PineBridge Investments Europe Limited

Pillar 3 Disclosures

April 2016

Background - The Capital Requirements Directive and Pillar 3

The Capital Requirements Directive (“the Directive”) is the framework for implementing Basel II in the European Union. Basel II sets out certain capital adequacy standards and disclosure requirements to be implemented by regulated firms.

The framework consists of three pillars:

1. Pillar 1 sets out the minimum capital requirements to meet a firm’s credit, market and operational risk;

2. Pillar 2, requires firms and their supervisors to consider whether additional capital should be held to cover risks not covered by the Pillar 1 requirements

3. Pillar 3 seeks to improve market discipline by requiring firms to disclose certain information on their risks, capital and risk management.

The Pillar 3 requirements have been implemented in the UK by the Financial Conduct Authority (‘FCA’) in its regulations through the General Prudential Sourcebook (‘GENPRU’), the Prudential Sourcebook for Banks, Building Societies and Investment Firms (‘BIPRU’).

Disclosure is not expected to be made if the information is deemed immaterial or proprietary/confidential.

Disclosures are required to be made on at least an annual basis and, if appropriate, more frequently.

This document is designed to meet the Pillar 3 obligations of PineBridge Investments Europe Limited.

1. Company Profile | PineBridge Investments Europe Limited

PineBridge Investments Europe Limited (the Firm) is a wholly owned subsidiary of PineBridge Investments, L.P. (the Company or PineBridge Investments). PineBridge Investments is a group of companies owned by Pacific Century Group (PCG).

The Firm manages assets for institutional clients across listed equities and fixed income. The Firm has also expanded its scope of activity with the launch of European Collateralised Loan Obligations (CLOs) which are managed by the Firm's Leveraged Loans team. The Firm is categorised by FCA as an IFPRU 50K limited license firm for capital purposes. The Firm is not a member of a group for prudential purposes and is therefore not required to prepare consolidated reporting or to make disclosures in relation to any other entities.

2. Risk Management Framework

The Firm accepts that the taking of risk is an inherent part of managing its business activity. It believes it has a robust governance structure and considers that its risk management framework is appropriate to the size, nature and complexity of its business.

The Board

The Board is responsible for the Firm's system of internal control and for reviewing its effectiveness. Such a system can provide only reasonable and not absolute assurance against material financial misstatement or loss and is designed to mitigate, not eliminate, risk.

The Board sets the Firm's overall risk culture and tolerance limits and is responsible for establishing and maintaining the Firm's governance arrangements within which the risk management framework is managed. However it is the business areas which determine what this means and how to manage their risks within that framework.

Risk and Capital Committee

The Risk and Capital Committee (RCC) has responsibility to the Board for identifying, assessing and managing risk. The RCC meets monthly and its Terms of Reference include its responsibility to *"provide assurance to the Board and the wider senior management that an effective risk management and internal control structure is implemented/ maintained and fully embedded in the business and that capital is being held in line with the risk profile of the firm and within regulatory guidance"*.

The key risks identified by the Firm include compliance, HR, operational and outsourcing risks. For each material risk identified that the Firm faces, the risk recognition framework catalogues and quantifies the probable impact on the Firm's capital. Residual risk to capital (expressed as Low, Medium or High) has then been estimated. In addition, attention has been given to ensuring that such risks are controlled.

The Firm does not currently use an economic capital model and therefore relies on detailed stress testing scenarios to assess the adequacy of its available capital requirements. Such stress testing has been performed in conjunction with this analysis of our risk profile.

The Company has assessed the adequacy of capital and liquidity resources based on all risks to which the Company is exposed in the course of its Internal Capital Adequacy Assessment Process (ICAAP). The risk review includes an assessment of risks and the controls in place to mitigate such risks.

3. Risk management systems and techniques

Risk Assessment and Identification

Change within the business and the external environment is a key driver of risk. Change may impact the potential occurrence or magnitude of events relating to existing risks or may result in new or emerging risks. Different approaches may be used for the assessment of risk depending on the type of risk faced and the evidence available to assess it. These approaches may be used in combination or isolation and include qualitative and quantitative assessments.

Risk Mitigation

Like any Asset Management business, the Firm is exposed to a range of risks. These risks, if not managed properly, increase the possibility of the Firm's not being able to meet its objectives.

There are a variety of techniques that are used to mitigate risks, which may be used in isolation or in combination depending on the nature of the risk. These techniques include use of controls, outsourcing, contingency planning, insurance and capital allocation.

