MUFG Bank (Europe) N.V.
Annual Report

For the year ended 31 March 2023

A member of MUFG, a global financial group

Contents

Message from the CEO

Mr Harm Bots, CEO

Dear readers,

At MUFG, we are committed to empowering a brighter future. We believe that empowering members of society to effectively confront environmental and social issues is an integral part of our mission as a financial institution. We make every effort to help our stakeholders to overcome challenges and find a way to the next stage toward sustainable growth, which is our collective unchanging purpose.

The macroeconomic environment over the last year has been turbulent, but the MUFG Bank (Europe) N.V. (hereafter: 'the Bank') has continued to demonstrate its resilience and agility. In spite of the difficult external market environment, the Bank has exceeded business plans and continues to deliver on the commitments we have made to our shareholders.

The financial year ended 31 March 2023 (FY22) has demonstrated the power of collaboration and teamwork. By working together towards a common purpose, the Bank has produced strong financial performance, effectively managed costs and strengthened its foundation to enable further growth. We are now at a point of significant opportunity, and will continue to navigate challenges and drive success together as an “OneMUFG” team.

Building a future proof bank

Looking at the achievements we have made in FY22, I am very optimistic about the future improvements we have planned. Our FY22 focus point for the FY21-23 Medium Term Business Plan (hereafter: 'MTBP') was to reshape and reorganise the geographic footprint, operating model and client portfolio, and we have progressed on this target. We have further simplified our footprint, and are introducing more products and new services for our clients.

The Bank has continued to enhance governance, strengthen culture, develop a stronger control environment and drive efficiencies. We also continue to invest in our long-term relationships with regulators such as the Dutch Central Bank (hereafter: 'DNB') and maintain an active dialogue.

Together, we have shifted from lockdowns and social distancing to a new way of working. We have adopted a hybrid model where we have regular opportunities to work together with our colleagues in the office and virtually. We continue to form partnerships across our branches and between different entities and departments to learn from each other to support our clients.

Brighter future

New ESG products and more sustainable business processes are key to MUFG's future growth. As we build a stronger future proof bank, we are better positioned to leverage our global capability to support our clients in finding solutions for sustainable growth.

Our diverse employee base combined with a unique global network continues to set us apart in the market. In FY22, several projects demonstrated that we can outperform and deliver to our global and Japanese customers based on these capabilities and values.

We will continue to leverage this collective strength to service our clients.

Investing in our people
Looking around, I see that our employees are committed to acting with integrity and professionalism, and are focused on using their expertise to create value together. Our values are defined by integrity and responsibility, professionalism and teamwork, and challenging ourselves to grow.

Our goal is to build an organisation where employees feel comfortable and respected. We believe that everyone can contribute to our goals, our progress, our clients' satisfaction and contributing to our communities. In FY22 our employee base consisted of 36 different nationalities and 19% women in managing director role. This has increased from 10% compared to FY21, and we remain committed to further improving the gender balance in leadership roles.

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

Harm Bots

Message from the Supervisory Board Chairperson

Mr Wietze Reehoorn

In FY22, the Bank has continued to demonstrate its resilience and commitment to its goals and ambitions. As Supervisory Board (hereafter: 'SB') we have closely monitored and guided the company's transition into a more mature phase despite the turbulent geopolitical and economic environment. These are interesting but not easy times in banking, as these unpredictable circumstances create uncertainty and hardships for clients and employees.

We feel that the Bank's leadership is monitoring and managing the impacts well and in a structured way. The Bank's leadership balances the needs of all stakeholders well, among which societies, customers, regulators, employees and the shareholder.

As SB we look back on a successful year in which many important issues were addressed and the foundation for a bright future was further strengthened. We continuously monitored, supervised, and advised the Management Board on the company's strategy, business practices, risk management, and other matters that required attention. Important milestones for the SB of FY22 were: closure of the AML / KYC remediation program (more details in the Management Board section), closure of two branches, optimizing international footprint, bringing the Bank to profitability and installing a broad leadership team.

On a personal note, I look back on an intensive and successful visit to our headquarters in Tokyo. The appreciation by MUFG's top management of the Bank's journey so far, its progress in recent financial years, profitability, sustainable growth, and its bright future motivates us as the SB even more to contribute to the overall success of MUFG and its clients.

Wietze Reehoorn

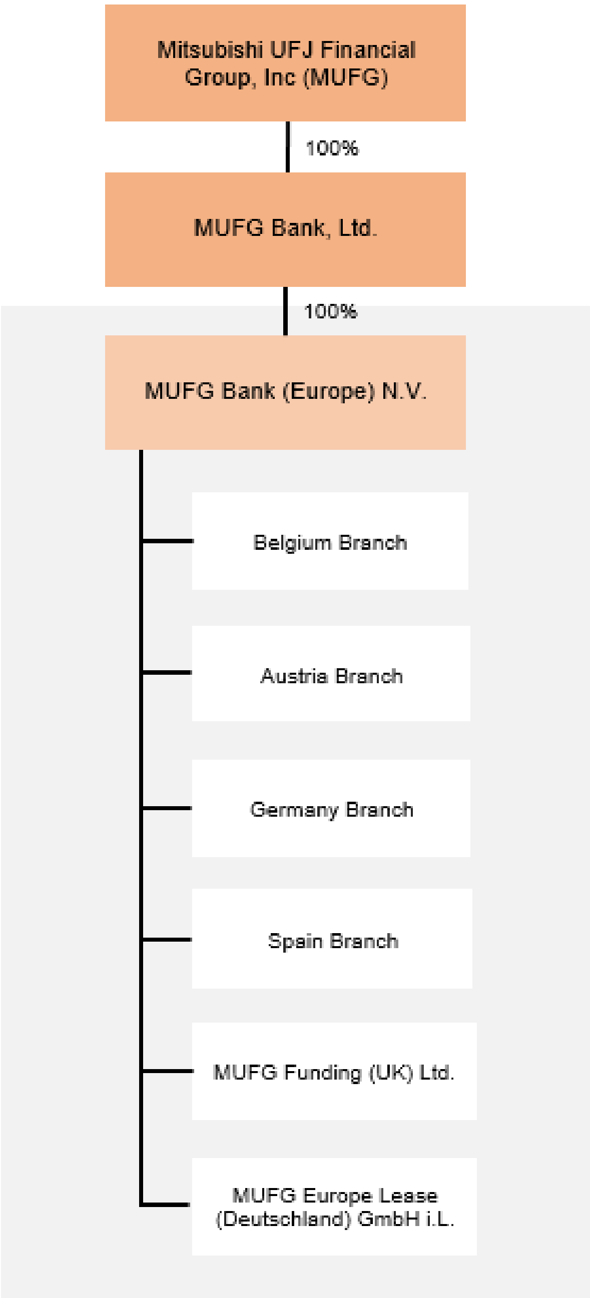
Who we are

The Bank is a fully-owned subsidiary of MUFG Bank Ltd, 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. The Bank has been offering commercial banking services for more than 50 years to both Japanese and non-Japanese corporate customers in Europe through its branches and subsidiaries. The principal activities of the Bank are described in the section 'Our business model & activities'.

Corporate structure

The Bank is a statutory two-tiered company under Dutch law. All shares are held by MUFG Bank Ltd, Tokyo, Japan. The ultimate parent of the group is Mitsubishi UFJ Financial Group, Inc., Tokyo, Japan. The Bank is incorporated and domiciled in Amsterdam, the Netherlands. The Bank operates in the Netherlands (Amsterdam) and through various branches in the following countries: Austria (Vienna), Belgium (Brussel), Germany (Dusseldorf) and Spain (Madrid).[1] The Bank also has two subsidiaries: MUFG Funding (UK) Limited (hereafter: 'MUFG Funding') and MUFG Europe Lease (Deutschland) GmbH i.L (hereafter: 'MUFG Lease').

The Bank has its statutory seat in Amsterdam, the Netherlands. The Bank's head office is located at Strawinskylaan 1887, 1077XX Amsterdam. The Chamber of Commerce number is 33132501.



1 The Barcelona representative office will be closed by the end of May 2024.

Our people and culture

Diversity, equity & inclusion (DEI)

The Bank continues to build an inclusive, equitable and diverse workplace that reflects our society, where everyone feels they can succeed and be their authentic best. The priorities of the Bank are:

- *Increase diverse representation* by attracting, developing and retaining diverse talent so we can better reflect the world in which we live.
- *DEI learning, Development and Career Pathing* to increase opportunities for personal growth and the achievement of career ambitions.
- *Build an inclusive culture* where difference and individualism is valued as a strength and where every employee is able to be their authentic self at work.

On the Bank's 2022 Employee Survey, the Bank scored 74% (8 points increase from 2021) favourable in response to the question 'I see active steps being taken to improve inclusion, equity and diversity' and 83% (newly added question to 2022 survey) favourable in response to the question 'In my workplace, diverse people, values, and ideas are welcomed, and we operate by embracing each other's differences and characteristics'. Both scores (74% and 83%) are above the overall engagement result at 68% and DEI overall category is the second most improved category as 8 points increase since 2021.

Inclusion requires proactive, continued dialogue and positive action. An inclusive culture also requires diversity, however, just because an organisation is diverse, does not mean it is inclusive. So, whilst we continue to focus on diversity, building an inclusive culture remains a critical component of the culture pillar of the Bank's strategy. The Management Board receives regular updates on key metrics, actions and concerns relating to Culture, Inclusion and Diversity, in order to influence decision making and hold leaders accountable for taking action.

The Bank is committed to place more women in leadership positions and is proud of the success achieved in 2022. The ratio of women in Managing Director positions increased from 10% to 19% in 2022. The ratio of women in senior roles (Managing Director & Director level) improved from 23% to 28% in total.

Non-financial key figures	2023	2022	2021
Total numbers of FTEs[1] end of financial period	613	660	715
Ratio male[2]	52%	52%	53%
Ratio female[3]	48%	48%	47%
Top Management FTE[4]	115	127	140
Ratio male	72%	77%	78%
Ratio female	28%	23%	22%

1 FTE's include the following: home staff, regular employees, fixed term contractors and interns.

2 Male / female ratio based on headcount and not FTE.

3 Male / female ratio based on headcount and not FTE.

4 Top management includes all directors and managing directors.

The Bank 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 the Bank.

Our Inclusion & Diversity team, 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 virtual lunch chat sessions with Senior leaders with non-business related topics such as culture principles, remote working, work/life balance.

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 in combatting bias. Participants gained insights into how to use specific techniques to prevent bias in business life and how to make unbiased decisions. Other initiatives organised include: World Food Day, Pink Washing workshop for Pride, Sinterklaas festival, International Women`s Day panel discussion, and celebration message for Ramadan.

The Cultural Navigator Tool of Berlitz was introduced in 2022 to support teams and individuals to work more harmoniously together, recognising different work styles / cultures and ways of thinking that we can encounter in our workplace. A Cultural Awareness workshop was also introduced to different businesses throughout the year.

World Food Day on 16 October 2022 is an annually recognised event that draws attention to the plight of the hungry. It is our tradition to mark this day across the Bank with the aim of bringing people together through food from various cultures.

On 9 March 2023, we celebrated International Women's Day at the Bank, 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 Bank's 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.

Vitality

At the Bank, we believe it is critical to draw attention to people's well-being. We want to support employees to feel committed, motivated and engaged to combat absenteeism and increase their motivation to develop professionally and to succeed in their life.

We do that by offering tailored training focusing both on hard and soft skills, by learning about different cultures and feel embedded in a welcoming and inclusive environment. In September we introduced the Vitality Month, to raise more awareness on all those actions, whether big or small, everyone can introduce in their routine to improve their lifestyle and be more mindful. During this month, baskets of fruits were available for everyone at the office, we encouraged and highlighted the importance to do more Walk and Talk meetings to get to know more about other colleagues but also to feel more energized and connected to the nature.

New initiatives are promoted, such as Fitprints (to keep track of our daily steps) and World Clean-Up Day. The Bank also held a session on healthy eating style where a nutritionist specialist presented, along with a thorough explanation of the meaning of being mindful at work, presented by a Mindfulness expert. In October, the Mind for Good training kicked off with a strong focus on how to have a healthy lifestyle, learn about simple tools you can use to manage stress at work, be able to focus better and be more productive, find ease in our busy (work) life and finally how to keep the focus, by regularly taking time for yourself and staying in the moment.

Learning & development

Our goal is to ensure that employees of the Bank 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. In 2022, we expanded and strengthened our learning and development catalogue for the Bank.

After a review of business needs, new online and classroom trainings were introduced in 2022 to support employees in developing their knowledge, skills and behaviours.

We have expanded our support to our people with Internal Coaching Faculty. Internal coaches assisted people such as, but not limited to:

- Define career goals.
- Transition into a new role.
- Be prepared for a potential promotion.

The Bank 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 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.

We care about everyone being able to unlock their full potential and want to make sure all our people can access learning and development. We made learning solutions more accessible by implementing new guidelines for learning tools and shared these in our new intranet portal. The mandatory training provided by internal online learning tool and more training become available online and face to face such as Leadership Pathway, Assistant Vice President (AVP) Milestone programmes and bite-size skill training.

Non-financial key figures (in €)	2023	2022	2021
Training expenses per employee	592	416	361

Together with the new online on boarding programme, our new online Cultural Awareness Training is provided to all new joiners to support the collaboration and communication in the Bank.

Client focus

With its EU banking passport, the Bank 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.

There is a worldwide 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 the Bank, here are some client testimonials.

"MUFG is a trusted and important business partner of SAP. The bank has strongly supported our strategic development by participating in a large number of SAP's M&A financing transactions. MUFG is a reliable and flexible lending partner. MUFG provides high-quality support and is always willing to offer additional services and expertise on a global level."

Steffen Diel | Vice President, Head of Global Treasury SAP S.E.

"MUFG is a long-standing bank for Iberdrola, having worked together for more than 40 years, and becoming a true global bank for the company by supporting us in all of our core markets (Spain, United Kingdom, Brazil, USA and Mexico), but also in new ones like Japan and Australia. In recent years MUFG have participated in two relevant credit facilities which have included ESG features with commitments by Iberdrola to reduce water consumption and also a combined set of ESG KPIs that includes emissions reduction targets plus gender equality targets. MUFG has also supported Iberdrola in raising funds for our ambitious growth plan in renewable generation and smart networks, with the direct assistance in two green bond issuances in the last 12 months, one of them as Global Coordinator."

Maria de la Fuente | Head of Treasury and Banking Management, Iberdrola

"We, as organization with a Dutch heritage and since almost 20 years part of a Japanese group, developed a great partnership with MUFG Amsterdam since 2013. Their dedication to our business is evident in all aspects of the banking business. Together with MUFG we are currently implementing a new global ECR system for our world-wide local businesses. By listening carefully to us, the team of MUFG shows dedication to improve their service offerings and always strives to give Teijin the best customer experience with a pleasant and unique personal touch. We are convinced, MUFG is offering a great support, whether it is about hedging strategies, market research or common daily business. Last but not least we very much appreciate their attention for compliance topics."

Coen Moolhuizen | Treasurer, Teijin Aramid B.V.

Client focus

"MUFG is a close partner that works with the Telefonica group in three out of its four strategic markets that are Spain, the UK and Germany. Beyond the strength of MUFG's international footprint, we value the ongoing and stable support extended to the group through the economic cycles during many years. We also value MUFG's focus on ESG and the support extended to reach our ESG targets on existing financings by converting its participation in the company's main syndicated facility and bilateral Revolving Credit Facility into ESG linked facilities, as well as several ESG bonds issued on the debt capital markets (including last hybrid in January 2023)."

David Maroto | Finance Director, Telefonica Group

Energy for a New Era

"JERA Power International B.V. (JERA PI), a wholly owned subsidiary of JERA Co., Inc., develops power generation projects all over the world. To achieve successful development of projects, timely and accurate fund remittance and grant of credit are very important. MUFG and JERA PI Group has a mutual trust, long term relationship over 24 years. MUFG supports us with its reliable and highly qualified operation."

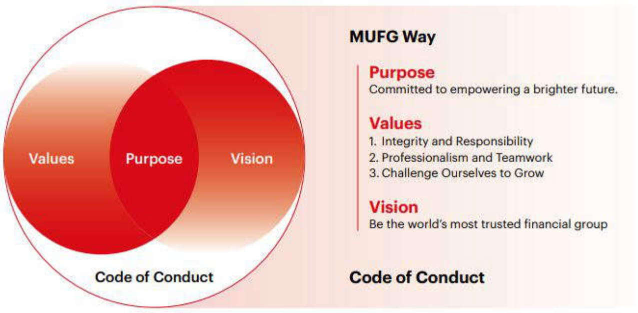
Yuto Kajiwara | JERA Power International B.V.

"MUFG is good partner as our main bank for a long time. Treasury services stand out as very satisfying by providing good service and timely and detailed information. We have always been comfortable with their customer-focused approach responding efficiently to our requests in a very reliable and secure service."

Kenji Matsumoto | Manager Finance & Consolidation Kyocera

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.

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

The Bank'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, aviation finance, project finance, leveraged finance, treasury services, cash management and payment services, trade finance, supply chain finance, international syndicated finance, securitisation and other activities. As part of our enlarged service offering during FY22, the Bank acted more as intermediary connecting clients to other banks for new (underwriting) and existing facilities. Through offices in the Netherlands, Germany, Spain, Austria and Belgium 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-based 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 funding market.

Our vision is for the Bank 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 Medium-Term Business Plan (hereafter: 'MTBP') for FY21 - FY23 is revenue generation and improvement of our net operating profit. The MTBP ends in March 2024. To this end, the Bank is actively diversifying its income streams by expanding its product suite and capabilities. We also make reference to the section Building a future proof bank.

Building a future proof bank

Medium Term Business Plan FY21 - 23

In May 2021, we announced our Medium Term Business Plan FY21 - FY23 (hereafter: 'MTBP'), which outlines the Bank's targets and business plan over the three-year period and will end in March 2024.

The Bank has underperformed in the last financial years due to external and internal factors, including a competitive market, previously 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 the Bank back to sustainable profitability over the course of three years, which is being achieved through the three strategic pillars set forth in the MTBP:

1. Increase revenue through the expansion of the Bank's product suite and capabilities,
2. Reduce costs by leveraging MUFG's group capabilities and reducing complexity within the Bank, 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 takes a phased approach to ensure change is introduced in a controlled manner and allows the Bank to maintain a strict level of internal control and governance. Please refer to the table for the initiatives outlined per respective financial year.

Financial year	Focus points	Progress
FY21	Focus on strengthening its foundation and finalising major projects driven by business and regulatory requirements.	• Further strengthened foundation and major projects driven by business and regulatory requirements. • Introduced new products such as project finance, commodity finance and secured aircraft finance.
FY22	Focus on reshaping and reorganizing geographical footprint, operating model and client portfolio.	• Reorganized and reshaped our geographical footprint by further consolidating booking branches from Belgium to the Netherlands and the closure of the branches in Czech Republic and Poland. • Reduced headcount in the Netherlands and Germany by approximately 10% as compared to when MTBP was introduced in FY21. • Introduced new services such as underwriting credits and foreign currency options.
FY23	Focus on solidifying the platform and embedding the changes into the organisation to ensure stability and operability of our business	• Working towards solidifying the platform (in progress). • Embedding the changes into the organisation (in progress).

Corporate Governance

The Bank adheres to the principles and best practice provisions regarding corporate governance, as laid down in the Dutch Corporate Governance Code and chose to apply this voluntarily being a non-listed financial institution.

The Bank has a code of conduct, Corporate Governance Framework and governance-related policies such as a Whistle Bowing Policy and insider trading regulations which apply to all employees and others working with the Bank.

All employees joining the Bank in the Netherlands, including the MB members and SB members, have taken the 'Banker's 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 training on our core values and behaviours are regularly organised for all staff, to ensure the highest level of integrity of all staff.

Corporate Governance Framework
The Bank has a two-tiered board governance structure with two management bodies, the MB with its executive functions and the SB with non-executive supervisory functions. The MB and its standing committees are responsible for providing effective governance over the Bank affairs for the benefit of its clients, employees, shareholder(s) and other stakeholders. As part of their responsibilities the MB developed the Corporate Governance Framework to establish a common set of clear expectations and responsibilities for how the Bank, the MB and its Committees should perform their roles and duties and interact with its affiliates, the Shareholder and the SB.

The MB is ultimately responsible for effective control enviornment and management of risks in the Bank, supported by several risk committees. Below is an overview of the committee structures of the Bank:

- Audit, Compliance & Risk Management Committee
- IT Management Committee
- Business Continuity Committee
- Risk Management Committee
- Credit Committee
- Compliance Committee
- Client Acceptance & Review Committee
- Asset Liability Management Committee
- Change Control Committee
- New Product Committee
- Data Management Committee
- Outsourcing Committee
- Operational Control Committee
- Breach Control Committee

The SB approves the risk profile and control framework of the Bank. The SB supervises, advises and challenges the MB in the exercise of its duties, and is responsible for the general course of business of the Bank and its related companies pursuant to the Bank's Articles of Association, MUFG principles of Ethics and Conduct and prevailing legal and regulatory requirements, including the Dutch Banking Code.

The SB plays a vital role within the Corporate Governance Framework of the Bank. The SB is closely involved in advising on the composition of the MB and the appointment process, the Bank's Strategy and the overall compliance with relevant laws and regulations.

The SB established an Audit, Compliance and Risk Management Committee (hereafter: 'ACRMC'). The ACRMC is responsible for supervising matters related to financial reporting, controlling, risk, and compliance. The task of the ACRMC is to prepare the SB for making final decisions by holding prior and separate meetings with Internal Audit, the Chief Risk Officer and the Chief Financial Officer, as well as the external auditors of the Bank.

Underpinning the importance of good corporate governance, the Bank has separate Compliance Division, Risk Management Division and Internal Audit Division. The Compliance Division is headed by the Chief Compliance Officer who reports to the Chief Risk Officer and has an independent line to the SB.

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.

The Bank implements the principles of the Dutch Banking Code. The principles fit within the corporate governance principles applied by MUFG Bank Ltd.

All important issues addressed in the Banking Code and similar rules and regulations are discussed in the MB and committee 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 the Bank as explained below, we have decided not to apply the following provisions of the Dutch Banking Code:

- No variable remuneration is paid to SB members appointed by the Bank, pursuant to the MUFG Bank group policy in this respect.
- Regarding the composition of the SB in relation to independence, the composition of the SB is such that up to a maximum of 50% are non-independent SB members. Pursuant to the SB by-laws of the Bank, the chairperson of the SB 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 the Bank:

- MUFG Bank Ltd. is the sole (100%) shareholder of the Bank; as a consequence, the shares of the Bank are not listed.
- The shareholder, MUFG Bank Ltd., also acts as the global head office of the Bank, 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 SB members and MB members and the external auditor.
- In terms of organisation and management control, the Bank 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 the Bank’s commercial activities, reflected in the limited complexity of client/ product combinations.

The Bank's Outsourcing direction

As part of the Bank's MTBP, the Bank is transitioning to a profitable and scalable business model, with an integrated network of branches in the European Union, while leveraging the Centre of Excellence capabilities of Headquarters and the Group. Under the Bank's outsourcing direction, the Bank aims to make optimal use of the economies of scale and expertise that are available to a subsidiary of the Group. In practice, this typically means operations transactions and payments processing and IT service and delivery (including infrastructure). Also, commercial departments and staff functions make use of specific services provided by specialists located in the Head Office.

Although fine-tuning is ongoing, in general the direction and level of outsourcing is in line with the strategy determined by the Bank's MB and is considered a good balance between leveraging the Group's capabilities and the safety and soundness of the Bank as an entity.

While the strategy remains sound, the Bank has recognised a need to strengthen the structure supporting the Bank's outsourced activities. A need for structural enhancement in outsourcing framework has been identified to support target operating model and operational effectiveness of the outsourcing framework. It is expected that most of this improvement will take place in financial year 2023 to support a target maturity level during 2024.

Risk Management

Risk Management

The Bank's risk control framework is based on the Risk Management Framework (hereafter: 'RMF') and the Risk Appetite Statement (hererafter: 'RAS'), which are proposed by the MB and approved by the SB. This enables the organisation to operate and grow in a sustainable and balanced manner.

Over the course of FY22, the Bank continued to enhance its risk control environment by increasing focus and attention to risk controls, 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 and outsourcing risk. This resulted in structural improvements in risk identification, assessment and monitoring. For material identified residual risks, the Bank has allocated ample capital buffers (i.e. pillar 2 capital) to enable the absorption of any potential unexpected losses, including costs of remediation.

Risk Framework

The risk framework within the Bank consists of several key items that interact and build upon each other:

- Risk management objectives and definitions;
- Risk governance;
- Risk taxonomy and inventory;
- Risk management policy house;
- Risk appetite;
- Risk cycle;
- Risk limits and controls;
- Risk infrastructure.

Risk management objectives and definitions

Objectives

The purpose of the risk management activities is to protect the Bank from unexpected capital, financial and/or reputational losses and limit the level of (potential) damage that are outside the Bank's risk appetite. The objective of the risk framework is to establish sound risk management practices within the Bank, ensuring adequate, timely and continuous identification, assessment, management, monitoring and reporting of the risks posed by its activities at the business line and institution-wide levels in relation to the Bank's risk profile under normal and adverse business conditions, in both the short and longer term.

Definitions

Terms and definitions have to be consistent for effective risk management. In principle, the Bank has six main pillars of risk management when it comes to definitions:

1. Scenarios: a real world or hypothetical risk event can often consist of broad, often external, series of circumstances, which affect the Bank one way or another. A hypothetical scenario is used for stress testing.
2. Risk factor: a real world element that, if it changes, affects the risk driver. It is also independent by nature, meaning it will exist regardless if the Bank exists or not. For example, market interest rates.
3. Risk driver: an element of risk that is relatively small compared to a risk overall, but can often be measured and acted upon separately from other drivers but will individually affect a risk.
4. Risk: effect of uncertainty on objectives, or the nature of the effect. Also defined as the potential/probability of a loss (amongst others, financial, reputational, license). Under the Bank's definition, a risk is also tied to a broad origin of the risk (e.g. foreign currency risk, broad origin is the foreign exchange).
5. Issue: an issue is a deficient and/or absent control. Issues identified as part of risk control self-assessments are registered and managed via the central governance, risk and compliance system.
6. Events: a risk that materialised with actual consequence or a near miss that can be registered. Events are tackled immediately. A large enough event can also serve as a scenario (creating a cycle/spiral).

A given scenario affects the risk factors, which then influence the risk drivers. Risk drivers are components of risks, which can be measured more easily than a given risk overall, aggregation of risk drivers then gives the complete risk profile. If there is an issue that exists for a given risk, it can lead to an event, which is effectively a materialised risk.

Risk governance

Risk management is integrated throughout all activities of the Bank: from daily operations to strategic reviews and from front office to supporting processes. To further implement proper risk management and include new insights and developments, risk management activities are themselves governed and managed by the Risk Management Committee (hereafter: 'RMC') which is chaired by the Chief Risk Officer (hereafter: 'CRO'). Within the broader parent context, the CRO has a reporting line into the risk management organisation of the European, Middle East, and Africa (hereafter: 'EMEA') Head Office in London and is a senior member of the EMEA's Risk Committee. This establishes the link between management in the Bank and the Group.

General governance principles

The MB of the Bank outlined a number of core principles relating to general governance:

- One MB member is specifically responsible for Risk Management and Compliance (CRO);
- A different MB member is specifically responsible for the Internal Audit function (CEO);
- MB has instituted committees to elaborate on relevant topics. In certain cases, these committees have received (delegated) decision-making authority from the MB;
- Committees are only official if approved Terms of Reference (hereafter: 'ToR') are present;
- The whole MB must be informed about decisions taken in committees.

Segregation of duties with respect to three lines of defence are implemented top-down.

Three lines of defence

The Bank has implemented the three lines of defence (hereafter: 'LoD') model. The 1st LoD executes the normal banking processes and supporting processes within the Bank 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 LoD and 2nd LoD. The MB is accountable for the proper functioning of the model and the control over the risks.

First line of defence (1st LoD)

The 1st LoD consists of the front-, mid- and back-offices, Finance, Planning and the business support areas, which own the procedures, strategies and controls and are responsible for the design and ongoing effectiveness of their controls. They own and are accountable for risks originated by their processes, people and systems and interaction with external parties. They are responsible for securing compliance on a day-to-day basis with the Bank's RMF to ensure that risks are identified, mitigated and managed appropriately in line with the Bank's Risk Appetite. In addition, the 1st LoD is responsible for risk taking and owning risk, transaction execution, acting in accordance with policies, effectiveness of risk control, and risk assessment.

Second line of defence (2nd LoD)

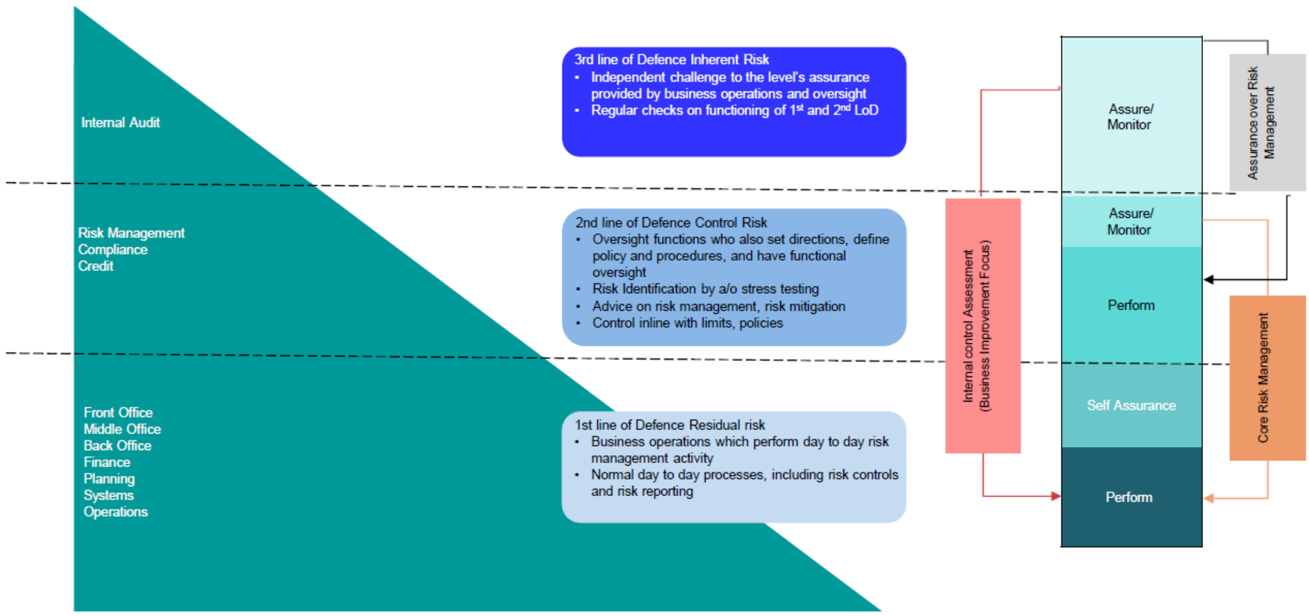
The 2nd LoD provides risk management guidance and policies, independent oversight and challenges the effectiveness of the 1st LoD management to further ensure that risks are identified, assessed, managed, monitored and reported. The 2nd LoD is responsible for the ownership, development and effective implementation of the RMF, risk policies, risk methodologies and associated tools, which the business (part of 1st LoD) uses (and complies with) to execute their risk related responsibilities under the governance of the MB.

