DISCLOSURE AND MARKET DISCIPLINE REPORT FOR 2021

June 2022

DISCLOSURE

The Disclosure and Market Discipline Report for the year 2021 has been prepared by ***Wise Wolves Group Ltd*** *as per the requirements of Regulation (EU) No. 2019/2033 (the IFR) and the Directive (EU) No. 2019/2034 (the IFD) issued by the European Commission.*

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

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1. SCOPE OF APPLICATION

1.1 Pillar III Regulatory Framework

The present report is prepared by Wise Wolves Group Ltd (the "Group"), which was established in 2017 in Cyprus, to provide a full spectrum of services that supports an array of industries such as Management Consultancy, Finance, Investment, Payments, Corporate, Fund and Trust Administration and Tax Consultancy, to our international, local clients and associates globally. The Group is registered in Cyprus as a holding company under registration number HE 366896 and date of incorporation 08/03/2017.

In accordance with Regulation (EU) No. 2019/2033 (the "Investment Firms Regulation", "IFR"), which came into force in 2021, the Group is required to disclose information relating to its risk management objectives and policies, own funds structure and requirements, as well as the most important characteristics of the Group's corporate governance including its remuneration system, on a consolidated basis as laid down in Article 7 of the IFR.
The scope of this report is to promote market discipline and to improve transparency of market participants.

The report provides the Pillar III disclosures for Wise Wolves Group Ltd and its regulated subsidiaries, Wise Wolves Finance Ltd ("WWF") and Wise Wolves Payment Institution Ltd ("WWPI"). The information disclosed in this report is related to the year ended 31st December 2021 (based on unaudited management accounts) and is prepared on a consolidated basis.

The regulatory framework is comprised of three pillars:

- **Pillar I** covers the calculation of Own Funds and liquidity requirements.
- **Pillar II** covers the Supervisory Review and Evaluation Process ("SREP"), which assesses the Internal Capital Adequacy and Risk Assessment Process (the "ICARA") and provides for the monitoring and self-assessment of an IF's internal capital and liquid assets.
- **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 information contained in the Pillar III Market Discipline and Disclosure report can be found at: https://wise-wolves.finance/our-company/#1497016704808-55e8416a-b307

The Pillar III Market Discipline and Disclosure report was approved by the Board of Directors, approving the adequacy of risk management arrangements of the Group and providing assurance that the risk management systems in place are adequate with regards to the Group's profile and strategy.

The Group is making the disclosures on a consolidated basis. The basis of consolidation of the Group entities for accounting and prudential purposes is presented in the Group Structure below.

1.2 Group Structure

WISE WOLVES GROUP STRUCTURE SUBJECT TO PRUDENTIAL SUPERVISION
Date 31.12.2021

1.3 Subsidiaries Corporate Information

1. **Wise Wolves Finance Ltd (“WWF”)**

Company Name	Wise Wolves Finance Limited
Company Activity	Cyprus Investment Firm (“CIF”)
Authorization Date	25 September 2017
License Number	337/17
Company Registration Date	25 October 2016
Company Registration Number	HE 361580

Wise Wolves Finance Limited ("WWF") is an independent investment company licensed by CySEC with Licence Number 337/17, and fully accredited to offer a wide range of cross-border investment services on the financial market of the European Union. All dealings and activities of WWF are strictly regulated by the appropriate Laws, Directives and Regulations currently in force on the entire territory of the European Union.

In particular, WWF is licensed to provide the following investment and ancillary services, in the financial instruments outlined below:

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)	√	√	√						√	√	√	√	√		
III (11)															

* The extension was granted by CySec on the 3rd of March, 2022

Notation in regards to previous table:

I. <u>Investment services and activities</u>

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. <u>Ancillary Services</u>

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 through recognised clearing houses or are subject to regular margin calls.

2. Wise Wolves Payment Institution Ltd ("WWPI")

Company Name	Wise Wolves Payment Institution Limited
Company Activity	Payment Institution
Authorization Date	08 August 2018
License Number	115.1.2.32
Company Registration Date	30 October 2017
Company Registration Number	HE 375477

Wise Wolves Payment Institution Ltd ("WWPI") is the payment institution licensed by the Central Bank of Cyprus ("CBC") with License Number 115.1.2.32, providing a wide range of payment services, such as opening of accounts, payments and transfers, issue of guarantees and escrow services. The business model of the WWPI aims to provide payment services, mostly, to corporate customers of the Group as a part of one-point of service complex business solution.

In particular, WWPI is licensed to provide the following payment services:

- Execution of direct debits, including one-off direct debits; and
- Execution of credit transfers, including standing orders.

