Luna Wealth Asset Management Ltd
(The "Company")

Disclosure and Market Discipline Report for 2020

May 2021

Regulated by the Cyprus Securities and Exchange Commission License No. 379/19

DISCLOSURE

The Disclosure and Market Disciple Report for the year 2020 has been prepared by Luna Wealth Asset Management Ltd as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DI144-2014-14 issued by the Cyprus Securities and Exchange Commission.

Luna Wealth Asset Management Ltd states that any information that was not included in this report was either not applicable on the Company's business and activities -OR- such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine our competitive position.

Luna Wealth Asset Management Ltd is regulated by the Cyprus Securities and Exchange Commission under License number 379/19.

Contact Us

Address:	40 Themistokli Dervi, Office 201, 1066, Nicosia
Tel:	+357 22007111
Fax:	-
Website:	www.lunawealth.com
Email:	info@lunawealth.com

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management Framework is the sum of systems, policies, processes and people within the Company that identify, assess, mitigate and monitor all sources of risk that could have a material impact on the Company's operations.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institutions' profile and strategy.

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1. Introduction

1.1. Investment Firm

Table 1: Company Information

CIF Authorization date	23/08/2019
CIF license number	379/19
Company Registration Date	06/12/2017
Company Registration Number	HE 377224
Investment Services	
Reception and transmission of orders in relation to one or more financial instruments	
Execution of orders on Behalf of Clients	
Dealing on Own Account	
Portfolio Management	
Provision of investment advice	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	

1.2. Purpose

The present report is prepared by Luna Wealth Asset Management Ltd (the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 379/19 and operates in harmonization with the Markets in Financial Instruments Directive II ("MIFID II").

In accordance with the Regulation (EU) No. 575/2013 (the Capital Requirements Regulation, "CRR"), which was introduced in late 2014, the Company is required to disclose information relating to its risk exposure and management, capital structure, capital adequacy as well as the most important characteristics of the Company's corporate governance, including its remuneration system. The scope of this report is to promote market discipline and to improve transparency of market participants.

This document is updated and published annually; it will, however, be published more frequently if there are significant changes to the business (such as changes to the scale of operations, range of activities etc.). CySEC is responsible for implementing and enforcing the European Capital requirements Directive ('CRD'), a capital adequacy framework consisting of three 'pillars':

- **Pillar I** sets minimum capital requirements comprising of base capital resources requirements; credit, market and operational risk capital requirements
- **Pillar II** requires firms to undertake an overall internal assessment of their capital adequacy, taking into account all of the risks which the firm is exposed to and whether additional capital should be held to cover risks not adequately covered by Pillar I requirements. This is achieved through the Internal Capital Adequacy Assessment Process ("ICAAP")

- **Pillar III** complements Pillars I and II and improves market discipline by requiring firms to disclose information on their capital resources and Pillar I capital requirements, risk exposures and their risk management framework

The 2020 Pillar III Disclosure Report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR and in particular paragraphs 431 to 455, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure Report is audited by the Firm's external auditor and published on the Company's website, www.lunawealth.com, on an annual basis.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility of the internal control systems in the process of capital adequacy assessment, and they have established effective processes to ensure that the full spectrum of risks faced by the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

As with all Investment Firms, the Company is exposed to a variety of risks and in particular to credit risk, market risk and operational risk. More information can be found in the sections below.

The Company is making the Market Discipline Disclosure on a solo basis.

1.3. The Company

Luna Wealth Asset Management Ltd, as a CIF, operates in Cyprus, offering discretionary portfolio management services to high net worth individuals and employs 7 employees in its offices.

The Company has a stable business model, and this is reflected in:

- A well-balanced capital allocation between the Company's operations
- A balanced business model that is diversified across various jurisdictions in terms of both counterparties and client markets.

The Company's growth strategy focuses on its existing areas of expertise and the quality of its customer base. The Company strives for sustainable profitability consistent with its cost of capital and a balanced business model. To this end, the Company:

- Seeks to contain the volatility of its results
- Calibrates its capital ratio to ensure a significant safety margin relative to the minimum regulatory requirements
- Ensures sufficient resilience in scenarios of liquidity shortages
- Tightly controls its foreign-exchange risks

The Company aims to maintain a diversified customer base.

The Company ensures that compliance rules are rigorously respected, especially in the area of anti-money laundering and counterterrorism financing. The Company monitors the behaviour of its employees with regard to customers and all its stakeholders, as well as the integrity of its investment and financial practices.

The Company considers its reputation to be an asset of great value that must be protected to ensure its sustainable development. The prevention and detection of the risk that could harm its reputation are integrated within all the Company's operating practices. The Company's reputation is protected by making its employees aware of the values of responsibility, ethical behaviour and commitment.

1.4. Regulatory Supervision

The minimum capital requirements as of 31 December 2020 for the CRD IV were calculated in accordance with the 'Pillar I' rules as set out by the Laws and Regulations, published by the CySEC. All CIFs under CySEC's authority must meet the requirements with respect to capital adequacy and market discipline, which are comprised by the following:

- Law 87(I)/2017: Provision of Investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter "the Law")
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC -Capital Requirements Directive IV
- Directive DI144-2014-14: For the prudential supervision of Investment firms
- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013

2. Governance and Risk Management

Implementing a high performance and efficient risk management structure is a critical undertaking for the Company, in all business lines, markets and regions in which it operates; as are maintaining a strong risk culture and promoting good corporate governance. The Company's risk management is supervised at the highest level and is compliant with the regulations enforced by the CySEC and the European regulatory framework.

2.1. Types of Risks

Given the diversity and evolution of the Company's activities, risk management involves the following main categories:

- **Credit and Counterparty risk** (including Country risk): risk of losses arising from the inability of the Company's customers, brokers, issuers, or other counterparties to meet their financial commitments. Credit risk includes Counterparty risk linked to market transactions (Replacement risk) and securitization activities. In addition, Credit risk

may be further amplified by Concentration risk, which arises from a large exposure to a given risk, to one or more counterparties, or to one or more homogeneous groups of counterparties; Country risk arises when an exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.

