SIB (CYPRUS) LIMITED

Disclosures in accordance with Capital Requirements Regulation (EU) No 575/2013 on prudential requirements for credit institutions and investment firms (the “CRR”)

As at 31 December 2020

CONTENTS

1 General information

SIB (Cyprus) Limited ("the Company") was incorporated in Cyprus on 18 April 2001 with registration number HE 119924 as a private limited liability company in accordance with the provisions of the Cyprus Company Law, Cap. 113. The registered office of the Company is located at 2-4 Arch. Makarios III Avenue, Capital Center, 9th Floor, 1065 Nicosia, Cyprus.

The Company holds a license from the Cyprus Securities and Exchange Commission ("CySEC") (number CIF 066/06 dated 15 June 2006), which permits the Company to operate as a Cyprus Investment Firm ("CIF") and to provide investment and ancillary services in relation to specific financial instruments. In more detail, during the year the Company's principal activities were the reception and transmission of client orders, execution of orders on behalf of clients, dealing on own account and underwriting of financial instruments.

Since 9 March 2016, following approval by the CySEC and the Financial Conduct Authority ("FCA"), the Company established a branch in the United Kingdom. The branch trades in cash equities and fixed income as well as engaging in underwriting of financial instruments activities and is regulated by the CySEC and the FCA.

The Company's immediate parent is SBGB Cyprus Limited ("SBGB"), a company incorporated in Cyprus, which owns 100% of the Company's shares. SBGB is ultimately 100% owned by Sberbank of Russia, incorporated in the Russian Federation, which together with its subsidiaries, including the Company, is referred to as "the Group".

Sberbank of Russia's principal shareholder, the Central Bank of the Russian Federation (the "Bank of Russia"), owns 52.3% of the issued ordinary shares as at 31 December 2020. This is equivalent to 50.0% plus 1 share of the total issued ordinary and preferred shares.

Information are presented in thousands of US Dollars ("US$") unless otherwise indicated.

2 Basis and frequency of Disclosures

The Company in its 2020 Pillar 3 Disclosures report sets out both quantitative and qualitative information, in accordance with the requirements of Part Eight 'Disclosures by Institutions' of the CRR. The Company's Pillar 3 Disclosures also include tables prepared in line with the Guidelines EBA/GL/2016/11 on disclosure requirements under Part Eight of Regulation (EU) No 575/2013.

The Company publishes its Pillar 3 disclosures on an annual basis in conjunction with the date of issuance of the Company's financial statements. The Pillar 3 Disclosures are published on the Company's website, www.sib.com.cy, in accordance with regulatory guidelines.

3 Verification

The Pillar 3 Disclosures report is published by the Company as per the internal Pillar 3 Disclosures Policy of the Company, which is approved by the Board of Directors ("BoD").

4 Scope of Disclosures

The Company is making the disclosures on an individual (solo) basis.

According to Part Eight of the CRR, institutions may omit one or more of the disclosures listed in Title II of this Part if the information provided by such disclosures is not regarded as material. Information in disclosures shall be regarded as material if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. Institutions may also omit one or more items of information included in the disclosures if those items include information which is regarded as proprietary or confidential as defined in the CRR.

5 Risk management, objectives and policies

The risk management function within the Company is carried out in respect of financial risks (credit and counterparty credit risk, market risk and liquidity risk) and operational risks. The primary objective of the financial risk management function is to establish risk limits, and then to ensure that exposure to risks remains within these limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The Company's management and BoD are satisfied that the Risk Management Framework is appropriate given the risk profile of the Company and its strategy.

5.1 Risk Management Framework and Governance

The Company establishes its own Risk Management framework, in accordance with its Risk Appetite, Group-level policies and methodologies and with regulatory requirements set by CySEC. The Company's risk management policies are designed to identify and analyze risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

The Company employs a "three lines of defence approach" when it comes to Risk Management: The Business is the first line of defence and it charged with the real-time management of all risks. The second line of defence is made of Control and Support functions, including Risk Management and Finance, which are meant to provide an independent control on all risks and ensure that the first line is adequately managing risks in accordance with the Risk Appetite of the Company. The third line of defence is the Internal Audit function, which provides the required independent assurance to Senior Management that risks are recognised, monitored and managed within acceptable risk parameters.

All risks taken by all Business lines follow the same breakdown of responsibilities: The Business Lines are charged with ensuring that all business decisions fall within the Risk Management framework of the Company. The Risk Management function independently controls the risks taken and ensures that they are within the Risk Appetite defined by the BoD. The Risk Management function reports both to the Finance, Treasury & Risks ("FTR") Sub-Committee of Executive Committee ("ExCo") of the BoD and the Risk & Compliance Committee of the BoD. The ExCo has management oversight responsibilities with respect to Risk Management and the Risk & Compliance Committee of the BoD has high-level oversight including defining the Risk Appetite and setting high-level limits to be adhered to.

Risk Appetite

The Company's risk appetite can generally be characterized as moderately conservative. The main objective of the Company is to generate income from commissions, brokerage fees and interest on collateralised financing. Being one of the trading entities of Sberbank of Russia Group, the Company operates mainly with International/Western and Russian counterparties, in instruments with Russian and Developed Markets' underlying risk factors. As such, the Company's risk appetite incorporates International and Russian clients and products, the values of which depend on prices and rates which are determined or at least partially effected in/by the Russian markets.

5 Risk management, objectives and policies (continued)
5.1 Risk Management Framework and Governance (continued)

In more detail, the Company's risk appetite allows considerable trading activity with the following client/counterparty types:

a. Sberbank Group companies, which use the Company as a platform to access financial markets
b. Russian Corporates and Financials, hedging exposures obtained through their main operations
c. International Investment Banks, with which the Company performs hedging activities
d. International Non-Banking Counterparties, which wish to gain or hedge exposure to the Russian markets
e. Russian family offices and High-net-worth individuals

The Company engages in trading with these clients/counterparties, of Cash Products, Securities and Derivatives on Foreign Exchange Rates, Interest Rates, Equities' Prices and Commodities' Prices.

The Company's trading activities give rise to Market Risk, Credit Risk, Liquidity Risk and Operational Risk. The maximum tolerable levels of these risks are stipulated in the Risk Appetite Statement of the Company. The detailed management of these risks is defined in the Company's approved Risk Management policies.

A key element of the Risk Appetite Statement is the internal limit on the Company's Capital Adequacy Ratio, which is set at 2% above the minimum regulatory requirements after application of the capital buffers.

Periodic audits of the risk management processes are undertaken by the internal auditors of the Company. This function is subcontracted to KPMG Cyprus. Furthermore local systems and controls are in place to enable the Company to comply with the CRR and regulations set by the Company's regulator, the CySEC.

The Company's "Risk & Compliance Committee" consists of Independent Non-Executive Members of the Board of Directors. By delegation of the Board of Directors, this Committee approves all risk management policies and defines the Risk Appetite of the Company in line with regulatory requirement and the risk appetite of the Group. The Committee meets four times a year in line with Board of Directors' meetings.

The Company has its own dedicated Chief Risk Officer ("CRO"), which is based in Cyprus, and ensures compliance with the Risk Management Framework and also local regulatory requirements. The CRO reports to the Chief Executive Officer ("CEO") of the Company and the Head of Risk Management of Sberbank CIB. In turn, the Head of Risk Management of Sberbank CIB has a functional reporting line to the management of Group Risk Management.

Local systems and controls are in place to enable the Company to comply with the Directive DI144-2014-14 for the Prudential Supervision of Investment Firms and Directive DI144-2014-15 on the discretions of the CySEC arising from Regulation (EU) No 575/2013 and other regulations issued by the Company's regulator, the CySEC. The Company has approved risk management policies for all the main types of risk it faces. These policies include procedures for the setting of maximum risk thresholds through internal bodies, escalations mechanisms for breaches in risk tolerance and Committees which meet regularly to share and discuss risk issues.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance (continued)

In accordance with CRR, the Company shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that it considers adequate to cover the nature and level of the risks to which it is or might be exposed. In this respect, the Company carries out an Internal Capital Adequacy Assessment Process ("ICAAP") process on a continuous basis and prepares its ICAAP Report annually. The report is approved by the Board and submitted to CySEC.

In addition, the company has approved limits for Market risk, Credit and Counterparty Credit Risk, Liquidity risk, as well as internal limits for capital adequacy that are stricter than regulatory requirements.

- Limits for Market Risk include limits on Delta, Vega, Gamma exposures.
- Credit and Counterparty Credit Risk limits are set by name for the main counterparties/issuers with/in which the Company trades, and stipulate maximum Credit exposure tolerance.
- Liquidity risk limits set a maximum tolerance for liquidity needs based on cash-flow projections.

The Company's risk vs. approved limits are monitored on a daily basis (with some exceptions, which are monitored weekly) and daily reports which include the results of the monitoring are sent to Senior Management of the Company and Sberbank CIB. In addition, the Risk & Compliance Committee of the Board of Directors receives a Risk Management update prepared by the Company's Chief Risk Officer during its regular meetings.

The Risk Management Function is delivered by the Risk Management. The department's main responsibilities are the application of all decisions and policies taken by the Risk and Market Risks Committees, daily monitoring and management of all risk taking activities.

The Company's Management-level Risk governance is exercised primarily through the Executive Committee, which ensures management oversight of the risk management framework. The practical application of the Level 3 risk management function is primarily the responsibility of the Company's CRO.

The Board of Directors and management make every effort to establish a strong risk management culture within the Company, which provides appropriate standards and incentives for professional and responsible behavior. The Company strives to adhere to all regulatory requirements of CySEC with respect to Stress testing and the assessment of internal capital adequacy.

Stress Testing Framework

Stress testing is used to evaluate the potential impact of all types of risks including but not limited to Market Risk, Credit Risk, Operational Risk, and Liquidity Risk.

Stress testing is forward-looking and is calibrated to current political and economic conditions. Stress testing is not limited to past experience and the replication of historical events. It is detailed but at the same time, efficient in terms of speed of production of results and their evaluation. The expertise of each relevant department plays a key role in the formulation of specific stress testing scenarios.

Stress testing is carried out at varying degrees of aggregation, from the level of an individual sub-portfolio or risk up to the institutional (global portfolio) level. The severity of stress tests is of a level adequate enough to estimate the Company's exposure to a certain risk, while at the same time being within the limits of plausibility as to ensure usefulness for business planning and formulation of the risk appetite.

