

PMT Matrix Capital Limited

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**MATRIX
CAPITAL**

PILLAR III DISCLOSURES

FOR THE YEAR ENDED 31 DECEMBER 2020

Disclosures in accordance to the Paragraph 32(1) of the Directive DI144-2014-14 of the Cyprus Securities & Exchange Commission for the Prudential Supervision of Investment Firms

Table of Contents

General Information.....	3
Company's profile	3
Risk Management objectives and policies	3
Scope of application	10
Own funds	11
Capital requirements	11
Exposure to counterparty credit risk	12
Operational risk	15
Remuneration policy	15
Leverage	17

General Information

The information below is disclosed in accordance with Directive DI144-2014-14 of 19 December 2014 (the “Directive”) of the Cyprus Securities and Exchange Commission (the “CySEC” or “Commission”) for the Prudential Supervision of Investment Firms and Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013. The Disclosures will be uploaded on the website of the Company where they will be publicly available to view and download.

The information that PMT Matrix Capital Ltd (‘the Company’ or “PMT”) discloses herein relates to the year ended 31 December 2020.

The Company has commissioned independent auditors to verify this document. The Company is required by the Directive to provide a copy of the auditor’s verification report to CySEC within five months from each financial year-end.

Company’s profile

PMT Matrix Capital Ltd was incorporated in Cyprus on 16 July 2012 as a private limited liability company under the Companies Law, Cap. 113 with the registration number HE 309339. The Company is a Cyprus Investment Firm authorized by the Cyprus Securities and Exchange Commission with license number 197/13. The Company is authorized to provide the investment services of Portfolio Management and Provision of investment advice in relation to the following financial instruments:

- Transferable securities
- Money-market instruments
- Units in collective investment undertakings
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event)
- Derivative instruments for the transfer of credit risk
- Financial contracts for differences.

The Company is authorized to provide ancillary service of provision of advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings.

The authorization was granted to the Company in May 2013 and the license was activated in May 2014. The Company’s authorisation was extended to cover advisory services in May 2019.

Risk Management objectives and policies

The Company implemented Risk Management Policy and Business Continuity Policy, which are both parts of the Company’s Internal Operational Manual (“IOM”). The Risk Management Policy was last updated in 2018 while the Business Continuity Policy was reviewed in 2020 without considerable amendments. Latest versions were approved by the Board in December 2018.

The Company’s Business Continuity Policy addresses to the risks of business interruption due to interruption of systems and procedures used by the Company caused by reasons outside the Company’s control. The Policy describes possible faults and measures aimed to avoid business interruption or to provide fastest possible recovery. The risks estimation and measures prescribed seems to be quite adequate to the Company’s environment. The Company’s staff was duly informed of the content of the Policy and of their actions in the fault cases.

The Risk Management Policy is the document, which lays down the principles of identification and management of risks (mainly financial) to which the Company is exposed in its activities.

The Company aims at low risk tolerance, in line with its strategic priorities and following the generally set low risk appetite.

The Risk Manager has identified the following material risks, which the Company can be exposed to.

Pillar 1 Risks

Credit risk is a risk of loss of principal or financial reward that arises when counterparty fails to meet its contractual obligations.

The Company faces credit risk of counterparties in the following cases:

- a) Trading on stock-exchanges,
- b) Transferring or keeping funds and financial instruments with banks,
- c) Trading over-the-counter (OTC)
- d) Having non-trading receivables,
- e) Investing own funds into non-trading book assets.

Market risk is the risk of loss resulting from changes in market variables of two general types - systematic risk and idiosyncratic risk.

The Company is not engaged in proprietary trading activities at present time, with exception of investment into shares of PMT Matrix Russia and Emerging Markets Fixed Income Fund (which is a highly diversified liquid portfolio of fixed income instruments with medium market risk) on a long-term non-traded basis; therefore, it is slightly exposed to interest rate risk and to securities' prices fluctuations. Fund's shares are nominated in US dollars. The Company is exposed to additional foreign exchange risk in connection with the Company's operating activities. At present, the main part of the Company's income is nominated and paid in United States dollars («USD») while only a small part of the Company's expenses is nominated in USD.

Operational risk is risk of loss caused by inadequacies or failures in internal processes, people or systems, or caused by external factors, whether natural, accidental or deliberate.

