Pillar 3 Report

Period ending
31 March 2018

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

CONTENTS

PILLAR 3 REFERENCE

The Pillar 3 disclosures are descripted in part 8 of CRR. This table shows where the reader can find the specific disclosures relevant for MUFG Bank Europe (here after MBE) in the Pillar 3 report or the Annual report, because some of the disclosures are taken into account in the Annual report (here after AR).

CRR article	Pillar 3 disclosure obligations	Location	Explanation
431	Scope of disclosure requirements	Pillar 3	1.1 Pilar 3 document
433	Frequency of disclosure	Pillar 3	1.2 Pilar 3 document
434	Means of disclosures	Pillar 3	1.3 Pilar 3 document
435	Risk management objectives and policies	AR/Pillar 3	Note 30 Risk management AR/ 2. Pillar 3 report
436	Scope of application	Pillar 3	1.4 Pilar 3 document
437	Own funds	AR/Pillar 3	Note 30 Risk management AR/ 3.1 Pillar 3 report
438	Capital requirements	AR/Pillar 3	Note 30 Risk management AR/ 3.7 Pillar 3 report
439	Exposure to counterparty credit risk	AR/Pillar 3	Note 30 Risk management AR/ 3. Pillar 3 report
440	Capital buffers	AR/Pillar 3	Note 30 Risk management AR/ 3.1 Pillar 3 report
442	Credit risk adjustments	AR/Pillar 3	Note 30 Risk management AR/ 4. Pillar 3 report
443	Unencumbered assets	AR/Pillar 3	Note 30 Risk management AR/ 7.1 Pillar 3 report
444	Use of ECAIs	AR/Pillar 3	Note 30 Risk management AR/ 7.2 Pillar 3 report
445	Exposure to market risk	AR/Pillar 3	Note 30 Risk management AR/ 5. Pillar 3 report
446	Operational risk	AR/Pillar 3	Note 30 Risk management AR/ 6. Pillar 3 report
448	Exposure to interest rate risk on positions not included in the trading book	AR/Pillar 3	Note 30 Risk management AR/ 5.4 Pillar 3 report
450	Remuneration policy	AR/Pillar 3	Note 28 Key management remuneration AR/ 6.2
451	Leverage	AR/Pillar 3	Note 30 Risk management AR/ 3.11 Pillar 3 report
453	Use of credit risk mitigation techniques	AR/Pillar 3	Note 30 Risk management AR/ 4.12 Pillar 3 report

1. DISCLOSURE REQUIREMENTS

1.1 SCOPE OF DISCLOSURE REQUIREMENTS

MBE has adopted a formal policy to periodically assess the appropriateness, verification and frequency of the current disclosures. This policy also conveys the risk profile comprehensively to market participants.

1.2 FREQUENCY OF DISCLOSURES

MBE has chosen to disclose all requested disclosures on an annual basis in this Pillar 3 report. The Pillar 3 report is published on the same date as the Annual Report. When required, some or all of the disclosures will be published more often in the light of relevant business events.

1.3 MEANS OF DISCLOSURES

MBE has chosen to disclose all requested disclosures on an annual basis in this Pillar 3 report as mentioned under 1.2. Both AR and Pillar III documents are made publically accessible on the website of MBE at the same. The information in this Pillar 3 report has not been audited by MBE's external auditor.

1.4 SCOPE OF APPLICATION

The requirements of this regulation belong to MBE. As per March 31, 2018 MBE consists of 3 entities which are fully consolidated (both accounting wise and regulatory wise):

Name of the entity	Method od accounting consolidation	Method of regulatory consolidation				Description of the entity
		Full Consolidation	Proportional Consolidation	Neither consolidated nor deducted	Deducted	
MUFG Bank (Europe) NV	Full Consolidation	X				Credit institution
MUFG Business Services (Holland) B.V.	Full Consolidation	X				Credit institution
MUFG Funding (UK) Limited	Full Consolidation	X				Credit institution

MBE does not make use of the provisions laid down in article 7 and 9 of CRR regarding the derogation from the application of prudential requirements on an individual basis. Reporting on prudential requirements both takes place on a consolidated and solo level. No reporting on prudential requirements takes place on the separate subsidiary level.

1.5 RECONCILIATION

Please find below the reconciliation between financial statements and regulatory exposures as per 31 March 2018.

in € thousands	Carrying values as reported in published financial statements	Carrying values of items:				
		Subject to credit risk framework	Subject to counterparty creditrisk framework	Subject to the securitisation framework	Subject to the marketrisk framework	Not subject to capital requirements or subject tot deduction from capital
ASSETS						
Cash and balances with central banks	7.934.960					7.934.960
Due from banks	2.083.704	2.083.704				
Derivative financial instruments	23.782		23.782		28.741	
Loans and advances to customers	6.638.930	6.638.930				
Financial instruments available-for-sale	35.612	35.612				
Property and equipment	3.858	3.858				
Intangible assets	7.122					7.122
Current tax asset	11.193	11.193				
Deferred tax asset	5.444	5.444				
Other assets	17.829	17.829				
Total assets	**16.762.434**	**8.796.570**	**23.782**	**0**	**28.741**	**7.942.082**
LIABILITIES						
Due to banks	9.325.945					
Derivative financial instruments	23.618					
Due to customers	5.826.074					
Subordinated debt	300.000					
Current tax liabilities	121					
Deferred tax liabilities	150					
Other liabilities	51.700					
Total liabilities	**15.527.608**	**0**	**0**	**0**	**0**	**0**
Issued capital	100.001					
Share premium	706.696					
Retained earnings	440.096					
Revaluation reserve available-for-sale assets	(1)					
Foreign currency translation reserve	0					
Other reserve	(43)					
Adjustments to CET1 due to prudential filters	0					
Other intangible assets	0					
Revaluation actuarial	(6.342)					
Result for the year	(5.581)					
Shareholders' equity (parent)	**1.234.826**	**0**	**0**	**0**	**0**	**0**
Total liabilities and equity	**16.762.434**	**0**	**0**	**0**	**0**	**0**

Main sources of differences between regulatory exposure amounts and carrying values in financial statements are as follows:

in € thousands	Total	Items subject to: Credit risk framework	Securitisation framework	Counterparty credit risk framework	Marketrisk framework
Assets Carrying value amount under scope of regulatory consolidation (as per template Li1)	16.790.910	8.800.052		23.782	
Liabilities Carrying value amount under scope of regulatory consolidation (as per template Li1)	15.526.466				
Total net amount under regulatory scope of consolidation	1.264.443				
Off-balance sheet amounts	6.553.897	6.553.897			
Exposure amounts considered for regulatory purposes	23.344.807	0	0	0	0

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1 INTRODUCTION

Risk management plays an increasingly important role in MUFG's operations as a financial group operating globally through various subsidiaries. MUFG identifies various risks arising from businesses based on uniform criteria, and implement integrated risk management to ensure a stronger financial condition and to maximize shareholder value. Using this integrated approach, MUFG identifies, measures, controls and monitors a wide variety of risks so as to achieve a proper balance between earnings and risks, create an appropriate capital structure and to achieve optimal allocation of resources. Within the integrated risk management policy and systems provided by the parent bank, MUFG Bank Ltd., the Risk Management Framework (RMF) of MUFG Bank (Europe) N.V. (MBE) is designed to identify risks, determine the risk appetite for all material risk types, set limits to help management keeping risk exposure aligned to risk appetite, and to monitor, analyse and report developments in exposure to risks based on reliable risk assessments and information systems. Next to providing guidance, the parent bank is an important outsourcing partner for MBE and provides risk mitigation and support through group arrangements regarding risk transfer, capital, funding and liquidity. Where appropriate, specific tailoring to the local (regulatory) environment has been applied.
MBE continues to employ a prudent risk appetite to ensure that risks remain within manageable and acceptable boundaries and in line with MBE's business targets and risk appetite. The Risk Management Framework is governed by a system of policies, procedures, committees and line- and staff functions.

