meet clients' financial needs through a variety of international services and products, the extensive global network and client base of MUFG, its expertise and experience in corporate banking, and - most importantly - its commitment to building durable relationships with clients.

We offer a broad range of products, including corporate finance & lending, treasury services, cash management and payment services, trade finance, international syndicated finance, lease and other activities. Through offices in the Netherlands, Germany, Spain, Austria, Belgium, Czech Republic and Poland[1] we serve a growing number of companies active in Continental Europe.

Our activities include the introduction of our corporate clients to other members or affiliates of MUFG. Our corporate client portfolio consists of Japanese-related and global clients. We work in partnership with other entities within MUFG, allowing us to offer tailor-made solutions to our clients. The strength and global presence of MUFG, in which we play a key role, enables us to provide a strong business case to prospective companies.

In line with our parent bank MUFG Bank, we continue to focus on growing our corporate client portfolio, with a special focus on global corporate business opportunities. The Global Markets Division for EMEA of our parent bank remains our sole counterparty for executing our inter-bank market transactions.

Our vision is for MBE to serve our global clients seamlessly as a financially viable and sustainable entity which is an integral part of MUFG's EMEA business. To achieve this vision, the primary focus of our Mid-Term Business Plan for 2021-2023 is revenue generation and improvement of our net operating profit. To this end, MBE is actively diversifying its income stream by expanding its product suite and capabilities. In FY21 MBE has added new products such as project finance, commodity finance and secured aircraft finance, and will continue to expand our line-up to better serve our clients' financial needs in Europe and abroad.

[1] Branches in Czech Republic and Poland will be closed in FY22

Overview of the Medium-Term Business Plan FY21-23

In May 2021, we announced our Medium Term Business Plan FY21-23 (MTBP), which outlines MBE's targets and plan over the three-year period.

MBE faces underperformance due to external and internal factors, including a competitive market, low-to-negative interest rates, and increasing costs resulting from the expansion of the head office role in Amsterdam as well as rising inflationary pressure. The objective of the MTBP is to bring MBE back to financial stability and viability over the course of three years, which it will achieve through the three strategic pillars set forth in the MTBP:

1. Increase revenue through the expansion of MBE's product suite and capabilities,
2. Reduce costs by leveraging MUFG's group capabilities and reducing complexity within MBE, and
3. Maintain strict internal control and governance by balancing initiatives with regulatory requirements and implementing initiatives under the MTBP in a controlled manner.

The implementation of the MTBP will take a phased approach to ensure change is introduced in a controlled manner and allow MBE to maintain a strict level of internal control and governance. In the first year of the MTBP (FY21), the bank focussed on strengthening its foundation and finalising major projects driven by business and regulatory requirements. This includes the introduction of new products to our produce suite such as project finance, commodity finance and secured aircraft finance, which MBE now offers to its clients since 2021.
In the second year of the MTBP (FY22) we will accelerate several initiatives to expand its business, while also taking steps to reorganize and reshape the geographical footprint, operating model and client portfolio. To further expand our business, we are currently looking to on-board further new products and capabilities in MBE, which will be rolled out progressively taking into account our safety and soundness as well as risk appetite. On the cost side, as previously announced we will be closing two branches, Czech Republic and Poland, and further consolidate our booking function in Brussels to Amsterdam. By the end of FY22, MBE will have branches in the Netherlands, Germany, Belgium, Spain and Austria, from which we will cover our clients in Continental Europe. Headcount will also be reduced in Amsterdam and Düsseldorf by approximately 30% compared to FY21, in line with the consultation process which has been completed successfully with the relevant Works Councils. The third year of the MTBP (FY23) will focus on solidifying the platform and embedding the changes into the organisation to ensure stability and operability of our business.

The macroeconomic conditions and market environment have continued to be challenging in FY21, but MBE has been able to achieve its financial targets set out for the first year of the MTBP. We continue to have the full support and understanding of our parent bank as well as from our regulators. While challenges remain, the changes being implemented through the MTBP will enable MBE to continue to grow our business in a sustainable way.

Client focus

With its EU banking passport, MBE offers a wide range of products and services to clients across Continental Europe. To meet our clients' specific needs and offer optimal service, we operate in an integrated business model across EMEA, working closely together with other entities within MUFG in a multi-disciplinary approach.

Our operating environment has been affected by the Covid-19 pandemic, the growing awareness of environmental and social issues, and accelerating advances in digital technologies. As a financial services provider, we recognise the importance of sustainable growth and are committed to developing durable long-term relationships with our clients and with society. We strive to be the most trusted partner for all the clients we serve, especially in the current challenging circumstances, where the business environment is changing in significant ways and with unprecedented speed.

To learn more about how our clients experience working with MBE, here are some testimonies.

"MUFG is a long-term relationship partner of JAB. While some financial institutions focus on the short term and simply try to make deals, MUFG builds relationships based on trust and work hard to have a deep understanding of its client's needs. MUFG long-term approach typically results in support across economic cycles and ability to execute more deals than an average bank even in challenging environments."

Ricardo Rittes | Partner, JAB / Acorn Holdings

"SBM Offshore considers MUFG as one of its most important business partners. Both companies created a long standing business relationship and built a solid track record of transactions whereby MUFG supported SBM Offshore through industry cycles. Being an industry leader, MUFG has played a leading role in many of our transactions including the recent bond issuance on FPSO Cidade de Ilhabela. The Treasury team at SBM Offshore specifically appreciates the support from the MUFG team, which is characterized by their deep understanding of our industry, results-mindedness and focus on bringing pragmatic solutions to the table."

"Thank you for the trust and support MUFG have placed in AerCap once again. Frankly the most critical component of AerCap's success has been the unwavering support that we have received from our key banking partners for many years."

Gus Kelly | CEO, AerCap

"MUFG makes a difference – You don't realise how good you are compared to others."

Elling de Lange | CFO, TKH

Key figures

in millions of €s	31 March 2022	31 March 2021	31 March 2020	31 March 2019	31 March 2018*
Statement of financial position					
Loans & advances to customers	7,607	6,592	9,603	9,571	6,639
Shareholder's equity	1,735	1,753	1,784	1,849	1,235
Total assets	12,270	12,198	14,670	16,519	16,762
Results					
Net interest income	87	79	86	88	35
Total operating income	147	131	149	140	63
Credit loss expense (recovery)	(6)	(6)	63	11	1
Operating expenses	179	154	165	124	71
Result (loss) for the year	(25)	(24)	(64)	(10)	(6)
Other					
Risk-weighted assets	10,687	9,838	12,227	13,606	4,300
Leverage ratio	9%	9%	9%	7%	7%
BIS Total capital ratio	19%	21%	17%	16%	36%
Operating expense/income ratio	122%	118%	110%	89%	113%
Number of employees (FTE)	654	794	783	630	255
> Domestic	312	404	407	252	194
> Abroad	342	390	376	378	61

(*) During the period ended 31 March 2018 MBE extended its financial year to align with its parent company (MUFG Bank). This change facilitated the integration of offices in Germany, Spain and Portugal as per 1 April 2018. As a result the figures for the 15 month period ended 31 March 2018, are not entirely comparable to the amounts for the 12 months comparative reporting periods.

Financial results

The market environment in which MBE operates continues to be very challenging across all branches, with credit demand from clients remaining low. Our total operating income increased to €147 million in the year to 31 March 2022 from €131 million in the year to 31 March 2021. Net commission income increased to €15 million from €14 million, with total operating expenses increasing to €179 million from €154 million in the previous year due to provisions in connection to the MTBP and changes in transfer pricing within MUFG. The net result of MBE decreased in the year ending 31 March 2022 to a loss of €25 million versus a loss of €24 million in the year to end-March 2021.

The costs mainly increased due to more inter office charges and restructuring expenses. Supervision costs, as well as the increasing number of new regulations and changes to regulatory requirements, demand increased investment in IT systems and staff. Nevertheless, considering the nature and the expected temporary character much of the cost increases, in combination with our MTBP, the Management Board is confident that our cost/income ratio will return to more healthy levels in the near future.

During the financial year, MBE changed its historical pension plan in Germany from an unfunded defined benefit plan to a funded defined benefit plan, resulting in a lower (net) pension liability on our balance sheet.

Our people

As market circumstances evolve and new regulatory requirements emerge, the Management Board regularly assesses whether changes to MBE's organisation are required.

The average number of employees was 654 for the year to 31 March 2022 (2021: 794). The majority of our employees are based in the Netherlands (312 FTEs) and in Germany (233 FTEs). At the end of March 2022, the ratio of female employees to all employees was around 24%. MBE employs more than 30 different nationalities across its branch network.

Inclusion & diversity

MBE provides a platform for its Inclusion & Diversity (I&D) Network, a volunteer-led employee network group from different offices, to proactively run initiatives aimed at improving both inclusion and diversity at the bank. Elena Shakhurina, Chief Operations Officer, is the sponsor of inclusion and diversity at MBE.

Our Inclusion & Diversity team, part of HR, launched various initiatives last year, also as a way to enable colleagues to interact and connect as they worked remotely due to Covid-19.

The I&D team organised five non-business related virtual lunch chat sessions, at which employees could talk to Management Board members. At these sessions, employees learned more about the views of senior leaders on non-business related and relevant topics, such as MUFG's culture principles, remote working and diversity. The lunch chat meetings enabled senior leaders and employees to stay connected despite the remote working environment and to share thoughts and ideas. This lunch chat series is continuing in the new financial year.

Thirty-two senior leaders, employed in management roles, joined an unconsciousness bias workshop last October to increase awareness of all kinds of bias in the workplace and find ways to eliminate bias. The training focused on how unconscious bias influences diversity and inclusion in the workplace, and what the role of senior leaders is to combat bias. Participants gained insights into how to use specific techniques to prevent bias in business life and how to make unbiased decisions.

World Food Day on 16 October is an annually recognised event that draws attention to the plight of the hungry. It is our tradition to mark this day across MBE with the aim of bringing people together through food from various cultures.

On 8 March 2022, we celebrated International Women's Day at MBE, recognising the social, economic, cultural and political achievements of women. We strongly believe that all of us can choose to challenge and call out gender bias and inequality. The MBE Inclusion & Diversity Team organised a virtual International Women's Day panel discussion to further embrace an inclusive culture at the bank. This year's global theme for International Women's Day was 'choose to challenge'. More than 100 employees joined the discussion, where four panellists shared their thoughts and experiences on this theme, generating an interactive and candid conversation.

Learning & development

Our goal is to ensure that MBE employees have the right skills, knowledge and attitude to drive productivity, create efficiencies and grow the business, and that we retain a high quality and diverse workforce.

The key principles of our learning & development (L&D) policy are to support the strategic development of MBE through its people; to support MBE in achieving its strategic objectives; and to create positive, inclusive and effective employment relationships among all employees.

MBE is committed to continuously improving business performance by harnessing the full potential of all employees. We provide the framework, investment and resources to enable people to improve their

Learning & development

capabilities and knowledge to remain proficient and deliver on business objectives in their current role, to acquire the competencies needed to develop their career, and to demonstrate appropriate behaviours to support a high performing culture.

Corporate governance

MBE implements principles and best practice provisions regarding corporate governance, as laid down in the Dutch Corporate Governance Code. These are applicable to MBE, being a non-listed financial institution.

MBE has a two-tier system comprising a Supervisory Board and a Management Board. The Management Board and Supervisory Board highly value the importance of good governance to further strengthen corporate governance at MBE, which include the establishment of a separate Compliance division, Risk Management division and Internal Audit team. The Compliance division reports to the Chief Risk Officer and has an independent line to the Supervisory Board.

MBE has a code of conduct, corporate governance framework and governance-related policies such as a whistle blowing policy and insider trading regulations which apply to all employees and others working with MBE.

All members of the Management Board and Supervisory Board have taken the 'Banker's Oath'. All employees joining MBE in the Netherlands must also take this oath. Both the code of conduct and the Banker's Oath emphasise the role of banks in society and their commitment to meeting societal expectations and contributing to public trust in banks.

Meetings and trainings on our core values and behaviours are regularly organised for all staff, to ensure the highest level of integrity of all staff.

Report of the Management Board

Management Board

The Management Board is responsible for the day-to-day operations of the business and for the long-term strategy. The Management Board also ensures that MBE complies with relevant legislation and regulatory requirements.

The Management Board reflects the Dutch Banking Code principles by-law. It fulfils principles regarding composition and expertise requirements, lifelong learning programmes, risk management and the responsibility to ensure all stakeholders' interests are considered in everything the Management Board does. As per 31 March 2022, the Management Board does not comply with the gender diversity ratio of 30%, but has complied with this percentage as of 15 April 2022 with the appointment of Mrs. D. Dimitrijevic as the new Chief Risk Officer (CRO) as per 15 April 2022.

The members of the Management Board have thorough and in-depth knowledge of the financial sector and the banking sector in particular. Collectively, they have broad experience in the fields of governance, organisation and communication, products, services and markets within MBE's scope of activities.

The Management Board collectively manages MBE and is responsible for its objectives, strategy and related risk appetite, as well as the development of financial results. The Management Board is assisted in its duties by the IT Management Committee and Operations Control Committee, Business Continuity Committee, Risk Management Committee, Credit Committee, Compliance Committee, Client Acceptance & Review Committee, Asset Liability Management Committee, Change Control Committee (currently suspended), New Product Committee, Data Management Committee , Outsourcing Committee and Breach Control Committee.

In July 2019, the Dutch central bank (DNB) issued an instruction to MBE addressing anti-money laundering/ combatting the financing of terrorism (AML/CFT) deficiencies. DNB had issued an instruction to take remedial action to meet the relevant statutory requirements locally. This notice was made public by DNB in December 2020. MBE had been working diligently to comprehensively address the findings and to improve its anti-money laundering operating framework. It has been enhancing its capabilities to contribute to a sound and effective financial crime compliance operation and culture. The Management Board of MBE requested the Internal Audit Department to conduct a validation. Internal Audit extensively and critically executed the validation and concluded that MBE had taken clear and suitable measures, in line with the agreed action plan, restoring compliance in accordance with the requirements that were outlined in the instruction. In addition, Internal Audit identified other areas for improvement, for which concrete action plans have been defined by the Management Board of MBE. The Dutch central bank (DNB) has been evaluating MBE, to validate whether the instruction has been addressed in full. The examination commenced in July 2021 and following correspondence from the DNB on 3 June 2022 and a meeting with the DNB on 18 June 2022 MBE has concluded that it has addressed the findings which led to the 2019 instruction. MBE is additionally committed to continuing to improve its processes in the area of ALM /CFT.

The Management Board is responsible for developing, communicating and enforcing standards on integrity, morals and leadership at MBE. It stimulates a healthy culture at both the top of the bank and throughout the organisation.

A lifelong education programme for members of the Management Board has been established. The board participates in MBE's e-learning sessions on topics such as the code of conduct and compliance. The Chief Compliance Officer holds monthly study sessions with the CEO, which are open to other members of the Management Board. The programme is designed to keep board members' expertise up to date and aligned with regulatory developments.

Management Board

Composition of the Management Board

Chief Business Officer – Mr Harm Bots (appointed as President and CEO per 1 April 2022)

Mr Bots joined MBE as per 1 October 2021 in the position of Chief Business Officer and has been appointed as CEO as per 1 April 2022. Before joining MUFG, Harm has gained extensive global markets and international Banking experience. Harm has been in international executive roles in banking for more than 20 years. Harm has previously been the CEO of the European Bank of a large international financial group. As the Chief Business Officer, Harm leads the GCIB and Global Markets business across MBE, (as Deputy President, Harm is as part of this broader role also managing the HR function within MBE).

Chief Strategy and Planning Officer – Mr Nobuki Hatano (appointed as Deputy – President per 1 April 2022)

Mr Hatano has 27 years of experience in the financial sector, having held a variety of planning and project positions and worked on large strategic initiatives. With a long history at MUFG in various divisions and postings in the US, Japan and the UK, Mr Hatano has in-depth experience of our global organisation.

Chief Operations Officer – Ms Elena Shakhurina

Ms Shakhurina joined MUFG in 2005. Before becoming Chief Operations Officer of MBE, she helped establish the bank's presence in Moscow, where she spent 14 years and most recently served as President of MUFG Bank (Eurasia). Ms Shakhurina has broad experience in IT, operations, internal control and data management. Besides her role as Chief Operations Officer, she is also the sponsor of inclusion and diversity at MBE.

Chief Financial Officer – Mr Mark Selles

Mr Selles has a wealth of experience in the banking sector, having worked at major financial institutions across Europe in roles including several executive positions as CFO and COO and non-executive director positions. His areas of expertise include finance, accounting, regulatory reporting and liquidity, asset & liability management.

Chief Risk Officer – Mrs. Dragi Dimitrijevic (appointed per 15 April 2022)

Mrs Dimitrijevic joined Managing Board on 15 April 2022 taking over the position of Chief Risk Officer from Maarten Rosenberg. Mrs Dimitrijevic has joined from ABN AMRO where she has acquired over 20 years' experience fulfilling a variety of senior leadership roles with Commercial and Corporate & Institutional Banking, ranging from Financing Solution and Structured Finance to Transaction Banking and Portfolio Management.

President and CEO – Mr Hideaki Takase (resigned as per 1 April 2022)

Mr Takase has deep experience in corporate banking and business management, having served MUFG in distinguished leadership positions in Japan and the United States during his 28-year career. As CEO, he oversees and develops the bank's business strategy and internal controls.

Deputy President and Chief Risk Officer – Mr Maarten Rosenberg (resigned per 15 April 2022)

Mr Rosenberg gained vast experience and knowledge of risk management, administrative organisation and internal control procedures in various national and international managerial positions at Rabobank. As well as in-depth knowledge of Know Your Customer and Customer Due Diligence procedures, he has experience in financial markets, financial products and corporate lending.

Outlook

MBE currently faces both external and internal challenges that are expected to impact its business performance and overall profitability. Margins are increasing and new products are offered to clients, but the economic operating environment remains fluid and will pose structural challenges for the bank. In particular, persistently negative interest rates in the eurozone, inflation, the Ukraine - Russia situation, Brexit as well as mounting cost pressures driven by increased or stricter regulatory compliance requirements, will put further pressure on the overall profitability of MBE going forward.

As per 31 March 2022, MBE is still loss making but the first results of the MTBP are recognised in the improved total operating income whilst expenses are impacted by one-off restructuring expenses in line with the assumptions of the MTBP.

The Management Board is committed to improving MBE's profitability in a controlled manner over the next years, in line with these expectations. To address our internal and external challenges, and to restore MBE to a financially sustainable and viable path, our three-year MTBP focusses on three strategic directions:

- Increasing revenue by leveraging the MUFG global network and capability, expanding our product capability and strengthening the client portfolio.
- Reducing costs by reducing complexity within our organisation and further optimising our business model.
- Maintaining strict internal control and governance by balancing initiatives with regulatory requirements and implementing initiatives under the MTBP in a controlled manner.

Liquidity and capital adequacy

The BIS total capital ratio was 18.85% at 31 March 2022 (31 March 2021: 20.6%). The amount of Own Funds decreased slightly (31 March 2022 € 2,015 million, 31 March 2021: € 2,029 million). The decrease of the total capital ratio is as a result of the increase of the Total Risk Exposure Amount from € 9.8 billion to € 10.7 billion. The increase of the Total Risk Exposure was mainly driven by an increase of risk weighted exposure amounts from € 9.8 billion to € 10.7 billion.

The liquidity coverage ratio (LCR) increased from 167% at 31 March 2021 to 303% at 31 March 2022. The average value of the LCR during the year ended 31 March 2022 was 174% (previous year: 166%). The Net Stable Funding Ratio was 107% at 31 March 2022, a decrease from 118% at 31 March 2021. The decrease of the deposits from Non-Financial corporates is the main reason for the decrease of the NSFR. The LCR has increased mainly because of the increase of High Quality Liquid Assets whereas the Net Liquidity outflow has remained more or less stable throughout the year.

MBE is placing and taking funds with the Global Markets Division for EMEA of the parent bank, MUFG Bank, London. At 31 March 2022, the bank had placed € 2.4 billion (31 March 2021: € 2.9 billion) with the parent bank and related parties.

MBEs' liquidity and capital management continues to be focused on maintaining ratios in excess of externally required levels.

Dutch Banking Code

The Dutch Banking Code sets out principles that banks with a corporate seat in the Netherlands should observe in terms of corporate governance, risk management, audit and remuneration.

MBE implements the principles of the Dutch Banking Code. The principles fit within the corporate governance principles applied by MUFG Bank Ltd. and our ultimate parent, MUFG Inc. The Dutch Banking Code application is available on the MBE website: here.

All important issues addressed in the Banking Code and similar rules and regulations are discussed in the meetings including risk management (especially credit risk and provisioning), compliance, audit and internal control framework, remuneration and the new product approval process.

Mindful of the characteristics of and circumstances surrounding MBE as explained below, we have decided not to apply the following provisions of the Dutch Banking Code:

- No remuneration is paid to Supervisory Board members employed by MUFG Bank, pursuant to the MUFG Bank group policy in this respect.

Dutch Banking Code

- Regarding the composition of the Supervisory Board in relation to independence, the composition of the Supervisory Board is such that up to a maximum of 50% are Supervisory Board members who would not be considered independent. Pursuant to the by-laws of MBE, the chairperson of the Supervisory Board is independent and in each meeting the independent members are jointly capable of casting at least half the votes.

The reasons for not applying these provisions of the Dutch Banking Code result from the following characteristics and circumstances of MBE:

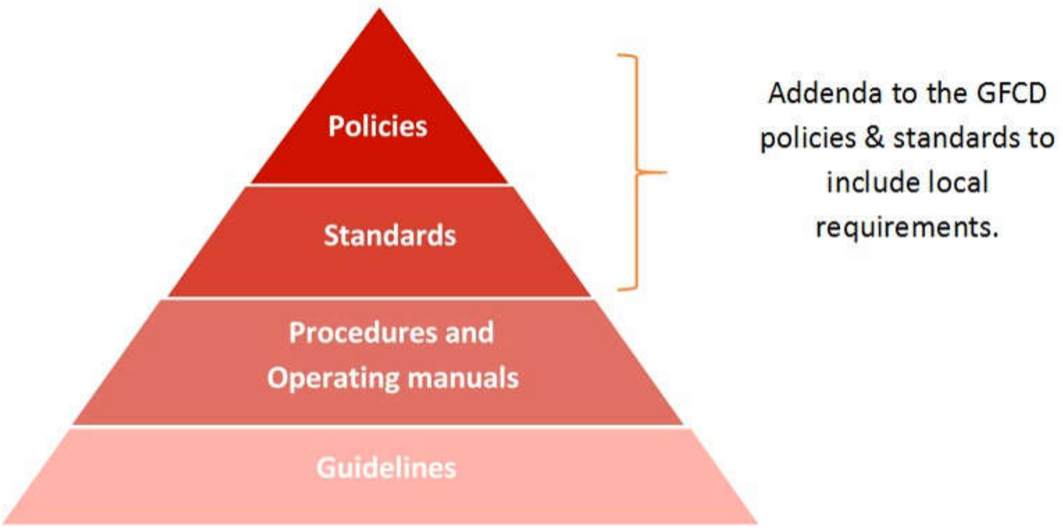
- MUFG Bank Ltd. is the sole (100%) shareholder of MBE; as a consequence, the shares of MBE are not listed.
- The shareholder, MUFG Bank, also acts as the global head office of MBE, implying central oversight in key areas such as risk management, compliance, internal audit and financial and management accounting.
- Important statutory authorities are assigned to the shareholder, such as appointment of Supervisory Board and Management Board members and the external auditor.
- In terms of organisation and management control, MBE is part of a larger, internationally operating banking group, supervised by the financial supervisory authorities of the home country, Japan.
- The size and nature of MBE's commercial activities, reflected in the limited complexity of client/product combinations.

Financial Crimes Compliance

MBE is committed to supporting the integrity of the financial system and combatting financial crimes across its operations. Financial crimes include money laundering, financing terrorism, violating sanctions, and anti-bribery and corruption (collectively, 'Financial Crimes' or FC). As a wholly-owned subsidiary of MUFG, MBE is expected to adopt MUFG's Global Financial Crimes Compliance (FCC) Policies and Standards (GFCD Policies and Standards), abiding by and consistent with the laws, rules, and regulations applicable to the jurisdictions in which MBE operates. The GFCD Policies and Standards have been defined based on international laws, regulations and best practices.

Financial Crimes Compliance Policy Framework

MBE has aligned to the GFCD Policy framework, which includes a number of Policies such as AML, Sanctions and Anti-Bribery and Corruption (ABC) and specifies requirements to manage underlying risks. The GFCD policy hierarchy, and addenda to include local requirements, are explained below:



Financial Crimes Compliance

The framework encompasses the following KYC/AML documentation :

- Policy: this defines the bank's financial crime compliance programme (including AML, sanctions & ABC programme), setting high-level requirements for FCC risk management across the bank.
- Standards: these expand on the high-level requirements defined in the policies, providing additional details on roles & responsibilities and key compliance activities that fall under the policy's purview.
- Addenda: local addenda address unique requirements that are not covered, or are insufficiently covered, in GFCD policies & standards. Addenda are only created to policies & standards and not to any other document in the hierarchy.
- Procedures and operating manuals: these help us implement the requirements of the policies & standards, and provide the basis for interpreting those requirements.
- Guidelines: These establish recommended practices with respect to a policy, standard or procedure and/or provide information on specific topic related to FCC policy, standards or procedures.

MBE has adopted the four GFCD policies, and where appropriate has drafted addenda to cover any additional requirements for the Dutch market as well as the other locations in which MBE maintains a presence. The Policies and their most recent approval dates are as follows:

- Financial Crimes Compliance Policy – last approved July 2021
- Anti-Money Laundering Policy – last approved July 2021
- Sanctions Policy – last approved July 2021
- Anti-Bribery and Corruption Policy – last approved July 2021

Once policies and underlying Standards are adopted, the Compliance department implements the requirements via procedures and operating manuals or updates them where they are already in-place.

Anti-Bribery and Corruption

MBE is committed to keep abreast of developments in laws and regulations of the jurisdictions in which it operates, including Anti-Bribery & Corruption (ABC), as well as paying attention to trends in financial crimes. MBE has adopted Global ABC Policy since September 2019, which is applicable to all its branches, consistent with the Bank's zero-tolerance approach to Bribery, as established in the Principles of Ethics and Conduct. This Policy is designed to promote a corporate culture of ethical business practices and compliance with the letter and spirit of all applicable ABC laws, which are broad and prohibit offering, giving, soliciting or receiving, directly or indirectly, Anything of Value to or from any Public Official or private party in exchange for an improper business benefit or advantage.

Risk Management

The risk control framework of MBE is based on a Risk Management Framework and a Risk Appetite Statement, which are set by the Management Board and approved by the Supervisory Board. This enables the organisation to operate and grow in a sustainable and balanced manner.

Over the course of FY21, MBE continued to invest in her risk control environment, to support MUFG's ambition to be the world's most trusted financial group. The main focus was on non-financial risks, such as Compliance Risk, Fraud Risk and Outsourcing Risk. This resulted in structural improvements in risk identification, assessment and monitoring. For material identified residual risks, MBE has allocated ample capital buffers (i.e. pillar 2 capital) to enable the absorption of any potential unexpected losses, including costs of remediation.

Risk Taxonomy

The Risk Taxonomy is a comprehensive set of risk categories that is used within MBE. It supports the consideration of all (material) risks types that could affect the organization's objectives and it serves as a platform for communication. During FY21 MBE defined 7 main risk types: strategic, market, business model, credit, operational, integrity and regulatory risk.

Risk appetite statement

MBE's risk appetite is driven by its client-centric strategy and long-term rating ambition. In line with our business model and the accepted impact of ongoing strategic change projects, MBE has a receptive

Risk Management

appetite for credit risk, strategic risk and operational risk, a conservative risk appetite towards interest rate risk and operational risk and an adverse risk appetite for its remaining risks.

MBE defined the following (qualitative) risk appetite levels:

Risk appetite level	Meaning
Avoid	Avoiding any risk through not taking or hedging
Averse	Accept risk but does not want to actively take risk
Conservative	Some risk appetite
Receptive	Risk appetite to actively pursue the risk

The risk appetite forms an integral part of the business strategy.

Risk appetite thresholds are set conservatively within the boundaries of capital and liquidity capacity and in line with MUFG EMEA's terminology and risk appetite levels. Within MBE, risk materiality levels are expressed in terms of 12-month losses under normal adverse conditions. In this context, 'low risk' means a loss below €1 million, 'low to moderate risk' means a loss within the €1 million-€15 million range, 'moderate risk' means a €15 million-€30 million loss, 'moderate to high' means a €30 million-€50 million loss and 'high risk' means a loss of €50 million or more.

Covid-19

In the final quarter of the 2019 financial year, MBE, like the rest of the market, was confronted with the worldwide outbreak of the Covid-19 pandemic. In the financial year 2020, we proved to be resilient. While the economic impact of the crisis continues, we observed the direct and indirect financial impact to MBE to be within our loss absorption capacity. We observed the credit risk on the current portfolio to be moderate and decreasing, as it was pre-Covid. As such, we have not witnessed any material idiosyncratic credit risks.

On a regular basis MBE conducts sensitivity analyses and stress tests on credit risks within the loan portfolio, whereby we closely monitor specific clients that may be affected by the challenges caused by Covid-19. To identify the sensitivity towards credit risk, stress testing is frequently performed as a measurement tool, whereby we assess the impact of expected credit losses. In addition, we have put in place additional monitoring within the credit assessment process, focusing on economic and business projections during credit applications.

Over the course of FY21, the Covid-19 pandemic impact increasingly faded away and by December 2021, MBE credit portfolio reached a new low in terms of Non Performing Exposures (NPE) and credit costs level. We observe governments and central banks are gradually announcing end of supporting measures that have been in place since the start of the pandemic.

The pandemic and related restrictions presented a number of exceptional operational challenges to which MBE has successfully adjusted. With support from the MUFG Group, MBE has been able to embrace the new way of remote (hybrid) working.

Over the last two years, MBE maintained a controlled environment with the appropriate management oversight while staff worked remotely. At the same time, the business continuity plans have proven to be effective. The Management Board paid particular attention to safeguarding health and safety of its staff, supporting a work-from-home environment, maintaining a sound level of operations to support its clients and managing the bank's daily processes and risks.

Mitigating actions: MBE has a solid crisis management structure, which was activated at the onset of the crisis and remains in place to support our clients. Throughout the entire crisis management period, senior management has closely monitored and managed the situation in alignment with MUFG headquarters and the regional head office for MUFG EMEA. Efforts on remote IT infrastructure were accelerated to ensure critical operations could continue and enable staff members to work from home or alternative office locations. In parallel, additional controls have been implemented to monitor IT and cyber risks through both the Systems division and supervision by the second line of defence Operational Risk Management division.

Risk Management

Ukraine – Russia conflict

The Ukraine – Russia conflict is evolving continuously, with new developments taking place almost on a daily basis. The risk in our portfolio is being actively managed. The Management Board is committed to maintaining a sound level of operations to support our clients and managing the bank's daily processes and risks, while protecting the soundness of our capital and liquidity position. At the same time MBE is closely monitoring the developments of the sanctions policies from various jurisdictions and regulatory bodies, assuring compliancy throughout.

There is a risk that the current Ukraine – Russia conflict impacts external environment that would impact the realization of MBE's strategic objectives in coming 2 years. As per March 2022, MBE did not have a direct exposure to Russian or Ukrainian assets. Key risk is coming mostly from the 2nd order effect of inflation, driven by commodity price increase (energy, metals, soft commodities) and monetary tightening, and cooling in economic recovery.

Mitigating actions: Developments regarding the current Ukraine – Russia conflict are monitored and necessary decisions will be taken to ensure MBE can continue to support its clients, while effectively managing the bank's operational processes and risks.

Strategic risk

Strategic risk relates to the viability of MBE's business model and our ability to adequately respond to changes in MBE's external and competitive environment. The company has a receptive appetite towards strategic risk. Several developments are affecting our strategic risk profile.

- Brexit has led to a reconsideration of the UK's position within the EMEA region in terms of the service offering to EU clients, resulting in an inflow of business to MBE.
- The introduction of the EU regulation on Intermediate Parent Undertaking (IPU) under CRD V, applicable to non-EU banking groups with large EU operations by 30 December 2023, might require a restructuring of MBE's balance sheet and operating model. This may affect MBE's profit model and risk profile.
- Profitability within MBE has been under pressure as the continued low interest rate environment creates challenges to generating sustainable business growth within financial targets and our strategic risk appetite.

Mitigating actions: Strategy is high on the Management Board agenda. During FY21, an updated MBE strategic roadmap for the next three years has been put in place, which is fully aligned with MUFG's global plans and is within our receptive risk appetite. At the moment we have more insights in the new strategy of MBE. The strategy will include the roll-out of more effective strategic risk controls in planning and execution.

Market risk

As in the previous year, the control framework is in place and continues to effectively ensure that FX risks remain within the risk limits of MBE's averse risk appetite. As a result, MBE's current exposure towards FX risk does not exceed that appetite under normal (yet adverse) market conditions.

Mitigating actions: MBE has sufficient funding and FX support from its parent bank of MUFG Bank, Ltd. MBE is also assessing the capability of MUFG Bank support in monthly ALCO. When sudden extreme market movement increases the market or funding liquidity risk of MBE, it can be mitigated through this support.

Balance sheet risk

Balance sheet risk is the risk inherent to the structure of the balance sheet of the bank. This includes risks arising from mismatches in own funding and liquidity, maintaining capital adequacy, interest mismatch position, and the translation of assets and liabilities held in another currency. Over FY21, MBE's balance sheet risk has remained low.Part of Balance sheet risk is Interest Rate Risk in the Banking Book (IRRBB). The risk profile for interest rate risk in the IRRBB is medium, reflecting a normal maximum loss to be safely within MBE's conservative risk appetite.

Mitigating actions: MBE has sufficient funding and FX support from its parent bank of MUFG Bank, Ltd. MBE is also assessing the capability of MUFG Bank support in monthly ALCO. When sudden market movement

Risk Management

increases the market or funding liquidity risk of MBE, it can be mitigated through these support.

Credit risk

MBE has a receptive risk appetite for credit risk. Current credit risk controls allow for exposure towards credit risk, resulting in a certain potential loss under normal business conditions. Credit losses of previous years have adhered to this boundary and credit loss provisioning reflects this exposure. We continue to work on further enhancing our efforts to support managing credit risks within the company's risk appetite. These enhancements include developments in credit risk assessments by means of the credit rating methodology, as well as increased insights into country of risk assessments. Collateral management is expected to receive additional attention, in line with the type of business transferring to MBE's balance sheet post-Brexit.

Mitigating actions: Given MBE's conservative methodologies used to determine required regulatory capital for credit risk exposures, MBE is very well capitalised to absorb any (highly unlikely) extreme credit losses.

Operational risk

Within MBE, improvement of MBE's operational risk control framework is a key success factor, since exposure to potential operational risks is recognised to be at the high end of the desired risk appetite. This is caused by the new business initiatives under MTBP, branch optimization, outsourcing arrangements and the design and implementation of a new operating model. The implementation of risk & control self-assessment initiatives are currently ongoing as well as the identification and monitoring of self-identified issues. The residual risk is driven by these factors:

- Risk controls within the business divisions (first line of defence) need to be further enhanced.
- High level of complexity in data management combined with the extend of manual processing vs automated processes.
- Multiple change projects are running in parallel, putting pressure on resources and change capacity.
- Technology risk (IT and information security) in general is considered relatively high. Further enhancements to IT infrastructure and governance are needed, to reduce the risk and to strengthen the risk control framework.

Mitigating actions: Operational risk has been one of the key focus areas for enhancement within MUFG EMEA since 2019. To improve risk control within the business divisions, MBE started to implement risk & control self-assessments and issue management in 2020. During FY21 MBE made improvements with respect to the implementation of the risk control framework. This has resulted in increased awareness and improved monitoring of operational risk. Based on these measures, we expect the identification, measurement and management of operational risks to further improve in FY22. To reduce IT risk, a multi-year improvement plan on IT governance and infrastructure has been initiated to address any weaknesses and to achieve the required maturity level of our IT infrastructure by end-2022. MBE keeps reducing the bank's exposure towards IT risk and improving IT risk controls.

