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CIMB Securities (UK) Limited
Report and financial statements
31 December 2012

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COMPANIES HOUSE

CIMB Securities (UK) Limited

Directors

Patrick Chung-Ho Han (appointed 09/10/2012)

John Choi (appointed 15/10/2012)

Carolina Swee Liang Chan

Asish Dey (resigned 22/01/2013)

Erwin Go (resigned 11/10/2012)

Julia Hashim (resigned 01/11/2012)

Secretary

Direct Control Limited

Auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Bankers

Standard Chartered Bank

37 Gracechurch Street

London

EC3V 0BX

Registered office

27 Knightsbridge

London

SW1X 7YB

Registered number

2719607

CIMB Securities (UK) Limited
Report and financial statements
31 December 2012

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CIMB Securities (UK) Limited

Directors' report for the year ended 31 December 2012

The directors submit their report and the audited financial statements of CIMB Securities (UK) Limited ("the Company") for the year ended 31 December 2012

Principal activities and business review

The principal activity of the Company remains that of securities related business. The Company is authorised and regulated by the Financial Conduct Authority. The directors do not foresee any change in the Company's principal activity.

The major risk associated with the business is a severe down turn in the sale and purchase of financial securities and related services, in Asia.

The position and nature of the Company's relationship within the group sets the key performance indicator as the revenue generated in the Asian group resulting from the activities of CIMB Securities (UK) Limited.

The Company's directors believe that an analysis using other key performance indicators for the Company is not necessary or appropriate for an understanding of the development, performance or position of the business of the Company. The directors consider that in the conditions prevailing during the period, the development of the Company's business and its financial position at the end of the period were satisfactory.

Financial risk management

Credit risk: The maximum exposure to credit risk is represented by the carrying amounts on the balance sheet. There are no material financial assets the Company considers past due. The cash balance is held with one credit institution. The board is aware of the concentration risk involved but the risk is considered to be low as the credit institution is stable. The board keeps the banking arrangements under constant and close review.

Capital risk: In order to maintain the capital structure of the Company, the Company may adjust the amount of dividend paid to the shareholders, the return of capital to shareholders, or the issue of new shares.

Results and dividends

The profit for the year of £157,962 (2011: £88,639) will be transferred to reserves. The directors do not recommend the payment of a dividend.

The directors who held office during the year ended 31 December 2012 (unless otherwise stated) were

Patnck Chung-Ho Han (appointed 09/10/2012)

John Choi (appointed 15/10/2012)

Carolina Swee Liang Chan

Asish Dey (resigned 22/01/2013)

Erwin Go (resigned 11/10/2012)

Julia Hashim (resigned 01/11/2012)

Pillar 3

Regulatory disclosures required to be made by the rules of the Financial Conduct Authority in relation to risk management, capital adequacy and remuneration (Pillar 3 Disclosures) are included at the end of the Annual Report and financial statements. The Pillar 3 Disclosures are Unaudited.

CIMB Securities (UK) Limited

Statement of directors' responsibilities

The directors are responsible for preparing the Directors' Report and the financial statements in accordance with applicable law and regulations

Company law requires the directors to prepare financial statements for each financial year. Under that law the directors have prepared the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Company and of the profit or loss of the Company for that period. In preparing these financial statements, the directors are required to

- select suitable accounting policies and then apply them consistently,
- make judgements and accounting estimates that are reasonable and prudent,
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements,
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time the financial position of the Company and enable them to ensure that the financial statements comply with the Companies Act 2006. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

In the case of each of the directors serving at the time this report is approved, so far as the directors are aware, there is no relevant audit information of which the Company's auditors are unaware. The directors have taken all steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

Auditors

The auditors, PricewaterhouseCoopers LLP, are deemed to be reappointed under section 487(2) of the Companies Act 2006.

Patrick Chung-Ho Han, Director, 25 April 2013



CIMB Securities (UK) Limited

Independent auditors' report to the members of CIMB Securities (UK) Limited

We have audited the financial statements of CIMB Securities (UK) Limited for the year ended 31 December 2012 which comprise the Profit and Loss Account, the Balance Sheet and the related notes. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards (United Kingdom Generally Accepted Accounting Practice).