- **Market risk:** risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds) commodities, derivatives and other assets, including real estate assets.
- **Operational risk**: (including Accounting and Environmental risks): risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss.
- **Liquidity risk:** risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.
- **Compliance risk (including Legal and Tax risks):** risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities
- **Reputational risk:** risk arising from a negative perception on the part of customers, counterparties, shareholders, investors or regulators that could negatively impact the Company's ability to maintain or engage in business relationships and to sustain access to sources of financing.
- **Strategic Risk:** risks inherent in the choice of a given business strategy or resulting from the Company's inability to execute its strategy.
- **Business risk:** risk of lower than anticipated profits or experiencing losses rather than a profit.

2.2. Risk Appetite

The Company defines Risk Appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk Appetite is defined using both quantitative and qualitative criteria.

The Risk Appetite Framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The Risk Appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICAAP, which is also used to ensure capital adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk must be analysed and approved by the BoD. The Company's risk appetite must be implemented by the Senior Management in collaboration with the BoD and applied by all divisions through an appropriate operational steering system of risks, covering:

- Governance (decision-making, management and supervisory bodies)
- Management (identification of risk areas, authorization and risk-taking processes, risk management policies through the use of limits and guidelines, resource management)

- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls and internal audits)

Essential indicators for determining the Risk Appetite and their adaptations need to be regularly supervised over the year in order to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

2.3. Internal Capital Adequacy Assessment Process

The Internal Capital Adequacy Assessment Process ("ICAAP") requires institutions to identify and assess risks not adequately covered in Pillar I, maintain sufficient capital to face these risks and apply appropriate risk-management techniques to maintain adequate capitalization on an ongoing and forward-looking basis, i.e., internal capital supply to exceed internal capital demand.

The Company maintains compliance with the ICAAP as required under Pillar II of Basel III and its local implementation in Cyprus, through the risk management and governance framework, methodologies, processes and infrastructure.

2.4. Stress Tests

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests are performed for both internal and regulatory purposes and serve an important role in:

- Understanding the risk profile of the Company
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions. Stress testing takes place in the context of the Company's ICAAP on an annual basis
- The evaluation of the Company's strategy: Senior Management considers the stress test results against the approved business plans and determines whether any corrective actions need to be taken. Overall, stress testing allows senior management, to determine whether the Company's exposures correspond to its risk appetite
- The establishment or revision of limits: Stress test results, where applicable are part of the risk management processes for the establishment or revision of limits across products, different market risk variables and positions of the Company

The ultimate responsibility and ownership of the Company' stress testing policy rests with the Board of Directors. If the stress testing scenarios reveal vulnerability to a given set of risks, the management should make recommendations to the Board of Directors for mitigation measures or actions. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, appetite, capital and liquidity planning
- Review limits
- Reduce underlying risk positions through risk mitigation strategies
- Consider an increase in capital
- Enhance contingency planning

2.5. Risk Management Committee

The Company has established a Risk Committee which directly reports to the Board of Directors; and one meeting was held in 2020.

The Risk Management Committee ("RMC") advises the Board of Directors on the overall strategy and the appetite to all kinds of risks, both current and future and helps the Board of Directors in its verification that the risk strategy is adequately implemented. In particular, the RMC is responsible for:

- Reviewing the risk control procedures and is consulted about setting overall risk limits
- Reviewing on a regular basis the strategies, policies, procedures and systems used to detect, manage and monitor liquidity risk and submitting its conclusions to the Board of Directors
- Reviewing the polices in place and the reports prepared to comply with the regulations on internal control
- Reviewing the policy concerning risk management and the monitoring of off-balance sheet commitments
- Reviewing whether the incentives provided by the compensation policy and practices are compatible with the Company's situation with regard to the risks it is exposed to, its share capital, its liquidity and the probability and timing of expected benefits.

2.6. Diversity Strategy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how the Company does business and imperative to commercial success.

The Company recognizes the value of a diverse and skilled workforce and management body, which includes and makes use of differences in the age, skill, experience, background, race, and gender between them. A balance of these differences will be considered when determining the optimum composition.

The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization into the future. This is also documented as best practices in the Corporate Governance Code of many EU countries.

2.7. Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board are ensure appropriate succession planning. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the BoD.

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.

Factors considered in the review of potential candidates include:

- Specialized skills and/or knowledge in accounting, finance, banking, law, business administration or related subjects
- Knowledge of an experience with financial institutions ("fit-and-proper" test)
- Integrity, honesty and the ability to generate public confidence.
- Knowledge of financial matters including understanding financial statements and financial ratios
- Demonstrated sound business judgment
- Risk Management/Compliance experience and/or regulatory framework knowledge

2.8. Remuneration

Remuneration refers to payments or compensations received for services or employment. The remuneration system includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the CIF's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive DI144-2014-14.

During 2020, the Company's remuneration system is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior management, members of the Board of Directors and the Heads of the Departments; the said practices are established to ensure that the rewards for the 'Executive Management' provide the right incentives to achieve the key business aims.

The total remuneration consists of fixed and variable components. Fixed and variable components are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components. Variable remuneration is related to a Key Performance Indicator (KPI) Scheme designed to review the performance of employees and reward them based on the achievement of personal, departmental, and company goals. The Company does not incentivise sales of financial instruments or services via increased remuneration, variable remuneration or performance-related remuneration and no KPIs adopted for any employee or director is related to sales.