The Company divides its operational risks into the following categories:

- a) Information technology (IT) risk is the risk of loss caused by inadequacies or failures of information technology systems or processes. These include access to trading facilities through trading platforms or general hardware and software of the Company,
- b) Human risk is the risk of loss caused by inadequacies or failures in behaviour of people or accidental or deliberate actions by people from outside of the Company. These include fraud and mistakes, including those by brokers,
- c) Legal risk is the risk of loss in relation to contractual obligations and documentation. These include contractual obligations of Company's Clients and counterparties, cases when new regulations are issued by the relevant competent authorities, and cases when current legislation is updated or amended,
- d) Reputation risk is the risk of loss caused by the impact of transactions that the Company is engaged with, on the Company's reputation.

Risks not fully covered in Pillar 1

Credit Concentration risk –the risk arising from exposures to each counterparty, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large indirect credit exposures such as a single collateral issuer. No essential credit concentration was found. The

company subject to concentration risk in some degree only due to all the income generated by a single client, however the client is a Fund (UCITS) and thus cannot be considered as an ordinary person.

Residual risk – the risk that the recognized credit risk mitigation techniques prove less effective than expected. The risk can occur only in relation to non-trading receivables.

Securitisation risk - the risks arising from securitisation transactions in relation to which the Company is an investors, originator or sponsor, including reputational risks, such as arise in relation to complex structures or products. The Company has not been involved into complex securitisation transactions in any role. The securitisation risk can only appear from the Company's non-trading book.

Settlement risk - This could occur if, as part of a trade, the Company delivers an asset or cash value to a counterparty and does not receive the corresponding cash value or asset as expected. The risk can be attributed to settlement of own Company's transactions with UBS Bank. All client's transactions are settled by the Fund's depositary on a delivery-versus-payment basis.

Foreign Exchange Risk - Foreign exchange risk is not confined to proprietary positions taken by the Company and client driven transactions, but can also arise from known profit flows in foreign currency, and provisions for bad debts denominated in foreign currency. The Company have income flow in USD.

Pillar II risks

Liquidity risk is defined as the risk that the Company may have when it has insufficient resources to meet its current and prospective obligations or the risk when the maturity of assets and liabilities does not match. The Company keeps main part of its own funds as cash in the banks and other liquid assets, which exceeds considerably any liabilities within the timeframe considered. Liquidity risk may arise from the Company's inability to manage unplanned decreases or changes in funding sources as well as its failure to recognise or address changes in market conditions that affect the ability to liquidate assets quickly and with minimal loss in value.

Business Risk - the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions.

Legal and compliance risk - This could arise as a result of breaches or non-compliance with legislation, regulations, practices or ethical standards. Anti-money laundering practices should also be assessed as part of the compliance with regulatory requirements.

Reputational Risk - This could arise from an adverse perception of the image of the Company on the part of customers, counterparties, investors or regulators.

Strategic risk - This could occur as a result of adverse business decisions, improper implementation of decision or lack of responsiveness to changes in the business environment. The interest of potential clients to the products related to the emerging markets (and especially to Russian) can calm down by the continuing slowing of the corresponding economies and unfavourable political events. The Company has got the main expertise namely in the mentioned products. However, the indirect estimations confirm the existence of the potential interest to the Company's products. The Company continue corresponding monitoring and development of the alternative products.

Interest risk arising from non-trading book activities - the risk arising from potential changes in interest rates that affect the Company's non-trading activities.

RISK MANAGEMENT TOOLS AND LIMITATIONS

The Company aims at low risk tolerance, in line with its strategic priorities and following the generally set risk appetite. The Risk Manager implements a robust system, which consists of a broad-perspective framework and

risk-specific frameworks, providing for risks mitigation and limitation of exposures of the Company. Within the broad framework, PMT uses regulatory capital required by the legislative framework as a consistent tool for risk management, capital management and measurement of performance.

Risk Manager uses a number of techniques within each risk-specific framework in order to manage the Company's risks and exposures.