Integrity risk

MBE's integrity and compliance risk management framework is evolving further on the back of regulatory and business developments, as well as the roll-out of MUFG's global framework. MBE's exposure to potential integrity and compliance risk requires maintaining adequate controls to prevent financial loss, penalties or reputational damage as a result of non-compliance with rules and regulations, involvement in criminal activities, conflicts of interest, fraud and socially inappropriate conduct. This remains a top priority.

Mitigating actions: Over the course of FY21, MBE further implemented second line risk controls to better identify and assess integrity and compliance risks. We are performing several implementation and remediation projects to update MBE's policies, procedures, products and systems so they adhere to regulations such as MiFID 2, EMIR, PSD 2, GDPR and IBOR. MBE is also enhancing internal policies on clients and products with respect to client tax integrity, ESG topics, fraud, cybercrime and duty of care.

MBE has been working diligently on improving its anti-money laundering operating framework and enhancing its capabilities to contribute to a sound

Risk Management

and effective financial crime compliance operation and culture.

Regulatory risk

MBE will invest further in improving MBE's control framework, to detect the impact and predictability of regulatory and legal changes. MBE is aware of certain gaps in (the execution of) policies and procedures, leading to potential ineffectiveness in ensuring that MBE control regulatory risk within MBE's averse risk appetite.

Regarding external factors, MBE's risk exposure is mainly affected by increasing regulatory scrutiny and the regulatory pipeline in the short to medium term. In the year ahead, the regulatory landscape is expected to be dominated by increased requirements around environmental, social and governance, data and technology and implementation of the CRR2/CRD5 banking package.

Mitigating actions: To reduce the risk of adverse impacts of regulatory changes and non-compliance with existing regulations to a level suited to MBE's averse risk appetite, MBE maintain an active dialogue with the various supervisory bodies on new regulations. MBE embedded a regulatory change process to manage implementation of new regulations with a specialised department, the Regulatory & Programme Office. This department uses a project-based approach together with the Planning Department, to monitor and assess the implementation of new regulations and required remediation. Over the coming years, MBE plan to further enhance MBE's regulatory risk control framework, to better enable control procedures. This will enable MBE to better demonstrate that MBE adhere to all existing rules and regulations, as well as ensuring that changes to regulations are adequately addressed.

ESG and sustainability

As a globally operating financial institution, MUFG recognizes that taking actions to foster shared and sustainable growth, including protecting the environment and responding to climate change, is a responsibility that MUFG has to society. As a result, MUFG is aiming to contribute to the realization of a sustainable society by protecting the global environment. In order to achieve this goal, not only does MUFG comply with applicable legislation and international agreements, but also responds appropriately when its operations result in environmental risks or negative impacts, by reducing the environmental impacts of its operations, as well as actively working towards finding solutions to global environmental issues through its business activities. Therefore, MUFG supports a range of initiatives, which also aim at combatting climate change and selected 10 priority issues that must be tackled to help achieve environmental and social sustainability in light of MUFG's newly established Purpose, "Committed to empowering a brighter future.". These commitments are further underlined by the 11 out of the 17 United Nations Sustainable Development Goals (UNSDGs) that the Bankfocusses on. UNSDGs are also reflected in MBE's Environmental, Social and Governance Policy. Globally, MUFG issues a sustainability report, in line with TCFD recommendations.

MUFG recognizes the urgency to address the risks arising from climate change. As a global financial institution, MUFG needs to play an important role in the transition to a low-carbon economy. Addressing climate change does not only mean that MUFG needs to mitigate the risks arising from climate change, but MUFG also realizes that sustainable finance poses vast business opportunities. Based on this recognition, MUFG promotes the transition to a low-carbon society and reduces climate change risk through actions associated with both its operations and through the products and services MUFG provides to clients. Concretely, MUFG has made a pledge to invest Yen 35 Trillion by 2030 into sustainable finance.[2] Further, MUFG declared in its Carbon Neutrality Declaration that it will achieve net-zero in its own emissions in 2030 and net-zero in 2050 for its finance portfolio. Next to that, MUFG is a signatory to the Net-Zero Banking Alliance (NZBA). In April 2022, MUFG published its progress report under the NZBA framework, setting medium-term targets for 2030 or earlier using a science-based approach. These have now been published for two sectors: The Power sector aims to reduce GHG emission intensity from 349gCO2e/kWh to 156-192gCO2e/kWh. The Oil & Gas sector aims to reduce absolute GHG emissions from 83MtCO2e by 15~28% (by 2030, compared to 2019).

Equally, MUFG established Environmental & Social Policy Framework to limit or even restrict certain transactions that (potentially) entail environmental or social risks.[3] MUFG is constantly revising this framework and will publish an updated version in Q2 2022. MBE also adheres to this framework and is also implemented in the ESG Policy and it forms part of the overall EMEA reputational risk policy.

Thus, transactions that are potentially environmentally harmful from a reputational risk perspective are being escalated to the EMEA reputational risk committee. MBE is committed to adhere and align with its Group's goals and decisions to support and help our clients, respond to all of the financial needs of our customers, serving society, and fostering shared and sustainable growth for our future and a more sustainable world.

[2] This corresponds to 260 billion Euros.
[3] https://www.mufg.jp/english/csr/policy/index.html

ESG and sustainability

Overall, MBE's ESG strategy, which also includes the management of climate-related risks is fully aligned with the MUFG group strategy and targets.

Governance

Globally, MUFG has assigned a Group Chief Sustainability Officer (CSuO), set up a sustainability committee as well as a sustainable business division and a sustainability office. The Group CSuO promotes the realization of sustainability and is responsible for its initiatives. At MUFG, the Sustainability Committee operating under the Executive Committee regularly engages in the deliberation of the Company's policies on and the status of initiatives to manage business opportunities and risks arising from environmental and social issues, including climate change.

In line with global governance developments and its own regulatory requirements MBE is committed to effectively embed ESG (within its existing governance framework), and has assigned the Chief Strategy & Planning Officer (CSPO) as the executive sponsor and responsible management board member for ESG. Further, the CSPO is supported by ESG coordinators to foster the implementation of ESG within MBE. Next to that, MBE has set up an ESG forum. The forum has been set up to provide guidance on embedding ESG within MBE. The MBE ESG forum shall not be considered an official governance body within MBE. It shall rather serve as a venue to agree on ESG action points and evaluate progress thereof. These action points can derive from regulatory requirements, market developments or internal MUFG initiatives on ESG. Besides, the ESG forum shall deliver input to the Management Board on relevant strategic decisions for ESG topics. Overall, the forum is structured around four pillars:

1. Sustainable Finance;
2. Risk;
3. Own operations; and
4. Disclosures.

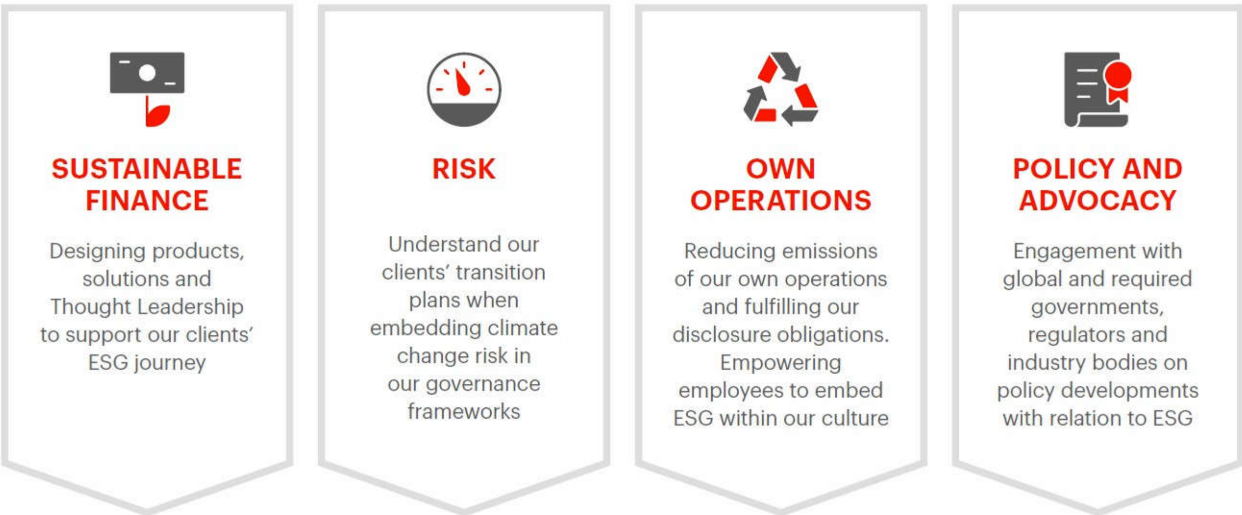
MBE also has an ESG working group that focusses on voluntary internal activities around ESG, such as the organization of sustainability-related events, but also on raising awareness on ESG topics, including climate risk. This is to meet the ESG Policy's internal goals of raising awareness on sustainability.

Strategy

As a financial institution, MUFG recognizes that supporting climate change measures and the transition to a decarbonized society will lead to increased business opportunities. MUFG announced a target of providing a cumulative 35 trillion yen in sustainable finance by 2030, as such, MUFG intends to commit 18 trillion yen of finance in the environmental field, including initiatives to counter climate change that will lead to the reduction of greenhouse gas emissions and the conservation of the global environment. MUFG promotes renewable energy through project finance, issues MUFG Green Bonds, which ensure that the net proceeds are allocated to eligible green projects, provides commodities and services aimed at mitigating environmental loads. By doing so, MUFG supports the transition to a decarbonized society. Further, MUFG has declared in its Carbon Neutrality Declaration that it intends to achieve net-zero in its portfolio by 2050.

As MUFG EMEA's ESG strategy is fully aligned with MUFG's global strategy, EMEA also contributes to the global targets mentioned above. To address the needs for embedding ESG and sustainability within MUFG EMEA, the following four pillars have been established:

ESG and sustainability



MBE similarly adopts this four pillar approach, however, its fourth pillar focusses more on disclosures, such as addressing the EU Taxonomy's and the CSDR's reporting requirements. Within the course of 2022, MBE is planning to enhance its work around all of the pillars. While the sustainable finance pillar is largely driven by global or EMEA-wide MUFG targets and developments, MBE will especially focus on the risk and disclosure pillars. Next to that, for the sustainable finance pillar, a virtual ESG team has been established in EMEA that has developed a client engagement strategy that includes pro-active marketing and a thought leadership series on sustainable finance topics, which is made available to clients and the public via the MUFG EMEA webpages. Further, ten pillars (six for product categories and four for coverage teams) have been established in EMEA. These ten teams compose of subject matter experts from the various front office teams across the regions and work on client engagement strategies for specific sustainable finance topics.

Internal Efforts

MUFG also recognises the importance of internal efforts to contribute to a carbon-neutral and more sustainable society – together with our employees. MBE is fully connected on global initiatives in that respect. Locally, in April 2021, the first EMEA-wide sustainability month took place with various events, including internal and external stakeholders, for EMEA employees to become engaged on sustainability matters, which was being repeated in April 2022, culminating in various local actions on Earth Day, April 22. Further, in line with MUFG's global commitment to reach net-zero in its own emissions by 2030, MBE has made further efforts to also achieve this goal and help contribute the global one. In all MBE office locations, where MBE controls the electricity provider, MBE has achieved to obtain electricity from 100% renewable energy by end FY21.[2]

EU Taxonomy

The EU Taxonomy, aiming at channeling capital flows towards more sustainable finance, the transition to a net-zero economy and preventing green washing, creates a common classification system for what is considered an environmentally sustainable activity. To this end, the Taxonomy introduces six environmental goals:

1. climate change mitigation,
2. climate change adaptation,
3. sustainable use and protection of water and marine resources,
4. transition to a circular economy,
5. pollution prevention and control, and
6. protection and restoration of biodiversity and ecosystems.

Next to that, the reporting under the Taxonomy applies to large EU public-interest companies, financial market participants, offering financial products and services within the EU, including occupational pension providers and requires under Article 8 that NFRD-

[2] This includes the following MBE office locations: Amsterdam, Düsseldorf, Frankfurt, Munich, Madrid, Barcelona, Lisbon, Brussels, Vienna, Prague.

ESG and sustainability

obliged entities would need to disclose in line with the Taxonomy. For financial companies and more specifically, a credit institution as MBE, this means that in the first year of reporting (covering FY21), these disclosures will need to include MBE's Taxonomy eligibility ratio. For an activity to be qualified as Taxonomy eligible, it needs to make a substantial contribution to one of the six environmental objectives set out in the Taxonomy. According to Article 1(5) of the Disclosures Delegated Act, an economic activity is eligible irrespective of whether it meets any or all of the technical screening criteria laid down in the Climate Delegated Act (and future delegated acts). Therefore, the fact that an economic activity is Taxonomy-eligible does not give any indication of the environmental performance and sustainability of that activity.[3]In the upcoming years, credit institutions, as MBE, will also need to disclose their Taxonomy alignment, making sure the activity does not significant harm to any of the other six objectives and ensuring minimum safeguards. MBE aligns only with the first two of the six environmental objectives as this is the first year of Taxonomy-eligible related disclosures.

While the EU Taxonomy introduces a common classification system for economic activities to be considered environmentally sustainable in the EU, MUFG has also set its own targets to contribute to a more sustainable future and supports its clients in their transition as described above. This internal definition of contributing to sustainable finance does have overlaps with the EU Taxonomy, yet it is not one-on-one equivalent with the EU Taxonomy's definition. MBE contributes to this goal as a subsidiary. Further, MBE – also in close cooperation with other entities in the MUFG group – offers ESG-linked products to its clients. Hence, while the green asset ratio (GAR) is considered an integral part of the EU regulatory and reporting framework for ESG and towards a more sustainable future. As MBE, is being part of a large global financial group, its sustainable finance efforts should be considered more widely as part of MUFG's global ESG efforts and contributions to a more sustainable tomorrow.

MBE is mindful that its EU Taxonomy-related disclosures will need further enhancements in the upcoming years and once more data from underlying assets is available, and subsequently. MBE will further enhance EU Taxonomy-related requirements in its disclosures (for the subsequent years) and disclose according to the mandatory disclosure regime as defined by the European Commission. As it is required for corporates that the mandatory disclosures stem from actual information provided by the client, it is not possible for MBE in its annual report as per 31 March 2022 to include mandatory disclosures. Therefore, MBE has decided to focus on voluntary disclosures for this year's reporting. Further, as a larger part of MBE's portfolio consists of general purpose corporate loans, MBE - for this year - has focussed on its project finance assets, where the (non-)elegibility can be defined more clearly.[4]

MBE considers 2% of its assets to be Taxonomy eligible, where projects are financed that contribute to either climate change mitigation or adaptation.[5]

Further, MBE has mapped its general loan portfolio to the NACE codes that qualify as Taxonomy eligible. This was done based on the main activity registered for a certain client. As the Taxonomy requires institutions to report eligibility however on an activity level and not a client level, no reliable portion can be reported yet, without the underlying NFRD-obliged clients having disclosed their own relevant Taxonomy ratios. Thus, in line with the market, MBE will in subsequent years gather additional data from clients to be able to publish more specific EU Taxonomy-related information, for instance, through surveys shared with relationship managers to address to their clients.

MBE is also closely monitoring other regulatory developments in the area of disclosures: both for its annual report and for supervisory reporting. Besides, MBE observes the developments around the NFRD's successor, the Corporate Sustainability Reporting Directive (CSRD), which will introduce additional reporting requirements for MBE's disclosures. At the same time, MBE will also continue to contribute to MUFG's internal sustainable finance goals.

Human rights

The MUFG Way, which guides all of our activities, defines the meaning of our existence to be committed

3 Draft Commission notice on the interpretation of certain legal provisions of the Disclosures Delegated Act under Article 8 of EU Taxonomy Regulation on the reporting of eligible economic activities and assets (published 02-02-2022)
4 Overall, project finance assets represent only 4% of MBE's portfolio.
5 Eligible use of proceeds do not indicate that the project or asset meets or will meet the Technical Screening Criteria at maturity, but that the financing is going towards a Taxonomy eligible activity." (Platform on sustainable finance: Platform considerations on voluntary information as part of Taxonomy-eligibility reporting, Appendix I.)

ESG and sustainability

to empowering a brighter future. Under this motto, we are committed to protecting the diverse human rights of all stakeholders, including society and our customers. The Sustainability Committee, chaired by the CSuO of the Group, who is also a member of MUFG's Board of Directors, discusses measures and action points concerning the respect for human rights based on the MUFG Human Rights Policy. The MUFG Human Rights Policy is determined by the Board of Directors. Further, We established the MUFG Environmental and Social Policy Framework as the basis for the management of environmental and social issues, including human rights issues, in our financing. We assure respect for human rights by conducting the due diligence prescribed in the Policy Framework as necessary when making credit decisions. In 2022, MBE has also published its Supplier Code of Conduct to ensure also our suppliers value and respect human rights and act in accordance with applicable laws and regulations.[2]

Social impact

We encourage employees to participate in initiatives that help us at MUFG take responsibility in society. Last year, such initiatives included a competition that saw employees send in photos of their workstation at home and donate to charities involved in tackling the impact of COVID-19 across the globe. The contest generated 114 entries from 12 EMEA locations, with efforts included MUFG prize donations. These were donations made by MUFG to Covid-19 relief funds of charities chosen by the winners.

Since 2013, MUFG in EMEA has partnered with JA Europe, a non-profit provider of education programmes for entrepreneurship, work readiness and financial literacy. Last year, we joined forces with JA Europe to host our first-ever virtual financial education workshop, to educate young people on how to manage their money and make wise financial decisions for their future. In 2019-2020, MUFG volunteers donated almost 2,000 hours to JA Europe's financial education and employability programmes.

Internal Audit

The Internal Audit function forms an essential part of the control mechanism of MBE. Internal Audit is independently positioned, reporting directly to the chairman of the Audit, Compliance and Risk Committee and hierarchically to the President of the Management Board.

In accordance with the Internal Audit Charter, the mission of Internal Audit is to enhance and protect organisational value by providing risk-based and

[2] https://www.nl.bk.mufg.jp/media/1267/mbe-supplier-code-of-conduct-v-04.pdf

Internal Audit

objective assurance, advice, and insight. Internal Audit helps MBE accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of governance, risk management, and control processes.

Once a year, the Chief Auditor initiates a meeting with DNB, as an opportunity to exchange views on relevant risks, assurance and supervision priorities. In addition, Internal Audit meets at least quarterly with the External Auditor to share views on relevant developments and significant outcomes of respective assurance activities.

Internal Audit also aims to contribute to, and benefit from, a group-wide strategic programme called Global Audit Transformation.

By enhancing the collaboration across the third line and operating a more consistent Internal Audit function across all parts of MUFG worldwide, Internal Audit can provide group-wide assurance more effectively, leverage subject matter expertise, global tools and practices.

In FY21, Internal Audit completed 24 individual engagements, including eight regional engagements where MBE was in scope. This is similar to the previous year (24) and in proportion with the scale, complexity and risk profile of the bank. Internal Audit actively seeks to influence the organisation towards a mature risk culture, where risks and control issues are timely identified, reported and remediated through a management self-identified issues framework, which should help to reduce the reliance on the third line of defence assurance work.

The Internal Audit assurance activity covers processes and controls which support the Finance division, ultimately to help safeguard the accuracy of the bank's financial statements. An example during FY21 was an independent evaluation of the key controls around the way in which revenues are split between MBE and its affiliates in the wider MUFG group.

Proposed profit appropriation

There is no net profit for the year ended 31 March 2022. Therefore, there is no proposed dividend payment for this period.

Gratitude

We wish to express our sincere gratitude to our employees, clients, business partners and our parent banks, MUFG Bank and MUFG Inc., for their continuous support during the year to 31 March 2022.

The Management Board declares to the best of its knowledge, that the annual Financial Statements provide a true and fair view of the assets and liabilities of MBE, its financial position and net profit.

The Management Board also declares that to the best of its knowledge the Financial Statements provide a true and fair view of MBE regarding its position as at balance sheet date, the business performance during the year referred to in the Financial Statements, and the material risks MBE was exposed to.

Amsterdam,

19 July 2022

H.D.L. Bots, Chairman (appointed per 1 April 2022)

N. Hatano

E.G. Shakhurina

M.A.B. Selles

D. Dimitrijevic (appointed per 15 April 2022)

H. Takase (resigned per 1 April 2022)

M.F. Rosenberg (resigned per 15 April 2022)

Report of the Supervisory Board

Supervisory Board

The Supervisory Board supervises, advises and challenges the Management Board in the exercise of its duties, and is responsible for the general course of business of MBE and its related companies, pursuant to MBE's articles of association, MUFG's Principles of Ethics and Conduct and prevailing legal and regulatory requirements, including the Dutch Banking Code. The Supervisory Board approves the risk profile and control framework of MBE.

The role of the Supervisory Board, as laid down in MBE's articles of association and Supervisory Board by-laws, lies with the Supervisory Board collectively. The Supervisory Board has established an Audit, Compliance and Risk Management (ACR) Committee. Taking into consideration the characteristics of the bank and its position within the broader financial group, as well as the size of the Supervisory Board, we have decided not to establish separate committees for remuneration or nomination, instead this role is full-filled by the Supervisory Board itself.

As well as holding regular meetings, the Supervisory Board has frequent direct contact with Management Board members and with senior leaders. The Management Board consults with the Supervisory Board on a regular basis outside of the ACR Committee and Supervisory Board meetings. If and when required, it also keeps the Supervisory Board informed of important developments within the bank.

Supervisory Board members have a lifelong learning programme. In the year to 31 March 2022, trainings were offered on Supply Chain Finance and ESG.

Composition of Supervisory Board

Composition of Supervisory Board

The Supervisory Board has drawn up a profile to be used as a basis for its composition. As of the 31st March 2022 the Supervisory Board consists of four members. Two members of the Supervisory Board are employed by MBE's parent, MUFG Bank. The Chairman is an independent member.

The Supervisory Board members have extensive knowledge in fields such as banking and finance, corporate governance and risk management

Chairman – Mr Wietze Reehoorn

Mr Reehoorn joined the Supervisory Board on 3 June 2020. Mr Reehorn is a highly experienced figure in the Dutch banking sector. He spent 30 years at ABN AMRO, where he worked in a variety of roles including Head of Corporate Banking, Head of Financial Restructuring and Recovery, Group Strategist and Chief of Risk and Strategy. He was a member of ABN AMRO's management board for eight years, concluding his tenure in 2017. Mr Reehoorn is also a board member at the National Bank of Greece and also holds several non-executive positions, amongst them Chairman of the Supervisory Board of MUFG Securities (Europe) NV, member of Supervisory Board of Anthos Private Wealth Management B.V., member of the Board of Trustees of Frans Hals Museum and Chairman of the Topsport Community Foundation.

Vice Chairman - Mr Katsunori Yokomaku (appointed per 15 June 2021)

Mr Yokomaku joined the Supervisory Board of MBE on 15 June 2021 as Vice Chairman. Mr. Yokomaku is currently one of MUFG's Deputy Regional Executives for EMEA. He has a long track record at MUFG, where he has worked for almost 30 years. He has held positions in Japan, Singapore, the US and the UK. He has served in a variety of roles, including Chief Manager of Regulatory Affairs, Deputy Chief of Staff and Deputy Chief Financial Officer for MUFG Americas, and Global Head of Internal Audit.

Member – Mr Kerry Peacock

Mr Peacock joined the Supervisory Board in September 2016 as Vice Chairman, a role he handed over to Mr Sazaki in June 2019. Mr Peacock began his second term in September 2020. He has more than 30 years of experience in the banking sector and specific knowledge of MUFG, as he has led the EMEA Operations division for MUFG Bank since 2008. Mr Peacock has been a member of several committees within MUFG, which gives him a broad and in-depth understanding of internal codes and procedures at MUFG.

Member – Ms Gisella van Vollenhoven-Eikelenboom

Ms van Vollenhoven-Eikelenboom became a member of the Supervisory Board and Chair of MBE's Audit, Compliance and Risk Management Committee on 31 March 2020. Ms van Vollenhoven-Eikelenboom holds several non-executive positions, including with a.s.r. and Waarborgfonds Sociale Woningbouw. Most recently, she worked for De Nederlandsche Bank (DNB), working closely with the European Central Bank on a range of risk-related issues. Prior to this, she worked at ING for 16 years in a variety of roles, most notably managing its risk management function between 2006 and 2012.

Vice Chairman - Mr Takanori Sazaki (resigned per 15 June 2021)

Mr Sazaki joined the Supervisory Board on 5 June 2019 as Vice Chairman. He was the Regional Executive for MUFG EMEA until April 2021, and is currently Regional Executive for the Asia Pacific region. Mr Sazaki has worked at MUFG for more than 30 years in Asia, the US and EMEA and has broad experience in investment banking and governance matters.

Meetings of the Supervisory Board

The Supervisory Board held four formal meetings during the year. Furthermore, multiple topics where separately discussed outside the formal meetings. Amongst others this pertained to changes in the Management Board effective as per April 2022 All members were either physically present at these meetings, or else were represented or attended via video conference.

The Supervisory Board discussed a great number of subjects with the Management Board, including risk management, credit provisioning, integrity, remuneration, corporate governance, business development and the Dutch Banking Code, in order

Meetings of the Supervisory Board

to assure itself through its own examination of the adequate management of risk and the control framework of MBE.

The Chairman of the Supervisory Board also discussed with the Management Board relevant topics related to the Dutch Banking Code, Basel IV, the ICAAP/ILAAP process and IT issues.

Members of the Supervisory Board consulted with the external auditor Deloitte, the head of the Internal Audit division, division heads in charge of Risk Management and Compliance, the head of the Finance Division and representatives of the Works Council.

In its role as provider of overall governance for reward at MBE, the Supervisory Board reviewed the bank's reward policy, individual remuneration for the Management Board and all other staff identified as material risk takers (MRTs), and approved these.

The Supervisory Board and/or its Chairman had meetings with representatives of Dutch central bank on issues such as capitalisation and liquidity, risk assessment, outsourcing, governance, Asset & Liability Management and Know Your Customer.

During the year, the Supervisory Board focused on the following areas and activities:

- MBE's business development, strategy, financial position and results, in combination with the MTBP.
- Internal projects relating to the restructuring of branches within existing MBE structures.
- The bank's compliance with legislation, codes and regulations.
- MBE's risk appetite, risk framework and strategy, as well as its governance.
- The development of functional lines in the Continental European organisation.
- The changes in the Management Board.
- Its own functioning.

Several actions were taken to enhance MBE's governance and internal control framework, including the implementation of new policies and procedures.

Audit, Compliance and Risk Committee

The Audit, Compliance and Risk Management (ACR) Committee assembles on a quarterly basis.

The committee is composed of the independent Supervisory Board Members and chaired by Gisella van Vollenhoven-Eikelenboom.

The committee advises the Supervisory Board by ensuring that matters affecting MBE's internal control framework are adequately discussed and challenged. This is achieved by holding regular meetings with Internal Audit, Compliance, Risk Management and relevant Management Board members, as well as with the external auditors of MBE, as required. The activities of this committee do not impair the collective responsibility of the Supervisory Board itself.

Topics discussed in the ACR Committee include:

- The annual report. Based on the work performed by MBE's external auditors, the ACR Committee discussed and challenged the underlying content, paying specific attention to related disclosures, as well as the way MBE aims to address financial results in its future strategy. The overall audit process, as well as the division of roles and responsibilities, was also discussed, to ensure that potential improvements are duly noted for future cycles.
- MBE's risk appetite. The committee discussed and challenged proposed changes to MBE's risk appetite based on internal factors such as the updated MTBP, and external factors including Covid-19, particularly in relation to strategic, operational, fraud and tax-related risks. This resulted in action items for the committee members, as well as changes to the risk appetite statement, ensuring alignment with the bank's risk profile.
- Increased regulatory requirements. The ACR Committee was regularly informed about the regulatory horizon, on-site visits planned by the regulator, and progress made on remediation activities related to regulatory findings. As regards the Supervisory Review and Evaluation Process (SREP), a dedicated ACR session was organised to ensure that the content was duly discussed and challenged. A similar session has been organised for the Systematic Integrity Risk Analysis, to ensure that Dutch regulatory requirements are met. Additionally, the ACR Committee challenged MBE's position on emerging regulatory focus areas such as climate risk, in order to ensure sufficient efforts are made to address such topics.

Audit, Compliance and Risk Committee

- Annual plan of key functions. To make sure the bank has a robust second line of defence in place, the annual compliance plan was thoroughly discussed within the ACR Committee. The internal audit plan was also discussed, to ensure that an adequate level of assurance is provided from a third line of defence perspective in key areas of risk for MBE.
- Emerging risks. One of the topics addressed by the ACRMC was ESG Risk, discussed with Management, as well as MBE's external auditors. The committee focused on the organization's efforts to ensure compliance with current regulations, as well as to anticipate upcoming regulatory expectations.
- Another key area discussed within the ACR Committee was the conflict between Ukraine and Russia, particularly how the organization can duly implement the sanctions imposed at European level, as well as adapt in due time to the rapid-changing context.
- The Covid-19 pandemic impact in relation to MBE's liquidity, capital and credit risks as well as its operational resilience.

Remuneration

The MBE reward policy is the cornerstone of our approach to rewarding employees. It promotes sound and effective risk management and does not encourage risk-taking that exceeds the bank's level of tolerated risk. Its objective is to align our strategic objectives and core values with the reward for employee performance, while ensuring compliance with regulatory requirements. The reward policy allows us to offer locally competitive pay that attracts and retains employees, while operating a consistent reward framework.

Our reward policy complies with the Act on Financial Supervision, the 'Regeling beheerst beloningsbeleid Wft 2014 and 2021', and the principles under CRD IV, CRDV and MiFID II. MBE has also taken into consideration the EBA's Guidelines on Sound Remuneration Policies. The policy includes a discretionary variable remuneration scheme which all material risk takers are eligible to participate in. Variable Pay rewards employees for their performance and delivery for financial and non-financial targets, values and behaviours whilst reflecting performance and affordability of the business. Further information on this can be found in Note 27, Key Management Personnel Remuneration. As part of annual governance, the reward policy is reviewed each year to ensure continued effectiveness and alignment with regulations and MUFG remuneration practice.

The Supervisory Board is responsible for evaluating the reward policy adopted for Management Board members and all senior staff in control functions (including Risk Management, Compliance and Audit), and approves overall variable pay pool for MBE.

The Supervisory Board also oversees the Management Board's implementation of the reward policy. In establishing the MBE reward policy, the following MUFG guiding principles were taken into account:

- The policy shall have a clear link between performance and reward.
- It shall support MBE's and MUFG's high standards of business ethics.
- It shall embed effective risk and compliance disciplines and be in accordance with a prudent risk management system.
- It shall ensure overall competitiveness such that the bank can attract, retain and reward employees across its markets.
- It shall comply with all applicable regulatory and legal requirements, including suitable employment, tax and equality legislation, and European and local country remuneration regulation.
- It shall be transparent, easy to understand and clearly communicated to all employees.

The remuneration of Supervisory Board members is set by the annual general meeting of the shareholder. The remuneration is deemed to be proportional to the time required to perform the supervisory activities and to be independent of MBE's financial results. Supervisory Board members are not eligible for variable compensation.

For the year to 31 March 2022, MBE considered input from its entire stakeholder base, including viewpoints, interests, remarks and concerns. For 2022, MBE is proposing a higher than usual annual base salary increase to address the hyper-inflation currently being seen globally, high attrition levels across the business, as well as MBE's collective labour agreement increases where applicable.

Details of the remuneration of Supervisory Board members, Management Board members and MRTs can be found in Note 27 to the consolidated financial statements.

Financial Statements

In accordance with article 15 of MBE's articles of association, we hereby submit to the shareholder the Annual Report for the year 1 April 2021 to 31 March 2022, which includes among others the report of the Management Board and the Financial Statements drawn up by the Management Board, examined by the Supervisory Board and audited by Deloitte Accountants B.V.

The macro-economic environment remained challenging during the last financial year which also led to market uncertainty that resulted in a decrease in revenues. Continued higher regulatory and integration expenses have resulted in a loss for the Financial Year. MBE's strategy is to further enhance efficiency opportunities throughout Europe to serve its clients and improve efficiency.

Financial Statements

In the beginning of FY21 MBE announced its renewed MTBP internally. In the near future the focus will be on improving operating efficiency and improve MBE's profitability in order to ensure a sustainable business model on the longer term.

The Supervisory Board has been regularly informed of immediate impact of the Covid-19 pandemic in relation to MBE's liquidity, capital and credit risks as well as its operational resilience. The Supervisory Board will actively discuss the strategic agenda of MBE and assess the potential impact and underlying scenarios of a prolonged effect of the pandemic.

We propose the shareholder to approve the Annual Report including the Financial Statements as submitted by the Management Board and to discharge the members of the Management Board and the Supervisory Board for their management and supervisory duties respectively during the year ended 31 March 2022. We endorse the proposal by the Management Board to have no dividend payment.

Information, consultation and conclusion

All important issues addressed in the Banking Code and similar rules and regulations were discussed in the meetings, including risk management, especially credit risk and provisioning, compliance, audit and internal control framework, remuneration and the new product approval process.

Contact between the Supervisory Board and the Works Council took place in a constructive and professional atmosphere.

The relationship between the Management Board and the Supervisory Board is well-established and the Supervisory Board holds the Management Board accountable for its actions. The Supervisory Board explicitly discussed the conduct and effectiveness of each of its members. It concluded that the Supervisory Board as a whole and each of its members function properly.

The Supervisory Board acknowledges that the Management Board duly provided it with adequate and up-to-date information and consulted it on MBE's policy and controls where needed, enabling the Supervisory Board to perform its supervisory tasks adequately. The Supervisory Board approves the Financial Statements of MBE as presented by the Management Board.

