METHOD INVESTMENTS & ADVISORY LTD

Pillar 3 Disclosure and Policy for an IFPRU Firm as at 31/12/2017

(FCA HANDBOOK BIPRU 11)

Introduction

Regulatory Context

The Pillar 3 disclosure of Method Investments & Advisory Ltd ("the Firm") is set out below as required by the Capital Requirement Regulation Art. 431 et seq. This is a requirement which stems from 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 and amending Regulation (EU) No 648/2012 ("Capital Requirement Regulation", "CRR") which represented the European Union's application of the Basel Capital Accord. The regulatory aim of the disclosures is to improve market discipline.

Frequency

The Firm will be making Pillar 3 disclosures at least annually. The disclosures will be as at the Accounting Reference Date ("ARD").

Media and Location

The disclosure will be available by requesting it as indicated in Method website
www.methodinv.com

Verification

The information contained in this document has not been audited by the Firm's external auditors, as this is not a requirement, and does not constitute any form of financial statement and must not be relied upon in making any judgement on the Firm and Group.

Materiality

The Firm regards information as material in disclosures if its omission or misstatement could change or influence the assessment or decision of a user relying on that information for the purpose of making economic decisions. If the Firm deems a certain disclosure to be immaterial, it may be omitted from this Statement.

Confidentiality

The Firm regards information as proprietary if sharing that information with the public would undermine its competitive position. Proprietary information may include information on products or systems which, if shared with competitors, would render the Firm's investments therein less valuable. Further, the Firm must regard information as confidential if there are obligations to customers or other counterparty relationships binding the Firm to confidentiality. In the event that any such information is omitted, we shall disclose such and explain the grounds why it has not been disclosed.

Summary

The CRR, to which the Firm is subject to, has three pillars; Pillar 1 deals with minimum capital requirements; Pillar 2 deals with Internal Capital Adequacy Assessment Process ("ICAAP") undertaken by a firm and the Supervisory Review and Evaluation Process through which the Firm and Regulator satisfy themselves on the adequacy of capital held by the Firm in relation to the risks it faces and; Pillar 3 which deals with public disclosure of risk management policies, capital resources and capital requirements.

The regulatory aim of the disclosure is to improve market discipline.

The Firm is a730k IFPRU firm. It has permission to act as agent and principal.
The Firm's greatest risks have been identified as market and operational risks. The Firm is required to disclose its risk management objectives and policies for each separate category of risk which include the strategies and processes to manage those risks; the structure and organisation of the relevant risk management function or other appropriate arrangement; the scope and nature of risk reporting and measurement systems; and the policies for hedging and mitigating risk, and the strategies and processes for monitoring the continuing effectiveness of hedges and mitigants.

The Firm has assessed market and operational risks (together with liquidity, credit, business and key man risks) in its ICAAP and in its recovery plan and set out appropriate actions to manage them. In the light of the above, the Firm has developed an internal risk management framework (described below), set up with the aim of identifying, assessing and mitigating risks that may arise both during the normal course of business and on a contingent/extraordinary basis.

Background to the Firm

Background
The Firm is incorporated in the UK and is authorised and regulated by the FCA as an IFPRU Firm. This is due to the firm dealing as principal, holding client money, placing instruments on a non-firm commitment basis, placing instruments on a firm commitment basis and gives the Firm the category of an IFPRU 730K firm.

- The Firm is part of a UK consolidated group and this report is prepared on a consolidated basis covering the following entities within its scope: Method Investments & Advisory Ltd (and Branch);
- Gordon International SA; Gordon Investments Ltd;
- Laverfield Ltd (dormant).

There is no 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.

Governance Framework
The Board of Directors is the Governing Body of the Firm and has the daily management and oversight responsibility. It meets at least quarterly and is composed of:

- Giuseppe Dessi (CEO) ("GD")
- Elisa Bianchi (CFO) ("EB")

The Board of Directors is responsible for the entire process of risk management, as well as forming its own opinion on the effectiveness of the process. In addition, the Governing Body decides the Firm's risk appetite or tolerance for risk and ensures that the Firm has implemented an effective, ongoing process to identify risks, to measure its potential impact and then to ensure that such risks are actively managed. Senior Management is accountable to the Board of Directors for designing, implementing and monitoring the process of risk management and implementing it into the day-to-day business activities of the Firm.

Disclosures concerning Executive Committee
The members of Board of Directors hold outside directorships and meet regularly.

Article 435

Disclosure: Risk Management Objectives and Policies

Risk Management Objective
Group's overall risk management framework

The Risk Management Framework is pervasively nested within the whole Firm's structure: on a strict operating basis, this is made possible thanks to the ongoing cooperation among

1. The Board of Directors
2. The Risk Committee
3. The Senior Management
4. The Risk Management Dept
5. Compliance Department

The Board of Directors assumes overall responsibility for the process of risk management and ensures the effectiveness of the firm's risk management framework. The Board decides the Firm's appetite or tolerance for risk – those risks it will accept and those it will not take in the pursuit of its goals and objectives. In addition, the Board ensures that the Firm has implemented an effective, ongoing process to identify risk, to measure its potential impact against a broad set of assumptions and then to ensure that such risks are actively managed. The Board is responsible for conducting a review of the effectiveness of the Firm's system of internal controls at least annually. The review covers all material controls, including financial, operational and compliance controls and risk management systems.

