



**Disclosures in accordance with Capital Requirements
Regulation (EU) No 575/2013 on prudential
requirements for credit institutions and investment
firms as at 31 December 2020 (the “Disclosures”)**

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1. INTRODUCTION

1.1. Corporate Information

Mega Equity Securities & Financial Services Public Ltd (hereinafter the ‘Company’ or ‘Mega Equity’) was incorporated on 17 December 1999 as a limited liability company under the Cyprus Companies Law. The Company holds a license from the Cyprus Securities and Exchange Commission (the ‘CySEC’) to operate as a Cyprus Investment Firm (CIF) since 12 May 2003, and it has been trading under license number 011/03 ever since.

The principal activities of the Company involve the provision of brokerage and investment services, which under its license the Company is entitled to provide the following investment and ancillary services:

- (i) Reception and transmission of orders in relation to one or more financial instruments;
- (ii) Execution of orders on behalf of clients;
- (iii) Dealing on own account;
- (iv) Provision of investment advice;
- (v) Safekeeping and administration of financial instruments including custodianship and related services;
- (vi) Granting credits or loans to one or more financial instruments;
- (vii) Foreign exchange services where these are connected to the provision of investment services.

The Company also holds a license to provide Cross Border Services to Member States and countries outside the EU. For further details on the license information of the Company refer to <https://www.cysec.gov.cy/en-GB/entities/investment-firms/cypriot/37640/>.

1.2. Pillar III Regulatory Framework

1.2.1. Basis of Disclosures

The Disclosures have been prepared in accordance with Part Eight of Regulation (EU) No 575/2013, known as the Capital Requirements Regulation on prudential requirements for credit institutions and investment firms (“CRR”) as well as other Regulations and Directives supplementing CRR and as described throughout this Report where relevant. The CRR and the European Union’s Capital Requirements Directive 2013/36/EU, collectively known as “CRD IV”, are transposed and implemented into local legislation through the Directive DI144-2014-14 for the Prudential Supervision of Investment Firms and the Directive DI144-2014-15 on the discretions of the CySEC arising from Regulation (EU) No 575/2013, as issued and entered into force on 19 December 2014.

The Company makes the disclosures on a solo basis. Information in the Disclosures is presented in thousands of Euros (€), unless otherwise indicated.

1.2.2. Background and Regulatory Context

The CRD IV package is the implementation of “Basel III” in Europe. Basel III is a comprehensive set of reform measures in banking prudential regulation developed by the Basel Committee on Banking Supervision. The Basel III framework comprises of three “Pillars” as presented below:

(a) Pillar I – Minimum capital requirements

It sets forth the principles, rules and methods for specifying and measuring the minimum capital requirements to cover credit risk, market risk and operational risk. These

requirements are covered by regulatory own funds, according to the rules and specifications of Pillar I.

(b) Pillar II – Supervisory review & Evaluation Process (“SREP”)

It includes principles to ensure that adequate capital is held to support any risk exposures of the Company and requires appropriate risk management, reporting and governance policies. Pillar II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company. The main principle of Pillar II is that a Company should be internally assessing its overall capital adequacy in relation to its undertaken risks, risk profile and risk strategy while maintaining appropriate capital levels. This lies within the framework of Internal Capital Adequacy Assessment Process (ICAAP). Pillar II also introduces the SREP, whereby the Regulator assesses the internal capital adequacy of regulated institutions.

(c) Pillar III – Market discipline

It sets out required disclosures that are designed to allow market participants to have a full picture of the risk profile of the Company, to assess key information relevant to the capital structure, risk exposures, risk management and risk assessment processes and thus the capital adequacy of an institution.

In the context of the banking reform package, the European Commission (“EC”) proposed amendments to the CRR and CRD IV, for the completion of the implementation of Basel III in the EU. The revised Capital Requirements Regulation and Directive, referred to as CRR 2 and CRD V, refine and continue to implement Basel III in the EU, by making important amendments in a number of areas including large exposures, leverage ratio, liquidity, market risk, counterparty credit risk, as well as reporting and disclosure requirements. The majority of the changes will start to apply during 2021.

In addition, a new prudential regime which is specific for EU-regulated Investment Firms, has also been agreed by the EC, to enhance the proportionality of the prudential framework for certain types of Investment Firms which currently follow the full Basel III CRR/CRD IV requirements. The new Investment Firms prudential regime consists of the Investment Firms Regulation (EU) 2019/2033¹ (the “IFR”) and the Investment Firms Directive (EU) 2019/2034² (the “IFD”), as published in the Official Journal of the EU on 5 December 2019. The IFR becomes directly applicable from 26 June 2021 and Member States have until that date to adopt and publish the measures necessary to transpose the IFD.

The Company did the latest check and for 2020 did not have any additions regarding the new regime. For 2021 company will add the additional 0.04% on all the assets which holds under custody, due to the new ASA K factor which implies additional capital requirement along with the minimum balance requirement increase from €730.000 to €750.000.

1.2.3. Frequency and Means of Disclosures

The Pillar III disclosures report for the year 2020 sets out both quantitative and qualitative information required in accordance with the Articles 431 to 455 of the CRR, relevant guidelines and directives, as listed in Section 1.2.1 above.

