Dragon Capital (Cyprus) Limited
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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 2015

April 2016

Authorised as Cypriot Investment Firm Regulated by the Cyprus Securities and Exchange Commission under 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.

KPMG

KPMG Limited
Chartered Accountants
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Independent Auditors' Report to the Cyprus Securities and Exchange Commission in respect of Dragon Capital (Cyprus) Ltd for the year ended 31 December 2015 pursuant to 32(1) of Directive 144-2014-14 of the Cyprus Securities and Exchange Commission for the prudential supervision of investment firms

1. We report in relation to the fair presentation of the disclosures of Dragon Capital (Cyprus) Ltd (the "Company") for the year ended 31 December 2015, required by paragraph 32(1) of Directive 144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of Investment Firms (the "Directive"). The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialed for identification purposes.

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with Part Eight of Regulation (EU) No 575/2013 (the "Regulation"). Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the Regulation.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the Regulation. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of Part Eight of the Regulation, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2015 are not fairly presented, in all material aspects, in accordance with the requirements of the Regulation.

6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures required pursuant to Part Eight of the Regulation and does not extend to any financial statements or other financial information of the Company.

Marios Lazarou
Certified Public Accountant and Registered Auditor
for and on behalf of

KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 5 May 2016

APPENDIX

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 2015

April 2016

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

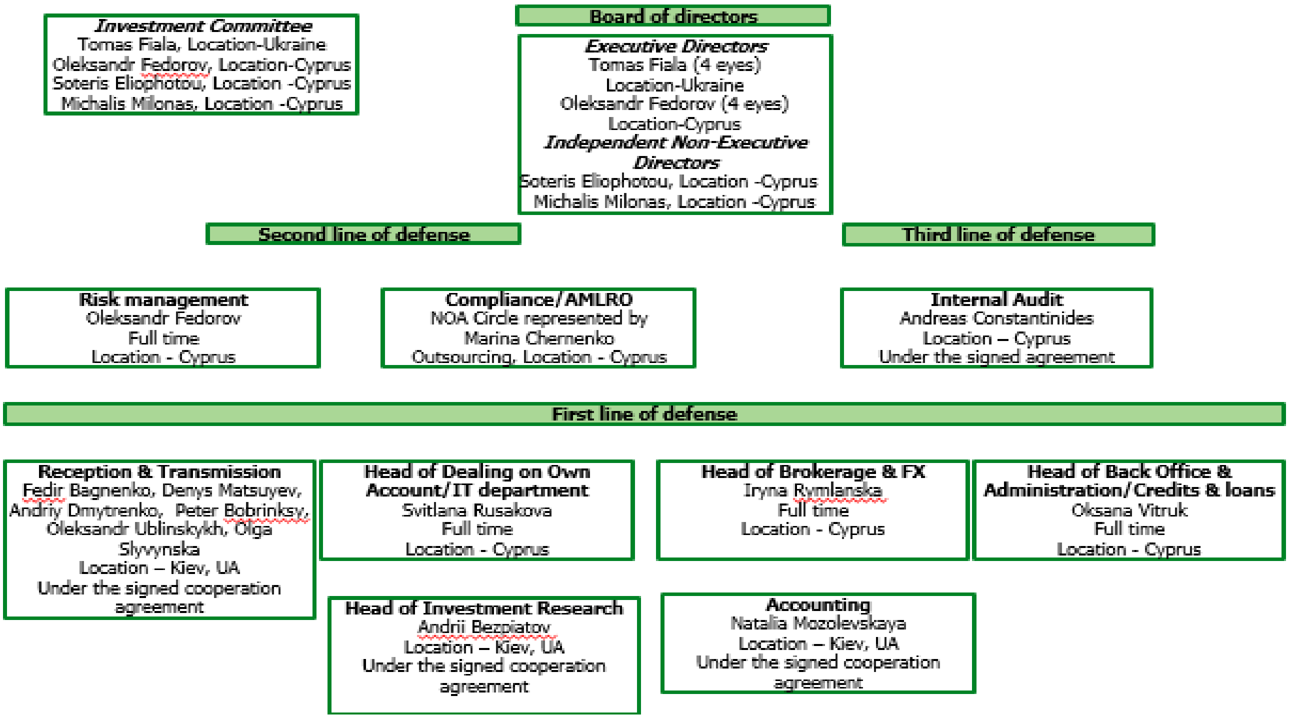
Contents

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 the 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 CRR and 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 I 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 entered into force since 1 January 2014 and repealed Directives 2006/48/EC and 2006/49/EC, along with CySEC's Directive DI144-2014-14 for the prudential supervision of Investment Firms and Directive DI144-2014-15 on the discretions of the CySEC arising from Regulation (EU) No. 575/2013, the 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 CySEC's Directives 144-20014-14 and 144-2014-15 ("the Directives").