The Firm operates **a Risk Committee** ("the Committee") whose role is outlined in its Terms of Reference. The Committee generally meets on a monthly basis (or even more often, depending both on the firm's needs as well as on the ongoing business contingencies) with primary responsibility for analysing and evaluating risks associated with trading activities, establishing operating limits, analysing risk thresholds and any breaches of the limits. The Committee also reviews business developments and new risks arising. The Committee is composed of:

- Giuseppe Dessi (Director, CEO, Head of Compliance Dept.)
- Elisa Bianchi (Director, CFO and Head of Risk Management)
- Andrea Dal Canton (Head of Trading)
- Arianna Ziliotto (Planning and Control)

And by invitation:

- Barbara Magretti Secretary
- Anna Dresda (Compliance Analyst)

Senior Management has the full responsibility for implementing the risk framework on a day to day basis across the business. Senior management comprises all Heads of Departments who are also responsible for transparent communication and prompt implementation of all risk management procedures and measures within their own staff. The Senior Management team is composed of:

- Annalisa Menicatti (Head of Accounting)
- Francesco Romeo (Head of Back Office)
- Stefano Veronese (Head of IT)
- Andrea Dal Canton (Head of Trading)
- Giuseppe Dessi (Head of Compliance)

The Risk Management Dept is responsible for day to day risk management, monitoring and reporting to the Board and to the Risk Committee all risk management information appropriate for a firm of Method's size and complexity.
Risk Management daily activities, responsibilities and adopted methodologies are described in details in the following internal documents (always available for consultation upon request):

1. Risk Management Internal Handbook
2. Risk Management Process
3. Risk Management Handbook of Daily Activities
4. Risk Management Breach Register

Broadly speaking, Risk Management controls are organized according to a 5 - layered procedure in order to carry out the proper checks on a single desk basis. In this way, control activity is regularly performed taking into account the various (desk-specific) business rules and strategies, while paying special attention to individual (pre-defined) risk limits.

The Compliance Department is overall responsible for integrity and reputation at the firm.
Compliance ensures that the Firm has a system of internal controls that adequately measures and manages internal risks. Compliance monitors and assesses internal systems of controls and set procedures/policies in order to achieve compliance with external Rules and Regulations (Regulators, Markets ...).

Control Level 0
A set of compliance and risk management procedures and policies (Compliance Manual and Procedures and Risk Management handbook) are in place in order to assure compliance with all internal and external rules and requirements.
Before starting any trading activity on a new market or with a new counterparty, or a new business, Compliance executes internal assessments in order to verify applicability, assignment of Compliance risks/risk limits to the party/Market/business and or any new applicable procedure for the specific activity. At the end of the assessment any evaluation is brought to the attention of the Risk Committee and/or to the attention of the Board as it may apply. Risk limits (Max Position held, Stop Loss, VaR...), in particular, are defined by the Board, ratified by the Risk Committee and monitored by the Risk Management department on a real time basis.
Effective from introduction of Mifid2 (January 2018), Compliance has introduced a new procedure for ALGO activity which includes assessments and reports per each single area and for every ALGO strategy deployed on the Markets (Algo validation report). The final approval is provided by the Risk Committee. This procedure together with the Compliance Manual and all the other policies and procedures have been distributed to staff and always available on the Shared Directory.

Control Level 1
The first level of control is directly provided by the various (trading) front-end applications (i.e. alerts are raised if a given order exceeds the maximum allowed quantity or the maximum allowed price variation, warnings are also raised whenever the maximum number of orders per time interval has been breached, etc...). Personal login credentials to the various trading platforms are also in place to prevent unauthorized activities (e.g. a fixed-income trader is technically unable to proceed if he tries to insert an order on an equity market).
This level of control applies to traders using market platforms only and helps minimize potential manual/human errors. The IT Department regularly verifies all through the trading day that the whole technological infrastructure is running properly and performs as expected (e.g. an alert is raised if a given market connection is lost for the IT staff to intervene immediately after). Refer also to the IT Procedures Manual as well as to the internally-adopted Cancellation Policy.
Remark: orders executed through trading platforms enter the position keeping system automatically, thus allowing the Risk Management team to perform the initial checks (instrument type, Stop Loss, Invested Amount...) immediately after. Whenever, instead, the trading activity is not carried out through the said platforms (mainly for brokerage), executed orders must be inserted manually by the single operator in the position keeping system no later than 15 minutes after the deal has been closed. This still allows the Risk Management to have a complete and timely overview of the Company's activity all through the trading day.

Control Level 2
The second level refers to the Risk Management-developed monitoring application, whose main features can be described as follows.
The RM Dashboard monitors all traders' positions on a continuous basis (real time) and with specific reference to

- **Portfolio holdings**: net positions in monetary -EUR- terms
- **Stop Loss**: computed based on a strictly prudential mark-to-market procedure (in practice, all positions are evaluated at the fair value, determined in the light of WPK -the adopted position keeping system- official manual. The said manual is available for consultation on demand. Refer also to the ``Trading Book" policy set out in the internal RMP)
- **Capital absorption**: determined in the light of CRR/CRD IV provisions (refer also to the RM Handbook)
- **VaR**: computed based on the following set of assumptions: 95% confidence level, 1-day holding period, Standard Normal distribution and Monte-Carlo simulated sampling.

