



**Amana Capital Ltd**

**Disclosure and Market Discipline Report**

**31 December 2018**

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## 1. GOVERNING LAW

The European Union has adopted a legislative package to strengthen the regulation of the financial sector and to implement elements of Basel III in the EU legal framework. The primary European regulatory framework comprises Capital Requirements Regulation (EU) No 575/2013 of 26 June 2013 as subsequently amended (“CRR”) and Capital Requirements Directive 2013/36/EU of 26 June 2013 as subsequently amended (“CRD IV”). This report has been prepared in accordance with Section 4 (Paragraph. 32) of the Cyprus Securities and Exchange Commission (hereinafter the “CySEC”) Directive DI144-2014-14 (the ‘Directive’) for the prudential supervision of investment firms which implements the Regulation 575/2013 (the “Regulation”) and the European Directive 2013/36/EU (the “European Directive”).

## 2. SCOPE OF THE APPLICATION

These disclosures apply to the Company on a solo basis. The Company does not have any subsidiaries and thus does not need to produce any consolidated results. The Company’s policy is to publish the disclosures required on an annual basis (Article 433, Frequency of disclosure of the Regulation). The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

According to Article 434, Means of disclosures, of the Regulation, Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements. In this respect, the Company’s Pillar III disclosures are published on the Company’s website: <http://www.amanacapital.com.cy>.

## 3. COMPANY INFORMATION

Amana Capital Limited, (the “Company”) obtained a license from the Cyprus Securities and Exchange Commission (hereinafter, the “CySEC”), CIF 155/11 on 21st October 2011. According to its license, the Company is authorised to provide the following investment services:

- Reception and transmission of orders in relation to one or more financial instruments;
- Execution of orders on behalf of clients;
- Dealing on own account.

The Company is also licensed to provide the following ancillary services:

- Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services;
- Granting credits or loans to an investor to allow him to carry out a transaction;
- Foreign exchange services where these are connected to the provision of investment services.

Further details can be found on the CySEC’s website.

#### **4. THE ANNUAL RISK MANAGEMENT REPORT**

The Company's activities expose the Company to a number of financial risks, including but not limited to: a) Capital risk; b) Market risk (including foreign exchange risk, price risk, correlation risk and interest rate risk); c) Liquidity risk; d) Credit/Counterparty risk; and, e) Operational risk.

According to paragraph 9(2) of Directive DI144-2007-01 for the authorisation of operating conditions of a CIF, The Board of Directors of Amana Capital Ltd received the Annual Risk Management Report 2018 (the "Report").

The Directive is based on three pillars as follows:

- Pillar I – Minimum Capital Requirements. This is the calculation of the total minimum capital requirements for market, credit and operational risk. The minimum ratio of capital to risk-weighted assets is set to 8%.
- Pillar II – Supervisory Review Process. This sets the key principles of supervisory review assessing the internal capital adequacy process and evaluating whether the Company should hold additional capital against risks not covered already in Pillar I.
- Pillar III – Disclosure requirements to the market related to the risks, capital and general the risk management framework and internal control processes.

The Report sets out the risk management framework for the identification, measurement, monitoring and reporting of risks in order for the Company to meet the requirements of good corporate governance and protect the interests of the Company's employees, suppliers and shareholders. Finally, the Report identifies and describes the key risks faced by the Company.

#### **5. RISK DECLARATION AND RISK STATEMENT**

The responsibility for the risk management framework of the Company ultimately rests with the Company's Board of Directors which has the responsibility for the overall design of the risk management system of the Company, monitoring of effectiveness of internal controls and procedures and appropriateness of the policies and periodic review. The Board declared on the adequacy of the Company's risk management arrangements and confirms that the risk management systems in place – including measuring, monitoring and reporting – are adequate in relation to the Company's strategy and risk profile – refer to Annex I.

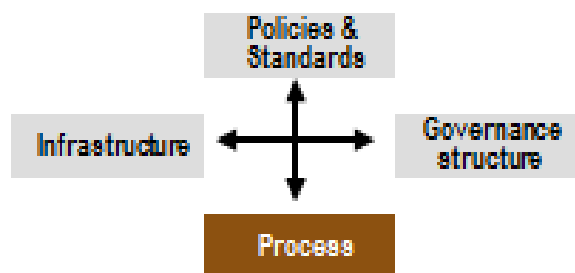
The Company's Disclosures Policy has been approved unanimously by the Board.