Amsterdam, 19 July 2022

W. Reehoorn, Chairman

K.W. Peacock

G. van Vollenhoven-Eikelenboom

K. Yokomaku

Consolidated Financial Statements

Consolidated Statement of Financial Position

As at 31 March

in thousands of €s	Notes	2022	2021
ASSETS			
Cash and balances with central banks	2	904,077	1,000,587
Loans and advances to banks	3	3,236,564	4,348,896
Loans and advances to customers	4	7,606,880	6,592,002
Derivatives	5	47,372	32,954
Financial investments	6	332,771	74,744
Property and equipment	7	14,953	17,906
Intangible assets	8	12,761	17,211
Current tax assets	21	49,600	41,011
Deferred tax assets	21	36,232	36,581
Other assets	9	28,630	35,954
Total assets		12,269,840	12,197,846
LIABILITIES			
Due to banks	10	4,797,067	3,410,544
Due to customers	11	5,256,296	6,583,556
Derivatives	5	45,585	34,783
Current tax liabilities	21	204	1,662
Subordinated debt	12	300,116	300,116
Provisions	13	20,230	36,273
Other liabilities	14	115,052	78,038
Total liabilities		10,534,550	10,444,971
EQUITY			
Issued capital	15	100,003	100,003
Share premium	15	1,334,304	1,334,304
Retained earnings	15	312,820	333,308
Fair value reserve: financial instruments measured at FVOCI	15	156	23
Foreign currency translation reserve	15	383	328
Actuarial reserve	15	(12,417)	(15,158)
Shareholder's equity		1,735,249	1,752,806
Non-controlling interest	15	41	69
Total equity		1,735,290	1,752,875
Total liabilities and equity		12,269,840	12,197,846

Consolidated Statement of Profit or Loss

For the year ended 31 March

in thousands of €s	Notes	2022	2021
Interest income		111,229	117,674
Interest expense		23,972	38,187
Net interest income	16	87,257	79,488
Fee and commission income		28,745	30,360
Fee and commission expense		13,719	16,178
Net fee and commission income	17	15,026	14,182
Result on financial transactions	18	43,865	37,108
Other operating income		673	351
Total operating income		146,821	131,129
Personnel expenses	19	106,269	87,038
Depreciation of property and equipment	7	4,305	4,470
Amortisation of intangible assets	8	5,606	5,820
Impairment on fixed assets	8	1,299	1,324
Other operating expenses	20	61,554	55,740
Total operating expenses		179,033	154,393
Credit loss expenses (recovery)	28	(6,473)	(6,186)
Profit (loss) before tax		(25,739)	(17,077)
Income tax expense/(benefit)	21	(675)	7,049
Net result continued operations		(25,064)	(24,126)
Attributable to:			
Owners of MBE (equity attributed to the shareholder of MBE N.V.)		25,084	24,089
Non-controlling interest		(20)	37

Consolidated Statement of Comprehensive Income

For the year ended 31 March

in thousands of €s	Notes	2022	2021
Result for the year		(25,064)	(24,126)
Items which will not be reclassified to the statement of profit or loss			
Remeasurement of the net defined benefit asset/liability	22	3,684	(5,819)
Items which may be reclassified to the statement of profit or loss in a subsequent period			
Loss on foreign currency translation reserve	22	55	256
Gain/(loss) on financial instruments measured at FVOCI	22	179	36
Income tax relating to components of other comprehensive income	22	(989)	861
Other comprehensive income for the year, net of tax		2,929	(4,667)
Total comprehensive income, net of tax		(22,135)	(28,793)
Attributable to:			
Owners of MBE (equity attributed to the shareholder of MBE N.V.)		(22,115)	(28,830)
Non-controlling interest		(20)	37

Consolidated Statement of Changes in Equity

For the year ended 31 March

in thousands of €s	Issued capital	Share premium	Retained earnings	Reserves: Fair value	Reserves: Foreign currency translation	Reserves: Actuarial revaluation	Non-controlling interest	Total equity
At 31 March 2020	100,003	1,334,304	357,434	(4)	72	(7,715)	31	1,784,125
Opening balance adjustment	-	-	-	-	-	(2,494)	-	(2,494)
Profit for the year	-	-	(24,126)	-	-	-	37	(24,089)
Other comprehensive income	-	-	-	27	256	(4,949)	-	(4,667)
At 31 March 2021	100,003	1,334,304	333,308	23	328	(15,158)	68	1,752,876
Opening balance adjustment	-	-	4,576	-	-	-	-	4,576
Profit for the year	-	-	(25,064)	-	-	-	(27)	(25,091)
Other comprehensive income	-	-	-	133	55	2,741	-	2,929
At 31 March 2022	100,003	1,334,304	312,820	156	383	(12,417)	41	1,735,290

The opening balance adjustment of €4,576 pertains to previous year. The adjustments are considered non-material for the financial position of MBE. Amendment has been performed in the opening balace as recognition of individual items on their line in the Profit & Loss account is deemed not to provide the most representative view. Additional information is provided within the notes.

The opening balance adjustments are:

Opening balance adjustments	2022	Note
Provisions for holiday allowance	(1,446)	13
VAT payments	(3,273)	13
Deferred bonus	(730)	14
Corporate income tax credit	5,997	21
Deferred income	4,028	14
Opening balance adjustments	4,576	

Consolidated Statement of Cash Flows

For the year ended 31 March, based on the indirect method,

in thousands of €s	Notes	2022	2021
Operating activities			
Result before tax		(25,739)	(17,077)
Adjusted for:			
Depreciation, amortisation and impairment of fixed assets	7, 8	11,210	11,614
Credit loss expenses (recovery)	4	(6,473)	(6,186)
Changes in provisions	13	(22,843)	3,685
Unrealised revaluations	5	2,673	3,915
Changes in:			
Loans and advances to banks, not available on demand	3	606,947	28,862
Loans and advances to customers	4	(1,008,329)	2,858,402
Other assets	9	7,324	4,496
Financial investments	6	(256,927)	90,060
Due to banks	10	1,386,523	(2,512,299)
Due to customers	11	(1,327,260)	335,511
Provisions	13	4,949	(1,428)
Other liabilities *	14	38,925	(39,243)
Income tax paid	21	(10,047)	(9,948)
Net cash flow from (used in) operating activities		(599,067)	750,364
Investing activities			
Purchase of property and equipment	7	(1,186)	(625)
Proceeds from sale of property and equipment	7	383	1
Purchase of intangible assets	8	(3,212)	(5,697)
Net cash flow from (used in) investing activities		(4,015)	(6,322)
Financing activities			
Repayments of principal portion of lease liabilities	14	(2,276)	(3,030)
Cash flow from (used in) financing activities		(2,276)	(3,030)
Net cash flow		(605,358)	741,013
Effect of exchange rate changes on cash and cash equivalents *		3,178	(29,099)
Cash and cash equivalents as at 1 April		3,899,138	3,187,225
Cash and cash equivalents as at 31 March		3,296,958	3,899,138

* Amounts for the prior year have been adjusted, the adjustment is considered non-material for the financial position of MBE.

Cash and cash equivalents comprise:	Notes	2022	2021
Due from banks, net balances on demand	3	2,392,881	2,898,551
Cash and balances with central banks	2	904,077	1,000,587
Cash and cash equivalents as at 31 March		3,296,958	3,899,138

Interest received and paid		2022	2021
Interest received		111,306	108,721
Interest paid		24,169	37,592

Accounting Policies

1. Accounting Policies for the Consolidated Financial Statements

A. General information

MUFG Bank (Europe) N.V. (hereafter: "MBE") is the fully-owned subsidiary of MUFG Bank, one of the world's largest banks in terms of assets with more than a century of experience in both Japan and the international financial markets. For more than 45 years MBE has been offering commercial banking services to both Japanese and non-Japanese corporate customers in the Netherlands and, through its branches and subsidiaries, in Central Western and Eastern Europe. The principal activities of MBE are described in the section 'Our business model'.

MBE has its statutory seat in Amsterdam, the Netherlands. MBE's head office is located at Strawinskylaan 1887, 1077XX Amsterdam. Chamber of commerce number is 33.13.25.01.

MBE is a statutory two-tier company under Dutch law. All shares are held by MUFG Bank, Tokyo, Japan. The ultimate parent of the group is Mitsubishi UFJ Financial Group, Inc., Tokyo, Japan. MBE is incorporated and domiciled in Amsterdam, the Netherlands and operates through offices in Amsterdam (the Netherlands), Vienna (Austria), Prague (Czech Republic), Brussels (Belgium), Warsaw (Poland), Düsseldorf and multiple offices (Germany), Madrid (Spain) and Lisbon (Portugal) and MBE owns two subsidiaries: MUFG Funding (UK) Limited (hereinafter 'MUFG Funding') and MUFG Europe Lease (Deutschland) GmbH (hereinafter 'MUFG Lease').

B. Authorisation of the consolidated Financial Statements

These consolidated Financial Statements of MBE for the year ended 31 March 2022 have been issued by the Management Board, examined by the Supervisory Board, accompanied by the Supervisory Board's recommendation and adopted by the General Shareholder's Meeting on 19 July 2022.

C. Statement of compliance

The consolidated Financial Statements of MBE have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the relevant articles of Part 9 of Book 2 of the Dutch Civil Code.

D. Basis of preparation of the Consolidated Financial Statements

The consolidated Financial Statements of MBE have been prepared on a historical cost basis, except for financial assets and liabilities at fair value through profit or loss ('FVTPL'), financial assets measured at fair value through other comprehensive income ('FVOCI') and derivative financial instruments, which have all been measured at fair value (FV). The carrying values of recognised assets and liabilities that are hedged items in fair value hedges, and otherwise carried at amortised cost (AC), are adjusted to record changes in fair value attributable to the risks that are being hedged. The consolidated Financial Statements are presented in Euros (€) and all values are rounded to the nearest € thousands, except when otherwise indicated. Amounts may not add up due to rounding.

MBE presents its statement of financial position broadly in order of liquidity. An analysis regarding recovery or settlement within 12 months after the reporting date (current) and more than 12 months after the reporting date (non-current) is presented in the Notes to the consolidated Financial Statements.

The consolidated Financial Statements of MBE have been prepared on a going concern basis.

Accounting Policies for the Consolidated Financial Statements

E. Accounting policies
Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to MBE and deconsolidated from the date control ceases. Control is achieved when MBE is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated Financial Statements for the year ended 31 March 2022 comprise MBE and the subsidiaries in the following table:

Name of the subsidiary	Country of incorporation	Place	% equity interest 2022	% equity interest 2021
MUFG Europe Lease (Deutschland) GmbH	Germany	Düsseldorf	95	95
MUFG Funding (UK) Limited	United Kingdom	London	100	100

The financial year of MBE's subsidiaries is aligned to the same reporting period of MBE, using consistent accounting policies. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the group are eliminated in full on consolidation.

In FY20 MBE decided to liquidate MUFG Europe Lease (Deutschland) GmbH in FY23. Following this decision MUFG Europe Lease (Deutschland) GmbH ceased the origination of new client contracts. MUFG Lease will continue to serve its existing client contracts until further decision making takes place.

Functional and reporting currency

The consolidated Financial Statements are presented in Euros (€). Each entity in the group determines its own functional currency and transactions of each entity are measured using that functional currency.

Foreign currency

Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency at the spot rate of exchange at the date of the statement of financial position. All differences arising on non-trading activities are taken to the 'Results on financial transactions'. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

Group companies

As at the reporting date, the assets and liabilities of subsidiaries and foreign branches are translated into MBE's presentation currency at the rate of exchange as at the date of the statement of financial position. Results of the foreign branches and subsidiaries are translated at the weighted average rates over the period in which the results are recognised.

Going concern

The consolidated Financial Statements of MBE have been prepared on a going concern basis and there are no significant doubts about the ability of MBE to continue as a going concern. In FY21 MBE's capital and liquidity position remained well above externally required levels despite the impact of Covid-19. MBE has sufficient buffers to withstand severe stress scenarios without breaching currently applicable and likely future capital and liquidity requirements.

Accounting Policies for the Consolidated Financial Statements

MBE’s management has made an assessment of MBE’s liability to continue as a going concern and is satisfied that it has – if and when required - access to enough resources to continue in business for the foreseeable future. Despite the losses for the year ended 31 March 2022 the management is not aware of any material uncertainties that may cast significant doubt upon its ability to continue as a going concern. Furthermore, a letter of intent is issued by MUFG Bank stating that support will be provided to MBE in order to comply with its regulatory capital requirements and liquidity requirements imposed by DNB now and in the future.

Accounting principles

Significant accounting assumptions, judgements and estimates

In the process of applying the accounting policies, management has exercised assumptions, judgements and estimates in determining the amounts recognised in the Financial Statements. Existing circumstances and assumptions about future developments may change due to circumstances beyond MBE's control and are reflected in the assumptions if and when they occur. The most significant uses of judgement and estimates are as follows:

Fair value of financial instruments

The fair value of financial instruments is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction in the principal (or most advantageous) market at the measurement date under current market conditions (i.e., an exit price) regardless of whether that price is directly observable or estimated using another valuation technique. Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a valuation technique that includes the use of mathematical models. The inputs to these models are derived from observable and non-observable market data.

Reference is made to section (III) Determination of fair value within this note and Note 23 Fair value measurement.

Expected credit losses on financial assets

The measurement of expected credit losses under IFRS 9 across all categories of financial assets in scope requires judgement, in particular, the estimation of the amount and timing of future cash flows and macro-economic scenarios as well as collateral values when determining expected credit losses and the assessment of a significant increase in credit risk. These estimates are driven by a number of factors and changes, which can result in difference levels of expected credit losses

MBE’s expected credit loss (‘ECL’) calculations are outputs of models based on certain assumptions. Elements of the ECL models that are considered accounting judgements and estimates include:

- MBE’s internal credit grading model, which assigns credit grades to the customers.
- MBE’s criteria for assessing if there has been a significant increase in credit risk.
- The ECL models, including the various formulas and the choice of inputs.
- The selected forward-looking macroeconomic scenarios and their probability weightings, to derive the economic inputs into the ECL models.
- The associations between macroeconomic scenarios on GDP and the effect on Probability Default, Exposure at Default and Loss Given Default.

Reference is made to section (XI) Impairment of financial assets within this note and Note 28 Risk Management (28.2) Credit risk.

Classification of financial instruments

Certain judgements, assumptions and estimates are exercised in determining the business model of MBE and assessing the criteria of ‘Solely Payments of Principal and Interest’ (‘SPPI’).

Accounting Policies for the Consolidated Financial Statements

Reference is made to section (I) Financial instruments – initial recognition and subsequent measurement – Classification and measurement of financial assets within this note.

Net defined benefit pension asset/liability
The net defined benefit pension asset/liability represents the difference between the fair value of the plan asset and the present value of the defined benefit obligation at the reporting date.

In determining the present value of the defined benefit obligation, the bank applies actuarial valuation techniques using the projected unit credit method. This method requires making assumptions about discount rates, future salary increases, mortality rates and future pension increases. Due to the long-term nature of these plans, such estimates are subject to significant uncertainty and are sensitive to changes in assumptions used. All assumptions are reviewed at each reporting date.

In determining the appropriate discount rate, management considers the interest rates of corporate bonds denominated in EUR with at least an 'AA' rating, set by an internationally acknowledged rating agency, and extrapolated as needed along the yield curve to correspond with the expected term of the defined benefit obligation. The mortality rate is based on publicly available mortality tables for the country. Future salary increases and pension increases are based on expected future inflation rates for the country.

Reference is made to section (XIV) Pension benefits plan within this note and Note 13 Provisions – Pension expenses and plan assets.

Deferred tax assets
Deferred tax assets are recognised in respect of temporary differences to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. Judgement is required to determine the amount of deferred tax assets that can be recognised, based on the likely timing and level of future taxable profits, together with future tax-planning strategies.

Reference is made to section (XVI) Taxes within this note and Note 21 Income tax (expense).

Summary of significant accounting policies
The accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, unless otherwise indicated.

I. Financial instruments – initial recognition and subsequent measurement
Date of recognition
All financial assets and liabilities, except nostro accounts, are initially recognised on the trade date, i.e., the date that MBE becomes a party to the contractual provisions of the instrument. This includes 'regular way trades': purchases or sales of financial assets that require delivery of assets within the time frame generally established by regulation or convention in the market place. For nostro accounts, settlement date accounting is applied.

Classification and measurement of financial assets
The classification of financial instruments at initial recognition depends on their contractual terms and the business model for managing the instruments. At initial recognition, MBE measures a financial asset at its fair value, plus in the case of a financial asset not at FVTPL, transaction costs that are directly attributable to the acquisition of the financial asset. MBE first performs the Business Model assessment and then determines whether the contractual cash flows of the financial asset meet the 'SPPI' .

Business model assessment
MBE determines its business model at the level that best reflects how it manages groups of financial assets to achieve its business objective:

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• The risks that affect the performance of the business model (and the financial assets held within that business model) and, in particular, the way those risks are managed.
• How managers of the business are compensated (for example, whether the compensation is based on the fair value of the assets managed or on the contractual cash flows collected).
• The expected frequency, value and timing of sales.

Portfolios are based on how groups of financial assets are managed together to achieve a particular business objective. The business model assessment is based on reasonably expected scenarios without taking 'worst case' or 'stress case' scenarios into account. If cash flows after initial recognition are realised in a way that is different from its original expectations, MBE does not change the classification of the remaining financial assets held in that business model, but incorporates such information when assessing newly originated or newly purchased financial assets going forward.

'SPPI' test
As a second step of its classification process MBE assesses the contractual terms of the financial asset to identify whether contractual cash flows represent solely payments of principal and interest ('SPPI'). 'Principal' for the purpose of this test is defined as the fair value of the financial asset at initial recognition and may change over the life of the financial asset (for example, if there are repayments of principal or amortisation of the premium/discount).

The most significant elements of 'interest' within a lending arrangement are typically the consideration for the time value of money and credit risk. To make the 'SPPI' test, MBE applies judgement and considers relevant factors such as the currency in which the financial asset is denominated, and the period for which the interest rate is set.

Measurement categories
MBE classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms ('SPPI'), measured at either:

• Amortised cost ('AC'): Financial assets that are held for collection of contractual cash flows under a 'hold to collect' business model where those cash flows represent 'SPPI' are measured at amortised cost. Amortised cost is determined using the effective interest rate less any expected credit loss. The effective interest takes into account discount or premium on acquisition and fees and costs that are an integral part of the interest rate. Interest income from these financial assets is included in interest income using the effective interest rate method.

Impairment gains and losses are recorded in the statement of profit or loss on the line impairment losses on financial assets.

• Fair value through other comprehensive income ('FVOCI'): Financial assets that are held for collection of contractual cash flows and for selling the financial assets under a 'hold to collect and sell' business model, where the assets' cash flows represent 'SPPI' and the fair value option was not elected are measured at 'FVOCI'. Included in the 'FVOCI' is the fair value less any expected credit loss. Unrealised changes in fair value are recognised in other comprehensive income. Interest income using the effective interest rate and foreign exchange gains and losses are recognised in profit and loss.

For financial assets measured at 'FVOCI', the expected credit loss is recognised in other comprehensive income 'OCI', instead of deducting the carrying amount of the asset.

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• Fair value through profit or loss ('FVTPL'): Other financial assets that do not meet the criteria for amortised cost or 'FVOCI' are measured at 'FVTPL'. These include financial assets held for trading and derivatives. Changes in fair value are directly recognised in the statement of profit or loss.

Financial assets - due from banks and loans and advances to customers
'Due from banks' and 'Loans and advances to customers', are measured at amortised cost if both of the following conditions are met:

- The financial assets are held within a business model with the objective to hold financial assets in order to collect contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.
- Loans FVTPL are originated with the purpose to distribute.

Financial assets – financial investments and supply chain finance transactions
'Financial investments' include Polish government bonds and trade receivables purchased in supply chain financing arrangements, which are measured at fair value through other comprehensive income if both of the following conditions are met:

- The financial assets are held within a business model with the objective to hold to collect and sell contractual cash flows.
- The contractual terms of the financial assets give rise on specified dates to cash flows that are solely payments of principal and interest ('SPPI') on the principal amount outstanding.

Derivatives
Derivatives are measured at fair value through profit or loss, irrespective of the business model of the portfolio. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Changes in the fair value of derivatives are included in the statement of profit or loss.

Classification of financial liabilities
Financial liabilities are initially recognised at fair value and subsequently measured at amortised cost; any difference between proceeds net of transaction costs and the redemption value is recognised in the statement of profit or loss over the period of the borrowings using the effective interest method.

Single unit of account
MBE applies the 'single unit of account'-principle to all clients with notional pooling contracts that meet the following criteria:

- All accounts are included in one notional pooling and interest allocation contract;
- All accounts involved are owned by the same legal entity;
- All accounts within one contract are in the same currency; and
- Interest is calculated on the net balance of the accounts in scope.

If all these criteria are met the related assets and liabilities are presented as being one single unit of account on a net basis in the statement of financial position.

Financial guarantees and loan commitments
In the ordinary course of business, MBE issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised at fair value, being the premium received. Subsequent to initial recognition, MBE's liability under each guarantee is measured at the higher of the amount

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initially recognised less, when appropriate, cumulative amortisation recognised in the statement of profit or loss, and the best estimate of expenditure required settling any financial obligation arising as a result of the guarantee.

Any increase in the liability relating to financial guarantees is recorded in the statement of profit or loss in 'Impairment charges on financial assets'. The premium received is recognised in the statement of profit or loss in 'Net fee and commission income' on a straight line basis over the life of the guarantee.

Undrawn loan commitments and letters of credit are commitments under which, over the duration of the commitment, the bank is required to provide a loan with pre-specified terms to the customer.

Financial guarantees and loan commitments that are originated in a business model 'Hold to collect' are recognised at the nominal contractual value, where the loan agreed to be provided is on market terms, are not recorded in the statement of financial position and are included in off-balance sheet exposures. These financial instruments are in scope of the ECL and derecognition requirements in IFRS 9 and the ECL are included in Provisions.

Loan commitments that are originated in a business model 'Other' are measured at fair value through profit and loss andin scope of the ECL requirements in IFRS 9, the derecognition criteria apply.

Renegotiated loans and modifications
Where possible, MBE seeks to restructure loans rather than to take possession of collateral. This might involve extending the payment arrangements and the agreement of new loan conditions. Once the terms had been renegotiated any expected credit losses are measured using the original effective interest rate as calculated before the modification of terms and the loan was no longer considered past due. Management continuously reviewed renegotiated loans to ensure that all criteria were met and that future payments are likely to occur. The loans continued to be subject to an individual or collective expected credit loss assessment, calculated using the loan's original effective interest rate.

If modifications are substantial, the loan is derecognised, as explained in section II. Once the terms have been renegotiated without this resulting in the derecognition of the loan, any impairment is measured using the original effective interest rate (EIR) as calculated before the modification of terms. MBE also reassesses whether there has been a significant increase in credit risk, as set out in note 28 and section IV and whether the assets should be classified as stage 3. Derecognition decisions and classification between stage 2 and stage 3 are determined on a case-by case basis. If these procedures identify a loss in relation to a loan, it is disclosed and managed as an impaired stage 3 asset until it is collected or written off.

II. Derecognition of financial assets and financial liabilities
Financial assets
A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised to the extent of MBE's continuing involvement in the asset when:

- The rights to receive cash flows from the asset have expired; or
- MBE has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement; and either:
- MBE has transferred substantially all the risks and rewards of the asset, or
- MBE has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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When MBE recognises a financial asset to an extent, an associated liability is also recognised. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that MBE has retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that MBE could be required to repay.

Any gain or loss arising on derecognition of financial assets at amortised cost or 'FVTPL' is recognised directly in profit or loss. When a financial asset at 'FVOCI' is derecognised, the cumulative gain or loss previously recognised in 'OCI' is reclassified from equity to the statement of profit or loss and recognised in other operating income.

Financial liabilities
Financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the statement of profit or loss.

III. Determination of fair value
The fair value for financial instruments traded in active markets at the statement of financial position date is based on their quoted market price or dealer price quotations (bid price for long positions and ask price for short positions), without any deduction for transaction costs.

For all other financial instruments not traded in an active market, the fair value is determined by using valuation techniques. These valuation techniques include the discounted cash flow method by making use of market observable data.

An analysis of fair values of financial instruments and further details as to how they are measured or at which level they are provided in the Notes to the consolidated Financial Statements and MBE evaluates them at each reporting date.

IV. Expected credit losses
MBE records an expected credit loss allowance (‘ECL’) on financial assets measured at amortised cost or financial assets at ‘FVOCI’ as well as loan commitments, financial guarantees given and other commitments given. The 'ECL' is determined using an expected credit loss model.

MBE calculates 'ECL' based on different scenarios to measure the expected cash shortfalls which are the difference between the cash flows that are due to MBE in accordance with the contract and the cash flows that MBE actually expects to receive.

Macroeconomic scenarios
MBE has established a semi-annual process whereby forward-looking macroeconomic scenarios and probability weightings are developed for 'ECL' calculation purposes. MBE applies data from its parent company enriched with the internal views. A baseline, up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted 'ECL' amount. As a baseline scenario, MBE applies the market neutral view combining consensus forecasts for economic variables (e.g. GDP growth). Applying market consensus in the baseline scenario ensures unbiased estimates of the expected credit losses.

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The alternative scenarios are based on observed events in the past. The probabilities assigned are based on the likelihoods of observing the three scenarios and are derived from confidence intervals on a probability distribution. The scenarios are adjusted on a quarterly basis.

The mechanics of the 'ECL' calculations are outlined below and the key elements are, as follows:

• Probability of Default ('PD')
It is an estimate of the likelihood of default over a given time horizon. A default may only happen at a certain time over the assessed period, if the facility has not been previously derecognised and is still in the portfolio.

• Exposure at Default ('EAD')
It is an estimate of the exposure at a future default date, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, whether scheduled by contract or otherwise, expected drawdowns on committed facilities, and accrued interest from missed payments.

• Loss Given Default ('LGD')
It is an estimate of the loss arising in the case where a default occurs at a given time. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, including from the realisation of any collateral or credit enhancements that are integral to the loan.

Staging
The 'ECL' model is subject to regular validation and back-testing to ensure 'ECL' is in-line with observed actual losses. The 'ECL' model classify these financial assets in the following stages:

Stage 1: Performing assets – 12-month 'ECL'

Financial instruments that are not "close monitoring" and have not experienced significant increase in credit risk since initial recognition. Allowance is determined based on probability of default event occurring within the next 12 months ('12-month 'ECL'').

Stage 2: Under-performing assets – Lifetime 'ECL'

Financial instruments where a significant increase in credit risk has been identified but it is not in default. Allowance is determined based on probability of default event over the expected life of the financial instrument ('Lifetime 'ECL''). A financial asset moves from Stage 1 to Stage 2 when there is a significant increase in credit risk (SICR) since initial recognition. MBE established an 'ECL' model based on the internal credit rating of the customer. An asset can move back from Stage 2 to Stage 1 when the level of credit risk improves. The change in internal credit rating since origination is the main trigger for movement between Stage 1 and Stage 2.

Stage 3: Non-performing assets – Lifetime 'ECL'

Financial instruments are classified as Stage 3 where a default has been identified. Stage 3 allowances are determined based on a Lifetime 'ECL' using a Discounted Cash Flow (DCF) method. MBE uses the definition for defaulted financial assets which is used for internal risk management purposes and has aligned the definition of credit impaired under IFRS 9 (Stage 3) with the definition of default for prudential purposes. The definition of default may differ across products and considers both quantitative and qualitative factors, such as the terms of financial covenants and days past due.

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Significant increase in credit risk
MBE continuously monitors all assets subject to 'ECL'. In order to determine whether an instrument or a portfolio of instruments is subject to 12 month 'ECL' or life time 'ECL', MBE assesses whether there has been a significant increase in credit risk since initial recognition.

Forbearance
The forbearance policy has been updated as per 20 December 2021. The policy outlines the definition of forbearance whichare granted concessions (e.g. loan term extension (off market terms), capitalising arrears, reduced principal repayment, interest rate reduction) to debtors that faces or is about to face financial difficulties.

According to the EBA Guidelines on the application of the definition of default, obligors should be considered defaulted where a forbearance measure leads to a diminished financial obligation, which is admonishment of more than 1% of the net present value. In this case, the client should be considered as non-performing, and all the instructions in the NPE policy (Non Performing Exposure) should be followed. A forborne exposure is either classified as stage 2 or stage 3, depending on its circumstances.

Default
A default occurs when the borrower is more than 90 days past due on any material obligation to MBE, and/or MBE considers the borrower unlikely to make its payments in full without recourse action on MBE's part, such as taking formal possession of any collateral held.

Write-off and debt forgiveness
Financial instruments in scope of 'ECL' are written off, either partially or in full, when there is no realistic prospect of recovery.

Write-offs are made:

- After a restructuring has been completed and there is no reasonable expectation of recovering the remaining loan exposure (including partial debt waivers) in its entirety or a portion thereof;
- In a bankruptcy liquidation scenario (not as a result of a reorganisation);
- When there is no reasonable expectation of recovering of the remaining loan exposure or certainty that no recovery can be realised;
- After a sale of a credit facility at a discount in relation to bad debt collection efforts;
- Upon conversion of a credit facility into equity as forbearance measurement and part of debt forgiveness; and
- When MBE releases a legal (monetary) claim it has on its customer.

V. Hedge accounting
In order to manage particular risks, MBE applies hedge accounting for transactions which meet the specified criteria. As permitted by IFRS 9, MBE continues to account for its hedges applying IAS 39. At inception of the hedge relationship, MBE formally documents the relationship between the hedged item and the hedging instrument, including the nature of the risk, the objective and strategy for undertaking the hedge and the method that will be used to assess the effectiveness of the hedging relationship.

Also at the inception of the hedge relationship, a formal assessment is undertaken to ensure the hedging instrument is expected to be highly effective in offsetting the designated risk in the hedged item. Hedges are formally assessed each reporting period. A hedge is expected to be effective if the changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated are expected to offset in a range of 80% to 125%.

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For the purposes of evaluating whether the hedging relationship is expected to be effective (i.e. prospective effectiveness assessment), MBE assumes that the interest rate is not altered as a result of the IBOR reform. If MBE concludes that the actual result of the hedging relationship is outside the range of 80-125% (i.e. retrospective assessment), then MBE determines if the hedging relationship continues to qualify for hedge accounting or whether it must be discontinued. This includes, for example, determining that the hedge is expected to be highly effective prospectively and that effectiveness of the hedging relationship can be reliably measured.

Fair value hedges
For designated and qualifying fair value hedges, the change in the fair value of a hedging derivative is recognised in the statement of profit or loss under interest income and expenses (interest rate swap). The change in the fair value of the hedged item attributable to the risk hedged is recorded as part of the carrying value of the hedged item and is also recognised in the statement of profit or loss for highly effective hedges.

If the hedging instrument expires or is sold, terminated or exercised, or where the hedge no longer meets the criteria for hedge accounting, the hedge relationship is terminated. For hedged items recorded at amortised cost, the difference between the carrying value of the hedged item on termination and the face value is amortised over the remaining term of the original hedge using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the statement of profit or loss and included in 'result on financial transaction'.

VI. Offsetting financial instruments
Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position if, and only if, there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

VII. Recognition of income and expenses
Revenues
Revenue is recognised to the extent that it is probable that the economic benefits will flow to MBE and the revenue can be reliably measured.

Expenses
Expenses are recognised in the statement of profit or loss as incurred or when a decrease in future economic benefits related to a decrease in an asset or an increase in liability has arisen that can be measured reliably.

Interest income and expense and effective interest rate (EIR)
Interest income is recorded using the EIR method for all financial assets measured at amortised cost, interest rate derivatives for which hedge accounting is applied and the related amortisation/recycling effect of hedge accounting. Interest income on interest bearing financial assets measured at FVOCI under IFRS 9 is also recorded using the EIR method.

Interest expense for liabilities measured at amortised costs is also recorded using the EIR.

For all financial instruments measured at amortised cost, interest income or expense is recorded using the effective interest rate, which is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or a shorter period, where appropriate, to the net carrying amount of the financial asset or financial liability. The calculation takes into account all contractual terms of the financial instrument (for example, prepayment options) and includes any fees or incremental costs that are directly attributable to the instrument and are an integral part of the effective interest rate, but not future credit losses.

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Once the recorded value of a financial asset or a group of similar financial assets has been reduced due to an impairment loss, interest income continues to be recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the expected credit loss.

Fee and commission income and expenses
MBE makes judgements in the determination of the timing of satisfaction of performance obligations and the transaction price. MBE recognises revenue from contracts with customers in the amount of consideration it expects to receive upon the transfer of control of a good or service. The timing of recognition is dependent on whether MBE satisfies a performance obligation by transferring control of the product or service to a customer over time or at a point in time.

MBE's key revenue from contracts with customers and the timing of its recognition are explained hereafter.

Fees and commissions on fund transfer and letter of credit consist of fees and commissions charged for settlement transactions, fund collection and trade-related financing services related to foreign trading business, and are recognised in the period in which the related service is provided. If they arise from settlement transactions or foreign trading business activities under which the customer consumes the related services at a point in time, such fees are recognised at the same point in time. If they arise from letter of credit under which the customer consumes the related services equally over the period of service, such fees are recognised over the same period.

Commission on guarantees related to the guarantee business such as providing guarantees on loans and other loans are recognised over the contractual periods of the respective guarantees.

Brokerage and advisory fees consist of fees and commissions for sales and transfers of securities, including investment funds, underwriting, brokerage and advisory services, securitisation arrangement services, and agency services for the calculation and payment of dividends. Brokerage and advisory fees are recognised in the period in which the related service is provided. If they arise from security-related services under which the customer consumes the related services at a point in time (e.g. sales and transfers of securities are executed at the customer's direction; under-writings of debt and equity securities or securitisations are completed at the trade date; advice is provided to the clients; and dividends are calculated and then paid to investors), such fees are recognised at the same point in time. If they arise from security-related services under which the customer consumes the related services equally over the period of service, such fees are recognised over the same period. The advisory fees which are paid upon meeting certain performance goals are recognised at the point in time when the performance goals are met.

Commission on corporate management services primarily consist of fees and commissions earned on managing investment funds on behalf of clients. Such fees and commissions are recognised equally over the period of service at the amount calculated primarily based on the outstanding amount of each entrusted asset, the percentage of fees, and the extent of the service provided to administer the investment funds.

Other fees and commissions include various fees and commissions earned on services to customers which have performance obligations that MBE completes in order to recognise revenue.

VIII. Cash and cash equivalents
Cash and cash equivalents as referred to in the statement of cash flows comprises cash on hand and non-restricted current accounts with central banks. Cash and cash equivalents are carried at amortised costs in the statement of financial position.

The statement of cash flows, prepared based on the indirect method of calculation, gives details of the source of cash and cash equivalents that became available during the year, and the application of these cash and cash

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equivalents over the course of the year. The cash flows are analysed into cash flows from operations, investment and financing activities. Movements in loans and receivables and deposits and sales and redemptions in respect of financial investments, are included in cash flows from operating activities. Investment activities comprise property and equipment and intangible assets. The issuing of shares, dividends and the borrowing and repayment of long-term funds are treated as financing activities. Movements due to currency translation differences and the effects of the consolidation of business acquisitions, where of material significance, are eliminated from the cash flow figures. The difference between the Net cash flow in accordance with the statement of cash flows and the change between the opening and closing balance of Cash and cash equivalents in the statement of financial position is due to exchange rate differences and is presented separately in the cash flow statement.

IX. Property and equipment

Property and equipment is stated at cost, excluding the costs of day-to-day servicing, less accumulated depreciation. Changes in the expected useful life are accounted for by changing the depreciation period or method, as appropriate, and treated as changes in accounting estimates.

Depreciation is calculated using the straight-line method to write down the cost of property and equipment to their residual values over their estimated useful lives. The estimated useful lives are as follows:

- Operations equipment: 3-5 years
- Leasehold improvements: 2-16 years
- Property: 50 years

Property and equipment is derecognised on disposal or when no future economic benefits are expected from its use. Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is recognised in ‘Other operating income' in the statement of profit or loss in the year the asset is derecognised.

X. Intangible assets

An intangible asset is recognised only when its cost can be measured reliably and it is probable that the expected future economic benefits that are attributable to it will flow to MBE. MBE’s intangible assets consist of computer software licenses and self developed intangible assets.

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. The amortisation period and the amortisation method for an intangible asset are reviewed at least at each year-end. The amortisation expense on intangible assets is recognised in the statement of profit or loss in the expense category ‘Amortisation of intangible assets’. Amortisation is calculated using the straight-line method to their residual values over their estimated useful lives, being 1-5 years.

XI. Impairment of non-financial assets

MBE assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, MBE estimates the asset’s recoverable amount. An asset’s recoverable amount is the higher of an asset’s or cash-generating unit’s (CGU) fair value less costs to sell and its value in use. Where the carrying amount of an asset or CGU exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In determining fair value less costs to sell, an appropriate valuation model is used.

XII. Other assets and other liabilities

Other assets and other liabilities include prepayments and provisions.

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XIII. Contingent liabilities and commitments

A contingent liability is a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of MBE; or a present obligation that arises from past events but is not recognised because it is either not probable that an outflow of economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured reliably. Contingent liabilities are not recognised in the statement of financial position, but are rather disclosed in the notes unless the possibility of the outflow of economic benefits is remote.

XIV. Post employment benefit plans

MBE operated two post-employment schemes, including both defined benefit and defined contribution pension plans for the Netherlands and Germany. On 31 December 2020 the defined pension benefit plan implemented in the Netherlands was closed. The existing rights remain in the defined benefit plan. From 1 January 2021, the Netherlands operated a defined contribution plan. During the financial year MBE funded its defined benefit plan for its employees in Germany into a funded pension plan.

Pension plan the Netherlands

Up until 31 December 2020 the defined benefit pension plan in the Netherlands was funded through an insurance company, regulated by Dutch law. The net defined benefit pension asset/liability represents the difference between the fair value of the plan asset and the present value of the defined benefit obligation at the reporting date.

