Depaho

Depaho Ltd

DISCLOSURES IN ACCORDANCE WITH THE EUROPEAN REGULATION No. 575/2013 ON PRUDENTIAL REQUIREMENTS OF CREDIT INSTITUTIONS AND INVESTMENT FIRMS FOR THE YEAR ENDED 31 DECEMBER 2017

April 2018

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1. GENERAL INFORMATION AND SCOPE OF DISCLOSURES

1.1 Regulatory Requirements

The information below is disclosed 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 (hereinafter the “Regulation” or the “CRR”) and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the “CySEC”) for the Prudential Supervision of Investment Firms.

The information that Depaho Ltd (“the Company”) discloses herein relates to the year ended 31st December 2017.

1.2 Company Incorporation and Principal Activities

Depaho Ltd was incorporated in Cyprus on 11 August 2011 as a limited liability company under the Companies Law, Cap. 113. It is authorized and regulated as a Cyprus Investment Firm (“CIF”) by the CySEC, under the Investment Services and Activities and Regulated Markets Law of 2007 (Law 144(I)/2007), and subject to CySEC Rules, with License Number 161/11 since 27 December 2011.

The Company is authorized to provide the following investment and ancillary services, in the financial instruments specified below:

Investment Services	Ancillary Services	Financial Instruments
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services	1. Transferable securities 2. Money-market instruments 3. Units in Collective Investment Undertakings (CIUs) 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

Investment Services	Ancillary Services	Financial Instruments
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	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 and any other derivative contracts relating to commodities that can be physically settled not otherwise mentioned in paragraph 6 of Part III 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 recognized clearing houses or are subject to regular margin calls 8. Derivative instruments for the transfer of credit risk 9. Financial contracts for differences 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 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 financial instruments, having regard to whether, inter alia, they are traded on a regulated market or an MTF, are cleared and settled through recognized clearing houses are subject to regular margin calls

In addition to the above, the Company offers the following ancillary service:

- Foreign exchange services where these are connected to the provision of investment services

1.3 Approval by the Board

The Company discloses information in relation to its risk management structure, policies and procedures and minimum capital requirements on an annual basis. The current Disclosures are based on the position of the Company as at 31st December 2017, they are reviewed and approved by the Board of Directors and are uploaded on the Company's website.

1.4 Scope of Disclosures

The current disclosures relate solely to information of the Company (solo basis).

2. RISK MANAGEMENT FRAMEWORK AND GOVERNANCE

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The Risk Management Framework includes the risk identification, the consideration and imposition of initial controls to handle the identified risks and the subsequent quantification of those, and the assessment of the need for additional capital and/or controls, in order to remain in line with the Company's risk appetite.

The Company decides on a Risk Scoring Methodology for the assessment of the various risks that it faces. The various risks are internally evaluated, by the Risk Management Function, in terms of their probability of occurrence and their financial and non-financial impact (yearly) on the Company (both estimated based on expert judgment, as well as previous experience). The Company accepts to undertake risks rated as low level, while risks rated as medium or high level are interpreted as 'material'. Taking into account the total score of the risk, the Risk Manager, places each risk into a sub-category. The Company, following a prudent approach, decides on the allocation of additional capital for covering material risks other than Pillar 1 risks.

The Company's Risk Management mechanism is overseen by the following bodies, departments and persons:

- Board of Directors
- Risk Management Committee
- Nomination Committee
- Senior Management
- Risk Manager
- Compliance Officer
- Anti-Money Laundering ("AML") Compliance Officer
- Internal Auditor

2.1 Board of Directors

The Board of Directors is responsible for overlooking the operations of the Company and consists of 2 (two) executive directors and 4 (four) non-executive directors of which the (2) two are also independent.

The main responsibilities of the Board of Directors are:

- Formulating the Company's future strategy in terms of the development of existing and new services and the Company's presence in the local and international financial markets.
- Governing the Company by broad policies and objectives, formulated and agreed upon by the directors and employees.
- Ensuring that sufficient resources are available to the Company to carry out its operations.
- Reviewing and discussing the written reports prepared by the Risk Manager, the Compliance Officer, the Anti-Money Laundering Compliance Officer and the Internal Auditor and proposing measures in the event of any deficiencies.

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

In addition to the Board, the CEO and COO play an active role in monitoring the Company's overall compliance with Capital Adequacy regulations and approving the Pillar 1 calculations and other risk management disclosures.

2.2 Risk Management Committee

The Board of Directors has established a Risk Management Committee made up of 2 (two) Non-Executive Directors, the Head of Back office Department and the Risk Manager (ex officio and without any voting rights).

The Risk Management Committee is responsible for:
- Scrutinizing and deciding on various risks inherent in the operation of the Company.
- Formulating internal policies and measuring the performance of the said policies in dealing with the risks associated with the operations of the Company.
- Reviewing the risk management procedures in place.
- Monitoring the Risk Management Function, as well as its independence and objectivity.
- Monitoring the adequacy and effectiveness of the risk management policies and procedures in place.
- Identifying the risks relating to the Company's operations and activities.
- Setting the risk tolerance levels of the Company.
- Monitoring the risks inherent in the provision of the investment and ancillary services to clients.
- Monitoring the risks underlying the operations of the Company.
- Monitoring the internal control process.
- Overseeing the appointment, dismissal and remuneration of the Company's Risk Manager.

