Alfa Capital
Holdings (Cyprus) Ltd

ALFA CAPITAL HOLDINGS (CYPRUS) LIMITED

Pillar III Disclosures in accordance with Regulation (EU) No. 575/2013

As at 31 December 2018

GENERAL NOTES

- Alfa Capital Holdings (Cyprus) Limited (hereafter referred to as “ACC” or “the Company”) has prepared these disclosures.

- The disclosures are based on the audited financial statements of ACC for the year ended 31 December 2018.

- The information contained within these disclosures is presented for the purpose of explaining how risks are managed by the Company and to disclose the own funds requirements corresponding to these risks, in line with “Specific publication requirements” as stipulated in paragraph 32 of Section 4 of Part II (“Supervisory measures and powers”) of the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) Directives DI144-2014-14 and DI144-2014-14(A), and the requirements of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on the prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the “CRR” or the “Regulation”). The disclosures have been reviewed by the Senior Management and have been verified by the Company’s external auditor.

- Where the Disclosures do not convey the risk profile of the Company, the Company shall publicly disclose the information necessary in addition to that required in accordance with Article 431(1) of the Regulation. However, it shall only be required to disclose information which is material and not proprietary or confidential in accordance with Article 432 of the Regulation and the Pillar III Disclosures Policy.

- These disclosures include, to a large extent, tables and disclosures required in line with the EBA/GL/2016/11 – “Guidelines on Disclosure Requirements under Part Eight of Regulation (EU) No. 575/2013” (hereafter the “EBA Guidelines”) which are now in force and are applicable to globally systemic and other systemically important institutions. The EBA Guidelines constitute an own-initiative guideline to ensure the harmonized and timely implementation of the new Basel framework in the European Union. In this regard, the Guidelines do not supersede or change the substance of the regulatory disclosures regarding the requirements defined in Part Eight of the Regulation, but instead provide guidance on the presentation of the disclosures by introducing specific guidance and template formats. As such, certain Pillar III disclosures follow a fixed format, as defined by the EBA, including column or row labelling, whereas other disclosures are more flexible and may be modified, to a certain degree, to present the most relevant information. All rows and columns which are not applicable to the Company’s activities or non-material are not included in these disclosures (the “Pillar III Disclosures”).

- In January 2018, the EBA issued the “Guidelines on uniform disclosures under Article 473a of the CRR as regards the transitional period for mitigating the impact of the introduction of IFRS 9 on own funds” (EBA /GL/2018/10) which establish the templates for the publication of information relating to the impact on own funds resulting from the introduction of Regulation (EU) 2017/2395, containing “Transitional arrangements for mitigating the impact of the introduction of IFRS 9 on own funds”.

- The Pillar III Disclosures are published on the Company’s website: https://alfacapital.com.cy/en/about-us/all-documents/.

- All figures are stated in US Dollars. Figures are rounded to the nearest thousand except where otherwise stated. Figures in parenthesis represent negative numbers.

- The Company does not undertake any securitisation activity, nor does it have any asset encumbrances.

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1 Introduction

1.1 Policy Statement

In accordance with Article 431 and Article 433 of the European Regulation (EU) No. 575/2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the "CRR" or the "Regulation"), Alfa Capital Holdings (Cyprus) Limited has an obligation to publicly disclose certain information in relation to its capital adequacy at least on an annual basis. The said disclosures are referred to as the "Pillar III Disclosures". The Pillar III Disclosures focus on transparency, the disclosure of information and market discipline, and set out the internal controls and procedures for disclosure of such information. In particular, they contain general information in relation to the Company's policies and procedures for managing risks and quantitative information in relation to remuneration, own funds and Pillar I capital adequacy calculations.

The Company has adopted a formal policy (the "Pillar III Disclosures Policy") to comply with the requirements of Parts Eight and Ten of the Regulation. The Pillar III Disclosures Policy describes the Company's process for assessing the appropriateness of its Pillar III Disclosures, including their verification and frequency, and its policy for assessing whether its Disclosures convey its risk profile comprehensively to market participants.

After careful consideration, the Management Body and Senior Management (jointly the "Management") have decided that given the size and complexity of the Company, it is not necessary to produce Pillar III Disclosures any more frequently than annually. Furthermore, Management feels that making such disclosures available on the Company's website is appropriate.

For assessing the appropriateness of the Company's Pillar III Disclosures, the Company appoints its external auditors to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Regulation.

The Pillar III Disclosures document and the independent auditors' verification report are submitted to the CySEC the latest within five months from the end of each financial year. The Pillar III Disclosures document will be uploaded to the Company's website upon receipt of the external auditors' independent conclusion.

1.2 Regulatory Framework

The information disclosed below is in accordance with the Part Eight "Disclosures by Institutions" and Part Ten, Title I "Transitional Provisions" of the Regulation, as well as with the relevant EBA guidelines.

1.3 Company Information

ACC is part of the Alfa Banking Group. The Alfa Banking Group offers a wide range of products and operates in all sectors of the financial market, including corporate and retail lending, deposits, payment and account services, foreign exchange operations, cash handling services, custody services, investment banking and other ancillary services to institutional, corporate and retail customers.

The Company, as of the year of assessment, was owned by ABH Financial Limited and Joint Stock Company "Alfa-Bank" (AO "Alfa-Bank"), a subsidiary of ABH Financial Limited. ABH Financial Limited and its subsidiaries including AO "Alfa-Bank" form the Alfa Banking Group (the "Group"). ACC's parent company, ABH Financial Limited, holds 79.9% of the Company's shares, while the remaining 20.1% of the Company's shareholding belong to AO "Alfa-Bank". As of February 21, 2019, the Company is owned 100% by ABH Financial Limited.

The Company's principal activities are operations with financial instruments such as debt and equity securities including derivatives on securities, commodities and/or forex, and structured products and the provision of financial services to international clients and the Group. In addition, the Company provides brokerage and custody services and offers forex internet trading services including operations with precious metals and contracts for difference, online currency exchange and trading on the forex markets, under the brand "Alfa Forex".

The Company has a London-based branch, called Alfa Capital Markets ("ACM"). The branch is an extension for corporate finance advisory and underwriting services offered by the Company to the international capital markets, and is regulated by the CySEC and the Financial Services Authority of the United Kingdom.

1.4 Scope of Application

As at 31 December 2018, the Company did not own any subsidiaries. These disclosures have therefore been prepared on a solo basis.

The Company does not foresee any material practical or legal impediments to the prompt transfer of own funds or repayment of liabilities to its parent.

2 Own Funds

The Company's regulatory capital base consists of Common Equity Tier 1 ("CET1"), which includes share capital, share premium and retained earnings. From CET1, the Company deducts intangible assets and the Investors Compensation Fund contribution. From the Company's capital base the dividend declared during the year has also been deducted.

As at 31 December 2018, the Company's share capital consisted of 3.000.000 ordinary shares of EUR 1,71 each, which was issued at a premium. All ordinary shares rank equally and carry one vote. The main features of the Company's capital instruments are presented in Appendix 1.

In line with Commission Implementing Regulation (EU) No. 1423/2013 of 20 December 2013 ("the Regulation 1423/2013") and specifically Article 2, the Company has applied the methodology referred to in Annex I of Regulation 1423/2013 to provide a reconciliation of the own funds items to the audited financial statements. The table below provides the results of the application of the said methodology:

Own Funds reconciliation	USD'000
As per Balance Sheet	
Share Capital	6.017
Share Premium	173.997
Retained Earnings (includes current year profit)	242.856
Total Equity as per Balance Sheet	**422.870**
Intangible Assets	(2.417)
Investors Compensation Fund contribution	(76)
Capital Base as per Regulatory Reporting Requirements	**420.377**

Table 1: *Own Funds reconciliation*

In line with Article 492(3) of the Regulation, as well as Article 5 of Regulation 1423/2013, the table below presents the transitional and fully phased-in own funds:

Own Fund Element	Transitional Provisions	Fully phased-in
31/12/2018	USD'000	USD'000
Share Capital	6.017	6.017
Share Premium	173.997	173.997
Retained Earnings brought forward	232.294	232.294
Profit for the year after dividend distribution	10.562	10.562
Less Intangible Assets	(2.417)	(2.417)
Less Investors Compensation Fund	(76)	(76)
Common Equity Tier 1 Capital	**420.377**	**420.377**
Additional Tier 1	–	–
Total Tier 1 Capital	**420.377**	**420.377**
Tier 2	–	–
Total Capital	**420.377**	**420.377**

Table 2: *Own Funds*

It is noted that as the Company did not have any Additional Tier 1 capital, the transitional provisions in relation to the deduction of intangible assets were not applied. Instead, the full amount of intangible assets and the Investor Compensation Fund is deducted from CET1.

The table below illustrates the Company's CET1 capital, Tier 1 and Total Capital against the minimum requirements set out by Article 92(3) and Article 465 of the Regulation and paragraph 20 of Directive DI144-2014-15 on the discretions of the CySEC arising from the Regulation:

	Company's ratio	As per Regulation EU 575/2013, including capital buffers[1]
CET1 ratio	80,33%	7,508%
Tier 1 ratio	80,33%	9,008%
Total Capital ratio	80,33%	11,008%

Table 3: *Capital Adequacy Ratios*

The Company did not have any instruments that qualified as CET1 instruments, Additional Tier 1 instruments and Tier 2 instruments by virtue of applying Article 484 of the Regulation on grandfathering. The analytical Own Funds disclosure template as well as the main features of the Common Equity Tier 1, Tier 1 and Tier 2 instruments can be found in Appendix 2.

[1] As at the end of 2018, a capital conservation buffer of 1,875%, Other-Systemically Important Institutions ("O-SII") capital buffer of 1,00% and countercyclical capital buffer of 0,1332% were added to the capital ratios. These ratios do not include the Risk Transfer Capital Adequacy Arrangement buffer of 2%.

3 Capital Buffers

In addition to the own funds requirements that need to be maintained, a capital conservation buffer ("CCB") and a countercyclical capital buffer ("CCyB") should be maintained to ensure that the Company accumulates, during periods of economic growth, sufficient capital to absorb losses in stressed periods.

In addition to the CCB and the CCyB, the other systematically important institutions buffer, is also maintained in order to prevent and mitigate long-term non-cyclical systemic or macro-prudential risks. As at the reference date, the Company was subject to minimum capital requirements of 11,008%, comprising of the following buffers, which are over and above the minimum total capital requirement of 8%:

- Capital conservation buffer: 1,875%
- Countercyclical capital buffer: ca. 0,1332%
- O-SII capital buffer: 1,00%

In line with Article 440 of the Regulation, the Company is required to disclose the key elements of the calculation of its countercyclical buffer rate, comprising the geographical distribution of its relevant credit exposures and the final amount of its institution-specific countercyclical buffer rate. As set out in paragraph 53(1) of Directive DI144-14-14 and Directive DI144-14-14(A), an institution-specific countercyclical buffer is calculated as the product of the Company's total risk exposure amount, in accordance with Article 92(3) of the Regulation, and the weighted average of the countercyclical buffer rates, identified based on the countries where the relevant credit exposure is located.

The table below presents the institution-specific countercyclical buffer:

Amount of institution-specific countercyclical buffer – 31/12/2018	
Total risk exposure amount (USD'000)	523.342
Institution specific countercyclical buffer rate (%)	0,1332%
Institution specific countercyclical buffer requirement (USD'000)	697

***Table 4**: Amount of institution-specific countercyclical buffer*

Further to the above, on 1 August 2018, the Company received a letter from the CySEC, titled "Implications of the NBP requirement and the Adequacy of Risk Transferring Arrangement", ("the CySEC Letter"). According to the CySEC Letter, ACC must maintain an additional capital buffer of the highest quality of capital (CET1 capital), if the Company has contractual arrangements with Liquidity Providers ("LP Contractual Arrangement") that are domiciled in a third country which is not listed in Annex I of the Commission Implementing Decision (EU) 2016/230, as in force, or which is not a member of the G20. In such a case, the Company is required to maintain an additional buffer of CET1 Capital, the Risk Transferring Arrangements Additional Capital ("RTAAC") buffer, calculated as the maximum of (i) €2m or (ii) 2% of the total risk exposure.