Capital Adequacy

Regulatory capital requirements are externally imposed by the Commission following the capital framework put forth by the European Commission (Regulation (EU) No 575/2013). The Company is required to provide own funds, which at all times have to be equal or greater than the sum of the following capital requirements:

- a) Credit Risk. The Company applies the Standardized Approach for the calculation of risk-weighted exposure amounts for the following exposure classes: exposures to institutions, corporates, public sector entities, exposures to other items and risk of investments into equities of the fixed income fund.
- b) Foreign Exchange (Market Risk). If the sum of an institution's overall net foreign-exchange position and its net gold position, calculated in accordance with the procedure set out in Article 352, including for any foreign exchange and gold positions for which own funds requirements are calculated using an internal model, exceeds 2 % of its total own funds, the institution shall calculate an own funds requirement for foreign exchange risk. The own funds requirement for foreign exchange risk shall be the sum of its overall net foreign-exchange position and its net gold position in the reporting currency, multiplied by 8 %.
- c) Operational Risk. The Company uses Fixed Overhead requirement to calculate the capital requirement for operational risk. Under the fixed overhead requirement, the Company is required to hold eligible capital of at least one quarter of the fixed overheads of the previous year. The approach for calculating fixed overheads is a subtractive approach, whereby variable cost items are deducted from the total expenses, as calculated according to the applicable accounting framework. The subtractive approach ensures that changes to the accounting framework are automatically taken into account and cannot be arbitrated by changing the accounting categorization.

Credit risk management

- a) Counterparty credit risk
 - i. The Company limits its exposure to counterparty credit risk by restricting its business from holding any accounts with stock exchanges.
 - ii. The Company establishes limits on number of banks where it holds its accounts on the basis of their credit ratings. PMT holds its accounts only with one banking institution duly licensed and operating in a member of European Free Trade Association (Switzerland) and with one Cyprus-established bank. The Company restricts the use of accounts to holding only non-Client funds.
- b) Client credit risk
 - i. In relation to the standard deals for purchase or sale of financial instruments, the Company does not entail any additional financial obligations except for fees.
- c) Credit risk of investments into equities of the fixed income fund.
 - i. The Company decided to invest excessive part of the own funds into shares of PMT Matrix Russia and Emerging Markets Fixed Income Fund (the "REMFIFund"). It could provide the Company with additional income without creating considerable risks for the Company's reliable operations. The Company is an investment manager of this fund. The investment should be managed on a long-term non-traded basis in such a way to keep the Company's liquidity and Capital Adequacy Ratio in a safe zone.

The funds are actually invested into a liquid and diversified portfolio of fixed income instruments, which is kept and monitored by professional service providers of the Fund under requirements of the UCITS Directive. The Company use standardized approach to calculating corresponding risk value.

Market risk management

Current investment policy of the Company does not expect any Company's investments into securities or any other financial instruments other than bank deposits and equities of the fixed income fund (see Credit risk management paragraph above).

The Company aims to avoid any considerable foreign exchange risks. If it is not possible the Company mitigates its foreign exchange risk in currency positions by using hedging transactions. In order to reduce the remaining foreign currency risk that is not mitigated through hedging, the Company holds net borrowings in foreign currency.

At present, the main part of the Company's income is nominated and paid in United States dollars («USD») while only a small part of the Company's expenses is nominated in USD. This leads to a permanent increase in the Company's open USD/EUR position, which is diminished periodically through the bank foreign exchange transactions. The Company considers such permanent variable risk rather as a business risk than a pure market risk (though market risk is also present). In view of the abovementioned and taking into account relatively low short-term volatility in USD/EUR ratio the Company can keep part of its assets (both as Receivables, as USD nominated financial instruments and as Cash in Banks) amounting up to 100% of the Company's capital in USD without any hedging. The Risk Manager should monitor the global trends affecting the mentioned risks and notify the Senior Management in any case when steep changes are expected.

As it was mentioned already, the Company accepts market risks of USD-nominated investments of the excessive part of the Company's own funds into shares of PMT Matrix Russia and Emerging Markets Fixed Income Fund on a long-term non-traded basis. The amount of such investment should be restricted by the value, which guaranties the Company's liquidity and Capital Adequacy Ratio in a safe zone.

At the end of 2020 the total Company's exposure to USD (unweighted) was 98.0% of the eligible own funds.