## 6. THE COMPANY'S APPROACH TO RISK MANAGEMENT

The Board and Management recognize that risk occurs as part of the day-to-day business of the Company. Risk management embraces the whole spectrum of activities associated with the identification, measurement, monitoring and reporting of risk. The risk management framework enables a consistent approach to risk management across the Company.

The Company's risk framework is comprised by the following four key components:

- Policies and standards;
- Organization and governance structure;
- Risk processes; and,
- Risk infrastructure.



### Policies and standards deal mainly with:

- Overall objective, risk strategy and appetite
- High level description of approach and minimum risk policy standards
- Relation with other lower level risk management and control policies and processes

### Organization and governance deal mainly with:

- Clearly documented roles and responsibilities tied to job description
- Risk, MLCO/Compliance and Internal Audit functions which provides independent assessment and challenge to the business
- Senior management oversight

### Risk processes deal mainly with detailed standards and guidelines for:

- Risk and control assessment process
- Risk monitoring/key risk indicators
- Incident and loss tracking/reporting
- Company risk reporting

### Risk Infrastructure deals mainly with:

- Technology to support/enable risk data capture and reporting
- Supporting methodologies and tools
- Key risk measures

## 7. THE BOARD OF DIRECTORS

### 7.1 Responsibility and the Board of Directors

The Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 3 executive directors, one non-executive director and two independent non-executive directors. There have been no changes in the Board of Directors in 2018.

Director	Function	Internal Directorships
Mr. Ahmad El Khatib	Chairman of the Board of Directors (Executive Director)	8
Mr. Athanasios Velianis	General Manager (Executive Director, part of "4-Eyes")	4
Mr. Mazen Yazbeck	(Non-Executive Director)	2
Mr. Socrates Parparinos	Independent, Non-Executive Director	1
Bilal Jalal Mustafa Khaled	Executive Director	1
Mr. Georgios Xydas	Independent, Non-Executive Director	3

A number of Directors hold directorships in other Companies but there is no conflict of interest and without compromising the quality of work executed within the Company.

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company's Board Risk Appetite. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, in line with the Company's risk appetite.

### 7.2 Recruitment policy

The Board of Directors will submit request to HR prior to the recruiting candidate for the Board of Directors. It is the responsibility of the Board of Directors to find, assess and short list candidates for the Board of Directors. The short listed candidates must have sufficient experience and knowledge and devote the time needed to perform the job required by the Board of Directors effectively.

### 7.3 Diversity policy

Amana Capital Ltd is committed to promoting diversity in the composition of its Board of Directors and recognizes that its human capital is the most valuable asset. Diversity is one of the criteria taken into consideration when selecting a Board member so that the Company has a balanced and effective Board.

## 8. RISK MANAGEMENT STRUCTURE

*Senior Management:* The recruitment policy for the selection and appointment of members of the management body combines an assessment of academic qualifications, work experience, technical capability, competence skills as well as performance during the interview selection process.

The Senior Management is responsible to ensure that the Company complies with its obligations under the Law. Further to this, all members of the Senior Management of the Company have the same level of responsibility and authority regarding the management and good standing of the Company. The board selects and appoints members based on their academic background, skills and qualifications and have the necessary knowledge and expertise for performing their assigned responsibilities.

Management confirms that the risk arrangement systems and controls put in place are adequate for the risk profile, complexity and size of the company's current level of operations.

*Risk Management Committee:* 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. During 2018 the Risk Committee held 4 meetings.

The Risk Management Committee reports directly to the Board and consists of:

Director	Function	Internal Directorships
Mr. Ahmad El Khatib	Chairman of the Board of Directors	8
Mr. Athanasios Velianis	General Manager	4
Mr. Mazen Yazbeck	(Non-Executive Director)	2
Mr. George Xydas	Non-Executive Director	3

*Risk Officer:* The Risk Manager is responsible to 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 reports to the Senior Management of the Company.