Online checks allow the Risk Managment team to make sure that all the Company's accounts operate within the defined risk limits (refer to Control Level 0 above). Anytime a given risk threshold is about to be reached (roughly around 10% before the trigger or even more, when deemed necessary from a prudential standpoint), the Risk Management department sends a written warning via email to the concerned traders, to the Directors as well as to the Head of Trading, for immediate action to be taken as required. This generally implies some scaling down of open positions, unless the trader receives a written authorization from the Directors to keep the status quo.
Clearly enough, all realtime computations as well as the corresponding alerts (if any) are stored and saved on the Company's servers for record keeping purposes. The said online computations are always available for consultation upon request.

Control Level 3
The third level of control rests on Back-Office's checks that are regularly carried out so as to verify the accuracy of every transaction (including price, amount, trade and value dates, counterparties and any other information needed for settlement).

Control Level 4
Step 4 controls are performed by the Risk Management team at T+1: a detailed summary is produced for Senior Management for consultation to inform them about daily VaR and Stress Testing at date T (EoD positions). More precisely, the foregoing checks are performed relying on Bloomberg PORT tool both at the individual and aggregate level. Refer also to Section "ANNEX 2: Stress Tests" below. At t+1, market abuse checks are also performed based on day t trades and orders. The said checks are carried out by the Market Abuse Manager (currently Barbara Magretti), with the support of the Risk Management team, if so required. Fore more information on daily market abuse checks, refer to the internal Market Abuse procedures manual (MAP).
Control Level 5
The last level of control is carried out with monthly and quarterly frequency (or whenever specifically required by the Senior Management). These checks are performed by the Risk Management/Regulatory Reporting department: more specifically, based on trading book positions already certified/reconciled by the Back-Office as well as on trial balance-information provided by the Accounting team, Liquidity Buffer (monthly), Regulatory Capital Ratios (quarterly), Large Exposures requirements, Leverage Ratio and Asset Encumbrances are computed and promptly communicated to the Directors as well as to the Risk Committee (following scheduled meeting).
An additional disruptive stress testing exercise is also carried out periodically (at least annually), in line with EBA provisions.
Tests and inspections on official input information are always performed jointly with Back-Office, IT and Accounting Departments, so as to double check the robustness of the empirical evidence at disposal (e.g. end of month trading book positions provided independently by Accounting and IT have to be identical).

In addition to Risk Management last level of Controls, Compliance executes a Compliance Monitoring Program that is scheduled at different times during the year: quarter, semi-annual, annual checks are conducted in order to assess all criteria agreed with the Board of Directors at inception of each year. CMP Structure has been updated (and approved by the Board of Directors) so to include new MIFID2 controls.

Statement of Risk Appetite
The Firms has adopted a Statement of Risk Appetite that undertakes robust risk identification and scoring exercises across the business. This Risk Appetite Statement translates into the acceptance of risks rated C or below. Any risk rated A is deemed to be unacceptable to the Firm, outside of the

Firm’s Risk Appetite and must be addressed as a priority to ensure that it is able to receive a B or C rating. Any risk rated B must be addressed as a priority to ensure that it is able to receive a C rating or have Pillar 2 capital allocated.
The Firm has adopted a five-point scoring matrix for determining the level of risk within its business. The impact of risks (equivalent to a worst-case loss) is scored as follows:

Worked Example		Capital resources of £10,000,000 (Eur 11,500,00)[1]
Score Level	**Description**	**Monetary Impact**
1	Minor	< £10,000
2	Moderate	£10,001 - £100,000
3	High	£100,001 - £400,000
4	Major	£400,001 - £2,000,000
5	Critical	> £2,000,000

The probability of risks occurring is scored as follows:

Score Level	Description	Probability
5	Expected	At least Quarterly (or a one-off event)
4	Likely	Quarterly to Annually
3	Frequent	Every 1 – 5 years
2	Unlikely	Every 5 – 25 years
1	Rare	Every 25 years or less frequently

Scoring risks for Impact and Probability leads to a 5 x 5 matrix (Impact score is matched with Likelihood score) which can be converted to a “RAG” chart as follows:

IMPACT PROBABILITY

	1	2	3	4	5
5	C	C	B	A	A
4	C	C	B	B	A
3	C	C	C	B	B
2	D	C	C	C	B
1	D	D	C	C	C

Trading Book Risks

- **Position (Market) Risk (Score: C)**

  Market risk is viewed as the risk that a loss arises from fluctuations in values of, or income from, assets or in interest or exchange rates.

  Method trades actively on several markets (Regulated Markets, MTFs, OTFs) but also on OTC basis on instruments listed on regulated markets and it is therefore directly exposed to Market risk (XOFF and against Systematic Internalisers). The Risk Management Department monitors Market Risk dynamics, considering both Specific and General Market risks. Regulatory Capital Requirements for Market Risks are computed for all the company’s accounts (both at the individual and at the aggregate level), based on CRDIV and CRR provisions.

  Method has appointed as CF29 the most senior trader -Andrea Dal Canton- within the proprietary desk. Andrea has live control of all trading activities infra-day and overnight and supports the Board of Directors and the Risk Committee. Considering the monitoring infrastructure in place and taking into account the required hedging policies (defined by the Board and ratified by the

[1] On 28/03/2017 the Board approved capital increase of Eur 1,100,000 for total capital of 12,600,000

Risk Committee), Market Risk requirements, for the purposes of Pillar 2, is assumed to be that calculated at Pillar 1.