The Risk Management Committee is also responsible for proposing to the Board of Directors of the Company the Risk Management Report and policy, the approval of which lies with the Board under its powers of administration and supervision. It further ensures that the Company's activities are consistent with its risk tolerance level and establishes the global limits for the main risk exposures, reviewing them systematically and resolving those operations that exceed the powers delegated in bodies lower down the hierarchy.

The Risk Management Committee convenes at regular intervals and at least twice a year. During 2017 the Risk Committee held four meetings.

2.3 Nomination Committee

The Company's Nomination Committee is comprised of two Independent Non-Executive Directors.

The Nomination Committee is responsible for:
- Identifying and recommending, for the approval of the Board, candidates to fill Board vacancies.
- Assessing at least annually the structure, size, composition and performance of the Board and making recommendations with regards to any changes.
- Assessing and reporting to the Board at least annually the knowledge, skills and experience of individual members of the Board.
- Reviewing the recruitment process of senior management selection and appointment and making recommendations to the Board.

2.4 Risk Manager

The Risk Manager ensures the efficient management of the Company's risks in the provision of the investment and ancillary services to clients, as well as the risks underlying the operations of the Company in general. Furthermore, the Risk Manager bears the responsibility for monitoring:

- The adequacy and effectiveness of the risk management policies and procedures that are in place.
- The level of compliance by the Company, its management and its personnel with the adopted policies and procedures, in addition to the Company's obligations stemming from the relevant legislation.
- The adequacy and effectiveness of the measures taken to address any deficiencies with respect to those policies and procedures, including failures by the Company's relevant persons to comply with them, and making recommendations where necessary.

In addition, the Risk Manager:
- Ensures performance of stress testing as needed and identifies any new possible risks, and
- Updates and creates new policies and procedures according to any newly identified risks.

Overall, the Risk Manager's work is focused on the following areas:
- Reporting risk management issues to the Company's Senior Management and the Board.
- Monitoring the risks faced by the Company.
- Ensuring compliance with any new legislation from a risk management point of view.
- Examining the capital adequacy and the financial results of the Company.
- Providing appropriate advice, training and support to Company personnel.
- Identifying any problematic areas.

2.5 Compliance Officer & AML Compliance Officer

The Company intends to uphold the strictest rules in order to ensure high ethical and professional standards, both in terms of managers and staff. To this effect, the Compliance Officer monitors the day-to-day operations of the Company and the actions of staff, making sure that they conform to the internal control procedures and the laws governing the financial services industry, as well as any other applicable laws and regulations.

The duties of the Compliance Officer and the AML Compliance Officer include the following:

- Adhering to the new legislation, as applicable.
- Implementing the Company's procedures and processes for the prevention of Money Laundering and Terrorist financing.
- Adhering to the Client Acceptance Policy and Due Diligence procedures when assessing prospective client applications to open a trading account with the Company.
- Identifying potential areas of compliance vulnerability and risk, developing and implementing corrective action plans for the resolution of problematic issues, and providing general guidance on how to avoid or deal with similar situations in the future.
- Reviewing internal suspicion reports.
- Continuously monitoring clients' accounts and ensuring the Company maintains appropriate client records.
- Ensuring that the Company's personnel receive the appropriate training and assistance.
- Submitting the monthly statement to CySEC.

Furthermore, the Compliance Officer and the AML Compliance Officer are given the chance to control procedures relating to acceptance of clientele, monitoring of deposits, monitoring of withdrawals and ongoing procedures so as to ensure compliance with regulations.

2.6 <u>Internal Audit</u>

The Internal Audit function is outsourced to an external firm. The internal auditor is independent from the other functions and activities of the Company and reports directly to the Board of Directors through a written report prepared at least annually, setting out the findings and recommendations arising from the review of the adequacy and effectiveness of the Company's internal control system.

The duties of the Internal Auditor include:

- Providing an independent assurance to the Board of Directors and Senior Management on the quality and effectiveness of the Company's internal control, risk management and governance systems and processes/procedures in place.
- Assessing and evaluating the presence and adequacy of a continuous audit trail in the Company.
- Reviewing and assessing the general compliance of the Company with the relevant CIF Organizational Structure and Operating Conditions requirements.
- Inspecting and examining the adequacy of the Client Account Opening Procedures.
- Ensuring compliance of the Company with its obligations for the conduct of its business obligations when providing services to clients.
- Inspecting and examining the adequacy of the Company's basic accounting practices and financial information.
- Ensuring compliance of the Company's departments with the regulatory framework.
- Reviewing other matters that come to the Internal Auditor's attention during the on-site inspection, for which the Company's Board of Directors and Senior Management need to be aware of.
- Assessing and reporting to the Board of Directors and Senior Management the major findings and recommendations resulting from the work described above.

