Dragon Capital (Cyprus) Limited
Poseidonos, 1 Ledra Business Centre, Egkomi
P.C. 2406 Nicosia Cyprus
Tel.: +357 22 600 300, fax: +357 22 600 301

Dragon Capital (Cyprus) Limited

Disclosures in accordance with the Cyprus Securities and Exchange Commission Directive DI144-2014-14 requirements for the year ended 31 December 2014

May 2015

Authorised as Cypriot Investment Firm Regulated by the Cyprus Securities and Exchange Commission, License Number 112/10

This report pertains to the "Disclosure and Market Discipline of Investment Firms" regulatory obligation. Under this regulatory obligation the firm is required to disclose information relating to the capital it holds and each material category of risk it faces in order to assist users of its accounts and to encourage market discipline. These disclosures aim to provide information on the risk exposures faced by the firm and the risk assessment process it has in place to monitor these exposures. The risk management objectives and policies of DRAGON CAPITAL (CYPRUS) LIMITED (hereinafter the "Company") are disclosed for each applicable category of risk.

Frequency
The Firm will be making these disclosures annually.

Media and Location
The disclosure will be published on our website: http://dragon-capital.com/en/about-us/dccl.

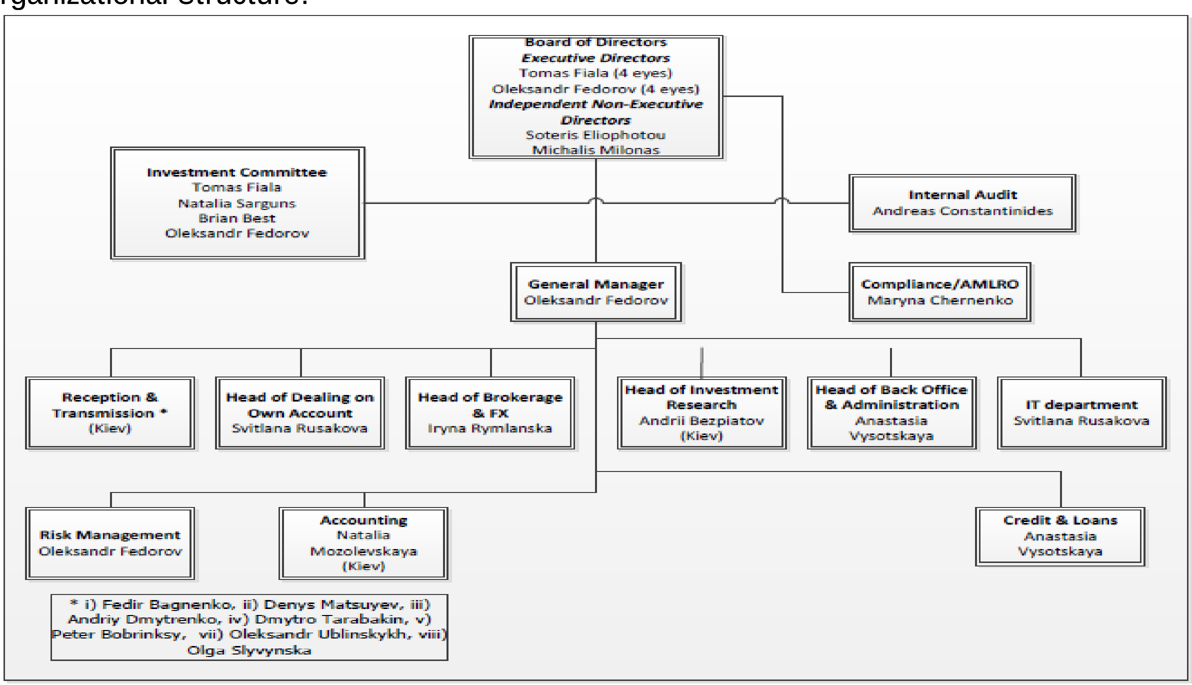
Contents

Company Overview

Dragon Capital (Cyprus) Limited (hereinafter referred to as "DCC") was incorporated in Cyprus on February 2nd, 2006 under Cyprus Company Law, Cap 113 as a Limited Liability Company with registration number HE 171623. In addition DCC is licensed by Cyprus Securities and Exchange Commission (hereinafter referred to as CySEC), having received its license on January 27th, 2010, whereby it is licensed to operate as a Cyprus Investment Firm. The updated license received from CySEC on 31 March 2014 allows DCC to provide the following investment and ancillary services in accordance with the provisions of the applicable legislation and requirements issued by CySEC:

Investment Services	Ancillary Services
1 Reception and transmission of orders in relation to one or more financial instruments 2 Execution of orders on behalf of clients 3 Dealing on own account	1 Safekeeping and administration of financial instruments, including custodianship and related services 2 Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction 3 Foreign exchange services where these are connected to the provision of investment services 4 Investment research and financial analysis or other forms

Organizational Structure:



Regulatory framework

The EU Capital Requirements Directive ("CRD") created a revised regulatory framework (commonly known as Basel II) governing how much capital firms are required to maintain. This introduced consistent capital adequacy standards and an associated supervisory framework in the EU based on the Basel II Accord.
On 1st January 2014, Basel III regulations, commonly known as CRD IV revised the definition of capital resources and included additional capital and disclosure requirements.

The main purpose of the Basel Accord is to make the framework more risk sensitive and representative of actual risk management practices. The current framework consists of three Pillars:

- Pillar I sets out the new minimum capital requirements firms are required to meet;
