MUFG Risk Management

Mitsubishi UFJ Financial Group
January 2012
This document contains forward-looking statements in regard to forecasts, targets and plans of Mitsubishi UFJ Financial Group, Inc. (“MUFG”) and its group companies (collectively, “the group”). These forward-looking statements are based on information currently available to the group and are stated here on the basis of the outlook at the time that this document was produced. In addition, in producing these statements certain assumptions (premises) have been utilized. These statements and assumptions (premises) are subjective and may prove to be incorrect and may not be realized in the future. Underlying such circumstances are a large number of risks and uncertainties. Please see other disclosure and public filings made or will be made by MUFG and the other companies comprising the group, including the latest kessantanshin, financial reports, Japanese securities reports and annual reports, for additional information regarding such risks and uncertainties. The group has no obligation or intent to update any forward-looking statements contained in this document.

In addition, information on companies and other entities outside the group that is recorded in this document has been obtained from publicly available information and other sources. The accuracy and appropriateness of that information has not been verified by the group and cannot be guaranteed.

The financial information used in this document was prepared in accordance with accounting standards generally accepted in Japan, or Japanese GAAP.

< Definitions of abbreviation used in this document >

<table>
<thead>
<tr>
<th>Abbreviation</th>
<th>Description</th>
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<tbody>
<tr>
<td>MUFG</td>
<td>Mitsubishi UFJ Financial Group</td>
</tr>
<tr>
<td>MUTB</td>
<td>Mitsubishi UFJ Trust and Banking</td>
</tr>
<tr>
<td>MUMSS</td>
<td>Mitsubishi UFJ Morgan Stanley Securities</td>
</tr>
<tr>
<td>MUN</td>
<td>Mitsubishi UFJ NICOS</td>
</tr>
<tr>
<td>MUSI</td>
<td>Mitsubishi UFJ Securities International</td>
</tr>
<tr>
<td>BTMU</td>
<td>Bank of Tokyo-Mitsubishi UFJ</td>
</tr>
<tr>
<td>MUSHD</td>
<td>Mitsubishi UFJ Securities Holdings</td>
</tr>
<tr>
<td>MSMS</td>
<td>Morgan Stanley MUFG Securities</td>
</tr>
<tr>
<td>MUL</td>
<td>Mitsubishi UFJ Lease &amp; Finance</td>
</tr>
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<td>UB</td>
<td>Union Bank</td>
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1. Outline of risk management framework

Management framework

Holding company (MUFG)

- Risk Management Committee (includes crisis management)
- Groupwide Credit Committee
- Corporate Risk Management Division (coordinates risk management)
- Credit & Investment Management Division
- Public Relations Division

Establish fundamental policy
Guidance and advice
Discuss and report

Group companies

- Business (BTMU)
- Mutual Fund (MUTB)
- Other Subsidiaries

Risk Management Committee
Credit & Investment Management Division
Credit Policy & Planning Division
Transaction Services Division
Operations Services Planning Division
Compliance & Legal Division, Systems Department
Corporate Administration Division
Human Resources Division
Compliance & Legal Division
Public Relations Division

Board of Directors
Executive Committee
ALM Committee
Credit & Investment Council
Capital Management Committee
Internal Administration Enhancement Committee
Crisis Management Committee

Market risk, Liquidity risk, Operational risk
Credit risk
Settlement risk
Operations risk
Information asset risk
Tangible asset risk
Personnel risk
Legal risk
Reputation risk

Risk Management Committee
Credit & Investment Management Division
Credit Policy & Planning Division
Transaction Services Division
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Management Planning Committee
Executive Committee
ALM Committee
Credit & Investment Council
Capital Management Committee
Internal Administration Enhancement Committee
Crisis Management Committee

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Reputation risk

Other Subsidiaries

Business (BTMU)
Mutual Fund (MUTB)
Other Subsidiaries

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Credit & Investment Management Division
Credit Policy & Planning Division
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Operations Services Planning Division
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## Outline of risk management framework