*Internal Audit:* The Company, taking into account the nature, scale and complexity of its business activities, as well as the nature and the range of its investment services and activities, established and maintains an internal audit function through the appointment of a qualified and experienced Internal Auditor. The Internal Auditor reports to the Senior Management of the Company and is responsible for to evaluate the adequacy and effectiveness of the Company's internal controls, systems, policies and procedures with respect to risk management.

*Compliance Officer:* The Compliance Officer is responsible to implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports to the Senior Management of the Company.

*Money Laundering Compliance Officer:* The Company's Money Laundering Compliance Officer (hereinafter the "MLCO") leads the Company's Money Laundering Compliance procedures and processes and report to the Senior Management of the Company. All of the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing.

## 9. OWN FUNDS

The Company's capital base comprises exclusively of Tier 1 capital. A detailed breakdown of the Company's Total Eligible Own Funds, as at 31 December 2018, is presented in the table below:

<b>Original Own Funds</b>	<b>31 December 2018 in thousands USD</b>
Share Capital	8
Share Premium	5.218
Accumulated Losses b/f	(2.279)
Loss for the year	(972)
Investors Compensation Fund	(81)
Intangible Assets, deducted from Common Equity Tier 1 as per transitional provisions	(38)
<b>Total Common Equity Tier 1</b>	<b>1.856</b>
Instruments qualifying as Additional Tier 1 capital ("AT1")	-
Deduction from Tier 1 capital	-
<b>Total Tier 1 / Total Capital</b>	<b>1.856</b>

Total equity equals to the total eligible own funds less intangible assets and the investors compensation fund.



The reconciliation of Own Funds as per the audited Financial Statements and Regulatory Own Funds, as per the requirements of Article 437 are presented below.

	As per Audited Financial Statements	As per Prudential Requirements
	US'000	US'000
Ordinary Share Capital	8	8
Share Premium	5.218	5.218
Accumulated Losses b/f	(2.279)	(2.279)
Loss for the year	(972)	(972)
<b>Total</b>	<b>1.975</b>	<b>1.975</b>
Total Deductions (Intangibles & Investor Compensation Fund)	-	(119)
<b>Own Funds after deductions</b>	<b>1.975</b>	<b>1.856</b>

The Company is not required to hold any additional capital requirements as regards to the countercyclical buffer.

## 10. CAPITAL RISK

The Company is exposed to capital risk as the legal and regulatory framework under which the Company operates, states that the Company must maintain a minimum capital adequacy ratio, of 8%. The method of calculation is determined by CySEC based on the international capital standards set out in Basel III. The Company aims to maintain, at all times, a higher capital adequacy ratio compared to the required minimum capital ratio of 8%.

On a monthly basis, the Company reports to CySEC its capital adequacy ratio, according to the requirements of Circular CI144-2008-22. It is noted that the initial capital requirements of the Company as of December 2014 have been reduced to Euro 730.000 following the latest regulatory developments of CRDIV application to CIFs. Furthermore, the reporting obligation of the CIFs have been changed to quarterly basis. Given the introduction of the relevant capital buffers (i.e. the capital conservation buffer) the minimum Total Capital Ratio for 2018 is set at 9,875%

The table below shows the summary Capital Adequacy Reports Submitted to CySEC during 2018:

Quarter	Capital Adequacy Ratio
Q1 to March 2018	10,06%
Q2 to June 2018	11,11%
Q3 to September 2018	13,34%
Q4 to December 2018	12,73%

For the calculation of Credit Risk and Market Risk capital requirements, under Pillar 1, the Company uses the Standardised Approach. For Operational Risk capital requirements, the Basic Indicator Approach is used.

As at 31 December 2018, the Company's capital requirements with respect to the three risk categories were as follows:

	31 December 2018 in thousands USD
<b>Total Eligible Own Funds</b>	<b>1.856</b>
Credit Risk	540
Credit Valuation Adjustment	18
Market Risk	50
Operational Risk	558
<b>Total Capital Requirements</b>	<b>1.166</b>
<b>CET1 Capital Ratio</b>	<b>12,73%</b>
<b>T1 Capital Ratio</b>	<b>12,73%</b>
<b>Total Capital Ratio</b>	<b>12,73%</b>

In addition to the common equity tier 1 capital maintained to meet the own funds requirement imposed by Article 92 of the regulation, Amana Capital Ltd is required to maintain a capital conservation buffer (CCB). CCB will be applied gradually as per the table below.