Respective responsibilities of directors and auditors

As explained more fully in the Directors' Responsibilities Statement set out on page 2 the directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view. Our responsibility is to audit and express an opinion on the financial statements in accordance with applicable law and International Standards on Auditing (UK and Ireland). Those standards require us to comply with the Auditing Practices Board's Ethical Standards for Auditors.

This report, including the opinions, has been prepared for and only for the Company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Scope of the audit of the financial statements

An audit involves obtaining evidence about the amounts and disclosures in the financial statements sufficient to give reasonable assurance that the financial statements are free from material misstatement, whether caused by fraud or error. This includes an assessment of whether the accounting policies are appropriate to the Company's circumstances and have been consistently applied and adequately disclosed, the reasonableness of significant accounting estimates made by the directors, and the overall presentation of the financial statements. In addition, we read all the financial and non-financial information in the report and financial statements to identify material inconsistencies with the audited financial statements. If we become aware of any apparent material misstatements or inconsistencies we consider the implications for our report.

Opinion on financial statements

In our opinion the financial statements

- give a true and fair view of the state of the Company's affairs as at 31 December 2012 and of its profit for the year then ended,
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, and
- have been prepared in accordance with the requirements of the Companies Act 2006.

Opinion on other matter prescribed by the Companies Act 2006

In our opinion the information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements.

CIMB Securities (UK) Limited

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where the Companies Act 2006 requires us to report to you if, in our opinion

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us, or
- the financial statements are not in agreement with the accounting records and returns, or
- certain disclosures of directors' remuneration specified by law are not made, or
- we have not received all the information and explanations we require for our audit



Andrew Hawkins (Senior Statutory Auditor)
For and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors

London

25 April 2013

CIMB Securities (UK) Limited

Profit and loss account for the year ended 31 December 2012

	Note	2012 £	2011 £
Turnover	2	4,964,645	2,752,055
Cost of sales	3	(3,323,741)	(1,508,441)
Gross profit		1,640,904	1,243,614
Administrative expenses		(1,404,493)	(1,112,563)
Operating profit		236,411	131,051
Interest receivable and similar income		5,400	6,725
Profit on ordinary activities before taxation	4	241,811	137,776
Tax on profit on ordinary activities	5	(83,849)	(49,137)
Profit for the financial year	11	157,962	88,639

The results of the Company relate solely to continuing activities

The Company has no recognised gains and losses other than those included in the profit and loss account above, and therefore no separate statement of total recognised gains and losses has been presented

There is no difference between the profit on ordinary activities before taxation and the retained profit for the year stated above, and their historical cost equivalents

CIMB Securities (UK) Limited

Balance sheet as at 31 December 2012

	Note	2012 £	2011 £
Fixed assets			
Tangible assets	6	27,813	12,929
Current assets			
Debtors	7	946,293	985,911
Cash at bank and in hand		1,546,412	1,726,973
		2,492,705	2,712,884
Creditors: amounts falling due within one year	8	(634,849)	(703,362)
Net current assets		1,857,856	2,009,522
Total assets less current liabilities		1,885,669	2,022,451
Provision for liabilities	9	-	(200,000)
Net assets		1,885,669	1,822,451
Capital and reserves			
Called up share capital	10	500,000	500,000
Capital contribution	11	(82,578)	24,096
Profit and loss account	11	1,468,247	1,298,355
Total shareholders' funds	11	1,885,669	1,822,451

The notes on pages 7 to 16 form an integral part of these financial statements

The financial statements on pages 5 to 16 were approved by the board of directors on 25 April 2013 and were signed on its behalf by

Patrick Chung-Ho Han, Director



CIMB Securities (UK) Limited

Registered No. 2719607

CIMB Securities (UK) Limited

Notes to the financial statements

1 Accounting policies

Accounting convention

The financial statements have been prepared on a going concern basis under the historical cost convention and in accordance with applicable UK accounting standards. The material accounting policies have been applied consistently.

Income recognition

Income represents amounts due from group companies and is recognised on an accruals basis, over the period to which it relates.

Interest income

Interest income is accounted for on an accruals basis, over the period to which it relates.