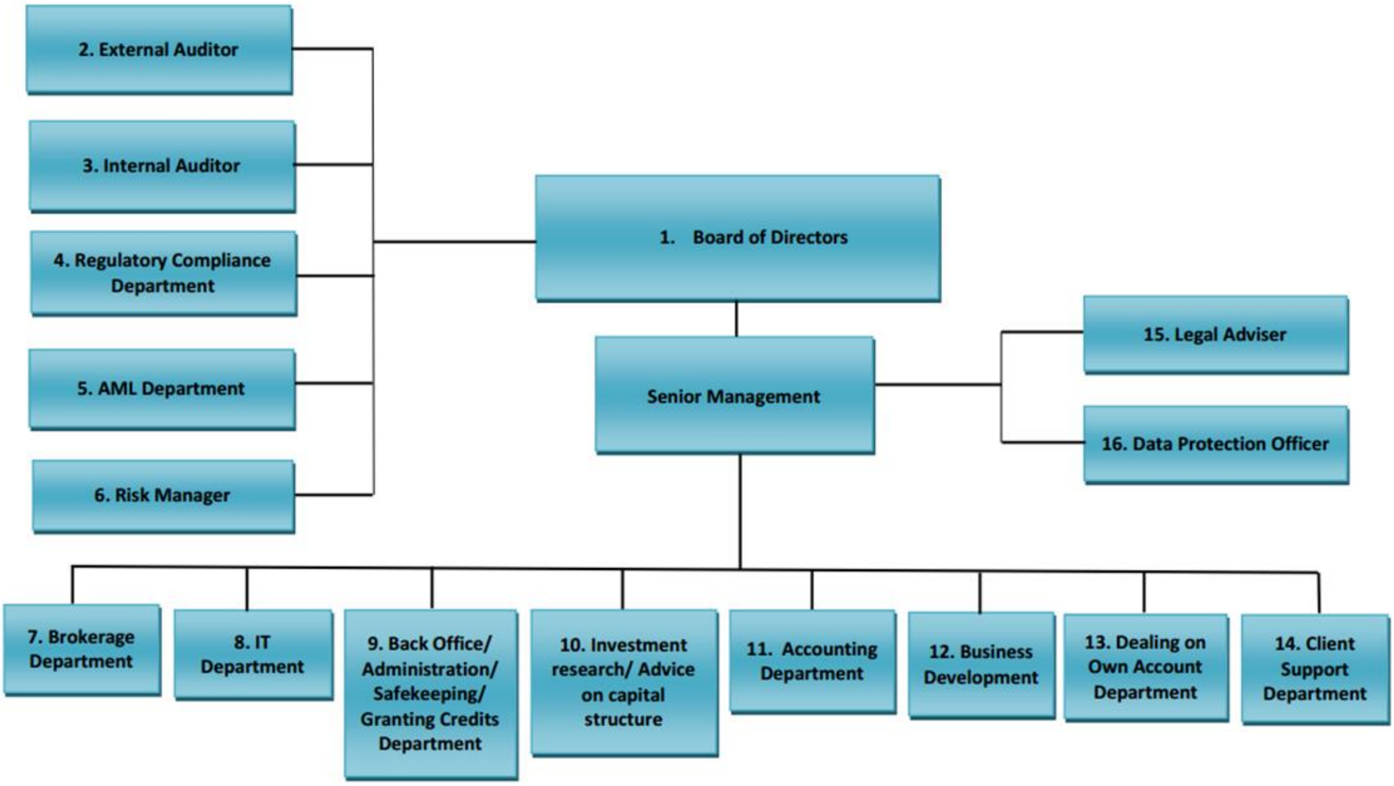
In addition to the above payment services, WWPI offers the following ancillary products and services:

- **Issue of Guarantees**, i.e. Letters of Guarantees, in favour of the Civil Registry and Migration Department of Ministry of Interior, which are necessary for obtaining working permit for alien employees of customers or for family member of the customer. The Letters of Guarantees are issued for 10 years. The amount of guarantee depends on the citizenship of the employee and defined by the Migration Department.
- **Escrow services**, which can be provided in as two business scenarios: (i) Escrow account; or (ii) Escrow agent services. In case of escrow account, the Company executes escrow payments, while a third party (the Client of the Company) acts as escrow agent. In the second type of the service the Company acts as the Escrow Agent and executes escrow payments, the principals are the Clients of the Company.
- **PI-online service** permits remote access to accounts and submission of payment orders for initiation of payment transactions.

