NUMIS SECURITIES LIMITED

Capital, Risk Management, Governance and Remuneration Disclosures 2017

(Pillar 3)

1 Overview

1.1 Introduction

The following disclosures are prepared in accordance with the Capital Requirements Directive (CRD IV), which is the framework for implementing Basel III in the European Union. Basel III sets out certain capital adequacy requirements standards and disclosure requirements to be implemented by regulated firms. CRD IV consists of three pillars:

- Pillar 1 sets out minimum capital requirements for credit, market and operational risk;
- Pillar 2 in which firms and supervisors assess whether they should hold additional capital not covered in Pillar 1; and
- Pillar 3 requires firms to publish details about their risks, capital and risk management.

1.2 Basis of Disclosure

In the UK, the relevant disclosure requirements of Pillar 3 are embedded into a combination of the Prudential Sourcebook for Investment Firms (IFPRU), the Capital Requirements Regulation (CRR) and associated guidelines issued by the Financial Conduct Authority (FCA) together with additional standards and guidance released by the European Banking Authority (EBA). The disclosures in this document are not subject to audit and do not constitute any form of audited financial statement. The disclosures have been produced solely for the purposes of satisfying Pillar 3 regulatory requirements and have been reviewed and approved by senior management.

1.3 Frequency and Means of Disclosure

Disclosures are made annually and, if appropriate, more frequently via the firm's website (www.numis.com). The firm's Pillar 3 disclosures can be found in the Legal and Regulatory section of this website within the Investors in Numis area. Numis has an accounting reference date of 30 September and these disclosures are made as at 30 September 2017.

1.4 Scope

These disclosures are made for the UK regulated entity, Numis Securities Limited (NSL). NSL is subject to the requirements of the FCA's IFPRU rule book and is shown on the FCA's register under FRN 144822. NSL is also subject to the requirements of the Capital Requirements Regulation (CRR) which, along with the Capital Requirements Directive (CRD), constitute the provisions of CRD IV. NSL is a wholly owned subsidiary of Numis Corporation Plc (PLC).

2 Risk Management Governance

2.1 Introduction

NSL places great weight on the effective management of exposures to market, credit, liquidity, operational and non-operational risk. Our risk management policies are specifically designed to identify, monitor and manage such exposures to ensure that the operating activities of the firm are managed within the risk appetite set out by the PLC Board, which forms the over-arching management body.

Risk exposures are monitored, controlled and overseen by separate but complementary committees which consist of senior management from revenue generating areas, legal, risk, compliance and finance. Management oversight and segregation of duties are fundamental to the risk management framework.

Responsibility for the approval of all risk management policies and setting the overall risk appetite is held by the PLC Board, to which all risk management functions ultimately report. The PLC Board receives risk updates which detail NSL's exposure to market, credit, liquidity, operational and non-operational risks across the entire business.

Whilst the PLC Board is responsible for the 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.

2.2 Audit and Risk Committee

The PLC Audit and Risk Committee is responsible for the evaluation and maintenance of NSL's control framework and ensuring that policies are in place and operating effectively to identify, assess, monitor and control risk throughout the organisation. The PLC Audit and Risk Committee receives risk updates summarising NSL's exposure to market, credit, liquidity, operational and non-operational risks across the entire business. Controls and policies are reviewed periodically and challenged to ensure their effectiveness and to reflect changes in requirements and best practice.

2.3 Risk Oversight Committee

The Risk Oversight Committee (ROC), which meets quarterly, ensures that all material risks across the organisation are being managed within the risk appetite and control framework approved by the PLC Board and PLC Audit and Risk Committee. The ROC comprises *inter alia* the Finance Director, Head of Legal, Risk and Compliance, Corporate Finance Director of Operations, Head of Research, Head of IT and Operations and the Head of HR. The committee reviews the following as a minimum:

- The approval of a firm-wide Risk Dashboard;
- The mitigants and controls attaching to each of the material risks within the firm's risk register;
- The key risk indicators (KRIs) used to monitor the material risks;
- The capital allocation methodology and resulting Pillar 2 assessment of capital requirement for each material risk;
- Any major risk issues and the corrective action required; and
- Risk methodology and reporting changes.

