GPB FINANCIAL SERVICES LTD

Disclosures in accordance with Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012

YEAR ENDED 31 DECEMBER 2018

May 2019

Contents

1 Introduction

According to the requirements stated in paragraph 1 of Article 431 of the European Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (collectively the “Regulation” or “CRR”), GPB Financial Services Ltd (the “Company”) has an obligation to disclose information relating to risks and risk management policies and procedures at least on an annual basis. These disclosures must be included either in the financial statements of the Company, if these are published, or on its website. In addition, these disclosures must be verified by the external auditor of the Company. The Company will be responsible for submitting its external auditor’s verification report to the Cyprus Securities and Exchange Commission (“CySEC”) the latest within five months from the end of each financial year.

The disclosures are based on the audited financial statements of GPB Financial Services Ltd for the year ended 31 December 2018.

Background

GPB Financial Services Ltd is a wholly-owned subsidiary of Gazprombank Joint Stock Company (OJSC). The Company was incorporated in Cyprus on February 24, 2009 as a private limited liability company. Its main activity consists of the provision of Investment and Ancillary Services and Investment activities for the Financial Instruments under license number 113/10, dated January 27, 2010 and granted by the CySEC.

The Company’s principal activity is the provision of the following investment services:

1. Reception and Transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
4. Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
5. Placing of financial instruments without a firm commitment basis

The Company also provides the following ancillary services:

1. Safekeeping and administration of financial instruments, including custodianship and related services
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected to the provision of investment services
5. Investment research and financial analysis or other forms
6. Services related to underwriting.

Disclosure Policy

The following sets out the Company's Pillar III Disclosure Policy with regards to the information to be disclosed, as well as its frequency, location and verification:

Disclosed Information:

The Company's policy is to meet all required Pillar III disclosure requirements as detailed in Part Eight of the CRR.

Frequency of Publication:

The disclosures will be reviewed on an annual basis at a minimum and, if appropriate, more frequently. Disclosures will be published in conjunction with the date of publication of the financial statements.

Location of Publication:

The disclosures report will be published and be made available on the Company's website at www.gpbfs.com.cy.

Verification:

The Company has commissioned its independent auditors KPMG Limited to verify its Disclosures. The Company is required according to the Directive DI144-2014-14 of CySEC (the “Directive”) to provide a copy of the auditor’s verification report to CySEC, five months after the end of each financial year, at the latest.

Scope of Disclosure

GPB Financial Services Ltd prepares its disclosures on a solo basis.

2 Risk Management Objectives and Policies

Risk Management Framework and Structure

The Risk Management Function forms an integral part in the Company’s day to day operations. As such, the Company has the necessary risk management systems to identify exposures to risk, establish appropriate ranges for exposures, measure these exposures and execute appropriate adjustments whenever exposure levels fall outside of target ranges. This is a continuous process which is subject to evaluation and revision to reflect new policies and information. The systems have the necessary controls in place to generate prudent and reliable valuation estimates which are provided to Senior Management regularly. Senior Management is primarily responsible for managing risks and for ensuring that the Company follows its strategic objectives.

In developing the risk management framework, the Company has placed great emphasis on establishing and recognising the appropriate responsibility for risk management at all levels of staff within the Company. For the Company, the purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve overall objectives.

Taking into account the nature, scale and complexity of investment services and activities undertaken in the course of this business, the integrated objective of the distinct functions of Internal Audit, Risk Management and Compliance, the Accounting Department and all other operations departments, is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring structure.

GPB-Financial Services Limited

Roles and Responsibilities

Heads of Departments

- Develop and implement procedures and systems for managing risks in their area of expertise;
- Perform regular identification and assessment of risks and controls within their area of expertise;
- Report to Risk Management Operational risk events and losses in their areas of competence and actions taken to mitigate the risk of losses;
- Ensure the proper training of their staff in order to avoid Legal and Compliance risks and promote the quality of the services the Company offers.

Risk Management

- Formalize and enhance risk management practices;
- Demonstrate compliance with relevant legislation and regulatory requirements;
- Integrate the supervision and management of risk across key Company processes and departments;
- Raise the profile of risk management within all corporate levels;
- Reduce any costs arising from internal or external exposures;
- Develop and retain a Risk Register in order to facilitate all risks associated with Company operations;
- Achieve a proactive approach to Risk Management.

Compliance Department

- Monitor on a permanent basis and assess on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations;
- Advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the relevant laws;
- Report to the Board of Directors, on at least annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities,

on the risks that have been identified and on the Complaints-handling reporting as well as remedies undertaken or to be undertaken;

- To monitor the operations of the Complaints-handling process and consider Complaints as a source of relevant information in the context of its general monitoring responsibilities.

Internal Audit

- Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- Issue recommendations based on the result of the audit;
- Verify compliance with the recommendations;
- Report in relation to internal audit matters to the management of the Company, the Board of Directors and to the regulators.

The Company's internal audit function is outsourced.

Accounting

- Monitor the day-to-day recording of all financial information;
- Control all receipts and payments, internal management reporting and external financial reporting;
- Calculate/report the capital adequacy requirement in accordance with the Regulation and CySEC's Directives.

3 Governance arrangements

3.1 Board of Directors

For the year ended 31 December 2018, the Board consisted of five Executive Directors (of which two resigned on 1 March 2018 and 22 June 2018 respectively) and two Non-Executive Directors.