### Management process by risk

<table>
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<tr>
<th>Risk</th>
<th>Definition</th>
<th>Assessment</th>
<th>Control</th>
<th>Monitoring</th>
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</thead>
</table>
| **Credit Risk** | ✦ Risk of incurring loss due to declining or loss of asset value resulting from a deterioration in a counterparty’s financial condition etc.                                                                 | ✦ Quantification of credit risk  
✦ Internal credit rating system  
✦ Asset evaluation and assessment  
✦ System for provisions/write-offs  
✦ Credit costs  
✦ Stress tests  
✦ Verification of parameters  
✦ Individual screening                                                                 | ✦ Streamlining of organization, and control procedures  
✦ Decision-making authority  
✦ Credit concentration guideline  
✦ Pricing policy  
✦ RWA control                                                                 | ✦ Amount of credit risk  
✦ Credit portfolio  
✦ Compliance with guidelines  
✦ Credit cost  
✦ Reporting to management  
✦ Management of action plan for troubled borrowers  
✦ Proactive management (Early Warning system)  
✦ Credit examination |
| **Market Risk** | ✦ Risk of incurring loss due to price fluctuation in portfolio assets/liabilities by fluctuation in market risk factors including interest rates, currencies, stock prices, etc. (market risk).  
✦ Risk of incurring loss due to trades not made in necessary volumes at appropriate levels resulting from market turmoil or insufficient trade base (market liquidity risk). | ✦ Quantification of market risk  
✦ Back-testing  
✦ Verification of quantification model  
✦ Calculation of fair value  
✦ Stress tests                                                                 | ✦ Streamlining of organization, and control procedures  
✦ Position limits  
✦ Maximum loss ceiling, loss-cut rules  
✦ Securities investment standards                                                                 | ✦ Amount of market risk (VaR, Val and VaE)  
✦ Compliance with limits  
✦ Outlier ratio  
✦ Net interest income (NII)  
✦ Reporting to management  
✦ Market share ratio / Bid-offer sentiment |
| **Liquidity Risk** | ✦ Risk of incurring loss due to higher funding costs resulting from market turbulence or deterioration of MUFG’s financial condition etc. | ✦ Liquidity funding amount  
✦ Structure of liquidity funding  
✦ Buffer of assets  
✦ Stress tests                                                                 | ✦ Streamlining of organization, and control procedures  
✦ Cash flow management index  
✦ Management by ‘stages” (contingency plan)  
✦ Liquidity risk tolerance                                                                 | ✦ Conditions of liquidity funding  
✦ Compliance with cash flow management index  
✦ Reporting to management |
| **Operational Risk** | ✦ Risk of incurring loss due to inadequate or malfunction of internal processes/personnel/systems, or external events.                                                                                       | ✦ Quantification of operational risk  
✦ Qualitative analysis (Control Self Assessment - CSA)                                                                 | ✦ Streamlining of organization, and control procedures  
✦ CSA, voluntary inspection  
✦ Preventive measures for recurrence of accidents  
✦ Business continuity plan (BCP)                                                                 | ✦ Amount of operational risk  
✦ Occurrence of individual cases  
✦ Key risk indicators (KRI)  
✦ Reporting to management |
| **Integrated Risk** | ✦ Various risks that may impair capital when measured under an integrated criteria.                                                                                                                         | ✦ Internal capital adequacy assessment process (ICAAP)  
✦ Stress tests                                                                 | ✦ Streamlining of organization, and control procedures  
✦ Capital allocation plan  
✦ Risk appetite                                                                 | ✦ Amount of integrated risk  
✦ Amount of risk by business units |
1. Outline of risk management framework

- Economic capital framework and internal capital adequacy assessment process (ICAAP)

(1) Formulate the EC (Economic Capital) allocation plan by risk category, by subsidiary, and by business unit which is consistent with management strategy (profit plan, RWA plan)

(2) Analyze the impact of the stress scenarios relative to capital amount and the EC allocation plan

(3) Verify the adequacy of the EC allocation plan based on the stress scenarios [the amount of EC allocation plan < Capital amount]

(4) Finalize the EC allocation plan and allocate the economic capital (=maximum risk amount that can be taken) by risk category, by subsidiary, and by business unit

(5) Monitor the actual risk amount in comparison to the amount of EC allocation plan and capital amount (ICAAP*)

→ Secure soundness of capital

*In order to make the image simple, the above charts are shown excluding the diversification effect. The actual ICAAP is conducted by comparing total risk amount (= risk amount minus the diversification effect) and capital amount