2.4 Financial Risk Committee

The Financial Risk Committee (FRC), which meets monthly or as frequently as it determines necessary, ensures that financial risks (market, credit, liquidity and operational risks) are being managed within the risk appetite and limits set out by the PLC Board and the PLC Audit and Risk Committee. The FRC comprises *inter alia* the Head of Legal, Risk and Compliance, Head of Trading and the Treasurer along with other invitees. The committee reviews the following as a minimum:

- Market risk exposures on equity and derivative positions. These are measured against both position limits and Value-at-Risk (VaR) limits;
- Credit Risk exposures to trading and deposit-taking counterparties;
- Liquidity risk on the firm's free cash and cash equivalents;
- Foreign exchange risk on foreign currency denominated assets/liabilities;
- Capital adequacy;
- Financial risk methodology and reporting changes; and
- Client money requirements and resources.

2.5 Internal Audit

An outsourced Internal Audit function provides an independent assessment of the adequacy and satisfactory application of the control framework and reports directly to the PLC Audit and Risk Committee. An annual programme of work is agreed by the PLC Audit and Risk Committee and provides the basis on which the activities of Internal Audit are directed.

2.6 Board and Committee Composition

Full details of PLC Board and Committee composition are given in the annual report and accounts of the parent undertaking, Numis Corporation PLC, which can be found on the firm's website (www.numis.com) in the Investors in Numis section.

2.7 Number of Directorships

Excluding other Numis group companies (such that relevant directorships within the Numis group of companies count as one directorship collectively) and entities not undertaking predominantly commercial objectives, each executive member of the over-arching management body (PLC Board) holds just one executive position.

The total number of directorships held by each non-executive member of the over-arching management body (PLC Board) ranges between one and four non-executive positions. All other members of the management body hold one directorship each.

The PLC Board is satisfied that each member of the management body is able to devote sufficient time to perform the duties relevant to their individual function within the firm, taking into account the nature, scale and complexity of the firm's activities along with the requirements of directorships held outside of the Numis group of companies.

2.8 Recruitment and Diversity

The current and future needs of the business including equality and diversity are considered as part of the firm's recruitment process. Board and committee membership, along with succession planning, draws upon a range of criteria including relevant skills and expertise, suitability for the role, and relevant knowledge in order to achieve a balanced approach to challenge and decision making.

3 Risk Management Approach

3.1 Internal Capital Adequacy Process

NSL employs an Internal Capital Adequacy Assessment Process (ICAAP), approved by the PLC Board, which documents management's assessment of the risk profile of the business and the resulting, internally assessed, capital requirements. This process seeks to ensure that the risk profile of the firm is assessed for all known material risk exposures faced by the firm, taking into account all relevant mitigants and controls in place. Stress testing is incorporated into this process to assess the firm's exposure to extreme events and to ensure that appropriate management actions and mitigating plans are in place.

The residual risk is mitigated by setting aside sufficient capital to meet the potential impact of the combined residual risk exposures.

With regard to known material risk exposures, a total of 66 underlying risks have been identified, all of which are categorised into one of ten generic risk types to facilitate reporting into the NSL and PLC Boards as well as the PLC Audit and Risk Committee. The ten risk categories comprise governance risk, strategic risk, reputational risk, legal risk, regulatory risk, counterparty risk, market risk, liquidity/capital risk, operational risk and staff risk.

With the exception of market and counterparty risk, which are assessed using a VAR approach set out in 3.2, 3.3 and 3.4 below, the 66 underlying risks are scored on a residual basis which takes account of both the financial impact and likelihood of the risk occurring. This residual risk scoring then translates through to a Pillar 2 capital figure for each of the risks. The firm's risk register contains mitigant and control information for each of the risks together with appropriate Key Risk Indicators.

A Risk Dashboard summary report is presented at NSL Board, PLC Board meetings and PLC Audit and Risk Committee meetings for discussion. This dashboard reporting displays the overall risk status for each of the ten generic risk categories via a traffic light system, the internal assessment of Pillar 2 capital, up-to-date commentary and narrative on the more significant and/or material areas and an indication of the short term outlook for each risk category.

Using this financial impact versus likelihood scoring matrix, the PLC Board defines the risk appetite of the firm through an assertion that no single individual risk should have a Pillar 2 capital requirement of £5m or more. The dashboard reporting mechanism allows compliance with this overall risk appetite to be effectively monitored on a regular basis. The firm has operated within the risk appetite set by the PLC Board throughout the year.

The following provides supplementary information to that provided in the parent company 2017 Annual Report and Accounts.

3.2 Market Risk - Equity Risk

Numis is exposed to equity risk through its holding of equity positions arising through the course of its market-making, trading and investment activities. Equity risk arises from movements in equity prices and associated volatility.

