

SIB (CYPRUS) LIMITED

**Disclosures in accordance with
Regulation (EU) No 2019/2033
on prudential requirements of investment firms
(the “IFR”)**

As at 31 December 2021

CONTENTS

1	General information	3
2	Basis and frequency of Disclosures	3
3	Verification	3
4	Scope of Disclosures.....	4
5	Risk management, objectives and policies	4
6	Information on governance arrangements.....	12
7	Own funds	13
8	Compliance with the minimum capital requirements.....	17
9	Fixed overhead requirement	20
10	K-factor requirement.....	20
11	K-NPR requirement – Market risk	23
12	K-TCD requirement – Trading Counterparty Default.....	26
13	Liquidity requirement.....	31
14	Remuneration policy and practices	32
APPENDIX I: Financial information on Country-by-country reporting.....		34

1 General information

SIB (Cyprus) Limited (“the Company”) was incorporated in Cyprus on 18 April 2001 with registration number HE 119924 as a private limited liability company in accordance with the provisions of the Cyprus Company Law, Cap. 113. The registered office of the Company is located at 2-4 Arch. Makarios III Avenue, Capital Center, 9th Floor, 1065 Nicosia, Cyprus.

The Company holds a license from the Cyprus Securities and Exchange Commission (“CySEC”) (number CIF 066/06 dated 15 June 2006), which permits the Company to operate as a Cyprus Investment Firm (“CIF”) and to provide investment and ancillary services in relation to specific financial instruments. In more detail, during the year the Company’s principal activities were the reception and transmission of client orders, execution of orders on behalf of clients, dealing on own account and underwriting of financial instruments.

The Company’s immediate parent is SBGB Cyprus Limited (“SBGB”), a company incorporated in Cyprus, which owns 100% of the Company’s shares. SBGB is ultimately 100% owned by Sberbank of Russia, incorporated in the Russian Federation, which together with its subsidiaries, including the Company, is referred to as “the Group”.

Sberbank of Russia’s principal shareholder, the Central Bank of the Russian Federation (the “Bank of Russia”), owns 52.3% of the issued ordinary shares as at 31 December 2021. This is equivalent to 50.0% plus 1 share of the total issued ordinary and preferred shares.

Information are presented in thousands of US Dollars (“US\$”) unless otherwise indicated.

2 Basis and frequency of Disclosures

The Company in its 2021 Pillar III Disclosures report sets out both quantitative and qualitative information, in accordance with Part Six ‘Disclosure by Investment Firms’ of the IFR.

The Company complies with the new prudential framework for investment firms that comprises of:

- i. REGULATION (EU) 2019/2033 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (the “IFR”);
- ii. and The Law 165(I)/2021 on the prudential supervision of investment firms (the “Law”) which transposes the DIRECTIVE (EU) 2019/2034 OF THE EUROPEAN PARLIAMENT AND OF THE COUNCIL of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU (the “IFD”); and
- iii. Prudential Supervision of Investment Firms Law of 2021 (Law no. 165(I)/2021).

The Company publishes its Pillar III disclosures on an annual basis in conjunction with the date of issuance of the Company’s financial statements. The Pillar III Disclosures are published on the Company’s website, www.sib.com.cy, in accordance with regulatory guidelines.

3 Verification

The Pillar III Disclosures report will be verified by the external auditors of the Company as per the internal Pillar III Disclosures Policy of the Company, which is approved by the Board of Directors (“BoD”).

4 Scope of Disclosures

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

According to Part Six of the IFR, the Company shall publicly disclose the following information:

- Description of risk management objectives and policies for each separate category of risk set out in Parts Three (Risk to Client (RtC), Risk to Market (RtM), Risk to Firm (RtF)), Four (Concentration Risk) and Five (Liquidity Risk), including a summary of the strategies and processes to manage those risks.
- Disclosure of own funds including:
 - (a) fixed overheads requirement;
 - (b) permanent minimum capital requirement; or
 - (c) K-factor requirement.
- Description of process and controls in place to monitor and identify concentration risk.
- Disclosure of the liquid assets.
- Description of the Company's internal governance arrangements in line with the Company's governance framework (including the number of directorships held by members of the management body, set up of the risk committee (where applicable)).
- Information regarding own funds, including a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the Company (where applicable).
- Own funds requirements including:
 - A summary of the Company's approach to assessing the adequacy of its internal capital to support current and future activities;
 - The K-factor requirements calculated, in aggregate form for RtM, RtF, and RtC, based on the sum of the applicable K-factors; and
 - The fixed overheads requirement.
- Remuneration policy and practices including aspects related to gender neutrality and the gender pay gap, for those categories of staff whose professional activities have a material impact on the Company's risk profile.

5 Risk management, objectives and policies

The risk management function within the Company is carried out in respect of financial risks (credit and counterparty credit risk, market risk and liquidity risk) and operational risks. In IFR all those risks are classified in categories of risk set out in Parts Three (Risk to Client (RtC), Risk to Market (RtM), Risk to Firm (RtF)), Four (Concentration Risk) and Five (Liquidity Risk) subject to K-factor requirements described in Sections 9 to 13 below.

The primary objective of the financial risk management function is to establish risk limits, and then to ensure that exposure to risks remains within these limits. The operational risk management functions are intended to ensure proper functioning of internal policies and procedures to minimize operational and legal risks.

The Company's management and BoD are satisfied that the Risk Management Framework is appropriate given the risk profile of the Company and its strategy.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance

The Company establishes its own Risk Management framework, in accordance with its Risk Appetite, Group-level policies and methodologies and with regulatory requirements set by CySEC. The Company's risk management policies are designed to identify and analyze risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up-to date administrative and information systems.

The Company regularly reviews its risk management policies and systems to reflect changes in markets, products and emerging best practice. Individual responsibility and accountability, instilled through training, are designed to deliver a disciplined, conservative and constructive culture of risk management and control.

The Company employs a "three lines of defence approach" when it comes to Risk Management:

- The Business is the first line of defence and it charged with the real-time management of all risks.
- The second line of defence is made of Control and Support functions, including Risk Management and Finance, which are meant to provide an independent control on all risks and ensure that the first line is adequately managing risks in accordance with the Risk Appetite of the Company.
- The third line of defence is the Internal Audit function, which provides the required independent assurance to Senior Management that risks are recognised, monitored and managed within acceptable risk parameters.

All risks taken by all Business lines follow the same breakdown of responsibilities: The Business Lines are charged with ensuring that all business decisions fall within the Risk Management framework of the Company.

The Risk Management function independently controls the risks taken and ensures that they are within the Risk Appetite defined by the BoD. The Risk Management function reports both to the Finance, Treasury & Risks ("FTR") Sub-Committee of Executive Committee ("ExCo") of the BoD and the Risk & Compliance Committee of the BoD. The ExCo has management oversight responsibilities with respect to Risk Management and the Risk & Compliance Committee of the BoD has high-level oversight including defining the Risk Appetite and setting high-level limits to be adhered to.

Risk Appetite

The Company's risk appetite can generally be characterized as moderately conservative. The main objective of the Company is to generate income from commissions, brokerage fees and interest on collateralised financing.

Being one of the trading entities of Sberbank of Russia Group, the Company operates mainly with International/Western and Russian counterparties, in instruments with Russian and Developed Markets' underlying risk factors.