Period	%
1.Jul. 2016- 31.Dec. 2016	0.625
1.Jan.2017 - 31.Dec.2017	1.25
1.Jan.2018 - 31.Dec.2018	1.875
From 1.1.2019 onwards	2.5

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## **11. MARKET RISK**

Market Risk is defined as the risk that the mark-to-market value of financial instruments and positions will move as a direct result of changes in market prices.

For internal management purposes supplements the measurement of market risk using Historical Simulation Value-at-Risk (“VaR”) and performs also stress tests and scenario analysis using both the results of the actual principal portfolio and also representative hypothetical portfolios.

The Company’s risk management framework encompasses the risk measures to quantify, monitor and report market risk. Market risk is mitigated using the risk measures and to keep it within approved risk limits and the risk-weighted regulatory capital requirements.

Market risk comprises from different types of risks which the Company is exposed too, including foreign exchange risk, price risk, interest rate risk, correlation risk and liquidity risk. The Company also maintains hedging accounts with other financial institutions in order to hedge its exposure, when the need arises.

### **11.1 Foreign Exchange Risk**

The Company’s reporting currency is the USD. Foreign exchange risk is the risk that the value of financial positions changes/moves due to change in foreign exchange risk (both OTC spot and Futures contracts).

As the Company’s principal activity involves trading in CFDs, the Company is exposed to foreign currency exchange risk primarily as a result of the existence at any time of open CFDs on currency pairs.

### **11.2 Price Risk**

Price risk is similar to foreign exchange risk but it applies to all other spot and Futures financial instruments offered by the Company on its trading platform, for example Crude Oil.

As the Company’s principal activity involves trading in other financial instruments (in addition to currencies), the Company is exposed to price risk primarily as a result of the existence of open CFD positions.

### **11.3 Interest Rate Risk**

Interest rate risk is the risk that the value of financial positions changes/moves due to change in interest rates (both OTC spot and Futures). Interest rate is not a risk factor on itself because the Company does not offer interest rate products but changes in interest rates cause fluctuation in

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the value of the financial instruments and therefore expressed and quantified via either foreign exchange risk and/or price risk.

The Company is exposed to interest rate risk also in relation to its bank deposits. The Company does not have any interest rate loans but only assets and as a result does not face interest rate mismatch. The risk therefore is limited only to the size of income the Company will be able to generate during a time period.

#### **11.4 Correlation Risk**

Correlation risk is the risk that prices (including prices of foreign currencies) of financial instruments move in the same or opposite direction. If the financial instruments move in the same direction then this is known as positive correlation, if they move in the opposite direction it is known as negative correlation and if they move independently it is known as not correlated.

Correlation risk is not a risk factor in itself because the Company does not offer correlation as an instrument/product but in general terms, given the broad base of instruments offered by the Company, positive correlation tend to increase risk at principal portfolio level and negative correlation tends to decrease risk at principal portfolio level.

#### **11.5 Liquidity (or Funding) Risk**

Liquidity risk is the risk that over a time period the Company will not be able to meet its payment obligations as and when they fall due and/or without incurring substantial losses as a result.

#### **11.6 Impairment Risk**

Past due loans are those with delayed payments or in excess of authorised credit limits. Impaired loans are those which are not considered fully collectable and for which a provision for impairment has been recognised on an individual basis or for which expected losses exist at their initial recognition. The Company does not have any past due or impaired assets.

## 11.7 Market risk capital requirements

The Company's Risk Weighted Assets and minimum capital requirements for market risk were as follows:

	<b>Risk Weighted Assets</b>	<b>8% Own Funds Capital Requirements</b>
	<b>USD'000</b>	<b>USD'000</b>
Interest rate risk	-	-
Price risk - Equities	128	10
Price risk - Commodities	11	1
Foreign exchange risk	480	39
<b>Total</b>	<b>619</b>	<b>50</b>

## 12. CREDIT RISK

Credit risk is the risk that a counterparty could fail to discharge partially or in full their obligation and cause the Company as a result to incur a financial loss.