2.2 OVERVIEW OF KEY PRUDENTIAL RISK METRICS AND RWA

Please find below a detailed overview of MBE's key risk management metrics:

	Overview of risk management, key prudential metrics and RWA					
		31/03/18	31/12/17	30/09/17	30/06/17	31/03/17
	Available capital (in € thousands)					
1	Common Equity Tier 1 (CET1)	1.233.058	607.278	608.728	611.618	613.097
1a	Fully loaded ECL accounting model	1.233.058	607.278	608.728	611.618	613.097
2	Tier 1	1.233.058	607.278	608.728	611.618	613.097
2a	Fully loaded ECL accounting model Tier 1	1.233.058	607.278	608.728	611.618	613.097
3	Total capital	1.533.058	607.278	608.728	611.618	613.097
3a	Fully loaded ECL accounting model total capital	1.533.058	607.278	608.728	611.618	613.097
	Risk-weighted assets (in € thousands)					
4	Total risk-weighted assets (RWA)	4.214.138	3.820.410	3.963.109	3.929.837	4.021.967
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	29,26%	15,90%	15,36%	15,56%	15,24%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	29,26%	15,90%	15,36%	15,56%	15,24%
6	Tier 1 ratio (%)	29,26%	15,90%	15,36%	15,56%	15,24%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	29,26%	15,90%	15,36%	15,56%	15,24%
7	Total capital ratio (%)	36,38%	15,90%	15,36%	15,56%	15,24%
7a	Fully loaded ECL accounting model total capital ratio (%)	36,38%	15,90%	15,36%	15,56%	15,24%
	Additional CET1 buffer requirement as a percentage of RWA					
8	Capital conservation buffer requirement (2,5% from 2019) (%)	1,25%	1,25%	1,25%	1,25%	1,25%
9	Countercyclial buffer requirement (%)	0,02%	0,03%	0,03%	0,00%	0,00%
10	Bank G-SIB and/or D-SIB additional requirements (%)	0,00%	0,00%	0,00%	0,00%	0,00%
11	Total of bank CET1 specific buffer requierements (%) (row8 + row9 + row10)	1,27%	1,28%	1,28%	1,25%	1,25%
12	CET1 available after meeting the banks minimum capital requirements (%)					
	Basel III leverage ratio					
13	Total Basel III leverage ratio exposure measure	18.342.722	11.193.217	10.715.865	10.167.540	10.529.457
14	Basel III leverage ratio (%) (row2 / row13)	8,36%	5,43%	5,68%	6,02%	5,82%
14a	Fully loaded ECL accounting model Basel III leverage ratio (%) (row2a / row13)	6,72%	5,43%	5,68%	6,02%	5,82%
	Liquidity Coverage Ratio					
15	Total HQLA	7.885.882	986.990	722.350	639.605	829.914
16	Total net cash outflow	4.374.416	507.841	472.251	443.165	465.796
17	LCR ratio (%)	180,27%	194,35%	152,96%	144,33%	178,17%
	Net Stable Funding Ratio					
18	Total available stable funding	6.883.139	5.809.996	5.686.286	5.302.078	5.514.795
19	Total required stable funding	5.762.116	5.568.569	5.630.132	5.338.867	5.592.137
20	NSFR ratio	119,46%	104,34%	101,00%	99,31%	98,62%

Figures are based on the reported quarter end figures to the regulator.

2.3 RISK MANAGEMENT OBJECTIVES AND POLICIES

For this section we refer to the AR note 30 (Risk management).

2.4 RECRUITEMENT POLICIES FOR MEMBERS OF THE MANAGEMENT BOARD

MUFG Bank (Europe) N.V.'s aim is to have an adequate composition of the management board terms of relevant knowledge, experience and gender diversity (30% rule), by assessing individual experience and skills against the core behavioural competencies for the management Board role. Recruitment will be undertaken in a fair, transparent, and professional, whilst ensuring that the Bank's equal opportunities commitment is adhered to in the shortlisting, interviewing and selection of candidates, without regard to race, colour, nationality, ethnic or national origin, sex, sexual orientation, gender reassignment, marital status, disability, age, religion or belief, or trade union membership

Pursuant to MBE's articles of association MB and SB members are nominated at the General shareholders meeting. Prior to the nomination a profile setting forth the required suitability and availability of such future board member is composed, taking into account the composition and functioning of the collective board. The Shareholder informs the MB the name and key personal data of a MB candidate, the likely target date for the nomination and other relevant information to enable the MB to prepare the prospective appointment notification to DNB. The Nomination procedure is attached hereto is laid down in SB and MB by laws. The nomination is subject to the prior declaration of 'no objection' issued by the Dutch Central Bank (DNB). The MB is responsible for the application for the declaration of 'no objection' and for informing the Shareholder upon receiving the declaration.

2.5 RISK ORGANISATION

For this section we refer to the AR note 30 (Risk management).

2.6 RISK REPORTING TO THE MANAGEMENT BODY

The management Board and Supervisory Board of MBE are regularly informed about the risks and risk management.
Members of the Management Board serve on the various committees, which keep them informed of developments in the relevant focus area. A risk committee's list of decisions is sent to the Management Board after the meeting of that committee has ended.

3 OWN FUNDS & CAPITAL

MUFG Bank Europe targets a healthy capital position that supports its strategy, its long term rating ambition and suits its risk profile.

3.1 DESCRIPTION OF COMMON EQUITY TIER 1 ITEMS (CET1)

For this section we refer to the AR note 30 (Risk management) section VII (Capital).