The CRDIV package along with the CySEC Directives provide 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 Directives also permit 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.

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 the 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 the CRR and paragraph 32(1) of DI144-2014-14. It relates to the year ended 31 December 2015 and is prepared on an individual (solo) basis. The Company will make this report available on its website.

The Company discloses the required 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

The disclosed information on capital adequacy is verified by an independent entity authorized to perform audits 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 the 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 of Directors meets as a minimum four times per year at DCC's office in Cyprus. The Board of Directors has a formal schedule for its meetings of matters that the Board needs to take decisions. Minutes are always taken during the meeting and signed by the Chairman and the Secretary of DCC. Decisions taken at Board Meetings should be by a majority of votes. In order to have a quorum two members should be present in person or by proxy.

The duties of the Board of Directors include:

- Formulate DCC's strategy in terms of development of existing and new services
- Govern the organization by broad policies and objectives
- Ensure DCC maintains and implements adequate internal control mechanisms
- Ensure DCC complies with its legal obligations to CySEC
- Assess on a regular basis that DCC's policies and procedures are in compliance with the relevant Laws and Directives issued by CySEC
- Monitor the performance of the Investment Committee
- Ensure that sufficient and experienced resources are available to the DCC to carry out its operations
- Ensure that it receives on an annual basis written reports from the Compliance Officer, Risk Manager and Internal Audit, follows up any issues raised and ensures that remedial measures are being taken.

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 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 a 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 Manager Report, Compliance Officer Report, Anti-money Laundering Report, Internal Auditor Report and ICAAP report. All reports are reviewed and discussed by the Board of Directors prior to being approved. The revision of internal procedures related to risk awareness is an integral part of information flow on risk to the 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 independent 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 the Management Body is to ensure the composition of the senior management from highly professional individuals despite of sex, nationality, religious beliefs, skin colour and racial identity. The principle 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

The table below provides the number of directorships each member of the management body of the Company holds at the same time in other entities. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below.

Name	Position with Dragon Capital (Cyprus) Limited	Number of Directorships
Mr. Tomas Fiala	Executive Director	1, Non-Executive
Mr. Oleksandr Fedorov	Executive Director / General manager / Head of Risk Management	-
Mr. Michalis Mylonas	Non-Executive Director	2, Non-Executive
Mr. Sotirios Eliofotou	Non-Executive Director	-

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 risk 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 ensure risks remain 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 by 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 DCC consists of setting limits, measuring and monitoring risk exposures in relation 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.
- Developing a risk management policy for customers and counterparties for the risks faced by DCC.
- Analyzing for the Investment Committee the potential hazards associated with the recommended framework on which the investment decisions/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 returns, contribution to Investors Compensation Fund, etc.
- 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.
- Reporting to Senior Management and at least annually on risk management issues, indicating in particular whether appropriate remedial measures have been taken.

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.
- Issue recommendations based on the result of the audit.
- Verify compliance with the recommendations.
- Report in relation to internal audit matters to the management, the Board of Directors and to the regulators.

The management and the Board of Directors assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the regulatory obligations and to take appropriate measures to address deficiencies. The internal auditor issues the written reports to the management on an annual basis, containing information on regulatory compliance, risk management and other internal audit findings indicating in particular whether the appropriate remedial measures have been taken into consideration with regards to any deficiencies. These reports on the same matters are presented and discussed during the meetings of the Board of Directors. In cases of serious irregularities such as money embezzlement, money laundering, market manipulation, etc., the Board of Directors is immediately informed in order for immediate actions to be taken.

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.
- Identify 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 customers' transactions for suspicious activity relating to money laundering.
- Categorize customers in accordance with MiFID requirements.
- Report suspicious transactions to the relevant competent authority (MOKAS) as provided in the AML directive of CySEC.
- Maintain communication with CySEC and ensure that all reports are submitted.

Currently the Compliance and AMLRO functions are performed by the same person. The Compliance officer has access to the documents and information required for performing her duties and responsibilities. The 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 the following:

- The Company operates within well-defined credit granting criteria.
- The Company has a clearly 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 the 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 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 a 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. Prudent liquidity risk management implies maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to closeout market positions. The management maintains flexibility in funding by maintaining availability under committed credit lines.

