INVESTMENTS
LIMITED

NBI Investments Limited

Regulated by the Cyprus Securities and Exchange Commission
License № CIF 162/12

RISK MANAGEMENT DISCLOSURES FOR THE YEAR 2017

This report has been prepared based on the Audited Financial Statements of 2017 and in accordance with the requirements of the Directive DI144-2014-14

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Alexander Krapivko, Managing Director

May 2018

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General

The Report has been prepared in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “Regulation” or the “CRR”) and paragraph 32(1) of DI144-2014-14 (the “Directive”) of the Cyprus Securities and Exchange Commission (the “CySEC”) for the prudential supervision of investment firms, the Firm has an obligation to publish information relating to capital adequacy, risks and risk management on an annual basis at a minimum.

NBI Investments Limited (herewith ‘NBI’ or the ‘Company’) has an obligation to publicly disclose information relating to the risk management objectives and policies as well as information regarding the capital adequacy requirements. Figures included in this document, are in accordance with the audited financial statements of 2017. The information is disclosed only for the purpose of complying with the directive requirements and not for any other reason or use.

The Directive provides that the Company may omit one or more of the disclosures if it believes that the information is immaterial. Where the Company has considered a disclosure to be immaterial, this was not included in this document.

Further to the issuance of the Company’s CIF authorisation on 4th of January 2012, the Company has extended the scope of its licence and obtained authorisation to provide the investment service of “Portfolio Management” on 6th of August 2012. This service was activated in July 2013. Additionally, the Company extended its license to and obtain authorisation by CySEC to provide the Investment Service of “Investment Advice” on 11/09/2017. In particular, the investment and ancillary services that the Company is authorized to provide are the following:

Investment Services:

a) Reception and transmission of orders in relation to one or more financial instruments.
b) Execution of orders on behalf of clients.
c) Portfolio Management.
d) Investment Advice.

Ancillary Services:

a) Safekeeping and administration of financial instruments, including custodianship and related services.
b) Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.

c) Foreign exchange services where these are connected to the provision of investment services.

Policies and Objectives

Risk and internal capital management are fundamental to the business of NBI Investments Limited, representing an essential element of its operations. One of its major goals is the achievement of the Company's growth constantly through monitoring the related risks and improving stability of its operations by identifying and reacting to all types of risks on a timely basis. The purpose of managing risks is the prompt identification of any potential problems before they occur.

NBI considers maintaining of adequate capital levels as a key factor helping to counter the potential risks and not only as its legislative obligation. 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. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. Such procedures are explained in detail in the Internal Operations Manual (IOM) of the Company.

Risk Management Framework

The Board of Directors is ultimately responsible for the overall risk management approach and for approving the risk strategies and principles, identifying and controlling risks; however, there are separate independent bodies responsible for managing and monitoring risks.

- Anna Tropikhina – Non-Executive Director
    - 1 other Non-Executive Directorship, not a member of other CIF Board
- Liudmila Lisanskaya – Executive Director
    - No other Directorships, Not a member of other CIF Board
- Sergei Potapov – Executive Director
    - No other Directorships, Not a member of other CIF Board
- Konstantin Yasnov – Independent Non-Executive Director
    - 1 Executive and 1 Non-Executive Directorships, as member of the Board at 2 other CIFs
- Petros Nakouzi – Independent Non-Executive Director
    - 1 other Non-Executive Directorship, as member of the Board at a CIF

In compliance with the legal requirements the Risk Management function in NBI Investments Limited in 2017 was represented by the Risk Manager appointed by the Board and Risk Management Committee – Mr. Sergei Potapov who has authority and all necessary qualifications.

According to the Company's IOM the Risk Manager must ensure that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all the necessary procedures, relating to risk management are in place.

The Risk Manager examines the financial results of the Company and analyses the market trends from a risk management perspective; monitors the capital adequacy and the exposures of the Company; defines acceptable maximum risk assumption limits per class of risk; sets and reviews Client and counterparty limits (all limits are reviewed on a regular basis and are effective in respect of the activities of Reception, Transmission and Execution Department; no limits were established in respect of the activities of Portfolio Management due to its extremely limited scope for the time being).

Risk Management Committee comprised of the Managing Director of the Company - Mr. Sergei Potapov, the Non-executive Director - Mr. Konstantin Yasnov, the Non-executive Director - Mrs. Anna Tropikhina.