3.2 PRUDENTIAL FILTER / DEDUCTIONS APPLIED TO CET1 ITEMS

Within the regulatory requirements the following adjustments are made on CET1 capital:

Accumulated other comprehensive income	(6,342)
Other Intangible assets	(2,408)
Prudential valuation adjustment (PVA)	(84)

	Prudent valuation adjustments (PVA)								
	31/03/2018								
	in € thousands	Equity	Interest rates	FX	Credit	Commodi- ties	Total	Of which in the trading book	Of which in the banking book
1	Closeout uncertainty, of which:						0		
2	Mid-market value						0		
3	Closeout cost						0		
4	Concentration						0		
5	Early termination						0		
6	Model risk		-35.612	-48.618			-84.230		-84.230
7	Operational risk						0		
8	Investing and funding cost						0		
9	Unearned credit spreads						0		
10	Future administrative costs						0		
11	Other						0		
12	**Total adjustment**	**0**	**-35.612**	**-48.618**	**0**	**0**	**-84.230**	**0**	**-84.230**

The deduction related to Other Intangible assets derives from article 36 1b CRR and the deduction related to Accumulated Other Comprehensive Income (actuarial reserve) derives from article 36 1e. The amount deducted regarding the prudential filter derives from Final Draft RTS EBA EBA/RTS/2014/06/rev1, page 4. This deduction contains of 0.1% of the aggregate of the absolute of fair-valued positions (Assets and Liabilities) of the derivatives.

No underwriting positions held for five days or fewer are available on the balance to be deducted in according with article 47 of CRR.

No deferred tax assets that rely on future profitability are available on the balance. Also no applicable amount of direct, indirect and synthetic holdings by the institution of CET1 instruments of financial sector entities where the institution has a significant investment in those entities is available. Therefore no deductions related to article 48 of CRR are made.

No additional Tier 1 items available on the balance, therefore no deductions were made regarding article 56 of CRR. No deductible Tier 2 items available on the balance, with regard to article 66 of CRR.

Regarding article 79 of CRR, MBE did not apply for a temporary waiver of deduction from own funds.

3.3 RESTRICTIONS APPLIED TO THE CALCULATIONS OF OWN FUNDS

No restrictions were applied to the calculation of own funds to the calculation of own funds. MBE only has a restriction regarding the payment of dividend. In note 13 (Issued capital and reserves) of the AR, this restriction is explained.

3.4 SUMMARY OF THE INSTITUTION'S APPROACH ON ICAAP

The Internal Capital Adequacy Assessment Process (ICAAP) comprises the entire continuous capital management process and focuses on the capital adequacy requirements set by supervisory authorities. MBE performs an ICAAP package annually using pillar 1 and pillar 2 risks considering development of the Bank's risk profile, according to the strategic plan (Mid Term Business Plan) as well as in a stressed environment. Capital adequacy is evaluated for a three-year outlook at minimum. In case of major business changes or internal/external shocks more frequent analyses will be made.

MBE follows the following process steps:

- Review and update of stress scenarios

- Adapt and validate the models
- Calculation of outcomes for base case projections and stress (adverse) scenarios
- Validation of outcomes for base case projections and stress (adverse) scenarios
- Analysis of outcomes
- Preparation of capital plan
- Review of the capital plan
- Preparation of capital adequacy statement

MBE manages its capital structure and makes adjustments to it in the light of changes in economic conditions and the risk profile of its activities. In order to maintain or adjust the capital structure, MBE may adjust the amount of dividend payment to shareholders, return capital to shareholders or request for a capital injection from MUFG Bank ltd. These capital injections are planned based on the annual internal capital adequacy evaluation. In case of significant unexpected losses which require recovery measures, the Recovery Plan might be invoked and based on the situation at hand additional capital might be requested from MUFG Bank ltd.

3.5 RESULTS ICAAP

Please note, due to the fact that MBE has changed its fiscal year, the ICAAP results presented below are based on the September 2017 ICAAP submission, which was based on the reference date 31 December 2016.

Capital Adequacy per 31 December 2016 – Normative

The capital adequacy assessment from a normative perspective shows MBE's compliance with the minimum regulatory and supervisory requirements. As communicated in the SREP 2017 decision on 21 December 2017, the SREP capital requirements is set at 11.3%. The minimum regulatory requirement for the leverage ratio is 3%.

The Bank's capital solely consists of Common Equity Tier 1 (CET1) capital (also referred to as 'going concern' capital). As at 31 December 2016 the Bank's total capital before proposed dividend amounted to € 613.3 million (2015: € 585.6 million).

The TREA for Pillar 1 in the portfolio at 31 December 2016 is € 3.7 billion, which is € 0.3 billion lower than at 31 December 2015 (€ 4 billion).

As result of the decrease in TREA for pillar 1 risks (€ 0.3 billion), the capital ratio increased from 14.7% in 2015 to 16.3% per 31 December 2016.

Capital Adequacy per 31 December 2016 – Economic

The capital adequacy assessment from an economic perspective is complementary to the assessment from the normative perspective as it provides an updated risk assessment that takes into account all potential losses from the full universe of risks that may have an impact on economic viability of the bank.

As explained in the pillar 2 risk assessment below, MBE uses a range of plausible scenarios that adequately capture the banks downside risks to take also low probability, high impact event into account for several risk types.

The table below shows the internal capital allocated to cover pillar 1 risks based on 8% of TREA for pillar 1 risks:

Block 1: calculation SREP capital (Bottom-up assessment)			
	Pillar 1 capital	ICAAP capital	
	Basel 2	ICAAP (own confidence level)	ICAAP scaled to 99,9%
Pillar 1 risks			
Credit and dilution risk risk (CRR 92.3 a)	283,926	283,926	283,926
Position risk and large exposures (CRR 92.3 b)			
FX, settlement and commodities risk (CRR 92.3 c)	920	920	920
Credit valuation adjustment risk (CRR 92.3 d)	6,672	6,672	6,672
Operational risk (CRR 92.3 e)	7,696	7,696	7,696
Counterparty risk (CRR 92.3 f)			
Total Pillar 1 risks	299,213	299,213	299,213

Given the fact that on average the MBE portfolio has good internal ratings, the outcome of the Standardised Approach for credit risk is considered to be conservative, therefore no additional internal capital is deemed necessary for credit risk under pillar 2, except for risk concentrations.

The table below shows the internal capital allocated to cover pillar 2 risks based on ICAAP estimates:

Pillar 2 risks		
Concentration risk:		-
- countries	846	846
- sectors		
- single name	56,785	56,785
- other		
Other credit risk		
Market risk		
Operational risk	20,210	20,210
Interest rate risk banking book	33,491	33,491
Business model risk & profitability	23,400	23,400
Pension risk	7,500	7,500
Total Pillar 2 risks	142,232	142,232

This results in total required capital for pillar 1 and 2 of € 441 million, resulting in an ICAAP-ratio of 11.7% given the TREA of 3.8 billion. Given the phasing-in per 2016 of the conservation buffer (2.5% in 2019), and the countercyclical buffer[1] (0-2.5% in 2019) the minimum regulatory Total Capital Ratio (TCR) requirement for 2017 was set at 12.6% (SREP decision letter 2016). The Total Capital Ratio (TCR) of 16.3% per 31 December 2016 is comfortably above this regulatory TCR.

3.6 OVERVIEW MINIMUM CAPITAL REQUIREMENTS SA APPROACH FOR EACH EXPOSURE CLASS

Please find below the overview of the capital requirements using the SA approach for each exposure class:

[1] The calculation per Dec-16 shows that the countercyclical buffer requirement is lower than 0.1%.