- Pillar II requires firms to assess their capital requirements in light of any specific risks not captured in the Pillar One calculations; and
- Pillar III seeks to improve market discipline by requiring firms to publish certain details of their risks, capital and risk management.

Following the publication of the CRD IV package, consisting of the Capital Requirements Directive ("CRD" or Directive 2013/36/EU) and the Capital Requirements Regulation ("CRR" or Regulation (EU) No 575/2013) which are applicable from 1 January 2014 and repeal Directives 2006/48/EC and 2006/49/EC, along with Directive DI144-2014-14 for the prudential supervision of Investment Firms and Directive DI144-2014-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013, Company successfully implemented the new prudential provisions in order to fully comply with current legislature.

The Company has prepared these disclosures (hereinafter the "Pillar III disclosures") in accordance with the requirements of the Directive DI144-20014-14 of 2014 for the Capital Requirements of Investment Firms ('the Directive') issued by the Cyprus Securities and Exchange Commission along with Directive DI144-2014-15 on the discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No 575/2013

The CRDIV package along with the CySEC Directives provides that an investment firm may omit one or more of the disclosures if it believes that the information is immaterial. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions.

Where the Company has considered a disclosure to be immaterial, it has stated this in the document.

The Directive also permits investment firms to omit one or more of the required disclosures if it believes that the information is regarded as confidential or proprietary. The Directive defines proprietary as if sharing that information with the public would undermine its competitive position. It may include information on products or systems which, if shared with competitors, would render an investment firm's investments therein less valuable.

Confidential information is defined as "information shall be regarded as confidential if there are obligations to customers or other counterparty relationships binding an investment firm to confidentiality". Where the Company has omitted information for either of these two reasons, it has stated this in the relevant section and the reasons for this.

Disclosure policy

The Company in accordance with the requirements of 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 with further amendments (further called "CRR"), as well as the requirements of delegated acts regarding disclosures under CRR, is obliged to publish the disclosure policy, which governs the following subjects described further below:

1) The scope of public disclosures
2) Principles for verifying and approving disclosures
3) Frequency and deadlines of publishing the information
4) Form and place of publishing disclosures
5) Principles for approving and verifying the disclosure policy

The scope of disclosures

This report has been prepared in accordance with the requirements of Part Eight of 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 (hereinafter the "Regulation") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the 'CySEC') for the for the Prudential Supervision of Investment Firms. It relates to the year ended 31 December 2014 and is prepared on an individual (solo) basis. The Company will make this report available on its website.