The major duties of the Board of Directors include:

- Defining and overseeing the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interest of the Company's clients;
- Formulate the Company's strategy in terms of the development of existing and new services;
- Governing the organization by broad policies and objectives;
- Ensure that the Company maintains and implements an adequate internal control mechanism;
- Ensure that the Company complies with its legal obligations to CySEC;
- Assessing on a regular basis that the Company's policies and procedures are in compliance with the relevant Laws and Directives issued by CySEC;
- Monitoring the performance of the Investment and Risk Committees;
- Defining, overseeing and approving a policy as to services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Company as well as the characteristics and needs of the clients of the Company to whom they will be offered or provided;
- Defining, overseeing and approving a remuneration policy;
- Determining, recording and approving the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing;
- Monitoring the internal control mechanisms of the Company, and periodically assessing the adequacy and the implementation of the Company's strategic objectives in the provision of investment services and activities;
- Reviews and approves Client Acceptance Policy;
- Ensure that sufficient and experienced resources are available to the Company to carry out its operations;
- Ensure that it receives on an annual basis written reports from the Compliance officer, Risk Management officer and Internal Audit, follow up any issues raised as well as ensure that remedial measures have been taken.

3.2 Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select Board candidates and ensure appropriate succession planning. The persons proposed for the appointment should have specialized skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. Prior to the appointment, the Company must obtain the approval of CySEC.

The potential candidates should possess the following skills/qualities:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject;
- Integrity, honesty and the ability to generate public confidence;
- Demonstrated sound business judgment;
- Knowledge of financial matters including understanding financial statements and financial ratios;
- Knowledge of and experience with financial institutions;
- Risk management experience;
- The competencies and skills that the BoD considers each existing director to possess.

3.3 Skills and experience of the Board

Each member has unique skills and experiences that contribute to strategy design and effective problem solving. The following have been determined to be skills and characteristics of the Company's Board members:

- Knowledge of the Cyprus Investment Firm sector;
- Business knowledge and experience;
- Banking and financial management knowledge and experience (bankers, accountants, lawyers);
- Qualified accounting knowledge and experience;
- Government and regulator linkages;
- Banking linkages;
- High repute and integrity in business and the community in general;
- Have time availability;
- Strong communication skills.

3.4 Diversity Policy

With a view to achieving a sustainable and balanced development, the Company sees increasing diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. In designing the Board's composition, Board diversity has been considered from a number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service.

The members of the Board of Directors shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties.

The ultimate objective is to have a Board that offers a broad range of perspectives that are directly relevant to the business and organizational needs. The Company ensures that a broad set of qualities and competences exists when recruiting members to its Board.

The overall composition of the Board of GPB shall reflect an adequately broad range of experiences and knowledge in domain areas of the Company's business such as investment banking and finance, human resources, legal, risk management, etc.

3.5 Risk Committee

During 2018, the Company proceeded with the establishment of a Risk Committee. The committee is currently composed of the two non-executive members of the Board of Directors. The Risk Committee is mainly responsible for advising the Board of Directors on the Company's overall current and future risk appetite and strategy and assist the Board of Directors in overseeing the implementation of that strategy by senior management. The Committee shall meet at least three times per year.
During 2018 the Risk Committee held one meeting.

3.6 Investment Committee

The Investment Committee comprises of four representatives including two executive directors and two members of GPB Bank (JSC); the Vice President- Financial Capital Markets and the Chairman of Risk Commission operations in financial markets and operational risks of GPB Bank (JSC). The Committee is responsible for establishing investment guidelines and formulating the overall investment policy of the Company, which is subject to approval by the Board of Directors. According to regular schedule, the Investment Committee meets quarterly if not under special conditions agreed otherwise.

The Investment Committee's main responsibilities with regards to the Company's investment policy can be summarized as follows:

- Provide a general framework for the Company's investment decisions;
- Deal with any other matter relating to the Company's investment policy;
- Define the markets and financial instruments in which the Company shall operate in;
- Provide a list of investment choices which should be avoided or preferred over others.

During 2018 the Investment Committee held one meeting.

3.7 Number of directorships held by members of the Board

The table below provides the number of directorships each member of the management body of the Company currently holds at the same time in other entities (including the directorship held in the Company). Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

Name of Director [1]	**Position within the Company**		**Directorships – Executive**	**Directorships – Non-Executive**
Evanthia Kania	Executive		1	-
Irina Chuprynenko	Executive		1	-
Adamos Kitros	Executive		1	-
Andreas Aloneftis	Non-Executive		-	5
Anastasios Televantides	Non-Executive		-	More than 7

[1] Note: The information in this table is based only on representations made by the directors of the Company.
[2] The CySEC has approved the appointment of Mr. Aloneftis as a non-executive director of the Company, in consideration of the number of his directorships.
[3] Eleni Paphiti resigned as of 1st of March 2018.
[4] Dmitry Golosov resigned on 22nd of June 2018

3.8 Information flow on risk to the management body

The information flow on risk to the management body is achieved through the reports of the Risk Management department, the Internal Auditor, the Money Laundering Compliance Officer, the Compliance Officer, and any other reports or minutes prepared and presented to the Board (refer to Annex II).

4 Board Risk Declaration

The Board of Directors' primary role is to formulate the Company's strategy and to ensure that the Company operates within that strategy whilst complying with its regulatory obligations and operating within an acceptable level of risk. Furthermore, the Board is responsible for evaluating the Company's risk appetite and risk bearing capacity, as well as, ensuring that the capital maintained is sufficient given the risks borne by the Company's operations.

The Board considers that it has in place adequate systems and controls with regards to the Company's profile and strategy and appropriate risk management tools, properly resourced and skilled, to avoid or minimise loss.

5 Board Approved Risk Statement

The Company's strategic objective is the provision to international institutional investors with access to the Russian capital markets and the introduction of Russian corporates to the international capital markets. The Company operates with a strong customer focus and provides simple, transparent products which aim to deliver value for customers. The Company's strategy is pursued within efficient risk management practices that formulate the Risk Appetite of the Company.

The Board expresses the Company's Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across three categories:

Financial: *Credit, Market, Liquidity risks*

Operational: *Operations, Human, IT risk*

Compliance: *Regulatory risk*

Risk appetite measures assist in managing profit volatility within assigned limits which are agreed with the parent Company on a frequent basis and when deemed necessary. The limits seek to ensure that the Company remains profitable under severe market or economic stress conditions.