2.7 Information flow on risk to the management body

The Board is updated regarding any risk issues by the Risk Manager and is informed of the Risk Management Committee resolutions. In addition, it receives reports on risk management, compliance, money-laundering and internal audit issues at least annually. The following table presents the main pieces of information provided to the Board on risk-related issues:

Information	Report prepared by:	Report received by:	Frequency
Risk Management Report	Risk Manager	Board, CySEC	Annually
Compliance Report	Compliance Officer	Board, CySEC	Annually
AML Compliance Report	AML Compliance Officer	Board, CySEC	Annually
Internal Audit Report	Internal Auditor	Board, CySEC	Annually
Suitability Report	External Auditor	Board, CySEC	Annually
Audited Financial Statements	External Auditor	Board, CySEC	Annually
ICAAP	Risk Manager	Board, CySEC (upon request)	Annually

2.8 Board Recruitment Policy

When in need of adding a new member to the Board of Directors, every effort is made to attract applicants from all sections of society and to ensure fair treatment during the recruitment process.

The below list of requirements must be fulfilled:
- Each Board member must commit sufficient time to perform his/her functions within the Company.
- All Board members should act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the Senior Management where necessary.
- The Board members should have the necessary skills, experience and expertise in order to be able to effectively oversee and monitor management decision making.

2.9 Board Diversity Policy

The purpose of the Board's diversity policy is to promote an environment within which the Company will achieve a wide range of knowledge, qualities, skills and experience, as well as ensuring compliance with the relevant legislation and internal policies and procedures, while recruiting new members to the Board of Directors. Through this policy, the Company aims to ensure that the overall composition of the Board of Directors reflects an adequately broad range of experiences so as to be able to understand the Company's activities and operations, as well as the main risks.

2.10 Number of directorships held by Board members

The table below provides the number of directorships that each member of the Company's Board of Directors holds at the same time in other entities. It shall be noted that, 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. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Name of Director	Position within the Company	Directorships - Executive	Directorships – Non Executive
Mr. Gil Farhang	Executive Director	-	-
Mrs. Aida Rizk	Executive Director	-	-
Mr. Pieris Hadjipieris	Non – Executive Director	-	2
Ms. Neda Irodotou	Non – Executive Director	-	1
Mr. Marios Economou	Non – Executive Director	2	1
Mr. Petros Nacouzi	Non – Executive Director	2	1

2.11 Board Declaration – Adequacy of the Risk Management arrangements

The Company's Board of Directors declares that, following a review on the effectiveness of the Company's risk management arrangements and systems on financial and internal control designed to mitigate the risks during the year 2017 until April 2018, the Company has in place adequate and appropriate systems and controls with regards to its profile and strategy.

2.12 Risk Statement

The Company's risk statement, which describes the Company's overall risk profile associated with the business strategy, is provided in Annex I.

3. CAPITAL MANAGEMENT

The Senior Management as well as the Risk Manager monitor such reporting and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company. During the period under review, the Capital Adequacy Ratio was maintained above 8% at good levels. The Company manages its capital structure and makes adjustments to it in light of the changes in the economic and business conditions and the risk characteristics of its activities with the assistance of its Head of Accounting and Treasury Department. During the year under review there was a decrease in the Company's own funds, however it has always remained above the minimum requirement of own funds required by the law.

The adequacy of the Company's capital is monitored by reference to the provisions of the Regulation and the CySEC Directives 144-2014-14 and 144-2014-15 (Basel III).

Basel III consists of three pillars:
(I) Minimum capital requirements

(II) Supervisory review process
(III) Market discipline

Pillar I – Minimum Capital Requirements

The Company adopted the Standardized approach for Credit and Market risk and the Fixed Overheads approach for Operational risk.

Based on the Standardized approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong. The Standardized approach for the capital requirement for Market risk considers both the long and short Market risk positions to determine the capital requirement according to predefined models.

For Operational risk, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures. Pillar II covers any risks not fully addressed in Pillar I, such as Liquidity risk, Compliance risk, Reputational and Information Technology risk and any external factors affecting the Company. Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures.

Furthermore, the implementation of the ICAAP has tested the soundness and effectiveness of the risk mitigation methods that are already in place within the Company. In the period under review, during the ICAAP preparation process the Company has identified important weaknesses that could potentially be hazardous to its operations, financial position and performance. For these areas, additional mitigating measures (additional capital buffer or controls) have been put in place in order to better manage the potential effects.

The ICAAP provided a clear vehicle of reporting between all the business lines of the Company, its Management and its Board of Directors, which helped to develop a risk awareness culture by making available the risk strategy, policies and procedures, as well as by promoting a sound risk monitoring and risk identification structure in all levels within the Company. In addition, these risks have become an input to the Company's business plans, while their impact will be monitored in a forward looking manner.

Pillar III – Market Discipline

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.

According to the CySEC Directive DI144-2014-14, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC within the first five months of each financial year. The Company uploads its risk management disclosures on its website as it does not publish its financial statements. The disclosures are verified by external auditors and sent to CySEC.