As such, the Company's risk appetite incorporates International and Russian clients and products, the values of which depend on prices and rates which are determined or at least partially effected in/by the Russian markets.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance (continued)

In more detail, the Company's risk appetite allows considerable trading activity with the following client/counterparty types:

- a. Sberbank Group companies, which use the Company as a platform to access financial markets
- b. Russian Corporates and Financials, hedging exposures obtained through their main operations
- c. International Investment Banks, with which the Company performs hedging activities
- d. International Non-Banking Counterparties, which wish to gain or hedge exposure to the Russian markets
- e. Russian family offices and High-net-worth individuals

The Company engages in trading with these clients/counterparties, of Cash Products, Securities and Derivatives on Foreign Exchange Rates, Interest Rates, Equities' Prices and Commodities' Prices.

The Company's trading activities give rise to Market Risk, Counterparty Credit Risk, Liquidity Risk and Operational Risk. The maximum tolerable levels of these risks are stipulated in the Risk Appetite Statement of the Company. The detailed management of these risks is defined in the Company's approved Risk Management policies.

A key element of the Risk Appetite Statement is the internal limit on the Company's Capital Adequacy Ratio (as explained further in the Section 8 below), which is set at 2% above the minimum regulatory requirements.

Periodic audits of the risk management processes are undertaken by the internal auditors of the Company. This function is subcontracted to KPMG Cyprus. Furthermore local systems and controls are in place to enable the Company to comply with the IFR and regulations set by the Company's regulator, the CySEC.

The Company's "Risk & Compliance Committee" consists of Independent Non-Executive Members of the Board of Directors. By delegation of the Board of Directors, this Committee approves all risk management policies and defines the Risk Appetite of the Company in line with regulatory requirement and the risk appetite of the Group. The Committee meets four times a year in line with Board of Directors' meetings.

The Company has its own dedicated Chief Risk Officer ("CRO"), which is based in Cyprus, and ensures compliance with the Risk Management Framework and also local regulatory requirements. The CRO reports to the Chief Executive Officer ("CEO") of the Company and the Head of Risk Management of Sberbank CIB. In turn, the Head of Risk Management of Sberbank CIB has a functional reporting line to the management of Group Risk Management.

Local systems and controls are in place to enable the Company to comply with the IFR and other regulations issued by the Company's regulator, the CySEC. The Company has approved risk management policies for all the main types of risk it faces. These policies include procedures for the setting of maximum risk thresholds through internal bodies, escalations mechanisms for breaches in risk tolerance and Committees which meet regularly to share and discuss risk issues.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance (continued)

In accordance with the IFD, the Company shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that the Company considers adequate to cover the nature and level of risks which it may poses to others and to which the Company itself is or might be exposed.

The arrangements, strategies and processes referred to in the paragraph above shall be appropriate and proportionate to the nature, scale and complexity of the activities of the Company. They shall be subject to regular internal review.

In this respect, the Company carries out an Internal Capital Adequacy Assessment Process ("ICAAP") process on a continuous basis and prepares its ICAAP Report annually. The report is approved by the Board and submitted to CySEC.

The Company has an established daily process of calculation its regulatory K-factor capital requirements under IFR and monitoring Concentration risk limits. Detailed description of each separate category of risk set out in Parts Three, Four and Five of IFR is provided in Section 9 below.

In particular the Company has an in-house information system to control the following risk:

- Risk-to-Client (RtC);
- Risk-to-Market (RtM);
- Risk-to-Firm (RtF);
- Concentration Risk;
- Liquidity Risk.

In addition, the company has approved limits for Market risk, Credit and Counterparty Credit Risk, Liquidity risk, as well as internal limits for capital adequacy that are stricter than regulatory requirements:

- Limits for Market Risk include limits on Delta, Vega, Gamma exposures.
- Credit and Counterparty Credit Risk limits are set by name for the main counterparties/issuers with/in which the Company trades, and stipulate maximum Credit exposure tolerance.
- Liquidity risk limits set a maximum tolerance for liquidity needs based on cash-flow projections.

The Company's risk vs. approved limits are monitored on a daily basis (with some exceptions, which are monitored weekly) and daily reports which include the results of the monitoring are sent to Senior Management of the Company and Sberbank CIB. In addition, the Risk & Compliance Committee of the Board of Directors receives a Risk Management update prepared by the Company's Chief Risk Officer during its regular meetings.

The Risk Management Function is delivered by the Risk Management. The department's main responsibilities are the application of all decisions and policies taken by the Risk and Market Risks Committees, daily monitoring and management of all risk taking activities.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance (continued)

The Company's Management-level Risk governance is exercised primarily through the Executive Committee, which ensures management oversight of the risk management framework. The practical application of the Level 3 risk management function is primarily the responsibility of the Company's CRO.

The Board of Directors and management make every effort to establish a strong risk management culture within the Company, which provides appropriate standards and incentives for professional and responsible behaviour. The Company strives to adhere to all regulatory requirements of CySEC with respect to Stress testing and the assessment of internal capital adequacy.

Stress Testing Framework

Stress testing is used to evaluate the potential impact of all types of risks including but not limited to Market Risk, Credit Risk, Operational Risk, and Liquidity Risk.

Stress testing is forward-looking and is calibrated to current political and economic conditions. Stress testing is not limited to past experience and the replication of historical events. It is detailed but at the same time, efficient in terms of speed of production of results and their evaluation. The expertise of each relevant department plays a key role in the formulation of specific stress testing scenarios.

Stress testing is carried out at varying degrees of aggregation, from the level of an individual sub-portfolio or risk up to the institutional (global portfolio) level. The severity of stress tests is of a level adequate enough to estimate the Company's exposure to a certain risk, while at the same time being within the limits of plausibility as to ensure usefulness for business planning and formulation of the risk appetite.

The methodologies applied for Stress Testing include:

- Scenario Analysis;
- Reverse Stress Testing and;
- Default Scenarios

The Company applies various measures to manage, hedge and mitigate risks:

- Market Risk is managed within approved limits and is reduced where necessary by means of hedging transactions which reduce market risk exposures.
- Credit and Counterparty Credit risk is managed within approved limits and is reduced where necessary by means of hedging mechanisms, such as CDS transactions, margining, collateral and netting.
- For Liquidity risk the Company uses Stress testing in order to assess liquidity needs under extreme but plausible future scenarios. Liquidity risk is assessed both under normal as well as stressed conditions.
- The Company identifies, assesses and monitors Operational risk associated with all significant processes and systems. The Operational Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments.

The detailed measures that the Company applied to manage, hedge and mitigate risks, are described in the Company's approved Risk Management policies. The management of all risks that are significant to the Company is discussed below.

5 Risk management, objectives and policies (continued)

5.1 Risk Management Framework and Governance (continued)

The Company participates in the Credit Risk Management Framework of its ultimate parent company, Sberbank of Russia. The Company identifies, assesses and monitors the credit risk associated with all significant products and business lines. The Company trusts its ultimate parent company, Sberbank of Russia to set appropriate group-level credit limits which safeguard the Sberbank of Russia Group. The implementation of Company-level limits should take into account limits set at Sberbank CIB and/or Global Markets level.