- **Liquidity Risk (Score: C)**

Liquidity Risk is the risk of a mismatch between the Firms' anticipated cash-flow demand and the amount and quality of available assets in a form to meet this demand. This mismatch could arise due to a significant fall in revenue, to a fall in commission and/or fee income leading to an increased probability that the Firm will become unable to meet its liabilities as they fall due (including the impact of sustained losses incurred). The Firm is further exposed in the context of the Firm's non-trading book where a counterparty, fund or institution where the Firm's, or its Clients, cash or assets are held fails to meet its obligations.
Method is required to maintain sufficient liquid resources to ensure that there is no significant risk that its liabilities cannot be met as they fall due or that financial resources can only be secured at excessive cost. Liquidity risk may crystallise if sudden unexpected cash flows are experienced or if regular sources of funding cease or are withdrawn.
Method's liquidity requirements and balance sheet are closely monitored by the Head of Accounting and Head of Back Office at all times. Monthly analysis and regulatory reporting of the firm's liquidity position takes place via FCA GABRIEL and the firm's Liquidity Buffer is also calculated with the same time frequency. Any issues arising in respect of the financial or liquidity situation in the intervening periods are reported to senior management for action to be taken as required.
Liquidity management is granted special attention both under normal and under extraordinary business conditions. More precisely, Method keeps an amount in its bank accounts at all times, with any cash required to be held for working capital purposes being held over and above this amount. This policy ensures that, under ordinary business conditions, the firm will always expect to have sufficient liquidity in order to be able to meet its liabilities as they fall due. Furthermore, the assets held by Method are denominated in currencies which are readily convertible into other currencies in which its liabilities may be denominated (typically UK Sterling, US Dollar and Euro –refer to FCA 054 return in the table below – Reporting Periods: April to June 2017 and April to June 2018 – for comparison), such that no liquidity risk is presented by this either.

April-June 2017

Curncy	Assets%	Liabilities%
GBP	6.9%	0%
USD	3.8%	0%
EUR	88.8%	100%
JPY	0.0%	0%
CHF	0.5%	0%
CAD	0.0%	0%
SEK	0.0%	0%
NOK	0.0%	0%
DKK	0.0%	0%
AUD	0.0%	0%
HKD	0.0%	0%
ZAR	0.0%	0%
Other	0.0%	0%
Total	**100.00%**	**100%**

April-June 2018

Curncy	Assets%	Liabilities%
GBP	2.48%	0.00%
USD	1.22%	0.00%
EUR	95.68%	99.88%
JPY	0.00%	0.04%

CHF	0.00%	0.05%
CAD	0.04%	0.03%
SEK	0.00%	0.00%
NOK	0.00%	0.00%
DKK	0.00%	0.00%
AUD	0.00%	0.00%
HKD	0.00%	0.00%
ZAR	0.00%	0.00%
Other	0.58%	0.00%
Total	**100.00%**	**100.00%**

Stressed conditions and "tail events" are specifically monitored by the Planning and Control/Risk Management team, which performs stress testing on a regular basis, depending on the company's needs. The results of the foregoing process are documented within Method's ILAA, which is presented to and approved by the governing body of Method at least annually. The Firm has also developed a Liquidity Policy under BIPRU 12 which is used to monitor and control the liquidity risks that it is subject to.

- **Concentration Risk – Large Exposure (Score: C)**

In line with CRR Art. 392, an exposure is deemed to be "large" if it exceeds 10% of a firm's available capital, the latter in turn being defined as per Art. 4(71). Concentration risk is thus conceived as the risk stemming from over-exposure to a given counterparty (both in the trading and in the non-trading book).

At Method, Large Exposures are monitored jointly by the Risk Management (trading book exposures), Planning and Control and Accounting Departments (non-trading book exposures) at least quarterly (before COREP submission), to make sure that the regulatory limits established under Art. 395 are complied with. Based on the current business model, the likelihood that the Company exceeds the foregoing risk thresholds is extremely low, mainly because the largest exposures are either held towards Central Counterparties or secured by collateral in the form of cash deposits placed with lending institutions and thus benefit from the exemption treatment laid down in Art. 400.

Considering Method's size and business and taking into account the regulatory "waivers" referred to above, Credit Risk requirement, for the purpose of Pillar 2, is thus assumed to be that calculated at Pillar 1.

Non Trading Book Risks

- **Credit Risk (Score: C)**

Credit Risk is viewed as the risk of loss stemming from a borrower's failure to repay a loan or otherwise meet a contractual obligation. Method has implemented an internal policy for Credit Risk management, considering, as a starting point, its low appetite for risk, together with its strong willingness to maintain tight controls over liquidity and debtors. More precisely, the Firm has decided to hold all cash with banks assigned high credit ratings and to promote an ongoing assessment of its debtors (including non-paying clients of advisory and investment management services) in order to monitor their creditworthiness on a continuous basis. This task is normally performed by the Accounting Dept.

Considering Method's size and business and taking into account the mitigation policies referred to above, Credit Risk requirement, for the purpose of Pillar 2, is assumed to be that calculated at Pillar 1.

