



CDG Global (EU) LTD

Regulated by the Cyprus Securities and Exchange

Commission License no. 332/17

Disclosure and Market Discipline Report for 2020

JUNE 2021

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BUFFER TO FACILITATE THE SMOOTH RUNNING OF THE BUSINESS AND TO COVER POSSIBLE SHORTFALLS

1. Introduction

1.1 Pillar III Regulatory Framework and Scope of Application

The present report is prepared by CDG Global (EU) Ltd (the "Company") a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission (the "CySEC", the "Commission") under the license number 332/17 and operates in harmonization with the Markets in Financial Instruments Directive (MiFID II).

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

The Capital Requirements Regulation introduced significant changes in the prudential regulatory regime applicable to banks and investment firms including amended minimum capital adequacy 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. The current regulatory framework comprises three pillars:

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

The 2020 Pillar III Disclosures report sets out both quantitative and qualitative information required in accordance with Part 8 of the CRR and in particular articles 431 to 455, which set the requirements of the disclosures. Pursuant to Article 433 of Part Eight of the CRR , the Company is obliged to publish, at least on an annual basis, these disclosures.

The information contained in the Pillar III Market Discipline and Disclosure report is audited by the Firm's external auditors and published on the Company's website at www.cdgglobal.eu an annual basis.

Furthermore, the Board of Directors and the Senior Management have the overall responsibility for the internal control systems in the process of "Capital Adequacy Assessment" and they have established effective processes to ensure that the full spectrum of risks facing the Company is properly identified, measured, monitored and controlled to minimize adverse outcomes.

The Company's business effectiveness is presented and based on the guidelines of the risk management policies and procedures. The Board of Directors, Internal Audit, Risk Manager, Compliance and Anti-Money Laundering Officer control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

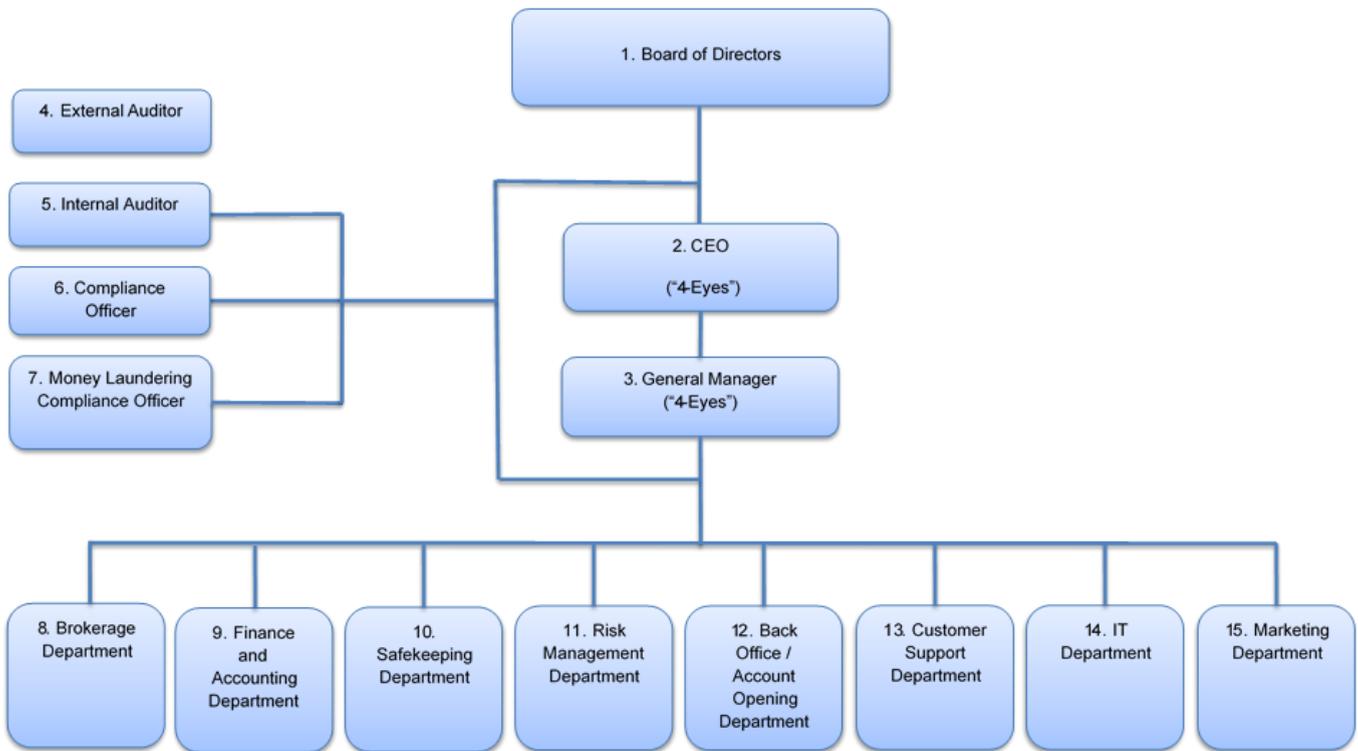
As with all Investment Firms, the Company is exposed to a variety of risks. In particular the Company is exposed to Credit Risk, Market Risk and Operational Risk. More information can be found in the sections below.