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

The following table sets out a number of the key measures used to monitor the Company's risk profile:

Risk Area		Metric	Comment	Measure at 31/12/2018
Financial Risk	Capital	Capital Adequacy Ratio	The Company targets a Core Tier 1 ratio above the regulatory guidance threshold of 10,25%. The strategic capital plan ensures the above regulatory guidance threshold.	CT1 ratio = 48,57%
	Credit Risk	a) Unsettled trades(over 5d)/Total Assets b) Value of unsettled trades term limit ≤ 5 days c) Deposits of GPBFS with approved Russian institutions or non-equivalent third country institutions shall not exceed 25% of its own funds d) Fixed term deposits with Bank GPB OAO (shareholder) should not exceed two percent (2%) of the Company's eligible capital	The Company has strong credit management controls and manages exposures to counterparties according to its risk appetite. Zero unsettled trades over 5 days confirms the risk appetite towards counterparty exposures. Points c) and d) as per DI144-2014-14 of CySEC	UT ≥ 5d /TA = 0%
	Market Risk	Stop loss limits: a) Daily Stop loss limits: Max limit €100 thousand b) Weekly stop loss limits (5 days) Max Limit €150 thousand	The Company often holds securities for inventory purposes and arbitrage. The Company trades a range of Russian and European stocks in the form of ADRs. Control is achieved with stop loss limits within specified ranges.	The Company was within limits
	Leverage Risk	Tier 1 Capital ≤ 3% Total Assets	The Company regularly assesses its leverage ratio, with minimum requirement of 3% being tested (i.e. Company's total assets should not be more than 33 times its capital). The ratio is monitored through the capital adequacy calculations / ICAAP report.	53.59%

			Tier 1 Capital: Common equity Tier 1 (share capital, share premium, retained earnings and regulatory adjustments) + Additional Tier 1 – Hybrid capital.	
Operational Risk	The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. There is a procedure for the identification and effective management of incidents and problems. The Company set up a disaster recovery site in Nicosia and in case of internet failure, operations will continue from Moscow. In addition, an in-house back up system is developed which controls all backups and schedules of GPBFS infrastructure. An electricity generator is available in order to ensure business continuity. The Company will continue to be fully compliant with labor laws and health and safety regulations as well update its operations manual with new procedures when deemed necessary. In addition, the Company intends to retain its four eyes principal in settling transactions and enhance its monitoring on employees through such actions as maintenance of an insider trading policy and regular updates of restricted equities list, in order to prevent any legal risks. Moreover, the Company will continue holding its client assets with reputable institutions and performing regular reconciliations with custodians. System security risk will continue to be mitigated by a set of controls which consist of regular change of system passwords, immediate support agreement with a third party provider, antivirus, penetration tests and regular back- ups in disaster recovery site. All measures are within appetite at year end.			
Compliance Risk	The Company is dedicated to continuously enhance and implement policies and procedures based on the latest regulatory requirements issued by CySEC. To this respect, the Company has a strong Compliance Function that implements a number of controls in relation to compliance with the relevant laws and regulations and monitors employees on a regular basis. Staff receives regular training on compliance issues and policies and procedures are updated in line with new regulations. Objective is to fulfill all regulatory compliance requirements and ensure that the Company maintains its reputation amongst various stakeholders. All measures are within appetite at year end.			

6 Disclosures in Accordance with Part Eight of the Regulation

The adequacy of the Company's capital is monitored by reference to the rules established by the Basel Committee and adopted by CySEC. In 2014, CySEC has adopted the European Regulation No. 575/2013 on prudential requirements and issued the Directive DI144-2014-15 on the discretions of CySEC arising from the Regulation, in addition to the Directive 144-2014-14 for the prudential supervision of investment firms, adopting the relevant European Union Directive 2013/36/EU ("CRDIV"). Together, the Regulation and Directive form the framework of Basel III. Basel III consists of three pillars: a) Minimum Capital Requirements (Pillar 1), b) Internal Capital Adequacy Assessment Process (Pillar 2) and c) Market Discipline (Pillar 3).

(a) Pillar 1 – Minimum Capital Requirements

The Company follows the Standardised Approach for measuring Credit and Market risk and the Basic Indicator Approach for the calculation of Operational risk. According to the Standardised Approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures after the consideration of various mitigating factors, according to the exposure class to which they belong.

The Standardised measurement method for the capital requirement for Market FX risk nets off the Company's long and short positions in foreign currencies according to predefined models, to determine the capital requirement. For Operational risk, the Basic Indicator Approach calculates the average, on a three year basis, of net income to be used in the Risk Weighted Assets calculation.

(b) Pillar 2 – The Internal Capital Adequacy Assessment Process (ICAAP)

The ICAAP aims at ensuring that adequate capital is in place to support any risk exposures of the Company, in addition to setting appropriate risk management, reporting and governance structures. Pillar 2 covers any risks not addressed under Pillar 1 (partly or fully), such as Concentration risk, Reputation risk, Business and Strategic risk and any external factors affecting the Company.

Pillar 2 connects the regulatory capital requirements to the Company's Internal Capital Adequacy Assessment Process and to the reliability of its internal control structures. The function of Pillar 2, which includes the Supervisory Review Process (SREP), is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

The Company implements the ICAAP requirements in accordance with the guidelines issued by the CySEC and has a procedure to update the ICAAP document on an annual basis. The ICAAP process includes, among other things, risk identification and assessment, stress testing and Pillar 2 capital allocation.

(c) Pillar 3 – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds and the remuneration of the risk takers of the Company.