3.2.1 Risk Methodologies

3.2.1.1 Value at Risk

The main metric used for the daily management and control of equity risk is Value at Risk (VAR). The methodology used is an historical simulation using a 256-day rolling window of historical data and taking the third worst daily loss over this period. VAR is calculated for individual stocks and for higher aggregations from book level to portfolio level. VAR guideline thresholds are placed on individual stocks based on index, and for various levels in the book hierarchy up to the total portfolio level. VAR exposures are reported at the end of each trading day at stock and aggregate level against guideline thresholds and limits and can also be run on an ad-hoc basis intra-day. Back testing of VAR against actual profit or loss is performed daily and periodically reviewed to validate the VAR model.

VAR figures are reported daily to the Financial Risk Committee and a summary is presented to the NSL and PLC Boards as well as the PLC Audit and Risk Committee each time they meet.

3.2.1.2 Historical Simulation Stress Test

This uses a similar methodology to the VAR described in 3.2.1.1 above but applies a holding period of 20 days, instead of 1 day, and takes the worst loss instead of the third worst loss. These figures are also reported daily to the Financial Risk Committee and a summary is presented to the NSL and PLC Boards as well as the PLC Audit and Risk Committee each time they meet

3.3 Market Risk - Foreign Exchange Risk

Foreign exchange risk arises from exposure to movement in foreign exchange rates and the volatility of those rates. Numis' activities are predominantly denominated in Sterling but there are less material assets and liabilities denominated in foreign currencies.

3.3.1 Risk Methodologies

3.3.1.1 Value-at-Risk

The identical methodology to that used for equity risk described in 3.2.1.1 is employed to compute a daily Foreign Exchange VAR which applies the third worst loss over a 256-day rolling data window.

3.3.1.2 Historical Simulation stress test

The identical methodology to that used for equity risk described in 3.2.1.2 is employed to compute a foreign exchange stress test (worst loss, 20 day holding period).

3.4 Counterparty Risk

Counterparty risk is the potential loss NSL would incur if a counterparty fails to settle under its contractual obligations or there is a default of an institution with which NSL has cash deposits. In the ordinary course of business, counterparty risk is relatively limited because securities trading activity is settled on a delivery versus payment (DVP) basis. Unsettled trades are subject to a greater degree of risk which increases as the overdue period increases. Cash deposits are held with large UK based commercial clearing banks with suitable credit ratings and are approved by the PLC Board. Other sources of counterparty risk include non-trading receivable components of the firm's balance sheet such as corporate finance receivables, loans, other non-trading receivables and prepayments and accrued income.

3.4.1 Exposure Reporting

Counterparty exposures relating to securities trading are monitored both throughout the day on an hourly basis and at the end of day for formal reporting purposes. The exposures are measured against limits which are derived from counterparty categorisation (e.g. long-only fund, hedge fund, broker, etc.) and their perceived creditworthiness based on available market data. The reporting ranks the counterparties by exposure in sterling equivalent and lists the major stock contributors underlying the exposures. Limit excesses are highlighted daily for follow-up action and also discussed by the Financial Risk Committee. All new counterparties go through a formal review process by the Compliance department before an account is opened. The creditworthiness of counterparties is reviewed on a regular basis and, if necessary, limits adjusted. In the case of non-trading exposures, procedures exist to highlight overdue receivables and provide for impairment where management considers it prudent to do so.

3.4.2 Stress Test

NSL employs a daily stress test in order to assess the amount the firm could lose if its securities trading counterparties were to default on their contractual obligations. The same methodology is used as the market risk stress test outlined in 3.2.1.1 because, upon default, NSL would be left with undelivered stock which would be exposed to market risk. The worst loss over a 20-day holding period is assessed as the monetary value of the exposure.

3.5 Operational Risk

Operational risk is the risk of loss arising from short-comings or failures in internal processes, people or systems or from external events. Operational risk can also be impacted by factors such as the loss of key staff, the quality of execution of client business, the maintenance of performance management controls, and a major infrastructural failure and/or terrorist event.

The firm takes steps to identify and avoid or mitigate operational risk wherever possible. Evolving control standards are applied by suitably trained and supervised individuals and senior management is actively involved in identifying and analysing operational risks to find the most effective and efficient means to mitigate and manage them.