1.2 Investment Firm

Corporate Information

Company Name	CDG Global (EU) Ltd
CIF Authorization Date	07/08/2017
CIF license Number	332/17
Company Registration Date	21 October 2015
Company Registration Number	348087
Investment Services	
(a) Reception and transmission of orders in relation to one or more financial instruments	
(b) Execution of Orders on Behalf of Clients	
Ancillary Services	
(a) Safekeeping and administration of financial instruments, including custodianship and related services	
(b) Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
(c) Foreign exchange services where these are connected to the provision of investment services	

1.3 Organizational Structure



1.4 Regulatory (Prudential) Supervision

The Laws and Regulations that govern the operations of Cyprus Investment Firms and set out the obligations and requirements that shall be met in the aspect of capital adequacy and market discipline, are comprised, inter alia, by the following:

- Law 87(I)/2017: Provision of investment services, the exercise of investment activities, the operation of regulated markets and other related matters (hereafter "the Law");
- Regulation (EU) No. 575/2013 – Capital Requirements Regulation;
- Regulation (EU) No. 648/2012 – European Markets Infrastructure Regulation;
- Directive 2013/36/EU on access to the activity of credit institutions and the prudential supervision of credit institutions and investment firms, amending Directive 2002/87/EC and repealing Directives 2006/48/EC and 2006/49/EC – Capital Requirements Directive IV;
- Directive DI144-2014-14: For the prudential supervision of Investment Firms;
- Directive DI144-2014-15: On the discretions of CySEC arising from Regulation (EU) No. 575/2013;

2. Risk Management

2.1 Definition

Risk is defined as a negative or positive deviation from the expected values of metrics which are of significant importance to a company. Risk management therefore constitutes an integral part of our business framework and is considered as to be a vital element of the Company's business.

The Company allocates resources towards the management of its risks with the purpose of increasing the efficiency of its operations and its capital utilization, maximize income and maintain stability. In addition, the risk management framework of CDG Global (EU) Ltd is continually adapted and enhanced as the market environment changes.

During 2020, the Company was mainly exposed to credit risk, capital risk, operational risk, liquidity risk and compliance risk. The sections that follow provide more insight on the exposure to each of these risk types and lay out the policies, arrangements, processes and mechanisms used by the Company to measure, control and mitigate them.

2.2 Risk Monitoring and Control

The Company manages its risks through various control mechanisms with the purpose of being both prudent and evolutionary. Its risk control framework comprises of both qualitative elements, such as policies and procedures, and quantitative components, such as numerical limits. The various risks are monitored on a continuous basis and every effort was made to mitigate them in order to be in line with the risk appetite set by the Board.

During 2020, the Risk Manager reviewed the risk management system of CDG Global (EU) Ltd on an on-going basis with the purpose of ensuring that it is at all times effective in capturing and

managing current and potential risks. Major changes to the risk management framework were presented to the Board and to Management for approval.

2.3 Risk Appetite

The Company's risk appetite is set by the Board of Directors. All risks are considered, and a high-level tolerance is set. CDG Global (EU)'s risk bearing capacity is also considered in terms of the capital required to support the strategy and assume what is deemed as acceptable risk.

