GPB FINANCIAL SERVICES LIMITED

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

YEAR ENDED 31 DECEMBER 2020

June 2021

GPB-Financial Services Limited

Contents

1 Introduction

According to the requirements stated in paragraph 1 of Article 431 of the European Regulation No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (collectively the “Regulation” or “CRR”), GPB Financial Services Limited (the “Company”) has an obligation to disclose information relating to risks and risk management policies and procedures at least on an annual basis. These Disclosures must be included either in the financial statements of the Company, if these are published, or on its website. In addition, these Disclosures must be verified by the external auditor of the Company.

The Company is responsible for submitting its external auditor’s verification report to the Cyprus Securities and Exchange Commission (“CySEC”) the latest within five months from the end of each financial year, however for CIFs’ disclosures for FY 2020, the CySEC through its Circular C445 has extended this deadline to the latest within eight months from the end of financial year 2020, due to the ongoing developments related to the Coronavirus (COVID-19) outbreak and in an effort to ensure operational continuity.

Background

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

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

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

The Company also provides the following ancillary services:

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

Disclosure Policy

The following sets out the Company's Pillar 3 Disclosure Policy with regards to the information to be disclosed, as well as its frequency, location and verification:

Disclosed Information

The Company's policy is to meet all required Pillar 3 disclosure requirements as detailed in Part Eight of the CRR.

Frequency of Publication

The Disclosures are reviewed on an annual basis at a minimum and, if appropriate, more frequently. They are published in conjunction with the date of publication of the financial statements (or where no publication of financial statements is required, the Disclosures are published in conjunction with the date of submission of the audited financial statements to the CySEC).

Location of Publication

The Disclosures Report is published and made available on the Company's website at www.gpbfs.com.cy.

Verification

The Company has commissioned its independent auditors KPMG Limited to verify its Disclosures.

Scope of Disclosure

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

Coronavirus Outbreak

Management has considered the unique circumstances and the risk exposures of the Company and has concluded that there is no significant impact in the Company's business operations. The event did not have an immediate material impact on the business operations.

The Company's management believes that it is taking all the necessary measures to maintain the viability of the Company and the development of its business in the current business and economic environment. Management will continue to monitor the situation closely and will assess the need for additional financing in case the period of disruption becomes prolonged.

Regulatory Developments

The capital adequacy and overall risk management requirements that currently apply to the Company under the CRR and CRDIV prudential framework, will be replaced by amended prudential rules established by the EU Regulation 2019/2033 ("Investment Firm Regulation" or "IFR") and the EU Directive 2019/2034 ("Investment Firm Directive" or "IFD"), which shall become applicable on the 26th of June 2021. The new rules introduce changes in the methodologies that EU investment firms are required to apply for calculating their exposures to risk and their Capital Adequacy ratio and in this respect, the Company is in the process of assessing the impact that these changes are expected to have on its solvency position, in order to take timely action and be in a position to adopt the new rules.

2 Risk Management Objectives and Policies

Risk Management Framework and Structure

Risk management is regarded as an integral part of sound management practices, thus it is fully integrated into the Company's policies and procedures. A continuous risk management approach is applied to effectively anticipate and mitigate the risks that may pose certain dangers or have critical impact on the Company's operations. Effective risk management includes early risk identification through the collaboration and involvement of the Department of Risk Management in concert with directors, management, heads of departments and personnel. Strong leadership across all relevant stakeholders is needed to establish an environment for the free and open disclosure and discussion of risk within the Company.

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

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

Taking into account the nature, scale and complexity of investment services and activities undertaken in the course of this business, Risk Management is applied at the distinct functions of Internal Audit, Risk Management, Compliance and AML process, the Accounting Department and all other operations departments.

Risk Management function

The Department of Risk Management has developed and implemented a framework to systematically identify, measure, and manage risk in accordance with the standards set by the Board of Directors of the Company. The main objectives of the Department of Risk Management are to:

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

Compliance Department

The Company has established a Compliance Function which is an independent unit within the organization. The main duties/responsibilities of the Compliance function are the following:

- Monitor on a permanent basis and assess on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations
- Advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under the relevant laws
- Report to the Board of Directors, on at least an annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and on the Complaints-handling reporting, as well as the remedies undertaken or to be undertaken

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

Internal Audit

The Company's internal audit function is outsourced to PricewaterhouseCoopers. The main duties and responsibilities of the internal audit are the following:

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

3 Governance arrangements

3.1 Board of Directors

For the year ended 31 December 2020, the Board consisted of three Executive Directors and two Non-Executive Directors.