The Report is published annually on the Company’s website: <http://www.megaequity.com>

¹ Regulation on the prudential requirements of investment firms (EU) No 2019/2033 amending Regulations (EU) No 575/2013, (EU) No 600/2014

² Directive on the prudential supervision of investment firms (EU) No 2019/2034 amending Directives 2013/36/EU, 2014/59/EU and 2014/65/EU

1.2.4. Verification of the Disclosures

The Disclosures have been prepared by the Company's Compliance Officer and have been reviewed and approved by the Board of Directors (the "Board" or "BoD"), approving the adequacy of risk management arrangements of the Company and providing assurance that the risk management systems in place are adequate with regards to the Company's profile and strategy.

The Board notes that the Disclosures should be reviewed in conjunction with the audited financial statements of the Company for the year ended 31 December 2020, even though they are prepared as a stand-alone document with the view of explaining how the Company manages risks under the requirements of CRR and how much capital is assigned to these risks for their management.

1.2.5. COVID 19 Pandemic

The rapid development of COVID-19 outbreak resulted in the world entering in a period of unprecedented health care crisis, causing significant disruption to business and economic activity. It is an emerging risk that the Company is monitoring closely and assesses the range of possible impacts and will continue to respond to the situation as it evolves.

The Management of the Company has considered the unique circumstances that could have a material impact on the business operations and the risk exposures of the Company and has concluded that COVID-19 did not negatively affect the Group in terms of operations, liquidity and profitability. The Management has already taken the necessary measures to ensure that the Company's activity will continue as normal and be able to meet the needs of its customers. The Company will continue to monitor the situation closely and assess additional measures.

2. RISK MANAGEMENT OBJECTIVES AND POLICIES

2.1. Risk Management Framework

Mega Equity operates in a complex and dynamic financial markets environment, therefore the Management recognizes that risk is embedded in all the Company's activities. Risk is about uncertainties – that may have either a positive (constructive) or negative (destructive) impact. A risk is an opportunity that will not be realized or a threat that an event or action will materialize. That missed opportunity or unmanaged threat in turn may damage an organization's ability to deliver results for its stakeholders and to achieve business objectives.

The unpredictability of financial markets may have adverse effects on the Company's financial performance therefore, identifying, assessing, monitoring and controlling each type of risk is important for the Company's financial stability, performance and reputation. The Company's ability to identify, evaluate, monitor and manage each type of risk to which the Company is exposed to is an important factor in its performance, reputation and the achievement of its strategic objectives.

Overall, the Company's Management is satisfied that the risk management arrangements provide assurance that the risk management mechanisms and/or systems that are in place are adequate, given the risk profile of the Company.

2.2. Risk Management Process

The Risk Manager is responsible for the determination, evaluation and efficient management of the risks inherent in the provision of investment services in accordance with the provisions of the Law 87(I)/2017 and Directives issued by CySEC, as well as the internal regulations and policies approved by the Board of Directors. The Risk Manager identifies, evaluates and efficiently manages financial risks in close co-operation with each department. The Board overviews and approves the risk appetite of the Company.

Overall, the Risk Manager's responsibilities are:

- (a) Establish, follow up and monitor the risk policy of the Company;
- (b) Set a risk management policy and assess credit worthiness for clients and counterparties and classify them accordingly;
- (c) Assess the risk of the Company's clients and counterparties participating in money laundering and or terrorist funding;
- (d) Monitor day-to-day operational risks;
- (e) Maintain, review and update appropriate internal control systems;
- (f) Help create a culture of risk awareness at all levels within the Company;
- (g) Engage the management in monitoring, reviewing, reporting and managing of identified risks, as well as consider new and emerging risks on a continuous basis.

The Company has established Risk Policy Guidelines, the purpose of which is to address the areas which may expose the Company to risks and manage those risks accordingly.

Risk management policy for clients

Clients are evaluated in the early stages of their relationship with the Company through the information they provide via the questionnaires they fill and / or any other information that is obtained from third party sources (e.g. World Check). Based on the information gathered it is decided whether to accept the client or not. Through the client acceptance process the Company also considers the risk of any of its clients being involved in money laundering or in terrorist activities. The clients' accounts are continuously monitored in order to identify any suspicious transactions. The Company considers that the risk of its clients being involved in money laundering or in terrorist funding is minimal.

2.3. Risks and Mitigating Controls

As part of its business activities, the Company faces a variety of risks, the most significant of which are credit risk, market risk and operational risk (including litigation risk). All relevant risks and their mitigating actions are further described below.

2.3.1. Credit Risk

Credit risk is defined as the risk the Company may suffer losses, because its counterparties and/or customers may not be able to meet their obligations with the Company, as they fall due.

The Company is mostly exposed to credit and counterparty risk on the balances it maintains with banks and financial institutions (e.g. Cyprus Stock Exchange ('CSE'), Athens Stock Exchange ('ASE'), Investors Compensation Fund, etc.) and trade and other receivables. The Company establishes counterparty relationships only with reputable banks regulated by national regulators which are rated by international rating agencies and which carry acceptable ratings. The credit ratings as well as the financial position of the banks are regularly monitored given the ongoing financial markets and economic uncertainty.

The actual exposures by financial institutions are reviewed daily and the level of credit risk is limited through the allocation of the balances on various financial institutions.