5 Risk management, objectives and policies (continued)
5.1 Risk Management Framework and Governance (continued)

The methodologies applied for Stress Testing include:
- Scenario Analysis;
- Reverse Stress Testing and;
- Default Scenarios

The Company applies various measures to manage, hedge and mitigate risks:
- Market Risk is managed within approved limits and is reduced where necessary by means of hedging transactions which reduce market risk exposures.
- Credit and Counterparty Credit risk is managed within approved limits and is reduced where necessary by means of hedging mechanisms, such as CDS transactions, margining, collateral and netting.
- For Liquidity risk the Company uses Stress testing in order to assess liquidity needs under extreme but plausible future scenarios. Liquidity risk is assessed both under normal as well as stressed conditions.
- The Company identifies, assesses and monitors Operational risk associated with all significant processes and systems. The Operational Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments.

The detailed measures that the Company applied to manage, hedge and mitigate risks, are described in the Company's approved Risk Management policies. The management of all risks that are significant to the Company is discussed below.

5.2 Credit risk

The Company takes on exposure to credit risk, which is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to meet its obligations as they fall due. Exposure to credit risk arises as a result of the Company's advances and other transactions with counterparties giving rise to financial assets. The Company is also exposed to the credit worthiness of issuers of securities, and to its banks and custodians.

The Company has standards, policies and procedures dedicated to controlling and monitoring credit risk from all such activities. The Company's maximum exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of the financial position.

The Company participates in the Credit Risk Management Framework of its ultimate parent company, Sberbank of Russia. The Company identifies, assesses and monitors the credit risk associated with all significant products and business lines. The Company trusts its ultimate parent company, Sberbank of Russia to set appropriate group-level credit limits which safeguard the Sberbank of Russia Group. The implementation of Company-level limits should take into account limits set at Sberbank CIB and/or Global Markets level.

The approval of limits for the Company is dependent on the approval of counterparty limits for Global Markets and/or Sberbank CIB. Group methodology on which decisions of limits amounts are based is dependent on the credit quality of the counterparty and the scope of proposed transactions. The detailed approval process for Global Markets/ Sberbank CIB limits follows a rigorous procedure which includes approvals from business and control functions at Group level.

These limits are then rolled down to Company-specific limits which are set through the Company's local governance bodies.

5 Risk management, objectives and policies (continued)
5.2 Credit risk (continued)

Upon notification of the approval of a new counterparty limit for Global Markets and/or Sberbank CIB, the Company's CRO obtains the Credit Analysis used for the purpose of approving the limit and submits it to the Company's Executive Committee ("ExCo") for the purpose of approval of a Company-level limit for the same counterparty.

The ExCo evaluates the analysis, considering the CRO's opinion. In case further information or changes are required, the application is rejected. In case the application is approved by ExCo, the limit is implemented. If limits are not approved by the ExCO, trading cannot occur with the subject counterparty.

The implementation of new limits is notified to the Board of Directors ("BoD") and/or its relevant Committee(s), during the next meeting of the BoD. The BoD and/or its relevant Committee(s), can challenge the appropriateness of the limits, in which case the limits may need to be reevaluated by the ExCo.

The Credit Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments. The Company aims to establish appropriate information systems for the measurement and monitoring of credit risk.

The Company pursues diversification with respect to counterparties and collateral. Different products carry different types of credit risk and as such are to be treated differently in terms of calculation of credit risk exposure. Implementation of new products require explicit discussion in all the Company's departments including Global markets, Risk management, Compliance, Operations and Finance and subsequent approval of ExCo. Internal Audit performs audits on the work done by Compliance and Risk Management on an annual basis and reports to the Audit Committee of the BoD, on findings.

5.3 Counterparty Credit Risk

According to the CRR, investment firms shall determine the exposure value for CCR of derivative contracts with one of the methods set out in Sections 3 to 6 of the Chapter 6 of Part Three. Under all methods the exposure value for a given counterparty is equal to the sum of the exposure values calculated for each netting set with that counterparty.

An exposure value of zero for CCR can be attributed to derivative contracts, or repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions outstanding with a central counterparty ("CCP")[1] and that have not been rejected by the central counterparty.

Furthermore, an exposure value of zero can be attributed to credit risk exposures to central counterparties that result from the derivative contracts, repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions and margin lending transactions or other exposures, as determined by the CySEC, that the investment firm has outstanding with the central counterparty. The central counterparty CCR exposures with all participants in its arrangements shall be fully collateralised on a daily basis.

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[1] Central Counterpart ("CCP") is defined in point (1) of Article 2 of Regulation (EU) No 648/2012 as a legal person that interposes itself between the counterparties to the contracts traded on one or more financial markets, becoming the buyer to every seller and the seller to every buyer;

5 Risk management, objectives and policies (continued)
5.3 Counterparty Credit Risk (continued)

Exposures arising from long settlement transactions can be determined using any of the methods set out in Sections 3 to 6 of the Chapter 6 of Part Three of the CRR, regardless of the methods chosen for treating OTC derivatives and repurchase transactions, securities or commodities lending or borrowing transactions, and margin lending transactions.

Derivative financial instruments, including options on equity securities, index-linked options, foreign exchange swaps, interest rate swaps, forward rate agreements and total return swaps entered into by the Company are traded either in an over-the-counter market with professional market participants or on stock exchanges. Derivatives have potentially favorable (assets) or unfavorable (liabilities) conditions as a result of fluctuations in market prices of equity instruments, foreign exchange rates, interest rates or other variables relative to their terms.

The management of CCR, is captured in the Company's approved Credit Risk Management Policy. CCR management measures include:

- Limit setting;
- Buying credit protection and;
- Monitoring default impacts through Stress tests.

The Company has adopted the Mark-to-Market Method to calculate the value of its exposures arising from derivative financial instruments. CCR is assessed as part of the approval process for credit risk limits, which is specified in the Credit Risk Management policy. Where necessary guarantees and other risk mitigants are requested.

All deals are assessed for wrong-way risk exposure during the deal approval process. Approved wrong-way risk deals which are considered significant, are examined in isolation under Stress Testing. The impact of a credit rating downgrade, in terms of additional collateral requirements, is not considered significant.

5.4 Market risk

The Company takes on exposures to market risks. Market risks arise from open positions in interest rate, currency, equity and commodity products, all of which are exposed to general and specific market movements.

The management of Group-level market risk is undertaken using risk limits approved by the Risk Committee. Limits are set for portfolios, products and risk types, with market liquidity being a principal factor in determining the level of limits set. The Risk Management Department, an independent unit, develops the Group's market risk management policies and measurement techniques. Furthermore, the Company has its own Market Risk Management Policy, which has been approved in accordance with the Group Policies. The Policy stipulates the approval of entity-level limits that ensure appropriate control of the Company's Market risk.

The Company participates in the Market Risk Management Framework of its ultimate parent company, Sberbank of Russia and applies all of its approved policies. The Company identifies, assesses and monitors the market risk associated with all significant products and business lines.

The Market Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments. The Company aims to establish appropriate information systems for the measurement and monitoring of market risk.

The Company trusts its ultimate parent company, Sberbank of Russia to set appropriate group-level market risk limits which safeguard the Group.

5 Risk management, objectives and policies (continued)
5.4 Market Risk (continued)

The implementation of Company-level limits takes into account the risk appetite set at Sberbank CIB and/or Global Markets level. A key consideration in establishing Market Risk limits is the amount of Regulatory Capital that the Company is prepared to hold for market risk.

The Company follows the same limit hierarchy which is applied at Group Level:

- A level: Limits which define the risk appetite of the Group.
- B level: Limits which cascade the risk appetite of the Group to business lines and subsidiaries
- C level: Limits for specific portfolios within a business line or subsidiary

"Portfolio" means a group of transactions with similar characteristics, such as authorised risks, currencies, instruments, constraints, etc.

The Company may choose to apply the following types of limits:

- Position limits (gross/net), including sensitivity limits (linear and non-linear) – To limit exposures against reference fixed moves of market risk factors
- Stop loss limits – To limit realized losses for portfolios or sub-portfolios
- Value-at-risk limits – To limit percentile losses based on historical return distributions of risk factors
- Stress testing limits – To limit market risk losses under stress scenarios
- Restrictions (maturity, currency pairs, etc.)

The relevant management bodies of the Company decide which of the above limit types are to be applied through any given time-period. Thus, the Company is not obliged to apply all the above limits, rather it should choose which of the above are to be applied from time to time.

The calculation of limits utilization is according to approved Group methodology.

5.5 Liquidity risk

Liquidity risk is defined as the risk that a firm will not be able to meet its current and future cash flow and collateral needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition. Being a member of the Group, the Company's exposure to liquidity risk is managed on a consolidated level. The management of liquidity and funding is primarily carried out at a Group level in accordance with practices and limits set by the Risk Committee of the Group. These limits vary by local financial unit to take account of the depth and liquidity of the market in which the entity operates.

It is the Group's general policy that each entity maintains sufficient funding for its operations. Exceptions are permitted to facilitate the efficient funding of certain short-term treasury requirements, all of which are funded under internal and regulatory guidelines. These internal and regulatory limits and guidelines serve to place formal limitations on the transfer of resources between Group's entities and are necessary to reflect the broad range of currencies, markets and time zones within which the Group operates.

Aside from controls around Liquidity Risk at Group level, the Company has its own Liquidity Risk Management Policy to ensure that there is a sufficient level of oversight on the Company's liquidity (in isolation) in place and that regulatory requirements with respect to Liquidity Risk are met.

5 Risk management, objectives and policies (continued)

5.6 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The company has adopted the Basic Indicator Approach for calculating operational risk, as already communicated to CySEC. Furthermore, the Company has its own Operational Risk Management Policy, in accordance with the Operational Risk Management Framework of the Group, by which it actively monitors and mitigates Operational Risk.

Furthermore, the Company has in place adequate controls to mitigate legal risk arising from potential failure to comply fully with contractual terms and the best benchmark to assess its sensitivity to future legal action is the level of past claims and compensations paid to clients/investors. The Company has not had to pay any significant claims for compensation or damages, however all reasonable steps are taken to ensure that the Company is always in a position to honor its contractual obligations.

