

**AQUILLA NUMMUS LTD  
PILLAR III DISCLOSURES**



**AQUILLA  
NUMMUS**

**According to Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012**

**YEAR ENDED 31 DECEMBER 2020**

**June 2021**





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**Independent Auditors' Report to the Cyprus Securities and Exchange Commission in respect of Aquilla Nummus Ltd for the year ended 31 December 2020 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 Aquilla Nummus Ltd (the "Company") for the year ended 31 December 2020, 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 2020 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 Lazarou  
Certified Public Accountant and Registered Auditor  
for and on behalf of

KPMG Limited  
Certified Public Accountants and Registered Auditors

Nicosia, 22 June 2021



AQUILLA  
NUMMUS

**According to Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012**

**APPENDIX**

**YEAR ENDED 31 DECEMBER 2020**

**June 2021**

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## 1. Overview

### 1.1 CIF Information

Aquila Nummus Ltd (Aquila) obtained its License on the 4th August 2017 with license number 345/17, and was fully authorized to offer financial services upon effective completion of its authorization conditions. The Company was activated on 4<sup>th</sup> December 2017 to offer the service of Portfolio Management and Safekeeping and Administration of Financial Instruments for the account of clients.

The Company is categorized as a “**Limited License**” Cyprus Investment Firm (i.e. under Article 95(1) of the Regulation 575/2013), with minimum initial capital requirement of Euro 125,000 (one hundred twenty five thousand Euros).

Specifically, its license includes the provision of the following investment and ancillary services, in the financial instruments specified below:

#### Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Portfolio management

#### Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Foreign exchange services where these are connected to the provision of investment services

#### Financial Instruments

- Transferable securities
- Money market instruments
- Units in Collective Investment Undertakings (CIUs)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash

### 1.2 Scope of application

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

### 1.3 Regulatory framework overview

This report has been prepared in accordance with Part Eight of Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No. 648/2012 (the “Regulation” or CRR) and the European Directive 2013/36/EU (the “European Directive” or CRD IV).

CRR establishes the prudential requirements for capital, liquidity and leverage that entities need to abide by. Furthermore, CRR introduced significant changes in the prudential regulatory regime applicable to Investment Firms including amended minimum capital ratios, changes to the definition of capital and the calculation of risk weighted assets and the introduction of new measures relating to leverage, liquidity and funding. CRR is immediately binding on all EU member states. CRD IV governs access to internal governance arrangements including remuneration, board composition and transparency.

The Regulation framework consists of a three “Pillar” approach:

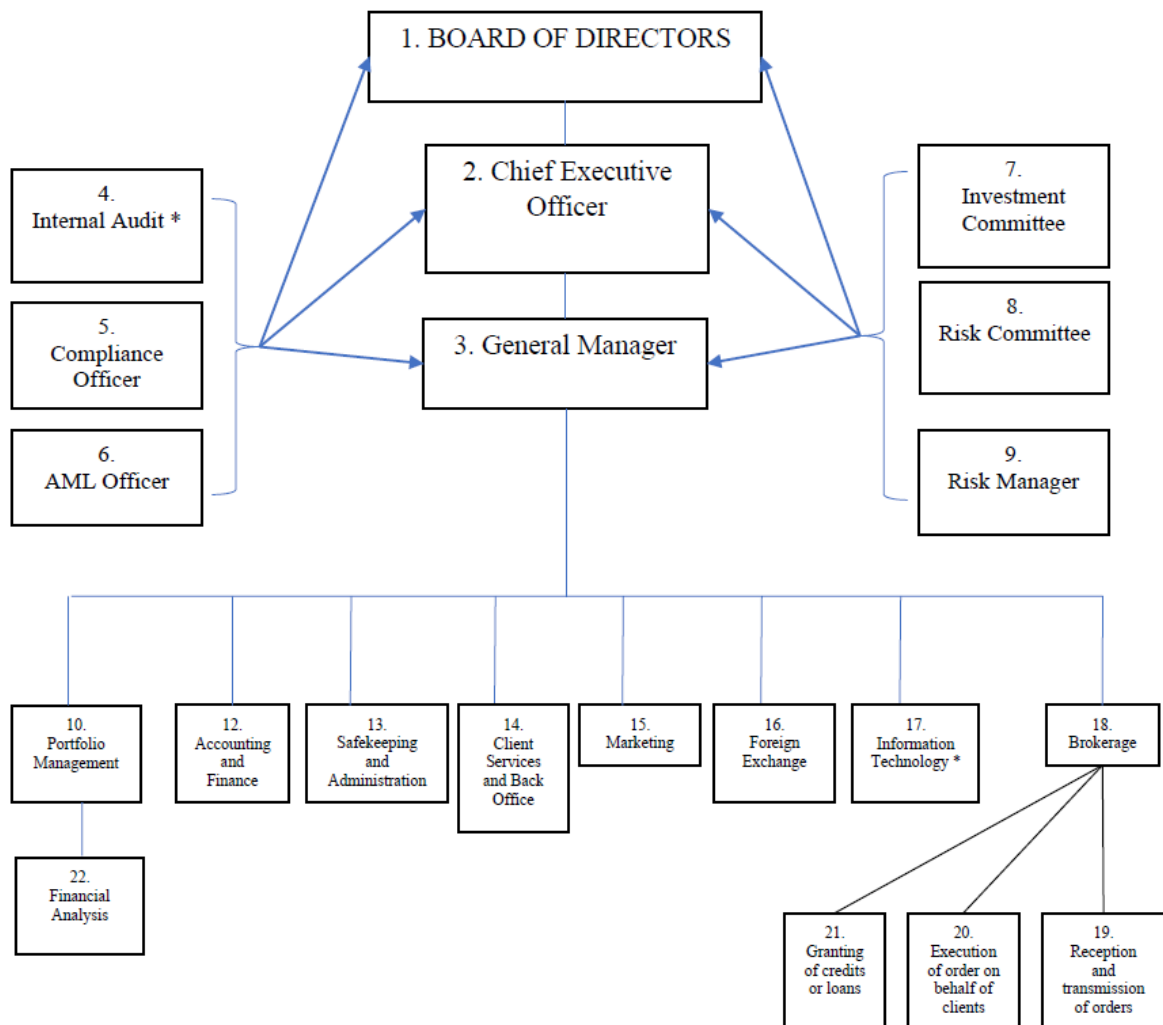
- **Pillar I** establishes minimum capital requirements, defines eligible capital instruments, and prescribes rules for calculating Risk Weighted Assets.
- **Pillar II** requires firms and supervisors to take a view on whether a firm should hold additional capital against risks considered under Pillar I that are not fully captured by the Pillar I process (e.g. credit concentration risk); those risks not taken into account by the Pillar I process (e.g. interest rate risk in the banking book, business and strategic risk); and factors external to the firm (e.g. business cycle effects). Pillar II connects the regulatory capital requirements to the Company’s internal capital adequacy assessment process (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.
- **Pillar III - Market Discipline** requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds of the Company. According to the Directive, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. The Pillar III disclosure requirements are contained in Articles 431 to 455 of the Regulation. The Company has included its risk management disclosures as per the Directive on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors of the Company and sent to CySEC.

