# *Virtu Financial Ireland Holdings Limited*

& its subsidiary

# *Virtu Financial Ireland Limited*

Pillar 3 Disclosures for the year ending 31 December 2020

Dated: 23-June-2021

**CONTENTS**

# 1 Introduction

## 1.1 Introduction

This document sets out the Pillar 3 Disclosures of Virtu Financial Ireland Holdings Limited ("VFIHL") and its subsidiary Virtu Financial Ireland Limited (“VFIL” or the “Company”) as at 31 December 2020 (the “Disclosures”).

The Disclosures are required by Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms (the “CRR”) and the Capital Requirements Directive 2013/36/EU (the “CRD”) (herein referred to together as “CRD IV”).

VFIL is regulated by the Central Bank of Ireland (“CBI”) and is authorised as an Investment Firm under Regulation 8(3) and deemed authorised under Regulation 5(2) of the Statutory Instrument No. 375/2017 European Union (Markets in Financial Instruments) Regulations 2017.

## 1.2 Regulatory Background

CRD IV is a capital adequacy framework for credit institutions and investment firms in the European Union. Its purpose is to provide for a comprehensive and risk-sensitive capital adequacy structure within credit institutions and investment firms and to promote enhanced risk management systems and controls amongst financial institutions. CRD IV is made up of three prudential components called “Pillars”:

- ***Pillar 1*** sets out the methodology for the calculation of the Company's minimum regulatory capital requirements to meet the Company’s credit, market and operational risks.
- ***Pillar 2*** requires the Company to fully assess its risks and to ensure there is a credible link between its risk profile and the capital it maintains. The Pillar 2 assessment is also called the Internal Capital Adequacy Assessment Process (“ICAAP”).
- ***Pillar 3*** requires the Company to make public disclosures of certain specific information concerning capital adequacy, risk exposures and risk management arrangements in order to promote greater market discipline and transparency through the disclosure of key information about a firm’s capital adequacy, risk exposures and risk management arrangements.

The Disclosures meet VFIHL’s and VFIL’s obligations with respect to Pillar 3 and the requirements outlined in Articles 431-455 of the CRR. The Disclosures are drafted having regard to such guidance as issued by the European Banking Authority (“EBA”) from time-to-time and taking into account the recently published EBA Report on Assessment of Institutions’ Pillar 3 Disclosures.

## 1.3 Scope, frequency, location and verification of disclosures

The Disclosures are solely in respect of the Company and on a consolidated basis by VFIHL. The Disclosures have been prepared as at 31 December 2020, which is the fiscal year end of VFIHL and VFIL.

The Company publishes its Pillar 3 Disclosures on the Groups website at the following address https://www.virtu.com/regulatory-disclosures/.

These disclosures have been prepared solely for the purpose of fulfilling the Company’s Pillar 3 disclosure requirements and are not used by management for any other purpose. They have not been audited nor do they constitute any form of audited financial statement.

## 2 Summary of business changes during the year

This Disclosure is the Company's 2020 Pillar 3 disclosure updated to reflect the Company's current business model and metrics as at year end 31 December 2020.

On 1 March 2019, the Company's ultimate parent, Virtu Financial Inc. ("Virtu") concluded its acquisition of Investment Technology Group Inc. ("ITG") and its subsidiaries including the European subsidiary which was subsequently named Virtu ITG Europe Limited ("VIEL"), a Central Bank of Ireland agency brokerage and multi-lateral trading facility operator.

Following the acquisition Virtu has devoted significant resources to execute a plan to bring Virtu's leading technology, risk management and operational efficiency to ITG's array of agency solutions, to better serve a global client franchise. In Europe, following a strategic review in Q2 2019, it was determined that the Company would transition its institutional equity agency brokerage service to VIEL and the Company would continue its focus on its core business. This transition is now complete and VFIL no longer provides agency brokerage services to clients.

The Company's revised business model, electronic strategies and risk systems and controls in addition to its updated governance framework are summarised in this Pillar 3 disclosure.

# 3 Risk Management Framework

## 3.1 Introduction

To achieve its mission statement, the Board has set a number of specific business objectives and development goals over specific time horizons for the Company's senior management team to achieve. In order to ensure that the senior management team operates within a predetermined risk control environment, the senior management team and the Board have a defined risk appetite statement and corresponding risk tolerance statement for each strategic goal.

In order to facilitate its business objectives and also achieve its risk objectives, the Company has implemented effective risk processes, procedures, limits and controls to identify, measure, assess, monitor, mitigate and report on risks on a timely, adequate and continuous basis (the "Risk Management Framework"). The Risk Management Framework provides specific parameters for implementing the Company's strategies and establishes limits and controls that are consistent with the Company's risk tolerances and appetites. The aggregate of the Company's actual and potential risk exposures are maintained within these limits.

## 3.2 Risk Management, Culture & Structures

The Board seeks to have in place an integrated and institution-wide risk culture. This cultural approach means that employees are aware of their responsibilities relating to risk management, understand the risks the Company faces and is aware of how such risks are managed within the Company. This risk culture is developed through staff training, formal and informal reporting, meetings and formal communications to staff from Senior Management as regards the Company's risk policies and procedures.

The Company has established regular and transparent reporting mechanisms so that the Directors and all of the relevant functions within the Company are provided with reports in a timely and meaningful manner. This enables the sharing of relevant information about the identification, measurement or assessment and monitoring of risks both vertically and horizontally.

In order for the Board to achieve its risk objectives, it has put in place a permanent independent Risk Management Function supervised by the Chief Risk Officer. The Risk Management Function is organisationally separate from the activities that it is assigned to monitor and control, but it is not isolated from them.

The Company's control environment is highly automated through the use of Virtu Financial Group's proprietary technology infrastructure. The Company's infrastructure incorporates automated risk protections and risk limiting tools to protect against operational, trading and other potential risk areas. Within the Company, there is a strong focus on rigorous risk management techniques and early identification of issues with escalation protocols to the Board.

The governance framework is based upon the concept of three internal lines of defence against risk. This concept aims to ensure that accountability for the management of risk is pushed "towards the coal-face" to ensure that it is embedded in day-to-day management, but the boundaries between lines of defence should not be considered rigid. This concept ensures that each line reports independently to the Board and relevant Sub-Committees. The three lines of defence are as follows:

***1st line:*** The First Line of Defence is the individuals who adhere to policy and standards and principles established by the Board and are responsible for day to day business management. Each business line owns the risks and controls for its respective business and retains full accountability for control of related business issues.

***2nd line:*** The Second Line of Defence is performed by the control functions including:

- The Risk Management Function supervised by the Chief Risk Officer;
- The Finance Function supervised by the Head of Finance; and
- Compliance Function managed by the Company's Compliance Officer.

***3rd line:*** Independent assurance stakeholders comprising Internal Audit and External Audit. The Internal Audit function provides assurance to the Company's Risk Committee, Audit Committee, Remuneration Committee and the Board on the adequacy of the Company's systems of internal controls, risk management and governance processes. The function of Internal Audit is undertaken by EisnerAmper Ireland, the Irish subsidiary of a global audit and risk management assurance services provider. The External Audit function provides independent assurance to the Audit Committee and the Board on the adequacy of the internal controls, accounting systems and accuracy and completeness of the financial statements. PwC provides external Audit.