Overview of RWA in € thousands	RWA		Minimum capital requirements
	31/03/18	30/09/17	
Credit risk (excluding counterparty credit risk (CCR)			
Of which standardised approach (SA)	4.060.332	3.797.122	324.827
Counterparty credit risk			
Of which standardised approach for counterparty credit risk (SA-CCR)	52.523	56.736	4.202
Market Risk			
Of which standardised approach (SA)	13.195	18.270	1.056
Operational Risk			
Of which Basic Indicator Approach	88.089	90.982	7.047
Total RWA	**4.214.138**	**3.963.109**	**337.131**

3.7 CCYB (COUNTERCYCLICAL BUFFER) SPECIFICATION

Please find below the relevant geographical breakdown of the countercyclical buffer relevant for MBE:

Geographical breakdown in € thousands	31/03/2018			
	Exposure values used in computation of the countercyclical buffer	Risk-weighted assets used in computation of the countercyclical buffer	Countercyclical capital buffer rate set by Designated Authority	Countercyclical buffer amount
CZECH REPUBLIC	532.881	9.548	0,50%	47.742
NORWAY	5.330	85	2,00%	1.706
SWEDEN	4.008	64	2,00%	1.283
SLOVAKIA	75.639	5.723	0,50%	28.614

3.8 OWN FUNDS CALCULATIONS IN ACCORDANCE WITH 92(3b AND c) CRR

For this section we refer to the AR note 30 (Risk management) in section IV (Market risk).

3.9 OWN FUNDS CALCULATIONS IN ACCORDANCE WITH PART THREE, TITLE III, CHAPTER 3 (SA APPROACH)

For this section we refer to chapter 3.7; part of the ICAAP calculations.

3.10 LEVERAGE RATIO AND HOW MBE APPLIES ARTICLE 499(2 AND 3)

Please find below the disclosure of MBE's leverage ratio:
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Table Leverage ratio common disclosure		
in € thousands		31/03/2018
On-balance sheet exposures (excluding derivates and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	16.740.520
2	(Asset amounts deducted in determining Tier 1 capital)	-2.340
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	16.738.180
On-balance sheet exposures (excluding derivates and SFTs)		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	20.463
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	32.060
EU-5a	Exposure determined under Original Exposure Method	
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	
8	(Exempted CCP leg of client-cleared trade exposures)	
9	Adjusted effective notional amount of written credit derivatives	
10	Adjusted effective notional offsets and add-on deductions for written credit derivatives)	
11	Total derivatives exposures (sum of lines 4 to 10) SFT exposures	52.523
SFT exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Articles 429b(4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	0
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	6.553.897
18	(Adjustments for conversion to credit equivalent amounts)	-5.001.878
19	Other off-balance sheet exposures (sum of lines 17 and 18)	1.552.019
Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)		
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	
Capital and total exposure mesure		
20	Tier 1 capital	1.233.057.756
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	18.342.722
Leverage ratio		
22	Leverage ratio	6,72%
Choice on transitional arrangements and amount of derecognised fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	

MBE has chosen to disclose the leverage ratio only based on full Tier 1 capital and not to make use of the derogations from Chapter 1 and 2 of title 1 part ten CRR.

The leverage ratio of 6.72% is well above our target of 3.5%. Under the current regulations, the amount of capital necessary to meet the leverage ratio requirements is higher than the amount of capital necessary to meet risk-weighted capital ratio requirements.

3.11 BREAKDOWN EXPOSURE AMOUNT RECONCILED WITH AR

Please find below a detailed breakdown of MBE's total assets reconciled with the Annual Report (AR) for calculating available leverage ratio.

Table LR Sum: Summary reconcilliation of accounting assets and leverage ratio exposures		
in € thousands		31/03/2018
1	Total assets as per published financial statements.	16.764.965
2	Adjustment for entities which are Consolidated certificering for accounting purposes but are outside the scope of regulatory consolidation.	
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	
4	Adjustments for derivative financial instruments	28.077
5	Adjustment for securities financing transactions (SFTs)	
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	1.552.019
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-2.408
7	Other adjustments	68
8	**Leverage ratio total exposure measure**	**18.342.722**

3.12 PROCESS DESCRIPTION FOR MANAGING THE RISK OF EXCESSIVE LEVERAGE

To manage the risk of excessive leverage, leverage ratio control is part of our capital planning. The leverage ratio reflects the ratio between MBE's Tier 1 capital and total risk exposure. The Risk Appetite Statement (RAS) describes MBE's risk appetite in relation to the leverage ratio and other aspects. The accompanying Early Warning Indicator (EWI) framework lays down intervention levels to identify a falling leverage ratio in good time.

The capital planning is established annually and contains a projection of our capital position and requirements over a multi-year horizon. This capital planning is reviewed every month on the basis of the most recent figures and qualitative knowledge in the Risk Appetite Statement Dashboard. We assess the leverage ratio against the minimum of 3% and our internal target of at least 4.5%. This assessment is used to steer the capital to the desired level if necessary, for example by raising new capital. In addition to strengthening the capital position, we may slow down the growth of the total risk exposure to prevent the leverage ratio from falling too far.

3.13 DESCRIPTION OF FACTORS WITH AN IMPACT ON THE LEVERAGE RATIO

The leverage ratio is the ratio between a bank's amount of Tier 1 capital and total risk exposure. A minimum level for the leverage ratio is to prevent banks from building up excessive debts. The former cabinet (Rutte II) expressed its ambition of a minimum leverage ratio for the Netherlands of 4%. The coalition agreement of the Rutte III government as published states that as soon as Basel IV becomes effective, the minimum requirement will be aligned with the European minimum requirement, which is expected to be at least 3%, with a possible surcharge for Systemically Important Institutions.

To manage the risk of excessive leverage, leverage ratio control is part of our capital planning. The leverage ratio reflects the ratio between MBE's Tier 1 capital and total risk exposure. The Risk Appetite Statement (RAS) describes MBE's risk appetite in relation to the leverage ratio and other aspects. The Large exposure is monitored on a monthly basis wherefore an internal target of 3,5% is taken into account.

4 CREDIT RISK

Credit risk (which includes country and transfer risk) is defined as the current or prospective risk that a counterparty/debtor of MBE is not able to meet its financial obligations deriving from credit, market and other risk transactions. MBE has established an internal framework to maintain the asset quality, manage the credit exposures and achieve earnings commensurate with the risks undertaken by MBE. To mitigate the credit risk counterparty limits and collateral management are essential instruments. MBE applies a MUFG Bank Ltd. group-wide uniform credit rating system for asset evaluation and assessment, loan pricing and quantitative measurement of credit risk. This system also underpins the calculation of credit provisions, capital requirements and management of credit portfolios. Where deemed necessary the credit risk is mitigated by obtaining security

4.1 DESCRIPTION COUNTERPARTY CREDIT RISK POLICES

For this section we refer to the AR note 30 (Risk management) in section II (Credit risk).

4.2 OVERVIEW NET CREDIT EXPOSURE DERIVATIVES

For this section we refer to the AR note 3 (Derivative financial instruments).

