N+1 SINGER

The Growth Company Partner

Pillar III Disclosures

31st December 2018

Contents

1. Overview

1.1. Background

The Capital Requirements Directive ("CRD IV") sets out the regulatory capital framework for implementing Basel III in the European Union. CRD IV is underpinned by three pillars and is overseen in the UK by the Financial Conduct Authority ("FCA") through the Prudential Sourcebook for investment firms ("IFPRU") and the Capital Requirements Regulation ("CRR") together with additional standards and guidelines released by the European Banking Authority ("EBA"). 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 the minimum capital requirements for credit, market and operational risk that firms are required to hold in order to support its business activities;

- Pillar 2 requires firms to assess whether its Pillar 1 requirement is adequate and if additional capital is necessary to withstand their risks. This process is

documented in an Internal Capital Adequacy Assessment Process ("ICAAP"); and

- Pillar 3 requires firms to publish details of their risks and how they are managed; regulatory capital requirements and remuneration of key staff.

1.2. Scope, Basis and frequency of disclosure

The N+1 Singer Group ("N1S" or "the Firm") contains two separate legal entities which are regulated by the FCA, Nplus1 Singer Capital Markets Limited ("SCM") and Nplus1 Singer Advisory LLP ("LLP"). Both of these entities are authorised and regulated by the FCA under the FRN's 453676 and 568323, respectively. The relevant disclosure requirements of Pillar 3 are embedded into a combination of Prudential Sourcebook for Investment Firms (IFPRU), the Capital Requirements Regulation (CRR) and associated guidelines issued by the FCA together with additional standards and guidance released by the European Banking Authority.

These disclosures are not subject to audit and have been produced solely for the purposes of satisfying the Pillar 3 regulatory requirements and should not be relied upon in making judgements about the Firm.

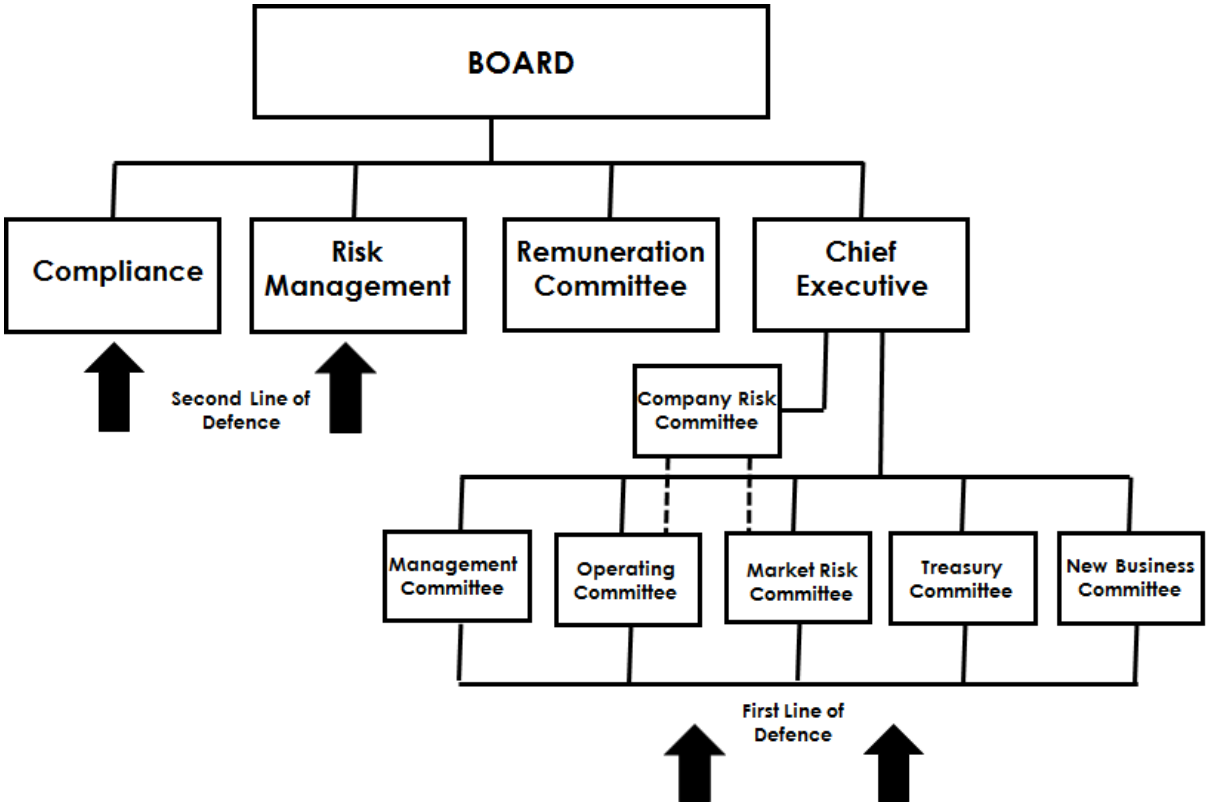
Disclosures are made at least annually and are published in accordance with the Firm's Annual Report and accounts. N1S has an accounting reference date of 31 December. However, for consistency with the Firm's ICAAP, these disclosures are made with a reference date of 31st December 2018.