4. OWN FUNDS

The primary objective of the Company's capital supervision is to ensure its compliance with the capital requirements imposed by CySEC and to maintain a healthy capital adequacy ratio in view of supporting its business and maximizing shareholders' value. Depaho Ltd manages its capital structure and makes the necessary adjustments in light of changes in economic conditions and in the risk characteristics of its activities. The monitoring of capital is performed on an ongoing basis.

The Own Funds of the Company as at 31st December 2017 consisted solely of Common Equity Tier 1 ("CET 1") Capital. An analysis of the Company's capital base is presented in Table 1 below:

Table 1: Composition of the capital base of Depaho Ltd

Composition of Own funds	**31 December 2017**
Description	**EUR '000**
CET1 Capital	
- Share capital	4
- Share premium	316
- Reserves	1.058
- Profit from current year (audited)	253
Total CET 1 capital before deductions	**1.631**
CET 1 capital deductions	
- Intangible assets and goodwill	(162)
- Contribution to the Investors Compensation Fund	(65)
- Deferred tax asset	(21)
Total deductions	**(248)**
Total CET 1 capital after deductions	**1.383**
Tier 1 capital	**-**
Tier 2 capital	**-**
Total Own Funds	**1.383**

Authorized Share Capital

The authorized share capital of Depaho Ltd amounts to €6.000 and consists of 6.000 ordinary shares of €1 each.

Issued Share Capital

The Company issued 4.400 shares at a face value of €1 each as at 31st December 2017.

Deductions from Own Funds

As at 31st December 2017 the Company deducted from its CET 1 capital, its intangible assets and goodwill, its contribution to the Investors Compensation Fund as required by CySEC in Circular C162, as well as a portion of its Deferred Tax Assets ("DTA") which rely on future profitability and arise from temporary differences, in accordance with Part Two of the Regulation and the transitional provisions determined by CySEC in its Directive 144-2014-15 on the discretions of CySEC arising from the Regulation.

Capital Adequacy Ratio

The Company's Capital Adequacy Ratio for the year ended 31 December 2017 stood at 17,29%, which is well above the minimum required threshold of 8% required by CySEC.

Further breakdown of Own Funds is provided in the tables below:

Table 2: Reconciliation of equity as per Balance Sheet with regulatory Own Funds

Balance Sheet Description as per audited Financial Statements	**31 December 2017**
	(EUR '000)
Share Capital	4
Share Premium	316
Retained earnings	1.058
Profit for the audited period	253
Total Equity as per audited Financial Statements	**1.631**
Deductions	
(Less: Intangible assets & Goodwill)	(162)
(Less: Contribution to the Investors Compensation Fund)	(65)
(Less: Deferred tax asset)	(21)
Total deductions	**(248)**
Total Own Funds	**1.383**

Table 3: Transitional and Fully-Phrased in definition of Own Funds

31 December 2017	Transitional Definition (EUR ‘000)	Full-Phased in Definition (EUR ‘000)
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	320	320
Retained earnings	1.311	1.311
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**1.631**	**1.631**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
(-) Intangible assets (net of related tax liability)	(162)	(162)
(-) Additional deductions of CET1 Capital due to Article 3 CRR	(65)	(65)
(-) Deferred tax assets that rely on future profitability and arise from temporary differences (net of related tax liability)	(21)	(69)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(248)**	**(296)**
Common Equity Tier 1 (CET1) capital	**1.383**	**1.335**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**1.383**	**1.335**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**1.383**	**1.335**
Total Risk Weighted Assets	**7.996**	**7.996**
Capital ratios and buffers		
Common Equity Tier 1 ratio	17,29%	16,70%
Tier 1 ratio	17,29%	16,70%
Total capital ratio	**17,29%**	**16,70%**

Definitions:
The Common Equity Tier 1 (CET1) ratio is the CET1 capital of the Company expressed as a percentage of the total Risk Weighted Assets (“RWAs”) for covering Pillar 1 risks.

The Tier 1 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total RWAs for covering Pillar 1 risks.

The Total Capital ratio is the Own Funds of the Company expressed as a percentage of the total RWAs for covering Pillar 1 risks.

5. MINIMUM CAPITAL REQUIREMENTS

The total capital requirements of the Company as at 31st December 2017 were €640 thousand and are analyzed in the following table:

Table 4: Minimum Capital Requirements

Type of Risk	31 December 2017 (EUR '000)
	Minimum Capital Requirements
Credit Risk	88
Foreign Exchange Risk	2
Operational Risk (Based on Fixed Overheads)	640
Total Capital Requirements **((MAX((CR + MKR) ; OPR))**	**640**

The Company follows the Standardized Approach for the measurement of its Pillar 1 capital requirements for Credit and Market Risk and the Fixed Overheads Approach for Operational Risk.

5.1 Credit Risk

General

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the reporting date. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables.

The Company's exposure to Credit risk is influenced mainly by the individual characteristics of each customer and counterparty. However, management also considers the factors that may influence the Credit risk of its customer base and its counterparties, including the Default risk of the industry and country in which customers/counterparties operate. To this respect, the Company's review includes external ratings, if they are available, and in some cases bank references. Sale limits are established for each customer and reviewed quarterly. Any sales exceeding those limits require approval from the Board of Directors.