Operational risk is the risk of loss arising from fraud, unauthorized activities, error, omission, inefficiency, systems failure or external events. The following tools are considered as a first line of defence when managing and mitigating operational risk:

- **Audit oversight** – This consists of the management response to the audit points which will be raised through the annual internal and external audits.
- **Work-Flows** – All work flows are to be thoroughly documented by each department, which will highlight manual processing and automated processing. Processes which are manual should have adequate controls, possibly "four-eye" principal applied.
- **Operational Procedures** – Detailed procedures, which will include screen-shots and descriptive text for each specific process, illustrating how the process is actually performed.
- **Incident Log** – This log is to record all incidents, regardless of financial loss to the Company (as just because no financial loss has occurred 'today' with an incident, this does not necessarily remain true of future incidents of a similar nature. This log will contain full diagnoses of the incident and the subsequent action taken/introduced to reduce if not eliminate repetition occurring.
- **Key Risk Indicators** – These are simple measures that provide an indication of whether risks are changing over time. Such early warning signs include, but are not limited to, audit points, staff turnover, trade volumes, new products/lack of knowledge, etc. The assumption being that operational risk events are more likely to occur when these indicators increase.
- **Casual Networks** – Describe how losses can occur from a cascade of different causes, of which the causes and effects are linked through conditional probabilities. Adopting such bottom-up models improves the understanding of losses since they focus on the drivers of risk.

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 2015 the following can be observed: timely confirmations, portfolio reconciliations, mark-to-market valuation, dispute resolution and collateral allocation.

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 regards 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, the material and reports presented to the Board by the Company’s general management, Internal Auditor, Risk Manager and Compliance Officer, 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 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 said policies and powers.

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 a minimum allowable capital adequacy ratio of 11%, which reflects and fully covers future increases in prudential requirements. Further updates of risk statement will reflect the constantly changing environment of financial markets in order to mitigate market fluctuation effect. Along with that based on the business of the Company, its organizational processes, internal governance, risk management framework and risk profile, the Company deems it proper to maintain ICAAP Capital Adequacy Ratio at the level of 15% to cover all potential risks under Pillar I and II, 7 p.p. above the required CAR minimum of 8%.

Approach to assessing the adequacy of its Internal Capital

According to the provisions of Section 68 of the CySEC’s Investment Services and Activities and Regulated Markets Law, all Cyprus Investment Firms should have in place sound, effective and complete strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. To this effect, the Company has updated its ICAAP.

The Company’s ICAAP contains detailed step-by-step process of current risk mitigation, steps necessary to maintain internal capital assessment process and further steps for expanding activity and the range of traded instruments. The Board of Directors approved the revised ICAAP.

This ICAAP report is produced annually and represents the Company's own assessment of its internal capital requirements. Following careful review of business of the Company, its risk profile, which is based on the size of the Company and complexity of the activities performed, the Company deems it proper to apply simple monitoring methods. The Company's approach to calculating its own internal capital requirements has therefore been to take the minimum capital required for risks under Pillar I as the starting point with further calculation of necessary overheads covering risks not fully covered under the Pillar I approach and risks not covered at all under Pillar I.

The ICAAP Report is prepared for the Senior Management and the Board of Directors of the Company. This report presents the results of the ICAAP process completed during year 2014. The ICAAP was performed based on figures of audited financial statements as of end of 2014. Based on the business of the Company, its organizational processes, internal governance, risk management framework and risk profile, the Company deems it proper to maintain a Pillar II Capital Adequacy Ratio at the level of 15% to cover all potential risks under Pillar I and II, 7 p.p. above the required CAR minimum of 8%.

Own funds

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 it 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 CySEC requires each investment firm to maintain a minimum ratio of capital to risk weighted assets of 8%. The CySEC may impose additional capital requirements for risks not covered by Pillar I.

During 2015 the Company had fully complied with all externally imposed capital requirements as shown in the table below.

Own Funds

The own funds of the Company comprise entirely of Core Tier I capital. As at 31 December 2015, the level of own funds was at USD 21.113 thousand. Table 1 below shows a breakdown of the own funds. The Capital Adequacy Ratio at that time was 59,31%. The calculations of Capital Adequacy Ratio contain the information disclosed in the audited financial statements for the year ended 31 December 2015.