## 3.3 The Board of Directors

The Board has responsibility for implementing and monitoring the Company's risk management policies and procedures, including the identification and proper management of each of the key risks that the Company faces. As such, the Board is accountable to shareholders for the overall direction and control of the Company and for managing the Risk Management Framework. The Board is committed to ensuring that high standards of governance are in place to protect the interests of shareholders and all other stakeholders of the Company, and in doing so promotes the highest standards of integrity, transparency and accountability.

The Board comprises three independent non-executive directors, a non-executive director affiliated to the Company's ultimate parent entity and two executive directors (the "Directors"). The Directors are appointed based on their skills, qualifications and experience whilst ensuring that they have appropriate time to devote to their responsibilities as a Board member in consideration of the commitments of other professional roles they may have. As of 31 December 2020, the Directors held the following directorship appointments:

| Directorship Type | Director | Number of Directorships * |
|---|---|---|
| Independent Non-Executive Director | Mr D. Mc Geough | 41 |
| Independent Non-Executive Director | Mr A. Foley | 12 |
| Chairman & Independent Non-Executive Director | Mr C. J. McCreevy | 7 |
| Non-Executive Director | Mr B. Fairclough | 1 |
| Executive Director | Mr D. Carbery | 1 |
| Executive Director | Mr D. Furlong | 3 |

**directorships within the same corporate group counted as 1*

During 2020, the Board met five times.

## 3.4 Subcommittees of the Board

The Directors have delegated responsibility for supervision of certain functions within the Company to various sub-committees of the Board and to senior management who report to the Board at periodic meetings.

### 3.4.1 Audit Committee

The Audit Committee has specific responsibility to assist the Board in fulfilling its oversight responsibilities in respect of the Company and its affairs relating to the financial reporting process. This includes the integrity of the financial information provided to the Board, the Company's parent, the Central Bank, the Companies Registration Office and others; the effectiveness of the Company's systems of internal control and internal audit; the statutory audit of the annual and consolidated accounts; and the independence of the statutory auditor or audit company, and in particular the provision of additional audit or advisory services to the Company.

The membership of the Audit Committee is comprised of the non-executive Directors of the Company.

During 2020, the Audit Committee met four times.

### 3.4.2 Risk Committee

The Risk Committee is chaired by the Chief Risk Officer. The Committee has responsibility for appraising the board of key management information and of oversight and advice to the Board on the current risk exposures of the Company and future risk strategy. The Committee takes into account the current and prospective macro-economic environment in preparing advice to the Board on the Company's overall risk appetite and tolerance.

During 2020, the Risk Committee met three times.

### 3.4.3 Remuneration Committee

The Remuneration Committee has specific responsibility for oversight of remuneration policies and their implementation by the Company. The membership of the Remuneration Committee is comprised of the non-executive Directors of the Company. The Chairman of the Board, an Independent Non-Executive Director, is also the Chairman of the Remuneration Committee.

During 2020, the Remuneration Committee met twice.

## 3.5 Board Reporting

The Sub-Committees report directly to the Board via their respective Committee Chairmen at each sitting of the Board. The Senior Management Team also report directly to the Board at each meeting on each of their functional areas and provide detailed periodic reports on metrics in the areas of finance, legal, compliance, risk management, trading, technology & IT and general business.

# 4 Risk Assessment

The Board considers that risk management arrangements of the Company are appropriate and that they provide the Board with assurance that the risk management systems put in place are adequate with regard to the institution's profile and strategy. The Board has identified the following risks as the key risks facing the Company.

## 4.1 Operational Risks

Operational risks are the risks of direct or indirect losses arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit and market risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour.

General operational risks include those risks arising from inadequate internal processes or systems, external events or inadequate employee performance. To mitigate against such risks the Company has a comprehensive suite of process controls, automated risk controls, procedures, monitoring and reporting programs which ensure that these risks are identified and mitigated rigorously.

Information and communication technology ("IT") risk is a sub-classification of Operational Risk and relates to the impact of current or prospective risk of losses to the Company due to the inappropriateness or failure of technical infrastructures which can in turn compromise the availability, integrity, accessibility and security of such infrastructures and of data. The Company is a technology enabled company and accepts that its business model increases its exposure to material levels of technology risk. To mitigate the likelihood of such risks occurring, the Company has implemented multiple levels of failover and contingency arrangements that ensure the continued operation of the Company's processes and risk controls in the event of a technological interruption or failure. In addition, the Company has a suite of monitoring controls that examine the health of the Company's hardware, infrastructure and software performance. These monitoring tools are supervised in real-time by dedicated risk, operations and trading teams who have predefined procedures to manage a risk event should it occur.

Legal risk is a sub-classification of Operational Risk and is defined as the risk of a loss of legal, human or financial integrity, reputation or capital as the result of government action, legislation, contract or other laws or regulations. Compliance risk is the risk of adverse legal outcomes, market conduct risk that include risks associated with regulatory sanctions, material financial loss, or loss to reputation a financial institution may suffer as a result of its failure to comply with laws, regulations, rules, related self-regulatory organisation standards, and codes of conduct applicable to its activities. As a regulated entity, the Company operates in a highly regulated environment and may therefore be subject to such risks. In order to manage legal and compliance risks, the Company has a dedicated Compliance Team, which oversees the Company's compliance and legal risk management framework.

## 4.2 Market Risk

Market risk can be defined as the risk of losses in on and off-balance sheet positions arising from adverse movements in market prices. From a regulatory perspective, market risk stems from all the positions included in the Company's trading book as well as from commodity and foreign exchange risk positions on the balance sheet.

The Company's proprietary trading desk utilizes automated trading strategies, which utilize automated logic to monitor and assess market data across many venues and configure resting bids and offers in response to changing market dynamics. The Company's strategies utilize high speed messaging infrastructure in order to effectively manage the risks of this liquidity provision. The Company seeks to avoid unwanted directional and market risk and continually assesses its market risk exposures with a view to maintaining correlated or market neutral positions for liquidity provisioning strategies.

The Board of the Company has defined its attitude to Market Risk and set risk based appetites, risk limits and tolerances. The Chief Risk Officer monitors the Company's overall compliance with its market risk appetite and the Head of Trading monitors the Group's market risk management policies and procedures.

## 4.3 Liquidity Risk

Liquidity risk represents the risk that the Company does not have sufficient liquid assets to meet short and mediumterm liquidity requirements over an appropriate set of time horizons, including intraday periods. It also includes the risk that the Company does not maintain adequate levels of liquidity buffers, under both normal and stressed conditions or the Company does not have sufficient funding plans to support strategic objectives. The Company does not rely on borrowings to fund its operations and instead relies on its strong cash flows and a liquid balance sheet. The liquidity position of the Company is monitored on a daily basis by finance and operations, with management information on liquidity provided on a regular basis to senior management and periodically reported to the Board. On an annual basis, a five-year forward looking liquidity plan is prepared by the finance function and reviewed by the Board.

The Board has concluded that as of 31 Dec 2020, the Company has sufficient funds available to meet all operational requirements, future operations and stated objectives.

## 4.4 Credit Risk, Custodian Risk, Default Risk

Credit (Custodian, Default) risk is the current or prospective risk to earnings and capital arising from counterparty's failure to meet the terms of any contract or its failure to perform as agreed.