The main duties of the Board of Directors ("BoD") include:

- Defining and overseeing the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties and the prevention of conflicts of interest, in a manner that promotes the integrity of the market and the interest of the Company's clients
- Formulating the Company's strategy in terms of the development of existing and new services
- Governing the organization by broad policies and objectives
- Ensuring that the Company maintains and implements an adequate internal control mechanism
- Ensuring that the Company complies with its legal obligations to CySEC

- Assessing on a regular basis that the Company's policies and procedures follow the relevant Law and Directives / Guidelines issued by CySEC from time to time
- Defining, overseeing and approving a policy as to services, activities, products and operations offered or provided, in accordance with the risk tolerance of the Company as well as the characteristics and needs of the clients of the Company to whom they will be offered or provided
- Defining, overseeing and approving a remuneration policy
- Determining and recording the general policy principles of the Company in relation to the prevention of money laundering and terrorist financing and informing the Compliance/AML Officer accordingly
- Monitoring the internal control mechanisms of the Company and periodically assessing the adequacy and implementation of the Company's strategic objectives in the provision of investment services and activities
- Reviewing and approving the Client Acceptance Policy
- Ensuring that sufficient and experienced resources are available to the Company to carry out its operations
- Ensuring that it receives on an annual basis written reports from the Compliance Officer, Risk Management Officer and Internal Audit function, following up on any issues raised, as well as ensuring that remedial measures have been taken.

3.2 Board Recruitment

One of the BoD's main responsibilities is to identify, evaluate and select Board candidates and ensure appropriate succession planning. The assessment of the suitability of members of the Management Body is performed on the basis of the following criteria:

- Substantive knowledge and skills
- Management competencies
- Professional experience
- Individual suitability (adequacy of the candidate for the position, business situation and current strategy of the Company)
- Collective suitability
- Reputation and good repute, the ability to act with ethics and integrity
- Investing sufficient time and holding an adequate number of management functions
- Independence of judgment.

When assessing the knowledge, skills and experience of a member, consideration should be given to theoretical and practical experience relating to:

a. Banking and financial markets
b. Legal requirements and regulatory framework
c. Strategic planning, the understanding of a company's business strategy or business plan and accomplishment thereof
d. Risk management (identifying, assessing, monitoring, controlling and mitigating the main types of risk of a company)
e. Accounting and auditing, financial reporting
f. The assessment of the effectiveness of a company's arrangements, ensuring effective governance, oversight and controls.

The assessment of professional experience takes into account previously held positions and time in employment. The assessment of individual suitability takes into account the person's competencies, theoretical knowledge and skills, management competencies and professional experience. The BoD as a body should have the knowledge, skills and experience necessary to perform its functions.

3.3 Diversity Policy

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

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

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

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

3.4 Investment Committee

As at 31 December 2020 the Company's Investment Committee comprised of five members, two of which were executive directors. The Committee is responsible for establishing investment guidelines and formulating the overall investment policy of the Company, which is subject to approval by the Board of Directors.

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

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

3.5 Number of directorships held by members of the Board

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

Name of Director	Position within the Company	Directorships – Executive	Directorships – Non-Executive
Evanthia Kania	Executive	1	-
Irina Chuprynenko	Executive	1	-
Adamos Kitros	Executive	1	-
Andreas Aloneftis	Non-Executive	-	6
Anastasios Televantides	Non-Executive	-	8

[1] *Note: The information in this table is based only on representations made by the directors of the Company.*

3.6 Information flow on risk to the management body

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

4 Board Risk Declaration

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

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

5 Board Approved Risk Statement

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

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

Financial: *Credit, Market, Liquidity risks*

Operational: *Operations, Human, IT risk*

Compliance: *Regulatory risk*

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

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached. The following table sets out a number of the key measures used to monitor the Company’s risk profile:

Risk Area		Metric	Comment	Measure at 31/12/2020
Financial Risk	Capital	Capital Adequacy Ratio	The Company targets a Total Capital Adequacy Ratio above the regulatory threshold of 10,50% and not below 15%. The strategic capital plan ensures that the Company remains above regulatory guidance threshold.	CAD Ratio = 80,56%
	Credit Risk	a) Unsettled trades(over 5d)/Total Assets b) Value of unsettled trades term limit ≤ 5 days c) Deposits of GPBFS with approved Russian institutions or non-equivalent third country institutions shall not exceed 25% of its Own Funds d) Fixed term deposits with Bank GPB OAO (shareholder) should not exceed two percent (2%) of the Company's eligible capital	The Company has strong credit management controls and manages exposures to counterparties according to its risk appetite. Zero unsettled trades over 5 days confirms the risk appetite towards counterparty exposures. Points c) and d) as per DI144-2014-14 of CySEC	UT ≥ 5d /TA = 0%
	Market Risk	Stop loss limits: a) Daily Stop loss limits: Max limit €100 thousand b) Weekly stop loss limits (5 days) Max Limit €150 thousand	The Company often holds securities for inventory purposes and arbitrage. The Company trades a range of Russian and European stocks in the form of ADRs. Control is achieved with stop loss limits within specified limits.	The Company was within limits
	Leverage Risk	Tier 1 Capital / Total Assets ≥ 3%	The Company regularly assesses its Leverage Ratio, with minimum requirement of 3% being tested (i.e. Company's total assets should not be more than 33 times its capital). The ratio is monitored through the Capital Adequacy calculations /ICAAP report. Tier 1 Capital: Common equity Tier 1 (share capital, share premium, retained earnings and regulatory adjustments) + Additional Tier 1 – Hybrid capital.	79,65%

GPB-Financial Services Limited

Operational Risk	• The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. There is a procedure for the identification and effective management of incidents and problems. • For remote access, Windows Virtual Desktops are created that duplicate office PC workstation functions and setup office tools, trading terminals, back office, etc. Virtual Desktop is accessible as a remote screen from any web browser, PC and mobile application. On-premise infrastructure databases and documents are accessible from virtual desktops. All workstation telephone lines of the office are forwarded to the mobile phones of the respective employee. • An electricity generator is available in order to ensure business continuity. • Company will continue to be fully compliant with labor laws and health and safety regulations, as well as update its operations manual with new procedures when deemed necessary. • In addition, the Company intends to retain its four eyes principal in settling transactions and enhance its monitoring on employees through such actions as maintenance of an insider trading policy and regular updates of restricted equities list, in order to prevent any legal risks. • Moreover, the Company will continue holding its client assets with reputable institutions and perform regular reconciliations with custodians. • System security risk will continue to be mitigated by a set of controls which consist of regular change of system passwords, immediate support agreement with a third-party provider, antivirus, penetration tests and regular back- ups in disaster recovery site. • All measures are within appetite at year-end.
Compliance Risk	• The Company is dedicated to continuously enhancing and implementing policies and procedures based on the latest regulatory requirements issued by CySEC. To this respect, the Company has a strong Compliance Function that implements a number of controls in relation to compliance with the relevant laws and regulations and monitors employees on a regular basis. • Staff receives regular training on compliance issues and policies and procedures are updated in line with new regulations. • Objective is to fulfill all regulatory compliance requirements and ensure that the Company maintains its reputation amongst various stakeholders. • All measures are within appetite as at the reference date.

6 Disclosures in Accordance with Part Eight of the Regulation

The adequacy of the Company's capital is monitored by reference to the rules established by the Basel Committee and adopted by CySEC. In 2014, CySEC adopted the European Regulation No. 575/2013 on prudential requirements and issued the Directive DI144-2014-15 on the discretions of CySEC arising from the Regulation, in addition to the Directives 144-2014-14 & 14(A) for the prudential supervision of investment firms, adopting the relevant European Union Directive 2013/36/EU ("CRDIV"). Together, the Regulation and Directive form the framework of Basel III. Basel III consists of three pillars: a) Minimum

Capital Requirements (Pillar 1), b) Internal Capital Adequacy Assessment Process (Pillar 2) and c) Market Discipline (Pillar 3).