The approval of limits for the Company is dependent on the approval of counterparty limits for Global Markets and/or Sberbank CIB. Group methodology on which decisions of limits amounts are based is dependent on the credit quality of the counterparty and the scope of proposed transactions. The detailed approval process for Global Markets/ Sberbank CIB limits follows a rigorous procedure which includes approvals from business and control functions at Group level.

These limits are then rolled down to Company-specific limits which are set through the Company's local governance bodies.

Upon notification of the approval of a new counterparty limit for Global Markets and/or Sberbank CIB, the Company's CRO obtains the Credit Analysis used for the purpose of approving the limit and submits it to the Company's Executive Committee ("ExCo") for the purpose of approval of a Company-level limit for the same counterparty.

The ExCo evaluates the analysis, considering the CRO's opinion. In case further information or changes are required, the application is rejected. In case the application is approved by ExCo, the limit is implemented. If limits are not approved by the ExCo, trading cannot occur with the subject counterparty.

The implementation of new limits is notified to the Board of Directors ("BoD") and/or its relevant Committee(s), during the next meeting of the BoD. The BoD and/or its relevant Committee(s), can challenge the appropriateness of the limits, in which case the limits may need to be reevaluated by the ExCo.

The Credit Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments.

The Company pursues diversification with respect to counterparties and collateral. Different products carry different types of credit risk and as such are to be treated differently in terms of calculation of credit risk exposure. Implementation of new products require explicit discussion in all the Company's departments including Global markets, Risk management, Compliance, Operations and Finance and subsequent approval of ExCo. Internal Audit performs audits on the work done by Compliance and Risk Management on an annual basis and reports to the Audit Committee of the BoD, on findings.

5.2 Counterparty Credit Risk

Management of Counterparty Credit Risk ("CCR"), is captured in the Company's approved Credit Risk Management Policy. CCR management measures include:

- Limit setting;
- Buying credit protection and;
- Monitoring default impacts through Stress tests.

5 Risk management, objectives and policies (continued)

5.2 Counterparty Credit Risk (continued)

According to the IFR, the Company calculates the value of its K-TCD (Trading Counterparty Default) requirements arising from derivative financial instruments, repurchase transactions and long settlement transactions. Exposure value calculated for K-TCD is assessed as part of the approval process for credit risk limits, which is specified in the Credit Risk Management policy. Where necessary guarantees and other risk mitigants are requested.

All deals are assessed for wrong-way risk exposure during the deal approval process. Approved wrong-way risk deals which are considered significant, are examined in isolation under Stress Testing. The impact of a credit rating downgrade, in terms of additional collateral requirements, is not considered significant.

5.3 Market risk

The Company takes on exposures to market risks. Market risks arise from open positions in interest rate, currency, equity and commodity products, all of which are exposed to general and specific market movements.

The management of Group-level market risk is undertaken using risk limits approved by the Risk Committee. Limits are set for portfolios, products and risk types, with market liquidity being a principal factor in determining the level of limits set. The Risk Management Department, an independent unit, develops the Group's market risk management policies and measurement techniques. Furthermore, the Company has its own Market Risk Management Policy, which has been approved in accordance with the Group Policies. The Policy stipulates the approval of entity-level limits that ensure appropriate control of the Company's Market risk.

The Company participates in the Market Risk Management Framework of its ultimate parent company, Sberbank of Russia and applies all of its approved policies. The Company identifies, assesses and monitors the market risk associated with all significant products and business lines.

The Market Risk Management Framework of the Company is continuously reviewed and updated according to industry and market developments. The Company aims to establish appropriate information systems for the measurement and monitoring of market risk.

The Company trusts its ultimate parent company, Sberbank of Russia to set appropriate group-level market risk limits which safeguard the Group.

The implementation of Company-level limits takes into account the risk appetite set at Sberbank CIB and/or Global Markets level. A key consideration in establishing Market Risk limits is the amount of Regulatory Capital that the Company is prepared to hold for market risk.

The Company follows the same limit hierarchy which is applied at Group Level:

- A level: Limits which define the risk appetite of the Group.
- B level: Limits which cascade the risk appetite of the Group to business lines and subsidiaries
- C level: Limits for specific portfolios within a business line or subsidiary

"Portfolio" means a group of transactions with similar characteristics, such as authorised risks, currencies, instruments, constraints, etc.

5 Risk management, objectives and policies (continued)

5.3 Market Risk (continued)

The Company may choose to apply the following types of limits:

- Position limits (gross/net), including sensitivity limits (linear and non-linear) – To limit exposures against reference fixed moves of market risk factors
- Stop loss limits – To limit realized losses for portfolios or sub-portfolios
- Value-at-risk limits – To limit percentile losses based on historical return distributions of risk factors
- Stress testing limits – To limit market risk losses under stress scenarios
- Restrictions (maturity, currency pairs, etc.)

The relevant management bodies of the Company decide which of the above limit types are to be applied through any given time-period. Thus, the Company is not obliged to apply all the above limits, rather it should choose which of the above are to be applied from time to time.

The calculation of limits utilization is according to approved Group methodology.

5.4 Liquidity risk

Liquidity risk is defined as the risk that a firm will not be able to meet its current and future cash flow and collateral needs, both expected and unexpected, without materially affecting its daily operations or overall financial condition. Being a member of the Group, the Company's exposure to liquidity risk is managed on a consolidated level. The management of liquidity and funding is primarily carried out at a Group level in accordance with practices and limits set by the Risk Committee of the Group. These limits vary by local financial unit to take account of the depth and liquidity of the market in which the entity operates.

It is the Group's general policy that each entity maintains sufficient funding for its operations. Exceptions are permitted to facilitate the efficient funding of certain short-term treasury requirements, all of which are funded under internal and regulatory guidelines. These internal and regulatory limits and guidelines serve to place formal limitations on the transfer of resources between Group's entities and are necessary to reflect the broad range of currencies, markets and time zones within which the Group operates.

Aside from controls around Liquidity Risk at Group level, the Company has its own Liquidity Risk Management Policy to ensure that there is a sufficient level of oversight on the Company's liquidity (in isolation) in place and that regulatory liquidity requirements of Part Five of IFR are met.

5.5 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, and includes legal risk. The Company has its own Operational Risk Management Policy, in accordance with the Operational Risk Management Framework of the Group, by which it actively monitors and mitigates Operational Risk.

Furthermore, the Company has in place adequate controls to mitigate legal risk arising from potential failure to comply fully with contractual terms and the best benchmark to assess its sensitivity to future legal action is the level of past claims and compensations paid to clients/investors. The Company has not had to pay any significant claims for compensation or damages, however all reasonable steps are taken to ensure that the Company is always in a position to honour its contractual obligations.

6 Information on governance arrangements

6.1 Recruitment Policy – Directorships

The members of the Board of Directors (“the BoD”) are appointed by the immediate shareholder of the Company. As a result, the Company does not have a Nominations Committee.

Before the appointment of a member of the BoD, the Shareholder evaluates and selects the candidates ensuring they have the specialized skills and knowledge to enhance the collective knowledge of the BoD as well as be able to commit the necessary time and effort to fulfil their responsibilities. The BoD shall collectively possess adequate knowledge, skills and experience to be able to understand the Company’s activities, including the principal risks.