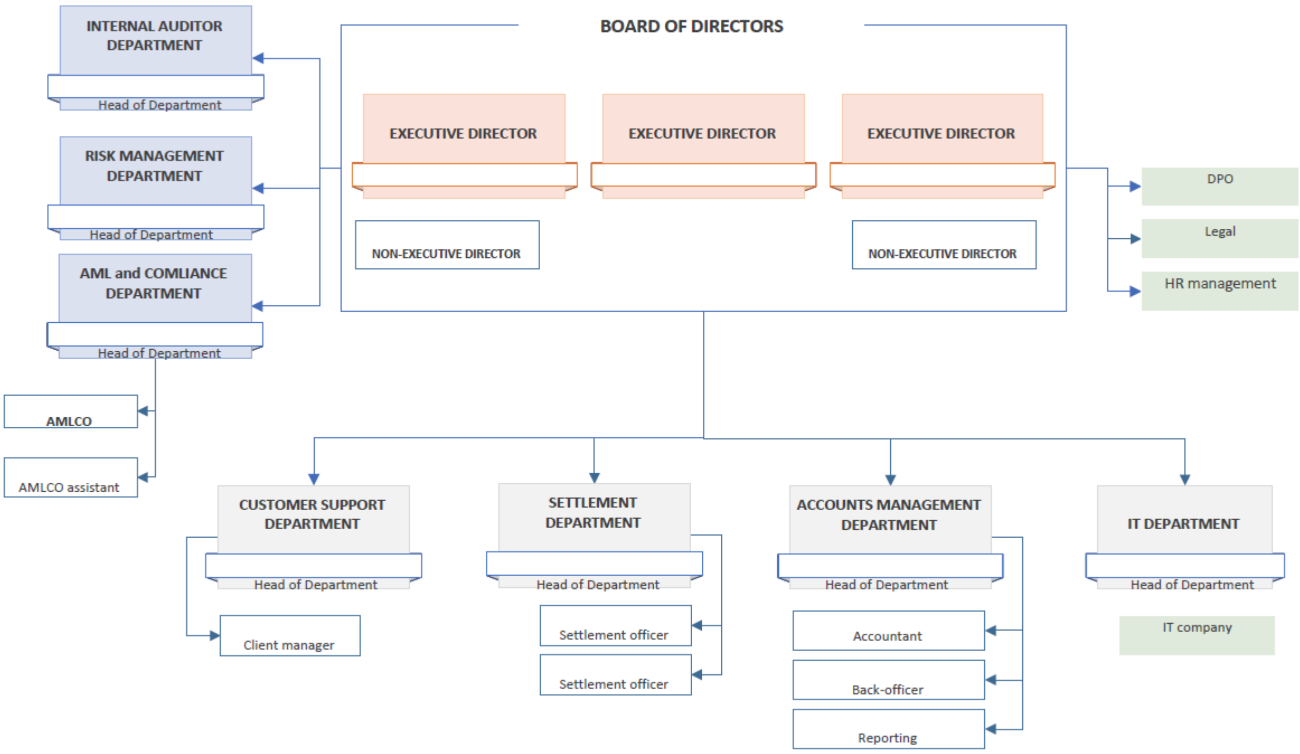
1.4 Organisational Structure

As the subsidiaries of the Group are independent businesses. Their organisational structures are also independent.

1.4.1 Organisational Structure of WWF



1.4.2 Organisational Structure of WWPI



2. CORPORATE GOVERNANCE

2.1 Board of Directors

The Board of Directors ("Board") of the Group consists of one Executive Director and one Non-Executive Director.

The members of the Board of Directors exercise effective control on the Group'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 Group;
- 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 Group;
- 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 Group 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 Group 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.

Taking into account the value of its on and off-balance sheet assets, the Group is not required to and has not set up separate risk committee or remuneration committee.

2.2 Recruitment Policy

The purpose of this Policy is to set out the recruitment procedures and requirements for the staff of the Group, including the members of the Board of Directors. The Policy has been prepared taking into consideration what is appropriate to the Group's size, internal organization and the nature, scope and complexity of its activities.

Staff Recruitment

Recruitment and selection of the right people is paramount to the success of the Group and its ability to retain a workforce of the highest quality. The Group provides equal employment opportunity to all qualified persons, in accordance with the Equity and Diversity Policy described in Section 2.4 below. The relevant organizational unit manager obtains authorization for staff recruitment in compliance with the relevant procedure and then notifies the Human Resources ("HR") department. In cases where there is a planned expansion of activities the need for additional recruitment may come from the Board of Directors.

Performance is measured according to previously established and mutually understood goals between the employee and the Group. These goals are challenging but attainable and relating to the core responsibilities defined in the employee's job description. After the goals and objectives are established, the Executive Director sets criteria against which the employee's job performance will be evaluated. The performance review is conducted annually. The formal performance appraisal process includes a written record of the appraisal of prior period and the planning session for future goals.

A written Appraisal Form detailing the above elements is completed by the Executive Director and, thus, the spectrum of performance is recognized and substandard performance is addressed in terms of corrective action. The employee also receives a copy of this record. Documentation is retained for all employees for at least five years.

Board of Directors Recruitment

The management of a CIF must be undertaken by at least two persons meeting the requirements below:

- 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 Group.
- 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 Group's activities. Unless representing the Republic, members of the Board of Directors of

the Group 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.

- For the purposes of subsection above, the following shall count as a single directorship:
  a) Executive or non-executive directorships held within the same group;
  b) Executive or non-executive directorships held within:
     - institutions which are members of the same institutional protection scheme provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
     - undertakings (including non-financial entities) in which the CIF holds a qualifying holding.
- Directorships in organisations which do not pursue predominantly commercial objectives shall not count for the purposes of the previous subsection.
- The Commission may allow members of the Board of Directors to hold additional non-executive directorships.
- The Board of Directors shall collectively possess adequate knowledge, skills experience to be able to understand the Group'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 Group, unless authorized by the Commission.

2.3 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 Group at the same time in other entities, excluding entities within the Group (i.e. Wise Wolves Finance Ltd and Wise Wolves Payment Institution Ltd). 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.

Number of Directorships

Name of Director	Position within Wise Wolves Group Ltd	N. of Executive Directorships in other Entities		N. of Non-Executive Directorships in other Entities	
		In Regulated Entities		In Regulated Entities	
Sergey Stopnevich	Executive Director	0		0	
Elena Dushchenko	Non-Executive Director	0		0	

2.4 Equity and Diversity Policy

The purpose of the Equity and Diversity policy is to:

- Create a positive and supportive 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.
- Promote the diversity of the workforce, including the diversity on the Board of Directors.

The policy should be monitored and reviewed annually to ensure that equality and diversity is continually promoted in the workplace.

Through this policy, the Group 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.

This policy reinforces our commitment to provide equality and fairness to all in our employment and not provide less favourable facilities or treatment on the grounds of:

- age
- disability
- gender
- marriage and civil partnership
- pregnancy and maternity
- race
- ethnic origin
- colour
- nationality
- national origin
- religion or belief or
- sex and sexual orientation.

All employees, no matter whether they are part-time, full-time, or temporary, will be treated fairly and with respect. When the Group selects candidates for employment, promotion, training, or any other benefit, it will be on the basis of their aptitude and ability. All employees will be given help and encouragement to develop their full potential and utilise their unique talents. Therefore, the skills and resources of our organisation will be fully utilised and we will maximise the efficiency of our whole workforce.

In particular, the Group is committed to:

- create an environment in which individual differences and the contributions of all team members are recognised and valued.
- create a working environment that promotes dignity and respect for every employee.

