MUFG Bank (Europe) N.V.
Pillar III report
31 March 2019

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PILLAR 3 REFERENCE

The Pillar 3 disclosures are described 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 32 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 32 Risk management AR / Chapter 3 Pillar 3 report
438	Capital requirements	AR/Pillar 3	Note 32 Risk management AR / Chapter 3 Pillar 3 report
439	Exposure to counterparty credit risk	AR/Pillar 3	Note 32 Risk management AR / Chapter 3 Pillar 3 report
440	Capital buffers	AR/Pillar 3	Note 32 Risk management AR / Chapter 3 Pillar 3 report
442	Credit risk adjustments	AR/Pillar 3	Note 32 Risk management AR / Chapter 4 Pillar 3 report
443	Unencumbered assets	AR/Pillar 3	Note 32 Risk management AR / Chapter 8 Pillar 3 report
444	Use of ECAIs	AR/Pillar 3	Note 32 Risk management AR / Chapter 8 Pillar 3 report
445	Exposure to market risk	AR/Pillar 3	Note 32 Risk management AR / Chapter 6 Pillar 3 report
446	Operational risk	AR/Pillar 3	Note 32 Risk management AR / Chapter 7 Pillar 3 report
448	Exposure to interest rate risk on positions not included in the trading book	AR/Pillar 3	Note 32 Risk management AR / Chapter 6 Pillar 3 report
450	Remuneration policy	AR/Pillar 3	Note 30 Key management Remuneration AR / Chapter 7 Pillar 3 report
451	Leverage	AR/Pillar 3	Note 32 Risk management AR / Chapter 3 Pillar 3 report
453	Use of credit risk mitigation techniques	AR/Pillar 3	Note 32 Risk management AR / Chapter 4 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 time after signoff of the Supervisory Board. The information has not been audited by MBE's external auditor.

1.4 SCOPE OF APPLICATION

The requirements of this regulation belong to MBE. MBE consists of 4 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 Europe Lease (Deutchland) GMBH	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 total assets as reported in the financial statements and also the asset carrying values under the scope of regulatory consolidation, both per 31-Mar-2019.

in € thousands	Carrying values as reported in published financial statements	Carrying values of items: Subject to credit risk framework	Subject to counterparty credit risk framework	Subject to the securitisation framework	Subject to the market risk framework	Not subject to capital requirements or subject tot deduction from capital
ASSETS						
Cash and balances with central banks	1,863,905					1,863,905
Loan and advances to banks	4,864,354	4,864,354				
Loans and advances to customers	12,407,630		12,407,630			
Derivatives	44,402	44,402				
Financial investments	60,439	60,439				
Property and equipment	6,081	6,081				
Intangible assets	15,836					15,836
Tax asset	57,242	57,242				
Other assets	53,788	53,788				
Total assets	**19,373,677**	**5,086,306**	**12,407,630**	**0**	**0**	**1,879,741**
LIABILITIES						
Due to banks	5,477,281					
Due to customers	11,363,530					
Derivatives	43,697					
Tax liabilities	1,096					
Tax liabilities	35,782					
Other liabilities	303,404					
Subordinated debt	300,000					
Total liabilities	**17,524,790**	**0**	**0**	**0**	**0**	**0**
Issued capital	100,003					
Share premium	1,334,304					
Retained earnings	432,043					
Revaluation reserve of financial investments	-2					
Revaluation actuarial	-7,476					
Foreign currency translation reserve	148					
Adjustments to CET1 due to prudential filters						
Other intangible assets						
Result for the year	-10,163					
Shareholder's equity (parent)	1,848,857					
Shareholder's equity (non-controlling interests)	30					
Shareholders' equity (parent)	**1,848,887**	**0**	**0**	**0**	**0**	**0**
Total liabilities and equity	**19,373,677**	**0**	**0**	**0**	**0**	**0**

in € thousands	Total	Items subject to: Credit risk framework	Securitisation framework	Counterparty credit risk framework	Market risk framework
Assets Carrying value amount under scope of regulatory consolidation (as per template Li1)	**19,428,131**	**5,086,306**		**12,407,630**	
Liabilities Carrying value amount under scope of regulatory consolidation (as per template Li1)	**17,524,790**				
Total net amount under regulatory scope of consolidation	**1,903,341**				
Off-balance sheet amounts	**16,942,833**	**16,942,833**			
Exposure amounts considered for regulatory purposes	**36,370,964**	**0**	**0**	**0**	**0**

The differences between the total assets as reported in the financial statements and the total asset carrying value under the scope of regulatory consolidation is primarily caused by the following two reasons:

1. The exposure value of derivatives under the Credit Risk Framework of the CRR/CRD IV is calculated based on the market-to-market method (article 278 of the CRR). The market-to-market method requires banks to take into account potential future exposure as part of the asset carrying value. Under the IFRS, derivatives are reported under fair value which does not include any potential future exposure.
2. Deferred Tax Assets (DTA) are reported twice in the COREP. DTA's are reported under the exposure class 'Other Assets' and under the exposure class 'Central Governments and Central banks'. This results in a double count of DTA's in the asset carrying value under the scope of the regulatory consolidation. This double counting was noticed by Deloitte. Due to the fact that the DTA's are risk weighted at 0% under the 'other items' exposure class, this double count does not impact the capital ratio.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1 INTRODUCTION

Risk management plays an increasingly important role in MUFG bank's operations as a financial group operating globally through various subsidiaries. MUFG Bank 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 Bank 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) 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 RISK MANAGEMENT, KEY PRUDENTIAL 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-Mar-19	31-Dec-18	30-Sep-18	30-Jun-18	31-Mar-18
	Available capital (in € thousands)					
1	Common Equity Tier 1 (CET1)	1,836,823	1,827,018	1,823,457	1,819,780	1,233,058
1a	Fully loaded ECL accounting model	1,836,823	1,827,018	1,823,457	1,819,780	1,233,058
2	Tier 1	1,836,823	1,827,018	1,823,457	1,819,780	1,233,058
2a	Fully loaded ECL accounting model Tier 1	1,836,823	1,827,018	1,823,457	1,819,780	1,233,058
3	Total capital	2,136,823	2,127,018	2,123,457	2,119,780	1,533,058
3a	Fully loaded ECL accounting model total capital	2,136,823	2,127,018	2,123,457	2,119,780	1,533,058
	Risk-weighted assets (in € thousands)					
4	Total risk-weighted assets (RWA)	13,606,032	12,881,377	13,493,782	13,890,376	4,214,138
	Risk-based capital ratios as a percentage of RWA					
5	Common Equity Tier 1 ratio (%)	13.50%	14.18%	13.51%	13.10%	29.26%
5a	Fully loaded ECL accounting model Common Equity Tier 1 (%)	13.50%	14.18%	13.51%	13.10%	29.26%
6	Tier 1 ratio (%)	13.50%	14.18%	13.51%	13.10%	29.26%
6a	Fully loaded ECL accounting model Tier 1 ratio (%)	13.50%	14.18%	13.51%	13.10%	29.26%
7	Total capital ratio (%)	15.70%	16.51%	15.74%	15.26%	36.38%
7a	Fully loaded ECL accounting model total capital ratio (%)	15.70%	16.51%	15.74%	15.26%	36.38%
	Additional CET1 buffer requirement as a percentage of RWA					
8	Capital conservation buffer requirement (2,5% from 2019) (%)	2.50%	1.88%	1.88%	1.88%	1.88%
9	Countercyclial buffer requirement (%)	0.02%	0.03%	0.03%	0.01%	0.02%
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)	2.52%	1.91%	1.91%	1.88%	1.90%
	Basel III leverage ratio					
12	Total Basel III leverage ratio exposure measure (in € thousands)	25,049,064	23,652,207	23,879,711	24,415,597	18,342,722
13	Basel III leverage ratio (%) (row2 / row13)	8.53%	8.99%	8.89%	8.68%	8.36%
14	Fully loaded ECL accounting model Basel III leverage ratio (%) (row2a / row13)	7.33%	7.72%	7.64%	7.45%	6.72%
	Liquidity Coverage Ratio					
15	Total HQLA (in € thousands)	2,090,263	2,586,351	2,155,611	3,269,895	7,885,882
16	Total net cash outflow (in € thousands)	1,363,035	1,254,877	1,388,373	1,339,976	4,374,416
17	LCR ratio (%)	153.35%	206.10%	155.26%	244.03%	180.27%
	Net Stable Funding Ratio					
18	Total available stable funding (in € thousands)	11,789,227	11,438,645	11,285,991	11,095,634	6,675,052
19	Total required stable funding (in € thousands)	10,019,564	9,880,669	9,860,256	9,711,902	4,528,696
20	NSFR ratio	117.66%	115.77%	114.46%	114.25%	147.39%

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

2.3 RISK MANAGEMENT OBJECTIVES AND POLICIES

For this section we refer to the AR note 32 (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 in 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 (MB) role. Recruitment will be undertaken in a fair, transparent, and professional manner, 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 containing 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 Dutch Central Bank (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 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 32 (Risk management).

2.6 RISK REPORTING TO THE MANAGEMENT BODY

The Management Board and Supervisory Board of MBE are regularly informed about 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. Risk committees' 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 32 (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:

Other Intangible assets	(11,877)
Prudential valuation adjustment (PVA)	(150)

	Prudent valuation adjustments (PVA)								
		31-Mar-19							
	in € thousands	Equity	Interest rates	FX	Credit	Commodity	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		24	66	60		150	64	86
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**	**24**	**66**	**60**	**0**	**150**	**64**	**86**

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 sheet which can be deducted in accordance with article 47 of CRR.