In addition, the 2nd LoD is responsible for monitoring and reporting, and evaluation of risk control in the 1st line. The 2nd LoD is part of the CRO domain and consists of 3 divisions:

- The Risk Management Division (hereafter: 'RMD') is responsible for the risk management activities regarding the strategy, market, liquidity, credit, reputational, model and operational risks.
- The Credit Office (hereafter: 'CO') is responsible for the risk management activities regarding credit risk on individual transactions/ clients (i.e. credit sanctioning).
- The Compliance Division (hereafter: 'CD') is responsible for the risk management activities regarding the Compliance risk, including core compliance and financial crime related topics.

Third line of defence (3rd LoD)

The Bank's internal audit function provides independent assurance to local senior management and the MB on the adequacy and effectiveness of the existing RMF and related practices including the functioning of the 1st LoD and 2nd LoD. The 3rd LoD is responsible for evaluation of the effectiveness of risk governance, risk management and risk control and coordination with the external auditor and main supervisors.



Risk taxonomy and inventory

Risk taxonomy

The Bank's risk taxonomy is a comprehensive, common and stable set of risk categories that is used within the Bank to encourage those involved in risk identification to consider all types of (material) risks that could affect the organization's objectives and to serve as a common platform for communication.

The Bank's Risk Taxonomy is reviewed at least annually by the RMC. As part of the annual review, consultation with relevant risk owners is performed and the RAS is aligned in the next periodic review. Newly identified (emerging) types of risk are registered in the risk inventory. Existing types of risk may require additional attention and assessment when their nature changes or they are increasing in their prominence. In principle, the Bank recognizes eight main risk types[1]:

1. Strategic risk;
2. Market risk;
3. Liquidity risk;
4. Credit risk;
5. Operational risk;
6. Compliance risk;
7. Reputational risk;
8. Model risk.

Risk inventory

One of the key elements of the overall risk framework is the risk inventory, where all risks identified by the Bank are registered and subsequently categorised under one of the eight risk categories as level 2 risk, level 1 being the category and part of risk taxonomy (above). After registration (identification) they are processed through the rest of the risk cycle. Any identified risk can fall under one of the four categories:

1. Significant (material) risk – a material, by definition, risk that requires a more mature framework than just a material risk. A significant risk cannot be non-material;
2. (Non-significant) material risk – a risk which bears above threshold (defined in RAS) effects for the Bank should it materialise;
3. Non-material risk – a risk that, when materialised, does not push the Bank's profit and loss, capital or reputation above a given threshold;
4. Irrelevant risk – a risk that does not apply to the Bank in any way.

To determine if a risk is significant, a 2nd LoD opinion is required. Significant risk, by definition, is always material. To determine if a risk is material, it must exceed the materiality threshold.

Risk management policy house

The Risk Management Policy House (hereafter: 'RMPH') is a concept which guides the Bank's Risk Management Division on the structure, governance, cadence and definitions of its documentation. The RMPH is constituted by 6 levels of documentation:

- Level 1 - RMF: the RMF itself, which contains the RMPH, is the overarching document that structures and governs all the Bank's risk management documents. It provides a structure, which makes the documents, better manageable and communicable. The level 1 document is approved by the SB and owned by the MB.
- Level 2 - RAS: describes the overarching set up of the Bank's risk appetite with respect to the business strategy. The level 2 documents are approved by the SB and owned by the MB.
- Level 3 - Policy documents: stemming from the level 2 documents, the Bank has specific risk management policies (level 3) that provide information on the Bank's risk management principles, rules, and guidelines that the Bank and its employees have to act towards the identified risk categories. In addition, they detail the key roles and responsibilities regarding the key processes associated with the risk category. In addition, some policies are not related to a specific risk category but describe a wider topic that applies across all risk categories. The level 3 documents are approved by MB and owned by the CRO.
- Level 4 - Standards: standards provide specific and more detailed information in relation to the management of components of the main risk categories and are aligned to the defined processes. Standards explain the risk management methodologies of level 2 risks and also establish metric assumptions, limitations for that particular level 2 risk. The level 4 documents are approved by the MB and owned by respective functional heads.

[1] (i) While integrity risk is not explicitly a risk type, its elements are present in compliance (e.g. SIRA) and operational risks (e.g. fraud). (ii) Some risk factors may be exposed to concentrations such as, but not limited to, liquidity risk, strategic risk and credit risk. If concentrations are a separate consideration of managing the risks, this will be included in the respective documentation. However, concentrations are not considered a separate risk in the Bank's risk taxonomy. (iii) The Bank's risk taxonomy is specifically applicable to the risks the Bank is exposed to. Definitions of the risk types are aligned, but not always equal, to the Group's definitions. (iv) Risk correlations and diversification are not included as a risk type, but rather assessed separately. (v) Note that risk categories and risk types are interchangeable definitions.

- Level 5 - Procedure documents: the risk cycle is broken down into processes, as defined by level 3/4, which is broken down in to specific procedures that are documented into the procedure document. These documents can provide information on the whole cycle, a specific process in the cycle, or a specific procedure. The Level 5 documents are approved by the respective functional heads and are owned by the respective team heads.
- Level 6 - working instruction documents: at the most operational levels of the RMPH, working instruction documents are identified as they define the specifics of tasks executed by the organization and organize day-to-day work. Typical documents would be working instructions, systems manuals, (technical) model documentation, etc. The level 6 documents are approved by the respective team heads and can be owned by different individuals in the organisation.

Risk appetite

Together with the RMF, the RAS is a strategic component in risk management. It expresses the types and amounts of risk that the Bank is willing to accept in order to meet its business strategies and financial plans. The RAS is owned by the MB and subject to approval by the SB. It is designed for a one-year horizon and updated at least annually. Managing business activities within the RAS thresholds is a responsibility of the functional leaders. On a monthly basis, a risk appetite report with actual risk levels is discussed in the RMC. The Bank 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 risk

The RAS is designed to increase management transparency and generate more business opportunities in an environment where risk is properly controlled. In particular within RAS relevant definitions and concepts, the risk appetite indicators (here: RAI) and their thresholds for all level 1 risk types are described.

The RAS consists of 2 main elements:

1. Qualitative statements on the appetite for identified key risk types, and;
2. A set of RAI that translate the qualitative statements into measurable metrics. The RAS of the Bank complies with regulations and is fully aligned with the RMF.

To manage RAS, the Bank follows the following steps:

1. In an annual update (and evaluation) of the RAS, the inputs from the strategy, as documented in the MTBP, are included as well as the evaluation of the functioning of the RAS itself. Next to the annual updates, intermediate updates can be expected when changes at the Parent or the Bank itself will lead to changes in the Bank's strategy.
2. The Bank will conduct business on a day-to-day basis and includes the RAS in key decision-making.
3. The level of compliance with the RAS of the outcome of the business decisions is daily (but also monthly and annually) tracked based on the RAIs and reported to RMC via the risk appetite dashboard.

The Bank has adopted a RAI risk metrics system with multiple threshold levels that trigger management intervention if needed, to prevent further deterioration of the Bank's financial soundness and reputation. The RAIs, as integral part of the RAS, are set up to determine various levels of business conduct. In general, the Bank will operate within the bandwidth of Business as Usual (hereafter: 'BAU'), where the Bank operates within its desired risk appetite. In certain circumstances, the Bank might start operating outside of its risk appetite, a bandwidth of management intervention level. Breaching key constraints may trigger the Bank's recovery plan (crisis zone). Before reaching the crisis zone, 2 additional zones are in place to identify potential risk of entering in the crisis zone and to perform additional risk mitigating actions: stress and severe stress.

Business as usual		Management intervention		
Risk averse	Accepted risk	Stress	Severe stress	Crisis
Target range		Alert	Intervention	Recovery zone

Risk cycle
The risk cycle, also known as the Risk Management Cycle, is defined as a series of steps through which the Bank manages risks on a continuous basis in a cyclical manner. This standard risk cycle is to be applied across all lines of defence, especially 1st LoD and 2nd LoD in all functions across the Bank. The cycle consists of a number of process steps:

- Risk identification;
- Risk assessment;
- Risk management;
- Risk monitoring and reporting, and;
- Risk evaluation.

The RMC serves as the governance forum for the whole risk cycle.

Risk limits
The Bank defines a risk limit as follows:

- A risk limit is a maximum threshold permitted for a specific measure, established through a formalised governance framework and communicated to the owners and/or users of that specific measure;
- A risk limit denotes one or more thresholds defined in relation with specific risk exposures, such as credit risk, market risk, or operational risk exposures;
- Internal risk policy limits aim to contain risk exposures undertaken by the Bank below an acceptable level;
- Risk limits can be set on an individual transaction or at a portfolio level.

A risk limit is defined via:

- The applicable risk metric (e.g. notional amount, value-at-risk, etc.);
- The limit value expressed in terms of the risk metric (e.g. € 10 million, 1% of total risk etc.);
- The scope of its application (position, relation, desk, unit, etc.);
- The entity responsible for conforming to the limit (trader, portfolio manager, business line, etc.).

Various types of risk limits exist, such as limits in absolute numbers or relative in nature:

- Absolute limits will set a definite value (e.g. monetary value of € 10 million, or time value of two weeks), and;
- Relative limits are set as a percentage point or ratio (e.g. 5% of exposure or capital, etc.).

Limits, in general, are possible to apply to risks and risk drivers that can be quantified. Where quantification risk inventory proves not possible, but a control is required, limits do not have to be developed provided there are other controls in place. Note that a risk limit is different to RAI (levels), although similar in nature. In some cases, a risk can have both an RAI and a limit. In general, there are three types of limits within the Bank:

- Parental limit: a limit that is communicated from the parent company. These are defined by the parent company and the Bank is provided, usually, with calculation sheet and methodology for the limit.
- Internal limits: limits set internally by the MB or a delegated committee.
- Regulatory limits: limits set in relevant regulations. These are often translated into RAIs with levels set either at severe stress or at crisis.

The Bank defines a breach as an excess of a specific measure above a risk limit.

Current risk environment
Internal
The Bank has made considerable improvements to its RMF over the past year. First, risk taxonomy has been overhauled and aligned with the Group's regional risk taxonomy, which introduced new risks types (reputational risk and model risk), as well as the Bank now defines concentration risk as a level 2 type of credit risk. Second, a risk inventory was introduced as a way to centrally and effectively perform the risk cycle for every risk the Bank has so far identified. Third, much closer (and continuing) cooperation with EMEA's Headquarters has allowed local risk teams to benefit from the rich expertise of the Group. Finally, in other areas the RMF has undergone several improvements from multiple layers, from infrastructure (e.g. improved credit risk models, roll-out of governance, risk and compliance platform IBM Open Pages) to governance (e.g. improved RMPH, streamlined templating, documentation writing). Next, compliance risk capabilities has also undergone improvements.

External
The Bank remains resilient to external shocks thanks to its conservative risk taking approach. Most of the actively pursued risk remains in the credit space,

while other areas have mostly defensive approaches. Nevertheless, we see credit portfolio quality remaining high despite interest rate increase and recession uncertainty due to more defensive approach (i.e. higher share of lower risk clients compared to our peers). Rising interest rates have been very beneficial for the Bank and its margins as P&L improved significantly from a combination of new business on boarded during the course of the year and higher risk-free rates. Complex regulatory requirements and a relatively quick pace of regulatory change continue to be a persistent challenge as the Bank relies heavily on parental structures for its change management, technological support, and infrastructure. In addition, recruiting remains a challenge as labour market remains tight and the Bank has to compete in the market for top talent.

Fraud

Fraud risk remains ever-present as fraud attempts evolve with technology, increase with complexity, and are compounded due to geopolitical context. Customers are facing increasingly sophisticated fraud attempts, making education and awareness all the more critical. The Bank recognizes this risk and understand its role in preventing and detecting fraud, which aligns with the Bank's vision of being the world's most trusted financial group.

The Bank remains vigilant in blocking fraud attempts with early detection and heightened internal and external awareness. We continue to have internal trainings to keep responsiveness high, which has minimized both the Bank's and customer fraud losses. Trends in these attempts are tracked to determine if customer-education-intervention is required to avoid future fraud. Monthly reporting on all fraud attempts (regardless of losses) keeps fraud vigilance at the forefront of the organization.

Further digitalization impacts the Bank both internally and externally, and increased outsourcing creates complexity within our operating model. Our fraud program has evolved to include new detection tools such as automated transaction monitoring, which boosts our ability to monitor and react to fraud attempts, and to make adjustments to our model to block future attempts. The fraud teams in both EMEA and the Bank remain in close contact on fraud-attempt investigations for sharing information and prevention best practices. Fraud attempts continue to be primarily a mix of business email compromise as well as forged documentation. During 2023, the Bank will continue its efforts in advancing and executing the fraud risk management framework.

Cybercrime

Cybercrime remains within the higher ranks of the top threats list for financial institutions and companies. Impact of cybercrime on financial institutions can be severe, affecting not only the institutions themselves but also their customers in ways of financial losses, reputational damage and legal consequences. The Bank continues to prioritize cybersecurity and implement robust measures to protect its systems and data, such as encryption, multi-factor authentication, network layering, Data Loss Prevention, and continuous monitoring and logging. The Bank also makes use of MUFG's global expertise and resources, including MUFG Security Operation Centers in different continents to continuously monitor and act upon the emerging cyber threats on its digital assets.

Three years at a glance

in thousands of €s	As of 31 March 2023	As of 31 March 2022	As of 31 March 2021
Income statement			
Net interest income	161,454	80,751	79,488
Total operating income	270,428	146,821	131,129
Credit loss expense (recovery)	81	(6,473)	(6,186)
Operating expenses	164,956	179,033	154,393
Cost to income ratio	61%	122%	118%
Result (loss) for the year	100,447	(25,064)	(24,126)
Balance sheet			
Loans & advances	9,178,344	10,820,908	10,940,898
Deposits	10,454,011	10,053,363	9,994,100
Shareholder's equity	1,840,173	1,735,248	1,752,875
Other			
Risk-weighted assets	10,904,594	10,687,034	9,838,336
Common equity tier 1 ratio	16%	16%	18%
Total capital ratio	19%	19%	21%
Leverage ratio	7%	8%	9%
Liquidity coverage ratio	140%	303%	167%
Net stable funding ratio	109%	107%	118%
Return on equity	6%	-1%	-1%

Financial performance

General developments

The financial year 2022 can be characterrized as a year in which a lot has happened. The geopolitical unrest has a significant impact also on the worldwide financial markets. The second order effects, with delays in the global supply chain, shortages in commodities and spiking energy prices, causing inflation to rise to new levels. As a counter-reaction the European Central Bank (hereafter: 'ECB') started with increasing their key interest rates starting in July 2022. With the first move of the ECB the interest rates entered positive territory again after years of negative interest rates. After that first move, the ECB has increased with larger steps the key interest rates to 3% as of March 2022. Other central banks worldwide have also started increasing their key interest rate due to the inflationary pressure, these include the Central Bank of England and the Federal Reserve Board in the US.

The Bank is well-positioned to operate within this new environment. The Bank has simplified functions and is a much simpler organisation. The profitability has increased largely due to the positive interest rate environment.

Non-recurring items

The Bank has identified several non-recurring items. These are:

- The recognition of an ECL overlay of € 3 million as per 31 March 2023. The overlay is offset by the release of specific credit provisioning.
- The liquidation of MUFG Europe Lease (Deutschland) GmbH i.L. has led to a gain on disposal of assets of € 12 million.
- The recognition of a deferred tax asset for the Netherlands for the losses incurred in the previous financial years.

Operating income

The Bank increased the total operating income by € 123,607 to € 270,428 (2022: € 146,821). The result is mostly due to the increase in net interest income by € 80,701 to € 161,454 as per 31 March 2023 (2022: € 80,751). The result is coming from the positive interest rate environment and improvement of the loan volumes and loan margins which improved the profitability of the Bank. The interest expense increased by € 77,532 to € 101,504 (2022: € 23,972) due to increased funding cost and interest paid to customers for deposits held at the Bank.

The net fee and commission income increased by € 29,956 to € 51,486 (2022: € 21,532). This is the result of the Bank enlarging service offering during FY22, where the Bank acted more as an intermediary connecting clients to other banks for new (underwriting) and existing facilities. The fee and commission expense has also increased by € 8,022 to € 21,741 as per 31 March 2023 (2022: € 13,719) and relates to commission paid for guarantees and other services charged to the Bank.

in thousands of €s	2023	2022
Interest income	262,958	104,723
Interest expense	101,504	23,972
Net interest income	161,454	80,751
Fee and commission income	73,227	35,251
Fee and commission expense	21,741	13,719
Net fee and commission income	51,486	21,532
Result on financial transactions	44,702	43,865
Other operating income	12,785	673
Total operating income	270,428	146,821

Operating income

Operating expenses

The operating expense decreased by € 14,077 to € 164,956 as per 31 March 2023 (2022: € 179,033). The decrease is mainly attributable to the decrease in the personnel expenses of € 11,909 to € 94,360 as per 31 March 2023 (2022: € 106,269). The decrease is in line with the Medium Term Business Plan FY21 - FY23 in reducing the headcount by closing the branch locations in Prague and Poland Branch, and the upcoming branch closure in Barcelona aimed for in FY24.

in thousands of €s	2023	2022
Personnel expenses	94,360	106,269
Depreciation of property and equipment	4,428	4,305
Amortisation of intangible assets	5,156	5,606
Impairment on fixed assets	-	1,299
Other operating expenses	61,012	61,554
Total operating expenses	164,956	179,033

Cost to income ratio

Cost to income ratio shows the profitability of the Bank and is calculated as total operating expense divided by total operating income. The ratio has improved to 61% for financial year 2022 (2022: 122%), which shows that the Bank has become profitable. This is mostly due to the increase in the total operating income by € 123,607 to € 270,428 as per 31 March 2023 (2022: € 146,821).

Impairment of financial and non-financial assets

Credit loss provision has decreased with € 335 to € 53,326 as per 31 March 2023 (2022: € 53,681). The decrease is attributable to releases of specific provisioning for Stage 3 clients amounting to a total of € 3 million due to the successful restructuring efforts of the clients by the Bank. The decrease is offset by an ECL overlay posted amounting to a total of € 3,0 million as per 31 March 2023.

As the ECL modelling outcome is the result of assumptions and inputs, executed in a time frame around reporting date, the outcome may not fully reflect all risks and circumstances as they are present at reporting date.

As of 31 March 2023, no impairment of non-financial asset was recorded.

Liquidity and capital adequacy

The total capital ratio has remained stable at 19% (2022: 19%). The amount of Own Funds[2] increased slightly to € 2,022,785 (2022: € 2,014,542). The total Risk Exposure[2] amounted to € 10,904,594 (2022: € 10,687,034).

The liquidity coverage ratio (LCR) decreased to 140% (2022: 303%). The LCR has decreased mainly because of the decrease of High Quality Liquid Assets whereas the Net Liquidity outflow has remained stable throughout the year. The Net Stable Funding Ratio increased to 109% (2022: 107%). The increase of the deposits from Non-Financial corporates is the main reason for the increase of the NSFR.

The Bank is placing and taking funds with the Global Markets Division for EMEA of the parent bank, MUFG Bank Ltd. As per 31 March 2023, the Bank had placed, in thousands € 699,100 (2022: € 2,153,932) with the parent bank and related parties.

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

[2] The amounts below are specified in thousands unless stated otherwise.

Report of the Management Board

Management Board

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

The MB takes into account 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 MB does. As per 31 March 2023, the MB complies with the gender diversity ratio of 30%. The gender diversity ratio per 31 March 2023 is 40%.

The members of the MB 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, strategy, organisation, communication, products, services and markets within the Bank's scope of activities.

The MB collectively manages the Bank and is responsible for its objectives, strategy and related risk appetite, as well as the development of financial results. The MB is assisted in its duties by various committees.

In July 2019, the Dutch central bank (hereafter: 'DNB') issued an instruction to the Bank addressing anti-money laundering/combatting the financing of terrorism (hereafter: '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. The Bank had been working diligently to comprehensively address the findings and to improve its anti-money laundering operating framework. It has enhanced its capabilities to contribute to a sound and effective financial crime compliance operation and culture.

The MB requested the Internal Audit to conduct a validation. Internal Audit extensively and critically executed the validation and concluded that the Bank 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 MB.

DNB evaluated the Bank, to validate whether the instruction was 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 the Bank concluded that it had addressed the findings which led to the 2019 instruction. The Bank is additionally committed to continuing to improve its processes in the area of AML / CFT.

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

A lifelong education programme for members of the MB exists. The MB participates in the Bank's e-learning sessions on topics such as risk, the code of conduct and compliance. The Chief Compliance Officer together with the Head of Financial Crime Office holds regular study sessions with the CEO and CRO. The programme is designed to keep board members' expertise up to date and aligned with regulatory developments regarding financial crime.

Management Board

Composition of the Management Board

Chief Executive Officer – Mr Harm Bots

Mr Bots joined the Bank on 1 October 2021 in the position of Chief Business Officer and was appointed as CEO on 1 April 2022. Before joining MUFG, Mr Bots gained extensive global markets and international Banking experience. He has been in international executive roles in banking for more than 20 years. Mr. Bots has previously been the CEO of the European bank of a large international financial group.

Chief Strategy and Planning Officer – Mr Hideyuki Okamoto (appointed as Deputy – President per 1 April 2023)

Mr Okamoto has been with MUFG for over 24 years, and has worked across Japan, United States, Indonesia and the United Kingdom in various roles, mainly in strategic planning, corporate governance, regulatory affairs and corporate finance.

Chief Operations Officer – Ms Elena Shakhurina

Ms Shakhurina joined MUFG in 2005. Before becoming Chief Operations Officer of the Bank, 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 in the Bank.

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. His areas of expertise include finance, accounting, regulatory reporting and liquidity and asset and liability management. Besides his role as CFO, Mr Selles is also the Chief Data Officer of the Bank.

Chief Risk Officer – Ms Dragi Dimitrijevic

Ms Dimitrijevic joined the Managing Board on 15 April 2022 as Chief Risk Officer. Ms. Dimitrijevic joined from another large Dutch bank where she acquired over 20 years' experience fulfilling a variety of senior leadership roles with Commercial and Corporate and Institutional Banking, ranging from Financing Solutions and Structured Finance to Transaction Banking and Portfolio Management. Ms Dimitrijevic has decided to resign and will step down as CRO on 31 August 2023.

Chief Strategy and Planning Officer and Deputy President- Mr. Nobuki Hatano (has resigned as per 1 April 2023)

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 U.S., Japan and the U.K., Mr Hatano has in-depth experience of the global organisation.

Outlook

The Bank is exposed to both external and internal challenges that may impact its business performance and overall profitability. While the margins are increasing and new products are offered to clients, the economic operating environment remains fluid and may pose structural challenges for the Bank. In particular, inflation, the Ukraine - Russia conflict, mounting cost pressures driven by increased or stricter regulatory compliance requirements, may put further pressure on the overall profitability of the Bank going forward.

Fraud risk remains ever-present as fraud attempts evolve with technology, increase with sophistication, and are compounded due to geopolitical context. The Bank remains vigilant in blocking fraud attempts with early detection and heightened internal awareness.

As per 31 March 2023, the Bank's profitability is mainly driven by the positive interest rate environment and the introduction of new products, where the Bank acts as an intermediary between the clients and other banks. The interest rates were low-to-negative over the last years, which negatively impacted the Bank. The financial result isexplained further in the section Financial Performance. The first results of the MTBP are recognised in the improved total operating income.

The MB is committed to improving the Bank's profitability in a controlled and sustainable manner over the next years. To address our internal and external challenges, and to maintain the Bank on a financially sustainable and viable path, our three-year MTBP focusses on three strategic directions:

- Further increasing revenue by leveraging the MUFG global network and capability, expanding our product capability and strengthening the client portfolio.
- Further 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.

For more details on the MTBP, we refer to the section Medium Term Business Plan FY21 - 23.

Sustainability

The purpose of MUFG ("The Group") reads as follows: "Committed to empowering a brighter future”.

As a globally operating financial institution, the Group recognizes that taking actions to foster shared and sustainable growth, including protecting the environment and responding to climate change, is a responsibility the Group has to society. As a result, the Group is aiming to contribute to the realisation of a sustainable society by protecting the global environment. In order to achieve this goal, not only does the Group 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, the Group supports a range of initiatives, which also aim at combatting climate change and selected 10 priority issues which corresponds with 11 out of the 17 United Nations Sustainable Development Goals (hereafter: 'UNSDG') that it focusses on. Annually, the Group issues a sustainability report, in line with the recommendations[3] of the Task Force on Climate-related Financial Disclosures (hereafter: 'TCFD').

The Group recognizes the urgency to address the risks arising from climate change. As a global financial institution, the Group needs to play an important role in the transition to a low-carbon economy. Addressing climate change does not only mean that the Group intends to mitigate the risks arising from climate change, but the Group also realizes that sustainable finance poses vast business opportunities. Based on this recognition, the Group 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 the Group provides to clients. The Group target to invest 35 trillion Japanese yen by 2030 into sustainable finance.[4] Further, the Group 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.

The Group is also a signatory to the Net-Zero Banking Alliance (hereafter: 'NZBA'). Being an NZBA member means that banks commit to net zero financed portfolios by 2050 and members are required to set interim targets by 2030. In April 2022, the Group published its progress report under the NZBA framework, setting medium-term targets for 2030 or earlier using a science-based approach. To calculate financed emissions, the Group uses the PCAF[5] model. In its 2022 progress report, the Group published interim targets for two sectors: (1) power sector and (2) oil & gas. For the results, we make reference to the Group's sustainability report and the progress Report. Subsequently, new intermediate targets have been disclosed in April 2023 for the following sectors: Steel, shipping and real estate.

The Bank’s ESG strategy, which also includes the management of climate-related risks, is fully aligned with the Group's strategy and targets. As such, the Bank, as a subsidiary of MUFG Bank Ltd, adopted the Group’s ESG goals to support and help our clients, respond to financial needs of our customers, serving society, and fostering shared and sustainable growth for our future and a more sustainable world. This has been stipulated in the Bank’s ESG Policy.

3 The latest Group's sustainability report can be found here: https://www.mufg.jp/english/csr/
4 This corresponds to approx. € 234 billion (exchange rate as of 08 June 2023).
5 PCAF stands for Partnership for Carbon Accounting Financials

Sustainability

In line with the Group's Environmental and Social Policy Framework, the Bank restricts lending to certain industries, respectively applies additional criteria for industries that potentially bear both environmental and/ or social risks.[6] This Framework is updated annually and applies across the Group.

Governance

The Bank is committed to effectively embed ESG (within its existing governance framework), and has assigned the Chief Strategy & Planning Officer (hereafter: 'CSPO') as the executive sponsor and responsible MB member for ESG. Further, the CSPO is supported by two ESG coordinators to foster the implementation of ESG within the Bank. The Bank's ESG coordinators are also represented on relevant EMEA working groups and committees.

Next to that, the Bank has set up an ESG forum to agree on ESG action points and evaluate the progress thereof.[7] These action points can derive from regulatory requirements, market developments or internal Group initiatives on ESG. Besides, the ESG forum shall deliver input to the MB on relevant strategic decisions for ESG topics. Therefore, the ESG forum also addresses deliverables to effectively embed climate-related and environmental risks within the Bank. The ESG forum's members include MB members as well as (senior) representatives from relevant divisions within the bank and convenes monthly. Besides, ensuring alignment within the Group, representatives from EMEA Headquarter also attend the Bank's ESG forum. Overall, ESG is structured around four pillars in the Bank:

- sustainable finance
- climate risk
- corporate sustainability
- disclosures

Within MUFG EMEA, the set-up is similar, however, includes a separate workstream on advocacy and regulatory developments. For the Bank, it has been decided to dedicate a separate pillar to disclosures, since the Bank faces enhanced regulatory requirements in this area relating to its business activities, deriving from the EU Taxonomy, its delegated acts as well as currently applicable Non-Financial Reporting Directive and its successor, the Corporate Sustainability Reporting Directive.

Given the Bank's strategic decisions in line with the MTBP, the Bank leverages resources in the EMEA regional structure. This particularly applies to the management of climate-related and environmental risks under the alignment of the Bank and EMEA's risk taxonomies.[8] Further embedding and ongoing enhancements will be necessary, particularly as a Group-wide approach evolves.

The Bank is aware that the Bank resources are also required to embed these deliverables within the Bank's business as usual process. For this purpose, the ESG forum provides direction. Furthermore, the Bank employs resources which on behalf of the Group represent MUFG towards stakeholders such as the European Commission, European Banking Authority and others. This reflects the Bank's importance within the Group pertaining to ESG driven by EU regulatory requirements.

The Bank also has an ESG working group that focusses on voluntary activities around ESG, such as the organization of sustainability-related events, but also on raising awareness on ESG topics, including climate risk. During the course of FY2022, two of the Bank's ESG working group members have been trained as 'ambassadors' to provide training on CO_2 emissions for employees. These sessions will help employees understand where (their) CO_2 emissions mostly derive from and focus on what we can do to effectively tackle these. This working group also serves as a forum among employees to actively exchange recent ESG development across all the Bank branches with representatives from various offices, business lines and divisions. The working group is chaired by the ESG coordinators.

Going forward, the Bank will continuously work to strengthen its ESG management, thus also including the management of climate-related and environmental risk into its governance framework. Therefore, the Bank has started to enhance its climate-related & environmental risk materiality assessment and will enhance and further embed this work over the course of FY23. Besides, to further familiarize employees with the topic of climate risk, there is an

[6] MUFG Environmental & Social Policy Framework: https://www.mufg.jp/english/csr/policy/index.html
[7] The Bank's ESG Forum will be transformed into an ESG committee in FY23.
[8] Under the Bank's Risk Taxonomy (see section Risk Taxonomy and Inventory on page 20), ESG is not considered as a stand alone risk type, but rather a risk driver impacting risks (i.e. ESG as risk driver impacts strategic risk, credit risk, market risk, etc.).

Sustainability

annual mandatory climate risk training for all staff in the EMEA region.

Strategy
As a financial institution, the Group recognises that supporting the transition to a decarbonised society also represents new business opportunities. The Group announced a target of providing a cumulative 35 trillion Japanese yen in sustainable finance by 2030, as such, the Group intends to commit 18 trillion Japanese 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. The Group promotes renewable energy through project finance, issues 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, the Group supports the transition to a decarbonized society. Further, the Group has declared in its Carbon Neutrality Declaration that it intends to achieve net-zero greenhouse gas emissions in its financed portfolio by 2050, which is also a commitment the Group makes as an NZBA member.

The EMEA's regional ESG strategy is fully aligned with the Group's global strategy, EMEA also contributes to the global targets mentioned above. Next to that, in EMEA a client engagement strategy has been and is evolving that includes pro-active marketing and thought leadership on sustainable finance topics. This focusses on the following product pillars:

- trade finance
- working capital solutions (transportation, hydrogen, aviation, oil and gas vessel)
- transaction banking

And the following four coverage pillars:

- EMEA energy
- Financial institutions
- Emerging markets
- Middle East and North Africa

In line with the Group's global framework on ESG, the Bank developed and recently revised its ESG Policy. The Bank's ESG Policy and its strategy are fully aligned with the global targets and developments around net-zero emissions.

Corporate Sustainability Reporting Directive
The Bank currently reports under the Non-Financial Reporting Directive (hereafter: 'NFRD') requirements, adopted in 2014 by the European Union. To prepare for the upcoming Corporate Sustainability Reporting Directive (hereafter: 'CSRD') requirements, which will replace the NFRD and which will apply to the bank for reporting as of FY25, the Bank has commenced with the double materiality assessments for the relevant EFRAG reporting standards. Aligned with the work that was prepared for the climate change risk heatmap (see section Risk Management), the Bank has opted for the climate change standard (ESRS E1) as the first standard to be analysed in the upcoming financial year.