Capital Requirements

The Company applies the Standardized Approach for the calculation of its minimum capital requirement for Credit risk. As at 31st December 2017, the Company did not have any collaterals or guarantees, and therefore did not make use of Credit Risk Mitigation techniques.

The table below presents the Company's original exposure to Credit risk and the associated RWAs and minimum capital requirement, broken down by exposure class:

Table 5: Original Exposure Amount, RWAs and Minimum Capital Requirement per Exposure Class

Exposure Class	**31 December 2017 (EUR '000)**		
	Original Exposure Amount	**RWAs**	**Minimum Capital Requirement**
Corporates	180	180	14
High Risk Items	1	2	-
Institutions	1.393	313	25
Other Items	399	610	49
Total	**1.973**	**1.105**	**88**

The following table presents the Company's original exposure to Credit risk, broken down by exposure class and by risk weight:

Table 6: Original Exposure Amount per Exposure Class and Risk Weight

Exposure Class	**31 December 2017 (EUR '000)**					
	Original Exposure Amount per Risk Weight					
	0%	**20%**	**100%**	**150%**	**250%**	**Total**
Corporates	-	-	180	-	-	**180**
High Risk Items	-	-	-	1	-	**1**
Institutions	-	1.366	-	27	-	**1.393**
Other Items	-	-	259	-	140	**399**
Total	**-**	**1.366**	**439**	**28**	**140**	**1.973**

Risk Weighted Assets and Credit Quality Steps

For the credit ratings of institutions the Company made use of the ratings of Standard & Poor's and Moody's and mapped them to the corresponding Credit Quality Step ("CQS") in accordance with the mapping below:

Table 7: Mapping credit ratings to Credit Quality Steps

Credit Quality Step	**Standard & Poor's**	**Moody's**
1	AAA to AA-	Aaa to Aa3
2	A+ to A-	A1 to A3
3	BBB+ to BBB-	Baa1 to Baa3
4	BB+ to BB-	Ba1 to Ba3
5	B+ to B-	B1 to B3
6	CCC+ and below	Caa1 and below

An analysis of the Company's original exposure in Credit risk by exposure class and by CQS is provided in the table below:

Table 8: Original Exposure Amount per Exposure Class and CQS

Original Exposure Amount per Exposure Class	CQS as at 31 December 2017 (EUR '000)			
	2	6	N/A or Unrated	Total
Corporates	-	-	180	**180**
High Risk Items	-	-	1	**1**
Institutions	1.010	147	236	**1.393**
Other Items	-	-	399	**399**
Total	**1.010**	**147**	**816**	**1.973**

Residual Maturity of exposures

The table below displays the residual maturity of the Company's original exposure to Credit risk, broken down by exposure class, as at 31 December 2017:

Table 9: Original Exposure Amount per Exposure Class and Residual Maturity

Exposure Class	31 December 2017 (EUR '000)		
	Original Exposure by Residual Maturity		Total
	≤ 3 months	> 3 months	
Corporates	-	180	**180**
High Risk Items	-	1	**1**
Institutions	1.389	4	**1.393**
Other Items	-	399	**399**
Total	**1.389**	**584**	**1.973**

The following table presents the geographical breakdown of the original Credit risk exposures of the Company by exposure class, based on the location of the counterparty (i.e. country of incorporation for legal persons / country of residence for natural persons):

Table 10: Original Exposure Amount per Exposure Class and Country

Exposure Class	31 December 2017 (EUR '000)					Total
	Cyprus	Czech Republic	Latvia	Germany	Other	
Corporates	7	-	-	-	173	**180**
High Risk Items	1	-	-	-	-	**1**
Institutions	275	1.010	53	55	-	**1.393**
Other Items	399	-	-	-	-	**399**
Total	**682**	**1.010**	**53**	**55**	**173**	**1.973**

The following table analyses the distribution of the Company's original Credit risk exposures by exposure class and by industry of the counterparty:

Table 11: Original Exposure Amount per Exposure Class and Industry

Exposure Class	31 December 2017 (EUR '000)		
	Financial / Banking Services	Other	Total
Corporates	-	180	**180**
High Risk Items	1	-	**1**
Institutions	1.393	-	**1.393**
Other Items	-	399	**399**
Total	**1.394**	**579**	**1.973**

The following table shows the Company's average Credit risk exposure during 2017, analyzed by exposure class:

Table 12: Average Exposure Amount per Exposure Class

Exposure Class	Average Exposure Amount
	(EUR '000)
Corporates	208
High Risk Items	1
Institutions	1.596
Other Items	322
Total	**2.127**

Impaired and Past Due exposures

The Company establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified.

Management believes that the unimpaired amounts that are past due by more than 30 days are still collectible in full, based on historical payment behavior and extensive analysis of customer Credit risk, including underlying customer credit ratings if they are available.

5.2 Operational Risk

General

Operational risk means the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk includes Legal risk but excludes Strategic and Reputational risk. Legal risk includes but is not limited to fines and penalties both on the part of regulatory authorities and as a result of personal claims.