Based on the Company's review, it was identified that at least one of the Liquidity Providers does not meet the relevant criteria. As such, the Company performing the calculation as prescribed in the CySEC letter, identified the additional buffer required.

Based on the above, and the relevant capital buffers, the Company's minimum total ratio rose to 13,008% in 2018.

As per the provisions laid down in Commission Delegated Regulation (EU) No. 1152/2014, the distribution by country of relevant credit exposure is as follows:

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer									
Breakdown by country	General credit exposure	Trading book exposure	Securitisation exposure	Own funds requirements				Own funds requirement weights	Countercyclical Capital Buffer rate
	Exposure value for SA	Sum of long and short positions	Exposure value SA	of which: General Credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	%	%
Argentina	–	4	–	–	0	–	0	0,00	0,00%
Australia	–	24	–	–	2	–	2	0,00	0,00%
Austria	–	18	–	–	1	–	1	0,00	0,00%
British Virgin Islands	2.030	–	–	244	–	–	244	0,01	0,00%
China	–	13	–	–	1	–	1	0,00	0,00%
Cyprus	23.943	1.658	–	1.909	133	–	2.042	0,10	0,00%
Czech Republic	55	–	–	4	–	–	4	0,00	1,25%
Estonia	–	5	–	–	0	–	0	0,00	0,00%
France	–	57	–	–	5	–	5	0,00	0,00%
Germany	–	72	–	–	6	–	6	0,00	0,00%
Hong Kong	12.182	–	–	975	–	–	975	0,05	1,88%
Ireland	–	101.391	–	–	8.511	–	8.511	0,42	0,00%
Italy	–	2	–	–	0	–	0	0,00	0,00%
Luxembourg	–	39.062	–	–	3.131	–	3.131	0,15	0,00%
Mexico	–	13	–	–	1	–	1	0,00	0,00%
Netherlands	401	5.677	–	32	455	–	487	0,02	0,00%
Oman	–	2	–	–	0	–	0	0,00	0,00%
Russia	47.288	2.528	–	3.783	66	–	3.849	0,19	0,00%
Saudi Arabia	–	938	–	–	15	–	15	0,00	0,00%
Seychelles	197	–	–	16	–	–	16	0,00	0,00%
Turkey	–	70	–	–	10	–	10	0,00	0,00%

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer									
Breakdown by country	General credit exposure	Trading book exposure	Securitisation exposure	Own funds requirements				Own funds requirement weights	Countercyclical Capital Buffer rate
	Exposure value for SA	Sum of long and short positions	Exposure value SA	of which: General Credit exposures	of which: Trading book exposures	of which: Securitisation exposures	Total		
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	%	%
Ukraine	356	348	–	43	28	–	71	0,00	0,00%
United Kingdom	643	10.204	–	51	816	–	867	0,04	1,00%
United States	–	11	–	–	1	–	1	0,00	0,00%
Venezuela	–	2	–	–	0	–	0	0,00	0,00%
Total	**87.095**	**162.099**	–	**7.057**	**13.182**	–	**20.239**	**1,00**	

***Table 5**: Geographical distribution of exposures relevant to the calculation of CCyB*

4 Risk and Capital Management

4.1 Risk Management Framework

Risk is an everyday part of the Company's operations and Management recognises that identifying, assessing, monitoring and controlling each type of risk is important for the Company's financial stability, performance and reputation. As such, comprehensive control and governance procedures have been established in order to ensure that the risks faced by the Company are managed carefully, so that an optimum level of risk-return trade-off is achieved.

The Company's risk management framework aims to create, implement and sustain adequate policies and procedures designed to identify and manage the risks assumed by the Company. The risk management framework of the Company is based on the organisational and operational model, risk governance and risk culture, and has been developed to ensure that the level of capital maintained is in line with the risk appetite set by the Board of Directors ("BoD" or the "Board"). The main aim of the risk management framework is to ensure that the Company's capital is adequate to absorb any losses and risks emanating from the Company's operations.

The Compliance and Risk Management Department ("CRD") frequently prepares management reporting information, which is sent to the Company's Senior Management and BoD. The Senior Management, in close cooperation with the CRD, consistently review the information reported, taking corrective actions to mitigate risk, if and when necessary.

The Company has put in place risk management systems to monitor risks. The systems are able to clearly distinguish positions between the Trading Book and Banking Book so that the regulatory capital charges are properly calculated. The systems have the necessary controls in place to generate prudent and reliable valuation estimates which are regularly provided to Senior Management and the Risk Committee whenever requested.

With regards to risk monitoring procedures, the CRD monitors on a daily basis whether internal policies, procedures and limits set are followed by all departments. In case of violations, the Head of CRD and/or risk control officer immediately inform the relevant department heads of the violation and the actions that should be performed to rectify the situation.

4.2 Risk Organisation

The Company's Risk Function has been set up in such a manner, so as to enable appropriate risk management. The Head of the Risk Function, and when necessary the risk officer, meet with the Company's Chief Executive Officer ("CEO") to discuss any outstanding / significant matters. The Board of Directors is also updated on a regular basis, and at least on a quarterly basis, about any risk management issues and the Company's capital adequacy and large exposures positions.

Furthermore, the Company has set up a separate Risk Committee ("RC"), which comprises of 3 non-executive directors, and meets as and when required. During 2018, the RC held four meetings, discussing areas, including but not limited to, amendments to the Company's policies, the introduction of new products and changes to risk levels and clients' position limits.

The Risk Function comprises of two individuals, the Head of CRD and the Risk Control Officer. Since 2018, Management decided to establish two separate Risk Bodies to support the functions of the Risk Committee. Specifically the following bodies have been established:

- Credit Risk Support Body ("CRSB")
- Market and Liquidity Risk Support Body ("MLSB")

The CRSB and MLSB identify possible risks assumed by the Company for different types of transactions. These bodies are also responsible for making proposals for the establishment of credit or/and market risk limits. The RC has the authority to make a final decision on approval or rejection of proposed transactions as well as to establish personal limits, and/or client limits and/or market risk limits in accordance with its powers and recommendations of the CRSB or the MLSB.

In carrying out RC's oversight responsibilities, each member of the CRSB or MLSB have the integrity and expertise to provide information/support to the RC. The CRSB or MLSB may request any officer or employee of the Company, or any special counsel or advisor, to attend a meeting of the body, including the CEO. The CRSB or MLSB meet when necessary.

4.3 Risk Governance

The Company's risk governance is based on the three lines of defence model. The three lines of defence model provides a simple and effective way to enhance communications on risk management and control by clarifying roles and responsibilities.

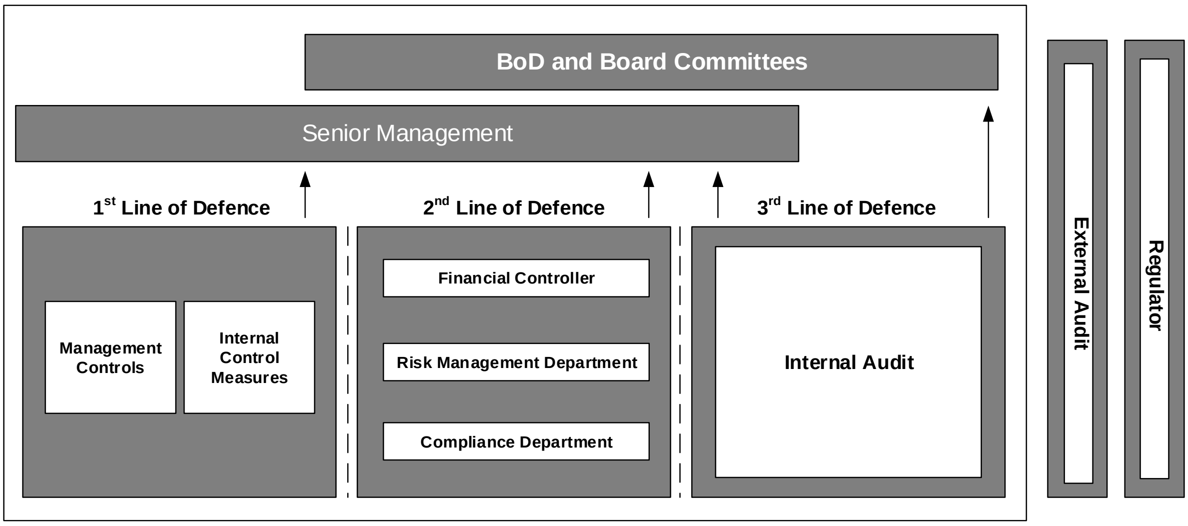

Figure 1: *Three lines of defence*

The first line of defense comprises of the departments interacting with the clients and those persons owning the Company's risks, including to the extent applicable the Board of Directors and Senior Management. As such, the first line of defense includes management controls and internal control measures necessary to counteract the risk taking activities of the first line of defense.

The second line of defense lies with the CRD which provides the policies, procedures, tools and methodology that should be followed in terms of risk management and is responsible for promoting risk awareness to Management and staff. The CRD reports to the BoD about any issues relating to risk management, and their comments and recommendations are communicated to the CySEC on an annual basis.

The third line of defense lies with the Internal Audit function which assesses the efficiency and effectiveness of internal policies and procedures, the reliability and integrity of the reporting processes, the Company's compliance with laws, regulations, directives, internal policies and procedures and reports to the Company's BoD. Their findings and recommendations are communicated to the CySEC on an annual basis. In addition, the Internal Audit is responsible, on an annual basis, for the independent review of the risk management processes and of the work done by the CRD. This function has been outsourced.

4.4 Main Roles and Responsibilities

The main roles and responsibilities of the persons/bodies involved in risk management are outlined below.

Risk Committee

The RC is tasked by the BoD with the following responsibilities:

- Advises the BoD upon, and periodically evaluates, the risk strategy laid down;
- Generally, manages risk and engages in an evaluation of the risk management system, and makes recommendations on strengthening the Company's systems and controls, on how to tackle and prevent risk and how to evaluate the degree of severity and likelihood of risk.

Senior Management

The responsibilities of Senior Management with regards to risk management include the following:

- Define the Company's overall risk tolerance in relation to the relevant risks;
- Ensure that the overall risk exposure is maintained at prudent levels and is consistent with the available capital;
- Ensure that top management, as well as employees, are responsible for risk management and have the resources necessary to carry out their functions;
- Ensure that the Company implements sound fundamental principles that facilitate the identification, measurement, monitoring and control of risks;
- Ensure that appropriate plans and procedures for risk management are in place.

Head of Compliance and Risk Management Department

The main responsibilities of the Head of CRD, in her capacity as the Risk Manager, include the following:

- Establishes, maintains and develops the Company's risk strategy, in line with the direction given by the Risk Committee and Board of Directors;
- Provides input into the budget and capital planning process;
- Has the authority to limit / halt the trading of a specific desk in the event of material risk-taking;
- Approves changes in the Company's Trading Book policy statement and directs it to the RC and the BoD for ratification and approval;
- Monitors the investment risk undertaken by the Company for each client and as a whole;
- Escalates to the most senior levels of management, risk management issues that require their attention;
- Monitors the adequacy and effectiveness of the risk management policies and procedures;
- Reports to Senior Management, the Risk Committee and Board on risk management issues indicating in particular whether appropriate remedial measures have been taken in the event of any deficiencies identified;
- Approves limit exceptions and changes.

Risk Control Officer

The main responsibilities of the Risk Control Officer include the following:

- Maintains and updates the Limits Bible of the Company and reports on limits on a daily basis;
- Monitors on a daily basis the clients' positions, as well as the liquidity of the assets held as collateral for credit or loans granted to clients;
- Liaises with the trading desk for any matters relating to clients' trading activity;
- Prepares reports on operational risk and other material risk exposures;
- Builds a risk awareness culture within the organization;
- Provides support in day-to-day risk management procedures and risk controls.