- **Operational Risk (Score: B)**[2]

[2] Brexit Risk: as for Risk Committee Meeting dated June 28, 2017, Method is aware that additional Regulatory Capital Requirements are to be imposed over the next 12-18 months (more precisely, the Bank of England has decided to increase the Countercyclical Buffer Rate up to 0.5% as of June 2018 and expects to increase it further by an additional 0.5% in November 2018). The Risk Committee members have discussed the point thoroughly and came to the conclusion that this additional 1% requirement should not pose any serious threats to Method (considering the currently available buffer), despite being

Operational risk (including Reputational and Legal/Regulatory Risks) is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events, including legal and reputational risk. As far as Method is concerned, Operational Risk is regularly assessed by the Board of Directors with the help of the Accounting, Back Office, Compliance, Risk management and IT Departments. Operational risks for Method mainly relate to legal, people, technology, process and data information risks. In order to manage, monitor and mitigate the foregoing risks, Method has established a wide series of controls including:

- Segregation of duties with appropriate reporting lines
- Regular Management meetings
- Conflicts of Interest policy
- Compliance Manual, Policies and Procedures
- Risk Management handbook
- Regular Management Information
- Annual Risk/Compliance Assessment
- Compliance monitoring
- Due Diligence templates
- Security standards
- Business continuity planning
- Daily reconciliations
- Adequate trading systems for volume of transactions
- Settlement confirmation
- In-depth analysis of (potential) new lines of business (considering not only prospective opportunities, but also the additional risks that they may bring, including any issues that may arise when integrating those businesses into the current company's infrastructure). The firm's authorised status and sound regulatory standing is central to the successful operation of the business. As such, the firm places strong emphasis on maintaining regulatory compliance and open relations with the regulators at all times.

Provided that the Firm's risk appetite is low and considering the assessment exercise carried out based on the matrix above, the Firm has decided to increase its overall capital requirement for Operational Risk by an amount equal to the Wind Down costs estimated by the Accounting Department on a yearly basis (additional Pillar 2 Requirement).

Article 437

Disclosure: Own Funds

Based on COREP Q4.2017, the Group's available capital resources can be summed up as shown in the table below:

Item	Amount
OWN FUNDS	11,571,283.53
TIER 1 CAPITAL	11,571,283.53
COMMON EQUITY TIER 1 CAPITAL	11,571,283.53
Capital instruments eligible as CET1 Capital	10,428,000.00
Paid up capital instruments	9,428,200.00
Share premium	999,800.00
Retained earnings	1,876,595.87
(-) Goodwill	-187,276.97
(-) Financial entities (significant investment)	-546,035.37

indicative of an increasing macroeconomic risk, likely to materialize over the next months (and thus deserving special monitoring care).

The Capital Resources available on an individual basis (COREP solo) , instead, are those presented in the following table (COREP Q4.2017):

Item	Amount
OWN FUNDS	13,627,765.23
TIER 1 CAPITAL	13,627,765.23
COMMON EQUITY TIER 1 CAPITAL	13,627,765.23
Capital instruments eligible as CET1 Capital	12,600,000.00
Retained earnings	1,747,895.10
(-) Goodwill	-174,094.50
(-) Financial entities (significant investment)	-546,035.37

Article 438

Disclosure: Capital Requirements

Based on COREP Q4.2017, the Group's Total RWEA (CONSO) can be summed up as shown in the table below:

Item	Amount
TOTAL RISK EXPOSURE AMOUNT	61,156,002.20
Of which: Investment firms under Article 95 paragraph 2 and Article 98 of CRR	0
Of which : Investment firms under Article 96 paragraph 2 and Article 97 of CRR	0
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	18,439,824.69
Standardised Approach (SA)	18,439,824.69
SA exposure classes excluding securitisation positions	18,439,824.69
Central governments or central banks	0
Regional governments or local authorities	0
Public sector entities	0
Multilateral Development Banks	0
International Organisations	0
Institutions	7,003,470.45
Corporates	4,229,319.50
Retail	0
Secured by mortgages on immovable property	0
Exposures in default	0
Items associated with particular high risk	0
Covered bonds	0
Claims on institutions and corporates with a short-term credit assessment	0
Collective investments undertakings (CIU)	0
Equity	1,610,508.00
Other items	5,596,526.74
Securitisation positions SA	0
of which: resecuritisation	0
Internal ratings based Approach(IRB)	0

IRB approaches when neither own estimates of LGD nor Conversion Factors are used	0
Central governments and central banks	0
Institutions	0
Corporates – SME	0
Corporates - Specialised Lending	0
Corporates – Other	0
IRB approaches when own estimates of LGD and/or Conversion Factors are used	0
Central governments and central banks	0
Institutions	0
Corporates – SME	0
Corporates - Specialised Lending	0
Corporates – Other	0
Retail - Secured by real estate SME	0
Retail - Secured by real estate non-SME	0
Retail - Qualifying revolving	0
Retail - Other SME	0
Retail - Other non-SME	0
Equity IRB	0
Securitisation positions IRB	0
Of which: resecuritisation	0
Other non credit-obligation assets	0
Risk exposure amount for contributions to the default fund of a CCP	0
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	0
Settlement/delivery risk in the non-Trading book	0
Settlement/delivery risk in the Trading book	0
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	6,550,533.76
Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	6,550,533.76
Traded debt instruments	5,278,900.00
Equity	472,466.00
Particular approach for position risk in CIUs	189,668.00
Memo item: CIUs exclusively invested in traded debt instruments	0
Memo item: CIUs invested exclusively in equity instruments or in mixed instruments	189,668.00
Foreign Exchange	799,167.75
Commodities	0
Risk exposure amount for Position, foreign exchange and commodities risks under internal models (IM)	0
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	36,165,643.75
OpR Basic indicator Approach (BIA)	36,165,643.75
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	0
OpR Advanced measurement approaches (AMA)	0
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	0
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0
Advanced method	0
Standardised method	0
Based on OEM	0

TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	0
OTHER RISK EXPOSURE AMOUNTS	0
Of which: Additional stricter prudential requirements based on Art 458	0
Of which: requirements for large exposures	0
Of which: due to modified risk weights for targeting asset bubbles in the residential and commercial property	0
Of which: due to intra financial sector exposures	0
Of which: Additional stricter prudential requirements based on Art 459	0
Of which: Additional risk exposure amount due to Article 3 CRR	0

As far as the individual Total RWEA is concerned (SOLO), refer to the following table:

Item	Amount
TOTAL RISK EXPOSURE AMOUNT	53,215,479.44
Of which: Investment firms under Article 95 paragraph 2 and Article 98 of CRR	0
Of which : Investment firms under Article 96 paragraph 2 and Article 97 of CRR	0
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT, COUNTERPARTY CREDIT AND DILUTION RISKS AND FREE DELIVERIES	8,987,761.19
Standardised Approach (SA)	8,987,761.19
SA exposure classes excluding securitisation positions	8,987,761.19
Central governments or central banks	0
Regional governments or local authorities	0
Public sector entities	0
Multilateral Development Banks	0
International Organisations	0
Institutions	5,873,239.30
Corporates	2,532,223.50
Retail	0
Secured by mortgages on immovable property	0
Exposures in default	0
Items associated with particular high risk	0
Covered bonds	0
Claims on institutions and corporates with a short-term credit assessment	0
Collective investments undertakings (CIU)	0
Equity	640.00
Other items	581,658.39
Securitisation positions SA	0
of which: resecuritisation	0
Internal ratings based Approach(IRB)	0
IRB approaches when neither own estimates of LGD nor Conversion Factors are used	0
Central governments and central banks	0
Institutions	0
Corporates – SME	0
Corporates - Specialised Lending	0
Corporates – Other	0
IRB approaches when own estimates of LGD and/or Conversion Factors are used	0

Central governments and central banks	0
Institutions	0
Corporates – SME	0
Corporates - Specialised Lending	0
Corporates – Other	0
Retail - Secured by real estate SME	0
Retail - Secured by real estate non-SME	0
Retail - Qualifying revolving	0
Retail - Other SME	0
Retail - Other non-SME	0
Equity IRB	0
Securitisation positions IRB	0
Of which: resecuritisation	0
Other non credit-obligation assets	0
Risk exposure amount for contributions to the default fund of a CCP	0
TOTAL RISK EXPOSURE AMOUNT FOR SETTLEMENT/DELIVERY	0
Settlement/delivery risk in the non-Trading book	0
Settlement/delivery risk in the Trading book	0
TOTAL RISK EXPOSURE AMOUNT FOR POSITION, FOREIGN EXCHANGE AND COMMODITIES RISKS	8,062,074.50
Risk exposure amount for position, foreign exchange and commodities risks under standardised approaches (SA)	8,062,074.50
Traded debt instruments	7,713,862.50
Equity	0.00
Particular approach for position risk in CIUs	190,788.00
Memo item: CIUs exclusively invested in traded debt instruments	0
Memo item: CIUs invested exclusively in equity instruments or in mixed instruments	190,788.00
Foreign Exchange	157,424.00
Commodities	0
Risk exposure amount for Position, foreign exchange and commodities risks under internal models (IM)	0
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK (OpR)	36,165,643.75
OpR Basic indicator Approach (BIA)	36,165,643.75
OpR Standardised (STA) / Alternative Standardised (ASA) approaches	0
OpR Advanced measurement approaches (AMA)	0
ADDITIONAL RISK EXPOSURE AMOUNT DUE TO FIXED OVERHEADS	0
TOTAL RISK EXPOSURE AMOUNT FOR CREDIT VALUATION ADJUSTMENT	0
Advanced method	0
Standardised method	0
Based on OEM	0
TOTAL RISK EXPOSURE AMOUNT RELATED TO LARGE EXPOSURES IN THE TRADING BOOK	0
OTHER RISK EXPOSURE AMOUNTS	0
Of which: Additional stricter prudential requirements based on Art 458	0
Of which: requirements for large exposures	0
Of which: due to modified risk weights for targeting asset bubbles in the residential and commercial property	0
Of which: due to intra financial sector exposures	0

Of which: Additional stricter prudential requirements based on Art 459	0
Of which: Additional risk exposure amount due to Article 3 CRR	0

This results into the following regulatory Capital Ratios and Surpluses:

	Individual (EUR)	**Consolidated (EUR)**
CET 1 surplus	11,233,068.66	8,851,479.05
T1 surplus	10,434,836.46	7,958,441.03
Total Capital surplus	9,370,526.87	6,767,723.68
Total Eligible Capital	13,627,765.23	11,530,593.08
CET1 Ratio	25.61%	19.37%
T1 Ratio	25.61%	19.37%
TC Ratio	25.61%	19.37%

When the additional requirement for Wind Down costs under Pillar 2 is included, Capital Surplus/Deficit changes accordingly as detailed here below:

	Individual (EUR)	**Consolidated (EUR)**
CET 1 surplus	10,798,677.89	8,417,088.28
T1 surplus	9,855,648.77	7,379,253.34
Total Capital surplus	8,598,276.62	5,995,473.43
Total Eligible Capital	13,627,765.23	11,530,593.08
CET1 Ratio	21.68%	16.67%
T1 Ratio	21.68%	16.67%
TC Ratio	21.68%	16.67%

Internal Ratings Based Approach
The Firm does not adopt the Internal Ratings Based Approach and hence this is not applicable.