These disclosures are published on the N+1 Singer corporate website (www.n1singer.com).

2. Risk Management Governance

2.1. Risk Management Framework

Risks are monitored, controlled and overseen by separate but complimentary committees consisting *inter alia* of senior management (directors and senior management team); Risk Management; Finance; Operations; IT; HR and Compliance. The figure below outlines the Firm's risk governance structure via the various committees. In summary the Firm's front line staff have the responsibility of understanding their roles and responsibilities which includes escalation of risk issues ("first line of defence") to the Compliance and Risk Management functions and via the various committees ("second line of defence"). Ultimately the risk management framework including all systems and controls is owned by the Board. Traditionally, firms would offer a "third line of defence" risk model through a permanent internal audit resource. However, because of the nature and complexity of the business, there are currently no plans have a dedicated permanent internal audit function.



The Board meets at least 4 times per year and owns the risk framework and is responsible for the management of the Firm's risks which includes:

- Ensuring the risk framework is adequate and fit for purpose and is able to identify, capture, assess, monitor and manage the Firm's risks
- Approval of the Firm's risk appetite, ICAAP and monitoring of capital adequacy
- Annual review of the risk register including appropriate scorings for inherent and residual risks
- Approving stress tests for both liquidity and capital
- Delegation to the various committees

2.2. Internal Capital Adequacy Assessment Process

The Firm has recently overhauled its Internal Capital Adequacy Assessment Process (ICAAP), 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 Firm's Recovery and Resolution plan has been prepared in accordance with IFPRU 11 and lodged with the FCA. The residual risk is mitigated by setting aside sufficient capital to meet the potential impact of the combined residual risk exposures.

2.3. Approach to Pillar 2

Pillar 2 requires firms to derive their own assessment of capital requirements and to take into account a much wider array of risks than those stipulated within Pillar 1. Critically, firms are required to provide much more granularity to operational risks than is provided by Pillar 1 - the basic indicator approach uses a rather crude assessment of capital which is numerically equal to 15% of audited revenues averaged over the last 3 years. Furthermore, Pillar 2 asks for an assessment of other risks not covered by Pillar 1 to be taken into account. These are: liquidity risk; residual risk; securitisation risk; business risk; concentration risk; interest rate risk; excessive leverage risk; pension obligation risk; group risk. Capital requirements for market risk and credit risk have also been calculated using internal models under Pillar 2 and we believe these provide a better assessment of our risks than those calculated under Pillar 1.

2.4. Key Risks

Key risks are set out in the Firm's Annual Report and Accounts and ICAAP. The ICAAP document assesses the capital required to meet potential unexpected losses arising from a number of risk factors which the Board considers acceptable in the pursuit of its business strategy. Scenario analysis and stress testing are also performed to access the Firm's exposure to extreme events and to ensure that appropriate mitigation plans are in place. The ICAAP is reviewed and updated annually, unless there are any significant changes in the control environment or other events that warrant a more immediate update. When performing the annual update the Board reviews the stated risk appetite and compares it against actual performance. It will also request the recalculation of the stress tests if they are no longer viewed as appropriate for the business considering developments within the business or the prevailing environment in which it operates.