Operational risk management

a) IT risk

- i. All systems have been tested by a number of IT specialists.
- ii. They are examined by their successful performance in the course of considerable time.
- iii. Maintenance and technical support of those systems are continuously performed by the IT Department.

b) Human risk

- i. All data relating to the transactions of the Company and its Clients are recorded into the Company's systems and are stored on the reliable storage facilities with relevant backup procedures.
- ii. All data provided by the Client during the process of opening of the account is entered into applicable data files with segregated access rights.
- iii. The Employee replacement policy is implemented for unexpected hazardous cases.

c) Legal risk

- i. The Company continuously and cautiously monitors the new regulations, and implements new Directives issued by the competent supervisory authorities;
- ii. On an annual basis the Board of Directors receives and analyzes the reports on Anti-Money Laundering Compliance, Internal Audit, Legal Compliance, and Risk Management and specifically addresses any possible deficiencies in the Company's procedures addressing the covered issues;

- iii. Annual reports prepared by the Compliance Department and Internal Auditors attest and confirm that the Company successfully follows the governing Law and applicable legislation.

The Company prepares its Capital Adequacy Report (the "CAR Report") quarterly and submits it to the CySEC in specified dates (approximately 40 days after quarter end). The CAR Report is based on financial accounts provided by the Company's accounting function. The CAR report consists of one or several pre-defined forms depending on Company's licensed activity and existing exposures. The report quantifies in details all Pillar 1 risks and calculates Company's eligible own funds, Capital Adequacy Ratio and Large Exposures. It is Risk Manager who is responsible for preparation and submission of the Report. Similar procedure is done once a year based on audited companies accounts as at the year-end. Corresponding deadline for submission is 31 May of the next year.

If the Report shows eligible own funds or Capital Adequacy Ratio is below the prescribed minimum value or any of the Large Exposures is above the regulatory maximum value, then Risk Managers notifies Company's Senior Management and the Board immediately. Senior Management must prepare recovery plan and present it to the Board for discussion and approval in such case as soon as possible. The approved plan should be communicated to the Commission. Risk Manager have to monitor the implementation of the plan and report to Senior Management and to the Board accordingly until the complete fulfilment.

Risk Manager uses the CAR Report to project the Capital Adequacy for the upcoming quarter and for a longer period when necessary. Within the projected period, Risk Manager reconciles actual accounting data against the projections, updates Capital Adequacy calculations and takes other necessary measures if considerable difference is found.

Other Risks Monitoring

The Company uses Risk Register as a main tool for monitoring risks other than Pillar I risks. Risk Manager is responsible for the establishment and maintenance of the Risk Register. The Risk Register is a table where all risks identified for the Company are listed. The Risk Register is used also for Internal Capital Adequacy Assessment Process.

The table includes at least all Pillar 1 risks, Risks not fully covered by Pillar I and Pillar II risks listed above. Any additional Risks detected during the Risk monitoring should be added to the Risk Register.

The Risk Register is updated regularly and at least annually. Corresponding procedure is initiated when any considerable changes in the Company's business take place, including changes in organisational structure, implementation of new software, launch of a new product etc.

Internal Capital Adequacy Assessment

The Company uses data from the Risk Register for internal assessment of the adequacy of the Company's capital to the nature and level of the risks, to which it is or might be exposed. The Risk Manager analyses current level of each risk and defines quantitative value of the corresponding risk exposure. The value of the risk exposure is used to calculate internal allocation of the additional capital to that risks using the standardised model (i.e. additional capital is calculated as 8% of the risk exposure for all Non-Pillar I risks). Total value of minimum internal capital is calculated as a sum of all risk related components.

Additional internal assessment of the capital is a check whether the Company has enough own funds for current business and for further business development for a reasonably long period (from 3 to 5 years). The Company uses 3 years projections, as longer forecasts seems unreliable because of the fast-changing business of the Company. The business targets for the period are defined by the Senior Management, the financial projections on the basis of that targets are prepared by financial department of the Company under supervision of the Senior Management.

The Risk Manager conducts appropriate stress tests, which take into account, all the material risks identified, and analyses the impact of the test to the future capital requirements of the Company. Additional internal requirements to the own funds are imposed if the testing shows insufficient coverage of risks for the period under consideration.

The result of the above calculations and testing is compared with actual value of the Company's own funds. The results of such assessment is reported to Senior Management and to the Board when necessary. If the analysis shows lack of the capital then the Senior Management proposes plan for the recovery of the capital, which can include review of the risk appetite, changes in strategy or business plans or request for additional source of capital. The plan is presented to the Board for approval. The Senior Management is responsible for implementation of the approved plan. The Risk Manager is responsible for the monitoring of the implementation process and proper reporting results of such monitoring.

