

DUTCH BANKING CODE

Implementation status (as per 22 October 2010)

1. Introduction

In response to the report of the Advisory Committee on the Future of Banks, titled 'Restoring Trust' (April 2009) following the recent credit crisis and increased focus on corporate governance, the Netherlands Bankers' Association (NVB) has drawn up the 'Banking Code' (September 2009), applicable to all banks licensed in the Netherlands under the Financial Supervision Act (Wft). The Banking Code has come into effect on 1 January 2010. Banks shall report on the compliance with the new Code in their 2010 published annual accounts. MUFG BANK (EUROPE) hereby reports for public disclosure on its website on the implementation progress (status as of 22 October 2010).

2. Banking Code essentials

The Banking Code contains principles that are based on the Dutch Corporate Governance Code, lastly revised in December 2008 and effective since 1 January 2009¹. The Corporate Governance Code applies to listed banks only.

Mindful of the lessons learned from the latest global credit crisis the Banking Code focuses on the role of the bank's managing board and supervisory board, the risk management and audit function and the remuneration principles.

Annually in their annual reports banks shall report on the manner in which they applied the principles of the Banking Code in the previous year. Any exemptions applied by the bank shall be substantially explained.

3. Banking Code implementation by MUFG Bank (Europe)

MUFG Bank (Europe) applies the Banking Code principles and provisions and has duly completed the implementation of the Code. MUFG BANK (EUROPE) acknowledges that the principles embedded in the Code entirely fits within the corporate governance principles applied by our parent bank(s), MUFG Bank, Ltd. and MUFG Inc.

MUFG BANK (EUROPE) has reviewed its organization and policies, among which the managing board and supervisory board by-laws, risk and audit function procedures and remuneration policy against the framework of the Banking Code. The final versions of the relevant bylaws and policy documents and procedures have been approved by the Management and Supervisory Board in October 2010.

The bank applies the Banking Code also to the activities of its EU branches (6).

In a number of cases the Management Board (MB) and Supervisory Board (SB) have decided not to apply certain provisions of the Banking Code. The deviations from the Banking Code, including the reasons thereof, are explained under item 10.

4. Management Board (MB) By-laws

The MB Bylaws have been modified to fully comply with the Banking Code. The composition and expertise requirements have been duly embedded in the MB Bylaws. Upon occurrence of vacancies a function profile will be drawn up.

The MB Bylaws stipulate the chairman's responsibility to organize a lifelong learning program for MB members and both the MB Bylaws and SB Bylaws refer to the SB's responsibility to annually assess the effectiveness of the program and whether the MB members continue to meet the expertise requirements developed by De Nederlandsche Bank (DNB). For 2010 the MB longlife learning program is being executed and at the end of the year the program for 2011 will be established.

The MB Bylaws also stipulates the MB's responsibilities in respect of risk management.

Furthermore, the MB bylaws specifically address the MB's responsibility to ensure that the interest of all the stakeholders (such as clients, shareholder, employees) of the bank are considered in all its actions.

In the same provisions the focus on the clients' interest and the duty of care for the client is duly embedded.

5. Customer first

The focus on clients' interests and the duty of care of the client are embedded in the SB and MB bylaws and in internal policies and procedures, such as the '

- 'Ethical Framework/Code of Conduct',
- 'Policy for conflicts of interest management',
- 'Rights & obligations of clients',
- 'Prohibition on abuse of dominant bargaining position',
- 'Basic policies and control systems for customer protection',
- 'Customer complaint/claim procedure' and
- 'Customer support manual'.

For the MUFG BANK (EUROPE) staff, the bank has implemented a whistleblowing regulation, named 'MUFG Compliance Helpline'.

6. Risk appetite ('risk policy')

The risk appetite framework has been discussed within the MB and with the SB chairman and formalized in a MUFG BANK (EUROPE) Risk Appetite document. The Risk Appetite document explains the risk positioning and enterprise risk management of the bank and outlines the three most important risks the bank is exposed to, viz. credit risk, operational risk and funding & liquidity risk. Besides, the Risk Appetite document highlights the risk management organization in the bank and the New Product Approval Process (NPAP) and the periodical review of the risk appetite and annual compliance assessment by IAD.

7. New Product Approval Process (NPAP)

MUFG BANK (EUROPE) implemented a NPAP Procedure in 2008. The current NPAP fully complies with the requirements of the Dutch Banking Code. The effectiveness and compliance will be annually assessed by the IAD and the results of it reported to the MB and SB.

8. Audit

The bank has reestablished its own, independent internal audit function, with direct reporting lines to both the MB and the SB. Through the internal audit charter and annual audit program the MB has established that a systematic audit is conducted of the management of the risks related to the bank's activities. The audit charter and annual audit program stipulate the IAD task of assessing the internal control framework, including its design and effectiveness, and the quality and effectiveness of the system of governance risk management and the bank's control procedures. The findings will be reported annually by the IAD to the MB and SB.