No additional Tier 1 items available on the balance sheet, therefore no deductions were made regarding article 56 of CRR. No deductible Tier 2 items available on the balance sheet, 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. MBE only has a restriction regarding the payment of dividend. In note 12 (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 draft an ICAAP package annually using the pillar 1+ approach and considering development of the Bank's risk profile, according to the strategic 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 scenarios
- Validation of outcomes for Base Case projections and stress 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 latest submitted ICAAP on the September 2018, which was based on the reference date 30 June 2018. It should also be noted that there is high increase in capital and risk amounts due to capital and risk transfer of Spain and Germany branches after the integration of these branches. The next ICAAP, with reference data 31 March 2019, will be submitted to our regulator per end September 2019.

Capital Adequacy per 30 June 2018 – 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 30 June 2018 the Bank's total capital amounted to € 1.8 billion (December 2016: € 613.3 million). The TREA for Pillar 1 in the portfolio at 30 June 2018 is € 13.9 billion, which is € 10.2 billion higher than at 31 December 2016 (€ 3.7 billion). As result of the increasing TREA for pillar 1 risks (€ 10.2 billion), the capital ratio decreased from 16.26% in 2017 to 15.3% per 30 June 2018.

Capital Adequacy per 30 June 2018 – 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.
MBE applies the pillar 1+ approach for determining ICAAP capital. The table below shows the internal capital allocated to cover pillar 1 risks based on 8% of TREA for pillar 1 risks.

Calculation SREP capital (Bottom-up assessment)					
30-6-2018		Pillar 1 capital	ICAAP capital		SREP
		Basel 2	ICAAP (own confidence level)	ICAAP scaled to 99.9%	Total
Pillar 1 risks					
	Credit and dilution risk risk (CRR 92.3 a)	1,072,154	1,072,154	1,072,154	1,072,154
	Position risk and large exposures (CRR	-	-	-	-
	FX, settlement and commodities risk	2,785	2,785	2,785	2,785
	Credit valuation adjustment risk (CRR 92.3	6,839	6,839	6,839	6,839
	Operational risk (CRR 92.3 e)	24,808	24,808	24,808	24,808
	Counterparty risk (CRR 92.3 f)	4,645	4,645	4,645	4,645
Total Pillar 1 risks		**1,111,230**	**1,111,230**	**1,111,230**	**1,111,230**
Pillar 2 risks					
	Concentration risk:		303,000	303,000	303,000
	- countries				-
	- sectors				-
	- single name		303,000	303,000	303,000
	- other				-
	Other credit risk				-
	Market risk				-
	Operational risk		44,000	44,000	44,000
	Interest rate risk banking book		55,000	55,000	55,000
	Business model risk & profitability		37,000	37,000	37,000
	Pension risk		7,000	7,000	7,000
Total Pillar 2 risks			**446,000**	**446,000**	**446,000**
Totaal Pillar 1 + Pillar 2			**1,557,230**	**1,557,230**	**1,557,230**

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:

This results in total required capital for pillar 1 and 2 of € 1.56 billion, resulting in an ICAAP-ratio of 11.2% given the TREA of 13.89 billion. Given the phasing-in per 2017 of the conservation buffer (2.5% in 2019) and the countercyclical buffer[1] (0-2.5% in 2019), MBE set for 2017 a target total capital ratio of 14.8% that took into account an additional internal buffer of 0.5%. Given this assessment, that was sufficient. The total capital ratio of 15.3% per 30 June 2018 is above this target TCR. A forward looking analysis of the capital requirements is presented in the Capital Plan.

[1] The calculation per March-19 shows that the countercyclical buffer requirement is lower than 0.1%.

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:

Overview of RWA	RWA		Minimum capital requirements
in € thousands	31-Mar-19	30-Sep-18	
Credit risk (excluding counterparty credit risk (CCR)			
Of which standardised approach (SA)	13,281,515	13,092,378	1,062,521
Counterparty credit risk			
Of which standardised approach for counterparty credit risk (SA-CCR)	4,620	61,742	370
Market Risk			
Of which standardised approach (SA)	0	29,564	0
Operational Risk			
Of which Basic Indicator Approach	319,896	310,099	25,592
Total RWA	**13,606,032**	**13,493,782**	**1,088,483**

3.7 CCYB (COUNTERCYCLICAL BUFFER) SPECIFICATION

Geographical breakdown in € thousands	**31-Mar-19**			
	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
CZ	85,093	85,093	1.25%	85
DK	15,700	15,700	0.50%	6
NO	2	2	2.00%	0
SK	57,379	57,379	1.25%	57
SE	2,211	2,211	2.00%	4
GB	261,858	71,083	1.00%	57
Total	**422,243**	**231,468**		**209**