The use of a fully independent, outsourced Internal Audit function provides assurance over the adequacy and effectiveness of the systems of internal control throughout the business as well as helping to identifying enhancements that provide further risk mitigation.

Under Pillar 2, the firm assesses the residual risk attached to its material risk exposures using the approach described in section 3.1 applied to each of the individual risks that are incorporated into the Operational risk category.

3.6 Liquidity Risk

Liquidity risk is the risk that funds are either not available to service day-to-day funding requirements or are only available at a high cost or need to be arranged at a time when market conditions are unfavourable and consequently the terms are onerous. Liquidity is of vital importance to the firm to enable it to continue operating in even the most adverse circumstances. The firm assesses its liquidity position on a daily basis and computes the impact of various stress tests to determine how liquidity could be impacted under a range of different scenarios. The firm currently maintains substantial excess liquidity so that it can be confident of being able to settle transactions and continue operations even in the most difficult foreseeable circumstances.

3.7 Staff Risk

Retaining, attracting and developing key staff is essential to the long-term success of the business. The firm therefore places particular focus on its remuneration policy and strategies, including considering the appropriate allocation and mix of cash and share based awards, and maintains formal structured performance-based staff evaluations.

3.8 Regulatory and Legal Risk

The firm's policy is to encourage an intense focus by senior management on the long-term, sustainable success of the business. This specifically includes robust corporate governance, avoiding the likelihood of litigation and compliance with the relevant regulatory and legal requirements for the jurisdictions in which the firm operates. A strong culture of regulatory and legal compliance permeates the firm. Compliance procedures are maintained across the firm and our Compliance department supports senior management in meeting their obligations as well as carrying out risk-based monitoring of the firm's compliance with relevant regulation. Similarly the firm's legal obligations are overseen by suitably qualified in-house legal resource.

3.9 Reputational Risk

Whilst entrepreneurial staff are encouraged to seek new and develop existing clients and streams of income, all new business is subject to a rigorous appraisal process supervised by a New Business Committee. For all activities, this discriminates strongly in favour of high quality clients. The firm places great emphasis on employing and adding highly experienced senior staff who are very closely engaged with clients. To aid the application of best practice, regulatory compliance and consistency, the firm's management continues to make use of standardised operating procedures. Finally, the Board sets the tone by demanding a strong ethical and professional culture as the only acceptable standard for the firm.

3.10 Strategic Risk

The firm recognises that continued improvement in the way in which our strategy is executed is key to our long-term success. In particular, senior management is subject to healthy challenge from the NSL and PLC Boards and Committees on the firm's strategic direction, execution of strategy and the implementation of agreed initiatives. This includes significant focus on the risks that threaten the achievement of the firm's strategy as well as those that present the greatest opportunity.

3.11 Securitisation Risk

The firm does not securitise assets or hold positions in securitised assets.

3.12 Pension Risk

The firm does not offer defined benefit pension schemes to employees.

3.13 Conduct Risk

The firm's success has been built on its client relationships. The firm actively seeks to put its clients' best interests at the heart of its strategy and actively monitors and mitigates areas of possible conduct risk.

3.14 Declaration

The Audit and Risk Committee is responsible for the overall risk framework and internal control environment of the Company and the Group. It receives reports from the Group's management relating to risk exposures and mitigating controls as well as detailed findings arising from internal and external audit reviews.

The Group's system of internal control has been actively managed throughout the year. The Group has a number of committees with formal terms of reference and a Compliance department responsible for the Group's adherence to the rules of the Financial Conduct Authority and other relevant regulators.

In addition, the Group has a fully independent, outsourced Internal Audit function reporting to the Audit and Risk Committee in order to provide further assurances over the adequacy and effectiveness of the systems of internal control throughout the business and ensure that the Group's approach to continuous improvement is maintained.

Accordingly, management are confident that the risk management arrangements employed by the Group continue to provide reasonable assurance over identification, monitoring, mitigation and reporting of the risks to which the Group is exposed.