The Company identifies and monitors credit related risks which include:

- (a) Counterparty Credit risk: The Company's credit exposure with other counterparties. The Company has policies to ensure that credit limits are granted to clients with an appropriate credit history and the ageing profile of each client is monitored on a daily basis.
- (b) Settlement risk: The risk that counterparty fails to deliver the terms of a contract with the Company. Company has ASE and CSE which acts as clearing houses and pledge funds from each party in order to ensure the settlement of all transactions.
- (c) Issuer risk: The risk arising from the credit deterioration of an issuer of instruments in which the Company has invested in. The Company manages this risk through the diversification of its portfolio across industries and sectors.
- (d) Concentration risk: The risk that arises from the uneven distribution of exposures to individual borrowers or by industry, economic sector or geographical regions. Some concentration of credit risk exists with respect to trade receivables as the Company has high exposures to some clients. The Management monitors these amounts on a daily basis and action is taken accordingly.
- (e) Country risk: The Company's credit exposure arising from lending and/or investment or the presence of the Company to a specific country. Concentration risk also exists due to the fact that the majority of the clientele is based in Cyprus and mainly trading in the CSE and ASE. For this reason the Company is continuously seeking to attract clients from other countries and has expanded its services by becoming a member of XNet, thus giving clients the ability to trade in foreign markets.

2.3.2. Market Risk

Market risk is the risk associated with changes in the market prices such as changes in equity prices, in interest rates and in foreign exchange rates, which may eventually impact the Company's net income or the value of the assets and liabilities.

Market risk arises mainly from the following, all of which are summarized below:

- (a) **Price Risk:** The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss.
- (b) **Interest rate risk:** Interest rate risk is that which exists in an interest-bearing asset, due to the possibility of a change in the asset's value resulting from the variability of interest rates.
- (c) **Foreign exchange risk:** Currency risk is the risk that the fair value of future cash flows of financial instruments will fluctuate due to changes in foreign exchange rates. The Company's financial assets and liabilities are primarily denominated in Euro which is the functional currency of the Company. The Company is not exposed to any significant foreign exchange risk as it does not have any significant financial assets or financial liabilities in a foreign currency.

The Company is not exposed to commodity risk.

2.3.3. Liquidity risk

Liquidity risk is defined as the risk to the Company's earnings or capital from its inability to meet its financial obligations as they fall due. It arises from the management of its assets and liabilities. The Company maintains sufficient liquidity to manage known and unanticipated funding needs.

Liquidity is managed in accordance with a framework of policies and controls such as maintaining sufficient cash deposits and highly liquid assets and performing daily reconciliations of cash balances and payments.

During the year, the Company had sufficient liquid assets to meet its liabilities.

2.3.4. Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, systems and personnel or from external events, outside the control of the Company. It is inherent in every business organization and covers a wide range of risks.

It includes potential losses arising from fraud, unauthorised activities, error, omission, inefficiency, systems failure or external events. Furthermore, operational risk encompasses certain other risks such as Information Security and Information Technology (IT) risk, legal/litigation risk, taxation risk, reputational and compliance risk, all of which are described in this section of the Disclosures.

The Company manages operational risk through a control-based environment in which all processes are monitored and documented, and transactions are reconciled and monitored. Day to day operational risks and procedures at all levels of the Company's hierarchy are monitored by the Compliance Officer, the Risk Manager and the internal auditors. Any incidents detected are monitored to ensure they are not repeated. Any issues arising are dealt with immediately and monitored until being resolved and ensure they are not repeated.

2.3.4.1. Legal, Compliance and Regulatory risk

Legal, Compliance and Regulatory risk is the risk of financial loss arising from litigations, fines and other penalties, which could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards. If this risk materializes, it could trigger the effects of reputation and strategic risk.

The Company may, from time to time, be involved in legal proceedings which may affect its operations and results. Litigation risk arises from pending or potential legal proceedings against the Company and in the event that legal issues are not properly dealt with by the Company.

The risk is limited to a significant extent due to the detailed internal policies and controls implemented and the supervision applied by the Compliance officer and the reviews performed by the internal auditors at least annually.

2.3.4.2. Reputational risk

Reputational risk is the risk of loss arising from damage to the Company's reputation, due to negative publicity relating to the Company's operations (whether true or false) which may subsequently result in a reduction of its clientele, reduction in revenue and possible legal actions against the Company.

Reputational risk can derive from financial or operational activities or have an effect or outcome with financial or operational consequences. It is generally about an opportunity or threat that has a social or ethical dimension, rather than purely a financial or operational one. For example, poor customer service, fraud or theft, customer claims and legal action.

The Management acknowledges that reputation is the single most valuable asset and the one that differentiates the Company from its competitors. Therefore, the Company has applied policies and procedures to minimize this risk. Reputation is protected, sustained and enhanced through the active management of issues and the maintenance of relationships, both at high level and as routine contacts e.g. possible customer complaints. The Company has in place policies and procedures when dealing with customer complaints in order to provide the best possible service. The likelihood of complaints is low as the services provided to the clients are agreed and signed beforehand. In addition, the Company's Directors are made up of high calibre professionals who are recognized in the industry for their integrity and ethos. The Company is highly sensitive to the handling of ethics and integrity issues, paying particular emphasis on anti-fraud, bribery and corruption measures.

2.3.4.3. Information Technology risk

IT risk could occur as a result of inadequate information technology, processes and procedures or inadequate use of the Company's information technology. The Company monitors its IT risk through a range of controls such as back-ups, software and hardware maintenance procedures, anti-virus controls and user right controls.

Policies for mitigating operational risk

The Management acknowledges that in case of destruction the Company can continue to provide services through a desk in the Cyprus Stock Exchange.