Factors considered by the Shareholder in its review of potential candidates include:

- Specialized skills and/or knowledge in accounting, finance, banking, law, business administration or related subject.
- Integrity, honesty and the ability to generate public confidence.
- Demonstrated sound business judgment.
- Knowledge of financial matters including understanding of financial statements and financial ratios.
- Knowledge of and experience with financial institutions.
- Risk management experience.
- The competencies and skills that the BoD considers each existing director to possess.

The Company and the Shareholder recognize the benefits of having a diverse BoD which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences is considered when determining the optimum composition of the BoD without jeopardizing the best interests of the Company. Having in mind the principles mentioned above, the Company works towards a balanced representation of gender on the BoD.

As at 31 December 2021, the BoD has 17% female representation with the policy milestones set to achieve at least 15% by end of 2022 and at least 30% by end of 2027.

6.2 Other Directorships

The Shareholder and the Company consider amongst other, whether a potential director is able to devote the requisite time and attention to the Company’s affairs, prior to the BoD’s approval of the individual’s appointment.

The Investment Services and Activities and Regulated Markets Laws of 2017 determines that members 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.

Directorships in organizations, which do not pursue predominantly commercial objectives, shall not count for the purposes of the above guidelines. The CySEC may authorise members of the Board of Directors to hold one additional non-executive directorship.

6 Information on governance arrangements (continued)

6.2 Other Directorships (continued)

The CySEC has provided an approval for Mr. M. Demetriades to act as Non-Executive Director in five companies.

- Mr. M. Demetriades holds 5 non-executive directorship
- Mr. S. Solomides holds 4 non-executive directorships
- Ms. H. Ivanchuk holds 1 non-executive directorship
- Mr. R. Bird (appointed 12 February 2021, resigned 28 February 2022) held 1 non-executive directorship
- Mr. A. Philaniotis holds 1 executive directorship
- Mr. N. Dragatsis holds 1 executive directorship

7 Own funds

The Company's policy is to maintain a strong capital base to support the development of its business and to meet regulatory capital requirements at all times.

The capital is managed within the Group. The Group recognizes the impact on shareholder returns of the level of equity capital employed within the Group and seeks to maintain a prudent balance between the advantages and flexibility afforded by a strong capital position and the higher returns on equity possible with greater leverage.

The principal forms of Tier 1 capital include share capital (comprising of fully paid ordinary shares which rank equally and carry one vote), share premium (arising on the issue of ordinary shares at a value above the nominal value) and retained earnings. There was no Tier 2 capital as of 31 December 2021.

Reconciliation between the regulatory capital items and the balance sheet in the audited financial statements in accordance with Article 49 of IFR and Commission Implementing Regulation (EU) 2021/2284 of 10 December 2021 is presented in the following table.

7 Own funds (continued)**Template EU IF CC1.01 - Composition of regulatory own funds*****US\$ 000's**

		(a)	(b)
		Amounts	Source based on the audited BS
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	OWN FUNDS	273 954	274 083
2	TIER 1 CAPITAL	273 954	274 083
3	COMMON EQUITY TIER 1 CAPITAL	273 954	274 083
4	Fully paid up capital instruments	240	240
5	Share premium	117 082	117 082
6	Retained earnings	156 761	156 761
12	(-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-129	-
19	(-) Other intangible assets	-24	-
27	CET1: Other capital elements, deductions and adjustments	-105	-

* Only applicable rows are presented in the template

7.1 Deductions from own funds

Deductions from CET1 capital are as follows:

- Intangible assets, which include mainly computer software and licenses, amounting to US\$ 24 thousand.
- Investors Compensation Fund ("ICF") contributions, according to the Circulars C334 and C162 of the CySEC, amounting to US\$ 105 thousand.

7.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements

The following template presents reconciliation of regulatory own funds of the Company to balance sheet in the audited financial statements. Rows are reported in line with the balance sheet included in the audited financial statements of the Company. Column (b) in the template is omitted because the Company meets the obligations laid down in Part Six of IFR on an individual basis.

7 Own funds (continued)**7.2 Reconciliation of regulatory own funds to balance sheet in the audited financial statements (continued)****Template EU ICC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements**

US\$ 000's

		a	c
		Balance sheet as in audited financial statements	Cross reference to EU IF CC1
		As at period end	
Assets - Breakdown by asset classes according to the balance sheet in the audited financial statements			
1	Cash and cash equivalents	80,846	
2	Securities at fair value through profit or loss	356,242	
3	Derivative financial assets	405,048	
4	Reverse repo agreements	503,903	
5	Receivables relating to trading activities	368	
6	Other financial assets	178	
7	Margin calls placed	35,721	
8	Other assets	3,957	-105 ICF contributions
9	Intangible assets	24	-24 Intangible assets
10	Total Assets	1,386,287	
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements			
1	Obligations to deliver securities	7,424	
2	Derivative financial liabilities	211,811	
3	Direct repo agreements	35,048	
4	Payables relating to trading activities	41,003	
5	Margin calls received and borrowings	810,639	
6	Other financial liabilities	2,924	
7	Other liabilities	3,355	
8	Total Liabilities	1,112,204	
Shareholders' Equity			
1	Share capital	240	240
2	Share premium	117,082	117,082
3	Retained earnings	156,761	156,761
4	Total Shareholders' equity	274,083	273,954

7 Own funds (continued)

7.3 Disclosure of capital instruments main features

The following table contains a description of the main features applicable to the Common Equity Tier 1 instruments (ordinary shares) issued by the Company.

Template EU I CCA: Own funds: main features of own instruments issued by the Company

US\$ 000's

		a
		Free text
1	Issuer	SIB (Cyprus) Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	US\$ 117 332 thousand
7	Nominal amount of instrument	US\$ 240 thousand
8	Issue price	EUR 1.71 per share
9	Redemption price	N/A
10	Accounting classification	Equity
11	Original date of issuance	Multiple
12	Perpetual or dated	Perpetual
13	Original maturity date	N/A
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A

21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	N/A
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	N/A
23	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A

8 Compliance with the minimum capital requirements

In accordance with Chapter 2 of Title IV of the IFD, the Company shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the investment firms themselves are or might be exposed..

These strategies and processes shall be subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company. The Company has its documented Internal Capital Adequacy Assessment Process (ICAAP).

8 Compliance with the minimum capital requirements (continued)

In accordance with Title I of Part Three of the IFR, the Company shall at all times have its regulatory own funds which amount to at least D, where D is defined as the highest of the following:

- (a) the fixed overheads requirement calculated in accordance with Article 13 of the IFR;
- (b) the permanent minimum capital requirement in accordance with Article 14 of the IFR; or
- (c) the K-factor requirement calculated in accordance with Article 15 of the IFR.

In accordance with the IFR sufficient level of own funds is estimated by the following ratio:

$$\text{Own Funds Ratio} = \frac{\text{Regulatory Own Funds}}{\text{Own Funds Requirements (D)}} > 100\%$$

During 2021, the Company has complied in full with all capital requirements in accordance with the IFR and the applicable CySEC directives.