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

For this section we refer to the AR note 32 (Risk management) 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 3.5; 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:

Table Leverage ratio common disclosure		
in € thousands		31-Mar-19
On-balance sheet exposures (excluding derivates and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	19,343,011
2	(Asset amounts deducted in determining Tier 1 capital)	43,768
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	19,386,779
On-balance sheet exposures (excluding derivates and SFTs)		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	45,230
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	39,890
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	85,120
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	16,942,833
18	(Adjustments for conversion to credit equivalent amounts)	-11,309,873
19	Other off-balance sheet exposures (sum of lines 17 and 18)	5,632,960
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	1,836,823
21	Leverage ratio total exposure measure (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	25,104,859
Leverage ratio		
22	Leverage ratio	7.33%
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 7.33% is well above the internal target of 4%. 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 ANNUAL REPORT

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-Mar-19
1	Total assets as per published financial statements.	19,373,677
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	
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)	5,632,960
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)	0
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)	0
7	Other adjustments	43,768
8	**Leverage ratio total exposure measure**	**25,049,064**

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 regulatory minimum of 3% and our internal target of at least 4%. 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.

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 32 (Risk management) section II (Credit risk).

4.2 OVERVIEW NET CREDIT EXPOSURE DERIVATIVES

For this section we refer to the AR note 4 (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 32 (Risk management) 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:

in € thousands	31-Mar-19	
	Net value of exposures at the end of the period	Average net exposure over the period
Central governments or central banks	1,947,667	1,815,654
Institutions	5,497,609	4,987,467
Corporates	28,752,300	28,058,258
Exposures in default	98,229	49,115
Other exposures	75,159	100,027
Total standardised approach	36,370,964	35,010,521

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

4.6 DISTRIBUTION NET EXPOSURE AMOUNTS

Please find below MBE's total net exposure amounts per different categories:

GEOGRAPHICAL DISTRIBUTION NET EXPOSURE AMOUNTS

in € thousands	31-Mar-19											
	Significant Countries										Other Countries	Total net value of exposures at the end of the period
	DE	NL	GB	ES	PL	BE	JP	CH	US	IT		
Central governments or central banks	4,238	1,748,008	0	2,053	80,305	1	0	0	0	0	113,062	1,947,667
Institutions	799,904	230,539	3,753,037	176,749	97,554	162	214,694	4,122	17,552	23,527	179,770	5,497,609
Corporates	8,077,681	5,508,991	318,363	2,805,915	1,226,542	1,053,888	623,731	576,819	542,367	423,562	7,594,442	28,752,299
Exposures in default	52,962	0	0	45,184	84	0	0	0	0	0	0	98,229
Other exposures	35,384	27,043	0	12,684	0	48	0	0	0	0	0	75,159
Total standardised approach	8,970,168	7,514,581	4,071,400	3,042,585	1,404,485	1,054,099	838,425	580,940	559,919	447,088	7,887,274	36,370,964

INDUSTRY DISTRIBUTION NET EXPOSURE AMOUNTS

in € thousands	31-Mar-19											
	Banks	Auto-motive	Utilities	Capital goods	Transport & Logistics	Consumer products	Telecom	Chemicals	Services	Health care	Others	Total
Central governments or central banks	1,924,349	0	0	0	0	0	0	0	0	0	23,317	1,947,667
Institutions	4,260,147	69	0	0	0	4	203,707	0	92,522	0	941,161	5,497,609
Corporates	15,518	3,411,296	2,855,127	1,809,176	1,790,464	1,651,138	1,144,465	1,315,459	1,157,311	885,939	12,716,406	28,752,299
Exposures in default	0	0	0	0	0	0	0	0	0	0	98,229	98,229
Other exposures	36,149	0	0	0	0	0	402	0	0	0	38,609	75,159
Total standardised approach	6,236,163	3,411,365	2,855,127	1,809,176	1,790,464	1,651,142	1,348,573	1,315,459	1,249,833	885,939	13,817,722	36,370,964

RESIDUAL MATURITY DISTRIBUTION NET EXPOSURE AMOUNTS

in € thousands	31-Mar-19							
	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	1,849,821	97,841	0	0	0	5	0	1,947,667
Institutions	3,064,247	502,816	208,358	899,798	767,653	3,179	51,558	5,497,609
Corporates	9,469,275	785,509	1,871,767	2,691,038	12,195,036	1,214,076	525,600	28,752,300
Exposures in default	0	0	0	0	0	0	98,229	98,229
Other exposures	74,454	0	1	74	333	289	10	75,159
Total standardised approach	14,457,797	1,386,166	2,080,126	3,590,909	12,963,022	1,217,549	675,397	36,370,964