4.5 Reporting on Risk Management

The Company's reporting is separated into two categories:

1. **Regulatory reporting as per CySEC's requirements:**
    - *Quarterly capital adequacy reports*: These present the Company's capital adequacy calculations, large exposures, leverage ratio calculations and geographical breakdown. In 2018, all CAD reports were submitted to CySEC within the prescribed deadlines. It is noted that no breaches of regulatory limits were recorded;
    - *Annual Pillar III disclosures*: The Company submits to the CySEC its Pillar III Disclosures accompanied by the external audit report within five months from the end of the financial year, in line with the provisions of CySEC's Directives DI144-2014-14 and DI144-2014-14(A). At the same time the Company publishes its Pillar III Disclosures on its website;
    - *Internal Capital Adequacy Assessment Process* ("ICAAP") document;
    - *Recovery Plan*.
2. **Internal reporting:**
    - Daily Counterparty limits report;
    - Daily Market Risk – Value at Risk ("VaR") limits reports;
    - Capital adequacy evaluation reports;
    - Cash Deposit at banks monitoring for concentration risk to one bank;
    - Daily leverage and stop-out control for forex trading as defined by FX Margin Trading policy (including appropriateness);
    - Cash/Deposit control of forex clients according to allowed leverage;
    - Daily monitoring of CFD position limits;
    - Daily control of Chinese walls maintenance between Own and Brokerage Books;
    - Liquidity management;
    - Unsettled trades report;
    - Daily consolidated position to main currencies and precious metals;
    - Quarterly analysis of Risk Appetite Indicators and coverage levels;
    - Daily control of over the counter ("OTC") Equity and FI deals (including REPO, Spot and Forward transactions).

The CRD continued to implement strong risk monitoring controls related to the Company's forex business, continuously updating its FX Margin Trading Leverage and Limit policy following the latest guidance issued by ESMA. In 2018, the said Policy was updated to reflect the Risk Committee's decisions on risk levels, leverage, stop-out and limits of current and new Forex instruments. In addition, Risk Management Directives were issued that regulate the level of the leverage and stop-out offered / accepted by the Company to reflect amongst others, market conditions.

4.6 Risk Policies and Procedures

The CRD has established strong risk policies and procedures that correspond to the strategies and risk appetite set by the Management and the Investment and Risk committees. Such policies include the following:

- Credit risk policy (establishes the framework for credit assessment, the structure of limits and process of approval, and monitoring of credit risks and describes the approach followed to manage credit risk);
- Market risk policy;
- Operational risk policy;
- Trading book policy;
- Disclosures policy;
- FX Margin Trading Leverage and Limit policy;
- Policy of exchange of Variation Margin for OTC derivatives contracts;
- AFX Risk Warning, and
- Financial instruments Description and Associated Risks.

The aforementioned documents set up ACC's risk tolerance management and they are established, implemented and maintained by the CRD. The policies were reviewed in 2018 by the CRD to ensure that they are in accordance to the requirements of the CySEC's directives. Furthermore, the Procedures Manual of the Company provides an extensive analysis of the procedures followed by the CRD.

Moreover, the Company has published on its website key information for its CFD and Forward products as per Regulation (EU) No 1286/2014, including risk scenarios for the profitability of clients' investments.

4.7 Stress Testing Framework

ACC performs several stress tests as part of the ICAAP, in order to assess the Company's resilience against adverse economic conditions. Indicatively, the following stress testing scenarios run to identify the Company's vulnerabilities to risk:

1. Decrease in the market value of traded securities and FX, given significant volatility in financial market;
2. Critical shock applied on specific asset groups;
3. Default of major counterparties;
4. Inability of specific counterparties to deliver instruments;
5. Sadden lack of liquidity on Russian markets;
6. Reverse stress test - Default of Alfa Group;
7. Reverse stress test - Default of major counterparties assuming an additional impairment;
8. Stress testing of trading positions.

4.8 Risk Statement

4.8.1 Risk Profile and Business Model

The Company's activities expose it to a variety of risks, and in particular to credit risk, country risk, market risk, operational risk, compliance risk, regulatory risk and reputational risk. The Company, through its operations, has significant exposure to the economies and financial markets of the Russian Federation, CIS countries and Cyprus.

The Russian Federation displays certain characteristics of an emerging market. Its economy is particularly sensitive to oil and gas prices. The legal, tax and regulatory frameworks continue to develop and are subject to frequent changes and varying interpretations. The Russian economy continues to be negatively impacted by ongoing political tension in the region and international sanctions against certain Russian companies and individuals. Firm oil prices, low unemployment and rising wages supported a modest economic growth in 2018.

4.8.2 Risk Strategy

The risk strategy of the Company is the responsibility of the BoD, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures, as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company’s business model. One important characteristic of the Company’s risk strategy, is the alignment with the strategic and operational targets that are set by the Board. The risks that arise from the implementation of the Company’s strategic and business plans are regularly analysed in order to ensure the adequacy of the relevant policies, procedures and systems.

The risk strategy of the Company aims to provide to both Senior Management and employees a general risk framework for the management of the different types of risk in line with the overall risk management and risk bearing capacity of the Company. The Company recognises the importance of risk management to its business success and therefore the overall objective is to establish effective risk management policies that are able to mitigate the Company’s exposure to the various risks.

4.8.3 Risk Appetite

The Company’s risk strategy, as this is set by the first line of defence, takes into account the risk profile and appetite of the Company. Risk appetite is the amount and type of risk that the Company is willing to accept in pursuing its business objectives and strategy. Risk appetite is defined by the Senior Management and the RC as the maximum level of residual risk that ACC is prepared to accept in order to deliver its business objectives. ACC has developed a robust framework that is used to develop the risk profile of the Company. The Company’s risk appetite as of December 2018 is expressed through the following dimensions and indicators:

Risk appetite indicators (%)	Normal (Green)	Warning (Amber)	Limit (Red)
Capital indicators			
CET1 ratio	≥11,5%	<11,5%	<9,39%
Capital Adequacy ratio	≥15%	<15%	<12,89%[2]
Leverage ratio	≥6%	<6%	<3%
Profitability indicators			
Return on Equity	≥8%	<8%	≤5%
Cost to income ratio	≤40%	>40%	≥60%

[2] It includes all relevant capital buffers e.g. conservation buffer, countercyclical capital buffer and O-SII and RTAAC buffer.

Risk appetite indicators (%)	Normal (Green)	Warning (Amber)	Limit (Red)
Asset Quality indicator			
Provisions of impairments/total loans	≤20%	>20%	≥30%
Other			
Number of complaints relative to the total number of active existing clientele	≤1%	<3%	≥3%
Liquidity Coverage Ratio	≥110%	<110%	<100%

***Table 6:** Risk appetite indicators*

The zones correspond to the following:

- Green zone – provides the range where the indicator is performing at satisfactory levels given the operating conditions and business environment,
- Amber zone – provides a range which acts as a warning indicator to the Company to be able to take corrective action,
- Red zone – a breach of the limit which may be a threat to the Company, especially if it is a breach of a regulatory limit.

The risk appetite indicators are subject to review by the CRD, and further approval by the RC and BoD is sought, when necessary. Within 2018, the Company reassessed its risk appetite, updated its risk indicators and risk levels in view of the Bank Recovery and Resolution Directive ("BBRD") requirements. The Company's Management ensures that the regulatory required levels are met.

4.9 Governance Arrangements

4.9.1 Recruitment

The Management Body of the Company is the BoD. The members of the Board are recruited in line with the Diversity Policy and based on the guidelines issued by the CySEC and ESMA. The assessment of new Directors is performed by the Nomination Committee, whereas the approval of new Directors is taken by the Directors as a collective body.

The Company's Management Body includes Executive and Non-Executive Directors, as well as Independent Directors. The Company's BoD has varied experience and background, including accounting, legal, banking, investments, risk management, etc. Additionally, the Independent Directors have a strong background in their field, adding as such value to the Company's BoD. It is noted that there are no foreseeable changes within the overall composition of the Management Body even though the Nomination Committee is in the process of setting up an action plan to achieve the desired gender diversity.

4.9.2 Diversity

The Company recognizes the benefits and necessity of an adequately diverse BoD, which includes and utilizes the Director's unique characteristics, including gender and age diversity. The Company's Nomination Committee has prepared the Company's Diversity policy which addresses, among others, the diversity of the members of the BoD. The objective of the said policy is to promote a balanced working environment where the skills, experience, qualities, professionalism and other backgrounds, such as the temperament and perspective of the Directors, irrespective of gender, age, race, ethnicity and other criteria, enable each of them to contribute individually.

The Nomination Committee encourages gender diversity in Board appointments and appointment of other key positions. The aim is to strengthen the Company's corporate performance and ensure sound corporate governance.

The recommended target set by ACC's Nomination Committee is for a minimum female participation in the Board, of approximately 15-25% as from year 2020. As noted above, an action plan, approved by the Nomination Committee describing the required measures for the accomplishment of this target has been put in place.

The Nomination Committee also recommends, to the extent possible, and where such suitable candidates are identified, variety in race and ethnicity. The Nomination Committee also encourages age diversity to the extent that this combines the principles of drive, ambition, enthusiasm and hard work, with the experience and wisdom of older age. It is stressed that under no circumstances should any Board appointment be made based on factors of age, race or ethnicity but solely based on merit and skills.

4.9.3 Number of Directorships

As per the provisions of Title II / Chapter I of the Law which provides for the Provision of Investment Services, the exercise of investment activities, the operations of regulated markets and other related matters (the "Law"), a director of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

- one executive directorship with two non-executive directorships;
- four non-executive directorships.

The Commission, may authorise members of the Board of Directors to hold one more non-executive directorship, additional to the above.

According to the Law, executive or non-executive directorships held within the same group shall count as a single directorship. All ACC's Directors have been approved by the CySEC. The number of directorships held by the members of the Board are outlined in the table below:

Director	Position within ACC	Executive Directorships	Non-Executive Directorships
Pavel Nazariyan	Non-executive Director	1	2
Oleg Artemenko	Non-executive Director	1	1
Andriy Glavatskyy	Executive Director	1	-
Simon Roache	Executive Director	2	-
Konstantinos Hadjisavvas	Executive Director	1	-
Constantinos Constantinou	Independent Director	1	3
Phidias Pilides	Independent Director	-	4
Yiola Stavraki (resigned 8 February 2018)	Independent Director	-	2

Table 7: *Number of directorships*

4.10 Internal Capital Adequacy Assessment Process

The Company uses the results of its most recent ICAAP exercise as a measurement of its internal capital requirements. The Company applies methodologies which are specified by the regulatory framework in order to calculate the capital requirements for Pillar I risks, as well as additional capital requirements for those risks which are either partially covered or not addressed under Pillar I.

The Risk Function/CRD, in cooperation with the Accounting Department, are responsible for the preparation of the ICAAP document, whilst Senior Management has the overall responsibility for approving the ICAAP document and submitting it to the CySEC.

The process followed for the preparation of the ICAAP document consists of the following steps:

- Identifying risks and assessing the management of those risks;
- Documenting the techniques used for the quantification of the risks identified;
- Calculating the amount of regulatory and internal capital required for each type of risk identified;
- Determining the need for additional capital buffers to ensure the Company has enough capital over a “healthy” business cycle, as well as, in the case of a stress.

According to the size and the complexity of its operations, the Company utilises the “Pillar I Plus” approach for the calculation of the additional capital for Pillar II. Under this approach, the Company calculates the capital needs, over and above the Pillar I minimum capital requirements, to cover risks not fully covered or not covered under Pillar I.

The results of the ICAAP are communicated to the CySEC upon request. During 2018, the Company has prepared the ICAAP for the year ended 31 December 2017. Based on the analysis performed, the Company appears to be adequately capitalised.

4.11 Risk Management Declaration

The BoD of ACC confirms that the risk management arrangements and procedures of the Company are adequate, given the size and complexity of operations of the Company. In particular, the BoD confirms that the risk management systems put in place are adequate with regard to the Company’s risk profile and strategy and in line with the principle of proportionality.