Further, as the Bank is part of the Group, the materiality assessment is carefully analysed in line with the global materiality assessment and framework. The Bank uses the global materiality assessment as a basis for its analysis; however allows for deviation, where this would not be applicable. A social matter relevant in Japan, for instance, is the low birth rate and the ageing population, which however, would not represent a material matter for the Bank. The Bank aims to complete the assessments in FY23, collect the mandatory metrics over FY24. This allows the Bank to prepare for the reporting requirements under CSRD. These timelines also apply for policy adjustments, where needed and applicable.

Sustainability Highlights
Credit facilities linked to sustainability
In the last year the Bank has fulfilled various roles in credit facilities linked to sustainability. These include amongst others, as a sustainability coordinator, arranger, coordinator and agent. These credit facilities can be directly linked to sustainable activities, including but not limited to the financing of the construction of renewable energy production.

For the FY22, the total credit facilities linked to sustainability amounted to a total of € 858 million amount (of which € 468 million are committed).[3] The Bank expects to increase this amount in the next years, with the possible introduction of new ESG linked (finance) programs and products. In line with Group's

[3] These transactions are counted towards the Group's internal sustainable financing target. This target is not EU Taxonomy aligned, since it is a global MUFG target and not an EU target. Due to data limitations and the fact that these count to the global sustainable finance target, it cannot be specified whether these transactions are EU taxonomy eligible or aligned.

Sustainability

ambitions of achieving 35 Trillion Yen in sustainable financing by 2030.

Internal Efforts

The Bank also recognises the importance of internal efforts to contribute to a carbon-neutral and more sustainable society – together with our employees. The Bank is fully connected on global initiatives in that respect. The first MUFG EMEA's sustainability month took place in April 2021 with various events, including internal and external stakeholders, for EMEA employees to become engaged on sustainability matters, which was being repeated in April 2022 and April 2023, culminating in various local actions around Earth Day, April 22. Further, in line with the Group's global commitment to reach net-zero in its own emissions by 2030, the Bank has made further efforts to achieve this goal and help contribute the global one. The steps that are either taken or will be taken are:

- In all the Bank's office locations, where the Bank controls the electricity provider, the Bank has achieved to obtain electricity from 100% renewable energy by end of the reporting period.[4]
- Switching to electric vehicles (EVs) for company cars.

Item (measured in tonnes)	2023	2022	2021
Electricity consumption	195	212	173
Mobile combustion	15	19	29
Total	211	231	202

The Bank has measured and aggregated GHG emissions, which totalled to 211tCO2e as of 31 March 2023 (2022: 231tCO2e).

EU Taxonomy

The EU Taxonomy, aiming at channelling 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 prevent 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-obliged entities would need to disclose in line with the Taxonomy.

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.[5]

As of next year, credit institutions, as the Bank, 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. The Bank 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, the Group has also set its own targets to contribute to a more sustainable future and supports its clients in their transition as described above. The Bank contributes to this goal as a subsidiary. Concrete sustainability-linked facilities that the Bank financed are described under section "Sustainability Highlights".

Further, the Bank – also in close cooperation with other entities in the Group – offers ESG-linked products to

[4] This includes the following Bank office locations: The Netherlands, Belgium, Austria, Germany and Spain.
[5] 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)

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 the Bank, is being part of a large global financial group, its sustainable finance efforts should be considered more widely as part of the Group's global ESG efforts and contributions to a more sustainable tomorrow.

The Bank 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. The Bank 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.

Mandatory disclosures

EU Taxonomy disclosures can be both of mandatory and voluntary nature. As part of its mandatory disclosures, the Bank determines its EU Taxonomy eligibility ratio of its loan book with respect to its counterparties' eligibility both for their turnover and CapEx KPIs. To determine this ratio, the Bank applied the following methodology: For mandatory disclosures, the Bank only considered entities that are in scope of the EU Taxonomy (NFRD entities).[3] This approach has been taken, as eligibility-related disclosures of financial undertakings shall be based on actual information, provided by the financial or non-financial undertaking, per existing regulation. Thus, only entities themselves in scope of the EU Taxonomy, which includes NFRD entities will disclose EU Taxonomy information themselves. Consequently, any mandatory disclosure that shall be based on actual information only, can only come from NFRD entities. Within the Bank, approximately 15% of its exposures are to NFRD entities, hence the Bank can only make mandatory disclosure statements under the EU Taxonomy for only about that percentage of its portfolio.

For this share of exposures to NFRD entities, the following approach has been taken: Where the Bank has exposures to multiple entities of the same group, where the ultimate parent/ group is an NFRD entity, the "look-through" was applied. Thus, the EU Taxonomy ratios of the ultimate parent/ group were applied in analogy to subsidiaries, if the Bank has exposures to these. In cases where subsidiaries might publish their own EU Taxonomy disclosures, the respective data has been used. As a next step, the Bank gathered the data for EU Taxonomy eligibility ratios from its counterparties' annual reports by desk research. Subsequently, the Bank multiplied the eligibility KPIs provided by its underlying assets for both the turnover and CapEx KPI (where available) with its exposures to these. The aggregated amount of these result in the numerator for the below provided eligibility ratios of the Bank. The denominator represents the total of covered assets.

The Bank is closely monitoring other regulatory developments in the area of disclosures. Besides, the Bank observes the developments around the NFRD's successor, the Corporate Sustainability Reporting Directive (CSRD), which will introduce additional reporting requirements for the Bank's disclosures. At the same time, the Bank will also continue to contribute to the Group's internal sustainable finance goals.

The Taxonomy and its criteria provide insight through which the Bank can view our strategy and identify additional opportunities. For example, the issuance of new products linked to sustainability such as green bonds. The Bank will continue its efforts to collect data and engage with clients or counterparties, prioritizing our most material portfolios and exposures. In the future the Bank intend to disclose the extent to which these exposures are Taxonomy-aligned.

Whilst not explicit targets have been set for the Bank, the insight in the current portfolio are used to enter into a dialogue with the Group and other stakeholders to determine the ambition level of the Bank.

The Bank will continue to engage with clients and other stakeholders to promote transparency in a manner aligned with the Taxonomy, other regulatory disclosure requirements and public expectations. The Bank is committed to continue promote sustainability, human rights and environmental awareness among our clients, suppliers and other stakeholders.

[3] Non-financial reporting directive 2018/825 (NFRD) entities are defined as: Listed European corporation with more than 500 employees, € 40 million turnover, € 20 million balance sheet value.

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The Bank will also continue to refine our internal systems, design of financial products, policies and processes to continue to facilitate our compliance with these evolving requirements.

Mandatory eligiblity disclosure in thousands of €s	Gross carrying amount	of which taxonomy eligible assets	Proportion of total covered assets
Turnover			
Non-financial counterparties subject to NFRD	1,542,819	452,828	5%
Financial counterparties subject to NFRD	156,955	110,513	1%
Total mandatory taxonomy eligible assets	**1,699,774**	**563,341**	6%
Capital expenditure			
Non-financial counterparties subject to NFRD	1,542,819	380,585	4%
Financial counterparties subject to NFRD	156,955	104,988	1%
Total mandatory taxonomy eligible assets	**1,699,774**	**485,573**	5%

Non-eligible assets in thousands of €s	Gross carrying amount	of which taxonomy eligible assets	Proportion of covered assets
Non-financial counterparties not subject to NFRD	4,332,243	N/A	47%
Financial counterparties not subject to NFRD	3,199,654	N/A	35%
Total taxonomy non-eligible assets	**7,531,897**		82%
Total covered assets	**9,231,671**		

Human rights

The MUFG Way, which guides all of the Bank's activities, defines the meaning of the Bank's existence to be committed 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 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, the Bank 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.[4]

Corporate Social Responsibility

In financial year 2022, the Bank in partnership with NL Cares, organised four CSR events with a focus on promoting sustainable practices and making a positive impact on the environment. The events were attended by our colleagues who volunteered and aimed to help local communities and improve the local environment. The Bank participated in the following events:

Earth Day: 22 April

On this activity, fifteen volunteers of the Bank helped to maintain and repair the garden and aviary at Ritzema Bos, which were destroyed by storm Eunice. This center provides necessary care to local senior citizens and those with different disabilities. The limited green space in the center was previously used to appreciate time in nature, and the volunteers of the Bank helped to restore it.

World Clean-up Day: 15 September

This event aimed to clean up litter in the local community and the goal was to make our community cleaner and more social, and volunteers of the Bank helped in achieving this objective. Ten volunteers of the Bank participated in the activity, along with local elderly citizens.

[4] The latest code of conduct policy can be found on the Bank's website.

Sustainability

Clothing Donation – Koffiehuis: November

The campaign aimed to provide support to vulnerable groups in Amsterdam. Together employees of the Bank collected more than twenty bags of clothing and delivered it to 'the Koffiehuis', which is a community organisation, that provides help to people experiencing homelessness through clothing and work on daily basis. This initiative not only supported the ones in need but also has ripple effects around the environment by contributing to extend the life span from the donated clothes.

Winter Fair: 15-16 December

Thirty volunteers of the Bank participated in WinterFair, an event were the Bank welcomed more than four hundred senior citizens and the volunteers helped them enjoy this festive season by helping out in the stalls, making decorations and leading activities. The Bank's involvement in such events strengthens our relationship with local communities and enhances our reputation as a socially responsible organization that cares about the environment and local communities. Through these initiatives, The Bank supports the community by:

- Helping to maintain green spaces and facilities that are important to the well-being of local citizens.
- Encouraging community engagement and collaboration in creating a cleaner and more sustainable environment.
- Building trust and enhancing our reputation as responsible corporate citizen that cares about the environment and local communities.

The Bank's CSR activities were successful in making a positive impact on the environment and local communities. At the Bank, we are committed to contributing to a more sustainable future.

Financial Crimes Compliance

The Bank 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 Compliance" or "FCC"). As a wholly-owned subsidiary of MUFG, the Bank is expected to adopt MUFG's Global Financial Crimes Compliance (hereafter: 'GFCD') Policies and Standards (hereafter: 'GFCD Policies and Standards'), abiding by and consistent with the laws, rules, and regulations applicable to the jurisdictions in which the Bank operates.

Financial Crimes Compliance Policy Framework

The Bank has adopted the GFCD Policies and Standards, which have been defined based on international laws, regulations and best practices. There are four GFCD Policies including: the GFCD Policy, Anti-Money Laundering (hereafter: 'AML') Policy, Sanctions Policy and Anti-Bribery and Corruption (hereafter: 'ABC') Policy. The GFCD Standards set out additional risk identification and risk mitigation requirements.

The GFCD Policies and Standards framework encompasses the following documentation:

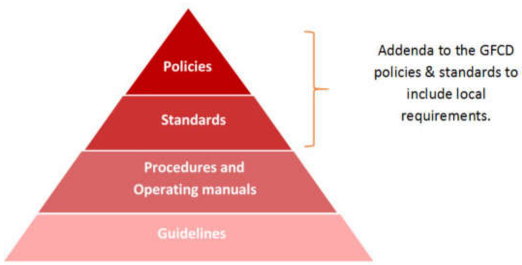
- Policy: Defines the bank's financial crime compliance programme, setting high-level requirements for FCC risk management across the bank.
- Standards: Expands on the high-level requirements defined in the Policies, providing additional details on roles & responsibilities and key activities that fall under the relevant Policy's purview.
- Addenda: These address unique requirements that are not covered, or are insufficiently covered, from a local legal and regulatory perspective in GFCD Policies and Standards. Addenda are only created for Policies and Standards.
- Procedures and Operating Manuals: These set out the operational and process steps to be followed with regard to specific control, such as Customer Due Diligence and Post-Event Transaction Monitoring.
- Guidelines: These establish recommended practices with respect to a Policy, Standard, Procedure or Operating Manual, and/or provide information on a specific topic related to the GFCD Policies and Standards.

The Bank 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 the Bank maintains a presence.

The Policies and their most recent approval dates are as follows:

- Financial Crimes Compliance Policy – last approved January 2023
- Anti-Money Laundering Policy – last approved January 2023
- Sanctions Policy – last approved January 2023
- Anti-Bribery and Corruption Policy – last approved January 2023

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.



Financial Crimes Compliance

Anti-Bribery and Corruption

The Bank is committed to keep abreast of developments in laws and regulations of the jurisdictions in which it operates, including ABC, as well as paying attention to trends in financial crimes. The Bank has updated the Anti-Bribery and Corruption Policy, 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.

Ukraine – Russia conflict

The Ukraine – Russia conflict is evolving continuously, with new developments taking place on a regular basis. The risk in the Bank's portfolio is actively managed. The MB is committed to maintaining a sound level of operations to support clients and managing the bank's daily processes and risks, while protecting the soundness of the Bank's capital and liquidity position. At the same time, the Bank is closely monitoring the developments of the sanctions policies imposed on Russia and Belarus from various jurisdictions and regulatory bodies. Consequently, the Bank has had to manage complex sanctions packages issued at a rapid frequency assuring compliancy throughout.

As per March 2023, the Bank 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 pursuant to and developments related to the Ukraine – Russia conflict are taken to ensure the Bank can continue to support its clients, while effectively managing the bank's operational processes and risks.

Regulatory Consent Order Update

In July 2019, the DNB issued an instruction to the Bank addressing anti-money laundering/combating the financing of terrorism 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.

The Bank immediately started the work required to comprehensively address the findings and to improve its anti-money laundering operating framework. As part of the work undertaken to resolve the instruction, the Bank MB directed the relevant teams to enhance its financial crimes compliance capabilities in order to contribute to a sound and effective financial crime compliance operation and culture, and also requested the Bank's Internal Audit Department to conduct a validation of the work conducted. Internal Audit extensively and critically executed the validation and concluded that the Bank 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 were defined.

In July 2021, DNB conducted an evaluation of the Bank to validate whether the instruction had been addressed in full. Following correspondence from the DNB on 3 June 2022 and a meeting with the DNB on 18 June 2022 the Bank concluded that it has addressed the findings which led to the 2019 instruction.

On 6 February 2023, the Bank received notification from DNB stating that DNB considered the actions with regard to the July 2019 Instruction, and relevant follow-up actions, to have been successfully concluded. The Bank is additionally committed to continuing to improve its processes in the area of AML / CFT.

Internal Audit

The Internal Audit function forms an essential part of the control mechanism of the Bank. Internal Audit is independently positioned, reporting directly to the chairperson of the Audit, Compliance and Risk Committee and hierarchically to the CEO of the Bank.

In accordance with the Internal Audit Charter, the mission of Internal Audit is to enhance and protect organisational value by providing risk-based and objective assurance, advice, and insight. Internal Audit helps the Bank 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 contributes to, and benefits 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 FY22, Internal Audit completed 23 individual engagements, including 5 regional engagements where the Bank 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 3rd LoD 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 and financial reporting.

Proposed profit appropriation

Proposed profit appropriation

As per 31 March 2023, the Bank has made a net profit of € 100,447 (2022: € 25,064 net loss). There is no proposed dividend payment for this period, net profit will be added to the reserves for the current year, to strengthen the capital base, increase resilience of the Bank and support future growth opportunities.

Gratitude

We wish to express our sincere gratitude to our employees, clients, business partners and our parent bank, MUFG Bank Ltd, for their continuous support during the financial year 2022.

The MB declares to the best of its knowledge, that the annual report including the financial statements, provide a true and fair view of the assets and liabilities of the Bank, its financial position, net profit and the material risks the Bank was exposed to.

Amsterdam,

18 July 2023

H.D.L. Bots

H. Okamoto

E.G. Shakhurina

M.A.B. Selles

D. Dimitrijevic

Report of the Supervisory Board

Supervisory Board

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

The role of the SB, as laid down in the Bank's articles of association and SB by-laws, lies with the SB collectively. The SB has established an Audit, Compliance and Risk Management Committee (hereafter: 'ACRMC'). Taking into consideration the characteristics of the Bank and its position within the broader financial group, as well as the size of the SB, we have decided not to establish separate committees for remuneration or nomination, instead this role is full-filled by the SB itself and yearly at least two SB Remuneration meetings are being held.

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

SB members have a lifelong learning programme. In the year to 31 March 2023, trainings were offered on Corporate Governance and ESG.

Composition of Supervisory Board

The SB has drawn up a profile to be used as a basis for its composition. As of 31 March 2023 the SB consists of four members. Two members of the SB are employed by the Bank's parent, MUFG Bank. The Chairperson is an independent member.

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

Chairperson – Mr Wietze Reehoorn

Mr Reehoorn joined the SB on 3 June 2020. Mr Reehoorn 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 MB for eight years, concluding his tenure in 2017. Mr Reehoorn is also a board member at the National Bank of Greece and holds several non-executive positions, amongst them Chairperson of the SB of MUFG Securities (Europe) N.V., member of SB of Anthos Private Wealth Management B.V., member of the Board of Trustees of Frans Hals Museum and Chairperson of the Topsport Community Foundation. Mr Reehoorn is also member of the bank's ACRMC.

Vice Chairperson - Mr Katsunori Yokomaku (resigned as per 20 July 2022)

Mr Yokomaku joined the SB of the Bank on 15 June 2021 as Vice Chairperson. Mr. Yokomaku was 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.

Vice Chairperson - Mr. Hidefumi Yamamura (appointed as per 20 July 2022)

Mr. Yamamura has joined the SB of the Bank as per 20 July 2022. Mr. Yamamura is currently MUFG's Deputy Regional Executive for EMEA. He has a long track record at MUFG, where he has worked for more than 30 years in variety of roles and locations, including Japan, UK and the US. He moved to UK in 2017, and assumed the role of Chief Operating Officer for EMEA for MUFG Bank in 2018.

Member – Mr Kerry Peacock

Mr Peacock joined the SB in September 2016 as Vice Chairperson. 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 in MUFG.

Member – Ms Gisella van Vollenhoven-Eikelenboom

Ms van Vollenhoven-Eikelenboom became a member of the SB and Chairperson of the Bank's ACRMC on 31 March 2020. Ms van Vollenhoven-Eikelenboom holds several non-executive positions, including with ASR 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.

Composition of Supervisory Board

Meetings of the Supervisory Board

The SB held six formal meetings during the year including two meetings on remuneration. Furthermore, multiple topics where separately discussed outside the formal meetings. Amongst others, this pertained to changes in the SB effective as per July 2022, discussions on strategy and lifelong learning sessions. All members were either physically present at these meetings, or else were represented or attended via video conference.

The SB discussed many subjects with the MB, including risk management, credit provisioning, integrity, remuneration, corporate governance, business development and the Dutch Banking Code, in order to assure itself through its own examination of the adequate management of risk and the control framework of the Bank.

The Chairperson of the SB also discussed relevant topics with the MB related to the Dutch Banking Code, Basel IV, the ICAAP/ILAAP process and IT.

Members of the SB consulted with, among others, 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 Dutch Works Council.

In its role as provider of overall governance for reward at the Bank, the SB reviewed the bank's reward policy, individual remuneration for the MB and all other staff identified as material risk takers (hereafter: 'MRTs') and approved these.

The SB and/or its Chairperson had meetings with representatives of DNB on issues such as capitalisation and liquidity, risk assessment, outsourcing, governance, asset & liability management and KYC.

During the year, the SB focused on the following areas and activities:

- The Bank's business development, strategy, financial position and results as they relate to the MTBP;
- Internal projects relating to the restructuring of branches within existing the Bank structures;
- The Bank's compliance with legislation, codes and regulations (including the closure of the AML / KYC remediation program);
- The Bank'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 SB and MB; and
- Its own functioning.

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

Audit, Compliance and Risk Management Committee

The ACRMC assembles on a quarterly basis. The committee is composed of the independent SB members and chaired by Gisella van Vollenhoven-Eikelenboom.

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

Topics discussed in the ACRMC include:

- The annual report. Based on the work performed by the Bank's external auditors, the ACRMC Committee discussed and challenged the underlying content, paying specific attention to related disclosures, as well as the way the Bank 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.
- The Bank's risk appetite. The ACRMC discussed and challenged proposed changes to the Bank's risk appetite based on internal factors such as the updated MTBP, and external factors including the Russian conflict, Covid-19, particularly in relation to strategic, operational, fraud and tax-related risks. This resulted in action items for the ACRMC members, as well as changes to the risk appetite statement, ensuring alignment with the bank's risk profile.
- Increased regulatory requirements. The ACRMC was regularly informed about the regulatory horizon, on-site visits planned by DNB, and progress made on remediation activities related to regulatory findings. As regards the Supervisory Review and Evaluation Process (hereafter: 'SREP'), a dedicated ACRMC session was organised to ensure that the content was duly discussed and challenged. A similar session was organised for the Systematic Integrity Risk Analysis, to ensure that Dutch regulatory requirements were met. Additionally, the ACRMC challenged the Bank's position on emerging regulatory focus areas such as diversity and climate risk, in order to ensure sufficient efforts are made to address such topics.
- Annual plan of key functions. To make sure the bank has a robust second LoD in place, the annual compliance plan was thoroughly discussed within the ACRMC. The internal audit plan was also discussed, to ensure that an adequate level of assurance is provided from a third LoD perspective in key areas of risk for the Bank.
- Emerging risks. One of the topics addressed by the ACRMC was ESG Risk, discussed with Management, as well as the Bank's external auditors. The ACRMC focused on the organisation's efforts to ensure compliance with current regulations, as well as to anticipate upcoming regulatory expectations.
- Another key area discussed within the ACRMC was the conflict between Ukraine and Russia, particularly how the organisation can implement the sanctions imposed at European level, as well as adapt in due time to the rapidly-changing context.
- Closure of the AML / KYC remediation program.

Remuneration

The Bank's 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. The Bank has also taken into consideration the EBA Guidelines on Sound Remuneration Policies. The policy includes a discretionary variable remuneration scheme in which all material risk takers are eligible to participate. 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. 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 SB is responsible for evaluating the reward policy adopted for MB members and all senior staff in control functions (including Risk Management, Compliance and Audit), and approves overall variable pay pool for the Bank.

The SB also oversees the MB's implementation of the reward policy. In establishing the Bank's reward policy, the following MUFG guiding principles are taken into account:

- Create a clear link between performance and reward that is responsible and aligns with risk and compliance requirements;
- Support the Bank's and MUFG's high standards of business ethics and motivate and reward employees who demonstrate behaviours in line with the Bank's values;
- Embed effective risk and compliance disciplines and to be in accordance with a prudent risk management system including environmental, social and governance (ESG) risk-related objectives;
- Attract, recognise, develop and retain key talent;
- Provide a total reward package that is competitive and attractive in the market place;
- A transparent, clearly communicated and well understood approach to remuneration which ensure employees are treated fairly and remuneration decisions are free from any form of discrimination and /or inequality;
- Encourage an inclusive and diverse workplace through fair and sound remuneration practices and equality or opportunity; and
- Comply with all regulatory and legal requirements including, but not limited to, applicable employment, tax and equality legislation, diversity and European and local country remuneration regulation.

The remuneration of independent SB 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 the Bank's financial results. SB members are not eligible for variable compensation.

For the current year, the Bank considered input from its entire stakeholder base, including viewpoints, interests, remarks and concerns. For FY22 - FY23, the Bank 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 the Bank's collective labour agreement increases where applicable.

Details of the remuneration of SB members, MB members and MRTs can be found in the consolidated financial statements.

Financial Statements

In accordance with article 15 of the Bank's articles of association, we hereby submit to the shareholder the Annual Report for the financial year 1 April 2022 to 31 March 2023, which includes among others the report of the MB and the Financial Statements drawn up by the MB, examined by the SB and audited by Deloitte Accountants B.V.

Beginning of FY21, the Bank announced its current MTBP. In the near future the focus will be on improving operating efficiency and improve the Bank's profitability in order to ensure a sustainable business model.

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

We propose that the shareholder approve the Annual Report including the Financial Statements as submitted by the MB and to discharge the members of the MB and the SB for their management and supervisory duties respectively during the year ended 31 March 2023. We endorse the proposal by the MB to have no dividend payment.

Information, consultation and conclusion

All important matters 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 SB and the Dutch Works Council took place in a constructive and professional atmosphere.

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

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

Amsterdam, 18 July 2023

W. Reehoorn, Chairperson

H. Yamamura

K.W. Peacock

G. van Vollenhoven-Eikelenboom

Consolidated Financial Statements

Consolidated Statement of Financial Position

As at 31 March

in thousands of €s	Notes	2023	2022
ASSETS			
Cash and balances with central banks	1	3,093,030	904,077
Loans and advances to banks	2	1,348,856	3,236,564
Loans and advances to customers	3	7,829,488	7,584,344
Derivatives	4	116,325	47,372
Financial investments	5	308,294	332,771
Property and equipment	6	12,297	14,953
Intangible assets	7	10,519	12,761
Current tax assets	21	52,894	49,600
Deferred tax assets	21	55,033	36,232
Retirement benefit asset	12	5,134	-
Other assets	8	25,264	28,630
Total assets		12,857,134	12,247,304
LIABILITIES			
Due to banks	9	4,944,905	4,797,067
Due to customers	10	5,509,107	5,256,296
Derivatives	4	113,351	45,585
Current tax liabilities	21	9,854	204
Subordinated debt	11	300,369	300,116
Provisions	12	22,901	20,230
Other liabilities	13	116,029	92,516
Total liabilities		11,016,516	10,512,014
EQUITY			
Issued capital	14	100,003	100,003
Share premium	14	1,334,304	1,334,304
Retained earnings	14	412,863	312,820
Fair value reserve: financial instruments measured at FVOCI	14	170	156
Foreign currency translation reserve	14	137	383
Actuarial reserve	14	(7,306)	(12,417)
Shareholder's equity		1,840,173	1,735,248
Non-controlling interest	14	446	41
Total equity		1,840,619	1,735,289
Total liabilities and equity		12,857,134	12,247,304

Consolidated Statement of Profit or Loss

For the year ended 31 March

in thousands of €s	Notes	2023	2022
Interest income		262,958	104,723
Interest expense		101,504	23,972
Net interest income	15	161,454	80,751
Fee and commission income		73,227	35,251
Fee and commission expense		21,741	13,719
Net fee and commission income	16	51,486	21,532
Result on financial transactions	17	44,702	43,865
Other operating income	18	12,785	673
Total operating income		270,428	146,821
Personnel expenses	19	94,360	106,269
Depreciation of property and equipment	6	4,428	4,305
Amortisation of intangible assets	7	5,156	5,606
Impairment on fixed assets	6	-	1,299
Other operating expenses	20	61,012	61,554
Total operating expenses		164,956	179,033
Credit loss expenses (recovery)	28	81	(6,473)
Profit (loss) before tax		105,391	(25,739)
Income tax expense/(benefit)	21	4,944	(675)
Net result continued operations		100,447	(25,064)
Attributable to:			
Equity holders of the parent		100,043	(25,084)
Non-controlling interest		404	20

Consolidated Statement of Comprehensive Income

For the year ended 31 March

in thousands of €s	Notes	2023	2022
Result for the year		100,447	(25,064)
Items which will not be reclassified to the statement of profit or loss			
Remeasurement of the net defined benefit asset/liability	22	(2,811)	3,684
Items which may be reclassified to the statement of profit or loss in a subsequent period			
Loss on foreign currency translation reserve	22	(246)	55
Gain/(loss) on financial instruments measured at FVOCI	22	76	179
Income tax relating to components of other comprehensive income	22	7,860	(989)
Other comprehensive income for the year, net of tax		4,879	2,928
Total comprehensive income, net of tax		105,326	(22,136)
Attributable to:			
Owners of the Bank (equity attributed to the shareholder of MUFG Bank (Europe) N.V.)		104,922	(22,115)
Non-controlling interest		404	(20)

Consolidated Statement of Changes in Equity

For the year ended 31 March

	Issued capital	Share premium	Retained earnings	Reserves			Non-controlling interest	Total equity
in thousands of €s				Fair value	Foreign currency translation	Actuarial revaluation		
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
Profit for the year	-	-	100,043	-	-	-	404	100,447
Other comprehensive income	-	-	-	14	(246)	5,111	-	4,879
At 31 March 2023	100,003	1,334,304	412,863	170	137	(7,306)	446	1,840,619

Consolidated Statement of Cash Flows

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

in thousands of €s	Notes	2023	2022
Operating activities			
Profit before tax for the year		105,391	(25,739)
Income tax expense	21	(4,944)	675
Profit after tax for the year		100,447	(25,064)
Adjustments on non-cash items			
Unrealised revaluations	4	786	2,673
Depreciation, amortisation and impairment of assets	6, 7	9,584	11,210
Impairment charges on financial instruments	28	80	(6,473)
Loss on sale of assets	17	(706)	-
Tax movements other than taxes paid & income taxes	21	(18,801)	349
Changes in provisions	12	(816)	(22,843)
Total adjustment non-cash items		(9,874)	(15,084)
Changes in operating assets and liabilities			
Loans and advances to banks, not available on demand	2	(342,049)	606,947
Loans and advances to customers	3	(243,322)	(1,008,329)
Other assets	8	3,366	7,324
Financial investments	5	24,572	(256,927)
Due to banks	9	147,838	1,386,523
Due to customers	10	252,811	(1,327,260)
Provisions	12	(5,340)	4,949
Other liabilities	13	24,803	38,925
Income tax paid	21	6,356	(10,047)
Net cash flow from (used in) operating activities		(40,391)	(598,043)
Investing activities			
Purchase of property and equipment	6	(744)	(1,186)
Proceeds from sale of property and equipment	6	196	383
Purchase of intangible assets	7	(2,081)	(3,213)
Net cash flow from (used in) investing activities		(2,629)	(4,015)
Financing activities			
Repayments of principal portion of lease liabilities	13	(2,255)	(2,276)
Cash flow from (used in) financing activities		(2,255)	(2,276)
Net cash flow		(45,275)	(604,334)
Effect of exchange rate changes on cash and cash equivalents		4,447	2,154
Cash and cash equivalents as at 1 April		3,296,958	3,899,138
Cash and cash equivalents as at 31 March		3,256,130	3,296,958

Consolidated Statement of Cash Flows

Cash and cash equivalents comprise:	Notes	2023	2022
Cash and balances with central banks	1	3,093,030	904,077
Due from banks, net balances on demand	2	163,100	2,392,881
Cash and cash equivalents as at 31 March		3,256,130	3,296,958

Interest received and paid		2023	2022
Interest received		234,867	111,306
Interest paid		89,637	24,169

Notes to the Consolidated Financial Statements

Accounting Policies

Authorisation of the consolidated Financial Statements

These consolidated Financial Statements of MUFG Bank (Europe) N.V. (hereafter: 'the Bank') for the year ended 31 March 2023 have been issued by the Management Board (hereafter: 'MB'), examined by the Supervisory Board (hereafter: 'SB'), accompanied by the SB's recommendation and adopted by the General Shareholder's Meeting on 18 July 2023.

Summary of material accounting policies

The notes to the consolidated financial statements, including the audited information in the Risk Management section, are an integral part of these financial statements. This section describes the Bank's material accounting policies and critical accounting estimates or judgements to the financial statements. If an accounting policy or a critical accounting estimates relates to a specific note, it is included in the relevant note.

The material accounting policies set out below have been applied consistently to all periods presented in these consolidated Financial Statements, unless otherwise indicated. Certain prior year balances have been reclassified to conform to the current period presentation, these include reclassifications relating to IFRS 9 integral fees, i.e. unearned fees and fee income.

Statement of compliance

The consolidated Financial Statements of the Bank 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.

Basis of preparation

The consolidated Financial Statements of the Bank have been prepared on a going concern basis and there is no significant doubts about the ability of the Bank to continue as a going concern.

The Bank's management has made an assessment of the Bank's ability to continue as a going concern, including the Russia-Ukraine conflict, inflation and other potential events and is satisfied that it has – if and when required - access to enough resources to continue in business for the foreseeable future. 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 Limited stating that support will be provided to the Bank in order to comply with its regulatory capital requirements and liquidity requirements imposed by Dutch Central Bank now and in the future.

The consolidated Financial Statements of the Bank have been prepared on a historical cost basis, except for:

- financial assets which are not measured at historical cost basis, these include derivative measured at FVPL, and;
- financial liabilities measured at FVPL.

