



Regulated by the Cyprus Securities and Exchange Commission License no. 337/17

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2018

MAY 2019



KPMG Limited
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Independent Auditors' Report to the Cyprus Securities and Exchange Commission in respect of Wise Wolves Finance Ltd for the year ended 31 December 2018 pursuant to 32(1) of Directive 144-2014-14 of the Cyprus Securities and Exchange Commission for the prudential supervision of investment firms

1. We report in relation to the fair presentation of the disclosures of Wise Wolves Finance Ltd (the "Company") for the year ended 31 December 2018, required by paragraph 32(1) of Directive 144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of Investment Firms (the "Directive"). The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialed for identification purposes.

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with Part Eight of Regulation (EU) No 575/2013 (the "Regulation"). Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Regulation.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the Regulation. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of Part Eight of the Regulation, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

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4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2018 are not fairly presented, in all material aspects, in accordance with the requirements of the Regulation.
6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures required pursuant to Part Eight of the Regulation and does not extend to any financial statements or other financial information of the Company.



Marios G. Lazarou
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors
14 Esperidon Street
1087 Nicosia
Cyprus

31 May 2019



Regulated by the Cyprus Securities and Exchange Commission License no. 337/17

DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2018

APPENDIX

MAY 2019



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DISCLOSURE

The Disclosure and Market Discipline Report for the year 2018 has been prepared by Wise Wolves Finance Ltd as per the requirements of Regulation (EU) No. 575/2013 issued by the European Commission and the Directive DII44-2014-14 issued by the Cyprus Securities and Exchange Commission.

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

Wise Wolves Finance Ltd is regulated by the Cyprus Securities and Exchange Commission under Licence number 337/17.

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Table of Contents

DISCLOSURE	4
1. SCOPE OF APPLICATION	6
1.1 Pillar III Regulatory Framework	6
1.2 Corporate Information	7
1.3 Organizational Structure	9
1.4 Regulatory Supervision	9
2. CORPORATE GOVERNANCE	11
2.1 Board of Directors	11
2.2 Number of Directorships held by members of Board of Directors	12
2.3 Board Recruitment Policy	12
2.4 Diversity Policy of the Board of Directors	13
2.5 Reporting and Control	14
3. RISK MANAGEMENT FRAMEWORK	15
3.1 Definition of Risk Management	15
3.2 Responsibilities of the Risk Management Function	15
3.3 Risk Management Policy and Objectives	15
3.4 Responsibilities of the Risk Manager	16
3.5 Risk Statement	16
3.6 Risk Culture	18
3.7 Board Declaration – Adequacy of the Risk Management arrangements	19
4. CAPITAL REQUIREMENTS UNDER PILLAR I & PILLAR II	20
5. CREDIT ASSESSMENT UNDER THE STANDARDISED APPROACH	24
5.2 Credit Risk Management	26
5.3 Market Risk Management	30
5.4 Operational Risk Management	31
5.5 Reputational Risk	33
5.6 Compliance / Money Laundering and Terrorist Financing Risk	34
5.7 Stress Testing	35
6. LEVERAGE RATIO	36
7. REMUNERATION POLICY AND PRACTICES	38
Remuneration System	38
Performance Appraisal	40
Control Functions	41
8. APPENDIX	43

1. SCOPE OF APPLICATION

1.1 Pillar III Regulatory Framework

The present report is prepared by Wise Wolves Finance Ltd (the “Company”), an independent investment company established in 2016 in Cyprus as part of Wise Wolves Group (WWG), providing Investment services in international stock market with focus on European Union, Russia Federation and CIS countries. The Company is registered in Cyprus under registration number HE 361580 and licensed by the Cyprus Securities and Exchange Commission (“CySEC”), to operate as a Cypriot Investment Firm (“CIF”), under License number 337/17 dated 25/09/2017.

Since 14 December 2017, the Company is controlled by Wise Wolves Group Ltd, incorporated in Cyprus which owns 100% of the Company’s shares.

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

The current regulatory framework comprises three pillars:

- **Pillar I** covers the calculation of Risk Weighted Assets for Credit Risk, Market Risk and Operational Risk.
- **Pillar II** covers the Supervisory Review and Evaluation Process (“SREP”), which assesses the Internal Capital Adequacy Assessment Process (the “ICAAP”) and provides for the monitoring and self-assessment of an institution’s capital adequacy and internal processes.
- **Pillar III** covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, risk exposures and risk management and internal control processes.

The 2018 Pillar III Disclosures report sets out both quantitative and qualitative information required in accordance with Part Eight of the CRR and in particular articles 431 to 455, which set the requirements of the disclosures.

The information contained in the Pillar III Market Discipline and Disclosure report is

to be audited by the Firm's external auditors and published on the Company's website on an annual basis. Moreover, the Company is obliged to provide a copy of the external auditor's verification report to CySEC within 5 months after the end of each financial year.

The Pillar III Disclosures for the year ended 31 December 2018 are prepared on an individual (solo) basis.

1.2 Corporate Information

Company Name	Wise Wolves Finance Limited
CIF Authorization Date	25 September 2017
CIF License Number	337/17
Company Registration Date	25 October 2016
Company Registration Number	HE 361580

Financial instruments	Investment services and activities								Ancillary Services						
	I(1)	I(2)	I(3)	I(4)	I(5)	I(6)	I(7)	I(8)	II(1)	II(2)	II(3)	II(4)	II(5)	II(6)	II(7)
III (1)	√	√	√						√	√	√	√	√		
III (2)	√	√							√	√	√	√	√		
III (3)	√	√							√	√	√	√	√		
III (4)	√	√							√	√	√	√	√		
III (5)	√	√							√	√	√	√	√		
III (6)	√	√							√	√	√	√	√		
III (7)	√	√							√	√	√	√	√		
III (8)	√	√							√	√	√	√	√		
III (9)	√	√							√	√	√	√	√		
III (10)	√	√							√	√	√	√	√		

Notation in regards to previous table:

I. Investment services and activities

1. Reception and transmission of orders in relation to one or more financial instruments;
2. Execution of orders on behalf of clients;
3. Dealing on own account.

