

NBH Markets EU Ltd. [Ex FIDELISCM (CY) Ltd.]

Risk Management Disclosures Year ended 31st December 2018

“This document has been prepared in accordance with the provisions of Title II (“Technical Criteria on Transparency and Disclosure”), Articles 435-455 of Regulation (EU) No 575/2013 of 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms”



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01 INTRODUCTION & SCOPE OF APPLICATION

1.1. NBH Markets EU Limited (hereinafter called the “Company”) is an investment firm regulated by the Cyprus Securities and Exchange Commission (License No. 208/13). The Risk Management Disclosures (hereinafter called “the Disclosures”) are provided to clients and potential clients and to all market participants in accordance with the provisions of Title II (“Technical Criteria on Transparency and Disclosure”), Articles 435-455 of Regulation (EU) No 575/2013 (hereinafter “the Capital Requirements Regulation” or “the CRR”) of 2013 of the European Parliament and of the Council on prudential requirements for credit institutions and investment firms.

1.2. The Company obtained its license to act as a Cypriot Investment Firm, on the 22nd of July 2013. The information provided in the Disclosures is based on procedures followed by the senior management of the Company to identify, measure, monitor and manage risks for the year ended 31st December 2018 and on annual and other reports submitted to the competent authority, the Cyprus Securities and Exchange Commission (hereinafter called the “CySEC” or the “Commission”), for the year under review. The Company’s reporting currency is the Euro.

02 THE COMPANY’S APPROACH TO RISK MANAGEMENT

2.1. Managing risk in an investment firm which offers its investment and ancillary services across the globe and is exposed to multiple risks is a challenging task. As a result, the Company has established a risk management framework comprised of the necessary internal controls to ensure that the Company identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits and complies with the requirements of applicable legislation.

2.2. Risks in the Company are efficiently managed through the Company’s Internal Capital Adequacy Assessment Process (ICAAP) which embodies, amongst others, the aforementioned risk management framework. The Board of Directors (hereinafter “the management body” or “the BoD”) places special attention to the prudent design, adoption and implementation of the Company’s ICAAP; therefore, an ICAAP Committee comprised by all the members of the Company’s Risk Management Committee has been formed. One of the members of the ICAAP Committee is also appointed as the Promoter of the ICAAP (the Company’s Risk Manager) and thus assumes the overall responsibility for its supervision and implementation.

03 RISK MANAGEMENT FRAMEWORK

3.1. The Company has an outsourced Risk Manager who heads the Risk Management function of the Company.

3.2. The Risk Manager identifies, measures, monitors and manages the Company’s exposures to external and internal risks. The Board’s Risk Management Committee (which monitors and controls the work of the Risk Manager and which evaluates the effectiveness of the risk management policies and procedures), in close coordination with the Risk Manager, defines and suggests risk

management limits with respect to risks identified, updates/amends the internally determined risk management measurement methodology when such necessity arises, monitors and assesses the Company's internal control mechanisms and risk management policies and procedures, recommends the imposition of additional risk mitigation mechanisms/controls and the allocation of additional capital with respect to risks not adequately covered or totally ignored in the context of regulatory requirements, et cetera. Nevertheless, the Company's Board bears the ultimate responsibility and has the final call as regards final decisions and approvals.

3.3. All risks identified are recorded in detail in the Company's Risk Register by the Risk Manager; such register also includes the relevant risk management controls/mechanisms for each risk. It goes without saying that the Risk Register is updated both periodically (at least annually) and on an ad-hoc basis should such necessity arise and is discussed and finalized during a Risk Management Committee's meeting.

3.4. Subsequent to their documentation, the Risk Manager profiles each risk using two parameters; the risk's potential financial impact and its probability of occurrence. In determining the numerical ranges relevant to each parameter, the Risk Manager's competent, but subjective, judgment along with his applicable experience but also the Company's current financial position are seriously taken into consideration. The ending risk profile of each risk is of course determined by the interaction of the aforementioned rated parameters. In the case where such profile indicates materiality, which corresponds to a risk exposure falling outside the Company's risk tolerance, additional analysis is conducted and proposals are made to the Board's Risk Management Committee as regards the necessity for the allocation (i.e. the preservation) of additional capital (based on a fraction of the potential financial impact) or whether additional risk control mechanisms need to be developed and implemented in order to mitigate the Company's exposure to such risks.

3.5. The Risk Manager also carefully examines and monitors the Company's capital adequacy (in fact capital adequacy risk is considered as a material risk to which the Company is exposed), large exposures (despite the exemption received by CySEC as mentioned within Guide-to-CRD4-01-09-2015 as regards the submission of Form 144-14-08.1 for large exposures to institutions) and the financial results of the Company based on management accounts received by the Company's Finance and Accounting Department (outsourced).

3.6. All employees of the Company receive continuous support, on the job training and proper guidance on internal and regulatory risk management matters by the Company's Risk Manager and they are fully aware that risk related issues should be promptly reported to him.

04 ADEQUACY OF RISK MANAGEMENT ARRANGEMENTS

4.1. The Board is responsible for the overall risk management framework of the Company as it bears the ultimate responsibility and has the final call as regards final risk management related decisions and approvals and as regards the monitoring of the effectiveness of the Company's risk management arrangements.

4.2. In accordance with the provisions of the CRR, the Board has to provide a declaration on the adequacy of the Company's risk management arrangements and assure that the risk management systems in place are adequate with regard to the Company's profile and strategy.

4.3. Declaration

The BoD acknowledges its ultimate responsibility for monitoring the effectiveness of the Company's risk management arrangements. Such arrangements are designed to identify and manage the Company's risks. The extinction of risks is undoubtedly not possible. As a result, the efficient implementation of the Company's risk management policies and procedures offers reasonable assurance against fraud, material misstatement, financial loss and reputational damage. Absolute assurance cannot possibly be provided.

In general, the Board has reasonable grounds to believe that the Company has established and implemented adequate risk management arrangements and the risk management systems in place are reasonably adequate with regard to the Company's profile and strategy.

05 RISK STATEMENT

5.1. In accordance with the provisions of the Regulation, the BoD must provide a concise risk statement describing the Company's overall risk profile associated with its business strategy. It should include key ratios and it should show how the risk profile of the Company interacts with the risk tolerance set by the management body.

5.2. Risk Statement approved by the management body (i.e. the Board)

The principal activity of the Company is the provision of the investment services of Reception and Transmission of Orders in relation to one or more financial, Execution of Orders on behalf of clients and Portfolio Management. The said services are offered mostly with respect to CFDs on Spot Foreign Exchange and CFDs on Spot Precious Metals (whilst a variety of other CFDs is also offered), targeting clients of international origin, always based on favorable legal opinions in accordance with which the Company has permission to offer its services to residents of such countries. Later on, the Company may enhance the offering of financial instruments through the introduction of additional currency pairs and other traded assets on a CFD basis.