2.3.5. Other risks

Additional risks directly linked to the financial services sector are generated from the operation of the common CSE-ASE trading platform and the overall interdependence between the local market and other markets considering the general susceptibility of capital markets to foreign influences in terms of volatility through liberalization regional relations and even simple contagion.

There are also risks that relate to the intensification of competition and of the possible decrease in profit margins. The activity through investments in new systems experienced personnel and continuous training of human capital aims at practicing better risk management and thus maintaining its competitiveness in the business world.

The Department Managers are encouraged to identify risks in the areas of Money laundering and know your customer, internal and external fraud and continuity of operations.

2.4. Risk Management Declaration

The Board has the ultimate responsibility for the risk management processes and practices in place. The Board assesses the effectiveness of the risk management strategies and policies to ensure that there is adequate monitoring, management and mitigation of all relevant risks. To this end, the company has not set up a separate risk committee.

The Board has the responsibility for the implementation of an appropriate risk management framework as well as for the oversight of risk management and internal controls. Additionally, it is the Board's responsibility to conduct an ongoing and an annual review to make sure of the effectiveness and adequacy of the risk management framework and internal controls.

Overall, the Board considers that the Company has established effective risk management arrangements, with regards to the Company's profile, strategy and business objectives.

3. GOVERNANCE ARRANGEMENTS

3.1. Number of directorships

According to Article 435(2a) of the CRR, companies shall disclose, at least on an annual basis, the number of directorships held by the members of the management body. In accordance with Section 9 of the Investment Services and Activities and Regulated Markets Law of 2017 (the “Investment Services Law”) the number of directorships which may be held by a member of the board of directors of a CIF that is significant in terms of its size, internal organization and in terms of the nature, the scope and the complexity of its activities, shall not hold more than one of the following combinations of directorships at the same time:

- (a) one executive directorship with two non-executive directorships;
- (b) four non-executive directorships.

Executive or non-executive directorships held within the same group shall count as a single directorship, as per the provisions of the Investment Services Law. The Company, having considered its relatively small size and internal organization as well as its non-complex nature of activities, it considers that the above combination directorships may not be met. The overall responsibility for approving and monitoring the Company’s overall strategy and policies for managing risks lies with the Board of Directors. The table below presents the member of the Board of Directors of the Company and the respective number of directorships held by each as at the date of these Disclosures.

Name	Position within Mega Equity	Executive Directorships	Non-Executive Directorships
Andreas Papacharalambous	Non-executive Chairman	-	3
Nicolas Papacostas	Executive Director	1	1
Charidemos Charidemou	Executive Director	2	-
Charalambos Assiotis	Executive Director (Termination date 30/06/2020)	1	1
Nicos Hadjiioseph	Non-executive Director	15	1

All the Company’s Directors have been approved by CySEC.

3.2. Recruitment policy

One of the Board of Directors’ main duties is to identify, evaluate and select candidates who would be able to respond to the demands as member of the Board of Directors of the Company. The Company recognizes the benefits of having a diverse Board of Directors and even though there is not a written policy in relation to the selection and appointment of the members of the Board, the persons proposed for the appointment should have specialised skills, knowledge and experience to enhance the collective knowledge of the Board and must be able to commit the necessary time and effort to fulfil their responsibilities.

Members of the Board are chosen for their high academic and professional qualifications, diversity, skills and experience with local and international financial matters, as well as for their integrity and honesty. Diversity is taken into consideration in determining the optimum composition of the Board of Directors.

The Board of Directors consists of 3 Executive and 2 Non-executive members, the qualifications of which are summarized below.

Andreas Papacharalambous - Non Executive Chairman

- Andreas Papacharalambous studied at the National and Kapodistrian University of Athens (B.A. (Athens). Since 1976 he has been practising law in Nicosia where he co-founded Papacharalambous & Angelides LLC in 1983. In October 2014 he had joined Koushos & Korfiotis LLC and had formed a new scheme, namely Koushos, Korfiotis Papacharalambous LLC, in which he is currently a senior partner.
- Andreas deals with all areas of law and is in charge of the overall administration of the office as well as maintaining contacts with overseas clients. He particularly specialises in listing Companies on the Cyprus Stock Exchange.
- Amongst many positions held, he was appointed President of the Cyprus Athletics Organisation (KOA) from 2000 to 2003. Andreas has also lectured in Constitutional Law and Political Sciences at various colleges in Nicosia.
- Andreas has been a member of the Cyprus Bar Association Committee, which he has represented at an international level.

Nicolas Papacostas - Executive Director

- Nicolas Papacostas studied at Saint John's in New York and has an MBA in Financial Services. He is also a holder of the professional title of Chartered Financial Analyst (CFA).
- He commenced his career in 1992 as an Investment Manager in Interamerican.
- Since 1996 he is a broker and financial analyst and in 2002 he was appointed Executive Director in Mega Equity.
- He is a registered stockbroker representative of CSE and ASE and has been approved by CySEC as supervisor of underwriting section, of dealings in financial instruments for own account section and of customer portfolio management.

Charidemos Charidemou - Executive Director

- Charidemos Charidemou studied Accounting and Finance at the University of Carbondale in the United States and holds an MBA degree in Finance.
- He commenced his career as a Sales Manager in Coopers & Lybrands (now PwC). In 1996, he co-founded Benchmark Securities Ltd with CDB Bank and served as an Executive Director until 1999.
- Mr. Charidemou currently serves as an Executive Director of Mega Equity Securities & Financial Services Public Ltd, which he co-founded in 2000.