The Company discloses the information in compliance with the CRR, in particular regarding:

- Own funds
- Compliance with capital requirements
- Credit risk mitigation techniques used
- Credit risk adjustments,
- Remuneration of risk takers
- Operating risk

Principles for verifying and approving disclosures

- Verification of disclosures

Disclosed information on capital adequacy of Company is verified by an independent entity authorized to perform audits of financial statements. Information concerning capital adequacy, which pursuant to separate regulations is disclosed in the financial statements, is verified according to the standards applied for the verification of financial statements.

- Approval of disclosures

The Board of Directors approves information to be disclosed prior to its publication.

Frequency and deadlines of publishing the information

The Company shall publish the disclosures required under the regulatory framework on an annual basis. The date of publication of the disclosures shall be in line with the date of publication of the annual audited financial statements, unless otherwise permitted by CySEC. The frequency of the disclosures shall be reviewed whenever there is a material change in the characteristics of the Company's business structure, the approach used for the calculation of capital or regulatory requirements.

Form and place of publishing

Information to be disclosed pursuant to requirements introduced by CRR, is disclosed in English, on the Company's website.

Governance

The Board

The Board has responsibility for the monitoring of the internal control mechanisms of the Company. The following are part of the responsibilities of the Board of Directors in relation to risk management according to the Internal Operation Manual of the Company:

- The regular review (at least annually) of written reports concerning compliance, risk management and internal audit policies, procedures and work;
- To carry out regular reviews about the Company's risk management policies and procedures as implemented by the management.

The Board meets on a regular basis, and receives updates on risk and regulatory capital matters from management.

Risk Committee

Due to the complexity of the company's trading activity the company did not set up a risk committee. Risk issues are covered by the risk manager of the company with direct reporting to the management body.

Information flow on risk to the management body

Understanding the importance of risk awareness, the Company has set up the solid internal communication process between all relevant participants of the risk controlling process. The information flow to the management body consists of several reports prepared at least annually. The main reports are Risk Officer Report, Compliance Office Report, Anti-money Laundering Report, Internal Auditor Report, ICAAP report. All reports are reviewed and discussed by the Board of directors prior to be approved. The revision of internal procedures related to risk awareness is an integral part of information flow on risk to management body. All procedures are reviewed at least annually and approved by the Board of Directors.

Recruitment policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. Board recruitment is subject to the approval of the CEO, the Chairman and the senior dependent non-executive director.

Regulatory approval is co-ordinated through the Chief Risk Officer.

Reference is made to the most recent Board Skills review to establish the specific experience and skills needed to ensure the optimum blend of individual and aggregate capability having regard to the Company's long term strategic plan.

Diversity policy

The main goal of the Diversity in Management Body is to issue the composition of the senior management from highly professional individual despite of sex, nationality, religious believes, skin colour or racial identity. The principal of equality has to apply to the whole selection process of the senior management where the decision is made based on professional assessment.

Number of directorships held by members of the Board

Name	Position with Dragon Capital (Cyprus) Limited	Number of Directorships
Tomas Fiala	Executive director	1, executive 1, non-executive
Oleksandr Fedorov	General manager, Head of risk management	1, executive
Michalis Mylonas	Non-executive	3, non-executive
Sotirios Eliofotou	Non-executive	1, non-executive

Risk management objectives and policies

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company's activities. The current risk management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.

Communication of information at all relevant levels of the Company is defined by the organisational structure which clearly specifies reporting lines and allocates functions and responsibilities; the Company maintains internal reporting at various risk types, frequency, and depth of reports.

The Company has designed its risk management framework to be proportionate to the scale, nature and complexity of the business, and is comprised of the following components:

- Risk Management Function;
- General Manager;
- Board of Directors;
- Investment Committee.

