Remuneration Disclosure

31 DECEMBER 2016

Introduction

The Basel II Framework was implemented in the European Union via the Capital Requirements Directive ("CRD") in June 2006. The framework is made up of three pillars:

- Pillar 1 (Minimum capital requirements) - Pillar 1 sets out 'minimum capital requirements'. It covers the calculation of risk weighted assets (RWA) and the capital resources requirements for credit risk, market risk and operational risk. Credit risk includes counterparty credit risk and concentration risk.
- Pillar 2 (Supervisory review process) - Pillar 2 capital framework is intended to ensure that firms have adequate capital to support the relevant risks in their business, and that they have appropriate processes to ensure compliance with CRD IV. It considers whether additional capital is required over and above the Pillar 1 capital requirements. A firm's internal capital adequacy assessment process ('ICAAP') supports this process.
- Pillar 3 (Market discipline) - Pillar 3 of the Basel framework aims to promote market discipline through regulatory disclosure requirements. It covers external disclosures of capital and risk exposures to increase transparency and improve comparability and consistency of disclosures.

The Basel Committee agreed updates to the Basel framework in July 2009, commonly referred to as Basel 2.5. These seek to better capture risk from securitisation and trading book exposures and were incorporated into European law via amendments to the CRD known as the "Third Capital Requirements Directive" or "CRD3".

Basel 3, released in December 2010, builds on Basel 2.5. It sets higher capital and liquidity requirements to be phased in over the coming years. The Fourth Capital Requirements Directive ("CRD4") to enact Basel 3 was implemented in January 2014. The UK Prudential Regulation Authority (PRA) published final rules for implementing CRD4 in its Policy Statement 7/13. Reporting and Disclosure requirements are covered in the Policy Statement.

In November 2016, the European Commission proposed a number of amendments to the existing CRR and CRD IV. These amendments cover some of the proposals already completed or under development by the Basel Committee. The amendments include the following:

- A binding leverage ratio (LR) and changes to the exposure measure
- A binding detailed net stable funding ratio (NSFR)
- A new Standardised approach for counterparty credit risk which replaces the existing current exposure and Standardised methods
- Restrictions to the capital base for the large exposure purpose, and changes to the exposure limits for the calculation of large exposures
- The implementation of new standards on the total loss-absorbing capacity (TLAC)
- Changes to the rules for determining the trading and non-trading book boundary and the methodologies for calculating market risk capital charges

It is expected that the proposed amendments will start entering into force in 2019 at the earliest, and these proposed changes will need to be considered alongside the implications arising from the UK Referendum on EU Membership. MUS(EMEA) are monitoring and preparing for these changes to ensure any upcoming regulatory requirements are met.

This document sets out the Pillar 3 quantitative and qualitative disclosures and is published annually on the corporate website of MUS(EMEA) (www.mufgsecurities.com) . Disclosures in respect of the Remuneration Code as required under Article 450 of the Capital Requirements Regulation ("CRR") will be separately published on the same website and should be deemed to be part of the Pillar 3 disclosure for MUS(EMEA).

This report was verified and approved internally, including a review by the Board of Directors to ensure that the external disclosures convey MUS(EMEA)'s capital and risk profile comprehensively, subject to materiality and proprietary confidentiality. There is no requirement for external auditing of these disclosures.

About MUS(EMEA)

Mitsubishi UFJ Securities International has been renamed MUFG Securities EMEA plc (MUS(EMEA)) as part of a broader shift by Mitsubishi UFJ Financial Group (MUFG) to provide one-stop financial solutions to customers around the world. The name change became effective on 1 July 2016.

MUS(EMEA) is a wholly-owned investment banking subsidiary of Mitsubishi UFJ Securities Holdings Co. Ltd. (MUSHD), which is wholly owned by MUFG and was established in 1983. MUS(EMEA)'s Tier 1 capital at 31st December 2016 was £1,311 million and the average number of employees during the year was 587.

MUS(EMEA) is active throughout the international capital markets, focusing on fixed income, equity and structured finance products. It is engaged in market-making and dealing in the fixed income, equity-linked and derivatives financial markets; and the management and underwriting of issues of securities and securities investment.

MUS(EMEA) provides a wide range of services to governments, their monetary authorities and central banks, supra-national and sub-national organisations, private financial institutions and corporates.

MUS(EMEA) works in close partnership with MUFG and its corporate bank, the Bank of Tokyo-Mitsubishi UFJ Ltd. (BTMU), to ensure its clients experience seamless product delivery that meets all of their objectives.