- Top risk management approach

Management approach that identifies risk incidents that will have large impacts on MUFG business if actualized, and then by sharing the results with top management and within the MUFG Group, consider countermeasures for the respective risk incidents
1. Outline of risk management framework

**Stress Tests**

Conduct stress tests to confirm that the robustness of our capital will be secured even in severer economic and financial market conditions, compared to our forecasts (main scenario) which our Economic capital allocation plan is based on. Outline of the process of stress tests is as follows:

### Market Risk/Strategic Equity-Holding Risk

**Macro-economic scenario**

- Scenario selection by asset class
  - Yield curves
  - Credit spreads
  - Ratings migrations of default rate (PD)
  - Risk sensitivity
  - Beta of listed stocks

**Simulation**

- RWA
- Unrealized gains/losses
- Realized gains/losses
- Impairment loss
- Net interest income, etc.

### Credit cost/RWA

**Macro-economic scenario**

- Scenario selection by sector
  - Selecting economic indices by sector

**Simulation**

- Credit costs
- Expected loss (EL)
- RWA

---

*1 Stress scenarios: Multiple risk scenarios (probability of realizing once every 10 years, once every 25 years, etc.), taking into consideration our risk profiles, economic circumstances, etc.

*2 Selecting indices: GDP is applied as a base economic variable. Besides GDP, risk factors are selected for each industry sector that affects the company’s performance (e.g. automobile sales, retail sales volume).
2. Credit risk management

- Credit risk management system

Management system

- Credit risk management: Credit system planning, Credit policy, Internal credit rating system, Asset evaluation and assessment/Provisions and write-offs, Quantitative analysis of credit risk, Portfolio monitoring, Concentration risk management, etc.

- Credit administration: Assigning credit ratings, Deal screening, Credit exposure management policy

- Credit examination: Verification of risk management system of HQ, credit ratings/asset evaluation and assessment, credit management at branches

**Diagram:**

- **BTMU**
  - Credit Committee
  - Board of Directors
  - Executive Committee
  - Credit examination sections
  - Credit administration sections
  - Credit risk management sections

- **MUFG**
  - Groupwide Credit Committee
  - Executive Committee
  - Credit risk management section

- **MUTB, MUSHD, MUN, etc.**
  - Each committee
  - Executive Committee
  - Credit examination sections
  - Credit administration sections
  - Credit risk management sections
2. Credit risk management

- Quantitative recognition of credit risk

  2 criteria - “Risk Weighted Asset” under Basel Standard, and “Economic Capital” under MUFG Standard

<table>
<thead>
<tr>
<th>Item</th>
<th>Calculation method</th>
<th>Used for</th>
</tr>
</thead>
</table>
| (1) Risk Weighted Asset (RWA) ⇒ Basel Standard | - Calculated with the PG/LGD method using the Advanced Internal Rating-Based approach  
- Use the internally estimated PD (Probability of Default) and LGD (Loss Given Default)                                                                                                                                                                                                 | - Calculating capital adequacy ratio                                                        |
| (2) Economic Capital (EC) ⇒ MUFG Standard (for internal control) | - Calculated using the Monte-Carlo Simulation Method based on the credit risk measurement model (same PD/LGD as (1))  
- Consider concentration risks, including concentration to large borrowers or certain industries, which are not considered in (1)                                                                                                                                                     | - Management of allocated EC  
- Internal Capital Adequacy Assessment Process (ICAAP)                                                                                                                                  |

- Concentration risk management

  Each subsidiary manages concentration risk adequately. Holding company (MUFG) conducts regular monitoring of MUFG-wide concentration risk, and deliberate at the Groupwide Credit Committee as necessary