- not tolerate any form of intimidation, bullying, or harassment, and to discipline those that breach this policy.
- make training, development, and progression opportunities available to all staff.
- promote equality in the workplace, which the Group believes is good management practice and makes sound business sense.
- encourage anyone who feels they have been subject to discrimination to raise their concerns, so the Group can apply corrective measures.
- encourage employees to treat everyone with dignity and respect.
- regularly review all our employment practices and procedures so that fairness is maintained at all times.

The policy is being distributed among all employees, and all of the employees are obligated to comply with its requirements and promote fairness in the workplace. The Group's equality and diversity policy is fully supported by senior management.

Board of Directors Composition

The Board of the Directors composition is one of the most important factors for the effectiveness of the business. Composition of the Board of Directors 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 Group 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 Group and thus improve performance.

The Group should make the efforts of equality between men and women in leadership positions. The target set by the Group of at least 25% of the female representation in the Board of Directors has been achieved for 2021.

2.5 Training

During the year, the Group's directors and employees, including the Risk Manager, attended courses on the applicable Compliance/AML legislation and relevant procedures and Risk Management. The Board is updated on a regular basis on changes to CySEC and CBC regulations.

During the year several employees of the Group completed training designed by reputable providers, in accordance with the CySEC and CBC training requirements.

2.6 Reporting and Control

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

Information of flow for Wise Wolves Finance Ltd

Report Name	Owner	Recipient	Frequency
Risk Management Report	Risk Manager	Board, CySEC	Annual
Pillar I Form 165-01 (both solo and consolidated)	Risk Manager	Board, CySEC	Quarterly
Pillar III Disclosures (Market Discipline and Disclosure) - both solo and consolidated	Risk Manager	Board, CySEC, Public	Annual
ICARA Report	Risk Manager	Board	Annual
Prudential Supervision Information Form (Form 165-03)	Risk Manager, Finance Department	Board, CySEC	Annual
Recovery Plan & Form 20-01	Risk Manager	Board, CySEC	Every two years
Internal Audit Report	Internal Auditor	Board, CySEC	Annual
Compliance Report	AML/MIFID Compliance Officer	Board, CySEC	Annual
Anti-Money Laundering Report	AML/MIFID Compliance Officer	Board, CySEC	Annual
Financial Reporting	External Auditor	Board, CySEC	Annual

Information of flow for Wise Wolves Payment Institution Ltd

Report Name	Owner	Recipient	Frequency
AMLCO report	AMLCO	Board, CBC	Annual
Report about Risk management	Risk Manager	Board	Annual
External Audit Report	External auditor	Board	Annual
Internal Audit Report	Internal auditor	Board	Annual
The Company’s AML risk assessment report	AMLCO	Board, CBC	Annual
Statement of Capital Adequacy	Accountant	CBC	Annual
Safeguarding measures -User's funds	Settlement Department	CBC	Annual
Users' funds (Total of all accounts in Euro)	Settlement Department	CBC	Monthly
Users' funds (per account)	Settlement Department	CBC	Monthly
Reconciliation of Users' funds	Settlement Department	CBC	Every six months
Statistical data for payment services	Settlement Department	CBC	Monthly
Statistical data on fraud	Settlement Department	CBC	Every six months

Statistical data - Suspicious Transactions Reports (STRs)	**AMLCO**	**CBC**	**Monthly**
Letter from External Auditor as per Art.17(4) of PSL	**Accountant**	**CBC**	**As it arises**
Internal Auditor's Report (with attachment of all reportsissued during the year)	**Internal auditor**	**CBC**	**Annual**
Fraud Incident Report	**Settlement Department**	**CBC**	**As it arises**
Major Incident Reporting (Initial Report)	**CEO**	**CBC**	**As it arises**
Major Incident Reporting (Intermediate Report)	**CEO**	**CBC**	**As it arises**
Major Incident Reporting (Last Intermediate Report)	**CEO**	**CBC**	**As it arises**
Major Incident Reporting (Final Report)	**CEO**	**CBC**	**As it arises**
Risk assessment report (under Art. 95(2) of PSL)	**Risk Manager**	**CBC**	**Annual**

3. RISK MANAGEMENT OBJECTIVES AND POLICIES

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 Group allocates additional 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 risk management function is further strengthened by the following control functions:

- Internal Audit (control function);
- Legal and Compliance (including the Anti-Money laundering and Terrorist Financing);
- Accounting and external audit; and
- Risk Management.

The Group'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 Group is exposed to and has flexibility to accommodate any change in business activities.

The Risk Manager reports directly to the Board of Directors, operates independently and is assigned the monitoring of the following:

- the adequacy and effectiveness of the Group's risk management policies and procedures;
- the level of compliance by the Group 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 Group to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

3.1. Risk Management Policy and Objectives

The Group's Risk Management Policy was formed with the view to elucidate the approach taken by the Group towards the risk confronted by the Group and the principles guiding its approach. The analysis refers to the risks confronted by the Group and the strategies employed for their mitigation or elimination. Importantly, the approach of the Group'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 by the Senior Management in order to evaluate the effectiveness of the Group'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.

The Risk Manager ensures that all different types of risks taken by the Group 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 Senior Management 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 Group 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 Group's relevant persons to comply with those policies and procedures.

The Group'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, analysed, 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 Group's risk appetite.

3.2. Risk Appetite Framework (RAF)

Risk appetite is the amount and type of risk that the Group 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 Group while giving the Board and management confidence to avoid risks that are not in line with the strategic objectives.

