AS KIT FINANCE EUROPE

Pillar III Disclosure

As of 31 December 2020

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CONTENTS

1. INTRODUCTION

This report represents a summary of the capital assessment and risk management process that was prepared for the year-end as of 31/12/2020. The Management Board of AS KIT Finance Europe considers that in general, the risk management arrangements that the Company has put in place are adequate with regard to the Company's profile and strategy.

The Pillar 3 report complements the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the Annual Report sections entitled Risk Management, as well as the Notes to the Financial Statements. This report is verified, approved by the Management Board and has not been additionally audited by the Company's external auditors.

The concept of three Pillars requires the following:

- Pillar I- to meet minimum regulatory capital requirement for credit, market, and operational risks;
- Pillar II- to meet the requirement for additional capital to cover the risks analyzed under Company's internal risk assessment and supervisory review process;
- Pillar III – to meet the market discipline enabled by disclosure, with regard to capital adequacy and risk management in order to allow stakeholders to understand the risk profile of the Company.

The standards set out in Basel III (2011) together with requirements of the Capital Requirement Directive (CRD IV, 2013/36/EU), Capital Requirement Regulation (CRR, 575/2013) and EBA Guidelines (EBA/GL/2016/11) introduced much more stringent requirements to the capital adequacy assessment and the disclosure under Pillar III.

The rules in Articles 431 to 451 of CRR set out the provision for Pillar III disclosure. This must be done in accordance with a formal disclosure document. The report is available on the Company's web site and meets its obligations with respect to Pillar III.

The CRR rules provide that one or more of the required disclosures may be omitted if in the Company's view the information is immaterial, proprietary or confidential. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. The information is proprietary, if it were shared, would undermine competitive position of the Company. Information is considered to be confidential where there are obligations binding the Company to confidentiality with its customers, suppliers and counterparties. Where a disclosure is considered to be immaterial, proprietary or confidential it would be stated in the document.

2. BACKGROUND

AS KIT Finance Europe founded in 2004, is a licensed Estonian (EU) investment firm, operating within the framework of applicable laws. The Company is governed by the Directive 2014/65/EU (MIFID II), Estonian Securities Market Act and supervised by the Estonian Financial Supervision Authority (Finantsinspektsioon). The Company specializes on provision of investment and ancillary services to retail clients, professional investors and institutions on the securities and commodities markets. AS KIT Finance Europe has relationships and co-operations with leading prime brokerages firms and global custodians.

The Company is a 100% subsidiary of Russian broker KIT Finance (JSC). The Company's head office is located in Tallinn, has a branch in Limassol, Cyprus and a representative office in St. Petersburg, Russia.

More information and figures about the Company can be found on the website www.kfe.ee.

The risk strategy of the Company is aligned with the business model, resulting in the following risks concentrations:

- Credit risk is the risk that the Company suffers losses because of clients and/or counterparties defaulting on their contractual obligations. AS KIT Finance Europe operates within well-defined robust credit granting criteria.
- Market risk arises from the Company's exposure to changes in market prices for foreign exchange rates. The main objective of market risk management is to mitigate the possible loss from uncertainties in market risk factors.
- Liquidity risk always follows one or more spikes in other financial risks. The Market liquidity risk may arise when a market disruptions impairs the company's ability to sell large positions or lower quality positions. This type of liquidity risk refers to margin lending provided to its clients.

Additional information on the Company's management of risk and its risk profile is included in the remaining sections of this document and the Annual Report posted on the site: https://kfe.ee/en/about-company/disclosure/ .