II. Ancillary Services

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

III. Financial instruments

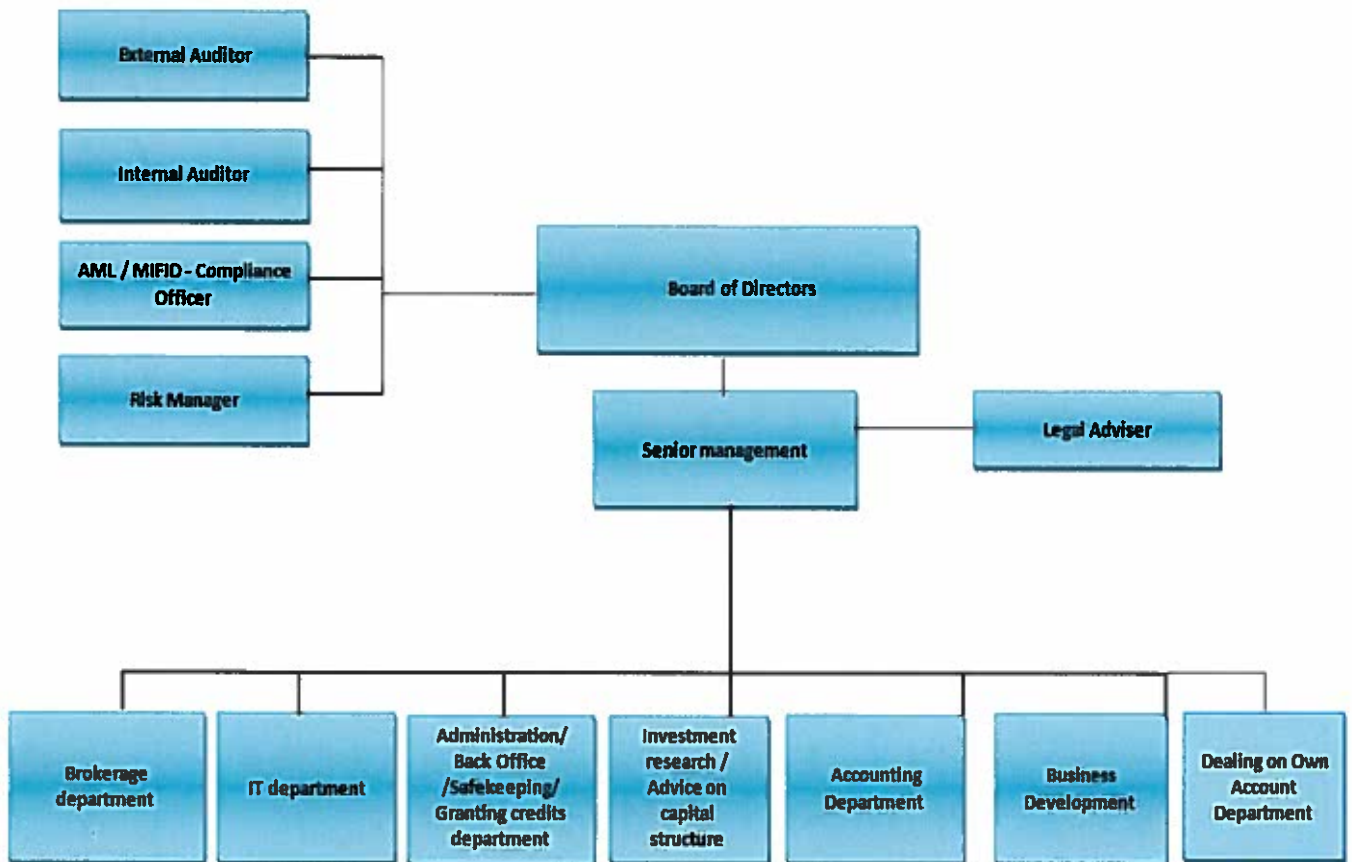
1. Transferable securities;
2. Money-market instruments;
3. Units in collective investment undertakings;
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash;
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event);
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF;
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in paragraph 6 above and not being for commercial purposes, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are cleared and settled through recognised clearing houses or are subject to regular margin calls;
8. Derivative instruments for the transfer of credit risk;
9. Financial contracts for differences (CFDs);
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not

otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled.

IV. Other Services

Spot Currency Trading – physical delivery

1.3 Organizational Structure



1.4 Regulatory Supervision

- The Laws and Regulations that govern the operations of CIFs and set out the obligations and requirements that shall be met in the aspect of capital adequacy and market discipline, are comprised, inter alia, by the following:
- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter, “the Law”);
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation (“CRR”);
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation

(“EMIR”);

- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC – Capital Requirements Directive IV (“CRD IV”);
- Directive DI144-2014-14: For the prudential supervision of Investment Firms;
- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013;
- Directive 2014/65/EU on markets in financial instruments and amending Directive 2002/92/EC and Directive 2011/61/EU – (“MiFiD II” Directive); and
- Regulation (EU) No. 600/2014 – Markets in Financial Instruments and amending Regulation (EU) No. 648/2012 (MiFiR);

2. CORPORATE GOVERNANCE

2.1 Board of Directors

The Board of Directors (“Board”) of the Company consists of two Executive Directors and three Non- Executive Directors.

The executive members of the Board of Directors exercise effective control on the company’s affairs and the non- executive members of the Board exercise control over the business carried out by the executive members of the Board.

The main responsibilities of the Board of Directors are :

- To establish, implement and maintain decision-making procedures and an organizational structure which clearly and in documented manner specifies reporting lines and allocates functions and responsibilities;
- To ensure that its relevant persons are aware of the procedures that must be followed for the proper discharge of their responsibilities;
- To establish, implement and maintain adequate internal control mechanisms designed to secure compliance with decisions and procedures at all levels of the CIF;
- To employ personnel with the skills, knowledge and expertise necessary for the discharge of the responsibilities allocated to them;
- To establish, implement and maintain effective internal reporting and communication information at all relevant levels of the CIF;
- To maintain adequate and orderly records of its business and internal organization; and
- To ensure that the performance of multiple functions by its relevant persons does not and is no likely to prevent those persons from discharging any particular function soundly, honestly, and professionally.

Furthermore, the Board is responsible for establishing and amending the internal control procedures, where necessary. It also ensures that the Company has sufficient human and technical resources required for the performance of its duties.

The Chairman of the Board of Directors is responsible for the proper running of the Board and should ensure that all the issues on the agenda are sufficiently supported by relevant information. The Chairman also ensures that all directors are suitably informed on issues that arise during Board meetings.

At the compliance with the abovementioned requirements, the Company takes into account the nature, scale and complexity of the business of the firm, and the nature and range of investment services and activities undertaken in the course of that business.

2.2 Number of Directorships held by members of Board of Directors

The table below provides the number of directorships held by each member of the management body of the Company at the same time in other entities, including the one in Wise Wolves Finance Ltd and any other companies belonging to the same group as Wise Wolves Finance Ltd. Executive or non-executive directorships held within the same group of companies are considered as a single directorship. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

It is noted that the Company does not currently fall under CySEC's criteria, as derived from Circular 228, to be recognized as a significant CIF¹.