The Company's primary credit risks relate to exposures arising from the Company's deposits and balances held with banks and General Clearing Members, institutions and clients where the Company trades with them directly as part of its trading book as well as balances owed to the Company by third parties (including affiliates) exposing it to credit risk or risk of default. Market side executions are typically cleared and settled with a number of central counterparties. In addition, agency client settlements, which are unable to be centrally cleared are conducted on the basis of "delivery versus payment", which minimizes the risk of exposure to more substantial trading positions. This does not, however, eliminate risk entirely in circumstances in which the counterparty fails and the value of stock awaiting settlement against payment has changed adversely. Such defaults could have an adverse effect on the Company's financial results, financial condition and cash flows. For the purpose of the calculation of risk weighted exposures relating to credit risks, ECAIs are used.

The Company has a diversified counterparty base and does not consider there is a significant risk of individual counterpart default affecting the viability of the overall business. Pre-settlement exposure to counterparts is monitored by the Company's Risk management function, and the Company has effective procedures in place to identify and manage potential settlement failure. All of the Companies business activities are short-term in nature; the vast majority is conducted under a T+2 settlement cycle, or less. This enables management to respond very quickly in the event of emerging risk issues arising from overall exposure to, and/or the specific creditworthiness of, a particular counterparty or group of counterparty. The Board has delegated responsibility for allocating and monitoring counterparty credit limits to the Risk Committee. Risk liaise with Operations and Trading to manage the assignment of the limits to the Company's counterparties.

The Company encountered no credit or default scenarios with its counterparties during the period.

## 4.5 Settlement Risk

Settlement Risk is the risk that one party will fail to deliver the terms of a contract with another party at the time of settlement. The Company does not hold large directional positions in the trading book and all counterparty exposures are incurred in the ordinary course of settlement, which in Europe is over two business days.

The Company utilises its GCM for the management of clearance and settlement of CCP cleared and bilaterally settled transactions. The Company's Operations Department carefully monitors the settlement workflow of the GCM and pro-actively monitors the clearing and settlement process to avoid settlement inefficiencies or failures. In order to mitigate the risk of failed trades, settlements are monitored on an intraday basis and alerts are sent to management of any potentially failing or failed trades.

Overall, the Company considers that settlement risk is extremely low with the risk of loss to be suffered due to incorrect settlement considered negligible.

## 5 Capital Resources & Capital Adequacy

### 5.1 Capital Resources

As at 31 December 2020 and at all times throughout the year, the Company complied with its prudential minimum capital requirements of CRD IV in that the capital resources were in excess of the capital required by the Company.

The Company's capital resources consist of Tier 1 capital, the characteristic being that Tier 1 capital is available to absorb losses, ranks for repayment on winding up after other debts and has no fixed costs attached. The Company's Tier 1 capital comprises ordinary shares, capital contributions made by the Group, retained earnings and other distributable reserves. The Company also has intangible assets, which are deductible for the purposes of calculating its Capital resources. The following is the Company's Capital resources calculated in line with CRD IV requirements:

| CAPITAL RESOURCES* | As at 31-Dec-20 EUR '000 | As at 31-Dec-19 EUR '000 |
|---|---|---|
| **Tier 1 Capital** | | |
| Ordinary Share Capital | 0 | 0 |
| Capital Contributions | 4,995 | 29,995 |
| Other Reserves | 10,000 | 10,000 |
| Retained Earnings | 63,871 | 31,041 |
| *Adjustments to Tier 1* | | |
| - intangible assets | (1,174) | (802) |
| - Value adjustments due to the requirements for prudent valuation | (312) | (329) |
| **Total Tier 1 Capital** | 77,380 | 69,905 |
| Tier 2 Capital | - | - |
| **Total Tier 1 & Tier 2 Capital** | 77,380 | 69,905 |

** COREP for period 31 December 2020.*

VFIL's audited financial statements for the year ending 31-Dec-2020 recorded a net profit after tax of EUR 36,866,355. VFIL's COREP as at 31-Dec-2020 reflects Own Funds of EUR 77,380,000.

| Reconciliation of Accounting Capital with Regulatory Capital | 2020 |
|---|---|
| | **€'000** |
| **Total Shareholders Equity** | 85,867 |
| Regulatory Adjustments | (1,486) |
| Unaudited Portion of profit and loss | (7,001) |
| **Common Equity Tier 1 Capital** | **77,380** |

### 5.2 Capital Ratios

The Common equity tier 1 capital ("CET1") is the highest quality form of regulatory capital under CRD IV that comprises the Company's capital contributions and retained earnings, and deducting specified regulatory adjustments. The CET1 ratio is a measure of Tier 1 capital compared to its risk weighted assets. The Company's CET 1 ratio, Tier 1 ratio and Total capital ratio are the same as the Company's capital consists only of capital of the highest quality as defined in CRD IV.

| CAPITAL RATIOS | As at 31-Dec-20 | As at 31-Dec-19 |
|---|---|---|
| CET 1 Capital ratio | 47.22% | 37.30% |
| T1 Capital ratio | 47.22% | 37.30% |
| Total Capital ratio | 47.22% | 37.30% |

## 5.3 Capital Adequacy

The Company's capital management objectives are as follows:

- Manage directly associated trading costs in line with increasing trading volume and control non-trading costs in order to grow profitability;
- Profitable outcome for shareholders based on sustainable and predictable income generation;
- Reduce concentration risk on deployed trading strategies by identifying alternative revenue streams;
- Comply at all times with the capital requirements under CRD IV and ensure a sufficient excess capital buffer is in place to absorb unforeseen risk events and support strategic growth; and
- Grow capital surplus through year-on-year positive retained earnings.

Formal procedures are in place to monitor and manage capital resources on an active and timely basis. Responsibility for day-to-day monitoring of capital adequacy rests within the Compliance and Risk Management functions. Daily reports are produced to monitor regulatory capital and forecasts are distributed to the Board and senior management on a regular basis.

Pillar 1 sets out the methodology for the calculation of the Company's risk weighted exposures as a percentage of Common Equity Tier 1 Capital. The Company calculates Operational Risk capital requirements in accordance with Article 315 of CRR – which uses the Basic Indicator Approach multiplied by 12.5.

As at 31 December 2020, the Company's Capital Requirements were as follows:

| CAPITAL REQUIREMENTS | As at 31-Dec-20 EUR '000 | As at 31-Dec-19 EUR '000 |
|---|---|---|
| **Pillar 1 Regulatory Capital Requirements** | | |
| Credit & Counterparty Credit Risks * | 2,666 | 3,051 |
| Settlement & Delivery Risks | 62 | 6 |
| Position, FX and Commodity Risks * | 5,255 | 5,896 |
| Operational Risk | 5,127 | 6,038 |
| Total Pillar 1 Regulatory Capital Requirements | 13,110 | 14,991 |
| Transitional Capital Requirement ** | 16,387 | 18,739 |
| **Total Capital Requirement** | 29,497 | 33,730 |

** Using the Standardized Approach*
*** CBI capital add-on whereby Pillar 1 risks are multiplied by 125%*

## 5.4 Pillar 1 – Capital Requirements

The following outlines how the Company's Pillar 1 capital is calculated.