7 Capital Management and Preservation

The Company's eligible Own Funds at year end comprised of Common Equity Tier 1 Capital. Intangible assets (computer software) are deducted when deriving Common Equity Tier 1 capital.

As at 31st of December 2018, the Company's eligible Own Funds consisted of the following:

	USD '000
	31 Dec 2018
Common Equity Tier 1 Capital	
Share Capital	5.301
Retained Earnings	31.564
Audited Income for year ended 31/12/2018	(986)
Intangible Assets	(156)

ICF deduction	(113)
Unrealized gains of available for sales assets	-
Total Common Equity Tier 1 Capital	**35.610**
Additional Tier 1 Capital	**-**
Total Tier 1	**35.610**
Tier 2 Capital	**-**
Total Regulatory Capital	**35.610**

The primary objective of the Company's capital supervision is to ensure compliance with regulatory capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and allocations and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities on an ongoing basis. The monitoring of the capital level is performed on an ongoing basis. Particularly, the Accounting Department monitors on an ongoing basis every important change in assets and, when necessary, assesses risk weighted assets and the capital required for each class of assets.

The Company calculates the risk weighted exposure amounts in accordance with Chapter 2 of Title II of the Regulation. The Company also ensures that it maintains a minimum ratio of capital to risk weighted assets of 9,875% (minimum regulatory requirement + capital conservation buffer).

The Company's capital position as per the year-end, is analysed as follows:

	USD '000 31 Dec 2018
Total Regulatory Capital	**Capital Requirement**
Credit risk	2.473
Credit Valuation Adjustments	658
Market risk	272
of which FX Market risk	*272*
of which Interest Rate Market risk	-
Large exposure due to Trading Book	1.068
Operational Risk Capital Requirement	376
Total Capital Requirements	**4.847**
Surplus Capital Against Total Risks	30.763
Total Capital Adequacy Ratio	58,77%

Large Exposures

As at 31 December 2018, the Company's Banking Book exposure to the GPB group amounted to 3,09% of its Own Funds and as a result, it exceeded the applicable large exposure limits to shareholders. The Company took immediate measures and reduced this exposure by early January 2019.

8 Capital Requirements

8.1 Credit and Counterparty Credit Risk

Definition

This risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company is exposed to Credit risk when trading with various counterparties and when placing funds with banks and other parties.

Monitoring

The Risk Management Department is responsible for managing and monitoring Credit risk. In coordination with the Head of each department, the Risk Management Department designs and implements Credit risk policies and guidelines. It is responsible for establishing methodologies of measuring Credit risk and, whenever necessary, informs the Board about the level of Credit risk and actions taken to mitigate its effect.

Mitigation

The Company considers that there is a certain element of Credit Counterparty risk which emanates from trading operations. For this purpose the Company has established methodologies and techniques to manage and monitor Credit and Counterparty risk on a daily basis.

In addition, the Company's Management assigns counterparty trading limits for every counterparty it intends to trade with, in order to limit the Company's exposure to a particular counterparty. In order to approve a counterparty limit, the Company has established the Credit risk assessment methodology for evaluating the counterparty's credit strength based on required trading limits. This method analyzes the counterparty's credit quality based on an analysis of financial and non-financial information. Counterparty limits are set using the VaR methodology and are reviewed annually.

The Company has established a number of other measures, to minimize Settlement risk and indirectly Counterparty risk. Such measures include performing transactions only on a Delivery Versus Payment ("DVP") basis, or requesting pre-payments or pre-deliveries. In certain cases where DVP is not possible with certain counterparties, the Company assigns settlement (or free delivery) limits based on the counterparty's credit quality.

The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors its receivables on a continuous basis. Cash balances are held mainly in current accounts with European banks and financial counterparties and the Company has policies to limit the amount of Credit risk exposure to any financial institution.

The Company, in calculating "Credit, Counterparty Credit and Dilution Risks and Free Deliveries", adopts the Standardised approach and classifies its exposures into the following exposure classes:

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USD ‘000
31 Dec 2018

Credit, Counterparty Credit and Dilution Risks and Free Deliveries Capital Requirement – Standardized Method	Original Exposure*/Pre-conversion Factors	Risk Weighted Exposure Amount	Capital Requirements
Exposures to Institutions	33.836	13.990	1.119
Exposures to Corporate	26.639	16.521	1.322
On balance sheet exposures subject to credit risk	*2.042*	*2.042*	*164*
Off balance sheet exposures subject to credit risk	*24.597*	*14.478*	*1.158*
Equity	5	5	-
Other Items	382	395	32
Total	60.862	30.909	2.473

**The original exposure shown above reflects the amount reported in the “CR SA” tab of CoRep form 061 as “Original exposure pre conversion factors”, which incorporates the effects of master netting (as discussed further below).*

Geographical distribution of exposures by exposure class:

Geographical distribution of exposures by exposure class:						
						USD ‘000 31 Dec 2018
Exposure Class	**Cyprus**	**Luxemburg**	**Russia**	**United Kingdom**	**Other**	**Total**
Exposures to Institutions	84	31.645	-	1.839	268	33.836
Exposures to Corporates	15	-	26.522	56	46	26.639
Equity exposures	5	-	-	-	-	5
Other items	378	2	-	-	2	382
Total	**482**	**31.647**	**26.522**	**1.895**	**316**	**60.862**

Distribution of exposures by industry:

USD ‘000
31 Dec 2018

Exposure Class	Banking / Financial Services	Other	Total
Exposures to Institutions	33.836	-	33.836
Exposures to Corporates	26.528	111	26.639
Equity exposures	5	-	5
Other items	1	381	382
Total	60.370	492	60.862

Past due/ Impaired Assets

At each reporting date the Company assesses whether there is objective evidence that financial assets not carried at fair value through profit or loss are impaired. A financial asset or a group of financial assets is/are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of the asset(s), and that the loss event has an impact on the future cash flows of the asset(s) that can be estimated reliably.