**New prudential framework:**

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



## 1.4 Organisational Structure



\* Outsourced

## 1.5 Disclosure Policy: Basis and Frequency of Disclosure / Location and Verification

The following sets out the Company's Disclosure Policy as applied to Pillar III Disclosures, according to CRDIV requirements. In accordance with the Article 433 of the Regulation (EU) No.575/2013, financial institutions are required to publish the disclosures, required in by Part Eight of the Regulation (EU) No.575/2013 at least on an annual basis.

### 1.5.1 Information to be disclosed

Institutions may omit disclosures if such disclosures are not regarded as material, except for the following disclosures:

- Regarding the policy on diversity with regard to selection of members of the management body, its objectives and any relevant targets set out in that policy, and the extent to which these objectives and targets have been achieved Article 435 (2) (c) of CRR.
- Own funds (Article 437) of CRR.
- Remuneration policy (Article 450) of CRR

### Materiality of Disclosures

The Regulation provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

### Disclosures and Confidential Information

The Regulation also permits the Company to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

Information is regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality. Under the light of the above, the Company avoided to disclose such confidential information in this report as in the sense of articles 431 and 432 of the Regulation 575/2013/EU.

#### 1.5.2 Frequency

The Company's policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

#### 1.5.3 Medium and location of publication

Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements. In this respect, the Company's Pillar III disclosures are published on the Company's website: <https://www.aquillanummus.com/clients.html>

#### 1.5.4 Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. The Company's Pillar III disclosures have been reviewed and approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Risk Management Committee, and the company's Risk and Compliance Function Officers.

### 1.6 Implications of the Coronavirus outbreak

On 11 March 2020, the World Health Organisation declared the Coronavirus COVID-19 outbreak to be a pandemic in recognition of its rapid spread across the globe. Most governments around the world took increasingly stringent steps to stem the spread of the virus, including: requiring self-isolation/quarantine, social distancing and controlling or closing borders and "locking-down" cities/regions or even entire countries. These measures are

gradually being lifted in many jurisdictions including Cyprus but the uncertainties over the broader economies remain as the pandemic still evolves. The operations of the Company have not been specifically affected.

### 1.7 Risk Management objectives and policies

To ensure effective risk management, the Company has adopted three levels of control, with clearly defined roles and responsibilities.

**First Level Control:** Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds. These controls are independently checked by the Compliance Function Officer as a second set of oversight and observations are reported to the Board which is then analyzed and remedied. First Level control acts as an early warning mechanism for identifying (or remedying) risks or failures.

**Second Level Control :** The Risk Management Function is responsible for proposing to the Board through the Risk Management Committee appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise wide risks and make recommendations to address them. Integral to the mission of Second Level Controls is identifying risk areas, detecting situations/activities in need of monitoring and developing policies to formalize risk assessment, mitigation and monitoring.

**Third Level Control:** Comprises by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally) as well as reviews the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Level of Controls to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

#### 1.7.1 Risk Management Framework

Aquila Nummus Ltd is required to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. In this respect, Aquilla Nummus Ltd must adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, considering that level of risk tolerance.

The Company must at all times monitor the following:

- the adequacy and effectiveness of the Company's risk management policies and procedures;
- the level of compliance by the Company and relevant persons with the arrangements, processes and mechanisms adopted to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance;
- 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 Aquilla Nummus Ltd in order to comply with such arrangements, processes and mechanisms or follow such policies and procedures.

Aquila Nummus Ltd is required - where appropriate and proportionate in view of the nature, scale and complexity of business and the nature and range of the investment services and activities undertaken in the course of that business - to establish and maintain a risk management function/unit. The function / unit shall operate

independently and:

- (a) implement policies and procedures aimed at managing the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance;
- (b) make available reports and advice to senior management.

In line with the above, Aquilla Nummus Ltd has appointed a **Risk Manager** and has established a **Risk Management Committee**. The Risk Manager reports to the Risk Management Committee which report directly to the Board of Directors.

### 1.7.2 Risk Appetite 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.

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 Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Company has established a robust Risk Appetite Framework. The Board approves the Risk Appetite which defines the type and amount of risk that the Company is prepared to accept to achieve its objectives.

Risk Appetite covers the risk areas shown in Annex III and IV.

### 1.7.3 Risk Culture

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behavior is a key component of the strong risk culture and its importance is also continuously emphasized by the management

The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each of the business areas is encouraged to take risk-based decisions, while knowing when to escalate or seek advice.

## 1.8 Declaration of the Management Body

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are designed to manage rather than eliminate 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 regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimize loss.