### 5.4.1 Pillar 1 - Methodologies

The Company calculates Pillar 1 capital requirements in accordance with the regulatory capital requirements of CRD IV. The risks arising in the Company that gives rise to the requirement for capital under CRD IV is as follows:

- Credit and Counterparty Risk arises from exposures on the Company's balances held with or due from GCMs, banks and amounts due from other third parties.
- Market Risk arises from adverse changes in interest rates, foreign exchange rates or other market prices (relating to equities, commodities, ETFs, derivatives etc.) due to the Company's trading. The Company has a risk management structure that limits and mitigates such risks and losses arising with such risk monitored on an ongoing basis.
- Settlement & Delivery risks arise for the Company where issues occur during the settlement process.

### 5.4.2 Pillar 1 - Calculations

The following disclosures details the calculations for Pillar 1 requirements as at 31 December 2020 with prior year comparatives provided.

#### 5.4.2.1 Credit risk

All calculations have been calculated using the standardised approach to credit risk as determined by CRR Article 111.

The breakdown of the calculation is as follows:

| CREDIT RISK EXPOSURES AND CAPITAL REQUIREMENTS | Year ended 31 December 2020 | | Year ended 31 December 2019 | |
|---|---|---|---|---|
| | Risk Weighted Asset EUR '000 | Capital Requirements EUR '000 | Risk Weighted Asset EUR '000 | Capital Requirements EUR '000 |
| **Credit Risk Exposures** | | | | |
| Institutions | 21,435 | 1,715 | 22,490 | 1,799 |
| Central governments or central banks | 621 | 50 | 1,179 | 94 |
| Other items | 11,263 | 901 | 14,469 | 1,158 |
| **Total** | 33,319 | 2,666 | 38,138 | 3,051 |

*The geographic distribution of each class of risk weighted exposure is as follows as at the reporting date:*

| GEOGRAPHIC ANALYSIS OF CREDIT RISK EXPOSURES 12/31/2020 | Republic of Ireland EUR '000 | United Kingdom EUR '000 | United States of America EUR '000 | Netherlands EUR '000 | France EUR '000 | Other EUR '000 |
|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | |
| Central governments or central banks | 249 | - | - | - | - | - |
| Institutions | 13,246 | 34,062 | 66,007 | 13,635 | 9,804 | 4,082 |
| Other exposures | 10,210 | 470 | 61 | 364 | 76,676 | 80 |
| **Total exposures** | 23,705 | 34,532 | 66,068 | 13,999 | 86,480 | 4,162 |

| GEOGRAPHIC ANALYSIS OF CREDIT RISK EXPOSURES 12/31/2019 | Republic of Ireland EUR '000 | United Kingdom EUR '000 | United States of America EUR '000 | Netherlands EUR '000 | France EUR '000 | Other EUR '000 |
|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | |
| Central governments or central banks | 471 | - | - | - | - | 471 |
| Institutions | 7,264 | 14,060 | 48,130 | 12,732 | 25,073 | 2,540 |
| Other exposures | 13,568 | 372 | 103 | 321 | 39 | 68 |
| **Total exposures** | 21,303 | 14,432 | 48,233 | 13,053 | 25,112 | 3,079 |

*Note: Exposures on a geographic basis can be larger due to an inability to net ntercompany exposures from affiliates in different jurisdictions.*

*Other* geographic areas above include Switzerland, Cyprus, Israel, Germany, Turkey, Norway, Belgium, Austria, Sweden, Spain and Italy.

*Industry analysis of exposures*

The Company's exposures at the balance sheet date comprise of regulated financial services firms and financial services entities.

*The average credit exposure of each class of exposure is as follows during the period:*

| AVERAGE CREDIT RISK EXPOSURES AND CAPITAL REQUIREMENTS | 1 January to 31 December 2020 | | 1 January to 31 December 2019 | |
|---|---|---|---|---|
| | Risk Weighted Asset EUR '000 | Capital Requirements EUR '000 | Risk Weighted Asset EUR '000 | Capital Requirements EUR '000 |
| **Credit Risk Exposures** | | | | |
| Institutions | 30,326 | 2426 | 27,938 | 2235 |
| Central governments or central banks | 799 | 64 | 1,661 | 133 |
| Other items | 12,239 | 979 | 11,790 | 943 |
| **Total** | 43,363 | 3,469 | 41,389 | 3,311 |

*The residual maturity of each class of exposure is as follows as at the reporting date:*

| Total credit exposure by residual maturity 12/31/2020 | On demand €'000 | 0<3 months €'000 | 3<6 months €'000 | 6month < 1yr €'000 | 1<3 years €'000 | Total Exposures €'000 |
|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | |
| Central governments and central banks | - | 249 | - | - | - | 249 |
| Institutions | 62,355 | 78,484 | - | - | - | 140,839 |
| Other | 0 | 1,185 | - | - | 10,079 | 11,264 |
| **Total Exposures** | 62,355 | 79,917 | - | - | 10,079 | 152,351 |

| Total credit exposure by residual maturity 12/31/2019 | On demand EUR '000 | 1<3 months EUR '000 | 3<6 months EUR '000 | 6 months<1year EUR '000 | 1<3 years EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | |
| Central governments or central banks | - | 471 | - | - | - | 471 |
| Institutions | 24,957 | 84,843 | - | - | - | 109,800 |
| Other exposures | - | 14,470 | - | - | - | 14,470 |
| **Total exposures** | 24,957 | 99,784 | - | - | - | 124,741 |

*Total exposure value split by external rating:*

| Total Exposure split by external rating 31/12/2020 | Standard and Poors €'000 | Total Rated €'000 | Total unrated €'000 | Total €'000 |
|---|---|---|---|---|
| **Credit Risk Exposures** | | | | |
| Central governments and central banks | - | - | - | - |
| Public sector entities | - | - | 249 | 249 |
| Institutions | 97,542 | 97,542 | 43,297 | 140,839 |
| Other | - | - | 11,264 | 11,264 |
| Total exposures | 97,542 | 97,542 | 54,810 | 152,352 |

| Total Exposure split by external rating 12/31/2019 | Standard & Poors EUR '000 | Total rated EUR '000 | Total unrated EUR '000 | Total EUR '000 |
|---|---|---|---|---|
| **Credit Risk Exposures** | | | | |
| Central governments or central banks | - | - | 471 | 471 |
| Institutions | 75,461 | 75,461 | 34,340 | 109,801 |
| Other exposures | - | - | 14,469 | 14,469 |
| **Total exposures** | 75,461 | 75,461 | 49,280 | 124,741 |

*Total exposure value split by credit quality assessment step:*

| Total exposure value split by credit quality Assessment Step 31/12/2020 | Step 1 €'000 | Step 2 €'000 | Step 3 €'000 | Step 4 €'000 | Step 5 €'000 | Total rated €'000 | Total unrated €'000 | Total €'000 |
|---|---|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | | | |
| Central governments and central banks | - | - | - | - | - | - | 249 | 249 |
| Institutions | 1,126 | 91,612 | 3,073 | - | 1,732 | 97,542 | 43,297 | 140,839 |
| Other items | - | - | - | - | - | - | 11,264 | 11,264 |
| **Total exposures** | 1,126 | 91,612 | 3,073 | - | 1,732 | 97,542 | 54,809 | 152,351 |

| Total exposure value split by credit quality assessment step 31/12/2019 | Step 1 EUR '000 | Step 2 EUR '000 | Step 3 EUR '000 | Step 4 EUR '000 | Step 5 EUR '000 | Total rated EUR '000 | Total unrated EUR '000 | Total EUR '000 |
|---|---|---|---|---|---|---|---|---|
| **Credit Risk Exposures** | | | | | | | | |
| Central governments or central banks | - | - | - | - | - | - | 471 | 471 |
| Institutions | 673 | 69,275 | 2,946 | 2,567 | - | 75,461 | 34,340 | 109,801 |
| Other exposures | | | | | | | 14,469 | 14,469 |
| **Total exposures** | 673 | 69,275 | 2,946 | 2,567 | - | 75,461 | 49,280 | 124,741 |

To calculate risk weighted exposure amounts risk weights have been applied to all exposures unless dedcuted from own funds.