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

- Internal fraud - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery.
- External fraud - theft of information, hacking damage, third-party theft and forgery.
- Employment practices and workplace safety - discrimination, workers' compensation, employee health and safety.
- Clients, products, & business practice - market manipulation, antitrust, improper trade, product defects, fiduciary breaches, account churning.
- Business disruption & systems failures - utility disruptions, software failures, hardware failures.
- Execution, delivery, & process management - data entry errors, accounting errors, failed mandatory reporting, and negligent loss of client assets.

The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of Operational risk incidents to ensure that past failures are not repeated. Further, the Company's Risk Manager has initiated a program to supervise and examine in detail the areas identified that may give rise to Operational risk and undertook remedy measures/actions, as and when required.

The Company also has policies in place in relation to backup procedures, software and hardware maintenance, use of the internet and anti-virus procedures.

Capital Requirements

Due to the limited authorization of the Company, the Company falls under Article 95(1) of the 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 RWAs as the higher of the following:

a. The sum of RWAs for Credit and Market risk.
b. Operational RWAs based on the preceding year's fixed overheads.

The following table shows the calculation of the capital requirements for Operational Risk based on the Fixed Overheads Approach:

Table 13: Capital Requirements for Operational Risk under the Fixed Overheads Approach

Operational Risk (Fixed Overheads Approach)	Capital Requirement 31 December 2017 (EUR '000)
25% of the fixed overheads of the preceding year	640
Additional capital requirement due to the Fixed Overheads Approach	549

5.3 Market Risk

General

Market risk is the risk that changes in market prices, such as foreign exchange rates and interest rates, will affect the Company's income or the value of its holdings of financial instruments. The objective of Market risk management is to manage and control Market risk exposures within acceptable parameters, while optimizing the return on risk. The Company applies the Standardized Approach for the calculation of its minimum capital requirement for Market risk.

Capital Requirements

Foreign Exchange risk

The Company's Market Risk arises primarily from Foreign Exchange Risk. Foreign Exchange Risk is the effect that unanticipated exchange rate changes may have on the Company. During the period under review the Company maintained its funds mainly in Euros. Only an insignificant amount of the Company funds was kept in United States Dollars. In the ordinary course of business, the Company could be exposed to Foreign Exchange risk. However, this risk is kept to a minimum and it is monitored through various control mechanisms. The Foreign Exchange risk in the Company is effectively managed by setting and controlling Foreign Exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The following table analyses the Company's position in non-reporting currencies and the capital requirement at year end:

Table 14: Exposure to Market FX risk and capital requirement

Market FX risk	**31 December 2017 (EUR '000)**		
	Net Positions		**Capital Requirement**
	Long	**Short**	
Total positions in non-reporting currencies	28	-	-

Interest Rate risk

Interest Rate risk is the risk that the value of financial instruments (including currencies) will fluctuate due to changes in market interest rates. It arises as a result of timing differences on the reprising of assets and liabilities. The Company is exposed to Interest Rate risk in relation to its bank deposits.

During the period under review, the Company was substantially independent from changes in market interest rates due to the fact that, other than cash at bank, which attracts interest at normal commercial rates, the Company had no other significant interest-bearing financial assets or liabilities. In addition, the Company does not have a Trading Book.

Nonetheless, the Risk Manager monitors these risks with the assistance of the Treasury & Accounting Department and based on the fluctuations of the relevant rates, determines whether any measures need to be taken.

5.4 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses.

The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

5.5 Regulatory risk

Regulatory risk includes all risks that could lead to a withdrawal of the Company's license to operate or having any condition applied that would adversely impact the Company's activities as well as the risk of a change in laws and regulations that can materially impact the business. Regulatory risk faced by the Company includes, among other, the following:

- Compliance Risk.
- Money Laundering Risk.
- Corporate Governance Risk.
- Tax Risk.
- Customers Fair Treating Risk.

The Company manages Regulatory risk through a control-based environment in which processes are documented and monitored. This is supported by continuous monitoring of Regulatory risk incidents to ensure high levels of compliance.

5.6 Reputational risk

Reputational risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company by clients, counterparties, shareholders, investors or regulators. Reputational risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of significant clients, poor client service, fraud or theft, client claims, legal action, regulatory fines and from negative publicity relating to the Company's operations whether such fact is true or false.

The Company has policies and procedures in place when dealing with possible client complaints in order to provide the best possible assistance and service under such circumstances and to ensure compliance. In addition the Complaints Handling Team has reduced the time needed for dealing with complaints and increased its effectiveness. The Company has also established relationships with external legal consultants in order to assist with complicated cases.

5.7 Business risk

Business risk is the combination of several factors including the underperformance of economic results, drop of market share and high competitive treats resulting in loss of business. The Company is actively involved in the daily operations and stays up to date with the financial standing and its overall position with respect to the strategic goals set. In this way, the Company's strategic plans are efficiently executed. The Company performs quality checks and remains vigilant in order to take actions, if needed and where needed in cases of risk of competition.

5.8 Political risk

The Political Risk could occur as a result of an unfavorable political condition, new legislation/taxation etc. The Company is monitoring this risk and has procedures in place in order to remain vigilant. However, more research on a global level should be performed.