The carrying values of recognised assets and liabilities that are hedged items in fair value hedge accounting relationships, and otherwise carried at amortised cost (AC), are adjusted to record changes in fair value attributable to the risks that are being hedged.

Accounting Policies

The preparation of consolidated financial statements in conformity with IFRS-EU requires the use of certain critical accounting estimates. It also requires management to exercise judgement in the process of applying the Bank's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in the relevant explanatory notes.

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.

Changes in accounting policies for 2023
Changes in International Financial Reporting Standards
New standards and amendments to standards become effective at the date specified by IFRS-EU, but may allow companies to opt for an earlier application date. The following standards or amendments to existing standards issued by *International Accounting Standards Board* (IASB) became effective or will become active in reporting period beginning on or after 1 January 2023 and are relevant for the Bank.

Accounting standard/ Amendment/Interpretation	IASB effective date	Early adoption	Impact for the Bank
IFRS 17 Insurance Contracts: including Amendments to IFRS 17	January 2023	No	IFRS 17 provides comprehensive guidance on accounting for insurance contracts. Insurance contracts are defined as contracts under which one party (the issuer) accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policy holder. As the Bank has the financial year starting as of 1 April 2023, these amendments apply to the financial year 1 April 2023 to 31 March 2024. No significant impact.
Amendment to IAS 12 Income Taxes: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 2023	No	Relates to how companies account for deferred taxes on transactions such as leases and decommissioning obligation with a focus on reducing diversity in practice. No significant impact.
Amendments to IAS 1 Presentation of Financial Statements and IFRS Practice Statement 2: Disclosure of Accounting Policies	January 2023	No	Relates to the revision in disclosing accounting policies. No significant impact.
Amendment to IAS 8 Accounting Policies, Changes in Accounting Estimates and Errors: Definition of Accounting Estimates	January 2023	No	Relates to distinguishing changes in accounting policies from changes in accounting estimates. No significant impact.
Amendments to IFRS 16 Leases	January 2024	No	The amendment specifies the method a seller-lessee uses in initially measuring the right-of-use asset and lease liability arising in a sale and leaseback transaction and how the seller-lessee subsequently measures that liability. The upcoming amendment is not expected to have a material effect on the consolidated financial statements.

Accounting Policies

Accounting standard/ Amendment/Interpretation	IASB effective date	Early adoption	Impact for the Bank
Amendment to IAS 1 Presentation of Financial Statements	January 2024	No	The amendments provide the following additional guidance: • Right to defer settlement exists where it is subject to conditions that the entity complies with at the end of the reporting period; • Classification is not impacted by the management's intentions to settle; • In convertible debt instruments, where a conversion option is classified as a liability, transfer of equity instruments would constitute settlement. The upcoming amendment is not expected to have a material effect on the consolidated financial statements.

Basis of consolidation

Subsidiaries are fully consolidated from the date on which control is transferred to the Bank and de consolidated from the date control ceases. Control is achieved when the Bank 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. This implies that control is achieved through situations including, but not limited to:

- Ownership, directly or indirectly, of more than half of the voting power;
- Ability to appoint or remove the majority of the board of directors;
- Power to govern operating and financial policies under statute or agreement; and
- Power over more than half of the voting rights through an agreement with other investors.

The results of the operations and the net assets of subsidiaries are included in the statement of profit or loss and the statement of financial position from the date control is obtained until the date control is lost. On disposal, the difference between the sales proceeds, net of directly attributable transaction costs, and the net assets is included in net result.

The consolidated Financial Statements for the year ended 31 March 2023 comprise the Bank and the subsidiaries in the following table:

Name of the subsidiary	Country of incorporation	Place	% equity interest 2023	% equity interest 2022
MUFG Europe Lease (Deutschland) GmbH i.L.	Germany	Düsseldorf	95	95
MUFG Funding (UK) Limited	United Kingdom	London	100	100

The preparation for the liquidation of MUFG Europe Lease (Deutschland) GmbH i.L. is in progress and expected to be finalized in calendar year 2024. The main dependency for the liquidation and connected timelines pertains to the expiry and closure of remaining existing leasing contracts.

The financial year of the Bank's subsidiaries is aligned to the reporting period of the Bank, 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.

Accounting Policies

Foreign currency translation
Functional and presentation currency
Items included in the financial statements are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in EUR, the functional currency and presentation currency of the Bank in the Netherlands.

Transactions and balances
Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign Exchange (FX) gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statement.

Changes in the fair value of monetary loans denominated in a foreign currency that are classified at FVOCI are analysed between FX translation differences and other changes in the carrying amount of the loan. FX translation differences are recognised in the income statement and other changes in the carry amount are recognised in OCI. 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.

FX translation differences on non-monetary assets and liabilities that are stated at FVPL are reported as part of the fair value gain or loss. Translation differences on non-monetary items classified at FVOCI are included in the revaluation reserve in OCI. 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 the Bank'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. All resulting exchange rate differences are recognised in a separate component of equity.

Financial instruments
Recognition and classification and measurement
Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provision of the instrument. Regular way purchases and sales of financial assets are recognised on settlement date, the date on which the Bank obtains an asset or delivers an asset to a (third) party. When not fulfilling the criteria of a regular way purchase or sale, trade accounting is applied.

On initial recognition, financial assets are measured at amortised cost ('AC') or fair value through OCI ('FVOCI') or through profit and loss ('FVPL').

A debt instrument is measured at AC if it meets both the following conditions:

- it is held within a business model that has an objective to hold financial assets to collect contractual cash flows;
- the contractual terms of the financial asset results in cash flows that are *Solely Payments of Principal and Interest* (SPPI) on the principal amount outstanding.

A debt instrument is measured at FVOCI if it meets both of the following conditions:

- It is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets;
- the contractual terms of the financial assets result in cash flows that are SPPI.

Accounting Policies

Equity instruments are accounted for at FVPL.

Financial assets are mandatory measured at fair value through profit or loss where they do not meet the criteria to be carried under a different classification. The Bank may irrevocably designate a financial asset as held at FVTPL upon initial recognition where doing so eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise from carrying financial assets or financial liabilities on different bases.

Forward purchases and sales other than those requiring delivery within the time frame established by regulation or market convention are treated as derivative forward contracts.

Business model assessment
The Bank determines the nature of the business model, for example if the objective is to hold the financial assets and collect the contractual cash flows, by considering the way in which the financial assets are managed to achieve a particular business objective as determined by management.

The Bank up to 31 March 2023 has mainly originated loans in a held to collect business portfolio. Exceptions include loans which at origination are intended to be sold onwards, in an underwriting transaction or via sub-participation and classified in a business model held for sale and assets which might be held to maturity or might be sold in a business model held to collect and sell. For the exceptions, reference is made to Note 5 Financial Investments.

The Bank determines its business model at a portfolio level.

Contractual cash flow characteristics
In assessing whether the contractual cash flows are SPPI, the Bank considers whether the contractual terms of the financial asset contain a term that could change the timing or amount of contractual cash flows arising over the life of the instrument, which could affect whether the instrument is considered to meet the SPPI criteria.

The contractual provision will pass the SPPI test as long as the interest/provisions reflects consideration for the time value of money, for the credit risk associated with the instrument during the term of the instrument and for other basic lending risks and costs, as well as profit.

All financial instruments are initially measured at fair value. In the case of financial instruments subsequently measured at AC or FVOCI, the initial fair value is adjusted for directly attributable transaction cost.

After initial recognition, the Bank classifies, measures and presents its financial assets and liabilities in accordance with IFRS 9 as described in the table below:

Accounting Policies

Financial asset classification		Significant items included	Measurement and presentation
Measured at AC		This classification includes: • cash and balances at central banks; • due from other banks; • corporate loans	Measured at AC using the effective interest rate (EIR) method less allowances for expected credit losses (ECL). The following items are recognised in the income statement: • Interest income; • ECL and reversals; • Foreign exchange translation gains and losses Upfront fees and direct costs relating to loan origination, refinancing, restructuring or loan commitments - when it is probable that the Bank will enter into a specific lending relationship - are deferred and amortised over the life of the loan using EIR method. When the financial asset at AC is derecognised, the gain or loss is recognised in the income statement, under line item 'net gains or (losses) on derecognition of measured at amortised cost'.
Measured at FVOCI		This classification includes financial assets which are held to collect and sell.	Measured at fair value with unrealised gains and losses reported in OCI, net of applicable income taxes, until such investments are derecognised (when sold, collected or otherwise disposed). Upon derecognition, any accumulated balances in OCI are reclassified to the income statement and reported within Investment income. The following items are recognised in the income statement: • Interest income • Foreign exchange translation gains and losses • Expected credit losses The amounts recognised in the income statement are determined on the same basis as for financial assets measured at AC.
Measured at FVPL	Held for sale / derivatives	Financial assets held for sale include: • all derivatives with a positive replacement value; • other financial assets acquired principally for the purpose of selling or repurchasing in the near term, or that are part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit taking.	Measured at fair value with changes recognised in profit or loss.

Accounting Policies

Financial asset classification		Significant items included	Measurement and presentation
	Mandatorily measured at FVPL - Other	A financial asset is mandatorily measured at FVPL if: • it is not held in a business model whose objective is to hold assets to collect contractual cash flows or to hold them to collect contractual cash flows and sell, and/or: • the contractual terms give rise to cash flows that are not SPPI; and/or: • it is not held for trading.	Financial assets held for trading and other financial assets mandatory measured at FVPL are presented under financial assets at FVPL.

Financial liabilities classification		Significant items included	Measurement and presentation
Measured at AC		The main classes of financial liabilities at AC include: • due to other banks; • deposits from customers; • Debt securities • Loan commitments and guarantees (letters of credit)	Measured at AC using the EIR method. Upfront fees and direct costs relating to the issuance or origination of the liability are deferred and amortised over the life of the liability using the EIR method.
Measured at FVPL	Held for trading	Financial liabilities held for trading include derivatives with a negative replacement value (including financial guarantees and loan commitments) except those that are designated and effective hedging instruments.	Measurement of financial liabilities classified at FVPL follows the same principles as for financial assets classified at FVPL.
	Designated at FVPL	The financial liabilities designated at FVPL relate to subordinated debt measured at FVPL.	Financial liabilities measured at FVPL are presented as financial liabilities at fair value and subordinated debt financial liabilities at fair value. The presentation of fair value changes on derivatives differs depending on the type of hedge relationship. Fair value of the financial liability that is attributable to changes in the Bank's own credit risk is presented in OCI.

Accounting Policies

Derecognition, restructured and modified financial assets
The Bank derecognises a financial asset, such as a loan to customer, when:

- Contractual rights to the cash flows from the financial assets expire, or;
- The financial asset is modified so that it results in extinguishment of the asset and recognition of a new financial asset, or;
- The reporting entity retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to another entity in an arrangement that meets the pass-through criteria.

When a counterparty is in financial difficulties or where default has already occurred, the Bank may restructure financial assets by providing concessions that would otherwise not be considered and that are outside the Bank's normal risk appetite, such as preferential interest rates, extension of maturity and subordination.

Concessions granted when there is no evidence of financial difficulties, or where changes to terms and conditions are within the Bank's usual risk appetite, are not to be considered to be credit restructuring.

Modifications represent contract amendments that result in an alteration of future contractual cash flows and that can occur within the Bank's normal risk appetite or as part of a credit restructuring where a counterparty is in financial difficulties.

Derecognition of financial liabilities
Financial liabilities are 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.

Fair value estimation
In accordance with IFRS 13, the estimated fair values represent the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. It is a market-based measurement, which is based on assumptions that market participants would use and takes into account the characteristics of the asset or liability that market participants would take into account when pricing the asset or liability.

The Bank has categorised its financial instruments that are either measured in the statement of financial position at fair value or of which the fair value is disclosed, into a three level hierarchy based on the observability of the valuation inputs from (unadjusted) quoted prices. The highest priority is retained to (unadjusted) quoted prices in active markets for identical assets or liabilities and the lowest priority to valuation techniques supported by unobservable inputs. Transfers into and transfers out of fair value hierarchy levels are made on a quarterly basis at the end of the reporting period. The three level are defined as:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer markets, brokered markets, or principal to principal markets. Those prices represent actual and regularly occurring market transactions with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly. For financial instruments that do not have a reference price available, fair value is determined using a valuation technique (e.g. a model), where inputs in the model are taken from

an active market or are observable, such as interest rates and yield curves observable at commonly quoted intervals, implied volatilities, and credit spreads.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data. Unobservable inputs are inputs which are based on the Bank's own assumptions about the factors that market participants would use in pricing an asset or liability, developed based on the best information available in the market.

Determination of fair value of financial instrument
The fair value of financial instrument is the price that would be received to sell or paid to transfer a particular asset or liability in an orderly transaction between market participants at the measurement date in the principal or, in its absence, the most advantageous market to which the Bank has access at that date. The Bank determines fair value either by reference to quoted market prices or dealer price quotation without adjustment for transaction costs for those financial instruments that are currently traded in an active market. The fair value measurement is based upon the bid price for financial assets and the ask price for financial liabilities. These financial instruments are reported as level 1 in the fair value hierarchy.

A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. If the above criteria are not met, the market is regarded as being inactive.

The fair value of financial instruments not quoted in an active market is determined using appropriate valuation techniques. These valuation techniques are applied using, where possible, relevant market observable inputs (level 2) or unobservable inputs (level 3). Valuation techniques include the discounted cash flow method, comparison to similar instruments for which market observable prices exist, option pricing models, credit models and other relevant models.

The level within the fair value hierarchy at which an instrument measured at fair value is categorised is determined on the basis of the lowest level input that is significant to the measurement of fair value in its entirety.

The Bank recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred. Credit valuation adjustments (CVAs) are incorporated in the derivative valuation.

We refer to Note Fair value measurement for an analysis of the fair values of financial instruments and further details as to how they are measured.

Recognition of day one profit or loss
The Bank has entered into transactions where fair value is determined using valuation model for which not all inputs are market observable prices or rates. Such financial instruments are initially recognised at the transaction price, which is the best indicator of fair value, although the value obtained from the relevant valuation model may differ. Significant differences between the transaction price and the model value, commonly referred to as day one profit loss, are not recognised immediately in the income statement.

Deferred day one profit or losses are amortised to income over the life until maturity, settlement or until become observable which could be through passage of time. The financial instrument is subsequently measured at fair value as determined by the relevant model adjusted for any deferred day one profit or loss.

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

Accounting Policies

- 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.
- 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

Collateral
The Bank enters into master agreements and Credit Support Annexes (CSA) with counterparties whenever possible and when appropriate. Master agreements provide that, if the master agreement is being terminated as a consequence of an event of default or termination event, all outstanding transactions with the counterparty will fall due and all amounts outstanding will be settled on a net basis. In the case of a CSA with counterparties, the group has the right to obtain collateral for the net counterparty exposure.

The Bank obtains collateral in respect of counterparty liabilities when this is considered appropriate. The collateral normally takes the form of a pledge over the counter party's assets, cash collateral or in the form of securities and gives the Bank a claim on these assets for both existing and future liabilities. Collateral paid or received in the form of cash or securities are recorded on the balance sheet at fair value. Any interest payable or receivable arising is recorded as interest expense or interest income respectively.

Derivative financial instruments
The Bank uses derivative financial instruments to hedge its exposure to interest rate risk.

Derivative financial instruments are initially measured, and are subsequently re-measured, at fair value. The fair value of exchange-traded derivatives is obtained from quoted market prices. Fair values of over-the-counter derivatives are obtained using valuation techniques, including discounted cash flow models and option pricing models.

Derivatives designated as hedges, the Bank classifies them as either: (ii) fair value hedge of interest rate risk or FX risk (micro fair value hedges), (ii) a cash flow hedge of the variability of highly probable cash flows (cash flow hedges). Hedge accounting is applied to derivatives designated as hedging instruments, provided certain criteria are met.

Hedge accounting
Where derivatives are held for risk management purposes, and when transactions meet the criteria specified in IAS 39, the Bank applies fair value hedge accounting or cash flow hedge accounting, as appropriate, to the risks being hedged.

At the inception of a hedging relationship, the Bank documents the relationship between the hedging instrument and hedged item, its risk management objective and its strategy for undertaking the hedge. The Bank also requires a documented assessment, both at hedge inception and on an ongoing basis, of whether or not the derivatives that are used in hedging relationships are highly effective in offsetting changes attributable to the hedged risk in the fair value or cash flows of the hedged items. Interest on designated qualifying hedges is included in net interest income.

The Bank discontinues hedge accounting prospectively when:

- it is determined that a derivative is not, or has ceased to be, highly effective as a hedge;
- the derivative expires, or is sold, terminated, or exercised;
- the hedged item matures, or is sold or repaid;

Accounting Policies

- it voluntarily decides to discontinue the hedge relationship.

Fair value hedge accounting
The Bank applies micro fair value hedge accounting. Changes in the fair value of derivatives that are designated and qualify as fair value hedging instruments are recorded in the income statement together with changes in the fair value of the hedged items attributable to the hedged risk.

If a hedge relationship no longer meets the criteria for hedge accounting, the cumulative fair value adjustment to the carrying amount of the hedged item is amortised to the income statement over the remaining period to maturity using the effective interest rate method. If the hedged item is derecognised, the unamortised fair value adjustment is recognised immediately in the income statement in the income statement.

Hedge effectiveness testing
To qualify for hedge accounting, the Bank requires that at the inception of the hedge and throughout its life, each hedge must be expected to be highly effective (prospective effectiveness). Actual effectiveness (retrospective effectiveness) must also be demonstrated on an ongoing basis.

The documentation of each hedging relationship describes how effectiveness will be assessed. For prospective effectiveness, the hedging instrument must be expected to be highly effective in achieving offsetting changes in fair value or cash flows attributable to the hedged risk during the period for which the hedge is designated. For actual effectiveness, the changes in fair value or cash flows must offset each other in the bandwidth of 80% - 125% for the hedge to be deemed effective.

Hedge ineffectiveness is recognised in the income statement.

IBOR transition
The IBOR project of the Bank is part of an overarching EMEA LIBOR programme supported by MUFG EMEA. The Bank's project distinguishes two main streams:

1. The remediation of bilateral loans, and;
2. The remediation of syndicated loans.

All client facing staff of the Bank 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 Bank's IBOR project has aligned their timelines with the EMEA LIBOR programme which has been set at the end of August 2023 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 2023 the following loans and loan commitments are to transition to alternative benchmark rates, summarised by significant benchmark rate. The Bank uses for most loans and loan commitments the EURIBOR rate and the EURIBOR rate is not subject for transition. The table presents the nominal exposure of each benchmark rate in two maturity buckets.

By benchmark rate in thousands of €s	Maturity between 2024-2025	Matures after 2026
USD Libor	301,770,013	374,331,323
WIBOR	89,935,760	-
Total	**391,705,773**	**374,331,323**

Accounting Policies

Expected credit losses
The Bank recognises loss allowances for expected credit losses (ECL) on the following financial instruments that are not measured at FVPL:

- financial assets that are debt instruments (recorded at AC and FVOCI);
- financial guarantee contracts issued;
- loan commitments issued.

Recognition of Expected Credit Loss
ECL represents the difference between contractual cash flows and the actual cash flows the Bank expects to receive, discounted at the EIR. For loan commitments and other credit facilities in scope of ECL, expected cash shortfalls are determined by considering expected future drawdowns during the contractual life of the instruments.

The Bank applies the low credit risk exemption for all debt investments that are considered to have low credit risk when their credit risk is deemed very low.

ECL changes are recognised in profit or loss with a corresponding ECL allowance reported as a decrease in the carrying value of financial assets measured at AC on the balance sheet. For financial assets measured at FVOCI, the carrying value is not reduced, but an accumulated amount is recognised in OCI. See also section Financial Instruments.

For off-balance sheet financial instruments and other credit lines not recognised (i.e. related to undrawn positions), provisions for ECLs are reported in Provisions. ECL changes are recognised within the income statement in Credit loss expense / recovery.

Measurement of Expected Credit Loss
The Bank calculates ECL's based on three probability-weighted scenarios (baseline, upturn and downturn) to measure the expected cash shortfalls, discounted at an approximation to the EIR. A cash shortfall is the difference between the cash flows that are due to the Bank in accordance with the contract and the cash flows that the Bank expects to receive. The ECL estimates are unbiased and include reasonable and supportable information about past events, current conditions, and forecasts of future economic conditions. These economic forecast scenarios include macroeconomic variables that have historically been correlated with historical credit losses. The variable used is the gross domestic product in the EURO region. The macroeconomic variables in multiple economic forecast scenarios and weightings given to each scenario depend on a variety of factors including recent economic conditions and views of internal as well as third-party economists.

The 12m ECL and the Lifetime ECL represent the ECL that result from all possible default events over the next 12 months and the expected remaining life of the instrument respectively. 12m ECL and Lifetime ECL are calculated as a probability weighted-average over the three scenarios and are based on the unbiased and Point-in-Time (PiT) estimates of Probability on default (PD), Loss given default (LGD) and Exposure at Default (EAD).

Credit losses and reversals are accounted for and disclosed separately from modification losses or gains that are accounted for as an adjustment of the financial asset's gross carrying value.

Accounting Policies

ECL	Measurement
Stage 1	The 12m ECL is calculated as the portion of lifetime ECLs that represent the ECLs that result from default events on a financial instrument that are possible within the 12 months or a shorter period if applicable after the reporting date. The Bank calculates the 12m ECL allowance based on the expectation of a default occurring in the 12 months following the reporting date. These expected 12-month default probabilities are applied to the EAD and multiplied by the expected LGD and discounted by an approximation to the original EIR.
Stage 2	When a loan has shown a significant increase in credit risk ('SICR') since origination, the Bank records an allowance for the lifetime ECLs. The mechanics are similar to those explained above, including the use of multiple scenarios, but ECL calculations are summed over the remaining lifetime of the instrument. The expected cash shortfalls are discounted by an approximation to the original EIR. This rate is fixed to discount the cash-flows over the remaining life of the loan until its legal maturity. This rate applies to all financial instruments, including undrawn loan commitments and financial guarantees.
Stage 3	For loans considered credit-impaired, the Bank recognises the Lifetime ECL, based on facility level individual cash flow estimates determined by the department Special Credits Team (SCT). SCT applies at least three scenarios (unless it is 100% impaired) and assigns probabilities to each of these scenarios. Focus is on recovery of the client, while in parallel an enforcement strategy, a loan trade or sale of the company are considered as alternative scenarios. The method is conceptually similar to that for Stage 2 assets, but requires an individual assessment. For the purpose of impairment calculation, the EIR is approximated by the sum of the applicable swap curve plus the original contractual margin.
POCI	POCI assets are financial assets that are credit impaired on initial recognition. The Bank only recognises the cumulative changes in lifetime ECLs since initial recognition, based on a probability-weighting of the three scenarios, discounted by the credit-adjusted EIR.
Financial guarantee contracts	The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.
Loan commitments and letters of credit	When estimating Lifetime ECLs for undrawn loan commitments, the Bank estimates the expected portion of the loan commitment that will be drawn down over its contractual life. The ECL is then based on the present value of the expected shortfalls in cash flows if the loan is drawn down, based on a probability-weighting of the three scenarios. The expected cash shortfalls are discounted at an approximation to the expected EIR on the loan. For loan commitments relating to revolving facilities that include both a loan and an undrawn commitment, ECLs are calculated and presented together with the loan. For fully undrawn loan commitments and letters of credit, the ECL is recognised within Provisions. The Bank's liability under each guarantee is measured at the higher of the amount initially recognised less cumulative amortisation recognised in the income statement, and the ECL provision. For this purpose, the Bank estimates ECLs based on the present value of the expected payments to reimburse the holder for a credit loss that it incurs. The calculation is made using a probability-weighting of the three scenarios. The ECLs related to financial guarantee contracts are recognised within Provisions.

Movements of the financial instruments between the different stages due to changed credit risk profiles are disclosed in the movement schedules in the notes to these consolidated financial statements. Movements between stages of credit loss allowances, caused by eventual changes in the models or in the input parameters used, are disclosed as separate items in these movement schedules.

Refer to Note Risk Management for full disclosure on scenarios and scenario weights as well as used macro-economic and other factors.

Accounting Policies

Forbearance

The exposures are governed by the Bank's Forbearance Policy. The Bank classifies exposures as forborne, if:

- the obligor is in financial difficulties or is about to face financial difficulties, and
- the Bank grants a concession to the obligor.

The exposure can be classified as performing forborne exposure (if the client did not trigger an unlikely to pay trigger, see also section Default and credit impairment below). If the client has triggered an unlikely to pay trigger, then the exposure is considered a forborne non-performing exposure. Performing forborne exposures are transitioned to Stage 2, whereas non-performing forborne exposures are transitioned to Stage 3.

Financial difficulties are defined as client facing or about to face difficulties meeting financial obligations. Concessions refers to one of the following (per facility):

- Modification of terms or conditions of a troubled facility to allow sufficient debt service capacity (that would not be granted if the obligor were not in financial difficulties);
- Refinancing (or partial refinancing) of a troubled facility (that would not be granted without financial difficulties).

In such cases, the net present value of the postponement, reduction of loan principal and/or interest payments is taken into account in the determination of the appropriate level of ECL. If the forbearance results in a substantial modification of the terms of the loan, the original loan is derecognised and a new loan is recognised at fair value at the modification date. In the event of a modification the Bank recalculates the gross carrying amount based on the revised cash flows of the financial asset and recognizes a modification gain or loss in profit or loss. The Bank determines whether there has been a substantial modification using both quantitative and qualitative factors.

Forborne exposure is either classified as stage 2 or stage 3, depending on its circumstances. We also refer to Section Derecognition, Restructured and modified financial assets.

Default and credit impairment

The Bank has fully aligned the implementation of the prudential definition of default, the supervisory definition of Non-performing exposures and the accounting definition of credit-impaired exposures in the Bank's definition of default, process, monitoring and reporting.

An obligor or credit facility is considered to be in default when either one or both events have taken place:

- The Bank considers that the obligor is unlikely to pay its credit obligation to the Bank in full, without recourse by the Bank to actions such as seizing collateral;
- The obligor/facility is past due more than 90 days on any material credit obligation to the Bank.

Accounting Policies

An instrument is classified as credit-impaired when one of more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- Significant financial difficulty of the issuer or the client;
- A breach of contract, such as a default or past due event;
- The Bank, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the client a concession(s) that the Bank would not otherwise consider;
- It is becoming probable that the client will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties.

Once a financial asset is classified as defaulted / credit impaired (with the exception of POCIs), it remains as such unless the client has a decrease in the credit rating. Financial assets which are classified as defaulted / credit-impaired that have a forborne measure are reported defaulted or credit-impaired at least one year. For defaulted / credit-impaired assets that do not have a forborne measure are reported defaulted or credit-impaired for at least three months.

Interest revenue on financial assets that are not credit impaired (i.e. in stages 1 and 2) is calculated by applying the effective interest rate to the gross carrying amount of the asset. Once a financial asset is credit-impaired, interest revenue is calculated by applying the effective interest rate to the amortised cost of the financial asset (gross carrying amount less the ECL). If a financial asset 'cures', i.e. when the financial asset transfers back to stage 2, interest revenue is again recognised based on the gross carrying amount. The adjustment required to bring the loss allowance to the amount required is presented as Credit loss recovery in the consolidated income statement instead of Net interest income.

Write-off

A write-off is made when all or part of a financial asset is deemed non-collectable or forgiven (e.g. in case of bankruptcy or distressed restructuring). Write-offs reduce the principal amount of a claim and are charged against previously established allowances for credit losses. Recoveries, in part or in full, of amounts previously written off are credited to Credit loss expense / recovery. Write-offs and partial write-offs represent derecognition/partial derecognition events.

Financial instruments in scope of ECL are written off, either partially or in full, when there is no realistic prospect of recovery.

Expected Credit Loss measurement period

The maximum period for which the ECL are determined is the contractual life of a financial instrument unless the Bank has the legal right to call it earlier. For revolving facilities the ECL are measured over the period the Bank is exposed to credit risk.

Significant Increase of Credit Risk

In order to determine whether an instrument or a portfolio of instruments is subject to 12 month ECL or Lifetime ECL, the Bank assesses whether there has been a significant increase in credit risk (SICR) since initial recognition.

The Bank established a framework, incorporating quantitative and qualitative indicators, to identify and assess SICR. The main determinate of SICR is a quantitative test, whereby the lifetime Probability of Default (PD) of an asset at each reporting date is compared against its lifetime PD determined at the date of initial recognition. If the delta is above pre-defined absolute or relative thresholds the item is considered to have experienced a SICR. Consequently, the item moves from Stage 1 to Stage 2.

Accounting Policies

SICR trigger	Description of trigger	Indicator trigger
Significant change in PD since initial recognition	Threshold is a number of notches downgrade (between 1 and 10 notches downgrade depending on the rating at initial recognition).	Quantitative trigger
Facility is forborne	If the facility is considered forborne.	Qualitative trigger
Facilities that are monitored via the early warning list	If the facility is under intensive care management (if the asset is put on the early warning list or close watch).	Qualitative trigger
Facility is 30 days past due (unless rebutted)	If the facility has more than 30 days past due.	Quantitative trigger

The following table discloses the SICR trigger following significant change in PD. The PD rating are scaled over 10 notches.

PD rating	SICR trigger determined by number of notches downgrade
1 to 5-2	-3
6-1 and 6-2	-2
7 to 8-2	-1
8-2	Not applicable, a downgrade will lead to a default rating and per definition to stage 3.
8-3 to 10	Not applicable, rating 8-3 and above are per definition stage 3.

As soon as the payment in arrears has been resolved or settled and no other impairment trigger is applicable, the borrower can become non-defaulted again after a probation period of at least three months in case all arrears have been cured by payments. However, if the defaults are resolved by agreeing an amendment (restructuring) a longer probation period applies of at least one year. The forbearance probation period is two years.

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 the Bank. The Bank's intangible assets consist of computer software licenses and self developed software.

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.

Impairment of intangible assets
At each reporting date, the Bank assess whether there is any indication that an asset may be impaired or whenever events or changes in circumstances indicate that the carrying amount may not be recoverable.

Accounting Policies

Tangible assets

Property, equipment and right-of-use assets

Property and equipment is stated at cost excluding the costs of day–to–day servicing, less accumulated depreciation and accumulated impairment in value. Changes in the expected useful life are accounted for by changing the amortisation period or methodology, as appropriate, and treated as changes in accounting estimates. Right-of-use assets are presented together with property and equipment in the statement of financial position. Right-of-use assets are depreciated on a straight-line basis over the lease term.

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:

Type of asset	Depreciation
Operations equipment	3-5 years
Leasehold improvements	2-16 years
Asset under operating lease	1-5 years
Right-of-use assets: Offices	5-10 years[1]

1 Depending on the contractual terms, the Bank has multiple office locations with varying contract terms.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

An asset's carrying amount is written down immediately to its recoverable if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within operating income. When revalued assets are sold, the amounts included in other reserves are transferred to retained earnings.

Leases

A contract is, or contains, a lease if it conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts that contains both lease components and non-lease components, such as maintenance services, the Bank allocates the consideration payable on the basis of the relative stand-alone prices, which are estimated if observable prices are not readily available.

The Bank is the lessee

Upon lease commencement the Bank recognises a right-of-use asset and a lease liability. The right-of-use asset is initially measured at cost, comprising of:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date of the lease contract, less lease incentives received;
- initial direct costs; and
- an estimate of costs to be incurred by the Bank in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and condition of the lease. The Bank incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Accounting Policies

The lease liability is initially measured at the present value of the lease payments payable over the lease term, discounted at the rate implicit in the lease if that can be readily determined. If that rate cannot be readily determined, the Bank uses its incremental borrowing rate.