The Company prepares and maintains valid ICAAP Report, which is the document submitted to the Commission upon its request, explaining how the Company has implemented and embedded the ICAAP (process) within its business, describing its risk profile and the extent of risk appetite that is prepared to accept as well as the capital that it considers as adequate to be held against all the risks that it is exposed to. The ICAAP should form an integral part of the Company's management processes, so as to enable the board of directors and senior management to assess, on an ongoing basis, the risks that are inherent in their activities and material to the Company.

The Report is prepared and maintained by the Risk Manager. It is submitted to the Senior Management and to the Board for discussion and approval after every review and in any case at least annually. All departments participate in the preparation of the Report when required and to the extent required. The Senior Management provides proper commands in this regard.

Risk management function

The Company established the Risk Management function in compliance with the legal requirements. It was decided by the Board in view of the Company's size and nature and complexity of its business to appoint a Risk Manager who was at the same time a Senior Manager of the Company. The Board considered such appointment guaranty sufficient independence of the Risk Management function as the mentioned duties did not include direct involvement into the operational functions.

The Company's Senior Management will provide Risk Manager with any additional resources or apply to the Board for such resources if it is required by a business development and/or risk growth.

The Risk Manager's role according to the Company's Risk Management Policy is to:

- Implement policies on risk management and internal control;
- Periodically review the risk management policies and procedures as well as processes and mechanisms adopted by the Company to manage the risks relating to the Company's activities;
- Identify and evaluate the fundamental risks faced by the Company for consideration by the Senior Management;
- Provide training and assistance in the implementation of the required controls of the Company;
- Ensure that the risk management function operates independently;
- Provide adequate information in a timely manner to the Senior Management on the status of risks and controls;
- Provide reports to the Senior Management, with details of the Company's total exposure across all instruments. These reports will include information about Clients' positions and the positions opened under the guidance of the Risk Management, as part of the hedging activity;
- Undertake a review of effectiveness of the system of internal control and provide a report to the Senior Management.

The Board is regularly informed by the Senior Management on all the Risk Management issues. The annual Risk Manager report is presented to the Board. The report is discussed and approved by the Board.

The annual Risk Manager report for the year 2019 was discussed and approved by the Board in June 2020. It was stated by the Board that the Company's risk management arrangements are adequate to its business profile and strategy. The Board reviewed Risk Management Policy, Replacement Policy, Business Continuity Policy and

Remuneration Policy in 2020. The Board discussed capital adequacy and capital management issues in 2020, updated Company's ICCAP report was presented to the Board in December 2020.

The Board via the Risk Management Policy approved a very low Company's appetite to risk, stimulating the establishment of the long-term client-focused business.

Governance arrangements

The Board of Directors of the Company (hereinafter also called the «Board») is the management body of the Company and it essentially exercises substantial control over the Company's activities and affairs. The Company's Board of Directors consists of four Directors. Two of them are independent non-executive Directors and the other two are executive Directors.

It should be mentioned that there were no changes in the Board composition in 2020.

Members of the Board of Directors must at all times be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the Board shall reflect an adequately broad range of experiences. Members of the Board of Directors must, in particular, fulfil the following requirements:

- All members of the Board must commit sufficient time to perform their functions in the Company.
- The number of directorships which may be held by a member of the Board at the same time must take into account individual circumstances and the nature, scale and complexity of the Company's activities.
- The Board of Directors must possess adequate collective knowledge, skills and experience to be able to understand the Company's activities, including the main risks.
- Each member of the Board must act with honesty, integrity and independence of mind to effectively assess and challenge the decisions of the Senior Management where necessary and to effectively oversee and monitor management decision-making.

The Company allowed the Directors to have the directorships in other companies. In the beginning of 2021 the Directors of the Company had no other directorships in financial companies.

The Company engages a broad set of qualities and competences when recruiting members to the Board of Directors and for that purpose promotes diversity of the Board.

The Board of Directors must ensure that the management body defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties in the organization and the prevention of conflicts of interest. Those arrangements must comply with the following principles:

- the Board must have the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk strategy and internal governance;
- the Board must ensure the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards;
- the Board must oversee the process of disclosure and communications;
- the Board must be responsible for providing effective oversight of Senior Management;
- the Chairman of the Board of Directors of the Company must not exercise simultaneously the functions of a Chief Executive Officer within the Company, unless justified by the Company and authorized by the Commission.