Risk Management function

The scope and objectives of the Risk Management function within Dragon Capital consists of setting limits, measuring and monitoring risk exposures in relations to various risks as well as analyzing and assessing the potential loss (against limits where relevant). Ultimate responsibility for the management of risks in DCC lies with the Board of Directors. The day to day risk management activities are delegated to the Risk Manager.

The Risk Management function operates independently and is responsible for:

- Establishing, implementing and maintaining adequate risk management policies and procedures which identify the risks relating to DCC's activities and processes and monitor their adequacy and effectiveness
- Development of risk management policy for customers and counterparties for the following risks faced by DCC, credit risk, operational risk, market risk and counterparty risk
- Analyzing for the Investment Committee the potential hazards associated with the recommended framework on which the investment decision/advice are based
- Building and promoting a risk awareness culture within Dragon Capital and providing the relevant training
- Ensuring DCC complies with its continuous obligations to CySEC such as submission of Capital Adequacy Return, contribution to Investors Compensation Fund
- Monitoring the level of compliance of Dragon Capital and its employees with the arrangements, processes and mechanisms adopted
- Monitoring the adequacy and effectiveness of measures taken to address any deficiencies in the risk management arrangements and procedures

Risk limit monitoring

All trading activities are counted without delay towards the corresponding limits and every trader should be informed promptly of the limits relevant to them and of their current level of utilization.
All individual positions are aggregated into the overall risk position at least once a day at the close of trading.

In addition, a qualified and experienced Risk Manager is appointed, who is the head of the Risk Management function of the Company.

Internal Audit

The Internal Audit function ensures that there is adequate planning, control and recording of all audit and review work performed, that there is timely reporting of findings, conclusions and recommendations to the Board of Directors, and that matters or risks highlighted in the relevant reports are followed up and resolved satisfactorily.

The Internal Audit function is outsourced and it's responsible:

- To establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of IT systems, internal control mechanisms and arrangements
- To issue recommendations based on the result of the audit
- To verify compliance with the recommendations
- To report in relation to internal audit matters to the management, the Board of Directors and to the regulators

Compliance and Money Laundering Compliance Officer

The Compliance and Money Laundering Compliance Officer is independent of all operational and business functions and reports directly to the Board of Directors. More specifically, this officer has the following duties:

- Responsible for oversight of the DCC legal, regulatory and documentary compliance and in particular compliance with the AML Law and directive of CySEC
- Provide regulatory and compliance advice to the management and Board of Directors
- Identification and address conflicts of interest
- Run checks of the customers identity concerning Money Laundering and involvement in terrorist financing
- Review and update internal policies when the relevant legislation is amended
- Implement procedures regarding avoidance of conflict of interest, insider dealing, safeguarding of confidential information, money laundering, etc.
- Maintain the Watch List and Restricted List in accordance with the provisions of the legislation
- Monitor customer's transactions for suspicious transactions relating to money laundering
- Categorize customers in accordance with MiFID requirements
- Responsible for the reporting of suspicious transactions to the relevant competent authority
- Responsible for maintaining communication with CySEC and ensure that all reports are submitted

Currently the Compliance and AMLRO function is performed by the same person. The Compliance officer has access to the documents and information required for performing her duties and responsibilities. Compliance/AMLR officer performs her duties independently and reports to the Board of Directors directly.

Policies for hedging and mitigating risk

The Company controls and mitigates its exposure to risk by following procedures outlined in its three main risk management policies:

- Credit Risk Policy
- Market Risk Policy
- Operational Risk Policy

Credit risk is the risk that the Company may suffer losses as a result of customers and/or counterparties defaulting on their contractual obligations. This risk primarily arises from client and counterparty trading.

The principles which govern the Company and its credit risk responsibilities and procedures are as follows:

- The Company operates within a well-defined credit granting criteria;
- The Company has clear established process in place for approving new trading limits and amendments and reviews of limits already in existence;
- Risk Management must set trading limits before counterparties can begin trading;
- Only Head of Risk Management can approve the limits;
- The Company has procedures in place which allow for timely monitoring of trading limits;
- The Company has escalation procedures in place for managing and resolving trading limit breaches.