4 Capital Resources and Requirements

4.1 Summary

The following table summarises NSL's Pillar 1 capital resources, capital requirements and capital ratios as at 30 September 2017 as submitted via the COREP reporting regime:

	£
Permanent share capital	2,000,000
Retained earnings brought forward (audited)	76,194,506
Dividend declared during the year	(21,000,000)
Common Equity Tier 1 capital	57,194,506
Deductions from Common Equity Tier 1	
Intangible assets	(27,200)
Total Common Equity Tier 1 capital after deductions	57,167,306
Intangible assets deducted from Tier 1	(6,800)
Total Pillar 1 Regulatory Capital Resources	**57,160,506**
Market Risk Requirement	(11,192,209)
Credit Risk Requirement	(6,256,140)
Settlement Risk Requirement	(15,585)
Operational Risk Requirement	(14,392,153)
Total Pillar 1 Regulatory Capital Requirement	**(31,856,086)**
Capital Conservation Buffer	(4,977,513)
Total Pillar 1 & Buffer Regulatory Capital Requirement	**(36,833,600)**
Surplus Capital (Pillar 1)	**20,326,907**
Total Risk Weighted Exposure	**398,201,078**
Capital Ratios	
Common Equity Tier 1	14%
Tier 1	14%
Total Capital	14%

4.2 Capital Resources

Common Equity Tier 1 capital is the core measure of an institution's financial strength and the highest ranking form of capital. It is comprised of ordinary share capital and disclosed (audited) retained earnings. NSL does not hold any other forms of capital or instruments outside Common Equity Tier 1 capital.

Following the completion of the annual external financial audit during December 2017, the audited CET1 capital as at 30 September 2017 shown in the table above increased by £32.9m. After consequent adjustment to the Operational Risk requirement, the equivalent surplus Pillar 1 capital increased to £56.4m resulting in a capital ratio of 21%.

4.3 Capital Requirement

NSL's capital resource requirement is the sum of the market risk, credit risk, settlement risk and operational risk capital requirements.

4.3.1 Market Risk Requirement

Market risk requirement for Pillar 1 is calculated in accordance with IFPRU 6 and CRD IV using the relevant standardised approach. NSL is mainly exposed to position risk in respect of equity instruments, collective investment undertakings and foreign exchange positions.

Broadly, equity position risk is computed on the exposure per equity instrument and comprises a general risk component (at 8% of the net exposure) and a specific risk component (at 8% of the gross exposure). Collective investment undertakings are assessed at 32% (or 40% if it has components denominated in foreign currency) of the gross exposure which comprises both general and specific risk. The position risk requirement is the aggregate of the general risk and specific risk components.

Foreign exchange position risk is computed on the net long and net short sterling equivalent positions by applying a factor of 8%.

4.3.2 Credit Risk Requirement

Credit risk requirement for Pillar 1 is calculated in accordance with IFPRU 4 and CRD IV using the standardised approach. Under the standardised approach, firms must calculate the minimum credit risk capital requirement as 8% of the total risk weighted exposures.

The following table shows the breakdown of risk weighted exposures and resultant credit risk requirement by exposure class:

	Exposure £	Risk Factor	Requirement £
Institutions	20,394,197		
Corporates	8,068,332		
Equity	35,143,816		
Other	14,595,402		
Total	78,201,747	8%	6,256,140

4.3.3 Settlement Risk Requirement

Settlement risk requirement for Pillar 1 is calculated in accordance with CRD IV. Under CRD IV, settlement risk is derived from exposures on unsettled delivery versus payment transactions in securities (i.e. transactions which remain unsettled after their due settlement / delivery date) multiplied by a factor depending on how many days overdue a payment or delivery is (8% 0-15 days, 50% 16-30 days, 100% 46+ days). The exposure on an unsettled trade is calculated as the difference between the agreed settlement price and the current market price of the underlying instrument due to be delivered where this difference could involve a loss for the firm.

4.3.4 Operational Risk Requirement

Operational risk requirement for Pillar 1 is calculated in accordance with the Basic Indicator Approach set out in CRD IV. Under this approach, the operational risk requirement is equal to 15% of the average audited relevant income over the past 3 years.

5 Credit Risk and Dilution Risk

5.1 Past Due and Impaired Financial Assets

A financial asset is past due when the counterparty has failed to make a payment when contractually due. An exposure is considered to be impaired when there are indications that likelihood of full repayment is in doubt and therefore the carrying value exceeds the amount to be recovered through use or sale. Such indications may include ageing of the debt, persistent lack of communication from the debtor and internal awareness of third party trading difficulties or inability to pay the amount due. In the case of fee debtors arising during the normal course of business, an exposure is considered to be impaired if the amount remains unpaid more than 60 days after the due date and other indications of impairment exist.

5.2 Provision for Impairment

Provisions for bad or doubtful debt are made on a case-by-case basis after considering all objective evidence that the firm may not be able to collect the full amounts due.