2.4.1. Corporate Governance/Strategic Risk

The Firm's overall strategy is decided upon by the Board. Day to day strategy and the implementation of this carried out by the CEO and the Management Committee. In order to mitigate business and strategic risk, careful consideration is given to all strategic decisions. All available information is reviewed and discussed by the Board and the Management Committee where appropriate. Any new product or business line will include a thorough assessment of all potential risks, financial or operational, and the systems necessary to minimise these risks. In addition, regular updates are provided to highlight divergence (good and bad) from original plan (strategic, operational and financial). All such decisions and action points are minuted.

The Firm's business as a stockbroker means it is susceptible to changes in the environment in which it operates. In order to maintain agility and be able to react to events and factors as they evolve, certain decisions must be made quickly. Reporting and decision making lines are very clear within the Firm hence decisions, if required, can be made at a speed necessary to mitigate risk.

The Firm's Business Continuity plans are regularly reviewed and updated in order to address the decisions which would have to be made in situations which would arise as a result of Strategic risk.

2.4.2. Credit Risk

Due to the nature of the Firm's business credit risk is a less significant risk than some other risks the business faces.
The key credit risks faced by the Firm are as follows:

- Non-payment of income receivables;
- Clients' defaults on agreements;
- Goods and services paid for but not received; and
- Adverse events to institutions where the Firm's capital is held on deposit

Settlement risk is a sub-category of Credit risk and addresses the trading book element where the key risk is the non-settlement of a trade. There are however, controls in place to ensure that this does not occur, and, if it does, it has no material impact on the Firm.

The vast majority of trades entered into by the Firm are on a delivery versus payment ("DVP") basis thereby reducing the risk of non-settlement considerably. This is because DVP requires both parties to the settlement to match the trade details and be in place for the agreed settlement date. If they are not, the trade will not settle and the non-defaulting party is not "out of pocket".

2.4.3. Market Risk

By the very nature of the Firm's business, this is one of the most significant risks to which the Firm is exposed. There are three elements of market risk to which N1S is exposed. These are equity position risk and foreign exchange risk (primarily through holding foreign currency cash balances). The former is the most significant considering the portfolio of investments and trading positions held by the Firm. The Firm also has some interest rate risk arising from holding Gilt positions.

The Firm sets market risk limits per book and per stock which are monitored on an on-going basis. In February 2018, an Historical simulation Value-at-Risk (VaR) model was implemented for equity, foreign exchange and interest rate risk. The model uses a 99% confidence level and is an accepted industry standard. Back testing of the VaR against P/L is performed daily and periodically reviewed to test the validity of the model.

2.4.4. Counterparty Risk

Counterparty risk is the potential loss the Firm would incur is a counterparty fails to settle under its contractual obligations. In the ordinary course of business counterparty risk is relatively limited because securities trading activity is settled on a delivery versus payment ("DVP") basis through Crest. 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.

Counterparty exposures from trading are monitored intra-day and end-of-day for formal reporting purposes. The exposures are measured against limits which are soft in nature and approved by the market risk committee. Limit excesses are highlighted daily for follow-up action. All new counterparties go through a due diligence process by the Compliance and Risk departments before an account is opened. The creditworthiness of counterparties is reviewed at least annually and limits adjusted as required.

2.4.5. 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 terms are onerous. Liquidity risk affects the Firm at various levels, from the requirement to have sufficient funds to settle its daily and short-term liabilities as they fall due, to that for the funding required for longer-term strategic plans. With net assets of less than £50 million the Firm is not required to produce an Individual Liquidity Adequacy Assessment under the provisions of BIPRU 12.1.4(1). However the Firm calculates its liquidity position on a daily basis and compares it against various liquidity triggers.

2.4.6. Operational Risk

Operational risk is the risk of loss, resulting from inadequate or failed internal processes, people and systems, or from external events. The Firm seeks to mitigate operational risk by maintaining appropriate controls in the form of experienced staff, clear segregation of duties and clear methods for escalation. Outsourced relationships are closely monitored by Finance to ensure adherence to contractual obligations and service levels whilst business continuity plans are in place and are subject to periodic review and testing. The Board sets the tone of the business by demanding a strong, ethical and professional culture as the only acceptable standard for the Firm.

This risk category includes a number of sub-operational risk categories. The Firm's systems and controls, policies and procedures have been structured to meet any undue exposure (financial and otherwise) the Firm would face should any of these risks materialise.