Risk appetite statement

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

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

The Group'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 Group's activities:

- The available own funds over the total own funds requirement for Pillar I risks that the Group shall meet, is targeted to be greater than or equal to EUR 750K.
- CET1 ratio should under no circumstances fall below the minimum regulatory requirement imposed by CySEC – which is 56% of total own funds requirement.
- The Group 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 Group 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 Group are managed proactively.

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

The risk appetite of the Group is the aggregate level and types of risk the Group 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 Group to demonstrate that the achievement of its strategic goals has not been the result of fortuitous circumstances.

In regards to the above, setting the corporate risk appetite without taking into account the risk capacity of the Group may have serious consequences. Risk capacity may be easy to quantify in terms of capital or required funding but it is more challenging to consider the point at which the Group's reputation is beyond repair.

The Board and Senior Management understand how the risk capacity impacts on the business and have taken the necessary steps in order to be in constant awareness, mitigating any potential threats.

3.3. 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 Group will be able to successfully execute its chosen strategy within its defined risk appetite. The risk culture that the Group 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 Group 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 Group 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.

3.4. Board Declaration – Adequacy of the Risk Management arrangements

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

Risk management framework is the sum of control systems, work processes and internal policies. These are designed with the aim to minimise the risks of not achieving business objectives, and - as such - offer reasonable but not absolute assurance against fraud, material misstatement and loss. The Board considers that it has in place adequate systems and controls with regards to the Group's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

4. OWN FUNDS

The primary objective of the Group with respect to capital management is to ensure that the Group complies with the minimum own funds requirements stipulated in the IFR/IFD (under Pillar 1) in regards to the minimum Common Equity Tier 1 (CET1) ratio (being 56% of the total own funds requirement), Tier 1 (T1) ratio (75%), and the Total own funds ratio (100%).

During the Supervisory review and evaluation process, CySec can require investment firms to hold more capital if there are material changes to a firm's business or risk profile (under Pillar 2). The Group has not received any requirement regarding Pillar 2.

4.1. Composition of the regulatory own funds

The following information provides a reconciliation between the balance sheet presented in Financial Statements and the balance sheet prepared for prudential purposes on a consolidated basis.

Own funds composition as at 31/12/2021:

IF CC1.03 - Composition of regulatory own funds

	EUR'000	(a)	(b)
		Amounts	Source based on reference numbers/letters of the balance sheet in the audited financial statements
	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	**OWN FUNDS**	8 331	N/A
2	**TIER 1 CAPITAL**	8 331	N/A
3	**COMMON EQUITY TIER 1 CAPITAL**	8 331	N/A
4	Fully paid up capital instruments	7 215	N/A
5	Share premium	200	N/A
6	Retained earnings	1 031	N/A
7	Previous years retained earnings	1 031	N/A
8	Profit or loss eligible	-	N/A
9	Accumulated other comprehensive income	-	N/A
10	Other reserves	-	N/A
11	Adjustments to CET1 due to prudential filters	-	N/A
12	Other funds	-	N/A
13	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	- 60	N/A

14	(-) Own CET1 instruments	-	N/A
15	(-) Losses for the current financial year	-	N/A
16	(-) Goodwill	-	N/A
17	(-) Other intangible assets	- 39	N/A
18	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	-	N/A
19	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	-	N/A
20	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	-	N/A
21	(-) CET1 instruments of financial sector entites where the institution does not have a significant investment	-	N/A
22	(-) Defined benefit pension fund assets	-	N/A
23	(-) Other deductions	- 21	N/A
24	CET1: Other capital elements, deductions and adjustments	- 55	N/A
25	**ADDITIONAL TIER 1 CAPITAL**	-	N/A
26	Fully paid up, directly issued capital instruments	-	N/A
27	Share premium	-	N/A
28	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	N/A
29	(-) Own AT1 instruments	-	N/A
30	(-) AT1 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
31	(-) Other deductions	-	N/A
32	Additional Tier 1: Other capital elements, deductions and adjustments	-	N/A
33	**TIER 2 CAPITAL**	-	N/A
34	Fully paid up, directly issued capital instruments	-	N/A
35	Share premium	-	N/A
36	(-) TOTAL DEDUCTIONS FROM TIER 2	-	N/A
37	(-) Own T2 instruments	-	N/A
38	(-) T2 instruments of financial sector entities where the institution does not have a significant investment	-	N/A
39	Tier 2: Other capital elements, deductions and adjustments	-	N/A

4.2. Main features of the capital instruments

EU IF CCA: Own funds: main features of own instruments issued by the firm

1	Issuer	Wise Wolves Group Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	2549002MVYWWDX54IB83
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Share
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	0,2
7	Nominal amount of instrument	1 EUR
8	Issue price	10 000 EUR
9	Redemption price	N/A
10	Accounting classification	Shareholders' Equity
11	Original date of issuance	08.03.2017
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	Coupons / dividends	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

4.3. Reconciliation of regulatory own funds to balance sheet

EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

	EUR '000	a	b	c
		Balance sheet	Balance sheet (under regulatory scope of consolidation)	Cross reference to EU IF CC1
Assets - *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*				
1	Cash at bank and in hand	18	18	N/A
2	Cash at bank and in hand	55	55	N/A
3	Intangible assets	39	39	N/A
4	Trade receivables	3	3	N/A
xxx	**Total Assets**	**115**	**115**	
Liabilities - *Breakdown by liability classes according to the balance sheet in the published/audited financial statements*				
xxx	**Total Liabilities**	-	-	-
Shareholders' Equity				
1	Share capital	1	1	**4**
2	Share premium	200	200	**5**
4	Shareholders' contribution	7 213	7 213	**4**
5	Retained earnings	1 031	1 031	**6**
xxx	**Total Shareholders' equity**	**8 446**	**8 446**	

5. OWN FUNDS REQUIREMENTS

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

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 Group. The Group 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.