The Risk Management Committee is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

It has assisted the Company to adopt and maintain risk management policies, which identify the risks relating to the Company's activities, processes and systems and set the risk tolerance levels of the Company. The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of such risk management policies and procedures that are in place, the level of compliance by the Company and its personnel with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's personnel to comply with those policies and procedures.

The Risk Management Committee and the Risk Manager are reporting directly to the Senior Management and the Board of Directors.

The Accounting Department is responsible for the day-to-day recording of all financial information, control of all receipts and payments, internal management reporting and external financial reporting. The Accounting Department is also responsible for the management accounts which are feeding into the Capital Adequacy requirements monitoring.

Risk management processes are audited by the Internal Audit function, which examines both the adequacy of the procedures and the Company's compliance with the procedures. Internal Audit discusses the results of all assessments with management, and reports its findings and recommendations to the Board of Directors.

The Company has designed its risk management structure to be proportionate to the scale, nature and complexity of the business.

Capital Management

The primary objective of the Company's capital supervision is to ensure that the Company complies with externally (regulatory) imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and allocations and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities on an ongoing basis. The monitoring of capital level is performed regularly as required.

The Company is further required to report on its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is set at 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a regular basis of management accounts and other financial reports in order to monitor the financial and capital position of the Company.

Risk Management Priorities

The risk management objectives and policies for each separate category of risks are described below. The Company's risk management and internal control system addresses the following key risks, which are considered to be the most material:

- Credit risk
- Market risk
- Operational risk

The Company's policies and procedures are designed to identify and analyze those and other risks, to prescribe appropriate risk limitations and to monitor the level and incidence of such risks on an on-going basis.

Supervisory Review Process

The Supervisory Review Process under Pillar II requirements provides rules to ensure that adequate capital is in place to support any risk exposures of the Company in addition to requiring appropriate risk management, reporting and governance structures such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company. The issues related to assumption of business risk and any external factors affecting the Company are regularly reviewed by the Management and the Board of Directors. The frequency and the urgency of measures taken were dictated by the development of the global financial crisis.

Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of original own funds.

ICAAP

In 2013 the Company prepared comprehensive ICAAP and ICAAP Report. The ICAAP Report is the result of the application of the Company's ICAAP. The said report is produced by the Risk Management Committee of the Company, mainly for internal reporting purposes (i.e. to inform the Board of Directors of the Company regarding the available capital and the risks faced), as well as with the aim of having in place a valid and up to date ICAAP Report, in case that CySEC might request its submission.

ICAAP and ICAAP Report are essential tools to predict and timely mitigate all risk which the Company is facing. Due to drastic changes in economic environment and planned risk reassessment in 2016, the Company has drafted ICAAP and Report in 2017, and this work should be finalized in Q3 of 2018 taking into account the results of 2017 and the first half of 2018, and new legislative requirements. In 2017 it was considered that the remaining surplus capital and reserves in the Company should sufficiently cover all additional risks which could be identified as not covered or partially covered by Pillar 1.

Credit Risk

In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms.

Credit risk arises in particular when a failure by counterparties to discharge their obligations. The major concern here is represented by the banks. To minimize potential risks the Company was holding its cash balances with reliable financial institutions: Bank Otkritie – Russia, Limited Liability

Company "Inbank" – Russia, Rigensis Bank AS – Latvia, Bank of Cyprus – Cyprus) and had policies in place to diversify risks and to limit the amount of credit exposure to any particular financial institution in compliance with the requirements of the Directive. The Company is allowed to keep in one institution not more than 100% of its own funds, and this limit was never exceeded.

The Company did not hold any own financial instruments except 575 shares in Bank of Cyprus Public Ltd that were obtained as a result of the “bail in” provisions applicable on deposits of Investor Compensation Fund of Clients of Cypriot Investment Firms held with Bank of Cyprus Public Company Ltd.

Maximum exposure to credit risk

The table below shows the maximum exposure to credit risk.

	Maximum exposure to credit risk	
	2017	**2016**
	EUR000	**EUR000**
Risk weighted assets:	1,240	1,206
Cash in Banks	1,127	1,037
Other Assets	84	96
Corporates	0	73
Retail	29	0
Total risk weighted assets	1,240	1,206
Credit Risk (8% of total risk weighted assets)	***99***	***96***

The Company has no significant concentration of credit risk, although it takes additional measures to diversify its relations with other reliable Credit institutions. The Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with various medium to high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution both in Cyprus and abroad. As at December 2017, there were no impaired receivables (2016: EUR Nil).

Margin Trading Risks

Due to the high level of risks associated with margin trading the Board has decided to postpone the provision of such services during 2017.