The Board considers the Company's current risk profile as being moderately conservative. This is due to the fact that the Company's business strategy is always pursued within a predefined level of overall risk tolerance. The Board determines the Company's overall risk tolerance following approval of the individual risk tolerances relevant to each material risk. The aim is to ensure that the Company implements and will continue to implement its strategic plans whilst honoring both its regulatory and internally determined risk limits. The only way to ensure that is to measure its capital requirements stemming from its current and future exposures to material risks and to make sure that the Company has adequate eligible own funds to cover its current and forecasted internal capital (i.e. the level of capital that the Company, after the application of its internal risk assessment procedures, considers as adequate for the coverage of all the risks that is, or could be, exposed to).

To this end, the Company uses its latest financial information as a starting point, and coupled with the Company's strategic plan, forecasts its financial performance for three (3) years ahead for the purpose of prudent, forward looking capital planning. The relevant forecasts are used to derive the Company's expected financial position over the same time period; such forecasts constitute the

Base Case (i.e. the Expected) Scenario. In conjunction with the Company’s current financial position and aforementioned financial projections, the Company’s current and projected Internal Capital Requirements in comparison to the projected available capital (Regulatory Own Funds) are put down. Based on this comparison, the Company is able to observe whether its forecasted available capital base will be adequate to cover any future strategic actions that the Company’s BoD and Senior Management intend to take (always in accordance with the base case scenario).

This process is implemented in order to assure the BoD that the Company currently operates and will continue to operate within its current and future aggregate risk limit as represented by its current and projected Internal Capital. In case such aggregate risk limit is expected to exceed the Company’s expected risk tolerance (as represented by its projected regulatory own funds) the BoD plans ahead by securing the injection of additional capital and/or the establishment of additional risk controls.

Needless to say, the Company’s base case scenario is stressed to identify whether the Company will be in a position to hold adequate capital to withstand strenuous and sometimes catastrophic incidents and/or circumstances.

As mentioned in the Annual Risk Management Report that is currently in the process of submission to the Commission, the Company has in place the ICAAP report which is to be discussed and approved by the Board of Directors. Following approval of the report, the Risk Manager will ensure proper implementation of all the provisions included in the report for the efficient monitoring and control of the risks that the Company is exposed to.

The favorable outcome of the efficient interaction of the Company’s risk profile (which is inevitably linked with the Company’s business strategy) and its overall risk tolerance is evident in the key ratios relevant to different risk areas within the Company, as presented in the table that follows.

Risk Area	Metrics	Comment	Measure
Regulatory Capital	Core Equity Tier I - CET1	The Company’s core objective is to always maintain regulatory ratios well within the minimum thresholds imposed by CySEC. The Company targets to maintain a robust capital adequacy position which allows it, at any point in time, to efficiently absorb the potential losses stemming from its exposures to risks.	CET1 = Tier 1 Capital Ratio = 23.54%

Risk Area	Metrics	Comment	Measure
Liquidity Risk	Coverage Ratio – CR – it excludes current assets which are not considered of sufficiently liquid form (e.g. amount held with ICF, prepayments, blocked amounts in bank accounts etc.)	Funds held to cover on balance sheet current liabilities (minimal in absolute figures) were available upon demand as such funds were held with credit and other financial institutions in current and other accounts of readily available nature. Off balance sheet liabilities (clients' funds) are excluded from this ratio and same goes for off balance sheet assets for the mere reason that such liabilities are 100% covered by cash held at client denominated accounts.	CR = 33.85
Market (FX) Risk	Capital charge as a % of total capital charges - CC%, Euro Eq. capital charge as a % of CET1 Capital - CC	Despite the fact that the Company is essentially immunized against other types of Market Risk such as Equity Risk and Interest Rate Risk (with the exemption of rollover/swap fees on open positions), it is exposed to Foreign Exchange Risk as FX mismatches between assets and liabilities do exist. This is considered as a moderate risk for 2018 as it is evident from the relevant capital charge in the capital adequacy figures which is of relevantly moderate size.	CC% = 14.96% CC = 5.08%

Risk Area	Metrics	Comment	Measure
Credit Risk	Exposures to Institutions as a % of regulatory own funds - E% (calculated for the largest exposure to a single institution – Bank of Cyprus)	The Company tries to ensure that proper diversification/dispersion of funds held with credit/financial institutions is assured subject to constraints imposed by the fact that the Company covers its clients’ exposures with specific trading counterparties (with which it must maintain sufficient balances thus it keeps some own funds there over and above its liabilities to clients to be on the safe side). The largest part of the Company’s own funds are held with reputable European banks and other financial institutions (lower default risk) which are subject to regulatory supervision by the central banks and other relevant competent authorities in the jurisdictions where they are located. Mainly due to the fact that the Company does not currently have to report large exposures to institutions and non-institutions to the regulator it has not yet documented an official exposure policy. However, it is in the process of doing so especially taking into consideration that an application for extending the Company’s license to include DOA has already been filed.	E% = 73.99%
Operational Risk (certain types of operational risk: Systems Failure Risk, Information and Technology Risk, External Events Risk (force majeure events), Loss of key employees)		The Company manages operational risk through a control-based environment in which procedures are documented and transactions are reconciled and monitored on a daily basis. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. Further, the Company has in place documented policies and procedures whose implementation assists with the evaluation and management of any exposures to different types of operational risk. IT and Systems Policies, which include but are not limited to backup procedures, software/hardware maintenance, use of the internet and anti-virus procedures have been adequately documented and put in place. Furthermore, the Company has prepared a comprehensive business contingency/continuity and disaster recovery plan with recovery procedures and actions to be followed in the case of damage to any vital part of the Company’s headquarters. Lastly, the Company implements a comprehensive training program to ensure that staff can perform multiple activities.	

Risk Area	Metrics	Comment	Measure
AML Compliance Risk (as part of General Compliance Risk)		The Company has established policies, procedures and controls in order to mitigate Money Laundering and Terrorist Financing risks. Among others, these policies, procedures and controls include the adoption of a risk-based approach that involves specific measures and procedures in assessing the most effective way to identify and manage the Money Laundering and Terrorist Financing risk faced by the Company, the adoption of adequate Client Due Diligence and Identification Procedures, the establishment of minimum standards of quality and extent of the required identification data for each type of client, the receipt of additional data and information from clients for a better understanding of their activities and the on-going monitoring of high risk clients' transactions and activities.	

06 INTERNAL GOVERNANCE

6.1. The Company has adopted an effective internal governance framework as part of its overall corporate governance, on the basis of which the Company's processes and procedures are governed on a daily basis and which, in combination with additional allocation of capital (where deemed necessary) and/or additional risk controls, ensures mitigation of risks. The Company considers that its Internal Control Mechanisms are sufficient and adequate, taking under consideration the Company's level of complexity and operating model. A summary of the principal responsibilities of the Board, the Senior Management, the Internal Auditor, the Compliance Department, the Risk Management Committee and the Risk Management Function in relation to the management of the Company's risks is provided in the following subsections.