<table>
<thead>
<tr>
<th>Item</th>
<th>Credit risk management method</th>
</tr>
</thead>
</table>
| (1) Large borrower concentration (concentration to individual company) | - Set a credit guideline amounts for large borrower groups based on the borrower ratings  
- Monthly Monitoring of compliance with the guideline. The Groupwide Credit Committee deliberates on credit exposure management policies for borrowers exceeding the guideline                                                                                                                                 |                                                                                                                                                        |
| (2) Industry concentration                | - Monitor the credit balance and measure the credit risk per industry on a monthly basis  
- The Groupwide Credit Committee deliberates on the credit policy for certain primary industries                                                                                                                                                                                                                                         |                                                                                                                                                        |
| (3) Country risk (see page11 for details) | - Set country limits based on credit ratings per country, etc  
- Quarterly monitoring of credit balances by country/compliance of country limit, etc  
- Each subsidiary’s credit committee deliberates on country limits/credit policy                                                                                                                                                                                                                  |                                                                                                                                                        |

- Stress Tests

  Conduct semi-annual stress tests based on multiple scenarios and report results to the Risk Management Committee

- Monitoring subsidiaries

  MUSHD(MUMSS/MUSI/MSMS)/MUN/ACOM/MUL/UB/Morgan Stanley

  Credit risk management section of MUFG monitors the credit risk of major subsidiaries and affiliates (credit portfolio, credit cost, concentration risk, country risk, etc.) on a monthly basis
2. Credit risk management

### Type and outline of credit ratings system

<table>
<thead>
<tr>
<th>Type</th>
<th>Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>(1) Borrower ratings</td>
<td>- Evaluated and classified in 15 grades based on the borrower’s estimated debt repayment ability over the next three to five years</td>
</tr>
<tr>
<td>(2) Facility risk ratings</td>
<td>- Evaluated and classified based on the estimated loss of a credit facility in the event of a default, taking into consideration individual terms of credit facilities, such as guarantees and collateral</td>
</tr>
<tr>
<td>(3) Structured finance ratings</td>
<td>- Evaluated and classified based on the reliability of a facility in repaying principal and interest, taking into consideration individual terms of credit facilities, including guarantees, collateral, applicable credit period and credit structure</td>
</tr>
</tbody>
</table>

#### Borrower ratings - Definitions and flow of assigning ratings

<table>
<thead>
<tr>
<th>Borrower rating</th>
<th>Borrower category</th>
<th>NPL Classifications under FRL</th>
<th>Flow of assigning borrower ratings</th>
<th>Outline</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>2</td>
<td>3</td>
<td>Quantitative evaluation of financial data</td>
<td>- Make a primary evaluation based on the client’s financial statements using quantitative financial models that correspond to corporate size, industry, etc</td>
</tr>
<tr>
<td>4</td>
<td>5</td>
<td>6</td>
<td>Primary Evaluation</td>
<td>- Adjust primary evaluation as necessary (downward adjustments in general), taking into consideration industry risks, management risks, legal risks, etc</td>
</tr>
<tr>
<td>7</td>
<td>8</td>
<td>9</td>
<td>Adjustment of various risk factors (including verification of B/S on a financial substance basis)</td>
<td>- Adjust secondary evaluation as necessary, taking into consideration the closeness with parent company, its strategic position, etc</td>
</tr>
<tr>
<td>10</td>
<td>11</td>
<td>12</td>
<td>Secondary Evaluation</td>
<td>- In cases where there are significant discrepancies between the third evaluation and external indicators (external credit rating), adjustments are made as necessary if reasonable, to determine final borrower rating.</td>
</tr>
<tr>
<td>13</td>
<td>14</td>
<td>15</td>
<td>Third Evaluation</td>
<td></td>
</tr>
<tr>
<td>15</td>
<td>13</td>
<td>14</td>
<td>Verification by external ratings/information</td>
<td></td>
</tr>
<tr>
<td>14</td>
<td>13</td>
<td>15</td>
<td>Final Evaluation(Borrower rating)</td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Rating</th>
<th>Category</th>
<th>Classification</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Normal</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>2</td>
<td>Normal</td>
<td>Normal claims</td>
</tr>
<tr>
<td>3</td>
<td>Normal</td>
<td>Normal claims</td>
</tr>
<tr>
<td>4</td>
<td>Close</td>
<td>Close watch</td>
</tr>
<tr>
<td>5</td>
<td>Close</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>6</td>
<td>Close</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>7</td>
<td>Close</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>8</td>
<td>Close</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>9</td>
<td>Close</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>10</td>
<td>Likely</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>11</td>
<td>Bankruptcy</td>
<td>Claims under close observation</td>
</tr>
<tr>
<td>12</td>
<td>Bankruptcy</td>
<td>Claims under close observation</td>
</tr>
<tr>
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<tr>
<td>15</td>
<td>Bankruptcy</td>
<td>Claims under close observation</td>
</tr>
</tbody>
</table>
2. Credit risk management

Application/Monitoring of individual companies/deals

While deals are becoming more diversified with overseas lending increasing, certain standards at the respective levels of (1) Admission, (2) Monitoring during credit term, and (3) Exit are established to manage credit risks more carefully.