Risk Monitoring and Reporting

Risks are managed in a variety of different ways, depending on the nature of the risk and the areas potentially affected, to ensure that wherever appropriate the consequences are mitigated. Monitoring and communication are key to an effective risk management framework. Significant risk matters are reported through the management chain and ultimately to the Group Risk Committee and Group ExCo where significant. The group risk function undertakes independent review and oversight work, reporting to the Group Risk Committee.

4. Key Risks Identified

4.1 Operational Risk

Operational risk is defined as the risk of losses resulting from inadequate or failed internal processes and IT systems, employee errors, or from external events, including legal risk. The Company seeks to minimize operational risk via internal controls.

Operational risk could arise from the failure of significant business processes undertaken by the Firm. The Firm has a number of outsourcing arrangements which form an important part of the Firm's operational set up.

All new business processes are subject to review in order to identify a suitable suite of operational controls to mitigate potential risks. The Firm undertakes appropriate due diligence both before committing to outsourcing arrangements and before their commencement.

Technology and System Risk

Systems risk is considered in the overall business continuity plans and is actively managed by the Firm's Information Technology team. All systems data is backed-up daily. Contingency plans have been developed to ensure back-up network availability and in the event of software supplier liquidation, there are software maintenance contracts for all key applications as well as applicable Service Level Agreements for the core systems. Downtime for systems has historically been low but the Firm would accept non-availability of software as potential grounds for invoking the BCP.

Business Continuity

This is the responsibility of the RCC. Key aspects of the policy include:

- Provision of a guide to all members of staff
- Regular testing of a high-speed, outbound notification system to all members of staff
- Desk top testing of disaster scenarios

The Business Continuity Plan ("BCP") covers probable disaster scenarios, policies for addressing these, continuity management call tree, recovery actions and key contacts and responsibilities.

Human Resources Risk - People and Culture

Retaining our investment professionals who are responsible for the management of client portfolios on a day-to-day basis and our high quality support staff is a priority of the Board.

To mitigate the Human Resources risks, the Firm has competitive remuneration plans, with appropriate deferred benefits, targeted at key employees. Clear objectives are set for employees and the Firm measures success in the annual review process. This allows the Firm to identify employee development initiatives which can be motivational and increase the retention of talented people.

Regulatory, Legal and Compliance Risks

The Board is focused on ensuring that a robust regulatory control framework continues to be developed and deployed in order to reduce regulatory breach risk.

4.2 Credit Risk

The Company manages credit risk with regards to uncollectible receivables by recording an allowance for doubtful accounts which reflects management's best estimate of probable losses. The Company has no history of bad debts. The allowance for doubtful accounts is based on known troubled accounts, historical experience, and other currently available evidence. The Company is exposed to foreign currency exchange gains/losses since it conducts certain transactions that are denominated in a currency other than its functional currency.

4.3 Market Risk

Since the Company holds no trading book positions on its balance sheet, the main market risk it potentially faces relates to fluctuations in the value of its revenues, cash balances and vendor payments due to movements in currency rates, since certain of its accounts are denominated in currencies other than sterling. There is agency exposure in investment management in respect of the assets the Firm manages on behalf of its clients.

When considering market risk, the Company has included 8% of all foreign currency denominated accounts in its market risk component.

4.4 Strategic Risk

Principal risks are the loss of clients or a significant fall in the value of the assets of those clients who pay an asset-based fee, thereby resulting in significant falls in the fee turnover of the Company. Various scenarios are discussed to assess the impact of adverse economic conditions on the Company's financial position.

4.5 Liquidity Risk

Liquidity Risk is the inability to meet financial obligations as they fall due. The Firm maintains robust processes designed to ensure sufficient surplus cash to meet its working capital requirements and other regular obligations.

The Firm is subject to the Wind-down Analysis and is not required to calculate a capital charge in respect of operational risk.

5. Regulatory Capital

Capital resources as at 31 December 2015 total £ 23.9m comprised as follows:

Tier 1 Capital of £23.9m comprising Ordinary Share Capital of £0.2m, Share Premium of £28.9m, Capital Redemption reserve of £0.2m, Other distributable reserve of £2.0m and Retained Profit & Loss Reserves of £-7.4m

In accordance with GENPRU 2.1.45R (calculation of variable capital requirement for an IFPRU 50K limited license firm), our capital requirement has been determined as being the higher of Pillar 1 requirements or the Pillar 2. The higher amount is the Pillar 2 for 2015 and has been calculated as being £4.25m.

6. Compliance with BIPRU & Pillar 2

Our overall approach to assessing the adequacy of our internal capital is set out in our Internal Capital Adequacy Assessment Process (ICAAP).