Table 1: Number of Directorships²

Name of Director	Position within Wise Wolves Finance Ltd	N. of Executive Directorships in other Entities	N. of Non-Executive Directorships in other Entities
Sergey Stopnevich	Executive Director	1	-
Olga Soloveva Osipova	Executive Director	1	1
Svitlana Morozyk	Independent Non-Executive Director	1	3
Yevheniya Savchenko Paschalides	Independent Non-Executive Director	-	2
Anna Stopnevich	Non-Executive Director	-	1

2.3 Board Recruitment Policy

The purpose of this Policy is to set out the recruitment procedures and requirements for the members of the Board of Directors. The Policy has been prepared taking into consideration what is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities. The management of a CIF must be undertaken by at least two persons meeting the requirements below:

¹ Significant CIF as per CySEC's C228 is a CIF that fulfils one or more of the following criteria: (i) Total Assets exceed EUR 43mn; (ii) Annual fees/commission income/net trading income exceed EUR 50mn; (iii) Clients' money exceed EUR 35mn; or (iv) Clients' Assets exceed EUR 750mn.

²The information in this table is based only on representations made by the directors of the Company.

- Members of the Board shall at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board of directors shall reflect and adequately board range of experiences;
- All Board members shall commit sufficient time to perform their functions in the CIF;
- The number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the CIF's activities. Unless representing the Republic, members of the Board of Directors of a CIF that is significant in terms of its size, internal organization and the nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:
 - a) One executive directorship and two non-executive directorships;
 - b) Four non-executive directorships.
- The Board of Directors shall collectively possess adequate knowledge, skills experience to be able to understand the CIF's activities, including the principal risks;
- Each member of the Board of Directors shall act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the senior management where necessary and to effectively oversee and monitor the decision-making of the management.
- The chairman of the Board of Directors must not exercise simultaneously the functions of a chief executive officer within the same CIF, unless authorized by the Commission.

2.4 Diversity Policy of the Board of Directors

The purpose of the Board's diversity policy is to create a positive and supporting working environment for all staff and customers, protect employees from being discriminated against because of one or more of the protected characteristics that apply to them, provide equal opportunity for everyone in the workforce, no matter their background or characteristics and promote the diversity of the workforce, including the diversity on the Board of Directors.

Through this policy, the Company aims to ensure that all employees and job applicants are given equal opportunity and that our organization is representative of all sections of society. Each employee will be respected and valued and able to give their best as a result.

The Board composition is one of the most important factors for the effectiveness of the business. Composition of the Board refers to the diversified backgrounds and expertise of the Board members, the suitable balance of power on the Board between dependent and independent members as well as the gender diversity which is equally

important.

While the diversity shall be pursued, it shall not reduce the importance of other factors such as knowledge, skills, experience, background and reputation. The Company recognizes that any differences in the ability, background, gender, age, nationality between members of the top management team can lead to value-creation for the company and thus improve performance.

The Company should make the efforts of equality between men and women in leadership positions. The target set by the Company of at least 25% of the female representation in the Board of Directors has been achieved for 2018.

2.5 Reporting and Control

In line with the requirements set out in the Law and subsequent Directives, the Company has been able to maintain a good information flow on risk to the management body, as can be seen below:

Table 2: Information of flow

Report Name	Owner	Recipient	Frequency	Due Date
Compliance Report	AML/MIFID Compliance Officer	Board, CySEC	Annual	30/04/2019
Internal Audit Report	Internal Auditor	Board, CySEC	Annual	30/04/2019
Risk Management Report	Risk Manager	Board, CySEC	Annual	30/04/2019
Anti-Money Laundering Report	AML/MIFID Compliance Officer	Board, CySEC	Annual	31/03/2019
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	Board, CySEC, Public	Annual	30/04/2019
Financial Reporting	External Auditor	Board, CySEC	Annual	30/04/2019
ICAAP Report	Risk Manager	Board	Annual	Within 2019

3. RISK MANAGEMENT FRAMEWORK

3.1 Definition of Risk Management

Risk Management is the process of identification, analysis and evaluation of uncertainty in investment decision-making. As a result, it is treated accordingly; either accepted (in which case the Company allocates capital) or mitigated.

Risks should be continuously monitored and reviewed. In addition to that, outcomes and results should be properly reported and new objectives should be set.

The Company's Risk Management framework encompasses the scope of risks to be managed, the process/systems and procedures to manage risk and the roles and responsibilities of individuals involved in risk management. This framework is comprehensive enough to capture all risks. The Company is exposed to and has flexibility to accommodate any change in business activities.

3.2 Responsibilities of the Risk Management Function

The Risk Management Function, operates independently and is assigned the monitoring of the following:

- the adequacy and effectiveness of the Company's risk management policies and procedures;
- the level of compliance by the Company and its relevant persons with the arrangements, processes and mechanisms adopted; and
- the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

3.3 Risk Management Policy and Objectives

The Company's Risk Management Policy was formed with the view to elucidate the approach taken by the Company towards the risk confronted by the Company and the principles guiding its approach. The analysis refers to the risks confronted by the Company and the strategies employed for their mitigation or elimination. Importantly, the approach of the Company's management and the resulting policy adopted regarding the issue of risk is exemplified throughout.

It sets out the procedures and mechanisms regarding risks and it describes the roles and responsibilities of the Risk Manager. In addition to that, it identifies the main reporting procedures and outlines the process followed in order to evaluate the

effectiveness of the Company's internal control procedures.

The Board of Directors annually approves/revise the proposed changes and performs the strategic overview and control of the Risk Management Policy.

3.4 Responsibilities of the Risk Manager

The Risk Manager ensures that all different types of risks taken by the Company are monitored and reported to the Senior Management and the Board. Moreover, the Risk Manager is responsible for making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies identified, as aforementioned.

The Risk Manager bears the responsibility to monitor the adequacy and effectiveness of risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

The Company's Board receives on a regular basis written reports, which contain a description of the implementation and effectiveness of the overall control environment for investment services and activities, ancillary services and other business, and a review of the risks that have been identified, analyzed, planned as well as remedies undertaken or that will be undertaken.

Processes are continuously being reviewed with the intent of further strengthening through the implementation of guidance provided by both the industry and new regulatory requirements. In addition, the entire Risk Management Policy universe has been re-designed to define an updated comprehensive and coherent framework for risk management, linked to the Company's risk appetite.

3.5 Risk Statement

Risk appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet. Such risks include, but are not limited to, credit, market, operational, conduct, reputational, compliance and data security/IT risk.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving

the Board and management confidence to avoid risks that are not in line with the strategic objectives.