Charalambos Assiotis - Executive Director

- Charalambos Assiotis studied Commerce (BCom) at the University of Concordia in Montreal and has an MBA from the British Columbia University in Vancouver.
- He commenced his career in Severis & Athienitis as an Investment Advisor and later as a licensed stockbroker. Since 2000 he is an Executive Director in Mega Equity Securities & Financial Services Public Ltd, which he co-founded.
- He is a registered stockbroker representative of CSE and ASE and has been approved by CySEC as supervisor of underwriting section, of dealings in financial instruments for own account section and of customer portfolio management.

Nicos Hadjiioseph - Non-executive Director

- Nicos Hadjiiosif studied Accounting and Finance (BSc) at the Polytechnic of Central London and has an MSc in Accounting from the London School of Economics.
- He commenced his career in Hellenic Bank as Credit Officer. He currently serves as Director in Hadjiioseph, Zapites & Asprides Ltd, Soph. Hadjiioseph Ktimatiki Ltd and Gladiotus Estates Ltd.

3.3. Diversity policy

The Company recognizes the benefits of having a Board that promotes diversity in its members. For the Company a diverse Board would effectively consist of Directors with a balanced set of different skills, experiences, background, race and gender. The Investment Services Law (Article 10 (2) (b) (ii)) requires institutions to set a target for the representation of the underrepresented gender in the Board and the preparation of a policy on how to increase the number of the underrepresented gender in the Board to achieve this target. The target, policy and their implementation shall be made public.

At the date of these Disclosures, the Board has yet to set the above required policy, even though it aspires towards representation of the underrepresented gender within its Board of Directors.

3.4. Reporting & Information flow

The information flow to the management body of the Company is considered as very adequate. The heads of all departments communicate to the executive directors the information that emanates from their respective areas of expertise. Indicatively, examples of information circulated include but are not limited to the quarterly management accounts, annual Risk Management report, quarterly portfolio performance report, quarterly Capital Adequacy report, and announcements, issuance of Directives and updates in legislation and regulatory issues, on a continuing and ad-hoc basis.

The following table presents the Company's description of the information flow on risk to the management body.

Report Name	Report Description	Owner	Recipient	Frequency
Compliance Report	Annual Compliance Review	Compliance Officer	Board, CySEC	Annual
Internal Audit Report	Annual Internal Audit Review	Internal Auditor	Board, CySEC	Annual
Risk Management Report	Annual Risk Management Report	Risk Manager	Board, CySEC	Annual
Pillar III Report	Disclosure regarding the risk management, capital structure, capital adequacy and risk exposures of the Company	Risk Manager, Financial Controller	Board, CySEC, Public	Annual
Financial Statements	Audited financial statements of the Company	Financial Controller	Board, CySEC	Annual
ICAAP Report	Assessment of the level of capital that adequately supports all relevant current and future risks of our business	Risk Manager, Financial Controller	Board	Annual
Capital Adequacy Report	Capital requirement calculation	Financial Controller	Senior Management, CySEC	Quarterly

4. REMUNERATION POLICY

4.1. Remuneration Policy

The Company's remuneration policy is determined by the Board of Directors, as it is not considered necessary for a separate Remuneration Committee to be established. Decisions on these matters are taken on a Board of Directors level, while the remuneration policy is periodically reviewed and updated.

The purpose of the Remuneration Policy is to strengthen client's protection by improving the implementation of the conflicts of interest and conduct of business requirements under the Investment Services Law in the area of remuneration, whilst taking into account the staff's skills, experience and performance and supporting at the same time the long-term business interests of shareholders, investors and other stakeholders in the Company. To this respect, the Company's remuneration system takes into account the highly competitive sector in which the Company operates, the considerable amount of resources the Company invests in each member of the staff, the financial viability of the Company and the general financial situation of Cyprus.

The Policy is reviewed by the Board of Directors on a regular basis, at least once a year and is designed to set remuneration of directors and relevant staff members that is sufficient to attract, retain and motivate them to improve personal and corporate performance, being market competitive but not excessive to the detriment of the clients. In this respect the Board of Directors supports the Company's efforts to ensure compliance of the Policy with regulatory requirements and applicable law. Therefore, the Remuneration Policy is amended if deemed necessary with the Board of Directors ensuring that any changes to this policy are properly documented.

4.2. Link Between Pay and Performance

The remuneration of the Company's employees is based on fixed salaries with no performance related pay being currently granted. Furthermore, the Company does not have any shared-based compensation or any other variable component schemes. The Board is responsible for any salary increases, bonuses or any other form of remuneration.

- Senior Management: The remuneration of the Senior Management is set in such a way as to ensure that the rewards for the 'executive management' are also linked to the Company's performance, to provide an incentive to achieve the key business aims.
- Non-executive directors: The remuneration of non-executive directors is not linked to the profitability and performance of the Company nor covered by any incentive programs. The remuneration of non-executive directors is fixed and is based on the number of the Board Meetings they attend, with the fixed fee reflecting the qualifications and contribution required in view of the Company's complexity and the extent of the responsibilities. There are no Retirement Benefit Schemes / Share Options / Other Benefits granted to the non-executive directors.
- Executive directors: The BoD sets the remuneration of executive directors, on a basis that 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. It consists of fixed salary plus bonus, based on the financial results of the Company. Bonus of 39094 was recommended by the BoD for the year 2020 The performance of Executive Directors is assessed once a year.