The current composition of the Board is considered to be in agreement with the abovementioned requirements.

It was decided by the Board that the current size and business specifics of the Company did not require establishment of the Risk Committee.

Scope of application

PMT Matrix Capital Ltd is preparing these disclosures on an individual (solo) basis. The Company has no subsidiaries. The company is not a subsidiary of a European financial institution. There are no entities which, for

the purposes of the Directive, might be treated as fully consolidated, proportionately consolidated, or deducted from PMT's own funds.

Own funds

The Own Funds of the Company as at 31 December 2020 consisted solely of Tier 1 Capital and amounted to 573 thousand EURO. Company's contribution into Investors Compensation Fund of clients of CIFs were deducted from Tier 1 capital in eligible capital calculations. No other prudential filters were applied. No allowances to avoid deduction were used. Final value of the eligible own funds for regulatory purposes was 546 thousand EURO. The composition of the Company's capital base/own funds is presented in Table 1 below.

Table 1: Composition of the capital base of PMT Matrix Capital Ltd

CAPITAL FOR REGULATORY PURPOSES	As at 31st Dec 2020
Description	EUR '000
Tier 1 - Original Own Funds	573
- Share capital	1600
- Previous year retained earnings	(828)
- Profit (or loss) from current year	(200)
- Accumulated other comprehensive income	0
Tier 1 Deductions	(26)
Capital for regulatory purposes	546

The Company did not change its authorised share capital in 2020. The Company's issued share capital as at 31 December 2020 amounted to 1.600 thousand EURO and consisted of 1.600.000 ordinary shares of EUR 1.00 each.

Capital requirements

The Company uses approaches specified by the regulator to assess its capital adequacy. The Company monitors capital adequacy on an ongoing basis via both the estimation of the current Company's capital and monitoring and limiting existing exposures within the frame of the adopted Risk Management policy to avoid sharp increase in their value. Maintained capital buffer allows to be sure that the Company has sufficient capital compared to the regulatory requirement.

The capital requirements of the Company as at 31 December 2020 from minimum allowed capital adequacy were 164 thousand EURO as analysed in Table 2 below.

Table 2: Minimum Capital Requirements

Type of Risk	As at 31 December 2020	
	RWA (EUR '000)	Minimum Requirements (EUR '000)
Credit Risk	699	56
Foreign Exchange Risk	535	43

Operational Risk	0	0
Additional Fixed Overheads requirements	818	65
Total	2052	164

Another regulatory requirement to the Company is to have own funds above minimum capital value specified for granted type of license. This minimum capital value was 50 thousand EURO in 2020. The Company's own funds were considerably above the minimum required at all times.

On the 31 of December 2020, the Company had neither any other exposure relating to equities, nor exposure to commodities and traded debt instruments.

The Capital Adequacy ratio of the Company as at 31 December 2020 was 26.6%.

Exposure to counterparty credit risk

The Company implements the Standardised Approach for the calculation of its minimum capital requirements for credit risk. PMT is not exposed to any derivatives or/ and repurchase transactions thus the Company is not subject to corresponding counterparty credit risk.

The Company does not make use of Credit Risk Mitigation and does not have any provisions.

Provisions are recognised when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and a reliable estimate of the amount can be made. If the effect is material, provisions are determined by discounting the expected future cash flows at a pre tax rate that reflects current market assessment of the time value of money and, where appropriate, the risks specific to the liability.

With regards to impaired exposures, the Company considers a financial asset as impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the financial asset, provided that such loss event has an impact on the estimated future cash flows of the asset which can be reliably estimated.

The Company first assesses whether objective evidence of impairment exists individually for loans and other financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment.

Objective evidence that financial assets are impaired can include default or delinquency by a borrower, breach of loan covenants or conditions, restructuring of a loan or advance by the Company on terms that the Company would not otherwise consider, indications that a borrower or issuer will enter bankruptcy, the disappearance of an active market for a security, deterioration in the value of collateral, or other observable data relating to a group of assets such as adverse changes in the payment status of borrowers in the Company, or economic conditions that correlate with defaults in the Company.

The impairment loss on a financial asset is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, including amounts recoverable from guarantees and collateral (excluding future cash flows that have not been incurred), discounted at the asset's original effective interest rate.