MUFG was formed in October 2005 through the merger of Mitsubishi Tokyo Financial Group and UFJ Holdings and is one of the world's largest and most diversified financial groups, with total assets of ¥302 trillion (£2.1 trillion) at 31 December 2016. MUFG's services include commercial banking, trust banking, investment banking, credit cards, consumer finance, asset management, leasing and other financial service activities.

The scope of this document covers MUS(EMEA), including its Dubai branch, on a solo basis. As of 31 December 2016 MUS(EMEA) does not have any subsidiaries.

Remuneration Philosophy

MUS(EMEA) is committed to promoting a culture of high performance and ethical standards, where talented individuals can achieve excellent business results, develop their careers and be appropriately rewarded.

MUS(EMEA)'s approach to remuneration is to ensure that employees are remunerated appropriately for their skills, experience and the sustainable value they bring to the business.

MUS(EMEA)'s reward programmes are designed to achieve the following:

- Attract, recognise, develop and retain key talent
- Reward those who deliver superior performance in a way that is responsible and is aligned with risk and compliance requirements
- MUS(EMEA)'s remuneration practices are designed to embed effective risk disciplines and to be fully compliant with all appropriate governance;
- Motivate and reward people who demonstrate behaviours in line with the Company's values: Integrity & Responsibility, Professionalism & Teamwork and Challenge ourselves to grow;
- Adjust for malus (reduction in unpaid bonus or unvested bonus) and claw-back (repayment of paid bonus, only applicable to Remuneration MRTs) where appropriate;
- Align employee reward with the Business Plan and performance of the Company
- Comply with all applicable regulatory and legal requirements including, but not limited to, the Volcker Rule, applicable employment, tax and equality legislation, the Remuneration Code, CRD IV, European Banking Standard guidelines and other relevant Codes and guidance.
- Provide a total reward package that is competitive and attractive within the financial services market place.
- A transparent, clearly communicated and well understood approach to remuneration.

Remuneration Policy

MUS(EMEA) reviews its Remuneration Policy on an annual basis. For the performance year 2016 are view, which took place in August, was initially conducted by Human Resources with input from Risk and Compliance before being submitted to the Remuneration Committee for their review. A further review was completed in December and will be presented by the Remuneration Committee to the Board of Directors ("the Board") for approval in April 2017. Reviews are undertaken to ensure remuneration is structured in a way which aligns reward with and promotes effective risk management. Compliance with the Remuneration Part of the PRA's Rulebook and the FCA's Dual Regulated Firm's Remuneration Code (herein, collectively referred to as the Remuneration Code) is also assessed.

The Policy outlines the link between pay and performance as well as the philosophy and structure of remuneration at MUS(EMEA).

Composition and mandate of the Remuneration Committee

The Remuneration Committee provides independent oversight of MUS(EMEA)'s remuneration processes and policies and achieves this through a process of rigorous review and challenge as and whenever appropriate. In doing so, the Remuneration Committee takes into account the interests of its various stakeholders.

For performance year 2016, the Remuneration Committee exercised independent judgement in reviewing and approving remuneration proposals from the Executive Committee. The Remuneration Committee was responsible for reviewing proposals in relation to the total individual remuneration packages of Material Risk Takers ("MRTs"), including senior members of the Risk & Compliance functions and all high-earning employees. . During the 2016 financial year the Remuneration Committee met 11 times.

MUS(EMEA)'s Material Risk Takers ("MRTs") definition is:

1. Individuals who perform a Senior Management Function for MUS(EMEA);
2. Risk-takers as defined in the Material Risk Takers Regulation (Articles 2 & 3 of the Commission Delegate Regulation (EU) No 604/2014); and
3. Any other employee who, in the opinion of the Remuneration Committee, has a material impact on the Company's risk profile including, but not limited to, Conduct Risk

In 2016 the Remuneration Committee consisted of four Independent Non-Executive Directors who were voting members as well as observers who were excluded from meetings when their personal remuneration was discussed. The current Independent Non-Executive Directors are also members of the Audit Committee and the Board Risk Committee.

For performance year 2016 the voting members and observers of Remuneration Committee were: Independent Non-Executive Director (Chairman), 3 x Independent Non-Executive Directors, , Resident Executive Officer, Chief Executive Officer, Chief Financial Officer, Head of Compliance, Chief Risk Officer, Head of Human Resources and Head of Performance and Reward .

Link between Pay and Performance

MUS(EMEA) operates a robust performance management process that includes a Performance Framework, mid-year and year-end performance reviews, objective setting, formal evaluation against objectives, 360 feedback, allocation of an overall performance rating and talent mapping. These components ensure that employees are given the opportunity to develop throughout their career at MUS(EMEA) and enables MUS(EMEA) to identify and reward employees who are performing and behaving in a way that is consistent with the Company's strategy and core values.