The Bank classifies the right-of-use assets as part of Property and Equipment, and subsequently applies:

- the impairment requirements from IAS 36, and;
- the depreciation requirements from IAS 16.

The lease liability is subsequently remeasured to reflect changes in:

- the lease term (using a revised discount rate);
- the assessment of a purchase option (using a revised discount rate);
- the amounts expected to be payable under residual value guarantees (using an unchanged discount rate); or
- future lease payments resulting from a change in an index or a rate used to determine those payments (using an unchanged discount rate).

The remeasurement are treated as adjustments to the right-of-use asset.

Lease modifications may also prompt remeasurement of the lease liability unless they are to be treated as separate leases.

The right-of-use assets are presented within the Note Property and equipment, and the lease liabilities are presented within the Note Other liabilities.

The Bank applies the following practical expedients:

- short-term leases (no right-of-use assets and lease liabilities are recognised for lease terms of 12 months or less at commencement date);
- low value assets (this includes, leases for which the underlying assets have a value lower or equal to € 500; leases leading to recognition of a Right-of-Use asset ('RoU') lower or equal to € 30,000; leases of similar underlying assets (like e.g. printers) leading to a total Right-of-Use asset of lower or equal to € 30,00, or leases of group assets whereby the costs and benefits of RoU asset recognition do not justify the reporting requirement).

Lease payments for assets falling under these practical expedients are recognised directly in operating expenses.

The Bank is the lessor
The Bank classifies each lease as an operating lease or a finance lease.

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset. Otherwise a lease is classified as an operating lease.

When assets are held subject to a finance lease, the present value of the lease payments is recognised as a receivable. The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the net investment method (before tax), which reflects a constant periodic rate of return.

When assets are held to subject to an operating lease, the assets are included in assets held under operating leases under property and equipment.

Accounting Policies

Financial guarantees
In the ordinary course of business, the Bank issues financial guarantees, consisting of letters of credit, guarantees and acceptances. Financial guarantees are initially recognised in the financial statements under Other liabilities at fair value, being the premium received and subsequently measured at the higher of the amount of the loss allowance; and the premium received on initial recognition less income recognised in accordance with the principle of IFRS 15.

Any increase in the liability relating to financial guarantees is recorded in the income statement in credit loss expenses. The premium received is recognised in the income statement in fee and commission income on a straight line basis over the life of the guarantee.

Cash and cash equivalents
For the purpose of the statement of cash flows, cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash and non-restricted balances with central banks and the net credit balances on current accounts with other banks.

Cash balances are measured at face value while the bank balances are measured at cost.

Provisions
Provision contains:

- ECL allowances for off-balance sheet financial instruments;
- Restructuring and/or reorganisation provisions;
- Employee benefits and pensions;
- Other provisions.

Where there is a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligation may be remote.

Provisions are measured at the present value of the expected required expenditure to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense. Provisions are presented under Other liabilities.

Contingent liabilities, if applicable, are not recognised in the financial statements but are disclosed, unless they are remote.

Expected Credit Loss Allowances for off-balance sheet financial instruments
For off-balance sheet financial instruments and other credit lines not recognised (i.e. related to undrawn positions), provisions for ECL are reported in Provisions. ECL are recognised within the income statement in Credit loss expense / recovery.

For financial guarantees subsequent valuation is measured at the higher of the ECL allowance, and the amount initially recognised (i.e. fair value) less any cumulative amount of income / amortisation recognised.

Accounting Policies

Restructuring and/or reorganisation provisions
Provision for restructuring costs and legal claims are recognised when:

- the Bank has a present legal or constructive obligation as a result of past events;
- it is more likely than not that an outflow of resources will be required to settle the obligation; and
- the amount has been reliably estimated.

A constructive obligation to restructure arises only when the Bank has a detailed formal plan for the restructuring identifying at least:

- the business or part of a business concerned;
- the principal locations affected;
- the location, function, and approximate number of employees who will be compensated for terminating their services;
- the expenditure that will be undertaken;
- when the plan will be implemented; and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

The Bank has recognised a restructuring provision as part of the Medium-Term-Business-Plan, see also Section Medium Term Business Plan FY21 - FY23.

Employee benefits
Pension benefits
The Bank operates 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.

The net defined benefit asset or liability recognised in the statement of financial position in respect of defined benefit pension plans is the fair value of the plan assets less the present value of the defined benefit obligation at the balance sheet date.

Plan assets are measured at fair value at the balance sheet date. For determining the pension expense, the return on plan assets is determined using a high quality corporate bond rate identical to the discount rate used in determining the defined benefit obligation.

The defined benefit obligation is calculated by external independent qualified actuaries through actuarial models and calculations using the projected unit credit method. This method considers expected future payments required to settle the obligation resulting from employee service in the current and prior periods, discounted using a high quality corporate bond rate. Inherent in these actuarial models are assumptions including discount rates, rates of increase in future salary and benefit levels, mortality rates, consumer price index and the expected level of indexation. The assumptions are based on available market data as well as management expectations and are updated regularly. The actuarial assumptions may differ significantly from the actual results due to changes in market conditions, economic and mortality trends, and other assumptions. Actuarial gains and losses arising from events and/or changes in actuarial assumptions are recognized in the statement of comprehensive income.

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
The pension obligations of the Bank Germany Branch comprise the pension obligations of the Bank's 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), the Bank assumes liability for the performance of all obligations arising under or relating to these pension obligations. According to German law, the Bank and MUFG Bank are jointly and severally liable by virtue of the cumulative assumption of liability. Furthermore MUFG Bank and the Bank have agreed that the Bank alone shall be responsible for the performance of these pension obligations towards pension beneficiaries. The Bank shall fulfil any obligations arising from or in relation to these pension obligations in due time as they fall due.

Termination benefits
The Bank recognises termination benefits at the earlier of the following dates: (a) when the Bank can no longer withdraw the offer of those benefits; and (b) when the entity recognises costs for a restructuring that is within the scope of IAS 37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than 12 months after the end of the reporting period are discounted to their present value.

Share-based compensation
The Bank operates a cash-settled share-based compensation plan.

Cash-settled transactions
For the cash-settled share-based compensation plan, the fair value of the employee services received in exchange for the grant of share-based compensation is recognised as a liability. The liability is remeasured at each reporting date up to and including the settlement date with changes in fair value recognised in the income statement in personnel expenses.

Accruals, deferred income and other liabilities
Trade payables are recognised initially at fair value and subsequently measured at AC using the effective interest method.

Income tax
Income tax on the profit or loss for the year comprises current tax and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in shareholders' equity, in which case it is recognised in shareholder's equity (OCI).

Current tax
Current tax is the tax expected to be payable on the taxable profit for the year, calculated using tax rates (and laws) enacted or substantially enacted by the reporting date, and any adjustment to tax payable in respect of previous years. Current tax assets and liabilities are offset when the Bank intends to settle on a net basis and a legal right of offset exists.

Deferred tax
Deferred income tax is provided for in full, using the balance sheet approach, on temporary differences between the tax bases of assets and liabilities and their carrying amount in the consolidated financial statements. Deferred

income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the reporting date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled. Deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised when it is probable that future taxable profit will be available against which the temporary differences can be utilised.

The Bank's principal temporary differences arise from the revaluation of certain financial assets and liabilities, including financial assets measured at FVOCI, lease liabilities, depreciation of property, pension liability and tax losses carried forward.

The tax effect of income tax losses available for carry-forward are recognised as an asset when it is probable that future taxable profits will be available against which of these losses can be utilised. We also make reference to Note Income Tax.

Current and deferred taxes are recognised as income tax benefits or expenses in the income statement except for tax related to fair value remeasurement of debt instruments at fair value through OCI and foreign exchange differences, which are charged or credited to OCI.

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 the Bank and in case it is probable that there will be a cash flow, a current tax asset or liability is recognised.

Equity
Share capital
Shares are classified as equity when there is not a contractual obligation to transfer cash or other financial assets.

Equity reserves
The reserves recorded in equity on the Bank’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; and
- Revaluation actuarial defined benefit reserve; which comprises the actuarial gains and losses of the defined benefit obligations of the Netherlands and Germany.

Accounting Policies

Dividends on ordinary shares

Dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the Bank'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.

Revenue recognition

Net interest income

Interest income and expenses from financial instruments measured at AC and FVOCI are recognised in the income statement applying the EIR method. In determining interest income and expense, the EIR is applied to the gross carrying amount of the financial asset (unless the asset is credit-impaired) or the AC of a financial liability, based on estimated future cash flows that take into account all contractual cash flows. However, when a financial asset becomes credit-impaired after initial recognition, interest income is determined by applying EIR to the net carry amount of the instrument. Furthermore, for financial assets that were credit-impaired on initial recognition, interest is determined by applying a credit-adjusted EIR to the AC of the instrument.

For POCI assets, the Bank calculates interest income by calculating the credit-adjusted EIR and applying that rate to the amortised cost of the financial asset. The credit-adjusted EIR is the interest rate that, at initial recognition, discounts the estimated future cash flows (including credit losses) to the amortised cost of the POCI asset. Penalty interest is directly recognised under interest income in case of early repayment (partial derecogntion of the related financial instrument). Penalty interest is directly recognised under interest income in case of an interest reset.

Negative interest from liabilities are recognised as interest income, and negative interest from financial assets are recognised as interest expense.

Net fee and commission income

The Bank recognises revenue in relation to fee income and other operating income, in accordance with IFRS 15 Revenue from Contracts with Customers, when (or as) a performance obligation is satisfied by transferred a promised service (i.e. an asset) to a customer. An asset is transferred when (or as) the customer obtains control of the asset.

Revenue comprises the fair value of the consideration received or receivables for the sale of services in the ordinary course of the Bank's activities. Revenue is shown net of value added tax and discounts.

The Bank earns fee income from a diverse range of services it provides to its clients. Fee income can be divided into two categories:

- fees earned from services that are provided a certain period of time, such as to originate an asset, and;
- fees earned from point in time services such as structuring and advisory fees.

Services

Fees earned from services that are provided over a certain period of time are recognised ratably over the service period provided the fees are not contingent on successfully meeting specified performance criteria that are beyond the Bank's control.

Costs to fulfil over time services are recorded in the income statement immediately because such services are considered to be a series of services that are substantially the same from day to day and have same pattern of transfer.

Accounting Policies

Measurement

Fee income is measured based on consideration specified in a legally enforceable contract with a customer. Consideration can include both fixed and variable amounts. Variable consideration includes discounts, performance bonuses and other amounts that are contingent on the occurrence or non-occurrence of a future event.

Variable consideration that is contingent on an uncertain event can only be recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue for a contract will not occur.

In the following table the recognition of revenue under IFRS 15 per main fee revenue earned by the Bank is listed:

Fee revenue[1]	Timing of satisfaction of performance obligation	Measuring progress towards complete satisfaction of a performance obligation
Underwriting fees - loan syndication fee	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.
Brokerage and advisory fees	Performance obligation is not satisfied over time. As such the revenue recognition is point in time.	Recognition when the service has been completed.
Structuring fees not IFRS 9 related such as setting up or advising in SPV structures	If the performance obligation is satisfied over time, the fees are recognizes over time. If the performance obligation is not satisfied over time, the fees are recognised when the service has been completed.	Depends on the type of performance obligation.
Commission on guarantees	Performance obligation is satisfied overtime. The customer simultaneously receives and consumes the benefits proved by the Bank's performance as it performs.	Straight line over time as the service is provided.
Commission on corporate management services	Performance obligation is satisfied overtime. The customer simultaneously receives and consumes the benefits proved by the Bank's performance as it performs.	Straight line over time as the service is provided.

1 All fee income have a short-term character.

Presentation of fee income and expense

Fee income and expense are presented as gross on the face of the income statement.

Accounting Policies

Statement of cash flows

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 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.

During the year, no dividends have been paid.

Material accounting estimates and judgements

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

Estimates and judgements are principally made in the following areas:

- Fair value of certain financial instruments;
- ECL of financial instruments not measured at FVPL;
- Net defined benefit pension asset/liability; and
- Income tax and the related deferred tax asset.

Fair value of financial instruments
We measure certain financial assets and liabilities at fair value. The majority of such assets and liabilities are measured at fair value on a recurring basis, including trading securities and derivatives.

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. We have an established and documented process for determining fair value in accordance with the guidance. To determine the fair value, we use quoted prices which include those provided from pricing vendors, where available. We generally obtain one price or quote per instrument and do not adjust it to determine the fair value of the instrument. We perform internal price verification procedures to ensure that the prices and quotes provided from the independent pricing vendors are reasonable. Such verification procedures include a comparison of pricing sources and analysis of variances among pricing sources. These verification procedures are periodically performed by independent risk management departments.

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets (e.g. level 2 and 3 valuations), they are determined using a valuation technique that includes the use of mathematical models. The models range from discounted cash flow models to various valuation models with the market price of underlying reference instruments, market parameters (e.g. volatilities and credit ratings), and customer behaviour are taken as inputs. The inputs to these models are derived from observable and non-observable market data. Unobservable inputs are estimated using a combination of management judgement, historical data, market practice and benchmarking to other relevant observable market data.

The Bank maximises the use of market observable inputs and minimises the use of unobservable inputs in determining the fair value. To include credit risk in fair value, the Bank applies Credit Valuation Adjustments (CVA). All input data that is used in the determination of the CVA is based on market implied data.

Reference is made to section Determination of fair value and note Fair value measurement.

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.

Material accounting estimates and judgements

Reference is made to section Income Taxes within this note and Note Income tax.

Expected credit losses on financial assets
The allowance for credit losses represents an estimate of the credit losses that are expected over the life of the financial instrument or exposure and has three components: the allowance for loans measured on a collective basis, when similar risk characteristics exist, the allowance for loans measured on an individual basis, for loans that do not share similar risk characteristics, and the allowance for losses on unfunded credit commitments, which is included in other liabilities.

The methodology for estimating credit losses uses relevant available information relating to past events, current conditions, and reasonable and supportable forecasts. Historical credit loss experience provides the basis for the estimation of expected credit losses. Adjustments to historical loss information are made over a forecast period to account for differences between current and expected future conditions and those reflected in historical loss information. Beyond the forecast period, estimated expected credit losses revert to average historical loss experience. The estimation of the allowance for credit losses involves significant judgement on a number of assumptions including the assessment of risk characteristics, assignment of a borrowers internal credit rating, valuation of collateral, expectations of future economic conditions, the development of qualitative adjustments 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 different levels of expected credit losses.

The Bank's ECL calculations are outputs of models based on certain assumptions. Elements of the ECL models that are considered accounting judgements and estimates include:

- The Bank's internal credit grading model, which assigns credit grades to the customers;
- The Bank'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; and
- The associations between macroeconomic scenarios on GDP and the effect on PD, EAD and LGD model.

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 Employee benefits Pension benefits plan within this note and Note Provisions – Pension expenses and plan assets.

Assets

1. Cash and balances with central banks

Cash and balances with central banks	2023	2022
Balances with central banks	3,093,030	904,077
Cash and balances with central banks	3,093,030	904,077

The account 'Balances with central banks' is part of the cash and cash equivalents in the Consolidated Statement of Cash Flows.

Within the balances with central banks, mandatory reserve deposits are included for the amount of € 313,061 (2022: € 223,951). The reserve deposits with central banks are not immediately available for the Bank’s day-to-day operations.

Balances held with central banks are interest-bearing.

2. Loans and advances to banks

Loans and advances to banks	2023	2022
Placements with banks - on demand	163,100	2,392,881
Placement with banks - term deposits	611,829	414,338
Loans and advances	573,929	429,371
	1,348,858	3,236,590
Allowance for expected credit losses	(2)	(26)
Loan and advances to banks	1,348,856	3,236,564

The account 'Placement with banks - on demand' is part of the cash and cash equivalents in the Consolidated Statement of Cash Flows.

The amount receivable from MUFG Bank London branch decreased to € 699,100 as per 31 March 2023 (2022: € 2,153,932) mainly due to the shift of placements to Central Banks.

3. 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	2023	2022
Corporate current accounts	259,153	217,762
Corporate term loans	6,092,788	6,097,706
Bills of exchange	1,447,029	1,239,227
Finance lease receivables	933	31,151
Participation loans	82,910	52,153
	7,882,813	7,637,999
Allowance for expected credit losses	(53,324)	(53,655)
Loans and advances to customers by class	7,829,488	7,584,344

The gross loans and advances to customers has increased to € 7,882,813 as per 31 March 2023 (2022: € 7,637,999). The increase is mainly attributable to the increase in bills of exchange of € 207,802 to € 1,447,029 (2022: € 1,239,227) and is partially offset by the decrease in Finance lease receivable to € 933 (2022: € 31,151) due to the liquidation activities of MUFG Europe Lease (Deutschland) GmbH i.L.

Assets

As per 31 March 2023 an amount of unearned fees reduces the gross balance of loans and advances by € 34,478 (2022: € 22,536) as there are integral to the financial instrument. The reclassification from other liabilities to the loans and advances has been applied for both the current year and prior year figures for comparative purposes.

The allowance for expected credit loss has limitedly decreased to € 53,324 (2022: € 53,655). The decrease is due to the release of specific provisioning for Stage 3 clients and is offset by the recorded overlay of € 3 million as per 31 March 2023 for Stage 1 and Stage 2 clients.

For further details on the overlay and expected credit losses, we refer to Note Risk Management.

4. 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 derivatives 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 client transactions outstanding at year-end.

in thousands of €s	2023			2022		
Derivatives	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Interest rate swaps	327	82	25,079	9	868	107,382
Derivatives used as fair value hedge	327	82	25,079	9	868	107,382
Forward foreign exchange contract	97,816	95,086	9,649,721	47,349	44,703	3,489,537
Loan commitment derivatives	18,183	18,183	2,184,860	14	14	1,300,610
Derivatives other	115,999	113,269	11,834,581	47,363	44,717	4,790,147
Derivative financial instruments	116,325	113,351	11,859,660	47,372	45,585	4,897,529

Derivative financial instruments have 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 contracts are expected to 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 the Bank with other financial institutions in which the Bank 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.

Foreign exchange contracts

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. The Bank 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.

Assets

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

Derivatives used as fair value hedge

As part of its asset and liability management, the Bank 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 the Bank to protect it against changes in the fair value of financial assets and financial liabilities due to movements in exchange rates and interest rates. The Bank 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 the Bank's exposure resulting from variable interest rates on borrowings.

Derivatives used as fair value hedge

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	2023	2022	2023	2022	2023	2022	2023	2022
Derivatives	25,079	107,382	82	868	-	-	-	-

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	
	2023	2022	2023	2022	2023	2022	2023	2022
Loans to customers	25,079	107,382	82	868	-	-	-	-

As at 31 March 2023, all interest rate swaps that qualify as fair value hedges are quoted with reference to EURIBOR. The Bank 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 2023. The portfolio is in run-off, which means that the Bank will not originate new hedging instruments.

Loan commitment derivatives

The loan commitment derivatives are related to commitments that have been issued and which are sub-participated to other parties. Hence, when the loan commitment is drawn, the resulting loan is immediately transferred to other party. In the valuation of these derivatives it is assumed that the value of these commitments is generated by a divergence of the credit spread for a specific credit rating compared to the fixed margin of the credit rating in the contract. Given the nature of the commitment, the loan commitment derivatives are valued using a new interest rate option pricing model, for credit spreads. The significant unobservable inputs used in the fair value measurement is the volatility of the credit spread. Significant increases (decreases) of this input in isolation would result in a significantly higher (lower) fair value measurement. The implementation of the new model has led to an increase in the fair value of the loan commitment derivatives as compared to last year. Refer to Section Fair value measurement for more details on the fair value movement of these instruments.

Assets

The notional amount of the loan commitment derivatives increased to € 2,184,860 as per 31 March 2023 (2022: € 1,300,610).

5. Financial investments

Financial investments	2023	2022
Government bonds	-	60,169
Investments resulting from supply chain finance transactions	308,294	236,809
Loans FVPL	-	35,793
Financial investments	**308,294**	**332,771**

The financial investments have decreased by € 24,748 to € 308,294 as per 31 March (2022: € 332,771). The investments only relate to transactions originated as part of the supply chain finance program. The government bonds has decreased to nil (2022: € 60,169), which were sold as result of the closure of the branch in Poland.

The Bank presents the reclassification adjustments to profit or loss in the notes. Refer to Note Consolidated Statement of Comprehensive Income for amounts recognised in OCI and reclassification adjustments to the statement of profit or loss.

Loans FVPL are originated with a purpose to distribute as the cash flows are collected via a sale. As such the measurement is at fair value through profit and loss. As per 31 March 2023, the Bank does not hold any loans with the intention of sale (2022: € 35,793).

6. Property and equipment

	2023					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	3,048	2,197	5,245	48	9,660	9,708
Additions	547	197	744	-	965	965
Disposals	(28)	(19)	(47)	-	(149)	(149)
Depreciation	(982)	(416)	(1,398)	(49)	(2,980)	(3,029)
Other changes	1	(76)	(75)	1	332	333
Closing balance	2,586	1,883	4,469	-	7,828	7,828
Accumulated cost	11,595	8,092	19,687	186	19,584	19,770
Accumulated depreciation	(9,009)	(6,209)	(15,218)	(186)	(11,756)	(11,942)
Property and equipment	2,586	1,883	4,469	-	7,828	7,828

	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	9,709
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

Assets

The property and equipment relates to small office equipment and improvements to offices (leasehold improvements). The depreciation period is dependent on the type of asset, for more details see Section Tangible assets.

7. Intangible assets

Intangible assets	2023	2022
Opening balance	12,761	17,211
Additions	221	3,212
Disposals	(50)	(1,608)
Amortisation	(5,155)	(5,606)
Under development	1,860	856
Impairment (loss)	-	(1,299)
Other changes	882	(5)
Closing balance	10,519	12,761
Accumulated cost	40,282	48,209
Accumulated amortisation and impairment (loss)	(29,762)	(35,448)
Closing balance	10,519	12,761

The intangible assets consist of software and licenses. The additions are mainly capitalized expenses for the development of software and acquired licenses amounting to € 221 as per 31 March 2023 (2022: € 3,212). The amortisation period varies between 1 and 5 years.

8. Other assets

Other assets	2023	2022
Accounts receivable	336	4,816
Prepayments	3,409	4,390
Collateral posted	2,573	1,480
Other	18,947	17,944
Other assets	25,264	28,630

The other assets has decreased by € 3,366 to € 25,264 as per 31 March 2023 (2022: € 28,630). The decrease is mainly due to the decrease in the accounts receivable of € 4,480 to € 336 as per 31 March 2023 (2022: € 4,816).

The account 'Other' has increased by € 1,003 to € 18,947 as per 31 March 2023 (2022: € 17,944) and consists of accounts paid (in suspense) and cash deposits at the Single Resolution Fund.

Liabilities

9. Due to banks

This item comprises debts to credit institutions and central banks.

Due to banks	2023	2022
Nostro accounts	37,144	88,257
Term deposits	4,907,761	4,708,810
Due to banks	4,944,905	4,797,067

Term deposits increased by € 198,951 to a total of € 4,907,761 as per 31 March 2023 (2022: € 4,708,810). The increase is due to higher notional amounts. The total amount owed to MUFG Bank, including pledged deposits is € 4,647,012 (2022: € 4,685,839) reflecting the intragroup funding relationship.

Liabilities

10. Due to customers

Due to customers	2023	2022
Term deposits	1,497,921	338,083
Current accounts	4,011,186	4,918,213
Due to customers	5,509,107	5,256,296

The amount due to customers has increased by € 252,811 to € 5,509,107 as per 31 March 2023 (2022: € 5,256,296). There is a noticeable shift from current accounts to term deposits due to the positive interest rate environment, where the current account decreased to € 4,011,186 as per 31 March 2023 (2022: € 4,918,213) and term deposits have increased to € 1,497,921 as per 31 March 2023 (2022: € 338,083).

11. Subordinated debt

Subordinated debt	2023	2022
Subordinated debt	300,369	300,116

MUFG Bank has granted the Bank a subordinated loan in order to strengthen the capital position of the Bank. The Bank is amortising the loan over 5 years for regulatory purposes. The maturity date is 23 March 2028 and the loan has a variable interest rate of 4,92% (2022: 1.55%) with 1 month EURIBOR as the reference rate.

12. Provisions

The provisions consist of the following:

Provisions	Notes	2023	2022
Expected credit losses on off-balance facilities	28	2,220	1,785
Pension liability	12.1, 12.2	10,358	1,935
Restructuring provision	12.3	4,791	11,605
Provision for holiday allowance		3,663	2,656
Other provisions		1,870	2,249
Provisions		22,901	20,230

The provisions have increased to € 22,901 as per 31 March 2023 (2022: € 20,230). The increase in provisions is mainly due to increase in the pension liability for the defined benefit plan in the Netherlands by € 8,423 to € 10,358 as per 31 March 2023 (2022: € 1,935). The increase is explained in the next section.

The restructuring provision has decreased by € 6,814 to € 4,791 as per 31 March 2023 (2022: € 11,605) and is due to payments made and the closing of the branches in Czech Republic and Poland. We also make reference to the section Medium Term Business Plan FY21 - FY23.

12.1. Defined benefit plan – Netherlands

The defined benefit plan of the Netherlands exists for former employees. New employees enter into a defined contribution plan.

Defined benefit plan – the Netherlands	2023	2022
Present value of defined benefit obligation	47,984	52,195
Fair value of plan assets	(37,626)	(50,260)
Retirement benefit liability / (asset)	10,358	1,935

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 31 March 2023. 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. This plan is closed.

Liabilities

The reduction of the present value of the defined benefit obligation reflects both the changes in the interest and indexation assumptions, whilst the reduction of fair value of plan assets is a consequence of the increased interest rate.

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

Present value of the defined benefit obligation	2023	2022
Opening defined benefit obligation	52,195	59,532
Current service cost	-	-
Interest cost	773	530
Contributions by employees	-	-
Benefits paid	(1,416)	(1,356)
Actuarial (gains)/losses on obligations	(3,568)	(6,511)
Past service costs	-	-
Closing defined benefit obligation	47,984	52,195

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

Plan assets - Movement	2023	2022
Opening fair value of plan assets	(50,260)	(57,179)
Contributions by employer	-	(5)
Contributions by employees	-	-
Benefits paid	1,416	1,356
Actual expenses, taxes and premiums paid	-	-
Interest income on plan assets	(743)	(509)
Return on plan assets excluding amounts included in Interest income	11,961	6,077
Closing fair value of plan assets	(37,626)	(50,260)

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	2023	2022
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 the Bank 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 the Bank's plan are shown below:

Defined benefit plan – the Netherlands - assumptions	2023	2022
Discount rate	3.10%	1.50%
Expected long-term rate of return on assets	1.50%	1.50%
Expected long-term rate of salary increases	2.25%	2.25%
Expected rate of pension increases current participants (actives) at Achmea	1.25%	0.00%
Expected rate of pension increases former participants (inactives) at Achmea	1.25%	0.00%
Expected rate of price increases	2.50%	2.00%

Liabilities

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of the Bank at 31 March 2023. 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.

Discount rate sensitivity information	Adjusted Assumption	2023
Discount rate	3.10%	47,983
Discount rate -0.5%	2.60%	52,649
Discount rate +0.5%	3.60%	43,932

Changes in Life expectancy	Increase by 1 year	Decrease by 1 year
Life expectancy	DBO +4,18%	DBO -4,61%

12.2. Defined benefit plan – Germany

The defined benefit plan of Germany exists for former employees. New employees enter into a defined contribution plan.

Defined benefit plan – Germany	2023	2022
Present value of defined benefit obligation	14,550	19,729
Fair value of plan assets	(19,684)	(19,729)
Retirement benefit liability (asset)	(5,134)	0

For financial year 2022, the Bank has recognized a retirement benefit asset of € 5,134 as per 31 March 2023 (2022: nil). The pension obligation has decreased due to changes in the indexation assumption and the interest rate used in determining the pension obligation and the fair value of plan assets are relatively stable as the insurance contracts have a guaranteed component.

The asset ceiling is not applicable to both pension plans, given that the Bank has a right of a refund or a reduction in future contributions in accordance with the terms and conditions of the plan and the statutory requirements in Germany.

Liabilities

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

Present value of the defined benefit obligation	2023	2022
Opening defined benefit obligation	19,729	22,841
Current service cost	401	504
Interest cost	381	260
Contributions by employer	-	(501)
Benefits paid	(546)	
Actuarial gain / (loss) on obligations	(5,415)	(3,375)
Past service costs	-	-
Closing defined benefit obligation	14,550	19,729

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	2023	2022
Opening fair value of plan assets	(19,729)	-
Contributions by employer	-	(20,391)
Contributions by employees	-	-
Benefits paid	546	-
Actual expenses, taxes and premiums paid	-	-
Interest income on plan assets	(391)	(22)
Return on plan assets excluding amounts included in Interest income	(111)	684
Closing fair value of plan assets	(19,684)	(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	2023	2022
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 the Bank 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 the Bank's plan are shown below:

Liabilities

Defined benefit plan – Germany - assumptions	2023		2022	
	Bank of Tokyo Mitsubishi UFJ	MUFG Bank (Europe) N.V. Germany Branch	Bank of Tokyo Mitsubishi UFJ	MUFG Bank (Europe) N.V. Germany Branch
Discount rate (defined benefit obligation)	4.31%	4.42%	1.78%	2.05%
Discount rate (plan assets)	1.78%	2.05%	0.89%	1.29%
Expected rate of salary increases	0%	3.0%	0%	0%
Expected rate of pension increases	2%	2.25%	1.75%	1.75%
Exp. rate of pension increases former participants (indexation)	2.25%	2.25%	0%	0%
Mortality	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Disability	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Marriage	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G	Richttafeln Heubeck 2018G
Retirement age	62 or 63	62 or 63	62 or 63	62 or 63
Withdrawal rate	Mercer specific tables	Mercer Specific tables	Mercer specific tables	Mercer specific tables

The most recent actuarial valuations of plan assets and the present value of the defined benefit obligation were carried out on behalf of the Bank at 31 March 2023. 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 BVV Versicherungsverein des Bankgewerbes.

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 the Bank 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. The Bank has no further payment obligations once the contributions have been paid. The contributions are 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.

Liabilities

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		2023		2022	
Assumption	Current employees	Former employees	Current employees	Former employees	Current employees	Former employees
Discount rate	4.42%	4.31%	9,217	5,333	12,823	6,906
Discount rate +0.5%	4.92%	4.81%	10,050	5,597	11,599	7,334
Discount rate -0.5%	3.92%	3.81%	8,480	5,088	14,227	6,522

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

12.3. Restructuring provision

Restructuring provision	2023	2022
Opening balance	11,605	6,625
Additions	-	9,828
Releases	(1,474)	-
Payments made	(5,340)	(4,848)
Closing balance	4,791	11,605

The restructuring provision has decreased by € 6,814 (2022: € 11,605) and is mostly due to the closure of the branches in Poland and Czech republic. The releases of the provision amounted to €1,474 as of 31 March 2023 (2022: € nil) and the payments made to former employees amounted to € 5,340 as of 31 March 2023 (2022: € 4,848).

13. Other liabilities

Other liabilities	2023	2022
Accrued expenses	51,941	20,193
Accounts payable	11,240	24,441
Lease liabilities	9,161	11,416
Collateral received	793	2,143
Other	42,893	34,323
Other liabilities	116,029	92,516

The accrued expenses has increased to € 51,941 as per 31 March 2023 (2022: € 20,193). These relate to various intragroup expenses.

The accounts payable decreased to € 11,240 as per 31 March 2023 (2022: € 24,441). The account relates to the trade payables originating from the trade payables platform (TPS).

The account 'Other' consists of amongst others cash receipts held in suspense (as per 31 March 2023 amounted to € 40,676). The account has increased by € 8,570 to € 42,893 as per 31 March 2023 (2022: € 34,323).