4.3 MEASURES OF VALUE OF COUNTERPARTY CREDIT RISK UNDER SA APPROACH

Derivatives of MBE are measured at fair value. Therefore the exposure value relating to counterparty credit risk is based on the mark-to-market method.

4.4 DESCRIPTION OF THE APPROACH AND METHODS ADOPTED FOR DETERMINING SPECIFIC AND GENERAL CREDIT ADJUSTMENT

For this section we refer to the AR note 30 (Risk management) in section II (Credit risk). Accounting wise MBE defines a loan impaired, when it is overdue more than 90 days.

4.5 NET EXPOSURE AMOUNTS

Please find below MBE's total net exposure amounts per asset class:

The decrease of the net value of exposures at year end compared to the average is mainly caused by the decrease in revocable facilities during this period.

4.6 DISTRIBUTION OF NET EXPOSURE AMOUNT

Please find below distributions of MBE's net exposure per different categories:

COUNTERPARTY TYPE DISTRIBUTION NET EXPOSURE AMOUNTS

in € thousands	31/03/18 Net value of exposures at the end of the period	31/03/18 Average net exposure over the period
Central governments or central banks	7.970.573	4.398.008
Institutions	2.157.577	2.087.119
Corporates	13.181.046	12.177.612
Retail	166	187
Other exposures	35.445	37.008
Total standardised approach	23.344.807	18.699.935

GEOGRAPHICAL DISTRIBUTION NET EXPOSURE AMOUNTS

	31/03/18									
	Significant Countries									
in € thousands	NL	PL	GB	BE	DE	CZ	ES	IT	Other Countries	Total net value of exposures at the end of the period
Central governments or central banks	7.497.923	63.826	0	4	0	405.962	0	0	2.858	7.970.573
Institutions	12.180	2.857	627.735	160	695.215	229	496.233	4.376	318.593	2.157.577
Corporates	9.272.793	1.194.195	320.642	875.234	50.010	126.274	23.912	252.436	1.065.550	13.181.046
Retail	146	0	0	20	0	1	0	0	0	166
Other exposures	31.501	787	11	0	0	416	0	0	2.730	35.445
Total standardised approach	16.814.543	1.261.665	948.388	875.417	745.225	532.881	520.145	256.812	1.389.731	23.344.807

INDUSTRY DISTRIBUTION NET EXPOSURE AMOUNTS

	31/03/18											
in € thousands	Banks	Capital goods	Auto-motive	Utilities	Oil & Gas	Techno-logy	Transport & Logistics	Consumer products	Food, beverages and tobacco	Services	Others	Total
Central governments or central banks	7.970.573	0	0	0	0	0	0	0	0	0	0	7.970.573
Institutions	1.986.696	108	564	45	0	30	6	0	-48	1	170.175	2.157.577
Corporates	274.343	1.100.448	1.485.592	777.896	757.977	193.681	1.352.476	1.110.012	277.309	462.507	5.388.806	13.181.046
Retail	166	0	0	0	0	0	0	0	0	0	0	166
Other exposures	3.657	0	94	0	0	0	0	0	0	0	31.694	35.445
Total standardised approach	10.235.434	1.100.555	1.486.251	777.941	757.977	193.711	1.352.482	1.110.012	277.260	462.509	5.590.676	23.344.807

RESIDUAL MATURITY DISTRIBUTION NET EXPOSURE AMOUNTS

	31/03/18							
in € thousands	On Demand	<= 1 week	> 1 week <= 1 month	> 1 month <= 1 year	> 1 year <= 5 years	> 5 years <= 10 years	> 10 years	Total
Central governments or central banks	7.576.255	394.317	0	0	0	0	0	7.970.573
Institutions	728.505	182.589	854.265	345.489	13.792	3.137	29.800	2.157.577
Corporates	5.846.153	433.858	786.099	1.771.224	3.479.853	599.247	264.613	13.181.047
Retail	166	0	0	0	0	0	0	166
Other exposures	35.407	46	-26	17	0	0	0	35.445
Total standardised approach	14.186.488	1.010.811	1.640.339	2.116.729	3.493.645	602.384	294.412	23.344.807

Corporates/ NL contains the revocable facilities (€ 3,9 billion) which are currently not assigned to a specific country/asset class. A country is defined as a significant country when the relating exposure amount is more than 1% of the total balance sheet amount.
The institutions specific countercyclical capital buffer amounts to € 1,03 mln.

4.7 DISTRIBUTION OF GROSS EXPOSURE AMOUNT

Please find below distribution of MBE's gross exposure distribution per different categories:

INDUSTRY DISTRIBUTION GROSS EXPOSURE AMOUNTS

	31/03/18						
	Gross carrying value of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the	Net values (a+b-c-d)
in € thousands	Defaulted exposures	Non-defaulted exposures					
Oil & gas	0	10.235.434	0	0	0	0	10.235.434
Banks	0	1.100.555	0	0	0	0	1.100.555
Non-Bank Financial Institutions	0	1.486.251	0	0	0	0	1.486.251
Capital goods	0	777.941	0	0	0	0	777.941
Automotive	0	757.977	0	0	0	0	757.977
Government	0	193.711	0	0	0	0	193.711
Technology	0	1.352.482	0	0	0	0	1.352.482
Transport & Logistics	0	1.110.012	0	0	0	0	1.110.012
Chemicals	0	277.260	0	0	0	0	277.260
Services	0	462.509	0	0	0	0	462.509
Others	0	5.588.354	37	2.285	0	0	5.590.676
Total	**0**	**23.342.485**	**37**	**2.285**	**0**	**0**	**23.344.807**

GEOGRAPHICAL DISTRIBUTION GROSS EXPOSURE AMOUNTS

	31/03/18						
	Gross carrying value of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values (a+b-c-d)
in € thousands	Defaulted exposures	Non-defaulted exposures					
NL	0	16.814.543	0	0	0	0	16.814.543
PL	0	1.261.628	37	0	0	0	1.261.665
GB	0	948.388	0	0	0	0	948.388
BE	0	875.417	0	0	0	0	875.417
DE	0	745.225	0	0	0	0	745.225
CZ	0	532.881	0	0	0	0	532.881
ES	0	520.145	0	0	0	0	520.145
IT	0	256.812	0	0	0	0	256.812
Other Countries	0	1.387.446	0	2.285	0	0	1.389.731
Total	**0**	**23.342.485**	**37**	**2.285**	**0**	**0**	**23.344.807**

4.8 RECONCILIATION OF CHANGES IN CREDIT RISK ADJUSTMENTS FOR IMPAIRED EXPOSURES

Please find below an overview for the credit risk adjustments for impaired exposures:

in € thousands	31/03/18	
	Accumulated specific credit risk adjustment	Accumulated general credit risk adjustment
Opening balance	-701	-1.985
Increases due to amounts set aside for estimated loan losses during the period	0	4.270
Decreases due to amounts reversed for estimated loan losses during the period	0	0
Decreases due to amounts taken against accumulated credit risk adjustments	738	0
Transfers between credit risk adjustments	0	0
Impact of exchange rate difference	0	0
Business combinations, including acquisitions and disposals of subsidairies	0	0
Other adjustments	0	0
Closing balance	37	2.285
Recoveries on credit risk adjustments recovered directly to statement of profit or loss	0	0
Impact of exchange rate difference	0	0

4.9 DESCRIPTION OF BALANCE SHEET NETTING POLICY

Not applicable since MBE does not apply balance sheet netting.