Pension plan Germany

On 28 February 2022 the defined benefit pension plan in Germany was funded through an insurance company, regulated by German law. From 1 March 2022, Germany only operated a funded defined benefit plan. The pension obligations of MBE Germany Branch comprise the pension obligations of MBE Germany Branch as well as the pension obligations towards company pensions (Betriebsrentner) and former employees with accrued non-forfeitable pension rights pertaining (Arbeitnehmer mit unverfallbaren Rentenanwartschaften) to former German Branches of MUFG Bank.

By way of cumulative assumption of liability (Schuldbeitritt) MBE assumes liability for the performance of all obligations arising under or relating to these pension obligations. According to German law MBE and MUFG Bank are jointly and severally liable by virtue of the cumulative assumption of liability. Furthermore MUFG Bank and MBE have agreed that MBE alone shall be responsible for the performance of these pension obligations towards pension beneficiaries. MBE shall fulfil any obligations arising from or in relation to these pension obligations in due time as they fall due. The plan has been fully funded in FY2021.

XV. Provisions and contingent liabilities

Provisions other than expected credit losses provisions are recognised when MBE has a present obligation (legal or constructive) as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. The expense relating to any provision is presented in the statement of profit or loss net of any reimbursement.

Reorganisation provision includes employee termination benefits when MBE is demonstrably committed to either terminating the employment of current employees according to a formalised plan without possibility of withdrawal.

A liability is recognised for a levy when the activity that triggers payments, as identified by the relevant legislation occurs. For a levy that is triggered upon reaching a certain threshold, the liability is recognised only upon reaching the specified minimum threshold.

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XVI. Taxes

Current tax

Current tax assets and liabilities for the current and prior years are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted.

Deferred tax

Deferred tax is calculated based on temporary differences between the tax bases of assets and liabilities and their carrying amount for financial reporting purposes. Deferred tax liabilities are recognised for all taxable temporary differences.

The carrying amount of deferred tax assets is reviewed at each balance sheet date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each balance sheet date and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at statement of financial position date. Current tax and deferred tax relating to items recognised in other comprehensive income are also recognised in other comprehensive income.

Deferred tax assets and deferred tax liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Uncertain tax positions

Uncertain tax positions are assessed continually by MBE and in case it is probable that there will be a cash flow, a current tax asset or liability is recognised.

XVII. Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by MBE's shareholder. Dividends for the year that are approved after the balance sheet date are disclosed as an event after statement of financial position date.

XVIII. Equity reserves

The reserves recorded in equity on MBE's statement of financial position include:

- Revaluation reserve of financial investments; which comprises changes in fair value of financial investments recognised at fair value through other comprehensive income.
- Foreign currency translation reserve; which comprises changes in the Euro equivalents of different presentation currencies of branches and subsidiaries.
- Revaluation actuarial defined benefit reserve; which comprises the actuarial gains and losses of the defined benefit obligations of the Netherlands and Germany.

New and amended standards and interpretations to IFRS effective

The following new standards were endorsed by the EU and became effective for the reporting period beginning 1 January 2022:

- Amendments to IAS 16 Property, Plant and Equipment - Proceeds before Intended Use
- Amendments to IFRS 3 Reference to the Conceptual Framework
- Amendments to IAS 37 Onerous Contracts - Cost of fulfilling a Contract

Accounting Policies for the Consolidated Financial Statements

Only the amendents related to the Interest Rate Benchmark Reform have resulted in a change in MBE's accounting policies.

Interest Rate Benchmark Reform
In response to the IBOR reform, the IASB has issued two sets of amendments to IFRS Standards. The amendments provide practical relief for companies from certain requirements when changes are made to contractual cash flows or hedging relationships because of IBOR reforms, and provide additional disclosure requirements. The amendments are made to IFRS 7, IFRS 9 and IAS 39. The phase 1 amendments allow a company to apply temporary reliefs to all hedging relationships that are directly affected by the IBOR reform. The adoption of the amendments has not resulted in any impact on profit or loss or on the statement of financial position.

In August 2020, the IASB issued the second set of amendments to address the issues caused by the replacement phase of the IBOR reform. The phase 2 amendments, and the reliefs provided aim to address the impact in changes in basis of contractual cash flows of financial assets and liabilities due the IBOR reform. It also provides further reliefs for hedge accounting when benchmark rates are replaced with alternative risk free rates as a result of the IBOR reform. The impact of the IBOR reform is that the effective interest rate on debt financial instruments will be adjusted, and hedge accounting will continue on transition to risk free rates, but only to the extent that the modifications made to financial instruments are those necessary to implement IBOR reform and that the new basis for calculating cash flows is 'economically equivalent' to the previous basis. Applying the reliefs provided in Phase 2 would result MBE not recognising modification gains and losses on the debt instruments that would otherwise be considered to be a modification in the absence of Phase 2 reliefs. Relating to hedge accounting, MBE shall not discontinue applying hedge accounting when modifying both hedged items and hedging instruments when rates are replaced by risk free rates.

The Phase 2 amendments of the Interest Rate Benchmark Reform was not adopted early by MBE. MBE has tasked an IBOR task team that is involved in identifying contracts that are possibly affected by the reform in an ongoing process. Progress of the IBOR task team is monitored by management and changes that are identified shall be addressed before mandatory adoption.

IBOR transition
The MBE IBOR project is part of an overarching EMEA LIBOR programme led out of London. The MBE project distinguishes three main streams: the remediation of Bilateral Loans, Syndicated Loans and Cash Pooling facilities. All MBE client facing staff have been informed on the remediation activities and have been trained accordingly. All clients have been informed on the remediation as well and have been contacted by their Relationship Manager. The MBE IBOR project has aligned their timelines with the EMEA LIBOR programme which has been set at end Q3 2021 for all contracts to be remediated. The biggest risks identified relate to Client risk and Legal risk. Client risk is mitigated by timely client communication and improvements in IT-infrastructure, Legal risk is managed by the involvement of legal advisors in the transition process.

As at 31 March 2022 the following loans and loan commitments are to transition to alternative benchmark rates, summarised by significant benchmark rate. The table presents the nominal exposure in thousands of Euros into three maturity buckets.

Accounting Policies for the Consolidated Financial Statements

By benchmark rate in thousands of €s	Maturity before the end of 2022	Maturity between 2023-2026	Matures after 2027
EUR Libor	-	-	
USD Libor	-	1,246,120	183,243
GBP-libor	-	-	-
WIBOR	-	51,085	-
EONIA	-	-	-
COMBINED RFR	-	-	-
TIBOR	-	15,803	-
CDOR	-	4,525	-
Other Libor	-	-	-
TOTAL	-	1,317,533	183,243

Combined RFR relates to multi-currency facilities with multiple RFR depending on the actual exposure currency.

New and revised IFRS Standards issued but not yet effective
Below are described the new standards and interpretations that are issued and not yet effective for periods beginning on or after April 1, 2022 which were not early adopted by MBE. MBE is currently assessing the detailed impact of these amendments. However, the implementation of these amendments is not expected to have an impact on the consolidated Financial Statements of MBE:

- Amendment to IFRS 16 Covid-19-Related Rent Concessions beyond 30 June 2021
- IFRS 17 Insurance contracts
- Amendments to IFRS 17 Insurance Contracts
- Amendments to IAS 1 Classification of liabilities as current or non-current
- Amendments to IAS 1 Classification of liabilities as current or non-current - Deferral of Effective
- Amendments to IFRS 4 Extension of the Temporary Exemption from Applying IFRS 9
- Amendments to IAS 1 and IFRS Practice Statement 2 Disclosure of accounting policies
- Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to IAS 8 Definition of accounting estimates
- Amendments to IFRS 17 Initial Application of IFRS 17 and IFRS 9 - Comparative Information

Notes to the Consolidated Financial Statements

Assets

2. Cash and balances with central banks

Cash and balances with central banks	2022	2021
Balances with central banks	904,077	1,000,587
Cash and balances with central banks	904,077	1,000,587

Within the balances with central banks, mandatory reserve deposits are included for the amount of € 223,951 (2021: € 109,886). The reserve deposits with central banks are not immediately available for MBE's day-to-day operations.

3. Loans and advances to banks

Loans and advances to banks	2022	2021
Placements with banks - on demand	2,392,881	2,898,551
Placement with banks - term deposits	414,338	639,072
Loans and advances	429,371	811,584
	3,236,590	4,349,208
Allowance for expected credit losses	(26)	(312)
Loan and advances to banks	3,236,564	4,348,896

The amount receivable from MUFG Bank London branch is € 2,153,932 (2021: € 2,663,540). MBE entered into a financial collateral agreement with MUFG Bank London branch, whereby eligible government bonds are pledged by MUFG Bank to MBE. To reduce MBE´s total risk exposure amount and to maintain its exposure to MUFG Bank within the legal lending limit € 4,536,567 (2021: € 3,727,943) was used as credit risk mitigation.

4. Loans and advances to customers

This item includes amounts receivable in connection with commercial loans and advances (such as loans, overdrafts in current account, bills discounted), due from counterparties other than banks.

Loans and advances to customers – by class	2022	2021
Corporate term loans	6,120,242	5,311,336
Corporate current accounts	217,762	154,398
Bills of exchange	1,239,227	1,136,746
Finance lease receivables	31,151	47,053
Supply Chain Finance (SCF)	52,153	-
	7,660,535	6,649,533
Allowance for expected credit losses	(53,655)	(57,531)
Loans and advances to customers by class	7,606,880	6,592,002

The gross loans and advances to customers has increased to € 7,661 million (2021: € 6,650 million). The increase is mainly attributable to the increase in corporate term loans of € 809 million to € 6,120 million as per 31 March 2022 (2021: € 5,311).

Loans and advances to customers

For further details on expected credit losses we refer to Note 28 Risk Management - 28.2 Credit Risk.

5. Derivatives

The table below shows the fair values of derivatives, recorded as assets or liabilities, together with their notional amounts. The notional amount, recorded gross is the amount of a derivative's underlying asset, reference rate or index and is the basis upon which changes in the value of derivatives are measured. The notional amounts indicate the volume of transactions outstanding at year-end and are not indicative of neither market nor credit risk.

in thousands of €s	2022			2021		
Derivatives	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Interest rate swaps	9	868	107,382	-	3,541	260,759
Derivatives used as fair value hedge	9	868	107,382	-	3,541	260,759
Forward foreign exchange contract	47,349	44,703	3,489,537	32,916	31,014	2,588,554
Loan commitments	14	14	1,300,610	38	199	804,630
Interest rate swaps	-	-	-	-	29	5,000
Derivatives other	47,363	44,717	4,790,147	32,954	31,242	3,398,184
Derivative financial instruments	47,372	45,585	4,897,529	32,954	34,783	3,658,943

Derivative financial instruments has increased, partly as a result of increase in underlying contracts, visible in larger outstanding notional amounts on derivatives in addition to market movements. No new contracts have been brought into hedging relationships. The remaining contract are expected mature in the coming five years.

Swaps

Swaps are contractual agreements between two parties to exchange streams of payments over time based on specified notional amounts, in relation to movements in a specified underlying index such as an interest rate, foreign currency rate or both.

Interest rate swaps relate to contracts taken out by MBE with other financial institutions in which MBE either receives or pays a floating rate of interest in return for paying or receiving, respectively, a fixed rate of interest. The payment flows are usually netted against each other, with the difference being paid by one party to the other.

Currency swaps relate to contracts taken out by MBE with other parties. MBE pays a specified amount in one currency and receives a specified amount in another currency. Currency swaps are settled in gross amounts.

Forward foreign exchange contracts

Forward foreign exchange contracts are contractual agreements to buy or sell a specified financial instrument at a specific price and date in the future. Forwards are customised contracts transacted in the over-the-counter market. MBE has a credit exposure to the counterparties of forward contracts. Forward contracts are settled gross and are, therefore, considered to bear liquidity risk. Forward contracts also result in market risk exposure.

Loan commitments

Loan commitments are firm commitments for MBE that are originated in a business model 'Other' and therefore measured at fair value.

Derivatives

Derivatives used as fair value hedge
As part of its asset and liability management, MBE uses derivatives for hedging purposes in order to reduce its exposure to market risks. This is achieved by hedging specific financial instruments and forecast transactions as well as strategic hedging against overall financial position exposures.

Fair value hedges are used by MBE to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. MBE uses currency swaps to hedge against specifically identified currency risks, and interest rate swaps to hedge interest rate risk.

All interest rate swap contracts are designated as fair value hedges to reduce MBE's exposure resulting from variable interest rates on borrowings.

Hedging instruments	Notional principal amount		Carrying amount of the hedging instrument		Change in fair value used for recognising hedge ineffectiveness		Average contracted fixed interest rate (in %)	
in thousands of €s	2022	2021	2022	2021	2022	2021	2022	2021
Derivatives	107,382	260,759	868	3,541	-	-	-	-

Hedged item	Carrying amount of the hedged item		Accumulated amount of fair value hedge adjustments on the hedged item included in the carrying amount of the hedged item		Change in fair value used for recognising hedge ineffectiveness		Accumulated amount of fair value hedge adjustments in SOFP for hedged items that have ceased to be adjusted for hedging gains and losses	
	2022	2021	2022	2021	2022	2021	2022	2021
Loans to customers	107,382	260,759	868	3,541	-	-	-	-

As at 31 March 2022, MBE recognised a negative fair value change of € 2,681 (2021: negative fair value change € 427) on the hedging instruments. The total positive fair value change on hedged items attributable to the hedged risks amounted to € 2,681 (2021: positive fair value change € 435).

As at 31 March 2022, all interest rate swaps that qualify as fair value hedges are quoted with reference to EURIBOR and one JPY LIBOR. MBE does not consider its fair value hedges of the EURIBOR benchmark interest rate to be directly affected by interest rate benchmark reform at 31 March 2022.

Derivatives other
Most of MBE's derivative activities relate to deals with customers which are normally offset by transactions with other counterparties. Also included under this heading are any derivatives entered into for hedging purposes which do not meet the IAS 39 hedge accounting criteria.

6. Financial investments

Financial investments	2022	2021
Government bonds	60,169	64,505
Investments resulting from supply chain finance transactions	236,809	10,240
Loans FVTPL	35,793	-
Financial investments	332,771	74,744

Financial investments

The financial investments consist of short-term Polish government bonds and investments resulting from supply chain financing (reverse factoring) transactions that commenced in the current year. The Polish government bonds are pledged for liquidity purposes to the Polish central bank to secure any borrowings.

Investments resulting from supply chain finance transactions consist of receivables acquired from clients. These receivables are held in a business model where cashflows might be realised by means of a sale or by collecting the contractual cashflows. The contractual cashflows represent the notional amounts of the underlying invoices MBE has provided financing to.

MBE presents the reclassification adjustments to profit or loss in the notes. Refer to Note 22 for amounts recognised in 'OCI' and reclassification adjustments to the statement of profit or loss.

Loans FVTPL are originated with a purpose to distribute as the cashflows are collected via a sale. As such the measurement is at fair value through profit and loss. Loans FVTPL amounts to €36 million as per 31 March 2022.

7. Property and equipment

	2022					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	2,510	2,987	5,497	104	12,305	12,410
Additions	761	425	1,186	82	283	365
Disposals	(135)	(144)	(279)	(86)	(18)	(104)
Depreciation	(1,051)	(462)	(1,513)	(52)	(2,740)	(2,792)
Other changes	963	(609)	354	0	(170)	(170)
Closing balance	3,048	2,197	5,245	48	9,660	9,708
Accumulated cost	13,438	10,130	23,568	186	18,202	18,388
Accumulated depreciation	(10,390)	(7,933)	(18,323)	(138)	(8,542)	(8,680)
Property and equipment	3,048	2,197	5,245	48	9,660	9,708

	2021					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	2,393	2,771	5,164	98	12,019	12,117
Additions	500	125	625	34	3,434	3,468
Disposals	-	-	-	-	-	-
Depreciation	(828)	(467)	(1,295)	(28)	(3,148)	(3,175)
Other changes	446	558	1,004	-	-	-
Closing balance	2,510	2,987	5,497	104	12,305	12,410
Accumulated cost	11,714	9,705	21,419	154	18,369	18,523
Accumulated depreciation	(9,204)	(6,718)	(15,922)	(50)	(6,064)	(6,113)
Property and equipment	2,510	2,987	5,497	104	12,305	12,410

The property and equipment relates to small office equipment and improvements to offices (leasehold improvements). The depreciation period varies between 2 and 16 years.

On May 17, 2021, the Company announced the deregistration of the branches in Poland and the Czech Republic. The deregistration of the branches is expected to be finalised by the end of 2022. No material impairment is expected related to the deregistration of these branches.

Intangible assets

8. Intangible assets

Intangible assets	2022	2021
Opening balance	17,211	18,655
Additions	3,212	5,697
Disposals	(1,608)	-
Amortisation	(5,606)	(5,820)
Under development	856	-
Impairment (loss)	(1,299)	(1,324)
Exchange rate adjustments	(5)	3
Closing balance	12,761	17,211
Accumulated cost	48,209	44,141
Accumulated amortisation and impairment (loss)	(35,448)	(26,929)
Closing balance	12,761	17,211

The intangible assets consist of software and licenses. The additions including purchases of intangible assets of € 195 (2021: € 598). The amortisation period varies between 1 and 5 years. The carrying value of intangible assets has been reduced to its recoverable amount by recognising an impairment of € 1,299 as at 31 March 2022 (2021: € 1,324).

No impairment was recognized in the year ended 31 March 2022 concerning the deregistration of the Polish and Czech Branches, as the amounts are limited and considered not to be material.

9. Other assets

Other assets	2022	2021
Accounts receivable	4,816	16,038
Prepayments	4,390	6,914
Other	19,424	13,002
Other assets	28,630	35,954

The other assets has decreased to € 28,630 (2021: € 35,954). The decrease is mainly attributable to lower accounts receivable amounting to € 4,816 (2021: € 16,038).

Liabilities

10 Due to banks

This item comprises debts to credit institutions and central banks.

Due to banks	2022	2021
Nostro accounts	88,257	70,706
Term deposits	4,708,810	3,339,838
Due to banks	4,797,067	3,410,544

MBE provides commercial loans to clients which in some cases exceed the internal threshold maximum exposure of 20.2% of Tier 1 capital. All amounts higher than 20.2% of actual own funds are collateralised by MUFG Bank through pledge deposits. The term deposits from MUFG Bank, pledged on behalf of loans and advances to customers or banks granted by MBE, amount to € 1,462,012 (2021: € 1,486,828). The total amount owed to MUFG Bank, including pledged deposits, is € 4,685,839 (2021: € 3,320,927).

Term deposits increased from € 3,339,838 as per 31 March 2021 to € 4,708,810 as per 31 March 2022 due to higher notional amounts.

11 Due to customers

Due to customers	2022	2021
Term deposits	338,083	389,880
Current accounts	4,918,213	6,193,677
Due to customers	5,256,296	6,583,556

Current accounts decreased from € 6,193,677 as per 31 March 2021 to € 4,918,213 as per 31 March 2022 due to lower actual balances held by clients.

12 Subordinated debt

Subordinated debt	2022	2021
Subordinated debt	300,116	300,116

MUFG Bank has granted MBE a subordinated loan in order to strengthen the capital position of MBE. The maturity date is 23 March 2028 and the loan has an annual variable interest rate of 1.550% (2021: 1.704%). The notional value of the subordinated loan is part of the total capital of MBE as Tier 2 capital.

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13 Provisions

The provisions consist of the following:

Provisions	Notes	2022	2021
Expected credit losses on off-balance facilities	28.2	1,785	4,096
Defined benefit plan – the Netherlands	13.1	1,935	2,354
Pension liability / (asset) – Germany	13.2	-	22,841
Restructuring provision	13.3	11,605	6,625
Provision for taxation		1,922	-
Provision for holiday allowance		2,656	-
Other provisions for early retirement and pensions		327	358
Provisions		20,230	36,273

Provision for taxation includes an addition due to a prior year adjustment in the opening balance related to a VAT tax liability. The VAT liability regards German VAT on specific taxable service fees under German law for the the years from 2016 up until 2020. For the financial years from 2012 up till and including 2015, the amount of € 1.349 was paid in FY21, bringing the total adjustment in the opening balance to € 3,271.

Provision for holiday allowance includes an addition due to a prior period correction in the amount of € 1,443.

The increase in the outstanding balance through the years is explained by the increase in FTE's through the years and more holidays outstanding in connection with Covid-19.

13.1 Defined benefit plan – the Netherlands

The defined benefit plan of the Netherlands consists of:

Defined benefit plan – the Netherlands	2022	2021
Present value of defined benefit obligation	52,195	59,532
Fair value of plan assets	(50,260)	(57,179)
Retirement benefit liability / (asset)	1,935	2,354

The Dutch defined benefit plan is a defined benefit obligation pension plan for Netherlands based staff. The pension age is 66 and 7 months as of 1 January 2022. The benefits are based on a career average system. There is also a legacy plan for 8 staff members, which is based on a final pay system.

Changes in the present value of the defined benefit obligation are as follows:

Present value of the defined benefit obligation	2022	2021
Opening defined benefit obligation	59,532	57,681
Current service cost	-	3,193
Interest cost	530	707
Contributions by employees	-	243
Benefits paid	(1,356)	(1,372)
Actuarial (gains)/losses on obligations	(6,511)	8,562
Past service costs	-	(9,482)
Closing defined benefit obligation	52,195	59,532

During the previous financial year MBE changed its pension plan for its employees in the Netherlands from a defined benefit plan to a defined contribution plan. As per 1 January 2021 all employees have transferred to the

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new pension plan. Any accrued rights up until 31 December 2020 will remain in the previous defined benefit pension plan.

Changes in the fair value of plan assets are as follows:

Plan assets - Movement	2022	2021
Opening fair value of plan assets	(57,179)	(51,728)
Contributions by employer	(5)	(573)
Contributions by employees	-	(243)
Benefits paid	1,356	1,372
Actual expenses, taxes and premiums paid	-	168
Interest income on plan assets	(509)	(649)
Return on plan assets excluding amounts included in Interest income	6,077	(5,527)
Closing fair value of plan assets	(50,260)	(57,179)

Retirement benefit costs

The assets of the retirement benefit plan consist of insurance contracts as well as a cash deposit fund used for indexation of pensions paid.

Plan assets	2022	2021
Insurance contracts with subsequent profit sharing clause	100%	100%

The overall expected rate of return on assets is calculated based on three elements:

- The rate of return on the insurance contract which is effectively the discount rate;
- Surcharges on contribution by MBE which can be attributed to the year and which are caused by differences between market yields and yields used by the insurer;
- Execution costs.

The principal assumptions used in determining pension obligations for MBE's plan are shown below:

Defined benefit plan – the Netherlands - assumptions	2022	2021
Discount rate	1.50%	0.90%
Expected long-term rate of return on assets	1.50%	1.50%
Expected long-term rate of salary increases	2.25%	3.75%
Expected rate of pension increases current participants (actives)	0.00%	0.00%
Expected rate of pension increases former participants (inactives)	0.00%	0.00%
Expected rate of price increases	2.00%	2.00%

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of MBE at 31 March 2022. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method.

Sensitivity information – the Netherlands

The following table illustrates the sensitivity in the defined benefit obligation as in the projected IAS 19 expense to different discount rates. The sensitivity analysis calculates the financial impact on the defined benefit obligation if the discount rate would increase or decrease and all other assumptions were held constant. In practice the discount rate is seen as the assumption which would have the most significant impact on the defined benefit obligation.

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Discount rate sensitivity information	Adjusted Assumption	2022	2021
Discount rate	1.50%	52,194	59,532
Discount rate +0.5%	2.00%	47,532	53,753
Discount rate -0.5%	1.00%	57,595	66,289

Changes in Life expectancy	Increase by 1 year	Decrease by 1 year
Life expectancy	DBO +4.57%	DBO -4.61%

13.2 Pension liability – Germany

MBE funded its German pension plan in FY21. These pertain to defined benefit plans for existing former employees. New employees enter into a defined contribution plan.

Defined benefit plan – Germany	2022	2021
Present value of defined benefit obligation	19,729	22,841
Fair value of plan assets	(19,729)	-
Retirement benefit liability / (asset)	-	22,841

Changes in the present value of the defined benefit obligation are as follows:

Present value of the defined benefit obligation	2022	2021
Opening defined benefit obligation	22,841	19,747
Current service cost	504	440
Interest cost	260	370
Contributions by employer	(501)	(499)
Benefits paid		-
Actuarial gain / (loss) on obligations	(3,375)	2,783
Past service costs	-	-
Closing defined benefit obligation	19,729	22,841

One insurance policy has been acquired for the plan assets of two (closed) pension schemes. Changes in the fair value of plan assets are as follows:

Plan assets - Movement	2022	2021
Opening fair value of plan assets	-	-
Contributions by employer	(20,391)	-
Contributions by employees	-	-
Benefits paid	-	-
Actual expenses, taxes and premiums paid	-	-
Interest income on plan assets	(22)	-
Return on plan assets excluding amounts included in Interest income	684	-
Closing fair value of plan assets	(19,729)	-

Retirement benefit costs

The assets of the retirement benefit plan consist of insurance contracts as well as a cash deposit fund used for indexation of pensions paid.

Plan assets	2022	2021
Insurance contracts with subsequent profit sharing clause	100%	100%

The overall expected rate of return on assets is calculated based on three elements:

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- The rate of return on the insurance contract which is effectively the discount rate;
- Surcharges on contribution by MBE which can be attributed to the year and which are caused by differences between market yields and yields used by the insurer;
- Execution costs.

The principal assumptions used in determining pension obligations for MBE's plan are shown below:

Defined benefit plan – Germany - assumptions	2022	2021
Discount rate current employees	2.05%	1.29%
Discount rate former employees	1.78%	0.89%
Expected rate of salary increases (for current employees)	3.00%	3.00%
Expected rate of pension increases current participants	1.75%	1.75%
Exp. rate of pension increases former participants (indexation)	1.75%	1.75%
Expected rate of price increases	1.75%	1.75%
Mortality	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Disability	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Marriage	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Retirement age	62 or 63	62 or 63

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of MBE at 31 March 2022. The present value of the defined benefit obligation, the related current service cost and the past service cost were measured using the projected unit credit method. The pension obligations are secured against insolvency by Pensions-Sicherungs-Verein Versicherungsverein auf Gegenseitigkeit.

The return on plan assets is measured using the interest rates of corporate bonds denominated in EUR with at least an ‘AA’ rating, the same one which is used to discount the defined benefit obligation. The current and past service costs as well as interest expense attributable to the defined benefit obligation are recognised as personnel expenses in the statement of profit or loss. Changes due to remeasurement of plan assets and defined benefit obligation (actuarial gains and losses) are accounted for in 'Other comprehensive income' and not recycled through the statement of profit or loss. Upon occurrence, any gains and losses on curtailments and settlements are recognised in the statement of profit or loss as past service costs. Amounts that are recognised in other comprehensive income shall not be reclassified to profit or loss upon settlement, but shall be transferred within equity.

The defined benefit asset or liability comprises the present value of the defined benefit obligation less the fair value of plan assets out of which the obligations are to be settled directly, less actuarial losses not yet recognised. The value of any asset is restricted to the sum of any actuarial losses not yet recognised and the present value of any economic benefits available in the form of refunds from the plan or reductions in the future contributions to the plan.

A defined contribution plan is a post-employment benefit plan under which an MBE pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further contributions if the entity does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods. MBE has no further payment obligations once the contributions have been paid. The contributions are

Provisions

recognised as employee benefit expense when they are due. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

Sensitivity information – Germany
The following table illustrates the sensitivity in the pension liability - Germany as in the projected IAS 19 expense to different discount rates. The sensitivity analysis calculates the financial impact on the defined benefit obligation if the discount rate would increase or decrease and all other assumptions were held constant. In practice the discount rate is seen as the assumption which would have the most significant impact on the defined benefit obligation.

Discount rate sensitivity information	Adjusted assumption		2022		2021	
Assumption	Current employees	Former employees	Current employees	Former employees	Current employees	Former employees
Discount rate	2.05%	0.89%	12,823	6,906	14,672	8,168
Discount rate +0.5%	1.79%	1.75%	11,599	7,334	13,148	7,667
Discount rate -0.5%	0.79%	0.39%	14,227	6,522	16,438	8,730

Changes in Life expectancy	Increase by 1 year	Decrease by 1 year
Life expectancy	DBO +4.84%	DBO -4.84%

13.3 Restructuring provision

Restructuring provision	2022	2021
Opening balance	6,625	8,075
Additions	9,828	48
Payments made	(4,848)	(1,498)
Closing balance	11,605	6,625

During FY 2021 provisions had been recognized for expected expenses arising from the MTBP restructuring plan. The expenses are related to the transition of employees and the de-recognition of IT hardware and data migration.

14 Other liabilities

Other liabilities	2022	2021
Accrued expenses	42,729	36,035
Accounts payable	24,441	9,211
Lease liabilities	11,416	13,692
Other	36,466	19,100
Other liabilities	115,052	78,038

Accrued expenses includes an addition due to a prior year adjustment in the opening balance related to deferred bonus in the amount of € 730 and a prior year adjustment of € (4,028) in the opening balance related to the de-recognition of deferred income.

Accounts payable increased from € 9,211 as per 31 March 2021 to € 24,441 as per 31 March 2022 mainly due to IT expenses for € 7 million.

Other increased from € 19,100 as per 31 March 2021 to € 36,466 as per 31 March 2022 due to outstanding Supply Chain Finance settlements of € 12 million and due from bank settlement of € 5 million.

Equity

15 Issued capital and reserves

The authorised capital amounts to € 136.2 (2021: € 136.2) and consists of 300,000 ordinary shares of € 454 each (unit: one €). The number of issued and fully paid-up amounts to 220,270 (2021: 220,270). Issued and fully-paid capital amounts to € 100,003 (2021: € 100,003). All shares issued are held by MUFG Bank, a wholly-owned subsidiary of MUFG.

in thousands of €s	Issued capital	Share premium	Retained earnings	Reserves			Non-controlling interest	Total equity
				Fair value	Foreign currency translation	Actuarial revaluation		
At 31 March 2020	100,003	1,334,304	357,434	(4)	72	(7,715)	31	1,784,125
Opening balance adjustment	-	-	-	-	-	(2,494)	-	(2,494)
Profit for the year	-	-	(24,126)	-	-	-	37	(24,089)
Other comprehensive income	-	-	-	27	256	(4,949)	-	(4,667)
At 31 March 2021	100,003	1,334,304	333,308	23	328	(15,158)	68	1,752,876
Opening balance adjustment	-	-	4,576	-	-	-	-	4,576
Profit for the year	-	-	(25,064)	-	-	-	- 27	(25,091)
Other comprehensive income	-	-	-	133	55	2,741	-	2,929
At 31 March 2022	100,003	1,334,304	312,820	156	383	(12,417)	41	1,735,290

The opening balance adjustment of € 4,576 relates to value added tax expenses, holiday allowance expenses, deferred bonus expenses and corporate income tax adjustments pertaining to previous years, adjusted in the current financial year. The adjustments are considered non-material for the financial position of MBE. Amendment has been performed in the opening balance as recognition of individual items on their line in the Profit & Loss account is deemed not to provide the most representative view. Additional information is provided within the notes.

The opening balance adjustment of € -2,494 in the financial year 2020 relates to a the reversal of a deferred tax asset recognised in previous years.

Restrictions with respect to dividend and repayment of capital

Pursuant to statutory provisions MBE can only pay dividend to the shareholder in as far as its paid-up capital and retained earnings are larger than the paid-up and called-up part of the capital increased by the reserves which have to be maintained for regulatory purposes and MBE's articles of association.

By virtue of a resolution of the general meeting of the shareholder MBE may acquire fully paid-up shares in the authorised capital of MBE only if the paid-up capital and retained earnings, after deduction of the acquisition price, is not less than the paid-up and called-up part of the capital increased by the reserves which have to be

Issued capital and reserves

maintained by law, and the par value of the shares to be acquired and already held by MBE in its capital does not amount to more than one/tenth of the issued capital.

MBE has taken note of the decision of the ECB recommendation that all banks limit dividends until 30 September 2021. As per 1 October 2021 the ECB recommendation had been withdrawn, supervisors will assess the capital and distribution plans of each bank as part of the regular supervisory process.

Dividend payment
No dividend was paid in the year ended 31 March 2022 (31 March 2021: € 0).

Notes to the Consolidated Statement of Profit or Loss

16 Net interest income

Net interest income	2022	2021
Interest income from cash and balances with central banks	963	91
Interest income from loan and advances to banks	1,681	1,200
Interest income from loans and advances to customers	99,179	111,100
Interest income finance lease	1,167	1,960
Interest income from financial investments	897	1,357
Interest income from interest rate swaps	2,321	435
Interest income from others	513	16
Interest income from liabilities	4,508	1,515
Interest income	111,229	117,674
Interest expense from due to banks	18,019	29,417
Interest expense from due to customers	1,968	3,155
Interest expense finance lease	-	15
Interest expense from interest rate swaps	2,313	427
Interest expense from others	163	3,307
Interest expense from assets	1,509	1,865
Interest expense	23,972	38,187
Net interest income	87,257	79,488

Interest income from loans and advances to customers decreased from € 111,100 as per 31 March 2021 to € 99,179 as per 31 March 2022 due to lower asset balances during FY 2021.

Interest income from negative interest on liabilities increased to € 4,508 as per 31 March 2022 (31 March 2021: € 1,515) because MBE started to charge negative interest on client deposits during FY 2021.

Interest expense from assets mainly pertains to negative interest charged on balances with Central Banks.

Notes to the Consolidated Statement of Profit or Loss

Net fee and commission income

17 Net fee and commission income

Net fee and commission income	2022	2021
Commission on funds transfer and letters of credit	11,170	10,328
Commission on guarantees	7,855	7,685
Brokerage and advisory fees	167	23
Commission on corporate management services	26	2,290
Other fee and commission income	9,527	10,035
Fee and commission income	**28,745**	**30,360**
Commission on (credit replacing) guarantees	3,605	3,052
Commission on funds transfer and letters of credit	1,024	821
Commission on corporate management services	-	2,009
Other fee commission expenses	9,090	10,296
Fee and commission expense	**13,719**	**16,178**
Net fee and commission income	**15,026**	**14,182**

Other fee and commission income includes corporate advisory fees € 0.7 million (2021: € 1.7 million), deposit commission income € 1.7 million (2021: € 1.5 million), compensation for costs received from MUFG London in relation Supply Chain Finance activities € 0.0 million (2021: € 5.0 million) and custodian fees € 3.5 million (2021: € 5.0 million).

Commission on corporate management services decreased from € 2,290 as per 31 March 2021 to € 26 as per 31 March 2022 due to the liquidation of MUFG Business Services (Holland) B.V. during FY 2020, as per 26 March 2021.

Other fee commission expenses includes charges on securities borrowed € 7.1 million (2021: € 8.5 million) and credit insurance premium expenses € 1 million (2021: € 0.2 million).

18 Result on financial transactions

Result on financial transactions	2022	2021
Result on financial transactions	43,865	37,108

This item includes the foreign currency results on foreign currency results transactions for customers amounting to € 38,329 (2021: € 35,776). MBE's policy is to eliminate currency risks on financial assets and liabilities.

19 Personnel expenses

Personnel expenses	2022	2021
Wages and salaries	70,800	68,054
Social securities costs	6,959	7,784
Pension costs	8,486	(3,222)
Restructuring expenses	9,828	48
Other staff costs	10,196	14,374
Personnel expenses	**106,269**	**87,038**

The number of employees during the year ended 31 March 2022 is 654 (2021: 794), of which 312 (2021: 404) are employed in the Netherlands.

Personnel expenses

Other staff costs include mainly the costs related to contracted employees and/or agency employees. The number of contractors as at 31 March 2022 is 59 (2021: 73).

In FY 2020 the pension plan for Amsterdam has changed, which resulted in a curtailment gain. Please refer to Note 13.1 for more details. Together with the expense for restructuring, this mainly explains the difference in personnel expenses compared to prior year.

Refer to Note 27 Key management remuneration for disclosure of remuneration paid to key management personnel.

During FY 2021 additional provisions had been recognized for expected expenses arising from the MTBP restructuring plan. Please refer to Note 13.3 for more details.