5 Minimum Capital Requirements

The Company follows the standardised approach ("SA") for the measurement of the Pillar I capital requirements for credit and market risk, and the basic indicator approach ("BIA") for the calculation of operational risk capital requirements. The table below shows Pillar I regulatory capital requirements and Risk Weighted Assets ("RWAs"), broken down by risk type and approach as at 31 December 2018, compared to the previous year-end.

	RWAs		Minimum Capital requirements	
	31/12/2018	31/12/2017	31/12/2018	31/12/2017
	USD'000	USD'000	USD'000	USD'000
Credit risk (excluding CCR)	**89.773**	**300.853**	**7.182**	**24.068**
Of which the standardised approach	89.773	300.853	7.182	24.068
CCR	**82.223**	**519.527**	**6.578**	**41.562**
Of which mark to market	70.670	428.522	5.654	34.282
Of which CVA	11.553	91.005	924	7.280
Market risk	**252.568**	**1.240.551**	**20.205**	**99.244**
Of which the standardised approach	252.568	1.240.551	20.205	99.244
Large exposures	**–**	**201.944**	**–**	**16.156**
Operational risk	**98.778**	**140.190**	**7.902**	**11.215**
Of which basic indicator approach	98.778	140.190	7.902	11.215
Total	**523.342**	**2.403.065**	**41.867**	**192.245**

***Table 8**: Overview of RWAs (EU OV1)*

During the year, the Company's FX business and trading portfolio decreased significantly, and therefore, the RWAs under all categories of risk decreased substantially, which resulted in a significant increase of the capital ratios.

6 Credit and Counterparty Credit Risk

6.1 Definition of Credit Risk

Credit risk is defined as the potential that a counterparty or a client may potentially fail to meet its obligations in line with agreed terms. The Company is also exposed to credit risk arising from the probability that a counterparty/client will be unable to make payments in full when these are due. The Company identifies and monitors counterparty credit risk, concentration risk and country risk as part of credit risk.

6.2 Management of Credit and Counterparty Credit Risk

The management of credit risk, including counterparty credit risk, is the primary responsibility of the CRD – Risk Function, with Senior Management assuming a supervisory role in the process. The CRD, together with Senior Management, are responsible for establishing policies and procedures which identify, analyse, evaluate, treat and monitor risks during the course of business. Management is also responsible for the establishment of limits on the amount of risk accepted in relation to a borrower, or groups of borrowers, as well as to industry sectors.

The Company has established a number of methodologies and techniques for managing and monitoring credit risk and counterparty credit risk. Additionally management ensures, through the ICAAP, that adequate internal capital is assigned to credit risk and counterparty credit risk if not adequately covered under Pillar I capital requirements.

The use of a credit assessment framework helps the CRD mitigate such risks by analysing a client's or counterparty's credit quality based on the evaluation of both financial and non-financial information. In addition, the CRD also reviews the analysis and appropriateness of the credit ratings issued by external credit rating agencies (where available) both prior to entering into transactions and throughout the life of a transaction in order to monitor risks and set appropriate limits.

The use of limits for credit risk and counterparty credit risk contributes to the effective management of the Company's exposure to such risks. Counterparty exposure limits are also set collectively, for each counterparty type. Utilisation of limits takes the market value of each transaction as well as any potential future fluctuations.

The exposures to any one borrower, including banks and brokers, is further restricted by sub-limits covering on and off-balance sheet exposures and daily delivery risk limits in relation to trading items. Actual exposures against limits are monitored daily. Exposure to credit risk is also managed, in part, by obtaining collaterals.

For monitoring and control purposes, all limits are inputted into the Company's systems. The CRD is responsible for monitoring all limit violations. As noted above, in case of violations, deals are blocked by the system and the Head of CRD has right to pass the deals for processing.

Furthermore, the Company monitors closely portfolio concentration limits, as well as cases where limit utilisation is close to a maximum, such that the impact of new transactions on the concentration within the Company's portfolio is consistent with its risk appetite and portfolio limit structure.

The Company has established a number of other measures in order to mitigate settlement risk and indirectly counterparty credit risk. Such measures include performing transactions only on a Delivery Versus Payment ("DVP") settlement basis, or requesting pre-payments or pre-deliveries from clients and counterparties. The Company also performs secured transactions backed by eligible collaterals.

6.2.1 Limit Structure

For both client and counterparty trades, credit risk is related to the process of settling financial transactions. In case of different types of settlement, different types of settlement risk limits are applied:

- **Prepayment/pre-delivery for client/counterparty**: In case a client or counterparty gives a purchase order without placing collateral, settlement risk includes loosing principle and possibly investment opportunity. Such losses are restricted using settlement limits (restricted principle) and pre-settlement limits (investment opportunity).
- **DVP settlement**: In case of trade with DVP settlement through DTC or Euroclear (or other clearing houses), settlement risk contains only possible missed investment opportunity. To limit possible risk of losses pre-settlement limits are set.
- **Prepayment and pre-delivery from client/counterparty**: In case a client or counterparty prepaid for the purchase or pre-delivered (holding) assets, settlement risk contains only possible missed investment opportunity. To limit such losses pre-settlement limits apply.

6.2.2 Equity Limits

Transactions with all ACC clients/counterparties shall be conducted only within client/counterparty limits for securities transactions. Client/counterparty limits for securities (L) shall limit both settlement and pre-settlement client/counterparty credit risks. Settlement Risk Limit (L settlement), limiting the credit risk for all transactions bearing settlement risk, can be introduced within the client/counterparty securities transactions limits. Determination of client/counterparty credit exposure limits should follow these rules:

- For settlement risk transactions, the volume of the risk should be equal to the market value of client/counterparty transactional liability, increased by its potential growth margin;
- For transactions free from settlement exposure, the value of the risk should be equal the difference between market value of client/counterparty transactional liability increased by its potential growth and the market value of the Company's liability reduced by its potential decrease;
- Risk factors are used to determine potential fluctuation of market value of liabilities (maximum change is determined with 99% confidence level, for the period of transaction settlement) Standard Limit (Pre-settlement Risk Standard Limit).

6.3 Credit Risk Monitoring

The credit risk management framework is automatically monitored by the systems. Counterparties are assigned limits and are checked in the system. In case there are any violations in the credit risk terms of a client, the Front Office is immediately informed to get the transaction revised in order to be within the limit. In exceptional cases and after the risk is analysed, the transactions that violate the pre-determined credit risk limits may be allowed to be processed. This operation is done manually in order to be able to control the risk. Settlement risk, delivery risk and payment risks are monitored on a daily basis with the reports that are distributed by the Settlements team. In cases where a transaction is delayed to settle, action is taken by the relevant departments to settle the transaction immediately.

6.4 Value of Exposures

The Company's financial statements have been prepared in accordance with the International Financial Reporting Standards ("IFRS") under the historical cost convention, as modified by the initial recognition of financial instruments based on fair value, and by the revaluation of financial instruments categorised at fair value through other comprehensive income ("FVOCI") and at fair value through profit and loss ("FVTPL"), including derivatives.

Trading securities, derivatives and other financial instruments at fair value through profit or loss are initially recorded at fair value. All other financial instruments are initially recorded at fair value plus transaction costs. Fair value at initial recognition is best evidenced by the transaction price. A gain or loss on initial recognition is only recorded if there is a difference between fair value and transaction price which can be evidenced by other observable current market transactions in the same instrument, or by a valuation technique which relies only on observable market data.

Sale and repurchase agreements are treated as secured financing transactions ("SFTs"). The securities sold are not derecognised; instead if the transferee has the right by contract or custom to sell or re-pledge the securities, in which case these are reclassified as repurchase receivables. The corresponding liability is presented within amounts due to other banks or other borrowed funds. On the other hand, securities purchased under agreements to resell are recorded as "due from other banks" or "loans and advances to customers", as appropriate. The difference between the sale and repurchase price is treated as interest income and accrued over the life of the repurchase agreements using the effective interest method.

Securities lent to counterparties for a fixed fee are retained in the financial statements in their original category in the statement of financial position unless the counterparty has the right by contract or custom to sell or re-pledge the securities, in which case they are reclassified and presented separately. Securities borrowed for a fixed fee are not recorded in the financial statements, unless these are sold to third parties, in which case the purchase and sale are recorded in profit or loss within gains or losses from operations with trading securities. The obligation to return the securities is recorded at fair value in other borrower funds.

All purchases and sales of financial instruments that require delivery within the timeframe established by regulation or market convention ("regular way" purchases and sales) are recorded at trade date, which is the date that the Company commits to deliver a financial asset. All other purchases are recognised when the Company becomes a party to the contractual provisions of the instrument.

Derivative financial instruments, including foreign exchange contracts, currency and interest rate swaps and other derivative financial instruments are carried at fair value. All derivative instruments are carried as assets when the fair value is positive and as liabilities when the fair value is negative. Changes in fair value of derivative financial instruments are included in profit or loss for the year in gains less losses arising from foreign currencies and precious metals and gains less losses arising from trading securities, depending on the related contracts.

During the year the Company's derivatives gross positive fair value amounted to USD 42.571k resulting in a final exposure amount of USD 93.425k.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Those financial instruments that are traded in an active market, their fair value is measured as the product of the quoted price for the individual asset or liability and the quantity held by the entity. Those financial instruments that are not traded in an active market are measured at the fair value of a company of financial assets and financial liabilities on the basis of the price that would be received to sell a net long position (i.e. an asset) for a particular risk exposure or paid to transfer a net short position (i.e. a liability) for a particular risk exposure in an orderly transaction between market participants at the measurement date.

For investments in debt securities, the Company classifies them in one of the following three categories:

1) Amortised Cost ("AC"): debt securities that are held for collection of contractual cash flows and where those cash flows represent solely payments of principal and interest ("SPPI") are measured at AC.

2) FVOCI: debt securities that are held for collection of contractual cash flows and for selling,

where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI.

3) FVTPL: investments in debt securities that do not meet the criteria for AC or FVOCI are measured at FVTPL (mandatory FVTPL).

On the other end, financial assets that meet the definition of equity from the issuer's perspective, i.e. instruments that do not contain a contractual obligation to pay cash and that evidence a residual interest in the issuer's net assets, are considered as investments in equity securities by the Company. Investments in equity securities are measured at FVTPL, except where the Company elects at initial recognition to irrevocably designate an equity investments at FVOCI.

6.5 Credit risk adjustments

6.5.1 Past Due

As per IFRS 7, Appendix A "Defined terms", a financial asset is past due when a counterparty has failed to make a payment when contractually due. As at the end of December 2018, there were no past due balances within trading securities, repurchase receivables, due from banks, loans and advances to customers and other financial assets.

6.5.2 Impairment of financial assets – credit loss allowance for Expected Credit Loss

The Company assesses, on a forward-looking basis, the ECL for debt instruments measured at AC and FVOCI and for the exposures arising from loan commitments and financial guarantee contracts.

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. For financial assets that are purchased or originated credit-impaired ("POCI Assets"), the ECL is always measured as a Lifetime ECL.

6.5.3 Value adjustments and provisions for impaired exposures

During the year there were no significant impairment charges. The table below presents the amount of the Company's impairment (charge)/reversal for investments held to maturity and reversal of provision for impairment of other financial assets.

	31/12/2018	31/12/2017
	USD'000	USD'000
Reversal of provision for impairment of other financial assets	569	544
Impairment (charge) / reversal for investments held to maturity	-	(95)

Table 9: *Impairment*

6.5.4 Total and average amount of net exposures

The total and average amount of net exposures for 2018 by exposure class are presented in the table that follows. The average net exposures correspond to the average of the quarterly net amounts by exposure class. Net exposures relate to amounts post value adjustments but before the application of credit conversion factors. The table includes counterparty credit risk.

