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Dragon Capital (Cyprus) Limited

Pillar III Disclosures for the year ended 31 December 2017

according to 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 and amending Regulation (EU) No 648/2012

April 2018

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://dccl.com.cy/licenses-and-documents/incorporation-documents-and-certificates.html

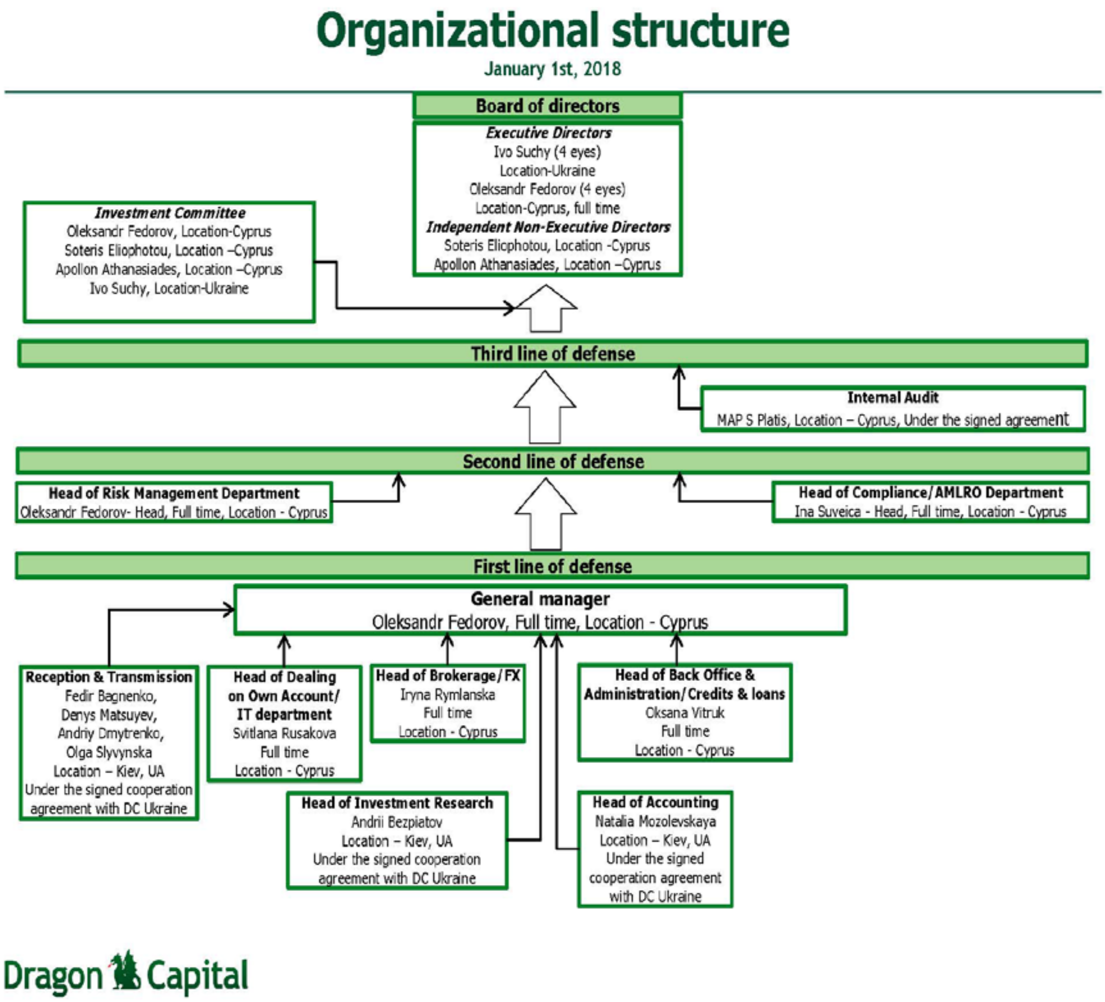
Contents

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

Organizational Structure



Regulatory framework

The current EU Capital Requirements Directive 2013/36/EU (“CRD IV”) and Regulation No. 575/2013 (“CRR”) set out the regulatory framework (commonly known as Basel III) that governs the amount of capital EU investment firms and banks are required to maintain. This is achieved through the application of common capital adequacy methodologies and by enforcing standardised disclosure requirements that ensure transparency and enable the comparability of solvency results across the region.