Liabilities

The reclassification from other liabilities to the loans and advances has been applied for both the current year (€ 34.4 million) and prior year figures (€ 22.5 million) for comparative purposes.

Equity

14. Issued capital and reserves

The authorised capital amounts to € 136.2 as per 31 March 2023 (2022: € 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 as per 31 March 2023 (2022: 220,270). Issued and fully-paid capital amounts to € 100,003 as per 31 March 2023 (2022: € 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 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
Profit for the year	-	-	100,043	-	-	-	404	100,447
Other comprehensive income	-	-	-	14	(246)	5,111	-	4,879
At 31 March 2023	100,003	1,334,304	412,863	170	137	(7,306)	446	1,840,619

Restrictions with respect to dividend and repayment of capital

Pursuant to statutory provisions the Bank 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 the Bank's articles of association.

By virtue of a resolution of the general meeting of the shareholder the Bank may acquire fully paid-up shares in the authorised capital of the Bank 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 maintained by law, and the par value of the shares to be acquired and already held by the Bank in its capital does not amount to more than one/tenth of the issued capital.

Dividend payment

No dividend is proposed for the year ended 31 March 2023 (2022: € nil).

Profit or loss

15. Net interest income

Net interest income	2023	2022
Interest income from cash and balances with central banks	28,559	963
Interest income from loan and advances to banks	12,929	1,681
Interest income from loans and advances to customers	218,282	92,673
Interest income finance lease	535	1,167
Interest income from financial investments	145	897
Interest income from interest rate swaps	1,133	2,321
Interest income from others	261	513
Interest income from liabilities	1,113	4,508
Interest income	262,958	104,723
Interest expense from due to banks	76,270	18,019
Interest expense from due to customers	23,685	1,968
Interest expense finance lease	-	-
Interest expense from interest rate swaps	1,135	2,313
Interest expense from others	181	163
Interest expense from assets	233	1,509
Interest expense	101,504	23,972
Net interest income	161,454	80,751

The interest income has increased by € 158,235 to € 262,958 as per 31 March 2023 (2022: € 104,723) mainly due to the positive interest environment for the Euro, US Dollar and British Pound regions.

The interest expense also increased by € 77,532 to € 101,504 as per 31 March 2023 (2022: € 23,972) due to the positive interest environment and is mostly attributable to interest paid to banks amounting to a total of € 76,270 as per 31 March 2023 (2022: € 18,019) and interest expense paid for customers for deposits held with the Bank amounting to a total of € 23,685 as per 31 March 2023 (2022: € 1,968).

The Bank has reclassed an amount of € 6,506 in financial year 2021 from interest income from loans and advances to customers to other fee and commission income as these fees are not integral to the financial instrument.

16. Net fee and commission income

Net fee and commission income	2023	2022
Commission on funds transfer and letters of credit	11,282	11,170
Commission on guarantees	9,204	7,855
Brokerage and advisory fees	-	167
Commission on corporate management services	25	26
Other fee and commission income	52,716	16,033
Fee and commission income	73,227	35,251
Commission on (credit replacing) guarantees	8,023	3,605
Commission on funds transfer and letters of credit	1,210	1,024
Commission on corporate management services	-	-
Other fee commission expenses	12,507	9,090
Fee and commission expense	21,741	13,719
Net fee and commission income	51,486	21,532

Profit or loss

The fee and commission income has increased by € 37,976 to € 73,227 as per 31 March 2023 (2022: € 35,251). The main driver of the increase is due to the Bank's growth and refinancing in the loan book, new products and business activities including syndication and fees for origination and advisory services. Other fee and commission income consists of mainly loan related fees amounting to € 39,929 as per 31 March 2023.

The fee expense increased by € 8,022 to € 21,741 as per 31 March 2023 (2022: € 13,719). The increase in the other fees and commission expense is due to the fees related to the origination of debt facilities where intragroup support has been provided.

17. Result on financial transactions

Result on financial transactions	2023	2022
Result on foreign currency transactions	42,683	38,325
Result on transactions measured at FVPL	-	170
Result on other transactions	2,019	5,369
Result on financial transactions	44,702	43,865

The result from financial transactions has increased by € 837 to € 44,702 as per 31 March 2023 (2022: € 43,865). The increase is due to results on foreign currency transactions of € 4,358 to € 42,683 as per 31 march 2023 (2022: €38,325) and offset by the decrease in the result on other transactions by € 3,350.

18. Other operating income

Other operating income	2023	2022
Other operating income	12,785	673

The other operating income has increased to € 12,785 (2022: € 673) and is due to the sale of financial assets by MUFG Europe Lease (Deutschland) GmbH i.L.

19. Personnel expenses

Personnel expenses	2023	2022
Wages and salaries	69,517	70,800
Social securities costs	7,302	6,959
Pension costs	8,259	8,486
Restructuring expenses	(479)	9,828
Other staff costs	9,762	10,196
Personnel expenses	94,360	106,269

The number of employees as per 31 March 2023 is 613 (2022: 660).

Other staff costs include mainly the costs related to contracted employees and/or agency employees. The number of contractors as at 31 March 2023 is 70 (2022: 59).

Employees in the Netherlands are eligible for variable remuneration. It never amounts to more than an average of 20% of the fixed income. Outside the Netherlands, any variable remuneration never amounts to more than 100% of the fixed income. Insofar staff are eligible for variable remuneration, it is awarded for periods in which the risks associated with the underlying business activities are adequately taken into account.

The total variable remuneration in the current year for all employees employed by the Bank amounted to € 6,560 (2022: € 5,780).

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

Profit or loss

In the last year, provisions have been released due to the closure of branches in Czech and Poland. No additional provisions had been recognized for expected expenses arising from the MTBP restructuring plan. Please refer to Note Restructuring Provision for more details.

20. Other operating expenses

Other operating expenses	2023	2022
Occupancy expenses	5,904	5,507
Office expenses	13,494	16,740
Professional fees	8,045	8,478
Business promotion expenses	4,969	4,083
VAT and sundry taxes	14,560	16,082
Regulatory expenses	10,900	8,627
Other	3,139	2,037
Other operating expenses	**61,012**	**61,554**

The office expenses have decreased by € 3,246 to € 13,494 as per 31 March 2023 (2022: € 16,740). The decrease is explained by the closure of the branch locations in Czech Republic and Poland.

The regulatory expenses have increased by € 2,273 to € 10,900 as per 31 March 2023 (2022: € 8,627). The regulatory expenses relates mainly to contributions to the Single Resolution Fund (SRF) in the amount of € 7,428 (2022: € 8.000).

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:

	2023		
Fees charged by external auditor	Netherlands	Other offices	Total
Audit of financial statements	1,213	630	1,843
Other assurance services	119	-	119
Tax advisory services	-	-	-
Other non-audit services	-	-	-
Fees charged by external auditor	**1,332**	**630**	**1,962**
	2022		
	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**

This summary reflects fees charged by the Bank's external auditors in respect of audit services and other assurance services provided. Fees in the Netherlands amounted to € 1,213 (2022: € 1,144) relate to Deloitte Accountants B.V. There were no fees paid for tax advisory and non-audit services.

21. Income tax

The net tax position is analysed in the following table:

Income tax position	2023	2022
Current tax assets	52,894	49,600
Deferred tax assets	55,033	36,232
Tax assets	**107,927**	**85,832**
Current tax liabilities	9,854	204
Deferred tax liabilities	-	-
Tax liabilities	**9,854**	**204**
Net tax position	**98,073**	**85,628**

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

The components of income tax expense for the years ended 31 March 2023 and 31 March 2022 are:

Income tax expense	2023	2022
Current income tax	15,875	2,183
Tax adjustments previous years	(22)	(2,250)
Total current tax paid (received)	**15,853**	**(67)**
Utilisation of assessed loss	14,996	464
Recognition of Dutch deferred tax assets	(28,796)	-
Restructuring and pension provisions	4,409	2,239
Allowance for expected credit losses	1,289	656
Other	(2,807)	(3,967)
Total deferred tax expense (benefit)	**(10,909)**	**(608)**
Income tax expense (benefit)	4,944	(675)

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

Numerical reconciliation of income tax expense	2023	2022
Profit (loss) before income tax expense	105,391	(25,739)
Tax at statutory rate	27,191	(6,486)
Effect of different tax rates in other countries	3,575	176
Unused tax losses	398	8,394
Initial recognition Dutch deferred tax asset	(28,796)	-
Adjustment for current tax of prior periods	(22)	(2,250)
Other (permanent) differences	2,597	(509)
Income tax expense (benefit) reported	4,944	(675)

For the period ended 31 March 2023, the effective income tax rate is 4.7% (2022: 2.6%). The amount of € 2,597 in 'Other (permanent) differences' includes non-deductible expenses and tax-exempt income (2022: € (509)).

Major component lowering the effective income tax rate is the recognition of a deferred tax asset in the Netherlands for the Dutch tax losses. These losses, for a total amount of € 119.4 million, had not been recognized in prior years, considering the uncertainly of sufficient future profit. In this year, based on current year and the

Profit or loss

3-year forecast, the Bank considers it probable that it can utilize the Dutch losses in full within the 3 year period of the aforementioned forecast.

As per 1 January 2023 the lower corporate income tax rate in the Netherlands is increased to 19% (2022: 15%). Furthermore, the tax bracket of the lower rate is reduced to € 200 (2022: € 395). The general rate in the corporate income tax remains at 25.8% (2022: 25.8%) for taxable profits in excess of € 200.

Deferred tax assets and deferred tax liabilities

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:

2023 Changes in deferred tax	Net liability (-) Net asset (+) Opening balance	Change through profit and loss	Change through equity	Other	Net liability (-) Net asset (+) Ending balance
Tax loss carry forward	10,516	(16,024)	-	-	26,540
Pensions	2,950	4,409	(7,922)	-	6,463
Restructuring provision	461	-	-	-	461
Allowance for expected credit losses	16,938	1,289	-	-	15,648
Revaluation of financial investments	1	-	62	-	(61)
Tangible and intangible assets	10	(344)	-	-	354
Amortised fees	2,484	(265)	-	-	2,749
Lease	-	(174)	-	-	174
Other temporary differences	2,872	200	-	(32)	2,705
Total	36,232	(10,909)	(7,860)	(32)	55,033

2022 Changes in deferred tax	Net liability (-) Net asset (+) Opening balance	Change through profit and loss	Change through equity	Other	Net liability (-) Net asset (+) Ending balance
Tax loss carry forward	10,980	(464)	-	-	10,516
Pensions	4,994	(753)	(1,291)	-	2,950
Restructuring provision	1,947	(1,486)	-	-	461
Allowance for expected credit losses	17,594	(656)	-	-	16,938
Revaluation of financial investments	(302)	-	303	-	1
Tangible and intangible assets	14	(4)	-	-	10
Amortised fees	1,162	1,322	-	-	2,484
Leases	-	-	-	-	-
Other temporary differences	193	2,649	-	30	2,872
Total	36,581	608	(988)	30	36,232

Profit or loss

22. Components of comprehensive income

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

Other comprehensive income	2023	2022
Financial Instruments at FVOCI		
Fair value gain/(loss) arising during the period	76	179
Income tax relating to fair value gain/(loss) arising during the period	(62)	(46)
As at 31 March	14	133
Foreign currency translation		
Foreign currency translation movements	(246)	55
Income tax relating to fair value gain/(loss) arising during the period	-	-
As at 31 March	(246)	55
Post employment plan		
Remeasurement of the net defined asset/liability	(2,811)	3,684
Income tax relating to fair value gain/(loss) arising during the period	7,922	(943)
As at 31 March	5,111	2,741

Profit or loss

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23. Fair value measurement

The technique that is being used for the derivative financial instruments under Level 2 is the Discounted Cash Flow (DCF) model for instruments without optionality and option pricing techniques of Black-Scholes type, for instruments with optionality.

For derivative instruments, valuation adjustments are an integral part of the fair value. They are included as part of the fair value to provide better estimation of market exit value on measurement date. Currently, the Bank considers one valuation adjustment to arrive at the fair value which is the Credit Valuation Adjustment (CVA). CVA is the adjustment on the fair value of a derivative trade to account for the possibility that a counterparty can go into default. In other words, it is the market value of counterparty credit risk.

The calculation of CVA is based on the estimation of the expected exposure, the counterparties' risk of default, and taking into account the pledged collateral and the legal right of offset with the counterparty. The counterparties' risk of default is measured by probability of default and expected loss given default, which is based on market information including credit default swap (CDS) spread. Where counterparty CDS spreads are not available, relevant proxy spreads are used. The fair value of financial instruments carried in the consolidated balance sheet at fair value:

	2023				2022			
Financial assets	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	-	327	-	327		9		9
Loan commitment derivatives	-	-	18,183	18,183	-	-	14	14
Forward foreign exchange contract	-	97,816	-	97,816	-	47,349	-	47,349
Derivatives	-	98,143	18,183	116,326	-	47,358	14	47,372
Government bonds	-	-	-	-	60,169	-	-	60,169
Investments resulting from supply chain finance transactions	-	-	308,294	308,294	-	-	236,809	236,809
Loans FVPL			-	-	-	-	35,793	35,793
Financial investments	-	-	308,294	308,294	60,169	-	272,602	332,771
Financial assets	-	98,143	326,477	424,620	60,169	47,358	272,616	380,143

Derivatives

Derivatives contracts are over-the-counter (OTC) derivative instruments. Derivatives include interest rate derivatives, FX derivatives & derivatives arising out of loan commitments. The valuation techniques and inputs depend on the type of derivatives and the nature of the underlying instruments. The principal techniques used to value these instruments are based on (amongst others) DCF & option pricing models. These valuation models calculate the present value of expected future cash flows, based on 'no-arbitrage' principles. The models are commonly used in the financial industry and inputs to the validation models are determined from observable market data where possible. Certain inputs may not be observable in the market, but can be determined from observable prices via valuation model calibration procedures. These inputs include prices available from exchanges, dealers, brokers or providers of pricing, yield curves, volatility of underlying interest rates, and foreign currency exchange rates.

Additional notes to the Consolidated Financial Statements

For uncollateralised OTC derivatives, the Bank applies CVA to correctly reflect the counterparty credit risk in the valuation. The majority of the derivatives are priced using observable inputs and are classified as Level 2. Derivatives for which the input cannot be implied from observable market data are classified as Level 3.

Interest rate swaps

For interest rate swap contracts, the Bank uses the DCF method 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.

Financial investments

Financial Investments include government bonds, investments resulting from supply chain finance transactions & loans. Where available, fair values for financial investments are generally based on quoted market prices. Quoted market prices are obtained from an exchange market, dealer, broker, industry group, pricing service, or regulatory service. The quoted prices from non-exchange sources are reviewed on their tradability of market prices. If quoted prices in an active market are not available, fair value is based on an analysis of available market inputs, which includes consensus prices obtained from one or more pricing services.

Furthermore, fair values are determined by valuation techniques discounting expected future cash flows using a market interest rate curves, referenced credit spreads, maturity of the investment, and estimated prepayment rates where applicable. Government bonds are generally traded in active markets, where quoted prices are readily and regularly available and are hence, classified as Level 1. The remaining positions are classified as Level 3.

	2023				2022			
Financial liabilities	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
Interest rate swaps	-	82	-	82	-	868	-	868
Loan commitment derivatives	-	-	18,183	18,183	-	-	14	14
Forward foreign exchange contract	-	95,086	-	95,086	-	44,703	-	44,703
Financial liabilities	-	95,168	18,183	113,351	-	45,571	14	45,585

Set out below is a comparison, by class, of the carrying amounts and fair values of the Bank'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 of financial instruments - assets	2023				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Cash balances with central banks	3,093,030	3,093,030	3,093,030	-	-
Placements with banks - on demand	163,100	162,943	162,943	-	-
Placements with banks - term deposits	611,829	642,126	-	-	642,126
Loans and advances	573,929	523,069		-	523,069
Loan and advances to banks	1,348,858	1,328,137	162,943	-	1,165,194
Corporate current accounts	259,153	259,153	-	-	259,153
Corporate term loans	6,092,788	6,175,185	-	-	6,175,185
Bills of exchange	1,447,029	1,452,555	-	-	1,452,555
Finance lease receivables	933	933	-	-	933
Participation loans	82,910	82,946	-	-	82,946
Loans and advances to customers	7,882,813	7,970,772	-	-	7,970,772
Other financial assets	38,083	38,083	38,083	-	-
Financial assets	12,362,784	12,430,022	3,294,056	-	9,135,966

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
Participation loans	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

Additional notes to the Consolidated Financial Statements

Fair value of financial instruments - liabilities	2023				
	Carrying amount	Total fair value	Level 1	Level 2	Level 3
Due to banks	4,944,905	4,871,309	-		4,871,309
Due to customers	5,509,107	5,504,659	-		5,504,659
Other financial liabilities	10,358	10,358	10,358		-
Subordinated debt	300,369	319,462	-		319,462
Financial liabilities	10,764,738	10,705,788	10,358	-	10,695,431

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

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.

Additional notes to the Consolidated Financial Statements

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.

As at 31 March 2023 Assets	Within 12 months	After 12 months	Total
in thousands of €s			
Cash and balances with central banks	3,093,030	-	3,093,030
Loans and advances to banks	856,356	492,500	1,348,856
Loans and advances to customers	3,538,239	4,291,249	7,829,488
Derivatives (assets)	81,582	34,743	116,325
Financial investments	308,294	-	308,294
Property and equipment	-	12,297	12,297
Intangible assets	-	10,519	10,519
Current tax assets	52,894	-	52,894
Deferred tax assets	55,033	-	55,033
Retirement benefit assets	-	5,134	5,134
Other assets	21,414	3,850	25,264

Liabilities	Within 12 months	After 12 months	Total
in thousands of €s			
Due to banks	2,288,390	2,656,515	4,944,905
Due to customers	5,461,211	47,896	5,509,107
Subordinated debt	369	300,000	300,369
Derivatives (liabilities)	78,685	34,666	113,351
Current tax liabilities	9,854	-	9,854
Deferred tax liabilities	-	-	-
Provisions	22,901	-	22,901
Other liabilities	113,599	2,430	116,029
Total liabilities	7,975,009	3,041,507	11,016,516
Net	10,419	1,799,801	1,840,619

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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
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
Other assets	28,630	-	28,630
Total assets	7,563,390	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	19,975	1,686,685	1,735,290

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25. Financial guarantees and commitments

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

Contingent liabilities and commitments	2023	2022
Letters of credit and financial guarantees	1,822,222	2,060,161
Undrawn commitments to lend	8,311,683	8,731,324
Other uncommitted facilities	4,246,636	4,311,666
Contingent liabilities and commitments	14,380,541	15,103,151

Letters of credit, guarantees and acceptances commit the Bank 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. The Bank 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 2023 no loans where outstanding to members of the SB and / or MB (2022: € 0). Loans, if granted, are at the Bank'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

In the normal course of business, the Bank enters into various transactions with related parties. Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party in making financial or operating decisions. All transactions with related parties took place at conditions customary in the market.

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

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in thousands of €s	2023	2022
Loan and advances to banks	714,086	2,784,097
Derivatives	66,608	24,660
Other assets	2,900	4,787
Assets	783,595	2,813,544
Due to banks	4,921,214	4,797,067
Subordinated debt	300,369	300,116
Derivatives	44,270	16,803
Other liabilities	16,751	38,530
Liabilities	5,282,604	5,152,516
Interest income	11,090	981
Interest expense	73,711	15,610
Net interest income	(62,621)	(14,629)
Fee and commission income	4,422	6,625
Fee and commission expense	20,688	11,960
Net commission income	(16,265)	(5,335)
Result on financial transactions	6,901	5,377
Total operating income	(71,985)	(14,587)
Personnel expenses	-	-
Other operating expenses	1,049	19,112
Total operating expenses	1,049	19,112
Net result	(73,034)	(33,699)
Commitments and contingent liabilities	114,649	132,932

Interest income and interest expense relate to amounts due from/due to the Bank. Interest expense mainly relates to pledge deposits and guarantees for loans and advances to our clients provided for the Bank, detailed in section Loans and advances to customers. Please also refer to section Credit Risk for cash collateral received from the Bank for loans and advances to our clients. Administrative expenses relate to IT services provided by the Bank. 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 (2022: € nil).

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27. Key management remuneration

This section sets out the remuneration of the SB, MB and Material Risk Takers (MRTs). Key management is defined as those persons being member of the SB or the MB of the Bank. For details on the Bank'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	2023	2022
Short-term employee benefits	3,022	3,102
Post-employment benefits	121	126
Long-term benefits	165	177
Termination benefits	-	-
Share-based payments	75	51
Total	3,383	3,457

Included in the short-term employee benefits is the total remuneration of the SB for the period amounting to € 285 (2022: € 184).

Material Risk Takers (MRTs)

The Bank'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, the Bank 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 SB can identify any other employee in addition to employees who perform senior management functions, to have a material impact on the Bank'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 the Bank from Tokyo and their remuneration is determined by MUFG, or a subsidiary of MUFG, as appropriate. The Bank continues to work with Tokyo to ensure that their variable remuneration is compliant with local regulation.

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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 the Bank. 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

The Bank 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 the Bank's long-term interests, the Bank 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. The amounts below are depicted in thousands of €'s.

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. Where the Variable Pay awarded to a MRT does not exceed € 50 and 10% of total remuneration, then no MRT deferral is applied.

Performance adjustment and clawback

The SB has the authority to adjust or reclaim variable remuneration in exceptional circumstances ('clawback') for MRTs, including MB members, for four years from the date of award. In addition to clawback, the SB may also make use of malus. This is an arrangement that permits the Bank 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 SB generally, but not exclusively, along the following guidelines:

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- 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;
- The Bank'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 the Bank's reputation;
- Where an award is inconsistent with the Bank's long-term risk or compliance interests;
- Where vesting of a variable pay award is inconsistent with the Bank's long-term risk or compliance interests; or
- Any incident which the SB, in its sole discretion, determines to warrant an adjustment.

In regard to the evaluation of individual performance, the Bank 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.

The Bank 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.

The Bank does not award retention nor predefined severance pay to MB members and MRTs.

Remuneration governance

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

The SB is responsible for approving the bank's Reward Policy, overall remuneration process and MRT recommendations. The MB 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 the Bank's MRTs for the performance year 2022, split between Senior Management (Supervisory and MB) and all other MRTs.

The fixed pay of Senior Management (SB and MB members) for the period amounts to € 2,767 (2022: € 2,611). Total variable pay (bonus) for Senior Management and MRTs amounts to € 1,201 (2022: € 699). Fixed Pay for the other MRTs staff (15 FTE) is € 3,278 (2022: € 2,153). This does not include remuneration awarded to expatriates from Tokyo who are remunerated via their home plan.

The compensation of the previous CRO (Deputy President of MBE) is captured under 'other identified staff' rather than key Management as the individual has resigned from the Management Board as per 15th of April 2022. The individual received a variable payment for PY2021 that was paid outside of the bonus cycle. It has been identified as part of the internal breach process given that this was not compliant with EU and Dutch Remuneration regulation as no partial deferral has been applied. DNB was informed and controls have been put in place to ensure this omission cannot reoccur.

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	31 March 2023		
	All Senior Management	All other MRTs	Total
No of employees	10	15	25
Fixed remuneration (1)	2,767	3,278	6,045
Variable remuneration (total) (2)	412	789	1,201
of which is cash	206	442	648
of which is share linked	206	347	553
of which is deferred	165	157	322
Outstanding deferred remuneration (vested) (3)	51	39	90
Outstanding deferred remuneration (all unvested) (3)	151	171	322
Deferred remuneration paid out in the 2022 performance year (3)	75	99	174

	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

(1) Fixed remuneration includes salary, allowances and pension contribution by the Bank. It excludes housing allowance and travel allowances.

(2) Variable pay for Japanese expatriates 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 deferral calculated within this table outline the position following June 2023 vestings and/or payments.

The overall amount for deferred remuneration to be paid out to MRTs amounts to € 224 with a further amount of € 114 vested but retained for a further 12 months.

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 FY2022.

Additional notes to the Consolidated Financial Statements

28. Risk management

Risk management approach

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

Risk management is embedded in the Bank'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 the Bank by creating new insights, making it a potential driver for continuous changes/adjustments. To ensure optimal effects from the effort to continuously improve the Bank'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

The Bank 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, the Bank strives to limit its risks to the level defined in the Risk Appetite Statement. The Bank is mainly exposed to credit, interest rate, liquidity, operational and integrity risks.

As a wholesale bank within the wider MUFG Group offering wholesale products to corporate clients, the Bank’s credit portfolio consists of global clients that are predominantly based throughout the European Union. More than sixty percent of the Bank’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 the Bank’s income consist of net interest income, which is affected by interest rate levels and credit spreads in the market. The Bank 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 the Bank’s funding is linked to its Parent bank and to a smaller extent to the deposits received from Bank’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. The Bank applies liquidity risk management to ensure adequate funding is available at all times.

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

Risk appetite

Risk appetite refers to the type and total amount of risk that the Bank is willing to accept within its Risk Capacity in order to fulfil its Business Strategies and Financial Plans. In that context, the Bank defines Risk Capacity as an aggregated view of the maximum level of risk the Bank 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 MB of the Bank sets its level of risk it is prepared to accept. This is called the Bank Risk's Appetite Statement (RAS). The RAS is further specified to the main risk types as defined in the Bank's Risk Taxonomy to form an integral part of the RAS. The Risk Appetite Statement(s) defined by the MB 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

Additional notes to the Consolidated Financial Statements

SREP decision. Also, indicators are tested against historical observed values, business plan and results of stress testing. The MB is responsible for managing the risk appetite cycle, supported by the Risk Management Division; while SB approval is required for RAS under the Bank's governance. RAS is evaluated and re-aligned with the Strategy and Business Plan of the Bank at least annually.

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

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

The Bank 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 the Bank 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."

At no point in time the Bank intends to carry a level of risk that would bring the Bank 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 the Bank's risk profile compared to the RAS as per 31 March 2023:

Risk Type	Risk Appetite	Risk Materiality	Assessment
Capital Adequacy			Risk averse position, within target range.
Strategic Risk	Receptive	Moderate	Accepted risk position, within target range.
Market Risk			
FX Risk	Averse	Low	Accepted risk position, within target range.
IRRBB	Conservative	High	Accepted risk position, within target range.
Liquidity Risk	Averse	Low	Accepted risk position, within target range.
Credit Risk			
Credit portfolio	Receptive	Moderate	Risk averse position, within target range.
Concentration Risk	Receptive	High	Accepted risk position, within target range.
Operational Risk			
Operational	Conservative	Low to Moderate	Outside of risk appetite, caused by high number of Operational Risk Assessment findings and high share of overdue policies and procedures.
Data Risk	Averse	Low	Risk averse position, within target range.
Technology Risk	Conservative	Low	Risk averse position, within target range.
Fraud Risk	Avoid	Low	Accepted risk position, within target range.
Compliance Risk	Averse	Low	Risk averse position, within target range.
Reputational Risk	Averse	Low	No KRI in place yet
Model Risk	Conservative	Low	Accepted risk position, within target range.

Credit risk

The Bank 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 the Bank. This includes risks arising from counterparty, country, transaction structure, and concentration risks.

The business model of the Bank 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.

Additional notes to the Consolidated Financial Statements

Credit risk derived from above mentioned business activities relates to wholesale exposure for various types of loans, commitments, guarantees, trade finance, structured products and counterparty derivatives contracts. The Bank manages its credit risk within the boundaries set by its own policies, external regulations and (where relevant) internal policies from MUFG Bank Ltd. 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 the Bank uses the Group's 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 the Bank's 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. high quality bonds;
5. credit insurance and ECA guarantees; and
6. variety of tangible collateral types such as pledges on moveable assets or immoveable assets.

The Bank uses active credit 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 the Bank’s policy to dispose of repossessed properties in an orderly fashion. The proceeds are used to reduce or repay the outstanding claim. In general, the Bank does not occupy repossessed properties for business use.

All obligors have individual credit limits based on their creditworthiness. The Bank 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, the Bank 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 the MUFG Bank Ltd. The Bank's country risk is concentrated in countries where it has a presence (i.e. countries located in the European Union). Credit exposures in higher risk countries are managed within defined risk appetite. Where necessary, country risk is mitigated by using high quality collateral (e.g. cash, bonds), or by transferring risk by means of sovereign(e.g. ECA), corporate (e.g. credit insurance) or bank (in particular by MUFG Bank Ltd) 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.

Additional notes to the Consolidated Financial Statements

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, the Bank is sensitive to fluctuations in macroeconomic environment. 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) stress scenarios.

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. The Bank determines the exposure value for derivative financial instruments (forward foreign exchange contracts, foreign exchange swaps and interest rate swaps) using the Standardized approach as defined in CRR articles 274-280. Under this approach the exposure value is calculated as product of regulatory factor *Alfa* multiplied by the sum of replacement cost and potential future exposure.

Credit-related commitment risks
The Bank makes guarantees available to its customers that may require the Bank 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) commits the Bank 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 exposes the Bank to similar risks as to on-balance sheet loans and are mitigated by the same credit risk control processes and policies.

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

Please see note Financial Guarantees and Commitments for detailed information on the balance of contingent liabilities and commitments. The table in the note shows the Bank's maximum credit risk exposure for commitments and guarantees.

The maximum exposure to credit risk relating to a financial guarantee is the maximum amount the Bank could have to pay if the guarantee is called upon. 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 on the balance sheet.

Risk concentrations
The Bank 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. Large losses can be either a consequence of correlation between various assets in portfolio or caused by idiosyncratic event related to single large customer exposure. 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.

The Bank assesses how it is exposed to credit risk concentrations by means of qualitative and quantitative analysis. 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 Bank's Risk Appetite Statement. The level of concentration risk is measured and compared against risk appetite levels by using relevant risk metrics.

Additional notes to the Consolidated Financial Statements

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.

The Bank is actively managing risk deriving from credit risk concentrations. Main risk mitigations are obtaining high quality collateral, acceptable 3rd party guarantee or lowering exposure to reduce the concentration risk. The Bank monitors the market value of collateral and when relevant, requests additional collateral in accordance with the underlying credit agreements.

The Bank also makes use of master pooling agreements with counterparties with whom a significant volume of transactions is undertaken. Such an agreement 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 agreements do not result in an offset of balance-sheet assets and liabilities. Although master pooling agreements 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.

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 (RAS).