As at 30 September 2017, impairment provisions are held against Other Receivables which primarily comprise fee debtors arising from the firm's corporate finance activities. The movement in impairment provisions during the year is set out below:

	2017 £'000	2016 £'000
At 1 October	187	81
Utilisation	-	(26)
(Release)/charge to the income statement	(81)	132
At 30 September	106	187

Other Receivables that are past due but are not considered to be impaired as at 30 September 2017 are as follows:

	2017 £'000	2016 £'000
Up to and including 3 months	7,980	2,698
Over 3 months and up to 6 months	1	17
	7,981	2,715

5.3 Credit Exposure by Geographical Distribution

Of the credit exposures totalling £78.2m set out section 4.3.2, there are no material exposures outside of the UK except for £10.5m in relation to Continental Europe and £9.3m in relation to the USA.

5.4 Credit Exposure by Counterparty Type

Of the credit exposures totalling £78.2m set out section 4.3.2, £20.4m relates to Banks, £32.6m relates to Non-Banks and the residual relates to Other.

5.5 Credit Exposure by Residual Maturity

Of the credit exposures totalling £78.2m set out section 4.3.2, £70.5m has a residual maturity of 3 months or less, £2.8m has a residual maturity between 3 months and 1 year, and £4.9m has a residual maturity of over 1 year but less than 5 years.

6 Interest Rate Risk in the Non-Trading Book

Interest rate risk is the risk that the fair value or future cash flows of financial instruments will fluctuate because of changes in market interest rates. The firm's interest bearing assets are predominantly held in cash or cash equivalents which are subject to floating rates of interest. The firm has no form of external debt. Consequently, the firm's exposure to fluctuations in the market rate of interest is immaterial.

7 Non-Trading Book Exposures in Equities

There are no non-trading book exposures in equities.

8 Remuneration

The following disclosures are made in accordance with Article 450 of the Capital Requirements Regulation, SYSC19A Remuneration Code of the FCA's handbook for banks, building societies and investment firms and taking into account the FCA's General Guidance on Proportionality: The Remuneration Code (SYSC 19A).

The requirements recognise that not all Remuneration Code principles apply to firms equally. The concept of proportionality exists in order to take account of a firm's individual size, internal organisation and the nature, scope and complexity of its activities. Currently there is a 3 tier level of proportionality defined by the FCA which sets out their expectations on the level of application of the Remuneration Code requirements.

Under this guidance, NSL (the firm) falls into the definition of the lowest tier, namely proportionality tier 3. The following disclosures reflect the requirements for such tier 3 firms.

8.1 Qualitative Disclosure

8.1.1 Role of the Remuneration Committee

The PLC Board delegates responsibility for the firm's remuneration policy to an independent PLC Remuneration Committee. The Remuneration Committee is responsible for determining the firm's policy on remuneration. The over-arching objectives of the policy are:

- To ensure that rewards and incentives are aligned with the interests of shareholders, in order to optimise the long term performance of the Firm within acceptable risk parameters and regulatory frameworks; and

- To provide the level of remuneration required to attract, retain and motivate employees of an appropriate calibre.

Fixed and variable compensation is reviewed annually and is determined by the performance and conduct of the individual in addition to comparisons with peer group companies within the industry. The experience of the individual and level of responsibility are also taken into consideration. Total remuneration is determined in light of his or her performance and the economic performance of the firm as a whole.

The core component parts of employees' remuneration comprise both fixed and variable elements as set out below:

- Base salary (fixed);

- Variable performance related remuneration comprising
    - Cash bonus (variable)
    - Equity Awards (variable); and

- Pension (fixed as a percentage of base salary)

Equity awards are subject to both individual and business-related performance conditions thereby ensuring awards can be risk adjusted post grant where appropriate.

Other fringe benefits fall outside of the Remuneration Committee's terms of reference.

The overall compensation mix varies from year to year but is based on cash available for distribution, the competitive environment and the capital position of the firm and is always subject to the approval of the Remuneration Committee.

8.1.2 Composition of the Remuneration Committee

The chairman and members of the Remuneration Committee comprise three independent non-executive directors of the parent company (PLC) who do not perform any executive function within the firm. The Remuneration Committee is responsible for the approval of awards to individuals who fulfil risk and control roles (Code Staff) within the firm. The Remuneration Committee met four times during the year ended 30 September 2017 in addition to documented discussions via telephone, particularly throughout the period in which year-end remuneration processes were undertaken.