The Board of Directors approved the following Risk Appetite Statement decided by Management:

Risk appetite statement

The Company's risk appetite is determined by its Board, following the recommendations of the Risk Manager and taking into account the Company's risk bearing capacity.

Risk appetite determines the maximum risk that the Company is willing to assume in order to meet its business targets. To ensure coherence between the Company's strategic considerations as regards risk taking and the day-to-day decisions, Management reviews and when deemed necessary, updates the Company's risk appetite statement.

The Company's risk appetite is set by taking into consideration its current risk profile (please see below). The following are the main risk appetite statements which are applicable across all of the Company's activities:

- The available regulatory capital over the total risk weighted assets for Pillar I risks is targeted to be greater than or equal to 13% or EUR 730K whichever is the highest in value.
- CET1 ratio should under no circumstances fall below the minimum regulatory requirement imposed by CySEC – which is 4.5% of total RWAs, plus applicable Pillar I buffers²;
- The Company has zero tolerance towards internal fraud and non-compliance with regulatory requirements. Therefore, all departments are required to operate at all times in compliance with respective regulatory requirements;
- The Company has limited tolerance towards operational risks / losses such as internal fraud, unauthorized trading limit excesses, data security and GDPR. Operational risks inherited in the business operations of the Company are managed proactively.

The Company's risk bearing capacity is defined as the ability of the Company's available capital to absorb adverse risk. The Company's available paid-up capital currently consists solely of CET1 capital, calculated after relevant deductions.

²Applicable Buffers for Wise Wolves Finance Ltd include: (i) the Capital Conservation Buffer ("CCB"), which is set at 2.5% of total RWAs from 2019 onwards; and (ii) the Institution-specific Countercyclical Capital Buffer ("CCyB"), which depends on the Company's exposure to countries with positive countercyclical buffer rates as applied by their macroprudential authority.

The risk appetite of the Company is the aggregate level and types of risk the Firm is willing to assume within its risk capacity to achieve its strategic objectives and business plan. Thus, Risk Appetite and Strategic Plan occur and evolve in parallel. The Risk Appetite enables the Company to demonstrate that the achievement of its strategic goals has not been the result of fortuitous circumstances.

Taking into consideration the Company's size, services offered, complexity and operations, the risks that are considered significant and / or material for the Company are credit risk, market risk, operational risk, liquidity risk, concentration of large exposures and exposures to directors and shareholders.

The Board and Senior Management understand how the risk capacity impacts on the business.

3.6 Risk Culture

The Board has a crucial role in strengthening risk governance, including setting the 'tone at the top', reviewing strategy, and approving the Risk Appetite Statement. It is the Board that is ultimately responsible and accountable for risk governance.

A robust risk culture is a substantial determinant of whether the Company will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that the Company wishes to build is reflected in its policies and procedures which are closely aligned to its Risk Appetite. Risk culture is manifested in the day-to-day decisions that indicate how risk is identified, understood, discussed, and acted upon.

The Company has focused primarily on the implementation of a firm-wide effective and pervasive risk culture. This is achieved through the following:

- Embedding the risk culture at all levels of the Company with clear ownership and accountability of tasks;
- Conducting firm-wide risk assessments;
- Implementing formal risk education presentations;
- Changes in policies and procedures, introducing additional risk criteria for the evaluation of credit and investment decisions;
- Changes in key personnel;
- Training.

3.7 Board Declaration – Adequacy of the Risk Management arrangements

The Board of Directors is ultimately responsible for the risk management framework of the Company.

Risk management framework is the sum of control systems, work processes and internal policies. System of identification, assessment, mitigation and monitoring of the risks is not yet perfect. However, this is due to the fact that the Company was recently established, and number of operations is moderate. The Board of Directors should review the limitations and suggestions described in the risk management Report and will take appropriate measures in order for the Company to be complaint and in line with its objectives.

4. CAPITAL REQUIREMENTS UNDER PILLAR I & PILLAR II

The primary objective of the Company with respect to its capital management is to ensure that the Company complies with the capital requirements regulation imposed by the European Union and regulated by CySEC. Under this framework, the Company needs to monitor its capital base and maintain a strong capital adequacy ratio in order to be able to promote itself as a fully compliant and healthy Company, to support its business and maximize shareholders' value. In this respect, the Capital requirements should not be seen as a restriction of business but rather as proactive risk management imposed to help both the Company and its client base.

The fundamental pillar of the capital adequacy framework, Pillar I, is based on the fact that the Company must have minimum own funds which are at all times more than or equal to the sum of its capital requirements. In addition to the Pillar I minimum capital requirements, the Company's eligible own funds must at all times exceed the EUR 730k minimum initial capital requirement as specified under the Article 28 (2) of the CRD.

In line with CRR, Pillar I sets out the minimum regulatory capital requirements of firms to cover credit risk, market risk and operational risk. The minimum capital adequacy ratio an investment firm is required to maintain is set at 8%. Moreover, with the introduction of Basel III/CRR, the capital quality requirements have become more stringent: Common Equity Tier 1 ratio has increased to 4.5%, plus applicable additional buffers as described in Section 2.5 of this Report, Tier 1 to 6%, and Overall (Tier 1 and Tier 2) to 8% plus any additional capital buffers (including the countercyclical capital buffer) and any SREP add-on.

The total Pillar I capital requirement for the Company for the year 2018 totals to 9,875% of its total RWAs as at 31.12.2018 and is derived from: (i) the minimum total capital ratio of 8% of its total RWAs and (ii) the Capital Conservation Buffer ('CCB') of 1,875% (set for the period 01.01.2018 to 31.12.2018 and is increased to 2.5% from 01.01.2019 and onwards). The Institution-specific Countercyclical Capital Buffer (the 'CCyB') for the Company for 2018 was at 0% (analysis in Tables 6 and 7 below).