CDG Global (EU) defines its risk appetite in a way that it reflects its risk profile and business strategy. The risk appetite is the size and nature of risks that the Company is willing and able to take to achieve its mission, vision and business goals.

The Board sets risk appetite at a general level, for capital and client credit risk considering negative balance provisions, and specifically for each risk type through the limits, policies, controls and procedures that are established, and are communicated to the entire organization.

The Board uses subject matter expertise, experience, systems, controls and infrastructure in order to define its risk appetite.

Its sensitivity to risk is managed through the following limits:

- Capital: Capital adequacy ratio to always be in line with Pillar 1 and Pillar 2 capital requirements.
- Credit risk. The following limits relate to client credit risk:
 - The maximum client credit default risk is set at €50.000 per client per currency.
 - The stop out limits has been set at 50%
 - The Company has taken adequate measures and designed its trading systems in a way that offers its Retail clients leverage limits determined in accordance to the Maximum permitted leverage limits per market and the with the scoring of each client at the appropriateness test or limit, based on the applicable regulations. Professional clients are able to trade with higher leverage.
- Operational risk: Losses from operational risk events not to exceed the extreme loss calculation in the Company's risk register.
- Market Risk: As the Company does not scale its operation yet, this exposure is limited to the balance sheet exposure derived from monetary assets and liabilities denominated in currencies other than its reporting currency (the euro).

2.4 ICAAP

In order to evaluate the risks that are not covered by capital requirements (Pillar 1), and according to Pillar 2 requirements the Company has implemented the ICAAP procedure. The ICAAP process considers all the risks faced by the Company, the likely impact of them if they were to occur, how these risks can be mitigated and the amount of capital that it is prudent to hold against them both currently and in the future. The Company performs a full ICAAP annually with approval provided by the Board. For this

purpose, all departments of the organization completed the Risk Records Charts. After the evaluation of the complete Risk Records charts, Risk Manager created Risk Register with Assessments. Financial department prepared Business Plan and Capital Plan for next 3-5 years based on rolling P&L and Balance Sheet. Risk Manager implemented Stress Test of the Capital Plan, based on "What if" approach in each department of the Company. Financial department prepared stress tested Capital Plan based on Stress Test Register. Financial department prepares Budget of the Company, based on stress tested Capital Plan. Financial department compares the calculated Capital Plan and stress tested Capital Plan: Pillar I Risks + Pillar I uncovered Risks + Pillar II Risks.

These measures allow Management to evaluate Gap Analysis (what we have at hands and what we should have), and to create Action Plan to monitor and mitigate the consequences of the risks to make the Board of Directors to be able to assess and approve Action Plan along with outcomes of ICAAP.

3. Credit Risk

3.1 Definition

Credit Risk is the risk of loss that the Company would incur if the Company fails to perform its contractual credit obligations. The Company follows the Standardized Approach under Pillar 1 for calculating its Credit Risk Capital Requirements as specified in CRR. It categorizes the assets in respect to their exposure class and uses the Credit Step methodology to determine its respective Risk Weights (RW).

3.2 Risk identification, Measurement, Control and Reporting

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

- By the Company's deposits in Financial institutions;
- By assets mainly held under the Investor's Compensation Fund, debtors or prepayments.

The Company follows mitigation strategies in order to minimize the possibility of occurrence of this risk, such as:

- The Company maintains Regular credit review of counterparties, identifying the key risks faced and reports them to the BoD, which then determines the Company's risk appetite and ensures that an appropriate amount of capital is maintained.
- In order to maintain its Credit Risk to the minimum, the Company is using EU credit institutions/electronic money institutions for safekeeping of funds and always ensures that the banks it cooperates with, have high ratings based on top credit rating agencies (Moody's, S&P or Fitch), it frequently monitors their compliance with the EU regulatory framework and diversifies the funds over several credit institutions thus mitigating the risk exposure efficiently.

3.3 Credit Risk Analysis

The tables below indicate the Company's Credit Risk exposure under Pillar 1, as at the end of 2020.