The new prudential framework for Investment Firms (IFR/IFD) came into force in all EU Member States on June 26, 2021. The new framework has changed completely the way capital requirements are calculated for Investment Firms, which are categorised into three categories depending on their business activities, systemic importance, size, and interconnectedness.

WWF and the Group fall into the Class 2 category (IFs exceeding the categorisation thresholds for Small and Non-interconnected Investment Firms). The new minimal Pillar 1 Capital Requirement for the Group is the greatest of:

- A **Permanent Minimum Capital Requirement of 750 000 EUR**, as far as the IF has the licence for Dealing on own account;
- A **Fixed Overhead Requirement at 25% of the firm's fixed overheads** in the previous year; and
- A **K-factors Requirement,** which is based upon risk exposure indicators ("K-factors") which are designed to measure risk to customers, counterparty credit risk, trading book market risk, and concentration risk (in the trading book and securities financing type of transactions including REPOs).

5.1. Capital Ratios

The total **Pillar I capital requirement for the Group (on a consolidated basis) for the year 2021 totals to 1 373K EUR** while the Total own funds amount to 8 375K EUR.

Minimum Capital Requirements on a consolidated basis as at 31.12.2021:

'000 EUR	31.12.2021
1. Total Own Funds	**8 331**
2. Total Own Funds Requirement (as max of lines 2.1-2.3)	**1 373**
2.1. Permanent minimum capital requirement	*750*
2.2. Fixed overheads requirement	*454*
2.3. Total K-Factor requirement	*1 373*
3. CET1 Ratio Minimum requirement – 56% of total OF requirement	**606.8%**
4. Tier 1 Ratio Minimum requirement – 75% of total OF requirement	**606.8%**
5. Total Own Funds Ratio Minimum requirement – 100% of total OF requirement	**606.8%**
Surplus/(Shortfall) of total capital	**6 958**

5.2. Permanent minimum capital requirement

The Article 9 of the IFD provides the initial capital requirements for investment firms. The requirements depend on the types of activities the IF is authorised to provide and vary from 75 000 to 750 000 EUR.
The initial capital of a CIF which is authorised to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law, shall be 750 000 EUR.

Since the IF has the licence for Dealing on own account, the minimum capital requirement is set in amount of 750 000 EUR.

5.3. Fixed overheads requirement

As laid out in Article 13 of the IFR, the fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. The fixed overheads are deducted by variable expenses, which are listed in RTS issued by EBA.

The Group's fixed overheads requirement:

'000 EUR	31.12.2021
Total expenses of the previous year after distribution of profits	2 693
Total deductions	-875
Annual Fixed Overheads of the previous year	**1 818**
Fixed Overhead Requirement	**454**

5.4. K-factor requirement

The IFR/ IFD set the totally new approach for the investment firms' risks calculation. The **K-factor Requirement** is implemented**,** which is based upon the risk exposure indicators ("K-factors"), capturing not only the balance sheet risks but P&L risks as well.

The K-factors Requirement amounts to at least the sum of the following:

- Risk-to-Client (RtC) K-factors capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

- Risk-to-Market (RtM) K-factors captures net position risk (K-NPR) in accordance with the market risk provisions of Regulation (EU) No 575/2013 or, where permitted by the competent authority, based on the total margins required by an investment firm's clearing member (K-CMG). The Group doesn't deal on own account through clearing members.

- Risk-to-Firm (RtF) K-factors capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on Regulation (EU) No 575/2013, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of that Regulation that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

The table below provides the information on the amount of the total K-factor requirement for the Group and the K-factors that form it:

EUR '000	31.12.2021
TOTAL K-FACTOR REQUIREMENT	**1 373**
Risk to client	**28**
K-AUM Assets under management	-
K-CMH Client money held - Segregated	13
K-CMH Client money held - Non - segregated	-
K-ASA Assets safeguarded and administered	15
K-COH Client orders handled - Cash trades	-
K-COH Client orders handled - Derivatives Trades	-
Risk to market	**1 286**
K-NPR Net positions risk requirement	1 286
K-CMG Clearing margin given	-
Risk to firm	**60**
K-TCD Trading counterparty default	59
K-DTF Daily trading flow - Cash trades	1
K-DTF Daily trading flow - Derivative trades	-
K-CON Concentration risk requirement	-

5.5. Internal capital adequacy and risk assessment process

The ICARA process is a new requirement for investment firms, which is set out in the IFD. Investment firms that are in scope of the requirement must assess and maintain internal capital and liquid assets sufficient to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed. The ICARA requirements include an obligation on the firm to maintain documentation setting out appropriate strategies and processes to ensure that it is able to meet the requirements.

Fundamental to the ICARA process is identifying risks and potential harms and considering what could go wrong to the point of failure of the firm. Investment firms need to consider 'what-if' scenarios for the activities they undertake, the harm that can be caused and the events leading to that harm. The assessment will need to factor in the likelihood of the events materialising, and that different events might occur at the same time.

The new ICARA process should replace the existing ICAAP, therefore new assessment of the liquidity adequacy, new financial projections and stress tests are to be established to reflect the new K-Factors requirement.

The IFD requirements do not require that an ICARA is applied on a consolidated basis.

6. CONCENTRATION RISK REQUIREMENT

Limits to large exposures are calculated as specified in the IFR/IFD, where a simplified application of the corresponding CRR requirements is used and apply to large exposures in the trading book only. According to the regulatory definition, 'large exposure' means the exposure of an Investment Firm to a person or a group of connected persons where its value is equal to or exceeds 10% of the Group's eligible own funds.