8.1.3 Decision-making Process for Determining Remuneration Policy

Numis' remuneration policy is designed to promote sound and effective risk management by setting out clear and explicit guidelines, together with consequences for breaches of internal standards of behaviour and legal or other regulatory requirements. The firm has, and will continue to make use of, available sanctions which range from disciplinary action (up to and including dismissal) to financial penalties for such breaches.

Responsibility for the regular review and updating of the Remuneration Policy lies with the Head of HR and is subject to independent review and approval by the Remuneration Committee. This is carried out at least annually and takes into account best practice standards and UK, and where relevant, non-UK regulation and legislation covering;

- Applicable employment and equality law;
- FCA Codes of Practice;
- Tax legislation; and
- Pensions legislation

In carrying out its delegated responsibilities the Remuneration Committee receives advice on remuneration, tax, accounting and regulatory issues from external advisors and internally from both the Human Resources, Risk, Compliance and Finance departments. In addition, other relevant persons who may advise the committee include the Co-Chief Executive Officers, the Finance Director, the Chairman of the PLC Board and other executive directors of the PLC Board as deemed appropriate. The Remuneration Committee is responsible for setting the remuneration policy for executive directors and other senior executives in the business and no employee is permitted to participate in the discussions or decisions of the Committee in relation to his or her own remuneration.

8.1.4 Link between Pay and Performance

The Remuneration Committee believes strongly that total remuneration should take into account the competition for talent in an industry where successful people are rewarded and mobile. The firm compensates employees through both fixed and variable compensation. Fixed compensation comprises mostly base salaries and the Remuneration Committee reviews these as part of their overall annual review taking into account the performance of the individual, comparisons with peer group companies within the industry, the experience of the individual and his or her level of responsibility.

The policy for variable compensation is to recognise corporate performance, individual achievement of objectives and individual conduct via means of a discretionary bonus scheme. The discretionary bonus pool is established by the Remuneration Committee each financial year with reference to the financial results of the firm, the firm's capital base and business outlook. Also taken into account is the need to deliver a sustainable level of performance related variable remuneration over the business cycle.

Discretionary bonus awards can be delivered in two main forms: a cash bonus delivered up-front which is subject to claw back under certain conditions and/or a deferred bonus delivered either in cash or shares. The executive directors and other senior executives assess individual performance through clearly defined objectives and behaviours as part of a structured process of review and feedback.

In particular, the overall (fixed and variable) remuneration by individual is determined with regard to the performance and conduct of the individual, performance of the area or function of the business in which the individual works or for which the individual is responsible, the profitability of the firm and levels of reward for comparable roles in the external market.

The performance management process comprehensively links and individual's contribution to the firm, its growth, current success and risk profile to proposed compensation and assists in the reinforcement of performance, conduct and risk management.

The Remuneration Committee may exercise its discretion to adjust the proposed bonus pool having considered the size of the pool against the overall performance of the business. This can include reducing variable compensation to nil where members feel it prudent and justified to do so.

Behaviour which falls short of the expected standard in any way, compromises the reputation of, or causes material financial harm to the firm or its business activities is taken into consideration when determining discretionary bonus awards. In addition, the risk appetite of the firm is set out in the firm's ICAAP and accompanying policy documents. Breaches in relation to these policies are communicated to HR and similarly taken into consideration when determining discretionary bonus awards.

The firm's policy is to apply a claw back in relation to material wrongdoing to all employees in receipt of a cash bonus. The claw back is applied for a period of 3 years and becomes effective on the day the employee physically receives the cash bonus payment.

8.1.5 Identification of Code Staff

Numis has given careful consideration to the identification of individuals whose professional activities have a material impact on the firm's risk profile. In addition, the firm identifies individuals as Code Staff having regard both to individual regulatory status and seniority of position. All department heads are designated as Code Staff whether or not they hold approved persons status. Further, it is expected (and documented as such) that all Code Staff, regardless of SIF status, are expected to adhere to SIF guidelines at all times. It should be noted that whilst Numis has identified Code Staff, the principles of its remuneration policy apply on a group wide basis.

The assessment of Code Staff includes any employee who is deemed to have a material impact on the firm's risk profile in accordance with Regulation (EU) 604/2014 of 4 March 2014 (Regulatory technical standards to identify staff who are material risk takers).