A. Total Exposure/Credit Risk Capital Requirements

Credit Risk Capital Requirements	31 December 2020	
	EUR'000	EUR'000
Risk Weighted Assets:	Risk Weighted Assets	Capital Requirement
Institutions	21	1.7
Corporate	153	12.2
Other Items	105	8.4
Retail	0	0
Total	279	22.3

B. Industry Exposure

Credit Risk Capital Requirements by Industry	31 December 2020
	EUR'000
Risk Weighted Assets:	
Financial institutions	21
Non-financial institutions	258
Total Risk Weighted Assets	279
Capital Requirements	22.3

C. Residual Maturity

Credit Risk Capital Requirements by Maturity	31 December 2020
	EUR'000
Risk Weighted Assets:	
Up to 3 Months	174
Above 3 Months	105
Total Risk Weighted Assets	279
Capital Requirements	22.3

D. Country Exposure

Credit Risk Capital Requirements by Country	31 December 2020
	EUR'000
Risk Weighted Assets:	
EU	279
Total Risk Weighted Assets	279
Capital Requirements	22.3

E. Analysis of Exposures by Credit Quality Step

Credit Quality Step*	1	2	3	4	5	6	Total
Institutions	€9,998			€19,709			€29,707
Corporates				€152,992			€152,992
Total exposures	€9,998			€172,701			€182,699

*The scale 1-6 indicates the risk based on Bank ratings and other Risk weighted factors

4. Compliance Risk

4.1 Definition

Compliance risk reflects the risk of financial loss, including fines and other penalties, which arises from non-compliance with laws and regulations of the state and in particular law, regulations and directives governing Cyprus investment firms. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer and the detailed internal procedures and policies implemented by the Company and regular review by the Internal Auditor. The Board of Directors continuously assess the business model of the Company and arrangements in place for compliance risk purposes.

4.2 Management and Control

Throughout the year the Company's policies and procedures were assessed and evaluated by the Internal Auditor and the management took actions over the findings and weaknesses identified, in order to fully comply with the regulations.

5. Operational Risk Management

5.1 Definition

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

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

- Internal Fraud - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud - theft of information, hacking damage, third-party theft and forgery.
- Compliance - Brand impairment, Complaint handling, third country regulator retaliation, E-commerce global taxation matters
- Clients, Products and Business Practice - market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.

5.2 Risk identification, Control and Reporting

In order to control the exposure to Operational Risks, the management has established two key objectives:

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

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

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

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

The Company implements the below Operational Risk Mitigation Strategies in order to minimize its Operational Risk Exposure:

The development of Operational Risk awareness and culture.

- The provision of adequate information to the Company's management, in all levels, in order to facilitate decision making for risk control activities
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.

- The improvement of productivity, efficiency and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established a “four-eyes” structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management and a Risk Management. The board further reviews any decisions made by the Management while monitoring their activities;
- Detection methods are in place in order to detect fraudulent activities; Comprehensive business contingency and disaster recovery plan.

The Senior Management employ specialized tools and methodologies to identify, assess, mitigate and monitor Operational Risk. These specialized tools and methodologies assist Operational Risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

5.3 Measurement

The Company does not apply Operational Risk Indicator approaches to calculate the amount of capital required under the minimum regulatory capital requirements. Instead of this, under 95 (1) of Regulation(EU) No575/2013 the Company is using Fixed Overheads Calculation Method.

Fixed Overheads

Fixed Overhead is a set of costs that do not vary as the result of changes in activity. They are needed in order to operate the business. Fixed overheads do not change greatly, they are easy to predict.

CIFs should be aware of the total amount of fixed overhead costs that a business incurs, so that management can plan to generate a sufficient amount of contribution margin from services to, at least, balance the amount of fixed overhead. Otherwise it is impossible to generate a profit.

Investment firms are required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year or projected fixed overheads in case of an investment firm not having completed business for one year. The approach for calculating fixed overheads is a subtractive approach, whereby variable cost items are deducted from the total expenses as calculated according to the applicable accounting framework.