Credit risk could arise for the Company primarily as a result of the following activities: a) Own and Client funds held at banks; b) Own funds held at counterparty financial institutions for hedging purposes; and, c) Credit or loans provided to investors/clients.

The Company keeps its cash with European banks that have satisfactory credit rating. The Company monitors and reviews, among other things, regularly the credit rating and performance of these banks.

The Company uses as counterparties, to hedge its market risk exposure, banks and financial institutions that have strong balance sheet and capital base. The Company monitors and reviews the performance of these counterparties regularly against a number of internally developed qualitative and quantitative criteria. Furthermore, the Company uses a number of counterparties and diversifies and restricts the maximum amount of cash held in each of the counterparties. The Company monitors constantly the ratio of cash held on each of the counterparties. Finally, one of the important criteria in selecting the counterparty is the bank that the counterparty uses to hold the Company's cash. Namely, the Company uses only counterparties that keep the Company's money in blue chip banks.

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The Company's policy is not to provide credit or loans to investors/clients and it accepts as collateral only the highest liquid asset, namely cash. Hence, the credit risk arising from client trading is minimum.

As at 31 December 2018, the Company did not have significant concentrations of Credit Risk, other than cash held in banks.

As of 1 January 2018, the Company has adopted IFRS 9. The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Company compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information and indicators such as:

- External credit rating and outlook (where available);
- Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the counterparty's ability to meet its obligations;
- Actual or expected significant changes in the operating results of the counterparty;
- Significant increases in credit risk on other financial instruments of the same counterparty;
- Significant changes in the expected performance and behavior of the borrower/counterparty, including changes in the payment status of counterparty in the group and changes in the operating results of the borrower, etc.

Regardless of the above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. A default on a financial asset is when the counterparty fails to make contractual payments within 90 days of when they fall due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage a repayment plan with the Company. The Company considers a receivable for writing off when a debtor fails to make contractual payments greater than 180 days past due.

On Expected Credit Losses, the Company assessed the impact by considering all bank balances, receivables and other assets at amortised cost and concluded that these are at stage 1 and that there was no significant increase in credit risk on any of these balances. Based on the assessment performed by management, the incremental impairment loss as of 1 January 2018 is not material to the financial statements. Accordingly, the impact of adoption of IFRS 9 on the Company's retained earnings as of 1 January 2018 was not material. Also there was no significant increase in credit risk as at 31 December 2018.

## 12.1. Credit Risk-Exposure by class

Based on the Directive, Section 4, Paragraph 32 (Article 442(c) of Regulation 575/2013) the CIF shall disclose the total number of exposures after accounting offsets and without taking into account the effects of credit risk mitigation, and the average amount of the exposures over the period broken down by different types of exposure classes. The Company's total exposure, including counterparty credit risk, was as follows:

	<b>Exposure</b>	<b>Average Exposure</b>
	<b>USD'000</b>	<b>USD'000</b>
<b>Exposure class</b>		
Institutions	6.818	8.111
Other items	374	587
Corporates	410	266
Public Sector Entities	-	-
Retail	5.998	6.824
<b>Total</b>	<b>13.600</b>	<b>15.788</b>

Article 112 of the Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

The Company's Risk Weighted Assets ("RWA") broken down by assets class, including counterparty credit risk, were as follows:

	<b>Risk Weighted Assets*</b>	<b>Risk Weighted Assets</b>	<b>8% Own Funds Capital Requirements</b>
	<b>USD'000</b>	<b>USD'000</b>	<b>USD'000</b>
<b>Exposure class</b>			
Institutions	1.686	1.561	124
Other items	373	373	30
Corporates	413	319	26
Public Sector Entities	-	-	-
Retail	4.499	4.499	360
<b>Total</b>	<b>6.971</b>	<b>6.752</b>	<b>540</b>

\* The RWA represents the value of RWA before the application of the small-medium enterprise ("SME") size firms factor – to the Institutions and Corporates asset class- while the capital requirement is calculated post the application of the SME factor.