In its internal process of capital adequacy assessment and monitoring the Company implemented a formula of Capital Adequacy Ratio, which presents results in a format close to the Capital Ratio as it was prescribed under the Capital Requirements Regulation (EU) No 575/2013 (the "CRR") in the previous years.

$$\text{Capital Adequacy Ratio} = \frac{\text{Regulatory Own Funds}}{\text{Own Funds Requirements (D)}} * 8\%$$

The Company is monitoring its Capital Adequacy Ratio against the minimum level of 8%, which is recognised as equivalent to the minimum Own Funds Ratio of 100%. The both levels are considered as the regulatory minimum ratios as established for the Company under the IFR / IFD and in directives issued by the CySEC.

In accordance with the internal Policy on the monitoring of Regulatory Prudential Limits, the Company established the internal limit of the Capital Adequacy Ratio of extra 2% above the minimum regulatory requirements. Compliance with the internal limit is monitored on a daily basis in order to assess the adequacy of the Company's internal capital to support its current and future activities.

8 Compliance with the minimum capital requirements (continued)

The minimum capital requirements calculated under IFR are as follows.

Own Funds Requirements as of 31.12.2021		US\$ 000's	
Own Funds Requirements		78 971	
<i>Permanent minimum capital requirement*</i>		849	
<i>Fixed overhead requirement</i>		2 124	
Total K-factor Requirement		78 971	
	K-factor	Factor amount	K-factor requirement
Risk-to-client			450
○	Client money held - Segregated	80 117	320
○	Assets safeguarded and administered	323 970	130
Risk-to-market			34 581
○	K-Net positions risk requirement		34 581
Risk-to-firm			43 940
○	Trading counterparty default		43 851
○	Daily trading flow - Cash trades	23 274	23
○	Daily trading flow - Derivatives trades	664 448	66
○	K-Concentration risk requirement		-

* Initial capital requirement of EUR 750 thousand as per Article 14 of IFR

The Own Funds Ratios calculated under IFR are as follows.

Own Funds Ratios as of 31.12.2021	in US\$ 000's
CET 1 Ratio	346.90%
Surplus(+)/Deficit(-) of CET 1 Capital	229 730
Tier 1 Ratio	346.90%
Surplus(+)/Deficit(-) of Tier 1 Capital	214 726
Own Funds Ratio	346.90%
Surplus(+)/Deficit(-) of Total capital	194 983
<i>Capital Adequacy Ratio (for internal monitoring)</i>	<i>27.75%</i>

The Company's Own Funds Requirements (D) are always determined by the Total K-Factors requirement due to a relatively low level of its Permanent minimum capital requirement and Fixed overhead requirement.

Permanent minimum capital requirement of the Company amounts to EUR 750,000 in accordance with Article 14 of IFR (and Article 9.1 of IFD).

9 Fixed overhead requirement

Fixed overheads requirement of the Company amounts to at least one quarter of the fixed overheads of the preceding year.

Fixed Overheads Requirement as of 31.12.2021

in US\$ 000's

Fixed Overhead Requirement		2 124
	factor	$\frac{1}{4}$
Annual Fixed Overheads of the previous year after distribution of profits		8 495
Total expenses of the previous year after distribution of profits		8 495
(-)Total deductions		-

10 K-factor requirement

The K-factor requirement amounts to at least the sum of the following:

- (a) Risk-to-Client (RtC) K-factors;
- (b) Risk-to-Market (RtM) K-factors;
- (c) Risk-to-Firm (RtF) K-factors.

10.1 Risk-to-Client (RtC) K-factors

The RtC K-factor requirement is determined by the following formula:

$$RtC = K-AUM + K-CMH + K-ASA + K-COH$$

where:

- **K-AUM – “Assets under management”** under both discretionary portfolio management and nondiscretionary advisory arrangements of an ongoing nature. K-AUM is equal to AUM measured in accordance with Article 17 of IFR, multiplied by the corresponding coefficient of 0,02 %.

The Company does not have AUM and does not calculate K_AUM.

- **K-CMH – “Client money held”**

K-CMH (on segregated accounts) is equal to CMH measured in accordance with Article 18 of IFR, multiplied by the corresponding coefficient of 0.4%.

CMH is the rolling average of the value of total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months. CMH is the arithmetic mean of the daily values from the remaining six months. K-CMH is calculated on the first business day of each month.

10 K-factor requirement (continued)**10.1 Risk-to-Client (RtC) K-factors (continued)**

The Company uses segregated accounts for holding cash amounts of its clients. The accounts meet requirements for segregated accounts as specified by the regulatory technical standards EBA/RTS/2020/11 issued on 16.12.2020.

K-CMH (on segregated accounts) as of 31.12.2021		US\$ 000's
Factor amount	Coefficient	K-CMH requirement
80 117	0.4%	320

- **K-ASA – “Assets safeguarded and administered”**

K-ASA is equal to ASA measured in accordance with Article 19 of IFR, multiplied by the corresponding coefficient of 0.04%.

ASA is the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months. ASA is the arithmetic mean of the daily values from the remaining six months.

K-ASA is calculated on the first business day of each month.

K-ASA as of 31.12.2021		US\$ 000's
Factor amount	Coefficient	K-ASA requirement
323 970	0.04%	130

- **K-COH – “Client orders handled”**

K-COH is equal to COH measured in accordance with Article 20 of IFR, multiplied by the corresponding coefficient of 0.1% for cash trades and 0.01% for derivatives trades.

The Company does not calculate K-COH because COH shall exclude transactions executed by the investment firm in its own name either for itself or on behalf of a client. Instead, the Company calculates K-DTF factor requirements for all its transactions with clients.

10.2 Risk-to-Market (RtM) K-factors

The RtM K-factor requirement for the trading book positions of an investment firm dealing on own account, whether for itself or on behalf of a client shall be either K-NPR calculated in accordance with Article 22 of IFR or K-CMG calculated in accordance with Article 23 of IFR.

The RtM K-factor requirement applies to all trading book positions, which include in particular positions in debt instruments (including securitisation instruments), equity instruments, collective investment undertakings (CIUs), foreign exchange and gold, and commodities (including emission allowances).

For the purpose of calculating the RtM K-factor requirement, an investment firm shall include positions other than trading book positions where those give rise to foreign exchange risk or commodity risk.

10 K-factor requirement (continued)

10.2 Risk-to-Market (RtM) K-factors (continued)

K-NPR – “Net Position Risk”

The Company calculates K-NPR requirement for all its trading book positions using the Standardised approach for Market risk set out in Chapters 2, 3 and 4 of Title IV of Part Three of Regulation (EU) No 575/2013 (the “CRR”).

TITLE IV: OWN FUNDS REQUIREMENTS FOR MARKET RISK

- CHAPTER 2: Own funds requirements for position risk
- CHAPTER 3: Own funds requirements for foreign-exchange risk
- CHAPTER 4: Own funds requirements for commodities risk

Composition of K-NPR requirement is presented in the Section 11 below.

10.3 Risk-to-Firm (RtF) K-factors

The RtF K-factor requirement is determined by the following formula:

$$RtF = K-TCD + K-DTF + K-CON$$

where:

- **K-TCD – “Trading Counterparty Default”**

K-TCD is equal to the amount calculated in accordance with Article 26 of IFR.

K-TCD shall be based on the transactions recorded in the trading book of an investment firm dealing on own account, whether for itself or on behalf of a client.