Tangible fixed assets

Fixed assets are stated at cost less accumulated depreciation. The cost of an asset comprises its purchase price and any directly attributable costs of bringing the asset to working condition for its intended use. When assets are sold or retired, their cost and accumulated depreciation are removed from the accounts and any gain or loss resulting from their disposal is included in the profit and loss account.

Depreciation is calculated using the straight line method to write off the cost of the assets over their estimated useful lives. The estimated useful lives are as follows:

Furniture, fittings and leasehold improvements	-	3 years
Communication equipment	-	3 years
Computer equipment	-	3 years

Deferred taxation

Deferred taxation is recognised in respect of all timing differences that have originated but not reversed at the balance sheet date where transactions or events that result in an obligation to pay more tax in the future or a right to pay less tax in the future have occurred at the balance sheet date. Timing differences are differences between the Company's taxable profits and its results stated in the financial statements. Deferred tax is provided at the tax rates expected to be in force when the timing difference reverses based on the rates which have been enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised to the extent it is considered more likely than not that they are recoverable.

Operating leases

Rentals on operating leases are charged to the profit and loss account on a straight line basis over the lease term.

CIMB Securities (UK) Limited

Notes to the financial statements

Pensions

The Company makes contributions to employees' personal pensions plans under a Defined Contribution scheme. Contributions are charged in the profit and loss account over the period to which they relate.

Share based payments

Awards of share or options to directors and employees represent the grant, by the ultimate parent company, of rights related to shares of that parent company. The Company has no obligation to settle these transactions. In accordance with FRS 20 all such share based compensation is accounted for as equity-settled with a corresponding adjustment to capital contributions.

Awards are measured at fair value at the award date. Such fair values are measured using market price of shares or the Trinomial Model for options taking into account the terms and conditions upon which the awards were granted. The fair value is recognised as an expense over the vesting period and is adjusted only to reflect the actual number of options or shares which will vest, unless forfeiture is only due to share prices not achieving the threshold for vesting. The matching credit is treated as a capital contribution from the parent company, such contribution being reduced to the extent that the parent recharges the Company for the cost of the shares or options awarded. Any amounts of undistributed capital contribution are transferred to retained profit once the options or awards have been exercised or have expired.

Cash flow statement

The Company is exempt from the requirements to prepare a cash flow statement under Financial Reporting Standard 1, because a consolidated cash flow statement is included in the publicly available consolidated financial statements of its ultimate parent undertaking.

2 Turnover

Turnover, which is stated net of value added tax, represents amounts invoiced to another group undertaking and is attributable to one continuing activity, the introduction of securities related business to that fellow group undertaking. Excepting incidental amounts all turnover is generated in the Far East.

3 Costs of sales

Cost of sales represent staff costs as follows

	2012	2011
	£	£
Wages and salaries	2,946,992	1,231,743
Social security costs	219,927	138,725
Other pension costs	72,766	112,974
Share based payments (Note 11)	84,056	24,999
	3,323,741	1,508,441

The average number of persons, including the directors, employed by the Company during the period was 16 (2011: 9).

CIMB Securities (UK) Limited

Notes to the financial statements

Category of employees	2012 Number	2011 Number
Administration	3	3
Sales	13	6
	<u>16</u>	<u>9</u>

Directors' emoluments

	2012	2011
Aggregate Emoluments	392,015	382,604
Pension Contributions	46,563	43,950
Total Emoluments	<u>438,578</u>	<u>426,554</u>

Contributions payable into personal pension schemes for 2 directors (2011 2 directors) was £46,563 (2011 £43,950)

One of the directors (2011 One) exercised share options during the year None of the directors (2011 Nil) were granted options during the year

The emoluments of the highest paid director were

	2012 £	2011 £
Aggregate Emoluments	163,324	196,827
Pension Contribution	24,188	22,500
Total Emoluments	<u>187,512</u>	<u>219,327</u>

The highest paid director was not granted and did not exercise any share options during 2012 (2011 None)

4 Profit on ordinary activities before taxation

	2012 £	2011 £
Profit on ordinary activities is stated after charging:		
Auditors' remuneration for the audit of the financial statements		
Current year	18,500	20,000
Prior year	1,500	-