Under Article 95(1) of Regulation (EU) No575/2013, CIFs which are not authorized to provide:

- Dealing on own account
- Underwriting of financial instruments and/or placing of financial instruments on firm commitment basis

apply the following formula: higher of total risk exposure amount (excluding operational risk)

and Fixed Overheads of the preceding year multiplied by 12.5 and 25% applied.

The calculation is based on the EBA's Final Draft Regulatory Technical Standards on own funds requirements for investment firms based on Fixed Overheads under the Article 97(4) of Regulation (EU) No575/2013.

Fixed Overheads	31 December 2020
	Actual
	EUR'000
Total expenses (after distribution of profits)	454.73
Less deductible fees	-
Fixed Overheads	454.73
Fixed Overheads Requirement (25%* Fixed Overheads)	113.68
Fixed Overheads risk exposure amount	1,421

6. Liquidity Risk

6.1 Definition

Liquidity Risk is the risk that the Company will not be able to meet its financial obligations as they fall due. In periods of abnormal fluctuations in market conditions or financial crisis, Liquidity Risk can expose the Company to a shortfall of liquidity and limit its access to the capital markets resulting in damages. Liquidity shortages expose the Company to the risk of not having enough cash to fulfil its duties against creditors/debtors that can eventually cause regulatory sanctions and loss of business/reputation.

6.2 Mitigation Strategies

To minimize its exposure to Liquidity Risk, the Company implements the below Liquidity Risk Mitigation Strategies:

- Regular analysis and reporting to the BoD on the funding needs of the Company.
- Monitoring of the Company's exposures and diversification to avoid rise of concentration risk as per the internal policies.
- Cash Management.

The following table detail the Company's remaining contractual maturity for its financial liabilities, including both interest and principal cash flows:

31 December 2020	Carrying Amounts	Contractual cash flows	Within 1 year	1-5 years
	EURO	EURO	EURO	EURO
Lease Liabilities	85,970	85,970	29,287	56,683
Trade and other Payables	5,223	5,223	5,223	-
Payables to Shareholders	1,518	1,518	1,518	-
Total	92,711	92,711	36,082	56,683

7. Capital Risk Management

7.1 Definition

As part of its operation licence requirement, the Company is subject to local capital adequacy rules and regulations. CySEC currently requires a minimum capital adequacy requirement of 8% and the "own funds" of the Company to be higher than its initial capital. The Company follows a policy of monitoring these requirements. As at 31 December 2020 the Company's own funds level was satisfactory. The required information is filed with CySEC quarterly basis.

7.2 Management and Control

The method of calculation of the Company's capital management is in accordance with the Capital Requirements Regulation (EU) 575/2013(CRR) and the Capital Requirements Directive (CRD IV), as this has been harmonized by the CySEC through its directives 144-2014-14 and 144-2014-15. The primary objective of the Company's Capital Management is to ensure that the Company comply with externally imposed capital requirements and that the Company maintains healthy capital ratios to support their business and to maximize shareholders' value.

The Company manages its capital structure and makes adjustment to it in the light of changes in economic conditions and the risk characteristics of their activities. In order to maintain or adjust the capital structure, the Company may adjust the structure of its assets depending on the different risk weights allocated to certain asset classes, reconsider amount of dividend payments to shareholders or issue additional share capital.

8. Corporate Governance

8.1 Recruitment Policy

Members of the Board possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board reflects an adequately broad range of experiences to be able to understand the CIF'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 a CIF. The Board of Directors is responsible for the final approval on the recruitment of Board members.

8.2 Board of Directors

The Board of Directors is comprised of 2 executive directors 1 non-executive director and 2 independent non-executive directors.

Name of Directors	Type of Directorship	Number of Directorships in other entities
Mahesh Vaswani	Executive Director	-
Kyriakos Hadjikyriakou	Executive Director	1
Li Lijun	Non-Executive Director	-
Petros Zachariades	Independent Non-Executive Director	2
Lambros Soteriou	Independent Non-Executive Director	3

8.3 Diversity Policy of the Board of Directors

The Company embraces diversity as it recognizes the benefits of having Board which makes use of differences in the skills, experience, knowledge, background, race and gender between directors. When recruiting members for the Board, diversity in its members is seriously taken into account for forming the optimal composition of the Board.