The internal Performance Framework, which is made available to all employees, set out the behaviours and values employees are expected to demonstrate at each corporate title level. These are aligned to the Company's values, as follows:

- Integrity and responsibility
- Professionalism and teamwork
- Challenge ourselves to grow

Evaluation against these values forms part of the performance review process in addition to being the criteria used when considering promotion eligibility.

Bonuses are allocated from MUS(EMEA)'s bonus pool to employees based on individual performance, taking into account the balanced scorecard, achievement of objectives and, where available, 360˚ feedback. The balanced scorecard has four quadrants covering Individual Deliverables, Compliance & Regulatory, Financial Goals and Culture & Values, thus remunerating individuals based both on what they deliver, and how they behave in accordance with the Company's policies, procedures and values. For the performance year 2016 the recommendations on the distribution of the bonus pool at various levels were made iteratively by the Resident Executive Officer (REO) and International Business Head (IBH) of MUS International Business, the MUS(EMEA) CEO, the heads of Control Functions and local and international business unit heads with the final decision made by the Remuneration Committee. The amount of and distribution of the bonus pool was also reviewed by the MUSHD Human Resources and Management Committees.

Remuneration Design and Structure

There are 2 key components to MUS(EMEA) remuneration:

- Fixed remuneration
- Variable remuneration.

Remuneration consists broadly of fixed compensation (including salary, Role Based Allowances, pension benefits and other standard benefits) and variable remuneration in the form of a performance related bonus, a portion of which may be deferred on a mandatory basis. Material Risk Takers who are Non-Executive Directors receive set remuneration. A number of MRTs are seconded to MUS(EMEA) from Tokyo and their remuneration is determined by MUFG, or a subsidiary of MUFG, as appropriate. MUS(EMEA) ensures that their variable remuneration is compliant with the Remuneration Code.

FIXED REMUNERATION

Fixed compensation, salary and Role Based Allowances, is intended to remunerate employees for their skills and experience. MUS(EMEA) has a stepped salary structure by corporate title to ensure that as employees advance in seniority their base compensation advances accordingly. The salary steps have been set at levels which enable MUS(EMEA) to operate a fully flexible bonus policy. They are reviewed annually to ensure that the structure is competitive and reflective of sound remuneration principles and practices. Changes to the base salary framework must be approved by the Remuneration Committee.

Salaries for all employees are reviewed on an annual basis, typically in the early part of the performance year, in line with the performance review process. This ensures that performance from the previous performance year can be taken into consideration when reviewing individual remuneration.

VARIABLE REMUNERATION

Employees may be awarded an annual performance-based bonus which is reflective of the performance of MUS(EMEA), the International Business (being all other MUFG Securities entities outside of Japan), the relevant business unit and each employee's individual performance in the performance year. Individual performance is assessed through the individual's Balanced Scorecard. . Bonuses are used to reward those who demonstrate MUS(EMEA)'s firm-wide cultural values and who deliver superior performance in a way that is consistent with risk and compliance requirements.

Bonus awards are determined in accordance with the relevant provisions and guidance of the PRA's and FCA's Remuneration Code. All such awards may be subject to (i) deferral, (ii) performance adjustment in line with prevailing policies and (iii) claw-back in relation to bonus awards made to Material Risk Takers. MUS(EMEA) does not operate any long-term incentive schemes which are separate from the deferral programmes applied to annual variable remuneration.

DEFERRAL

In the performance year 2016 MUS(EMEA) operated two deferral programmes for variable remuneration. One deferral programme applied to employees whose total bonus was over a certain threshold. The second deferral programme was for employees who were subject to the PRA's and FCA's Code on Remuneration during 2016, unless the de minimis concession applied (in which case, the former deferral plan was applicable). The following section provides a more detailed overview of the deferral plan for Material Risk Takers.

MRT Deferral Plan

For the performance year 2016, MRTs were subject to a deferral schedule based on their Total Variable Pay Award. In accordance with the Remuneration Code, for MRTs receiving a bonus of up to £500,000, a deferral of 40% is applied to the bonus under the terms of MUS(EMEA)'s Deferred Compensation Plan for Material Risk Takers, unless the de minimis level set by the PRA applied. For MRTs who received a bonus of £500,000 or more, the deferral percentage was 60% which is calculated and applied in the same way.

Of the portion of bonus not deferred, 50% was paid to participating MRTs in Q1 2017 and 50% was retained for 6 months in phantom MUFG stock (details of this share-linked instrument are provided below). Of the portion of bonus deferred, 50% has been deferred as cash and 50% has been deferred in phantom MUFG stock.