Additional notes to the Consolidated Financial Statements

Risk concentration: by industry sector

in millions of €s

2023 Financial assets	Banks	Auto-motive	Utilities	Oil & Gas	T	T & L	C & I	CP	Other	Total
Balances with central banks	3,093	-	-	-	-	-	-	-	-	3,093
Cash and balances with central banks	3,093	-	-	-	-	-	-	-	-	3,093
Placements with banks - on demand	157	-	-	-	-	-	-	-	6	163
Placements with banks - term deposits	-	-	-	-	-	-	-	-	612	612
Loans and advances		-	-	-	-	-	-	233	341	574
Loans and advances to banks	157	-	-	-	-	-	-	233	959	1,349
Corporate current accounts	-	10	-	-	-	-	-	80	168	259
Corporate term loans	375	690	703	328	406	591	224	172	2,605	6,093
Bills of exchange	50	173	44	-	182	-	37	31	930	1,447
Finance lease receivables	-	-	-	-	-	-	-	-	1	1
Participation loans	-	83	-	-	-	-	-	-	-	83
Loans and advances to customers	425	956	747	328	587	591	261	284	3,704	7,883
Derivative financial instruments	71	1	1	4	-	2	-	2	35	116
Financial investments	-	-	-	-	-	-	36	-	272	308
Other assets	13	-	1	-	1	-	-	-	-	16
Total	3,759	957	749	333	588	593	297	519	4,970	12,765

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

(2) 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 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
Balances with central banks	904	-	-	-	-	-	-	-	0	904
Cash and balances with central banks	**904**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**904**
Placements with banks - on demand	2,171	-	-	-	-	-	-	-	222	2,393
Placements with banks - term deposits	-	-	-	12	-	-	-	-	402	414
Loans and advances	426	-	-	-	-	-	-	-	3	429
Loans and advances to banks	**2,597**	**-**	**-**	**12**	**-**	**-**	**-**	**-**	**628**	**3,237**
Corporate current accounts	-	-	-	-	-	-	-	44	173	218
Corporate term loans	725	356	798	336	143	759	106	743	2,132	6,098
Bills of exchange	88	119	295	-	41	-	1	29	666	1,239
Finance lease receivables	-	-	-	-	-	-	-	-	31	31
Participation loans	-	-	-	-	-	-	52	-	-	52
Loans and advances to customers	**813**	**476**	**1,092**	**336**	**184**	**759**	**159**	**816**	**3,003**	**7,638**
Derivative financial instruments	30	-	-	-	-	-			17	47
Financial investments	-	-	-	-	-	36	21	-	276	333
Other assets	16	1	-	-	-	-	-	-	12	29
Total	4,360	477	1,092	348	184	795	180	816	3,935	12,187

Additional notes to the Consolidated Financial Statements

Risk concentration: by geographical area

in millions of €s

2023 Financial assets	Netherlands	Germany	Spain	Belgium	Austria	United Kingdom	Others countries	Total
Balances with central banks	2,849	244	-	-	-	-	-	3,093
Cash and balances with central banks	2,849	244	-	-	-	-	-	3,093
Placements with banks - on demand	-	6	10	2	-	29	115	163
Placements with banks - term deposits	-	-	-	-	-	567	45	612
Loans and advances		548	8	-	-	-	19	574
Loans and advances to banks	-	554	18	2	-	596	179	1,349
Corporate current accounts	71	144	11	-	-	-	33	259
Corporate term loans	1,302	980	892	493	22	122	2,282	6,093
Bills of exchange	31	1,158	37	176	-	-	45	1,447
Finance lease receivables	-	1	-	-	-	-	-	1
Participation loans	-	-	-	-	-	-	83	83
Loans and advances to customers	1,404	2,282	940	669	22	122	2,443	7,883
Derivative financial instruments	29	10	5	1	1	67	4	116
Financial instruments	-	25	-	-	-	23	260	308
Other assets	-	8	3	4	-	1	-	16
Total	4,283	3,123	965	676	23	809	2,886	12,764

Additional notes to the Consolidated Financial Statements

Risk concentration: by geographical area

in millions of €s

2022 Financial assets	Netherlands	Germany	Spain	Belgium	Austria	United Kingdom	Other countries	Total
Balances with central banks	566	204	-	19	-	-	115	904
Cash and balances with central banks	**566**	**204**	**-**	**19**	**-**	**-**	**115**	**904**
Placements with banks - on demand	-	-	1	-	241	2,151	-	2,392
Placements with banks - term deposits	-	-	-	12	-	402	-	414
Loans and advances	-	425	3	-	-	-	2	429
Loans and advances to banks	**-**	**425**	**4**	**12**	**241**	**2,553**	**2**	**3,237**
Corporate current accounts	79	96	10	1	-	1	32	218
Corporate term loans	1,487	1,163	495	398	22	653	1,879	6,098
Bills of exchange	16	894	-	203	-	-	126	1,239
Finance lease receivables	-	31	-	-	-	-	-	31
Participation loans	-	-	-	-	-	-	52	52
Loans and advances to customers	**1,582**	**2,183**	**505**	**602**	**22**	**654**	**2,089**	**7,638**
Derivative financial instruments	13	8	-	1	-	25	1	47
Financial instruments	-	39	-	-	-	20	274	333
Other assets	3	6	3	-	1	3	13	29
Total	2,164	2,866	512	633	263	3,255	2,494	12,188

Additional notes to the Consolidated Financial Statements

Credit quality by class of financial assets
The credit quality of financial assets is managed by the Bank using a 15-grade, internal credit rating system of the parent bank, which is applied MUFG Bank group-wide.

The primary data utilized in the assessment of borrowers include the borrower's financial statements and notes thereto as well as other public disclosure made by the borrower. In addition, when appropriate and possible, we obtain non-public financial and operating information from borrowers, such as the borrower's business plan, borrower's self-evaluation of its operating assets and other borrower information about its business and products.

Based on the borrower and industry information, we assign borrower ratings mainly by applying financial scoring models—either developed internally or by third-party vendors, depending on the borrower's attributes, whether the borrower is domestic or foreign, whether the borrower is a large corporation or a small and medium-sized corporation, and whether the borrower is a corporate entity or another type of legal entity (such as a school, hospital or fund).

The financial score obtained through the models is reviewed and, when necessary, adjusted to reflect our qualitative assessment of the borrower's financial strength and other factors that could affect the borrower's ability to service the debt. When adjusting the results of primary financial scoring assigned to borrowers with losses, we consider the severity of losses and the possibility of improving operating results. We analyse and assess whether the loss is temporary, the trend in operating results is improving, or the loss is expected to continue for an extended period. When adjusting the results of primary financial scoring assigned to borrowers with losses or borrowers with negative net worth, we also analyse whether the borrower can return to a positive net worth, and the time period needed to achieve such recovery (one to two years, three to five years, or five years or more).

In addition, adjustments based on industry risk are based on future prospects, applicable laws and regulations, and other factors surrounding the industry. Adjustments for management risk reflect our assessment of management's track record, the composition of the management team including the board of directors, any management succession plan as well as the risk management and compliance framework of the borrower. Adjustments for legal risk are made when the borrower is facing a lawsuit and when there is a possibility of a significant claim payment related to product liability, intellectual property, environmental problems, building standard law, and other legal issues.

When assessing the probability of receiving support from parent companies, various factors are examined, such as the parent company's credit standings, whether key management personnel are sent by the parent, whether the borrower is consolidated by the parent, and the proportion of the borrower in consolidated sales and profits of the parent.

Lastly, we consider external ratings, and our internal borrower ratings may be adjusted when deemed appropriate.

The table below shows the credit quality by class of asset for all financial assets exposed to credit risk, based on the Bank'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.

Additional notes to the Consolidated Financial Statements

<table>
<tr><th>Credit Quality Step (*) (CQS)</th><th>Meaning of the rating category</th><th>The Bank's 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>

Additional notes to the Consolidated Financial Statements

in millions of €	Credit quality							
2023 Financial assets	Gross carrying amounts	Normal	Close watch	Likely to become bankrupt	Bankrupt or virtually bankrupt	Bankrupt	Total	ECL
Cash and balances with central banks	3,093	3,093	-	-	-	-	3,093	-
Loans and advances to banks	1,349	1,348	-	-	-	-	1,349	-
Loans and advances to customers	7,883	7,631	108	144	-	-	7,883	53
	12,325	12,072	108	144	-	-	12,325	53
Financial instruments	308	308	-	-	-	-	308	-
Other assets	25	25	-	-	-	-	25	-
Total	12,658	12,406	108	144	-	-	12,658	53

in millions of €	Credit quality							
2022 Financial assets	Gross carrying amounts	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	-
Loans and advances to customers	7,306	183	172	-	-	-	7,661	54
	11,446	183	172	-	-	-	11,801	54
Financial instruments	380	-	-	-	-	-	380	-
Other assets	25	-	-	-	-	-	25	-
Total	11,851	183	172	-	-	-	12,206	54

Additional notes to the Consolidated Financial Statements

Credit risk exposure for each internal credit risk rating

It is the Bank'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.

Balance sheet items

in millions of €s	2023			2022		
Balance sheet items	Gross carrying amounts	Net carrying amounts	ECL	Gross carrying amounts	Net carrying amounts	ECL
Normal						
1	1,346	1,346	-	1,339	1,339	-
2	1,472	1,472	-	5,302	5,302	0.3
3	5,742	5,742	0.3	1,589	1,589	-
4	2,117	2,117	0.3	2,102	2,102	0.1
5-1	946	945	0.3	849	849	0.1
5-2	484	484	0.2	404	404	0.1
6-1	202	202	0.1	187	187	-
6-2	72	72	-	77	77	-
7	177	177	0.1	1	1	-
Total 1-7	12,557	12,555	1.3	11,851	11,851	0.6
Close watch						
8-1	33	33	0.1	51	51	0.2
8-2	76	76	-	132	132	0.5
Total 8	108	108	0.1	184	183	0.7
Likely to become bankrupt						
8-3	117	68	48.9	171	119	52.4
9	27	27	-	-	-	-
Total 9	144	95	48.9	171	119	52.4
Bankrupt or virtually bankrupt						
10-1	-	-	-	-	-	-
10-2	-	-	-	-	-	-
Total 10	-	-	-	-	-	-
Total ECL overlay	-	-	3.0			-
Total outstanding balance by risk class	12,808	12,759	53.3	12,206	12,152	53.7

Additional notes to the Consolidated Financial Statements

Off-balance facilities

in millions of €s	2023		2022	
Off-balance facilities	Carrying amounts	ECL	Carrying amounts	ECL
Normal				
1	965	-	2	-
2	2,483	0.1	2,329	-
3	6,623	0.4	5,409	0.2
4	2,082	0.2	1,519	0.1
5-1	1,212	0.4	379	0.1
5-2	587	0.3	583	0.1
6-1	169	-	115	-
6-2	73	-	193	0.1
7	146	0.5	144	0.3
Total 1-7	14,340	1.8	10,673	0.9
Close watch				
8-1	6	-	43	0.3
8-2	35	0.2	7	0.2
Total 8	40	0.2	50	0.6
Likely to become bankrupt				
8-3	-	0.1	-	0.1
9	-	0.1	68	0.2
Total 9	-	0.2	68	0.4
Bankrupt or virtually bankrupt				
10-1	-	-	-	-
10-2	-	-	-	-
Total 10	-	-	-	-
Total outstanding balance by risk class	14,380	2.2	10,791	1.8

Credit risk exposure by internal risk class expressed in S&P rating equivalents
Please see Note Loans and advances to customers 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, the Bank took no possession of any collateral at balance sheet date nor in the previous year.

Impairment assessment
The Bank aims to maintain a sufficient level of reserves to cover its incurred losses. For accounting purposes, the Bank 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 Accounting Policies the expected credit loss approach is further elaborated. As of 31 March 2023, 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

Expected credit loss	2023			
in thousands of €s	Stage 1	Stage 2	Stage 3	Total
Loan and advances to banks				
Opening balance	26	-	-	26
Net movement	(24)	-	-	(24)
Closing balance	2	-	-	2
Loans and advances to customers				
Opening balance	462	249	52,943	53,655
Addition	691	-	-	691
Releases	-	(61)	(2,221)	(2,282)
Write-off	-	-	-	-
Transfer	-	-	(1,783)	(1,783)
Overlay	-	-	-	3,043
Closing balance	1,153	188	48,939	53,324
Off-balance facilities				
Opening balance	1,229	447	109	1,785
Transfer	-	-	-	-
Net movement	161	274	(1)	435
Closing balance	1,390	721	108	2,220
Total ECL as at 31 March 2023	2,545	910	49,048	55,546

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

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

in thousands of €s	2023								
	Stage 1			Stage 2			Stage 3		
	Gross carrying amount	ECL	Net	Gross carrying amount	ECL	Net	Gross carrying amount	ECL	Net
On-balance sheet facilities									
Placements with banks - on demand	162,677	1	162,676	422	-	422	-	-	-
Placement with banks - term deposits	611,829	4	611,825	-	-	-	-	-	-
Loans and advances	573,895	32	573,863	-	-	-	-	-	-
Corporate term loans	6,014,169	1,053	6,013,115	33,682	164	33,517	44,938	-	44,938
Corporate current accounts	259,153	42	259,111	-	-	-	-	-	-
Bills of exchange	1,273,759	24	1,273,735	74,170	24	74,146	99,100	48,939	50,161
Finance lease receivables	933	-	933	-	-	-	-	-	-
Participation loans	82,910	-	82,910	-	-	-	-	-	-
As at 31 March 2023	8,979,325	1,156	8,978,169	108,274	188	108,086	144,038	48,939	95,099
Off-balance sheet facilities									
Letters of credit and guarantees	1,813,852	324	1,813,527	8,137	573	7,564	233	107	126
Undrawn commitments to lend	8,311,683	1,065	8,310,618	0	148	- 148	-	-	-
As at 31 March 2023	10,125,535	1,390	10,124,145	8,137	721	7,416	233	107	126

Additional notes to the Consolidated Financial Statements

in thousands of €s	2022								
	Stage 1			Stage 2			Stage 3		
	Gross carrying amount	ECL	Net	Gross carrying amount	ECL	Net	Gross carrying amount	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	-	-	-	-	-	-
Participation loans	52,153	-	52,153	-	-	-	-		-
As at 31 March 2022	10,454,371	488	10,453,883	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

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

Collateral and credit enhancements in thousands of €s	2023	2022
Bonds	2,391,201	6,788,748
Pledged deposits	1,273,225	1,399,955
Financial guarantees	5,963,343	5,351,130
Total credit enhancements	9,627,770	13,539,833

Additional notes to the Consolidated Financial Statements

ECL calculations

The Bank uses internal risk models to calculate the monthly ECL amount for all exposures in scope of provisioning. For IFRS 9 purpose, the Bank 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 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 2023 are: Up: 15%, Base: 50%, Down: 35% (2022: 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 Stage 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	2023		
in millions of €s	Stage 1	Stage 2	Total
Weighted	2.18	0.95	3.13
Unweighted	Stage 1	Stage 2	Total
Up	2.01	0.92	2.93
Base	2.13	0.94	3.07
Down	2.33	0.97	3.30

	As of 31 March 2023					
Assumptions		2022	2023	2024	2025	2026
Scenario	Model %	GDP	GDP	GDP	GDP	GDP
Up	15%	3.3%	1.9%	3.2%	2.6%	2.4%
Base	50%	3.3%	-0.2%	1.3%	1.9%	1.7%
Down	35%	3.3%	-3.2%	-0.9%	0.6%	0.8%

	As of 31 March 2022					
Assumptions		2021	2022	2023	2024	2025
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%

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.

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 the Bank considers a significant increase of credit risk and what is considered as default are disclosed in section Accounting Policies.

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 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).

Overlay
As per 31 March 2023, the Bank has decided on a management overlay of € 3.0 million to reflect more appropriately the potential expected credit losses in the portfolio in the current economic environment.

The overlay has been determined based on analysis of the probability of default (PD). In the original ECL model the staging is determined based on borrower rating. Borrower rating reviews take place periodically and might hence not always capture the current changes in economic circumstances. Hence an assessment has been made what the staging (and connected ECL) would be if this is based on changes in the lifetime PD since origination of the loan or facility. This assessment reveals a higher number of clients in stage 2 for which a lifetime expected credit loss is determined, which is higher than the twelve month expected loss.

Furthermore, the original PD model does not distinguish the chance of a default between Japanese and Non-Japanese clients. To more appropriately capture the default risk pertaining to these clients, the Bank has applied scaling on the calculated ECL by the model for Japanese and non-Japanese clients on an instrument level. The scaling is based on historical observed default rates. The results of this assessment show that the ECL for Japanese clients should be lower whereas the ECL for non-Japanese clients should be higher than initially determined by the original model.

Evaluating the potential effects of the aforementioned observations, the Bank believes that the ECL including the overlay more appropriately reflects the risks in the current economic environment.

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 FX risk due to assets and liabilities held in another currency. The Bank defines the following categories of balance sheet risk, as follows:

1. 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. 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.

Additional notes to the Consolidated Financial Statements

3. Structural FX Risk: the risk that the Bank'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.

The Bank's liquidity risk, interest rate risk, FX risk and investment portfolio are evaluated by the ALCO. Daily and weekly monitoring of positions and/or limits and execution of periodical stress tests are performed by Treasury and the Risk Management Division.

Liquidity Risk

Liquidity risk is managed in compliance with the MUFG Bank's Liquidity Risk Management Policy, and liquidity risk procedures and control framework.

Diversification of funding sources

The Bank 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.

	As of 31 March 2023		As of 31 March 2022	
Funding source	Amount in millions of €s	%	Amount in millions of €s	%
Current accounts	4,024	39%	6,750	64%
Time deposits banks inter-group	4,892	47%	3,586	34%
Time deposits corporates	1,484	14%	152	1%
Time deposits banks	16	0%	23	0%
Total	10,416	100%	10,511	100%

Additional funding is available from one of MUFG Bank's global centres where treasury activities are regionally centralised. Furthermore, the Bank's bond investment portfolio represents high quality collateral, which could be used to secure additional funding if required. The Bank'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 Aaset and Liability committee ('ALCO').

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 the Bank must adhere. The Normal stage is further subdivided into 3 sub-stages: ordinary, pre-caution and caution.

MUFG Bank, providing unlimited liquidity support, is the Bank'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 the Bank maintains sufficient liquidity and funding buffers, which allows the Bank 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 2023	As of 31 March 2022
Liquidity Coverage Ratio (LCR)	140%	303%
Net Stable Funding Ratio (NSFR)	109%	107%

Additional notes to the Consolidated Financial Statements

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 SB 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, the Bank 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 the Bank'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, the Bank reports the following three risk appetite indicators for IRRBB which are aligned with EBA guidelines on the management of interest rate risk arising from non-trading activities.

Risk appetite indicator	Description
Outlier Criterion (Supervisory Stress Test)	Impact on EVE of a sudden parallel +/- 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.

The Bank'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.

The Bank 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 2023 shows that, in total, an increase of 200 bp leads to an increase in € X of economic value of equity (2022: € 90,028 increase) and a decrease of 200 bp leads to decrease of € X of economic value of equity (2022: € 14,725 decrease).

	2023		2022	
Interest rate sensitivity in millions of €s	Increase/(Decrease) in basis points	Sensitivity of equity	Increase/(Decrease) in basis points	Sensitivity of equity
The Bank (EVE)	200(200)	23,334 / (49,845)	200/(200)	29,331 / (24,216)
Currency				
EUR	200(200)	18,755 / (39,858)	200/(200)	71,360 / (44,269)
USD	200(200)	3,082 / (6,768)	200/(200)	(16,385) / 24,061
GBP	200(200)	680 / (1,493)	200/(200)	1,029 / (1,273)
PLN	200(200)	13 / (28)	200/(200)	277 / (288)
CZK	200(200)	66 / (140)	200/(200)	382 / (398)
JPY	200(200)	607 / (1,267)	200/(200)	1,977 / (1,859)
Other	200(200)	105 / (231)	200/(200)	(28) / (121)

Analysis of financial assets & liabilities by remaining contractual maturity

The tables below summarises the maturity profile of the Bank's financial assets and liabilities as at 31 March 2023. 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.

Additional notes to the Consolidated Financial Statements

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

Financial assets and liabilities by remaining contractual maturity						
in millions of €s	2023					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Financial assets						
Balances with central banks	393	2,700	-	-	-	3,093
Loans and advances to banks						
Placements with banks - on demand	163	-	-	-	-	163
Placement with banks - term deposits	6	606	-	-	-	612
Loans and advances	-	22	59	260	233	574
Loans and advances to customers						
Corporate term loans	-	1,314	665	2,827	1,287	6,093
Corporate current accounts	259	-	-	-	-	259
Bills of exchange	-	1,223	47	178	-	1,447
Lease receivables	1	-	-	-	-	1
Participation loans	-	65	18	-	-	83
Financial investments						
Government bonds	-	-	-	-	-	-
Derivatives	-	46	35	29	5	116
Investments resulting from supply chain finance transactions	-	-	-	-	-	-
Loans FVTPL	-	-	-	-	-	
Total assets	822	5,976	824	3,294	1,525	12,440
Liabilities						
Due to banks						
Nostro accounts	37	-	-	-	-	37
Term deposits	-	627	1,624	2,583	73	4,908
Due to customers						
Term deposits	2	1,297	147	52		1,498
Current accounts	4,011	-	-	-	-	4,011
Subordinated loan	-	-	-	300	-	300
Derivatives	-	45	33	29	5	113
Lease liabilities	9	-	-	-	-	9
Total liabilities	4,059	1,968	1,805	2,965	79	10,876
Net	(3,238)	4,008	(981)	329	1,446	1,564

Notes to the Consolidated Financial Statements

Additional notes to the Consolidated Financial Statements

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	-	796	929	2,521	1,852	6,098
Corporate current accounts	218	-	-	-	-	218
Bills of exchange	-	949	275	15	-	1,239
Lease receivables	-	1	28	1	-	30
Participation loans	-	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	2,455	1,615	2,765	1,852	12,160
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)	1,157	514	179	1,447	1,749

Additional notes to the Consolidated Financial Statements

The table below shows the contractual expiry by maturity of the Bank'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	2023					
in millions of €s	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Letters of credit and guarantees	6,069	-	-	-	-	6,069
Undrawn commitments to lend	8,312	-	-	-	-	8,312
Total guarantees & commitments	14,381	-	-	-	-	14,381

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 and guarantees	2,061	-	-	-	-	2,061
Undrawn commitments to lend	8,731	-	-	-	-	8,731
Total guarantees & commitments	10,792	-	-	-	-	10,792

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

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 the Bank'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 the Bank.
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 the Bank'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.

Additional notes to the Consolidated Financial Statements

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 the Bank's strategy, the policy is to minimise market risks. Therefore the Bank 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 the Bank and therefore the Bank is not exposed to material price risk.

The Bank'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 the Bank'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 LoD 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.

The Bank is not active in securities investments. Pursuant to the Bank's investment policy, securities investments are limited to Dutch government bonds, European Investment Bank Floating Rate Notes and foreign government bonds, constrained to investing the Bank'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. The Bank 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. The Bank is a so-called “Non-Limit-Granted Unit” which means that the bank keeps foreign exchange positions within relatively narrow limits. The Bank has in place a FX VaR limit of USD $500 thousand. 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 the Bank's policy, positions are monitored on a daily basis by 1st line and 2nd LoD and reported to the ALCO for review; hedging strategies are used to ensure positions are maintained within established limits.

Additional notes to the Consolidated Financial Statements

FC position

FC position in millions of €s	2023			2022		
Currency	Total assets	Total liabilities	Position	Total assets	Total liabilities	Position
EUR	10,360	(8,545)	1,815	6,751	(4,510)	2,241
CZK	28	(29)	(1)	115	(101)	14
PLN	120	(120)	-	544	(20)	524
USD	1,489	(1,485)	4	279	(12)	267
GBP	156	(157)	(1)	3,251	(5,131)	(1,880)
JPY	430	(432)	(2)	191	(388)	(197)
Other	274	(248)	26	1,137	(377)	760
Total	12,858	(11,016)	1,841	12,268	(10,539)	1,729

Currency sensitivity

Currency sensitivity in thousands of $s (USD)	2023	2022
FX VaR	298	77

(Traded) Interest rate risk

The Bank 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.

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. k.

Based on the Head Office risk categorisation, the Bank has developed an operational risk categorisation with ten operational risk types, which constitute the Operational Risk Taxonomy: Technology Risk, Operations Risk, Vendor/Outsourcing Risk, People Risk, Data Risk, Tangible asset Risk, Crisis Risk, Legal Risk, Fraud Risk, and Project/Change Risk. The Taxonomy may change as emerging or new risks are recognised.

Out of the 10 operational Risk types, 5 are deemed material and significant given current context:

- Technology Risk: The risk of loss (and related risks) arising from destruction, disruption, malfunction, misuse of IT, or unauthorized alteration/leakage of electronic data which is caused by lack of (or inability to perform) proper system planning, development and operation, threats and vulnerabilities to IT security (including cybersecurity), or external factors (e.g. disasters). Technology risk includes IT application risk, IT infrastructure risk, cybersecurity risk and business continuity risk.
- Operations Risk: The risk of loss (and related risks) arising from operational processing not being properly executed.
- Vendor/Outsourcing Risk: The risk of loss (and related risks) or reputational damage arising from improper onboarding, management, or regulatory compliance of (intragroup or external) outsourcing/vendor arrangements; and/or due to mishandling of incidents caused by external/intragroup providers.
- People Risk: The risk of loss (and related risks) or reputational damage arising from inadequate organizational structure or employment of staff, including lack of competency or poor performance.
- Data Risk: The risk of loss in value or reputation arising from issues or limitations in the Bank's ability to create, store, transform, move, and use its data assets.

Additional notes to the Consolidated Financial Statements

Operational risk is managed in compliance with the Bank's Operational Risk Management Policy and broader MUFG Operational Risk Management Framework. Within the Risk Management Framework standards and requirements for managing operational risk are defined, including relevant procedures. The Risk Appetite Statement defines the amount of operational risk the Bank is willing to take within its Risk Capacity in order to fulfill Business Strategies and Financial Plans.

Operational risk is managed by written workflows, business process manuals and internal control measures. Different tools and systems are used to ensure proper management of events and incidents, risk and control self-assessments, and issues and actions.

The objective of operational risk management is not to remove operational risk entirely, but to keep it within Risk Appetite, and to ensure that the control environment is adequate to prevent any high value losses that have the potential to damage the bank.

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.

The Bank 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 the Bank.

The Bank 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 MB 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 MB participates, on compliance issues and to the regional and global compliance offices of the parent bank located in London and Tokyo respectively.

Capital management

The objective of the Bank'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:

- 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 the Bank'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.

Additional notes to the Consolidated Financial Statements

Current capital requirements compare total capital and Common Equity Tier 1 (CET-1) 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%.

The Bank 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, the Bank 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

The Bank's capital consists of Common Equity Tier 1 (CET-1) 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	2023	2022
Common equity Tier 1		
Issued capital	100,003	100,003
Share premium	1,334,304	1,334,304
Retained earnings	312,821	337,884
Result for the year	-	(25,064)
Regulatory adjustments		
Other intangible assets	(15,813)	(20,321)
Prudential filter	(538)	(427)
Prudential backstop	(125)	-
Accumulated other comprehensive income	(6,999)	(11,878)
Non controlling interest	446	41
Common equity Tier 1	1,724,099	1,714,542
Eligible Tier 2 Capital instruments		
Subordinated debt	298,686	300,000
Tier 2 capital	298,686	300,000
Dividend proposed	-	-
Total own funds	2,022,785	2,014,542
Risk weighted assets	10,904,594	10,687,034

Risk weighted assets per category in thousands of €s	2023	2022
Credit risk	10,569,864	10,408,301
Operational risk	266,963	262,673
Other	67,768	16,060
Total	10,904,594	10,687,034

Additional notes to the Consolidated Financial Statements

The Bank has complied with the regulatory capital requirements throughout the reporting period and maintained capital ratios above the regulatory minimum CET-1 and total capital ratio.

Solvency ratios	2023	2022
Common equity Tier 1 ratio	16%	16%
Tier 1 ratio	16%	16%
Total capital ratio	19%	19%

As at 31 March 2023 the Bank's total capital own funds amounted to € 2,022,785 (2022: € 2,014,542). The total capital ratio is 19% as per 31 March 2023 (2022: 19%). The leverage ratio exposure (Tier 1 capital / exposure) as per 31 March 2023 is 7% (2022: 8%). The common equity equity Tier 1 ratio (CET 1 ratio) has remained stable at 16% (2022: 16%).

Strategic risk

The Bank 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. The Bank further defines 4 types 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: over the course of the financial year until 31 March 2023, the Bank worked on identifying and assessing climate and enviornmental risk ("C&E") within its portfolio. Several scenarios are used to identify various climate risks that can potentially affect sectors. C&E risks will be further embadded in the banks strategy, governance and control framework over the course of financial year 2023.

To assess the risk for the Bank 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 the Bank's business plan and strategic planning. It is also input to systematically monitor the strategy risks as part of Risk Appetite Statement.

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), the Bank has not managed to reduce strategic risk in the

Additional notes to the Consolidated Financial Statements

past 12 months. However, with its upcoming three-year strategic plan, the Bank intends to reduce its strategic risk by means of a more viable business model and improved strategic risk controls.

Climate risk
Climate change presents both risks and opportunities for the Bank across its customers, business operations and wider stakeholders. The Bank recognises climate change risk covers both physical risks (i.e. the impact of acute weather events and chronic changes to the climate) and transitional risks (i.e. the impact of shifts to a low-carbon economy). The Bank, and the wider MUFG Group, recognises the financial risks arising from climate change and was part of the EMEA project, launched in August 2020 and closed in January 2022, which now allows for a climate heatmap for the Bank's portfolio. The project was led by the CRO for EMEA, covering MUFG Bank EMEA and is the Senior Manager responsible for the climate change risk framework for EMEA. The primary objectives of the project were completed by December 2021. Further development and embedding is championed by the EMEA Climate Change and Environmental Risks Working Group, which the Bank are members, and a senior Executive level Forum.

The Group established the Carbon Declaration Project which included a dedicated workstream on climate change risk management to address the increasing requirements from MUFG stakeholders, global regulators and ensure MUFG develops a framework proportionate to the size, nature and complexity of its business. The project is using the EMEA risk framework as a foundation for the global approach. MUFG is also developing its approach for the broader strategic direction to support sustainability and management of the Reputational Risk arising from Environmental, Social and Governance (ESG) risks. More broadly, MUFG endorses the Taskforce on Nature-related Financial Disclosures (TNFD) forum and has started to analyse natural capital risks. Further embedding and ongoing enhancements will be necessary for managing risks arising from climate change in 2023 and beyond, particularly as a MUFG Group wide approach will evolve in maturity. EMEA representatives continue to be active leads in the global project which provides a platform for EMEA based frameworks to be embedded globally.

Restrictive Measures
The Group established the Environmental and Social (ES) Policy Framework in 2018 which includes prohibitive and restrictive measures globally. This includes the prohibition of new coal-fired power generation projects and the restriction of certain oil and gas transactions and forestry activity including palm oil plantation. The EMEA Reputational Risk Committee, a sub-committee of the EMEA Risk Management Committee, considers deals against the ES Policy for increased reputational risk to MUFG and all transactions are required to consider climate related financial risk and Reputational Risk related to the ES Policy. The Bank has adopted the EMEA Reputational Risk Policy.

Risk Measurement and Management
Climate change risk is captured in the EMEA Risk Management Framework as a driver of risk that permeates a number of strands of existing risks cover both physical and transitional risks. Further monitoring is conducted on a monthly basis as part of the EMEA Top Risks report at the EMEA Risk Management Committee, four Key Risk Indicators (KRIs) for climate change under credit and strategic risk in the EMEA Risk Appetite Statement. An all staff mandatory training was delivered across EMEA in December 2022. The all staff training is run annually. From a credit risk perspective, climate risk added to the Bank's EMEA Regional Credit Policy with the credit risk climate change heat map developed to identify climate risks in the credit portfolio and individual client assessments used to assess idiosyncratic risks.

Climate change risk as a driver for credit risk
MUFG EMEA has developed a model for climate change risk as a driver for credit risk. This uses both a top-down heatmap as well as a bottom-up client assessment. The top-down heatmap considers both industry and country of risk as key drivers for assessing both physical and transition risk combined with tenor at counterparty level.

Additional notes to the Consolidated Financial Statements

This facilitates portfolio climate scoring which can be used for management information to track the portfolio's performance. Below outlines the climate score and description of the climate score.

Climate score	Description of climate score
0	The exposure is considered 'Green'.
1	The exposure is considered 'Green'.
2	The exposure is considered 'Transition'.
3 and 4	The exposure is considered 'Brown'.

This top-down approach is supplemented by a client questionnaire which is completed as part of onboarding or at annual credit review to assess transition plans applied to each borrower. EMEA continues to work closely with the Group to develop consistent frameworks and the heatmap in EMEA is comparable to the "Whole Picture" at industry level recently rolled out to all sectors and the "Outlook" assessment which is being expanded by the Group in 2023, although EMEA is targeting all customers and our experience is being leveraged to support wider implementation by the Group.