Objective evidence that financial assets are impaired can include significant financial difficulty of the borrower or issuer, default or delinquency by a borrower, indications that a borrower or issuer will enter bankruptcy or other observable data relating to a group of assets, such as adverse changes in the payment status of borrowers or issuers in the group, or economic conditions that correlate with defaults in the group.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. Where the Company expects a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Management does not expect any losses from non-performance by these counterparties. There was no past due or impaired amount to date by any counterparty.

Breakdown of exposures by residual maturity and average exposure for 2018:

USD ‘000
31 Dec 2018

Exposure Class	**Average Exposure for the period**	**Residual Maturity ≤ 3 months**	**Residual Maturity > 3 months**	**No Maturity**
Exposures to Institutions	33.912	32.832	1.004	-
Exposures to Corporates	30.992	26.630	9	-
Equity exposures	10	-	-	5
Other items	381	4	378	-
Total	**65.295**	**59.466**	**1.391**	**5**

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Nominated External Credit Assessment Institutions for the application of the Standardized Approach

The Company has chosen to use the ratings of all three rating agencies (Fitch Ratings, Moody’s Investor Services and Standard and Poor’s Rating Services) for all relevant asset classes under the Standardised Approach. The use of ratings from the abovementioned agencies is in compliance with the requirements of the Regulation and is used consistently for all exposures in a specific asset class. The Group will continue to use the same approach for its entire portfolio unless there are material differences in the way it performs its business. The Company considers that a certain element of Credit risk exists regarding the Company’s cash. In order to minimize the possibility of loss, cash amounts are mostly held with reputable banks and financial institutions.

As at 31 December 2018, the Company used ratings for its exposures to institutions and corporates, in order to determine the applicable risk weight.

A breakdown of the Company’s Credit risk exposures by Credit Quality Step (“CQS”) of counterparties is shown below:

						USD ‘000 31 Dec 2018
Exposure Class	**CQS 2**	**CQS 4**	**CQS 5**	**Unrated**	**N/A**	**Total**
Exposures to Institutions	48	24.920	84	-	8.784	33.836
Exposures to Corporates	-	25.427	-	-	1.212	26.639
Equity exposures	-	-	5	-	-	5
Other items	-	-	-	-	382	382
Total	**48**	**50.347**	**89**	**-**	**10.378**	**60.862**

Counterparty Credit Risk

The Company is subject to Counterparty Credit Risk as a result of its repo and reverse repo transactions performed with its parent Company, which are booked in the Trading Book. The Company mitigates its exposure to Counterparty Credit Risk by arranging the trades to be performed back-to-back and through the use of a master netting agreement.

More specifically, the Company enters into repo and reverse repo transactions under an International Securities Market Association (ISMA) global master repurchase agreement. In general, under this agreement the amount owned by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances – e.g. when a credit event such as a default occurs, all outstanding transactions under the agreement are terminated, the termination value is assessed and only a single net amount is payable in settlement of all transactions.

The Company makes use of the Financial Collateral Comprehensive Method for recognizing the effects of Credit Risk Mitigation ("CRM"). As at 31 December 2018, the exposure arising from Counterparty Credit Risk is as presented in the table below:

				USD '000 **31 Dec 2018**
Exposure type	**Exposure before CRM**	**Exposure after CRM**	**Risk Weighted Exposure Amount**	**Capital Requirements**
Repos & Reverse Repos with Parent	69.397	14.478	14.478	1.158

The collaterals accepted under repo transactions consist of cash, while under reverse repo transactions the Company receives security collaterals which as at year-end comprised entirely of rated sovereign, institutional and corporate bonds.

The table below presents a breakdown of the exposure amounts by CQS, before and after CRM:

		USD '000 **31 Dec 2018**
Credit Quality Step	**Exposure before CRM**	**Exposure after CRM**
CQS 2	48	48
CQS 4	95.147	40.229
CQS 5	88	88
Unrated	1.147	1.147
N/A	9.230	9.230
Total	**105.661**	**50.743**

Moreover, the following table provides a breakdown of the exposure amount that is covered with financial collateral, by exposure class:

	USD '000 31 Dec 2018
Exposure Class	**Exposure amount covered by financial collateral**
Exposures to Institutions	-
Exposures to Corporates	50.380
Equity exposures	-
Other items	-
Total	**50.380**

Settlement risk

The Company's activities may give rise to risk at the time of settlement of transactions. Settlement risk is the risk of loss due to the failure of an entity to honour its obligations to deliver cash, securities or other assets as contractually agreed. The Company mitigates the risk by performing transactions only on a DVP basis and conducting settlement through a broker to ensure that a trade is settled only when both parties fulfilled their contractual settlement obligations.

The Company also manages Credit and Settlement risk through the application of settlement and pre-settlement limits which are monitored on a daily and intraday basis by the Risk Management department.

8.2 Market risk

Definition

Market risk is the risk that changes in market prices such as interest rates, equity prices and foreign exchange rates will affect the Company's income or the value of its holdings of financial instruments.

Mitigation

The objective of Market risk management is to manage and control Market risk exposures within acceptable parameters while optimizing the return on risk. The Investment Committee of the Company sets Market risk limits at a business level. The purpose of the limits is to assist senior management in controlling the overall risk profile. Market risk limits are monitored daily by the Risk Management department, which is responsible for identifying and escalating, on a timely basis, instances where limits have been breached.