6.2. The Board of Directors has unequivocal responsibilities as regards the approval and the efficient monitoring of all risks identification and management mechanisms as aggregated within the Company's risk management framework (based on recommendations received by the Risk Management Committee and the Company's Risk Manager), the internal control mechanisms and the Company's capital adequacy. The Board is responsible for determining the Company's risk profile in terms of its overall risk tolerance/appetite and for arranging for the necessary work to be conducted in order for the Company to be able to operate within this predetermined risk profile at all times. Further, the Board is responsible for evaluating and monitoring the adequacy of the Company's capital both with respect to regulatory imposed limits and in proportion to the nature and level of material risks to which the Company is or might be exposed.

6.3. In addition to the above, the Board reviews and discusses, during its meetings, the written reports generated by the internal control functions of the Company (and approves the relevant Annual Reports), namely the Risk Management, the Internal Audit, the Compliance Department and the Money Laundering Compliance Department, so as to remain up to date with the Company's position as regards the aforementioned functions. Lastly, the Board is responsible to

address any deficiencies identified throughout the said reports at the soonest possible, especially where there is a breach of the regulatory framework, something which could potentially have adverse consequences on the Company.

6.4. In accordance with the governing regulatory framework, the Company is required to have a Senior Management function, also named as the “4-Eyes” function, which will be responsible to ensure that the Company complies with its continuous obligations arising from its day to day operations. Given that the Company’s “4-Eyes” function consists of two Executive Directors, its involvement in the ongoing operations is both direct and effective, ensuring the exercise of an efficient overall supervision, the provision of on the job advice/guidance on risk management related matters and the prevention of the possibility of a breach of the legal framework and/or the Company’s internal policies and procedures.

6.5. The aforementioned executive directors, under their capacity as the “4-Eyes” of the Company, are responsible to perform frequent assessments and reviews of the Company’s policies in order to ensure that they remain fully updated and reflective of the actual operations of the Company and that they provide a complete, detailed and transparent picture of all the operations, internal controls and functions within the Company. In addition to the aforementioned, the Senior Management performs frequent assessments of any arrangements and procedures put in place which are not documented through the Company’s IOM (i.e. internal department-specific procedures followed) so as to ensure that the Company is, at all times, in compliance with its obligations deriving from the relevant regulatory framework. Moreover, the “4-Eyes” function is responsible to decide on which corrective measures to be taken in cases where deficiencies are identified, which can potentially harm the financial performance and reputation of the Company if not addressed timely. It is also responsible to apply the decisions of the Board with respect to risk management. As a tool to ensure that the monitoring performed is both efficient and effective, the Senior Management ensures that written reports are provided by the Company’s Compliance Officer, Internal Auditor and Risk Manager presenting each person’s/function’s findings as per their inspections performed throughout the year.

6.6. The Internal Audit Function (which is currently outsourced) evaluates the adequacy and effectiveness of the Company’s internal control systems, policies and procedures with respect to risk management. The Internal Audit Function reports to the Senior Management and the Board of the Company and is separated and independent from the Company’s other functions and activities.

6.7. The Internal Auditor’s aim is to ensure compliance of the different departments of the Company with the IOM and its procedures in place and with the relevant decisions taken by the Board. This independent function is allowed full access to the software and to all documents, files and data of the Company and receives all necessary assistance by the employees and management of the Company in the course of exercising its duties. The conclusions of the regular or extraordinary audits are submitted in the form of a report to the Company’s Board alongside

with possible suggestions/recommendations in respect of any corrective and/or further action to be taken by the Company, at least annually.

6.8. Pursuant to the regulatory obligations of the Company and with the view to complement its Internal Governance Framework, the Board has appointed a full time Compliance Officer to head the Compliance and the Money Laundering Compliance Functions of the Company. The said Officer monitors and manages the Company's exposures to compliance and money laundering compliance risks. The main responsibilities of the Compliance Function is the establishment, the implementation and the maintenance of effective policies and procedures designed to detect any risk of failure by the Company to comply with its obligations under applicable legislation, to put in place adequate measures and procedures designed to minimize such risks and to enable the competent authorities to exercise their powers effectively.

6.9. The Compliance Officer monitors the day to day operations of the Company and the actions of its personnel in order to ensure that such actions will conform to the internal control procedures and the laws and regulations governing the financial services industry and any other applicable laws and regulations. With respect to AML Compliance risk, the said function establishes and maintains adequate policies and procedures designed to detect potential threats related to Money Laundering and Terrorist Financing. The Compliance Officer is responsible to ensure the establishment and implementation of appropriate internal policies and procedures designed to prevent and suppress Money Laundering and Terrorist Financing in accordance with the provisions of applicable legislation and relevant FATF recommendations.

6.10. In order to ensure the independent and unhindered access of the Compliance Function to information necessary to exercise its duties and responsibilities, the Compliance Officer has wide access to the Company's information technology infrastructure, accounting records and to all client transactions and reports directly to the Company's Board and Senior Management. At least once a year, the Compliance Officer's Compliance and Anti Money Laundering Compliance Reports are discussed and approved by the Board which undertakes the responsibility of implementing corrective actions when necessary.

6.11. The Risk Management Committee ensures the efficient management of the Company's risks in the provision of the investment and ancillary services to clients, as well as the risks underlying the operation of the Company, in general. Despite the fact that it is primarily responsible for managing and assessing the credit, market and operational risks of the Company, it bears the responsibility to monitor the adequacy and effectiveness of all risk management policies and procedures, the level of compliance by the Company and its relevant persons with such policies and procedures as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with those policies and procedures.

6.12. The Risk Management Committee is actually a committee of the Board. It monitors and evaluates the work of the Company's Risk Manager, whose recommendations are received and

discussed during regular and/or ad-hoc meetings and are subsequently submitted to the Board for final approval. The Committee convenes at least quarterly.

6.13. The Risk Manager (heading the Risk Management Function) identifies, measures, monitors and manages the Company's financial and non-financial risks and ensures that all exposures to different types of risks taken by the Company are in compliance with its requirements stemming from applicable legislation, with its internally determined limits of risk tolerance and that all necessary risk management policies and procedures are in place and are implemented efficiently. Moreover, the Risk Manager is responsible for making recommendations to the Risk Management Committee and to the Board and for indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies identified.