6 Information on governance arrangements

6.1 Recruitment Policy – Directorships

The members of the Board of Directors (“the BoD”) are appointed by the immediate shareholder of the Company. As a result, the Company does not have a Nominations Committee.

Before the appointment of a member of the BoD, the Shareholder evaluates and selects the candidates ensuring they have the specialized skills and knowledge to enhance the collective knowledge of the BoD as well as be able to commit the necessary time and effort to fulfil their responsibilities. The BoD shall collectively possess adequate knowledge, skills and experience to be able to understand the Company’s activities, including the principal risks.

Factors considered by the Shareholder in its review of potential candidates include:

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

The Company and the Shareholder recognize the benefits of having a diverse BoD which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences is considered when determining the optimum composition of the BoD without jeopardizing the best interests of the Company. Having in mind the principles mentioned above, the Company works towards a balanced representation of gender on the BoD.

As at 31 December 2020, the BoD has 20% female representation with the policy milestones set to achieve at least 20% by end of 2022.

6 Information on governance arrangements (continued)

6.2 Other Directorships

The Shareholder and the Company consider amongst other, whether a potential director is able to devote the requisite time and attention to the Company's affairs, prior to the BoD's approval of the individual's appointment.

The Investment Services and Activities and Regulated Markets Laws of 2017 determines that members of the board of directors of a CIF that is significant in terms of its size, internal organization and in terms of 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:

(a) one executive directorship with two non-executive directorships;
(b) four non-executive directorships.

Directorships in organizations, which do not pursue predominantly commercial objectives, shall not count for the purposes of the above guidelines. The CySEC may authorise members of the Board of Directors to hold one additional non-executive directorship.

The CySEC has provided an approval for Mr. M. Demetriades to act as Non-Executive Director in five companies.

- Mr. M. Demetriades holds 5 non-executive directorship
- Mr. S. Solomides holds 4 non-executive directorships
- Ms. H. Ivanchuk holds 1 non-executive directorship
- Mr. R. Bird (appointed 12 February 2021) holds 1 non-executive directorship
- Mr. A. Philaniotis holds 1 executive directorship
- Mr. N. Dragatsis holds 1 executive directorship

7 Own funds

The Company's policy is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

The capital is managed within the Group. The Group recognizes the impact on shareholder returns of the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage.

The principal forms of Tier 1 capital include share capital (comprising of fully paid ordinary shares which rank equally and carry one vote), share premium (arising on the issue of ordinary shares at a value above the nominal value) and retained earnings. There was no Tier 2 capital as of 31 December 2020.

Reconciliation between the regulatory capital items and the balance sheet in the audited financial statements in accordance with Article 437 of CRR is presented in the following table.

7 Own funds (continued)

Own Funds Reconciliation **US$ 000's**

Capital items	Financial Statements	Regulatory Own Funds	Variance
Share capital	240	240	-
Share premium	117 082	117 082	-
Retained earnings	153 676	153 676	-
Intangible assets	-	-108	-108
Contributions to the ICF	-	-113	-113
AVA deduction	-	-1,488	-1,488
Total Own Funds	**270 998**	**269 289**	**-1 709**

7.1 Deductions from own funds

The following items, which are deductible from CET1 capital in accordance with Article 36 and Article 3 of the CRR, are as follows:

- Intangible assets, which include mainly computer software and licenses, amounting to US$ 108 thousand.
- Investors Compensation Fund (ICF) contributions, according to the Circular C162 of the CySEC dated 10 October 2016, amounting to US$ 113 thousand.
- Additional valuation adjustment (AVA), according to the Commission Delegated Regulation (EU) 2016/101 of 26 October 2015 with regard to regulatory technical standards for prudent valuation,amounting to US$ 1,488 thousand.

7.2 Disclosure of capital instruments main features

The following table contains a description of the main features applicable to the Common Equity Tier 1 instruments (ordinary shares) issued by the Company.

Capital instruments main features template		**Tier 1**
1	Issuer	SIB (Cyprus) Limited
2	Unique Identifier	N/a
3	Governing law(s) of the instrument	Cyprus Law
	Regulatory treatments	
6	Eligible at solo/(sub-)consolidated / solo & (sub-)consolidated	Yes
7	Instrument type	Ordinary shares
8	Amount recognized in regulatory capital	US$ 117 332 thousand
9	Nominal amount of instrument	US$ 240 thousand
9a	Issuer price	EUR 1.71 nominal per share
9b	Redemption price	N/a
10	Accounting classification	Equity
11	Original date of issuance	Multiple
12	Perpetual or dated	Perpetual
	Coupons/dividends	
17	Fixed or floating dividend/coupon	N/a

7 Own funds (continued)

7.3 Own Funds Disclosure

Own funds disclosure template		**In US$ 000's**
1	Capital instruments and the related share premium accounts	117 322
	- of which: Instrument type 1 – Share capital	240
	- of which: Instrument type 2 – Share premium	117 082
2	Retained earnings	153 676
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**270 998**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
7	Additional value adjustments (negative amount)	-1 488
8	Intangible assets (negative amount)	-108
24	Additional deductions of CET1 capital due to Article 3 of the CRR - contributions to the Investors Compensation Fund ('ICF')	-113
28	***Total regulatory adjustments to Common Equity Tier 1 (CET1)***	***-1 709***
29	**Common Equity Tier 1 (CET1) capital**	**269 289**
44	Additional Tier 1 (AT1) capital	-
45	**Tier 1 capital (T1 = CET1 + AT1)**	**269 289**
58	Tier 2 (T2) capital	-
59	**Total capital (TC =T1 + T2)**	**269 289**
60	**Total risk weighted assets**	**1 032 435**
Capital ratios and buffers		
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	26.08%
62	Tier 1 (as a percentage of total risk exposure amount)	26.08%
63	**Total capital (as a percentage of total risk exposure amount)**	**26.08%**
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus the combined Buffer Requirement)	8.0%
65	- of which: capital conservation buffer requirement	2.5%
66	- of which: countercyclical buffer requirement	0.0%
67a	- of which: Other Systematically Important Institution (O-SII) buffer	0.5%
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	26.08%

8 Compliance with the minimum capital requirements

In accordance with Chapter 3, Title I, Part Three of the CRR, institutions shall have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

8 Compliance with the minimum capital requirements (continued)

In accordance with the CRR, the Company has its documented Internal Capital Adequacy Assessment Process (ICAAP).

During 2020, the Company has complied in full with all capital requirements and capital buffers in accordance with the CRR and the applicable CySEC directives. The internal limit of the Company's Capital Adequacy Ratio in the amount of extra 2% above the minimum regulatory requirements after application of the capital buffers is monitored on a daily basis in order to assess the adequacy of the Company's internal capital to support its current and future activities.

The RWA that form the denominator of the risk-based capital requirements are presented below. All rows that are not relevant to the Company's activities are not included.

EU OV1 – Overview of RWAs

In thousands of US$		RWAs		Minimum capital requirements
		31.12.2020	**31.12.2019**	**31.12.2020**
	Credit risk (excluding CCR)	146 339	165 149	11 707
Article 438(c)(d)	Of which the standardised approach	146 339	165 149	11 707
Article 107 Article 438(c)(d)	CCR	152 190	492 933	12 175
Article 438(c)(d)	Of which mark to market	64 369	156 676	5 150
Article 438(c)(d)	Of which CVA	34 618	19 288	2 769
	Of which Repurchase agreements	53 203	316 969	4 256
Article 438(e)	Settlement risk	-	-	-
Article 438 (e)	Market risk	582 635	769 692	46 611
	Of which the standardised approach	582 635	774 059	46 611
Article 438(e)	Large exposures	-	220 046	-
Article 438(f)	Operational risk	38 480	64 958	3 078
	Of which basic indicator approach	38 480	64 958	3 078
	Pillar II Add-on[2]	112 791	130 119	9 023
	Total	**1 032 435**	**1 842 898**	**82 594**

[2] Pillar II Add-on represents additional capital charges for Pillar I TDI General risk as established by the FTR Sub-Committee of the Company for the internal capital management process.

8 Compliance with the minimum capital requirements (continued)

In 2020 the Company archived significant reduction in its net RWAs for CCR from derivatives and repurchase transactions and for Market risk. Such results were due to reduction in proprietary positions in financial instruments, repurchase transactions and derivatives.

The minimum capital requirements calculated under CRR are as follows.

US$ 000's

Capital Requirements as of 31.12.2020	**82 594**
Total capital for credit, counterparty credit and dilution risks and free deliveries	21 112
Standardised approach (SA)	21 112
o Central governments or central banks	310
o Institutions	1 494
o Corporates	19 296
o Other items	12
Settlement/Delivery Risk	-
Total capital requirements for position, foreign exchange and commodity risks	46 611
Position, foreign exchange and commodity risks under standardised approaches (SA)	46 611
o Traded debt instruments	45 251
o Equity	2
o Foreign Exchange	1 357
o Commodities	-
Total capital requirements for operational risk (OpR)	3 078
OpR Basic indicator approach (BIA)	3 078
Credit valuation adjustment risk	2 769
Additional capital requirements related to large exposures in the trading book	-
Pillar II Add-on	9 023
Surplus of total own funds	186 694
Capital Conservation Buffer (CCB) 2.5%	25 811
Other Systematically Important Institutions (O –SII) buffer 0.5%	5 162
Countercyclical capital buffer of 0.000%	0
CET1 Capital ratio	**26.08%**
Tier 1 Capital ratio	**26.08%**
Total Capital ratio	**26.08%**

9 Macroprudential supervisory measures

The Company shall disclose the following information in relation to its compliance with the requirement for a Countercyclical Capital Buffer ("CCyB") referred to in Title VII, Chapter 4 of Directive 2013/36/EU:

(a) the geographical distribution of its credit exposures relevant for the calculation of its countercyclical capital buffer;

(b) the amount of its institution specific countercyclical capital buffer.

The table below presents the exposures that give rise to countercyclical capital buffer requirement. Types of exposures that do not give rise to countercyclical capital requirement are excluded.

The CCyB requirements as at 31 December 2020 were zero with the institution-specific countercyclical capital buffer rate of 0.000%.