The Basel III 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 repeal 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 the CRR, the Company successfully implemented the new prudential provisions in order to fully comply with the current legislature.

Furthermore, the Company has prepared these disclosures (hereinafter the "Pillar III disclosures") in accordance with the requirements of the CySEC's Directives DI144-2014-14 and DI144-2014-15.

The Regulation 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 Regulation also permits investment firms to omit one or more of the required disclosures if they believe that the information is regarded as confidential or proprietary. The European Banking Authority ("EBA") 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."

Furthermore, information is 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.

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 2017 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 on a regular basis to discuss Company strategy and business related issues. Minutes are always taken during the meeting, both in hard copy and electronical copy. 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 Officer 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

For the positions opened within the management body of the Company the selection and recruitment process should be guided by the provision of good repute and sufficient knowledge. The members of the board of directors of the Company shall at all times be of good repute and possess sufficient knowledge, skills and experience to perform their duties. The overall composition of the board of directors must reflect an adequately broad range of experiences.

It is crucial for the selection and recruitment process of members of the management body to incorporate the principle of collective adequate knowledge, skills and experience for the understanding of Company's activities, including the principal risks.

For the approval of the positions within the management body of the Company the approval of all members of the Board of Directors is required.

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 independent 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, including the one held in Dragon Capital (Cyprus) Limited. 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. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Name	Position with Dragon Capital (Cyprus) Limited	Number of Directorships
Mr. Ivo Suchy	Executive Director	3
Mr. Oleksandr Fedorov	Executive Director / General manager / Head of Risk Management	1
Mr. Sotirios Eliofotou	Non-Executive Director	1
Mr. Apollon Athanasiades	Non-Executive Driector	2

Mr. Apollon Athanasiades was appointed to the Board of Directors on 15 May 2017. The other directors stated were members of the board throughout the year ended 31 December 2017.

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.

The Risk Management Framework consists of the following three major elements:

- Risk Management Policy
- ICAAP
- Trading Book Policy

The elements of the framework are interconnected and aim to address various types of risks from different perspectives. Risk management policy covers all major risks faced by the Company in its daily operations and ways to control and mitigate them. ICAAP covers risks not fully covered by Risk management policy and set standards for overall risk tolerance and acceptance. Trading book policy provides additional guidelines for mitigation techniques and controls of risk, covered in Risk management policy and additionally integrates risk tolerance levels set by the ICAAP in daily operations.

Risk Management Function

The Risk Management function operates independently and monitors the adequacy and effectiveness of policies and procedures, the level of compliance to those policies and procedures, in order to identify deficiencies and rectify.

- 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 DCC 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 DCC 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.

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 has the following responsibilities:

- Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of IT systems, internal control mechanisms and arrangements.
- Test significant procedures and transactions on sample basis
- Issue recommendations based on the result of the audit.
- Verify compliance with the recommendations.
- Report in relation to internal audit matters to the senior 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 Anti-money laundering reporting 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:

- Design and build upon the general principles of DCCL, the internal policies, procedures and controls relevant to the prevention of money laundering and terrorist financing
- Develop the customers' acceptance procedure, which require submission to the Board of Directors for approval
- To communicate with employees on information is known to be related with money laundering or terrorist financing activities or might be related with such activities and to evaluate such information
- To report any suspicious transactions to the Money Laundering Combat Unit of the Republic of Cyprus
- Assessment of all risks related to the Company's activity at least on an annual basis and implementation of remedial measures if required
- Customers categorization in accordance with MiFID II requirements
- Provision of training to staff as required
- Overseeing the development and performing periodic review of product governance arrangements in order to detect any risk of breaches against the product governance requirements
- Quality controls for the client communication of the Staff
- Timely submission of the Monthly Prevention statement to CySEC
- Communication with CySEC and timely reporting to CySEC
- 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.