<table>
<thead>
<tr>
<th>(1)</th>
<th>Admission Standard</th>
</tr>
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<tbody>
<tr>
<td></td>
<td>Set standards for applicable deals (Underwriting Guideline)</td>
</tr>
<tr>
<td></td>
<td>Pricing Management</td>
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<tr>
<td></td>
<td>Adherence to the compliance policy</td>
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</tbody>
</table>

<table>
<thead>
<tr>
<th>(2)</th>
<th>Monitoring during credit term</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Introduction of Early Warning system</td>
</tr>
<tr>
<td></td>
<td>Deliberation on large borrowers/industries/country risk at the Groupwide Credit Committee</td>
</tr>
<tr>
<td></td>
<td>Creating &quot;Action Plans&quot; for borrowers ratings that are below &quot;close watch&quot;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>(3)</th>
<th>Exit</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Revitalization Support</td>
</tr>
<tr>
<td></td>
<td>CDS Hedging</td>
</tr>
<tr>
<td></td>
<td>Loan collection/credit sale</td>
</tr>
</tbody>
</table>
2. Credit risk management

- Assign credit rating by country

- Set country limit

- Formulate credit transaction policy by country

- Regular monitoring of country exposure

- Early warning monitoring

- Monitoring of specific countries/regions

- Early warning/response at times of sudden deterioration of conditions in the country
3. Market risk management

- **Market risk limit**
  - Market risk amount = VaR (general market risk) + VaI (individual risk)
  - The Executive Committee shall vest authorization of the Market Risk Limit, calculated from the allocated economic capital and profit plan, to the Global Market Unit
  - Within the Global Market Unit, the limit amount is allocated to the respective business lines (banking, trading), branches, and divisions, etc
  - Calculate the VaR/VaI using risk measurement models, and report to management daily

- **Loss limit**
  Set the loss limit for each business line, and allocate to the Global Market Unit together with the market risk limit
  - Banking ⇒ Set loss limit based on stress test results
    - Triggers for consultation, alarm points, soft limits
  - Trading ⇒ Set loss limit based on the profit plan
    - Triggers for liquidation, alarm points

- **Risk measurement model**
  - Historical simulation methodology
    - Linear risk: sensitivity method, nonlinear risk: matrix method, full valuation method
    - Current market volatility weighted incorporated
    - Length of holding: 2 weeks  Confidence level: 99%  Observation period: 3 years (701 business days)
  - Periodically verify the comprehensiveness of risk factors, and adequacy of assumptions
3. Market risk management

Stress loss limit

- Stress loss limit at MUSHD

  - Given the loss incident at MUMSS, we have enhanced the management of those risks that change intricately due to multiple factors, such as risks in exotic-options in trading operations
  - Calculate the stress in times of stress (stress loss), which cannot be captured by VaR, to set the ceilings for management purposes

Product with high market liquidity

  - Calculate the stress loss under more challenging assumptions than VaR
    - Observation period: 10 years
    - Confidence interval 99.9%
    - Length of holding
      - Linear risk: 20 business days
      - Non-linear risk, individual risk: 250 business days

  - Set ceiling for the calculated stress loss
  - Take into account business plans and its necessary regulatory capital, and capital buffer

Product with low market liquidity

  - For each product, select the stress scenario that would result in the largest risk, and apply it to the holding positions to calculate the stress loss amount
3. Market risk management

Analysis using NII (Net Interest Income) by scenarios

- Periodically calculate NII, and monitor changes in expected profit/loss due to interest rate fluctuations for the observation period.
- Analyze factors that affect for the NII curve and consider ALM countermeasures, aiming to make the balance sheet profitable and resistant to interest rate fluctuations.