5.9 Country Concentration risk

Country Concentration risk could occur as a result of deteriorating financial conditions in a specific country that the Company is highly connected to and from where it has an income. The Company's client base is highly connected to certain European countries, resulting to Country Concentration risk for the Company. In order to mitigate the Concentration risk, during the period under review the Company has enhanced its position in certain European markets, so as to ensure that it will not be highly connected to certain countries only, hence also diversifying the sources of its revenue. In addition, during 2017 the Company's Board of Directors had decided to suspend the acquiring of new clients from third countries and closed the existing ones.

6. REMUNERATION

Senior Management adopts and periodically reviews the general principles of the Remuneration Policy and is responsible for its implementation. Employees in control functions are independent from the business units they oversee, have appropriate authority and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The remuneration of the senior officers in the Risk Management, Compliance and AML Compliance functions is directly overseen by Senior Management in its supervisory function and reviewed by the Board. Remuneration of employees is reviewed annually by the Board and monitored on a monthly basis by the Compliance Officer, in order to identify the possibility of any risk of conflict of interest.

6.1 Fixed Remuneration

Fixed remuneration varies for different positions/roles depending on the position's requirements and the educational background, experience, accountability and responsibility needed for an employee to perform each position/role requirements. The minimum amount of remuneration defined by applicable employment law is taken under consideration in defining the remuneration of each employee and is at the Company's sole discretion to pay the employee salary above the minimum amount taking into consideration also standard market practices. The fixed remuneration represents a sufficient high proportion of the total remuneration, in order to provide the possibility to pay no variable remuneration.

6.2 Variable Remuneration

Variable remuneration, when granted, always co-exists as an additional component on top of base salary. The Company does not provide 100% variable salary to any of its employees.

When remunerating on variable basis, the Company ensures that the composition of such remuneration arrangement focuses on encouraging the right culture and behavior of its employees, while actively discouraging poor practices. The Company works towards shifting the focus away from setting and driving incentives based on variable remuneration and tries to focus on quality of service, regulatory issues and development.

In determining variable remuneration, the Company ensures that:

- The ratio between fixed and variable components is appropriate, taking into account the best interests of clients.
- The total variable remuneration does not limit the ability of the Company to strengthen its capital base.

- The assessment of the performance is set in a multi-year framework.
  The variable remuneration does not exceed 100% of the fixed remuneration of the annual gross salary of each employee.

As a general rule the Company does not provide variable remuneration that exceeds 100% of the fixed remuneration of the annual gross salary provided to each employee. However, as an exception to the rule the shareholders of the Company have the authority to approve a higher variable remuneration provided that the overall level of the variable remuneration does not exceed 200% of the fixed remuneration of the annual gross salary of each employee provided that a set of specified conditions hold and procedures are followed.

6.3 Payments Related to Early Termination

The Company must ensure that payments related to the early termination of a contract reflect performance achieved over time and are designed in a way that does not reward failure or misconduct.

6.4 Payments Related to Compensation or Buy out from Contracts

Remuneration packages relating to compensation or buy out from contracts in previous employment must align with the long-term interests of the Company including retention, deferral, performance and claw back arrangements.

The aggregate remuneration of the Company's personnel for the year ended 31st December 2017, broken down by business area, is presented in the following table:

Table 15: Aggregate Remuneration by Business Area

31 December 2017 (EUR '000)			
Business Area	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregate Remuneration**
Executive & Non-Executive Directors	297	-	297
Control functions	618	-	618
Brokerage	89	-	89
Back Office & Legal	104	-	104
Total	**1.108**	**-**	**1.108**

Control functions include persons employed in the Risk, Compliance, and Monitoring Departments.

The following 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 Company, broken down by fixed and variable cash remuneration.

Table 16: Aggregate Remuneration by Senior Management and Other Staff

31 December 2017 (EUR '000)				
Position / Role	**No. of Beneficiaries**	**Fixed (cash) Remuneration**	**Variable (cash) Remuneration**	**Aggregate Remuneration**
Senior Management (incl. Executive & Non-Executive Directors)	14	608	-	608
Other staff	47	500	-	500
Total	**61**	**1.108**	**-**	**1.108**

"Senior Management" includes the two Executive and four Non-Executive Directors, as well as the heads of the business areas presented in Table 12 above, while "Other risk takers" includes the remaining persons employed in these business areas.

During 2017 the Company did not provide any non-cash benefits. In addition, the Company did not make any severance or sign-on payments, nor did it pay or award any deferred remuneration, in vested or unvested portions.

Remuneration of Executive Directors

The remuneration of the Executive Directors ensures the Company's continued ability to attract and retain the most qualified Executive Board members and a good basis for succession planning. The remuneration of the Executive Board is assessed annually and developments in market practice are assessed systematically. The remuneration of the Executive Directors consists of a fixed pay. The performance of Executive Directors is assessed once a year.