Furthermore, the internal audit charter stipulates the periodical consultations between the IAD, external auditor and SB regarding the audit plan and risk analysis.

Besides, it has been governed that the IAD meets at least once a year with DNB and the external auditor to discuss, among others, each other's risk analysis, audit plan and findings.

9. Remuneration policy

The remuneration policy applied by MUFG BANK (EUROPE), as established by the MB and SB, over the years complies with the Banking Code remuneration principles,

The bank's remuneration policy stipulates that the SB is responsible for the implementation and evaluation of the remuneration policy for MB members, approves the remuneration policy for senior management officers and oversees its implementation. Additionally, the remuneration policy stipulates that the SB approves the remuneration policy for other bank employees.

MUFG BANK (EUROPE) does not award retention, exit and welcome packages, neither offers share option programs nor pre-defined severance pay to MB members or staff.

The bank's remuneration policy comprises a modest annual variable remuneration for MB members and senior MT (Management Team), which does not exceed 40% of the member's fixed income. The variable remuneration is not directly linked to financial KPI's³ such as gross income, gross or net profit, but on the performance of the individual member and the performance of the bank as a whole, taking into account non-financial KPI's and the long term component and continuity of the bank.

The remuneration policy stipulates the SB's discretionary power to adjust the variable remuneration in exceptional circumstances or to reclaim variable remuneration if the remuneration was based on inaccurate data.

10. Deviations from the Banking Code by MUFG BANK (EUROPE)

When assessing the implementation of the Banking Code the MB and SB have taken into account the specific characteristics of MUFG BANK (EUROPE).

- Important statutory authorities are assigned to the Shareholder, such as nomination of MB and SB members and the external auditor.
- The Shareholder (MUFG Ltd., Japan) is the sole (100%) shareholder; the shares in MUFG BANK (EUROPE) are not listed.
- The bank is (legally, organizationally and management controlwise) part of a larger, international banking group.
- The bank's activities are limited to (selective) wholesale corporate banking services to specific market segments.

Considering the below-mentioned circumstances:

- the Shareholder also acts as the global head office of the bank, implying central oversight on key areas like risk management, compliance and consolidated financial and management accounting;
- the size and nature of the bank's commercial activities;
- the relatively limited complexity of the customer/product combinations offered by the bank, and
- the size of the SB (four members),

the SB has decided not to establish a separate risk committee and remuneration committee but to perform the tasks in these areas by the SB collectively. The Shareholder has acknowledged this decision of the SB.

Mindful of the characteristics and circumstances referred to above, MUFG BANK (EUROPE) has decided not to apply the following provisions of the Banking Code:

- 1) Par 2.1.7, SB: Expatriate SB members (= SB members employed by MUFG Bank, Ltd.) do not receive a remuneration in accordance with the MUFGwide policy in this respect;
- 2) Par. 2.1.8, SB: The PE⁴ program for expatriate SB members is taken care of by MUFG Bank, Tokyo;
- 3) Par. 2.1.10, SB: MUFG BANK (EUROPE) does not apply the 3 yearly independent evaluation of the SB;
- 4) Par. 2.2.1, SB: The Risk management task of the SB is not assigned to a separate risk committee within the SB but is recognized as a collective task of the SB as a whole;
- 5) Par. 3.1.4, MB: The PE program for expatriate MB members is taken care of by MUFG Bank., Tokyo;
- 6) Par. 3.1.7, MB: Risk management decision making preparation is not assigned to a specific MB member responsible for risk management, but recognized as a collective MB task;
- 7) Par. 6.3.3, Remuneration: Payout of variable component of MB income is not distributed over 3 years as this component does not directly depends on the annual profit, nor financial KPI's but merely on general performance indicators;
- 8) Par.6.4.4, Remuneration: No correction for capital costs in case of variable remuneration as the variable remuneration is not linked to financial KPI's.

END

Note:

1

Based on the report of the Corporate Governance Code Monitoring Committee (Frijns Committee)

2

Banking Code, Explanatory Notes, page 15, Notes 3.2.3 & 3.2.4.

3

PKI: Performance Key Indicator

4



Permanent Education or long-life learning program

MUFG Bank (Europe) N.V.

Re: Dutch Banking Code / Implementation status (as per 22 October 2010)

Appendix

MORAL AND ETHICAL CONDUCT DECLARATION

“I declare that I will perform my duties as a banker with integrity and care. I will carefully consider all the interests involved in the bank, i.e. those of the clients, the shareholders, the employees and the society in which the bank operates. I will give paramount importance to the client’s interests and inform the client to the best of my ability. I will comply with the laws, regulations and codes of conduct applicable to me as a banker. I will observe secrecy in respect of matters entrusted to me. I will not abuse my banking knowledge. I will act in open and assessable manner and I know my responsibility towards society. “ I will endeavor to maintain and promote confidence in the banking sector. In this way, I will uphold the reputation of the banking profession.”

The abovementioned Declaration has been issued and signed by each MUFGEH managing director on 1 July 2010.