07 DISCLOSURES ON GOVERNANCE ARRANGEMENTS

7.1. Number of **additional** directorships held by members of the Board (end of 2018)

Full Name	Position within the Company	Directorships - Executive	Directorships - Non-Executive
Rajinder Singh Grewal	Executive Director	-	1
Sridhar Srinivas Murthy	Executive Director	-	-
Saber Mbarek	Non-Executive Director	-	-
Christos Michaelides	Independent, Non-Executive Director	1	1
Christos Kassianides	Independent, Non-Executive Director	1	1

7.2. Recruitment policy in relation to the selection of members of the Board of Directors

The Company follows an internal procedure for selecting the members of its Board of Directors. Firstly, they must have a clear criminal record and they must present a certificate of non-bankruptcy along with their detailed curriculum vitae. Secondly, they must be recognized in the industry for the integrity of their character, their ethos and their business culture. References are always required. They must also have the necessary academic and/or professional qualifications and definitely the relevant work experience. Further, they must ideally come from different sectors of the financial industry in order to sufficiently complement each other and they must have diverse skills and be competent enough in order to effectively exercise their duties. Furthermore, they need to have relevant financial knowledge and risk management experience in order to understand the risk characteristics of products/services offered by the Company. The current members of the Board identify and evaluate, based on the aforementioned criteria, potential candidates who would be able to respond to the requirements of the Company. The Company's officially documented

recruitment policy for general personnel is different to this policy.

7.3. Diversity policy in relation to the selection of members of the Board of Directors

The Company understands the necessity of having a Board constituted by members of diverse skills, financial knowledge and work experience. Diversity is one of the variables that is seriously taken into consideration in the identification and selection of members of the Board; hence, in the determination of its ultimate composition. The Company's diversity policy constitutes part of the aforementioned policy for the selection and appointment of members of the Board.

7.4. Risk Management Committee

As mentioned in section 6, "*Internal Governance*", the Risk Management Committee of the Company is a subcommittee of its Board of Directors which ensures the efficient management of the Company's risks in the provision of the investment and ancillary services to clients, as well as the risks underlying the operation of the Company, in general. Despite the fact that it is primarily responsible for managing and assessing the credit, market and operational risks of the Company, it bears the responsibility to monitor the adequacy and effectiveness of all risk management policies and procedures, the level of compliance by the Company and its relevant persons with such policies and procedures as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with those policies and procedures.

The composition of the Risk Management Committee is as follows:

- Mr. Todor Georgiev – Risk Manager
- Mr. Sergei Dehtiarov - Head of Brokerage

The RM Committee's members discharge their duties solely in the joint interest of the clients and the Company, and exercise the level of care, skill, prudence and diligence that a prudent person, acting in a like capacity, would be expected to exercise in discharging such duties.

The Risk Management Committee meets at least annually, and all its decisions must be unanimous. A quorum constitutes two persons present either physically or through conference calls. Quorum must be achieved before meetings can be considered open. The decisions of the Risk Management Committee are communicated to all relevant departments, in a timely manner relevant to their significance/urgency.

As aforementioned, the Risk Management Committee meets at least annually, at a minimum, except where the circumstances require extraordinary meetings, which can be called by the Risk Manager or by any member of the Risk Management Committee. In general, the Risk Management Committee presents its findings to the Board; however, the Company's Board may decide to grant permission to the Risk Management Committee to approve the Company's risk management policies and procedures and to take decisions on risk management related matters, on its behalf.

The Risk Management Committee has met two (2) times during 2018.

08 MATERIAL RISKS

8.1. Risks in the Company are included in a detailed Risk Register. Within the Risk Register, the Company documents and categorizes all risks that it is currently exposed to, or to which it could potentially be exposed to in the future. As mentioned in section 3, “*Risk Management Framework*”, subsequent to their documentation, the Risk Manager profiles each risk using two parameters; the risk’s potential financial impact and the risk’s probability of occurrence. In determining the numerical ranges relevant to each parameter, the Risk Manager’s competent, but subjective, judgment along with her applicable experience but also the Company’s current financial position are seriously taken into consideration. The ending risk profile of each risk is of course determined by the interaction of the aforementioned rated parameters. In the case where such profile indicates materiality, which corresponds to a risk exposure falling outside the Company’s risk tolerance, additional analysis is conducted and proposals are made to the Board’s Risk Management Committee as regards the necessity for the allocation (i.e. the preservation) of additional capital (based on a fraction of the potential financial impact) or whether additional risk control mechanisms need to be developed and implemented in order to mitigate the Company’s exposure to such risks.

8.2. Following the aforementioned internal risk assessment, the Company considers as material (i.e. of moderate or higher importance) the following risks:

- Credit/Concentration Risk and Counterparty Credit Risk
- Market Risk in the form of Foreign Exchange Risk
- General Operational Risk (includes several subtypes of Operational Risk such as staff competency risk and execution risk)
- Key Client Risk
- Misleading Information Risk
- Portfolio management related Risks
- Cyclicity/Business Risk
- Legal and Compliance Risk
- AML Compliance Risk
- Reputational Risk
- Capital Adequacy Risk

The analysis of the risks included in the following section of the *Disclosures* describes, among other risks, each type of material risk, the measures and policies taken by the Company to manage these risks and the status of the Company with respect to each risk, as applicable.

09 ANALYSIS OF RISKS

9.1. Credit/Concentration Risk and Counterparty Credit Risk

Credit Risk and Counterparty Credit Risk is the risk of loss due to the failure of a counterparty to fulfill its obligations. Holding other things constant, such risk is directly related to time (i.e. the longer the duration of a deal the greater the risk). All the custodians and other counterparties of the Company have been assessed in accordance with the provisions of the Company's Internal Operations Manual. The Company subdivides its overall exposure to Credit and Counterparty Credit risk into two large categories:

- a. Market independent Credit Risk, where the full principal amount is at risk. Among others, deposits held with credit and other financial institutions, money market placements, exposures in commercial paper (CP), certificates of deposits (CDs) and fixed income securities fall under this category. The Company is mainly exposed to Market Independent Credit Risk as a result of balances held with Credit and other Financial Institutions. The risk is that the counterparty will not meet its obligation in respect to periodic payments (e.g. interest, if any) and/or balance owed. The amount of any guarantees (G) is deducted from the calculation of Market independent Credit Risk. This gives the adjusted Market independent Credit Risk.
- b. Market Contingent Credit Risk, where the amount of risk exposure is contingent upon the way market rates (e.g. foreign exchange rates) and prices move. The Company is mainly exposed to Market Contingent Credit Risk in respect to open profitable OTC deals in CFDs with its trading counterparties. For example, if the counterparty in an OTC deal defaults, the Company is exposed to a loss, the extent of which depends upon the way the relevant foreign exchange rate has moved since the deal was executed (i.e. the cost of replacing the deal at new prevailing market rates). The result of any open losing deals is deducted from this amount. This gives the adjusted Market Contingent Credit Risk.

The credit exposure to a single counterparty is the sum of adjusted Market independent Credit Risk and adjusted Market Contingent Credit Risk.

The Company targets to set its maximum credit exposure to any counterparty in line with the loss that, statistically (i.e. based on credit ratings and relevant probabilities of default), can be expected from the particular exposure and soon enough (following securing of the DOA license) in relation to the level of the Company's regulatory own funds, as the Company will have to comply with Large Exposures to Institutions/Non-Institutions requirements. To this end, the overall credit exposure to any given counterparty is limited within internally established maximum counterparty/exposure limits, which are formed based on such expected losses and shall soon be capped by the maximum credit exposure requirements of 100% of the Company's regulatory own funds (regarding on balance sheet exposures only). The maximum counterparty limits are being reviewed at least on an annual basis and, depending on the prevailing economic environment on a more frequent basis. Whilst the Company follows the aforementioned rationalistic method for controlling its exposures, as at the time of preparation of this report an official Exposure Policy was not documented.