	Net value of exposures at the end of the period	Average net exposures over the period
2018	USD'000	USD'000
Corporates	84.656	307.489
Institutions	432.253	498.328
Equity exposures	–	5.517
Other exposures	2.361	6.456
Total standardised approach	***519.270***	***817.790***
Total	**519.270**	**817.790**

Table 10: *Total and average net amount of exposures (EU CRB-B)*

6.6 Own Funds Requirements against Exposures

Once the risk weighted exposures are calculated for all the exposure classes, these are multiplied by 8% in order to result in credit risk capital requirements, according to Article 438 of the Regulation. The table below presents the own funds requirements for each of the applicable exposure classes noted under Article 112 of the Regulation:

Asset Class	RWA	Capital Requirement
	USD'000	USD'000
Corporates	85.848	6.868
Institutions	72.234	5.779
Equity	–	–
Other	2.361	189
Total	**160.443**	**12.836**

Table 11*: Own funds requirements per asset class*

6.7 Exposures by geographic distribution (post credit risk mitigation)

The table below presents credit risk exposures analysed by geography, split by regulatory approach and exposure class. It includes counterparty credit risk. Geographical analysis is based on country of operation/residence of the customer.

	United Kingdom	Russia	Cyprus	Belgium	Hong Kong	France	Switzerland	Other geographical areas[3]	Total
2018	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total IRB approach	–	–	–	–	–	–	-	–	–
Institutions	306.704	–	17.018	17.010	–	31.513	10.522	49.486	432.253
Corporates	628	45.646	23.161	–	12.182	–	–	3.039	84.656
Other exposures	14	1.642	705	–	–	–	–	–	2.361
Total standardised approach	***307.346***	***47.288***	***40.884***	***17.010***	***12.182***	***31.513***	***10.522***	***52.525***	***519.270***
Total	**307.346**	**47.288**	**40.884**	**17.010**	**12.182**	**31.513**	**10.522**	**52.525**	**519.270**

Table 12*: Geographical breakdown of exposures (EU CRB-C)*

6.8 Exposures by residual maturity

The table below shows net credit exposures by maturity and exposure class. The table includes counterparty credit risk. For this breakdown, exposure refers to on-balance sheet items where the "net exposure value" is calculated by deducting credit risk adjustments from the gross amount.

USD'000	On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No maturity	Total
Institutions	245.579	186.674	–	–	–	432.253
Corporates	84.656	–	–	–	–	84.656
Other exposures	1.753	–	–	–	608	2.361
Total (*standardised approach*)	**331.988**	**186.674**	**–**	**–**	**608**	**519.270**

Table 13*: Maturity of exposures (EU CRB-E)*

[3] Other geographical areas include Estonia, BVI, Ukraine, Netherlands, USA, Seychelles, Denmark, Czech Republic, Poland, Brazil

6.9 Exposures by significant industries

The table below shows net credit exposures by industry and exposure classes. The table includes counterparty credit risk.

2018 USD'000	Information and communication	Other services	Total
Institutions	–	432.253	432.253
Corporates	–	84.656	84.656
Other exposures	112	2.249	2.361
Total standardised approach	***112***	***519.158***	***519.270***
Total	**112**	**519.158**	**519.270**

Table 14: *Concentration of exposures by industry or counterparty types (EU CRB-D)*

6.10 Nominated External Credit Assessment Institutions (“ECAIs”) for the application of the Standardised Approach

The Company uses Standard & Poor’s, Fitch and Moody’s to obtain credit ratings for the relevant asset classes for the application of the standardised approach. The use of these ratings is in compliance with the requirements of Article 138 of the Regulation, and is used consistently for all exposures in a specific asset class. These ratings are used in the calculation of risk weights for the relevant asset classes, namely corporates and institutions. The Company uses the same approach for its entire portfolio unless there are material differences in the way it performs its business.

The Company has used the mapping table below, to map credit assessments to credit quality steps (“CQS”):

Credit Quality Step	Fitch Ratings	Moody’s Ratings	S&P Ratings
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

Table 15: *Mapping of external rating to credit quality steps*

The table below presents the exposure values associated with each credit quality step. The table includes counterparty credit risk.

	CQS							Total
Asset Class	1	2	3	4	5	6	NR	
Institutions	124.996	229.616	14.364	32.657	7.272	-	23.348	432.253
Corporates	-	17.071	-	18.678	-	-	48.907	84.656
Other	-	-	-	-	-	-	2.361	2.361
Total	**124.996**	**246.687**	**14.364**	**51.335**	**7.272**	**-**	**74.616**	**519.270**

Table 16: *Exposure values split by credit quality step and asset class*

The table below analyses credit risk exposures under the standardised approach by risk weight, split by exposure class. It includes counterparty credit risk. Exposures for which a credit assessment by a nominated ECAI is not available and that are applied specific risk weights depending on their class, as specified in the Regulation, are presented in the category “of which unrated”.

2018 USD’000	Risk weight							Total	Of which unrated
Exposure classes	0%	20%	50%	100%	150%	Other	Deducted		
Institutions	-	362.242	65.346	4.665	-	-	-	432.253	23.348
Corporates	-	-	-	82.270	2.386	-	-	84.656	48.907
Other items	1	-	-	2.360	-	-	-	2.361	2.361
Total	**1**	**362.242**	**65.346**	**89.295**	**2.386**	**-**	**-**	**519.270**	**74.616**

Table 17*: Standardised approach (EU CR5)*

The table below shows a breakdown of CCR exposures, calculated under the standardised approach, by portfolio (type of counterparties) and by risk weight as at 31 December 2018. Exposures for which a credit assessment by a nominated ECAI is not available and that are applied specific risk weights depending on their class, as specified in the Regulation, are presented in the category “of which unrated”.

2018 USD'000 Exposure classes	Risk weight					Total	Of which unrated
	20%	50%	100%	150%	Others		
Institutions	116.788	65.347	4.539	-	-	186.674	22.890
Corporates	-	-	44.608	2.030	-	46.638	46.638
Total	**116.788**	**65.347**	**49.147**	**2.030**	**-**	**233.312**	**69.528**

***Table 18**: Standardised approach – CCR exposures by regulatory portfolio and risk (EU CCR3)*

When calculating the capital requirements for credit risk for both on- and off-balance sheet positions, the Company assigns risk weights to the exposures based on their exposure type and rating, as prescribed by the Regulation. The process for transferring issuer and issue credit assessments onto items not included in the trading book is applied in the following priority:

1. Where a credit assessment exists for a specific instrument, this credit assessment shall be used to determine the risk weight to be assigned to that item;
2. Where no directly applicable credit assessment exists for a specific instrument, then the credit assessment of the issuer shall be used;
3. Where no directly applicable credit assessment exists for a specific instrument or its issuer, the relevant exposure shall be treated as unrated. For this category, the risk weight will be determined taking into account whether a Sovereign rating exists or not.

The credit assessments mentioned above are not taken into account where relative exceptions per the Regulation apply e.g. short-term exposures to institutions.

6.11 Credit Risk Mitigation

Credit risk mitigation is currently applied only for repurchase and reverse repurchase agreements.

With regards to such agreements, the Company always takes on collateral in the form of cash or securities. To ensure that the collateral received is appropriate for the transactions performed, the Company has established a set of criteria, including, but not limited to, receiving only liquid Tier 1 and Tier 2 exchange traded securities. Additionally, the Company assesses the credit quality of repurchase receivables relating to debt trading securities based on the external credit rating of the debt security.

The monitoring of such collateral is performed by the Company’s Front Office and Collateral manager, which checks that the collateral to be received meets the specified criteria, including market or credit concentrations, prior to entering into a repurchase or reverse repurchase transaction. The valuation of collaterals and collateralised exposures is performed daily.

It is noted that no collateral is received against derivative exposures, other than forex/CFDs, thus no credit risk mitigation techniques are applied for such exposures. It should also be noted that the Company does not apply hedge accounting.

At 31 December 2018 reverse sale and repurchase agreements with credit and financial institutions were effectively collateralised by securities under reverse sale agreements with a fair value of USD 64,5mln and by cash under repurchase agreements of USD 71mln.

Table EU CR3 below presents a breakdown of unsecured and secured credit risk exposures and credit risk exposures secured by various credit risk mitigants, for loans and debt securities. Unsecured exposures represent the carrying amount of credit risk exposures (net of credit risk adjustments) that do not benefit from a credit risk mitigation technique, regardless of whether this technique is recognised in the CRR. Exposures secured represent the carrying amount of exposures that have at least one credit risk mitigation ("CRM") mechanism (e.g. collateral) associated with them. Exposure secured by various credit risk mitigants are the carrying amount of exposures (net of credit risk adjustments) partly or totally secured by collateral, whereby only the secured portion of the overall exposure is presented.

	Exposures unsecured - Carrying amount	Exposures secured - Carrying amount	Exposures secured by collateral	Exposures secured by financial guarantees	Exposures secured by credit derivatives
2018	USD'000	USD'000	USD'000	USD'000	USD'000
Total loans[4]	-	59.476	59.476	-	-
Total debt securities[5]	-	80.411	80.411	-	-
Total exposures	**-**	**139.887**	**139.887**	**-**	**-**
Of which defaulted	-	-	-	-	-

Table 19: *CRM techniques – Overview (EU CR3)*

The table below shows credit risk exposure before credit conversion factors, and credit risk mitigation, obtained in the form of eligible financial collateral and guarantees, and the exposure at default values in the standardised approach as well as related RWA and average risk weights broken down by regulatory exposure classes and split between on- and off-balance sheet exposures. RWA density represents the average risk weight. Template EU CR4 excludes exposures subject to the requirements in Part Three, Title II, Chapter 5 and Chapter 6 of the CRR (exposures subject to the CCR and securitisation risk framework).The following table does not cover derivative instruments, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions in line with guidelines EBA/GL/2016/11.

	Exposures before CCF and CRM		Exposures post CCF and CRM		RWAs and RWA density	
Exposure classes	On-balance-sheet amount	Off-balance-sheet amount	On-balance-sheet amount	Off-balance-sheet amount	RWAs	RWA density
	USD'000	USD'000	USD'000	USD'000	USD'000	%
Institutions	245.579	-	245.579	-	49.216	54,82%
Corporates	38.018	-	38.018	-	38.196	42,55%
Other items	2.361	-	2.361	-	2.361	2,63%
Total	**285.958**	-	**285.958**	-	**89.773**	

Table 20*: Standardised approach – Credit risk exposure and CRM effects (EU CR4)*

It is noted that no netting or credit risk mitigation techniques are applied for derivative contracts.

6.12 Counterparty Credit Risk

As previously mentioned, counterparty credit risk is currently managed under credit risk. As such, continuous monitoring of counterparty credit risk is carried out; this extends to the monitoring of wrong-

[4] It refers to reverse repurchase transactions.
[5] It refers to repurchase transactions

way risk as well as the monitoring and establishment of adequate credit reserves. It is noted that the Company did not have any wrong-way risk exposures during 2018. The impact of a credit rating downgrade, in terms of additional collateral requirements, is not considered significant.

As previously mentioned, for calculating its risk weighted exposures for credit risk and counterparty credit risk, the Company has decided to follow the standardised approach.

6.13 Measurement of Counterparty Credit Risk

The Company has adopted the Mark-to-Market ("MTM") method and the Financial Collateral Comprehensive Method ("FCCM") to calculate the value of the exposures deriving from derivative transactions and repurchase/reverse repurchase transactions, respectively, which give rise to counterparty credit risk.

The MTM method is described in the steps below:

- Step 1: by attaching current market values to contracts, the current replacement cost of all contracts with positive values is obtained.
- Step 2: to obtain a figure for the potential future credit exposure, the notional amounts or underlying values are multiplied by the percentages presented under Part Three, Title II, Chapter 6 of the Regulation.
- Step 3: the sum of the current replacement cost and the potential future credit exposure is the exposure value.

The FCCM requires that haircuts are assigned to the values of the exposure and collateral, in order to arrive at the adjusted exposure and collateral amounts. Haircuts are determined based on the type of exposure and collateral, and are also applied for any foreign currency and maturity mismatches, as per the provisions of the Regulation. Once the adjusted values of exposures and collaterals are derived, the appropriate risk weight, determined based on the counterparty to the transaction, is assigned to the unsecured part of the exposure.

The following table provides the counterparty credit risk exposures based on the standardized approach, broken down by risk weights and regulatory exposure classes. Where a rating is unavailable, or where the risk weight has been determined by application of specific CRR provisions, exposures have been classed as "unrated".