Market risk is the risk associated with changes in market prices, i.e. changes in equity and fixed income instruments, which may have a direct impact on the Company's net income.

With regards to managing its exposure to market risk, the Company performs daily mark-to-market valuations on unsettled trades (which includes pending settlement) and traded positions, with the additional measure of stop-loss methodology in place. This very process of managing the exposure to market risk is performed independently of the business with the function housed within Risk Management.

Liquidity risk - At present, due to low volumes and product coverage, the Company is of the opinion that liquidity risk exposure does not come into play.

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. The Company manages its operational risk exposure, primarily through:

- Operational work-flow charts, which illustrate the entire work-flow from inception to closure, which identify manual and electronic processing, thus allowing the Company to make informed and balanced decision with regards to the effectiveness of current controls;
- Incident management logs, which document all incidents, financial and possible financial impact and the subsequent follow up / action plan;
- Risk reviews and assessment, performed by Risk Management Department.

Strictly following its risk assessment process, the Company implemented and utilized several risk mitigation techniques for non-centrally cleared derivatives and accompanying risks. The Company closely monitors and will update where necessary techniques applied. Among the techniques utilized in 2014 the following can be observed: timely confirmations, portfolio reconciliations, mark-to-market valuation, dispute resolution and collateral allocation.

Dragon Capital (Cyprus) limited adhered to ISDA 2013 EMIR Portfolio Reconciliation, Dispute Resolution and Disclosure Protocol.

Declaration of management body

The board of directors judges that the company’s risk management arrangements are sufficient and provide assurance that the risk management systems put in place are adequate with regard to the company's profile and strategy.

The board of directors also judges that the description below of the company’s overall risk profile associated with its business strategy, business concept and key ratios provides a relevant view of the company’s management of risk.

The board’s judgment was made on the basis of the business concept adopted by the board, material and reports presented to the board by the company’s general management, internal auditor, the company’s risk manager and compliance manager, and on the basis of supplementary information and statements obtained by the board.

A review of the business concept and policies shows that the business concept’s general requirements for the individual risk areas are reflected in the more specific limits set by the individual policies. A review of the board of directors’ guidelines for the general management and powers conferred shows that the individual policies are reflected in the underlying guidelines for the general management and powers conferred, and that the actual risks are within the limits set by the individual policies and powers conferred.

The board of directors judges on this basis that the business concept, policies, guidelines and the actual risks within the individual areas are consistent.

Risk Statement

The Company's goal is to operate with minimum allowable capital adequacy ratio of 11%, which reflects and fully covers future increase in prudential requirements. Further updates of risk statement will reflect the constantly changing environment of financial markets in order to mitigate market fluctuation effect.

Own funds

Company's approach to assessing the adequacy of its internal capital

The Company deems it proper to hold a capital base at least equal to the current prudential requirements as determined and reviewed by the Board of Directors. This ICAAP level cannot be less than the minimum regulatory requirement, and at the current state is equal to the Pillar II minimum requirement. The Company is currently in the process of preparing its ICAAP document with reference date 31 December 2014, which has not however been demanded for submission by the Competent Authority.

Capital Management

The primary objective of the Company's capital management is to ensure that the Company complies with externally imposed capital requirements and that the Company maintains healthy capital ratios in order to support its business and to maximise shareholders' value.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities.

The Cyprus Securities and Exchange Commission requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8% (the "Capital Adequacy Ratio"). The CySEC may impose additional capital requirements for risks not covered by Pillar I.

During 2014 the Company had fully complied with all externally imposed capital requirements as shown in the table below.

Company's Own Funds

The own funds of the Company comprise entirely by Core Tier I capital. As at 31 December 2014, the level of own funds was at USD 17.059 thousand. Table 1 below shows a breakdown of the own funds. The Capital Adequacy Ratio at that time was 22,28%. The calculations of Capital Adequacy Ratio contain the information disclosed in the audited financial statements for the year ended 31 December 2014.