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 main risk management policies and internal procedures:

1 General risk management policy that consists of:
   a) Credit Risk Policy
   b) Market Risk Policy
   c) Operational Risk Policy
   d) Credit and Loan Granting Guarantee Assessment
2 Trading Book Limit System
3 Internal Operations Manual

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 the risk of loss due to movements in financial market prices or volatilities.

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 fully automated and is integrated in the back/middle office system of the company.

Liquidity risk – The company is convinced that the main liquidity risk it faces is the funding liquidity risk, which refers to the ability to meet investment and funding requirements arising from cash flow mismatches as well as market liquidity risk, which is the risk that the company is unable to close open positions quickly enough and in sufficient quantities at a reasonable price to avoid adverse financial impacts.
The risk management department provides a liquidity risk management framework. Further it monitors the liquidity risk, manages short and long term liquidity positions and evaluates and manages liquidity related contingencies.

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 2017 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.

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 2017. The ICAAP was performed based on figures of audited financial statements as of end of 2016. 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.

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% plus capital buffers, as applicable. The CySEC may impose additional capital requirements for risks not covered by Pillar 1. For the year ended 31st December 2017, the Company was subject to a minimum Pillar 1 capital adequacy ratio of 8%, plus a capital conservation buffer of 1,25% as per the transitional implementation arrangements, resulting to a minimum of 9,25%.

During 2017 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 2017, the level of own funds was at USD 26.252 thousand and reduced for the purpose of calculation to 26.156 thousand due to change in the treatment of ICF contribution. Table 1 below shows a breakdown of the own funds. The Capital Adequacy Ratio at that time was 45,88%. The calculations of Capital Adequacy Ratio contain the information disclosed in the audited financial statements for the year ended 31 December 2017.

Table 1: Composition of the capital base

Original Own Funds (Tier 1)	2017 $'000
Eligible Own Funds	
Share capital	10
Share premium	20.251
Retained Earnings	-2.563
Profit & Loss	8.554
Intangible assets/Goodwill	-
CIF contribution into ICF	(96)
Original Own Funds (Tier 1 Capital)	**26.156**

Share Capital

Authorised capital
On 29 December 2017 the authorised share capital of the Company was increased to 10.107 ordinary shares with nominal value US$1 each.

Issued capital
On 29 December 2017, the Company made an issue of 1 share of US$1 each, with share premium of US$2.426.517,33 each fully paid.

The increase in share capital is paid through contribution in kind and as per CySEC Circular No. C232 dated 1st of August 2017, this increase is not recognised in the CET1 calculation.

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	137	1.706
Credit Valuation Adjustments	-	-
Market	3.338	41.727
of which FX market risk	958	11.976
of which Commodity market risk	-	-
of which Equity market risk	1.530	19.122
of which Interest rate market risk	850	10.629
Operational	1.085	13.564
Settlement Risk	1	10
Total Capital Requirement	**4.561**	**57.007**
Capital Adequacy Ratio	**45,88%**	

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
Institutions	1.428	114
Corporates	205	17
Other Items	73	6
Total	**1.706**	**137**

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	-	13
Institutions	4.853	7.486
Corporates	205	2.062
Other Items	73	27
Total	**5.131**	**9.588**

The following table provides information on the residual maturity of the Company's credit risk exposures as at 31/12/2017:

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

Asset classes	Up to 3 months $'000	> 3 months OR NA $'000	Total $'000
Institutions	4.853	-	**4.853**
Corporates	205	0	**205**
Other Items	6	67	**73**
Total	**5.064**	**67**	**5.131**

Table 6: Geographic Distribution of exposures

Asset classes	United Kingdom $'000	Czech Republic $'000	Monaco $'000	Other $'000	Total $'000
Institutions	952	3.278	555	68	**4.853**
Corporates	-	-	-	205	**205**
Other Items	2	-	-	71	**73**
Total	**954**	**3.278**	**555**	**344**	**5.131**

Table 7: Distribution of exposures by industry

Asset classes	Banking / Financial services $'000	Other $'000	Total $'000
Institutions	4.853	-	**4.853**
Corporates	196	9	**205**
Other Items	-	73	**73**
Total	**5.049**	**82**	**5.131**

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
	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 Regulation.