USD'000	Notional	RCR	PFE	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market		42.571	50.854			93.425	59.005
Original exposure	-					-	-
Standardised approach				-	-	-	-
IMM (for derivatives and SFTs)				-	-	-	-
Of which securities financing transactions				-	-	-	-
Of which derivatives and long settlement transactions				-	-	-	-
Of which from contractual cross-product netting				-	-	-	-

USD'000	Notional	RCR	PFE	EEPE	Multiplier	EAD post CRM	RWAs
Financial collateral simple method (for SFTs)						-	-
Financial collateral comprehensive method (for SFTs)						30.802	11.665
VaR for SFTs						-	-
Total	**-**	**42.571**	**50.854**	**-**	**-**	**124.227**	**70.670**

Table 21: *Analysis of CCR exposure by approach (EU CCR1)*

The following table shows the impact on exposures – derivatives and SFTs – from netting and collateral.

	Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
2018	USD'000	USD'000	USD'000	USD'000	USD'000
Derivatives	93.425	-	93.425	-	93.425
SFTs	139.887	-	139.887	117.252	22.635
Cross-product netting	-	-	-	-	-
Total	**233.312**	**-**	**233.312**	**117.252**	**116.060**

Table 22: *Impact of netting and collateral held on exposure values (EU CCR5-A)*

A breakdown of all types of collateral posted or received to support or reduce CCR exposures (prior to any haircut adjustments), as at 31 December 2018, is presented below:

	Collateral used in derivative transactions				Collateral used in SFTs	
	Fair value of collateral received		Fair value of posted collateral		Fair value of collateral received	Fair value of collateral posted
	Segregated	Unsegregated	Segregated	Unsegregated		
2018	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Cash	-	-	-	-	71.492	59.476
Bonds	-	-	-	-	62.531	80.411
Equities	-	-	-	-	1.964	-
Total	-	-	-	-	**135.987**	**139.887**

Table 23*: Composition of collateral for exposures to CCR (EU CCR5-B)*

6.14 Credit Valuation Adjustment Risk

Additional capital requirements arising from credit valuation adjustment ("CVA") risk, need to be held by the Company for all OTC derivative instruments in respect of all of its business activities, other than credit derivatives recognised to reduce risk-weighted exposure amounts for credit risk. CVA is an adjustment to the mid-market valuation of a transaction to account for the price of counterparty credit risk. Therefore, the purpose of the CVA capital charge is to capture the risk of future changes in CVA.

The standardised approach has been used to calculate the CVA charge for regulatory purposes in accordance with Articles 381, 382 and 384 of the Regulation. As at 31 December 2018, the own funds requirement for CVA risk was USD 924k.

The table below provides a summary of the exposures subject to CVA regulatory calculations.

	Exposure value	RWAs
2018	**USD'000**	**USD'000**
All portfolios subject to the standardised method	75.682	11.553
Total subject to the CVA capital charge	**75.682**	**11.553**

Table 24: *CVA capital charge (EU CCR2)*

6.15 Credit risk provisioning

As of 1 January 2018, the Company adopted IFRS 9. The IFRS9 adoption did not have any significant impact on the capital requirements and leverage ratio, as the Company chose not to apply the transitional arrangements and it does not have any exposures that are impaired.

6.16 Defaulted exposures

This table provides a comprehensive picture of the credit quality of the Company's on- and off-balance sheet exposures. The table does not include counterparty credit risk.

2018	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total IRB approach	-	-	-	-	-	-	-
Institutions	-	245.579	-	-	-	-	245.579
Corporates	-	38.018	-	-	-	-	38.018
Equity exposures	-	–	-	-	-	-	–
Other exposures	-	2.361	-	-	-	-	2.361
Total standardised approach	-	***285.958***	-	-	-	-	***285.958***
Total	-	**285.958**	-	-	-	-	**285.958**

Table 25: *Credit quality of exposures by exposure class (EU CR1-A)*

This table provides a comprehensive picture of the credit quality of the Company's on- and off-balance sheet exposures by industry types. The table does not include counterparty credit risk.

2018	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total IRB approach	-	-	-	-	-	-	-
Information and communication	-	112	-	-	-	-	112
Other services	-	285.846	-	-	-	-	285.846
Total standardised approach	-	***285.958***	-	-	-	-	***285.958***
Total	-	**285.958**	-	-	-	-	**285.958**

Table 26: *Credit quality of exposures by industry types (EU CR1-B)*

This table provides a comprehensive picture of the credit quality of the Company's on- and off-balance sheet exposures by geography. The table does not include counterparty credit risk.

2018	Gross carrying values of		Specific credit risk adjustment	General credit risk adjustment	Accumulated write-offs	Credit risk adjustment charges of the period	Net values
	Defaulted exposures	Non-defaulted exposures					(a+b-c-d)
	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000	USD'000
Total IRB approach	-	-	-	-	-	-	-
United Kingdom	-	221.418	-	-	-	-	221.418
Russia	-	38.276	-	-	-	-	38.276
Cyprus	-	823	-	-	-	-	823
Belgium	-	17.010	-	-	-	-	17.010
France	-	150	-	-	-	-	150
Switzerland	-	7.133	-	-	-	-	7.133
Other geographical areas[6]	-	1.148	-	-	-	-	1.148
Total standardised approach	-	***285.958***	-	-	-	-	***285.958***
Total	-	**285.958**	-	-	-	-	**285.958**

Table 27: *Credit quality of exposures by geography (EU CR1-C)*

[6] Other geographical areas include Ukraine, Netherlands, USA, Denmark

7 Market Risk

7.1 Definition of Market Risk

Market risk is the risk of a change in the actual or effective market value or earnings of a portfolio of financial instruments caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates and correlations, as well as implied volatilities in all of the above.

7.2 Management of Market Risk

Market risk and the positions giving rise to market risks are managed on a daily basis. Specifically the Company's Senior Management and CRD are responsible for:

- Establishing prudent methodologies for limit setting, so as to control the exposures of the Company;
- Establishing a limits framework for the trading business and setting out the permitted products and activities, as well as the maximum exposure limits;
- Reviewing all limits at least annually;
- Allocating limits where they can be used most profitably and efficiently;
- Performing VaR and stress testing calculations, for quantitative risk measurement and management.

Market risk is carefully managed through detailed policies and procedures. Senior Management undertakes an annual review of the limits in place, based on discussions and recommendations received by the CRD. For any proposed changes in limits, the existing limits as well as the new limit proposals are submitted to Senior Management and justifications are provided concerning the reasons for any changes or amendments. In the absence of approved limits, trading activity is not undertaken and no new products are traded.

7.2.1 Trading Book

The CRD monitors and controls all trading positions on a daily basis to ensure that all quantitative limits are adhered to. A number of limits have been established that the Company may apply to mitigate market risk. Depending on market conditions, limits may be revised and increased limit restrictions may be applied.

- **Foreign Exchange Risk:**
  - Net Open Position against local currency;
  - Total Net Short Position;
  - Net Open Position by currency;
  - Maximum Maturity;
  - Counterparty Limits;
  - FX Settlement Limits.
- **Market Risk arising from Bond Securities, Bond Futures, Interest Rate Futures, Interest Rate Swaps, Credit Default Swaps:**
  - Position Limits;
  - Maximum Holding Period Limit;
  - Maximum Maturity;
  - Counterparty Exposure Limits.

- **Market Risk arising from Equity positions:**
    - Position Limits;
    - VaR, 1 day 99% confidence level.

7.2.2 Banking Book

Equity price risk in the banking book is also managed by establishing limits, and by closely monitoring and controlling adherence to these limits. Detailed policies and procedures exist which are reviewed and updated frequently.

Foreign exchange risk is managed on a consolidated basis for both banking book and trading book positions using the prescribed regulatory approach.

7.3 Market Risk Assessment

The methodology used to assess market risks, comprises of two stages:

- assessment of positions' sensitivity to market risk factor changes;
- assessment of prospective dynamics of market factors.

A market risk factor, is a variable that causes changes in the value of financial instruments or on the portfolio value. The multitude of factors includes the term structure of interest rates, spot transaction rates in foreign currency, equity prices, commodity prices and their volatility. These factors can affect both product prices and the associated market risk. The assessment of market risk factors, implies measurement of volatility (standard deviations) of the factor within a period of time required to liquidate the position or hedge the risk (liquidation period).

VaR is the maximum drop in market value of the position over a set period of time on the "normal" market, measured under a respective model methodology (provided a pre-set confidence level). A VaR model can also calculate cap losses (provided a pre-set confidence level) in an assumption of liquidating position in the "normal" market.

7.4 Interest Rate Risk

The Company takes on exposures to the effect of fluctuations in the prevailing levels of market interest rates on its financial position and cash flows. Interest margins may increase as a result of such changes but may reduce or create losses in the event that unexpected movements arise. Management monitors interest rate risk on a daily basis and sets limits on the level of mismatch on interest rate repricing. The table below presents the aggregated amounts of the Company's financial assets and liabilities at carrying amounts, categorised by the earlier of contractual interest repricing or maturity dates.

	Demand and less than 1 month	From 1 to 6 months	From 6 to 12 months	More than 1 year	No stated maturity	Total
			USD'000			
Total financial assets	497.120	44.050	-	4.108	-	545.278
Total financial liabilities	61.445	57.159	-	3.673	-	122.277
Net interest sensitivity gap	**435.675**	**(13.109)**	**-**	**435**	**-**	**423.001**

Table 28: *Exposures to interest rate risk*

Debt trading securities are actively traded by the Company and therefore constantly repriced. The entire balance of trading securities for the purposes of the above analysis is allocated in caption “demand and less than 1 month”.

At 31 December 2018, if interest rates at that date had been 200 basis points lower/higher (2017: 200 basis points lower/higher) with all other variables held constant, profit for the year would have been USD 5.172 thousand lower/higher (2017: USD 5.045 thousand lower/higher).

7.5 Measurement of Market Risk

The minimum capital requirements with respect to market risk are calculated using the standardised approach. Under the standardised approach, market risk capital requirements are calculated with respect to position risk (covering both equity and interest rate risks), commodities risk and foreign exchange risk.

The below table summarises the RWAs and capital requirements for market risk, subject to the Standardised approach, split between outright products, options and securitisation positions.

	RWAs	Capital requirements
2018	USD’000	USD’000
Outright products		
Interest rate risk (general and specific)	201.145	16.092
Equity risk (general and specific)	1.722	138
Foreign exchange risk	49.489	3.959
Commodity risk	213	17
Options		
Simplified approach	-	-
Delta-plus method	-	-
Scenario approach	-	-
Securitisation (specific risk)	-	-
Total	**252.569**	**20.206**

Table 29: *Market risk under the standardised approach (EU MR1)*

7.6 Exposures in Equity securities not included in the Trading Book

Under this category the Company includes equity investments in Group Companies (subsidiaries or other), investments in associates, and financial instruments bought that may be classified in the non-trading book. During 2018, the Company did not have any investments classified under the equity exposure class.

8 Operational Risk

Operational risk is defined as the risk of direct and indirect loss resulting from inadequate or failed processes, people and systems from external events, and includes legal risk. For the purpose of managing operational risk, the following risks are also managed:

- Business process risks;
- Technological risks;
- Personnel risks;
- Risks of unforeseen situations and external events.

8.1 Management of Operational Risk

Operational risk is inherent to all of the Company’s operations. The Company’s Senior Management and the CRD successfully manage and control operational risks by identifying, measuring, monitoring, reporting, controlling and mitigating operational risks. Specifically, the CRD is responsible for:

- Establishing the operational risk policy, which outlines the Company’s approach to operational risk management, determines the main directions of the operational risk management and identifies the responsibilities between the Company’s departments in relation to operational risk management;
- Establishing procedures for operational risk and operational loss data reporting;
- Promoting a culture where operational risk is identified, monitored and controlled by all of the Company’s employees.

Limits for operational risk are established by the authorized collective body of the Company upon presentation by the CRD. Limits may be introduced both in the relative (on the basis of ratings) and absolute (cash) terms. Introducing limits for individual types of operational risks is an element of operational risk management at the portfolio level.