CIMB Securities (UK) Limited

Notes to the financial statements

	2012 £	2011 £
Depreciation of owned assets	15,057	6,465
Operating lease rentals – Land and buildings	123,828	123,828
– Office equipment	5,240	5,240

5 Taxation on profit on ordinary activities

	2012 £	2011 £
UK corporation tax at 24.5% (2011: 26.5%)	35,864	88,773
Total current tax	35,864	88,773
Deferred tax – origination and reversal of timing differences	47,985	(39,636)
	83,849	49,137

The tax assessed for the year is lower (2011: higher) than the standard rate of corporation tax in the UK 24.5% (2011: 26.5%). The differences are explained below:

	2012 £	2011 £
Profit on ordinary activities before tax	241,811	137,776
Profit on ordinary activities before tax multiplied by the standard rate in the UK of 24.5% (2011: 26.5%)	59,244	36,511
Effects of:		
(Reversal) of provision for liabilities not deductible	(49,000)	53,000
Expenses not deductible for tax purposes	20,580	8,677
Capital allowances claimed in excess of depreciation charged	(9,005)	(10,672)
Movement of share awards in year	14,045	1,257
Current tax payable	35,864	88,773

CIMB Securities (UK) Limited

Notes to the financial statements

6 Tangible fixed assets

	Furniture & Fixtures £	Communication and Office Equipment £	Computer Equipment £	Total £
Cost				
At 31 December 2011	342,480	69,761	165,802	578,043
Additions/adjustments	4,166	18,815	6,960	29,941
At 31 December 2012	346,646	88,576	172,762	607,984
Depreciation				
At 31 December 2011	342,480	69,761	152,873	565,114
Charge for the year	1,389	4,884	8,784	15,057
At 31 December 2012	343,869	74,645	161,657	580,171
Net book amount				
At 31 December 2012	2,777	13,931	11,105	27,813
At 31 December 2011	-	-	12,929	12,929

The Company continues to make full use of fully depreciated furniture, communication, office and computer equipment

7 Debtors

	2012 £	2011 £
Due within one year		
Amount owed by group undertaking	670,966	751,739
Other debtors	76,076	49,099
Prepayments and accrued income	165,769	103,606
Deferred tax	33,482	81,467
	<u>946,293</u>	<u>985,911</u>

CIMB Securities (UK) Limited

Notes to the financial statements

The movements on the deferred tax account were as follows

	2012 £	2011 £
Opening Balance	81,467	41,831
Reversal - (Debit) to profit and loss account	(20,557)	(10,802)
Origination - Credit to profit and loss account	22,657	3,101
Provision - (reversal) for liability not deductible for tax	(49,000)	53,000
Effect of rate change 25% to 23% (2011 27% to 25%)	(2,711)	(5,663)
Closing Balance	33,482	81,467

	2012 £	2011 £
Timing differences arise on		
Depreciation on fixed assets and capital allowances claimed	14,323	25,725
Provision for liability not deductible for tax	-	50,000
Share based payments	19,159	5,742
	33,482	81,467

The standard rate of UK corporation tax changed from 26% to 24% with effect from 1 April 2012. It further reduced to 23% with effect from 1 April 2013 and this rate has been used for the deferred tax asset above (2011 25%). It is proposed to reduce the UK corporation tax rate to 21% from 1 April 2014 and 20% from 1 April 2015. These proposed reductions have not been substantively enacted at the balance sheet date and have not been taken into account in the preparation of these financial statements.