3. FREQUENCY OF DISCLOSURE AND BASIS FOR PREPARATION

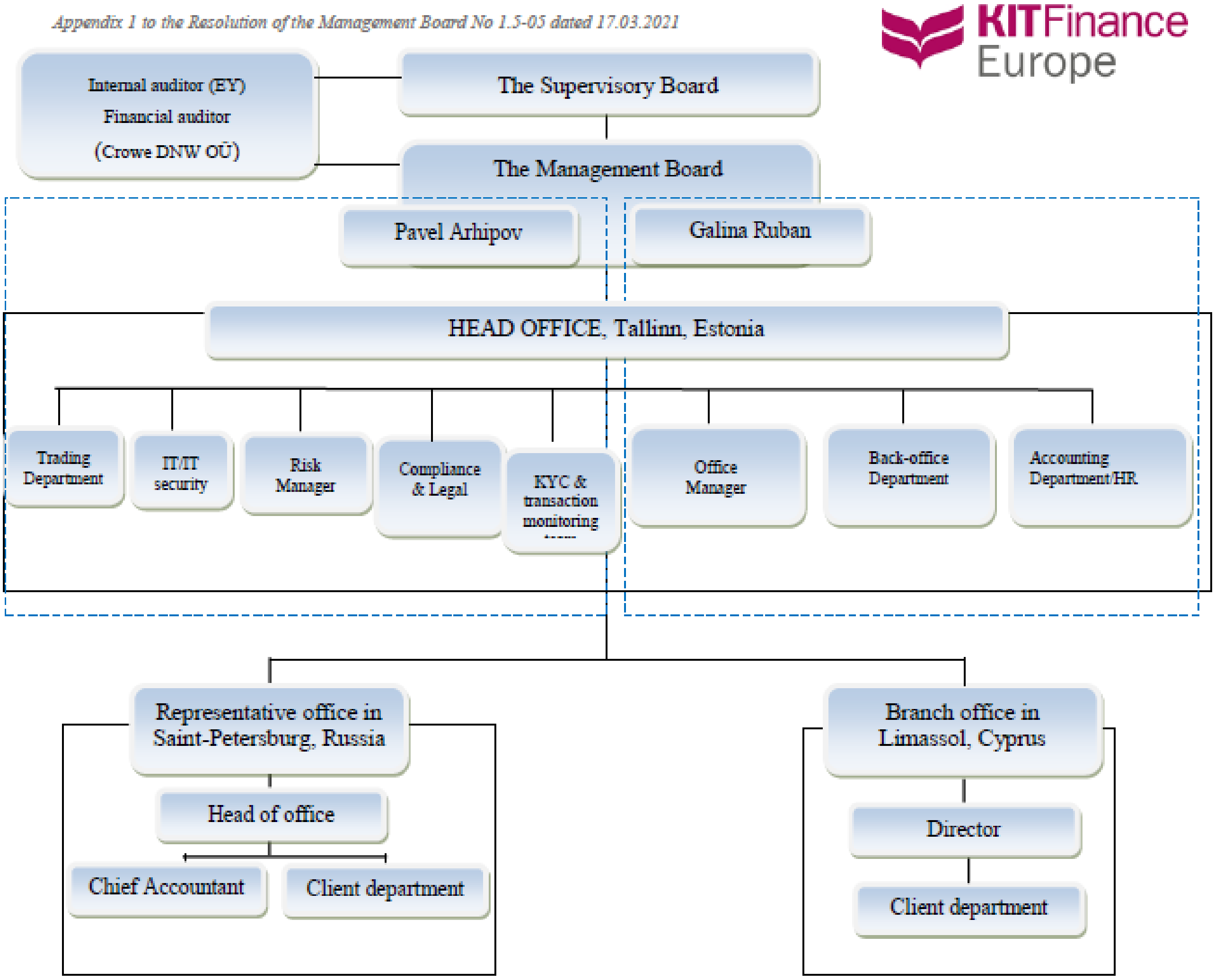
The Company prepares the Pillar III disclosure on the annual basis. Should there need to be a material changes to procedures of risk assessment as a result of changes in the Company's operations, risk management structure or other substantial changes the Management Board will review and update the Pillar III disclosure at any time.

The Pillar III disclosure has been prepared on a solo basis based on the audited accounting information for the year 2020.

In 2020, the Company did not undertake any securitization activity.

Certain statements in this disclosure are forward-looking statements, which involve a number of risks and uncertainties. Any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information due to a number of factors.

4. ORGANIZATIONAL STRUCTURE



5. RISK MANAGEMENT AND GOVERNANCE

5.1. Risk management

The Company, taking into account the importance of the risk control mechanism, follows the maintained Risk Management Policy and other related rules. The Policy ensures comprehensive control and governance procedures for the risks faced by the Company, in line with the risk appetite concept. The Company's risk management framework aims to create, implement and sustain adequate procedures designed to identify and manage all risks related to activities of the Company. The Policy is regularly reviewed and updated.

The risk management process of the Company includes continuous and consistent identification, assessment, monitoring and analysis of the impact of risks faced by the Company in accordance with selected approaches and methods.

The following key principles form the basis of the overall risk management system:

-Risk awareness

-Concept of Risk Appetite
-Common standards used for risk assessments
-Application of single system of limits
-Reporting system
-IT support of the Risk management system
-Risk compliance

Risk management system of the Company is functioning on the strategic and executive levels. At the strategic level, the decisions are made by the Supervisory Board. The Company's risk strategy is directly linked to the KIT Finance Group strategic framework. This framework defines the limits of the risk appetite within which the Company operates. The Supervisory Board approves risk management system, defines risk appetite, tolerance levels and other risk parameters of the Company necessary for achievement of strategic goals. The Supervisory Board, taking into account the regulatory requirements, the Company's strategy and financial results, and other risk factors, reviews the risk appetite and risk tolerance yearly. The Supervisory Board is also responsible for making decisions in case of exceeding the limits and tolerance levels. The risk management strategy is monitored by benchmarking the actual risk profile against the risk appetite and discussed on a quarterly basis by the members of Risk Committee after the internal report is provided by the risk manager. This ensures that day-to-day operations are executed within the boundaries set by the business and risk strategy. Breaches of the Risk Appetite will result in immediate action at the appropriate management level.

At the executive level, Risk management-related decisions are made by the Management Board, Product and Risk Committee and the Risk management.
The Management Board is responsible for implementation of decisions of the Supervisory Board, overall management of the Company and organization of the risk management system.

The Company has a Products and Risks Committee. The aim of the Products and Risks Committee is to organize and increase the efficiency of the process of implementing, maintaining and developing new products and services and to identify and analyze the risks associated with those products.

The tasks of the Risk management include:
-identification, assessment, analysis, monitoring and control of all types of risks to which the Company is exposed;
-control of limits and reporting of violations of established limits;
-reporting and advising to the Management Board regularly and on demand;
-development and update of policies, procedures and other internal documents on risk control;
-development of methodologies of risk measurement and implementation of regulatory and local requirements.

5.2. Information flow on risk to the Management Board

The risk reporting system is based on the principles of transparency and timeliness. The process of preparation and transmission of risk reporting consists of internal and external activities carried out on a regular basis, and as required.

Internal reports for the Management Board are prepared by the risk manager quarterly and include information in the composition, defined in the internal Guidance of the management of Company's capital adequacy.

External reporting is an essential part of the risk reporting. Disclosure is aimed at meeting the requirements for financial and regulatory reporting to the Company. External disclosure corresponds to the current legislation of Estonian Republic and the European Union as well as accounting standards.