## 12.2. Credit Risk – Analysis of Exposures by Credit Quality Step

Based on the Directive, Section 4, Paragraph 32 (Article 444(a) and (e) of Regulation 575/2013) the CIF shall disclose the names of the nominated ECAs and the exposure values along with the association of the external rating with the credit quality steps. In determining risk weightings for use in its regulatory capital calculations, the Company uses Moody's as External Credit Assessment Institution (ECAI) and the exposure values with their associated credit quality steps are as follows:

The table below shows the total exposure to credit risk, including counterparty credit risk:

<b>31 December 2018</b>								
<b>Credit Quality Step of counterparty</b>								
<b>USD'000</b>								
<b>Exposure class</b>	<b>1</b>	<b>2</b>	<b>3</b>	<b>4</b>	<b>5</b>	<b>6</b>	<b>Unrated</b>	<b>Total</b>
Institutions	2.546	1.668	-	-	132	-	2.472	<b>6.818</b>
Other	-	-	-	-	-	-	374	<b>374</b>
Corporates	-	-	0	-	-	-	410	<b>410</b>



Public Sector Entities	-	-	-	-	-	-	-	-
Retail	-	-	-	-	-	-	5.998	<b>5.998</b>
<b>Total</b>	<b>2.546</b>	<b>1.668</b>	<b>0</b>	<b>-</b>	<b>132</b>	<b>-</b>	<b>9.254</b>	<b>13.600</b>

Article 112 of the Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

### 12.3. Credit Risk – Risk Weighted Assets by Geographical distribution of the exposure classes

Based on the Directive, Section 4, Paragraph 32 (Article 442(d) of Regulation 575/2013) the CIF shall disclose the geographical distribution of the exposures, broken down in significant areas by material exposures classes. The geographical distribution of the exposure classes, including counterparty credit risk, of the Company are as follows:

Exposure class	EMEA	Asia	Americas	Total
Institutions	5.872	946	-	6.818
Other assets and receivables	374	-	-	374
Corporates	406	-	4	410
Public Sector Entities	-	-	-	-
Retail	5.942	31	25	5.998
<b>Total</b>	<b>12.594</b>	<b>977</b>	<b>29</b>	<b>13.600</b>

Article 112 of the Regulation requires disclosure for additional asset classes. These have not been shown in the table above as these are nil as at the reporting period.

### 12.4. Counterparty Credit Risk

Counterparty Credit Risk (CCR) may be defined as the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. Such transactions relate to contracts for financial derivative instruments, repurchase agreements and long settlement transactions.

The Company in its ordinary course of business uses over the counter (OTC) derivatives and forward foreign exchange transactions to hedge exposures, i.e. interest rate and foreign exchange risk. The CCR mark to market method is used to measure exposure value and details of exposures are provided in the following table:

<b>Counterparty Credit Risk Exposures</b>	<b>31 December 2018</b>
	<b>USD'000</b>
Interest-rate contacts	-
Contracts concerning foreign currency rates and gold	6.528
Contracts concerning equities	243
Contracts concerning precious metals except gold	49
Contracts concerning commodities other than precious metals	318
<b>Total</b>	<b>7.138</b>

### 13. OPERATIONAL RISK

Operational risk is the risk that arises as a result of inadequate or failed internal processes that could lead, as part of the Company's day-to-day operations, to losses due to fraud, unauthorized activities, error, omission, inefficiencies systems failure and/or external events.

The operational risk is inherent in every business organization and covers a wide range of areas. We list below some of the most important operational type of risks the Company has identified, reviews and monitors:

- Infrastructure & Technology
- Operations & Accounts
- Third party information
- IT security, including data security
- IT systems availability
- IT projects/development
- Internet stability/access
- Employees
- Health & Safety
- Business processes
- BCP
- Hacking/penetration
- Power fluctuations

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by continuous monitoring of operational risk incidents to ensure that past failures are not repeated. Furthermore,

the Group has in place policies and processes whose implementation assists with the evaluation and management of any exposures to operational risk.

The Compliance Officer ensures that each employee is familiar with the Regulations and it is compulsory for new employees to read them when they commence their employment. To ensure that employees remain aware of their responsibilities, and the policies and procedures the Group has in place, they are asked to familiarize themselves with the Regulations twice a year. The Regulations are easily accessible to employees.