8 Creditors: amount falling due within one year

	2012 £	2011 £
Due within one year		
Amounts owing to group undertaking	847	15,738
Corporation tax	29,231	57,087
Other taxes and social security costs	289,509	120,414
Accruals including employer pension contributions £7,962 (2011 £83,488)	315,262	510,123
	634,849	703,362

CIMB Securities (UK) Limited

Notes to the financial statements

9 Other provisions

£200,000 was provided in 2011 for an unresolved claim against the Company, which was resolved within 2012

	2012	2011
At 1 January		
Opening	200,000	-
Profit & Loss account	(7,066)	200,000
Utilised	(192,934)	-
At 31 December	<u>-</u>	<u>200,000</u>

10 Called up share capital

	2012 £	2011 £
Allotted, called up and fully paid		
500,000 Ordinary shares of £1 each	<u>500,000</u>	<u>500,000</u>

11 Reconciliation of movements in shareholders' funds

	2012 (£)			
	Share capital	Capital contribution	Profit and loss account	Total
At 1 January	500,000	24,096	1,298,355	1,822,451
Profit for the year	-	-	157,962	157,962
Payment for share awards	-	(178,800)	-	(178,800)
Capital contribution relating to share based benefits	-	84,056	-	84,056
Capital contribution transferred to Profit and Loss account		(11,930)	11,930	-
At 31 December	<u>500,000</u>	<u>(82,578)</u>	<u>1,468,247</u>	<u>1,885,669</u>

CIMB Securities (UK) Limited

Notes to the financial statements

	2011 (£)			
	Share capital	Capital contribution	Profit and loss account	Total
At 1 January	500,000	18,227	1,190,586	1,708,813
Profit for the year	-	-	88,639	88,639
Capital contribution relating to share based benefits	-	24,999	-	24,999
Capital contribution transferred to Profit and Loss account	-	(19,130)	19,130	-
At 31 December	<u>500,000</u>	<u>24,096</u>	<u>1,298,355</u>	<u>1,822,451</u>

Capital contributions were transferred to Profit and Loss Reserve in both 2012 and 2011 on exercise and expiry of share awards to employees

12 Share based payments

Management Equity Scheme (MES)

This scheme was initiated as part of a performance linked compensation scheme by a substantial shareholder of the parent company. The scheme was initially launched on 1 March 2004 and the scheme was in force until 29 February 2012.

The eligibility for participation in the scheme was at the discretion of the Nomination and Remuneration Committee of the CIMB Group. Entitlements of eligible members of senior management are non-assignable and non-transferable whereby the Nomination and Remuneration Committee of the CIMB Group administers the scheme on behalf of the substantial shareholder. The entitlements granted vest in proportions across various exercised periods.

On 22 December 2008, the substantial shareholder of the parent company had approved the extension of the MES Scheme from 28 February 2009 to 29 February 2012. The MES continued to be in force until 29 February 2012, after which the voting rights of unexercised balances remained with the substantial shareholder of the Company.

The total number of entitlements granted to employees of the Company during the financial year is Nil units (2011 Nil units) and total number of entitlements outstanding as at year end is Nil units (2011 36,000 units). The total MES share-based expense recognised in the statement of income during the financial year amounted to £663 (2011 £4,971).

All entitlements have the same reference price of £1.74. The weighted average remaining contractual life is 3 months (2011 1.2 years). The fair value of each option award is estimated on the date of the grant using the Trinomial model. The Company believes that the use of the Trinomial model meets the fair value measurement objectives and reflects all substantive characteristics of the instruments being valued. The determination of the fair value of the share

CIMB Securities (UK) Limited

Notes to the financial statements

based payment award on the date of the grant using an option pricing model is affected by the parent's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include, but are not limited to, the expected stock price volatility over the term of the awards, the actual and projected Employee Stock Option exercise behaviour and the risk free interest rate.

	2012		2011	
	No of shares	Weighted	No of shares	Weighted
Outstanding at 1 January	36,000	1.74	72,000	1.74
Granted during the period	-	-	-	-
Expired during the period	-	-	-	-
Exercised during the period	(36,000)	1.74	(36,000)	1.74
Additional shares as a result of the stock	-	-	-	-
Outstanding at 31 December	-	-	36,000	1.74
Exercisable at 31 December	-	-	36,000	1.74

* There was a two for one stock split on 20 May 2010, the number of share options has been adjusted accordingly to preserve their value to the beneficiary. As a result of the stock split the exercise half reduced price.