(a) Pillar 1 – Minimum Capital Requirements

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

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

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

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

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

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

(c) Pillar 3 – Market Discipline

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

7 Capital Management and Preservation

The Company's eligible Own Funds at year-end comprised entirely of Common Equity Tier 1 Capital. As at 31st of December 2020, the Company's eligible Own Funds consisted of the following:

	USD '000
	31 Dec 2020
Common Equity Tier 1 Capital	
Share Capital	5.301
Retained Earnings	30.899
Audited Income for year ended 31/12/2020	102
Intangible Assets	(116)
ICF deduction	(124)
Additional Valuation Adjustment	(8)
Total Common Equity Tier 1 Capital	**36.054**
Additional Tier 1 Capital	**-**
Total Tier 1 Capital	**36.054**
Tier 2 Capital	**-**
Total Regulatory Capital	**36.054**

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

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

The Company calculates the Risk Weighted Exposure amounts in accordance with Chapter 2 of Title II of the Regulation. The Company also ensures that it maintains a minimum ratio of Capital to Risk Weighted Assets of 10,50% (minimum regulatory requirement + Capital Conservation Buffer + Institution-specific Countercyclical Capital Buffer).

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

	USD ‘000
	31 Dec 2020
Risk Type	**Capital Requirement**
Credit risk	2.805
Credit Valuation Adjustment risk	233
Market risk	239
of which Market FX risk	*231*
of which Market Interest Rate risk	-
of which Market Equity risk	*8*
of which Market Commodity risk	-
Additional capital requirement from Larges exposures in the Trading Book	-
Operational risk	303
Total Capital Requirements	**3.580**
Total Own Funds	**36.054**
Surplus Capital Against Total Risks	**32.474**
Total Capital Adequacy Ratio	**80,56%**

Large Exposures

As at 31 December 2020, the Company’s Banking Book exposure to the GPB group amounted to 1,90% of its Own Funds, which did not exceed the applicable large exposure limit of 2% of Own Funds, for the total net exposure to shareholders and their connected persons, as per paragraph 61 of the CySEC Directives 144-2014-14 & 14(A).

Countercyclical Capital Buffer

For the year ended 31 December 2020, the Company was required to maintain an Institution-specific Countercyclical Capital Buffer.

The Company calculates its Institution-specific Countercyclical Capital Buffer rate in accordance with the methodology set out in Article 140 of the CRDIV, which takes into consideration the country where the counterparties for specified exposures reside/are registered, as well as the Countercyclical Capital Buffer rate that applies for each such country.

The following tables provide aggregated information on the geographical breakdown of the exposures considered in the calculation of this buffer, and on the Institution-specific rate and relevant capital requirement arising from this buffer.

The Geographical Distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer for 31 December 2020 were as follows:

Countries	General Credit Exposures		Trading Book Exposure		Own Funds Requirements			Own Funds Requirements Weights	Countercyclical Buffer Rate
	SA	IRB	SA	IRB	General	Trading	Total		
	(USD '000)							%	%
Cyprus	538	-	-	-	44	-	44	4,30%	0,00%
Russia	12.178	-	-	-	974	-	974	95,20%	0,00%
United States	2	-	49	-	-	4	4	0,50%	0,00%
United Kingdom	6	-	-	-	-	-	-	0,00%	0,00%
Total	**12.724**	**-**	**49**	**-**	**1.018**	**4**	**1.022**	**100%**	

The amount of the Institution-specific Countercyclical Capital Buffer was as follows:

	USD '000 31 Dec 2020 Amount
Total Risk Exposure Amount	44.755
Institution-specific Countercyclical Buffer rate	0,00%
Institution-specific Countercyclical Buffer requirement	**-**

8 Capital Requirements

8.1 Credit and Counterparty Credit Risk

Definition

Credit risk is the risk of loss associated with the non-performance of a debtor or counterparty and as a result the failure of a promised payment. The Company's Credit risk stems from the settlement of transactions with trading counterparties. In addition, there is Credit risk when placing surplus funds with other banks in the form of deposits or investments in transferrable securities.