Counter-Parties Risk

All custodians and third-party providers of financial services of NBI have been assessed. It must be noticed that no significant risk exposure has been identified.

Market Risk

Foreign Exchange/Currency Risk

The Company is exposed to Foreign Exchange Risk. Foreign Exchange Risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign Exchange Risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency (Euro). At the year-end the Company had certain receivables and cash balances denominated in foreign currencies. The main currencies, whose fluctuations may have an impact on the results of the Company, are the US Dollar and the Russian Rouble.

The table below shows the Company's exposure to Foreign Exchange Risk.

	Exposure to foreign exchange risk		
	Net Position		
	Assets (Long)	**Liabilities (Short)**	**Overall Net FX Position**
2017	EUR000	EUR000	EUR000
EUR	1,157	122	**1,035**
RUB	2	0	**2**
USD	230	0	**230**
OTHER	3	0	**3**
Total foreign exchange position	**1,392**	**122**	**1,270**
Market Risk (8% of total foreign exchange risk)			***102***

Sensitivity Analysis

At 31 December 2017, if the EURO had weakened/strengthened by 10% relative to the US dollar and Russian Ruble with all other variables held constant, post-tax profit for the year would have been 2017: EUR 21,178 higher/lower (2016: EUR 11,092).

Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

Interest Rate Risk

Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Borrowings issued at variable rates expose the Company to cash flow interest rate risk. Borrowings issued at fixed rates expose the Company to fair value interest rate risk. As at 31 December 2017 and 2016, the Company did not have any borrowings. At 31 December 2017, the Company had no other interest bearing financial assets or liabilities other than cash at bank. The Company does not have any significant own position in securities meaning that its income and operating cash flows are substantially independent of changes in market interest rates.

At 31 December 2017, if interest rate on USD, RUR and Euro-denominated bank balances had been 1% higher/lower with all other variables held constant, the post-tax financial result for the year would not be significantly affected.

The Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets. As at 31 December 2017, the management of the Company does not believe that the current maturity profile of the Company exposes itself to any material liquidity risk, taking into account the level of cash at year end.

At 31 December 2017, the most significant financial liabilities of the Company comprised of off-balance sheet payables to the Clients under Brokerage, Portfolio Management and Custody Agreements. In accordance with legal requirements the equivalent amounts of cash were at the same time in the clients' bank and broker accounts of the Company. In view of the above there was no liquidity risk related to mismatch of maturities.

Operational Risk

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. The Company manages operational risk through a system of controls and procedures in which processes are documented and transactions are reconciled and monitored. The Company has sufficiently effective Replacement Policy and Contingency plans consistent with the scope and complexity of the Company's operations. This is supported by continuous monitoring of operational risk incidents to ensure that past failures if they occur are not repeated.

According to the Capital Adequacy Requirements of the Company, in 2017 the Company used fixed overheads approach for calculation of its Operational Risk.

Concentration Risk

This includes large individual exposures and significant exposures to companies whose likelihood of default is driven by common underlying factors such as the economy, geographical location, instrument type etc.

Due to the nature of operations and specific clientele (majority comprises of physical persons) the Company is subject to concentration risk due to high share of income generated by a few corporate Clients. Proper warning was given to the Senior Management which decided to take additional measures and more efforts in order to attract new corporate Clients.

No significant concentration of credit risk was identified as the Company has established procedures to collect fees and commissions within the predetermined payment period.

No large exposures exceeding the maximum proportion permitted in relation to Company's own funds were identified in 2017 and in 2016.

Reputational Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service, fraud or theft, customer claims and legal action, regulatory fines.

The Company has policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Company does its best to provide services of high quality while doing transactions or safekeeping instruments belonging to clients.

Business Risk

This includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Potential consequences of continuing economic crisis were regularly discussed and proper changes to business plans were introduced. The Company managed to cope with the negative situation successfully and finished the year 2017 with profit. The Company has created a sufficient capital reserve in prior years to minimize its exposure to business risk. Irrespective of all this Business risk / Risk of losses due to inactivity of the clients in response to unfavorable market conditions remains the only risk requiring additional capital allocation to be sufficiently covered under Pillar II. After streamlining of the Company's fixed overheads, the amount of eligible capital to be reserved to counter potential risk is amounting to EUR 121,000 which represents 25% of the fixed overheads and a small share of NBI's accumulated available cash and Own Funds.