Table 1: Composition of the capital base

Original Own Funds (Tier 1)	**2014**
	$'000
Eligible Own Funds	
Share capital	10
Share premium	20.051
Retained Earnings	(3.002)
Original Own Funds (Tier 1 Capital)	***17.059***

Principal risks capital requirements

The capital requirements for the three risks covered by Pillar I of the Directive are as follows:

Table 2: Capital requirement by risk category

Risk Type	Capital Requirement $'000	RWA $'000
Credit	480	5.996
Market	4.527	56.586
of which Equity market risk	*1.239*	*15.484*
of which Interest rate market risk	*2.625*	*32.811*
of which FX market risk	*663*	*8.291*
Settlement Risk	272	3.403
Operational	846	10.578
Total Capital Requirement	**6.125**	**76.563**

Below we analyse the exposures and calculation of capital requirements for each risk mentioned in the table above.

Credit risk

Standardised Credit Risk Exposure Classes

The exposure classes under which the assets of the Company have been allocated under the Standardised Approach are as shown in the table below. There were no exposures to other risk classes available under the Standardised Approach.

Table 3: Credit risk summary table

Asset Classes	Risk-weighted amounts $'000	Minimum capital requirement $'000
Public sector entities	100	8
Institutions	763	61
Corporates	5.063	405
Other Items	70	6
Total	**5.996**	**480**

Table 4: Average exposures and original exposures net of provisions per asset class

Asset Classes	Original exposure amount, net of specific provisions $'000	Average exposure $'000
Public sector entities	100	107
Institutions	3.817	6.167
Corporates	5.063	4.855
Other Items	70	42
Total	**9.050**	**11.171**

The following table provides information on the residual maturity of the Company's credit risk exposures as at 31/12/2014:

Table 5: Residual Maturity of credit risk exposures, broken down by exposure class

Asset classes	Up to 3 months $'000	More than 3 months $'000	Total $'000
Public sector entities	100	0	100
Institutions	3.817	0	3.817
Corporates	638	4.425	5.063
Other Items	0	70	70
Total	**4.555**	**4.495**	**9.050**

Table 6: Geographic Distribution of exposures

Asset classes	Cyprus $'000	Estonia $'000	Poland $'000	Other $'000	Total $'000
Public sector entities	100	0	0	0	**100**
Institutions	4	1.354	2.203	257	**3.817**
Corporates	4.395	0	249	418	**5.063**
Other Items	70	0	0	0	**70**
Total	**4.569**	**1.354**	**2.452**	**675**	**9.050**

Table 7: Distribution of exposures by industry

Asset classes	Financial services $'000	Other $'000	Not Applicable $'000	Total €'000
Public sector entities	100	0	0	**100**
Institutions	3.817	0	0	**3.817**
Corporates	5.023	40	0	**5.063**
Other Items	66	0	4	**70**
Total	**9.006**	**40**	**4**	**9.050**

Credit Assessments

The Company uses external ratings of Fitch as one of the eligible External Credit Assessment Institutions recognized by CySEC. The Company has chosen to use Fitch Ratings for all asset classes under the Standardised Approach. The use of Fitch Rating is in compliance with the requirements of the Directive, and is used consistently for all exposures in a specific asset class. These ratings are used for all relevant exposure classes if the exposure is rated under these ratings.

Exposure Class table

CQS	Ratings	Institutions			Sovereigns Risk Weight	Corporate Risk Weight
	Fitch	Sovereign method	Credit Assessment Method			
			Maturity >3 months	Maturity 3 months or less		
1	AAA to AA-	20%	20%	20%	0%	20%
2	A+ to A-	50%	50%	20%	20%	50%
3	BBB+ to BBB-	100%	50%	20%	50%	100%
4	BB+ to BB-	100%	100%	50%	100%	100%
5	B+ to B-	100%	100%	50%	100%	150%
6	CCC+ or lower	150%	150%	150%	150%	150%

The exposures are classified into the above exposure classes, and are then ranked into respective credit quality steps that determine the risk weight to be used in accordance with the provisions of the Directive.