20 Other operating expenses

Other operating expenses	2022	2021
Occupancy expenses	5,507	5,620
Office expenses	16,740	6,195
Professional fees	8,478	10,321
Business promotion expenses	4,083	4,242
VAT and sundry taxes	16,082	18,351
Regulatory expenses	8,627	10,405
Other	2,037	606
Other operating expenses	**61,554**	**55,740**

Office expenses relate to IT services and other office expenses. Office expenses increased from € 6,195 as per 31 March 2021 to € 16,740 as per 31 March 2022 due to the review of inter office charges leading to higher cost for MBE.

Regulatory expenses relates mainly to contributions to the Single Resolution Fund (SRF) in the amount of € 8.0 million (2021: € 9.5 million).

The professional fees include fees charged by audit organisations and auditors, as defined in Article 382a, Part 9 of the Dutch Civil Code, Book 2, which can be specified as follows:

	2022		
Fees charged by external auditor	Netherlands	Other offices	Total
Audit of financial statements	1,144	634	1,778
Other assurance services	85	-	85
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Fees charged by external auditor	**1,229**	**634**	**1,863**
	2021		
	Netherlands	Other offices	Total
Audit of financial statements	1,436	748	2,184
Other assurance services	60	276	336
Tax advisory services	-	303	303
Other non-audit services	-	123	123
Fees charged by external auditor	**1,496**	**1,449**	**2,945**

Other operating expenses

This summary reflects fees charged by MBE's external auditors in respect of audit services and other assurance services provided. € 79 were fees paid for tax advisory and non-audit services. Fees in the Netherlands amounting to € 1,144 (2021: € 1,436) relate to Deloitte Accountants B.V.

21 Income tax (expense)

The net tax position is analysed in the following table:

Income tax position	2022	2021
Current tax assets	49,600	41,011
Deferred tax assets	36,232	36,581
Tax assets	**85,832**	**77,592**
Current tax liabilities	204	1,662
Deferred tax liabilities	-	-
Tax liabilities	**204**	**1,662**
Net tax position	**85,628**	**75,930**

Current tax assets and liabilities relate to amounts receivable and payable in relation to pending tax declarations.

During FY21, a corporate income tax credit related to the FY19 was received in Germany in the amount of € 5,997. The amount had not been recognized as a current tax asset. Reference is made to the opening balance adjustments within the Consolidated Statement of Changes in Equity.

The components of income tax expense for the years ended 31 March 2022 and 31 March 2021 are:

Current income tax	2022	2021
Current income tax	2,183	2,016
Tax adjustments previous years	(2,250)	(5,713)
Total current tax paid (received)	**(67)**	**(3,697)**
Utilisation of assessed loss	464	(10,980)
Restructuring and pension provisions	2,239	(558)
Allowance for expected credit losses	656	21,950
Other	(3,967)	334
Total deferred tax expense/(benefit)	**(608)**	**10,746**
Income tax expense/(benefit)	**(675)**	**7,049**

The reconciliation between the tax expense and the accounting profit multiplied by MBE's domestic tax rate is as follows:

Numerical reconciliation of income tax expense	2022	2021
(Loss)/profit before income tax expense	**(25,739)**	**(17,077)**
Tax at statutory rate	(6,486)	4,268
Effect of different tax rates in other countries	176	(328)
Unused tax losses	8,394	8,448
Adjustments for current tax of prior periods	(2,250)	(5,713)
Other permanent differences	(509)	374
Income tax expense/(benefit) reported	**(675)**	**7,049**

Income tax (expense)

The effective income tax rate is -2.6% for the year ended 31 March 2022 (2021: 41%). The amount included in 'Other' of €(509) (2021: € 373) consists mainly of other tax relating differences between accounting and fiscal books; such as exchange rates, fixed assets, unearned revenue and non-deductible expenses.

The Netherlands increased the threshold for the low corporate income tax rate of 15% to € 395 (2021: € 245) as per 1 January 2022. The general Dutch corporate income tax rate increased from 25% to 25.8% as per 1 January 2022. Hence the weighted average Dutch corporate income tax rate for MBE in FY21 is 25.2%.

The following table shows deferred tax recorded on the statement of financial position in 'Deferred tax asset' and 'Deferred tax liabilities' and changes recorded in the income tax expense:

Deferred tax	2022			2021		
	Asset	Liability	Profit or (loss)	Asset	Liability	Profit or (loss)
Pensions	2,950	-	753	4,994	-	(659)
Restructuring provision	461	-	1,486	1,947	-	101
Credit loss expenses	16,938	-	656	17,594	-	21,950
Revaluation of financial investments	1	-	-	(302)	-	25
Tax loss carry forward	10,516	-	464	10,980	-	(10,980)
Fixed assets	10	-	4	14	-	4
Amortised fees	2,484	-	(1,322)	1,162	-	29
Other temporary differences	2,872	-	(2,649)	193	-	277
Deferred tax	36,232	-	(608)	36,581	-	10,746

Unused tax losses amount in the Netherlands to € 118,626 in total for which no deferred tax asset has been recognised. The tax loss for FY21 amounted to € 26,576 (2021: € 35,302 and in earlier years € 56,748). MBE does not recognise a deferred tax asset for the tax losses incurred in the Netherlands as it does not meet the IFRS recognition criteria in connection to historical losses.

Unused tax losses amount in Belgium to € 11,300 in total for which no deferred tax asset has been recognised. MBE does not recognise a deferred tax asset for the tax losses incurred in Belgium as it does not meet the IFRS recognition criteria in connection to historical losses.

Deferred tax related to items charged or credited directly to equity during the year is as follows:

Deferred tax (charged)/credited to equity	2022	2021
Net gain (loss) on financial investments	46	(9)
Net gain (loss) on foreign currency	-	-
Net gain (loss) on pension	943	870
Deferred tax (charged)/credited to equity	989	861

Reference is made to Note 30 for the disclosure on the country by country reporting.

22 Components of comprehensive income

The following table includes the movement in reserves and the related tax impact included in other comprehensive income.

Notes to the Consolidated Statement of Profit or Loss

Components of comprehensive income

Other comprehensive income	2022	2021
Financial Instruments at FVOCI		
Fair value gain/(loss) arising during the period	179	36
Income tax relating to fair value gain/(loss) arising during the period	(46)	(9)
As at 31 March	133	27
Foreign currency translation		
Foreign currency translation movements	55	256
Income tax relating to fair value gain/(loss) arising during the period	-	-
As at 31 March	55	256
Post employment plan		
Remeasurement of the net defined asset/liability	3,684	(5,819)
Income tax relating to fair value gain/(loss) arising during the period	(943)	870
As at 31 March	2,741	(4,949)

Additional notes to the Consolidated Financial Statements

23 Fair value measurement

The fair value measurement hierarchy of MBE's assets and liabilities is based on valuation techniques.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

The technique that is being used for the derivative financial instruments under level 2 is the market to market (MtM) calculation, which looks at the contract rates against the forward rates in the current market. The fair value of financial instruments carried in the consolidated balance sheet at fair value:

	2022				2021			
Financial assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	-	9	-	9				
Loan commitments	-	-	14	14	-	-	-	-
Forward foreign exchange contract	-	47,349	-	47,349	-	32,916	-	32,916
Derivatives	-	47,358	14	47,372	-	32,916	-	32,916
Government bonds	60,169	-	-	60,169	64,505	-	-	64,505
Investments resulting from supply chain finance transactions	-	-	236,809	236,809	-	-	10,240	10,240
Loans FVTPL			35,793	35,793	-	-	-	-
Financial investments	60,169	-	272,602	332,771	64,505	-	10,240	74,744
Financial assets	60,169	47,358	272,616	380,143	64,505	32,916	10,240	107,660

	2022				2021			
Financial liabilities	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	-	868	-	868	-	3,570	-	3,570
Loan commitments	-	-	14	-	-	-	-	-
Forward foreign exchange contract	-	44,703	-	44,703	-	31,014	-	31,014
Financial liabilities	-	45,571	14	45,571	-	34,584	-	34,584

Set out below is a comparison, by class, of the carrying amounts and fair values of MBE's financial instruments that are not carried at fair value in the Financial Statements, separately for assets and liabilities. This table does not include the fair values of non-financial assets and non-financial liabilities. There have been no transfers of financial instruments between levels.

Additional notes to the Consolidated Financial Statements

Fair value measurement

Fair value of financial instruments - assets	2022				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash balances with central banks*	904,077	904,077	904,077	-	-
Placements with banks - on demand*	2,392,881	2,392,881	2,392,881	-	-
Placements with banks - term deposits	414,338	416,883	-	-	416,883
Loans and advances	429,371	423,185		-	423,185
Loan and advances to banks:	3,236,590	3,232,949	2,392,881	-	840,068
Corporate current accounts*	217,762	213,969	-	-	213,969
Corporate term loans	6,120,242	6,029,542	-	-	6,029,542
Bills of exchange	1,239,227	1,239,478	-	-	1,239,478
Finance lease receivables	31,151	31,151	-	-	31,151
Supply Chain Finance (SCF) Participation	52,153	52,101	-	-	52,101
Loans and advances to customers:	7,660,535	7,566,241	-	-	7,566,241
Other financial assets*	15,838	15,838	15,838	-	-
Financial assets	11,817,040	11,719,105	3,312,796	-	8,406,309

Fair value of financial instruments - assets	2021				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash balances with central banks*	1,000,587	1,000,587	1,000,587	-	-
Placements with banks - on demand*	2,898,551	2,898,551	2,898,551	-	-
Placements with banks - term deposits	639,072	639,785	-	-	639,785
Loans and advances	811,584	820,920	-	-	820,920
Loan and advances to banks:	4,349,208	4,359,256	2,898,551	-	1,460,705
Corporate current accounts*	154,398	154,398	154,398	-	-
Corporate term loans	5,311,336	5,656,433	-	-	5,656,433
Bills of exchange	1,136,746	1,162,574	-	-	1,162,574
Finance lease receivables	47,053	47,055	-	-	47,055
Supply Chain Finance (SCF) Participation	-	-	-	-	-
Loans and advances to customers:	6,649,533	7,020,459	154,398	-	6,866,061
Other financial assets*	29,010	29,010	29,010	-	-
Financial assets	12,028,337	12,409,313	4,082,547	-	8,326,766

Fair value of financial instruments - liabilities	2022				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks*	4,797,067	4,730,025	111,564		4,618,461
Due to customers*	5,256,296	5,253,735	203		5,253,532
Other financial liabilities*	60,622	52,131	52,131		-
Subordinated debt	300,116	300,132	-		300,132
Financial liabilities	10,414,101	10,336,023	163,898	-	10,172,125

Additional notes to the Consolidated Financial Statements

Fair value measurement

Fair value of financial instruments - liabilities	2021				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks*	3,410,544	3,904,682	70,706	-	3,833,976
Due to customers*	6,583,556	6,927,198	218	-	6,926,980
Other financial liabilities*	28,191	28,191	28,191	-	-
Subordinated debt	300,116	325,827	-	-	325,827
Financial liabilities	10,322,408	11,185,898	99,115	-	11,086,783

* Due the nature of these items, their carrying amounts are considered to be the same as their fair value and we have included these values under Level 1.

Fair value determination
The following is a description of the determination of fair value for financial instruments, which fair value is determined using valuation techniques (effective interest method). These incorporate MBE's estimate of assumptions that a market participant would make when valuing the instruments.

Interest rate swaps
For interest rate swap contracts the 'discounted cash flow method' is used to calculate for the fair value. The interest rate used to discount future cash flows is the defined reference rate in the market for the contract for the applicable period (where needed interpolation is done to obtain the proper interest rate).

Foreign exchange contracts
For foreign exchange contracts the calculation of the fair value is done by adding the spot rate and applicable forward points (depending on valuation currency). The result of the valuation is discounted by the applicable interest rate and if needed interpolation is done to obtain the proper forward points.

Fair value of financial assets and liabilities not carried at fair value
The following describes the methodologies and assumptions used to determine fair values for those financial instruments which are not already recorded at fair value in the Financial Statements.

Assets for which fair value approximates carrying value
For financial assets and financial liabilities that have a short-term maturity (less than three months) it is assumed that the carrying amounts approximate to their fair value. This assumption is also applied to demand deposits, and saving accounts without a specific maturity.

Fixed rate financial instruments
The fair value of fixed rate financial assets and liabilities carried at amortised cost is estimated by comparing market interest rates when they were first recognised with current market rates for similar financial instruments. The estimated fair value of fixed interest bearing deposits is based on discounted cash flows using prevailing money-market interest rates for debts with similar credit risk and maturity. For other variable rate instruments an adjustment is also made to reflect the change in required credit spread since the instrument was first recognised.

24 Maturity analysis of assets and liabilities

The table below shows an analysis of assets and liabilities presented according to when they are expected to be recovered or settled.

Additional notes to the Consolidated Financial Statements

Maturity analysis of assets and liabilities

As at 31 March 2022 ASSETS	Within 12 months	After 12 months	Total
in thousands of €s			
Cash and balances with central banks	904,077	-	904,077
Loans and advances to banks	3,021,932	214,632	3,236,564
Loans and advances to customers	3,215,844	4,391,036	7,606,880
Derivatives (assets)	39,524	7,848	47,372
Financial investments	296,978	35,793	332,771
Other assets	28,630	-	28,630
Property and equipment	-797	15,750	14,953
Intangible assets	-	12,761	12,761
Current tax assets	49,600	-	49,600
Deferred tax assets	36,232	-	36,232
Total assets	7,592,020	4,677,820	12,269,840

LIABILITIES	Within 12 months	After 12 months	Total
in thousands of €s			
Due to banks	2,135,376	2,661,691	4,797,067
Due to customers	5,235,883	20,413	5,256,296
Subordinated debt	116	300,000	300,116
Derivatives (liabilities)	37,795	7,790	45,585
Current tax liabilities	204	-	204
Deferred tax liabilities	-	-	-
Provisions	20,230	-	20,230
Other liabilities	113,811	1,241	115,052
Total liabilities	7,543,415	2,991,135	10,534,550
Net	48,605	1,686,685	1,735,290

As at 31 March 2021 ASSETS	Within 12 months	After 12 months	Total
in thousands of €s			
Cash and balances with central banks	1,000,587	-	1,000,587
Loans and advances to banks	3,593,336	755,559	4,348,896
Loans and advances to customers	2,542,201	4,049,800	6,592,002
Derivatives (assets)	29,149	3,805	32,954
Financial investments	74,744	-	74,744
Other assets	33,839	2,115	35,954
Property and equipment	-	17,906	17,906
Intangible assets	-	17,211	17,211
Current tax assets	41,011	-	41,011
Deferred tax assets	-	36,581	36,581
Total assets	7,314,867	4,882,979	12,197,846

Additional notes to the Consolidated Financial Statements

Maturity analysis of assets and liabilities

LIABILITIES	Within 12 months	After 12 months	Total
in thousands of €s			
Due to banks	1,109,179	2,301,365	3,410,544
Due to customers	6,458,031	125,525	6,583,556
Subordinated debt	-	300,116	300,116
Derivatives (liabilities)	28,446	6,336	34,783
Current tax liabilities	1,662	-	1,662
Provisions	36,273	-	36,273
Other liabilities	77,236	802	78,038
Total liabilities	7,710,827	2,734,145	10,444,971
Net	(395,960)	2,148,835	1,752,875

25 Financial guarantees and commitments

To meet the financial needs of customers MBE issues various irrevocable commitments and contingent liabilities. These consist of financial guarantees, letters of credit and other undrawn commitments to lend. Even though these obligations may not be recognised on the balance sheet, they do contain credit risk.

Contingent liabilities and commitments	2022	2021
Letters of credit	69,614	3,578
Financial guarantees	1,990,547	1,591,003
Undrawn commitments to lend	8,731,324	8,901,825
Other uncommitted facilities	4,311,666	4,530,355
Contingent liabilities and commitments	15,103,151	15,026,760

Letters of credit, guarantees and acceptances commit MBE to make payments on behalf of customers that fail to perform under the terms of the contract, generally related to the export or import of goods. Guarantees carry the same credit risk as loans.

Commitments to extend credit represent contractual commitments to make loans and revolving credits. In general commitments have fixed expiration dates or termination clauses. MBE is potentially exposed to losses to a maximum amount of the total unused commitments.

Other uncommitted facilities includes loan commitments to our client that are revocable.

26 Related party transactions

26.1 Transactions with key management

As per 31 March 2022 no loans where outstanding to members of the Supervisory Board and / or Management Board (2021: € 0). Loans, if granted, are at MBE's standard terms of staff loans. Interest of staff loans it set at 3% per annum to be paid monthly. Amount is capped at 1.2 times monthly salary in case of service up to one year to be repaid in one year by equal monthly instalments or 3.6 times monthly salary in case of services excess of one year to be repaid in 3 years by equal monthly instalments. No other transactions or arrangements have been entered into with key management.

26.2 Transactions with related parties

MBE enters into transactions with entities in the group.

Related party transactions

During the financial year, as per 31 December 2021, MBE purchased a portfolio of Project Finance (PF) loans from MUFG Bank London ("MBL"). A total notional amount of € 647 million of credit facilities (€ 621 million drawn loans and € 26 million undrawn commitments) have been purchased. MBE purchased the loans at fair value. Based on the valuation performed, € 8.6 million was discounted, which was € 8.6 million lower than the notional amount.

The following table shows the amounts receivable and payable as at the end of the fiscal year and the corresponding interest amounts during the fiscal year in connection with transactions with group companies:

in thousands of €s	2022	2021
Loan and advances to banks	2,784,097	3,497,728
Derivative assets	24,660	15,270
Other assets	4,787	6,413
Assets	2,813,544	3,519,411
Due to banks	4,797,067	3,320,927
Subordinated debt	300,116	300,116
Derivative liabilities	16,803	21,498
Other liabilities	38,530	9,532
Liabilities	5,152,516	3,652,072
Interest income	981	2,085
Interest expense	15,610	31,666
Net interest income	(14,629)	(29,581)
Fee and commission income	6,625	6,824
Fee and commission expense	11,960	12,968
Net commission income	(5,335)	(6,144)
Result on financial transactions	5,377	(15,204)
Total operating income	(14,587)	(50,928)
Personnel expenses	-	-
Other operating expenses	19,112	10,298
Total operating expenses	19,112	10,298
Net result	(33,699)	(61,226)
Commitments and contingent liabilities	132,932	131,015

Interest income and interest expense relate to amounts due from/due to MBE. Interest expense mainly relates to pledge deposits and guarantees for loans and advances to our clients provided for MBE, detailed in Note 4. Please also refer to Note 4 for cash collateral received from MBE for loans and advances to our clients. Administrative expenses relate to IT services provided by MBE. There are no administrative services provided by the ultimate parent company.

Terms and conditions of transactions with related parties

The above-mentioned outstanding balances arose from the ordinary course of business. The interest charged to and by related parties is at normal commercial rates. There is no allowance for expected credit losses relating to amounts owed by related parties (2021: nil).

27 Key management remuneration

This section sets out the remuneration of the Supervisory Board, Management Board and Material Risk Takers (MRTs). Key management is defined as those persons being member of the Supervisory Board or the Management Board of MBE. For details on MBE's remuneration policy and processes, please see the Reward Policy section.

Remuneration

The following table shows the compensation paid to key management personnel. Compensation includes salaries, non-cash benefits and contributions to post-employment defined benefit plans.

Key management remuneration	Senior management	
in thousands of €s	2022	2021
Short-term employee benefits	3,102	2,250
Post-employment benefits	126	102
Long-term benefits	177	149
Termination benefits	-	-
Share-based payments	51	28
Total	3,457	2,529

Included in the short-term employee benefits is the total remuneration of the Supervisory Board for the period amounting to € 184 (31 March 2021: € 92).

Material Risk Takers (MRTs)

MBE's MRTs are identified through an annual identification process based on the original Regulatory Technical Standards (RTS) developed by the European Banking Authority in 2014 and more recently in June 2020 under CRDV.

The RTS consist of qualitative and quantitative criteria to identify employees whose professional activities have a material impact on an institution's risk profile which are defined in the Delegated Regulation on criteria to identify MRTs. As part of the annual review, MBE carefully considers how to apply these criteria for the applicable year and, based on this, identifies roles and individuals that qualify as MRTs. Furthermore, periodic checks and consideration of any new joiners / role changes throughout the year, are reviewed to ensure an up-to-date list of MRTs is maintained

The Supervisory Board can identify any other employee in addition to employees who perform senior management functions, to have a material impact on MBE's risk profile in their opinion.

All MRTs receive individual communication notifying them that they have been identified as a MRT and the impact on their compensation.

Remuneration design and structure

Remuneration consists of two key components:

- Fixed remuneration
- Variable remuneration

Remuneration consists broadly of fixed compensation (including salary, fixed allowances, non discretionary pension benefits and standard benefits) and variable remuneration in the form of a performance related bonus, a portion of which may be deferred on a mandatory basis. Material Risk Takers who are Non-Executive Directors receive set remuneration. A number of MRTs are seconded to MBE from Tokyo and their remuneration is

Key management remuneration

determined by MUFG, or a subsidiary of MUFG, as appropriate. MBE continues to work with Tokyo to ensure that their variable remuneration is compliant with local regulation.

Fixed remuneration
Fixed remuneration is intended to remunerate employees for their skills and experience, taking into account local market practices. Fixed remuneration is reviewed on an annual basis in line with the performance review process. This ensures that performance from the previous performance year can also be taken into consideration when reviewing individual remuneration.

Variable remuneration
Variable remuneration rewards employees for their performance and the delivery of financial and non-financial targets, values and behaviours, whilst reflecting performance, affordability and the financial situation of relevant Global Business Functions where appropriate, and MBE. Individual performance is evaluated through MUFG's Performance Management process, and there is to be a direct correlation between remuneration outcomes and performance ratings.

Bonus cap
The Bank applies the following maximum of variable remuneration:

- Variable remuneration cannot exceed 20% of fixed remuneration for anyone who works 50% or more of their time in the Netherlands.
- For the branches and subsidiaries which the bank operates in the EU, the ratio between variable remuneration and fixed remuneration is at maximum 100%.

Deferred awards
MBE operates two mandatory deferral plans in relation to variable remuneration rewards:

- A General Deferral Plan for employees who have not been identified as MRTs; and
- A Material Risk Taker Deferral Plan for employees who have been identified as a MRT.

In line with regulatory requirements and to promote MBE's long-term interests, MBE applies deferral arrangements to variable remuneration for a MRT. All deferred awards granted to a MRT are governed under the rules of the Material Risk Takers Deferral Plan.

Where the variable remuneration awarded to a MRT is less than € 10, the MRT Deferral Plan will not apply and the employee will be subject to the General Deferral Plan.

Under the rules of the General Deferral Plan, the deferred award is granted as 100% cash and vests on a pro-rated annual basis over three years. The deferral is calculated on a table using various variable remuneration thresholds starting at 10% of any bonus over € 90.

Under the rules of the Material Risk Taker Deferral Plan, a deferral rate of 40% is applied to variable remuneration awards of up to € 499 and a deferral rate of 60% is applied for variable remuneration awards above € 500, with the deferral vesting on a pro-rata basis for four years. Half of the total award (non-deferred and deferred) is granted as cash with the remaining half granted as a share price linked award which is subject to one year retention.

Performance adjustment and clawback
The Supervisory Board has the authority to adjust or reclaim variable remuneration in exceptional circumstances ('clawback') for MRTs, including Management Board members, for four years from the date of award. In addition to clawback, the Supervisory Board may also make use of malus. This is an arrangement that permits

Key management remuneration

MBE to prevent vesting of all or part of the amount of deferred compensation in relation to risk outcomes of performance.

Individual adjustment of all or part of the variable remuneration, including deferred awards, can be done with the full discretion of the Supervisory Board generally, but not exclusively, along the following guidelines:

- There is a material downturn in the financial performance of the bank and it is not sustainable / justified according to the financial situation to pay vested awards;
- MBE's risk related policies or limits have been breached;
- A compliance failure has been committed;
- A regulatory breach has taken place;
- Actions or behaviours which have damaged MBE's reputation;
- Where an award is inconsistent with MBE's long-term risk or compliance interests;
- Where vesting of a variable pay award is inconsistent with MBE's long-term risk or compliance interests; or
- Any incident which the Supervisory Board, in its sole discretion, determines to warrant an adjustment.

In regard to the evaluation of individual performance, MBE operates a robust performance management process which includes objective setting, formal evaluation against objectives, mid-year and year-end performance reviews, and the allocation of an overall performance rating. Non-financial performance criteria make up a significant portion of an individual's assessment.

MBE also assesses individuals on core competencies which are aligned to MUFG's values. Variable remuneration awards are allocated to employees taking into account performance against these aspects.

MBE does not award retention nor predefined severance pay to Management Board members and MRTs.

Remuneration governance

Governance for reward is secured through the Supervisory Board. For locally hired staff, the Supervisory Board monitors and authorises the level of remuneration through MBE's approved policies and processes, with Management Board responsible for execution and management of the agreed processes. For expatriates, the Supervisory Board reviews and approves reward proposals with Head Office in Tokyo, via HR, prior to making a final determination.

The Supervisory Board is responsible for approving the bank's Reward Policy, overall remuneration process and MRT recommendations. The Management Board is responsible for implementing activities in accordance with this Reward Policy.

Quantitative remuneration information
The following table discloses remuneration awards as required by EBA guidelines made to MBE's MRTs for the performance year 2021, split between Senior Management (Supervisory and Management Board) and all other MRTs .

The base salary of Senior Management for the period amounts to € 2,611 (2021: € 1,830). Total variable pay (bonus) for Senior Management and MRTs amounts to € 699 (2021: € 978). Salaries for the other MRTs staff (15FTE) is € 2,153 (other identified staff (21 FTE) 2021: € 3,756).

Additional notes to the Consolidated Financial Statements

Key management remuneration

	31 March 2022		
	All Senior Management	All other MRTs	Total
No of employees	11	15	26
Fixed remuneration (1)	2,611	2,153	4,764
Variable remuneration (total) (2)	443	256	699
of which is cash	221	128	349
of which is share linked	221	128	349
of which is deferred	177	102	279
Outstanding deferred remuneration (vested) (3)	24	90	114
Outstanding deferred remuneration (all unvested) (3)	74	211	285
Deferred remuneration paid out in the 2021 performance year (3)	44	179	224

	31 March 2021		
	All Senior Management	All other MRTs	Total
No of employees	9	21	30
Fixed remuneration (1)	1,830	3,756	5,585
Variable remuneration (total) (2)	372	606	978
of which is cash	186	346	532
of which is share linked	186	261	447
of which is deferred	149	209	357
Outstanding deferred remuneration (vested) (3)	15	71	86
Outstanding deferred remuneration (all unvested) (3)	45	192	237
Deferred remuneration paid out in the 2019 performance year (3)	28	117	145

1. Fixed remuneration includes Salary, Allowances, and Pension Contribution by Bank. It excludes Housing Allowance and Travel Allowances.

2. Variable Pay for Japanese Expats is paid in June and December each year. As amounts paid in December 2022 are not known yet, an estimated amount has been used based on the June 2022 bonus.

3. Deferred Awards vest and are paid in June of each year. The deferrals calculated within this table therefore refer outline the position following June 2022 vestings / payments.

The overall amount for deferred remuneration amounts to € 902 (2021: € 825). The amount of € 126relates to payments made to retired employees (2021: € 102).The amount of € 776 relates to payments made to employees of MBE (2021: € 699).

There were no individuals remunerated € 1 million or more during the performance year.

No sign-on payments / guarantees were paid to MRTs during the performance year. There were no retention awards awarded to MRTs in FY2021.

28 Risk management

28.1 Risk management approach
Stemming from its business model, MBE is exposed to various risks. To reduce the effect these risks may have on business performance and MBE's reputation, MBE is actively identifying, managing, and evaluating the risks it is exposed to. MBE's risk management is a process embedded throughout its entire operation.

Risk management is embedded in MBE's culture to ensure maximum effectiveness of its efforts to further refine and manage risks. At the same time, risk management may influence the culture of MBE by creating new insights, making it a potential driver for continuous changes/adjustments. To ensure optimal effects from the effort to continuously improve MBE's risk management, the bank carefully considers the impact of implementation of improvements to risk management processes within its prevailing corporate culture in a balanced manner.

Risk profile
MBE targets a healthy and well diversified capital and liquidity position that supports the business strategy and long-term rating ambition of its parent MUFG. Given the current strategy of consolidation of business in Europe, MBE strives to limit its risks to the level defined in the Risk Appetite Statement. MBE is mainly exposed to credit, interest rate, liquidity, operational and integrity risk.

As a wholesale bank within the wider MUFG Group offering wholesale products to corporate clients, MBE's credit portfolio consists of global clients that are predominantly based throughout the European Union. More than two thirds of MBE's client exposure has a credit risk equivalent to investment grade rating. Due to the nature of the business, the bank recognises some concentrations in the credit portfolio which are actively managed within defined risk appetite levels. Defined provisions are adequate for any credit losses the bank reasonably expects, while the capital position allows the bank to absorb unexpected losses.

The majority of MBE's income consist of net interest income, which is affected by interest rate levels and credit spreads in the market. MBE manages interest rate risk within limits set according to risk appetite, but cannot rule out the possibility that changes in the interest rate environment will not impact the bank's profitability.

The main source of MBE's funding is linked to its Parent bank and to a smaller extent to the funding provided by MBE's corporate clients. The cost of funding is therefore driven by the credit rating of MUFG Bank and its ability to obtain funding in the market. MBE applies liquidity risk management to ensure adequate funding is available at all times.

In running its day-to-day business activities, MBE may run a number of operational risks that could harm its clients, the bank or its reputation. MBE is continuously identifying these risks and assessing if risk controls are sufficient.

Risk Management Policy House
MBE's risk management focuses on clear lines of accountability.

In MBE, a risk documents governance structure, Risk Management Policy House (here: RMPH), was implemented in 2019. RMPH explains the interrelations between all risk management documents, provides a structure to position new documents, and describes the rules regarding risk documentations.

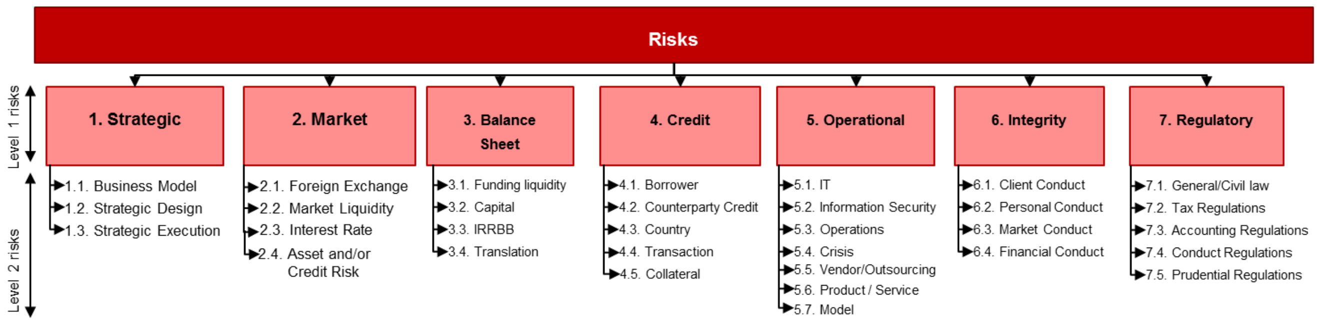
The RMPH complies with both local (European, Dutch) regulations and Parental policies. It has a clear link to both internal and external regulations. It efficiently manages and communicates amongst a complex set of risk management documents and provides a leading inter-relational framework for other related documents.

Risk management

From the nature of the documents, their interrelations, dependencies on the various drivers, RMPH is designed to provide governance for these documents and to stay stable over time with limited changes.

Risk Management Framework
The Risk Management Framework (here: RMF) provides a consistent and detailed view of institution-wide risk management. MBE's RMF is designed to identify risks, determine the appetite for risk exposure, set limits to help management to keep risk exposure aligned to risk appetite and to monitor, analyse and report the development of risk exposure based on reliable risk assessments and information systems. Risk exposure may also be mitigated by risk transfer to the parent bank (group arrangements regarding capital, funding, liquidity or operational risk). The RMF is governed through the Risk Management Policy House and interacts with the Risk Appetite Statement.

MBE's Risk Taxonomy includes seven risk types (Level 1 risk), namely strategic, market, balance sheet, credit, operational, integrity and regulatory risk. The overview of Level 1 and Level 2 risk types is presented below:



In addition to the above risk types, MBE has also identified some emerging risks that will be assessed for potential inclusion into the Risk Taxonomy going forward: climate risk and data risk.

MBE's overall risk exposure is subject to continuous identification, monitoring and mitigation by its day-to-day risk management. Annually, the adequacy of MBE's capital and liquidity going forward is evaluated considering the development of MBE's risk profile taking into account its strategic plan as well as (expected) market conditions.

The adequacy of MBE's capital and liquidity is assessed under normal and under stressed conditions.

Risk appetite
Risk appetite refers to the type and total amount of risk that MBE is willing to accept within its Risk Capacity in order to fulfil its Business Strategies and Financial Plans. In that context, MBE defines Risk Capacity as an aggregated view of the maximum level of risk MBE can assume given its current level of resources before breaching constraints, which are determined by (regulatory) capital and liquidity needs, the operational environment, customers and stakeholders.

At least on an annual basis the Management Board of MBE sets its level of risk it is prepared to accept. This is called the MBE Risk Appetite Statement (here: RAS). The RAS is further specified to the main risk types as defined by the MBE Risk Taxonomy to form an integral part of the RAS. The Risk Appetite Statement(s) defined by the Management Board are then translated into a set of risk appetite indicators to further detail the RAS and make it measurable. Risk Appetite Statements and indicators are where possible aligned with parent policies, external regulations and SREP decision. Also, indicators are tested against historical observed values, business plan and results of stress testing. The Management Board is responsible for managing the risk appetite cycle, supported by the Risk Management Division; under MBE governance the RAS requires approval by the Supervisory Board. RAS is evaluated and re-aligned with the Strategy and Business Plan of MBE at least annually.

In the reporting period, MBE operated under the following overall Risk Appetite Statement:

"MBE's risk appetite is driven by its Client-centric strategy, long term rating ambition of MUFG Group and risk management objective to protect MBE from unexpected financial losses and/or reputational impact.

MBE has receptive risk appetite for credit risk, and is actively taking credit risk to generate revenue income in line with objectives defined in the business strategy; for all other risk types MBE either have some appetite, but no intention to actively pursue risk, or the risk is accepted but cannot be avoided in pursuing its business strategy."

MBE wants, at no point in time, to carry a level of risk that would bring MBE even close to risk capacity levels; doing so, would result in triggering the Recovery Plan.