4.10 DESCRIPTION COLLATERAL VALUATION POLICY

To mitigate credit risk, counterparty limits and collateral management are essential instruments

For this purpose, the following main types of collateral are taken on a case by case basis depending on credit type, credit quality (especially for impaired assets), credit exposure and country:

- Pledged Deposits
- (Bank) Letter of Guarantee and/or Stand-by L/C
- Government Bonds
- Master Pooling Agreements
- Assignment of receivables/inventory
- First ranking mortgage on real estate, ships and aircrafts
- Risk transferring agreements from/with the parent bank

The policy and procedures of MUFG Bank Ltd. regarding Asset and Evaluation, Disclosure of Non-Performing Loans, Write off and Reserve is the overarching framework for recognition of Non-Performing loans as well as Collateral evaluation and classification in the main ledger systems of MUFG Bank (Europe) N.V., required for Risk and Regulatory reporting. The collateral classification list is periodically reviewed.

For the purpose of calculation of provisions for impaired assets, the following collateral is considered:

- Stand-by LC or Letter of Guarantee issued by MUFG Bank Ltd. => collateral value: 100%
- Pledged deposits => collateral value 100%
- Letter of Guarantee issued by a bank other than MUFG Bank Ltd., located in a Zone A country, with rating of 7 or better collateral value 100%
- Letter of Guarantee issued by the parent company of borrower, if:
  - the parent company is listed at a stock exchange
  - the parent company is having an internal borrower rating of 5-2 or better (S&P rating BB- or better) => collateral value 100%

For Regulatory & Risk Reporting purposes, market value of certain collateral is daily monitored and adjustments are applied in accordance with the Financial Collateral Comprehensive Method (FCCM) in order to take account for price volatility, currency mismatch and maturity mismatch.

4.11 MAIN TYPES OF GUARANTOR AND THEIR CREDITWORTHINESS

MBE defines high quality collateral as cash, high quality liquid bonds and credit insurance from eligible insurance company. High quality collateral is largely related to collateral from MUFG Bank Ltd to mitigate LLL and pooling adjustments. See also note 4 of the AR for a description of the received collaterals.

4.12 MARKET- & CREDIT RISK CONCENTRATIONS WITHIN THE CREDIT MITIGATION TAKEN

Collateral is substantially from MBE's parent bank (MUFG Bank Ltd.). The collateral is mostly high quality (cash pledge or bond borrowing).

5 LIQUIDITY RISK

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

5.1 LCR

Please find below MBE's LCR calculations per quarter (Q2 2017 – Q1 2018):

	Liquidity Coverage Ratio								
		Quater ended 31/03/18		Quater ended 31/12/17		Quater ended 30/09/17		Quater ended 30/06/17	
		Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)	Total unweighted value (average)	Total weighted value (average)
	High-quality liquid assets								
1	Total HQLA		1.658.523		863.612		853.865		793.669
	Cash outflows								
2	**Retail deposits and deposits from sme, of which**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
3	*Stable deposits*								
4	*Less stable deposits*				0		0		0
5	**Unsecured wholesale funding, of which**	**7.346.602**	**2.469.674**	**7.004.117**	**1.871.775**	**6.864.150**	**1.871.741**	**6.334.727**	**1.736.428**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	5.136.966	1.284.241	6.515.057	1.628.764	6.357.748	1.589.437	5.848.040	1.462.010
7	*Non-operational deposits (all counterparties)*	2.209.637	1.185.432	489.061	243.010	506.402	282.304	486.687	274.418
8	*Unsecured debt*								
9	**Secured wholesale funding**								
10	**Additional requirements, of which:**	**2.640.557**	**264.185**	**2.830.144**	**283.221**	**2.841.518**	**284.684**	**2.620.529**	**262.580**
11	*Outflows related to derivative exposures and other collateral requirements*	143	143	229	229	591	591	585	585
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	2.640.414	264.041	2.829.915	282.992	2.840.927	284.093	2.619.944	261.994
14	**Other contractual funding obligations**								
15	**Other contingent funding obligations**	**568.120**	**0**	**537.177**	**0**	**510.571**	**0**	**467.944**	**0**
16	**Total cash outflows**	**10.292.660**	**2.213.041**	**10.371.438**	**2.154.995**	**10.216.239**	**2.156.425**	**9.423.200**	**1.999.008**
	Cash inflows								
17	**Secured lending (eg reverse repos)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
18	**Inflows from fully performing exposures**	**4.333.342**	**2.795.591**	**4.876.261**	**3.062.067**	**4.779.607**	**2.992.432**	**4.380.541**	**2.739.714**
19	*Other cash inflows*	**645.978**	**130.358**	**1.728**	**1.728**	**2.163**	**2.163**	**2.058**	**2.058**
20	**Total cash inflows**	**4.979.321**	**2.925.949**	**4.877.989**	**3.063.795**	**4.781.770**	**2.994.595**	**4.382.598**	**2.741.772**
	Fully excempt inflows								
	Inflows subject to 90% cap								
	Inflows subject to 75% cap	**4.979.321**	**2.925.949**	**4.877.989**	**3.063.795**	**4.781.770**	**2.994.595**	**4.382.598**	**2.741.772**
21	**Total HQLA**		**1.658.523**		**863.612**		**853.865**		**793.669**
22	**Total net cash outflows**	**5.575.959**	**949.531**	**5.493.449**	**538.749**	**5.434.469**	**539.106**	**5.040.602**	**499.752**
23	**Liquidity Coverage Ratio (%)**		**175%**		**160%**		**158%**		**159%**

Please note, figures are 12 months calculated averages based on the reported figures to the regulator.