The Board, as well as the Risk Manager, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

Own Funds

The Own Funds/Capital Base of the Company as at 31 December 2018 comprised solely of Common Equity Tier 1 (CET1), as shown in the table below:

Table 3: Composition of the capital base of Wise Wolves Finance Ltd

Composition of Own funds	
Description	As at 31 st Dec 2018
Eligible Own Funds	
Tier 1 positive items:	
- Share capital	3
- Share premium	1.497
- Retained Earnings	(171)
- Other reserves	-
- Audited profit/(loss) for the period (<i>net of foreseeable dividends</i>)	(210)
Total Own Funds before Deductions:	1.119
Deductions:	
- ICF contribution	(43)
- Intangible assets	(13)
Original Own Funds (Tier 1 Capital)	1.063

Capital Adequacy Ratio

The Company's actual capital adequacy ratio as reported to CySEC for the year ended 31st December 2018 was well above the minimum requirement, as indicated by the table below:

Table 4: Capital Adequacy Table

Own Funds and Capital Adequacy Ratio	31 Dec 2018 (€'000)
Eligible Own Funds	
Share capital	3
Share premium	1497
Reserves	-381
Less: ICF Contribution	-43
Less: Intangible Assets	(13)
Total Own Funds	1.063
Capital Requirements	

Own Funds and Capital Adequacy Ratio	31 Dec 2018 (€'000)
Credit risk	78
CVA Risk	0
Market Risk	0
Operational Risk	119
Total Capital Requirements	197
Capital Adequacy Ratio	43,21%

Table 5: Minimum Capital Requirements

Type of Risk	RWAs	Minimum Capital Requirements (8% of RWAs)
	EUR '000	EUR '000
<i>Credit Risk</i>	974	78
<i>Market Risk</i>	-	-
<i>Operational Risk</i>	1.486	119
Total Risk Exposure Amount	2.460	197

Table 6: Geographical Distribution of credit exposures relevant for the calculation of the Countercyclical Capital Buffer

(EUR '000)	General Credit Exposures		Trading Book Exposure		Own Funds Requirements		Total	Own Funds Requir/nts Weights	CCyB Rate
	SA	IRB	SA	IRB	General Credit Risk Exp.	Trading Book Exp.			
BVI	3	-	-	-	0	-	0	0%	0,00%
Cyprus	179	-	-	-	1	-	1	1%	0,00%
Russia	927	-	-	-	74	-	74	99%	0,00%
Switzerland	10	-	-	-	-	-	-	0%	0,00%
Total	1.119	-	-	-	75	-	75	100%	-

Table 7: Amount of institution-specific countercyclical capital buffer

Amount of institution-specific countercyclical capital buffer	Amount (EUR '000)
Total Risk Exposure Amount	2.460
Institution specific countercyclical buffer rate	0 %
Institution specific countercyclical buffer requirement	-

Large exposure limits

As at 31st December 2018, the Company's exposure to Rosbank PJSC, was 87,13% of the Company's Own Funds, which exceeded the 25% large exposure limit to Corporate entities, set by Article 395 of the CRR. The Company took actions to reduce the said exposure through the diversification of its funds with multiple financial institutions. In particular, the Company has initiated the procedure of opening additional bank accounts with reputable and investment grade EU banks/brokers. The aforementioned account opening procedure is expected to be completed within the third quarter of 2019.

5. CREDIT ASSESSMENT UNDER THE STANDARDISED APPROACH

For the purpose of calculating the capital requirements of the Company mainly under the Credit Risk requirement, for the exposure classes listed below, Moody's, S&P and Fitch's external credit ratings have been applied.

- Exposures to central governments or central banks;
- Exposures to public sector entities;
- Exposures to institutions;
- Exposures to corporates.

Table 8: Average exposure per Exposure Class

Exposure Class	Original Exposure (EUR '000)	Average Exposure (EUR '000)	Total
Central Government / Central Bank	5	2	7
Corporate	934	309	1,243
Institution	179	516	695
Other Items	1	19	20
Total	1,119	846	1,965

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

Table 9: ECAI association with each credit quality step

Credit Quality Step	S&P	Moody's	Fitch	Institution Risk Weight (Below 3 months)	Institution Risk Weight (Above 3 months)	Sovereigns Risk Weight	Corporate Risk Weight
1	AAA to AA-	Aaa to Aa3	AAA to AA-	20%	20%	0%	20%
2	A+ to A-	A1 to A3	A+ to A-	20%	50%	20%	50%
3	BBB+ to BBB-	Baa1 to Baa3	BB+ to BBB-	20%	50%	50%	100%
4	BB+ to BB-	Ba1 to Ba3	BB+ to BB-	50%	100%	100%	100%
5	B+ to B-	B1 to B3	B+ to B-	50%	100%	100%	150%
6	CCC and below	Caal and below	CCC+ and below	150%	150%	150%	150%

Exposures to rated institutions are risk weighted based on the credit assessment of the institution itself and the residual maturity of the exposure as per Article 120 of CRR. Exposures to unrated institutions are assigned a risk weight according to the Credit Quality Step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned, as specified in Article 121 of CRR. The ECAs are not taken into account where all relative exceptions or discretions as per the CRR apply. This means the credit quality step tabulated below may not apply for credit exposure risk weighting purposes if CRR exceptions apply (for example exposures to EU institutions in domestic currency with remaining maturity up to 90 days).

Exposures to rated corporates were risk weighted in accordance to the credit assessment of the corporate itself as per Article 122(1) or, if unrated, with 100% since they were all incorporated in countries with credit assessment up to Credit Quality Step 4.

Exposures to Central Governments and Central Banks are risk weighted based on the provisions of Article 114. Notwithstanding the general treatment mentioned above, as at 31 December 2018, the relevant exposures were denominated and funded in the domestic currency of a Member State's central government, a favorable risk weight of 0% could be applied.

Finally, the Other Items category received a 100% risk weight, as per the requirements of Article 134 of the CRR.

The classification of original exposures as at 31.12.2018 in the table below follows the information above.

Table 10: CQS classification

Credit Quality Step	Exposure values before credit risk mitigation (EUR '000)	Exposure values after credit risk mitigation (EUR '000)
CQS 3	15	15
CQS 4	926	926
CQS 5	21	21
Unrated	148	148
Not Applicable	9	9
Total	1.119	1.119

5.2 Credit Risk Management

Definition

Credit Risk is the risk of loss that the Company would incur if the Company fails to perform its contractual credit obligations. The Company follows the Standardized Approach under Pillar I for calculating its Credit Risk Capital Requirements as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Quality Step methodology to determine its respective Risk Weights (RW).

Risk identification, Measurement, Control and Reporting

Credit Risk arises when failures by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets in hand, at the balance sheet date. The Company's Credit Risk mainly arises from the Company's:

- deposits in Financial institutions;
- exposures to brokerages and other corporates;

Credit Risk Analysis

The tables below indicate the Company's Credit Risk exposure under Pillar I, as at 31.12.2018.