Table 1: Composition of the capital base

Original Own Funds (Tier 1)	2015 $'000
Eligible Own Funds	
Share capital	10
Share premium	20.051
Retained Earnings	1.052
Original Own Funds (Tier 1 Capital)	**21.113**

Principal risks capital requirements

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

Table 2: Capital requirement by risk category

Risk Type	Capital Requirement $'000	RWA $'000
Credit	346	4.319
Market	1.699	21.244
Operational	803	10.034
Total Capital Requirement	**2.848**	**35.597**

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	87	7
Institutions	4.105	328
Corporates	82	7
Other Items	8	1
Total	**4.282**	**343**

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	87	91
Institutions	20.525	9.998
Corporates	79	5.046
Retail	-	8.619
Other Items	8	707
Total	**20.699**	**24.461**

The following table provides information on the residual maturity of the Company's credit risk exposures as at 31/12/2015:

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

Asset classes	Up to 3 months $'000	3 - 12 months $'000	Total $'000
Public sector entities	-	87	**87**
Institutions	20.525	-	**20.525**
Corporates	74	5	**79**
Other Items	-	8	**8**
Total	**20.599**	**100**	***20.699***

Table 6: Geographic Distribution of exposures

Asset classes	Cyprus $'000	Poland $'000	Netherlands $'000	Czech Republic $'000	Other $'000	Total $'000
Public sector entities	87	-	-	-	-	**87**
Institutions	-	20.510	-	15		**20.525**
Corporates	44	-	23	-	12	**79**
Other Items	8	-	-	-	-	**8**
Total	**139**	**20.510**	**23**	**15**	**12**	***20.699***

Table 7: Distribution of exposures by industry

Asset classes	Financial services $'000	Other $'000	Total $'000
Public sector entities	87	-	**87**
Institutions	20.525	-	**20.525**
Corporates	47	32	**79**
Other Items	3	5	**8**
Total	**20.662**	**37**	**20.699**

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 Regulation, 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
			Credit Assessment Method			
	Fitch	Sovereign 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 Regulation.

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 1	30	30
CQS 2	20.526	20.526
CQS 3	-	-
CQS 4	-	-
CQS 5	139	139
CQS 6	4	4
Unrated/N/A	-	-
Total	**20.699**	**20.699**

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 “impaired”:

A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganization, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

During the year there were no past due or impaired balances within financial assets classified in the loans and receivables category. In 2015 the Company did not make any allowances/provisions for debt impairment.

Settlement Risk

As at 31 December 2015 the Company was subject to settlement risk arising from a small number of trades that remained unsettled after year-end. The capital requirement resulting from these trades amounted to $3 thousand.

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 interest rate risk arises from short-term bank loans and bank overdraft.

Change in interest rates in relation to the loan receivable does not have any effect on post-tax gain/(loss) in 2015 as the interest rate is fixed. The Company's Risk Manager monitors the interest rate fluctuations on a continuous basis and acts accordingly.

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 arises when future commercial transactions or recognised assets or liabilities are denominated in a currency that is not the Company's functional currency (US Dollar).

The Company calculates its capital requirement with respect to foreign exchange risk using the Standardized Approach. As at 31 December 2015, the minimum capital requirements for foreign exchange risk resulted mainly from the Company's exposure to British Pound, Polish Zloty and Ukrainian Hryvnia and amounted to $376 thousand.

Exposures in equities and debt instruments

The Company is exposed to price risk because of investments held by the Company and classified on the balance sheet at fair value through profit or loss. The Company's risk management function sets formal policies for the management of price risk including setting trading limits and monitoring the number of indexes on a daily basis.

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 2015 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 2015 is analysed as follows:

Table 9: Capital Requirement breakdown for debt and equity instruments

Market Risk	Minimum Capital Requirement $'000
Equities in Trading Book – Equity market risk	925
Debt instruments – Interest rate market risk	398
Total	**1.323**

Operational risk

The Company defines operational risk as the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. This definition naturally is so broad that it covers a very wide spectrum of possible failings from within the Company and as such the Company must have adequate policies and procedures which can mitigate exposure to 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 has applied the average, on a three year basis, of the net income calculated in accordance with the requirements of the Regulation, based on which it has calculated a minimum capital requirement of $803 thousand for this risk.

Leverage ratio

The Basel III framework introduced a simple, transparent, non-risk based leverage ratio to act as a credible supplementary measure to the risk-based capital requirements.

Leverage ratio is defined as the capital measure (i.e. the institution's Tier 1 capital) divided by the exposure measure as this is defined in the European Commission's Regulation (EU) 2015/62 of 10 October 2014 amending Regulation (EU) No. 575/2013 of the European Parliament and of the Council with regards to the leverage ratio. It is noted that the final calibration, and any further adjustments to the definition, will be completed by 2017, with a view to migrating to a Pillar 1 minimum capital requirement on 1 January 2018.