Table 2: Aggregate Quantitative Information on Remuneration broken down by business area

€	No. of staff	Fixed	Variable	Non-cash	Total
Front office [1]	1	20,400	-	-	20,400
Middle office[2]	2	65,000	-	-	65,000
Back office [3]	2	40,961.25	-	-	40,961.25
Management	2	103,000	-	-	103,000
Grand Total	7	229,361.25	-	-	229,361.25

[1] Brokerage/Dealing on own account/Investment advice/Portfolio Management – **includes also 2 of the executive directors which are not calculated to avoid miscalculation**
[2] Risk Management /Compliance & MLCO
[3] Client Administration/Information technology

€	No. of staff	Fixed	Variable	Non-cash	Total
Senior Management	2	103,000	-	-	103,000
Non – Executive Directors	2	24,000	-	-	24,000
Grand total	4	127,000	-	-	127,000

*Only executive directors were included to the Senior Management

2.9 Directorships held by Members of the Management Body

In 2020, the members of the Management body of the Company, have taken seats in other Company boards. In line with this, the following table indicates the number of positions that each member holds:

Table 3: Directorships held by the Management Body

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-executive)
Demetris Hadjiossif	Executive Director – General Manager	1	2
Dmitry Voznesenskiy	Executive Director – CEO	1	0
Chrysostomos Kalos	Non - Executive Director	1	1
Martha Lambrianou	Non - Executive Director	1	2

2.10 Reporting and Control

In line with the requirements set out in the Cyprus Investment Firms Law and subsequent Directives, the Company has been able to maintain a good information flow to the Management body, as it can be seen below:

Table 4: Periodic Reporting Summary

Report name	Report Description	Owner	Recipient	Frequency	Due Date
Annual Compliance Report	To inform the Senior Management & the BoD of the Company regarding the Performance of Compliance function during the year	Compliance Officer	BoD, CySEC	Annual	**30/04/2021**
Annual Internal Audit Report	To inform the Senior Management & the BoD of the Company regarding the Internal Auditor during the year	Internal Auditor	BoD, CySEC	Annual	**30/04/2021**
Annual Risk Management Report	Represents the work & activities undertaken by the Risk Manager during the year	Risk Manager	BoD, CySEC	Annual	**30/04/2021**
Pillar III Disclosures (Market Discipline and Disclosure)	The Company is required to disclose information regarding its risk management, capital structure, capital	Risk Manager	BoD, CySEC, Public	Annual	**30/04/2021**

	adequacy and risk exposures				
Financial Reporting	It is a formal record of the financial activities of the CIF	External Auditor	BoD, CySEC, CBC	Annual	**30/04/2021**
Capital Adequacy Reporting	A measure of the CIF's capital. It is expressed as a percentage and is used to protect depositors and promote stability and efficiency of financial systems all over the world	Risk Manager/ Accounting	Senior Management/ CySEC	Quarterly	**11/11/2020 11/02/2021 12/05/2021 11/08/2021 11/11/2021**
Monthly Prevention Statement	The statement indicates the total amount of cash deposits that the Supervised entity has accepted, the Internal Suspicion Reports and the Reports submitted to the Unit for Combating Money Laundering Offences	Compliance Officer	CySEC	Monthly	**15th of each month**
Suitability Report	A report on the adequacy of arrangements established by the CIF, in relation to clients' funds and financial instruments	External Auditor	BoD/CySEC	Annual	**30/04/2021**
Complaints Report	A report of Client's complaints	Compliance Officer	CySEC	Monthly	**5th of each month**
Quarterly Statistics	A report indicating the services offered by the company, Clients' funds analysis / balances by geographical analysis of clients' residence, client's financial instruments/type of instrument, analysis for Cypriot clients, volume by geographical analysis of clients' residence, income statement and statement financial position, rejected and terminated relationships	Compliance Officer	CySEC	Quarterly	**31/01/2021 30/04/2021 31/07/2021 31/10/2021**
Shareholder Statement	Notification statement indicating the names of its shareholders possessing qualifying holdings during the previous calendar year as well as its associates, as well as the sizes of such direct or indirect held holdings	Compliance Officer	CySEC	Annual	**31/01/2021**

3. Capital Management and Adequacy

3.1 The Regulatory Framework

In response to the financial crisis of 2008, the Basel Committee, mandated by the G20, has defined the new rules governing capital and liquidity aimed at making the financial sector more resilient. The updated Basel III rules were published in December 2010. They were translated into European law by a directive (CRDIV) and a regulation (CRR) which entered into force on 1st January 2014.

The general framework defined by Basel III is structured around three pillars as in Basel II:

- Pillar I sets the minimum solvency requirements and defines the rules that institutions, that are required to comply with the regulation, must use to measure risks and calculate associated capital requirements, according to standard or more advanced methods
- Pillar II relates to the discretionary supervision implemented by the competent authority, which allows them – based on a constant dialogue with supervised credit institutions – to assess the adequacy of capital requirements as calculated under Pillar I, and to calibrate additional capital requirements with regard to risks
- Pillar III encourages market discipline by developing a set of qualitative or quantitative disclosure requirements which will allow market participants to make a better assessment of a given institution's capital, risk exposure, risk assessment processes and, accordingly, capital adequacy

In terms of capital, the main measures introduced to strengthen institutions' solvency were as follows:

- The complete revision and harmonization of the definition of capital, particularly with the amendment of the deduction rules, the definition of a standardized Common Equity Tier 1 (or CET1) ratio, and new Tier 1 capital eligibility criteria for hybrid securities.
- New Capital requirements for the counterparty risk of market transactions, to factor in the risk of a change in CVA (Credit Value Adjustment) and hedge exposures on the central counterparties (CCP)
- The set-up of capital buffers that can be mobilized to absorb losses in case of difficulties. The new rules require regulated liquidity providers to create and maintain a capital conservation buffer and allows supervisory authorities to enforce an additional countercyclical buffer, aimed to preserve the institutions' solvency in the event of adverse conditions
- Capital conservation buffer came into force in January 2016 and has been annually phasing towards full application in January 2019
- The set-up restrictions on distributions, relating to dividends, Additional Tier 1 instruments and variable remuneration, via the maximum distributable amount (MDA) mechanism. At the end of 2015, the European Banking Authority (EBA) issued a clarifying statement, which indicated that the MDA should be applied when an institution no longer complies with its CET1 ratio requirements, including those of Pillar II and capital buffers
- In addition to these measures, there are measures to contain the size and consequently the use of excessive leverage. To this end, the Basel Committee defined a leverage ratio,

for which the definitive regulations were published in January 2014. The Basel leverage ratio compares the institution's Tier 1 capital to the balance sheet and off-balance sheet items, with restatements for derivatives and pensions; full-scope institutions have been obliged to publish this ratio since 2015.