Risk weights are applied based on the exposure class to which the exposure is assigned and to the extent to which a credit assessment by a nominated ECAI is available. It is then assigned a risk weight in accordance with its credit quality.

External credit assessment have been used to determine risk weight of an exposure where the ECAI has been endorsed in accordance with Regulations. For the purposes of applying a risk weight the exposure value is multiplied by the risk weight specified in accordance with CRR Part Three Articles 114 -134.

Short term credit assessments have been used for all credit exposures to institutions and corporates as they all classify as short term.

The following ratings apply to the credit quality assessment steps

Step 1: AAA to AA (S&P)

Step 2: A+ to A- (S&P)

Step 3: BBB+ to BBB- (S&P)

Step 4: BB+ to BB- (S&P)

Step 5: B+B- (S&P)

Step 6: CCC+ and below (S&P)

*Past Due and Impaired Exposures*

As of 31 December 2020 there were no material past due or impaired exposures.

*Credit Risk Mitigation techniques*

As of 31 December 2020, the Company has an intercompany netting agreement with affiliates, which allow intercompany payables and receivables with these parties to be netted into a single account thereby mitigating credit risk.

### 5.4.2.2 Settlement risk

Settlement risk is generally understood as the risk that an executed transaction is not settled as expected through a settlement system. Settlement risk is calculated in accordance with CRR Article 378.

The table below details the calculation of settlement risk:

| SETTLEMENT RISK EXPOSURES | 31-Dec-2020 EUR '000 | 31-Dec-2019 EUR '000 |
|---|---|---|
| **Unsettled transactions in Trading Book** | | |
| 0 - 4 days (Factor 0%) | 1,934 | 20,451 |
| 5 - 15 days (Factor 8%) | 10,260 | 17,962 |
| 16 - 30 days (Factor 50%) | 1,017 | 3,227 |
| 31 - 45 days (Factor 75%) | - | - |
| 46 days or more (Factor 100%) | 1 | - |
| Total unsettled transactions | 13,212 | 41,640 |
| Total settlement risk exposure amount | 209 | 471 |
| **Settlement Risk Capital Requirement** | 62 | 6 |

### 5.4.2.3 Market risk

The Company is exposed to market risk due to the potential for adverse changes in assets or liabilities arising from movements in the prices of equities, bonds, ETFs, derivatives, currency exchange rates and interest rates on its trading book.

Each component of Market risk is calculated as follows:

- *Foreign exchange risk:* the Company calculates the own funds requirements for foreign exchange risk in accordance with CRR Articles 351-354;
- *Position risk:* the Company calculates the own funds requirements for position risk in accordance with CRR Articles 326-350. The Company applies specific treatments for debt instruments using the maturity-based calculation of general risk outlined in CRR Article 339 and have applied the specific method for CIUs, allowing look through to the underlying instruments, outlined in Article 350 of CRR, where applicable.
- *Commodity risk:* the Company calculates the own funds requirement for commodities risk in accordance with CRR Articles 355-361 specifically applying the simplified approach for calculating commodities risk own funds requirements as outlined in Article 360.

As at the balance sheet date, the market risk requirement under Pillar 1 was as follows:

| RISK EXPOSURE AMOUNT FOR MARKET RISK UNDER STANDARDISED APPROACH | 31-Dec-2020 | 31-Dec-2019 |
|---|---|---|
| | EUR '000 | EUR '000 |
| **Market Risk Exposures** | | |
| Position Risk: Traded debt instruments | 220 | - |
| Equity | 57,362 | 60,883 |
| Foreign Exchange Risk | 4,628 | 4,376 |
| Commodities Risk | 3,474 | 8,441 |
| Total Risk exposure | 65,684 | 73,700 |
| **Capital requirement** | 5,255 | 5,896 |

### 5.4.2.4 Operational Risk

The Company calculated Operational Risk capital requirements in accordance with Article 315 – which uses the Basic Indicator Approach.

## 5.5 Asset Encumbrance

The asset encumbrance disclosure has been produced in line with the 2014 EBA Guidelines on disclosure of encumbered and unencumbered assets and the tables are based on the EBA reporting templates. An asset should be treated as encumbered if it has been pledged or if it is subject to any form of arrangement to secure, collateralise or credit enhance any on-balance-sheet or off-balance-sheet transaction from which it cannot be freely withdrawn (for instance, to be pledged for funding purposes). Assets pledged that are subject to any restrictions in withdrawal, such as assets that require prior approval before withdrawal or replacement by other assets, should be considered encumbered.

As part of principally its GCM relationships and managing its funding requirements assets may be encumbered to support lines of credit from institutions.

**Template A – Encumbered and unencumbered assets**

| | Assets as at 31 December 2020 | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|---|
| | | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| | | 010 | 040 | 060 | 090 |
| **010** | **Assets of the reporting institution** | 264,241 | | 76,117 | |
| **020** | **Loans on demand** | 37,869 | | - | |
| 030 | Equity instruments | 184,293 | 184,293 | 0 | 0 |
| 040 | Debt securities | 393 | 393 | - | - |
| 050 | of which: covered bonds | - | - | - | - |
| 060 | of which: asset-backed securities | - | - | - | - |
| 070 | of which: issued by general governments | 393 | 393 | - | - |
| 080 | of which: issued by financial corporations | - | - | - | - |
| 090 | of which: issued by non-financial corporations | - | - | - | - |
| 120 | Other assets | 41,685 | | 76,117 | |

| Assets as at 31 December 2019 | Carrying amount of encumbered assets | Fair value of encumbered assets | Carrying amount of unencumbered assets | Fair value of unencumbered assets |
|---|---|---|---|---|
| | EUR '000 | EUR '000 | EUR '000 | EUR '000 |
| **Assets of the reporting institution** | 262,866 | | 41,025 | |
| **Loans on demand** | 62,405 | | | |
| Equity instruments | 166,899 | 166,899 | | |
| Other assets | 33,562 | | 41,025 | |