The Company calculates its leverage ratio at the end of each quarter.

The proposed minimum required ratio for the purposes of leverage ratio is currently assessed at 3%. The Company's leverage ratio as at the 31/12/2015 is 78,98%.

The table below provides a reconciliation of accounting assets and leverage ratio exposures:

Table 10: Summary reconciliation of accounting assets and leverage ratio exposures

N/N	Item description	Applicable Amounts $'000
1	Total assets as per published financial statements	26.732
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognized on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013 "CRR")	-
4	Adjustments for derivative financial instruments	-
5	Adjustments for securities financing transactions "SFTs"	-
6	Adjustment for off-balance sheet items (i.e. 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	-
8	**Total leverage ratio exposure**	**26.732**

The table below provides a breakdown of the exposure measure by exposure type:

Table 11: Leverage ratio common disclosure

N/N	Item Description	CRR leverage ratio exposures
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	**26.732**
2	(Asset amounts deducted in determining Tier 1 capital)	
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**26.732**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
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)**	-
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**	**21.113**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**26.732**
Leverage ratio		
22	**Leverage ratio**	**78,98%**
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	-

The following table provides a breakdown of total on balance sheet exposures by asset class:

Table 12: Split-up of on balance sheet exposures (excluding derivatives, SFTs and exempted exposures)

N/N	Item description	CRR leverage ratio exposures $'000
EU-1	**Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:**	**26.732**
EU-2	**Trading book exposures**	**6.033**
EU-3	**Banking book exposures, of which:**	**20.699**
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organisations and PSE NOT treated as sovereigns	87
EU-7	Institutions	20.525
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	79
EU-11	Exposures in default	-
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	8

Description of the processes used to manage the risk of excessive leverage

The Risk manager is mandated to oversee and control integrated planning and to monitor the overall risk profile and capital capacity. The Company, if needed, will actively manage its limits:

- to allocate the leverage exposure capacity
- to support achievement of strategic performance plans
- to provide a firm basis for achieving the target leverage ratio
- to maintain risk discipline.

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. The 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 taking
- 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.

Proposals on the remuneration are prepared by the Remuneration Committee and are subsequently approved by the Board of Directors.

Staff engaged in control functions are 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 during the reference year and are measured against Company and personal objectives. Separate objectives are set for risk takers and non-risk takers building a firm ground for independent control and limiting the risk appetite. Performance measures are both quantitative and qualitative. Variable remuneration is paid in cash.

The remuneration policy of the Company is based upon the performance of key management and employees and the profitability of the Company in general. For the year 2015, key management and employees received only fixed remuneration.

An analysis of the remuneration paid to Senior Management and other staff whose actions have a material impact on the risk profile of the Company, as at 31 December 2015, is provided in the table below:

Table 13: Fixed and Variable Remuneration by Senior Management and Other Staff

Position	No. of staff	Fixed $'000	Variable $'000	Total $'000
Senior Management & Executive Directors	5	120	-	**120**
Other Staff	0	-	-	**-**
Total	**5**	**120**	**-**	**120**

The table below shows the fixed and variable remuneration paid December 2015 no deferred remuneration was outstanding.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:

The following table presents the annual gross remuneration per business line as at 31 December 2015, for those categories of staff whose professional activities have a material impact on the risk profile of the Company:

Table 14: Annual Aggregate Remuneration by Business Area

Business Area	Aggregate Remuneration $'000
Control Functions	41
Other risk-taking functions	79
Total	**120**

Appendices

Appendix I: Transitional Own Funds Disclosure

At 31 December 2015	Transitional Definition $'000	Full - phased in Definition $'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	20.061	20.061
Retained earnings	1.052	1.052
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	-	-
Funds for general banking risk	-	-
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**21.113**	**21.113**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-
Intangible assets (net of related tax liability)	-	-
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	-	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**-**	**-**
Common Equity Tier 1 (CET1) capital	**21.113**	**21.113**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**21.113**	**21.113**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**21.113**	**21.113**
Total risk weighted assets	**35.597**	**35.597**
Capital ratios and buffers		
Common Equity Tier 1	59,31%	59,31%
Tier 1	59,31%	59,31%
Total capital adequacy ratio	**59,31%**	**59,31%**

Appendix II: Balance Sheet Reconciliation

Item description	31 December 2015 $'000
Eligible Own Funds	
Share capital	10
Share premium	20.051
Retained Earnings	1.052
Total Equity as per Balance Sheet	**21.113**
Original Own Funds (Tier 1 Capital)	**21.113**