To ensure continuous performance of the Company's functions the Incident Management Policy, Operational risk management policy, the Business Continuity Policy, the Business Continuity and the Recovery plan were developed. These policies and plans prescribe the actions to be taken and establish communication procedures in the event of different scenarios in order to ensure uninterrupted business performance. The risk management is responsible for the indicators control and reporting to the Management Board.

The systems used in the Company are able to distinguish positions clearly between the Trading Book and Banking Book so that the regulatory capital charges are properly calculated. The systems are equipped with control mechanisms to generate prudent and reliable reporting provided to the Management Board at least quarterly and whenever requested.

5.3. Risk Appetite

The Company uses the risk appetite concept for the distribution of capital between different types of risks and business lines. Risk appetite is defined as the amount of risk the Company is prepared to accept in pursuit of its strategy, taking into account interest of clients, plans of the shareholders with respect to the level of expected profitability for the year, launch of new projects, capital and regulatory requirements. Risk Appetite is established for all material risks of the Company and is approved by a separate resolution of the Supervisory Board. The Supervisory Board of the Company considers the issue of the necessity to change the Risk Appetite at least once a year. Particular values of the Risk Appetite may be updated during a financial year in case of changes in the economic situation and/or alteration of the requirements for institutions (alteration of the existing ratios and/or introduction of new ratios).

Risk Category	**Risk appetite**	**Trend**
Credit Risk	High	Increasing
Operational Risk	Medium	Stable
Market Risk	Medium	Stable
Liquidity Risk	Medium	Stable
Strategic Risk	Medium	Stable
Overall rating	**Medium**	**Stable**

5.4. Stress and scenario testing

Given the importance of stress testing in terms of sound risk management and regulatory compliance, the stress testing process involves of senior management up to the Management Board of the Company. The Management Board is responsible for the Company's stress testing framework and its execution, while the Risk manager acts as the executor.

The Company uses stress testing to consider the effect on profitability and stability under stressed condition. The main source of income of the Company stems from brokerage commissions and interests. To ensure sustainability, the Company considers the simultaneous effect of realization of two or more risks. The main stress test models focus on credit risk, market risk, net interest income, operational risk and non-interest income. The quantitative stress test models are used to determine the impact of the scenario on the financials of the Company.

The stress testing is applied to the collateral, using severe scenario of decline in value of 25% in one day to estimate the credit risk exposure.

CVAR is applied to estimate the exposure of FX-positions and own investments applying the 99% confidence level and one day interval.

5.5. Governance arrangements

The Supervisory Board consist of three Members and there are two Members of the Management Board. The Members of the Management board, who exercise the functions of the executive body, do not have any external directorships. The Supervisory Board and the Management Board collectively have a wide range of experiences, backgrounds and knowledge to ensure that they are able to manage the Company adequately. Varied experiences and backgrounds include accounting, legal, banking, investments, risk management, etc.

Members of Supervisory Board and Member of Management Board meet the criteria set out in the Security market act of Republic of Estonia.

Taking into account the size of the Company there is no separate Recruitment policy for the members of Supervisory Board and Management Board. The recruitment is performed at the Group (shareholder) level, considering among other factors the diversity of the skills and backgrounds. The Company does not set an age limit for the board members, in relation to gender, two genders have equal representation in the Management Board and unequal representation in the Supervisory Board due to the fact that the Company has an odd number of Supervisory Board members. However, the Company aims to the representation by at least one person of gender that represented in minority. In relation to geographical provenance, all members of the Management Board reside permanently in Estonia.

Information on the members of the Management board:

Galina Ruban - Member of the Management Board, has MBA degree, worked in the financial sector since 1994. Has been working for KIT Finance Europe since 2008 (13 years)

Pavel Arhipov - Member of the Management Board, has degree in Business administration, worked in the financial sector since 2005. Has been working for KIT Finance Europe since 2009 (12 years)

5.6. Internal capital adequacy assessment process (ICAAP)

Conducting ICAAP, the Company uses its internal Policies and Procedures to analyze identified material risks, their measurements models, governance and mitigation technics. The ICAAP is linked to overall business planning and establish the strategy for maintaining appropriate capital levels.
The risk monitoring and reporting are continuous processes those are under regular control of the Management Board. The ICAAP assumptions, methodology and infrastructure are challenged at the highest level of organization. During the ICAAP, the Company requires to:
-identify and assess all material risks;
-maintain sufficient capital to face these risks;
-apply appropriate risk management techniques to supply enough capital in order to meet capital requirements.

All of the above insures that the interest of shareholders, concept of risk appetite and regulatory requirements are fulfilled to guarantee the stable Company position.

The ICAAP is used by FSA to assess Company performance in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP), including among other things, capital adequacy, risk measurement models and risk governance. .

6. OWN FUNDS

The capital base of the Company as at 31 December 2020 consists of Common Equity Tier 1 (CET1) capital. CET1 is comprised by share capital, retained earnings, reserves, from CET1 the Company deducts its intangible assets and value adjustments due to the requirements for prudent valuation.

The Company’s capital base is presented in the table below:

	2020
Share Capital	1,612,710
Reserves	161,271
Retained Earnings	14,551,280
Profit	27,621
Dividends	0
Intangible Assets (-)	-646
Prudent valuation (-)	-4,974
Tier 1 Capital	**16,319,641**

Additional disclosures on the calculation of own funds according to implementing technical standards as laid down in the Commission Implementing Regulation (EU) No 1423/2013 are available in Annex 1 to this report.