4.3. Aggregate quantitative information on remuneration

The table below presents the total remuneration of all members of staff whose professional activities have a material impact on the Company's risk profile, for the year ended 31 December 2020, along with the respective number of beneficiaries.

The quantitative information listed below comprises of both fixed remuneration and variable remuneration. Variable remuneration granted during the year is presented in the table set out below and consisted solely of cash bonus. There were no Retirement Benefit Schemes, Share Options or Other Benefits granted to the executive / non-executive directors.

Members of staff whose professional activities have material impact on the Company's risk profile	No of beneficiaries	Total Remuneration (€)
Non-Executive Directors fees	2	-
Executive Directors Remuneration (fixed)	3	78.213
Executive Directors Remuneration (variable)	3	39.094
Senior Management	1	28.474
Total	9	161.314

The Non-Executive Directors waived their right to receive remuneration in 2020.

No individuals were remunerated with an amount exceeding €1 million during the year.

There were no new sign-on or severance payments awarded and paid out during the year.

Additionally, no outstanding deferred remuneration has been awarded or paid out during the financial year.

5. REGULATORY CAPITAL

5.1. Definitions

Under the CRR, Article 4(1), own funds consist of the sum of Tier 1 capital and Tier 2 capital. The Pillar I regulatory capital of the Company is calculated on the basis of accounting balances computed and derived based on the adoption of IFRS. The available regulatory capital is classified under two main categories:

- Tier 1 capital (Common Equity Tier 1 Capital plus Additional Tier 1 Capital);
- Tier 2 capital.

5.1.1. Tier 1 Capital

In accordance with Article 26 of the CRR, the Common Equity Tier 1 items of institutions include the following:

- (a) capital instruments;
- (b) share premium accounts;
- (c) retained earnings;
- (d) accumulated other comprehensive income;
- (e) other reserves

The Company's Common Equity Tier 1, consists of:

- Share Capital, being ordinary shares are classified as equity. The share capital of the company consists of 31.216.426 (€4.832.426) shares issued, out of which €59,801 are not fully paid by the shareholders. The Company will take legal action for collection of this amount.
- Share premium - The premium arises from the issue of ordinary shares at a value above the nominal value.
- Retained earnings.

In accordance with CRR 51, Additional Tier 1 items include the following:

- (a) capital instruments subject to conditions set out by the CRR;
- (b) share premium accounts related to the instruments of point (a)

The company does not have any qualifying Additional Tier 1 Capital instruments..

5.1.2. Tier 2 Capital

In accordance with CRR Article 62, Tier 2 items include the following:

- (a) capital instruments and subordinated loans subject to conditions
- (b) the share premium of the above instruments and loans
- (c) the general credit risk adjustments up to the amount of 1,25% of the weighted exposure of credit risk are added back, while other transitional adjustments are added or deducted.

The company does not have any qualifying Tier 2 Capital instruments.

5.1.3. Deductions

In accordance with Article 36 of the CRR, institutions shall deduct the following (amongst others) from their Common Equity Tier 1:

- (a) losses for the current financial year;
- (b) intangible assets;
- (c) deferred tax assets that rely on future profitability.

The Company also deducts contributions to investors' compensation funds from the Common Equity Tier 1 capital, which for 2020 amounted to €135K.

5.2. Own Funds

This following table has been prepared using the format set out in Annex IV of the 'Commission Implementing Regulation (EU) No 1423/2013', which lays down implementing technical standards on the disclosure of own funds requirements for institutions according to the CRR. In accordance with CRR Article 437(a) and Implementing Regulation 1424/2013, the following table provides a reconciliation between the balance sheet presented in the audited Financial Statements and the balance sheet prepared for prudential purposes. The Company's own funds as at 31 December 2020 were EUR€1.745K.

Own Funds Disclosure Template	€000
Common Equity Tier 1 (CET1) Capital: Instruments and Reserves	
Capital Instruments and the related share premium	
<i>Of which: Share capital</i>	4.832
<i>Of which: Share premium</i>	182
Retained Earnings	(3.269)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	1.745
Common Equity Tier 1 (CET1) capital: regulatory adjustments	
Contributions to Investors' Compensation funds (ICF)	(135)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	(135)
Common Equity Tier 1 (CET1) Capital	1.610
Additional Tier 1 (AT1) Capital: Instruments	-
Tier 2 (T2) Capital: Instruments and Provisions	-
Tier 1 Capital (T1=CET1 + AT1)	1.610
Tier 2 (T2) Capital	-
Total capital (TC=T1+T2)	1.610
Risk Weighted Assets	
Credit Risk	1.609
Market Risk	-
Operational Risk	646
Total Risk Weighted Assets	2.255
Capital Ratios and buffers	
Common Equity Tier 1 (CET1) (as a % of total risk exposure)	71.4%
Tier 1 (as a % of total risk exposure)	71.4%
Total Capital (as a % of total risk exposure)	71.4%
Institution specific buffer requirement (CET1 requirement in accordance with Art. 92 plus the combined Buffer Requirement):	
<i>Of which: Capital Conservation Buffer (CCB)</i>	-
<i>Of which: Other Systemically Important Institution (O-SII) buffer</i>	-
<i>Of which: Countercyclical buffer</i>	-
<i>Of which: Systemic risk buffer</i>	-
Common Equity Tier 1 available to meet buffers	71.4%

A detailed description of the main features of Common Equity Tier 1 issued by the Company is presented in Appendix I of these Disclosures.