The ICAAP process involves separate consideration of risks to our capital combined with stress testing using scenario analysis including a reverse stress test. The level of capital required to cover risks is a function of impact and probability. We assess impact by modeling the changes in our income and expenses caused by various potential risks over a 4-year time horizon. Probability is assessed subjectively.

In addition, we have reviewed the output of our detailed risk register which includes a quantification of the risks from the business heads. This has identified business risks which we have classified against the risk categories contained in GENPRU 1.2.30R and reviewed the guidance in BIPRU 2.2.61-65.

7. Remuneration

As the Firm is authorised and regulated by the FCA, it is subject to the FCA Remuneration Codes.

The firm does not hold client money or assets and does not deal as principal in transactions. As such, the firm falls within the FCA's third (and lowest) proportionality tier. This allows PineBridge to disapply Code requirements relating to:

- Establishment of a Remuneration Committee in the full form envisaged by the Code;
- Setting appropriate ratios between the fixed and variable components of remuneration;
- Payment of a proportion of variable remuneration in retained shares or other instruments;
- Deferral; and
- Performance adjustment of variable remuneration.

Remuneration Committee

The firm has a Remuneration Committee which operates in accordance with the FCA Rules and Guidance for Tier 3 firms.

The UK Board and its delegate, the Remuneration Committee, has local responsibility for assessing whether all proposed compensation payments are in line with the FCA Remuneration guidelines and in ensuring that remuneration principles do not have an undue impact on the risk profile of the company, nor give rise to unmanaged conflicts of interest.

Where any changes to compensation levels are proposed, the Human Resources team will provide the Remuneration Committee with data confirming that a review of the proposals has been conducted. Human Resources will also ensure that any compensation awards made adhere to the FCA principles. The review will take account of the views of personnel in control functions.

Decision Making Process

The decision making process is governed by the overall principle of providing a competitive remuneration package based on a combination of market rate, internal equity and other considerations that may apply. Employees are rewarded for their efforts and are encouraged to meet and improve individual and departmental goals and to remain with the organisation.

In detail the Remuneration Policy aims to ensure that remuneration:

- is consistent with and promotes sound and effective risk management;
- does not encourage excessive risk taking;
- includes measures to avoid conflicts of interest; and
- is in line with the Firm's business strategy, objectives, value and long-term interests.

Remuneration plans in place are created by the New York Head Office with local adjustments made to ensure compliance with UK policies and regulations. These plans are reviewed annually and recommendations are assessed by the UK Remuneration Committee for compliance with the Code.

Link between Pay and Performance

The Firm has a Bonus Incentive Plan which rewards individuals in relation to their and the Firm's contribution to the Company performance. All employees (including Code Staff), with the exception of those employees who are participants of the Sales Production Incentive Plan, are eligible to participate in the Bonus Incentive Plan. Discretionary annual bonus payments take into account individual and organizational performance in addition to behavioural aspects (such as compliance with PineBridge's rules and governance procedures). Individual performance is assessed in light of the long term goals of the business.

The remuneration of certain employees and offices is linked to the performance of the portfolio assets for which they are responsible. Remuneration is assessed on an individual basis against the longer term performance of the fund (e.g. 1-3 years' performance) that each team manages.

All employees of the Leveraged Loan team are eligible to participate in the Leveraged Loan Incentive Bonus Plan. The global profits pool is based on a share of the net profits from the management fee income generated and is unrelated to the performance of the portfolio in any given year. The European team's contribution is a minority of the total pool.

Employees who are employed within a Sales role are eligible to participate in the Sales Production Incentive Plan. The Plan is discretionary and subject to new revenue generated and other business development initiatives provided by the salesperson. Payments are calculated and paid quarterly.

Carried Interest Plans are in place for selected employees within the Alternative Investment teams. These plans align employee interests with the funds' client interest. Vesting schedules, hurdle return rates, claw backs and escrows are in place to ensure employees are not advantaged over fund clients, and for employee retention.

Certain employees are also eligible to participate in the PineBridge Equity Plan.

Remuneration of Code Staff

Specific remuneration guidelines are in place for those members of senior management and other personnel who are considered to be Code Staff. PineBridge has assessed its Code Staff as Board Directors and Senior Managers with significant portfolio discretion, which includes Fund and Portfolio Managers, Traders (Equities, Fixed Income) and Heads of Functions (Alternative Investments). This also includes those responsible for managing a Control Function (Legal, Compliance, HR and Finance).

14 Remuneration Code Staff have been identified in total for this performance year. This includes employees who have been Code staff for any part of the year.

Aggregate quantitative information on remuneration, broken down by business area, is provided in the Annual Audited Accounts.