7. REGULATORY CAPITAL REQUIREMENT

The regulatory capital requirements have evolved in the last few years with introduction of CRR and CRD, in terms of which risks are covered of the capital base components. The regulatory requirement is split into Pillar 1* (general minimum requirements for all institutions) and Pillar 2 requirements (based on an individual assessment of each institution).

In addition, the Company has to comply with Capital buffers requirements identified in Basel III reforms including capital conservation buffer, countercyclical capital buffer and systemic risk buffer.

- The capital conservation buffer as defined in Article 129 of CRD requires the company to hold additional Common Equity Tier 1 capital equal to 2,5 % of total risk exposure amount
- The systemic risk buffer as defined in Article 133 of CRD requires to maintain additional capital to cover the systemic risk, which was set by the Bank of Estonia at 0% as of 01/05/2020.
- The countercyclical capital buffer is regulated by Article 135 of CRD. In 2019 the Bank of Estonia set the rate of 0%.

Regulatory Capital Requirements	CET1	AT1	Tier 2	Total
Minimum requirement	4.50%	1.50%	2.00%	8.00%
Capital conservation buffer	2.50%			2.50%
Systemic risk buffer	0.00%			0.00%
Countercyclical buffer	0.00%			0.00%
Total Pillar I	**7.00%**	**1.50%**	**2.00%**	**10.50%**

* the Pillar 1 is disclosed in the Annual report in more details: https://kfe.ee/en/about-company/disclosure/

The Company follows the Standardized Approach to estimate the Pillar 1 for Credit and Market Risk capital requirements, and the Basic Indicator Approach for the calculation of Operational Risk capital requirements. The table below shows Pillar 1 own funds requirements of the Company as at 31 December 2020:

Pillar I Regulatory Capital Requirement

	Total risk exposure amounts 31.12.2020	Minimum capital requirements 31.12.2020
Credit risk (excluding CCR)	1 307 076	104 566
Of which the standardized approach	1 307 076	104 566
Settlement risk	0	0
Market risk	7 274 222	634 868
Of which the standardized approach	7 274 222	634 868
Operational risk	3 308 038	264 643
Of which basic indicator approach	3 308 038	264 643
Capital conservation buffer 2.5%		313 773
Systemic risk buffer 1%		0
Total		**1 317 850**

8. MATERIAL RISKS

8.1. Credit Risk

8.1.1. Overview of Credit Risk

Credit risk relates to the possibility that an unexpected change in a client/counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated credit exposure. The financial performance of the Company could be distorted by the adverse changes in the credit quality of borrowers or any economic deterioration, which could affect the value of collateral.

The management of Credit Risk, including Counterparty Credit Risk, is the primary responsibility of the Risk Management. The Management Board together with Risk Management are responsible for establishing policies and procedures which identify, analyze, evaluate, treat and monitor risks during the course of business. The Management Board is also responsible for the establishment of limits on the amount of risk accepted in relation to a borrower or groups of borrowers. The procedure for regular risk management reporting are also in place to enable in-time actions and risks mitigations if required by the Management Board.

The Company has established a number of methodologies and techniques for managing and monitoring Credit Risk and Counterparty Credit Risk. The methodologies are reviewed annually by the Risk Manager and are updated as and when necessary.

8.1.2. Nominated External Credit Assessment Institutions (ECAI) for the application of the Standardized Approach

Under the Standardized approach, the Company uses Fitch, Standard and Poor's and Moody's Investor Service ratings as follow:

- if only one credit assessment is available from a nominated ECAI for a rated item, that credit assessment is used to determine the risk weight for that item;

- if two credit assessments are available from nominated ECAIs and the two correspond to different weights for a rated item, the higher risk weight is assigned;

- if more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights are referred to. If the two lowest risk weights are different, the higher risk weight is assigned. If the two lowest risk weights are the same, that risk weight is assigned

The use of above method complies with the requirements of the CRR, and is used consistently for all exposures in a specific asset class.

8.1.3. Past due and Impaired

The Company defines loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at their amortized cost (cost less any principal repayments and any reduction for impairment) using the effective interest rate method.

According to IFRS 9 the Company uses the expected credit loss model (ECL). This is a 3-step model based on changes in the credit quality of financial assets:

• Performing assets - assets that do not show significant signs of credit deterioration, are recognised at the time they are recognised, and aggregated expected losses to be incurred within the next 12 months, based on past experience and future forecasts;

• Underperforming - Assets whose credit risk has increased significantly since the date of the recognition are recognised as loss expected to occur over the lifetime of the asset, individually or in a similar pool;

• Non-performing assets - Assets that are not received / do not operate are recognised as additional losses that are expected to arise from the asset over its lifetime, individually assessed for each asset.

Change in credit quality after recognition

	Loans gross amount 31.12.2019	**Expected loss model impairment**		
		Performing assets	**Underperforming assets**	**Non-performing assets**
Loans and other receivables	25,096,899	25,052,044	44 856	0
Probability of non-receipt		0.15%	100%	100%
Effective interest rate		6,5%	-	-
Loss given default		80%	-	-
Amount of expected credit loss	-111, 598	-63,205	-44 856	-0

As of the end of 2020, the amount of expected credit loss is equal to 111 598 euro.

8.1.4. Exposure Value and Capital Requirement

The value of exposure is calculated at fair value according IFRS. The Company shall measure financial instruments at fair value at each balance sheet date. The fair value measurement is based on the assumption that the sale of assets or payment of liabilities will take place in the conditions of the principal market for the asset or liability or in the absence of a principal market in the conditions most advantageous for the asset or liability. The Company shall use fair value measurement techniques that use sufficient data to estimate fair value.