Table 11: RWAs and Capital Requirements by Exposure Class

Exposure Class	RWAs (EUR '000)	Capital Requirements (EUR '000)
	As at 31st Dec 2018	As at 31st Dec 2018
Central Government / Central Bank	-	-
Corporate	934	75
Institution	39	3
Other Items	1	-
Total	974	78

Table 12: Residual Maturity per Exposure Class

Exposure Class	Original Exposure as at 31st Dec 2018 (EUR '000)		Total
	Maturity < 3months	Maturity > 3months	
Central Government / Central Bank	5	-	5
Corporate	934	-	934
Institution	175	4	179
Other Items	1	-	1
Total	1.115	4	1.119

Table 13: Geographic Distribution of Exposures

Exposure Class	Exposure amount as at 31st Dec 2018 (EUR '000)				Total
	BVI	Cyprus	Russia	Switzerland	
Central Government / Central Bank	-	5	-	-	5
Corporate	3	4	927	-	934
Institution	-	169	-	10	179
Other Items	-	1	-	-	1
Total	3	179	927	10	1.119

Table 14: Exposures by Exposure Class by Industry Segment

Exposure Class	As at 31st Dec 2018 (EUR '000)		Total
	Financial / Banking	Other	
Central Government / Central Bank	-	5	5
Corporate	929	5	934
Institution	179	-	179
Other Items	-	1	1
Total	1.108	11	1.119

Counterparty Credit Risk and Credit Valuation Adjustment Risk

The Company had no open positions as at 31.12.2018, therefore, it was not exposed to Counterparty Credit Risk and Credit Valuation Adjustment Risk.

Financial Assets – Impairment***Financial Instruments:***

The policy applicable as at 1 January 2018 indicates the Company recognises loss allowances for expected credit losses ("ECLs") on:

- Financial assets measured at amortised cost; and
- Debt investments measured at financial assets through Other Comprehensive Income (“FVOCI”)

The Company measures loss allowances at an amount equal to lifetime ECLs, except for the following, which are measured at 12-month ECLs:

- Debt securities that are determined to have low credit risk at the reporting date; and
- Other debt securities and bank balances for which credit risk (i.e. the risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

Loss allowances for trade receivables and contract assets are always measured at an amount equal to lifetime ECLs.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating ECLs, the Company considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Company's historical experience and informed credit assessment and including forward looking information.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than 30 days past due.

The Company considers a financial asset to be in default when:

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

The Company considers that a bank deposit or other amounts placed with banks or with other financial institutions, like payment service providers, have low credit risk when the credit rating of the bank or of the financial institution or in case when no credit rating is assigned to a financial institution, the credit rating of the country where this is established, is equivalent to globally understood definition of 'investment grade'. The Company considers this to be Baa3 or higher (as per Moody's credit rating) or BBB or higher as per S&P.

Lifetime ECLs are the ECLs that result from all possible default events over the

expected life of a financial instrument.

12-month ECLs are the portion of ECLs that result from default events that are possible within the 12 months after the reporting date (or a shorter period if the expected life of the instrument is less than 12 months).

The maximum period considered when estimating ECLs is the maximum contractual period over which the Company is exposed to credit risk.

Measurement of ECLS:

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

ECLs are discounted at the effective interest rate of the financial asset.

Credit-impaired financial assets:

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

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

- Significant financial difficulty of the borrower or issuer;
- A breach of contract such as a default or being more than 90 days past due;
- It is probable that the borrower will enter bankruptcy or other financial reorganisation; or

Presentation of allowance for ECL in the statement of financial position:

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets.

For debt securities at FVOCI, the loss allowance is charged to profit or loss and is recognised in OCI.

The Company within the year 2018 recognises the impairment losses amount to EUR 630 and EUR 2.299 in relation to Trade and Other Receivables and Cash and Cash Equivalents respectively.

5.3 Market Risk Management

Definition

Market Risk is the risk of losses when the value of investments may decline over a given timeperiod as a result of fluctuation of market prices or economic changes.

In the context of Pillar I, Market Risk can be divided in the following categories:

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

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

Commodities Risk: It refers to the uncertainties of future market values and of the size of the future income, caused by the fluctuation in the prices of commodities. These commodities may be oil, metals, gas, electricity etc.

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

Risk identification, Measurement, Control and Reporting

The Company's Market Risk for 2018 mainly arises from the below sub-categories of market risk:

- Foreign exchange (FX) fluctuations which affect the Company's assets or liabilities denominated in foreign currencies, other than Euro.

The Risk Manager and the Company's Dealing Room continuously monitor market prices and act accordingly in order to maintain price risk at acceptable levels. Furthermore, the Company had adopted the Standardized Approach for calculating its minimum capital requirements.

Market Risk Analysis

Table 15: Currency exposures

Foreign Exchange Capital Requirements	31/12/2018 EUR '000
Currency	
EUR	1.148
USD	10
RUB	-
Other	-
Position Subject to Capital Charge	10
Total Risk Exposure Amount	-

5.4 Operational Risk Management

Definition

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors. Operational Risk includes Legal Risk but excludes Strategic and Reputational Risk.

The following list presents some event types, included in Operational Risk, with some examples for each category:

- Internal Fraud: unauthorized limit excess with intend, misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud: theft of information, hacking damage, third – party theft and forgery.
- Clients, Products and Business Practice: market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.
- Execution, delivery and process management: wrong execution of orders, data entry mistakes when transmitting orders, trade miscapturing.
- Employment Practices and Workplace Safety: acts inconsistent with employment, health or safety laws or agreements.
- Damage to Physical Assets: natural disaster or other events.
- Business Disruption and system failures.

Risk identification, Measurement, Control and Reporting

In order to control the exposure to Operational Risks, the management has established sub-categories of operational risk and respective mitigations, with the aim:

- To minimize the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses); and
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognizes that the control of Operational Risk is directly related to effective and efficient management practices and high standards of corporate governance.

To that effect, the management of Operational Risk is geared towards:

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

The Company implements the several Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure, with key examples being:

- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities;
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives, also ensuring Company's operations manual is provided to all employees;
- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value;
- Established and maintains a "four-eyes" structure and Board oversight. This structure ensures the separation of power regarding vital functions of the Company. The Board further reviews any decisions made by the Management while monitoring their activities;
- Providing internal and external stakeholders with appropriate information prior to establishing/maintain a business relationship (i.e. Complaint and Grievances Handling Procedures, Management of Conflicts of Interest Situations, Safeguarding of Financial Instruments and Funds, Best Execution Policy, Risk Warning, etc.);

Operational Risk Analysis

For the calculation of Operational Risk in relation to the capital adequacy returns, the Company uses the Basic Indicator approach. Based on the relevant calculations in the Company's capital requirements, the figures calculated below shows the Company's exposure to Operational Risk:

Table 16: Company's exposure to Operational Risk

Operational Risk Capital Requirements	31/12/2018 EUR '000
Last 3 years average	792
Total Own Funds	119
Total Risk Exposure Amount	1.486

5.5 Reputational Risk

Reputational risk is defined as the potential that adverse publicity regarding a financial organisation's business practices and associations, whether accurate or not, will cause a loss of confidence in the integrity of the institution. In particular, reputation risk can materialize in the case of non-compliance with regulations, a breach of ethical values or the perception by the customer of an unfavourable discrepancy between the commercial offering and the reality of staff's practices.