Remuneration of Board members

Members of the Board receive a fixed fee. Board members are not covered by incentive programs and do not receive performance-based remuneration. The basic fee of a Board member is set at a level that reflects the qualifications and contribution required in view of the Company's complexity, the extent of the responsibilities and the number of Board meetings. No pension contributions are payable on Board members' fees. The amount of payment to Independent Non-Executive Directors is controlled so as not to potentially create incentives for the compromise of independence. The Board may deviate from this policy in individual cases if justified by extraordinary circumstances.

Remuneration of Risk takers and employees in control functions

The remuneration of material risk takers (including staff in control functions) is subject to strict conditions. Once a year, the Board identifies employees who may take material risks on behalf of the Company and ensures that employees in these functions receive competitive remuneration.

7. ANNEX

RISK STATEMENT

The Company's strategic objective is to provide its customers with its services according to its CIF license 161/11. It operates in a strong customer focus and its strategy is pursued within a defined risk appetite.

The Board express the risk appetite through a number of key risk appetite measures which define the level of risk acceptable across the following categories:

- Credit risk
  - Concentration risk
- Operational risk
  - Third Party Dependency risk
- Market risk
  - Foreign Exchange risk
- Regulatory risk
  - Money Laundering and Terrorist Financing risk
  - Compliance risk
- Business risk
- Liquidity risk
- Reputation risk
- Confidence risk
- Political risk
- Country Concentration risk

The Company's activities are consistent with its risk tolerance level and establish the global limits for the main risk exposures, reviewing them systematically and resolving those operations that exceed the powers delegated in bodies lower down the hierarchy.

The following table sets out a number of the key measures used to monitor the Company's risk profile:

Risk Type	Key measures
Credit Risk	The Company has no significant concentration to Credit risk while it uses the Standardized Approach for calculating its Credit risk requirements.
Operational Risk	The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of Operational risk incidents to ensure that past failures are not repeated. For the calculation of Operational risk in relation to the capital adequacy reports, the Company uses the Fixed Overheads Approach.

Third Party Dependency	The Third Party Dependency risk exists as the Company outsources its IT (hardware to a local Cypriot IT company and software to a group company Naxex Ltd), its Internal Audit function, Sales & Retention (customer support) and Customer Service functions. The Company performs due diligence of the third party providers at the commencement of the relationship and on a yearly basis. Also, Naxex Ltd is a group company, which reduces the risk of not cooperating or not fulfilling its obligations towards Depaho.
Foreign Exchange Risk	The Foreign Exchange risk in the Company is effectively managed by setting and controlling Foreign Exchange risk limits, such as through the establishment of maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.
Money Laundering and Terrorist Financing Risk	The Company has KYC procedures in place and always performs several checks on deposits and withdrawals of funds by clients. The AML Department has been increased in terms of employees and periodically reviews and updates its procedures.
Compliance Risk	The Company's Compliance Officer together with Senior Management, during 2017, initiated plans to supervise and examine the level of compliance of all areas of the Company with the relevant legislation, proposing remedy measures/actions, and providing the relevant training to the Company's personnel, as and when required. The Compliance risk is limited to a significant extent due to the supervision applied by the Compliance Officer together with the Anti-Money Laundering Compliance Officer and Senior Management, as well as the monitoring controls applied by the Company.
Business Risk	The Board of Directors is actively involved in the daily operations of the Company and stays up to date with the financial standing and overall position of Depaho with respect to the strategic goals set. In this way, the Company's strategic plans are efficiently executed. The Company performs quality checks and remains vigilant in order to take actions, if needed and where needed in cases of risk of competition.
Liquidity Risk	The financial controller constantly monitors the Company's cash position to make sure that enough cash are available to meet urgent or imminent obligations, as these fall due. As a result, the Company has never delayed to meet any obligations.

Reputation Risk	During 2017, the Company had reduced the number of complaints considerably due to the effectiveness of the Monitoring Unit, which has contributed by performing quality controls to the services provided by the Company, by handling any complaints investigations and performing brand monitoring in order to identify risks arising from forum comments and discussion or any type of negative publicity. In addition, the Complaints Unit has reduced the time needed for dealing with complaints and increased the effectiveness of the Unit. The Company has also established relationships with external legal consultants in order to assist with complicated cases. During 2017 there was a decrease in negative publicity due to the measures taken and the cooperation with external legal consultants. The Company has also increased the number of the employees in the Monitoring Unit, responsible to monitor the activities of the Company. The procedures established in order to control Reputation risk, have kept the risk at a low to medium level.
Confidence Risk	Although this risk is recognized, the Company's management recognizes that this risk always exists due to the characteristics of the FX market and tolerates it without taking any specific actions to control or mitigate it.
Political Risk	The Company is monitoring this risk and has procedures in place in order to remain vigilant. However, more research on a global level should be performed.
Country Concentration Risk	The Company’s client base is highly connected in certain European countries, resulting to Country Concentration risk for the Company. During 2017, the Company’s Board of Directors, further to CySEC’s Circular, had decided to suspend the acquiring of new clients from third countries and closed the existing ones. In order to mitigate the risk, during the period under review the Company has enhanced its position in selected European markets. Thus, the Company is constantly working to enter into new markets in order to diversify the Concentration risk.