9 Macroprudential supervisory measures (continued)

Geographical distribution of credit exposures relevant for the calculation of the countercyclical capital buffer (CCyB)

Row		General credit exposures	Market risk exposures	Own funds requirements			Own funds requirement weights	Countercyclical capital buffer rate
		Exposure value for SA	Sum of long and short position of trading book	Of which: General credit exposures	Of which: Trading book exposures	Total		
		010	030	070	080	100	110	120
010	**Breakdown by country**							
	Belize	2 969	-	237	-	237	0.01	0%
	Cyprus	688	-	55	-	55	0.00	0%
	Jersey	2 833	-	227	-	227	0.01	0%
	Russian Federation	234 666	5 831	18 773	126	18 899	0.98	0%
	United Kingdom	50	-	4	-	4	0.00	0%
020	**Total**	**241 205**	**5 831**	**19 296**	**126**	**19 422**	**1.00**	

9 Macroprudential supervisory measures (continued)

Amount of institution-specific countercyclical capital buffer (CCyB)

Row		Column
		010
010	Total risk exposure amount	1 032 435
020	Institution specific countercyclical buffer rate	0.000%
030	Institution specific countercyclical buffer requirement	0

10 Exposure to Credit Risk

The Company's exposure to credit risk is primarily reflected in the carrying amounts of financial assets on the statement of financial position.

The Company maintains no exposure to interest rate risk on positions not included in the trading book. All relevant assets and liabilities have matched parameters of interest rates and maturity.

10.1 Past due and Impaired Exposures

The following sections provide an analysis of past due (more than 90 days) and impaired exposures post-value adjustments (before and after applying credit risk mitigation and credit conversion factors) and provisions for impairment.

Financial assets impairment – credit loss allowance for expected credit loss ("ECL")

The Company assesses on a forward-looking basis the ECL for debt instruments (including loans) measured at amortised cost. The Company measures ECL and recognises credit loss allowance at each reporting date. The measurement of ECL reflects: (i) an unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes, (ii) time value of money and (iii) all reasonable and supportable information that is available without undue cost and effort at the end of each reporting period about past events, current conditions and forecasts of future conditions.

The carrying amount of the financial assets is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within "Net credit loss allowance reversal/ (charge)".

Debt instruments measured at amortised cost are presented in the statement of financial position net of the allowance for ECL.

Expected losses are recognized and measured according to one of two approaches: general approach or simplified approach.

For trade receivables, including trade receivables with a significant financing component and contract assets, the Company applies the simplified approach permitted by IFRS 9 which uses lifetime expected losses to be recognised from initial recognition of the financial assets.

For all other financial assets that are subject to impairment under IFRS 9, the Company applies the general approach. 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.

As at 31 December 2020 and 31 December 2019, there are no exposures that are past due.

10 Exposure to Credit Risk (continued)
10.1 Past due and Impaired Exposures (continued)

Receivables relating to trading activities, margin calls placed and other advances and other financial assets are recorded when the Company advances money to counterparties resulting in an unquoted non-derivative financial asset with fixed or determinable payments which the Company has no intention to trade. They are carried at amortized cost less provision for impairment.

As at 31 December 2020, no provisions for impairment of financial assets were created (2019: US$ 74 thousand).

The Company adopted the Standardized Approach for calculation of risk weighted exposures.

10.2 Total and average amount of net exposures

Total and average amount of net exposures for 2020 by exposure class are presented below. Exposure classes that are not relevant to the Company's activities are excluded.

The average corresponds 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.

EU CRB-B – Total and average net amount of exposures

		a	b
		Net value of exposures at the end of the period	**Average net exposures over the period**
1	Central governments or central banks	3 874	3 936
2	Institutions	15 745	9 920
3	Corporates	138 861	102 226
34	Other exposures	153	367
35	Total standardised approach	158 633	116 449
36	**Total**	**158 633**	**116 449**

The Company's Net value of exposures with Institutions and Corporates was higher at the end of the year than usual due to additional cash balances accumulated in its bank and brokerage accounts required for smooth settlement of transactions executed in the period of long Christmas and New Year public holidays.

10 Exposure to Credit Risk (continued)

10.3 Breakdown of exposures by geographical areas and exposure classes

The net value of exposures as at 31 December 2020 is presented below. All Exposure classes that are not relevant to the Company's activities are not included. The net value relates to amounts post value adjustments but before the application of credit conversion factors.

The country or geographical area in which the exposure is classified is driven by the country of residence/incorporation of the counterparty.

The materiality of geographical areas has been determined using the threshold of 0.1%. That is, exposures listed in category "Other countries" are considered immaterial as in total they consist of less than 0.1% of total exposures.

10 Exposure to Credit Risk (continued)

10.3 Breakdown of exposures by geographical areas and exposure classes (continued)

EU CRB-C – Geographical breakdown of exposures

		a	b	c	d	e	f	g	h	i	j	k	k	l
		Net value												
		Belgium	Belize	Switzerland	Cyprus	Germany	France	United Kingdom	Jersey	Russia	Slovenia	USA	Other countries*	**Total**
1	Central governments or central banks	-	-	-	3 874	-	-	-	-	-	-	-	-	**3 874**
2	Institutions	5 322	-	320	4 863	1 782	972	109 342	-	-	20	7 112	-	**129 734**
3	Corporates	-	2 969	-	948	-	-	50	6 442	265 642	-	-	-	**276 050**
22	Other exposures	-	-	-	153	-	-	-	-	-	-	-	-	**153**
23	***Total standardised approach***	5 322	2 969	320	9 838	1 782	972	109 392	6 442	265 642	20	7 112	-	**409 811**
24	*Total*	5 322	2 969	320	9 838	1 782	972	109 392	6 442	265 642	20	7 112	-	409 811

*Including Austria. Panama and British Virgin Islands.

10 Exposure to Credit Risk (continued)

10.4 Concentration of exposures by industry and exposure classes

The net exposures by industry and exposure classes as at 31 December 2020 are presented below.

EU CRB-D – Concentration of exposures by industry or counterparty types

The net value of exposures as at 31 December 2020 is presented below. Exposure classes that are not relevant to the Company's activities are excluded.

The net exposures relate to amounts post value adjustments but before the application of credit conversion factors.

		s	s	u
		Financial service activities	Other	**Total**
1	Central governments or central banks	-	3 874	**3 874**
2	Institutions	15 745	-	**15 745**
3	Corporates	138 687	175	**138 861**
22	Other exposures	-	153	**153**
23	Total standardised approach	154 431	4 630	**158 633**
24	**Total**	**154 431**	**4 630**	**158 633**

The industry category "Other" includes mainly government services and other immaterial exposures to vendors of services included in operation expenses of the Company.

10.5 Net exposures by residual maturity and exposure classes

EU CRB-E – Maturity of exposures

The net exposures by residual maturity and exposure classes as at 31 December 2020 are presented below. The net exposures relate to amounts post value adjustments but before the application of credit conversion factors.

- Exposures classified as "On demand" include cash balances with banks and brokers.
- Exposures classified with maturity of less than 1 year include initial margin balances with CCPs and brokers and other short-term exposures.
- Exposures classified with maturity between 1 to 5 years, include other advances provided as part of commodity prepayment agreements.
- Exposures for which there is no stated maturity have been assigned to column "No stated maturity".

10 Exposure to Credit Risk (continued)

10.5 Net exposures by residual maturity and exposure classes (continued)

EU CRB-E – Maturity of exposures

		a	b	c	d	e	f
		Net exposure value					
		On demand	<= 1 year	> 1 year <= 5 years	> 5 years	No stated maturity	**Total**
1	Central governments or central banks	-	3 874	-	-	-	**3 874**
2	Institutions	15 732	2	-	10	-	**15 745**
3	Corporates	138 596	250	16	-	-	**138 861**
22	Other exposures	-	153	-	-	-	**153**
23	Total standardised approach	154 328	4 279	16	10	-	**158 633**
24	**Total**	**154 328**	**4 279**	**16**	**10**	**-**	**158 633**

The Company does not apply on-balance sheet netting and other credit risk mitigation technics for Credit risk exposures.

11 Credit assessments of External Credit Assessment Institutions ("ECAIs")

To calculate risk-weighted exposure amounts, risk weights shall be applied to all exposures in the trading book and non-trading book, unless deducted from own funds, in accordance with the provisions of Sections 1 and 2, Chapter 2, Title II, Part Three of the CRR.

The application of risk weights shall be based on the exposure class to which the exposure is assigned and, to the extent specified in Section 2, its credit quality. Credit quality is determined by reference to the credit assessments of External Credit Assessment Institutions ("ECAIs") or the credit assessments of Export Credit Agencies in accordance with Section 3.

For the purposes of applying a risk weight the exposure value shall be multiplied by the risk weight specified or determined in accordance with Section 2.

11 Credit assessments of External Credit Assessment Institutions ("ECAIs") (continued)

EU CRD – Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk

Article 444(a)	(a)	The Company uses credit assessments of ECAIs recognised as eligible by the CySEC: • Fitch Ratings • Standard & Poor's Rating Services • Moody's Investors Service
Article 444(b)	(b)	The Company applies credit assessments of ECAIs for all exposure classes including Sovereigns, Institutions, Corporates
Article 444(c), (d)	(c) (d)	The Company follows the standard mapping of each credit assessment of the eligible ECAIs into the Credit Quality Steps ("CQS") as it is prescribed by the Article 136 of CRR. Where a credit assessment exists for a specific issuing programme or facility to which the item constituting the exposure belongs, this credit assessment is used to determine the risk weight to be assigned to that item. Where no directly applicable credit assessment exists for a certain item, but a credit assessment exists for a specific issuing programme or a general credit assessment exists for the issuer, then that credit assessment is used. In all other cases, the exposure is treated as unrated.

Mapping of ECAIs' credit assessments and credit quality steps (CQS)

Credit quality step	1	2	3	4	5	6
Fitch Ratings						
Long-term issuer credit ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, C, RD, D
Moody's Investors Service						
Global long-term rating scale	Aaa, Aa	A	Baa	Ba	B	Caa, Ca, C
Standard & Poor's Ratings Services						
Long-term issuer credit ratings scale	AAA, AA	A	BBB	BB	B	CCC, CC, R, SD/D

EU CR4 – Standardised approach – Credit risk exposure and CRM effects

The table below illustrates the effect of all CRM techniques applied in accordance with the CRR. The exposure amounts are after the application of specific credit risk adjustments as they are explained in Section 10 above.