The Company manages its reputational risk through corporate governance and internal controls ensuring that:

- The Company controls all marketing communication that goes out to the public and stays up to date with new regulatory requirements and obligations in an effort to maintain a strong reputation. In addition, it obtains legal opinions on new jurisdictions in which it wants to operate to ensure that it doesn't violate any laws. According to the third country's requirements, it adjusts its marketing material accordingly.
- The Company has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to clients.
- Furthermore, employees are bound by confidentiality policies and there are several controls to minimize the risk of internal fraudulent activity not being spotted/prevented.
- In addition, the management ensures that the Company is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

5.6 Compliance / Money Laundering and Terrorist Financing Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies, and procedures, or ethical standards.

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

The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate the Compliance / Money Laundering and Terrorist Financing Risks. Among others, the Company has established or is in the process of establishing the below policies, procedures and controls:

- a. a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing Risks faced by the Company;
- b. Client due diligence and identification procedures in line with the Clients' assessed Money Laundering and Terrorist Financing Risk, prior and after the establishment of a business relationship with a client;
- c. monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients;
- d. a Customers' Acceptance Policy (CAP) which has also been included in its AML Manual and reflects the actual policies and procedures followed by the Company;
- e. Policies and procedures required under laws and regulations applicable to the Company, including MiFID II, MiFIR, CRR, etc. which mainly are included in the Internal Operations Manual;
- f. Ensure that the Company's personnel receive the appropriate training and assistance.

The regulatory reporting requirements are met, and the reports are submitted in due course to CySEC and other relevant authorities. The Risk Based Supervision Framework ('RBS-F') - The Company established mechanisms that allow to submit the EMIR and MIFIR reporting on a daily basis according to the provisions of the relevant Laws and Directives;

5.7 Stress Testing

Stress testing is a key risk management tool used by the Company to rehearse the business response to a range of scenarios, based on variations of market, economic and other operating environment conditions. Stress tests aim at:

- Understanding the risk profile of the Company;
- The evaluation of the Company's capital adequacy in absorbing potential losses under stressed conditions from risks not covered or not adequately covered under Pillar I. This takes place in the context of the Company's ICAAP. The first ICAAP assessment for the Company will be conducted in 2019 with reference date 31.12.2018;

In order to ensure that Stress Testing is truly embedded in the Company's corporate governance and Risk Management procedures, the following conditions shall always have to be met when using Stress Tests:

- the Board is actively engaged in Stress Testing, and is responsible for establishing an effective Stress Testing framework within the Company,
- the Board undertakes a key role in implementing the Company's Stress Testing by being involved throughout the process, including the selection of the Stress Test methodology to be used,
- the Company's Stress Testing framework needs to cover all relevant operational levels of its business, as well as all material risks,
- the Board shall act, based on the results of Stress Testing, and integrate these results in the Company's decision making and strategic planning processes,
- the Company's Stress Testing framework shall need to be periodically evaluated and reviewed by the Senior Management for its continued effectiveness.

The ultimate responsibility and ownership of the Company's stress testing policy rests with the Board.

6. LEVERAGE RATIO

According to the CRR, Article 429, the leverage ratio is calculated as an institution's capital measure divided by the institution's total exposures and is expressed as a percentage. Institutions shall calculate the end-of quarter leverage ratio as per the discretions from CySEC. The leverage ratio must at all times exceed the 3% of the Company's eligible capital.

As at 31st December 2018, the leverage ratio of the Company was equal to 94,99% using a fully phased in definition, as per the table below:

Table 17: Reconciliation of accounting assets and Leverage ratio exposures

Leverage Ratio Calculation	31/12/2018 EUR '000
Total assets as per accounts as at 31.12.2018	1.172
Adjustments for derivative financial instruments	-
Other adjustments	(53)
Total Leverage Ratio exposure – using a fully phased-in definition of Tier 1 capital	1.119

Table 18: Company's leverage ratio as at 31.12.2018

Leverage Ratio Calculation	31/12/2018 EUR '000
On-balance sheet exposures (excluding derivatives and SFTs)	
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	1.175
(Asset amounts deducted in determining Tier 1 capital)	(56)
Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	1.119
Derivative exposures	
Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures	
Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures	
Other off-balance sheet exposures (sum of lines 17 to 18)	-
Capital and total exposures	
Tier 1 capital	1.063

Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	1.119
Leverage ratio	
Leverage ratio	94,99%

Table 19: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

Leverage Ratio Calculation	CRR leverage ratio exposures EUR'000
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	1.119
Trading book exposures	-
Banking book exposures, of which:	1.119
Covered bonds	-
Exposures treated as sovereigns	5
Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	-
Institutions	179
Secured by mortgages of immovable properties	-
Retail exposures	-
Corporate	934
Exposures in default	-
Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	1

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

In order to manage the risk of excessive leverage, Wise Wolves Finance Ltd monitors its Leverage Ratio on a quarterly basis and ensures that is always above the minimum regulatory threshold of 3%.

Should the calculated leverage ratio drop below 10%, then the Risk Manager performs monthly monitoring of the leverage of the Company. In the unlikely case when the leverage ratio drops below the regulatory minimum of 3% the Risk Manager immediately informs the Board with proposed corrective measures so that compliance is restored; in such a case CySEC is informed accordingly with the Company's action plan.

7. REMUNERATION POLICY AND PRACTICES

Remuneration refers to payments or compensations received for services or employment. Based on the above, the Remuneration policy includes the base salary (fixed amount) and any bonuses or other economic benefits (variable amount) that an employee or executive receives during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive DII44-2014-14.

The purpose of this Policy is to set out the remuneration practices of the Company taking into consideration the salaries and benefits for certain categories of employees, where these shall comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The Board reviews the policy at least annually, in the context of an internal review for compliance with the relevant legislation as well as to confirm applicability, viability and alignment with the industry's remuneration standard. The Senior Management keeps records containing information as regards the remuneration of the Company's employees and with the assistance of the Compliance Function, will periodically review the Policy, as and when applicable, and thus adjust it should the need arises for remuneration to include any other possible sources of additional variable components.

Remuneration System

The Company's remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable amount of resources the Company invests in each member of the staff. Thus, the Company considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long-term success; whilst simultaneously ensuring that the Clients' interests will not be impaired by the remuneration policies and practices adopted by the Company in the short, medium and long term.