## Template B – Collateral received

| | As at 31 December 2020 | Fair value of encumbered collateral received or own debt securities issued | Unencumbered |
|---|---|---|---|
| | | | Fair value of collateral received or own debt securities issued available for encumbrance |
| | | EUR '000s | EUR '000s |
| | | 010 | 040 |
| **130** | **Collateral received by the reporting institution** | - | - |
| 140 | Loans on demand | | |
| 150 | Equity instruments | | |
| 160 | Debt securities | | |
| 230 | Other collateral received | | |
| 231 | of which: ... | | |
| **240** | **Own debt securities issued other than own covered bonds or asset-backed securities** | | |
| **241** | **Own covered bonds and asset-backed securities issued and not yet pledged** | | - |
| **250** | **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | - | |

| | As at 31 December 2019 | Fair value of encumbered collateral received or own debt securities issued | Unencumbered |
|---|---|---|---|
| | | | Fair value of collateral received or own debt securities issued available for encumbrance |
| | | EUR '000s | EUR '000s |
| **130** | **Collateral received by the reporting institution** | | |
| 140 | Loans on demand | | |
| 150 | Equity instruments | | |
| 160 | Debt securities | | |
| **240** | **Own debt securities issued other than own covered bonds or asset-backed securities** | | |
| **241** | **Own covered bonds and asset-backed securities issued and not yet pledged** | | |
| **250** | **TOTAL ASSETS, COLLATERAL RECEIVED AND OWN DEBT SECURITIES ISSUED** | 178,732 | |

**Template C: Encumbered assets/collateral received and associated liabilities**

| Template C-Sources of encumbrance | | |
|---|---|---|
| | **As at 31 December 2020** | **Matching liabilities, contingent liabilities or securities lent** |
| | | **EUR '000s** |
| | | **010** |
| **010** | **Carrying amount of selected financial liabilities** | - |
| **010** | **Carrying amount of selected financial liabilities** | - |
| 020 | Derivatives | - |
| **120** | **Other sources of encumbrance** | **186,686** |
| 130 | Nominal of loan commitments received | - |
| 140 | Nominal of financial guarantees received | - |
| 150 | Fair value of securities borrowed with non cash-collateral | 127,473 |
| 160 | Other | 59,213 |
| **170** | **TOTAL SOURCES OF ENCUMBRANCE** | **186,686** |

| Template C-Sources of encumbrance | | |
|---|---|---|
| 31-Dec-2019 | As at 31 December 2019 | Matching liabilities, contingent liabilities or securities lent |
| | | EUR '000s |
| **010** | **Carrying amount of selected financial liabilities** | |
| **120** | **Other sources of encumbrance** | **178,732** |
| 150 | Fair value of securities borrowed with non cash-collateral | 161,990 |
| 160 | Other | 16,742 |
| **170** | **TOTAL SOURCES OF ENCUMBRANCE** | **178,732** |

## 5.6 Capital Buffers

CRD introduced a number of additional capital requirements, which are being phased in gradually from 1 January 2016 to 1 January 2019 to apply to institutions. They are designed to provide additional financial buffers within firms to absorb future losses because of external market loss impacts.

The following buffers which apply to the Company:

- Capital Conservation buffer: in anticipation of a potential financial downturn of CET 1 capital of up to 2.5%.
- Countercyclical buffer: this requires additional CET1 capital of up to 2.5% to be held where credit growth is deemed to be excessive leading to a build-up of system wide risk. . It should be noted however, that the countercyclical buffers have been reduced, in most cases reduced to 0%, to soften the impact of the COVID 19 pandemic on financial institutions.

As at the balance sheet date, the buffers were the following:

| | 2020 EUR'000 | 2020 rate | 2019 EUR'000 | 2019 rate |
|---|---|---|---|---|
| Capital Conservation buffer | 4,096 | 2.50% | 4,684 | 2.50% |
| Counter-cyclical buffer | - | Dependent on country | - | Dependent on country |

A further geographical breakdown of the counter-cyclical exposures can be found in Annex 1.

## 5.7 Other Risks

***Pillar 1 – Other Risks***

Pillar 1 does not consider some risks, such as strategic risk, concentration risk, liquidity risk, and reputational risk, all of which can prove to be substantial during a risk event.

***Pillar 2***

Pillar 2 represents a review process used to assess if the additional capital deemed as necessary to supplement the Pillar 1 calculation is adequate. Pillar 2 requires the Company to fully assess its risks and to ensure there is a credible link between its risk profile and the capital it maintains in accordance with its Internal Capital Adequacy and Assessment Process (“ICAAP”). The ICAAP supplements the Pillar 1 minimum regulatory capital requirements by considering a broader range of risk types and the Company's risk and capital management capabilities. Under Pillar 2, the adequacy of the Company's minimum capital is not defined by the minimum regulatory capital requirement under Pillar 1 but rather by the Company itself subsequent to the Company assessing and quantifying the risks it faces and the effectiveness of systems and controls in place to mitigate those risks. After assessing and quantifying the risks it faces, the Company determines whether the capital it holds is adequate to meet those risks. The Pillar 2 identification and quantification of risks and evaluation of mitigating factors is detailed in the Company's Risk Universe and reflected in its most recent ICAAP document approved by the Board.

On an annual basis the Company’s Board, in conjunction with the Risk Committee and the Compliance, Risk and Finance functions assess internal capital adequacy as part of the ICAAP process.

The ICAAP sets out the Company's analysis of its Pillar 2 requirements. By virtue of the ICAAP being a risk based document, it is continually updated to reflect a changing risk based reality, being updated at least annually or when the Company’s risk materially alters. This methodology enables the Company to adjust its capital profile as necessary taking into account material market changes or changes to its internal environment.

In order to determine the Pillar 2 capital requirements the Company undertakes a comprehensive risk assessment and sensitivity analysis based on exceptional but plausible scenario analysis which is documented in the Risk Universe. All material risk areas, including credit, market and operational risks, have been assessed and taken into consideration when assessing the Company's internal Pillar 2 capital requirements in addition to non-Pillar 1 risks such as legal, concentration, Group risks etc. On a periodic basis Senior Management review its ICAAP assumptions, risk based scenarios and wind-down assumptions. The ICAAP is reviewed by the Board on an ongoing basis.

# 6 Remuneration

## 6.1 Introduction

The Company is subject to Article 450 of the CRR and is required to disclose certain metrics and features relating to the Company’s remuneration policies, decision making processes, linkages between pay and performance and disclosure of remuneration of staff who have a material risk impact on the Company’s activities.

The Company’s remuneration policy defines the categories of staff identified as senior management, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the Company’s risk profile in accordance with EBA guidelines.

## 6.2 Overview

As part of the Company’s Governance framework, the Board has established a Remuneration Committee, a sub-committee of the Board of Directors with specific responsibility for remuneration policies and principles and for overseeing their implementation in the Company.

The Remuneration Committee is primarily responsible for Company-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to consider the appropriateness of remuneration payments considering the risk profile, long term objectives and goals of the Company; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

The members of the Committee are the Non-Executive Directors of the Company and an independent non-Executive Director who is also Chairman of the Board of the Company chairs the Committee.

## 6.3 Decision making process for determining remuneration policy

The Company’s Remuneration Policy defines the decision making process and focuses on ensuring sound and effective risk management through:

- providing a stringent governance structure for setting goals and communicating these goals to employees;
- including both financial and non-financial goals in performance and result assessments;
- including compliance with regulatory requirements and internal procedures in performance and results assessments;
- identifying such staff who can have a material impact on the risk profile of the Company and designing and rewarding staff members with appropriate incentives in a manner that is compatible with long-term oriented and prudent risk taking approach; and
- providing rules as to the nature, composition and execution of staff members total remuneration assessments and distributions.

In taking any decisions in relation to employee remuneration, the Company's policy defines the process for assessing staff, awarding remuneration and how it ensures the remuneration award is consistent with the principles of effective risk management.