4.7 DISTRIBUTION GROSS EXPOSURE AMOUNTS

Please find below MBE's total net exposure amounts per different categories:

INDUSTRY DISTRIBUTION GROSS EXPOSURE AMOUNTS

	31-Mar-19						
	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					
Banks	0	6,236,163	0	0	0	0	6,236,163
Auto-motive	0	3,411,365	0	0	0	0	3,411,365
Utilities	0	2,855,127	0	0	0	0	2,855,127
Capital goods	0	1,809,176	0	0	0	0	1,809,176
Transport & Logistics	0	1,790,464	0	0	0	0	1,790,464
Consumer products	0	1,651,142	0	0	0	0	1,651,142
Telecom	0	1,348,573	0	0	0	0	1,348,573
Chemicals	0	1,315,459	0	0	0	0	1,315,459
Services	0	1,249,833	0	0	0	0	1,249,833
Health care	0	885,939	0	0	0	0	885,939
Others	177,734	13,719,493	79,505	0	0	0	13,817,722
Total	**177,734**	**36,272,735**	**79,505**	**0**	**0**	**0**	**36,370,964**

GEOGRAPHICAL DISTRIBUTION GROSS EXPOSURE AMOUNTS

	31-Mar-19						
	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					
DE	102,975	8,917,206	50,013	0	0	0	8,970,168
NL	0	7,514,581	0	0	0	0	7,514,581
GB	0	4,071,400	0	0	0	0	4,071,400
ES	74,672	2,997,401	29,488	0	0	0	3,042,585
PL	88	1,404,401	4	0	0	0	1,404,485
BE	0	1,054,099	0	0	0	0	1,054,099
JP	0	838,425	0	0	0	0	838,425
CH	0	580,940	0	0	0	0	580,940
US	0	559,919	0	0	0	0	559,919
IT	0	447,088	0	0	0	0	447,088
Other Countries	0	7,887,274	0	0	0	0	7,887,274
Total	**177,734**	**36,272,735**	**79,505**	**0**	**0**	**0**	**36,370,964**

4.8 RECONCILIATION OF CHANGES IN CREDIT RISK ADJUSTMENTS FOR IMPAIRED EXPOSURES

For this section we refer to the AR note 3 (Loans and advances to customers).

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 Expected Loss calculations according to the adopted IFRS9 Framework, MBE's LGD model applies the following recovery rates depending on the collateral type:

Collateral type	Expected recovery rate
Deposits	100%
Securities	100%
Real estate	79%
Ship	67%
Aircraft	68%
Guarantees	100%

Expected Recovery Rates are monitored and estimated on a semi-annual basis, by MUFG for each overseas regions (i.e. EMEA, Asia and America) based on internal and external recovery data.

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 of price volatility, creditworthiness of the issuer, term, currency and maturity mismatches.

4.11 MAIN TYPES OF GUARANTOR AND CREDIT DERIVATIVE COUNTERPARTY AND THEIR CREDITWORTHINESS

MBE defines cash, high quality liquid bonds and credit insurance from eligible insurance company as high quality collateral. High quality collateral is largely related to collateral from MUFG Bank Ltd to mitigate the legal lending limit (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 CREDIT MITIGATION TAKEN

A material part of MBE's collateral portfolio is obtained from its parent undertaking and comprise mainly cash pledges 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 in compliance with the MUFG Bank's Balance Sheet Risk Management policy, procedures and control framework. MBE's liquidity and interest rate risk and investment portfolio are evaluated by the ALMC. Daily and weekly monitoring of positions and/or limits and execution of periodical stress tests are performed by Risk Management Division.

5.1 LCR

Please find below MBE's LCR calculations per quarter (Q2 2018 – Q1 2019):