In addition, in relation to the deferred phantom MUFG stock, MUS(EMEA) has applied a 6 month retention period which follows each vesting event.

VESTING, MALUS AND CLAWBACK

For the performance year 2016, MRTs have been sub-categorised into Senior Managers, Risk Managers and Material Risk Takers. The vesting period of the deferral will be determined by the MRT's category. Senior Managers will be subject to a 7 year deferral period; Risk Managers will be subject to a 5 year deferral period and Material Risk Takers will be subject to a 3 year deferral. An award does not vest if an employee gives notice to terminate his/her employment or has his/her employment terminated due to gross misconduct. Deferred awards are also subject to malus and clawback provisions, as outlined in the firm's Adjustment Policy such as, for example, where there is reasonable evidence of employee misbehaviour or material error; the firm or business unit suffers a material failure of risk management.

SHARE-LINKED INSTRUMENT

The 2016 MRT deferral plan and retained portion of the non-deferred bonus links a portion of variable remuneration to the performance of the Mitsubishi UFJ Financial Group as a whole via awards of phantom MUFG stock. The phantom MUFG stock awards are linked to MUFG stock from the date of award to the end of each retention period following vesting.

Risk Adjustment

For the performance year 2016, MUS(EMEA)'s approach to risk adjustment was two-fold via ex-ante and ex-post risk adjustment. Ex-ante risk adjustment was performed through the setting of risk adjusted budget -contributions for each business unit, with risk limit structures that were consistent with those budgets. Aggregate bonus spend was determined with reference to these risk adjusted contributions. MUS(EMEA) operates three models of risk adjustment to reflect both the nature of the risks being taken by desks and the capital costs these risks incur. The models are used to inform the overall pool as well as department level pools. Their use helps to ensure that financial return is appropriately offset against the risk undertaken to achieve that return. The first model used was based on the Sharpe Ratio, the second was an Economic Risk Capital model and the third was a Regulatory Capital model. Ex-post risk adjustment is on-going through the mechanisms of performance adjustment and the application of malus and clawback provisions.

Benefits

Material Risk Takers received standard benefits that were the same as those provided to all other employees.

Quantitative Remuneration Information

During performance year 2016 the Company had 67 MRT's. The aggregate remuneration was £42.09m. This was split between the Front Office businesses (£27.69m) and the Support Units, including management (£14.39).

The disclosure table below provides additional details of MRT remuneration, split between Senior Management (10/67) and other members of staff whose actions has a material impact on the risk profile of the Company (48/60).

In line with disclosure rules to state the number of individuals being remunerated €1,000,000 or more and broken down into €500,000 pay bands, of the 67 MRTs, 12 individuals were remunerated €1,000,000 or more during the performance year. The remuneration for these individuals is broken down into pay bands as follows: 6x €1m-€1.5m; 2x €1.5m-€2m; 1x €2m-€2.5m; 2x €2.5m-€3m; 1x €4m-€4.5m.

	Senior Management £m	All other MRT Staff £m	Total £m
Fixed remuneration	4.38	16.42	20.80
Variable remuneration	5.34	15.95	21.29
Variable remuneration (cash)	2.67	8.32	10.99
Variable remuneration (phantom shares)	2.67	7.63	10.30
Outstanding deferred remuneration (vested)	0.00	0.00	0.00
Outstanding deferred remuneration (unvested)	6.02	12.81	18.83

Deferred remuneration awarded in the performance year	3.07	7.37	10.44
Deferred remuneration paid out in the performance year	3.00	6.07	9.07

Prior to the payment of deferred and retained remuneration during the performance year, the Remuneration Committee reviewed the payments with input from Risk, Compliance and Human Resources and determined that none of the payments were to be reduced through malus provisions.

4 severance payments, totalling £656,949 were made to MRTs on the termination of their employment during 2016, the highest amount paid to a single individual was £244,260.

No sign-on payments were paid to MRTs during the performance year.

Compliance with the Remuneration Code

MUS(EMEA) ensures compliance with the Remuneration Code by seeking advice from professional advisors and through its governance processes which are in place to approve compensation proposals. The latter includes rigorous review by the Remuneration Committee and MUSHD, with subsequent review of MUS(EMEA)'s compliance with the Remuneration Code by Internal Audit on an annual basis. Where required to do so, MUS(EMEA) also publishes information on its remuneration structures which create transparency regarding its compliance with the Remuneration Code. This document sets out a number of aspects of compensation which are compliant with the Code such as its approach to risk adjustment, identifying Material Risk Takers and remuneration structures applicable to MRTs.