All assets and liabilities measured at fair value or disclosed in the financial statements are classified in accordance with the fair value hierarchy described below:

Level 1 - Quoted (unadjusted) prices in an active market for identical assets and liabilities;

Level 2 - Valuation techniques for which the significant inputs at the lowest level are directly or indirectly observable;

Level 3 - Valuation techniques where the significant inputs at the lowest level are not directly or indirectly observable.

To determine the capital requirements for credit risk the Company uses standardized approach and applies comprehensive method to the collateral valuation for credit risk mitigation. Standardized approach requires the classification of exposures into specific asset classes, and utilizes specific risk-weights, which vary depending on the asset class and credit rating of the exposure.

The Company's credit portfolio risk is concentrated mostly in the institution segment. Table below shows exposures split by exposure type for 2019 and capital requirement.

Credit risk exposure

Risk position	Exposure value before effect of collateral	Exposure value after effect of collateral and weighting	Capital requirement 8% (Pillar I)
Short term deposits	2,895,270	1 307 076	104 566
Short term loans and receivables	25,096,393	0	0
TOTAL	**27,991,662**	**1 307 076**	**104 566**

Geographical breakdown of credit risk exposure

Country	Retail/ institution	Original exposure pre conversion factors (EUR)	Exposure value after CRM* (EUR)	Risk weighted exposure amount (EUR)	Capital requirement (EUR)
EU	Retail	408	0	0	0
	Institution	673,411	619,900	123,980	9,918
	Corporates	0	0	0	0
	Total	**673,819**	**619,900**	**123,980**	**9,918**
CIS	Retail	24,997,025	0	0	0
	Corporates	85,750	0	0	0
	Institutions	931,324	931,324	931,324	74,506
	Total	**26,014,099**	**931,324**	**931,324**	**74,506**
USA	Institution	657,197	657,197	131,439	10,515
	Corporates	0	0	0	0
	Total	**657,197**	**657,197**	**131,439**	**10,515**
Others	Institution	645,994	601,664	120,333	9,627
	Corporates	554	0	0	0
	Total	**646,548**	**601,664**	**120,333**	**9,627**
TOTAL		**27,991,662**	**2,810,085**	**1,307,076**	**104,566**

*Credit risk mitigation technic

8.1.5. Counterparty credit risk

The credit risk for own operations arises when the Company enters into transactions with financial instruments on its own behalf and at its own expense, at the same time the deal opposite side can be counterparties or clients of the Company.

The basic methods of managing the counterparty credit risk includes the system of limits and restrictions, the monitoring system and methods of risk mitigation.

The Company uses limits settings for counterparties based on their financial performance and due diligence.

The Company's business model involves the participation of AS KIT Finance Europe in transactions to meet clients' needs mostly as an intermediary and does not bear any credit risk concerning this. Moreover, the transactions where the Company acts as a mediator are mostly concluded on DVP terms.

In addition the Company quarterly estimates financial situation, major events in business activities, fines, awards and other significant points that may affect the relationship with banks and brokers in which the Company has opened accounts. Reports on the evaluation of counterparties are provided to the Management Board by a risk manager.

8.1.6. General information on CRM

Taking into account the nature of the Company's business the credit risk is mainly inherent to marginal loans provided to clients. The Company lends cash for trading to the clients against collateral composed of eligible assets. The marginal loans are provided against liquid collateral for the period of one day that could be extended. All securities that are qualified as collateral are tested against the established criteria. Risk management uses IT solutions and analytical tools to continuously monitor clients' margin requirements to minimize the credit risk.

Most of the transactions entered by the Company or its clients are settled and cleared by the Central Clearing Counterparties (CCP), main part of OTC transactions are settled on a delivery-versus-payment basis. Therefore, the delays in settlements and associated risks are minimized. The Company tests the creditability of counterparties regularly and sets out the limits on operations with them.

AS KIT Finance Europe concludes standards agreements such as ISDA, GMRA etc., before entering into transactions with counterparties in those CCP is not involved. These agreements allows to standardize the multiple terms of transactions to the proper degree and, thereby, to reduce risks.

The Company has no long term and midterm deposits. The credit risks on short terms deposits is minimized by anticipating continuous monitoring of financial stability of banks and brokers and diversification of investments.

At the moment of preparation of this report there were no any current or foreseen material practical or legal impediment to the prompt transfer of own funds or repayment of liabilities among the parent undertaking and its subsidiaries.

8.2. Market Risk

The market risk may result in potential loss with the realization of negative consequences on FX-rates, stock quotes or interest rates. The major source of the market risk is the open foreign exchange position. The total regulatory capital requirement to cover the market risk as of 31.12.2020 was 634 868 euro, and 581 938 euro were attributed to the foreign exchange risk and 52 930 euro to instruments in own portfolio.

Management of market risk is responsibility of the Members of the Board and the Risk manager. The Company established methodologies for limit setting to control the exposures to the market risk.

The Conditional Value at Risk ("CVaR") and stress testing scenarios are in place for quantitative risk measurement and management.

The Management Board, in close cooperation with the Risk manager, review the information reported, taking corrective actions to mitigate risk if and when necessary.

8.2.1. Foreign Exchange Risk

The foreign exchange risk is the risk of changes of the exchange rates that would have an adverse effect on the value of the assets and liabilities nominated in currencies other when euro. The Company has large open positions mainly nominated in Russian rubles and US dollars to enable provision of marginal loans. The open FX-position is managed on the consolidated basis and risk mitigation technics are used for the Group's open FX-position. The Company hedges at least 40% of position in US dollars by currency futures. The overall Group risk appetite for the foreign exchange open position risk is low. The amount of own funds required to cover the foreign exchange risk is equal to 634 868 euro.