3.2 Regulatory Capital

According to the International Financial Reporting Standards (IFRS), the Company's regulatory capital consists of Common Equity Tier 1 and Tier 2 Capital.

Common Equity Tier 1 Capital (CET1 Capital)
According to CRR/CRDIV regulations, Common Equity Tier 1 capital is made up primarily of the following:

- Ordinary Shares (net of repurchased shares and treasury shares) and related share premium accounts.
- Retained earnings
- Other reserves
- Minority interest limited by CRR/CRDIV

Deductions from Common Equity Tier 1 capital essentially involve the following:

- Estimated dividend payment
- Goodwill and intangible assets, net of associated deferred tax liabilities
- Unrealized capital gains and losses on cash flow hedging
- Deferred tax assets on tax loss carry forwards
- Deferred tax assets resulting from temporary differences beyond a threshold
- Any positive difference between expected losses on customer loans and receivables, risk-weighted using the standardized approach, and the sum of related value adjustments and collective impairment losses
- Expected loss on equity portfolio exposures
- Value adjustments resulting from the requirements of prudent valuation

Tier 2 Capital
Tier 2 capital includes:

- Dated subordinated notes
- Any positive difference between (i) the sum of value adjustments and collective impairment losses on customer loans and receivable exposures, risk-weighted using the standardized approach and (ii) expected losses, up to 0.6% of the total credit risk-weighted assets using the internal Ratings based approach
- Value adjustments for general credit risk related to collective impairment losses on loans and receivables exposures, risk-weighted using the standardized approach, up to 1.25% of the total credit risk-weighted assets

Deductions of Tier 2 Capital essentially apply to the following:

- Tier 2 hybrid treasury shares
- Holding of Tier 2 hybrid shares issued by financial sector entities

- Share of non-controlling interest in excess of the minimum capital requirements in the entities concerned

3.3 Solvency Ratio (Capital Ratio or Capital Adequacy Ratio)

The solvency ratio is calculated by comparing the institutions' equity with the sum of risk-weighted assets for credit and the capital requirement multiplied by 12.5% for market and operational risk.

Since the 1st of January 2014, the regulatory framework sets minimum requirements to be met for the CET1 ratio and the Tier 1 ratio. For 2015, the minimum requirement for CET1 was 4% and that of Tier 1 5.5%, excluding the Pillar II requirement. The total equity requirement, including CET1, AT1 and Tier 2 equity, was set at 8%. Since 2016, the minimum requirement for CET1 was 4,5%, and that of Tier 1 6%, with an overall ratio of 8% (including Tier 2).

In addition to the minimum requirements, CET1 and total Capital Requirement, full-Scope Investment firms are also expected to comply with the Capital Conservation Buffer. This buffer was introduced in 2016 and required full-scope companies to maintain additional capital of 0.625% of Total Risk Weighted Assets above the minimum requirements. The capital conservation buffer increased to 1.25% in 2017, to 1.875% in 2018, and then to 2.5% in 2019. As a full-scope investment firm, all calculations on capital surpluses/deficits were calculated in accordance with the Capital Conservation Requirements.

3.4 Capital Management

Capital management is implemented by the Senior Management. As part of managing its capital, the Company ensures that its solvency level is always compatible with the following objectives:

- Maintaining its financial solidity and respecting the Risk Appetite targets
- Preserving its financial flexibility to finance organic growth
- Adequate allocation of capital among the various business lines according to the Company's strategic objectives
- Maintaining the Company's resilience in the event of stress scenarios
- Meeting the expectations of its various stakeholders: supervisors, debt and equity investors, rating agencies, and shareholders

The Company determines its internal solvency targets in accordance with these.

In line with the above, the Company is obligated to calculate and report on a quarterly basis (see section on Reporting and Control), under CRD, its credit risk, market risk and operational risk, the result of which, i.e., solvency/capital ratio, needs to be above 8% (Calculated based on the section above) at all times.

As of 31st December 2020, the Total Capital Ratio of the Company was 23.11% with total risk weighted assets of EUR 6,906,910.

Table 5: Capital Requirements

	Dec 31, 2020 (Audited)
CAR Ratio	23.11%
CAR Ratio surplus	12.61%
Capital Adequacy (CET1) ratio	23.11%
CET1 Capital	1,595,946
Tier 1 Capital	1,595,946
Tier 2 Capital	-
Total Own funds	1,595,946
Total Own Funds (surplus)	865,946
Total Credit Risk Exposure	2,466,816
Total Market Risk Exposure	3,870,826
Total Operational Risk	569,269
Total Risk Weighted Assets	6,906,910
Leverage Ratio	39%
Capital Conservation Buffer	2.5%

Table 6: Regulatory Capital

	Dec 31, 2020 (Audited)
Common Equity Tier 1 (CET1) capital: Instruments and reserves	
Capital Instruments and the related share premium accounts	1,921,528
Retained Earnings	-628,112
Accumulated other comprehensive income (loss), net of tax	
Other	
Common Equity Tier 1 (CET 1) capital before regulatory adjustments	
Goodwill and other intangible assets (net of related tax liabilities) (negative amount)	
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liabilities where the conditions in Art. 38 (3) CRR are met) (negative amount)	
Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above the 15% threshold and net of eligible short positions) (negative amount)	
Other regulatory adjustments	-1,080
Total regulatory adjustments to Common Equity Tier 1 (CET1) Capital	-1,080
Common Equity Tier 1 (CET1) capital	1,595,946
Additional Tier 1 Capital	-
Tier 1 Capital	1,595,946
Tier 2 Capital	-
Total Capital	1,595,946
Total risk-weighted assets	6,906,910
Capital Ratios	
Common Equity Tier 1 (CET1) capital ratio	23.11%
Tier 1 Capital ratio	23.11%
Total Capital Ratio	23.11%

3.5 Leverage Ratio

The Company steers its leverage effect according to the CRR leverage ratio rules, as amended by the delegated act of the 10th of October 2014. Steering the leverage ratio means both calibrating the amount of Tier 1 capital (the ratio's numerator) and controlling the Company's leverage exposure (the ratio's denominator) to achieve the target ratio levels that the Company sets for itself.