Composition of K-TCD requirement is presented in the Section 12 below.

- **K-DTF – “Daily Trading Flow”**

K-DTF is equal to DTF measured in accordance with Article 33 of IFR, multiplied by the corresponding coefficient of 0.1% for cash trades and 0.01% for derivative trades.

K-DTF shall be based on the transactions recorded in the trading book of an investment firm dealing on own account, whether for itself or on behalf of a client, and the transactions that an investment firm enters into through the execution of orders on behalf of clients in its own name.

DTF is the rolling average of the value of the total daily trading flow, measured throughout each business day over the previous nine months, excluding the three most recent months. DTF is the arithmetic mean of the daily values from the remaining six months.

K-DTF is calculated on the first business day of each month.

DTF is measured as the sum of the absolute value of buys and the absolute value of sells for both cash trades and derivatives in accordance with the following:

- (a) for cash trades, the value is the amount paid or received on each trade;
- (b) for derivatives, the value of the trade is the notional amount of the contract.

10 K-factor requirement (continued)**10.3 Risk-to-Firm (RtF) K-factors (continued)**

The notional amount of interest rate derivatives is adjusted for the time to maturity (in years) of those contracts. The notional amount is multiplied by the duration set out in the following formula:

$$\text{Duration} = \text{time to maturity (in years)} / 10$$

K-DTF requirement as of 31.12.2021			US\$ 000's
Transaction type	Factor amount	Coefficient	K-DTF requirement
Cash trades	23 274	0.1%	23
Derivative trades	664 448	0.01%	66

- **K-CON – “Concentration risk”**

“Concentration risk” or “CON” means the exposures in the trading book of an investment firm to a client or a group of connected clients the value of which exceeds the limits in Article 37(1) of IFR. The exposures are calculated by adding together the following items:

- the positive excess of the investment firm’s long positions over its short positions in all the trading book financial instruments issued by the client in question, the net position for each instrument calculated in accordance with the provisions used for K-NPR requirement;
- the exposure value for K-TCD requirement of derivative contracts, repurchase transactions and long settlement transactions etc referred to in Article 25(1) of IFR with the client in question, calculated in the manner laid down in Article 27 of IFR.

K-CON requirement is equal to the amount calculated in accordance with Article 39 of IFR with respect to exposure value excess calculated in accordance with Article 37.2 of IFR. K-CON is based on the transactions recorded in the trading book of an investment firm dealing on own account, whether for itself or on behalf of a client.

As at 31 December 2021, the Company has no K-CON requirement.

11 K-NPR requirement – Market risk

The Company calculates K-NPR requirement for all its trading book positions in debt and equity instruments, for foreign exchange and commodities positions. Other than trading book positions where those give rise to foreign exchange risk or commodity risk are also included in K-NPR requirement.

The trading book of the Company consists of all positions in financial instruments and commodities held either with trading intent or in order to hedge positions held with trading intent.

11 K-NPR requirement – Market risk (continued)

Positions held with trading intent are any of the following:

- (a) proprietary positions and positions arising from client servicing and market making;
- (b) positions intended to be resold in the short term;
- (c) positions intended to benefit from actual or expected short-term price differences between buying and selling prices or from other price or interest rate variations.

The Company takes on exposure to Market risk in regards to its open positions in interest rate and, currency and equity products, all of which are exposed to general and specific market movements. Management sets limits on the value of risk that may be accepted, which is monitored on a daily basis.

Own funds requirements (K-NPR requirement) of the Company for Market risk are calculated in accordance with the Standardised approach set out in Chapters 2, 3 and 4 of Title IV of Part Three of CRR.

11.1 Position risk

The Company's own funds requirement for Position risk is the sum of the own funds requirements for the general and specific risk of its positions in debt and equity instruments.

The absolute value of the excess of the Company's long (short) positions over its short (long) positions in the same equity, debt and convertible issues and identical financial futures, options, warrants and covered warrants represent its net position in each of those different instruments. In calculating the net position, positions in derivative instruments are treated as positions in the underlying (or notional) security or securities. No netting is allowed between a convertible and an offsetting position in the instrument underlying it.

All net positions, irrespective of their signs, are converted on a daily basis into the Company's reporting (presentation) currency at the prevailing spot exchange rate before their aggregation.

The US Dollar has been selected as the presentation currency of the Company, as US Dollars is the currency which management of the Company uses to manage business risks and exposures, and measure the performance of its businesses.

Traded debt instruments

In accordance with Section 2, Chapter 2, Title IV, Part Three of the CRR, net positions in traded debt instruments are classified according to the currency in which they are denominated. The own fund requirement for general and specific risk are calculated in each individual currency separately.

For interest rate (general) risk on derivative instruments the Company treats as fully offsetting any positions in derivative instruments which meet the following conditions:

- a. the positions are of the same value and denominated in the same currency;
- b. the reference rate (for floating-rate positions) or coupon (for fixed-rate positions) is closely matched - a difference of less than 15 basis points is considered being 'closely matched';
- c. the next interest-fixing date or, for fixed coupon positions, residual maturity corresponds with the following limits:
 - (i) less than one month hence: same day;
 - (ii) between one month and one year hence: within seven days;
 - (iii) over one year hence: within 30 days.

11 K-NPR requirement – Market risk (continued)

11.1 Position risk (continued)

Equities

The sum of the absolute values of all the Company's net long positions and all its net short positions is its overall gross position. The Company calculates, separately for each market, the difference between the sum of the net long and the net short positions. The sum of the absolute values of those differences is its overall net position.

Stock-index futures, the delta-weighted equivalents of options in stock-index futures and stock indices collectively referred to hereafter as 'stock-index futures', are not broken down into its underlying positions and are treated as if they were an individual equity. However, the specific risk on this individual equity can be ignored if the stock-index future in question is exchange traded and represents a relevant appropriately diversified index.

In accordance with Section 3, Chapter 2, Title IV, Part Three of the CRR, the Company multiplies its overall gross position by 8% in order to calculate its own funds requirement against specific risk. The own funds requirement against general risk are the Company's overall net position multiplied by 8%.

Capital requirements for position risk (comprising specific and general risk) in Collective Investments Undertakings (CIUs) in the trading book are equal to 32% of the overall gross position.

11.2 Foreign-exchange risk

In respect of all of its business activities, the Company calculates capital requirements for foreign-exchange risk and for commodities risk. Positions in gold or gold derivatives are considered as being subject to foreign-exchange risk.

The Company takes on exposure to effects of fluctuations in the prevailing foreign currency exchange rates on its financial position and cash flows.

In accordance with Chapter 3, Title IV, Part Three of the CRR, in case the sum of the Company's overall net foreign-exchange position and its net gold position exceeds 2% of its total own funds, the Company calculates its own funds requirements for foreign exchange risk. The own funds requirements for foreign exchange risk are the sum of the Company's overall net foreign-exchange position and its net gold position in the reporting currency, multiplied by 8%.

11.3 Commodities risk

The Company adopted the Maturity ladder approach for the calculation of the capital requirements for commodities risk in accordance with Chapter 4, Title IV, Part Three of the CRR.

Maturity ladder approach

Each position in commodities or commodity derivatives is expressed in terms of the standard unit of measurement. The spot price in each commodity is expressed in the reporting currency.