## 2. Corporate Governance and Risk Management

The Company's systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

### 2.1. The Board of Directors

Aquila Nummus Ltd business is conducted under the guidance, procedures and decisions established or resolved by the Board of Directors in accordance with the CIF's constituent documents, licenses and provisions of the applicable legislation. The composition of the Company's Board of Directors is comprised at any point of time of four members, two of which are non-executive directors and independent of the Company's executive management function. One of the executive directors is always the CEO of the Company.

The Board is responsible for setting up targets, establishing internal controls, overseeing business operations as well as for preventing and resolving conflicts of interests. Furthermore, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework.

The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board of Directors, Investment and Risk Committees, Senior Management and staff of the Company across all its departments.

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

### 2.2. Duties and Responsibilities of the Directors

The Board of Directors shall be responsible for ensuring that the Company complies with its obligations under the Law. At least on an annual basis, the Board shall:

1. act within their powers
2. exercise independent judgment
3. exercise reasonable care, skill and diligence
4. avoid conflicts of interest
5. determine the strategic, marketing or other plans of the company
6. review the effectiveness of policies, arrangements and procedures put in place that Aquilla Nummus Ltd complies with its obligations under the Law and legal framework
7. take appropriate measures to address any deficiencies as per above
8. evaluate the work carried out by the Internal Auditor(s)
9. adopt strategies to improve the operation of the internal audit mechanism
10. assess the Internal Auditor's efficiency based on reports submitted to the Board by the Internal and the External Auditors. The reports shall, as a matter of course, encompass any complaints or denunciations formulated by clients during the year
11. discuss internal audit issues and submit to the CySEC, within 20 days as of the meeting, the minutes covering the discussion of said issues
12. receive all the information required for reviewing and evaluating the effectiveness and efficiency of controls for attaining the Company's objectives, as well as the adequacy of the Company's objectives in comparison to the present needs and conditions
13. determine the remuneration of staff, senior management and Directors of the Company and indemnify Directors for their travelling and representation expenses
14. determine the terms of reference of the company's committees
15. approve the annual budget as well as the quarterly and yearly performance of the company
16. The board member who is also responsible for AML must ensure the implementation of the provisions of the AML Law and of the directives and/or circulars and/or regulations issued pursuant thereto including any relevant acts of the European Union

**2.3. Number of Directorships held by members of the Board**

The table below discloses the number of directorships held by members of the management body. The number of Directors must never be lower than four. The board of Directors consists of the Chief Executive Officer, the General Manager and two non-Executive Directors. Directorships in organisations which do not pursue predominantly commercial objectives, such as non-profit or charitable organisations, are not taken into account.

**Table 1 - Number of Directorships of the members of the Board of Directors**

Director	Function	Number of Directorships
Yana Raevskaya	Independent, Non-Executive Director	1
Vruyr Gabrielyan	General Manager	2
Vahe Gevorgyan	Chief Executive Officer	2
Marios Epaminonda	Independent, Non-Executive Director	3

Note: The information in this table is based only on representations made by the Company

**2.4. Policy on Recruitment**

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately diverse range of experiences across related industries which allow them to understand the Company's activities, including the main risks to ensure the sound and prudent management of the Company as well as sufficient knowledge, of the legal framework governing the operations as a regulated Investment Firm.

The Internal Operations Manual and the Code of conduct require from the directors at Aquilla Nummus Ltd to 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 Non-executive Directors must have adequate experience in the financial services field. In view of that experience, they must be in a position to understand the nature of the Company's business as performed in the market, understand clearly their duties and responsibilities in line with the applicable legislation and demonstrate and prove to the CySEC that they are familiar with the obligations deriving from the Risk management Policy of Aquilla Nummus Ltd and Regulatory among other requirements related to their positions as Non-Executive Directors.

**2.5. Policy on Diversity**

The Company is committed to promote a diverse and inclusive workplace on all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing that successful businesses flourish through embracing diversity into their business strategy and developing human capital at every level in the organization.

**2.6. Governance Committees**
**Risk Management Committee**

In order to support effective governance and management of the wide range of responsibilities the Board has

established the *Risk Management Committee*. A Non-Executive Director presides over the Committee. The Risk Manager and members of the Risk Committee change only upon the approval of the Board of Directors. The members of the Risk Management Committee are shown in the table below:

**Table 2 - Risk Management Committee**

<b>Member Name</b>	<b>Function</b>
Vruyr Gabrielyan	General Manager
Levon Ohanian	Risk Manager
Marios Epaminonda	Independent, Non-Executive Director
Yana Raevskaya	Independent, Non-Executive Director

The Risk Management Committee is responsible for overseeing the duties of the Company's Risk Management function and for ensuring the effective supervision of the relevant risks through continuous monitoring of the Company's risk management policies. In general the Risk Management Committee is responsible:

- a) To establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company.
- b) To adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance.
- c) To monitor the adequacy and effectiveness of the Company's risk management policies and procedures, the level of compliance by the CIF and its relevant persons, 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 and
- d) To provide the reports and advice to senior management on a frequent basis, and at least annually.

The members of the Risk Management Committee meet regularly every quarter, unless the circumstances require extraordinary meetings. Extraordinary meetings can be called by any member of the Risk Management Committee, as well as by the Risk Manager. The Committee has met two (2) times during 2020.