Records are kept in electronic and hard copy form of client identification and due diligence information, statements and correspondence. This reduces the risk of loss in the event that records are lost as a result of a fire or because of a failure of the IT systems as a back-up will be available.

As the Group predominantly communicates with its clients and counterparties through email and telephone, the Group maintains a business continuity plan in order to reduce the risk of loss stemming from the failure of its systems or external events.

Based on the relevant calculations, under the Basic Indicator Approach, the Company's capital requirements for operational risk as at 31<sup>st</sup> of December 2018, was **USD 558k**.

The table below shows the Company's relevant indicator used in the calculation of the capital requirements for Operational Risk (as per Article 315 of the Regulation):

2018	Year 1	Year 2	Year 3	Average*
	USD'000	USD'000	USD'000	USD'000
Total Net Income/(loss) from Activities	1.514	(2.152)	5.922	3.718

\* In accordance to the provisions of the Regulation, the calculation of the average does not take into consideration figures that are negative or equal to zero.

#### 14. REMUNERATION POLICY

The Company has established a remuneration policy, which its purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the employees, in accordance with the provisions of Directive as well as the Circular 031 (Circular 031 has been issued in place of Guidelines GD-IF-07 for the correct filing purposes) on remuneration policies and practices, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

Based on the Directive, Section 4, Paragraph 32 (Article 450 of Regulation 575/2013), the following is applicable with regards to the Company's remuneration system:

The Company's remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the 'executive management' are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels.

The Board of Directors is responsible for determining and attractive remuneration policy, in its attempt to motivate, recruit and retain its staff. The Board of Directors meets once a year to discuss and review the remuneration policy. The remuneration is mainly fixed, but a variable element also exists, which is based on both the individual performance of each employee and the Company's performance. Formal performance appraisals take place annually to evaluate the performance of each employee.

All employees, except of the members of the Board of Directors, are eligible for a variable annual (one-off) bonus remuneration, the size of which is at the sole discretion of the Company, and is evaluated from their annual performance appraisal and the annual financial performance of the Company. The Company does not offer any option schemes or any reward linked to shares of the Company.

The remuneration of the senior management personnel of the Company, including Board of Directors are shown in the following table:

	Directors		Key Management Personnel	
	Number of beneficiaries	Remuneration (USD)	Number of beneficiaries	Remuneration (USD)
Fixed reward	4	173.753	3	219.693
Variable reward	-	-	-	-
Total	4	173.753	3	219.693

Based on Paragraph 5(2) of the Directive, it is required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of Euro 1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated Euro 1 million or more per financial year and as such the above disclosure is not applicable to the Company.

**Appendix I: Main characteristics of capital instruments**

	Capital instruments main features template	
1	ISSUER	Amana Financial Services Ltd
2	Unique identifier (eg CUSIP,ISIN or Bloomberg identifier for private placement)	N/A
3	Governing law(s) of the instrument	Cyprus
	<i>Regulatory treatment</i>	Companies Law,Cap.113
4	Transitional CRR rules	N/A
5	Post-transitional CRR rules	N/A
6	Eligible at solo/(sub-)consolidated/solo & (sub-)consolidated	Solo
7	Instrument type (types to be specified by each jurisdiction)	Ordinary shares
8	Amount recognised in regulatory capital (currency in million, as of most recent reporting date)	6.000k
9	Nominal amount of instrument	€6.000k
9a	Issue price	€1,00
9b	Redemption price	N/A
10	Accounting classification	Ordinary Shares
11	Original date of issuance	Multiple
12	Perpetual or dated	N/A
13	Original maturity date	N/A
14	Issuer call date, contingent call dates and redemption amount	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	N/A
	<i>Coupon/dividends</i>	N/A
17	Fixed or floating dividend/coupon	N/A
18	Coupon rate and any related index	N/A
19	Existence of dividend stopper	N/A
20a	Fully discretionary, partially discretionary or mandatory (in items of timing)	N/A
20b	Fully discretionary, partially discretionary or mandatory (in items of amount)	N/A
21	Existence of step up or other incentive or redeem	N/A
22	Noncumulative or cumulative	N/A
23	Convertible or non-convertible	N/A