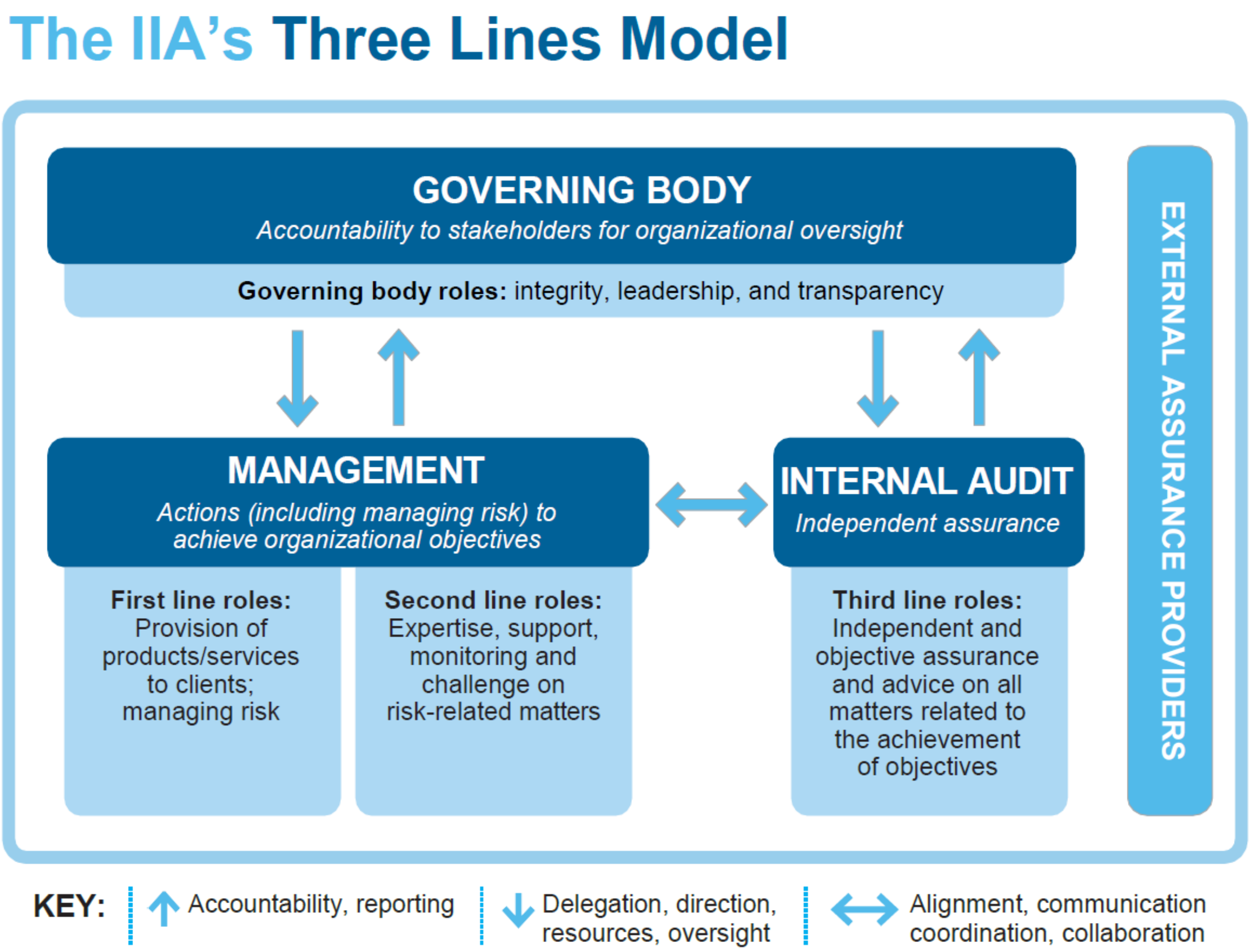
Every month risk appetite indicators actuals are reported to the monthly Risk Management Committee Meeting for evaluation. The table below presents how MBE's risk profile compared to the RAS as per 31 March 2022.:

Risk type	Assessment
Balance sheet risk	
Capital adequacy	Risk averse position, capital ratios higher than what would be considered optimal.
Liquidity	Risk averse position, liquidity position higher than what would be considered optimal.
Funding	Risk averse position, within target range.
IRRBB	Risk averse position, within target range.
Credit Risk	
Credit portfolio	Risk averse position, within target range.
Concentrations	Outside of risk appetite, caused by a specific counterparty where exposure is above appetite.
Market Risk	Risk averse position, within target range.
Operational Risk	Outside of risk appetite, caused by high number of Operational Risk Assessment findings.
Integrity Risk	Risk averse position, within target range.
Regulatory Risk	Risk averse position, within target range.

Three Lines of Defence (LoD)

MBE has implemented the 3 Lines of Defence model. The 1st LoD executes the normal banking processes and supporting processes within MBE and is responsible for managing risks. The 2nd LoD sets risk policies and controls the implementation in the 1st LoD. Further, it identifies risks and advises the 1st LoD on risk topics. The 3rd LoD verifies the proper functioning of the 1st and 2nd LoD. The MB is accountable for the proper functioning of the model and the control over the risks.

Risk management



1st Line of Defence

The 1st LoD consists of the front-, mid- and back-offices, finance, and the business support areas, who manage the risks originating from their products, processes, people, systems and interactions with external parties. They are responsible to secure compliance on a day-to-day basis with MBE's Risk Management Framework (RMF) to ensure that risks are identified, mitigated and managed appropriately in line with MBE's RAS.

2nd Line of Defence

The 2nd LoD provides risk management guidance and policies with independent surveillance and challenges the effectiveness of the 'first line' management to further ensure that risks are identified, assessed, managed, monitored and reported. The 2nd LoD is responsible for the ownership, development and effective implementation of the RMF, policies, methodologies and associated tools, which the business uses to execute their risk related responsibilities under the governance of the Management Board. Whilst some control activities may be undertaken by the second line support areas, there are clear segregations within the areas to secure the boundaries between the first and second line activities so that they do not influence each other operationally but must synchronise when required.

3rd Line of Defence

The Internal Audit (IA) function is the third pillar within the Three Lines Model. IA provides independent and objective assurance and advice (Trusted Advisor) to local MBE Senior Management, the MBE Audit Committee, and MUFG Board Members. Through collaboration and communication with the First Line (Business) and Second Line (Risk Management), IA assists MBE in realizing its strategic, financial and operational objectives,

Risk management

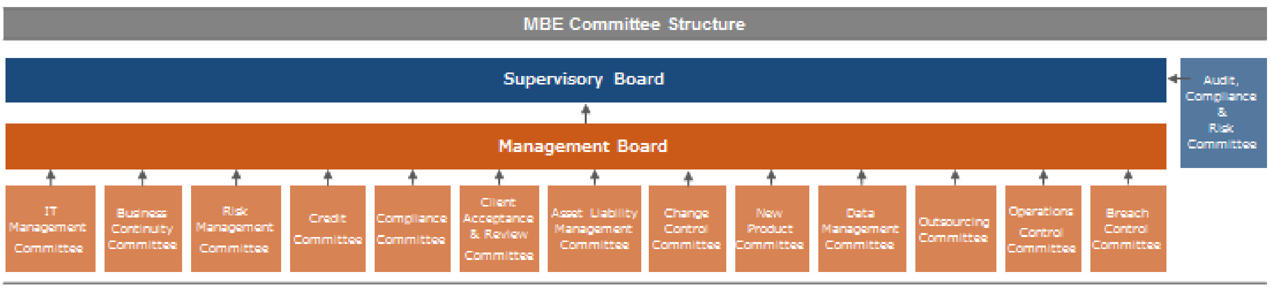
through a systemic and disciplined approach to evaluate, promote and facilitate continuous improvement. Audit reports conclude on the adequacy and effectiveness of risk management, control, and governance processes.

Risk Committees
The Management Board is ultimately responsible for risk management, supported by several risk committees.

Below, the committee structure of MBE per 31 March 2022 is described.

Risk management, including systems and internal control, is evaluated in committees considering the full risk profile or more dedicated to a specific risk type. The following risk committees are in place within MBE:

1. Audit, Compliance & Risk Committee (ACR);
2. Risk Management Committee (RMC);
3. Credit Committee (CrC);
4. IT Management Committee and Operations Control Committee;
5. Compliance Committee (CC);
6. Data Management Committee (DMC);
7. Asset & Liability Management Committee (ALMC);
8. Operational, Information & Security Risk Committee (OISRC);
9. New Product Committee (NPC);
10. Client Acceptance & Review Committee (CARC);
11. Business Continuity Committee (BCC);
12. Breach Control Committee.



28.2 Credit risk
MBE defines credit risk as the potential that a borrower in a loan contract or a counterparty in a derivative contract will fail to meet its obligations in accordance with agreed terms, resulting in a financial loss for MBE. This includes risks arising from borrower or counterparty, country, transaction structure, collateral mismatch and also credit risk concentrations on various levels.

The business model of MBE is focused on offering corporate banking products and services to Japanese companies (subsidiary banking), global blue chip corporates (including European based multinational corporations, subsidiaries of non-European based multinational corporations known as inbound business and referral business), and financial institutions. In close co-work with and support of the Global Corporate Banking Division for EMEA of MUFG Bank, MBE participates in international syndicated loans both through its office in Amsterdam and its 100%, UK-based subsidiary, MUFG Funding in London.

Credit risk derived from above mentioned business activities relates to wholesale exposure for various types of loans, commitments, guarantees, trade finance, investments in securitisations and counterparty derivatives contracts. Although the bank's relationship network is actively engaged in originating activities for specialised

Risk management

types of lending with complex transaction structures (i.e. project financing, asset based financing, supply chain financing, leveraged financing, etc.), MBE normally does not hold clean exposures towards these type of risks in its portfolio. MBE manages its credit risk within the boundaries set by its own policies, external regulations and (where relevant) internal policies from the MUFG Bank. The bank has an internal framework in place to assess credit quality, grant credit limits, monitor credit risk, manage the credit exposures and achieve earnings commensurate with the risks undertaken by the bank.

To assess the credit risk for each borrower or counterparty the bank uses the internal credit rating system of the parent bank, applied by MUFG Bank group-wide, where each credit rating corresponds to a probability that a counterparty will not meet its contractual obligations (i.e. probability of default - PD). In the credit assessment process MBE uses MUFG Bank global standards, but has in place its own independent credit approval authority (i.e. Credit Committee) to ensure that the borrower or counterparty credit profile meets MBE risk appetite criteria.

Where deemed necessary the credit risk is further mitigated by obtaining various types of collateral, primarily in the form of:

1. guarantees from parent companies for credit limits to their subsidiaries;
2. bank guarantees, mainly from MUFG Bank;
3. pledged cash deposits;
4. credit insurance; and
5. variety of tangible collateral types such as pledges on moveable assets (inventory and trade receivables) or immoveable assets (ship or aircraft).

MBE applies active collateral management and ensures residual risk remains within risk appetite and limits.

The quality of collateral impacts asset recovery in case of default, which translates to estimated loss in case of counterparty default (i.e. loss given default - LGD). It is MBE's policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, MBE does not occupy repossessed properties for business use.

All obligiors have individual credit limits based on their creditworthiness. MBE applies credit conversation factors using product types, limits and exposure values to estimate potential credit exposures in case of counterparty default (i.e. exposure at default - EAD).

These credit risk drivers (i.e. PD, LGD and EAD) are used in quantitative measurement of credit risk for internal risk management purpose and portfolio steering, loan pricing and assessment of provisions. For calculation of Pillar 1 capital for credit risk, MBE uses the standardised approach defined according to the Capital Requirements Regulation.

Country risk (or sovereign, including transfer risk) is managed within the Risk Management Framework and centrally managed limits of MUFG Bank. MBE country risk is concentrated in countries where it has a presence (i.e. European Union countries). Credit exposures in higher risk countries are managed within defined risk appetite. Where necessary country risk is mitigated by using cash collateral, or by transferring risk by means of corporate or bank (in particular by MUFG Bank) guarantees.

Due to the nature of the business model, the bank recognises some concentrations in the credit portfolio. These are actively managed within defined risk appetite levels. Where material, concentrations in the credit portfolio are capitalised under Pillar 2 capital as part of annual ICAAP. For further information on credit risk concentrations, please refer to the sub-chapter below.

Risk management

On a quarterly basis the bank performs internal credit stress testing to provide insight on credit risk in the portfolio in case of idiosyncratic events or macroeconomic deterioration. Like other banks, MBE is sensitive to fluctuations in macroeconomic parameters (i.e. GDP). However, due to the strong capital position, conservative capitalisation of credit risk and nature of the credit portfolio, the bank has proven capable to withstand extreme (yet realistic) scenarios applied.

Counterparty credit risk in derivative financial instruments

Counterparty credit risk is a default risk of a counterparty before the final settlement date of an OTC derivative instrument. MBE determines the exposure value for derivative financial instruments (forward foreign exchange contracts, foreign exchange swaps and interest rate swaps) using the "Mark-to-market" method. Under this method, the exposure value per item is calculated as the sum of the positive current replacement cost and the potential future credit exposure. The current replacement cost is determined on the basis of the current market value of contracts with positive values. The value of potential future credit exposure is based, regardless of whether the current replacement cost is positive or negative, on the total of the notional principal amounts or on the underlying values, as appropriate, multiplied by the percentages given in table below:

Residual Maturity	Interest rate contracts	Contracts concerning foreign exchange rates
< 1 Year	0.0%	1.0%
Between 1 and 5 years	0.5%	5.0%
Over 5 years	1.5%	7.5%

Credit-related commitment risks

MBE makes guarantees available to its customers that may require MBE to make payments and enter into commitments to extend credit lines to secure their liquidity needs. Letters of credit and guarantees (including standby letters of credit) commit MBE to make payments on behalf of customers in the event of a specific act, generally related to the import or export of goods. Such commitments expose MBE to similar risks as to loans and are mitigated by the same credit risk control processes and policies.

Commitments and guarantees

To meet the financial needs of customers, MBE enters into various irrevocable commitments and contingent liabilities. Even though derecognition rules of IFRS 9 apply to these obligations, they do contain credit risk and are therefore part of the overall risk of MBE and they are in scope of ECL measurement.

Please see Note 25 for detailed information on the balance of contingent liabilities and commitments. The table in Note 25 shows MBE's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount MBE could have to pay if the guarantee is called on. The maximum exposure to credit risk relating to a loan commitment is the full amount of the commitment. In both cases, the maximum risk exposure is significantly greater than the amount recognised as a liability in the balance sheet.

Risk concentrations

MBE defines concentration risk as any single (direct and/or indirect) exposure or group of exposures with the potential to produce losses, impacting the bank's capital, liquidity and/or earnings, that may threaten the bank's health, ability to maintain core operations or materially change the bank's risk profile. With respect to credit risk, concentration risk arises from large (possibly connected) individual exposures and significant exposures to groups of counterparts whose likelihood of default is driven by common underlying factors, such as economic sector, geographic locations, mitigation measure or product.

Risk management

The bank assesses how it is exposed to credit risk concentrations by means of qualitative and quantitative analyses. On at least annual basis credit risk concentrations are assessed for inherent and residual risk. The outcome of the assessment is used in setting risk tolerances and appetite levels per credit risk concentration type, and included in the MBE Risk Appetite Statement. The level of concentration risk is measured and compared against risk appetite levels by means of relevant risk metrics.

Credit concentrations are managed by business units that are responsible for the credit risk. They must also ensure adequate risk controls are in place at all times to remain within set appetite levels. On a periodic basis 2nd LoD assesses that risk limits and controls are adequate to remain within risk appetite levels.

MBE is actively managing risk deriving from credit risk concentrations. Main risk mitigation is financial guarantees and/or pledged cash deposits from our parent bank. The bank monitors the market value of collateral and when relevant, requests additional collateral in accordance with the underlying credit agreements.

MBE also makes use of master pooling agreements with counterparties with whom a significant volume of transactions is undertaken. Such an arrangement provides for a single net settlement of all financial instruments covered by the agreement in the event of default on any one contract. Master pooling arrangements do not not result in an offset of balance-sheet assets and liabilities. Although master pooling arrangements may significantly reduce credit risk, it should be noted that:

1. credit risk is eliminated only to the extent that amounts due to the same counterparty will be settled after the assets are released; and
2. the extent to which overall credit risk is reduced may change substantially within a short period because the exposure is affected by each transaction subject to the arrangement.
   The following tables show the maximum exposure to credit risk for the components of the balance sheet, including derivatives, by industry and by geographical region before the effect of mitigation through the use of master pooling and collateral agreements. Where financial instruments are recorded at fair value, the amounts shown represent the current credit risk exposure but not the maximum risk exposure that could arise in the future as a result of changes in values.

Additional notes to the Consolidated Financial Statements

Risk management

Risk concentration: by industry sector

in millions of €s

2022 Financial assets	Banks	Auto-motive	Utilities	Oil & Gas	T	T & L	C & I	CP	Other	Total
Cash and balances with central banks	904	-	-	-	-	-	-	-	-	904
	904	-	-	-	-	-	-	-	-	904
Placements with banks - on demand	2,393	-	-	-	-	-	-	-	-	2,393
Placements with banks - term deposits	414	-	-	-	-	-	-	-	-	414
Loans and advances to banks	429	-	-	-	-	-	-	-	-	429
	3,236	-	-	-	-	-	-	-	-	3,236
Derivative financial instruments	-	-	-	-	-	-	2	8	37	47
Loans and advances to customers	1,260	321	436	1,075	259	777	346	1,780	1,407	7,661
Financial investments	31	-	2	-	2	-	-	9	289	333
Other assets	15	1	-	1	-	1	1	2	4	25
Total	5,446	322	438	1,076	261	778	349	1,799	1,737	12,206

* The amounts presented is the notional exposure.

** T - Telecoms, T&L- Transport & Logistics, C&I - Construction & Infrastructure and CP - Consumer products

*** Other include exposures to the following major industries: Media, Agriculture and Fishing, Real Estate and Food and Beverages, which are not presented separately as the exposure is not considered to be material.

Additional notes to the Consolidated Financial Statements

Risk management

Risk concentration: by industry sector										
in millions of €s										
2021 Financial assets	Banks	Auto- motive	Utilities	Oil & Gas	T	T & L	C & I	CP	Other	Total
Cash and balances with central banks	1,001	-	-	-	-	-	-	-	-	1,001
	1,001	-	-	-	-	-	-	-	-	1,001
Placements with banks - on demand	2,899	-	-	-	-	-	-	-	-	2,899
Placements with banks - term deposits	639	-	-	-	-	-	-	-	-	639
Loans and advances to banks	812	-	-	-	-	-	-	-	-	812
	4,349	-	-	-	-	-	-	-	-	4,349
Derivative financial instruments	15	-	-	-	-	-	2	8	8	33
Loans and advances to customers	183	634	590	366	382	516	1,173	569	2,239	6,650
Financial investments	65	-	-	-	-	-	7	-	3	75
Other assets	23	-	-	-	-	-	-	-	11	36
Total	5,636	634	590	366	382	516	1,182	577	2,260	12,143

* The amounts presented is the notional exposure.

Additional notes to the Consolidated Financial Statements

Risk management

Risk concentration: by geographical area

in millions of €s

2022 Financial assets	NL & BE	DE & AT	CZ & PLZ	S & P	UK	Other-EU	US	Japan	Other	Total
Cash and balances with central banks	585	204	115	-	-	-	-	-	-	904
	585	204	115	-	-	-	-	-	-	904
Due from banks										
Placements with banks - on demand	-	-	1	1	2,146	16	33	190	6	2,393
Placements with banks - term deposits	-	-	-	-	402	6	-	-	6	414
Loans and advances to banks	-	425	-	3	-	-	-	-	1	429
	-	425	1	4	2,548	22	33	190	13	3,236
Derivative financial instruments	14	8	1	-	24	-	-	-	-	47
Loans and advances to customers	2,182	2,258	471	581	653	428	198	-	890	7,661
Financial instruments	-	39	60	-	20	121	55	-	38	333
Other assets	3	10	-	3	3	1	-	1	4	25
Total	2,784	2,944	648	588	3,248	572	286	191	945	12,206

The amounts presented is the notional exposure.

Risk concentration: by geographical area

in millions of €s

2021 Financial assets	NL & BE	DE & AT	CZ & PLZ	S & P	UK	Other-EU	US	Japan	Other	Total
Cash and balances with central banks	606	211	158	25	-	-	-	-	-	1,001
	606	211	158	25	-	-	-	-	-	1,001
Due from banks										
Placements with banks - on demand	-	-	2	3	2,588	25	73	199	9	2,899
Placements with banks - term deposits	-	-	-	-	618	6	-	-	15	639
Loans and advances to banks	-	768	-	35	-	-	-	-	9	812
	-	768	2	38	3,206	30	73	199	32	4,349
Derivative financial instruments	9	6	2	-	15	-	-	-	-	33
Loans and advances to customers	2,064	1,859	832	620	180	638	195	40	222	6,650
Financial instruments	-	-	65	-	2	8	-	-	-	75
Other assets	6	19	-	3	1	1	2	1	4	36
Total	2,685	2,864	1,058	686	3,404	678	269	240	258	12,143

Risk management

* NL & BE - Netherlands and Belgium, DE & AU - Germany and Austria, CZ & PLZ - Czech Republic and Poland and S & P - Spain and Portugal.

** Other - None of the individual industries included within other has an individual industry exposure above 2% of total exposure.

*** Given the nature of our banking activities the ultimate exposure to Japan can considered to be higher than presented in the table above as a significant portion of our clients have their parent's headquarter in Japan. For presentation purposes we considered the country of residence of our clients only.

The amount and type of collateral required depends on an assessment of the credit risk of the counterparty and risk appetite defined in the Risk Appetite Statement.

Credit quality by class of financial assets
The credit quality of financial assets is managed by MBE using a 15-grade, internal credit rating system of the parent bank, which is applied MUFG Bank group-wide. The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on MBE's internal credit rating system. Grades 8.3, 9 and 10 are considered to be individually impaired. The amounts presented are gross of impairment allowances.

Risk management

<table>
<tr><th>Credit Quality Step (*) (CQS)</th><th>Meaning of the rating category</th><th>MBE Ratings</th><th colspan="2">Status</th><th>S&P Credit Rating equivalent</th></tr>
<tr><td>1</td><td>The rated entity has extremely/very strong capacity to meet its financial commitments and is subject to minimal/ very low credit risk.</td><td>1</td><td colspan="2" rowspan="9">Performing</td><td>AAA - / AA-</td></tr>
<tr><td>2</td><td>The rated entity has strong capacity to meet its financial commitments and is subject to low credit risk but is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than rated entities in CQS 1.</td><td>2</td><td>A+ / A-</td></tr>
<tr><td>3</td><td>The rated entity has adequate capacity to meet its financial commitments and is subject to moderate credit risk. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the rated entity to meet its financial commitments.</td><td>3</td><td>BBB+ / BBB-</td></tr>
<tr><td rowspan="3">4</td><td rowspan="3">The rated entity has the capacity to meet its financial commitments but is subject to substantial credit risk. It faces major ongoing uncertainties and exposure to adverse business, financial, or economic conditions, which could lead to the rated entity's inadequate capacity to meet its financial commitments.</td><td>4</td><td>BB+</td></tr>
<tr><td>5-1</td><td>BB</td></tr>
<tr><td>5-2</td><td>BB-</td></tr>
<tr><td rowspan="3">5</td><td rowspan="3">The rated entity has the capacity to meet its financial commitments but is subject to high credit risk. Adverse business, financial, or economic conditions will likely impair the rated entity's capacity or willingness to meet its financial commitments.</td><td>6-1</td><td>B+</td></tr>
<tr><td>6-2</td><td>B</td></tr>
<tr><td>7</td><td>B-</td></tr>
<tr><td rowspan="6">6</td><td rowspan="6">The rated entity is currently vulnerable or highly vulnerable and is subject to very high credit risk, including in or very near to default. It is dependent upon favorable business, financial, and economic conditions to meet its financial commitments.</td><td>8-1</td><td colspan="2" rowspan="2">Watch List</td><td>CCC</td></tr>
<tr><td>8-2</td><td>CC / C</td></tr>
<tr><td>8-3</td><td rowspan="2">Likely to become bankrupt</td><td rowspan="4">Non Performing Exposure (NPE)</td><td rowspan="4">D</td></tr>
<tr><td>9</td></tr>
<tr><td>10-1</td><td>Considered to be virtually bankrupt</td></tr>
<tr><td>10-2</td><td>Legally bankrupt</td></tr>
</table>

Risk management

in millions of €	Credit quality						
2022 Financial assets	Normal	Close watch	Likely to become bankrupt	Bankrupt or virtually bankrupt	Bankrupt	Total	ECL
Cash and balances with central banks	904	-	-	-	-	904	-
Loans and advances to banks	3,236	-	-	-	-	3,236	-
Derivative financial instruments	47	-	-	-	-	47	-
Loans and advances to customers	7,306	183	172	-	-	7,661	54
	11,493	183	172	-	-	11,848	54
Financial instruments	333	-	-	-	-	333	-
Other assets	25	-	-	-	-	25	-
Total	11,851	183	172	-	-	12,206	54

in millions of €	Credit quality						
2021 Financial assets	Normal	Close watch	Likely to become bankrupt	Bankrupt or virtually bankrupt	Bankrupt	Total	ECL
Cash and balances with central banks	1,001	-	-	-	-	1,001	-
Loans and advances to banks	4,349	-	-	-	-	4,349	-
Derivative financial instruments	33	-	-	-	-	33	-
Loans and advances to customers	6,275	207	151	-	18	6,650	58
	11,657	207	151	-	18	12,032	58
Financial instruments	75	-	-	-	-	75	-
Other assets	36	-	-	-	-	36	-
Total	11,768	207	151	-	18	12,143	58

Credit risk exposure for each internal credit risk rating

It is MBE's policy to maintain accurate and consistent risk ratings across the credit portfolio. The rating system is supported by a variety of financial analytics, combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are derived in accordance with MUFG rating policy and procedures. The following table provides detailed information on the credit risk for each internal credit risk rating.

Additional notes to the Consolidated Financial Statements

Risk management

Balance sheet items

in millions of €s	2022			2021		
Balance sheet items	Gross carrying amounts	Net carrying amounts	ECL	Gross carrying amounts	Net carrying amounts	ECL
Normal						
1	1,339	1,339	-	1,226	1,226	0.00
2	5,302	5,302	0.25	5,019	5,019	0.23
3	1,589	1,589	0.03	1,395	1,395	0.40
4	2,102	2,102	0.14	1,485	1,485	0.27
5-1	849	849	0.10	1,447	1,446	0.51
5-2	404	404	0.07	644	644	0.20
6-1	187	187	0.04	219	218	0.11
6-2	77	77	0.01	101	101	0.08
7	1	1	-	249	249	0.48
Total 1-7	11,851	11,850	0.64	11,785	11,783	2.28
Close watch						
8-1	51	51	0.18	80	80	0.19
8-2	132	132	0.45	127	127	0.15
Total 8	184	183	0.63	207	207	0.35
Likely to become bankrupt						
8-3	171	119	52.38	120	65	55.22
9	-	-	-	31	31	-
Total 9	171	119	52.38	151	95	55.22
Bankrupt or virtually bankrupt						
10-1	-	-	-	-	-	-
10-2	-	-	-	-	-	-
Total 10	-	-	-	-	-	-
Total outstanding balance by risk class	12,206	12,152	53.65	12,143	12,085	57.84

The PY amount included in MBE-rating category 10-2 relates to a client that went into financial difficulties in late FY19. In FY20 the client went bankrupt. During FY20 MBE sold this exposure at a discount and had written off the credit facility.

Risk management

Off-balance facilities

in millions of €s	2022		2021	
Off-balance facilities	Carrying amounts	ECL	Carrying amounts	ECL
Normal				
1	2	-	373	0.00
2	2,329	0.03	1,433	0.11
3	5,409	0.17	5,932	0.88
4	1,519	0.09	1,680	0.45
5-1	379	0.08	508	0.32
5-2	583	0.12	254	0.19
6-1	115	0.02	65	0.07
6-2	193	0.07	121	0.10
7	144	0.29	77	0.82
Total 1-7	10,673	0.87	10,441	2.93
Close watch				
8-1	43	0.33	29	0.20
8-2	7	0.23	21	0.62
Total 8	50	0.56	50	0.82
Likely to become bankrupt				
8-3	-	0.11	1	0.35
9	68	0.24	1	-
Total 9	68	0.35	1	0.35
Bankrupt or virtually bankrupt				
10-1	-	-	-	-
10-2	-	-	-	-
Total 10	-	-	-	-
Total outstanding balance by risk class	10,791	1.78	10,492	4.10

Credit risk exposure by internal risk class expressed in S&P rating equivalents
Please see Note 4 for more detailed information with respect to the allowance for expected credit losses on loans and advances to customers.

Collateral repossessed
During the 12 month period, MBE took no possession of any collateral at balance sheet date nor in the previous year.

Impairment assessment
MBE aims to maintain a sufficient level of reserves to cover its incurred losses. For accounting purposes MBE recognises a loss allowance for expected credit losses on financial assets and loans measured at either amortised cost or fair value through other comprehensive income (FVOCI) based on IFRS 9.

In Note 1 Accounting Policies for the Consolidated Financial Statements, the expected credit loss approach is further elaborated. As of 31 March 2022, the breakdown of individually and collectively assessed expected credit losses for loans, cash and non-cash loans is as follows:

Additional notes to the Consolidated Financial Statements

Risk management

Expected credit loss	2022			
in thousands of €s	Stage 1	Stage 2	Stage 3	Total
Loan and advances to banks				
Opening balance	312	-	-	312
Net movement	(286)	-	-	(286)
Closing balance	26	-	-	26
Loans and advances to customers				
Opening balance	1,720	596	55,214	57,531
Write offs	-	-	-	-
Transfer*	-	-	-	-
Net movement	(1,258)	(347)	(2,271)	(3,876)
Closing balance	462	249	52,943	53,655
Off-balance facilities				
Opening balance	2,202	1,562	332	4,096
Transfer*	-	-	-	-
Net movement	(973)	(1,115)	(223)	(2,311)
Closing balance	1,229	447	109	1,785
Total ECL as at 31 March 2022	1,717	696	53,052	55,466

Expected credit loss	2021			
in thousands of €s	Stage 1	Stage 2	Stage 3	Total
Loan and advances to banks				
Opening balance	180	-	-	180
Net movement	132	-	-	132
Closing balance	312	-	-	312
Loans and advances to customers				
Opening balance	2,011	3,248	99,822	105,081
Write offs	-	-	(64,511)	(64,511)
Transfer*	-	-	22,857	22,857
Net movement	(290)	(2,652)	(2,953)	(5,896)
Closing balance	1,720	596	55,214	57,531
Off-balance facilities				
Opening balance	2,191	1,553	23,630	27,375
Transfer*	-	-	(22,857)	(22,857)
Net movement	10	9	(441)	(422)
Closing balance	2,202	1,562	332	4,096
Total ECL as at 31 March 2021	4,234	2,158	55,546	61,939

*Transfer from expected credit losses on off-balance facilities to expected credit losses on loans and advances to customers.

The following table shows the notional value of financial instruments and the expected credit losses based on relative stages:

Additional notes to the Consolidated Financial Statements

Risk management

in thousands of €s	2022								
	Stage 1			Stage 2			Stage 3		
	Notional	ECL	Net	Notional	ECL	Net	Notional	ECL	Net
On-balance sheet facilities									
Placements with banks - on demand	2,392,408	5	2,392,403	473	-	473	-	-	-
Placement with banks - term deposits	414,338	88	414,250	-	-	-	-	-	-
Loans and advances	429,371	13	429,358	-	-	-	-	-	-
Corporate term loans	5,889,322	354	5,888,968	183,089	234	182,855	47,831	3,954	43,877
Corporate current accounts	213,361	14	213,347	4,401	1	4,400	-	-	-
Bills of exchange	1,032,267	14	1,032,253	107,860	14	107,846	99,100	48,989	50,111
Finance lease receivables	31,151	-	31,151	-	-	-	-	-	-
Supply Chain Finance (SCF)	52,153	-	52,153	-	-	-	-	-	-
As at 31 March 2022	10,402,218	488	10,401,730	295,823	249	295,574	146,931	52,943	93,988
Off-balance sheet facilities									
Letters of credit	68,446	1	68,445	1,168	-	1,168	-	-	-
Financial guarantees	1,907,408	161	1,907,247	80,585	447	80,138	2,554	109	2,445
Undrawn commitments to lend	8,731,324	1,067	8,730,257	-	-	-	-	-	-
As at 31 March 2022	10,707,178	1,229	10,705,949	81,753	447	81,306	2,554	109	2,445

Additional notes to the Consolidated Financial Statements

Risk management

in thousands of €s	2021								
	Stage 1			Stage 2			Stage 3		
	Notional	ECL	Net	Notional	ECL	Net	Notional	ECL	Net
On-balance sheet facilities									
Placements with banks - on demand	2,898,550	8	76,242	1	-	1	-	-	-
Placement with banks - term deposits	639,072	-	51	-	-	-			-
Loans and advances	847,905	124	847,780	-	-	-	-	-	-
Corporate term loans	5,045,934	1,543	4,625,571	209,763	275	209,490	55,639	6,051	49,586
Corporate current accounts	210,223	171	210,052	11,489	133	11,357	-	-	-
Bills of exchange	1,008,703	186	763,131	112,359	189	112,170	111,600	48,948	62,652
Finance lease receivables	31,379	-	-	-	-	-	15,674	216	15,458
As at 31 March 2021	**10,681,766**	**2,032**	**6,522,827**	**333,612**	**596**	**333,018**	**182,913**	**55,214**	**127,696**
Off-balance sheet facilities									
Letters of credit	3,181	1	3,180	397	-	397	-	-	-
Financial guarantees	1,487,403	1,079	1,486,323	100,392	1,437	98,952	3,208	332	2,862
Undrawn commitments to lend	8,867,890	1,121	8,866,769	29,935	125	29,810	-	-	-
As at 31 March 2021	**10,358,474**	**2,201**	**10,356,273**	**130,725**	**1,562**	**129,159**	**3,208**	**332**	**2,862**

The following table shows the collateral and other credit enhancements such as financial guarantees and pledged deposits and bonds:

Collateral and credit enhancements	2022	2021
in thousands of €s		
Bonds	6,788,748	3,811,781
Pledged deposits	1,399,955	1,420,607
Financial guarantees	5,351,130	5,690,737
Total credit enhancements	13,539,833	10,923,125

ECL calculations

MBE uses internal risk models to calculate the monthly ECL amount for all exposures in scope of provisioning. For IFRS 9 purpose MBE considers the credit portfolio to be homogeneous and uses the one factor (i.e. EU GDP) PD model to estimate borrower or counterparty credit risk and the Expected Credit Loss (ECL). The PD model

Risk management

is a "point in time" model, which means it gives an estimate of the current weighted PD based on the current expectation of the economic state for the upcoming 3 year period, using three scenarios (base, up and down).

A base-scenario, an up-scenario and a down-scenario are determined to reflect an unbiased and probability-weighted ECL amount. The probability factors as per 31 March 2022 are: Up: 15%, Base: 50%, Down: 35%, the downside scenario represents an even more pronounced near-term global downturn than expected in the baseline scenario. ECL for stage 3 clients is determined individually on financial instrument level.

ECL determined for financial instruments in stage 1 and 2 are estimated using the ECL model. In the table below the unweighted outcomes are presented if instead of the applicable weighting the full up, base or downturn scenario would be applied to estimated the ECL.

Sensitivity analysis	2022		
in millions of €s	Stage 1	Stage 2	Total
Weighted	1.37	0.70	2.07
Unweighted			
Up	1.21	0.64	1.85
Base	1.27	0.66	1.93
Down	1.58	0.77	2.35

		As of 31 March 2022				
Assumptions		2022	2023	2024	2025	2026
Scenario	Model %	GDP	GDP	GDP	GDP	GDP
Up	15%	4.0%	4.3%	3.0%	2.2%	1.9%
Base	50%	3.0%	1.8%	1.3%	1.1%	1.1%
Down	35%	-1.2%	-1.0%	1.2%	0.9%	1.2%

		As of 31 March 2021				
Assumptions		2021	2022	2023	2024	2025
Scenario	Model %	GDP	GDP	GDP	GDP	GDP
Up	25%	5.8%	6.1%	2.9%	2.2%	1.6%
Base	50%	5.0%	4.4%	2.3%	1.2%	1.1%
Down	25%	5.8%	6.1%	2.9%	2.2%	1.6%

Macroeconomic forecasts are prepared and updated semi-annually by an independent economic team within MUFG Bank, and approved by the Risk Management Committee. LGD and EAD models are static due to the nature of most of our collateral received and not sensitive to macroeconomic factors.

The approach determines the impact on provisions by considering the impact of a change in the expected macroeconomic environment to the provision calculation by considering how PDs are adjusted for those macro-economic predictions. The impact is allocated towards three stages. In Stage 1 credit exposures are recognised with no significant deterioration in credit quality since initial recognition. Provisions are calculated based on a 12 month expected loss, using PD, LGD and EAD values specific to each transaction. In Stage 2 performing credit exposures are recognised where significant deterioration in credit quality since initial recognition has been identified. Provisions are calculated based on a lifetime expected loss, using PD, LGD and EAD values specific to each transaction. In Stage 3 non-performing credit exposures are recognised. Individual provision for each non-performing transaction is calculated based on the weighted discounted cash flow of the estimated recovery amount under different scenarios.