NII decrease factors

- Decline in NII levels
  Small loan spread due to tough competition in domestic loan market
  Decline in yields for bonds, etc. due to lower and flattening of yield curve
- Change of NII curve (Left chart, in case of steepening)
  Decrease in long-term assets to match long-term liabilities such as Core deposits (Shorten loan period, etc.)

Measures to increase NII (example)

- Improve the yield of assets
  Widen spreads in loans/ Increase high risk assets
- Reduce funding cost
  Reduce market funding cost / Review interest rates for deposits
- Manage assets for longer periods to match Core deposits
  Increase loans, lengthen loan periods/ Lengthen duration of government bonds
3. Market risk management

Managing risk of JGB holdings

- Risk analysis of JGB holdings by stress tests and early warnings
  - Formulate scenarios, in which sovereign risk of Japan materializes, and conduct profit/loss simulations based on the expected balance sheet
  - It is effective to detect the signs of a crisis and to take proactive measures at early stages
  - Monitor JGB risk for early warnings, and anticipate pre-crisis contingency responses

- Risk management and transaction divisions will respectively monitor risk of JGB holdings and manage early warnings of any crisis situations

- Share monitoring results, aiming to be flexible in its pre-crisis contingency responses

<Risk management divisions>

Monitor selected quantitative monitoring item from risk management indicators measured for internal management purposes, which includes balance sheet structure, net unrealized gains/losses, and buffer-asset holding

Consider implementation of pre-crisis contingency measures
- Refrain in long-/ultra long-term bond investments
- Shorten duration, etc

<Transaction divisions>

Select monitoring indicators from macroeconomic indicators, public finance statistics etc., and set criteria for “safe”, “close-watch” and “crisis” to each indicator. Determine the JGB risk level by aggregating assessments of the respective indicators.
4. Liquidity risk management

Management of liquidity stages

- MUFG and the respective subsidiaries assigns liquidity risk management stages in accordance to their respective cash flow situations
- “Normal”, “Concern” and “Crisis” being the three standard stages, and if and when necessary, subdivide the “Normal” stage into the “ordinary stage”, “precautionary stage”, and “caution stage”
- Each subsidiary formulates contingency plans for the respective stages
- MUFG and subsidiaries coordinate when changing the stage to “Crisis”, and consult throughout the group in “Concern” stage as necessary

<table>
<thead>
<tr>
<th>Stage</th>
<th>Situation</th>
<th>Contingency plans</th>
</tr>
</thead>
<tbody>
<tr>
<td>Normal</td>
<td>Situation not corresponding to period of Concern or Crisis</td>
<td></td>
</tr>
</tbody>
</table>
| Concern | Situation in which the funding cost of subsidiaries, etc., has risen significantly and is having a major impact on operations with clients  | Expand funding from market
Review assets under management
Secure customer deposits
Dispose of assets which can be liquidated
Utilize Central Bank facility etc. |
| Crisis  | Situation in which the funding situation has deteriorated severely, and subsidiaries, etc., cannot secure or see no prospect of securing necessary funding |                                                                                  |

Liquidity risk limits

- Ceiling for necessary funding within a certain period (O/N, 1 week, etc.), payment reserve asset balance
- Total commitment line, unused balance, and asset/liability gap
4. Liquidity risk management

- Liquidity Stress Tests
  - Assume situation where a liquidity concern has occurred, and verify the viability of the contingency plans
  - If not viable, review balance sheet plan

<table>
<thead>
<tr>
<th>Scenario</th>
<th>Situation</th>
<th>Expected Stage</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. MUFG specific stress</td>
<td>Significant downgrade of MUFG subsidiaries</td>
<td>Concern</td>
</tr>
<tr>
<td>2. Overall market stress</td>
<td>Market turmoil such as credit crisis</td>
<td>Concern</td>
</tr>
<tr>
<td>3. Combined scenario of 1 and 2</td>
<td>Combined scenario of Scenario 1 and 2</td>
<td>Concern-Crisis</td>
</tr>
</tbody>
</table>

- Stress tests

- Actual balance sheet
- Estimated balance sheet based on Scenario 3

Viability of the contingency plan verified even at the time of stress

Can the contingency plans cover the liquidity shortage?

- YES
- NO

Review the balance sheet plan

Difficulty in funding from market