The following table analyses the Company's capital requirement on its Market risk exposures at year end:

			USD '000 31 Dec 2018
Position, Foreign Exchange and Commodities Capital Requirement – Standardized Method	**Net Positions**		**Capital Requirement**
	Long	Short	
Traded Debt Instruments in the Trading Book	-	-	-
Equities in the Trading Book	-	-	-
Position Risk in Commodities	-	-	-
Total Positions in Non-reporting Currencies for FX	3.398	-	272
Excess of Large Exposures in the Trading Book	-	-	-
Total	**3.398**	**-**	**272**

Price Risk

The Company is exposed to price risk from fluctuations in security prices in relation to securities held. The risk arising from changes in securities prices is managed through diversifications of the investment portfolio and short term holding of securities. In certain circumstances, the Company may take positions as part of corporate brokerage transactions being conducted on behalf of clients where this is related to the wider activities of facilitation of agency broking. Such positions are carefully monitored and may only be taken within the limits applied to the overall long or short positions permissible, as well as a limit on positions in a single stock.

The Company's actual exposure against these limits is identified, monitored and reported on a daily basis. During the year the Company performed a small number of trades in equities from the over-the-counter equity market. Due to the short-term nature of these transactions, the Company decided to book them in the trading book.

For measuring the Market Equity Risk arising from these investments and the corresponding capital requirement, the Company used the Standardised Approach. As at year end, the Company did not have any open equity positions in the Trading Book.

Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, and arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency (i.e. the US Dollar). The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro and Russian Ruble. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Foreign currency exposure is controlled with limits on deposits in foreign currency. In addition, traders hedge their trades in foreign currency in the FX market. The Company's policy prohibits foreign currency positions for more than one day and not related to the standard settlement requirements of securities trading or to positions hedging.

As at year end, the Company was exposed to foreign exchange risk arising from various currency exposures primarily with respect to the Euro, as indicated in the table below. The capital requirement for Currency risk at year end was USD 272 thousand.

		USD '000 31 Dec 2018
Currency	**Net Long**	**Net Short**
EUR	2.582	-
GBP	27	-
RUB	243	-
CHF	209	-
HKD	337	
Total	**3.398**	**-**

Interest Rate Risk

Interest rate risk is the risk that the value of interest rate bearing assets/liabilities will fluctuate due to changes in interest rates. Interest rate risk is not considered material, since the effect of a small shift of the base interest rate will not have a material impact on the overall results of the Company. The Company has interest rate-bearing assets, which mainly comprise of short term deposits. The Company ensures to obtain competitive market interest rates for its deposits and for its credit line facility with parent Company. From time to time the Company may hold fixed income instruments which can expose the Company to interest rate risk. As a mitigating measure against Issuer Risk the Company does not hold the bonds until maturity, while its Bond positions relate to liquid blue chip Eurobonds. At the same time, position limits and stop loss limits are in place. Furthermore, as at 31 December 2018 the Company did not have any open positions, and in general there is a policy to close all positions before year end, while any investments on bonds are held for a short-term horizon.

8.3 Liquidity risk

Definition

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company enters in matched principal trading and agency business which do not expose the Company to significant liquidity risk. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

Mitigation

Liquidity risk is not currently significant because the Company's cash levels are high and the Company does not hold any illiquid assets. To mitigate Market Liquidity risk the Company has to ensure that its investments are liquid under all prevailing market conditions. Funding is also supported with short term (<30d) credit line from the parent Company.

8.4 Operational risk

Definition

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can be described as the potential for loss as a consequence of human failure or the failure of a process and/or technology, as well as external events incurred while pursuing the Company's objectives.

Measuring

The Company adopted the Basic Indicator Approach for measuring Operational risk. The Basic Indicator Approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation. The capital requirement for Operational risk is equal to 15% of the relevant indicator defined in Article 316 of the Regulation.

Mitigation

The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. The Company maintains an Operational risk register where it records all Operational risk events. The objective of the log book is to identify all operational failures, identify the function responsible and the action taken to mitigate the problem. The data is used to monitor overall Operational risk levels for the Company and assess whether our Operational risk is within acceptable bounds.

The following table presents an analysis of the capital requirements for Operational Risk under the Basic Indicator Approach:

Operational Risk Capital Requirements	31 Dec 2016	31 Dec 2017	31 Dec 2018	Average	USD '000 Capital Requirement
Basic Indicator approach for Operational risk calculation	4.587	1.780	1.158	2.509	376

8.5 Other Risks

Underwriting Risk

Underwriting risk is the risk of financial loss, which arises from the Company being liable in relation to the provision of underwriting services, if any part of the securities offering document contains material omissions of misstatements. Additionally, as a result of the provisions of underwriting services the Company may be exposed to market risk of ownership resulting from the need to finance unsold positions.

Litigation risk

Litigation risk is the risk of financial loss, interruption of the Company's operations or any other undesirable situation that arises from the possibility of non-execution or violation of legal contracts and consequently of lawsuits. Litigation risk is restricted through the contracts used by the Company to execute its operations.

Regulatory Risk

Where clients' assets are held in non-EU jurisdictions, there may be different settlement, legal and regulatory requirements in such jurisdictions from those applicable in Cyprus, or in the European Union in general. In particular, the clients' securities and funds may be registered with the Company itself or with the Company's associated companies, or, in the case of provision to the Company of custodian services by third parties, the securities may be registered or recorded in the name of that third party or sub-custodian used by that party.

In such cases, the clients' assets in question may not be segregated from the assets of the Company and/or from the assets of the Company's associated companies, third party offering custodian services or sub-custodian used. In the event of failure of any of the aforesaid (i.e. in the event of appointment of a liquidator, receiver or administrator, or trustee in bankruptcy or any other equivalent procedure in any relevant jurisdiction), the clients' assets may not be adequately protected from possible claims made on behalf of the general creditors.

In order to address such risks, the Company has implemented an electronic system for analytical accounting of clients' assets which ensures that, internally, assets owned by each client are strictly segregated from each other and from the assets owned by the Company. It must be noted that the legislation of the Russian Federation, requires from the Company when acting as custodian, to open and maintain safe custody accounts for accounting of financial instruments issued by Russian issuers only and exclusively with custodians domiciled in the Russian Federation. The clients have provided their formal written consent in relation to the holding of their assets in jurisdictions outside EU.