Climate Risk Heatmap

Reporting Period / Entity Climate Score as of 31 March 2023 in billions €s	Climate Change Risk Assessment Trend by Exposure (€bn)					
	0	1	2	3	4	Portfolio Total
Mar 2021	0.0	10.3	3.9	4.4	0.1	18.7
Jun 2021	0.1	10.4	6.8	2.4	0.0	19.7
Sep 2021	0.0	10.0	7.5	2.1	0.1	19.7
Dec 2021	0.1	12.3	6.4	2.4	0.0	21.3
Mar 2022	0.2	12.7	6.7	2.4	0.0	22.0
Jun 2022	0.1	13.0	6.2	2.5	0.0	21.8
Sep 2022	0.1	14.3	6.3	2.7	0.0	23.3
Dec 2022	0.1	14.7	6.2	2.5	0.0	23.5
Mar 2023	0.1	14.2	5.7	2.2	0.0	22.2

Scenario Analysis

Scenario analysis has been used to inform risk identification and assessment/measurement. Three multi-decade scenarios have been developed which are based around the core Network for Greening the Financial System (NGFS) scenarios covering physical, transition and a combined risk scenario. These scenarios complement the Fossil Fuel scenario developed in September 2022 and builds upon the original, internally developed, shorter-term carbon tax scenario run which was run for the EMEA portfolio every six months. For the EMEA portfolio the original multi-decade Scenario Results (Top-Down) showed that delayed transition gave rise to largest loss across three scenarios. All scenarios resulted in a meaningful migration of assets from Investment Grade (IG) to non-IG with delayed transition giving rise to the largest increase problem assets. Overall under stressed market conditions probability of default was expected to increase due to macro and outflows related to idiosyncratic physical damage due to severe weather events etc. Additionally vulnerable sectors will underperform the market in each scenario resulting in increased stressed probability of default.

Additional notes to the Consolidated Financial Statements

29. Country by country reporting (CbCr)

In this paragraph an overview is provided on certain tax, financial and statistical data for each country in which the Bank operates. Details of the subsidiaries and branches that are included in the consolidated statements of the Bank are as follows:

Country	Entity	Nature of activities
Netherlands	MUFG Bank (Europe) N.V.	Financial services
Spain	Branch	Financial services
Poland[1]	Branch	Financial services
Czech Republic[1]	Branch	Financial services
Austria	Branch	Financial services
Belgium	Branch	Financial services
Germany	Branch	Financial services
Germany	MUFG Europe Lease (Deutschland) GmbH i.L.	Financial services
United Kingdom	MUFG Funding (UK) Ltd	Financial services

1 The branches in Poland and Czech Republic have been closed in financial year 2022.

Country	Total operating income	Average number of FTE's	Profit/(loss) before tax	Corporation tax (paid)/received	Public subsidies received
Netherlands	125,720	324	52,571	17,062	-
Spain	13,468	30	5,870	(1,308)	-
Poland	1,180	13	(1,329)	(264)	-
Czech Republic	429	7	(468)	(16)	-
Austria	2,362	12	107	(36)	-
Belgium	5,334	18	(438)	-	-
United Kingdom	158	-	89	33	-
Germany	121,778	223	44,604	(19,858)	-
Total	270,428	627	101,007	(4,387)	-

30. Proposed profit appropriation

The statutory provision regarding the profit appropriation reads as follows:

The profit appearing from the Financial Statements shall be at the disposal of the General meeting of the shareholder. The profit for the current year amounts to € 100,043 (2022: loss of € 25,064). The proposal to the General shareholder meeting to appropriate the profit is as follows:

Appropriation of profit (loss)	2023	2022
Transfer to reserves	100,043	(25,084)
Profit (loss) for the year	100,043	(25,084)

There is no proposed dividend payment for this period.

31. Subsequent events

There are no reportable events subsequent to 31 March 2023.

Additional notes to the Consolidated Financial Statements

Authorisation of Consolidated Financial Statements
Amsterdam, 18 July 2023

The Supervisory Board

W. Reehoorn, Chairperson

H. Yamamura, Vice-Chairperson (appointed as per 20 July 2022)

K.W. Peacock

G. Van Vollenhoven-Eikelenboom

The Management Board

H.D.L. Bots

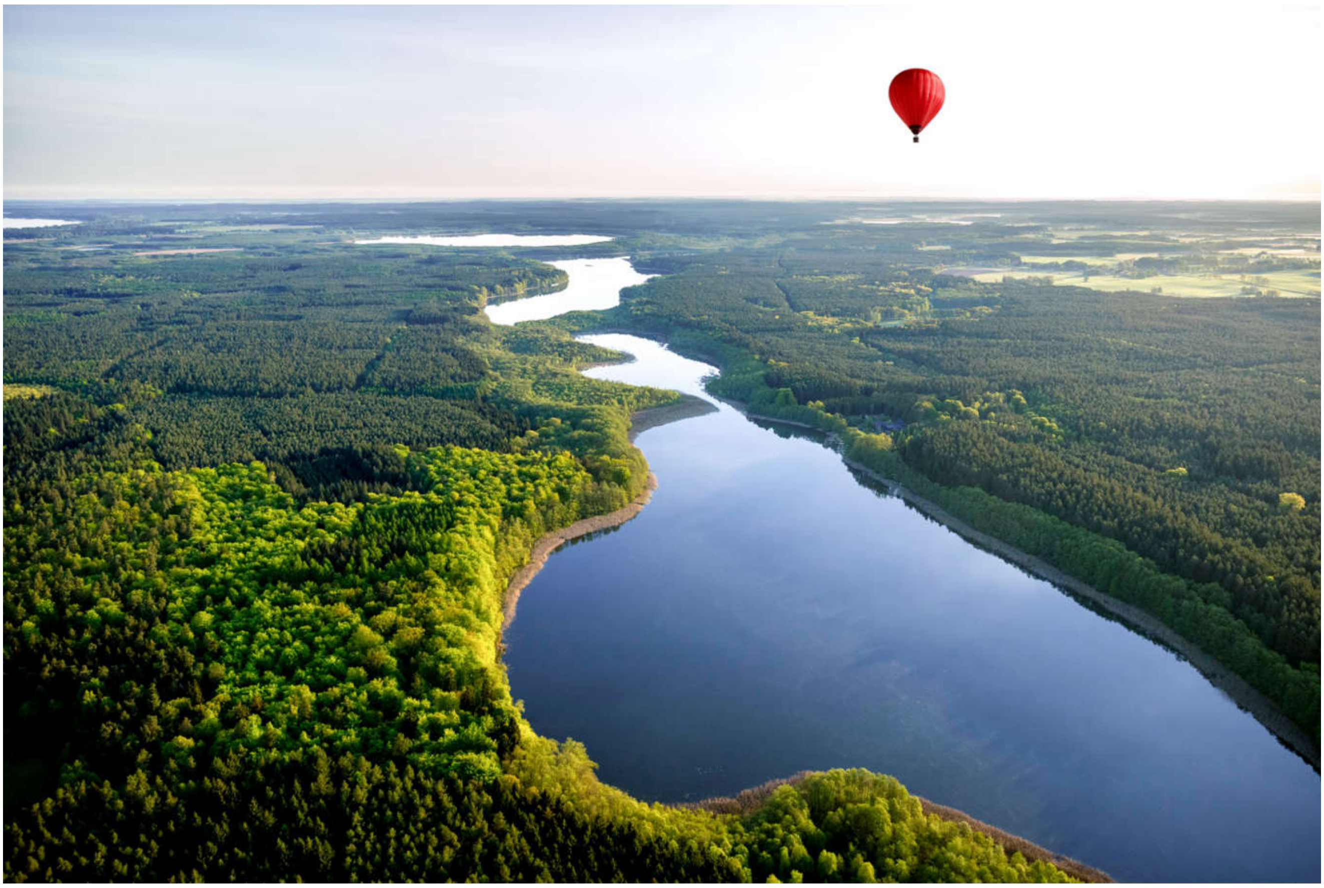
H. Okamoto (appointed as per 1 April 2023)

M.A.B. Selles

E.G. Shakhurina

D. Dimitrijevic

Additional notes to the Consolidated Financial Statements



Parent Company Financial Statements
As at 31 March 2023

Parent Company Statement of Financial Position

As at 31 March

in thousands of €s	Notes	2023	2022
ASSETS			
Cash and balances with central banks	1	3,093,030	904,077
Loans and advances to banks	2	1,342,511	3,229,983
Loans and advances to customers	3	7,828,504	7,583,922
Derivatives	4	116,022	47,358
Financial investments	5	308,294	332,771
Investments in subsidiaries	6	14,826	7,295
Property and equipment	7	12,297	14,953
Intangible assets	8	10,519	12,761
Current tax assets	23	52,894	49,600
Deferred tax assets	23	55,001	36,232
Retirement benefit assets		5,134	-
Other assets	9	25,475	28,291
Total assets		12,864,507	12,247,243
LIABILITIES			
Due to banks	10	4,944,904	4,797,067
Due to customers	11	5,521,822	5,256,296
Derivatives	4	113,048	45,572
Current tax liabilities	23	6,456	204
Deferred tax liabilities	23	-	-
Subordinated debt	14	300,369	300,116
Provisions	13	22,566	20,229
Other liabilities	12	115,172	92,509
Total liabilities		11,024,336	10,511,993
EQUITY			
Issued capital	15	100,003	100,003
Share premium	15	1,334,304	1,334,304
Fair value reserve: financial instruments measured at FVOCI	15	170	156
Foreign currency translation reserve	15	137	383
Actuarial reserve	15	(7,306)	(12,417)
Retained earnings	15	412,864	312,820
Total equity		1,840,171	1,735,250
Total liabilities and equity		12,864,507	12,247,243

Parent Company Statement of Profit or Loss

For the year ended 31 March

in thousands of €s	Notes	2023	2022
Interest income		262,359	103,706
Interest expense		101,505	23,968
Net interest income	17	160,854	79,738
Fee and commission income		73,223	35,237
Fee and commission expense		21,741	13,719
Net fee and commission income	18	51,482	21,518
Result on financial transactions	19	44,702	43,866
Other operating income	20	815	594
Total operating income		257,853	145,716
Personnel expenses	21	93,876	104,958
Depreciation of property and equipment	7	4,427	4,305
Amortisation of intangible assets	8	5,156	5,606
Impairment on fixed assets	7	-	1,299
Other operating expenses	20	60,419	61,139
Total operating expenses		163,877	177,307
Credit loss expenses (recovery)	2, 3	130	(6,306)
Profit (loss) before tax		93,846	(25,285)
Income tax expense/ (benefit)	23	1,579	(675)
Net result continued operations		92,268	(24,610)
Result of group companies after taxation		7,777	454
Net result		100,044	(25,064)

Notes to Parent Company Financial Statements

Authorisation Parent Company Financial Statements

Amsterdam, 18 July 2023

The Supervisory Board

W. Reehoorn, Chairperson	H. Yamamura, Vice-Chairperson (appointed as per 20 July 2022)
K.W. Peacock	G. Van Vollenhoven-Eikelenboom

The Management Board

H.D.L. Bots	H. Okamoto (appointed as per 1 April 2023)
M.A.B. Selles	E.G. Shakhurina
D. Dimitrijevic	

Authorisation Parent Company Financial Statements

Basis of preparation of the Parent company Financial Statements

The parent company financial statements of the Bank 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 Accounting Policies. 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.

Unless stated otherwise amounts in thousands of €s.

Assets

1. Cash and balances with central banks

Cash and balances with central banks, in thousands of €s	2023	2022
Balances with central banks	3,093,030	904,077
Cash and balances with central banks	3,093,030	904,077

Balances with central banks include mandatory reserve deposits amounting to € 223,951 (2021: € 109,886), which are not immediately available for the Bank's day-to-day operations.

2. Loans and advances to banks

Loans and advances to banks	2023	2022
Placement with banks - term deposits	-	-
Loans and advances	492,500	215,000
Non-current loans and advances to banks	492,500	215,000
Placements with banks - on demand	162,443	2,392,215
Placement with banks - term deposits	606,141	408,423
Loans and advances	81,429	214,371
Allowance for expected credit losses	(2)	(26)
Current loans and advances to banks	850,011	3,014,983
Loan and advances to banks	1,342,511	3,229,983

The amount receivable from MUFG Bank London branch is € 566,849 (2022: € 2,153,932). The Bank entered into a financial collateral agreement with MUFG Bank London branch, whereby eligible government bonds are pledged by MUFG Bank to the Bank.

Assets

3. Loans and advances to customers

Loans and advances to customers	2023	2022
Corporate term loans	4,079,064	4,352,146
Bills of exchange	177,707	14,936
Non-current loans and advances to customers	4,256,771	4,367,082
Corporate term loans	2,013,673	1,776,240
Corporate current accounts	259,153	217,762
Bills of exchange	1,269,321	1,224,291
Supply Chain Finance (SCF)	82,910	52,153
Current loans and advances to customers	3,625,057	3,270,446
Allowance for expected credit losses	(53,324)	(53,606)
Loans and advances to customers	7,828,504	7,583,922

As per 31 March 2023 an amount of unearned fees reduces the gross balance of loans and advances by € 34,478 (2022: € 22,536) as there are integral to the financial instrument. The reclassification from other liabilities to the loans and advances has been applied for both the current year and prior year figures for comparative purposes.

Allowance expected credit losses for loans and advances to customers

The movements in the allowances can be specified as follows:

Expected credit loss allowance for loans and advances to customers	2023	2022
Opening balance	(53,655)	(57,351)
Expected credit loss (expenses) recovery	331	3,696
Write off expenses	-	-
Recovery amounts previously written off	-	-
Closing balance	(53,324)	(53,655)

For further details on expected credit losses we refer to Note Risk Management.

4. 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 derivatives 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	2023			2022		
Derivatives	Assets	Liabilities	Notional Amount	Assets	Liabilities	Notional Amount
Interest rate swaps	327	82	25,079	9	868	107,382
Derivatives used as fair value hedge	327	82	25,079	9	868	107,382
Forward foreign exchange contract	97,815	95,086	9,649,721	47,349	44,704	3,489,537
Sub-participation derivatives	17,880	17,880	1,950,500	-	-	304,369
Derivatives other	115,695	112,966	11,600,221	47,349	44,704	3,793,906
Derivative financial instruments	116,022	113,048	11,625,300	47,358	45,572	3,901,288

Assets

5. Financial investments

Financial investments	2023	2022
Government bonds	-	60,169
Investments resulting from supply chain finance transactions	308,294	236,809
Loans FVPL	-	35,793
Financial investments	**308,294**	**332,771**

The financial investments consist of investments resulting from supply chain financing (reverse factoring) transactions.

6. Investments in subsidiaries

The Bank has the following subsidiaries:

Investments in subsidiaries			2023		2022	
Name of the subsidiary	Country of incorporation	Place	Interest held %	Balance Sheet Value	Interest held %	Balance Sheet Value
MUFG Europe Lease (Deutschland) GmbH i.L.	Germany	Dusseldorf	95	8,477	95	787
MUFG Funding (UK) Limited	United Kingdom	London	100	6,349	100	6,508
Investments in subsidiaries				**14,826**		**7,295**

The preparation for the liquidation of MUFG Europe Lease (Deutschland) GmbH i.L. is in progress and expected to be finalized in calendar year 2024. The main dependency for the liquidation and connected timelines pertains to the expiry and closure of current existing leasing contracts.

The shares of the subsidiaries are not listed on any stock exchange. The movements are as follows:

Movements: investments in subsidiaries	2023	2022
Opening balance	7,295	**7,840**
Net profit/(loss) for the period	7,777	(475)
Dividend payment	-	-
Translation differences	(246)	(70)
Derecognition due to liquidation	-	-
Other	-	-
Closing balance	**14,826**	**7,295**

Assets

7. Property and equipment

	2023					
	Owned			Right-of-use assets		
Property and equipment	Operations equipment	Leasehold improvements	Total	Operations equipment	Buildings	Total
Opening balance	3,048	2,197	5,245	48	9,660	9,708
Additions	547	197	744	-	965	965
Disposals	(28)	(19)	(47)	-	(149)	(149)
Depreciation	(982)	(416)	(1,398)	(49)	(2,980)	(3,029)
Other changes	1	(76)	(75)	1	332	333
Closing balance	2,586	1,883	4,469	-	7,828	7,828
Accumulated cost	11,595	8,092	19,687	186	19,584	19,770
Accumulated depreciation	(9,009)	(6,209)	(15,218)	(186)	(11,756)	(11,942)
Property and equipment	2,586	1,883	4,469	-	7,828	7,828

	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)	- 144.00	(279)	- 86.00	- 18.00	- 104.00
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	9,707
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	9,707

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

8. Intangible assets

Intangible assets	2023	2022
Opening balance	12,761	17,211
Additions	221	3,212
Disposals	(50)	(1,608)
Amortisation	(5,155)	(5,606)
Under development	1,860	856
Impairment (loss)	-	(1,299)
Other changes	882	(5)
Closing balance	10,519	12,761
Accumulated cost	40,282	48,209
Accumulated amortisation and impairment (loss)	(29,762)	(35,448)
Closing balance	10,519	12,761

Assets

9. Other assets

Other assets	2023	2022
Accounts receivable	369	4,784
Prepayments	3,409	4,390
Other	21,697	19,117
Other assets	25,475	28,291

For more details on the movements, we refer to the Section Other assets in the notes of the Consolidated Financial Statements.

Liabilities

10. Due to banks

This item comprises debts to credit institutions and central banks.

Due to banks	2023	2022
Term deposits	2,656,515	2,661,691
Non-current due to banks	2,656,515	2,661,691
Nostro accounts	37,143	88,257
Term deposits	2,251,246	2,047,119
Current due to banks	2,288,389	2,135,376
Due to banks	4,944,904	4,797,067

11. Due to customers

Due to customers	2023	2022
Term deposits	52,194	20,413
Non-current due to customers	52,194	20,413
Current accounts	4,023,901	4,918,213
Term deposits	1,445,727	317,670
Current due to customers	5,469,628	5,235,883
Due to customers	5,521,822	5,256,296

12. Other liabilities

Other liabilities	2023	2022
Accrued expenses	50,715	20,193
Accounts payable	11,240	24,441
Lease liabilities	9,161	11,416
Other	44,055	36,459
Other liabilities	115,172	92,509

The reclassification from other liabilities to the loans and advances has been applied for both the current year (€ 34.4 million) and prior year figures (€ 22.5 million) for comparative purposes.

For more details on the movements, we refer to the Section Other liabilities in the notes of the Consolidated Financial Statements.

Liabilities

13. Provisions

Provisions	2023	2022
Expected credit loss on off-balance facilities	2,220	1,785
Pension liability	10,358	1,935
Restructuring provision	4,791	11,605
Provision for holiday allowance	3,713	2,656
Other provisions	1,484	2,248
Provisions	22,566	20,229

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.

14. Subordinated debt

Subordinated debt	2023	2022
Subordinated loan	300,369	300,116

For more details on the subordinated debt, we refer to the Section Subordinated debt in the notes of the Consolidated Financial Statements.

Equity

15. Issued capital and other reserves

The authorised capital amounts to € 136,200 as per 31 March 2023 (2022: € 136,200) and consists of 300,000 ordinary shares of € 454 each (unit: one €). Issued and fully-paid capital amounts to € 100,003 as per 31 March 2023 (2022: € 100,003). All shares issued are held by MUFG Bank, a wholly-owned subsidiary of MUFG Inc.

The Bank has no share option schemes under which options to subscribe for the Bank's shares have been granted to executives and senior employees. The revaluation reserve is a legal reserve under Dutch law.

in thousands of €s	Issued capital	Share premium	Retained earnings	Legal reserves			Total equity
				Fair value	Foreign currency translation	Actuarial revaluation	
Closing balance as at 31 March 2021	100,003	1,334,304	333,308	23	328	(15,158)	1,752,808
Opening balance adjustment	-	-	4,576	-	-	-	4,576
Other							-
Total comprehensive income			- 25,064	133	55	2,741	- 22,135
At 31 March 2022	100,003	1,334,304	312,820	156	383	(12,417)	1,735,249
Total Comprehensive income	-	-	100,044	14	(246)	-	99,811
Other	-	-	-	-	-	5,111	5,111
At 31 March 2023	100,003	1,334,304	412,864	170	137	(7,306)	1,840,171

Contingent liabilities

16. Contingent liabilities and commitments

Contingent liabilities and commitments	2023	2022
Letters of credit and guarantees	1,822,222	2,060,161
Undrawn commitments to lend	8,311,683	8,731,324
Other uncommitted facilities	4,246,636	4,311,666
Contingent liabilities and commitments	14,380,541	15,103,151

Letters of credit, guarantees and acceptances commit the Bank 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

17. Net interest income

Net interest income	2023	2022
Interest income from cash and balances with central banks	28,559	960
Interest income from loans and advances to banks	12,777	1,672
Interest income from loans and advances to customers	218,367	92,849
Interest income from financial investments	145	897
Interest income from interest rate swaps	1,136	2,304
Interest income from: others	261	513
Interest income from liabilities	1,113	4,511
Interest income	262,359	103,706
Interest expense from due to banks	76,252	18,019
Interest expense from due to customer	23,685	1,968
Interest expense from interest rate swaps	1,136	2,306
Interest expense from: others	181	166
Interest expense from assets	250	1,509
Interest expense	101,505	23,968
Net interest income	160,854	79,738

The Bank has reclassed an amount of € 6,506 in financial year 2021 from interest income from loans and advances to customers to other fee and commission income as these fees are not integral to the financial instrument.

18. Net fee and commission income

Net fee and commission income	2023	2022
Commission on funds transfer and letters of credit	11,282	11,156
Commission on guarantees	9,204	7,855
Brokerage and advisory fees	-	167
Commission on corporate management services	20	26
Other fee and commission income	52,716	16,033
Fee and commission income	73,223	35,237
Commission on (credit replacing) guarantees	8,023	3,605
Commission on funds transfer and letters of credit	1,210	1,024
Commission on corporate management services	-	-
Other fee and commission expenses	12,507	9,090
Fee and commission expense	21,741	13,719
Net fee and commission income	51,482	21,518

19. Result on financial transactions

Result on financial transactions	2023	2022
Result on foreign currency transactions	42,683	43,866
Result on transactions measured at FVPL	-	-
Result on other transactions	2,019	-
Result on financial transactions	44,702	43,866

For more details on the personnel expenses, we refer to Section Result on financial transactions in the Consolidated Financial Statements.

Notes to Parent Company Statement of Profit or Loss

20. Other operating income

Other operating income	2023	2022
Other operating income	815	594

21. Personnel expenses

Personnel expenses	2023	2022
Wages and salaries	69,041	69,518
Social securities costs	7,302	6,959
Pension costs	8,258	8,485
Restructuring expenses	(479)	9,828
Other staff costs	9,754	10,169
Personnel expenses	93,876	104,958

For more details on the personnel expenses, we refer to Section Personnel expenses in the Consolidated Financial Statements.

22. Other operating expenses

Other operating expenses	2023	2022
Occupancy expenses	5,845	5,449
Office expenses	24,347	25,092
Professional fees	7,764	8,331
Business promotion expenses	4,969	4,073
VAT and sundry taxes	14,553	16,075
Restructuring expenses	(32)	887
Other operating expenses	2,972	1,232
Other operating expenses	60,419	61,139

Office expenses relate to IT services, regulatory supervision expenses and other office expenses.

Please refer to Note 20 in the Consolidated Financial Statements for disclosures on audit fees paid.

23. Income tax

The components of income tax expense for the current financial year and previous financial year.

Income tax position	2023	2022
Current tax assets	52,894	49,600
Deferred tax assets	55,033	36,232
Tax assets	107,927	85,832
Current tax liability	6,456	204
Deferred tax liability	-	-
Tax liabilities	6,456	204
Net tax position	101,471	85,628

Notes to Parent Company Statement of Profit or Loss

Income tax (expense)	2023	2022
Current income tax	12,509	2,183
Tax adjustments previous years	(22)	(2,250)
Current tax	12,487	(67)
Utilisation of assessed loss	14,997	464
Recognition of Dutch deferred tax assets	(28,796)	-
Restructuring and pension provisions	4,409	2,239
Allowance for expected credit losses	1,289	656
Other	(2,807)	(3,967)
Deferred tax	(10,908)	(608)
Income tax expense/(benefit)	1,579	(675)

For more details on the tax movements, we refer to the Section Income tax in the additional notes of the Consolidated Financial Statements.

24. Maturity analysis of assets and liabilities

Maturity analysis of financial assets and financial liabilities						
in millions of €s	2023					
Maturity analysis	On demand	0-3 months	3-12 months	1-5 years	> 5 years	Total
Assets						
Cash and balances with central banks	393	2,700	-	-	-	3,093
Loans and advances to banks	162	628	59	260	233	1,343
Loans and advances to customers	244	2,616	730	3,004	1,287	7,881
Financial investments	-	150	161	-	-	311
Total assets	799	6,094	951	3,264	1,519	12,628
Liabilities						
Due to banks	37	627	1,624	2,583	73	4,945
Due to customers	4,026	1,297	147	52	-	5,522
Subordinated debt	-	-	-	300	-	300
Total liabilities	4,063	1,923	1,772	2,936	73	10,767
Net	(3,264)	4,171	-821	329	1,446	1,861

Notes to Parent Company Financial Statements

Notes to Parent Company Statement of Profit or Loss

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

Proposed profit appropriation

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 profit for the current year amounts to € 100,044 (2022: loss of € 25,064). The proposal to the General shareholder meeting to appropriate the profit is as follows:'

Appropriation of profit (loss)	2023	2022
Transfer to reserves	100,044	(25,064)
Profit (loss) for the year	100,044	(25,064)

Subsequent events

There are no reportable events subsequent to 31 March 2023.

Articles of Association – Appropriation of results

The result is appropriated pursuant to Article 16 of the Deed of Amendment Articles of Association of the Bank.

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 shareholders and the supervisory board of MUFG Bank (Europe) N.V.

Report on the audit of the financial statements for the year ended 31 March 2023 included in the annual report

Our opinion

We have audited the financial statements for the year ended 31 March 2023 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 2023, and of its result and its cash flows for the year ended 31 March 2023 in accordance with International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and with Part 9 of Book 2 of the Dutch Civil Code.

- The 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 2023, and of its result for the year ended 31 March 2023 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 2023.

2. The following statements for the year ended 31 March 2023: the consolidated statement of profit or loss, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of 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 2023.

2. The parent company statement of profit or loss for the year ended 31 March 2023.

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 € 10,000,000. The materiality is based on 0.6% of Shareholders equity. 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 € 500,000, 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 significant group components being MUFG Bank (Europe) N.V. Amsterdam and the German Branch.

We have:

- Performed audit procedures ourselves 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 branch.
- Performed review procedures or 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 on 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 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 chapter 'Building a future proof bank' of the management report for 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 in close co-operation with our forensic specialists. We evaluated whether these factors indicate that a risk of material misstatement due fraud is present.

We identified the risk of management override of controls 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.

We furthermore 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.

(ii) We performed test of details to test occurrence and accuracy of fees recorded.

(iii) We scrutinized the nature of the fees and independently reassessed the appropriate accounting treatment.

(iv) 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.

This did not led to indications for fraud potentially resulting in material misstatements.

Audit approach compliance with laws and regulations

We assessed the laws and regulations relevant to the entity through discussion with the Management Board, internal audit, compliance and the Supervisory Board, reading minutes 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: (corporate) tax law, the requirements under the International Financial Reporting Standards as adopted by the European Union (EU-IFRS) and Part 9 of Book 2 of the Dutch Civil Code with a direct effect on the financial statements as an integrated part of our audit procedures, to the extent material for the financial statements.

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

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

Given the nature of the entity's business and the complexity of these other laws and regulations, there is a risk of non-compliance with the requirements of such laws and regulations.

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 entity'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 entity as to whether the entity 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.

Given the regulatory environment of the bank 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 member of the Audit, Compliance and Risk Committee (ACRC) and with representatives of the Compliance function and reviewed reports/correspondence to the Dutch Central Bank. We have considered the outcome of our other audit procedures and evaluated whether any findings were indicative of fraud or non-compliance.

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

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. We refer to chapter ‘Basis of preparation’ of the Notes to the Consolidated Financial Statements for the disclosure on going concern assumption.

Our procedures included the following:

- considering whether the Management Board’s going concern assessment includes all relevant information of which we are aware of as a result of our audit;
- inquiring with the Management Board about its knowledge of going concern risks after the period of the continuity assessment performed by the Management Board and considering the impact of financial, operational, and other conditions;
- analysing MUFG Bank (Europe) N.V.’s financial position as at year-end and compared it to the previous financial year in terms of indicators that could identify going concern risks;
- inspecting documentation of stress testing of the economic and regulatory capital position performed during the year by management;
- assessing the letter of intent is issued by MUFG Bank Limited stating that support will be provided to the Bank in order to comply with its regulatory capital requirements and liquidity requirements imposed by Dutch Central Bank now and in the future;
- assessing the duration gap between financial assets and liabilities and reported liquidity ratios to the Dutch Central Bank. In addition, we inspected the most recent internal liquidity adequacy assessment (“ILAAP”) prepared by management;
- assessing the solvency position of MUFG Bank (Europe) N.V. by inspecting the reported capital ratios as imposed by the Capital Requirements Regulation. In addition, we inspected the most recent internal capital adequacy assessment (“ICAAP”) prepared by management;
- inspecting regulatory correspondence to obtain an understanding of MUFG Bank (Europe) N.V. ’s capital and liquidity position, that underpins management’s assessment of the going concern assumption for financial reporting; and
- obtaining an understanding of economic hedge policy and the overall risk framework of the bank.

Bsed on our procedures performed, we did not identify significant doubts on the Company's ability to continue as a going concern for the next 12 months. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report.

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.

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 a focus on Global (European investment-grade) corporates and subsidiaries of Japanese corporates. Because of the inherent uncertainty, subjectivity and complexity when estimating the allowance for expected credit losses ("ECL") for the loan portfolio, this allowance is a key area of judgment and estimate by management. 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 2023 audit. The total allowance for expected credit losses as of 31 March 2023 amounts to €55.5 million. Reference is made to note 28 (Risk management - 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 enquiries with MBE's representatives in the Credit division and the Credit management division to perform walkthroughs of the credit origination, credit rating and credit monitoring processes. We have performed corroborative enquiries with Finance and Risk management representatives to discuss governance over the ECL process. We have tested the design, implementation and operating effectiveness of certain relevant manual, application and IT general controls in this process. We have 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 furthermore engaged our specialist to validate and challenge a management overlay. We have reviewed key judgments and estimates made by management, including the need for post-model adjustments. We have performed tests of details on data that have been used as input for the PD, EAD and LGD assumptions. We (supported by our specialists) have tested and challenged the macroeconomic scenarios and forecasts that have been applied in the model. We have performed audit procedures to determine that the stage allocation of exposures has been performed in accordance with the Bank's policy and qualifies as a Significant Increase in Credit Risk ("SICR") event.

	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 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 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 consider management's estimate to be reasonable and the disclosures adequate and appropriate.

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 note that MUFG Bank (Europe) N.V. are implementing new technology to resolve these observations and improve access management controls in general. 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 consider the reliability and continuity of the automated systems of MUFG Bank (Europe) N.V. at a sufficient level.

Report on the other information included in the annual report

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

The other information consists of:

- Profile.
- Three years at a glance.
- Financial performance.
- Report of the Management Board.
- Report of the Supervisory Board.
- Other information.
- Corporate data.
- Annexes.

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

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

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

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

Management is responsible for the preparation of the other information, including the supervisory 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 on July 19, 2016, as of the audit for 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 scepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included among others:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control.

- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Concluding on the appropriateness of 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 the company to cease to continue as a going concern.

- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures.

- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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.

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 18, 2023

Deloitte Accountants B.V.

Signed on the original: A. den Hertog

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MUFG Inc. Corporate Data

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