Equity Ownership Plan ("EOP")

EOP was introduced on 01 April 2011 by the Group where the Group will grant ordinary shares of the parent company to selected employees in the Group, with a re-charge to the Company. Under EOP, earmarked portions of the variable remuneration of the selected employees of the Group will be utilised to purchase ordinary shares of the parent company from the open market, the purchased shares will be released progressively to the eligible employees at various dates subsequent to the purchase date, subject to continued employment. A fellow subsidiary company will act on behalf of the Group to administer the EOP and to hold the shares in trust up to the pre-determined transfer date. The eligibility of the participation in the EOP shall be at the discretion of the Compensation Review committee of the Group.

Upon termination of the employment other than retirement, disability or death, any unreleased shares will be disposed of at the market price and proceeds received will be donated to the CIMB Foundation on behalf of employees. In the event of retirement, disability or death of the eligible employee, the release of shares will be accelerated to the date of termination of the employment and the shares will be assigned to the designated beneficiary.

The total EOP share-based payment expense recognised in the statement of income during the financial year amounted to £84,057 (2011: £18,900).

The weighted average fair value of shares awarded under EOP were purchased at £1.60 (2011: £1.67) per ordinary share.

Movements in the number of the parent company ordinary shares awarded are as follows:

CIMB Securities (UK) Limited

Notes to the financial statements

	2012 Total shares	2011 Total shares
At 1 January	12,926	-
Granted	94,066	17,231
Vested	(8,610)	(4,305)
Forfeited	(2,195)	-
31 December	96,187	12,926

13 Financial commitments

At 31 December 2012 the Company had annual commitments under non-cancellable operating leases as follows

	Land and Buildings		Other	
	2012 £'000	2011 £'000	2012 £'000	2011 £'000
Land and buildings				
Operating leases which expire				
Within one year				
Within two to five years	-	-	5	5
After five years	124	124	-	-
	<u>124</u>	<u>124</u>	<u>5</u>	<u>5</u>

14 Related party transactions

The directors have taken advantage of the exemption available in Financial Reporting Standard 8 from disclosing transactions with related parties, which are wholly owned members of the group

15 Immediate and ultimate parent undertakings

The Company's immediate parent undertaking, and the parent undertaking of the smallest group which prepares consolidated financial statements and of which the Company is a member, is CIMB Securities International Pte Ltd a company registered in Singapore The Company's ultimate parent undertaking and ultimate controlling party, and the parent undertaking of the largest group which prepares consolidated financial statements and of which the Company is a member, is CIMB Group Holdings Berhad a company incorporated in Malaysia Copies of the consolidated financial statements are available from the registered office of the Company

**APPENDIX 1
(UNAUDITED)**

**CIMB Securities (UK) Limited
Pillar 3 Disclosures
Year ended 31 December 2012**

CIMB Securities (UK) Limited

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CIMB Securities (UK) Limited

Pillar 3 disclosures (Unaudited)

1. Executive summary

1.1 Background

The European Union Capital Requirements Directive came into effect on 1 January 2007. It introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel Capital Accord ("Basel II") rules. Implementation of the Directive in the UK was by way of rules introduced by the Financial Services authority, the predecessor body of the Financial Conduct Authority ("the FCA"). Among them are disclosure requirements applicable to banks, building societies and investment firms, which are known as Pillar 3. These are designed to promote market discipline by providing market participants with key information on a firm's risk exposures and risk management processes. Pillar 3 also aims to complement the minimum capital requirements described under Pillar 1 of Basel II, as well as the supervisory review processes of Pillar 2.

1.2 Verification

Disclosures will only be subject to external verification to the extent they are equivalent to those made under accounting requirements. These disclosures explain how the Board have calculated certain capital requirements and information about risk management generally. They do not constitute financial statements and should not be relied upon in making judgements about CIMB Securities (UK) Limited ("CIMB (UK)").

1.3 Frequency

Disclosures will be made on an annual basis.

1.4 Media and location

The report will be published as an attachment to the Companies audited accounts.

1.5 Scope

CIMB (UK) is categorised by the FCA as a BIPRU €50k Limited licence firm.

CIMB Securities (UK) Limited

Pillar 3 disclosures (Unaudited)

2. Group Risk Management Framework

Due to the size, nature, scale and complexity of the Firm, there is no independent risk management function. The Directors of the Firm determine the business strategy and risk appetite along with the risk management policies and procedures. An identification of risks to the Firm are considered and the Firm's resultant exposure is assessed after the application of both management and mitigation of these risks. Furthermore the Firm then conduct a series of stress tests and scenario analyses on these risks to determine the effect they would have on the firm.