9 Hedging Policies

Under the current circumstances and according to the Company's strategies and objectives, the management of the Company does not establish specific hedging strategies, although it might do so and adopt such strategies should the Company or market circumstances change.

10 Leverage ratio

The Leverage ratio is a simple, non-risk-based ratio that has been introduced in the Basel III framework to constrain the build-up of excessive leverage.

The Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Delegated Regulation (EU) 2015/62 of 10 October 2014 amending the CRR with regards to the Leverage ratio.

The Company's Leverage ratio as at the reference date was 57,99%, the minimum proposed allowable being 3%.

The table below provides a reconciliation of accounting assets and Leverage ratio exposures:

Summary reconciliation of accounting assets and Leverage ratio exposures		**Applicable Amounts USD '000**
1	Total assets as per published financial statements	36.479
4	Adjustments for repo & reverse repo transactions (SFTs)	25.141
7	Other adjustments	(214)
8	**Total Leverage ratio exposure**	**61.406**

The following table provides a breakdown of the Leverage ratio exposure measure by exposure type:

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	Leverage ratio common disclosure	CRR Leverage ratio exposures USD '000
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	36.534
2	(Asset amounts deducted in determining Tier 1 capital)	(269)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**36.265**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	
14	Counterparty credit risk exposure for SFT assets	25.142
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	
15	Agent transaction exposures	
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**25.142**
Other off-balance sheet exposures		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	**Tier 1 capital**	35.610
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	61.406
		Leverage ratio
22	**Leverage ratio**	**57,99%**

The table below provides a breakdown of total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures) by asset class:

		CRR Leverage ratio exposures USD ‘000
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**36.534**
EU-2	Trading book exposures	
EU-3	Banking book exposures, of which:	36.534
EU-4	Covered bonds	
EU-5	Exposures treated as sovereigns	
EU-6	Exposures to regional governments, MDB, international organisations and PSE not treated as sovereigns	
EU-7	Institutions	33.836
EU-8	Secures by mortgages of immovable properties	0
EU-9	Retail exposures	
EU-10	Corporate	2.042
EU-11	Exposures in default	
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	656

Description of the processes used to manage the risk of excessive leverage

In order to manage the risk of excessive leverage, the Company ensures that its Leverage ratio is always above the current 3% proposed regulatory limit. The Company monitors its Leverage ratio on a quarterly basis and through its ICAAP.

Factors that had an impact on the Leverage ratio during the period

The Leverage ratio of the Company over the financial year 2018 ranged between 43,62% (March 2018) to 62,11% (September 2018) with an average rate of 53,16%. The reason for this fluctuation is mainly due to the increase of the exposure measure by March 2018, driven by the rise in trade receivables.

11 Remuneration Disclosures

The Company has not set up a Remuneration Committee and instead the responsibilities of the Remuneration Committee are performed by the Board of Directors. The Compliance department of the Company has provided guidance in accordance with the requirements of the applicable Law as regards the Remuneration components and variables. The Remuneration Policy of the Company forms an integral part of its corporate governance and is developed in accordance with its operational model and business strategy.

The Policy aims to ensure that employees' compensation is sufficient to retain and attract individuals with appropriate skills and experience, and that it is in line with the business strategy, objectives, values and long-term interests of the Company. The Policy also aims to mitigate any conflicts of interest that may arise from the compensation packages that are given to the Company's employees. In addition, remuneration is designed so that it does not encourage risk-taking that exceeds the Company's approved risk tolerance.

Accordingly, the operating standards and mechanism which have been adopted ensure that the level of reward provided to employees are directly linked to the desired behaviours and results, as defined by the Board of Directors as well as the Company's documented policies and procedures.

The remuneration policy, takes into account national criteria on wage setting and makes a clear distinction between criteria for setting: i) basic fixed remuneration, which should primarily reflect relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment; and ii) variable remuneration which should reflect a sustainable and risk-adjusted performance as well as performance in excess of that required to fulfil the employee's job description as part of the terms of employment. It is designed to be in line with the business strategy, objectives, values and long-term interests of the Company, and incorporates measures to avoid conflicts of interests between employees, the Company and the Company's clients.

The remuneration components are:

Fixed remuneration

Fixed remuneration is determined on the basis of the role of the individual employee, including responsibilities and job complexity, performance and local market conditions. Furthermore, fixed remuneration takes into consideration each individual's "work" characteristics, including:

- Skills and competencies required to generate results;
- Relevant professional experience and organisational responsibility as set out in an employee's job description as part of the terms of employment;
- Contribution to the team and the Company as a whole; and
- The value and contribution of the individual in the context of the external market.

In respect of the above, the General Manager may perform annual reviews of the fixed remuneration of the employees, following which, a recommendation for salary increases may be made to the Board.

Variable remuneration

If the Company decides to proceed with the variable elements of remuneration, then the Company must set the appropriate ratios between the fixed and the variable component of the total remuneration and the following principles shall apply:

The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual. Shareholders of the Company may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided that the overall level of the variable component does not exceed 200% of the fixed component of the total remuneration for each individual.

Any ratio of variable remuneration above 100% of the fixed component of remuneration must be carried out in accordance with a specific procedure. The Company must notify all shareholders, providing a reasonable notice period in advance, that an approval of a higher ratio of variable component of remuneration exceeding 100% of the fixed component of employee(s) will be sought.

Performance-based remuneration:

The Company seeks to ensure that performance-based pay is awarded by ensuring that:

- An appropriate balance exists between fixed and performance-based components;
- The fixed component represents a sufficiently high proportion of the total remuneration to make non-payment of the performance-based component possible;
- The above variable elements of remuneration criteria are met where applicable.