8.2.2. Market Risk in the own portfolio.

In order to comply with regulatory requirements for liquid assets, the Investment Company owns a conservative portfolio of liquid instruments. Taking into account the quality of assets and the volume of the portfolio, no significant risks of changes in value arise. As of 31.12.2020, the global and specific weighted risk exposure amount was 661 632 euro and regulatory capital requirement is 52 930 euro.

8.3. Operational Risk

8.3.1. Regulatory capital requirement for operational risk

Operational risk could realize because of inadequate or unauthorized actions of personnel, failures of IT systems, inconsistency of internal processes with the nature and scale of activities, and because of external influences on the Company's operations.

The Company calculates the own funds requirement for operational risk according to Basic Indicator Approach. Under the Basic Indicator Approach (BIA) this is 15% of the Company's average operating income of the relevant indicator based on the last three twelve-monthly observations at the end of the financial year.

31.12.2020	***EUR***
Average operating income over the last 3 years	1 764 279
BIA Coefficient	15%
Capital requirement under Pillar I	264 642

The Company implemented incident management system and the respective Operational risk management policy that in many ways help to measure, control and mitigate operational risk. The system allows proactively manage risk, reacting to incidents according to the level of a threat and scheduling action plans that prevent repeating incidents. In addition, the system works as a database for loss events. During 2020, the Company was accumulating and analyzing loss event statistics that is necessary to estimate both, the distribution of severity (size of operational losses) and the frequency (number of loss events per year). According to the system data, the estimated operational loss for the year 2020 was below 10 000. This number is significantly below the regulatory capital requirement.

8.4. Liquidity

The Company's balance sheet represented by cash, liquid securities, which can be sold directly in the market to generate liquidity immediately, short-term loans on the asset side and by CET1 capital assets on the liabilities side. Additionally, the Company thoroughly reviews its off-balance sheet commitments because they expose the Company to contingent liquidity risk.

8.4.1. Regulatory requirements

In 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio. The liquidity coverage ratio addresses liquidity risk over a 30-day period.

The sum of the values of liquid assets should cover the liquidity outflows less the liquidity inflows under stressed conditions to ensure that the Company maintains levels of liquidity buffers, which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. During times of stress, the Company may use its liquid assets to cover the net liquidity outflows.

As of 31/12/2020 the Company has the following portfolio of exchange tradable liquid assets in the volume to meet the regulatory requirements on covering the liquidity risk.

Financial instruments are tested against credit quality using the credit rating of rating agencies. Only instruments of highest quality rated A or higher are purchased to meet the regulatory requirements.

Name	ISIN	Coupon	Position Long (euro)
AAPL 2.85 05/06/21	US037833AR12	2.85%	2,938,826
AAPL 2.25 23/02/21	US037833BS85	2.50%	41,679
APPLE INC 1.55 04/08/21	US037833CC25	1.55%	65,235
B 06/17/21	US9127963H06	0.00%	1,042,660
T 2 1/2 02/28/21	US9128286D73	2.50%	825,141
		Total	**4,913,541**

To meet the regulatory requirements the Company's portfolio value of highly liquid tradable bonds as of 31.12.2020 was 4 913 541 euro. The liquidity coverage ratio at the end of 2020 was 1.10%.

The Company's overall liquidity strategy, in particular, the amount of open currency positions, is closely connected with the KIT Finance Group politics and implemented according to the Company's Liquidity Management and Control Rules.

The Supervisory board is responsible for annually defining overall risk tolerance. In addition the Management Board sets the limits for open positions in the main working currencies of the Company. The risk manager is responsible for monthly monitoring of limits, their reflection in the quarterly report and notification of the Management Board in case of excess of limits. To mitigate currency risks in relation to positions in US dollars, the Management board establishes a requirement to use hedging arrangements. The choice of hedging instruments remains with the Company's Management Board.

The Market liquidity risk may arise when a market disruptions impairs the company's ability to sell large positions or lower quality positions. This type of liquidity risk refers to margin lending provided to its clients. Typically, the marginal loans are provided against liquid collateral for the period of one day that could be extended. All securities that qualify as eligible assets run through internal checks and are included in the marginal list. According to internal policies, eligible assets only include highly liquid exchange listed securities, blue chips and securities included in the main foreign stock exchange indexes. The collateral portfolio is diversified and monitored daily to avoid any loss resulted from economic distortion.

9. UNENCUMBERED ASSETS

The purpose of these disclosures is to provide information on components of encumbered and unencumbered assets of AS KIT Finance Europe as required in Part Eight of CRR and related guidelines issued by the European Banking Authority (EBA). In accordance with those requirements, assets have been treated as encumbered if pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

The Company has only one source encumbrance in the form of collateral for derivatives used for hedging purposes. Fair value of unencumbered assets is fair value through profit or loss of the debt securities held by the Company. Distribution of unencumbered and encumbered assets at 31 December 2020 represented in the table below.

Asset encumbrance: Encumbrance overview – Assets

Carrying amount of unencumbered assets, EUR	**32 971 354**
Deposit on demand	2 584 638
Debt securities issued by non-financial corporations	4 913 541
Loans and advances other than loans on demand	25 043 102
Other assets	430 073
Carrying amount of encumbered assets, EUR	**285 446**
Other assets	285 446
Total Assets	**33 256 800**

10. LEVERAGE

The leverage ratio is calculated according to Part seven Article 429 of CRR, as well as the transitional provision of Article 499 as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. The Tier 1 capital is the same under both conditions of Article 499(1) (a) and (b) CRR therefore the Company does not have any transitional provisions other than the intangible assets.