8.4 Reporting and Control

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

Report Name	Submitter	Recipient	Frequency
Compliance Report	Compliance Officer	BoD, CySEC	Annual
Internal Audit Report	Internal Auditor	BoD, CySEC	Annual
Risk Management Report	Risk Manager	BoD, CySEC	Annual
Anti-Money Laundering Report	Anti-Money Laundering Compliance Officer	BoD, CySEC	Annual
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	BoD, CySEC, Public	Annual
Financial Reporting	External Auditor	BoD, CySEC	Annual
ICAAP Report	Risk Manager/Financial Controller	BoD	Annual
Capital Adequacy Reporting	Risk Manager/Financial Controller	Senior Management, CySEC	Quarterly

9. Own Funds

9.1 Tier 1 Own Funds and Tier 2 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.

The Board has ultimate responsibility for the Company's capital management and capital allocation. The Board is kept informed via a quarterly update on the financial statements. During the 12-month accounting period of 2020 year, the Company complied fully with all capital and liquidity requirements and operated well with the regulatory requirements determined by the regulation. The Own Funds of the Company as at 31 December 2020 consisted of Tier 1 capital and amounted to EUR 158,054. An analysis is provided in Table below:

Own Funds/Tier 1 Capital	31 December 2020
	EURO'000
Share Capital	216
Share Premium	1,469
Advances from Shareholders	82
Accumulated Loss	(1,540)
Capital Contributions to ICF	(39)
Total Common Equity Tier 1	188
Additional Tier 1 Capital	0
Total Tier 1 Capital	188
Tier 2	0
Total Own Funds	188

9.2 Share Capital

Authorized Share Capital

As at 26 October 2020, the Company increased its authorized share capital by 298,000 ordinary shares of €1 each.

Issued Capital

On 10 July 2020, the company issued 5 additional ordinary shares of €1 each at a share premium of €36,731.

On 26 October 2020, the company issued of 214,739 additional ordinary shares of €1 each.

The total share capital and share premium as at 31 December 2020 amounted to €1,684,999.

10. Capital Requirements

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is required to report on a quarterly basis its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The Senior Management and the Accounting Department monitor the reporting obligation and put in place policies and procedures in order to meet the relevant regulatory requirement.

The Company uses the standardized approach for the quantification of credit and market risks. The total Capital Requirements as at 31 December 2020 are shown in the table below:

Capital Ratio	31 December 2020 EUR' 000
Risk Weighted Assets Exposure:	
Credit Risk	279
Position, Foreign Exchange and Commodities Risk	18
Additional risk exposure due to fixed overheads	1,124
Total Risk Exposure amount	1,421
Total Eligible Own Funds	188
Capital Adequacy Ratio Actual/Forecast	13.24%
Minimum Capital Adequacy Ratio	8%

The Capital Adequacy ratio of the company for the year ended 31 December 2020 was 13.24%, which is higher than the minimum required 8% and is generally maintained at high levels as per Board of Directors policy. During the year 2020, the ratio never fell below of what is deemed minimum by CySEC.

CDG Global (EU) Ltd calculates its regulatory own funds and capital adequacy ratio on an individual basis. The Company's Eligible Own Funds includes only Original Own Funds (Tier 1 Capital). Tier 1 capital is a core measure of a Company's financial strength from a regulator's point of view. It is composed of share capital, share premium and reserves (excluding revaluation reserves) including the profits and losses brought forward as a result of the application of the final profit or loss.

11. Remuneration Policy and Practices

Remuneration refers to payments or compensations received for services or employment. Based on the above, the Remuneration policy includes the base salary and any bonuses or other economic benefits that an employee or executive receives during employment and shall be appropriate to the

Company's size, internal organization and the nature, the scope and the complexity of its activities to the provisions of the Directive DI144-2014-14.

During 2020 the Company's remuneration system 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, members of the BoD and the Heads of the departments; the said practices are established to ensure that the rewards for the 'executive management' provide the right incentives to achieve the key business aims.

The remuneration of staff consists of fixed components.

The table below presents the annual remuneration for 2020, of the members of the Board of Directors.

2020	Directors
Fixed Reward	€178,369
Variable Reward	-
Total	€178,369
Number of beneficiaries	4