Further to the above, the Company takes measures to diversify concentration risk across counterparties subject to the restrictions imposed by the fact that the Company must necessarily maintain sufficient balances with its trading counterparties for the coverage of clients' positions

(having said that, there is currently an undue exposure to concentration risk as a result of the usage of two [2] main counterparties). Furthermore and unfortunately, as at the time of preparation of this report, the Company was obliged to mostly rely on Cyprus based credit institutions (i.e. concentration risk was not adequately diversified across countries due to barriers imposed by the fact that it is not easy to open accounts with foreign credit institutions).

Lastly, the Company uses the Standardized Approach to Credit Requirements for the calculation of its credit risk in order to comply with the requirements of the CRR. The table below shows the Company's exposure to credit risk as at 31st December 2018:

Risk Weighted Assets (RWAs)	31/12/2018
Regional	€9,082
Institutions	€290,451
Corporates	€305,340
Other	€211,376
Total RWAs	€816,249
Credit Risk (8% of RWAs)	€65,300

9.2. Market Risk in the form of Foreign Exchange Risk

Market Risk in the form of Foreign Exchange (FX) Risk is defined as the impact that adverse exchange rate changes may have on the financial position of the Company. In the ordinary course of business, the naturally created foreign exchange mismatches between the on and off-balance sheet amounts of foreign currencies, expose the Company to foreign exchange (i.e. translation) risk.

The Company is usually exposed to the fluctuation of the US Dollar (USD) versus the Euro (EUR). Specifically, there was a relevantly large USD mismatch (net long position) maintained throughout the year up to end of 2018. The Company's reporting currency is the Euro.

The Company acknowledges the fact that FX mismatches expose the Company to the adverse consequences of foreign exchange risk and has arranged to set maximum currency exposure limits in order to efficiently manage its exposures. Further, the Company tries to minimize its foreign exchange mismatch either through physical transactions or through hedging transactions using derivatives. Foreign exchange exposures are monitored at least quarterly.

For the calculation of foreign exchange risk with respect to the requirements of the CRR, the Company uses the Standardized Approach. Based on the relevant calculations, the Company's capital requirement for position, foreign exchange and commodities risks, as at 31st of December 2018, was €38,596 (i.e. the overall net foreign exchange position in currencies other than the reporting currency of EUR was equal to €482,453).

9.3. General Operational Risk

General Operational Risk is the risk of loss resulting from inadequate or failed internal procedures, people and systems or from exogenous factors (external events). The following list presents the most important types of operational risks to which the Company is exposed; with some examples for each category (other types of operational risk are presented separately in the sections that follow):

- Data Entry and Processing risk- accounting and back office errors, general data entry errors, failed mandatory reporting, negligent loss of Client assets
- Execution risk - this risk refers to the possibility of technical and/or human errors made during the execution of a client transaction
- Business Disruption & Systems Failures- utility disruptions, software failures, hardware failures
- External Events Risk - natural disasters, utility disruptions, power-cuts etc.
- Systems and Database Security risk- unauthorized or unintended activity or misuse by authorized database users, malware infections causing incidents such as unauthorized access, overloads, performance constraints and capacity issues resulting in the inability of authorized users to use databases as intended
- Internal & External Fraud risk- misappropriation of assets, tax evasion and bribery fall under internal fraud whilst theft of information, hacking damage, third-party theft and forgery fall under external.
- Employment Practices and Workplace Safety- discrimination, workers compensation, employee health and safety
- Key Employee risk and Staff Competency risk –refers to key person(s) becoming incapacitated, insufficient employees’ training etc.

The Company manages operational risk through a control-based environment in which procedures are documented and transactions are reconciled and monitored, on a daily basis. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. Further, the Company has in place well-documented policies and procedures whose implementation assists with the evaluation and management of any exposures to operational risk.

With respect to regulatory requirements the Company is exempted from recognizing capital charges stemming from its exposure to General Operational Risk. However, the Company, apart from the development of the aforementioned control-based environment, internally assesses its exposure to such risk and allocates additional capital against it.

9.4. Key Client Risk

Exposure to such risk definitely exists due to the fact that the Company lost a number of clients within 2018 in response to strict regulatory requirements relevant to the provision of services to residents of third countries. Despite the fact that the Company is not financially reliant on any single client, affiliate or region, a certain level of exposure to such type of “concentration risk” is

clearly visible.

As a measure of mitigation against undue exposure to such risk, the Company's strategy is to significantly increase the number of European and international clients so that relevant sources of revenue are spread out amongst clients, countries and investment services. Such strategy is greatly supported by the Company's business model which enables it to take on a large number of international clients. As the Company grows, exposure to such risk will be mitigated.

9.5. Misleading Information Risk

Misleading Information Risk is the risk of suffering a financial loss and/or reputational damage and/or having an adverse legal implication as a result of misconduct or dissemination of misleading information to clients or prospective clients. Exposure to misleading information risk may increase due to lack of efficient supervision of employees' activities and also due to inadequate internal controls set by the Company.

The Company has established and implemented efficient procedures designed to monitor, supervise and adequately train its representatives (employees) on the risk/reward tradeoff and the overall characteristics of financial instruments offered by the Company. Further, the Company's Compliance Officer carefully reviews and approves all promotional material before being distributed to clients or to the general public. In particular, all outgoing promotional material is safely stored in electronic format in a dedicated library, which is accessed by the Compliance Officer for the purpose of reviewing all outgoing material prior to granting approval for its dissemination.

Regular and repeated training of the Company's staff with regard to the Company's internal procedures ensures the effective mitigation of the Company's exposure to such risk. In addition, internal review follow-ups by the Company's Compliance Officer to ensure that employees comply with the Company's internal procedures are tactically performed. Further, internal audit inspections are conducted to ensure that employees strictly follow and comply with the Company's internal procedures. Lastly, it should be mentioned that the Company strongly believes that the existence of the aforementioned control, supervision and training mechanisms suffice as regards the adequate mitigation of the Company's exposure to such risk and, based on latest assessment, no allocation of capital is necessary apart from the efficient implementation of such mechanisms.

9.6. Portfolio management related Risks

The Company is exposed to such risk as a result of the provision of the investment service of portfolio management. This risk is comprised of several material sub risks, as presented below:

- Preferential treatment of specific clients
- False presentation of portfolio performance
- Delay in providing clients with an analytical statement of holdings
- Churning of the clients' accounts in order to benefit from trading commissions and/or spreads

- Use of material non-public information to purchase/sell CFDs on shares for a client's portfolio
- Portfolio manager or other company employee to be the counterparty in a client transaction

The Company's Compliance Officer and also the Internal Auditor frequently (at least monthly) conduct sample checks aiming (1) to verify the priority of transactions related to managed accounts and (2) to determine whether there are consistent patterns that seem to benefit specific clients.