The Company aims to maintain a leverage ratio that is significantly higher than the 3% minimum in the Basel Committee's recommendations. The leverage ratio is in an observation phase in order to set the minimum requirements. Once they have been set, the Company's target will be adjusted as needed.

At the end of 2020, the Company's leverage ratio was 39%.

Table 7: Leverage Ratio common disclosure

	CRR leverage ratio exposures
On balance-sheet exposures	4,092,147
Derivative exposures	-
Securities financing transaction exposures	
Other off-balance sheet exposures	
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off-balance sheet)	
Tier 1 capital	**1,595,946**
Total leverage ratio exposures	4,092,147
Leverage Ratio	**39%**

Table 8: Split-up of on balance sheet exposures

	CRR leverage ratio exposures
Trading book exposures	**-**
Banking nook exposures, of which:	
Covered bonds	***643,812***
Exposures treated as sovereigns	**-**
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	
Institutions	***2,313,305***
Secured by mortgages on immovable properties	**-**
Retail exposures	***630,850***
Corporate	**-**
Exposures in default	
Other exposures (e.g. Equity, securitization and other non-credit obligation assets	***504,180***
Total on balance sheet exposures (excluding derivatives, SFTs and exempted exposures	***4,092,147***

4.Credit Risk

Credit risk corresponds to the risk of losses arising from the inability of the Company's customers, issuers or other counterparties to meet their financial commitments.

The Company's credit risk mainly arises:

- By the Company's deposits in credit and financial institution
- By assets mainly held from debtors or prepayments made

The Company follows the Standardized Approach under Pillar I for calculating its Credit Risk Capital Requirements as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Step methodology to determine its respective Risk Weights (RW).

The Company follows both regulatory and compliance-oriented credit risk mitigation ('CRM') strategies in order to minimize the possibility of occurrence of this risk, such as:

- All Client funds are held in segregated accounts, separated from Company's funds.
- The Company maintains regular credit review of counterparties, identifying the key risks faced and reports them to the Board of Directors, which then determines the firm's risk appetite and ensures that an appropriate amount of capital is maintained
- In order to maintain its Credit risk to the minimum, the Company uses reputable credit institutions for safekeeping of funds. The Company also frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions, thus mitigating the risk exposure efficiently.

Further to the above, the Company has policies to diversify credit risk and to limit the amount of credit exposure to any particular counterparty in compliance with the requirements of the Regulation (EU) No. 575/2013.

Concentration Risk
Concentrations are measured using a standardized model and individual concentration limits are defined for large exposures. Any concentration limit breach is managed over time by reducing exposures.

4.1 External Ratings

For the purpose of calculating the capital requirements of the Company, mainly under the credit risk requirement, the external credit ratings from Moody's Analytics have been applied for the exposure classes listed below:

- Exposures to central governments or central banks
- Exposures to institutions
- Exposures to corporates

The general association with each credit quality step complies with the standard association published by CySEC as follows:

Credit Quality Step	Moody's Rating	Institution Risk Weight (Below 3 months)	Institution Risk Weight (Above 3 months)	Sovereign Risk Weight	Corporate Risk Weight
1	**Aaa to Aa3**	**20%**	**20%**	**0%**	**20%**
2	**A1 to A3**	**20%**	**50%**	**20%**	**50%**
3	**Baa1 to Baa3**	**20%**	**50%**	**50%**	**100%**
4	**Ba1 to Ba3**	**50%**	**100%**	**100%**	**100%**
5	**B1 to B3**	**50%**	**100%**	**100%**	**150%**
6	**Caa1 and below**	**150%**	**150%**	**150%**	**150%**

For exposures to regional governments or local authorities, public sector entities and institutions, the external ratings are applied in the following priority (i) Issue/Exposure (ii)issuer/counterparty (iii) Sovereign.

For exposures to central governments or central banks and corporates, the external ratings are applied in the following priority (i) issue/exposure (ii) Issuer/counterparty

It should be noted that the external ratings are not considered where exceptions or discretions as per the CRR apply.

4.2 Quantitative information

The credit exposures in this section are measured using the standardized approach. Exposures are broken down by sectors and obligor ratings.

On 31st December 2020, the Company's capital requirements for credit risk amounted to EUR 197,345 (EUR 2,466,816 total risk-weighted credit risk exposure). The tables below, indicate the Company's credit risk exposure.

Table 9: Asset Class Breakdown of Net Credit Risk Exposure and Minimum Capital Requirement as of 31 December 2020

Asset Class	Net Value of exposures at the end of the period	Minimum capital requirement
Central government or central bank		
Public Sector Entities		
Institutions	***2,313,305***	845,786
Corporates	-	
Of which: SMEs	-	
Retail	***630,850***	473,138
Of which: SMEs		
Covered bonds	***643,812***	643,812
Equity exposures	-	
Other Exposures	***504,180***	504,080
Total risk weighted assets	**4,092,147**	**-**
Total Credit Risk Capital Requirements	**-**	**2,466,816**

Table 10: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Exposure Class €

Asset Class	Net Value of exposures at the end of the period	Exposure after CRM
Central government or central bank		
Public Sector Entities		
Institutions	***2,313,305***	845,786
Corporates	-	
Of which: SMEs	-	
Retail	630,850	473,138
Of which: SMEs		
Covered bonds	643,812	643,812
Equity exposures	-	
Other Exposures	504,180	504,080
Total risk weighted assets	**4,092,147**	**4,092,147**
Total Credit Risk Capital Requirements	**2,466,816**	**2,466,816**

Table 11: Exposures Post Value Adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by Significant Geographic Area and Material Exposure Class

Asset Class	Cyprus	United Kingdom	Switzerland	Russia	USA	Turkey	Total
Central government or central bank							
Public Sector Entities							
Institutions	98,829	1,576,432	638,043				2,313,304
Corporates							
Of which: SMEs							
Retail	630,850						630,850
Of which: SMEs							
Covered bonds				252,754	223,192	167,866	643,812
Equity exposures							
Other Exposures	504,180						504,180
Total risk weighted assets	**1,233,860**	**1,576,432**	**638,043**	**252,754**	**223,192**	**167,866**	**4,092,147**
Total Credit Risk Capital Requirements	**79,759**	**25,223**	**40,859**	**20,220**	**17,855**	**13,429**	**197,345**

5. Market Risk

Market risk corresponds to the risk of loss of value on financial instruments arising from changes in market parameters, the volatility of these parameters and correlations between them. These parameters include but are not limited to exchange rates, interest rates, and the price of securities (equity, bonds), commodities, derivatives and other assets, including real estate assets.