Table 8: Exposures before and after credit risk mitigation by credit quality step:

Credit Quality Step	Exposure values before credit risk mitigation $'000	Exposure values after credit risk mitigation $'000
CQS 2	2.203	2.203
Unrated/N/A	6.847	6.847
Total	**9.050**	**9.050**

The Company uses the same external ratings technique for the items not included in the trading book when applicable.

The Company uses for accounting purposes the following definitions for “past due” and “impaired”:

- A financial asset is past due when counterparty has failed to make a payment when it was contractually due. The Company assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A debt is impaired if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the liability (an incurred ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flows of the debt or the group of debts, that can be reliably estimated;
- An allowance for debt impairment is established if there is objective evidence that the Company will not be able to collect all amounts due according to the original due dates. The amount of provision is the difference between the carrying amount and the recoverable amount, being the present value of expected future cash flows including amounts recoverable from guarantees and collateral, discounted at the original effective interest rate.

During the year there were no past due or impaired balances within financial assets classified in the loans and receivables category. In 2014 the Company did not make any allowances/provisions for debt impairment.

Interest Rate Risk on Positions not Included in the Trading Book

Interest rate risk is the risk that movements in interest rates will have an adverse impact on the Company’s income or the value of its portfolios of financial instruments. The Company’s Risk Manager monitors the interest rate fluctuations on a continuous basis and acts accordingly.

As at 31 December 2014 the Company had no interest rate risk exposures as its non-trading book positions are insensitive to interest rate fluctuations.

Market risk

The capital requirement for market risk consists of capital requirements for position risk (including traded debt instruments risk and equity risk) and foreign exchange risk.

Foreign exchange risk

Foreign exchange risk is defined as the occurrence of losses caused by negative fluctuations of the exchange rate of one currency in relation to the other, and arises from the Company’s positions in currencies other than its reporting currency (US Dollar).

The Company calculates its capital requirement with respect to foreign exchange risk using the Standardized Approach. As at 31 December 2014, the market risk minimum capital requirements due to foreign exchange risk are analysed as follows:

Table 9: Foreign Exchange Risk Capital Requirement breakdown

	USD ('000)
GBP	4.336
PLN	1.122
UAH	2.743
USD	11.306
Total	**19.598**
RWA	**8.291**
Capital Requirements	**663**

Exposures in equities and debt instruments

The Company is exposed to trading securities price risk because of investments held by the Company and classified on the balance sheet at fair value through profit or loss.

Interest rate risk can be defined as the possibility of a reduction in the value of an investment, resulting from a change in the interest rates. As at 31 December 2014 the Company was exposed to interest rate risk through its positions in market traded debt instruments, which it books in the Trading Book.

The Company's capital requirements for equity and interest rate market risk for 31 December 2014 is analysed as follows:

Table 10: Capital Requirement breakdown for debt and equity instruments

Market Risk	Minimum Capital Requirement USD ('000)
Equities in Trading Book – Equity market risk	1.239
Debt instruments – Interest rate market risk	2.625
Total	**3.864**

The Company uses the fair value through profit or loss to calculate the value of its trading financial assets. These assets can be analysed as follows:

	2014 **US$**	2013 US$
Non-current portion - financial assets designated at fair value through profit or loss	**3.762.842**	5.334.638
Current portion - financial assets held for trading	**22.181.052**	24.502.463
Current portion - derivative financial instruments	**-**	706.633
	22.181.052	25.209.096
Financial assets at fair value through profit and loss	**25.943.894**	30.543.734

The nature of the assets is the following:

Quoted securities - held-for-trading:		
Equity securities	**3.979.248**	11.319.178
Debt securities	**18.201.804**	13.183.285
Equity securities - designated at fair value through profit or loss on initial recognition	**3.762.842**	5.334.638
Derivative financial instruments	**-**	706.633
	25.943.894	30.543.734

Operational risk

The Company considers the Basic Indicator Approach as the most appropriate method to assess its ongoing operational risk capital requirements. Accordingly, the Company applied the average, on a three year basis, of the net income calculated in accordance with the requirements of the Directive.