### **Investment Committee**

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to Clients. The Board of Directors determines the composition and appoints the members and secretary of the Investment Committee. The Non-Executive Director presides over the Investment Committee. The members of the Investment Committee change only upon the approval of the Board of Directors. The Investment Committee reports directly to the Senior Management and its members are shown in the table below:

**Table 3 - Investment Committee**

<b>Member Name</b>	<b>Function</b>
Vruyr Gabrielyan	General Manager/Portfolio Manager
Vahe Gevorgyan	Chief Executive Officer
Yana Raevskaya	Independent, Non-Executive Director
Levon Ohanian	Risk Manager

The decisions concerning the product universe, strategies followed, counterparties decided upon, pricing policies, investments in specific shares, bonds, mutual funds or other financial instruments are made by majority vote. The minutes are kept and notified to the Board of Directors. The latter decides about the company's investment policies, giving regard to the recommendations of the Investment Committee, which is responsible, inter alia:

- a) to supervise the proper choice of investments (framework for investment decisions)

- b) to analyze the investment potential and contribute to the elaboration of the investment policy, as applicable
- c) to determine the Company's pricing policy
- d) to decide upon the markets and types of Financial Instruments in which the Company shall be active
- e) to determine the mode, content and frequency of the Client's briefing. Also, to monitor that Retail Clients are informed about their right to request different time frequency of the provision of their periodic statement by the Company, about their investment transactions
- f) to brief the Internal Auditor, as applicable
- g) to establish, approve, adjust and monitor the Company Investment Policy in relation to the Portfolio Management, and Investment Advice and Brokerage Departments by using the recommendations of the Head of the Department through the Investment Reports, as applicable
- h) to review the Company Investment Policy whenever a material change occurs
- i) to establish risk profile categories for each Client (e.g. conservative, balanced, and growth)
- j) to analyze the economic conditions and the investment alternatives based on a thorough examination of third-party reports
- k) to select appropriate benchmarks for different type of portfolios, where applicable
- l) to examine the returns and the associated risks of the Client portfolios, as applicable
- m) to monitor the collection of the Client information through the filling of the Investment Questionnaire, or information obtained through interviews

The members of the Investment Committee meet on a particular day and time every quarter. The minutes are printed and distributed to the members and the Board of Directors at the latest two days after each meeting.

## 2.7. Other Governance Functions

### Risk Manager

The Risk Manager is appointed by the Board and ensures that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place. The Risk Manager reports to the Senior Management of the Company.

The main responsibilities of the Risk Manager are to:

- a) Ensure that all relevant risks of Aquilla Nummus Ltd are identified, well understood and adequately measured and assessed continually
- b) The design or selection of the company's risk management system
- c) Testing and implementation of the company's risk management system
- d) Overseen the efficiency of the market risk management system
- e) The on-going review of, and changes to, Aquilla Nummus Ltd's market risk management system
- f) The monitoring of the use of risk limits and ensuring that quantifiable risks are within the bounds of approved limits
- g) The production and analysis of daily/periodic reports based on the output of Aquilla Nummus Ltd's internal market risk models used in the risk measurement and assessment, including evaluation of the relationship between market risk exposures (e.g. value-at-risk, stress tests) and trading limits
- h) The prompt reporting of market risk exposures to the senior management and specialized committees as well as alerting the board and the senior management to any other matters that may have a significant position and risk profile.
- i) The conduct of regular validity checks to verify the accuracy and reliability of the company's internal model used for risk management purposes.

### Internal Audit

The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, shall establish and maintain an internal audit function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor shall be appointed and shall report to the Senior Management and the Board of Directors of the Company.



The Internal Auditor shall be separated and independent of the other functions and activities of the Company.

The Internal Auditor shall bear the responsibility to:

- a) Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements
- b) Issue recommendations based on the result carried out in accordance with point (a)
- c) Verify compliance with the recommendations of point (b)
- d) Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Board shall ensure that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions shall be taken. The Board shall ensure all issues are dealt with and prioritized according to the Board's assessment.

#### **Compliance Officer**

The Board ensure regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Board appointed a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to, put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer report to the Senior Management and the Board of Directors of the Company.

The Compliance Officer shall be in a position within the organizational structure that ensures he acts independent and has the necessary authority, resources, expertise and access to all relevant information.

#### **Money Laundering Compliance Officer**

The Board retain a person to the position of the Company's Money Laundering Compliance Officer (hereinafter the "MLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The MLCO belong to the higher hierarchical levels/layers of the Company so as to command the necessary authority. The MLCO lead the Company's Money Laundering Compliance procedures and processes and report to the Senior Management and the Board of Directors of the Company. In cases where it shall be deemed necessary and following recommendations by the MLCO, assistants to the MLCO shall also be appointed. The Company currently has an internal permanent MLCO Officer who reports directly to the Board of Directors on AML/CFT matters.

At Aquilla Nummus Ltd, the Compliance Officer and Money Laundering Compliance Officer are the same person for practical reasons and because these functions do not cause a conflict of interests when combined.

#### **2.8. Information flow on risk to the management body**

Risk information flows up to the Board directly from the business departments and control functions. The Board of Directors ensures that it receives on a frequent basis, at least annually written reports regarding External Audit, Internal Audit, Compliance Function, Money Laundering and Terrorist Financing; and Risk Management issues and approves the Company's ICAAP report.

The table below shows all reports directed to the Board and the frequency in which they are issued.

**Table 4 - Information flow on risk to management body**

	<b>Report Name</b>	<b>Owner of Report</b>	<b>Recipient</b>	<b>Frequency</b>
1	Risk Management Report	Risk Manager	CySEC, Board of Directors	Annual
2	Internal Capital Adequacy Assessment Process	Risk Manager, Board of Directors	CySEC, Board of Directors	Annual
3	Compliance Report	Compliance Function Officer	CySEC, Board of Directors	Annual
4	Internal Audit Report	Internal Auditor	CySEC, Board of Directors	Annual or more frequent upon management request
5	Money Laundering Compliance Officer Report	Money Laundering Compliance Officer	CySEC, Board of Directors	Annual
6	Investment Committee decisions	Board of Directors	Board of Directors	Upon request
7	Risk Management Committee decisions	Board of Directors	Board of Directors	Upon request

The Company throughout the year under review managed its capital structure and made adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities.

During the year under review, the Company's own funds did not drop below the minimum initial capital requirement (i.e. €125,000). The Company fulfilled its obligations by successfully submitting, on a quarterly basis, the CRD IV Forms as required by regulatory guidelines.