8.2 Identification and Escalation of Operational Risk

Department heads bear the responsibility for the identification and escalation of operational risks relevant to their departments. The information about operational risks is submitted to the CRD upon identification and actions to minimize the risks are determined jointly by the department and the CRD. For increasing the efficiency of the process of identification and escalation of operational risks the CRD develops, coordinates and implements different projects for identification of operational risks and assessment thereof.

8.3 Assessment of Operational Risk

The assessment of an operational risk level consists of an assessment of:

- Probability of the occurrence of a risk event,
- Level of possible losses.

The CRD performs the assessments for operational risks. Moreover, the CRD approves the assessments of operational losses, submitted by Company's departments.

8.4 Management of Operational Risk

Measures to reduce operational risks are developed and executed independently by the individual departments, as provided by the Company's procedures, and where necessary, the department heads' consult with the CRD. The basic criterion for taking a decision on implementation of measures to minimize an operational risk is economic effect from such operational risk reduction – the cost of control measures must not exceed the amount of expected losses from realization of the risk.

8.5 Reporting on Operational Risk

The CRD is responsible for the timely preparation of operational risk reports, by sourcing relevant information from the Company's departments as well as loss data, gathered at this time in the form of memos.

8.6 Measurement of Operational Risk

The Company adopts the Basic Indicator Approach for operational risk measurement. Under the Basic Indicator Approach, the own funds requirement for operational risk is equal to 15% of the average over three years of the relevant indicator as set out in Article 316 of the Regulation. The average over three years is calculated on the basis of the last three twelve monthly observations at the end of the financial year.

	Relevant Indicator			Capital requirements
USD'000	2016	2017	2018	2018
Total activities subject to BIA	58.335	76.240	23.469	**7.902**

Table 30: *Operational Risk Capital Requirements*

9 Remuneration Policy and Practices

The Remuneration policy (“the Policy”) of the Company and its UK branch (Alfa Capital Markets), forms an integral part of the Company’s corporate governance and is developed taking into consideration the Company’s objectives, the business and risk strategy, corporate cultures and values and the long-term interests of the Company.

The Policy applies to top management executives, risk takers, individuals whose total remuneration takes them into the same remuneration level as the aforementioned categories, individuals who perform control duties, and individuals whose professional activities have a significant impact on the Company’s risk profile.

The Policy is reviewed at least annually, and any amendments made are approved by the BoD. The Human Resources Department is responsible for the preparation, upkeep and updating of the Policy. The BoD adopts and periodically reviews the general principles of the Policy. The BoD is also responsible for its implementation as well as for preventing/mitigating any risks and conflicts which may arise as a result of the remuneration practices of the Company.

The implementation of the Policy is also subject to periodic review by the Compliance and Internal Audit functions in order to assess the level of compliance with the legislation, internal policies and the Company’s risk culture.

Until 7 September 2017, the Remuneration Committee comprised of 3 non-executive independent members of the BoD. Since 8 February 2018, the non-executive independent members comprising the Remuneration Committee decreased to 2. During 2018, the Remuneration Committee held three meetings.

The main responsibility of the Remuneration Committee is to prepare recommendations in relation to the remuneration of the identified categories of staff whose professional activities have a material impact on an institution’s risk profile according to the relevant regulation[7], and submit them to the BoD for approval. In addition, the Remuneration Committee is responsible to:

- provide its support and advice to the BoD on the design of the Company’s Policy;
- support the BoD in overseeing the policies, practices and processes relating to remuneration and the compliance with the Policy;
- check whether the existing Policy is still up to date and, if necessary, make proposals for changes;
- review the appointment of external remuneration consultants that the BoD may decide to engage for advice or support;
- ensure the adequacy of the information provided to shareholders on policies and practices and in particular on the proposed maximum level of the ratio between variable and fixed remuneration;
- assess the mechanisms and systems adopted to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels;
- ensure that the Policy is consistent with, and promotes, sound and effective risk management and is in line with the Company’s business strategy, objectives, corporate culture and values, as well as its long-term interests;

[7] Commission Delegated Regulation (EU) No. 604/2014 of 4 March 2014 supplementing Directive 2013/36/EU of the European Parliament and of the Council with regards to the regulatory technical standards, with respect to qualitative and appropriate quantitative criteria to identify categories of staff whose professional activities have a material impact on an institution’s risk profile.

- assess the achievement of performance targets and the need for ex post risk adjustment, including the application of malus and clawback arrangements.

The Company has established a competitive compensation framework in order to attract, engage and retain its employees. The basic principles on which the Policy is formulated relate to the following:

- provides for an effective framework for performance measurement, risk adjustment and the linkages between performance and reward;
- outlines the structure of variable remuneration including where applicable the instruments in which part of the variable remuneration is awarded;
- supports the Company in achieving and maintaining a sound capital base and an appropriate liquidity profile;
- enables the identification and mitigation of conflicts of interests stemming from the remuneration awarded, by establishing, amongst others, objective award criteria based on the internal reporting system, appropriate controls and the four eye principle;
- is consistent, promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of risk tolerated by the Company;
- is clear, well documented and transparent including proper documentation of the decision-making process and the reasoning behind this Policy;
- is awarded to different categories of staff including staff members that are employed in control functions and is consistent with the principle that such persons are considered as material risk takers, since they are responsible for the day-to-day management of the business and its risks;
- outlines the methods for the measurement of performance, including the performance criteria, defined in the Bonus Policy of the Company which is a separate document.

This Policy covers total remuneration (i.e. fixed and variable) as well as benefits in kind and allowances.

The amount of remuneration is fixed in the employment agreement of each employee and it reflects the educational level, experience, accountability, and the position's functional requirements. The Company has developed fixed remuneration ranges which differ among hierarchical levels and nature of business. Ranges are reviewed annually taking into consideration market trends and prevailing legal requirements. Total remuneration consists of the fixed salary, benefits such as health insurance and in certain cases variable remuneration in the form of a bonus.

As per the provisions of Directives DI144-2014-14 and DI144-2014-14(A) the principles adopted by the Company relating to variable remuneration, when provided, are as follows:

- Where remuneration is performance related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the department concerned, as well as the overall results of the Company as a whole;
- Assessment of performance is set in a multi-year framework in order to ensure that the assessment process is based on long-term performance and that the actual payment of performance-based components of remuneration is spread over a period which takes account of the underlying business cycle of the Company and the business risks it encounters;
- The total fixed and variable remuneration paid to the identified persons does not exceed the materiality threshold; where this is the case the Company's BoD will exercise its discretion as to the means by which variable remuneration will be paid (i.e. solely in instruments or solely in cash or a combination of both);
- Variable remuneration is not guaranteed and shall not be part of prospective remuneration plans;

- Guaranteed variable remuneration is limited only to the cases the Company wants to offer it to the first year of employment of a new staff member, if and only if the Company has a strong capital base;
- Fixed and variable components of total remuneration are appropriately balanced;
- Variable remuneration can be reduced to zero, and shall not exceed 100% of the fixed component of the remuneration for each individual unless other conditions apply;
- Variable remuneration paid in instruments will be in the form of promissory notes or other equivalent non-cash instrument issued by the Company.

As allowed by Directive DI144-2014-14, the Company's BoD may decide that a higher variable remuneration may be given; the BoD will ensure that all provisions of the Directive DI144-2014-14 will be followed accordingly.

When paying out any variable remuneration to the risk takers, the Company ensures the following, in a manner and to the extent that is appropriate to the Company's size, internal organisation and nature, scope and complexity of activities (the "Proportionality Conditions"):

- At least 40% of the variable remuneration is deferred over a period of three to five years;
- In case that variable remuneration is of a particular high amount, then at least 60% of the amount shall be deferred;
- At least 50% of any variable remuneration is paid out in instruments. This is applied to both the deferred and the non-deferred part of the variable remuneration component;
- Up to 100% of the total variable remuneration is subject to malus or clawback arrangements, which are set by the Company.

Proportionality Conditions

In accordance with paragraph 20(2) of the Directive DI144-2014-14, investment firms shall apply remuneration principles in a way and to the extent that is appropriate to their size, internal organisation and the nature, the scope and the complexity of their activities. Taking into account that currently there are no official guidelines provided with regards to the implementation, form and provisions of proportionality, the Company introduced certain Proportionality Conditions in relation to the most stringent provisions of remuneration principles to ensure that a balance is reached between achieving the objectives of the Directive DI144-2014-14 and market practice for ensuring fair remuneration of the Company's personnel. These Proportionality Conditions take into account guidelines provided by the FCA (Principle 12 of the Remuneration Principles (19C.3.34)). The Company's proportionality conditions take into account the following factors:

- % of variable remuneration, compared to total remuneration of all Identified staff/Risk takers;
- Maximum amount of variable remuneration per Identified staff/Risk takers;
- % of total variable remuneration compared to the Company's profits for the period, and;
- The Company's Capital Adequacy Ratio, including Combined Buffer and Pillar 2 requirements.

All Proportionality Conditions set out in the Company's Remuneration Policy are subject to periodic review by the Remuneration Committee in order to assess the level of compliance with the applicable regulatory and legal framework. Such review is conducted at least on an annual basis, and any amendments made are approved by the Board of Directors.

It is noted that as at 31 December 2018, there was no outstanding deferred remuneration, paid out and reduced through performance adjustments or sign-on payments during the year.

There was a severance payment to one employee who resigned during the year, amounting to USD 9.400. In addition, an interim bonus was given to one employee, amounting to USD 1.950, and for another employee a joining payment of USD 2.287.

Performance appraisals are conducted on an annual basis. In order to perform performance appraisals key objectives/goals are set annually. Performance is then assessed against these objectives/goals. If deemed appropriate to propose salary revisions for the Company's Employees, the Company's CEO recommends such a change to the Remuneration Committee which takes the final decision. Specific salary increases for Senior Management and other risk takers require the consent of the Remuneration Committee and the Chairman of the BoD.

Apart from promotions, which may be set strictly on an individual basis, there is no link between the sales results of an employee and his/her remuneration. Individual increase proposals are also based on market data. Remuneration of sales employees is not focused only on performance criteria but also to the relevant employee's adherence to internal policies and procedures as well as the Code of Conduct. Thus, the remuneration practices of the Company do not affect or give an incentive to an employee to mis-sell.

The provisions of the Directive DI144-2014-14 and Directive DI144-2014-14(A) require that the Company discloses to the public information regarding the remuneration of those categories of staff whose professional activities have a material impact on the risk profile of the Company. The individuals that may be considered as having an effect on the Company's risk profile include Front Office staff, the members of the Investment Committee, as well as the BoD.

It is noted that the Company's Investment Committee assumes the primary responsibility for the undertaking of risk as it is responsible on an ongoing basis for implementing a business and risk strategy in line with the risk profile of the Company, as this is defined by the BoD.

The table below provides aggregate information on remuneration, broken down by business area, including those considered as senior management and staff whose actions have a material impact on the risk profile of the Company.

Position	Remuneration USD'000		Number of Persons
	Fixed	Variable	
Senior Management[8]	759	524	10
Other identified staff/risk taker	1.078	381	22

***Table 31**: Amount of remuneration, split into fixed and variable*

During the reporting period there were no individuals remunerated EUR 1m or more. The following table provides aggregate quantitative information on remuneration, broken down by business line:

Business Line	Remuneration USD'000
Control Functions[9]	994
Trading and Sales[10]	1.135
Other identified staff / risk takers not included in the above categories	613

***Table 32:** Remuneration per business line*

[8] It includes Executive Directors and Heads of significant business lines
[9] It includes Risk, Compliance, Legal, Collateral and any personnel which comprise 4Eyes, including Executive Directors
[10] It includes Own Account, Brokerage, Forex and Portfolio Management Divisions

10 Leverage

10.1 Definition of Leverage Ratio

The Regulation requires the disclosure of the Company's leverage position. In line with Article 429 of the Regulation, as well as the transitional provisions of Article 499, the leverage ratio is defined as the capital measure divided by the total exposure measure, expressed as a percentage.