Monitoring

The Risk Management Department is responsible for managing and monitoring Credit risk. Credit risk is managed daily through the monitoring of credit exposure against approved credit limits and the annual renewal of limits. Concentrations of Credit risk may arise from the Company's normal operation in trading. The Company's significant single concentrations of Credit risk are typically with strong credit institutions in Russia and Europe.

Mitigation

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

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

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

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

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

			USD '000
			31 Dec 2020
Credit, Counterparty Credit and Dilution Risks and Free Deliveries Capital Requirement – Standardised Method – Asset Class	**Original Exposure*/Pre-conversion Factors**	**Risk Weighted Exposure Amount**	**Capital Requirements**
Exposures to Institutions	28.719	22.329	1.786
Exposures to Corporates	16.188	12.298	984
On balance sheet exposures subject to credit risk	*7.169*	*7.169*	*574*
*Securities financing transactions***	*9.019*	*5.129*	*410*
Exposures to Equity	2	2	-
Exposures to Other Items	424	438	35
Total	**45.333**	**35.067**	**2.805**

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

*** Securities Financing Transactions include Repo and Reverse Repo transactions.*

GPB-Financial Services Limited

Geographical distribution of exposures by exposure class:

USD '000
31 Dec 2020

Exposure Class		Cyprus	Luxemburg	Russia	Other	Total
Exposures to Institutions		172	28.546	-	1	**28.719**
Exposures to Corporates		112	-	16.069	7	**16.188**
Exposures to Equity		2	-	-	-	**2**
Exposures to Other Items		424	-	-	-	**424**
Total		**710**	**28.546**	**16.069**	**8**	**45.333**

Distribution of exposures by industry:

USD '000
31 Dec 2020

Exposure Class	Banking / Financial Services	Other	Total
Exposures to Institutions	28.719	-	**28.719**
Exposures to Corporates	16.069	119	**16.188**
Exposures to Equity	2	-	**2**
Exposures to Other Items	-	424	**424**
Total	**43.790**	**543**	**45.333**

Past due/ Impaired Assets

The Company recognises allowances for expected credit losses (ECLs) on financial assets measured at amortised cost. ECL allowances represent credit losses that reflect an unbiased and probability - weighted amount, which is determined by evaluating a range of possible outcomes, the time value of money and reasonable and supportable information about past events, current conditions and forecasts of future economic conditions.

The Company applies a three-stage model for impairment, based on changes in credit quality since initial recognition. A financial instrument that is not credit impaired on initial recognition is classified in Stage 1.

Financial assets in Stage 1 have their ECL measured at an amount equal to the portion of lifetime ECL that results from default events possible within the next 12 months or until contractual maturity, if shorter ("12 Months ECL").

If the Company identifies a significant increase in credit risk ("SICR") since initial recognition, the asset is transferred to Stage 2 and its ECL is measured based on ECL on a lifetime basis, that is, up until contractual maturity but considering expected prepayments, if any ("Lifetime ECL").

If the Company determines that a financial asset is credit impaired, the asset is transferred to Stage 3 and its ECL is measured as a lifetime ECL. Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

The Company assumes that the Credit risk on a financial asset has increased significantly if it is more than 30 days past due. The Company considers a financial asset to be in default when:

- The borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held); or
- The financial asset is more than 90 days past due.

The Company considers a debt security to have low credit risk when the credit risk is equivalent to the globally understood definition of "investment grade". The Company considers this to be Baa3 or higher as per Moody's rating.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Company expects to receive).

Credit-impaired financial assets

At each reporting date, the Company assesses whether financial assets carried at amortised cost are credit impaired. A financial asset is 'credit-impaired' when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

Evidence that a financial asset is credit-impaired includes the following observable data:

- Significant financial difficulty of the borrower or issuer
- A breach of contract such as a default or being more than 90 days past due
- It is probable that the borrower will enter bankruptcy or other financial reorganisation
- The disappearance of an active market for security because of financial difficulties.