5.2 NSFR

Please find below the calculations of MBE's Net Stable Funding Ratio (NSFR):

Net Stable Funding		Unweighted value by residual maturity				
in € thousands		No maturiy	<6 months	6 months to < 1 year	> 1year	Weighted value
	Available stable funding (ASF) item					
1	**Capital:**					
2	*Regulatory capital*				0	0
3	*Other capital instruments*					
4	**Retail deposits and depostis from small business customers:**					
5	*Stable deposits*					
6	*Less stable deposits*					
7	**Wholesale funding:**					
8	*Operational deposits*					
9	*Other wholesale funding*		13.050.693	109.586	303.000	6.883.139
10	**Liabilities with interdependent assets**					
11	**Other liabilities:**					
12	*NSFR derivative liabilities*				24.284	
13	*All other liabilities and equity not included in the above categories*					
14	**Total ASF**					**6.883.139**
	Required stable funding (RSF) item					
15	Total NSF high-quality liquid assets (HQLA)	7.970.573				1.781
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities	35.612				1.781
18	*Performing loans to financial institutions secured by level 1 HQLA*		55.074	86.746	34.086	104.996
19	*Performing loans to financial institutions secured by non level 1 HQLA and unsecured performing loans to financial institutions*		2.048.695	8.832	11.016	1.039.780
20	*Performing loans to non financial corporates clients, loans to retail and small business customers, and loans to sovereigns, central banks and PSE's of which:*		3.404.268	620.559	0	2.012.413
21	*With a risk weight of less than or equal to35% inderBasel II standardised approach for credit risk.*					
22	*Performing residential loans of which:*					
23	*With a risk weight of less than or equal to35% inderBasel II standardised approach for credit risk.*					
24	*Securities that are not in default and do not qualify as HQLA, including exchange-traded equities*					
25	Assets with matching interdependent liabilities					
26	Other assets	2.108.884				105.444
27	*Physical traded commodities, including gold*					
28	*Assets posted as initial marging for derivative contracts and contributions to defauld funds of CCPs*					
29	*NSFR derivative assets*				24.557	273
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All otherassets not including in the above categories*	2.497.429				2.497.429
32	Off-balance sheet items					
33	**Total RSF**					**5.762.116**
34	**Net Stable Funding Ration (%)**					**119,46%**

6 MARKET RISK

Market risk is defined as the potential for sustaining a loss due to a change in the price 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.

MBE is not performing proprietary trading activities on its own account in the financial market and is therefore not exposed to substantial market risk. Market risk arising from transactions with customers are immediately squared with MUFG Bank EHQ on a back-to-back basis as much as possible.

The securities investments are subject to the investment policy as well as limits, which are strictly monitored and reviewed periodically. The implied interest rate risk (see balance sheet risk: IRRB) in the AFS bond portfolio is controlled by a bond portfolio position and market risk limits, semi-annually reviewed by the management board in consultation with MUFG Bank Ltd.

6.1 OWN FUNDS REQUIREMENTS RELATING TO MARKET RISK

For this section we refer to the AR note 30 (Risk management) in section IV (Market risk).

	31/03/18
Outright products	RWA
General Interest rate risk (SREP)	33.491
Equity risk	0
Foreign exchange risk	13.195
Commodity risk	0
Total	**46.686**

6.2 OVERVIEW EQUITY

For this section we refer to the AR consolidated statement of changes in equity.

6.3 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. The management board has established limits on the non-trading interest rate gaps for stipulated periods which are reviewed and consulted semi-annually. In accordance with MBE's policy, gap and yield curve positions are monitored for each major currency in use on a daily basis and hedging strategies are used to ensure positions are maintained within the established limits.

Interest rate risk		31/03/18				
Income at risk (base scenario)						
		Total	EUR	USD	PLN	Others
1,1	Net interest income 1 year	37.308	14.514	26.720	4.112	1.639
1,2	Net interest income 2 years	71.667	28.446	52.854	7.941	3.273
1,3	Economic value own funds	1.264.584	1.255.369	6.469	3.086	1.074
Earnings at risk (parallelle shift)						
2,1	EAR 1 yr absolute 200 bp up	-36.870	-42.503	4.378	699	144
2,2	EAR 1 yr in % of prognosed interest income 200 bp up	-98,83%	-292,84%	16,38%	17,01%	8,80%
2,3	EAR 2 yr absolute 200 bp up	-116.286	-134.706	14.377	2.264	466
2,4	EAR 2 yr in % of prognosed interest income 200 bp up	-162,26%	-473,55%	27,20%	28,51%	14,22%
2,5	EAR 1 yr absolute 200 bp down	-25.153	-8.826	-4.378	-1.838	-744
2,6	EAR 1 yr in % of prognosed interest income 200 bp down	-67,42%	-60,81%	-16,38%	-44,69%	-45,39%
2,7	EAR 2 yr absolute 200 bp down	-55.291	-19.496	-14.377	-5.596	-2.333
2,8	EAR 2 yr in % of prognosed interest income 200 bp down	-77,15%	-68,54%	-27,20%	-70,47%	-71,27%
Economic value own funds (sudden parallelle shift)						
3,1	Own funds at risk absolute 200 bp up	-18.313	-14.388	-3.973	-125	-21
3,2	Own funds at risk % of own funds 200 bp up	-1,45%	-1,15%	-61,42%	-4,06%	-1,91%
3,3	Own funds at risk absolute 200 bp down	-1.776	-1.046	-987	-349	607
3,4	Own funds at risk % of own funds 200 bp down	-0,14%	-0,08%	-15,26%	-11,32%	56,54%
Duration own funds						
4,1	Price value of 1 bp	97	77	20	1	0
Regulatory capital						
4,1	Regulatory capital (Tier 3 excluded)	1.532.371	1.532.371	1.532.371	1.532.371	1.532.371
Outlier criterium						
6,1	Outlier criterium	1,20%	0,94%	0,26%	0,02%	0,04%

Key assumptions are:

Economic value of equity

The interest rate risk model is no valuation model. The valuation of financial instruments takes place based on a simplified method and does not take in to account relevant aspects such as spreads, forward rates, etc.
The valuation of currency swaps will be based on the economic value of equity and absolute own funds at risk of a certain currency.
The own funds at risk as a percentage of the economic value of equity is based on the absolute value own funds at risk of the same currency and the total economic value of equity (not the economic value of equity of the specific currency).

Income approach

For determination of the reinvestment rate for the base scenario, the AA interest curve from reporting date of the financial markets is leading. The interest curve is supposed to be constant. In case of stress scenarios, the interest rates are adapted on a monthly bases given required scenarios.
When a loan is due for extension, the model extents the loan with the 3 months swap rate (AA curve), taken into account the interest changes related to the stress scenarios.

Equity approach

The valuation of assets and liabilities is based on the yield to maturity (YTM) of the interest percentages for the remaining period. These are deducted from the interest curves. If the interest curve is not available for a certain currency an YTM of 0% is used.
In the stress scenarios, the yields are increased or decreased with 200 bp, with a restriction that there can be no negative interest rates.
The valuation is based on interest-rate maturity. The valuation of a swap is an approach based on the 30/360 day-count convention. For a currency swap, the reset interest-rate is required to calculate the value of the floating leg. The reset rate is calculated based on the interest curves.

For further details we refer to the AR note 30 (Risk management) part IV Market risk.

6.4 Foreign Exchange risk (FX)

Foreign exchange or currency risk reflects the current and prospective risk to earnings and capital arising from adverse movements in currency exchange rates.

It is MBE's policy to eliminate the currency risks on financial assets and liabilities. Currency risks arise primarily from funds borrowed or lent in foreign currency and currency foreign exchange transactions. The resulting currency risk is hedged by matching currencies for funding/lending transactions and by entering into FX spot and FX forward deals with MUFG Bank EHQ to immediately square FX open position resulted from transactions with the customers. MBE will continue this policy going forward. The remaining FX open position is managed within approved FX limits. The foreign exchange risk is mitigated by a (small) FX net position limit (USD 500ths) and forward fx position limit (USD 1m).