The following list is not exhaustive but details the key operational risks faced by the Firm:

- Reputational Risk - Risk of loss resulting from damages to N+1 Singer's reputation, in lost revenue; increased operating, capital or regulatory costs; or destruction of shareholder value;
- Legal and Compliance Risk – litigation against the Firm or the failure to comply with regulation and laws (e.g. from market abuse or financial crime);
- IT/BCP Risk - The risk that N+1 Singer suffers service disruptions e.g. from defects, failures, faults, or from illegal or unauthorized computer use/access;
- Human Resources Risk - N+1 Singer fails to train, develop, attract and retain appropriate talent and resources to ensure effective operations;

2.4.6.1. Reputational Risk

Reputational risk is viewed more as a cost than a risk. It is inherent within all, if not most, of the other risk categories, as it is what results if one of the other risks actually becomes reality. The only variable would be the quantitative element of the cost, as it may cost the Firm more to re-establish its reputation in one scenario compared to another.

Reputation is difficult to grow but very easy to lose, which underlines the importance of having to mitigate this risk. Therefore, the Firm strives to act in a professional and honest manner at all times and maintain good relationships with its clients or potential clients and also other third parties in the industry including competitors, lawyers, accountants and regulators and to act in a professional and honest manner at all times. This is a key part of the Firm's culture.

Should a complaint arise, the Firm responds as quickly and professionally as possible and in accordance with regulatory requirements. The Compliance Department engages with the person(s) involved and will use recorded phone calls (and other media like Bloomberg IM), to confirm the validity of the complaints. The Board are informed of any complaints received and the progress of these.

2.4.6.2. Legal and Compliance Risk

With the increasing legal and regulatory driven environment for the financial services industry and business as whole, this is an important risk which needs to be addressed on an on-going basis by the Firm. As a result, all efforts are made to ensure that all such legislation is adhered to and any requirements met.

The key Legal and Compliance risks include the following:

- Legal action against the Firm;
- Enforcement/Financial Crime risk;
- Fraudulent activity;
- Non-compliance with regulations and laws
- Regulatory integration of new policies and requirements; and
- Adherence to internal policies and procedures

There are rigorous controls in place in order to minimise this type of risk.

2.4.6.3. IT/BCP Risk

The core business of the Firm is IT driven, from the front office trading system, to the back office settlement system. As a result, the key risk is the failure of part, if not the whole, of the Firm's IT infrastructure. Core IT systems fall into 2 categories: hosted solutions and in-house systems. Hosted solutions are provided on a contract and SLA basis and are only entered into after thorough due diligence and reliance is placed on vendor internal controls. This type of risk therefore also forms part of legal risk in the event of an issue that impacts the Firm's operations. Where possible the Firm's in-house IT hardware/software solutions are "off the shelf", provided by mainstream developers or resellers. In house systems pose direct IT risk. To mitigate this, the Firm

has established and implemented a number of comprehensive systems and controls.

Back-ups of all systems are made at the end of every business day and stored at an off-site location. These can then be used when any lost information needs to be restored due to a failure in the live system. In addition, the Firm has a comprehensive business continuity plan which employs the use of a disaster recovery site.

2.4.6.4. Human Resources Risk

Retaining, attracting and developing key staff is essential to the long-term success of the business. The Firm aims to employ and retain suitable qualified staff. It complies with Employment Law and where there is no governing legislation it operates in accordance with best practice.

All key people and roles are assessed and monitored to ensure business continuity is maintained. Performance is reviewed against targets and appropriate structures are maintained in order to try to ensure adequate succession planning. In addition, through the Remuneration Committee, we seek to ensure that the personnel identified as key are provided with appropriate compensation packages.

Similarly the Remuneration Committee seek to ensure that "Code" staff (i.e. those employees to whom all the principles of the FCA Remuneration Code apply) and other staff are remunerated on a basis consistent with the guidelines of the FCA.

Further information on the Remuneration Committee and its function within the Firm can be found below under section 4.