The present disclosure is made according to “Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 (CRR).

Quantitative Information

The following table shows the Leverage Ratio as of December 31, 2020

	As of 31.12.2020
Leverage Ratio Exposure Value	32 905 203
Asset amount deducted	-5 620
Total Leverage Ratio exposure	32 899 583
Tier 1 capital	16 319 641
Leverage Ratio	**49,60%**

The obligatory disclosures established in the Basel Committee on Banking Supervision document and in the European Banking Authority document on leverage ratio disclosure, pursuant to article 451 (2) of the CRR is presented in **ANNEX 2**.

11. REMUNERATION POLICY AND PRACTICE

The Remuneration Policies were adopted by the Company in line with regulatory requirements of the European Union, Republic of Estonia and the KIT Finance Group’s internal practice. These Policies define the basic principles of salaries and remuneration and are based on the sound and effective risk management. The Remuneration Policies are integrated into the Company governance structure and ensure that employees are awarded appropriately to their efforts.

Design Characteristics of the remuneration system

- Salary. Salary levels are intended to be market competitive and consists of 100% of fixed compensation;
- Bonuses. Bonuses are variable remuneration.

The following types of bonuses are provided in the Remuneration Policy:

- Bonuses based on the Company's particular department and personal performance;
- Bonuses for special tasks reduced on operation errors;
- Sales related premiums.

Staff remuneration depends on overall economic situation and is based on the overall group performance. The Company pays competitive market-based wages that fairly compensate employees in view of skills provided, work performed and responsibility undertaken. The individual bonuses are assessed during the annual appraisal process, covering both financial and non-financial metrics.

The Company adopted the Key Performance Indicators approach to ensure the congruence of the Company's goals and employees efforts. Based on this approach every employee has set of performance indicators chosen by respective Managers and receives a semi-annual appraisal review.

Key performance indicators are based on the objectives set out in the strategy. KPI values are set in accordance with the Company's budget and strategy, the weight of each indicator is determined.

Managers are required to give the appraisal of subordinates' performance semi-annually and conduct a performance dialogue. This allow to ensure that the individual has performed in accordance with the requirements of their job description and to review past goals to establish if these have been met and to what level. At the end of the review process, goals are agreed for the coming period and logged on the individual's appraisal sheet for the coming period. Based on the ratings allocated by Managers the percentage value is assigned and will be applied to the current basic salary.

The size of the remuneration found is calculated to allow the payment of bonuses based on the results of the reporting period.

Official persons

In accordance with § 791 of the Estonian Security Market Act and Regulation (EU) No 604/2014 the Company identifies categories of staff whose professional activities have a material impact on an Company's risk (Official persons). There are 7 individuals who are Official persons, included 2 members of the Management Board, and 5 other employees undertaking significant-influence functions.

The Company maintains a list of Official persons approved by the Supervisory board.

Remuneration Governance and Decision Making

Taking in to account the size of the Company the Supervisory board performs functions of the Remuneration Committee during 2019 year. The board discussed remuneration issues twice a year, reviewed the results of the work of the Official persons.

Information on remuneration for the Official persons

The members of the Supervisory Board and Management Board of the Company have been paid contractual fee in the reporting year in accordance with the decisions of the Supervisory Board and the sole shareholder. There are no compensations provided to the Supervisory Board Members upon expiry of powers. The Members of the Management Board and the Supervisory Board do not hold the stock option. None of the employees has received remuneration in excess of 1 million euros. Taking into account the small number of employees, more detailed information is considered to be confidential due to obligations binding the Company to confidentiality with its employees.

ANNEX 1 Own funds disclosure template

Own funds disclosure template			Regulation (EU) №575/2013 Article Reference
Common Equity Tier 1 (CET1) capital: instruments and reserves			
1	Capital instruments and the related share premium accounts	1 612 710	26 (1), 27, 28, 29
	Of which: Instrument type 1	-	EBA list 26(3)
	Of which: Instrument type 2	-	EBA list 26(3)
	Of which: Instrument type 3	-	EBA list 26(3)
2	Retained earnings	14 578 901	26 (1) (c)
3	Accumulated other comprehensive income (and any other reserves)	161 271	26 (1)
3a	Funds for general banking risk	-	26 (1) (f)
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1	-	486 (2)
5	Minority interests (amount allowed in consolidated CET1)	-	84
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)
6	**Common Equity Tier 1 (CET1) capital before regulatory adjustments**	**16 319 641**	**Sum of rows 1 to 5a**
7	Additional value adjustments (negative amount)	-4 974	34, 105
8	Intangible assets (net of related tax liability) (negative amount)	-646	36 (1) (b), 37
9	Empty set in the EU	-	
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38
11	Fair value reserves related to gains or losses on cash flow hedges	-	33 (a)
12	Negative amounts resulting from the calculation of expected loss amounts	-	36 (1) (d), 40, 159
13	Any increase in equity that results from securitized assets (negative amount)	-	32 (1)
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing	-	33 (1) (b)
15	Defined-benefit pension fund assets (negative amount)	-	36 (1) (e), 41
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)	-	36 (1) (f), 42
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have	-	36 (1) (g), 44

	reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (h), 43, 45, 46, 49 (2) (3), 79
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79,
20	Empty set in the EU	-	
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative	-	36 (1) (k)
20b	of which: qualifying holdings outside the financial sector (negative amount)	-	36 (1) (k) (i), 89 to 91
20c	of which: securitization positions (negative amount)	-	36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258
20d	of which: free deliveries (negative amount)	-	36 (1) (k) (iii), 379 (3)
21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)	-	36 (1) (c), 38, 48 (1) (a),
22	Amount exceeding the 15% threshold (negative amount)	-	48 (1)
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities	-	36 (1) (i), 48 (1) (b)
24	Empty set in the EU	-	
25	of which: deferred tax assets arising from temporary difference	-	36 (1) (c), 38, 48 (1) (a
25a	Losses for the current financial year (negative amount)	-	36 (1) (a)
25b	Foreseeable tax charges relating to CET1 items (negative amount)	-	36 (1) (l)
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)	-	36 (1) (j)
28	**Total regulatory adjustments to Common Equity Tier 1 (CET1)**	-5 620	
29	**Common Equity Tier 1 (CET1) capital**	16 319 641	
Additional Tier 1 (AT1) capital: instruments			
30	Capital instruments and the related share premium accounts	-	51, 52

31	of which: classified as equity under applicable accounting standards	-	
32	of which: classified as liabilities under applicable accounting standards	-	
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86
35	of which: instruments issued by subsidiaries subject to phase-out	-	486 (3)
36	**Additional Tier 1 (AT1) capital before regulatory adjustments**	-	Sum of rows 30,33 and 34
Additional Tier 1 (AT1) capital: regulatory adjustments			
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57
41	Empty set in the EU	-	
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)
43	**Total regulatory adjustments to Additional Tier 1 (AT1) capital**	-	Sum of rows 37 to 42
44	**Additional Tier 1 (AT1) capital**	-	Row 36 minus row 43
45	**Tier 1 capital (T1 = CET1 + AT1)**	16 319 641	Sum of row 29 and row 44
Tier 2 (T2) capital: instruments and provisions			
46	Capital instruments and the related share premium accounts	-	62, 63
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)
48	Qualifying own funds instruments included in consolidated T2 capital	-	87, 88

	(including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party		
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)
50	Credit risk adjustments	-	62 (c) & (d)
51	**Tier 2 (T2) capital before regulatory adjustment**	-	
Tier 2 (T2) capital: regulatory adjustments			
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68
54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)
56	Empty set in the EU	-	
57	**Total regulatory adjustments to Tier 2 (T2) capital**	-	Sum of rows 52 to 56
58	**Tier 2 (T2) capital**	-	Row 51 minus row 57
59	**Total capital (TC = T1 + T2)**	16 319 641	Sum of row 45 and row 58
60	**Total risk-weighted assets**	12 550 954	
Capital ratios and buffers			
61	Common Equity Tier 1 (as a percentage of total risk exposure amount	130.03%	92 (2) (a)
62	Tier 1 (as a percentage of total risk exposure amount	130.03%	92 (2) (b)
63	Total capital (as a percentage of total risk exposure amount	130.03%	92 (2) (c)
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	8.00%	CRD 128, 129, 130, 131, 133
65	of which: capital conservation buffer requirement	2.50%	
66	of which: countercyclical buffer requirement	0.00%	
67	of which: systemic risk buffer requirement	0.00%	

67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	100%	CRD 128
69	[non-relevant in EU regulation]		
70	[non-relevant in EU regulation]		
71	[non-relevant in EU regulation]		
Amounts below the thresholds for deduction (before risk-weighting)			
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions	-	36 (1) (h), 45, 46, 56 (c), 59, 60, 66 (c), 69, 70
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions	-	36 (1) (i), 45, 48
74	Empty set in the EU		
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	-	36 (1) (c), 38, 48
Applicable caps on the inclusion of provisions in Tier 2			
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	-	62
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)			
80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)

85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)

ANNEX 2 Leverage ratio disclosures

Table LRCom: Leverage ratio common disclosure

№		In euro
	On-balance sheet exposures (excluding derivatives and SFTs)	
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	29 034 322
2	(Asset amounts deducted in determining Tier 1 capital)	(5 620)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**29 028 702**
	Derivative exposures	
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	-
5.1	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**-**
	Securities financing transaction exposures	
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	-

Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	-
18	(Adjustments for conversion to credit equivalent amounts)	-
19	**Other off-balance sheet exposures (sum of lines 17 to 18)**	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	**Tier 1 capital**	16 319 641
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	32 899 583
Leverage ratio		
22	**Leverage ratio**	**49,60%**
Choice on transitional arrangements and amount of derecognized fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

1	Total assets as per published financial statements	33 297 075
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
EU-6a	(Adjustment for exempted intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(397 492)
8	**Leverage ratio total exposure measure**	32 899 583

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)

EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	**32 905 202**
EU-2	Trading book exposures	4 913 540
EU-3	Banking book exposures, of which:	27 9916 62
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
EU-7	Institutions	2 907 926
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	24 997 433
EU-10	Corporate	86 303
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitizations, and other non-credit obligation assets)	

Table LRQua: Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	Leverage ratio is one of the metrics which are periodically monitored by Management Board and discussed in the The Products and Risk Committee. The leverage ratio of AS KIT Finance Europe has never been below the Basel III minimum level of 3%. The current level of the leverage ratio is well above the regulatory minimum, no internal targets have been defined. Changes and potential changes in regulation relating to the leverage ratio are monitored by risk-manager and their potential impact is assessed.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The Company's leverage amounted to 76.02% as per December 2019 (93.06% as per December 2018). The change in leverage ratio was mainly due to the increase of trading book exposures (marginal loans) and applying prudent valuation adjustments to the capital.