	Liquidity Coverage Ratio								
		Quater ended 31/03/19		Quater ended 31/12/18		Quater ended 30/09/18		Quater ended 30/06/18	
	(in € thousands)	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		2,509,575		2,975,063		2,619,390		2,650,597
	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*								
5	**Unsecured wholesale funding, of which**	**10,200,167**	**4,576,490**	**10,162,321**	**4,788,528**	**9,830,380**	**4,663,813**	**9,499,963**	**4,528,853**
6	*Operational deposits (all counterparties) and deposits in networks of cooperative banks*	0	0	0	0	0	0	0	0
7	*Non-operational deposits (all counterparties)*	10,200,167	4,576,490	10,162,321	4,788,528	9,830,380	4,663,813	9,499,963	4,528,853
8	*Unsecured debt*								
9	**Secured wholesale funding**								
10	**Additional requirements, of which:**	**8,269,173**	**837,307**	**7,742,691**	**784,751**	**7,245,079**	**734,172**	**6,735,743**	**680,546**
11	*Outflows related to derivative exposures and other collateral requirements*	572	572	526	526	410	410	331	331
12	*Outflows related to loss of funding on debt products*								
13	*Credit and liquidity facilities*	8,268,601	836,735	7,742,166	784,225	7,244,669	733,762	6,735,411	680,215
14	**Other contractual funding obligations**								
15	**Other contingent funding obligations**	**5,402,770**	**105,935**	**4,865,180**	**91,078**	**4,309,838**	**74,554**	**3,805,754**	**58,664**
16	**Total cash outflows**	**23,872,110**	**5,519,733**	**22,770,193**	**5,664,356**	**21,385,296**	**5,472,539**	**20,041,459**	**5,268,063**
	Cash inflows								
17	**Secured lending (eg reverse repos)**	**0**	**0**	**0**	**0**	**0**	**0**	**0**	**0**
18	**Inflows from fully performing exposures**	**5,480,468**	**4,427,114**	**5,290,688**	**4,264,440**	**4,886,651**	**3,947,917**	**4,598,571**	**3,715,530**
19	*Other cash inflows*	**2,478,601**	**529,961**	**2,382,058**	**510,547**	**2,436,958**	**521,379**	**2,434,312**	**520,759**
20	**Total cash inflows**	**7,959,069**	**4,957,075**	**7,672,746**	**4,774,987**	**7,323,610**	**4,469,296**	**7,032,883**	**4,236,289**
	Fully exempt inflows								
	Inflows subject to 90% cap								
	Inflows subject to 75% cap	**7,959,069**	**4,957,075**	**7,672,746**	**4,774,987**	**7,323,610**	**4,469,296**	**7,032,883**	**4,236,289**
	Ratio calculation								
21	**Total HQLA**		**2,509,575**		**2,975,063**		**2,619,390**		**2,650,597**
22	**Total net cash outflows**	**15,913,041**	**1,379,918**	**15,097,447**	**1,630,866**	**14,061,687**	**1,634,201**	**13,008,576**	**1,583,083**
23	**Liquidity Coverage Ratio (%)**		**182%**		**182%**		**160%**		**167%**

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

5.2 NSFR

Please find below MBE's NSFR calculations for Q1 2019

	Net Stable Funding	Unweighted value by residual maturity				Weighted value
	in € thousands	No maturiy	<6 months	6 months to < 1 year	> 1year	
	Available stable funding (ASF) item					
1	**Capital:**					
2	*Regulatory capital*				2,136,823	2,136,823
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*		12,434,167	534,361	3,879,768	9,652,404
10	**Liabilities with interdependent assets**					
11	**Other liabilities:**					
12	*NSFR derivative liabilities*				43,697	
13	*All other liabilities and equity not included in the above categories*	332,798				
14	**Total ASF**					**11,789,227**
	Required stable funding (RSF) item					
15	Total NSF high-quality liquid assets (HQLA)	1,863,905				0
16	Deposits held at other financial institutions for operational purposes					
17	Performing loans and securities	60,439				0
18	*Performing loans to financial institutions secured by level 1 HQLA*					
19	*Performing loans to financial institutions secured by non level 1 HQLA and unsecured performing loans to financial institutions*		684,304	444,874	839,447	1,130,315
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:*		6,315,655	460,895	5,522,653	8,082,531
21	*With a risk weight of less than or equal to 35% in the Basel II standardised approach for credit risk.*					
22	*Performing residential loans of which:*					
23	*With a risk weight of less than or equal to 35% in the Basel 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	3,004,155				300,415
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*				44,402	705
30	*NSFR derivative liabilities before deduction of variation margin posted*					
31	*All otherassets not including in the above categories*	8,915,445				505,598
32	Off-balance sheet items					
33	**Total RSF**					**10,019,564**
34	**Net Stable Funding Ratio (%)**					**117.66%**

6. 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.

MBE is not performing proprietary trading activities on its own account in the financial markets 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: IRRRB) in the AFS bond portfolio is controlled by a bond portfolio position and market risk limits, which are 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 32 (Risk management) in section IV (Market risk).

	31-Mar-19
Outright products	RWA
General Interest rate risk (SREP)	0
Equity risk	0
Foreign exchange risk	0
Commodity risk	0
Total	**0**

The table above shows the four different market risks under the Market Risk framework of the CRR/CRDIV. Total RWA for market risk is zero. Only foreign exchange risk is applicable to MBE. However, the calculated RWA related to foreign exchange risk (€ 18.685.941) is below the applicable threshold of € 183.682.267 (based on CRR article 48.2). Therefore MBE is not required to hold RWA for foreign exchange risk, hence overall RWA reported for market risk is zero.