In general, the Group shall comply with the Large Exposure limits laid down below:

- An investment firm's limit with regard to the concentration risk of an exposure value, after taking into account the effect of the credit risk mitigation, with regard to an individual client or group of connected clients shall be 25 % of its own funds.
- Where the aforementioned client is an institution, or where a group of companies of connected clients include one or more institutions, the limit shall be the higher of 25% of the Group's own funds or EUR 150m.
- Where the amount of EUR 150m exceeds the 25% of the Group's own funds, the limit shall not be higher than 100% of the Group's own funds.

According to the IFR, where the limits are exceeded the Group shall notify the authorities and meet the own funds requirement for the amount of excess of these limits (K-CON).
The exposure value with regard to an individual client or group of connected clients shall not exceed:

- 500% of the investment firm's own funds, where 10 days or less have elapsed since the excess occurred;
- in aggregate, 600% of the investment firm's own funds, for any excesses that have persisted for more than 10 days.

The Group did not have any limit breaches as regards to the large exposures during the four quarters of 2021. The own funds requirement for the concentration risk remains zero.

7. LIQUIDITY REQUIREMENT

Liquidity risk is the possibility that, over a specific horizon, the Group will be unable to raise cash and meet its financial obligations.

According to the IFR/IFD regulation, Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement, increased by 1,6% of the total amount of guarantees provided to clients.
The IFR specifies the instruments that are eligible to be qualified as liquid assets to be included in the calculation of the said ratio and the applicable haircuts for them.

The table below provides the information on the amount of the liquid assets of the Group.

EUR '000	31.12.2021
Fixed Overhead Requirement	454
Client guarantees	0
Liquidity Requirement	**151**
Total liquid assets	**2 138**
Surplus/(Shortfall) of liquid assets	**1 987**

8. OTHER RISKS

8.1. 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 Group manages its reputational risk through corporate governance and internal controls ensuring that:

- The Group controls all marketing communication that goes out to the public from companies within the Group 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 Group 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.
- 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 Group is responsive to changes of a market or regulatory nature that impact its reputation in the marketplace.

8.2. Group Risk

Group Risk represents any adverse impact due to relationships (financial or non-financial) of the Company with other entities in the group or by risks which may affect the financial position of the whole group (e.g. reputational contagion). For WWG, the main group risk may arise from legal or other impediments in the transferability of funds from other entities of the Group during periods of financial stress related either to systemic or group specific factors.

To mitigate Group risk, the Company ensures that Wise Wolves Group Ltd, and other related entities, are well capitalized and funded. The Company's Risk Manager monitors the financial strength of the Group on a continuous basis. In addition, the Management ensures independence between entities to minimize impact of any regulatory or reputational events in other group operations

8.3. Strategic Risk

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Group's exposure to strategic risk is considered low as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Group and entities within.

8.4. Business Risk

Business risk is a distinct type of risk that is not captured in the course of the Pillar I capital requirement and is defined as the possibility of economic loss arising from adverse strategic and business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment, including technological progress. The Group manages strategic risk through its normal conduct of business, while business risk is further examined in the course of the annual ICARA.

8.5. Regulatory Risk

Regulatory risk is the risk the entities within the Group faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. All entities within the Group have in place documented procedures and policies based on the requirements of relevant Laws and Directives issued by the regulatory authorities. Compliance with these procedures and policies are further assessed and reviewed by the Group's Internal Auditor and suggestions for improvement are implemented by management. The Internal Auditor evaluates and tests the effectiveness of the Group's control framework at least annually. Therefore, the risk of non-compliance is considered as low.

8.6. 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 Group may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Group 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.

8.7. IT Risk

IT risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Group's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, internet use, data protection procedures, and disaster recovery, as applicable. The Group is regularly, at least annually, conducting Business Continuity Plan (BCP) stress tests to ensure the proper functioning of its systems and back-up procedures but also to minimise the possibility of such type of risk to materialise.

9. 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 Group's size, internal organization and the nature, the scope and the complexity of its activities and to the provisions of the IFR.

The purpose of the Remuneration Policy is to set out the remuneration practices of the Group 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 Group'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 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 Group's remuneration system inevitably takes into account the highly competitive sector in which it operates, and the considerable amount of resources the Group invests in each member of the staff. Thus, the Group considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Group'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 Group 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 Policy is also set in comparison with standard market practices employed by the other market participants/competitors. It is, however, at the sole discretion of the Group to pay the employee salary above the minimum amount of remuneration defined by the Employment Law.

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

Benefits provided to the relevant Group employees, such as private health insurance and parking facilities paid by the Group, 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 Group's payroll system either via wire transfer or cheque issued on the employee's name.

The Group 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 Group'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 owns free time the highest level of education in area of their expertise.

Remuneration policies and practices implemented in the Group are simplified to the basic requirements of hiring and maintaining sufficiently professional personnel. The Board of Directors considers such approach as the most practical at the stage of business growth, development and progress. It corresponds to the scaled and complexity of first planned operations. After the achievement of the Group'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 Group considers the need for consistency with the timing and the likelihood of the Group 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 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 Group.

Other Factors

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

a) The financial viability of the Group;
b) The general financial situation and the state in which the Group operates;

c) Each employee's personal objectives (such as personal development, compliance with the Group'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.

Termination of Employment
In the case of an employee's termination of employment, the Policy is designed so as to only reflect the performance achieved over time, and thus, not reward failure.

Performance Appraisal
The Group 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 Group.