In this respect, the minimum Total Capital Adequacy Ratio (i.e. 8%) was maintained by the Company during the year 2020. The Company's Capital Adequacy Ratio as at 31 December 2020 was 76,96% well above the minimum requirement.

### 3. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with CRD IV which sets out the characteristics and conditions for own funds.

### 3.1 Tier 1 & Tier 2 Regulatory Capital

Institutions shall disclose information to own funds of the institution. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution. In this respect, the Company's Tier 1 capital is wholly comprised of Core Tier 1 Own Funds.

The table below shows a breakdown of the own funds as at 31/12/2020:

**Table 5 – Break down of Own funds**

<b>Capital Position</b>	<b>As at 31/12/2020 (EUR '000)</b>
<b>CET1 Capital</b>	
Share capital	1
Share premium	1.214
Shareholder's contribution	4
Accumulated losses	(1.353)
Income from current year - audited	1.511
<b>Total CET1 Capital (before deductions)</b>	<b>1.377</b>
<b>CET1 Capital Deductions</b>	
Intangible assets	-
Investor Compensation Fund	(44)
<b>Total CET1 Deductions</b>	<b>(44)</b>
<b>Total CET1 Capital (after deductions)</b>	<b>1.333</b>
<b>Total Additional Tier 1 Capital</b>	<b>-</b>
<b>Total Tier 1 Capital</b>	<b>1.333</b>
<b>Total Tier 2 Capital</b>	<b>-</b>
<b>Total Own Funds (after deductions)</b>	<b>1.333</b>

### 3.2 Main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments

In order to meet the requirements for disclosure of the main features of Common Equity Tier 1, Additional Tier 1 and Tier 2 instruments, the company discloses the capital instruments' main features as outlined below:

#### Issued capital

On 4 November 2019, the Company issued 2 additional shares of par value €1 each at a premium of €484.999 each, totaling amount of €969.998.

## 4. Compliance with the Regulation

### 4.1 Internal Capital

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions. The Company has

adopted the Standardised Approach to the calculation of Pillar I minimum capital requirements for Credit Risk.

#### 4.2 Approach to assessing adequacy of Internal Capital

As its name indicates, the Internal Capital Adequacy Assessment Process (hereinafter the “ICAAP”) is an internal tool which allows Aquilla Nummus Ltd to assess its position and determine the amount of internal capital it needs to hold in order to cover its material exposures to all the risk it is facing or against the risks to which it may be exposed in the future.

The ICAAP falls under the scope of Pillar 2 which can be described as a set of relationships between the CySEC and the investment firm, the objective of which is to enhance the link between the investment firm’s risk profile, its risk management and risk mitigation systems, as well as its capital.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1 by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICAAP comprises of all the measures and procedures adopted by Aquilla Nummus Ltd, with the purpose of ensuing:

- The appropriate identification and measurement of risks,
- An appropriate level of internal capital in relation to the Company’s risk profile, and
- The application and further development of suitable risk management and internal control systems and tools.

The ICAAP is owned and approved by Aquilla Nummus’s Board of Directors.

The latest ICAAP report was created as at April 2021.

### 5. Pillar I Capital Requirements

The following table shows the overall Pillar I minimum capital requirement for the Company under the Standardised Approach to Credit Risk, Market Risk and the Fixed Overheads requirements (new requirement as per the Regulation for Limited License CIFs):

**Table 6 – Minimum capital requirement**

Risk Category	As at 31/12/2020 (EUR '000)
Credit Risk - (CR)	47
Market Risk - (MR)	59
Operational Risk (based on fixed overheads) - (FO)	139
<b>Total Capital Requirements MAX(CR+MR;FO)</b>	<b>139</b>
<b>Capital Adequacy Ratio</b>	<b>76,96%</b>

## 5.1 Credit Risk

### General

In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms. Credit risk is the possible loss that Aquilla Nummus Ltd would suffer, if any of its borrowers or other counterparties were to default on their obligations to the company or other creditors

The Company is only exposed to credit risk mainly arising from cash and cash equivalents. It has significant exposure with financial institutions in the European Economic area and mainly Cyprus. In order to mitigate risks related to cash and cash equivalents, the Company utilizes European Banks with lower default risks and tries to limit the maximum cash amount that can be deposited with a single counterparty. In addition, the Company reviews a list of acceptable cash counterparties based on current ratings and outlook, taking into account analysis of fundamentals and market indicators.

The Company also has policies to diversify risks and to limit the amount of credit exposure to any particular counterparty in compliance with the requirements of the Directive. The Company continuously monitors the fair value calculations, forecast and actual cash flows, and cost budgets so that to ensure that the carrying level of Company's own funds and consequently the Capital Adequacy ratio meet the regulatory requirements at all times.

#### 5.1.1. Credit Risk Adjustments

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For those trading receivables that are 90 days or more past due, in non-accrual status, the Company classifies them as "in default".

Other receivables are recognized initially at fair value and subsequently measured at amortized cost, using the effective interest method, less provision for impairment.

#### 5.1.2. Credit Risk – Risk Weighted Assets

The Company shall disclose the total number of exposures after accounting offsets, without taking into account the effects of credit risk mitigation, broken down by different types of exposure classes. The Company's total exposure was as follows:

**Table 7 - Exposures by Exposure class as at 31 December 2020**

	Average Exposure during 2020	Exposure before/after CRM	Risk Weighted Assets	Capital Requirements
	€000	€000	€000	€000
<b>Exposure class</b>				
Corporate	1	2	2	1
Institutions	1.648	2.839	568	45
Other items	7	17	17	1
<b>Total</b>	<b>1.656</b>	<b>2.858</b>	<b>587</b>	<b>47</b>

The Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

**5.1.3 Credit Risk – Analysis of Average exposures and total amount of exposures after accounting offsets**

The Company shall disclose the average amount of the exposures over the period after accounting offsets and without taking into account the effects of credit risk mitigation, broken down by different types of exposures as follows:

**Table 8 - Analysis of Average Exposures**

	Average Exposure during 2020 €000
<b>Exposure class</b>	
Corporate	1
Institutions	1.648
Other items	7
<b>Total</b>	<b>1.656</b>

**5.1.4 Credit Risk – Risk Weighted Assets by Geographical distribution of the exposure classes**

The Company shall disclose the geographical distribution of the exposures, broken down in significant areas by material exposures classes. The geographical distribution of the exposure classes of the Company are as follows:

**Table 9 - Geographical distribution of the exposure classes**

31 December 2020	Geographical Distribution of the Exposures				
	Cyprus €000	Armenia €000	Luxemburg €000	Switzerland €000	Total €000
<b>Exposure class</b>					
Corporate	1	1	-	-	2
Institutions	298	-	45	2.496	2.839
Other items	17	-	-	-	17
<b>Total</b>	<b>316</b>	<b>1</b>	<b>45</b>	<b>2.496</b>	<b>2.858</b>

The Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

**5.1.5 Credit Risk – Distribution of exposures by industry**

The Company shall disclose the distribution of the exposures by industry or counterparty type, broken down by exposure classes, including specifying exposure to SMEs, and further detailed if appropriate as follows:

**Table 10 - Exposures by industry**

	Banking/Financial services €000	Other €000	Total €000
<b>Exposure class</b>			
Corporate	1	1	2
Institutions	2.839	-	2.839
Other	-	17	17
<b>Total</b>	<b>2.840</b>	<b>18</b>	<b>2.858</b>

**5.1.6 Residual maturity broken down by exposure classes**

The table that follows provides information on the residual maturity of the Company's Credit Risk exposures as at 31 December 2020:

**Table 11 - Residual maturity broken down by exposure class**

Exposure	Residual Maturity ≤ 3 months	Residual Maturity >3 months	Total
	€000	€000	€000
Corporate	1	1	2
Institutions	2.839	-	2.839
Other	-	17	17
<b>Total</b>	<b>2.840</b>	<b>18</b>	<b>2.858</b>

**5.2 Use of ECAIs**

The Company shall disclose the names of the nominated ECAIs and the exposure values along with the association of the external rating with the credit quality steps. In determining risk weights for use in its regulatory capital calculations, the Company uses Moody's as External Credit Assessment Institution (ECAI) and the exposure values with their associated credit quality steps are as follows:

The general ECAI association with each credit quality step is as follows:

**Table 12 - ECAI association with each credit quality step**

Credit Quality Step	Moody's Rating	Corporate	Institutions			Sovereign
			Sovereign method	Credit Assessment		
				Maturity > 3 months	Maturity 3 months or less	
1	Aaa to Aa3	20%	20%	20%	20%	0%
2	A1 to A3	50%	50%	50%	20%	20%
3	Baa1 to Baa3	100%	100%	50%	20%	50%
4	Ba1 to Ba3	100%	100%	100%	50%	100%
5	B1 to B3	150%	100%	100%	50%	100%
6	Caa1 and below	150%	150%	150%	150%	150%

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, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favorable risk weight of 20% if specific conditions are met.

The Public sector entity includes the Company's exposure to Investors' Compensation Fund as per paragraph 13(3) of Directive DI144-2014-15 on the national discretions of CySEC.

**Table 13 - Exposures breakdown by CQS by counterparty**

	<b>CQS 2 (€000)</b>	<b>CQS 5 (€000)</b>	<b>N/A (€000)</b>	<b>Total (€000)</b>
<b>Asset Class</b>				
Corporate	-	-	2	2
Institutions	2.496	191	152	2.839
Other Items	-	-	17	17
<b>Total</b>	<b>2.496</b>	<b>191</b>	<b>171</b>	<b>2.858</b>

### Impairment of assets

The Company recognises loss allowances for ECLs on financial assets measured at amortised cost. 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 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 realising security (if any is held) or
- the financial asset is more than 90 days past due.

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
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise
- it is probable that the borrower will enter bankruptcy or other financial reorganization
- the disappearance of an active market for a security because of financial difficulties.

As at the end of December 2020, the Company didn't have any financial assets that were past due or impaired.

### 5.3 Market Risk

Market risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From a regulatory perspective, market risk stems from all the positions included in banks' trading book as well as from commodity and foreign exchange risk positions in the whole balance sheet.

As a limited license CIF, the Company does not deal for its own account. Market risk is therefore limited to movements in foreign exchange rates.

#### Foreign Exchange Risk

The Company's reporting currency is Euro. Foreign exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. As at 31/12/2020, the Company is exposed to foreign exchange risk arising from currency exposures to US Dollar and Swiss Franc. The Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

#### 5.3.1. Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company's income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank, which attracts interest at normal commercial rates, the Company has no other significant interest-bearing financial assets or liabilities. The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

### 5.4 Fixed Overheads

Operational risk is the risk of loss resulting from inadequate or failed internal processes, human factors and systems, or from external events. Operational risk may result from, but is not limited to, errors related to transaction processing, the risk of fraud by employees or business interruption due to system failures.

As such the Operations risk is analyzed on a periodic level to ensure all factors and developments are analyzed, including at points where new staff members join the team and where the Company implements new relationship with counterparties and implements new technological systems for operations.

The Company manages its operational risks through a control framework and by monitoring and responding to potential risks. Controls in place include effective segregation of duties, IT security, office security, restrictions of physical access to unauthorized personnel, authorization and reconciliation procedures, staff continuous education, professional development and trainings (both external and in-house) and assessment processes.