Specifically, the capital measure for the leverage ratio is the Tier 1 capital and the total exposure measure is the sum of exposure values of all assets and off-balance sheet items, not deducted when determining the capital measure. The leverage ratio is calculated using two capital measures:

- Tier 1 capital: fully phased-in definition;
- Tier 1 capital: transitional definition.

Since the Company does not have any transitional provisions, the Tier 1 capital is the same under both conditions of Article 499(1) (a) and (b) of the Regulation and the two leverage ratios are the same.

As at 31 December 2018 the leverage ratio of the Company was at 72,28% well above the 3% leverage ratio minimum requirement set by the Basel Committee. Going forward, and as the leverage requirements become formalised the Company will be solidifying the management of leverage risk to ensure that it will be above the minimum required.

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

The CRD oversees, manages and closely monitors leverage along with the exposures to risk and the solvency ratio of the Company to ensure that the risk of excessive leverage is identified and properly managed. The Company uses the leverage ratio as an indicator of risk appetite since it is a simple instrument that offers a safeguard against the risks associated with the risk models underpinning RWAs.

The risk of excessive leverage is managed by calculating and monitoring the leverage ratio on a daily/quarterly basis in order to ensure that is within the risk strategy and risk appetite indicators of the Company. The Company maintains a proactive approach on managing the leverage ratio in order to stay within risk appetite. In cases where the leverage ratio falls outside the prescribed limits, the CRD and RC reviews the available options, including decrease in the risk weighted exposures, to reduce leverage within the acceptable levels.

Since the Company's leverage ratio of 72,28% is well above the regulatory minimum ratio of 3%, management considers that the leverage exposure is at an appropriate level safeguarding the resilience of the Company's business model and ongoing operations.

10.3 Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers

The leverage ratio has increased as at 31 December 2018 reaching 72,28% compared to 49,51% as at the end of 2017. On-balance sheet items, other than derivatives and SFTs, and SFTs are the main drivers of the leverage ratio exposures.

10.4 CRR Leverage Ratio – Disclosure Template

The following tables show the leverage ratio exposure and the leverage ratio, and they have been prepared using the format set out in Annex I and Annex II of the Implementing technical standards with regard to disclosure of the leverage ratio for institutions (Commission Implementing Regulation-EU 2016/200).

Reference date	31/12/2018
Entity name	Alfa Capital Holdings (Cyprus) Limited
Level of application	Individual

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

		USD 000s
1	Total assets as per published financial statements	548.009
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	N/A
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No. 575/2013)	N/A
4	Adjustments for derivative financial instruments	71.106
5	Adjustment for securities financing transactions (SFTs)	(18.951)
6	Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	N/A
EU-6a	(Adjustment for intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No. 575/2013)	N/A
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No. 575/2013)	N/A
7	Other adjustments	(18.590)
8	Leverage ratio total exposure measure	581.574

Table LRCom: Leverage ratio common disclosure

		USD 000s
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	450.117
2	(Asset amounts deducted in determining Tier 1 capital)	(2.493)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)**	447.624
	Derivative exposures	
4	Replacement cost associated with *all* derivatives transactions	42.571
5	Add-on amounts for PFE associated with *all* derivatives transactions	50.854
EU-5a	Exposure determined under Original Exposure Method	N/A
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	N/A
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	N/A
8	(Exempted CCP leg of client-cleared trade exposures)	N/A
9	Adjusted effective notional amount of written credit derivatives	N/A
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	N/A
11	**Total derivatives exposures**	**93.425**

		USD 000s
	SFT Exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	30.802
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	N/A
14	Counterparty credit risk exposure for SFT assets	9.723
EU-14a	Derogation for SFTs: Counterparty credit risk exposure	N/A
15	Agent transaction exposures	N/A
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	N/A
16	**Total securities financing transaction exposures**	**40.525**
		Other Off-balance sheet exposures
17	Off-balance sheet exposures at gross notional amount	N/A
18	(Adjustments for conversion to credit equivalent amounts)	N/A
19	**Other off-balance sheet exposures**	0
	Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No. 575/2013 (on and off balance sheet)	
EU-19a	(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No. 575/2013 (on and off balance sheet))	N/A
EU-19B	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No. 575/2013 (on and off balance sheet))	N/A
	Capital and total exposure measure	
20	Tier 1 capital	420.376
21	Leverage ratio total exposure measure	581.574
	Leverage Ratio	
22	Leverage ratio	**72,28%**
	Choice on transitional arrangements and amount of derecognised fiduciary items	
EU-23	Choice on transitional arrangements for the definition of the capital measure	N/A
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No. 575/2013	N/A

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

		USD 000s
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	447.624
EU-2	Trading book exposures	161.666
EU-3	Banking book exposures, of which	285.958
EU-4	Covered bonds	–
EU-5	Exposures treated as sovereigns	–
EU-6	Exposures to regional governments, MDB, international organisations and PSE **not** treated as sovereigns	–

		USD 000s
EU-7	Institutions	245.579
EU-8	Secured by mortgages of immovable properties	–
EU-9	Retail exposures	–
EU-10	Corporate	38.018
EU-11	Exposures in default	–
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	2.361

Appendix 1: Main Features of Common Equity Tier 1 Instruments

Capital instruments main features template		
1	ISSUER	Alfa Capital Holding (Cyprus) Limited
2	Unique identifier (eg CUSIP,ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Cyprus
	Regulatory treatment	Companies Law,Cap.113
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	USD 180mln
9	Nominal amount of instrument	1,71
9a	Issue price	1,71
9b	Redemption price	-
10	Accounting classification	Equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call date, contingent call dates and redemption amount	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupon/dividends	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in items of timing)	Fully discretionary
20b	Fully discretionary, partially discretionary or mandatory (in items of amount)	Fully discretionary
21	Existence of step up or other incentive or redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A

Capital instruments main features template		
30	Write-down features	N/A
31	If write-down , write-down trigger(s)	N/A
32	If write-down , full or partial	N/A
33	If write-down , permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

Appendix 2: Transitional Own Fund Disclosure according to the Annex IV of the EU regulation No. 1423/2013

Transitional Own Funds Disclosure		Amount as of 31/12/2018
		USD '000
Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	Capital instruments and the related share premium accounts	180.014
	of which: Instrument type 1 – Share Capital	6.017
	of which: Instrument type 2 – Share Premium	173.997
	of which: Instrument type 3	–
2	Retained earnings	232.294
3	Accumulated other comprehensive income (and other reserves)	–
3a	Funds for general banking risk	N/A
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	N/A
	Public sector capital injections grandfathered until 1 January 2018	N/A
5	Minority interests (amount allowed in consolidated CET1)	N/A
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	10.562
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**422.870**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	(76)
8	Intangible assets (net of related tax liability) (negative amount)	(2.417)
9	Empty set in the EU	N/A
10	Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	N/A
11	Fair value reserves related to gains or losses on cash flow hedges	N/A
12	Negative amounts resulting from the calculation of expected loss amounts	N/A
13	Any increase in equity that results from securitised assets (negative amount)	N/A
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	N/A
15	Defined-benefit pension fund assets (negative amount)	N/A
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	–
17	Direct, indirect and synthetic holdings of the CET 1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	N/A

Transitional Own Funds Disclosure		Amount as of 31/12/2018
		USD ‘000
18	Direct, indirect and synthetic holdings by the institution of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	N/A
19	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 10% threshold and net of eligible short positions) (negative amount)	N/A
20	Empty set in the EU	N/A
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	–
20b	of which: qualifying holdings outside the financial sector (negative amount)	–
20c	of which: securitisation positions (negative amount)	–
20d	of which: free deliveries (negative amount)	–
21	Deferred tax assets arising from temporary differences (amount **above** 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	N/A
22	Amount exceeding the 15% threshold (negative amount)	N/A
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	N/A
24	Empty set in the EU	N/A
25	of which: deferred tax assets arising from temporary differences	N/A
25a	Losses for the current financial year (negative amount)	N/A
25b	Foreseeable tax charges relating to CET1 items (negative amount)	N/A
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment	N/A
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	N/A
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR	N/A
27	Qualifying AT1 deductions that exceed the AT1 capital of the institution (negative amount)	N/A
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	(2.493)
29	**Common Equity Tier 1 (CET1) capital**	**420.377**
30-36	Additional Tier 1 (AT1) capital: instruments	–
37-42	Additional Tier 1 (AT1) capital: regulatory adjustments	–
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	–

Transitional Own Funds Disclosure		Amount as of 31/12/2018
		USD '000
44	Additional Tier 1(AT1) capital	–
45	**Tier 1 capital (T1 = CET1 + AT1)**	**420.377**
Tier 2 (T2) capital: instruments and provisions		
46	Capital instruments and the related share premium accounts	–
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	–
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interests and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third parties	–
49	of which: instruments issued by subsidiaries subject to phase out	–
50	Credit risk adjustments	–
51	**Tier 2 (T2) capital before regulatory adjustments**	–
Tier 2 (T2) capital: regulatory adjustments		
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	–
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	N/A
54	Direct and indirect holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	N/A
54a	of which new holdings not subject to transitional arrangements	N/A
54b	of which holdings existing before 1 January 2013 and subject to transitional arrangements	N/A
55	Direct and indirect holdings by the institution of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amount)	N/A
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013 (i.e. CRR residual amounts)	N/A
56a	Residual amounts deducted from Tier 2capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No. 575/2013	N/A
	Of which items to be detailed line by line, e.g. Material net interim losses, intangibles, shortfall of provisions to expected losses etc	N/A
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No. 575/2013	N/A

Transitional Own Funds Disclosure		Amount as of 31/12/2018
		USD '000
	Of which items to be detailed line by line, e.g. reciprocal cross holdings in at1 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc	N/A
56c	Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	N/A
	Of which: possible filter for unrealised losses	N/A
57	Total regulatory adjustments to Tier 2 (T2) capital	N/A
58	**Tier 2 (T2) capital**	–
59	**Total capital (TC = T1 + T2)**	420.377
59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No. 575/2013(i.e. CRR residual amounts)	N/A
	Of which: Items not deducted from CET1 (Regulation (EU) No. 575/2013residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc)	N/A
	Of which: Items not deducted from AT1 items (Regulation (EU) No. 575/2013residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc)	N/A
	Items not deducted from T2 items (Regulation (EU) No. 575/2013residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own t2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc)	N/A
60	**Total risk weighted assets**	523.342
Capital ratios and buffers		
61	**Common Equity Tier 1 (as a percentage of total risk exposure amount)**	**80,33%**
62	**Tier 1 (as a percentage of total risk exposure amount)**	**80,33%**
63	**Total capital (as a percentage of total risk exposure amount)**	**80,33%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements, plus systemic risk buffer, plus systemically important institution buffer expressed as a percentage of risk exposure amount)	11,01%
65	of which: capital conservation buffer requirement	1,8750%
66	of which: countercyclical buffer requirement	0,1332%
67	of which: systemic risk buffer requirement	1,0000%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	N/A

Transitional Own Funds Disclosure		Amount as of 31/12/2018
		USD '000
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	80,33%
69	[non relevant in EU regulation]	
70	[non relevant in EU regulation]	
71	[non relevant in EU regulation]	
Amounts below the thresholds for deduction (before risk weighting)		
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	N/A
73	Direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	N/A
74	Empty set in the EU	N/A
75	Deferred tax assets arising from temporary differences (amount below 10% threshold, net of related tax liability where the conditions in Article 38 (3) are met)	N/A
Applicable caps on the inclusion of provisions in Tier 2		
76	Credit risk adjustments included in T2 in respect of exposures subject to standardised approach (prior to the application of the cap)	N/A
77	Cap on inclusion of credit risk adjustments in T2 under standardised approach	N/A
78	Credit risk adjustments included in T2 in respect of exposures subject to internal ratings-based approach (prior to the application of the cap)	N/A
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	N/A
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)		
80	Current cap on CET1 instruments subject to phase out arrangements	N/A
81	Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	N/A
82	Current cap on AT1 instruments subject to phase out arrangements	N/A
83	Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	N/A
84	Current cap on T2 instruments subject to phase out arrangements	N/A
85	Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	N/A