If necessary the Firm would allocate extra capital to the relevant risk, as per the Pillar 2 requirement this has not been deemed necessary. This process is conducted at Directors meetings which are held on a frequent basis but not less than a quarterly basis and the relevant policies and procedures are updated where necessary.

The Directors have made a risk assessment (on - Credit, Market, Operational, Liquidity, Insurance, Concentration, Residual, Securitisation, Business, Interest Rate, Pension Obligation and Other Risks) and the main area of risk are identified under ICAAP.

The Firm has concluded that its Tier 1 capital is sufficient to cover its Pillar 1 and Pillar 2 requirements.

Risk Assessment

Credit Risk – CIMB (UK) has agreed with CIMB PTE Ltd, whereby CIMB (UK) provides certain services to CIMB PTE Ltd, who has agreed to cover its costs in full. It is therefore in a very strong position to control its credit risk. The risk that CIMB PTE Ltd, would not pay fees due to CIMB (UK) is considered minimal and unlikely to happen.

Market Risk – CIMB (UK) does not trade on its own account and therefore does not run market risk.

Operational Risk – CIMB (UK) faces a variety of risks in its day to day operations.

One of the key risks that CIMB (UK) faces is its dependence on its computer systems and communications with the outside world, however, the BCP/DRP reduces this risk as all IT functions are backed up in house as well as HO in Singapore. We also have mobiles and the Bloomberg Anywhere facility which enables our sales trader to continue to operate anywhere should there be a problem with its existing site.

CIMB (UK) has put in place a control structure aimed at ensuring that the possibility of errors is minimised. This ranges from controls over transaction entry and execution and over transaction processing. Wherever possible, trading is automated and follows up reconciliation work conducted daily.

To date, CIMB (UK) has not experienced any losses of an operational nature.

In order to mitigate against any claims which might be made against CIMB (UK) and/or its directors, CIMB (UK) is under the CIMB Group Directors & Officers Insurance policy.

The occurrence of a serious loss would more than anything damage CIMB (UK)'s reputation. The impact of this could manifest itself either as a period of reduced income or, in the worst case, the decision to close down the business.

Liquidity Risk – CIMB (UK)'s assets are largely held in the form of cash deposits with maturity no greater than a month, it is considered extremely unlikely that the bank holding such deposits will default on repayment

Insurance Risk – CIMB (UK) is not involved in writing insurance business

Concentration Risk – CIMB (UK) acts as an arranger and adviser, receiving and transmitting orders to institutional clients. It clearly depends on the success of each of these institutional clients to be able to continue in business

Residual Risk – this does not apply to CIMB (UK)

Securitisation Risk – CIMB (UK) does not securitise any assets

Business Risk – CIMB (UK)'s business success depends on it being able to deliver satisfactory service to its clients thereby generating the service fee income on which it depends. Those returns are in part a reflection of model development which has already taken place but will in all probability need to be supplemented by future development. This will require ongoing investment in staff development, computer equipment, data and premises, all of which are likely to place increasing pressure on cost levels. In a wider sense, CIMB (UK) depends on continuing investor appetite for its absolute return approach in the Far East and on the rates at which fees are charged in the market. It is also dependent on its various service providers, notably its relationship with its H/O which provides execution and research to its clients.

There are clearly a variety of risks which may over time pose a threat to the continuing success of CIMB (UK). In terms of capital, therefore, CIMB (UK) needs a buffer to withstand periods where there is a downturn in income generation or where it needs to make further investment in people or equipment.

Interest Rate Risk – CIMB (UK) does generate income from its cash deposits but this is considered insignificant relative to the income generated from fees and to the level of the expense base.

Pension Obligation Risk – CIMB (UK) does not have any pension obligations apart from making monthly contributions on behalf of its employees.

Other Risks – CIMB (UK) has several senior key staff. Clearly, losing any one individual for whatever reason would have an impact on the business. Similarly, the business depends on their continued willingness to work together.