Risk management

Assets can be transferred from one stage to another stage during its lifetime according to the change in credit quality (whether there is evidence of a significant increase in credit risk) since initial recognition. Definitions of the three stages and what MBE considers a significant increase of credit risk and what is considered as default are disclosed in section “Accounting Policies for the Consolidated Financial Statements”.

Assessment of past due payments
A critical element of the process of impairment provisioning includes the assessment of past due payments of principal or interest or whether there are any known difficulties in the cash flows of counterparties, credit rating downgrades, or infringement of the original terms of the contract. Loans that are past due are monitored closely and a financial asset is, among others, considered to have a significant increase of credit risk (SICR) if 30 days have passed since its repayment date (i.e. past due starts on the 31st day) or to be defaulted if 90 days have passed since its repayment date (i.e. past due starts on the 91st day).

28.3 Balance sheet risk
Balance sheet risk is the risk inherent to the structure of the balance sheet. This includes risks arising from mismatches in own funding and liquidity, maintaining capital adequacy, interest mismatch position and translation of assets and liabilities held in another currency. MBE defines four categories of balance sheet risk, as follows:

1. Funding liquidity risk: the risk that the firm will not be able to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the firm.
2. Capital risk: the current and prospective risk that MBE cannot comply with an appropriate level of capital balances (including risks associated with equity investments) without: a) hindering or limiting its operations (at high costs), and/or b) reputational damage.
3. Interest rate risk (in the banking book): the current and prospective risk to both the earnings and economic value of an institution arising from adverse movements in interest rates that affect interest rate sensitive instruments, including gap risk, basis risk, and option risk.
4. Translation risk: the risk that MBE’s equity, assets, liabilities or income will change in value as a result of exchange rate changes. This occurs when a firm denominates a portion of its equity, assets, liabilities or income in a foreign currency.

Funding liquidity risk management
Funding liquidity risk is the risk of incurring losses if a poor financial position hampers the ability to meet funding requirements, or necessitates fund procurement at interest rates markedly higher than normal. Liquidity risk is managed in compliance with the MUFG Bank’s Balance Sheet Risk Management Policy, and liquidity risk procedures and control framework. MBE’s liquidity risk, interest rate risk and investment portfolio are evaluated by the ALMC. Daily and weekly monitoring of positions and/or limits and execution of periodical stress tests are performed by the Risk Management Division.

Diversification of funding sources
MBE maintains a portfolio of highly marketable and diverse assets that are assumed to be easily liquidated in the event of an unforeseen interruption of cash flow. MBE’s main funding source comprises its core deposit base as evidenced by a loan to deposit ratio of 73% as at 31 March 2022 (2021: 106.51%).

Risk management

	As of 31 March 2022		As of 31 March 2021	
Funding source	Amount (mn. €)	%	Amount (mn. €)	%
Current accounts	6,750	64%	6,234	61%
Time deposits banks inter-group	3,586	34%	3,619	35%
Time deposits corporates	152	1%	382	4%
Time deposits banks	23	0%	12	0%
Total	10,511	100%	10,247	100%

Additional funding is available from one of MUFG Bank's global centres where treasury activities are regionally centralised. Furthermore, MBE's bond investment portfolio represents high quality collateral, which could be used to secure additional funding if required. MBE's liquidity position is managed by the Treasury Division, which is mindful of expected future cash flows and liquidity, and is independently monitored/reported on a daily basis by the Treasury Back Office and the Risk Management Division. Funding concentration risk is closely monitored and monthly reported to the ALMC.

Contingency funding and liquidity

Funding liquidity risk is centrally managed by MUFG Bank with a hub and spoke funding structure. Main hubs and Risk Management Divisions are located in Tokyo, New York, Hong Kong, Singapore and London, the latter being responsible for the EMEA region. MUFG Bank has set 3 main liquidity stages: Normal, Concern and Crisis with according actions to which MBE must adhere. The Normal stage is further subdivided into 3 sub-stages: ordinary, pre-caution and caution.

MUFG Bank, providing unlimited liquidity support, is MBE's main source for contingency funding. MUFG Bank was proven to be sound and resilient during the liquidity crisis back in 2008.

As local funding contingency MBE maintains sufficient liquidity and funding buffers, which allows MBE to report the Liquidity Coverage Ratio (LCR) and Net Stable Funding Ratio (NSFR) well above the regulatory required minimum.

Liquidity ratio's	As of 31 March 2022	As of 31 March 2021
Liquidity Coverage Ratio (LCR)	303%	167%
Net Stable Funding Ratio (NSFR)	107%	118%

Interest rate risk in the banking book (IRRBB)

Interest rate risk is the current or prospective risk to earnings and capital arising from adverse movements in interest rates from positions booked in the banking book. The Supervisory Board has set up risk appetite for the IRRBB which is expressed through four metrics: outlier criterion (supervisory outlier test), present value of a basis point, Delta Economic Value of Equity and Delta Net Interest Income. In addition, MBE reports a separate metric to Tokyo's headquarters which is a repricing gap that is scaled down to a 3 month equivalent, multiplied by correlation factors.

In accordance with MBE's policy, IRRBB positions are monitored on a daily basis and hedging strategies are used to ensure positions are maintained within the established appetite.

On a monthly basis, MBE reports the following four risk appetite indicators for IRRBB which are aligned with EBA guidelines on the management of interest rate risk arising from non-trading activities.

Additional notes to the Consolidated Financial Statements

Risk management

Risk appetite indicator	Description
Outlier Criterion (Supervisory Stress Test)	Impact on EVE of a sudden paralel +/- 200 point shift in the yield curve.
Delta Net Interest Income (NII)	Measurement of the change of the net interest income over a two-year time horizon resulting from a sudden or gradual interest rate movement.
Delta Economic Value of Equity (EVE)	Calculation of the impact on EVE of interest rate shocks prescribed by EBA.

MBE's sensitivity to changes in interest rates is a measure of the sensitivities of its asset and liability mismatches to interest rate changes. The sensitivities include assumptions for product like in the case of current accounts.

MBE calculates these measures as the change in the present value of its asset and liability portfolios resulting from immediate and sustained interest rate shocks. The following table provides a sensitivity analysis of interest rate risk in relation to equity by currency for those currencies where the bank has material exposure. The calculation of the Economic Value of Equity (EVE) analysis as per 31 March 2022 shows that, in total, an increase of 200 bp leads to an increase in € 90,028 of economic value of equity (2021: € 78.429 increase) and a decrease of 200 bp leads to decrease of € 14,725 of economic value of equity (2021: € 2.638 decrease).

	2022		2021	
Interest rate sensitivity	Increase/(Decrease) in basis points	Sensitivity of equity	Increase/(Decrease) in basis points	Sensitivity of equity
in millions of €s				
MBE (EVE)	200/(200)	29,331 / (24,216)	200/(200)	24,949 / (16,781)
Currency				
EUR	200/(200)	71,360 / (44,269)	200/(200)	37,275 / (7,540)
USD	200/(200)	(16,385) / 24,061	200/(200)	6,031 / (4,569)
GBP	200/(200)	1,029 / (1,273)	200/(200)	1,016 / (492)
PLN	200/(200)	277 / (288)	200/(200)	1,887 / (1,367)
CZK	200/(200)	372 / (398)	200/(200)	593 / (616)
JPY	200/(200)	1,977 / (1,859)	200/(200)	2,366 / (1,975)
Other	200/(200)	(28) / (121)	200/(200)	614 / (129)

Analysis of financial assets & liabilities by remaining contractual maturity

The tables below summarises the maturity profile of MBE's financial assets and liabilities as at 31 March 2022. Trading derivatives, if any, are shown at fair value in a separate column. All derivatives used for hedging purposes are shown by maturity, based on their contractual undiscounted repayment obligations. Gross settled, non-trading derivatives are shown separately, by contractual maturity at the foot of the note.

Repayments which are subject to notice are treated as if notice were to be given immediately. However, MBE expects that many customers will not request repayment on the earliest date MBE could be required to pay and the table does not reflect the expected cash flows indicated by MBE's deposit retention history.

Furthermore, the undiscounted future coupon interest on financial liabilities payable is included in a separate line and in the relevant maturity bucket.

Additional notes to the Consolidated Financial Statements

Risk management

Financial assets and liabilities by remaining contractual maturity						
in millions of €s	2022					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial assets						
Balances with central banks	854	50	-	-	-	904
Loans and advances to banks						
Placements with banks - on demand	2,388	-	-	5	-	2,393
Placement with banks - term deposits	6	325	84	-	-	415
Loans and advances	1	60	154	215	-	430
Loans and advances to customers						
Corporate term loans	-	817	929	2,521	1,852	6,119
Corporate current accounts	218	-	-	-	-	218
Bills of exchange	-	949	275	15	-	1,239
Lease receivables	-	1	28	1	-	30
Supply Chain Finance (SCF)	-	52	-	-	-	52
Financial investments						
Government bonds	-	60	-	-	-	60
Derivatives	1	17	22	8	-	48
Investments resulting from supply chain finance transactions	5	145	87	-	-	237
Loans FVTPL *	-	-	36	-	-	36
Total assets	3,473	2,476	1,615	2,765	1,852	12,181
Liabilities						
Due to banks						
Nostro accounts	88	-	-	-	-	88
Term deposits	1	1,079	967	2,558	105	4,710
Due to customers						
Term deposits	2	204	112	20	-	338
Current accounts	4,918	-	-	-	-	4,918
Subordinated loan	-	-	-	-	300	300
Derivatives	1	15	22	8	-	46
Lease liabilities	11	-	-	-	-	11
Total liabilities	5,021	1,298	1,101	2,586	405	10,411
Net	(1,548)	1,178	514	179	1,447	1,770

* The maturity of Loans FVTPL is based on the expected time to sell.

Additional notes to the Consolidated Financial Statements

Risk management

Financial assets and liabilities by remaining contractual maturity						
in millions of €s	2021					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial assets						
Balances with central banks	888	113	-	-	-	1,001
Loans and advances to banks						
Placements with banks - on demand	2,900	-	-	-	-	2,900
Placement with banks - term deposits	6	532	20	81	-	639
Loans and advances	-	21	120	638	36	816
Loans and advances to customers						
Corporate term loans	-	892	566	3,244	648	5,350
Corporate current accounts	154	-	-	-	-	154
Bills of exchange	16	846	246	40	-	1,147
Lease receivables	-	4	6	37	-	47
Supply Chain Finance (SCF)	-	-	-	-	-	-
Financial investments						
Government bonds	-	65	-	-	-	65
Derivatives	-	15	11	7	-	33
Investments resulting from supply chain finance transactions	1	3	7	-	-	10
Loans FVTPL	-	-	-	-	-	-
Total assets	**3,964**	**2,491**	**975**	**4,047**	**684**	**12,162**
Liabilities						
Due to banks						
Nostro accounts	71	-	-	-	-	71
Term deposits	-	656	381	2,105	180	3,322
Due to customers						
Term deposits	6	198	61	126	-	390
Current accounts	6,163	-	2	-	-	6,164
Subordinated loan	-	-	-	-	300	300
Derivatives	4	14	10	6	-	35
Lease liabilities	-	1	2	9	-	12
Total liabilities	**6,243**	**869**	**456**	**2,246**	**480**	**10,294**
Net	**(2,279)**	**1,622**	**519**	**1,801**	**204**	**1,868**

Risk management

The table below shows the contractual expiry by maturity of MBE's contingent liabilities and commitments. Each undrawn loan commitment is included in the time band containing the earliest date it can be drawn down. For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

Contingent liabilities & commitments by contractual maturity:

Contingent liabilities & commitments by contractual maturity	2022					
in millions of €s	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Letters of credit	70	-	-	-	-	70
Financial guarantees	1,991	-	-	-	-	1,991
Undrawn commitments to lend	8,731	-	-	-	-	8,731
Total guarantees & commitments	10,792	-	-	-	-	10,792

Contingent liabilities & commitments by contractual maturity	2021					
in millions of €s	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Letters of credit	4	-	-	-	-	4
Financial guarantees	1,591	-	-	-	-	1,591
Undrawn commitments to lend	8,898	-	-	-	-	8,898
Total guarantees & commitments	10,493	-	-	-	-	10,493

Regarding MBE's ability to cope with unexpected utilisation of these contingent liabilities or commitments, MBE has historical peak drawdown assumptions incorporated in its liquidity stress test scenarios.

28.4 Market risk

Market risk is defined as the potential for sustaining a loss due to a change in the price of (an open position of) assets or liabilities held (including off-balance sheet assets and liabilities) resulting from changes of risk factors like interest rates, exchange rates, equity prices, commodity prices and others.

1. **Foreign exchange risk (or currency risk):** the risk of loss resulting from an adverse movement in foreign exchange rates resulting from open positions in FX contracts. From MBE's FX sales services to our customer open positions arise. These are normally hedged. However, frictional positions from an operational efficiency point of view may remain with MBE.
2. **Market liquidity risk**: the risk that a position cannot be easily unwound or offset at short notice without significantly influencing the market price because of inadequate market depth or market disruption. Additionally, it is the risk that funding of new client business may not be achievable in the market.
3. **Interest rate risk:** the risk arising from changes in the market-driven interest rates used to value fixed income securities held in MBE's portfolio. Interest rate risk includes risks arising from the change in the absolute level of interest rates, a change in the spread between two rates, a change in the shape of the yield curve, or a change in any other interest rate relationship that will affect the value of the security. Interest rate risk under the Market Risk Policy is intended to cover interest rate risk in the (potential) trading book; interest rate risk in the banking book (IRRBB) is covered under EBA guidelines.

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4. **Asset and/or credit risk:** the market value of counterparty credit spread risk arising from positions measured at fair value. This risk arises from movements in credit spreads of the contracting parties, compounded by changes to the value or variability in the value of the underlying derivative transaction. It is the risk of incurring losses from the default of issuers of tradable debt or equity instruments (such as bonds or shares); the default risk is the potential loss arising from a financial transaction should the business partner not fulfil their contractual obligations either due to specific, economic, or political reasons.

Pursuant to MBE's strategy, the policy is to minimise market risks. Therefore MBE does not have trading activity and minimises foreign exchange positions. Market transactions are limited to money market balance sheet funding operations, customer-driven foreign exchange cover transactions and bond investments, all deriving from and managed within the banking book. Consequently, no trading book is kept by MBE and therefore MBE is not exposed to material price risk.

MBE’s bond investment portfolio is composed of bonds and bills issued by sovereigns and supranationals, typically with high credit ratings and shorter duration. The size of the portfolio is limited to the capital and reserves and is pledged to secure any borrowings under credit facility agreements with the Dutch, Czech and Polish central banks.

Most of MBE’s derivative transactions relate to legacy transaction with customers which are normally offset by transactions with other (market) counterparties.

The risks are mitigated by strict quantitative limits, which are reviewed semi-annually, and effective segregation between 1st line and 2nd Line of Defence responsibilities; the risks are tracked and controlled on an ongoing basis to ensure they are within predefined limits.

End of day foreign currency and interest rate position reports are prepared by the Treasury Division, the Back Office and Risk Management Division and reported to management. Monthly position reports are submitted to the ALMC for review.

MBE is not active in securities investments. Pursuant to MBE’s investment policy, securities investments are limited to Dutch government bonds, European Investment Bank Floating Rate Notes and foreign government bonds, constrained to investing MBE’s capital and reserves and are pledged to secure any borrowings under credit facility agreements with the Dutch, Czech and Polish central banks.

Foreign exchange (or currency) risk

Foreign exchange (FX) (or currency) risk may arise from adverse movements in currency exchange rates. MBE monitors foreign exchange using FX (Value-at-Risk) VaR and FX Term P/L risk appetite indicators. These two risk appetite indicators provide an industry standard for monitoring market risk whilst also providing a stronger link between the risk appetite indicators and profit. MBE is a so-called “Non-Limit-Granted Unit” which means that the bank keeps foreign exchange positions within relatively narrow limits. MBE has in place a FX VaR limit of USD $500. As a result, the bank is not exposed to any material foreign currency risk. Limits frameworks are in place to facilitate daily management of currency positions and forward transactions and currency time options. In accordance with MBE’s policy, positions are monitored on a daily basis by 1st line and 2nd Line of Defence and reported to the ALCO for review; hedging strategies are used to ensure positions are maintained within established limits.

Risk management

FC position

FC position in millions of €s	2022			2021		
Currency	Total assets	Total liabilities	Position	Total assets	Total liabilities	Position
EUR	6,751	(4,510)	2,241	8,929	(7,175)	1,754
CZK	115	(101)	14	121	(120)	1
PLN	544	(20)	524	407	(402)	5
USD	279	(12)	267	1,615	(1,611)	4
GBP	3,251	(5,131)	(1,880)	264	(259)	5
JPY	191	(388)	(197)	692	(698)	(6)
Other	1,137	(377)	760	173	(180)	(8)
Total	12,268	(10,539)	1,729	12,201	(10,445)	1,756

Currency sensitivity

Currency sensitivity in thousands of $s (USD)	2022	2021
FX VaR	204	77

(Traded) Interest rate risk

MBE does not maintain a trading book that can expose it to (traded) interest rate risk. The only material interest rate risk resides in the banking book, which is described earlier in this section.

28.5 Operational risk

Operational risk refers to the risk of loss caused by either internal control issues, such as inadequate operational processes or misconduct, system failures, or external factors, such as a natural disaster. The term includes a broad range of risks that could lead to losses, including operations risk, information asset risk, reputation risk, legal risk, and tangible (or physical) asset risk.

Based on the Head Office risk categorisation, MBE has developed an operational risk categorisation with nine operational risk types, which constitute the Operational Risk Taxonomy. The Taxonomy may change as emerging or new risks are recognised.

MBE defines seven types of operational risk:

- IT risk: the risk of sustaining a loss or disruption to business operation, loss of key systems, data and infrastructure as a result of inadequate security measures, technology and system inadequacy; and inability to recover from failures.
- Information security risk: the risk of sustaining a loss, and related risk, caused by information loss, unauthorised alteration, misuse, leakage, destruction, suspension, malfunction, misuse, and other events.
- Crisis management risk: the risk of sustaining a loss due to unavailability of staff, systems and/or business premises due to unforeseen events (e.g. natural disaster, major infrastructure outage, terrorism) leading to inability to conduct business.
- Vendor/outsourcing risk: the risk of loss to the bank due to failure of or incidents caused by (including intragroup) outsourced providers and vendors.
- Change/project risk: the risk of loss arising from project/change activities with impact on business processes, resources or systems, which may prevent the business from meeting objectives.
- Model risk: the risk of sustaining a loss, as a consequence of decisions that could be principally based on the output of models, due to errors in the development, implementation or use of such model.

Risk management

- Operations risk: the risk of incurring a loss that might be caused by operational processing not being properly executed either through negligence or misconduct whether intentional or otherwise. TRS updates; IT risks and information security risks through an extensive Self Inspection (SI) program.

Operational risk is managed by written workflows, business process manuals and internal control measures. Different tools and systems are being implemented to ensure proper event and incident management, risk and control self-assessment and issue management.

In the final quarter of the previous financial year, MBE was confronted with the worldwide outbreak of Covid-19. Crisis and related uncertainties continued also into the reported financial year, impacting MBE from an operational risk perspective. The pressure on resources and the IT infrastructure increased with offices closed and people working from home, which meant that the operational risk had increased. This escalated level of operational risk continued over the course of the reported financial year. MBE has taken steps to mitigate the risk by putting in place a solid crisis management organisation, close monitoring and managing the situation in alignment with MUFG headquarters. Efforts on remote IT infrastructure have been accelerated to ensure continuation of critical operations and enable staff members to work from home or alternative office locations. Parallel to this, additional controls have been implemented to monitor IT and cyber risks. Employees' physical and mental health, as well as safety and well-being have continuously been one of MBE's top priorities. As a result, MBE has not experienced significant financial impacts from change of operations caused by the COVID-19 pandemic.

28.6 Compliance and integrity risk

MUFG has established Principles of Ethics and Conduct as the guidelines for how the Group's directors and employees act to realise the Corporate Vision, in which MUFG has expressed its commitment to complying with laws and regulations, to acting with honesty and integrity, and to behaving in a manner that supports and strengthens the trust and confidence of society.

MBE recognises compliance and integrity as number one value as it is MUFG's mission to be the world's most trusted financial group. Compliance is therefore a high priority in the control systems of MBE.

MBE defines compliance and integrity risk as follows: the risk of legal or regulatory sanctions, material financial loss, or loss to reputation a bank may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its banking activities.

In close consultation with the parent bank, the Management Board has paid attention enhancing an appropriate and effective compliance structure aiming at sound and appropriate business management and to maintain customer confidence. MUFG Bank has group-wide Compliance Quality Improvement Programs for both the Financial Crime area and for Core Compliance.

The Chief Compliance Officer reports monthly to the Compliance Committee (CC), in which the full Management Board participates, on compliance issues and to the regional and global compliance offices of the parent bank located in London and Tokyo respectively.

28.7 Capital management

The objective of MBE's capital management is to maintain healthy capital ratios aligned to business strategy and risk appetite and observing regulatory requirements in order to support its business expansion and contribute to shareholder's value. The minimum capital requirements under the European Capital Requirements Directive, based on the Basel Capital Accords framework and implemented in local laws for Financial Supervision (Wft) (CRD IV/CRR) are based on three pillars:

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- Pillar 1 capital calculated based on Standardised Approach (SA), Marked to Market (MtM) and Basic Indicator Approach (BIA) as specified in banking regulations to cover unexpected losses arising from credit, market and operational risk.
- Pillar 2 capital needed according to MBE's internal view, also including capital buffers to cover unexpected losses that may arise from risks not included in Pillar 1 calculations.
- Pillar 3 regards disclosure requirements promoting transparency to stakeholders and market discipline.

Current capital requirements compare total capital and Common Equity Tier 1 (CET1) capital with the total *risk exposure* amount (TREA, previously referred to as RWA: risk-weighted assets), including the off-balance sheet credit risk exposure arising from commitments and undrawn credit facilities. The minimum Pillar I legal requirement for the total capital ratio is 8% of risk-weighted assets. The CRR also introduced a *non-risk based* capital ratio in 2013, the leverage ratio, to be further refined, calibrated and publicly disclosed as of 2016, before becoming a binding measure as of 2018. The minimum legal requirement for the leverage ratio is 3%.

MBE manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, MBE may adjust the amount of dividend payment to the shareholder, return capital to the shareholder or issue capital securities. No changes have been made in the objectives, policies and processes from the previous years.

Capital available

MBE's capital consists of Common Equity Tier 1 (CET1) capital (also referred to as 'going concern' capital) and Tier 2 capital (Subordinated debt). After adjustment in order to calculate the capital ratio according to banking regulations the breakdown is as follows:

Capital requirements in thousands of €s	2022	2021
Common equity Tier 1		
Issued capital	100,003	100,003
Share premium	1,334,304	1,334,304
Retained earnings	337,884	357,434
Result for the year	(25,064)	(24,126)
Regulatory adjustments		
Other intangible assets	(20,321)	(23,812)
Prudential filter	(427)	(143)
Accumulated other comprehensive income	(11,878)	(14,808)
Non controlling interest	41	68
Common equity Tier 1	1,714,542	1,728,920
Eligible Tier 2 Capital instruments		
Subordinated debt	300,000	300,000
Tier 2 capital	300,000	300,000
Dividend proposed	-	-
Total own funds	2,014,542	2,028,920
Risk weighted assets	10,687,034	9,838,336

Risk management

Risk weighted assets per category in thousands of €s	2022	2021
Credit risk	10,408,301	9,539,470
Operational risk	262,673	285,720
Other	16,060	13,146
Total	10,687,034	9,838,336

MBE has complied with the regulatory capital requirements throughout the reporting period and maintained capital ratios above the regulatory minimum CET1.

Solvency ratios	2022	2021
Common equity Tier 1 ratio	16.04%	17.57%
Tier 1 ratio	16.04%	17.57%
Total capital ratio	18.85%	20.62%

As at 31 March 2022 MBE's total capital own funds amounted to € 2,014,542 (2021: € 2,028,920). The total capital ratio decreased from 20.62% on 31 March 2021 to 18.81% as per 31 March 2022. The leverage ratio exposure (Tier 1 capital / exposure) increased from 14.47% on 31 March 2021 to 16.00% as per 31 March 2022.

28.8 Strategic risk

MBE defines strategic risk as the risk which is associated with strategic decisions and with changes in the entity's general conditions, which both have an important impact on its business model in both the mid and long term. The entity's business model is a key factor for strategic risk. The business model should be feasible and sustainable, deliver acceptable results each year and for at least the next three years. MBE further defines 4types of strategic risk, which may lead to missed opportunities and/or higher costs than anticipated leading to losses:

- Business Model Risk: the risk associated with the entity's business model. This includes the risk of the business model being obsolescent, of it being irrelevant, and/or losing value, and so not being able to deliver the expected results. This risk is caused both by external factors (macroeconomic, regulatory, social and political factors, changes in the banking industry, etc.) and also internal ones (strength and stability of the income statement, distribution model/channels, revenue and expenses structure, operational efficiency, adequacy of human resources and systems, etc).
- Strategy Design Risk: the risk associated with the strategy set out in the entity's three-year strategic plan. Specifically, it includes the risk that the strategic plan may not be adequate per se, or due to its assumptions, and thus the bank will not be able to deliver on its expected results. It is also important to consider the opportunity cost of designing another more adequate strategy or the lack of action resulting from not designing it.
- Strategy Execution Risk: the risk associated with the process of implementing three-year strategic plans. As the strategy is implemented in the mid and long term, it often has execution risk due to the complexity and many variables involved in it. Other risk areas to be borne in mind are possibly inadequate resources, change management, and, lastly, lack of capacity to cope with changes in the business environment.
- Climate Risk: in the course of the financial year until 31 March 2022, MBE worked on further identifying climate risk within its portfolio. Several scenarios are used to identify various climate risks that can potentially affect sectors.

To assess the risk for MBE of not achieving its strategic objectives, Risk Management performs a periodic Strategic Risk Assessment (SRA). In this strategic risk assessment business model risk, strategic design risk and execution risk are assessed. The output of the SRA is used to challenge the adequacy of MBE's business plan and strategic planning. It is also input to systematically monitor the strategy risks as part of Risk Appetite Statement.

Risk management

Current circumstances, both internal (i.e. investments into safety and soundness) and external (i.e. low interest environment), put significant pressure on the financial viability of the business model. In combination with major uncertainties (Covid-19 impact on economy, Brexit, IPU), MBE has not managed to reduce strategic risk in the past 12 months. However, with its upcoming three-year strategic plan, MBE intends to reduce its strategic risk by means of a more viable business model and improved strategic risk controls.

28.9 ESG risk management
Risk Management for Climate & Environmental (C&E) risks is a dynamic and rapidly evolving field. It is one of MUFG's key focus points for the upcoming year. Per December 2021 an MUFG EMEA wide project was finalized to quantify financial risks arising from climate change on the complete EMEA balance sheet, including MBE. The project had four work streams with a broad EMEA focus of which two work streams relevant for risk management:

- Work stream 1, Data and Metrics: To develop a suite of risk metrics and mechanisms to capture climate change related data to measure and monitor risks to the credit portfolios of MUS(EMEA) and MUFG Bank EMEA to inform senior management decision-making and credit decisions.

- Work stream 2, Scenario Analysis: To develop and implement short-term and long-term scenarios in order to identify the financial risks from climate change and measure the impact of such risks on the overall risk profile and business strategy.

Overall, the primary objectives of this project have been completed. Further embedding and ongoing enhancements will be necessary in 2022 and beyond, particularly as a MUFG Group wide approach will evolve in maturity. For MBE, in particular, the implementation is key as this should be part of regular business. Further, the project put a focus on credit risk. Expanding the work to other risk types as well as also looking more at "S" and "G" of "ESG" will also be part of the enhancements of the risk management part of ESG going-forward.

Details MUFG EMEA climate risk project

Data and Metrics: the data and metrics part of the climate risk project resulted into the following:

- Heatmap - A high level analysis and assessment of current exposure of the credit portfolios to climate change risks is developed using a heatmap.

For this, a formulaic approach was applied, initially, taken into account five components: Industry risk; country risk; tenor risk; emissions; stranded asset risk. However, the initial roll-out of the heat map considers only industry, country and tenor risk. Each of the selected components followed an internal defined scoring system ranging from 0 – 4. The emissions component is currently ongoing, pending the ability to source consistent and reliable data for clients. Next the stranded asset risk component is expected to be determined by the applicable relationship manager on a client-by-client basis and where clients have heightened stranded asset risk, compared to their industry peers they should be scored a 3 or 4. All of the above led to a so-called 'Total Climate Score Aggregation'. Initially, aggregation was determined by using an equal weighting to each factor e.g. country, industry and tenor. However, it was identified that this gave an unfair weighting in some instances, which was against the business

Risk management

strategy i.e. project finance deals typically have long tenors and it applied a penal score to a 20-year wind-farm compared to an oil and gas transaction of a shorter tenor. A number of aggregation approaches were tested. However, it was agreed to use a multiplying approach for the overall client score that is based upon a "leading factor". After obtaining a final heatmap per client, the heatmap is the foundation of the climate risk work and is expected to have applications in the following areas (to name the key areas):

1. Portfolio level analysis Management Information;
2. Client level assessment;
3. Credit risk assessment and limits on exposure for certain categories;
4. Foundations for taxonomy;
5. Identification of transmission channels for scenario analysis;
6. Utilisation in stress testing methodology (rating transition or vulnerability assessment).

- Risk Appetite & Metrics – Measure and monitor climate-related risks to the credit portfolios Within MUFG EMEA.

Within MUFG and therefore MBE, the decision has been taken to integrate climate risk within the established risk types. The qualitative statements should articulate both the impact of the firm upon the climate and the impact of climate upon the firm. Stated commitments by the firm should translate into quantifiable measures where thresholds can be set and monitored to manage performance against those metrics. Metrics for risk appetite have initially been agreed as part of the EMEA project. These have not yet been adopted by MBE. However, this is foreseen for 2023..

The approach to metrics for Management Information reporting purposes is dealt with separately to risk appetite. However, there may be some overlap.

- Credit risk assessment – Develop a mechanism to capture climate change risk data (incl. data already available in our systems, as well as data that we need to obtain from customers going forward) as part of the regular credit assessment and monitoring processes such as the credit ratings of clients, etc.

The key area where the financial risks arising from climate change should be considered to assess the risks MUFG is exposed to, is within the credit risk assessment process. This also still requires enhancements and further implementation within MBE, however, this is not an MBE stand-alone process and as such is being implemented within MUFG's EMEA entities.

Scenario Analysis

As part of its ICAAP, MBE is currently using a 3 year climate risk scenario. This scenario aims to assess the impact of climate related risks in order to identify potential vulnerabilities and design a control framework that will assist MBE in managing climate related risks. The scenario involves a series of high impact, low historical probability climate-related shocks such as flooding provoke social unrest around the world:

- This prompts governments to take sudden and aggressive action to limit greenhouse gas emissions.
- Within months, a coordinated tax is introduced on fossil fuels based on their carbon content, with scarcely any phase-in period. Prices reach USD 150 per ton of CO2 by Year 3. This increase in carbon price is designed to increase investment and innovation but, after such an abrupt change, the shift to carbon-neutral alternatives is very limited over the scenario horizon.
- The result is a sharp reduction in energy use over the short-term. Global CO2 emissions fall by around 20% by the end of Year 3.
- For the global economy, the negative impact on demand is reinforced by policy uncertainty which weighs on consumption and private investment. While there is a boost from higher government investment and private

Risk management

spending on green electricity and storage, and tax cuts elsewhere (e.g. on labor), the overall impact on GDP is clearly negative. Higher energy costs push up headline inflation. Long-term interest rates move higher, reflecting these inflationary pressures as well as increased investment demand.
- The sudden shift is a shock for asset valuations, especially in sectors that are set to struggle with decarbonizing, which triggers wider financial market contagion.

Using Integrated Stress Testing, the effects of this scenario were mapped to Credit, Liquidity, Operational and IRRBB risk types and presented as part of MBE's ICAAP. Finally, MBE will continue to enhance its C&E risks related scenario analysis (e.g. multi-decade scenarios).

29 List of subsidiaries

Name of the subsidiary	Country of incorporation	Place	% equity interest 2022	% equity interest 2021
MUFG Europe Lease (Deutschland) GmbH	Germany	Dusseldorf	95	95
MUFG Funding (UK) Limited	United Kingdom	London	100	100

The liquidation of MUFG Europe Lease (Deutschland) GmbH I.L. is expected to be finalised in the financial year 22/23.

30 Country by country reporting (CbCr)

Article 89 of CRD IV requires regulated entities to report on certain tax, financial and statistical data for each country in which they operate. The Company is a qualifying institution under the terms of CRD IV.

The preceding notes have been prepared on a company only basis, whereas the following disclosure is on a consolidated basis to comply with this directive.

Details of the subsidiaries and branches are as follows:

Country	Entity	Nature of activities
Netherlands	MUFG Bank (Europe) N.V.	Financial services
Spain	Branch	Financial services
Poland	Branch	Financial services
Czech Republic	Branch	Financial services
Austria	Branch	Financial services
Belgium	Branch	Financial services
Germany	Branch	Financial services
Germany	MUFG Europe Lease (Deutschland) GmbH	Financial services
United Kingdom	MUFG Funding (UK) Ltd	Financial services

30 Country by country reporting (CbCr)

	2022				
Country	Average number of employees	Turnover	Profit/(loss) before tax	Corporation tax (paid)/received	Public subsidies received
Netherlands	312	95,859	(26,861)	(89)	-
Spain	41	10,029	3,989	(2,493)	-
Poland	29	3,498	405	(1,081)	-
Czech Republic	16	591	775	5	-
Austria	11	1,858	420	290	-
Belgium	25	2,455	(4,595)	-	-
United Kingdom	9	25	(83)	-	-
Germany	233	26,754	190	4,044	-
Total	676	141,069	(25,760)	676	-

31 Proposed profit appropriation

The statutory provision regarding the profit appropriation reads as follows:

The profit appearing from the confirmed Financial Statements shall be at the disposal of the General meeting of the shareholder. The loss for the year ended 31 March 2022 amounts to €25,064. The proposal to the General shareholder meeting to appropriate the loss is:

Appropriation of profit (loss)	
Transfer to reserves	(25,064)
Profit (loss) for the year	(25,064)

32 Subsequent events

Change in management board

After the financial year ended as per 31 March 2022, the management board has changed. As per 1 April 2022, mr. H. Takase resigned and mr. H. Bots has been appointed as per 1 April 2022. As per 15 April 2022, mr. M.F. Rosenberg resigned and ms. D. Dimitrijevic has been appointed as per 15 April 2022.

Ukraine – Russia conflict

The Ukraine – Russia conflict is evolving continuously, with new developments taking place almost on a daily basis. There is a risk that the current Ukraine – Russia conflict impacts external environment that would impact the realization of MBE's strategic objectives in coming 2 years. As per March 2022, MBE did not have a direct exposure to Russian or Ukrainian assets. Key risk is coming mostly from the 2nd order effect of inflation, driven by commodity price increase (energy, metals, soft commodities) and monetary tightening, and cooling in economic recovery.

Certain clients may need parental or governmental support to withstand these 2nd order effects, should no support be provided this might materially impact the future capabilities of these clients to fullfill their obligations towards MBE. If and when applicable, this will be reflected in higher provision for expected credit losses and/or restructuring of the outstanding loans for the clients involved.

Other events

No other material events occurred after 31 March 2022.