As at 31 December 2020, PMT impaired unsettled receivables originated from setup costs of delayed new business amounting 90 thousand euro.

Table 3 below presents the allocation of credit risk according to the exposure class of the Company's counterparties.

Table 3: Risk Weighted Assets (RWA) and Minimum Capital Requirement per Exposure Class

Exposure Classes	As at 31 December 2020 (EUR '000)			
	Total value	exposure	RWA	Minimum Capital Requirements
Public sector entities	0		0	0
Institutions	61		17	1
Corporates	213		213	17
Equities	442		442	35
Other Items	28		28	2
Total	744		699	56

The following table presents the countries to which each exposure class is concentrated.

Table 4: Geographic distribution of exposures

Exposure Class	As at 31 st December 2020 (EUR '000)			
	Cyprus	Ireland	Switzerland	Total
Public sector entities	0	0	0	0
Institutions	16	0	45	61
Corporates	1	208	5	213
Equities	0	442	0	442
Other Items	28	0	0	28
Total	45	650	50	744

Table 5 below analyses the distribution of the Company's counterparties by industry.

Table 5: Distribution of exposures by industry type

Exposure Class	As at 31 December 2020 (EUR '000)			
	Banking Services	Financial Services	Other	Total
Public sector entities	0	0	0	0
Institutions	61	0	0	61
Corporates	0	213	1	213
Equities	0	442	0	442
Other Items	0	0	28	28
Total	61	655	28	744

The following table, Table 6, displays the residual maturity of the Company's exposures, broken down by exposure class, as at 31 December 2020.

Table 6: Residual Maturity per Exposure Class

Exposure Class	As at 31 December 2020 (EUR '000)		
	Residual Maturity < 3 months	Residual Maturity > 3 months	Total
Public sector entities	0	0	0
Institutions	61	0	61
Corporates	208	5	213
Equities	0	442	442
Other Items	0	28	28
Total (EUR)	269	475	744

The Company applied neither specific nor general risk adjustments.

For the credit risk weighting of Institutions, the Company uses their credit ratings or the sovereign ratings of the government of the country where each institution is incorporated (when individual ratings are not available). The Company rely on credit ratings issued by Standard & Poor's, Fitch Ratings and Moody's to rate its exposures, matching the external rating with the corresponding Credit Quality Step, according to the provisions of the Capital Requirements Directive and Capital Requirements Regulation.

The Company uses Credit Quality Step confirmed by the ratings from any two of the three mentioned sources. In the cases where all the three credit ratings differ or some agencies does not rate the exposure, the Company applies the worst existing rating among those three to rate its exposures.

The Corporates to which PMT was exposed as at 31st December 2020 were unrated. As a result, a risk weight of 100% was applied.

The main corporate exposures of PMT were located in payables from the UCITS fund incorporated in Ireland.

The Other Items category includes other current debts, and refundable taxes. A risk weight of 100% was applied to all exposures that were classified into Other Items asset class.

Risk weight 100% was applied to credit risk exposure on UCITS fund equities.

The following table presents the exposures of the Company per risk weight.

Table 7: Exposure amount broken down by risk weight

Risk Weight	As at 31 December 2020
	Exposure Amount (EUR '000)
20%	45
50%	16
100%	683
250%	0
Total	744

The following table presents the exposures of the Company per Credit Quality Step (CQS).

Table 8: Exposure amount broken down by Credit Quality Step (CQS)

Credit Quality Step (CQS)	Total exposure value (EUR '000) as at 31 December 2019				
	Public sector entities	Institutions	Corporates	Equities	Other Items
1	0	45	0	0	0
2	0	16	0	0	0
4	0	0	213	442	28
5	0	0	0	0	0
Total	0	61	213	442	10

Operational risk

The Company uses Fixed Overhead requirement to calculate the capital requirement for operational risk. Under the fixed overhead requirement, the Company is required to hold eligible capital of at least one quarter of the fixed overheads of the previous year with some additional corrections. At the end of 2020 the calculated weighted additional risk exposure to the fixed overheads was 818 thousand EURO (see Table 2 above).

Remuneration policy

This Remuneration Policy (the Policy) of PMT is a document which stays the foundations and principles for establishing remunerations within the Company, how the Policy should be applied and followed. Current version of the Remuneration Policy was reviewed and approved by the Board in December 2017. The latest review was done in December 2020.