Breakdown of exposures by residual maturity and average exposure for 2020:

					USD '000 31 Dec 2020
Exposure Class	**Average Exposure for the period**	**Residual Maturity ≤ 3 months**	**Residual Maturity > 3 months**	**No Maturity**	**Total**
Exposures to Institutions	29.690	10.423	18.296	-	**28.719**
Exposures to Corporates	14.534	16.181	7	-	**16.188**
Exposures to Equity	2	-	-	2	**2**
Exposures to Other Items	760	1	423	-	**424**
Total	**44.986**	**26.605**	**18.726**	**2**	**45.333**

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

The Company has chosen to use the ratings of all three rating agencies (Fitch Ratings, Moody's Investor Services and Standard and Poor's Rating Services) for all relevant asset classes under the Standardised Approach. The use of ratings from the abovementioned agencies is in compliance with the requirements of the Regulation and is used consistently for all exposures in a specific asset class. In order to minimize the possibility of loss, cash amounts are mostly held with reputable banks and financial institutions.

As at 31 December 2020, the Company used ratings for its exposures to institutions and corporates, in order to determine the applicable risk weight. The Company used the Credit Quality Step mapping table below to map the credit assessments to Credit Quality Steps ("CQS").

Credit Quality Step	Fitch	Moody's	S&Ps
1	AAA to AA-	Aaa to Aa3	AAA to AA-
2	A+ to A-	A1 to A3	A+ to A-
3	BBB+ to BBB-	Baa1 to Baa3	BBB+ to BBB-
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-
5	B+ to B-	B1 to B3	B+ to B-
6	CCC+ and below	Caa1 and below	CCC+ and below

A breakdown of the Company's Credit risk exposures by CQS of counterparties is shown below:

					USD '000 31 Dec 2020
Exposure Class	**CQS 4**	**CQS 5**	**Unrated**	**N/A**	**Total**
Exposures to Institutions	25.922	172	2.625	-	**28.719**
Exposures to Corporates	9.705	-	6.483	-	**16.188**
Exposures to Equity	-	2	-	-	**2**
Exposures to Other Items	-	-	-	424	**424**
Total	**35.627**	**174**	**9.108**	**424**	**45.333**

Counterparty Credit Risk

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

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

The Company makes use of the Financial Collateral Comprehensive Method for recognizing the effects of Credit Risk Mitigation ("CRM"). As at 31 December 2020, the exposure arising from Counterparty Credit Risk is as presented in the table below:

				USD '000 31 Dec 2020
Exposure type	**Exposure before CRM**	**Exposure after CRM**	**Risk Weighted Exposure Amount**	**Capital Requirements**
Repos & Reverse Repos with the Parent company	11.907	5.129	5.129	410

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

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

		USD '000 31 Dec 2020
Credit Quality Step	**Exposure before CRM**	**Exposure after CRM**
CQS 2	-	-
CQS 3	-	-
CQS 4	38.515	35.627
CQS 5	174	174
Unrated	9.108	9.108
N/A	424	424
Total	**48.221**	**45.333**

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

	USD '000 31 Dec 2020
Exposure Class	**Exposure amount covered by financial collateral**
Exposures to Institutions	**-**
Exposures to Corporates	**6.778**
Exposures to Equity	**-**
Exposures to Other Items	**-**
Total	**6.778**

8.2 Market risk

Definition

Market risk is the risk of loss arising from changes in the value of financial assets and liabilities (including off-balance sheet items) due to fluctuations in Market risk factors (interest rates, foreign exchange rates, prices of securities and others). Trading on a principal basis creates Market risk as the exposure in such cases is from movements in securities prices and foreign currency.

Mitigation

The objective of Market risk management is to manage and control Market risk exposures within acceptable parameters while optimizing the return on risk. Trading on a principal basis creates Market risk as the exposure in such cases is from movements in securities prices and foreign currency. The risk in these situations is restricted to short-term price movements in the underlying securities held or to be delivered by the Company and movements in foreign exchange rates.

The Company uses the Standardised Approach to calculate its capital requirements for Market risk. The following table analyses the Company's capital requirement arising from its Market risk exposures at year-end:

			USD '000 31 Dec 2020
Market Position, Foreign Exchange and Commodity Risk Capital Requirement – Standardised Method	**Net Positions**		**Capital Requirement**
	Long	**Short**	
Traded Debt Instruments in Trading Book	1	-	-
Equities in Trading Book	49	-	8
Commodities	-	-	-
Total Positions in Non-reporting Currencies for FX	2.884	-	231
Excess of Large Exposures in Trading Book	-	-	-
Total	**2.934**	**-**	**239**

Price Risk

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

Currency Risk

Currency (or Foreign Exchange) risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates, and arises when future commercial transactions and recognised assets and liabilities are denominated in a currency other than the Company's functional currency (i.e. the US Dollar). As at 31st of December 2020 the Company was exposed to Currency risk arising from various foreign currency exposures primarily with respect to the Euro, the Russian Rubble and the Hong Kong Dollar, as indicated in the table below. The capital requirement for Currency risk at year-end was USD 231 thousand.