The Group 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 into account the 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 Group 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 fulfilment of their annual performance related targets and the annual financial performance of the Group.

Remuneration Committee
It is noted that the Group has taken into account its size, internal organization and the nature, scope and complexity of its activities, and it does not deem necessary the establishment of a Remuneration

Committee. Remuneration practices are currently set by the Senior Management, in its supervisory capacity. In case the Group shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.

Control Functions

The Group 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.

Remuneration and Capital

The Group must ensure that the total variable remuneration, including the annual bonus remuneration, does not prevent its ability to strengthen its capital base. The Policy underlines the link between the variable remuneration costs and the need to manage its capital base including forward-looking capital planning measures. Where the Group needs to strengthen its capital base, its variable remuneration arrangements should be sufficiently flexible to allow it to direct the necessary resources towards capital building.

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

The aggregate remuneration of the Group's personnel for the year ended 31st December 2021, broken down by business area, is presented in the following table:

Remuneration split by business area

Remuneration as at 31st December 2021	Annual Remuneration (EUR)		
Business Area	**Fixed**	**Variable**	**TOTAL**
Control functions *	688 397	0	688 397
Reception, Transmission and Execution	219 862	0	219 862
Dealing on Own Account	92 726	0	92 726
Safekeeping	89 224	0	89 224
Other staff	336 749	0	336 749
Total	**1 426 959**	**0**	**1 426 959**

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

Table 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 Group, broken down by fixed and variable cash remuneration. During 2021 the Group did not provide any non-cash benefits.

Remuneration split of staff whose activities have a material impact on the risk profile of the Group

Remuneration as at 31st December 2020	**Annual Remuneration (EUR)**			
Position/ Role	**No. of Beneficiaries**	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregated Remuneration**
Senior Management (incl. executive directors)	3	252 884	0	252 884
Other staff	21	1 174 075	0	1 174 075
Total	**26**	**1 426 959**	**0**	**1 426 959**

The Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:
(j) at least 50% of the variable remuneration shall consist of shares/ share-linked instruments/ equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instruments of the portfolios managed;
(l) at least 40% of the variable remuneration is deferred over the three-to-five-year period.

Following the Article 32(4)(a) of the IFD, these points don’t apply to the Group as far as the value of its on and off-balance sheet assets is on average equal to or less than 100 mln EUR over the four-year period immediately preceding the given financial year.

10. APPENDIX - SPECIFIC REFERENCES TO THE IFR

IFR Reference	High Level Summary	Compliance Reference
Scope of Disclosure Requirements		
46 (1)	Requirement to publish Pillar 3 disclosures, on the date of publication of the annual financial statements.	1.1
46 (2)	Requirement to publish Pillar 3 disclosures for small and non-interconnected IFs	N/A
46 (3)	Requirement to publish Pillar 3 disclosures for IFs which do not longer meet the criteria of small and non-interconnected IF	N/A
46 (4)	Pillar 3 disclosures to be published in an appropriate medium, or provide clear cross-references to other media.	1.1
Risk management objectives and policies		
47	Disclosure of the risk management objectives and policies for each separate category of risk set out in Parts Three, Four and Five of the IFR, including a summary of the strategies and processes to manage those risks and a concise risk statement approved by the investment firm's management body succinctly describing the investment firm's overall risk profile associated with the business strategy	3, 5, 6, 7, 8
Governance		
48 (a)	Disclosure of the number of directorships held by members of the management body	2.3
48 (b)	The policy on diversity with regard to the selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which those objectives and targets have been achieved	2.2, 2.4
48(c)	whether or not the investment firm has set up a separate risk committee and the number of times the risk committee has met annually	2.1
Own Funds		
49 (1) (a)	Full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the IF;	4.3
49 (1) (b)	description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the IF	4.2
49 (1) (c)	description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply	4.1
49 (2)	EBA shall develop implementation standards for points (a), (b), (c) above.	N/A
Own Funds Requirements		
50 (a)	Summary of IF's approach to assessing adequacy of its internal capital to support current and future activities.	5.1
50 (b)	Result of ICAAP upon request of the competent authority.	N/A
50 (c)	K-factor requirements calculated in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors	5.4

50 (d)	Fixed overheads requirement	5.3
Remuneration policy and practices		
51	Remuneration policy, including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on the risk profile	9
51 (a)	Design characteristics of the remuneration system, including the level of variable remuneration and criteria for awarding variable remuneration, payout in instruments policy, deferral policy and vesting criteria	9
51 (b)	Ratios between fixed and variable remuneration	9
51 (c)	Aggregated quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investment firm	9
51 (c) (i)	the amounts of remuneration awarded in the financial year, split into fixed and variable remuneration, and the number of beneficiaries	9
51 (c) (ii)	the amounts and forms of awarded variable remuneration	N/A
51 (c) (iii)	the amounts of deferred remuneration awarded for previous performance periods	N/A
51 (c) (iv)	the amount of deferred remuneration due to vest in the financial year	N/A
51 (c) (v)	the guaranteed variable remuneration awards during the financial year and the number of beneficiaries of those awards	N/A
51 (c) (vi)	the severance payments awarded in previous periods, that have been paid out during the financial year	N/A
51 (c) (vii)	the amounts of severance payments awarded during the financial year, split into paid upfront and deferred, the number of beneficiaries of those payments and the highest payment that has been awarded to a single person	N/A
51 (d)	Whether the IF benefits from a derogation laid down in Article 32(4) of the IFD	9
Investment policy		
52	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	N/A
Environmental, social and governance risks		
53	Not applicable due to criteria referred to in point (a) of Article 32 (4) of the IFD	N/A