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

The remuneration policy was changed considerably in 2017. It was decided that provisions regarding variable remuneration of staff had and some of service providers to be developed. Provisions mitigating possible conflicts of interests accompany the novels regarding variable remuneration.

The fixed part of the remuneration (salary) is defined in the employment agreement of each employee; however, it is subject to possible revisions depending on various considerations, including the overall employee's performance, individual labor discipline, changes in the Company's organizational structure and strategic business planning, changes in market level of salaries. The Company ensures that employees receive competitive fixed remuneration. Additionally, part of the staff can be promoted via variable remuneration.

It is the current Company's policy to provide possibilities for variable remuneration of employees only in cases when the Board of Directors considers this necessary or reasonable in order to stimulate employees to work further in the best long-term interests of the Clients (and thus of the Company). The variable part of remuneration should reflect sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job description. There is no direct link between the sales results of an employee and his or her remuneration. The Board can raise the question regarding variable remuneration only when the Company earned considerable net profit for the current or preceding year, or when performance of some employees is much higher than expected even in the case of no profit. Total amount of variable remuneration should not threaten the Company's capital adequacy in any degree and limit the ability of the Company to strengthen its capital base. The Company always has all rights and opportunities to pay no variable remuneration.

The value of variable remuneration is defined based on qualitative criteria first, it is also subjected to some restrictions in accordance with applicable legislation as adjusted to company's business specifics. Staff engaged in control functions is kept independent from the business units they oversee, and is remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. Actually, the Company does not allow variable remuneration for Legal Compliance function, Internal Auditors, External Auditors and Non-Executive members of the Board of Directors, in order to keep their independence from business sub-divisions.

Taking into consideration the Company's scope of business, most of the departments of the Company are currently represented only by one employee; thus the Head of each Department is not assessed individually but rather as the manager of business section. There are no appraisals arrangements used by the Company that may be considered detrimental to the performance of the employee in the interests of the clients and the company, favoring his or her own concerns.

Issues related to the rewards of employees are dealt with on an individual basis by the Board of Directors and/or by the Supervisory Board, consisting of two Directors (where applicable). Each Director of the Company has necessary qualifications, expertise and authority as requested by the Commission and as stated in the internal documents of the Company, including the Internal Operation Manual. Other benefits, such as medical insurance, are parts of the fixed remuneration and awarded on the basis of individual employment contract and local market practice.

The remuneration of the Directors of the Company is directly overseen by the Board of Directors. The remuneration of the Directors is to ensure the Company's ability to attract and retain the most qualified members of the Board of Directors and a good basis for succession planning. In connection with the annual assessment of the remuneration of the Directors, developments in market practice are assessed as well. Non-Executive members of the Board of Directors receive a fixed remuneration. The remuneration of the Executive Members of the Board of Directors consists of a fixed remuneration; a variable remuneration can be added by the Board.

In 2020 the Senior Management proposed and the Board of the Company agreed not to pay variable remuneration to employees. The Senior Management approved only payment of a small variable remuneration to the Company's cleaner. At the same time the Board approved proposal of the Senior management to pay variable remuneration to the Company's investment advisor in accordance with the Remuneration policy and in view of considerable positive performance of the portfolios under management in 2020.

The Company's annual remuneration to management and staff as at 31 December 2020 was as follows:

Table 9: Remuneration to management and staff in 2020

	As at 31 December 2020			
	No. of staff	Remuneration ('000 EUR)		
		Fixed	Variable	Non cash
Board of Directors				
<i>Executive</i>	3	112	-	-
<i>Non-Executive</i>	2	10	-	-
Other staff				
<i>Staff responsible for independent control functions and other staff</i>	3	107	-	-
Total	8	229	-	-

Table 10: Quantitative information on remuneration, broken down by business areas:

	As at 31 December 2020		
	Annual Remuneration ('000 EUR)		
	Fixed	Variable	Non cash
Business area:			
<i>Portfolio Management Department</i>	61.0	-	-
Total	61.0	-	-

The Head of portfolio management is also an executive director.

Leverage

The leverage ratio is calculated as a Company's capital measure divided by total exposure measure and expressed as percentage. The capital measure is the Tier 1 Capital. The total exposure measure is the sum of the exposure values of all assets and off-balance sheet items not deducted when determining the capital measure. At 31 December 2020 the Company's Leverage ratio was 42.6 %.