3. Capital Resources and Requirements

3.1. Capital Adequacy

In order to protect the Firm's solvency, internal capital is held to provide a cushion for unexpected losses. In assessing the adequacy of its capital, the Firm considers its risk appetite, the material risks to which it is exposed and the appropriate management strategies for each of its material risks, including whether or not capital provides an appropriate mitigant. Regulatory Capital is calculated daily and is reported in the management accounts, so the Board is aware of any movements in this requirement on a monthly basis. The following table summarises the Firm's capital resources and capital requirements as at 31 December 2018.

	Dec 31st 2018 £'000
Tier 1 Capital Resources	
Permanent Share Capital	16,392
Retained earnings brought forward (audited)	12,784
Dividend declared during the year	(4,287)
Common Equity Tier 1 capital resources	**24,993**
Regulatory Capital Requirement	
Market Risk –Equity	511
Market Risk –Foreign Exchange	73
Market Risk –Interest Rate	48
Credit Risk	704
Settlement Risk	9
Operational Risk	4,672
Total Pillar 1 Regulatory Capital Requirement	**6,016**
Surplus Capital (Pillar 1)	**18,977**
Total Risk Weighted Exposure	**75,202**
Pillar 1 Capital Adequacy Ratio	**415%**
Core Tier 1 Capital Ratio	**33.2%**

4. Remuneration

The following disclosures are in accordance with Article 450 of the Capital Requirements Regulation and the FCA's Remuneration Code SYSC 19A (the "Remuneration Code" or "Code"). The Firm is required to establish and apply policies which comply with the Code in a way and to the extent that is appropriate to its size, internal organisation and the nature, scope and complexity of its activates. The Firm has been classified as a Tier 3 Firm for the purpose of the Remuneration Code. The following disclosures reflect the requirements for such Tier 3 firms.

4.1. The Remuneration Committee

The Firm's Remuneration Committee, consisting of 2 of the 3 non-executive directors, operates under delegated authority from the Board and oversees the implementation of the Remuneration Code. The Remuneration Committee assesses whether remuneration decisions have adequately taken into account the implications for risk and the risk management of the firm, the long term interests of shareholders, investors and other stakeholders and the management of any conflicts of interest. The Remuneration Committee is responsible for determining the firm's

policy on remuneration. The key objectives of the policy are (a) 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 (b) to provide the level of remuneration required to attract, retain, and motivate employees of an appropriate calibre. The Remuneration Committee convened four times during the year ended 31 December 2018.

4.2. Identification of Code Staff

The Firm has given careful consideration to the guidance of the FCA as contained in its Remuneration Code. Code staff are those individuals who perform roles which have a material impact on the Firm's risk profile. This includes:

- Executive and Non-Executive Directors and Senior management;
- Material risk takers in business management roles;
- Employees in management control function roles; and
- Employees who are remunerated in excess of Senior Management and Material Risk Takers.

4.3. The link between pay and performance

Remuneration comprises a fixed and a variable component.

Fixed remuneration, comprising principally of base salaries, is determined by the position held by and the responsibility of each employee, length of service in that position, the experience of the employee and local market salary practices for identical positions in similar financial institutions.

The overall compensation mix takes into account the performance of the firm; specific teams' and individuals' performance and the competitive environment. It will always be subject to the approval of the Remuneration Committee.

On a bi-annual basis, an individual's performance is assessed. Assessment is based on all aspects of an individual's contribution to the firm including financial performance, business development and non-financial metrics (such as attitude to compliance and risk, teamwork and broader contributions to the Firm).

The Firm's business focuses on corporate advisory and trading in cash equities, with no "long tail" risk and therefore little scope for exaggeration of performance. In awarding bonuses to staff management takes into consideration past, current, and expected future performance.

Staff are therefore exposed to the Firm's overall performance and paid dependent on their individual performance.

4.4. Quantitative Disclosure

The Firm is required to disclose aggregate quantitative remuneration for its Code staff for the year ending 31 December 2018 split between fixed and variable compensation. This included delayed remuneration which was paid in March 2019.

	2018 £'000	2017 £'000	2016 £'000	2015 £'000	2014 £'000
Fixed Compensation	1,397	1,203	1,048	1,015	1,173
Variable Compensation	2,101	2,248	1,458	1,241	2,819
Total Compensation	**3,498**	**3,451**	**2,506**	**2,256**	**3,992**
Number of Code Staff	**17**	**15**	**14**	**14**	**15**