The employees' total remuneration consists of a fixed and a variable component. All employees are also eligible for the annual bonus remuneration. The various remuneration components are:

Fixed Remuneration

Fixed remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Company's fixed remuneration is approved by the Board for all the relevant employees and it is reviewed by the Company at such intervals, as it shall decide at its sole discretion, without affecting the other terms of employment.

Benefits provided to the relevant Company employees, such as private health insurance and parking facilities paid by the Company, are not employee performance-related and are considered as part of the fixed remuneration.

Variable Remuneration

Variable remuneration is an addition to monthly fixed salary, only paid in cash via the Company's payroll system either via wire transfer or cheque issued on the employee's name.

The Company does not award, pay or provide guaranteed variable remuneration. The amount of the variable remuneration is determined based on the following key factors:

- a) The employee's contribution to the implementation of the Company's strategy;
- b) The employee's experience (especially in financial markets and over-the-counter ("OTC") markets);
- c) The employee's competitiveness;
- d) The employee's educational qualifications and willingness to obtain at own's free time the highest level of education in area of their expertise.

Remuneration policies and practices implemented in the Company are internationally simplified to the basic requirements of hiring and maintaining sufficiently professional personnel. The Board considers such approach as the most practical at the stage of business growth, development and progress. It corresponds to the scaled and complexity of Company's first planned operations. After the achievement of the Company's growth new more stimulating measures (like introduction of the more detailed variable components) might be introduced for the achievement of long-term targets.

All of the performance measurements operated to calculate variable remuneration contain applications for all current and future risks and take into account the cost and quantity of the liquidity and capital required. Also, the Company considers the need for consistency with the timing and the likelihood of the Company to receive potential future revenues which will be integrated into current earnings.

Moreover, the fixed and variable components should remain appropriately balanced and the total fixed component should represent a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components (even to allow for zero variable components to be offered).

Annual Bonus Remuneration

All Company's employees, eligible to an additional discretionary bonus (13th-month payment or other bonuses) in such an amount (if any) and at such terms and conditions as may be decided by the absolute discretion of the Company.

Other Factors

Other factors taken into account for the remuneration of the Company's employees are the following:

- a) The financial viability of the Company;
- b) The general financial situation and the state in which the Company operates;
- c) Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics) performance evaluation and the rating received based on their annual performance in relation to the objective set up at the beginning of the period;
- d) Each employee's professional conduct with Clients (such as acting in the best interest of the Client, fair treatment of Clients and inducing Client satisfaction), as applicable.

Performance Appraisal

The Company must ensure that where remuneration is linked with performance, the total amount of remuneration is based on a combination of the performance assessment of:

- a) The individual (financial as well as non-financial criteria are taken into account; annual performance evaluation and performance rating are taken into account);
- b) The business unit concerned; and
- c) The overall results of the Company.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel which is based on a set of Key Performance Indicators and Targets, developed for each department.

In general, performance appraisal is performed in a multiyear framework in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take account the Company's underlying business cycle and risks.

Additionally, performance appraisal on medium and short-term is being performed as follows:

- a) Objectives are set in the beginning of each year (depending on the department appraisal process) defining what the Company functions, departments and individuals are expected to achieve during the year and half annually;
- b) Performance checks and feedbacks: managers provide support and feedback to the

- concerned staff annually and semi-annually, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies;
- c) Annual performance review: takes place annually. The annual performance review also determines the level of the annual (one-off) bonus to be awarded to the employees. This bonus depends on the annual performance evaluation of each employee the fulfillment of their annual performance related targets and the annual financial performance of the Company.

Control Functions

The Company must ensure that employees engaged in Control Functions:

- a) Are independent from the business units they oversee;
- b) Have appropriate authority; and
- c) Are remunerated:
 - i. Adequately to attract qualified and experienced staff; and
 - ii. In accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Further to the above, the Policy is designed to manage the conflicts of interest which might if other business areas had undue influence over the remuneration of employees within Control Functions. Moreover, the need to avoid undue influence is particularly important where employees from the Control Functions are embedded in other business areas.

During the year there were no deferred remuneration, sign-on or severance payments.

The aggregate remuneration of the Company's personnel for the year ended 31st December 2018, broken down by business area, is presented in the following table:

Table 20: Remuneration split by business area

Remuneration as at 31 st December 2018			
Annual Remuneration (EUR'000)			
Business Area	Fixed	Variable	TOTAL
<i>Control functions *</i>	145	11	156
<i>Brokerage</i>	91	8	99
<i>Safekeeping</i>	47	2	49
Total	282	21	303

* Note: Control Function involves Compliance Officer, Risk Manager and Money Laundering Compliance Officer.

Table 19 below provides information on the remuneration of Executive Directors, Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration. During 2018 the Company did not provide any non- cash benefits.

Table 21: Remuneration split of staff whose activities have a material impact on the risk profile of the Company

Position/ Role	Annual Remuneration (EUR'000)			
	No. of Beneficiaries	Fixed (cash) Remuneration	Variable (cash) Remuneration	Aggregated Remuneration
<i>Senior Management (incl. Executive and Non-Executive directors)</i>	9	224	21	245
<i>Other staff</i>	2	58	0	58
Total	11	282	21	303

8. APPENDIX

Appendix I – Own Funds Calculation

Table 22: Transitional Own Funds Disclosure

At 31 December 2018	Transitional Definition	Full - phased in Definition
	€'000	€'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	1.500	1.500
Retained earnings	(381)	(381)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1.119	1.119
Intangible assets (net of related tax liability)	(43)	(43)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(13)	(13)
Common Equity Tier 1 (CET1) capital	1.063	1.063
Additional Tier 1 (AT1) capital	-	-
Tier 1 capital (T1 = CET1 + AT1)	1.063	1.063
Tier 2 (T2) capital	-	-
Total capital (TC = T1 + T2)	1.063	1.063
Total risk weighted assets	2.460	2.460
Capital ratios and buffers		
Common Equity Tier 1	43,21%	43,21%
Tier 1	43,21%	43,21%
Total capital	43,21%	43,21%

Definitions:

- The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total RWAs for covering Pillar I risks.
- The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total RWAs for covering Pillar I risks.
- The Total Capital ratio is the Own Funds of the Company expressed as a percentage of the total RWAs for covering Pillar I risks.

Appendix II – Balance Sheet Reconciliation

Table 23: Balance Sheet Reconciliation

Balance sheet reconciliation	2018
Share capital	3
Share premium	1497
Retained earnings	(381)
Total Equity as per Audited Financial Statements	1.119
Less: ICF Contribution	(43)
Less: Intangible Assets	(13)
Total Own funds as per CoRep	1.063