The Company uses a separate maturity ladder for each commodity. All positions in that commodity are assigned to the appropriate maturity bands. The Company's overall own funds requirements for commodities risk are calculated as the sum of the own funds requirements calculated for each commodity.

11 K-NPR requirement – Market risk (continued)**11.3 Commodities risk (continued)**

Positions in the same commodity are offset and assigned to the appropriate maturity bands on a net basis for the following:

- (a) positions in contracts maturing on the same date;
- (b) positions in contracts maturing within 10 days of each other if the contracts are traded on markets which have daily delivery dates.

The Company had very few positions in commodity derivatives in 2021.

11.4 Market risk under the Standardised approach

The minimum capital requirements for Market risk calculated under the standardized approach in accordance with CRR are as follows.

Market risk under the Standardised approach as of 31.12.2021**US\$ 000's**

	Risk Exposure Amount	K-factor requirement
Total Standardised approach		34 581
Position risk		33 316
✓ Equity instruments	62 564	5 005*
✓ Debt instruments	353 888	28 311
Foreign exchange risk	15 813	1 265**
Commodity risk	-	-

* Including US\$ 5,000 thousand of internal Pillar II requirements applied under ICAAP in relation to potential Brexit consequences

** Including US\$ 415 thousand of Delta-plus approach (Gamma risk and Vega risk) for options

As at 31 December 2021, the Company has reduced market risk exposures compared to 2020, due to a reduction in positions held, primarily in Interest rate and foreign exchange derivatives.

12 K-TCD requirement – Trading Counterparty Default

The Company calculates K-TCD requirement in respect to the following contracts and transactions:

- (a) derivative contracts listed in Annex II to CRR, with the exception of the following:
 - (i) derivative contracts directly or indirectly cleared through a central counterparty (CCP) where specific conditions are met;
 - (ii) exchange-traded derivative contracts;
 - (iii) derivative contracts held for hedging a position of the investment firm resulting from a non-trading book activity;
- (b) long settlement transactions;
- (c) repurchase transactions;

12 K-TCD requirement – Trading Counterparty Default (continued)

For the purpose of calculating K-TCD, the own funds requirement is determined by the following formula:

$$\mathbf{K-TCD\ own\ funds\ requirement = \alpha \cdot EV \cdot RF \cdot CVA}$$

where:

$$\alpha = 1,2;$$

EV is the exposure value calculated in accordance with the following formula:

$$\mathbf{Exposure\ value = Max(0; RC + PFE - C)}$$

where:

RC = replacement cost as determined in Article 28 of IFR;

PFE = potential future exposure as determined in Article 29 of IFR; and

C = collateral as determined in Article 30 of IFR.

The replacement cost (RC) and collateral (C) shall apply to all transactions referred in the first paragraph above. The potential future exposure (PFE) applies only to derivative contracts hence it does not apply to repurchase transactions and long settlement transaction.

An investment firm may calculate a single exposure value at netting level for all the transactions covered by a contractual netting agreement, subject to the conditions laid down in Article 31 of IFR. Where any of those conditions are not met, the investment firm shall treat each transaction as if it was its own netting set.

RF is the risk factor defined per counterparty type as set out in the following table.

Table 1

Counterparty type	Risk factor
Central governments, central banks and public sector entities	1.6 %
Credit institutions and investment firms	1.6 %
Other counterparties	8 %

CVA is the credit valuation adjustment - an adjustment to the mid-market valuation of the portfolio of transactions with a counterparty which reflects the CMV of the credit risk of the counterparty to the investment firm, but does not reflect the CMV of the credit risk of the investment firm to the counterparty.

12 K-TCD requirement – Trading Counterparty Default (continued)

CVA is 1,5 for all transactions of the Company other than the following transactions, for which CVA shall be 1:

- ✓ transactions with non-financial counterparties as defined in point (9) of Article 2 of Regulation (EU) No 648/2012, or with non-financial counterparties established in a third country, where those transactions do not exceed the clearing threshold as specified in Article 10(3) and (4) of that Regulation – i.e. with NFC- counterparties;
- ✓ long settlement transactions.

12.1 Replacement cost (RC)

The replacement cost (RC) is determined as follows:

- (a) for derivative contracts, RC is determined as the CMV - the net market value of the portfolio of transactions or securities legs subject to netting in accordance with Article 31 of IFR, where both positive and negative market values are used in computing CMV;
- (b) for long settlement transactions, RC is determined as the settlement amount of cash to be paid or to be received by the investment firm upon settlement; a receivable is to be treated as a positive amount and a payable is to be treated as a negative amount;
- (c) for repurchase transactions and securities or commodities lending or borrowing transactions, RC is determined as the amount of cash lent or borrowed; cash lent by the investment firm is to be treated as a positive amount and cash borrowed by the investment firm is to be treated as a negative amount.

12.2 Potential future exposure (PFE)

The potential future exposure (PFE) is calculated for each derivative as the product of:

- (a) the effective notional (EN) amount of the transaction set; and
- (b) the supervisory factor (SF) set.

$$\text{Effective notional (EN)} = \text{Notional amount} * \text{Duration} * \text{Supervisory delta}$$

The **Notional amount**, unless clearly stated and fixed until maturity, is determined as follows:

- for foreign exchange derivative contracts, the notional amount is defined as the notional amount of the foreign currency leg of the contract, converted to the domestic currency; if both legs of a foreign exchange derivative are denominated in currencies other than the domestic currency, the notional amount of each leg is converted to the domestic currency and the leg with the larger domestic currency value is the notional amount;
- for equity and commodity derivatives contracts and emission allowances and derivatives thereof, the notional amount is defined as the product of the market price of one unit of the instrument and the number of units referenced by the trade;

12 K-TCD requirement – Trading Counterparty Default (continued)

12.2 Potential future exposure (PFE) (continued)

- for transactions with multiple payoffs that are state contingent including digital options or target redemption forwards, an investment firm shall calculate the notional amount for each state and use the largest resulting calculation;
- where the notional is a formula of market values, the investment firm shall enter the CMVs to determine the trade notional amount;
- for variable notional swaps such as amortising and accreting swaps, investment firms shall use the average notional over the remaining life of the swap as the trade notional amount;
- leveraged swaps shall be converted to the notional amount of the equivalent unleveraged swap so that where all rates in a swap are multiplied by a factor, the stated notional amount is multiplied by the factor on the interest rates to determine the notional amount;
- for a derivative contract with multiple exchanges of principal, the notional amount shall be multiplied by the number of exchanges of principal in the derivative contract to determine the notional amount.

The notional amount of interest rate contracts and credit derivative contracts for the time to maturity (in years) of those contracts is adjusted according to the duration set out in the following formula:

$$\text{Duration} = (1 - \exp(-0,05 \cdot \text{time to maturity})) / 0,05$$

For derivative contracts other than interest rate contracts and credit derivative contracts the duration is 1.

The maturity of a contract is the latest date on which the contract may still be executed. If the derivative references the value of another interest rate or credit instrument, the time period is determined on the basis of the underlying instrument. For options, the maturity is the latest contractual exercise date as specified by the contract.

For a derivative contract that is structured such that on specified dates any outstanding exposure is settled and the terms are reset so that the fair value of the contract is zero, the remaining maturity equals the time until the next reset date.