Remuneration

Dragon Capital (Cyprus) Limited considers that the remuneration system is a key element in creating value. It has a remuneration scheme based on the reciprocity of value for employees and for the Company in line with the interests of shareholders. Company's remuneration system is based on the following principles:

• Long-term value creation.
• Remunerate achievement of results on the basis of prudent, responsible risk bearing.
• Attract and retain the best professionals.
• Reward the level of responsibility and professional path.
• Ensure equity in the Company and competitiveness outside it.
• Benchmark performance against the market
• Ensure transparency in its remuneration policy.

The Company's remuneration policy is structured taking into account the environment in which it operates and the results it achieves. It includes the following elements:

• Fixed remuneration based on the level of responsibility, which constitutes a relevant part of total pay.
• Variable remuneration linked to the achievement of previously established targets and prudent risk management.

Staff engaged in control functions is independent from the business units they oversee, have appropriate authority, and are remunerated in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control.

Variable remuneration in Dragon Capital (Cyprus) Limited is performance based. Individual decisions are based on performance in the year, measured against Company and personal objectives. Separate objectives are set for risk takers and non-risk takers building the firm ground for independent control and limiting the risk appetite. Performance measures are both quantitative and qualitative. It is instrumented through payment in cash.

The remuneration policy of the Company is based upon personal performance of key management and its employees and general profitability of the company. For the year 2014 key management and employees received only fixed remuneration and no variable. As at 31 December 2014 no deferred remuneration was outstanding.

The table below shows the fixed and variable remuneration paid to those categories of staff whose professional activities have a material impact on the risk profile of the Company, broken down by Senior Management and other staff:

Fixed and Variable Remuneration by Senior Management and Other Staff ($)				
	No. of staff	**Fixed**	**Variable**	**Total**
Senior Management & Executive Directors	1	34.274	0	**34.274**
Other Staff	4	141.844	0	**141.844**
Total	**5**	**176.118**	**0**	**176.118**

The table below presents the annual gross remuneration per business line as at 31 December 2014, for those categories of staff whose professional activities have a material impact on the risk profile of the Company:

Annual Aggregate Remuneration by Business Area ($)	
Business Area	**Aggregate Remuneration**
Control Functions	107.571
Other risk-taking functions	68.547
Total	**176.118**

Appendices

Appendix I: Transitional Own Funds Disclosure

At 31 December 2014	Transitional Definition	Full - phased in Definition
-	**€'000**	**€'000**
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	20.061	20.061
Retained earnings	(3.002)	(3.002)
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**17.059**	**17.059**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability)	0	0
Losses for the current financial year	0	0
Regulatory adjustments relating to unrealised gains and losses	0	0
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**0**	**0**
Common Equity Tier 1 (CET1) capital	**17.059**	**17.059**
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	**17.059**	**17.059**
Tier 2 (T2) capital before regulatory adjustments	**0**	**0**
Tier 2 (T2) capital: regulatory adjustments		
Tier 2 (T2) capital	**0**	**0**
Total capital (TC = T1 + T2)	**17.059**	**17.059**
Total risk weighted assets	**76.563**	**76.563**
Capital ratios and buffers		
Common Equity Tier 1	22,28%	22,28%
Tier 1	22,28%	22,28%
Total capital	22,28%	22,28%

Appendix II: Balance Sheet Reconciliation

	2014
	$`000
Eligible Own Funds	
Share capital	10
Share premium	20.051
Retained Earnings	(3.002)
Total Equity as per Balance Sheet	***17.059***
Original Own Funds (Tier 1 Capital)	***17.059***