In summary Code Staff fall into the following categories of employees:

1. All PLC executive and non-executive directors;

2. All members of the board of NSL; and

3. Other senior managers not included in the first two categories who are Heads of Department and/or other employees whose activities have a material impact on the firm's risk profile as defined in Regulation (EU) 604/2014.

The first two categories have been designated Senior Management Code Staff. The list of Code Staff is subject to annual review and approval by the Remuneration Committee as part of its annual review of the remuneration policy. During the course of any financial year, consideration of new joiners will be driven by HR with subsequent review and approval by the Remuneration Committee.

8.2 Quantitative Disclosure

8.2.1 Aggregate Fixed and Variable Remuneration

The firm is required to disclose aggregate quantitative remuneration for its Code Staff for the year ending 30 September 2017 split between fixed and variable compensation paid or payable to Senior Management Code Staff and Other Code Staff in respect of services provided while acting as Senior Management Code Staff or Other Code Staff. The firm operates an integrated corporate advisory and stockbroking business and, although there are different revenue types, there are no distinguishable business areas other than the provision of this service.

Financial year ended 30 September 2017:

	Senior Management £'000	Other Code Staff £'000	Total £'000
Fixed compensation	2,438	6,138	8,576
Variable compensation	3,840	12,020	15,860
Total compensation	6,278	18,158	24,436
Average No. of Code Staff	8.4	36.0	44.4
Non-cash variable compensation awarded in shares (£'000)	90	2,695	2,785

Financial year ended 30 September 2016:

	Senior Management £'000	Other Code Staff £'000	Total £'000
Fixed compensation	2,547	2,964	5,511
Variable compensation	13,104	15,310	28,414
Total compensation	15,652	18,274	33,926
Average No. of Code Staff	13	17.9	30.9
Non-cash variable compensation awarded in shares (£'000)	9,294	10,677	19,971

Fixed compensation includes base salary and benefits and, in the case of PLC non-executive directors, any base fee paid by NSL in respect of services provided during the year.

Variable compensation comprises cash bonuses awarded in respect of performance during the year and the grant date fair value of all share awards granted together with the grant date fair value of any other discretionary awards granted during the financial year irrespective of deferral periods or service conditions attaching to them.

8.2.2 Aggregate Deferred Remuneration

The following table sets out the movement in the fair value of outstanding deferred remuneration during the year ended 30 September 2017 in respect of Code Staff. Grant date fair values have been used throughout the table consistent with the disclosures made in 8.2.1 above.

	Outstanding deferred remuneration	Awarded during the year	Paid out during the year	Other *	Outstanding deferred remuneration
	1 October 2016				30 September 2017
	£'000	£'000	£'000	£'000	£'000
Senior management	10,258	90	(1,027)	88	9,409
Other Code Staff	11,580	2,695	(2,320)	1,721	13,676
Total	21,838	2,785	(3,347)	1,809	23,085

* Other – net of amounts forfeited and code staff changes during the year

Of the outstanding amounts as at 30 September 2017, £185,000 related to vested awards and of those, £51,000 are held by senior management.

8.2.3 Aggregate Sign-On and Severance Payments

During the year ended 30 September 2017 there were no payments made to Code Staff in respect of severance or sign-on payments.

8.2.4 Banding Disclosure

The number of Code Staff whose total remuneration exceeded EUR 1m for the year ended 30 September 2017 is shown in the table below:

	Senior Number	Other Number
EUR 1m to EUR 1.5m	1	3
EUR 1.5m to EUR 2.0m	-	1
EUR 2.0m to EUR 2.5m	1	-
EUR 2.5m to EUR 3.0m	-	-
EUR 6.0m to EUR 6.5m	-	-
EUR 7.0m to EUR 7.5m	-	-
Total	2	4

The GBP : EUR rate used for the purposes of the table above is 0.92246 and is sourced from the European Central Bank rate for September 2017.

9 Leverage Ratio

The leverage ratio is calculated as the firm's Tier 1 capital divided by the total exposure value of all assets and off-balance sheet items not deducted when determining the capital measure. As at 30 September 2017 this ratio was 14.30%.

10 Country-by-Country Reporting

NSL's obligation to publish reportable information under Article 89 of the CRD IV is fulfilled by the NSL's parent undertaking which publishes relevant information on a consolidated basis. The relevant information can be found on the Group's website (www.numis.com) within the Legal and Regulatory section.

11 Return on Assets

NSL's return on assets (calculated as profit for the year after tax divided by average total assets) for the year ended 30 September 2017 is 6.6% (2016: 8.0%).