RWA density is a synthetic metric on the riskiness of each portfolio, and is calculated as the percentage of total risk-weighted exposures over the exposures post CCF and post CRM.

11 Credit assessments of External Credit Assessment Institutions ("ECAIs") (continued)

All rows and columns that are not relevant to the Company's activities are not included in the table below.

		a	b	c	d	e	f
		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
1	Central governments or central banks	3 874	-	3 874	-	3 874	100%
6	Institutions	15 745	-	15 745	-	3 451	22%
7	Corporates	138 861	-	138 861	-	138 861	100%
16	Other items	153	-	153	-	153	100%
17	**Total**	**158 633**	**-**	**158 633**	**-**	**146 339**	**92%**

EU CR5 – Standardised approach

The table below presents the breakdown of exposures under the Standardised Approach by asset class and risk weight (corresponding to the riskiness attributed to the exposure according to the standardised approach). The exposures are disclosed after the application of credit conversion factors and the application of credit risk mitigation techniques.

All rows and columns that are not relevant to the Company's activities are not included in the table below.

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 CRR, are presented in the category "of which Unrated".

	Exposure classes	20%	50%	100%	Total	Of which Unrated
1	Central governments or central banks	-	-	3 874	3 874	-
6	Institutions	14 760	973	12	15 745	2
7	Corporates	-	-	138 861	138 861	243
16	Other items	-	-	153	153	-
17	**Total**	**14 760**	**973**	**142 900**	**158 633**	**245**

12 Exposure to Counterparty Credit Risk ("CCR")

"Counterparty Credit Risk" means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

"Long Settlement Transactions" mean transactions where a counterparty undertakes to deliver a security, a commodity, or a foreign exchange amount against cash, other financial instruments, or commodities, or vice versa, at a settlement or delivery date that is contractually specified as more than the lower of the market standard for this particular transaction and five business days after the date on which the investment firm enters into the transaction.

12 Exposure to Counterparty Credit Risk ("CCR") (continued)

"Margin Lending Transactions" mean transactions in which an investment firm extends credit in connection with the purchase, sale, carrying or trading of securities. Margin lending transactions do not include other loans that happen to be secured by securities collateral.

The Company has adopted the Mark-to-Market Method to calculate the value of its exposures arising from derivative financial instruments.

Mark-to-Market Method

Step (a): by attaching current market values to contracts (mark-to-market), the current replacement cost of all contracts with positive values is obtained.

Step (b): to obtain a figure for potential future credit exposure, except in the case of single currency 'floating/floating' interest rate swaps in which only the current replacement cost will be calculated, the notional principal amounts or underlying values are multiplied by the percentages in the following table:

Residual maturity	Interest-rate contracts	Contracts concerning foreign exchange rates and gold	Contracts concerning equities	Contracts concerning precious metals except gold	Contracts concerning commodities other than precious metals
One year or less	0%	1%	6%	7%	10%
Over one year, not exceeding five years	0.5%	5%	8%	7%	12%
Over five years	1.5%	7.5%	10%	8%	15%

Step (c): the sum of current replacement cost and potential future credit exposure is the exposure value.

For credit default swap credit derivatives the following percentages are used for potential future credit exposure:

- 5%, where the reference obligation is a qualifying item for the purposes of Part Three, Title IV, Chapter 2 of the CRR;
- 10%, where the reference obligation is not a qualifying item for the purposes of Part Three, Title IV, Chapter 2 of the CRR.

Valuation models are used in determining fair values of options, credit default swap (CDS), total return swaps (TRS), interest rate swaps (IRS), forward rate agreements (FRA), cross currency interest rate swaps, non-deliverable currency forwards (NDF), foreign exchange and commodity swaps and forwards. The option values are based on Black-Scholes model. The interest rate curve used in IRS/FRA models is based on actual FRA rates under one year and IRS rates over one year. Foreign exchange swaps and forwards, NDF values and cross currency interest rate swaps are derived from market spot rates adjusted for required number of market swap points and present value effect. CDS valuation model incorporates credit risk curves for applicable underlying entities and interest rate curves on actual Libor rates under one year and swap points over one year.

The Company recognizes the effect of contractual netting as risk-reducing in accordance with the requirements of Section 7 of Chapter 6, Part Three of the CRR. The Company factors the effects of netting into its measurement of each counterparty's aggregate credit risk exposure.

12 Exposure to Counterparty Credit Risk ("CCR") (continued)

The following treatment applies to contractual netting agreements:

(i) The current replacement cost for the contracts included in a netting agreement is obtained by taking account of the actual hypothetical net replacement cost which results from the agreement. In the case where netting leads to a net obligation for the Company calculating the net replacement cost, the current replacement cost is calculated as '0'.

(ii) The figure for potential future credit exposure for all contracts included in the netting agreement is reduced in accordance with the following formula:

$$PCE_{red} = 0.4 \times PCE_{gross} + 0.6 \times NGR \times PCE_{gross}$$

where:

PCE_{red} = the reduced figure for potential future credit exposure for all contracts with a given counterparty included in a legally valid bilateral netting agreement;

PCE_{gross} = the sum of the figures for potential future credit exposure for all contracts with a given counterparty which are included in a legally valid bilateral netting agreement and are calculated by multiplying their notional principal amounts by the percentages set out in the Step (b) above;

NGR = the net-to-gross ratio calculated as the quotient of the net replacement cost for all contracts included in a legally valid bilateral netting agreement with a given counterparty (numerator) and the gross replacement cost for all contracts included in a legally valid bilateral netting agreement with that counterparty (denominator).

The Company uses ISDA/CSA agreements for over-the-counter (OTC) derivatives which establish conditions for transfer of collateral between the parties for credit risk mitigation. The signed CSA do not contain conditions which would require the Company to post any material additional collateral with its counterparties in case of downgrade in its credit rating. CVA reserves are recognized for OTC derivatives with corporate counterparties which have no CSA signed with the Company.

In accordance with Chapter 4, Title II, Part Three of the CRR, the Company implemented funded credit protection and unfunded credit protection techniques in the calculation of the capital requirements against credit risk and counterparty credit risk. Main types of collateral taken by the Company are margin cash deposits placed under ISDA/CSA agreements for derivatives and eligible debt and equity securities in accordance with Section 2 of the Chapter 4.

The Company adopted the Financial Collateral Comprehensive Method prescribed by Section 4 of Chapter 4 of Part Three of the CRR for calculation of the 'fully adjusted exposure value' for the exposures subject to eligible master netting agreements covering repurchase transactions or securities or commodities lending or borrowing transactions or other capital market-driven transactions. Volatility adjustments are calculated by using the Supervisory Volatility Adjustments Approach.

Credit risk mitigation

"Credit risk mitigation" ("CRM") means a technique used by an institution to reduce the credit risk associated with an exposure or exposures which the institution continues to hold.

12 Exposure to Counterparty Credit Risk (“CCR”) (continued)

‘Funded credit protection’ means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the right of that institution, in the event of the default of the counterparty or on the occurrence of other specified credit events relating to the counterparty, to liquidate, or to obtain transfer or appropriation of, or to retain certain assets or amounts, or to reduce the amount of the exposure to, or to replace it with, the amount of the difference between the amount of the exposure and the amount of a claim on the institution.

The Company recognises cash, gold and financial instruments as eligible collateral for CRM in case they meet all the requirements for financial collateral under Sections 2 and 3 of Chapter 4 of Part Three of the CRR. The estimated fair value of financial instruments has been determined by the Company using available market information, where it exists, and appropriate valuation methodologies.

‘Unfunded credit protection’ means a technique of credit risk mitigation where the reduction of the credit risk on the exposure of an institution derives from the obligation of a third party to pay an amount in the event of the default of the borrower or the occurrence of other specified credit events. The Company uses unfunded credit protection from eligible providers which are credit institutions with external credit assessment from eligible ECAIs associated with CQS 3 and above.

This table provides the comprehensive view of the methods used by the Company to calculate CCR regulatory requirements and the main parameters used within each method.

EU CCR1 – Analysis of CCR exposure by approach

	Notional	Replacement cost/current market value	Potential future credit exposure	EEPE	Multiplier	EAD post CRM	RWAs
Mark to market Method		34 919	108 356			139 789	63 953
Financial collateral comprehensive method (for SFTs)						53 203	53 203
Total							117 156

As at 31 December 2020, the Company has decreased exposures from OTC and CCP-cleared derivatives and from SFTs compared to 2019, due to reduction in outstanding derivative positions and reverse repurchase transactions.

12 Exposure to Counterparty Credit Risk ("CCR") (continued)

Market and Credit risk concentration within the credit mitigation taken is included in the scope of control over the large exposures in the trading book and the non-trading book.

Exposure class	Original exposure amount	Volatility-adjusted exposure amount	Unfunded credit protection	Funded credit protection	Substitution of the exposure due to CRM	Volatility-adjusted value of the collateral	Fully adjusted exposure value	Risk weighted exposure amount	Capital requirements
Exposure to institutions	113 989	113 989	-	-	-	2 558	111 432	15 228	1 218
• Repo	-	-	-	-	-	-	-	-	-
• Derivatives	113 989	113 989	-	-	-	2 558	111 432	15 228	1 218
Exposures to corporates	134 215	133 579	- 3 609*	-	3 609	31 236	102 344	102 344	8 187
• Repo	84 146	84 146	-	-	-	30 943	53 203	53 203	4 256
• Derivatives	50 069	49 434	-3 609	-	3 609	293	49 141	49 141	3 931

* CDS on a derivative exposure purchased as an unfunded credit protection from a Russian credit institution (CQS 3) for substitution approach under Article 403 of the CRR.

Valuation of eligible collateral is performed under the Financial Collateral Comprehensive Method with application of Volatility adjustments as calculated by using the Supervisory Volatility Adjustments Approach.