Further to the above, clients receive an account statement from the Company with all transactions performed along with the prevailing floating profits and/or losses per transaction. Furthermore, a statement of their current holdings is also sent in a prompt and accurate manner. Such account statements are generated automatically by the Company's systems to which each managed account's manager has limited access; hence, possibility of false presentation is essentially immunized. The Company's Compliance Officer ensures that such statements are being submitted at least on a monthly basis to each client.

With respect to "churning", such malicious practice is strictly prohibited, the turnover of client portfolios is monitored by the Compliance Officer and any unusually high turnover is always investigated with relevant findings being reported to the board of directors.

In addition to the above, in case the Company or the portfolio manager hold any material nonpublic information, financial instruments that are related to such information are placed in either the restricted list or the watch list; the Compliance Officer is responsible to monitor transactions on an ex-post basis in order to identify potential trading in restricted instruments. In the case of an important announcement related to a company the compliance officer checks if there was any abnormal trading activity prior to such an announcement.

In the unlikely event that any person working with the Company or is related to the portfolio manager(s) happens to be the counterparty to a transaction, the portfolio manager is responsible to inform the client prior to such transaction. The Compliance Officer checks all transactions and identifies those for which the Company acts both as a buyer and a seller. In such circumstances, he inspects the transactions to see if there was any breach in relevant procedures and applicable laws and regulations and reports such breach directly to the board of directors.

Apart from the efficient implementation of the aforementioned mechanisms, allocation of additional capital towards exposure to such risk (within the context of the Company's internal risk assessment) is included under exposure to Legal and Compliance Risk.

9.7. Cyclicity/Business Risk

Business Risk includes the current or prospective risk to earnings and equity arising from changes in the business environment including the effects of deterioration in general economic conditions. The continuous attention of the Company's Board and Senior Management who have the knowledge and technical expertise to implement goals, objectives and strategic initiatives ensures mitigation of the Company's exposure to Business Risk.

In addition to the aforementioned, the Company, acting proactively, conducts research on upcoming changes in the industry, business sentiment and general market activity targeting to

minimize its exposure to business risk. The resulting forecasts are carefully analyzed and taken into serious consideration when establishing, revising and implementing the Company's strategic plans.

Based on the latest market analysis conducted by the Company in order to study the attractiveness and the dynamics of the CFD market within a highly competitive industry, it can be safely concluded that the prevailing trend of strong global CFD turnover growth continues with no signs of reversal. The fact that the Company is well positioned by offering consistency in pricing, quality client service and high quality of trade execution coupled with the Company's determination to add value to every single client it serves, creates a solid cornerstone upon which future business success is undoubtedly based.

The Company, based on its latest internal risk assessment methodology, quantifies its exposure to Cyclicity/Business Risk and allocates capital against it, on top of the utilization of the aforementioned mitigation tools.

9.8. Legal and Compliance Risk

Compliance Risk is the risk that could arise as a result of a breach or non-compliance with laws (relevant to the investment services that the company offers and especially portfolio management), regulations, directives, circulars, contractual agreements or even ethical standards, which may have an effect on the revenue/income and, of course, on the capital of the Company. As far as Legal Risk is concerned, such risk pertains to the possibility that a contractual agreement with a counterparty may turn to be legally non-enforceable for any reason whatsoever (e.g. the counterparty may not be legally able to enter into such contract etc.). A special case of legal risk relates to regulatory risk, which pertains mostly to the possibility that applicable legislation might change during the life of a contractual agreement. Also, Legal Risk may pertain to the possibility of legal actions taken against the Company by a client.

The probability of general compliance risk occurring is relatively low due to the internally established policies and procedures implemented by the Company and reviewed by the Internal Auditors on a tactical basis. The Company's Internal Operations Manual and other internal manuals that properly guide compliance with applicable legislation and Company policies are revised and updated on a continuous basis.

The Company's organizational structure is designed to promote efficient coordination of duties and the management of the Company consists of individuals of adequate professional competence and integrity. In addition, the board of directors meets on a frequent basis in order to discuss general compliance issues and any suggestions to enhance compliance with legislation, agreements and internal policies are implemented by the Company's management.

In the first months of 2019, the Company's outsourced Internal Auditor undertook the annual internal audit inspection in order to assess the Company's general compliance (including anti-money laundering compliance) with the regulatory framework. The Annual Report of the Internal Auditor for the year under review along with the minutes of the meeting of the Company's Board of Directors has been submitted to CySEC. The Company's Board and the Senior Management have highlighted the importance of taking all necessary remedy measures/actions, acting upon the recommendations of the Internal Auditor, in order to fully comply with the regulatory framework. Moreover, the Company's Compliance Officer/Money Laundering Compliance Officer, having carefully reviewed the Annual Report of the Internal Auditor with respect to all deficiencies

identified, will promote the establishment and implementation of appropriate course of action in order to address all relevant deficiencies, propose remedial measures/actions and provide the relevant training to the Company's personnel, as and when required.

Further to the aforementioned, the Company's management, acting upon recommendations received from the Company's Compliance Officer, has already developed and implemented a plan designed to supervise and examine the level of compliance of certain areas of the Company with the relevant legislation, propose remedy measures/actions and provide the necessary training to employees of the Company when required. Up to the date that this report was written, a significant level of important work towards this direction has already been undertaken.

As part of the internal assessment of general compliance risk, the Company takes under consideration the possibility of incidents of non-compliance occurring and of subsequent possible penalties from regulators and also fees that will potentially have to be paid to external consultants in order to remedy the situation. Based on such assessment, Legal and Compliance Risk has been assessed as a material one. Nevertheless, it is important to emphasize on the fact that the Company's exposure to compliance risk is limited to a significant extent due to the supervision applied by the Compliance Officer/Money Laundering Compliance Officer, as well as due to the general monitoring controls applied by the Company.

9.9. Money Laundering & Terrorist Financing Risk

Money Laundering and Terrorist Financing Risk is the risk that the Company may be used as a vehicle to launder money and/or finance terrorism. The Company has established policies, procedures and controls in order to mitigate such risk. Amongst others, these policies, procedures and controls include the following:

- a.** The adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing risk faced by the Company;
- b.** The adoption of adequate Due Diligence and Identification Procedures in line with the client's assessed Money Laundering and Terrorist Financing risk;
- c.** Setting certain minimum standards of quality and extent of the required identification data for each type of client (e.g. documents from independent and reliable sources, third party information, documentary evidence);
- d.** Withdrawals of money back to initial source;
- e.** Adequate and efficient employees' training;
- f.** Obtaining additional data and information from clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular Business Relationship or an Occasional Transaction; and,
- g.** On-going monitoring of high-risk clients' transactions and activities, as applicable.