### 6.3.1 Remuneration pool criteria

Performance-based remuneration pools must be based on an assessment of the Company's budgeted performance and a number of key performance indicators ("KPIs") reflecting the trend in the Company's focus areas. The KPIs assessed by the Company include, but are not limited to profit before tax compared with budget, relative contribution of local performance towards the performance the overall group, assessment of risk-adjusted return, effective risk management; and compliance with internal business procedures and regulatory obligations.

Sustainability of financial position for the Company is also an input variable into the performance-based remuneration pool, particularly resource availability to meet regulatory capital requirements, strategic growth objectives, distribution policy and other liquidity planning requirements.

The Board of Directors decides on the funds to be allocated to the performance-based remuneration pools in accordance with the Remuneration Policy on the recommendation of the Remuneration Committee.

### 6.3.2 Criteria for setting of individual remuneration

The Company recognises that the individual performance of senior management and material risk takers is key to delivering sustained and long-term value creation for its shareholders and in attracting, developing and retaining these staff. The intention of the policies on remuneration is to ensure employees feel encouraged to create sustainable results and that the interests of the employees are linked to the interests of the Company's shareholder.

In consideration of the setting of individual remuneration, the following is considered:

- Fixed remuneration is determined on the basis of the role of the individual employee, including their relevant professional experience, seniority, professional qualifications or specific skills, responsibilities (which may include services on the Company's Board or the boards of its Affiliates, or any sub-committees of such boards) and job complexity, performance and local market conditions.
- The performance-based remuneration component is designed to motivate and reward high performers, generate shareholder value and have regard for the importance of effective risk management. Performance-based remuneration reflects sustainable and risk adjusted performance as well as performance in excess of that required to fulfil their particular duties.

The nature and parameters of an employee's performance-based remuneration is dependant as to whether their professional activities have a material impact on the Company's risk profile (in accordance with the principle of proportionality) ("Identified Staff") or not.

Where an employee's professional activities are identified as having a material impact on the Company's risk profile, the Board have defined a maximum percentage of performance-based remuneration relative to the fixed remuneration, for certain risk takers.

Performance-based pay is always granted at the sole discretion of the Board and no employee shall have any contractual right to such payments, unless and until such pay is awarded on such conditions as the Board of Directors or Remuneration Committee see fit.

Guaranteed variable remuneration is not generally a component of performance-based remuneration though in exceptional cases in the first year of employment it may be rewarded and only where the Company has a sound and strong capital base.

## 6.4 Design characteristics of Company's remuneration system

### 6.4.1 Remuneration system

The remuneration policies of the Company have been designed to provide Company-wide remuneration policy with respect to remuneration, bonus and incentive arrangements and compensation payments; to ensure that such remuneration payments are appropriate considering the risk profile, long term objectives and goals of the Company; and to ensure the Remuneration Policy is in compliance with applicable laws and codes.

### 6.4.2 Performance measurement criteria

The Company's success depends in part on the availability of skilled management and the continued services of key members of its Senior Management team. If the Company fails to attract and appropriately train, motivate and retain skilled and qualified people, its businesses may be negatively impacted.

All employees enjoy an annual performance appraisal interview where Senior Management evaluates the staff member's performance:

- performance against previously set and agreed functional and personal goals for the previous year;
- their contribution to their business area and the overall performance of that business area; and
- agree and set new goals for the following year.

Following the assessment, the recommendation on an employee's variable remuneration level is aggregated into the variable performance pool and presented to the Remuneration Committee for consideration. The total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned and of the overall results of the institution.

### 6.4.3 Risk adjustment

The Company can make a risk adjustment to variable remuneration to take account of a specific crystallized risk or adverse performance outcome including those relating to misconduct (a 'relevant event'). Risk adjustments include reducing current year variable remuneration, the application of malus (reducing or cancelling deferred incentive awards that have not yet vested), and clawback (recouping already vested awards). Staff members may be subject to malus or clawback of up to 100% of variable remuneration where the staff member:

- participated in or were responsible for conduct which resulted in significant losses to the Company; or
- failed to meet appropriate standards of fitness and propriety expected of the employee in accordance with internal policy, regulation or law.

### 6.4.4 Deferral and vesting policy

Variable remuneration including deferred portions (if any) is paid or vests only if it is sustainable according to the financial situation of the Company as a whole and justified on the basis of the performance of the Company.

The Remuneration Committee and Board shall consider the length of the deferral period (if any) in accordance with its business cycle, the nature of the business, its risks and the activities of the member of staff in question by the Board.

## 6.5 Information on the criteria on which the entitlement to shares, options or variable components is based

As part of the variable remuneration, and where specified Group performance and local benchmarks are attained, the Company may award shares or share linked instruments (i.e. share options) linked to certain units or like instruments in Virtu Financial, Inc.

### 6.5.1 Policy on the ratio of fixed remuneration to variable remuneration

In order to avoid excessive risk taking, the Shareholder of the Company has set a maximum of level of the ratio between the fixed and variable components of remuneration whereby the overall level of the variable component shall not exceed 200% of the fixed component for each Identified Staff member.

## 6.6 Aggregate quantitative information on remuneration for staff who have a material impact on the risk of the institution

For the year ended 31 December 2020, 6 staff were identified as having a material impact on the risk profile of the Company.

Due to the commercial sensitivity of this information it has been omitted from this publication but may be provided on foot of written request to the Compliance Officer, Virtu Financial Ireland Limited, Whitaker Court, Whitaker Square, Block C, Sir John Rogerson's Quay, Dublin 2, Ireland.

Remuneration metrics for key staff:

| REMUNERATION METRICS | 31-Dec-20<br>EUR '000 | 31-Dec-19<br>EUR '000 |
|---|---|---|
| **Identified Staff** | | |
| Fixed Remuneration | 1,308 | 825 |
| Variable Remuneration | 2,097 | 1,079 |
| cash | 1,558 | 798 |
| cash: # of beneficiaries | 6 | 9 |
| shares | 539 | 281 |
| shares: # of beneficiaries | 3 | 9 |
| **Total Remuneration** | 3,405 | 1,904 |
| **Outstanding deferred remuneration** | | |
| of which is vested | 469 | 162 |
| of which is unvested | 1,261 | 1,406 |
| **Deferred remuneration** | | |
| awarded during the year | 323 | 169 |
| paid out during the year | 469 | 162 |
| Remuneration reduced through performance adjustments | - | - |
| New severance / sign on payments made during the year | - | - |
| Severance payments awarded during the year | - | - |

# 7 Leverage Ratio

Article 451 of the CRR requires institutions to disclose information regarding leverage ratios calculated in accordance with Article 429 and to disclose how it manages excessive leverage.

The leverage ratio is defined as the capital measure, being Tier 1 capital divided by the assets exposures. The leverage ratio is designed as a back-stop measure to risk based capital requirements with the aim of reducing leverage in a firm and across the financial system as a whole.

The Company's leverage ratio is 22.79% (2019: 23.76%) on a CRR IV transitional basis and a full implementation basis.