The **Supervisory delta** of options and swaptions may be calculated by the investment firm itself, using an appropriate model subject to the approval of competent authorities. The model shall estimate the rate of change of the value of the option with respect to small changes in the market value of the underlying. For transactions other than options and swaptions or where no model has been approved by the competent authorities, the delta shall be 1.

The Company uses Supervisory delta = 1 for options and swaptions because it has not obtained an approval from the CySEC for the internal model of delta.

The **Supervisory factor (SF)** for each asset class shall be set in accordance with the following table.

12 K-TCD requirement – Trading Counterparty Default (continued)**12.2 Potential future exposure (PFE) (continued)**

Table 2

Asset class	Supervisory factor
Interest rate	0.5 %
Foreign exchange	4 %
Credit	1 %
Equity single name	32 %
Equity index	20 %
Commodity and emission allowance	18 %
Other	32 %

The **PFE of a netting set** is the sum of the potential future exposure of all transactions included in the netting set, multiplied by:

- 0,42, for netting sets of transactions with financial and non-financial counterparties for which collateral is exchanged bilaterally with the counterparty, if required, in accordance with the conditions laid down in Article 11 of Regulation (EU) No 648/2012;
- 1, for other netting sets.

12.3 Collateral

All collateral for both bilateral and cleared transactions is subject to volatility adjustments in accordance with the Table 4 in Article 30 of IFR.

The value of collateral is determined as follows:

- for derivative transactions, by the amount of collateral received by the investment firm from its counterparty decreased by the volatility adjustments;
- for long settlement and repurchase transactions, by the sum of the CMV of the security leg and the net amount of collateral posted or received by the investment firm.

For securities financing transactions, where both legs of the transaction are securities, collateral is determined by the CMV of the security borrowed by the investment firm.

Where the investment firm is purchasing or has lent the security, the CMV of the security is treated as a negative amount and is decreased to a larger negative amount, using the volatility adjustment in Table 4 in Article 30 of IFR. Where the investment firm is selling or has borrowed the security, the CMV of the security is treated as a positive amount and is decreased using the volatility adjustment.

Where there is a currency mismatch between the transaction and the collateral received or posted, an additional currency mismatch volatility adjustment of 8 % applies.

12 K-TCD requirement – Trading Counterparty Default (continued)**12.3 Collateral (continued)****K-TCD factor requirement as of 31.12.2021****US\$ 000's**

Counterparty type	Replacement cost (RC)	Potential Future Exposure (PFE)	Collateral (C)	Exposure value (EV)	K-TCD requirement
Credit institutions and investment firms	133 651	39 929	238 147	27 397	789
Derivatives	-17 476	39 929	53 610	27 397	789
Repurchase agreements	151 127	-	184 537	-	-
Other counterparties	529 020	267 693	776 811	289 748	43 062
Derivatives	211 837	267 693*	273 692	289 295	39 246**
Repurchase agreements	317 183	-	503 119	453	3 815

* Including US\$ 22,508 thousand of PFE for forwards on bond market ETFs as applied under ICAAP

** Including US\$ 2 161 thousand of K-TCD for forwards on bond market ETFs as applied under ICAAP

13 Liquidity requirement

In accordance with Part Five of IFR, investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement (presented in Section 9 above).

During 2021, the Company maintained sufficient balances in its own current and settlement accounts with banks in Cyprus, European Union, United Kingdom and Russia to fulfil the liquidity requirement at all time.

Liquidity requirement as of 31.12.2021**US\$ 000's**

Fixed Overhead Requirement	Factor	Liquidity requirement	Unencumbered short-term deposits at credit institutions
2 124	1/3	708	70 764

14 Remuneration policy and practices

The Company's Remuneration Policy aims to establish, implement and maintain a remuneration strategy that is consistent with and promotes its business strategy, objectives and corporate values, as well as promotes effective risk management with a view to the long-term interests of the Company, the Sberbank Group and its shareholders and other stakeholders.

The policy is designed by the Human Resources Department, with advice from the Company's Compliance Department, and is reviewed and approved annually by the Company's Remuneration Committee. The Remuneration Committee consists of a non-executive director of the board, the CEO and the HR Business Partner. The Remuneration Committee held 1 meeting during 2021.

The Company complies with the general requirements for the ratio between fixed and variable remuneration set out in Article 30 of the IFD, namely that the fixed and variable elements are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total to allow a flexible variable remuneration policy.

The details of remuneration for 2021 of all members of staff whose professional activities have a material impact on the Company's risk profile are shown below (expressed in US\$ thousands):

	Number of beneficiaries	Fixed remuneration	Variable remuneration	Total
Senior management	4	858	743	1 601

None of the above members of staff received total remuneration exceeding EUR 1 million or deferred variable remuneration during 2021.

In establishing its Remuneration Policy, the Company has considered its size, internal organisation and the nature, scope and complexity of its activities. In more detail:

- a) The company considers its size and internal organisation to be small given the number of employees.
- b) The Company is licensed to provide specific investment services in relation to specific financial instruments. In fact, in the majority of cases the Company is trading with other group companies on own account basis and thus the Company considers that despite the large volumes of trading, the actual nature and scope of the Company's activities are not complex.

Taking into account the above, and following the guidance issued by other EU competent authorities, the policy's approach to fixed and variable remuneration is governed by:

- the low-risk nature of the Company's business;
- market rates, which ensures that the fixed component represents a sufficiently high proportion of total remuneration to allow the operation of a fully flexible policy on variable remuneration, including the possibility to pay no variable remuneration component at all;
- payment of performance-related bonuses to incentivise qualifying employees to contribute to the strong and sustainable financial performance of the Company based on both financial and non-financial performance metrics; and
- the remuneration arrangements for the broader Sberbank CIB Group.

The Company aims for a remuneration policy that is aligned with the risk management practices of the Company and avoids conflicts of interest, and seeks to avoid any remuneration structure that encourages inappropriate risk taking.

14 Remuneration policy and practices (continued)

The Company applies both quantitative (financial) and qualitative (non-financial) criteria in assessing variable remuneration. Quantitative criteria include criteria such as the overall performance of the Company and the Group, whereas qualitative criteria include the relevant quality of service provided to clients.

Although the Company does not currently have any plans to introduce a non-cash component for its bonus arrangements, the Company is open to reviewing various options regarding the introduction of claw-back and deferral mechanisms to take account of contingent or future risks with a view to consideration of the introductions of such arrangements for future years in line with Group policy or a change to the nature of the business conducted through the Company.

The Company may in individual cases retain the right in its sole discretion to make any Bonus Payment subject to such, if any, claw-back and/or deferral conditions as the Company considers appropriate in the circumstances.

APPENDIX I: Financial information on Country-by-country reporting

Extracts from the audited financial statements of SIB (Cyprus) Limited for the year ended 31 December 2021:

In USD thousands	Cyprus	UK Branch	Total
Turnover (defined as operating income)	10 987	120	11 107
Profit before tax	3 540	77	3 617
Income tax expense	517	15	532
Average number of employees	25	3	29

The Company's Return on Assets (defined as Total comprehensive income for the year divided by Total assets at the end of the year) for the year ended 31 December 2021 was 0.22%.