The Company's Prevention of Money Laundering and Terrorist Financing Manual (hereinafter called the "AML") along with other internal manuals of the Company lay down in detail all the policies, procedures and controls and other internal practices and measures relevant to the prevention of Money Laundering and Terrorist Financing. Both the AML and the other manuals comply with the provisions of updated applicable legislation and provide, inter alia, details and further information with respect to the aforementioned policies, procedures and controls.

The Company, following its latest internal risk assessment, reserved capital against Money Laundering and Terrorist Financing Risk as part of its exposure to Legal and Compliance Risk.

9.10. Reputational Risk

Reputational Risk is the risk related to the trustworthiness of business. It is the threat posed to a company's earnings and consequently to a company's capital as a result of an adverse perception of the image of the Company by counterparties, past, current and prospective clients, creditors, investors or regulators. Crystallization of Reputational Risk could be triggered by the loss of one or more of the Company's directors, poor performance, the loss of large clients, poor client service, fraud or theft, clients' claims, legal actions, regulatory fines and from negative publicity relating to the Company's operations irrespective of whether such fact is true or not.

The Company has policies and procedures in place when dealing with possible client and other third-party complaints in order to provide the best possible assistance and service under such circumstances. Further, the Company's Board of Directors and Management are comprised of experienced professionals who are recognized in the industry for their competence and integrity, and, as such, add value to the Company. Furthermore, the Company believes that by efficiently identifying, measuring, managing and monitoring all other risks, it indirectly manages reputation risk.

Based on the Company's latest internal risk assessment, Reputational Risk has been categorized as a material risk, which implies the allocation of additional capital by the Company.

9.11. Capital Adequacy Risk

Clients and prospective clients should read section 10 ("*Capital Management*").

10 CAPITAL MANAGEMENT

10.1. The Company manages its capital to ensure that it will be able to continue as a going concern whilst maximising shareholder value. However, the Company also has a regulatory obligation to monitor and implement policies and procedures for capital management. Specifically, the Company is required to test its capital against specific regulatory requirements and has to maintain a minimum level of regulatory capital in accordance with the provisions of the CRR. CySEC has adopted the rules established by the Basel Committee in relation to the adequacy of an investment firm's capital.

Currently, there are three (3) pillars:

Pillar I - Minimum Capital Requirements

The Company has adopted the Standardized approach for Credit and Market risks. In accordance with the provisions of the Standardized approach for calculating the minimum capital requirements with respect to credit risk, risk weights are assigned to exposures (after taking into consideration various risk mitigating factors) according to the exposure class to which they belong. For certain exposures, the risk weight also depends on the term and maturity of the exposure. The categories of exposures the Company is exposed to with respect to credit risk, are exposures to public sector's entities, to institutions, corporate and other exposures, as previously shown.

The Standardized approach for calculating the minimum capital requirements with respect to market risk adds up the long and short foreign exchange positions per currency in order to arrive at the net exposure per currency. Subsequently and in accordance with predefined models the capital requirements with respect to market risk are calculated. In general, the main sources of market (i.e. foreign exchange risk) for the Company are mismatches between the Company's liquid assets (i.e. long positions), the Company's capital (i.e. the largest part of the liability side of its statement of financial position) and part of its current liabilities.

Pillar II - The Supervisory Review Process (SRP)

The SRP provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputational risk and business risk and any external factors affecting the Company. Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the 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 purpose of the ICAAP is the alignment of three (3) parameters within the Company:

1. The Company's strategic plan;
2. The risks inherent in its strategic plan; and,
3. The capital needs for the implementation of its strategic plan based on the risks born.

In other words, the Company must have adequate capital in order to be able to cover all the risks (actual and potential) inherent in its strategic plan. Put it simply, the Company's Regulatory Own Funds (i.e. Total Eligible Funds), as defined within the legal framework, must be equal or less to the Company's Internal Capital (i.e. to the level of capital that the Company, after the application of its internal risk assessment process, considers as adequate for the coverage of all the risks, both Pillar I and II, that is, or could be, exposed to).

In accordance with the requirements of Pillar II, the Company determines the level of capital required in order to cover itself for actual and potential risks (i.e. it determines its Internal Capital Requirements by estimating the level of capital that is considered adequately sufficient to cover the Company's exposures to Pillar I and Pillar II risks). Upon demand from CySEC, the results of the

ICAAP, including the composition of additional own funds requirements based on the supervisory review process, have to be included in the Disclosures.

Pillar III - 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 the minimum capital requirements based on audited figures, together with concise information as to the composition of original own funds. In addition, as aforementioned, the results and conclusions of the ICAAP are disclosed upon demand from the competent authority.

In accordance with the requirements of the CySEC, the risk management disclosures should be published on the investment firms' websites. Further, these disclosures must be verified by the statutory auditors of the investment firm. The statutory auditors of the Company will be responsible to submit their verification report to CySEC by end of May each year. The Company, which is a private firm, has included its risk management disclosures (i.e. the *Disclosures*) on its website. Verification of these disclosures will be sent by the statutory auditors to CySEC in full conformity with applicable legislation.

10.2. Capital Adequacy Ratio

The primary objective of the Company's capital risk management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and maximize shareholders' value.

The Company manages its capital structure and makes adjustments to it taking under consideration expected changes in business environment, changes in general economic conditions and the risk profile of its activities.

CySEC currently requires each investment firm to maintain a minimum ratio of regulatory capital to risk weighted assets of 8%. CySEC has the right to impose additional capital requirements for risks not covered by Pillar I. During 2018 the Company had fully complied with all externally imposed capital requirements as shown in the table below.

Category (year 2018)	€ in 1000's
Eligible Own Funds (Common Equity Tier I Capital)	759.28*
Additional Own Funds (Additional Tier I Capital)	0
Tier II Capital	0
Total Eligible Own Funds	759.28
Credit risk capital requirements	65.30
Foreign Exchange risk capital requirements	38.60

Additional requirements based on fixed overheads	154.13
Total Capital Requirements	258.03
Minimum C.A Ratio	8%
Capital Adequacy Ratio	23.54%**

*A full reconciliation is provided in the section that follows

** The formula is as follows: $[759.28k/258.03k]*8\% = 23.54\%$

10.3. Reconciliation of CET1, AT1, T2 items and filters and deductions applied to the Company's own funds and disclosure of the nature and amount of each prudential filter, each deduction and items not deducted from the Company's own funds

In accordance with the provisions of the Regulation, own funds of investment firms (i.e. the Regulatory Capital) constitute of Common Equity Tier I Capital, Additional Tier I Capital and Tier II Capital.

Items such as paid up capital (plus the related share premium), profits and losses brought forward as a result of the application of the final profit or loss (retained earnings), accumulated other comprehensive income, other reserves and funds for general investment firm risks (which the investment firm decides to put aside to cover such risks) less the book value of intangible assets, losses for the current financial year, deferred tax assets that rely on future profitability (subject to transitional provisions), defined benefit pension fund assets on the balance sheet etc. constitute CET1 Capital. The CET1 Capital of investment firms is also subject to certain prudential filters that are mentioned in separate paragraphs of the Regulation.