6.2 OVERVIEW EQUITY

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

6.3 INTEREST RATE RISK

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 (in € thousands)		31-Mar-19				
Income at risk (base scenario)						
		Total	EUR	USD	PLN	Others
1.1	Net interest income 1 year	55,792	34,002	35,798	2,777	-14,008
1.2	Net interest income 2 years	106,384	66,830	70,451	5,333	-30,898
1.3	Economic value own funds	1,891,275	1,895,506	618	-1,319	-4,849
Earnings at risk (parallelle shift)						
2.1	EAR 1 yr absolute 200 bp up	27,966	16,745	7,677	559	3,544
2.2	EAR 1 yr in % of prognosed interest income 200 bp up	50.13%	49.25%	21.45%	20.12%	-25.30%
2.3	EAR 2 yr absolute 200 bp up	89,197	52,807	25,127	1,752	11,262
2.4	EAR 2 yr in % of prognosed interest income 200 bp up	83.84%	79.02%	35.67%	32.85%	-36.45%
2.5	EAR 1 yr absolute 200 bp down	-35,398	-20,973	-7,677	-1,255	-6,748
2.6	EAR 1 yr in % of prognosed interest income 200 bp down	-63.45%	-61.68%	-21.45%	-45.21%	48.17%
2.7	EAR 2 yr absolute 200 bp down	-78,391	-46,648	-25,127	-3,712	-6,615
2.8	EAR 2 yr in % of prognosed interest income 200 bp down	-73.69%	-69.80%	-35.67%	-69.59%	21.41%
Economic value own funds (sudden parallelle shift)						
3.1	Own funds at risk absolute 200 bp up	-20,191	-17,259	-3,043	18	111
3.2	Own funds at risk % of own funds 200 bp up	-1.07%	-0.91%	-492.53%	-1.38%	-2.30%
3.3	Own funds at risk absolute 200 bp down	2,661	203	3,090	-20	-632
3.4	Own funds at risk % of own funds 200 bp down	0.14%	0.01%	500.06%	1.49%	13.03%
Duration own funds						
4.1	Price value of 1 bp	104	89	15	0	-1
Regulatory capital						
4.1	Regulatory capital (Tier 3 excluded)	2,136,823	2,136,823	2,136,823	2,136,823	2,136,823
Outlier criterium						
6.1	Outlier criterium	0.94%	0.81%	0.14%	0.00%	0.03%

Key Interest Rate Risk Appetite Indicators (RAIs) are:

Delta Economic Value of Equity (EVE)

EVE is a present-value based measure which compares the discounted value of expected cash flows under an adjusted interest rate scenario with expected cash flows under a base interest rate scenario. The difference in present value between the adjusted and base scenario is denoted ΔEVE**.** ΔEVE is calculated using an externally acquired vendor model which uses data from MBE and the vendor reporting tool. This tool produces IRRBB reports which depend on business-specific parameterization motivated by assumptions, expert judgement, and statistical analysis.

The RAI levels are as follows:

	Lower Bound (>=)	Upper Bound (<)
Risk Averse	N.A.	2.50%
Accepted Risk	2.50%	5%
Stress	5%	10%
Severe Stress	10%	15%
Critical	15%	N.A.

Outlier Criterion (Supervisory Stress Test)

The Outlier Criterion is what the EBA refers to as the Supervisory Outlier Test (or Stress Test) and it calculates the impact of a sudden parallel +/-200 basis points shift of the yield curve on EVE. The aggregate EVE change for each interest rate scenario shock is calculated adding together any negative and positive changes to EVE occurring in each currency of the bank. Positive changes are weighted by a factor of 50%.

The RAI levels are as follows:

	Lower Bound (>=)	Upper Bound (<)
Risk Averse	N.A.	2.50%
Accepted Risk	2.50%	5%
Stress	5%	15%
Severe Stress	15%	20%
Critical	20%	N.A.

Change in the Present Value of a Basis Point (PV01)

PV01 of equity is derived from the modified duration of equity and measures the absolute change of the equity value resulting from a 1 basis point (0.01%) parallel shift of the yield curve.

The RAI levels are as follows:

EUR (`000)	Lower Bound (>=)	Upper Bound (<)
Risk Averse	N.A.	225
Accepted Risk	225	450
Stress	450	1,820
Severe Stress	1,820	2,275
Critical	2,275	N.A.

Change in Net Interest Income (Delta NII)

The change of NII is an earnings-based metric and measures the change of the net interest income over a particular time horizon resulting from a sudden or gradual interest rate movement. The time horizon used at MBE is two years, which is in line with the quarterly reporting guidance on IRRBB of the local regulator.

The RAI levels are as follows:

	Lower Bound (>=)	Upper Bound (<)
Risk Averse	N.A.	5%.
Accepted Risk	5%	25%
Stress	25%	50%
Severe Stress	50%	75%
Critical	75%	N.A.