Capital Risk Management

Capital risk is the risk that the Company may lose value on its capital and will not comply with capital adequacy requirements. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The legal and regulatory framework, under which the Company operates, the Cyprus Securities and Exchange Commission ("CySEC"), stipulates that the Company must maintain a minimum capital adequacy ratio of 8%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The method of calculation is set up by the regulatory authority based on the International Basel II capital adequacy standards. The Company aims to always maintain a high capital adequacy ratio well above the required minimum. As at 31 December 2017 the Company capital adequacy is in excess of 116%.

Although the Company is required to maintain its own funds at the level of not less than EUR 125,000, it is maintaining its own funds at a much higher level (see table below).

The Company is further required to report on its capital adequacy quarterly. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. All reports are regularly submitted to the Regulator as required.

The Company has complied with all externally imposed capital requirements throughout 2017 and 2016.

REGULATORY OWN FUNDS AND CAPITAL ADEQUACY RATIO

ID	Label	Amount in thousands
1	**OWN FUNDS**	
1.1	Common Equity Tier 1 Capital	963
1.2	Additional Tier 1 Capital	0
1.3	Tier 1 Capital	963
1.4	Tier 2 Capital	0
1.5	**TOTAL OWN FUNDS**	**963**
1.6	**TOTAL ELIGIBLE CAPITAL** (Notes 1 & 2)	**963**
2	**RISK WEIGHTED EXPOSURES**	
2.1	Risk Weighted Exposure Amounts for Credit, Counterparty Credit and Dilution Risks and Free Deliveries	106
2.2	Total Risk Exposure Amount for Settlement/Delivery	0
2.3	Total Risk Exposure Amount for Position, Foreign Exchange and Commodities Risks	235
2.4	Total Risk Exposure Amount for Operational Risk	0
2.5	Additional Risk Exposure Amount Due to Fixed Overheads	483
2.6	Total Risk Exposure Amount for Credit Valuation Adjustment	0
2.7	Total Risk Exposure Amount Related to Large Exposures in the Trading Book	0
2.8	Other Risk Exposure Amounts	0
2.9	**TOTAL RISK EXPOSURE AMOUNT**	**824**
3.1	**CET1 Capital ratio**	**116.87%**
3.2	**T1 Capital ratio**	**116.87%**
3.3	**Total capital ratio**	**116.87%**

Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company in its Internal Operations Manual has documented procedures and policies based on the requirements of relevant Laws and Directives issued by CySEC. Compliance with these procedures and policies are further assessed and reviewed by the Company's Compliance Officer and Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. The risk of non-compliance has been assessed as very low.

Legal and Compliance Risk

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

IT Risk

IT risk could occur as a result of inadequate information technology and processing, from an inadequate IT strategy and policies and inadequate use of the Company's information technology. The Company's Business Continuity Plan addresses the consequences of IT risk. Specifically, the Company has implemented policies regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

Business Continuity Management

The Company is particularly focused on business continuity management; in particular there is a disaster recovery plan for all departments. No risks have been identified that might endanger the continuity of operations within the Company.

Remuneration Policy and its impact on the Company's Risk Profile

The Company believes that remuneration should as far as possible to be individually designed and with that encourage employees to perform according to the Company's goals, strategy and vision. The remuneration should also encourage employees to act according to the Company's values: simplicity, care and openness, since this is considered to be the foundation for a successful and long-term business. Further, the total remuneration should be designed in a way that makes the Company attracts employees with the needed skills within the existing margins of costs.

The Policy is drafted in accordance with requirements of the regulations of the Cyprus Securities and Exchange Commission and other competent authorities of European Union.

This Policy is applicable to all employees of the Company.

The Board of Directors may deviate from the Policy in individual cases if justified by extraordinary circumstances. Such circumstances may include the outstanding performance of an employee in contribution to the Company's overall results for a certain period.

Remuneration Policy and Practices

Remuneration policies and practices implemented by the Company were intentionally simplified to the basic requirements of recruiting and maintaining high level professional personnel. Currently the remuneration policy is based on fixed salaries. The Board of Directors considers such approach as the most practical at this stage as it corresponds to the scale and complexity of the Company's operations.

After the achievement of the Company's growth later new more stimulating measures (like introduction of the variable component) might be introduced.

Remuneration Policies Risk Management Framework

The Board of Directors monitors compliance with the Policy and reviews it once a year or at more frequent time as necessary.

The Company's Board of Directors is responsible for the effective implementation of the Policy, as well as identifying and defining employees whose actions can have a material impact on the Company.