6. CAPITAL REQUIREMENTS

6.1. Capital risk management

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements.

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

The Company's objectives when managing capital are:

- (i) to comply with the capital requirements set by the regulator;
- (ii) to safeguard the Company's ability to continue as a going concern, and;
- (iii) to maintain a strong capital base to support the development of the business.

The Company's policy of capital management is designated to maintain the capital base sufficient to keep the confidence of customers, creditors, other market participants and to secure the future development of the Company. Capital adequacy and the use of the regulatory capital are monitored by the Company's management. The required information is filed with the Company's regulator on a quarterly basis.

The minimum Capital Adequacy Ratio that is required for the Company is 8% and expresses the capital base of the Company as a proportion of the total risk weighted assets. The Management monitors the financial and capital position of the Company through quarterly management accounts.

6.2. Minimum Capital requirements & Risk weighted exposures

The minimum capital requirements and the respective risk weighted exposures, calculated in accordance with the CRR, as at 31 December 2020, are shown in the table below:

	Risk Weighted Exposures (€000)	Minimum Capital Requirements (€000)
Credit Risk	1.609	128
Market Risk	-	-
Operational Risk	646	52
Total	2.255	180

The Capital Adequacy Ratio of the Company is 71.4%, which is higher than the minimum requirement of 8%. During the year 2020, the ratio did not fall below the minimum required by CySEC.

6.3. Capital Buffers

At 31 December 2020, the Company held the applicable buffers as calculated in accordance with Article 130 of the Capital Requirements Directive (“CRD”).

The following disclosures have been prepared in accordance with the Regulation (EU) 2015/1555 in relation to the compliance of institutions with the requirement for a countercyclical capital buffer, and in particular table 1 and table 2 of Annex I of the aforesaid regulation.

The geographical distribution of the Company’s credit exposures relevant for the calculation of the Counter-Cyclical Buffer (“CCB”) was as follows as of 31 December 2020:

Geographical distribution of credit exposures relevant to the calculation of CCyB (€000)												
	General credit exposures		Trading book exposure		Securitization Exposure		Own funds requirements - of which:				Own funds Requirement weights	CC B rate
	Exposure value for SA	Exposure value IRB	Sum of long and short position of trading book	Value of trading book exposure for internal models	Exposure value for SA	Exposure value for IRB	General credit exposures	Trading book exposures	Securitisations exposures	Total		
Cyprus	1.620	-	-	-	-	-	130	-	-	130	89%	0%
Greece	205	-	-	-	-	-	16	-	-	16	11%	0%
Total	1.825	-	-	-	-	-	146	-	-	146	100%	0%

The amount of the Company’s specific countercyclical buffer is disclosed in the following table as of 31 December 2020:

Amount of institution specific Countercyclical Capital Buffer (CCyB) (2020)	
Total risk exposure amount	2255
Institution specific countercyclical buffer rate	0.00%
Institution specific countercyclical buffer requirement	-

7. CREDIT RISK MANAGEMENT

7.1. Definitions of “past due” and “impaired” exposures

As per IFRS 7 Appendix A ‘Defined Terms’, a financial asset is past due when a counterparty has failed to make a payment when contractually due. Past due doesn’t include impaired debtors of €921.000 as at 31 December 2020.

The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. In the case of equity securities classified as available for sale, a significant or prolonged decline in the fair value of the security below its cost is considered as an indicator that the securities are impaired. If any such evidence exists for available for sale financial assets the cumulative loss which is measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognized in profit or loss, is removed from equity and recognized in the statement of comprehensive income. Impairment losses recognized in the statement of comprehensive income on equity instruments are not reversed through the statement of comprehensive income.

In the case of trade receivables, a provision for impairment is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.

7.2. Total and average net exposures by exposure class

According to the CRDIV, the Company’s management has decided that the most appropriate methods for measuring the minimum capital requirements for credit risk under Pillar I is the Standardized Approach. The counterparty type of all the exposures of the Company are counterparties in the financial services sector with residual maturity of less than 3 months.

The following table presents the total exposure and risk weighted assets breakdown per exposure class as at 31 December 2020.

Exposure class	Exposure value (€000)	Average Exposure Value (€000)
Institutions	308	304
Items associated with particularly high risk	12	12
Exposures in Default	292	273
Other items	687	608
Retail	539	619
Total	1.838	1.815

7.3. Total exposures by geographical areas and exposure class

The following table presents the total exposures value by geographical area (pre and post Credit Risk Mitigation Techniques), broken down by exposure class, as at 31 December 2020:

Geographical Area	Institutions	Particularly high risk	Default	Other items	Retail	Total
	€'000	€'000	€'000	€'000	€'000	€'000
Cyprus	103	12	292	687	539	1.633
Greece	205	-	-	-	-	205
Total	308	12	292	687	539	1.838

7.4. Use of External Credit Assessment Institutions and Credit Agencies

According to the requirements of the Directive DI144-2014-14, under the standardized approach the Company can choose one of the three nominated External Credit Assessment Institutions (“ECAIs”) (Standard and Poor’s Rating Services, Fitch Ratings and Moody’s Investor Services) for assigning risk weights to its exposures. The Company has chosen to use Moody’s Investor Services for the following asset classes:

- Retail exposures
- Exposures to institutions
- Exposures to corporates
- Other items
- Exposures in default
- Exposures to items associated with particular high risk

The following table presents the exposures values before and after credit risk mitigation associated with each credit quality step prescribed in Part Three, Title II, Chapter 2 by exposure class:

Exposure Values before credit risk Mitigation (€000)	CQS5	Unrated	Total
Institutions	308	-	308
Items associated with particularly high risk	-	12	12
Exposures in Default	-	292	292
Other items	-	687	687
Retail	-	539	539
Total	308	1.530	1.838

Exposure Values after credit risk Mitigation (€000)	CQS5	Unrated	Total
Institutions	62	-	308
Items associated with particularly high risk	-	12	12
Exposures in Default	-	219	219
Other items	-	241	241
Retail	-	-	-
Total	62	472	534

The Company mitigates such risks by assessing annually a client or counterparty’s credit quality and reliability via an analysis of their financial and non-financial indicators. In addition, the Company monitors counterparty ratings issued by ECAIs both prior to entering into transactions and throughout the life of a transaction. Cash balances are held with the highest credit quality local financial institutions.

If there is no independent rating, management assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual credit limits and credit terms are set based on the credit quality of the customer in accordance with limits set by the Board. The utilization of credit limits is regularly monitored. In addition, the credit limits granted to customers are (but not limited to) a maximum of 30% of the value of their portfolio. Each case is individually assessed.

The Company follows the preferential treatment for exposures to institutions which states:

- Exposures to Institutions of a residual maturity of 3 months or less, incorporated in a Member State Central Government/Bank, funded and denominated in the national currency of the Central Government/Bank shall be assigned a risk of 20%
- Exposures to unrated institutions with an original maturity of 3 months or less shall be assigned a risk of 20%.

8. OPERATIONAL RISK MANAGEMENT

Based on the Company's operations, it has been decided that the Basic Indicator Approach ("BIA"), is the most appropriate method to be used to measure the Operational Risk capital requirements. According to the "BIA" the capital requirement for operational risk is calculated by applying 15% rate on the average sum of the net income of the last three twelve-month periods, at the end of the financial year.

The own fund requirements for operational risk, as at 31 December 2020 are presented in the table below:

Operational Risk exposure amount (€000)	€646
Average net income for the past three years (€000)	€344
Capital Requirements @ 15% (€000)	€52

9. MARKET RISK MANAGEMENT

According to the CRDIV, the Company's management has decided that the most appropriate methods for measuring the minimum capital requirements under Pillar I for the calculation of the minimum capital requirements for Market risk is the Standardized Approach.

Market risk is the risk associated with changes in the market prices such as changes in equity prices, in interest rate and in foreign exchange rates, which may eventually impact the Company's net income or the value of the assets and liabilities.

- (a) **Price risk:** The Company is exposed to equity securities price risk because of investments held by the Company and classified on the balance sheet as at fair value through profit or loss. The Company is not exposed to equity price risk. The Company's investments in equity of other entities that are publicly traded are included in the Cyprus Stock Exchange General Index and the Athens Stock Exchange Composite Index. At 31 December 2020, if the value of the Company's portfolio had been 0% higher/lower with all other variables held constant, post tax loss for the year would have been €15.643 (2019: €12.894) higher/lower mainly as a result from the revaluation of the financial assets at fair value through profit and loss.

The Company manages market risk arising from investments in equity securities through diversification of its portfolio across industries and sectors. Diversification of the portfolio is done in accordance with the limits set by the Company's Board of Directors.

- (b) **Interest rate risk:** Other than cash at bank, which attracts interest at normal commercial rates, the Company does not have any significant interest-bearing assets and for that reason its exposure to interest rate risk is minimal. At 31 December 2020, if the interest rates had been 0,5% higher/lower with all other variables held constant, post tax loss for the year would have been €184 (2019: €191) higher/lower. The Company's Management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

10. APPENDIX

10.1. Appendix I: Main Features of Common Equity Tier 1

The main features, including full terms and conditions, of the ordinary shares of the Company are listed in the table below:

CAPITAL INSTRUMENTS MAIN FEATURES TEMPLATE		Common Equity Tier 1 instruments
1	Issuer	Mega Equity Securities & Financial Services Public Ltd
2	Unique identifier (ISIN)	N/A
3	Governing law(s) of the instrument	Cyprus Law
4	Transitional CRR rules	Common Equity Tier 1
5	Post-transitional CRR rules	Common Equity Tier 1
6	Eligible at solo/ (sub-)consolidated/ solo & (sub-) consolidated	Solo
7	Instrument type	Ordinary Shares
8	Amount recognised in regulatory capital (in thousands of EUR€)	EUR 4,832
9	Nominal amount of instrument (in thousands of EUR€)	EUR 8,500
9a	Issue price (in thousands of EUR€)	EUR 4,832
9b	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	N/A
12	Perpetual or dated	N/A
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Original call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates	N/A
17	Fixed or floating dividend/ coupon	N/A
18	Coupon date and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Noncumulative or cumulative	Non-cumulative
23	Convertible or non-convertible	Non-convertible
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion rate	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible info	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	No
31	If write-down, write-down trigger(s)	N/A
32	If write-down, full or partial	N/A
33	If write down, permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A