		USD '000 31 Dec 2020
Currency	**Net Long**	**Net Short**
EUR	1.686	-
RUB	875	-
HKD	322	-
CHF	1	-
Total	**2.884**	**-**

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

Interest Rate Risk

Interest rate risk is the risk that the value of interest rate bearing assets/liabilities will fluctuate due to changes in interest rates. Interest rate risk is not considered material, since the effect of a small shift of the base interest rate will not have a material impact on the overall results of the Company. The Company has interest rate-bearing assets, which mainly comprise of short-term deposits. The Company ensures that it obtains competitive market interest rates for its deposits and for its credit line facility with its parent company. Furthermore, as at 31 December 2020 the Company did not have any open positions in fixed income bonds.

From time to time the Company may hold fixed income instruments which can expose it to Interest rate risk. As a mitigating measure against Issuer Risk, the Company does not hold the bonds until maturity, while its Bond positions relate to liquid blue chip Eurobonds. At the same time, position limits and stop loss limits are in place.

As at 31 December 2020 the Company did not have any open bond positions, however the cash legs of its repo and reverse repo transactions with its parent company gave rise to Interest rate risk , which due to their short maturity resulted to minimal capital requirements.

8.3 Liquidity risk

Definition

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

Mitigation

Liquidity risk from matched principal trading is mitigated by settlement taking place on a Delivery vs Payment (DVP) basis or Free of Payment (FOP), where the counterparty predelivers / prepays securities/cash for a specified trade. In rare occasions, the Company predelivers / prepays securities/cash to a counterparty within approved limits. Matched principal trading exposes the Company to intraday and overnight liquidity funding. The Company should have secure funding to buy securities before those securities are sold for same-day settlement. The Company has access to intraday credit facility from its parent company to facilitate the settling of its trades on the agreed settlement date. In certain occasions, the Company utilizes its cash reserves allocated for trading purposes and for other business and liquidity events.

8.4 Operational risk

Definition

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

Measuring

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

Mitigation

The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. Upon detection of an incident, handling of the incident has first priority. All department managers are responsible for the proper handling, documentation and reporting of the incidents. The primary Operational risk incidents relate to system interruptions. For this reason, the Company has in place backup facilities on cloud environment and also backup systems within its office that enable recovery of all pending transactions, provide access to customers' accounts, and ensure continuous trading. Furthermore, the Company outsources its IT function to a specialized IT provider who is responsible for maintenance of hardware and internet usage.

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

Operational Risk Capital Requirements	31 Dec 2018	31 Dec 2019	31 Dec 2020	Average	USD '000 31 Dec 2020 Capital Requirement
Basic Indicator Approach for Operational risk calculation	1.376	2.480	2.212	2.023	303

8.5 Other Risks

Regulatory Risk

Regulatory risk is the risk that may arise if a change in regulations occurs, which negatively affects the business of the Company. Regulatory risk may also arise when a company does not comply with the applicable regulatory requirements. The Company acknowledges the fact that it is exposed to Regulatory risk, since it operates in a highly regulated industry. Regulatory risk exposes the Company mainly to financial loss due to fines, civil action, payment of damages and the voiding of contracts. To this respect, the Compliance Officer oversees and ensures full compliance of the Company with the relevant CySEC regulation requirements and monitors employees on a regular basis. In addition, the Company uses independent internal and external auditors to assess its regulatory developments and has in place policies to ensure compliance with all regulatory requirements.

9 Hedging Policies

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

10 Leverage Ratio

The Leverage Ratio is a simple, non-risk-based ratio, the purpose of which is to constrain the build-up of excessive leverage. The Leverage Ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Delegated Regulation (EU) 2015/62 of 10 October 2014 amending the CRR with regards to the Leverage Ratio.