Authorisation of Consolidated Financial Statements

Amsterdam, 19 July 2022

The Supervisory Board

W. Reehoorn, Chairman

K. Yokomaku, Vice-Chairman

K.W. Peacock

G. Van Vollenhoven-Eikelenboom

The Management Board

H.D.L. Bots, Chairman (appointed as per 1 April 2022)

N. Hatano

M.A.B. Selles

E.G. Shakhurina

D. Dimitrijevic (appointed as per 15 April 2022)

H. Takase (resigned as per 1 April 2022)
M.F. Rosenberg (resigned as per 15 April 2022)

Parent Company Financial Statements
As at 31 March 2022

Parent Company Statement of Financial Position

As at 31 March

in thousands of €s	Notes	2022	2021
ASSETS			
Cash and balances with central banks	A	904,077	1,000,587
Loans and advances to banks	B	3,229,983	4,342,250
Loans and advances to customers	C	7,606,458	6,590,924
Financial investments	D	332,771	74,744
Investments in subsidiaries	E	7,295	7,840
Intangible assets	F	12,761	17,211
Property and equipment	G	14,953	17,906
Current tax assets	H	49,600	41,011
Deferred tax assets	I	36,232	36,581
Other assets	J	75,649	68,798
Total assets		12,269,779	12,197,852
LIABILITIES			
Due to banks	K	4,797,067	3,410,544
Due to customers	L	5,256,296	6,584,684
Current tax liabilities	H	204	1,672
Deferred tax liabilities	I	-	-
Other liabilities	M	160,617	112,115
Provisions	N	20,230	35,915
Subordinated debt	O	300,116	300,116
Total liabilities		10,534,530	10,445,046
EQUITY			
Issued capital	P	100,003	100,003
Share premium	P	1,334,304	1,334,304
Legal reserves	P	11,420	5,278
Retained earnings	P	289,522	313,222
Total equity		1,735,249	1,752,806
Total liabilities and equity		12,269,779	12,197,852

Parent Company Statement of Profit or Loss

For the year ended 31 March

in thousands of €s	Notes	2022	2021
Interest income		110,212	116,014
Interest expense		23,968	38,171
Net interest income	R	86,244	77,843
Fee and commission income		28,731	28,569
Fee and commission expense		13,719	14,169
Net fee and commission income	S	15,012	14,400
Result on financial transactions	T	43,866	37,058
Other operating income		594	88
Total operating income		145,716	129,388
Personnel expenses	U	104,958	86,204
Depreciation of property and equipment	G	4,305	4,470
Amortisation of intangible assets	F	5,606	5,820
Impairment on fixed assets	F	1,299	1,324
Other operating expenses	V	61,139	54,891
Total operating expenses		177,307	152,710
Credit loss expenses (recovery)	C	(6,306)	(6,007)
Profit (loss) before tax		(25,285)	(17,314)
Income tax expense/ (benefit)	W	(675)	7,150
Net result continued operations		(24,610)	(24,464)
Result of group companies after taxation		454	(338)
Net result		(25,064)	(24,126)

Notes to Parent Company Financial Statements

unless stated otherwise amounts in thousands of €s

Accounting policies

A. Accounting Policies for the Parent Company Financial Statements

1. General information

MUFG Bank (Europe) N.V. (hereafter: MBE) has its statutory seat in Amsterdam, the Netherlands and is registered at the Commercial Register of Amsterdam under number 33.13.25.01.

2. Basis of preparation of the Parent company Financial Statements

The parent company financial statements of MBE are prepared in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. The accounting policies applicable to presentation and disclosures are in accordance with the financial reporting requirements included in Part 9 of Book 2, of the Dutch Civil Code. In accordance with section 8 of article 362, Book 2 of the Dutch Civil Code, the recognition and measurement principles applied in these parent company Financial Statements are the same as those applied in the consolidated Financial Statements, reference is made to Note 1 'Accounting policies for the Consolidated Financial Statements'. Investments in group companies are accounted for using the equity method of accounting in the parent company Financial Statements in accordance with article 389, section 2 of Book 2, of the Dutch Civil Code.

Changes in balance sheet values due to changes in the revaluation reserve of subsidiaries are reflected in the parent company's revaluation reserve, which forms part of shareholder's equity. Changes in balance sheet values due to the results of these subsidiaries, accounted for in accordance with IFRS-EU, are included in the statement of profit or loss. For information regarding the risk management policies, related party transactions and additional notes reference is made to the consolidated Financial Statements.

Notes to the Parent Company Statement of Financial Position
Assets

A. Cash and balances with central banks

Cash and balances with central banks, in thousands of €s	2022	2021
Balances with central banks	904,077	1,000,587
Cash and balances with central banks	904,077	1,000,587

Balances with central banks include mandatory reserve deposits amounting to € 223,951 (2021: € 109,886), which are not immediately available for MBE's day-to-day operations.

Notes to the Parent Company Statement of Financial Position Assets

B. Loans and advances to banks

Loans and advances to banks	2022	2021
Placement with banks - term deposits	-	80,762
Loans and advances	215,000	674,797
Non-current loans and advances to banks	215,000	755,559
Placements with banks - on demand	2,392,215	2,897,774
Placement with banks - term deposits	408,423	552,442
Loans and advances	214,371	136,787
Allowance for expected credit losses	(26)	(312)
Current loans and advances to banks	3,014,983	3,586,691
Loan and advances to banks	3,229,983	4,342,250

The amount receivable from MUFG Bank London branch is € 2,153,932 (2021: € 2,663,540). MBE entered into a financial collateral agreement with MUFG Bank London branch, whereby eligible government bonds are pledged by MUFG Bank to MBE. To reduce MBE´s total risk exposure amount and to maintain its exposure to MUFG Bank within the legal lending limit € 4,536,567 (2021: € 3,727,943) was used as credit risk mitigation.

C. Loans and advances to customers

Loans and advances to customers - by class	2022	2021
Corporate term loans	4,374,682	3,891,956
Bills of exchange	14,936	195,509
Non-current loans and advances to customers	4,389,618	4,087,465
Corporate term loans	1,776,240	1,465,140
Corporate current accounts	217,762	154,398
Bills of exchange	1,224,291	941,237
Supply Chain Finance (SCF)	52,153	-
Current loans and advances to customers	3,270,446	2,560,775
Allowance for expected credit losses	(53,606)	(57,315)
Loans and advances to customers	7,606,458	6,590,924
Loans and advances to customers - by class	7,606,458	6,590,924

A substantial part of the loans and advances is granted to Japanese-owned companies established in countries in which MBE has a presence. Collateral is frequently obtained in connection with loans and advances.

The following table analyses the loan portfolio by collateral type:

Collateral and credit enhancements	2022	2021
Bonds	6,788,748	3,811,781
Pledged deposits	1,399,955	1,420,607
Financial guarantees	5,351,130	5,690,737
Collateral and credit enhancements	13,539,833	10,923,125

Allowance expected credit losses for loans and advances to customers

The movements in the allowances can be specified as follows:

Notes to the Parent Company Statement of Financial Position Assets

Expected credit loss allowance for loans and advances to customers	2022	2021
Opening balance	(61,723)	(132,240)
Expected credit loss (expenses) recovery	6,306	6,007
Write off expenses	-	64,510
Recovery amounts previously written off	-	-
Closing balance	(55,417)	(61,723)

The transfer relates to a transfer from expected credit losses on off-balance facilities to expected credit losses on loans and advances to customers.

For further details on expected credit losses we refer to Note 28 Risk management - Note 28.2 Credit risk.

D. Financial investments

Financial investments	2022	2021
Government bonds	60,169	64,505
Investments resulting from supply chain finance transactions	236,809	10,240
Loans FVTPL	35,793	-
Financial investments	332,771	74,744

The financial investments consist of short-term Polish government bonds and investments resulting from supply chain financing (reverse factoring) transactions. The Polish government bonds are pledged for liquidity purposes to the Polish central bank to secure any borrowings.

E. Investments in subsidiaries

MBE has the following subsidiaries:

Investments in subsidiaries			2022		2021	
Name of the subsidiary	Country of incorporation	Place	Interest held %	Balance Sheet Value	Interest held %	Balance Sheet Value
MUFG Europe Lease (Deutschland) GmbH	Germany	Dusseldorf	95	787	95	1,303
MUFG Funding (UK) Limited	United Kingdom	London	100	6,508	100	6,537
Investments in subsidiaries				7,295		7,840

In FY20 MBE decided to liquidate MUFG Europe Lease (Deutschland) GmbH by the end of FY23. Following this decision MUFG Europe Lease (Deutschland) GmbH ceased the origination of new client contracts. MUFG Lease will continue to serve its existing client contracts until further decision making takes place.

The shares of the subsidiaries are not listed on any stock exchange. The movements are as follows:

Movements: investments in subsidiaries	2022	2021
Opening balance	7,840	7,371
Net profit/(loss) for the period	(475)	338
Dividend payment	-	-
Translation differences	(70)	256
Derecognition due to liquidation	-	(125)
Closing balance	7,295	7,840

Notes to the Parent Company Statement of Financial Position Assets

F. Intangible assets

Intangible assets	2022	2021
Opening balance	17,211	18,655
Additions	3,212	5,697
Disposals	(1,608)	-
Amortisation	(5,606)	(5,820)
Under development	856	-
Impairment (loss)	(1,299)	(1,324)
Exchange rate adjustments	(5)	3
Closing balance	12,761	17,211
Accumulated cost	47,348	44,141
Accumulated amortisation and impairment (loss)	(34,587)	(26,929)
Closing balance	12,761	17,211

The intangible assets consist of software and licenses. Contained within the additions are purchases of intangible assets amounting to € 195 (2021: € 598). The amortisation period varies between 1 and 5 years. The carrying value of intangible assets has been reduced to its recoverable amount by recognising an impairment of € 1,299 as at 31 March 2022 (2021: € 1,324).

G. Property and equipment

	2022					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	2,510	2,987	5,497	104	12,305	12,410
Additions	761	425	1,186	82	283	365
Disposals	(135)	(144)	(279)	(86)	(18)	(104)
Depreciation	(1,051)	(462)	(1,513)	(52)	(2,740)	(2,792)
Other changes	963	(609)	354	-	(170)	(170)
Closing balance	3,048	2,197	5,245	48	9,660	9,708
Accumulated cost	13,438	10,130	23,568	186	18,202	18,388
Accumulated depreciation	(10,390)	(7,933)	(18,323)	(138)	(8,542)	(8,680)
Property and equipment	3,048	2,197	5,245	48	9,660	9,708

	2021					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	2,393	2,771	5,164	98	12,019	12,117
Additions	500	125	625	34	3,434	3,468
Disposals	(1)	-	(1)	-	-	-
Depreciation	(828)	(467)	(1,295)	(28)	(3,148)	(3,175)
Other changes	446	558	1,004	-	-	-
Closing balance	2,510	2,987	5,497	104	12,305	12,410
Accumulated cost	11,714	9,705	21,419	154	18,369	18,523
Accumulated depreciation	(9,204)	(6,718)	(15,922)	(50)	(6,064)	(6,113)
Property and equipment	2,510	2,987	5,497	104	12,305	12,410

The property and equipment relates to small office equipment and improvements to the office (leasehold improvements). The depreciation period varies between 2-16 years.

Notes to the Parent Company Statement of Financial Position Assets

H. Current tax

Current tax assets	2022	2021
Current tax assets	49,600	41,011
Current tax assets	49,600	41,011

Current tax liability	2022	2021
Current tax liability	204	1,672
Current tax liability	204	1,672

I. Deferred tax

Deferred tax assets	2022	2021
Deferred tax assets	36,232	36,581
Deferred tax assets	36,232	36,581

J. Other assets

Other assets	2022	2021
Accounts receivable	4,784	15,997
Prepayments	4,390	1,427
Derivative financial instruments	47,358	32,916
Other	19,117	18,458
Other assets	75,649	68,798

Liabilities

K. Due to banks

This item comprises debts to credit institutions and central banks.

Due to banks	2022	2021
Term deposits	2,661,691	2,301,365
Non-current due to banks	2,661,691	2,301,365
Nostro accounts	88,257	70,706
Term deposits	2,047,119	1,038,473
Current due to banks	2,135,376	1,109,179
Due to banks	4,797,067	3,410,544

The term deposits from MUFG Bank, pledged on behalf of loans and advances to customers or banks granted by MBE, amount to € 1,462,012 (2021: € 3,139,403). The total amount owed to MUFG Bank, including pledged deposits, is € 4,685,839 (2021: € 3,320,927).

L. Due to customers

Due to customers	2022	2021
Term deposits	20,413	125,525
Non-current due to customers	20,413	125,525
Current accounts	4,918,213	6,195,023
Term deposits	317,670	264,136
Current due to customers	5,235,883	6,459,159
Due to customers	5,256,296	6,584,684

Liabilities

M. Other liabilities

Other liabilities	2022	2021
Accrued expenses	42,729	35,384
Accounts payable	24,441	9,194
Lease liabilities	11,416	13,692
Derivative financial instruments	45,572	34,745
Other	36,459	19,100
Other liabilities	160,617	112,115

N. Provisions

Provisions	2022	2021
Expected credit loss on off-balance facilities	1,785	4,096
Defined benefit plan – the Netherlands	1,935	2,354
Pension liability – Germany	-	22,841
Restructuring provision	11,605	6,625
Provision for taxation	1,922	-
Provision for holiday allowance	2,656	-
Other provisions for early retirement and pensions	327	358

For the post employment benefit plans and early retirement liability please refer to Note 13 to the consolidated Financial Statements. The pension plans as disclosed in the consolidated Financial Statements entirely relate to the parent company.

O. Subordinated debt

Subordinated loan	2022	2021
Subordinated loan	300,116	300,116
Subordinated debt	300,116	300,116

MUFG Bank has granted MBE a subordinated loan in order to strengthen the capital position of MBE. The maturity date is 23 March 2028 and the loan has an annual floating interest rate of 1.550% (2021: 1.704%). The notional value of the subordinated loan is part of the total capital amount of MBE as Tier 2 capital.

Equity

P. Issued capital and other reserves

The authorised capital amounts to € 136,200 (2021: € 136,200) and consists of 300,000 ordinary shares of € 454 each (unit: one €). Issued and fully-paid capital amounts to € 100 million (2021: € 100 million). All shares issued are held by MUFG Bank, a wholly-owned subsidiary of MUFG Inc.

MBE has no share option schemes under which options to subscribe for MBE's shares have been granted to executives and senior employees. The revaluation reserve is a legal reserve under Dutch law.

Notes to Parent Company Financial Statements

Equity

in thousands of €s	Issued capital	Share premium	Retained earnings	Legal reserves: Fair value	Legal reserves: Foreign currency translation	Legal reserves: Intangible assets	Actuarial revaluation	Total equity
Closing balance as at 31 March 2020	100,003	1,334,304	343,323	(4)	72	14,111	(7,715)	1,784,094
Opening balance adjustment	-	-	-	-	-	-	(2,494)	(2,494)
Self developed software	-	-	(5,975)	-	-	5,975	-	-
Total Comprehensive income	-	-	(24,126)	27	256	-	(4,949)	(28,794)
Closing balance as at 31 March 2021	100,003	1,334,304	313,222	23	328	20,086	(15,158)	1,752,806
Opening balance adjustment	-	-	4,576	-	-	-	-	4,576
Self developed software	-	-	(3,212)	-	-	3,212	-	-
Total Comprehensive income	-	-	(25,064)	133	55	-	2,741	(22,135)
Closing balance as at 31 March 2022	100,003	1,334,304	289,522	156	383	23,298	(12,417)	1,735,249

The opening balance adjustment of €4,576 relates to value added tax expenses, holiday allowance expenses, deferred bonus expenses and corporate income tax adjustments pertaining to previous years, adjusted in the current financial year. The adjustments are considered non-material for the financial position of MBE. Amendment has been performed in the opening balance as recognition of individual items on their line in the Profit & Loss account is deemed not to provide the most representative view. Additional information is provided within the notes. The opening balance adjustment of € - 2,494 in the financial year 2021 relates to a the reversal of a deferred tax asset recognised in previous years, adjusted in the current financial year.

Contingent liabilities

Q. Contingent liabilities and commitments

Contingent liabilities and commitments	2022	2021
With respect to letters of credit	69,614	3,578
With respect to letters of guarantees	1,990,547	1,591,003
Irrevocable credit commitments	8,731,324	8,465,639
Other uncommitted facilities	4,311,666	4,496,375
Contingent liabilities and commitments	15,103,151	14,556,595

Letters of credit, guarantees and acceptances commit MBE to make payments on behalf of customers that fail to perform under the terms of the contract, generally related to the export or import of goods. Guarantees carry the same credit risk as loans. Other uncommitted facilities include loan commitments to our clients that are revocable.

Notes to Parent Company Statement of Profit or Loss

R. Net interest income

Net interest income	2022	2021
Interest income from cash and balances with central banks	960	91
Interest income from loans and advances to banks	1,672	1,188
Interest income from loans and advances to customers	99,355	111,396
Interest income from financial investments	897	1,357
Interest income from interest rate swaps	2,304	452
Interest income from: others	513	16
Interest income from liabilities	4,511	1,515
Interest income	110,212	116,014
Interest expense from due to banks	18,019	29,417
Interest expense from due to customer	1,968	3,155
Interest expense from interest rate swaps	2,306	427
Interest expense from: others	166	3,307
Interest expense from assets	1,509	1,865
Interest expense	23,968	38,171
Net interest income	86,244	77,843

S. Net fee and commission income

Net fee and commission income	2022	2021
Commission on funds transfer and letters of credit	11,156	10,330
Commission on guarantees	7,855	7,685
Brokerage and advisory fees	167	511
Commission on corporate management services	26	20
Other fee and commission income	9,527	10,023
Fee and commission income	28,731	28,569
Commission on (credit replacing) guarantees	3,605	3,052
Commission on funds transfer and letters of credit	1,024	821
Commission on corporate management services	-	-
Other fee and commission expenses	9,090	10,296
Fee and commission expense	13,719	14,169
Net fee and commission income	15,012	14,400

T. Result on financial transactions

Result on financial transactions	2022	2021
Result on financial transactions	43,866	37,058

This item includes the foreign currency results of MBE amounting to € 38,329 (2021: € 35,776). As explained in Note 28 to the consolidated Financial Statements, MBE's policy is to eliminate currency risks on financial assets and liabilities.

Notes to Parent Company Statement of Profit or Loss

U. Personnel expenses

Personnel expenses	2022	2021
Wages and salaries	69,518	67,242
Social securities costs	6,959	7,784
Pension costs	8,485	(3,223)
Restructuring expenses	9,828	48
Other staff costs	10,169	14,355
Personnel expenses	104,958	86,204

The number of employees during the year ended 31 March 2022 is 654 (2021: 794), of which 312 (2021: 404) are employed in the Netherlands.

Other staff costs include mainly the costs related to contracted employees and/or agency employees. The number of contractors as at 31 March 2022 is 59 (2021: 73).

In financial year 2020 the pension plan for Amsterdam has changed, which resulted in a curtailment gain. Please refer to Note 13.1 for more details.

Please refer to Note 27 for the remuneration paid to key management personnel.

V. Other operating expenses

Other operating expenses	2022	2021
Occupancy expenses	5,449	5,602
Office expenses	25,092	16,511
Professional fees	8,331	9,652
Business promotion expenses	4,073	4,117
VAT and sundry taxes	16,075	18,344
Restructuring expenses	887	-
Other operating expenses	1,232	665
Other operating expenses	61,139	54,891

Office expenses relate to IT services, regulatory supervision expenses and other office expenses.

Please refer to Note 20 for disclosures on audit fees paid.

W. Income tax expense

The components of income tax expense for the years ended 31 March 2022 and 31 March 2021 are:

Income tax (expense)	2022	2021
Current income tax	2,183	2,117
Tax adjustments previous years	(2,250)	(5,713)
Current tax	(67)	(3,596)
Utilisation of assessed loss	464	(10,980)
Restructuring and pension provisions	2,239	(558)
Allowance for expected credit losses	656	21,950
Other	(3,967)	334
Deferred tax	(608)	10,746
Income tax	(675)	7,150

Notes to Parent Company Statement of Profit or Loss

X. Maturity analysis of assets and liabilities

X Maturity analysis of financial assets and financial liabilities

in millions of €s	2022					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Assets	-	-	-	-	-	-
Cash and balances with central banks	854	50	-	-	-	904
Loans and advances to banks	2,395	385	238	220	-	3,238
Loans and advances to customers	218	1,819	1,232	2,537	1,852	7,658
Financial investments	6	222	145	8	-	381
Total assets	3,473	2,476	1,615	2,765	1,852	12,181
Liabilities	-	-	-	-	-	-
Due to banks	89	1,079	967	2,558	105	4,798
Due to customers	4,932	219	134	28	-	5,313
Subordinated debt	-	-	-	-	300	300
Total liabilities	5,021	1,298	1,101	2,586	405	10,411
Net	(1,548)	1,178	514	179	1,447	1,770

in millions of €s	2021					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Assets	-	-	-	-	-	-
Cash and balances with central banks	888	113	-	-	-	1,001
Loans and advances to banks	2,885	562	140	719	36	4,342
Loans and advances to customers	177	1,683	701	3,440	648	6,648
Financial investments	-	68	7	-	-	75
Total assets	3,950	2,424	849	4,159	684	12,066
Liabilities	-	-	-	-	-	-
Due to banks	72	656	381	2,114	187	3,411
Due to customers	6,199	198	62	126	-	6,585
Subordinated debt	-	-	-	-	300	300
Total liabilities	6,271	854	443	2,240	487	10,295
	-	-	-	-	-	-
Net	(2,321)	1,570	405	1,919	197	1,770

Notes to Parent Company Statement of Profit or Loss

Y. Proposed profit appropriation

Result from group companies and participating interest

The statutory provision regarding the profit appropriation reads as follows:

'The profit appearing from the confirmed Financial Statements shall be at the disposal of the General meeting of the shareholder.' The loss for the year ended 31 March 2022 amounts to €25,064. The proposal to the General shareholder meeting to appropriate the loss is:

Appropriation of profit (loss)	
Transfer to reserves	(25,064)
Profit (loss) for the year	(25,064)

Z. Subsequent events

Change in management board

After the financial year ended as per 31 March 2022, the management board has changed. As per 1 April 2022, mr. H. Takase resigned and mr. H. Bots has been appointed as per 1 April 2022. As per 15 April 2022, mr. M.F. Rosenberg resigned and ms. D. Dimitrijevic has been appointed as per 15 April 2022.

Ukraine – Russia conflict

The Ukraine – Russia conflict is evolving continuously, with new developments taking place almost on a daily basis. There is a risk that the current Ukraine – Russia conflict impacts external environment that would impact the realization of MBE's strategic objectives in coming 2 years. As per March 2022, MBE did not have a direct exposure to Russian or Ukrainian assets. Key risk is coming mostly from the 2nd order effect of inflation, driven by commodity price increase (energy, metals, soft commodities) and monetary tightening, and cooling in economic recovery.

Certain clients may need parental or governmental support to withstand these 2nd order effects, should no support be provided this might materially impact the future capabilities of these clients to fullfill their obligations towards MBE. If and when applicable, this will be reflected in higher provision for expected credit losses and/or restructuring of the outstanding loans for the clients involved.

Other events

No other material events occurred after 31 March 2022.

Authorisation Parent Company Financial Statements

Amsterdam, 19 July 2022

The Supervisory Board

W. Reehoorn, Chairman	K. Yokomaku, Vice-Chairman
K.W. Peacock	G. Van Vollenhoven-Eikelenboom

The Management Board

H.D.L. Bots, Chairman (appointed as per 1 April 2022)	N. Hatano
M.A.B. Selles	E.G. Shakhurina
D. Dimitrijevic (appointed as per 15 April 2022)	

H. Takase (resigned as per 1 April 2022)
M.F. Rosenberg (resigned as per 15 April 2022)

Articles of Association – Appropriation of results

The result is appropriated pursuant to Article 16 of the Deed of Amendment Articles of Association of MUFG Bank (Europe) N.V.

16.1 The profit, which is apparent from the confirmed annual accounts, is at the disposal of the General Meeting of Shareholders.

16.2 The company can only pay dividends to shareholders and other entitled to the distributable profits, in as far as its paid-up and called-up capital and retained earnings are larger than the paid-up and called-up part of the capital increased by the reserves which have to be maintained by law or under the articles of association.

16.3 The General Meeting of Shareholders can decide in the course of a financial year to pay out an interim dividend if the legal requirements set forth in article 16.2 of this article are fulfilled.

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Independent auditor's report

To the shareholder and the supervisory board of MUFG Bank (Europe) N.V.

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 MARCH 2022 INCLUDED IN THE ANNUAL REPORT

Our opinion

We have audited the financial statements for the year ended 31 March 2022 of MUFG Bank (Europe) N.V., based in Amsterdam. The financial statements comprise the consolidated financial statements and the parent company financial statements.

In our opinion:

- The accompanying consolidated financial statements give a true and fair view of the financial position of MUFG Bank (Europe) N.V. as at 31 March 2022, and of its result and its cash flows for for the year ended 31 March 2022 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The accompanying parent company financial statements give a true and fair view of the financial position of MUFG Bank (Europe) N.V. as at 31 March 2022, and of its result for for the year ended 31 March 2022 in accordance with Part 9 of Book 2 of the Dutch Civil Code.

The consolidated financial statements comprise:

1. The consolidated statement of financial position as at 31 March 2022.

2. The following statements for the year ended 31 March 2022: the consolidated statement of profit or loss, the consolidated statements of comprehensive income, changes in equity and cash flows.

3. The notes comprising a summary of the significant accounting policies and other explanatory information.

The parent company financial statements comprise:

1. The parent company statement of financial position as at 31 March 2022.

2. The parent company statement of profit or loss for the year ended 31 March 2022.

3. The notes comprising a summary of the accounting policies and other explanatory information.

Basis for our opinion

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

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

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

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

Materiality

Based on our professional judgement we determined the materiality for the financial statements as a whole at € 6,000,000. The materiality is based on 0.5% of shareholder's equity (capped at €6,000,000). We have also taken into account misstatements and/or possible misstatements that in our opinion are material for the users of the financial statements for qualitative reasons.

We agreed with the supervisory board that misstatements in excess of € 300,000, which are identified during the audit, would be reported to them, as well as smaller misstatements that in our view must be reported on qualitative grounds.

Scope of the group audit

MUFG Bank (Europe) N.V. is at the head of a group of entities. The financial information of this group is included in the consolidated financial statements of MUFG Bank (Europe) N.V.

Our group audit mainly focused on the significant identified branches.

We have:

- Performed audit procedures ourselves at MUFG Bank (Europe) N.V. Amsterdam and performed audit procedures at group level on audit areas such as the allowance for expected credit losses, consolidation, disclosure requirements and regulatory compliance.

- Used the work of other auditors when auditing MUFG Bank (Europe) N.V. Germany and Poland branches.

- Performed review procedures ourselves or performed specific audit procedures at other group entities.

By performing the procedures mentioned above at group entities, together with additional procedures at group level, we have been able to obtain sufficient and appropriate audit evidence about the group's financial information to provide an opinion about the consolidated financial statements.

Audit approach fraud risks

We identified and assessed the risks of material misstatements of the financial statements due to fraud. During our audit we obtained an understanding of the entity and its environment and the

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components of the system of internal control, including the risk assessment process and management's process for responding to the risks of fraud and monitoring the system of internal control and how the supervisory board exercises oversight, as well as the outcomes. We refer to section 'integrity risk' of the management board report for management's fraud risk assessment and control measures. We refer to the supervisory board report in which the supervisory board reflects on management's (fraud) risk assessment.

We evaluated the design and relevant aspects of the system of internal control and in particular the fraud risk assessment, as well as among others the code of conduct, whistle blower procedures and incident registration. We evaluated the design and the implementation and, where considered appropriate, tested the operating effectiveness, of internal controls designed to mitigate fraud risks.
As part of our process of identifying fraud risks, we evaluated fraud risk factors with respect to financial reporting fraud, misappropriation of assets and bribery and corruption. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the risk of management override of control as a fraud risk. Our procedures to address this risk included the following:

(i) We incorporated elements of unpredictability in our audit. We also considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or noncompliance.

(ii) We considered available information and made enquiries of relevant executives, directors including internal audit, legal, compliance and the supervisory board.

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

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

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

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

Furthermore, we identified the risk of inappropriate accounting of loan-related fees (revenue recognition) as a fraud risk. Our procedures to address this risk included the following:

(i) We tested the design and implementation of relevant controls in the process for accounting for loan-related fees.

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(ii) We performed test of details to test occurrence and accuracy of fees recorded. We performed test of details to mitigate the risk that loan-related fees were not recorded, or recorded in the incorrect financial year due to fraud or error.

(iii) We scrutinized the nature of the fees and independently reassessed the appropriate accounting treatment.

Our audit procedures performed did not lead to indications for fraud potentially resulting in material misstatements.

Audit approach fraud risks compliance with laws and regulations

We assessed the laws and regulations relevant to the Company through discussion with the management board, internal audit, compliance and the supervisory board. We also read management board minutes, communication with regulatory authorities, and reports of internal audit. We involved our compliance specialists in this evaluation.

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

Apart from these, the Company is subject to other laws and regulations specific to the banking industry, where the consequences of non-compliance could have a material effect on amounts and/or disclosures in the financial statements, for instance, through imposing fines or litigation. Given the nature of the Company's business and the complexity of the regulatory environment for banks, there is a risk of non-compliance with the requirements of these laws and regulations.

Our procedures are more limited with respect to these laws and regulations that do not have a direct effect on the determination of the amounts and disclosures in the financial statements. Compliance with these laws and regulations may be fundamental to the operating aspects of the business, to the Company's ability to continue its business, or to avoid material penalties and therefore non-compliance with such laws and regulations may have a material effect on the financial statements. Our responsibility is limited to undertaking specified audit procedures to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements. Our procedures are limited to:

(i) inquiry of the supervisory board, the management board and others within the Company as to whether the Company is in compliance with such laws and regulations and;
(ii) inspecting correspondence, if any, with the relevant licensing or regulatory authorities to help identify non-compliance with those laws and regulations that may have a material effect on the financial statements.

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

Audit approach going concern

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Our responsibilities, as well as the responsibilities of the management board and the supervisory board, related to going concern under the prevailing standards, are outlined in the "Description of responsibilities regarding the financial statements" section below. In fulfilling our responsibilities, we evaluated management's assessment of the Company's ability to continue as a going concern for the next 12 months and considered key regulatory ratios. Based on our procedures performed, no matters were noted which may raise significant doubts on the Company's ability to continue as a going concern for the next 12 months.

Our key audit matters

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

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

Allowance for expected credit losses	
Description of key audit matter	**How our audit addressed the key audit matter**
Description MUFG Bank (Europe) N.V. provides credit to corporate clients, with focus on both the European and Japanese market. Because of the inherent estimation uncertainty in several areas of the expected credit loss allowance ("ECL"), the allowance for expected credit losses is considered to be an important area of judgment and estimate by the management board. As a result of the significance of the ECL allowance and its dependence on assumptions and management judgement, we consider this area as a key audit matter for the 31 March 2022 audit. The total allowance for expected credit losses as of 31 March 2022 amounts to €55.5 million. Reference is made to disclosure note 28.2 (Credit risk) in the financial statements.	**How the key audit matter was addressed in the audit** As part of our planning and risk assessment we have held corroborative inquiries with representatives of MUFG Bank (Europe) N.V. in the Credit division and the Credit management division to discuss the credit origination process, credit rating and credit monitoring process. We have performed corroborative inquiries with Finance division representatives to discuss governance over the ECL process. We have tested the design, implementation and operating effectiveness of certain relevant controls in this process. We engaged credit risk modeling experts who assessed model-scripts to estimate Probability of Default ("PD"), Exposure at Default ("EAD") and Loss Given Default ("LGD") variables of the provision. We have reviewed key judgements and estimates made by the management board, including the need for post-model adjustments. We have performed test of details on data that have been used as input for the PD, EAD and LGD assumptions. We have tested and challenged the macro-economic scenarios and forecasts that have been used in the ECL. We have performed audit procedures to determine that the stage allocation of exposures has been performed in accordance with the Company's policy and qualify as a Significant Increase in Credit Risk ("SICR") event in accordance with IFRS 9. We have adopted a substantive-testing approach for impaired loans (Stage 3). We have performed tests of details on the discounted cashflow-calculations. We have traced and agreed the input for these calculations to underlying source information. We

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	have challenged management's assumptions applied in the discounted cashflow-calculations. Finally, we have assessed the adequacy of the disclosure notes in the consolidated financial statements in accordance with IFRS 9 and IFRS 7 (as adopted by the EU). ***Our observation*** The scope and nature of the procedures performed were appropriate and sufficient to address the key audit matter. We have no matters to report.

Compliance with laws and regulations	
Description of key audit matter	**How our audit addressed the key audit matter**
Description MUFG Bank (Europe) N.V. operates in a highly regulated environment and is required to comply with different laws and regulations. Some of these laws and regulations have a direct effect on the financial statements, others do not have a direct effect but set the provisions under which the entity is allowed to conduct its business. In 2019, MUFG Bank (Europe) N.V. received an instruction from the Dutch Central Bank to remediate shortcormings in its anti-money laundering ("AML") framework. MUFG Bank (Europe) N.V. has disclosed the current status of the facts and circumstances on the ongoing remediation in the Report of the Management Board in the annual report.	**How the key audit matter was addressed in the audit** We have obtained an understanding of the regulatory requirements applicable to MUFG Bank (Europe) N.V. We have taken notice of the policies, activities, internal controls and procedures the company have in place to comply with those requirements. We have held inquiries with the Audit, Compliance and Risk Committee (ACRC), the management board, internal audit and have reviewed the communication of MUFG Bank (Europe) N.V. with the regulators. As part of our audit procedures, we have inspected the ongoing remediation in MUFG Bank (Europe) N.V.'s AML framework. We have held inquiries with representatives of the Compliance function and reviewed reports to the Dutch Central Bank on this project. We have inspected the validation report from the Dutch Central Bank regarding the remedation of shortcomings in the Company's AML framework. We have concluded that MBE has made progress towards remediating these findings, but is required to follow-up two remaining observations. Notwithstanding the foregoing, we are not responsible for preventing non-compliance and cannot be expected to detect non-compliance with all laws and regulations. ***Our observation*** Based on our procedures performed we have assessed the appropriateness and adequacy of the disclosures included in the financial statements. We have no matters to report.

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Reliability and continuity of the automated systems	
Description of key audit matter	**How our audit addressed the key audit matter**
Description An adequate infrastructure ensures the reliability and continuity of MUFG Bank (Europe) N.V.'s business processes and financial reporting. In addition, the continuity of the operations is highly dependent on the IT-infrastructure as also explained in the risk management paragraph of the annual report. Therefore, reliability and continuity of the automated systems has been a key audit matter during our audit.	**How the key audit matter was addressed in the audit** We have tested the reliability of the automated systems relevant for our audit of the financial statements. For this purpose, we have made use of IT auditors within our audit team. These procedures included testing the design, implementation and operating effectiveness of the relevant general IT and application controls. Our audit approach relies on automated controls and therefore on the effectiveness of controls over IT systems. For the access management area, we identified and reported that for certain applications within MUFG Bank (Europe) N.V. further improvements could be made. We determined that MUFG Bank (Europe) N.V. implemented (or started to implement) several remediation activities for these observations. Furthermore, we were able to identify and test mitigating (business) controls or to perform sufficient additional mitigating procedures in order to address the risks related to these observations. ***Our observation*** For the purposes of our audit of the financial statements we have no matters to report.

REPORT ON THE OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

In addition to the financial statements and our auditor's report thereon, the annual report contain other information that consists of:

- Profile
- Key figures
- Financial results
- Our people
- Corporate governance
- Report of the management board
- Report of the supervisory board
- Other information as required by Part 9 of Book 2 of the Dutch Civil Code.

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- Corporate data.

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

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

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

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

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

Engagement

We were engaged by the supervisory board as auditor of MUFG Bank (Europe) N.V. as of 19 July 2016 for the audit of the year 2016 and have operated as statutory auditor ever since that financial year.

No prohibited non-audit services

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

DESCRIPTION OF RESPONSIBILITIES REGARDING THE FINANCIAL STATEMENTS

Responsibilities of management and the supervisory board for the financial statements

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

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

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

The supervisory board is responsible for overseeing the company's financial reporting process.

Our responsibilities for the audit of the financial statements

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

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

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

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

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause a company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

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

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

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

Amsterdam, July 19, 2022

Deloitte Accountants B.V.

Signed on the original

A. den Hertog

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Corporate data

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Corporate data

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