12 Exposure to Counterparty Credit Risk (“CCR”) (continued)

EU CCR8 – Exposures to CCPs

The following table provides a breakdown of the exposures by qualifying and non- qualifying CCPs.

		a	b
		EAD post CRM	RWAs
1	**Exposures to QCCPs (total)**		1 260
2	Exposures for trades at QCCPs (excluding initial margin and default fund contributions); of which	62 981	1 260
3	(i) OTC derivatives	62 981	1 260
4	(ii) Exchange-traded derivatives	-	-
5	(iii) SFTs	-	-
7	Segregated initial margin	20 783	
8	Non-segregated initial margin	-	-
11	**Exposures to non-QCCPs (total)**		-
12	Exposures for trades at non-QCCPs (excluding initial margin and default fund contributions); of which	-	-
13	(i) OTC derivatives	-	-
14	(ii) Exchange-traded derivatives	-	-
15	(iii) SFTs	-	-
17	Segregated initial margin	-	
18	Non-segregated initial margin	-	-

Credit valuation adjustment risk

“Credit valuation adjustment” or “CVA” means an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty. That adjustment reflects the current market value of the credit risk of the counterparty to the institution, but does not reflect the current market value of the credit risk of the institution to the counterparty.

In accordance with Title VI, Part Three of the CRR, the Company calculates the own funds requirements for CVA risk 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.

Transactions with a qualifying central counterparty and a client's transactions with a clearing member, when the clearing member is acting as an intermediary between the client and a qualifying central counterparty and the transactions give rise to a trade exposure of the clearing member to the qualifying central counterparty, are excluded from the own funds requirements for CVA risk.

Transactions with non-financial counterparties as defined in point (9) of Article 2 of Regulation (EU) No 648/2012, or with non-financial counterparties established in a third country, where those transactions do not exceed the clearing threshold as specified in Article 10(3) and (4) of that Regulation, are excluded from the own funds requirements for CVA risk.

12 Exposure to Counterparty Credit Risk (“CCR”) (continued)

The Company adopted the Standardised method for the calculation of the own funds requirements for CVA risk. The table below provides CVA regulatory calculations. Approaches that are not relevant to the Company’s activities are excluded.

EU CCR2 – CVA capital charge

		a	b
		Exposure value	RWAs
4	All portfolios subject to the Standardised method	78 200	34 618
5	**Total subject to the CVA capital charge**	**78 200**	**34 618**

EU CCR3 – Standardised approach – CCR exposures by regulatory portfolio and risk

A breakdown of CCR exposures, calculated under the standardized approach, and by risk weight (business attributed according to the Standardized approach), as at 31 December 2020 is presented below. Exposure classes that are not relevant to the Company’s activities are excluded.

	Exposure classes	Risk weight				**Total**	Of which unrated
		2%	20%	50%	100%		
1	Central governments or central banks	-	-	-	-	**-**	-
6	Institutions	62 981	1 263	26 208	196	**90 648**	62 981
7	Corporates	-	-	-	49 141	**49 141**	10 907
10	Other items	-	-	-	-	**-**	-
11	**Total**	**62 981**	**1 263**	**26 208**	**49 337**	**139 789**	**73 888**

EU CCR5-A – Impact of netting and collateral held on exposure values

All types of instruments that are not relevant to the Company’s activities are not included.

The table below presents the following:

- The gross positive fair value of the Company’s derivative contracts, which consist of interest rate and cross-currency swaps, interest rate options and swaptions, FX forwards, swaps and options, total return swaps, credit default swaps etc.
- The netting benefits for the derivatives as result of reduction in the gross positive fair value due to the use of legally enforceable netting agreements in the application of Part Two, Title III, Chapter 4 and Chapter 6 of the CRR,
- The netted credit exposure for the Company’s derivative contracts, excluding collateral arrangements,
- The net credit exposure of the Company’s derivative contracts, taking into consideration both the benefits from legally enforceable netting agreements and collateral arrangements.

12 Exposure to Counterparty Credit Risk (“CCR”) (continued)

		a	b	c	d	e
		Gross positive fair value or net carrying amount	Netting benefits	Netted current credit exposure	Collateral held	Net credit exposure
1	Derivatives	720 263	-508 055	212 208	208 349	3 858
4	**Total**	**720 263**	**-508 055**	**212 208**	**208 349**	**3 858**

EU CCR5-B – Composition of collateral for exposures to CCR

A breakdown of all types of collaterals used in derivative transactions to support or reduce CCR exposures, as at 31 December 2020, is presented below:

	a	b	c	d
	Collateral used in derivative transactions			
	Fair value of collateral received		Fair value of posted collateral	
	Segregated	Unsegregated	Segregated	Unsegregated
Cash collateral	-	275 797	-	59 054
Equities	-	113 737	-	-
Total	**-**	**389 534**	**-**	**59 054**

EU CCR6 – Credit derivatives exposures

The extent of exposures to credit derivative transactions, broken down into derivatives bought or sold, is presented in the table set out below:

	a	b	c
	Credit derivative hedges		Other credit derivatives
	Protection bought	Protection sold	
Notionals			
Single-name credit default swaps	11 000	2 000	-
Index credit default swaps	-	-	-
Total return swaps	-	-	55 589
Credit options	-	-	-
Other credit derivatives	-	-	-
Total notionals	11 000	2 000	55 589
Fair values			
Positive fair value (asset)	387	-	1 540
Negative fair value (liability)	-51	-70	-1 329

13 Trading book exposures

The trading book of the Company consists of all positions in financial instruments and commodities held either with trading intent or in order to hedge other elements of the trading book and which are either free of any restrictive covenants on their tradability or able to be hedged. Positions held with trading intent are those held intentionally for short-term resale and/or with the intention of benefiting from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

The Company takes on exposure to market (position) risks. Market risks arise from open positions in interest rate and, currency and equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

In respect of its trading book business, the Company calculates capital requirements for position risk, settlement and counterparty risk and, in so far as the limits laid down in the Part Four of the CRR are authorised to be exceeded, for large exposures exceeding such limits.

13.1 Market (position) risk

The Company's own funds requirement for position risk is the sum of the own funds requirements for the general and specific risk of its positions in debt and equity instruments.

The absolute value of the excess of the Company's long (short) positions over its short (long) positions in the same equity, debt and convertible issues and identical financial futures, options, warrants and covered warrants represent its net position in each of those different instruments. In calculating the net position, positions in derivative instruments are treated as positions in the underlying (or notional) security or securities. No netting is allowed between a convertible and an offsetting position in the instrument underlying it.

All net positions, irrespective of their signs, are converted on a daily basis into the Company’s reporting (presentation) currency at the prevailing spot exchange rate before their aggregation.

The US Dollar has been selected as the presentation currency of the Company, as US Dollars is the currency which management of the Company uses to manage business risks and exposures, and measure the performance of its businesses.

<u>Traded debt instruments</u>

In accordance with Section 2, Chapter 2, Title IV, Part Three of the CRR, net positions in traded debt instruments are classified according to the currency in which they are denominated. The own fund requirement for general and specific risk are calculated in each individual currency separately.

For interest rate (general) risk on derivative instruments the Company treats as fully offsetting any positions in derivative instruments which meet the following conditions:

a. the positions are of the same value and denominated in the same currency;
b. the reference rate (for floating-rate positions) or coupon (for fixed-rate positions) is closely matched - a difference of less than 15 basis points is considered being 'closely matched;
c. the next interest-fixing date or, for fixed coupon positions, residual maturity corresponds with the following limits:
    (i) less than one month hence: same day;
    (ii) between one month and one year hence: within seven days;
    (iii) over one year hence: within 30 days.

13 Trading book exposures (continued)

13.1 Market (position) risk (continued)

Equities

The sum of the absolute values of all the Company's net long positions and all its net short positions is its overall gross position. The Company calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position.

Stock-index futures, the delta-weighted equivalents of options in stock-index futures and stock indices collectively referred to hereafter as 'stock-index futures', are not broken down into its underlying positions and are treated as if they were an individual equity. However, the specific risk on this individual equity can be ignored if the stock-index future in question is exchange traded and represents a relevant appropriately diversified index.

In accordance with Section 3, Chapter 2, Title IV, Part Three of the CRR, the Company multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk are the Company's overall net position multiplied by 8%.

Capital requirements for position risk (comprising specific and general risk) in Collective Investments Undertakings (CIUs) in the trading book are equal to 32% of the overall gross position.

13.2 Foreign-exchange risk

In respect of all of its business activities, the Company calculates capital requirements for foreign-exchange risk and for commodities risk. Positions in gold or gold derivatives are considered as being subject to foreign-exchange risk.

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In accordance with Chapter 3, Title IV, Part Three of the CRR, in case the sum of the Company's overall net foreign-exchange position and its net gold position exceeds 2% of its total own funds, the Company calculates its own funds requirements for foreign exchange risk. The own funds requirements for foreign exchange risk are the sum of the Company's overall net foreign-exchange position and its net gold position in the reporting currency, multiplied by 8%.

13.3 Commodities risk

The Company adopted the Maturity ladder approach for the calculation of the capital requirements for commodities risk in accordance with Chapter 4, Title IV, Part Three of the CRR.

Maturity ladder approach

Each position in commodities or commodity derivatives is expressed in terms of the standard unit of measurement. The spot price in each commodity is expressed in the reporting currency.

The Company uses a separate maturity ladder for each commodity. All positions in that commodity are assigned to the appropriate maturity bands. The Company's overall own funds requirements for commodities risk are calculated as the sum of the own funds requirements calculated for each commodity.

13 Trading book exposures (continued)

13.3 Commodities risk (continued)

Positions in the same commodity are offset and assigned to the appropriate maturity bands on a net basis for the following:

(a) positions in contracts maturing on the same date;

(b) positions in contracts maturing within 10 days of each other if the contracts are traded on markets which have daily delivery dates.

The Company had very few trades in commodity derivatives in 2020.

The minimum capital requirements for Market risk calculated under the standardized approach in accordance with CRR are as follows.

EU MR1 – Market risk under the standardised approach

		a	b
		RWAs	Capital requirements
	Outright products		
1	Interest rate risk (general and specific)	565 518	45 241
2	Equity risk (general and specific)	29	2
3	Foreign exchange risk	13 248	1 060
4	Commodity risk	-	-
	Options		
5	Simplified approach	-	-
6	Delta-plus method	3 839	307
7	Scenario approach	-	-
8	Securitisation (specific risk)	-	-
9	Total	582 635	46 611

As at 31 December 2020, the Company has reduced market risk exposures compared to 2019, due to a reduction in positions held, primarily in Interest rate and foreign exchange derivatives, as well as reduced equities trading.

13 Trading book exposures (continued)

13.4 Excess on large exposures in the trading book

“Large exposure” means the Company’s exposure to a person or group of connected persons where its value is equal to or exceeds 10% of its eligible capital.