Other benefits

Other benefits may be awarded on the basis of individual employment contracts and local market practice. The decision to award such benefits to the employees is taken on an annual basis by the Board of Directors.

Employees in control functions, including Compliance and Risk Management are also eligible for performance-based pay. In essence, performance-based remuneration is based on the value added brought to the Company from the control and risk management procedures and improvements that are set in place and contribute to the Company's successes. It is noted that the remuneration of persons in such positions is independent from the performance of the business area which they monitor/control (i.e. the income generated by the business area).

As regards the amount of performance-based remuneration, the General Manager makes a recommendation to the Board of Directors, which the Board later considers and either approves or rejects. The Company maintains full records of the minutes of the meeting of the Board in which these decisions are taken so as to promote and maintain full transparency.

In regards to the remuneration of the Board of Directors, the basic fee of a Board member is set at a level that is on par with the rest of the market and the qualifications and contribution required in view of the Company's operational complexity, the extend of responsibilities and the number of Board meetings. Furthermore, given that the Executive

Directors receive compensation (salary) as members of the Company's staff, no further remuneration is paid for their participation on the Board. On the other hand, Non-Executive Directors receive an indicative fee for their participation, which is a reflection of their expertise. No pension contributions are payable on the Board member's fees.

Pension Policy and Severance Payments Policy

The Company does not have a Pension Policy nor does it maintain a Severance Payments Policy. In the event of severance payments, these will be payable in accordance with the applicable employment laws at the time.

Aggregate Remuneration

During 2018, the remuneration structure offered by the Company to management and staff comprised of a fixed salary cash component and non-cash benefits including medical insurance. The Company also paid bonus in the form of cash to reward outstanding employee performance during the year. Information on the aggregate remuneration to Senior Management and staff as at 31 December 2018 is provided in the following table:

	No. of people	Aggregate Remuneration	Cash - Fixed	Cash -Variable
		USD '000	USD '000	USD '000
Senior Management*	10	1.060	783	277

**Senior Management includes Non-Executive Directors, three Executive Directors and Heads of Departments. One Executive Director is not remunerated by the Company. One risk taker who is not Senior Management is also included.*

Furthermore, aggregate remuneration broken down by business area is presented below:

Business Area	No. of people	Aggregate Remuneration
		USD '000
Control Functions	5	532
Brokerage & Dealing on Own Account	3	323
Back Office & Accounting	2	205
Total	**10**	**1.060**

During 2018, no sign-on or severance payments have been made and no deferred remuneration has been awarded. Moreover, all variable remuneration was paid in cash.

Annex I

I. Balance sheet reconciliation

Balance Sheet Description, as per published financial statements	**Amounts**
	'000s
Share Capital	5.301
Retained Earnings	30.578
Fair value reserves	-
Total Equity as per audited accounts	**35.879**
Regulatory adjustments	
(-) Intangible assets/Goodwill	(156)
(-) ICF deduction	(113)
Total Regulatory adjustments	**(269)**
Total Common Equity Tier 1 capital	**35.610**
Total Additional Tier 1 capital	**-**
Total Tier 2 capital	**-**
Total Regulatory Capital	**35.610**

II. Own funds disclosure template under the Transitional and fully phased in definition

	Common Equity Tier 1 capital: instruments and reserves	Transitional Definition	Fully phased in definition
1	Capital instruments and the related share premium accounts	5.301	5.301
2	Retained earnings	31.564	31.564
3	Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-986	-986
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**35.879**	**35.879**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	**Common Equity Tier 1 (CET1) capital: regulatory adjustments**		
8	Intangible assets (net of related tax liability) (negative amount)	(156)	(156)
	(-) Additional deductions of CET1 Capital due to Article 3 CRR	(113)	(113)
25a	Losses for the current financial year (negative amount)	-	-
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	-	-
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	**(269)**	**(269)**
29	**Common Equity Tier 1 (CET1) capital**	**35.610**	**35.610**
Additional Tier 1 (AT1) capital: instruments	**Additional Tier 1 (AT1) capital: instruments**		
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	**-**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments	**Additional Tier 1 (AT1) capital: regulatory adjustments**		
	Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**
44	**Additional Tier 1 (AT1) capital**	**-**	**-**
45	**Tier 1 capital (T1 = CET1 + AT1)**	**35.610**	**35.610**
Tier 2 (T2) capital: instruments and provisions	**Tier 2 (T2) capital: instruments and provisions**		

56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	-	-
57	**Total regulatory adjustments to Tier 2 (T2) capital**	**-**	**-**
58	**Tier 2 (T2) capital**	**-**	**-**
59	**Total capital (TC = T1 + T2)**	**35.610**	**35.610**
60	**Total Risk Weighted Assets**	60.587	60.587
Capital ratios and buffers	**Capital ratios and buffers**		
61	Common Equity Tier 1 ratio (as a % of risk exposure amount)	58,77%	58,77%
62	Tier 1 ratio (as a % of risk exposure amount)	58,77%	58,77%
63	**Total Capital ratio (as a % of risk exposure amount)**	**58,77%**	**58,77%**

Definitions:

- The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.
- The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.
- The Total Capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering Pillar 1 risks.

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Annex II

Information flow on risk to the management body

S/N	Report Name	Owner of Report/Preparer	Recipient (Competent Authority)	Frequency
1	Risk Management Report	Risk Manager	CySEC, BoD	Annual
2	Internal Capital Adequacy Assessment Process Report	Risk Manager	CySEC, BoD	Annual
3	Compliance Report	Compliance Officer	CySEC, BoD	Annual
4	Internal Audit Report	Internal Auditor	CySEC, BoD	Annual or more frequent upon management's request
5	Anti-Money Laundering Report	Anti-Money Laundering Compliance Officer	CySEC, BoD	Annual
6	Investment Committee decisions	Risk Manager	BoD	Upon request