<b>Capital instruments main features template</b>		
24	If convertible, conversion trigger(s)	N/A
25	If convertible, fully or partially	N/A
26	If convertible, conversion trade	N/A
27	If convertible, mandatory or optional conversion	N/A
28	If convertible, specify instrument type convertible into	N/A
29	If convertible, specify issuer of instrument it converts into	N/A
30	Write-down features	N/A
31	If write-down , write-down trigger(s)	N/A
32	If write-down , full or partial	N/A
33	If write-down , permanent or temporary	N/A
34	If temporary write-down, description of write-up mechanism	N/A
35	Position in subordination hierarchy in liquidation (specify instrument type immediately senior to instrument)	N/A
36	Non-compliant transitioned features	N/A
37	If yes, specify non-compliant features	N/A

## Appendix II: Leverage

<b>On-balance sheet exposures (excluding derivatives and SFTs)</b>	
	<b>USD 000s</b>
On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	6.581
(Asset amounts deducted in determining Tier 1 capital)	(119)
<b>Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets)</b>	<b>6.462</b>
<b>Derivative exposures</b>	
Replacement cost associated with <i>all</i> derivatives transactions	3.108
Add-on amounts for PFE associated with <i>all</i> derivatives transactions	4.030
Exposure determined under Original Exposure Method	N/A
Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	N/A
(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	N/A
(Exempted CCP leg of client-cleared trade exposures)	N/A
Adjusted effective notional amount of written credit derivatives	N/A
(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	N/A
<b>Total derivatives exposures</b>	<b>7.138</b>
<b>SFT Exposures</b>	
Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	N/A
(Netted amounts of cash payables and cash receivables of gross SFT assets)	N/A
Counterparty credit risk exposure for SFT assets	N/A
Derogation for SFTs: Counterparty credit risk exposure	N/A
Agent transaction exposures	N/A
(Exempted CCP leg of client-cleared SFT exposure)	N/A
<b>Total securities financing transaction exposures</b>	<b>-</b>
<b>Other Off-balance sheet exposures</b>	
Off-balance sheet exposures at gross notional amount	N/A
(Adjustments for conversion to credit equivalent amounts)	N/A
<b>Other off-balance sheet exposures</b>	<b>-</b>

<b>Exempted exposures in accordance with Article 429(7) and (14) of Regulation (EU) No 575/2013 (on and off balance sheet)</b>	
(Intragroup exposures (solo basis) exempted in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	N/A
(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	N/A
<b>Capital and total exposure measure</b>	
Tier 1 capital	1.856
Leverage ratio total exposure measure	13.600
<b>Leverage Ratio</b>	
Leverage ratio	13,65%
<b>Choice on transitional arrangements and amount of derecognised fiduciary items</b>	
Choice on transitional arrangements for the definition of the capital measure	N/A
Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	N/A

<b>Split-up of on balance sheet exposures (excluding derivatives, SFTs, and exempted exposures)</b>	
	<b>USD 000s</b>
Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	6.462
Trading book exposures	-
Banking book exposures, of which	6.462
Covered bonds	-
Exposures treated as sovereigns	-
Exposures to regional governments, MDB, international organisations and PSE <b>not</b> treated as sovereigns	-
Institutions	5.678
Secured by mortgages of immovable properties	-
Retail exposures	-
Corporate	410
Exposures in default	-
Other exposures (eg equity, securitisations, and other non-credit obligation assets)	374



<b>Summary reconciliation of accounting assets and leverage ratio exposures</b>	
	<b>USD 000s</b>
Total assets as per published financial statements	6.519
<b>Leverage ratio total exposure measure</b>	<b>13,65%</b>

## **Annex I:**

### **Board of Directors Risk Management Declaration**

The Board is responsible for reviewing and assessing the effectiveness of the Company's risk management arrangements and systems of financial and internal control.

Following a review of the risk management strategy, program and systems implemented by the Company, the Board considers that there are adequate risk management arrangements in place.

The Board hereby confirms that the risk management systems in place by the Company are adequate, with regard to the Company's profile, size, volumes and business strategy.