The Company monitors and controls its large exposures in accordance with the conditions of Part Four of the CRR. The Substitution approach was implemented for exposures guaranteed by third parties.

As at 31 December 2020, the Company has no excess amounts over the Large Exposures limits to any clients or group of connected clients.

Counterparty type	Total excess on Large Exposures in the trading book, US$ 000’s	Additional Capital Requirements, US$ 000’s
Corporates	-	-
Total:	**-**	**-**

14 Operational risk

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The Company calculates its capital requirement for operational risk under the Basic Indicator Approach in accordance with Chapter 2, Title III, Part Three of the CRR.

Basic Indicator Approach (BIA)

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. The three-year average is calculated on the basis of the last three twelve-monthly observations at the end of the financial year.

When audited figures are not available, business estimates may be used. The relevant indicator is calculated as the sum of positive figures divided by the number of positive figures.

Capital requirements for Operational risk US$ 000’s

	Gross Income			Capital Requirements
	Year -3	**Year-2**	**Last Year***	
Total activities subject to BIA	-38 842	25 117	15 928	3 078

* Gross Income for 2020.

15 Remuneration policy and practices

The Company's Remuneration Policy aims to establish, implement and maintain a remuneration strategy that is consistent with and promotes its business strategy, objectives and corporate values, as well as promotes effective risk management with a view to the long-term interests of the Company, the Sberbank Group and its shareholders and other stakeholders.

The policy is designed by the Human Resources Department, with advice from the Company's Compliance Department, and is reviewed and approved annually by the Company's Remuneration Committee. The Remuneration Committee consists of a non-executive director of the board, the CEO and the HR Business Partner. The Remuneration Committee held 1 meeting during 2020.

The Company complies with the general requirements for the ratio between fixed and variable remuneration set out in the CRR, namely that the fixed and variable elements are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total to allow a flexible variable remuneration policy.

The details of remuneration for 2020 of all members of staff whose professional activities have a material impact on the Company's risk profile are shown below (expressed in US$ thousands):

	Number of beneficiaries	Fixed remuneration	Variable remuneration	Total
Senior management	8	1 133	821	1 954

None of the above members of staff received total remuneration exceeding EUR 1 million or deferred variable remuneration during 2020.

In establishing its Remuneration Policy, the Company has considered its size, internal organisation and the nature, scope and complexity of its activities. In more detail:

a) The company considers its size and internal organisation to be small given the number of employees.
b) The Company is licensed to provide specific investment services in relation to specific financial instruments. In fact, in the majority of cases the Company is trading with other group companies on own account basis and thus the Company considers that despite the large volumes of trading, the actual nature and scope of the Company's activities are not complex.

Taking into account the above, and following the guidance issued by other EU competent authorities, the policy's approach to fixed and variable remuneration is governed by:

- the low-risk nature of the Company's business;
- market rates, which ensures that the fixed component represents a sufficiently high proportion of total remuneration to allow the operation of a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration component at all;
- payment of performance-related bonuses to incentivise qualifying employees to contribute to the strong and sustainable financial performance of the Company based on both financial and non-financial performance metrics; and
- the remuneration arrangements for the broader Sberbank CIB Group.

The Company aims for a remuneration policy that is aligned with the risk management practices of the Company and avoids conflicts of interest, and seeks to avoid any remuneration structure that encourages inappropriate risk taking.

15 Remuneration policy and practices (continued)

The Company applies both quantitative (financial) and qualitative (non-financial) criteria in assessing variable remuneration. Quantitative criteria include criteria such as the overall performance of the Company and the Group, whereas qualitative criteria include the relevant quality of service provided to clients.

Although the Company does not currently have any plans to introduce a non-cash component for its bonus arrangements, the Company is open to reviewing various options regarding the introduction of claw-back and deferral mechanisms to take account of contingent or future risks with a view to consideration of the introductions of such arrangements for future years in line with Group policy or a change to the nature of the business conducted through the Company.

The Company may in individual cases retain the right in its sole discretion to make any Bonus Payment subject to such, if any, claw-back and/or deferral conditions as the Company considers appropriate in the circumstances.

16 Leverage ratio

In accordance with Part Seven of the CRR, the leverage ratio is calculated as an institution's capital measure divided by that institution's total exposure measure and is expressed as a percentage.

$$Leverage\ ratio = \frac{Tier\ 1\ capital}{Total\ exposure\ measure}$$

The capital measure is Tier 1 capital. 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.

Currently there is no requirement from the CySEC for investment firms to meet the minimum Leverage ratio of 3%. Although investment firms report to the CySEC information on their leverage ratio on a quarterly basis.

As at 31 December 2020, the leverage ratio of the Company was equal to 35.71% using a fully phased-in definition of Tier 1 capital which is above the target 3% limit.

16 Leverage ratio (continued)

Table LRCom: Leverage ratio common disclosure

		CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	350 924
2	(Asset amounts deducted in determining Tier 1 capital)	-1 709
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**349 215**
Derivative exposures		
4	Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin)	212 208
5	Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method)	108 356
EU-5a	Exposure determined under Original Exposure Method	0
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	0
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	0
8	(Exempted CCP leg of client-cleared trade exposures)	0
9	Adjusted effective notional amount of written credit derivatives	0
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	0
11	**Total derivative exposures (sum of lines 4 to 10)**	**320 564**
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	84 288
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	0
14	Counterparty credit risk exposure for SFT assets	0
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	0
15	Agent transaction exposures	0
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	0
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**84 288**

16 Leverage ratio (continued)

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	0
18	(Adjustments for conversion to credit equivalent amounts)	0
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	**0**
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	0
Capital and total exposures		
20	**Tier 1 capital**	**269 289**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**754 067**
Leverage ratio		
22	**Leverage ratio**	**35.71%**
Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)		
		CRR leverage ratio exposures
EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	
EU-2	Trading book exposures	190 582
EU-3	Banking book exposures, of which:	158 633
EU-5	Exposures treated as sovereigns	3 874
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	0
EU-7	Institutions	15 745
EU-8	Secured by mortgages of immovable properties	0
EU-9	Retail exposures	0
EU-10	Corporate	138 861
EU-11	Exposures in default	0
EU-12	Other exposures (eg equity, securitisations, and other non-credit obligation assets)	153

16 Leverage ratio (continued)

Table LRQua: Free format text boxes for disclosure on qualitative items	
Description of the processes used to manage the risk of excessive leverage	The Company monitors the leverage ratio quarterly and assesses the risk of excessive leverage while maintaining sufficient return on regulatory capital and takes action accordingly. In case the leverage ratio decreases significantly, the Executive Committee of the Company considers on necessary actions.
Description of the factors that had an impact on the leverage Ratio during the period to which the disclosed leverage Ratio refers	During 2020 there was a reduction of both on-balance sheet and off-balance sheet exposures (mainly in repurchase agreements and derivatives) due to lower volumes and positions, as also discussed in Section 8. This resulted in a decrease in leverage ratio exposures by 55%.

17 Events after the reporting date

There were no material events which occurred after the reporting date that require additional disclosure.

APPENDIX I: Financial information on Country-by-country reporting

Extracts from the audited financial statements of SIB (Cyprus) Limited for the year ended 31 December 2020:

In USD thousands	Cyprus	UK Branch	Total
Turnover (defined as operating income)	15 770	158	15 928
Profit before tax	7 457	72	7 529
Income tax expense	713	96	809
Average number of employees	23	6	29

The Company's Return on Assets (defined as Total comprehensive income for the year divided by Total assets at the end of the year) for the year ended 31 December 2020 was 0.84%.

APPENDIX II: GLOSSARY

BIA	Basic Indicator Approach
BoD	Board of Directors
CCB	Capital Conservation Buffer
CCF	Credit Conversion Factor
CCP	Central Counterparty
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CDS	Credit default Swaps
CEO	Chief Executive Officer
CET1	Common Equity Tier 1
CIF	Cyprus Investment Firm
CIU	Collective Investment Undertaking
CRM	Credit Risk Management
CRO	Chief Risk Officer
CRR	Capital Requirements Regulation
CSA	Credit Support Annex
CVA	Credit Valuation Adjustment
CYSEC	Cyprus Stock Exchange
EAD	Exposure at default
ECAI	External Credit Assessment Institutions
EU	European Union
ExCo	Executive Committee
FRA	Forward rate agreements
ICAAP	Internal Capital Adequacy Assessment Process
IRS	interest rate swaps
ISDA	International Swaps and Derivatives Association, Inc.
NDF	Non deliverable forwards
O-SII	Other Systematically Important Institutions
OTC	Over the Counter
PCE	Potential Credit exposure
RWA	Risk Weighted Assets
SA	Standrardised Approach
SFT	Securities Financing Transactions
TRS	Total return swaps

APPENDIX III: Specific References to CRR Articles

CRR ref.	High-level summary	Compliance reference
Scope of disclosure requirements		
431(1)	Requirement to publish Pillar III disclosures.	Section 2
431(2)	Disclosure of Own Funds Requirements for Operational Risk	Section 5.6
431(3)	Institution must have a policy covering frequency of disclosures. Their verification, comprehensiveness and overall appropriateness.	Section 3 - The Company has its own internal Pillar III policy
431(4)	Explanation of ratings decisions to SMEs upon request.	Not applicable to the Company
Non-material, proprietary or confidential information		
432	Non-material, proprietary or confidential information	Compliance with this provision is covered through the Report
Frequency of disclosure		
433	Frequency of disclosure - Disclosures must be published once a year at a minimum	Section 2
Means of disclosures		
434 (1)	Provide disclosures in an appropriate medium	Section 2
434 (2)	Equivalent disclosures made under other requirements (i.e., accounting) can be used to satisfy Pillar III if appropriate.	
Risk management objectives and policies		
435 (1) (a)	Disclosure of information on strategies and processes, organisational structure of each risk management function, reporting and measurement systems and risk mitigation / hedging policies.	Section 5.1
435 (1) (b)		Section 5.1
435 (1) (c)		Section 5.1
435 (1) (d)		Section 5.1
435 (1) (e)	Declaration approved by the BoD on adequacy of risk management arrangements.	Section 5
435 (1) (f)	Concise risk statement approved by the BoD describing the Company's overall risk profile associated with the business strategy	Section 5.1
435 (2)	Information, including regular, at least annual updates, regarding governance arrangements:	Section 6
435 (2) (a)	Number of directorships held by members of the BoD.	Section 6.2
435 (2) (b)	Recruitment policy of BoD members, their experience and expertise.	Section 6.1
435 (2) (c)	Policy on diversity of BoD members, its objectives and the extent to which these objectives and targets have been achieved	Section 6.1
435 (2) (d)	Disclosure of whether a separate risk committee is in place, and number of meetings in the year.	Section 5.1
435 (2) (e)	Description of information flow on risk to BoD.	Section 5.1