As mentioned above, in the context of Pillar I, market risk mainly arises as:

Position Risk: It refers to the probability of loss associated with a particular trading/security (long or short) position due to price changes.

Interest rate risk: The risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Foreign Exchange Risk: It is a financial risk that exists when a financial transaction is denominated in a currency other than the base currency of the company. The foreign exchange risk in the Company is effectively managed by the establishment and control of foreign exchange limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

On 31st December 2020, the Company's capital requirements for market risk amounted to EUR 309,666 (EUR 3,870,826 total risk-weighted market risk exposure). The company is exposed to foreign exchange risk with total risk-weighted exposure amounted to EUR 2,701,117 (capital requirements EUR 216,089) and Traded Debt instrument with total risk-weighted exposure amounted to EUR 1,169,708 (capital requirements EUR 93,577).

6. Operational Risk

Operational risks (including accounting and environmental risks) correspond to the risk of losses arising from inadequacies or failures in internal procedures, systems or staff, or from external events, including low-probability events that entail a high risk of loss. This section describes the monitoring of the Company's operational risk, in addition to providing an analysis of the Company's operational risk profile and regulatory capital requirements.

The Company has developed processes, management tools and a control infrastructure to enhance the Company-wide control and management of the operational risks that are inherent in its various activities. These include, among others, general and specific procedures, permanent supervision, business continuity plans, and functions dedicated to the oversight and management of specific types of operational risks, such as fraud, risks related to external service providers, legal risks, information system security risks and compliance risks.

In order to control the exposure to operational risks, the management has established two key objectives:

- To minimize the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses)

- To improve the effective management of the Company and strengthen its brand and external reputation

The Company recognizes that the control of operational risk is highly dependent on the effective and efficient management practices and high standards of corporate governance.

To that effect, the management of operational risk is geared towards:

- Maintaining a strong internal control governance framework
- Managing operational risk exposures through a consistent set of processes that drive risk identification, assessment, control and monitoring

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

- The development of operational risk awareness and culture
- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives
- The improvement of productivity, efficiency, and cost effectiveness, with an objective to improve customer service and protect shareholder value
- Established a "four-eye" structure and Board of Directors oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The Board further reviews any decisions made by the Management while monitoring their activities
- Detection methods are in place in order to detect fraudulent activities
- Comprehensive business continuity and disaster recovery plan

The Senior Management employs specialized tools and methodologies to identify, assess, mitigate and monitor operational risk. These specialized tools and methodologies assist operational risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk indicators
- Business Continuity Management
- Training and awareness

Covid-19 Pandemic

The COVID-19 pandemic is one of the greatest challenges of our time in an increasingly globalised world and within the Company, it is no longer "business as usual", however we are fully prepared to cope with the new challenges the industry faces. Disruptive events and disasters can directly affect the Company's employees, assets or technology and by extension disrupt or completely halt the Company's operation.

The Company has in place a business continuity and disaster recovery plan which it has tested as soon as the pandemic took place on March 2020. The role of BCDR is to minimize the

effects of outages and disruptions on business operations. BCDR practices enable an organization to get back on its feet after problems occur, reduce the risk of data loss and reputational harm, and improve operations while decreasing the chance of emergencies. Based on the structure of the Company, the Management decided to form a strategy so that the employees in case of emergency can continue smoothly their work remotely from home.

During the Covid-19 outbreak, the relocation strategy was tested, and every employee was provided access at their home location. This was done by ensuring the safety of the data by giving access to the white-listed IP address of every employee.

The Company from the outset has purchased laptops instead of desktops to enable employees to take their laptops to an alternate location, in the event of a disaster. This way re-establishing operations can be achieved with relative ease due to the mobility of the company's equipment and the accessibility of all software (browser-based) and data (cloud storage/backups).

6.1 Quantitative information

The overall approach regarding the Operational risk is based on three years based on audited financial statements. Therefore, the capital requirement for operational risk has been calculated using forward-looking business estimates as per the regulation (EU) No 575/2013, Article 315.

Based on the relevant calculations, the Company's capital requirement in respect to operational risk, as of 31 December 2020, was EUR 45,542, while the risk-weighted exposure was EUR 569,269.

7.Liquidity risk

Liquidity risk corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise and at a reasonable cost.

The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints. The liquidity system aims at providing a balance sheet framework with an assets and liabilities target structure that is consistent with the risk appetite defined by the Board of Directors.

- The assets structure should allow the businesses to develop their activities in a way that is liquidity-efficient and compatible with the target liabilities structure
- The liabilities structure is based on the ability of its businesses to collect financial resources from customers and the ability of the Company to sustainably raise financial resources on the markets, in accordance with its risk appetite

The principles and standards applicable to the management of liquidity risks are defined by the Company's governing bodies, whose duties in the area of liquidity are listed below:

- The Company's board of Directors (i) establishes the level of liquidity risk tolerance as part of the Risk Appetite exercise (ii) meets regularly to examine the Company's liquidity risk situation, on a annual basis
- The Senior Management (i) sets budget targets in terms of liquidity (ii) allocates liquidity to the pillars

To minimize its exposure to liquidity risk, the CIF implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis & reporting to the Board of Directors on the funding needs of the Company
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies
- Cash Management

The Company has undertaken a specific review of its liquidity risks and believes that it is able to meet its upcoming maturities. As at 31/12/2020, the Company held EUR 2,313,304 in its bank accounts in Cyprus, United Kingdom and Switzerland.