Due to the limited authorization of the Company, the Company falls under Article 95(1) of CRR and therefore the calculation of the capital requirements for operational risk is based on the fixed overheads of the preceding financial year. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

- The sum of Risk Weighted Assets for Credit and Market risk
- Operational Risk Weighted Assets based on the audited preceding year's fixed overheads

The Company's Fixed Overheads Risk Exposure amount is provided by the table below:

**Table 14 - Fixed Overheads Risk Exposure amount analysis**

<b>Fixed Overheads</b>	<b>Fixed Overheads Requirements</b>	<b>Fixed Overheads Risk Exposure Amount</b>
<b>€000</b>	<b>€000</b>	<b>€000</b>
554	139	1.732

## **6. Other Risks**

### **6.1 Concentration Risk**

For the purposes of calculating large exposures, the term 'exposures' means any asset or off-balance sheet item without application of the risk weights or degrees of risk there provided for.

The Company is not subject to the Large Exposures regime, in accordance with Article 388 of the CRR due to the fact that the Articles 95(1) of the CRR (575/2013/EU) applies. Hence, the company Aquilla Nummus Ltd does not undertake any dealing on own account and does not hold any of their clients' money or securities. Nevertheless, according to Directive DI144-2014-14 and DI144-2014-14(A) for the Prudential Supervision of Investment Firms, Paragraph 61, Limitations on exposures to directors and shareholders, a CIF is not allowed to have exposures to a director more than 1% and to a shareholder that is not an institution, more than 2% of its eligible capital.

### **6.2 Reputation Risk**

Risks to the Company's reputation include the risk that an act or omission by the Company or any of its employees could result in damage to the reputation or loss of trust among its stakeholders. Every risk type has potential consequences for the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to its reputation.

Additionally, the Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

### **6.3 Strategic Risk**

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from inadequate assessment of strategic plans, improper implementation of

strategic plans, or unexpected changes to assumptions underlying strategic plans. Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

#### **6.4 Business Risk**

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

#### **6.5 Regulatory Risk**

Regulatory risk is the risk the Company 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. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is very low.

#### **6.6 Legal and Compliance Risk**

Legal and Compliance Risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Compliance and Risk Officers. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

#### **6.7 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 Company's information technology. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

#### **6.8 Liquidity Risk**

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses through its overdraft facility. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

## 7. Remuneration policy

The Remuneration Policy (the “RP”) is the internal document approved by the Company’s Board of Directors and its provisions are applicable to each Director, Officer and Employee. The remuneration varies for different positions/roles depending on each position’s actual functional requirements, and it is set at levels, which reflect the knowledge level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Company has established a remuneration policy, which its purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the employees, where these 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 design of the Policy is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance. The people who effectively direct the business should be responsible for the implementation of remuneration policies and practices and for preventing and dealing with any relevant risks that remuneration policies and practices can create.

The board of directors adopt and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation. Furthermore, the Policy should also benefit from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

### 7.1 Remuneration System

The Company’s remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the ‘executive management’ are linked to the Company’s performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company’s short- and long-term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff’s skills, experience and performance, whilst supporting at the same time the long-term business objectives. The Company’s remuneration system 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.

It is noted that the Company has taken into account its size, internal organisation and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board of Directors level while the remuneration policy is periodically reviewed.

The total remuneration of staff currently consists of a fixed and a variable component. Fixed and variable components of total remuneration are appropriately balanced and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

#### Fixed Remuneration

Fixed remuneration refers to the staff’s basic and primary form of remuneration and is determined by relevant legislation and individual employment contracts. When determining the level of Fixed Remuneration, the

following may be considered:

- The scope of duties and responsibilities.
- The complexity of work.
- The degree of seniority/role.
- The required skills, job experience and professional expertise.
- The required academic and professional qualifications.
- Internal (similar roles) and external (market) benchmarks.
- The relevant social and labour legislation of the country of employment.

### Variable Remuneration

The variable remuneration has been set in order to motivate and rewards high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long – term customer relations, and generate income and shareholder value. Variable remuneration is based on an assessment of the Company's results and a number of Key Performance Indicators (KPIs) reflecting the Company's strategic key priorities.

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

Variable remuneration shall be paid in cash, either via wire transfer or by cheque issued on the employee's name and shall be based on the Employee contribution and the profits of the Company. The total variable remuneration does not limit the ability of the Company to strengthen its capital base.

During the year under review, there was a variable remuneration component however no remuneration was payable under deferral arrangements (with vested or unvested portions). Finally, the Company did not pay any non-cash remuneration.

## 7.2 Performance Appraisal

The Company implements a performance appraisal method, which is based on a set of Key Performance Indicators developed for each business unit. These Indicators include quantitative as well as qualitative criteria. The appraisal is being performed as follows:

- a. Objectives are set in the beginning of each month, quarter and/or year (each department is being appraised on different periods) defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.
- b. Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
- c. Annual performance evaluation: takes place annually, usually at the end of each year.

## 7.3 Remuneration of Senior Management Personnel and Directors

Members of the Board of Directors shall receive a fixed, monthly payment in accordance with the decision of the Annual General Meeting of the Company. The Board shall submit a proposal on the fee for the upcoming operating year, taking into account the extend of the responsibilities and time commitment, the results of the Company and benchmark data on fees paid by European companies, which in size and complexity are similar to Aquilla Nummus Ltd.

Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In

each such case, the Board may determine a fixed fee for the work carried out related to those tasks, which shall be disclosed in the Company's annual financial statements.

The aggregate remuneration for 2020, broken down by Senior Management (including Executive and Non-Executive Directors) and other Material Risk Takers whose actions have a material impact on the risk profile of the Company, is shown below:

**Table 15 - Remuneration analysis split by Senior Management and other risk takers / other staff**

<b>2020</b>	<b>Number of beneficiaries</b>	<b>Fixed reward (€000)</b>	<b>Variable reward (€000)</b>	<b>Total (€000)</b>
<b>Senior Management (Incl. Executive Directors &amp; Non-Executive Directors)</b>	8	180	83	<b>263</b>

Companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of €1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution.

Nevertheless, currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company. No sign-on payments have been awarded during 2020, while no severance payments were paid during the year.