The Company ensures it is in line with the minimum requirement for the leverage ratio.

| | Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures | 2020 | 2019 |
|---|---|---|---|
| | | Applicable Amounts | Applicable Amounts |
| | | EUR '000's | EUR '000's |
| 1 | Total assets as per published financial statements | 337,921 | 327,093 |
| 2 | Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation | | - |
| 3 | (Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR") | | - |
| 4 | Adjustments for derivative financial instruments | 2,774 | 3,388 |
| 5 | Adjustments 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 intragroup exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (7) of Regulation (EU) No 575/2013) | | - |
| EU-6b | (Adjustment for exposures excluded from the leverage ratio exposure measure in accordance with Article 429 (14) of Regulation (EU) No 575/2013) | | - |
| 7 | Other adjustments | (1,174) | (24,003) |
| **8** | **Total leverage ratio exposure** | **339,521** | **306,478** |

| | Table LRCom: Leverage ratio common disclosure | CRR leverage ratio exposures 2020 | CRR leverage ratio exposures 2019 |
|---|---|---|---|
| **On-balance sheet exposures (excluding derivatives and SFTs)** | | | |
| 1 | On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral) | 333,223 | 327,093 |
| 2 | (Asset amounts deducted in determining Tier 1 capital) | 2,774 | (24,003) |
| **3** | **Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)** | **335,997** | **303,090** |
| **Derivative exposures** | | | |
| 4 | Replacement cost associated with *all* derivatives transactions (ie net of eligible cash variation margin) | 2,795 | 236 |
| 5 | Add-on amounts for PFE associated with *all* derivatives transactions (mark-to-market method) | 729 | 3,388 |
| EU-5a | 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)** | **3,524** | **3,624** |
| **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** | **77,380** | **72,871** |
| **21** | **Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)** | **339,521** | **306,714** |
| **Leverage ratio** | | | |
| **22** | **Leverage ratio** | **22.79** | **23.76** |
| **Choice on transitional arrangements and amount of derecognised 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 | - | - |

## 8 Country by Country reporting

Article 89 of the CRD requires the Company to report certain information on an annual basis as follows on a consolidated basis:

| Nature of Activities | 31-Dec-2020<br>The Firm engaged in electronic trading activities, which involved the provision of automated liquidity provision and market making services. | 31-Dec-2019<br>The Firm engaged in electronic trading activities, which involved the provision of automated liquidity and market making services. |
|---|---|---|
| Geographical Location | Ireland | Ireland |
| Turnover (EUR ' 000) | 123,923 | 81,514 |
| No of Employees (Full Time Equivalent) | 33 | 32 |

**Appendix 1**

Breakdown of credit exposures relevant for the calculation of the countercyclical buffer by country and institution-specific countercyclical buffer rate:

| December 2020 Disclosures | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | '000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | General credit exposures | | Trading book exposure | | Securitisation exposure | | Own funds requirements | | | | Own funds requirement weights | Countercyclical capital buffer rate |
| | Exposure value for SA | Exposure value IRB | Sum of long and short position of trading book | Value of trading book exposure for internal models | Exposure value for SA | Exposure value for IRB | Of which: General credit exposures | Of which: Trading book exposures | Of which: Securitisation exposures | Total | | |
| | 10 | 20 | 30 | 40 | 50 | 60 | 70 | 80 | 90 | 100 | 110 | 120 |
| ITALY | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| FRANCE | 76 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0.67% | 0.00% |
| IRELAND | 10,210 | 0 | 0 | 0 | 0 | 0 | 816 | 0 | 0 | 816 | 90.87% | 0.00% |
| BELGIUM | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| GERMANY | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| LUXEMBOURG | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.50% |
| NORWAY | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 1.00% |
| UNITED KINGDOM | 470 | 0 | 0 | 0 | 0 | 0 | 37 | 0 | 0 | 37 | 4.12% | 0.00% |
| AUSTRIA | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| TURKEY | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| UNITED STATES | 61 | 0 | 0 | 0 | 0 | 0 | 4 | 0 | 0 | 4 | 0.45% | 0.00% |
| FINLAND | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| NETHERLANDS | 363 | 0 | 0 | 0 | 0 | 0 | 29 | 0 | 0 | 29 | 3.23% | 0.00% |
| SWITZERLAND | 80 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 6 | 0.67% | 0.00% |
| CYPRUS | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| SPAIN | | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| SINGAPORE | | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| ISRAEL | | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| SWEDEN | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| **Total** | 11,260 | - | - | - | - | - | 898 | - | - | 898 | 100.00% | - |

| December 2019 Disclosures | 000 | 000 | 000 | 000 | 000 | 000 | 000 | 000 | 000 | 000 | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| | **General credit exposures** | | **Trading book exposure** | | **Securitisation exposure** | | **Own funds requirements** | | | | **Own funds requirement weights** | **Countercyclical capital buffer rate** |
| | **Exposure value for SA** | **Exposure value IRB** | **Sum of long and short position of trading book** | **Value of trading book exposure for internal models** | **Exposure value for SA** | **Exposure value for IRB** | **Of which: General credit exposures** | **Of which: Trading book exposures** | **Of which: Securitisation exposures** | **Total** | | |
| | **10** | **20** | **30** | **40** | **50** | **60** | **70** | **80** | **90** | **100** | **110** | **120** |
| ITALY | 965 | 0 | 0 | 0 | 0 | 0 | 24 | 0 | 0 | 24 | 0.72% | 0.00% |
| FRANCE | 25,111 | 0 | 0 | 0 | 0 | 0 | 400 | 0 | 0 | 400 | 12.08% | 0.25% |
| IRELAND | 21,304 | 0 | 0 | 0 | 0 | 0 | 1,702 | 0 | 0 | 1,702 | 51.41% | 1.00% |
| BELGIUM | 148 | 0 | 0 | 0 | 0 | 0 | 12 | 0 | 0 | 11.84 | 0.36% | 0.00% |
| GERMANY | 69 | 0 | 0 | 0 | 0 | 0 | 6 | 0 | 0 | 5.52 | 0.17% | 0.00% |
| LUXEMBOURG | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| NORWAY | 5 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.4 | 0.01% | 2.50% |
| UNITED KINGDOM | 14,433 | 0 | 0 | 0 | 0 | 0 | 2 | 0 | 0 | 2.4 | 0.07% | 1.00% |
| AUSTRIA | 4 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.32 | 0.01% | 0.00% |
| TURKEY | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| UNITED STATES | 48,236 | 0 | 0 | 0 | 0 | 0 | 400 | 0 | 0 | 400 | 12.08% | 0.00% |
| FINLAND | 0 | 0 | 0 | 0 | 0 | 0 | - | 0 | 0 | 0 | 0.00% | 0.00% |
| NETHERLANDS | 13,053 | 0 | 0 | 0 | 0 | 0 | 208 | 0 | 0 | 208 | 6.28% | 0.00% |
| SWITZERLAND | 66 | 0 | 0 | 0 | 0 | 0 | 5 | 0 | 0 | 5.2 | 0.16% | 0.00% |
| CYPRUS | 988 | 0 | 0 | 0 | 0 | 0 | 8 | 0 | 0 | 8 | 0.24% | 0.00% |
| SPAIN | 6 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0.4 | 0.01% | 0.00% |
| SINGAPORE | 168 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 9.6 | 0.29% | 0.00% |
| ISRAEL | 8 | 0 | 0 | 0 | 0 | 0 | 520 | 0 | 0 | 520 | 15.70% | 0.00% |
| SWEDEN | 177 | 0 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 13.2 | 0.40% | 0.00% |
| **Total** | 124,741 | - | - | - | - | - | 3,311 | - | - | 3,311 | 100.00% | - |