The Company's regulatory capital consists of CET1 Capital only and no prudential filters (as stated in articles 32-35 of the Regulation) were applied.

A full reconciliation of the Company's CET1 Capital (note that there were no deductions from the Company's own funds) is provided below:

Category	Component	Amount (€ in1000's)	Nature
Capital Instruments	Paid Up Capital Instruments	282,5	282,500 ordinary shares of 1 Euro nominal value each
	Share Premium	445,5	Share premium in relation to the above issued shares
	Retained Earnings	-635,91	639,910 Euro of previous years' audited losses brought forward

	Other Reserves	798,1	Non-refundable advances (this amount is made available to the Board for future increases of share capital)
Deductions	ICF Contributions	69,95	The Company's total amount of funds held with ICF
	Intangible Assets	35.75	Amortized Value of intangible assets
	40% of Deferred Tax Assets	25.21	In accordance with article 478 (2) of the CRR for 2018; rest risk weighted as "other exposure"
Total Regulatory Capital	CET1 Capital	759,28	Calculation of CET1 Capital in accordance with the provisions of the CRR

As far as the Company is concerned, no other restrictions apply relevant to the calculation of own funds in accordance with the provisions of the Regulation.

10.4. Terms and conditions of own funds

As aforementioned, the Company's regulatory capital consists of CET1 Capital only. The capital instruments comprising CET1 Capital fully qualify as Common Equity Tier 1 instruments as they meet all conditions set out in the CRR. Specifically:

- They have been issued directly by the Company with the prior approval of its owners;
- They have been fully paid up and their purchase was not funded directly or indirectly by the Company;
- They meet the following conditions as regards their classification:
 - a. They qualify as capital within the meaning of Article 22 of Directive 86/635/EEC;
 - b. They are classified as equity within the meaning of the applicable accounting framework; and,
 - c. They are classified as equity capital for the purposes of determining balance sheet insolvency;
- They are clearly and separately disclosed on the statement of financial position of the Company;
- They are perpetual in nature;
- Their principal amount may not be reduced or repaid, except in either of the following cases:

- a. The liquidation of the Company; and,
 - b. Following discretionary repurchases of the instruments or other discretionary means of reducing capital, where the institution has received the prior permission of the competent authority in accordance with Article 77 of the CRR;
- The following conditions apply as regards distributions:
 - a. There is no preferential distribution treatment regarding the order of distribution payments, including in relation to other Common Equity Tier 1 instruments, and the terms governing the instruments do not provide preferential rights to payment of distributions;
 - b. Distributions to holders of the instruments may be paid only out of distributable items;
 - c. The conditions governing the instruments do not include a cap or other restriction on the maximum level of distributions;
 - d. The level of distributions is not determined on the basis of the amount for which the instruments were purchased at issuance;
 - e. The conditions governing the instruments do not include any obligation for the Company to make distributions to their holders and the Company is not otherwise subject to such an obligation;
 - f. Non-payment of distributions does not constitute an event of default of the Company; and,
 - g. The cancellation of distributions imposes no restrictions on the Company;
- Compared to all the capital instruments issued by the Company, the instruments absorb the first and proportionately greatest share of losses as they occur, and each instrument absorbs losses to the same degree as all other Common Equity Tier 1 instruments;
- The instruments rank below all other claims in the event of insolvency or liquidation of the Company;
- The instruments entitle their owners to a claim on the residual assets of the Company, which, in the event of its liquidation and after the payment of all senior claims, is proportionate to the amount of such instruments issued and is not fixed or subject to a cap;
- The instruments are not secured, or subject to a guarantee that enhances the seniority of the claim by any of the following:
 - a. The Company or its subsidiaries;
 - b. The parent undertaking of the Company or its subsidiaries;

- c. The parent financial holding company or its subsidiaries;
 - d. The mixed activity holding company or its subsidiaries;
 - e. The mixed financial holding company and its subsidiaries; and,
 - f. Any undertaking that has close links with the entities referred to in points (a) to (e);
- The instruments are not subject to any arrangement, contractual or otherwise, that enhances the seniority of claims under the instruments in insolvency or liquidation.

11 REMUNERATION POLICY AND PRACTICES

11.1. In accordance with the provisions of the Regulation, the Company is required to disclose to the public its remuneration policy and practices for those categories of staff whose professional activities have a material impact on its risk profile.

11.2. The Company's decision-making process used for determining the remuneration policy in relation to such categories of staff is straight forward; such determination is made during special meetings of the Company's Board of Directors. Relevant decisions are based on simple majority rule. For the time being (and for the year under review) there is no remuneration committee and no external consultants are used for determining such policy.

11.3. The Company's remuneration policy targets to support the Company's objectives of long term sustainable business growth and success, sound and responsible risk management and efficient corporate governance. Further, the said policy targets to ensure that remuneration practices are fair, simple, transparent, competitive and easy to understand and implement, that remuneration is applied in consideration of and in alignment with the Company's strategic business targets but always in conjunction with the Company's overall risk management framework, that performance is risk-adjusted, where applicable, before being appraised and evaluated and that remuneration policies and practices as well as systems and controls support the fair treatment of clients and mitigate conflicts of interests.

11.4. In general, the Company offers its employees basic/fixed salaries (the levels of which are decided by the Board of Directors upon appointment of new employees), payable on a monthly basis and net of any social insurance contributions, fees, impositions or taxes. The basic salaries are reviewed by the Company (i.e. by the Board of Directors) at such intervals as it shall at its sole discretion decide.

11.5. With respect to the link between pay and performance, it goes without saying that the two variables are positively correlated. Depending on the nature of the work of each department and each employee, departmental and individual qualitative and/or quantitative performance measures and targets (relevant to the nature of the work) are pre-agreed and set at the beginning of each year. The basis for such pre-agreement is a feedback loop between officers (i.e. individual employees) and relevant heads/managers. Performance appraisal and evaluation takes place at the end of each year based on aforementioned qualitative and/or quantitative benchmarks. Such

appraisal and performance evaluation guides future salary adjustments decided by the Board.

11.6. The Company decided not to provide any amounts breakdown by business area as it considers such kind of information proprietary and confidential.

11.7. The detailed Remuneration Policy of the Company is available to the public upon demand.

11.8. The table below shows aggregate quantitative gross figures (for 2018) related to the remuneration of members of the senior management (“4-eyes”) which are also acting as executive directors of the Company. It should be emphasized that only two [2] of the three [3] members of the “4-eyes” received remuneration for the year under review. The aggregate remuneration of other members of the Board of Directors (i.e. the independent non-executive directors) is also presented. No other members of staff are considered of having material impact on the risk profile of the Company.

Type	Number of Beneficiaries	Fixed Remuneration (Euro)	Variable Remuneration (Euro)	Total (Euro)
“4-eyes”	2	109296	-	109296
Independent Directors	2	21780	-	21780
Non-Executive director	1	-	-	-