8. Compliance, Reputational and Legal Risks

Compliance risk (including legal and tax risks) corresponds to the risk of legal, administrative or disciplinary sanction, or of material financial losses, arising from failure to comply with the provisions governing the Company's activities.

Compliance means acting in accordance with applicable regulatory rules, as well as professional, ethical and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

By ensuring that these rules are observed, the Company works to protect its customers and, in general, all of its counterparties, employees, and the various regulatory authorities to which it reports.

Compliance System and Department
Independent compliance structures have been set up within the Company's different business lines to identify and prevent any risks of non-compliance.

The Compliance Officer verifies that all compliance laws, regulations and principles applicable to the Company's services are observed, and that all staff respect codes of good conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational risk, provides expertise for the Company's activities, performs regulatory control at the highest level and assists with the day-to-day operations. The Compliance Officer is responsible for:

- The Company's financial security (prevention of money laundering and terrorism financing; know-your-customer obligations; embargoes and financial sanctions)
- Developing and updating consistent standards for the function, promoting a compliance culture, coordinating employee training and managing Company regulatory projects
- Coordinating a compliance control mechanism within the Company (second-level controls), overseeing a normalized Compliance process, oversight of personnel operations and finally, managing large IT projects for the function
- Preventing and managing conflicts of interest
- Proposing ethical rules to be allowed by all Company employees
- Training and advising employees and raise their awareness of compliance issues
- Building and implementing steering and organizational tools for the function
- Generally monitoring subjects likely to be harmful to the Company's reputation

8.1 Prevention of Money Laundering and Terrorism Financing

Money laundering and terrorist financing risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Company has in place, and is updating as applicable, certain policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- 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 risks faced by the Company
- The adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing risk
- 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)
- Obtaining additional data and information form 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
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries
- Ensuring that the Company's personnel receive the appropriate training and assistance.

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure compliance with the applicable legislation and incorporated, as applicable, any new information issued/available in this respect.

9. IFR/IFD

IFR & IFD

The European Parliament on 16 April 2019 has adopted a new, comprehensive regulatory regime for investment firms: the Investment Firm Directive ("IFD") and Investment Firm Regulation ("IFR") are intended to replace the existing applicable regulation for investment firms.

While small and "non-interconnected" firms in particular will benefit from less regulation, the legislation for "systemically relevant" investment firms means no less than equal treatment with credit institutions in the sense of a level playing field – accordingly, they will fall entirely under the previous regulatory framework (i.e. Capital Requirements Regulation 575/2013 ("CRR")). As a result, all other investment firms will no longer be subject to the CRD/CRR framework, which is primarily intended for banks. The final vote of the European Parliament on the legislation took place in mid-April 2019.

The EU's new IFR/IFD framework entered into force in December 2019 and will be applicable for all EU Investment Firms from June 26, 2021. The EU's new IFR/IFD framework reshapes how investment firms calculate their regulatory capital requirements and at what level these need to be maintained as of June 2021. All firms in scope of the IFR/IFD need to fall within a

specific class, based on their regulated activity but also within certain quantitative metrics in the form of “K-Factors”.

Systemically important and larger risky investment firms (i.e., Class 1) will be treated either as credit institutions or be held to the same rules under the CRR 2/CRD 5 framework and will become subject to SSM and SRM supervision. All other investment firms (Class 2 and 3) in the EU will become subject to the new IFR/ IFD framework, which includes a consolidated set of regulatory capital and liquidity requirements with limited waivers along with rules on internal models, governance, remuneration and disclosure. The Company will be classified as a Class 2 Investment Firm.

Further to IFR Article 46, companies should be ready to take all necessary measures and adopt the new changes of the disclosures requirements. In order to provide transparency to the investors and the wider markets. Class 2 firms should publicly disclose their levels of own funds, own funds requirements, governance arrangements and remuneration policies and practices.

For class 2 Firms, the Disclosures shall include:

- Investment Policy (IFR Article 52)
- Environmental, social and governance risks including physical risks and transition risks (IFR Article 53)
- Remuneration policy and practices (IFR Article 51) including characteristics of the remuneration system, level and criteria of variable remuneration, fixed/variable remuneration ratio
- Risk management objectives and policies
- Governance arrangements
- Own funds
- Capital Requirements
- Concentration risk (IFR Article 54 (2)

10. Appendix – Specific References to CRR

CRR Ref	High Level Summary	Compliance Reference
Scope of disclosure requirements		
431(1)	Requirement to publish Pillar III disclosures	1.2
431(2)	Disclosure of operational risk information	6
431(3)	Institution must have a policy governing a frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	1.1
431(4)	Explanation of ratings decisions to SMEs upon request	4.1
Frequency of disclosure		
433	Disclosures must be published once a year at a minimum, in conjunction with the date of publication of the financial statements	1.2
Means of disclosure		
434(1)	To include disclosures in one appropriate medium or provide clear cross-references to other media.	1.2
434(2)	Equivalent disclosures made under other requirements (i.e. accounting) can be used to satisfy Pillar III if appropriate	1.2
Risk management objectives and policies		
435(1) (a) 435(1) (b) 435(1) (c) 435(1) (d)	Disclosure of information as regards strategies and processes, organizational structure of the relevant risk management function, reporting and measurement systems and risk mitigation/hedging policies	2,4,5,6
435(1) (e)	Declaration approved by the Bod on adequacy of risk management arrangements	Preface
435(1) (f)	Concise risk statement approved by the BoD	Preface
435(2)	Information, once a year at a minimum, on governance arrangements	2
435(2) (a)	Number of directorships held by members of the BoD	2.9
435(2) (b)	Recruitment policy of BoD members, their experience and expertise	2.7
435(2) (c)	Policy on diversity of BoD members, its objectives and results against targets	2.6
435(2) (d)	Disclosure whether a dedicated risk committee is in place, and number of meetings in the year	2.5
435(2) (e)	Description of information flow on risk to BoD	2.10
Scope of Application		
436 (a)	Name of Institution	1.1