The boundaries are determined based on current calculations, but also take a future outlook into account. In general, NII is most negatively impact in the scenarios where the interest rates decrease. However, as a zero floor is applied on both the asset and the liability side and because interest rates are currently historically low, the impact of the negative shifts of the yield curves is limited.

In higher interest rate environments the impact of decreasing interest rates is higher, as the decreasing rates will not hit the floor.

The upper bound of the accepted risk level has been set to 50%, which is based on the delta NII calculations with upward moving interest rate scenarios (which are hardly impacted by the floor).

It is proposed to set the Delta NII not as a hard limit, but as an early warning indicator. This is recommended because of the 0% floor that is applied to the loans and the deposits. This floor creates, to a certain extent, a protection for decreasing interest rates on NII. This makes it more suitable to steer on EVE in a low interest rate environment.

For further details we refer to the AR note 32 (Risk management) part III Balance Sheet Risk and 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 and lending transactions and by entering into FX spot and FX forward deals with MUFG Bank EHQ to immediately match FX open positions resulting from transactions with 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 March 2019, the TREA related to foreign exchange risk (currency risk) amounts to €19.6m, which is equal to the net foreign-exchange position (both long and short) over all non-euro currencies. This equals to 0.1% 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.

7. OPERATIONAL RISK

7.1 OWN FUNDS REQUIREMENTS RELATING TO OPERATIONAL RISK

For this section we refer to 3.6 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 30 (Key management remuneration). Next to this the Remuneration report is disclosed:

Introduction
The Remuneration Report covers the remuneration of the Management Board of MUFG Bank (Europe) N.V. (MBE), hereafter 'Bank', 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.

Our 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').

Remuneration of the Management Board

Remuneration elements
Two Management Board members are assigned by the shareholder (expatriates), including the Chairman. The locally hired board members have an employment contract for an indefinite period with the Bank. Their 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 € 107,593 and a bank car or car allowance.

Fixed annual income
On 1 January 2018, the salary scales and fixed income of the Board were increased by 1.5%, as was the case for employees falling within the scope of the collective agreement. As from that date until the reporting date (12 months), the fixed income of the Management Board amounts to € 1.4 million.

For the Fixed Pay rates of the expatriate MB members, the Bank follows the conditions as provided by the Bank's shareholder. Both the Supervisory (SB) and Management Board (MB) understand that the shareholder 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.

Benchmarking
For the local MB members' Fixed Pay, the Bank aligns with prevailing market conditions and 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 The Bank compares the remuneration of the Board with peer positions in the general market, consisting of a combination of comparable financial and non-financial corporations.

Performance objectives
Each year, the Supervisory Board agrees the performance objectives with the Management Board, which are derived from the 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, the Supervisory Board takes into account the interests of all stakeholders of MBE.

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 financial and non-financial objectives.

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

Pension

The local Management Board members participate in the same pension scheme as all other staff of MBE. Additional pension compensation may be granted. Every employee in service before 1st Jan 2015 who earns more than € 107,395 receives a gross supplement to their salary. This is a percentage of the income based on years of service, salary, age and 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.

8. OTHER RISK

8.1 BREAKDOWN OF UNENCUMBERED ASSETS BY ASSETCLASS

	Carrying amount of unencumbered assets			Fair value of unencumbered assets	
	31/03/2019	of which: issued by other entities of the group	of which: central bank's eligible	31/03/2019	of which: central bank's eligible
in € thousands	060	070	080	090	100
Assets of the reporting institution	**19,373,677**	**0**	**1,924,335**		
Loans on demand	4,924,632	0	1,863,896		
Equity instruments	0	0	0	0	0
Debt securities	60,439	0	60,439	60,439	60,439
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	14,231,285	0	0		
of which: mortgage loans	0	0	0		
Other assets	157,322	0	0		

No assets were encumbered as per reporting date.

8.2 CREDIT RISK RATING

For this section we refer to the AR note 32 (Risk management).

8.3 BREAKDOWN OF ASSETS BY ASSETCLASS AFTER CRM

	31-Mar-19									
Risk weight in € thousands	0%	10%	20%	35%	50%	75%	100%	150%	Others	Total credit exposures amount (post CCF and post-CRM)
Sovereigns and their central banks	1,924,346	0	0	0	0	0	0	0	23,317	1,947,663
Institutions	0	0	46,681	0	663,093	0	381,419	0	0	1,091,194
Corporates	0	0	0	0	0	0	12,356,022	28,837	0	12,384,859
Exposures in default	0	0	0	0	0	0	98,229	0	0	98,229
Other assets	71,594	0	0	0	0	0	3,413	0	0	75,007
Total assets	**1,995,939**	**0**	**46,681**	**0**	**663,093**	**0**	**12,839,085**	**28,837**	**23,317**	**15,596,952**