The Company's Leverage Ratio as at the reference date was 79,65%, the minimum allowable being 3%.

The table below provides a reconciliation of total assets as per the Company's accounting records, and Leverage Ratio exposures:

Summary reconciliation of accounting assets and Leverage Ratio exposures		**Applicable Amounts USD '000 31 Dec 2020**
1	Total assets as per published financial statements	36.600
4	Adjustments for repo & reverse repo transactions	8.903
7	Other adjustments	(237)
8	**Total Leverage Ratio exposure**	45.266

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

Leverage Ratio common disclosure		CRR Leverage Ratio exposures USD '000 31 Dec 2020
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	36.610
2	(Asset amounts deducted in determining Tier 1 capital)	(247)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**36.363**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	8.903
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**8.903**
Other off-balance sheet exposures		
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	**Tier 1 capital**	**36.054**
21	**Total Leverage Ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**45.266**
		Leverage Ratio
22	**Leverage Ratio**	**79,65%**

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

		CRR Leverage Ratio exposures USD '000 31 Dec 2020
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs and exempted exposures), of which:**	**36.610**
EU-2	Trading book exposures	49
EU-3	Banking book exposures, of which:	36.561
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSEs not treated as sovereigns	-
EU-7	Institutions	28.719
EU-8	Secured by mortgages on immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	7.169
EU-11	Exposures in default	-
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	673

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

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

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

The Leverage Ratio of the Company over the financial year 2020 ranged between 77,10% (Sept 2020) and 81,88% (March 2020). The reason for this fluctuation is mainly due to the higher exposure measure in September 2020, driven by higher balances with banks and trade receivables.

11 Remuneration Disclosures

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

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

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

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

The remuneration components are:

Fixed remuneration

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

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

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

Variable remuneration

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

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

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

GPB-Financial Services Limited

Performance-based remuneration:

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

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

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

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

In regards to the remuneration of the Board of Directors, the basic fee of a Board member is set at a level that is on par with the rest of the market and the qualifications and contribution required in view of the Company's operational complexity, the extent of responsibilities and the number of Board meetings. Furthermore, given that the Executive Directors receive compensation (salary) as members of the Company's staff, no further remuneration is paid for their participation on the Board. On the other hand, Non-Executive Directors receive an indicative fee for their participation, which is a reflection of their expertise. No pension contributions are payable on the Board members' fees.

Pension Policy and Severance Payments Policy

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

Aggregate Remuneration

During 2020, the remuneration structure offered by the Company to management and staff comprised of a fixed salary cash component and non-cash benefits including medical insurance. The Company also paid bonus in the form of cash to reward outstanding employee performance during the year. Information on the aggregate remuneration to Senior Management and staff as at 31 December 2020 is provided in the following table:

	No. of people	Aggregate Remuneration	Cash - Fixed	Cash -Variable
		USD '000	USD '000	USD '000
Senior Management* (incl. Executive & Non-Executive Directors) & Other Staff	8	824	655	169

**Senior Management includes the Non-Executive Directors, two Executive Directors and Heads of Departments. One Executive Director is not remunerated by the Company.*

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

Business Area	No. of people	Aggregate Remuneration
		USD '000
Directors (Executive & Non-Executive) and Control Functions	5	532
Back Office, Accounting & Dealing on Own Account	3	292
Total	**8**	**824**

During 2020, no sign-on or severance payments were made or awarded and no deferred remuneration was paid or awarded. Moreover, all variable remuneration was paid in cash.

Annex I

Balance Sheet reconciliation

Balance Sheet Description, as per published financial statements	**Amounts**
	'000s
Share Capital	5.301
Retained Earnings	31.001
Fair value reserves	-
Total Equity as per audited accounts	**36.302**
Regulatory adjustments	
(-) Intangible assets/Goodwill	(116)
(-) ICF deduction	(124)
(-) Additional Valuation Adjustment	(8)
Total Regulatory adjustments	**(248)**
Total Common Equity Tier 1 capital	**36.054**
Total Additional Tier 1 capital	**-**
Total Tier 2 capital	**-**
Total Regulatory Capital	**36.054**

Annex II

Information flow on risk to the management body

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