CIMB Securities (UK) Limited

Pillar 3 disclosures (Unaudited)

3. Capital adequacy and ICAAP

The objective of maintaining adequate capital is to protect investors and ensure corporate stability amid a rapidly changing market environment. CIMB (UK) uses a capital adequacy ratio to indicate its capital adequacy. The ratio is derived by calculating market, credit, operational and other risks in a company's current asset position with net operating capital to gauge the company's ability of weathering the total risk it faces.

Net Operating Capital Adequacy Ratio = Total Risk Requirements/Regulatory Capital

The total risk is the maximum estimated loss that a company faces in the course of its operations. It is the sum of market risk, counterparty risk, operational risk and credit concentration risk. Please refer to above risk assessment.

The ICAAP (Internal Capital Adequacy Assessment Process) is a key element of CIMB (UK)'s implementation of the EU Capital Requirements Directive (CRD). It is the means by which the Board is able to determine CIMB (UK)'s required level of capital, consistent with its risk appetite and business plans.

The ICAAP will be reviewed and updated annually, unless there are any changes in the control environment or other events that warrant a more immediate update. When performing the annual update, the Board will review the stated risk appetite and compare it against actual performance. It will also request the recalculation of the stress tests if they no longer viewed as appropriate for the business considering developments to the business or the environment in which it operates.

4. Capital resources

As at 31 December 2012 (after audit)

	£'000
Tier 1 Capital Resources	
Permanent share capital	500
Profit and loss account and other reserves	1,385
	1,885
Tier 2 Capital Resources	-
Total Capital Resources	1,885

CIMB (UK) had £1,885,669 of regulatory capital after deductions as at 31 December 2012 compared with an ICAAP capital requirement of £1,115,858 resulting in a solvency ratio of 168.99%.

CIMB Securities (UK) Limited

Pillar 3 disclosures (Unaudited)

5. Capital requirements

Operational Risk & Other Capital Requirements as at 31 December 2012

A Fixed Overhead Requirement (FOR) of £1,115,858 has been computed, being the highest of the three areas considered when assessing Capital Requirements, as detailed below

- 1) Base Requirement Euro 50K
- 2) Credit & Liquidity Risk Minimal (see sections above)
- 3) FOR 25% Fixed Overheads i.e. after adjustment for non-fixed costs

6. Remuneration Policy

All remuneration-related policies and remuneration payouts, including bonus plans, share plans, incentive plans and individual remuneration packages are reviewed and approved by the Group Compensation Review Committee (GCRC) in conjunction with the Board of Directors. GCRC is an independent committee established by CIMB Group the remuneration committee work within the framework of the CIMB Group Remuneration Policy Statement. The Managing Director of CIMB Securities (UK) Limited and The Rewards & Performance Director of Group Human Resources for CIMB Group deal with the remuneration code for CIMB Securities (UK) Limited. Independent advice on remuneration and other employment issues are sought when required.

No individual is involved in the decisions relating to his or her own remuneration.

The remuneration committee takes full account of the company's strategic objectives in setting remuneration policy and is mindful of its duties to shareholders and other stakeholders. The Committee seeks to preserve shareholder value by ensuring the successful retention, recruitment and motivation of employees.

The following employee has been identified as meeting the FCA's criteria for Code Staff

Managing Director & Head of Sales

Senior Management

Remuneration is made up of fixed salary and benefits and performance-related pay. Performance related pay is not guaranteed reflecting the individual performance and entity results. Some discretion may also be applied to ensure that other factors, which may not be directly measurable, are considered. Bonuses are payable Fully in cash or a mix of cash and shares (through participation in the Group's Equity Ownership Plan) where the proportion in shares ranges from 10% to 50%. The cash portion of the bonus payout is also subject to deferral where up to 50% of the cash may be deferred for up to 6 to 9 months.

One code staff was categorised as Senior Management. Their aggregate remuneration for 2012 was

£'000
£153

Fixed remuneration consists of base salary and benefits, variable remuneration consists of the discretionary bonus payable

Number of Code staff - Senior Management - 1
Remuneration - £'000
Fixed £153
Variable Nil