The remuneration of employees, including those performing the Risk Management function, is directly overseen by the Board of Directors within the existing margins of employment costs. The functions of Legal Compliance, Internal Audit and Accounting Department, which are currently outsourced, are remunerated basing on the analysis of the current market data for costs for performance of such functions.

The remuneration of the Directors of the Company is directly overseen by the Board of Directors.

The remuneration of risk takers and employees in control functions, such as employees dealing in and approving financial instruments, risk management and compliance, are subject to the stricter remuneration conditions.

The Board of Directors on an annual basis or at other time as necessary evaluates performance of the individual employee and is entitled to adjust the fixed salary within the existing margins of employment costs related to a particular position.

The Company has set adequate controls for compliance with its remuneration policies and practices in order to ensure that they deliver the intended outcomes. These controls are implemented on various management and administrative levels and are subject to periodic review. Such controls include assessment of the quality of the service provided to the Client, checks of suitability of Client portfolios, as well as going through other client documentation on a regular basis.

Where potential or actual Client detriment might arise as a result of specific features in remuneration policies and practices, the Company shall take appropriate steps to manage potential conduct of business and conflict of interest risks by reviewing and/ or amending these specific features, and set up appropriate controls and reporting mechanisms for taking appropriate action to mitigate potential conduct of business and conflict of interest risks.

The Company has appropriate and transparent reporting lines aimed at assistance in handling issues involving risks of non-compliance with the applicable legislation relating to the conflicts of interest and conduct of business requirements under the applicable laws.

The Compliance Department is involved in the design process of remuneration policies and practices before they are applied to the employees of the Company. In order to control the design of remuneration policies and practices and the approval process for these, the Compliance Department shall verify that the Company complies with the conduct of business and conflicts of interest requirements under the applicable legislation, and shall have access to all relevant documents. Employees engaged in Compliance Function are independent from the business units they oversee, they have appropriate authority, and are compensated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

The Company's remuneration policies and practices are designed to benefit from the full support of senior management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that the employees effectively comply with the conflicts of interest and conduct of business policies and procedures.

When outsourcing the provision of investment services, the Company considers the best interests of its Clients. Where the Company would be considering the engagement of another for the provision of services, it shall check that the other company's remuneration policies and practices follow an approach consistent with the present Policy.

Risk Management Factors Regarding Remuneration Issues

The risk management factors regarding remuneration issues that are considered to be the most material and for which the Company's risk management and internal control system have been designed to address are the following:

- Risk of falling out of the “golden middle” as far as the existing remuneration levels is concerned;
- Risk of introducing stimulating remuneration practices giving rise to the conflict of interest;
- Operational risk as regards to maintaining key personnel and access to HR pool in case of necessary replacement.

The Company’s policies and procedures are designed to identify and analyze those and other risks on an on-going basis through monitoring the related risks and improving stability of its operations. The purpose of managing risks is the prompt identification of any potential problems before they occur.

Link between Pay and Performance

The Company has designed its remuneration policy to be proportionate to the scale, nature and complexity of the business. The Company has decided to follow fixed remuneration scales for all employees including top Management. More complex stimulating remuneration schemes are expected to be introduced in the future depending on the Company’s results and growth.

The total staff costs for 2017 amounted to EUR 402,175 (2016: EUR 329,364). It should be noted that the legal function, Internal Audit, Compliance, and Accounting Departments are outsourced.

The remuneration of the directors was as follows:

	2017	**2016**
	EUR	**EUR**
Non-Executive Directors' fees	10,300	12,000
Directors' remuneration	219,785	220,428
TOTAL	**230,085**	**232,428**

The Company did not pay any non-cash remuneration during the year 2017 and 2016.

Conclusion

It can be concluded that the Company has a comprehensive, effective risk management that meets its requirements. Specifically, it warns the management in due time of risks as they arise and enables timely and appropriate risk control measures to be taken. The Company understands the necessity of further improvement of the existing policies for capital management and continually assesses the appropriateness of its disclosures. Moreover, the Company has a clear remuneration system which is effectively risk-based managed. The Company is not disclosing in this report all information and certain detailed data which considers immaterial or confidential. The Company through its

Management is always willing to discuss these issues in more detail with any interested party upon written request.

The Company has included its risk management disclosures as required by the Directive on its website (www.nbinvest.com). The Company has appointed its independent auditors CosmoCo Ltd to verify its disclosures. The Company is required according to the Directive to provide a copy of the auditor’s verification report to CySEC five months after the end of each financial year, at the latest.