Article 439

Disclosure: Exposure to Counterparty Credit Risk

Dealing activity is mainly executed directly on the markets where Method is dealer/member/specialist/liquidity provider/market maker.
Only a limited volume of transactions is executed bilaterally over the counter (through Bloomberg) on debt instruments (no derivatives). This OTC activity is conducted by the Fixed income sales desk and Compliance Department manages the onboarding process and the list of authorised counterparties. Checks are based on Mifid regulation and AML Simplified/Enhanced Due diligence, on a risk based approach as for detailed AML policy. Annual Assessment is conducted on the entire list of counterparties and if required removed in order to keep the list uptodate with risks related. Approval of counterparties is then provided by Risk Committee once Compliance assessment is complete, and update list is sent monthly to all relevant staff. Almost all counterparties are regulated. Depending in these criteria, limits are then assigned for trading activity.
Almost all Fixed Income Sales Activity are matched as principal transactions and Method acts as counterparty for identified buyers and sellers, matching back to back trades. In very few (nearly none) transactions Method's role as broker brings together buyers and sellers, where the buyer and seller settle directly with one another, in return for a commission for arranging the transaction. Transactions are booked as buy and sell transactions and are executed on the same date. With no overnight position held on Method books.

Article 440

Disclosure: Capital buffers

Based on COREP Q4.2017, the Group's Capital Buffers (CONSO) can be summed up as shown in the table below:

Item	Amount
Combined Buffer Requirement	1,748,703.37
Capital conservation buffer	1,528,900.06
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0
Institution specific countercyclical capital buffer	219,803.31

As far as SOLO Capital Buffers are concerned, instead, please refer to the below:

Item	Amount
Combined Buffer Requirement	1,353,770.50
Capital conservation buffer	1,330,386.99
Conservation buffer due to macro-prudential or systemic risk identified at the level of a Member State	0
Institution specific countercyclical capital buffer	23,383.51

Article 441

Disclosure: Indicators of Global Systemic Importance

This disclosure is not applicable as Method is not a Global Systemic Important Institution

Article 442

Disclosure: Credit Risk Adjustments

Not applicable

Article 443

Disclosure: Unencumbered Assets

A detailed overview of encumbered and unencumbered assets (as per COREP Conso Q4.2017) can be found out in the table here below:

	Carrying amount of encumbered assets	**Carrying amount of non-encumbered assets**
Assets of the reporting institution	2,951,544.00	22,019,479.15
Loans on demand	2,951,544.00	5,932,877.02
Equity instruments		3,057,778.35
Debt securities		2,575,533.90
of which: covered bonds		
of which: asset-backed securities		
of which: issued by general governments		2,575,533.90
of which: issued by financial corporations		
of which: issued by non-financial corporations		
Loans and advances other than loans on demand		1,572,782.70
of which: mortgage loans		
Other assets		8,880,507.18

Article 444

Disclosure: Use of ECAIs

ECAI: Moody's, Fitch and S&P. No credit mitigation techniques are used.

For all the categories listed in table 438 above, Method checks whether there is a rating available from Moody's; in case it is not, the firm does the same inquiry for S&P and finally for Fitch: following the foregoing ordering, the first available rating is adopted. In case none of the selected ECAI above provides a rating, then the item is classified as "unrated".

The Firm applies the standard association between ratings and credit quality steps as published by the EBA.

Article 445

Disclosure: Exposure to Market Risk

Refer to the Total REA tables above.

The Firm does not hold securitisation positions and therefore there is no Specific Interest Rate Risk to disclose.

Article 446

Disclosure: Operational Risk

The Firm uses the Basic Indicator Approach as set out in Articles 315-316 to calculate its Operational Risk Own Funds Requirement. Refer also to the Total RWEA tables above, in order to gain a quantitative insight.

Article 447

Disclosure: Exposures in Equities not Included in the Trading Book

Consolidated COREP Q4.2017

Description	Amount	Treatment
Significant investment in financial entities	546,035.37	Deducted from Own Funds (as shown above)
Other investments	1,610,508.00	Risk-Weighted for Credit Risk purposes -equity exposures- (as shown above)

Solo COREP Q4.2017

Description	Amount	Treatment
Significant investment in financial entities	546,035.37	Deducted from Own Funds (as shown above)
Other investments	640	Risk-Weighted for Credit Risk purposes -equity exposures- (as shown above)

Article 448

Disclosure: Exposure to Interest Rate Risk on Positions not Included in the Trading Book

Although the Firm has substantial cash balances on its Balance Sheet, there is currently no significant exposure to Interest Rate fluctuations for non trading-book items.

Article 449

Disclosure: Exposure to Securitisation Positions

This disclosure is not required as the Firm does not securitise its assets.