MBE is subject to a Pillar 1 capital requirement for foreign exchange risk (according to SA) and assessed whether 'de minimis' criterion for the foreign exchange risk is exceeded as given in CRR article 351. The 'de minimis' rule is exceeded as MBE's overall net foreign exchange position (non-euro currencies) is higher than 2% of its total capital. As of June 2018, the TREA related to foreign exchange risk (currency risk) amounts to €34.8m, which is equal to the net foreign-exchange position (both long and short) over all non-euro currencies. This equals to 1.6% of the MBE's Own funds, which is lower than the 'de minimis' criterion. Therefore, MBE is not subject to Pilar 1 capital requirement for foreign exchange risk. However the bank has taken a prudent approach and included the related additional capital add-on.

7 OPERATIONAL RISK

7.1 OWN FUNDS REQUIREMENTS RELATING TO OPERATIONAL RISK

For this section we refer to 3.7 for the own funds requirement relating to operational risk. MBE makes use of the so called basic indicator approach (BIA).

7.2 REMUNERATION POLICY

For this section we refer to the AR note 28 (Key management remuneration). Next to this the Remuneration report is disclosed:

INTRODUCTION

The Remuneration Report covers the remuneration of and the Management Board of MUFG Bank (Europe) N.V. (MBE) and the compensation of the Supervisory Board. The Bank remuneration policy takes into account the Bank's strategy, size, nature and complexity, whilst ensuring alignment to its risk appetite, values, the international context it is working in, its stakeholders and wider societal acceptance.

The policy is the cornerstone of the Bank's approach to rewarding its employees. It is the Bank's goal to use reward, together with other Human Resources (hereinafter: 'HR') policies and processes, to align the career aspirations of employees with the long-term business goals of the Bank and with due regard of the Bank's risk appetite. The Policy supports the Bank as it continues to build a high performance organisation and seeks a competitive advantage in a responsible and long-term sustainable manner.

This policy has been drafted taking MUFG Group's policies and principles on remuneration into account, with deviations applied as necessary to align to local requirements. The policy complies with: MiFID II, the *'Act on Remuneration Policies of Financial Undertakings'*[2], the '*Guidelines on Sound Remuneration Policies*' as issued by the European Banking Authority (EBA), the '*Regulation on Sound Remuneration Policies under WFT 2014*[3] as issued by the De Nederlandsche Bank and the '*Dutch Banking Code*' as issued by the Dutch Association of Banks (hereinafter: 'DBA').

[2] '*Wet beloningsbeleid financiële ondernemingen*': law of January the 28th, 2015.
[3] '*Regeling beheerst beloningsbeleid 2014*': decree of the Dutch Central Bank of July the 21st, 2014.

REMUNERATION OF THE MANAGEMENT BOARD

Remuneration elements

The remuneration consists of a fixed annual income, pension contribution and fringe benefits, such as the salary supplement as compensation for the loss of pension accrual above € 103,317 and a bank car or car allowance.

Fixed annual income

For the Fixed Pay conditions of our expatriate MB members, the Bank entirely follows the conditions decided by the parent bank. Both the SB and MB understand that the parent bank in principle applies to its staff principles of sound remunerations based on CRDIV[4]. For the avoidance of doubt, the Bank will explain in its annual report if this leads to a deviation from the Banking Code and the Bank will apply this policy to these MB Members in proportion to the amount of time such person spends on the bank in a relevant year.

For more information regarding the remuneration of the Supervisory Board and the Management Board in the reference period we refer to the AR note 28.

Benchmarking

For the local MB members' Fixed Pay, the Bank aligns with prevailing market conditions & best practices, to be agreed upon individually; for secondary labour conditions the Bank applies the Dutch banking industry collective labour agreement (hereafter: CAO). Once every two years we compare the remuneration of the Board with peer group positions in the general market, consisting of a combination of comparable financial and non-financial corporations.

PERFORMANCE OBJECTIVES

Each year, the Supervisory Board agree the performance objectives with the Management Board, which are derived from de MUFG Bank (long-term) strategic objectives. In setting these objectives, the desired risk profile and the sustainability of the Bank are taken into account. These two themes are included in the objectives every year. Moreover, Supervisory Board takes into account the interests of all stakeholders of MUFG Bank.
The financial performance criteria are both quantitative and qualitative and are used to measure and adjust for both risk and performance. Examples of financial performance criteria are; (i) financial targets such as profit targets; (ii) client targets; and (iii) risk related targets. The Risk Management function shall have the opportunity to provide input to the setting of Key Performance Indicators (KPIs).

At the end of each performance period, the Supervisory Board determines the extent to which the Management Board has achieved its performance targets. The Supervisory Board also evaluates the progress on the long-term objectives.

Pension

Management Board members participate in the same pension scheme as all other staff of MBE. No additional pension is granted. Every employee in service before 1.1.2015 who earns more than € 103,317 receives a gross supplement to his salary. This is a percentage of the income based on years of service, salary, age, retirement date. This also applies to the Management Board.

Other

The fringe benefits provided to the Management Board members are in line with the fringe benefits that apply to all other employees. In the event of termination of employment at the initiative of MBE, Management Boards members are entitled to compensation with a maximum of one year's fixed annual income

[4] EU directive on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms (2013/36/EU).

8 REMAINING DISCLOUSURES

8.1 BREAKDOWN OF UNENCUMBERED ASSETS BY ASSET CLASS

in € thousands	Carrying amount of unencumbered assets			Fair value of unencumbered assets	
	31/03/2018	of which: issued by other entities of the group	of which: central bank's eligible	31/03/2018	of which: central bank's eligible
	060	070	080	090	100
Assets of the reporting institution	**16.762.680**	**0**	**7.970.573**		
Loans on demand	8.695.897	0	7.934.960		
Equity instruments	0	0	0	0	0
Debt securities	35.612	0	35.612	35.612	35.612
of which: covered bonds	0	0	0	0	0
of which: asset-backed securities	0	0	0	0	0
of which: issued by general governments	0		0	0	0
of which: issued by financial corporations	0	0	0	0	0
of which: issued by non-financial corporations	0	0	0	0	0
Loans and advances other than loans on demand	7.961.594	0	0		
of which: mortgage loans	0	0	0		
Other assets	69.576	0	0		

No assets were encumbered as per the reporting date.

8.2 CREDIT RISK RATING

For this section we refer to the AR note 30 (Risk management).

8.3 BREAKDOWN OF ASSETS BY ASSET CLASS AFTER CRM

Risk weight in € thousands	31/03/18									
	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	7.970.573	0	0	0	0	0	0	0	0	7.970.573
Banks	0	0	159.708	0	63.882	0	601	0	0	224.192
Corporates	0	0	0	0	0	0	4.070.864	0	0	4.070.864
Regulatory retail portfolios	0	0	0	0	0	166	0	0	0	166
Other assets	23.775	0	0	0	0	0	11.670	0	0	35.445
Total assets	**7.994.348**	**0**	**159.708**	**0**	**63.882**	**166**	**4.083.135**	**0**	**0**	**12.301.239**