Table 16 below presents a breakdown of the annual remuneration for those categories of staff whose professional activities have a material impact on the risk profile of the Company, by business area:

**Table 16 – Remuneration analysis split by Business Line**

<b>2020</b>	<b>Number of beneficiaries</b>	<b>Fixed reward (€000)</b>	<b>Variable reward (€000)</b>	<b>Total reward (€000)</b>
<b>Executive – Non Executive Directors</b>	4	108	64	172
<b>Control Functions</b>	2	56	15	71
<b>Back Office</b>	2	16	4	20
<b>Total</b>	<b>8</b>	<b>180</b>	<b>83</b>	<b>263</b>

**ANNEX I – OWN FUNDS DISCLOSURE TEMPLATE**

<b>At 31 December 2020</b>	<b>Transitional Definition</b>	<b>Full - phased in Definition</b>
	<b>€000</b>	<b>€000</b>
<b>Common Equity Tier 1 (CET1) capital: instruments and reserves</b>		
Capital instruments and the related share premium accounts	1.215	1.215
Retained earnings	158	158
Funds for general banking risk	4	4
<b>Common Equity Tier 1 (CET1) capital before regulatory adjustments</b>	<b>1.377</b>	<b>1.377</b>
<b>Common Equity Tier 1 (CET1) capital: regulatory adjustments</b>		
Deposit Compensation Fund	(44)	(44)
<b>Total regulatory adjustments to Common Equity Tier 1 (CET1)</b>	<b>(44)</b>	<b>(44)</b>
<b>Common Equity Tier 1 (CET1) capital</b>	<b>1.333</b>	<b>1.333</b>
<b>Additional Tier 1 (AT1) capital</b>	-	-
<b>Tier 1 capital (T1 = CET1 + AT1)</b>	<b>1.333</b>	<b>1.333</b>
<b>Tier 2 (T2) capital</b>	-	-
<b>Total capital (TC = T1 + T2)</b>	<b>1.333</b>	<b>1.333</b>
<b>Total risk weighted assets</b>	<b>1.732</b>	<b>1.732</b>
<b>Capital ratios and buffers</b>		
Common Equity Tier 1	76,96%	76,96%
Tier 1	76,96%	76,96%
<b>Total Capital</b>	<b>76,96%</b>	<b>76,96%</b>

**ANNEX II – BALANCE SHEET RECONCILIATION**

	<b>As at 31 Dec 2020 €000</b>
<b>Equity</b>	
Share capital	1
Share premium	1.214
Shareholder's contribution	4
Accumulated profits	555
Dividends	(1.908)
Profit from current year (audited)	1.511
(-) Deposit Compensation Fund	(44)
<b>Total Own funds</b>	<b>1.333</b>

**ANNEX III – RISK APPETITE AREAS – TABLE OF IMPACT**

<b>Risk</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Operational Risk	We expect no exposure to this risk as no system failure is possible.	It is likely that a case of system failure occurs. The backup system will be able to fill in within one hour.	It is very likely that a failure will occur, resulting in a discontinuity of our operations for at least one day or more.
Credit Risk	We expect no exposure to this risk as all monetary and non-monetary assets of clients and of the company are deposited with reputable credit institutions.	It is likely that an event occurs. The wind up of lower rated credit institutions will have an effect on the few monetary and non- monetary assets of the company or respectively its clients.	It is very likely that an event will occur and the loss of monetary or non- monetary assets of the company or its clients deposited in very low rated and less reputable credit institutions is likely to occur.
Currency Risk	We expect no exposure to this risk as the currencies we use have fixed exchange rates or extremely narrow floats.	It is likely that a currency exchange rate has a significant impact on the performance of one of our strategies.	It is very likely that the exchange rate of different currencies will influence.
Market Risk	We expect no exposure to this risk as we operate in developed and stable markets only.	It is likely that an event occurs. We also allocate investments in emerging markets.	It is very likely that an event will occur as operations are carried out in less developed markets.
Liquidity Risk	We expect no exposure to this risk as the liquidity of the financial instruments is ensured and backed.	It is likely that a financial instrument is becoming illiquid for a short time frame and can be swapped.	It is very likely that a financial instrument that is part of our investment strategies will become illiquid.





**ANNEX IV – RISK APPETITE AREAS – TABLE OF LIKELIHOOD**

<b>Risk</b>	<b>Low</b>	<b>Medium</b>	<b>High</b>
Operational Risk	Failure of operational status is unlikely to happen in the next 3 years.	Failure of operational status is likely to happen in the next 3 years.	Failure of operational status is very likely to happen in the next 3 years.
Credit Risk	The winding up or loss of the credit institution, where client funds are deposited, is unlikely to occur in the next three years.	The winding up or loss of the credit institution, where client funds are deposited, is likely to occur in the next three years.	The winding up or loss of the credit institution, where client funds are deposited, is very likely to occur in the next three years.
Currency Risk	Transactions of our company require the conversion into other currencies with stabil exchange rates or concern currencies with a very narrow float rate.	Transactions of our company require currency conversions. While in some cases the exchange rate remains stabil or has a narrow float rate, we have also some conversions into currencies with high float rates.	The majority of our transactions require conversions into currencies with high float rates, so the risk that profits and losses occur from is high.
Market Risk	Investments are placed with stabil and liquid securities and they are held for longer periods. The investments are placed in developed market development, interest rates and exchange rates are less volatile.	Investments are placed in volatile markets and with issuers as well as financial instruments that are volatile. They are held in a short time period.	Investments are placed in highly volatile and/or illiquid financial instruments and in highly volatile and/or risky and/or less developed markets.
Liquidity Risk	Each of the financial instruments that are part of the investment strategies offered to our clients has a high liquidity and the underlying is solidified.	For the investment strategies we offer to our clients, we use a mixture of highly liquid and less liquid financial instruments.	The strategies we offer to our clients include also such financial instruments, which may be illiquid.