APPENDIX III: Specific References to CRR Articles (continued)

Scope of application		
436 (a)	Name of institution.	Section 1
436 (b)	Outline of the differences in the basis of consolidation for accounting and prudential purposes, with a brief description of the entities that are fully consolidated, proportionally consolidated, deducted from own funds or neither consolidated nor deducted	Not applicable to the Company
436 (c)	Any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries	Not applicable to the Company
436 (d)	The aggregate amount by which the actual own funds are less than the required minimum in all subsidiaries not included in the consolidation, and the name or names of such subsidiaries.	Not applicable to the Company
436 (e)	Use of articles on derogations from (a) prudential requirements or (b) liquidity requirements for individual subsidiaries / entities.	Not applicable to the Company
Own funds		
437 (1)	Information regarding the Company's Own Funds	Section 7
437 (2)	EBA shall develop implementation standards for article above	The Company follows the implementation standards.
Capital requirements		
438 (a)	Summary of institution's approach to assessing adequacy of capital levels.	Section 8
438 (b)	Result of ICAAP on demand from competent authority.	No such request received
438 (c)	Credit Risk Capital requirement amounts per Standardised approach exposure class (8% of risk-weighted exposure).	Section 8
438 (d)	Capital requirements amounts for credit risk for each Internal Ratings Based approach exposure class.	Not applicable to the Company
438 (e)	Capital requirements amounts for market risk or settlement risk, or large exposures where they exceed limits.	Section 8
438 (f)	Capital requirement amounts for operational risk, separately for the basic indicator approach, the Standardised approach, and the advanced measurement approaches as applicable.	Section 8

APPENDIX III: Specific References to CRR Articles (continued)

Exposure to counterparty credit risk (CCR)		
439 (a)	Information of the methodology used to assign internal capital and credit limits for counterparty credit exposures;	Section 12
439 (b)	Discussion of policies for securing collateral and establishing credit reserves.	Section 5.3 Section 12
439 (c)	Discussion of policies as regards wrong-way risk exposures.	Section 5.3
439 (d)	Discussion of the impact of the amount of collateral the institution would have to provide given a downgrade in its credit rating;	Section 5.3 Section 12
439 (e)	Gross positive fair value of contracts, netting benefits, netted current credit exposure, collateral held and net derivatives credit exposures	Section 12
439 (f)	Exposure values for mark-to-market, original exposure, standardised and internal model methods as applicable.	Section 12
439 (g)	Notional value of credit derivative hedges and current credit exposure by types of credit exposure.	Section 12
439 (h)	Notional amounts of credit derivative transactions for own credit, intermediation, bought and sold, by product type.	Section 12
439 (i)	The estimation of alpha (“α”) if the institution has received the permission of the competent authorities to estimate α.	Not applicable to the Company
Capital Buffers		
440 (1) (a)	Geographical distributions of credit exposures	Section 9
440 (1) (b)	Amount of the institution specific countercyclical buffer	Section 9
440 (2)	EBA issue the Regulatory Technical Standards on countercyclical capital buffer	Section 9 – The Company complies with the Regulatory Technical Standards
Indicators of global systemic importance		
441	Indicators of global systemic importance	Not applicable to the Company
Credit risk adjustments		
442	Information regarding the institution's exposure to credit risk and dilution risk	Section 10
Unencumbered assets		
443	Disclosures on unencumbered assets.	Not Applicable to the Company

APPENDIX III: Specific References to CRR Articles (continued)

Use of ECAIs		
444 (a)	Names of the nominated ECAIs used in the calculation of Standardised approach RWAs, and reasons for any changes.	Section 11
444 (b)	Exposure classes associated with each ECAI.	Section 11
444 (c)	Description of the process used to transfer the issuer and issue credit assessments onto items in the Banking book	Section 11
444 (d)	Mapping of external rating to credit quality steps.	Section 11
444 (e)	Exposure values pre-credit risk mitigation and post-credit risk mitigation, by credit quality step.	Section 11
Exposure to market risk		
445	Disclosure of position risk, large exposures exceeding limits, FX, settlement and commodities risk.	Section 13
Operational risk		
446	Disclosure of the scope of approaches used to calculate operational risk, discussion of advanced methodology and external factors considered.	Section 14
Exposure in equities in the Banking book		
447	Information on exposure in equities in the Banking book, including differentiation between exposures based on their objectives and overview of the accounting techniques and valuation methodologies used, recorded at fair value, and actual prices of exchange traded equity where it is materially different from fair value, types, nature and amounts of the relevant classes of equity exposures, cumulative realised gains and losses on sales in the period and Total unrealised gains or losses, latent revaluation gains or losses and amounts included in Tier 1 capital.	The Company does not have such exposures
Exposure to interest rate risk on positions in the Banking book		
448 (a)	Nature of interest rate risk and key assumptions in measurement models.	Section 13
448 (b)	Variation in earnings, economic value, or other measures used from upward and downward shocks to interest rates, by currency.	Section 13
Exposure to securitisation positions		
449	Exposure to securitisation positions	Not applicable to the Company

APPENDIX III: Specific References to CRR Articles (continued)

Remuneration disclosures		
450	Remuneration policy.	Section 15
Leverage		
451 (1)	Leverage ratio and analysis of total exposure measure	Section 16
451 (2)	EBA shall develop implementation standards for points above.	The Company follows the implementation standards – Section 16
Use of the IRB Approach to credit risk		
452	Use of the IRB Approach to credit risk	Not applicable to the Company
Use of credit risk mitigation techniques for Credit risk		
453 (a)	Policies and processes, and an indication of the extent to which the Bank makes use of on-balance sheet and off- balance sheet netting.	Section 10
453 (b)	Policies and processes for collateral valuation and management.	Not applicable to the Company
453 (c)	Description of types of collateral used by the Bank.	Not applicable to the Company
453 (d)	Types of guarantor and credit derivative counterparty, and their creditworthiness.	Not applicable to the Company
453 (e)	Information about market or credit risk concentrations within the credit mitigation taken.	Not applicable to the Company
453 (f)	For exposures under either the Standardised or the Foundation IRB approach, disclosure of the exposure covered by eligible financial collateral and other eligible collateral	Not applicable to the Company
453 (g)	For exposures under either the Standardised or Foundation IRB approach, disclosure of the exposure covered by guarantees or credit derivatives.	Not applicable to the Company
Use of the Advanced Measurement Approaches to operational risk		
454	Description of the use of insurance or other risk transfer mechanisms for the purpose of mitigating operational risk.	Not applicable to the Company
Use of Internal Market Risk Models		
455	Use of Internal Market Risk Models	Not applicable to the Company

APPENDIX IV: Specific References to EBA guidelines published on 14 December 2016 – version 2 as amended on 9 June 2017

Templates	Compliance Reference	Section
EU LI1	Differences between accounting and regulatory scopes of consolidation and the mapping of financial statement categories with regulatory risk categories	Not applicable to the Company
EU LI2	Main sources of differences between regulatory exposure amounts and carrying values in Financial Statements	Not applicable to the Company
EU LI3	Outline of the differences in the scopes of consolidation (entity by entity)	Not applicable to the Company
EU OV1	Overview of RWAs	Section 8
EU INS1	Non-deducted participations in insurance undertakings	Not applicable to the Company
EU CRB-B	Total and average net amount of exposures	Section 10.2
EU CRB-C	Geographical breakdown of exposures	Section 10.3
EU CRB-D	Concentration of exposures by industry or counterparty types	Section 10.4
EU CRB-E	Maturity of exposures	Section 10.5
EU CR1-A	Credit quality of exposures by exposure class and instrument	Not applicable to the Company
EU CR1-B	Credit quality of exposures by industry of counterparty types	Not applicable to the Company
EU CR1-C	Credit quality of exposures by geography	Not applicable to the Company
EU CR1-D	Ageing of past-due exposures	Not applicable to the Company
EU CR1-E	Non-performing and forborne exposures	Not applicable to the Company
EU CR2-A	Changes in the stock of general and specific risk adjustments	Not applicable to the Company
EU CR2-B	Changes in the stock of defaulted and impaired loans and debt securities	Not applicable to the Company
EU CR3	CRM techniques – Overview	Not applicable to the Company
EU CR4	Standardised approach – Credit risk exposure and CRM effects	Section 11
EU CR5	Standardised approach	Section 11
EU CCR1	Aanalysis of CCR exposure by approach	Section 12
EU CCR2	CVA capital charge	Section 12
EU CCR3	Standardised approach – CCR exposures by regulatory portofolio and risk	Section 12
EU CCR5-A	Impact of netting and collateral held on exposure values	Section 12
EU CCR5-B	Composition of collateral for exposures to CCR	Section 12
EU MR1	Market risk under the standardised approach	Not applicable to the Company

APPENDIX IV: Specific References to EBA guidelines published on 14 December 2016 – version 2 as amended on 9 June 2017 (continued)

Templates	Compliance Reference	Section
EU OVA	Institution risk management approach	Section 5
EU CRA	General qualitative information about credit risk	Section 5.2
EU CCRA	Qualitative disclosure requirements related to CCR	Section 5.3
EU MRA	Qualitative disclosure requirements related to market risk	Section 5.4
EU LIA	Explanations of differences between accounting and regulatory exposure amounts	Not applicable to the Company
EU CRB A	Additional disclosure related to the credit quality of assets	Section 10
EU CRC	Qualitative disclosure requirements related to CRM techniques	
EU CRD	Qualitative disclosure requirements on institutions' use of external credit ratings under the standardised approach for credit risk	Section 11
EU CRE	Qualitative disclosure requirements related to IRB models	Not applicable to the Company
EU MRB	Qualitative disclosure requirements for institutions using the IMA	Not applicable to the Company