Article 450

Disclosure: Remuneration Policy

The Firm is a Remuneration Code Proportionality Level 3 Firm and has applied the rules appropriate to its Proportionality Level. The Board of Directors is responsible for the Firm's remuneration policy. All variable remuneration is adjusted in line with capital and liquidity requirements.

The Board meets about 6 times in a year.

Method's Board of Directors has approved that formal establishment of the Remuneration Committee is not required at Method based on size, internal organisation, the nature, the scope and the complexity of its activities.
Board of Directors is deemed to be proportionate to the current size and scale of the business and any resolution on regards to Remuneration Policy/Code will be taken by Directors.
The firm ensures that income is only paid to employees as variable remuneration where the remainder satisfies its capital resource requirements under Pillar 1 and following a Pillar 2 assessment of its capital position. This includes a consideration of direct and indirect risks to the firm and stress and scenario testing.
The policy and employee contracts are designed to ensure that the structure of an employee's remuneration is consistent with and promotes effective risk management.
Where remuneration is performance based i.e.: for the purposes of calculating bonus payments, the firm will base its calculation on all of the following:

- The individual
- The business unit concerned
- The overall results of the firm
- Financial as well as non-financial criteria will be considered
- A multi-year framework to ensure assessment is based on longer term performance and that

the payment of performance based components of remuneration is spread over a period which takes account of the underlying business cycle and its business risks.

The firm does not award, pay or provide guaranteed variable remuneration unless for cases permitted by FCA Remuneration Rules.

Ratios between fixed and variable components of total remuneration, Deferral, and performance adjustments have been neutralised on the basis that the firm is a full scope firm in proportionality tier 3, and it has the characteristics which allow it to do so.

The firm has identified its Code Staff, on the basis that they meet one or more of the following conditions:

- Senior management;
- Risk takers;
- Staff engaged in control functions;
- Staff whose professional activities have a material impact on the firm's risk profile

Remuneration Code Staff Remuneration by Business Area	
Business Area	**Total Remuneration (Eur) (**£/Eur 0.88773**)**
Proprietary Trading	834,409.58
Fixed Income Sales	109,644.57
Investment Management	329,271.14
Advisory	409,474.40

Type of Remuneration	**Staff Total Remuneration**	**No. Of Beneficiaries**
Fixed Remuneration	1,682,799.63	23
Variable Remuneration	0	0
Totals	**1,682,799.63**	

Severance Payments awarded	**Total Amount (Eur)**	**No. Of Beneficiaries**
	0	0
Highest award to a single person	**0**	

number of individuals being remunerated EUR 1 million or more	**0**

Aggregate Quantitative Remuneration by Senior Management and other Remuneration Code Staff		
Type of Remuneration Code Staff		**Total Remuneration (Eur)**
Senior Management (SIF)		451,864.93
Other Remuneration Code Staff		1,230,934.76
Totals		1,682,799,69

Article 451

Disclosure: Leverage

Leverage is reported in line with CRR Articles 492-430.

COREP.Q4 consolidated values can be found in the table here below (LRCalc).

Exposure Values	
SFTs: Exposure in accordance with Article 429 (5) and 429 (8) of the CRR	
SFTs: Add-on for counterparty credit risk	
Derogation for SFTs: Add-on in accordance with Article 429b (4) and 222 of the CRR	
Counterparty credit risk of SFT agent transactions in accordance with Article 429b (6) of the CRR	
(-) Exempted CCP leg of client-cleared SFT exposures	
Derivatives: Current replacement cost	
(-) Eligible cash variation margin received offset against derivatives market value	
(-) Exempted CCP leg of client-cleared trade exposures (replacement costs)	
Derivatives: Add-on under the mark-to-market method	
(-) Exempted CCP leg of client-cleared trade exposures (potential future exposure)	
Derogation for derivatives: original exposure method	
(-) Exempted CCP leg of client-cleared trade exposures (original exposure method)	
Capped notional amount of written credit derivatives	
(-) Eligible purchased credit derivatives offset against written credit derivatives	
Off-balance sheet items with a 10% CCF in accordance with Article 429 (10) of the CRR	
Off-balance sheet items with a 20% CCF in accordance with Article 429 (10) of the CRR	
Off-balance sheet items with a 50% CCF in accordance with Article 429 (10) of the CRR	
Off-balance sheet items with a 100% CCF in accordance with Article 429 (10) of the CRR	
Other assets	24,971,023.15
Gross up for derivatives collateral provided	0
(-) Receivables for cash variation margin provided in derivatives transactions	
(-) Exempted CCP leg of client-cleared trade exposures (initial margin)	
Adjustments for SFT sales accounting transactions	
(-) Fiduciary assets	
(-) Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of the CRR	
(-) Exposures exempted in accordance with Article 429 (14) of the CRR	
(-) Asset amount deducted - Tier 1 - fully phased-in definition	-720,129.87
(-) Asset amount deducted - Tier 1 - transitional definition	-720,129.87
Total Leverage Ratio exposure - using a fully phased-in definition of Tier 1 capital	24,250,893.28
Total Leverage Ratio exposure - using a transitional definition of Tier 1 capital	24,250,893.28
309 Capital	
Tier 1 capital - fully phased-in definition	11,530,593.08
Tier 1 capital - transitional definition	11,530,593.08
329 Leverage Ratio	
Leverage Ratio - using a fully phased-in definition of Tier 1 capital	0.4755
Leverage Ratio - using a transitional definition of Tier 1 capital	0.4755