436 (b)	Difference on the basis of consolidation for accounting and prudential purposes, naming entities that are:	N/A
436 (b) (i)	Fully consolidated;	N/A
436 (b) (ii)	Proportionally consolidated;	N/A
436 (b) (iii)	Deducted from own funds;	N/A
436 (b) (iv)	Neither consolidated nor deducted	N/A
436 (c)	Impediments to transfer of funds between parent and subsidiaries	N/A
436 (d)	Capital shortfalls in any subsidiaries outside of scope of consolidation and their names (if any)	N/A
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries/entities	N/A
Own funds		
437 (1)		3.4
437 (1) (a)		3.4
437 (1) (b)		3.4
437 (1) (c)		3.4
437 (1) (d) (i)	Requirements regarding capital resources table	3.4
437 (1) (d) (ii)		3.4
437 (1) (d) (iii)		3.4
437 (1) (e)		3.4
437 (1) (f)		3.4
437 (2)	EBA shall develop implementation standards for points (a), (b), (d) and (e) above	N/A
Capital Requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels	2.10
438 (b)	Result of ICAAP on demand from competent authority.	2.3
438 (c)	Capital Requirement amounts for credit risk for each Standardised approach exposure class (8% of risk-weighted exposure)	4
438 (d)		4.2
438 (d) (i)		
438 (d) (ii)	Capital Requirements amounts for credit risk for each Internal Ratings Based approach exposure class	
438 (d) (iii)		
438 (d) (iv)	Capital Requirements amounts for credit risk for each Internal Ratings Based approach exposure class	4.2
438 (e)	Capital requirements amount for market risk or settlement risk, or large exposures where they exceed limits	5
438 (f)	Capital Requirements amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	6.1

Exposure to counterparty credit risk (CCR)		
439 (a)	Description of methodology to assign internal capital and credit limits for counterparty credit exposures.	N/A
439 (b)	Discussion of policies for securing collateral and establishing reserves.	N/A
439 (c)	Discussion of policies as regards wrong-way exposures	N/A
439 (d)	Disclosure of collateral to be provided (outflows) in the event of ratings downgrade	N/A
439 (e)	Derivation of net derivative credit exposure	N/A
439 (f)	Exposure values for mark-to market, original exposure, standardised and internal model methods	N/A
439 (g)	Notional value of credit derivative hedges and current credit exposure by type of exposure.	N/A
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	N/A
439 (i)	Estimation of alpha, if applicable.	N/A
Credit Risk Adjustments		
442 (a)	Definitions for accounting purposes of 'past due' and 'impaired'	N/A
442 (b)	Approaches for calculating credit risk adjustments	N/A
442 (c)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by different types of exposures	4.2
442 (d)	Exposures post-value adjustments (before applying Credit Risk Mitigation and after applying credit conversion factors) by significant geographic areas and material exposure classes	4.2
442 (e)		4.2
442 (f)	Exposures post value adjustments by residual maturity and by material exposure class	4.2
442 (g)	Breakdown of impaired, past due, specific and general credit adjustments, and impairment charges for the period, by exposure class or counterparty type.	N/A
442 (g) (i)		N/A
442 (g) (ii)		N/A
442 (g) (iii)		N/A
442 (h)	Impaired, past due exposures, by geographical area, and amounts of specific and general impairment for each geography	N/A
442 (i)	Reconciliation of changes in specific and general credit risk adjustments	N/A
442 (i) (i)		N/A
442 (i) (ii)		N/A
442 (i) (iii)		N/A
442 (i) (iv)		N/A
442 (i) (v)		N/A

442 endnote	Specific credit risk adjustments recorded to income statement are disclosed separately	N/A
Unencumbered assets		
443	Disclosure of unencumbered assets	N/A
Use of ECAI's		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised approach RWAs, and the reasons for any changes.	4.1
444 (b)	Exposure classes associated with each ECAI	N/A
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto terms not included in the trading book;	N/A
444 (d)	Mapping of external rating to credit quality steps.	4.1
444 (e)	Exposure values pre and post-credit risk mitigation, by credit quality step	4.1
Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk	5
Operational Risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	6
Exposures in equities not included in the trading book		
447 (a)	Differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used.	N/A
447 (b)	Recorded at fair value and actual prices of exchange traded equity where it is materially different from fair value.	N/A
447 (c)	Types, nature and amounts of the relevant classes of equity exposures.	N/A
447 (d)	Cumulative realised gains and losses on sales in the period.	N/A
447 (e)	Total unrealised gains or losses, latent revaluation gains or losses and amount included in Tier 1 Capital.	N/A
Exposure to interest rate risk on positions not included in the trading book		
448 (a)	Nature of interest rate risk and key assumptions in measurement models	N/A
448 (b)	Valuation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, by currency	N/A
Remuneration Disclosures		
450	Remuneration Policy	2.8
Leverage		
451 (1) (a)	Leverage Ratio and analysis of total exposure measure, including reconciliation to financial statements, and derecognised fiduciary items	3.5
451 (1) (b)		3.5

451 (1) (c)		3.5
451 (1) (d)	Description of the risk management process to mitigate excessive leverage and factors that had an impact on the leverage ratio during the year.	N/A
451 (1) (e)		N/A
451 (2)	EBA shall develop implementation standards for points above.	N/A
Use of Credit Risk Mitigation techniques		
453 (a)	Policies and processes, and an indication of the extent to which the CIF makes use of on- and off-balance sheet netting	N/A
453 (b)	Policies and processes for collateral valuation and management.	N/A
453 (c)	Description of types of collateral used by the CIF.	N/A
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	N/A
453 (e)	Information about market or credit risk concentrations within the credit mitigation taken.	N/A
453 (f)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure value covered by eligible collateral.	N/A
453 (g)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure covered by guarantees or credit derivatives.	N/A
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	N/A