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

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	-	-
CQS 2	20	20
CQS 3	3.232	3.232
CQS 4	-	-
CQS 5	-	-
CQS 6	-	-
Unrated/N/A	1.879	1.879
Total	**5.131**	**5.131**

Table 9: Exposures by credit quality step per asset class

Asset classes	CQS1 $‘000	CQS2 $‘000	CQS3 $‘000	CQS4 $‘000	CQS5 $‘000	CQS6 $‘000	Unrated / NA $‘000	Total $‘000
Institutions	-	19	3.232	-	-	-	1.602	**4.853**
Corporates	-	-	-	-	-	-	205	**205**
Other Items	-	-	-	-	-	-	73	**73**
Total	**-**	**19**	**3.232**	**-**	**-**	**-**	**1.880**	**5.131**

Table 10: Exposures before and after credit risk mitigation

Asset classes	Exposure values before credit risk mitigation $‘000	Exposure values after credit risk mitigation and volatility adjustment $‘000	Value of Exposures secured by Financial Collaterals $‘000
Institutions	4.853	4.853	**-**
Corporates	205	205	**-**
Other Items	73	73	**-**
Total	**5.131**	**5.131**	**-**

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 2017 the Company did not make any allowances/provisions for debt impairment.

Settlement Risk

As at 31 December 2017 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 $1 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 2017 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 2017, the minimum capital requirements for foreign exchange risk resulted mainly from the Company's exposure to Euro, British Pound, Polish Zloty and Ukrainian Hryvnia and amounted to $958 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 2017 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 market risk for 31 December 2017 is analysed as follows:

Table 12: Market Risk Capital Requirements and Risk Weighted Assets

Asset classes	Risk-weighted amounts $'000	Minimum capital requirement $'000
Market Risk		
of which FX market risk	11.976	958
of which Commodity market risk	-	-
of which Equity market risk	19.122	1.530
of which Interest rate market risk	10.629	850
Total	**41.727**	**3.338**

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 $1.085 thousand for this risk.

Table 13: Capital Requirements and Risk Weighted Assets for Operational Risk

$'000 Description	2015	2016	2017
Fee and commission income	66	91	355
Interest and dividend	2.675	965	1.685
Net profit/(loss) on financial assets at fair value	2.654	4.944	9.489
Foreign exchange transactions loss	(97)	-	144
Net finance expenses/bank expenses	(637)	(316)	(316)
Total	**4.661**	**5.684**	**11.357**
Average of 3 years		**7.234**	
Capital Requirement		**1.085**	
Risk Weighted Assets		**13.564**	

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.

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 31/12/2017 is 75%.

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

Table 14: Summary reconciliation of accounting assets and leverage ratio exposures

N/N	Item description	Applicable Amounts $'000
1	Total assets as per published financial statements	34.831
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	-20.138
8	**Total leverage ratio exposure**	**14.693**

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

Table 15: 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)	34.831
2	(Asset amounts deducted in determining Tier 1 capital)	(97)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**34.734**

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**	**26.156**
21	**Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)**	**34.734**
Leverage ratio		
22	**Leverage ratio**	**75%**

Choice on transitional arrangements and amount of derecognised fiduciary items		
23	Choice on transitional arrangements for the definition of the capital measure	-
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 16: 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:**	**34.734**
EU-2	**Trading book exposures**	**28.883**
EU-3	**Banking book exposures, of which:**	**5.131**
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	-
EU-7	Institutions	4.853
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	-
EU-10	Corporate	205
EU-11	Exposures in default	-
EU-12	Other exposures (e.g. equity, securitisations, and other non-credit obligation assets)	73

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.

Factors that had an impact on the Leverage Ratio during the period

The Leverage ratio of the Company over the financial year 2017 ranged between 75,30% and 502,08%, with an average rate of 332,17%. The reason for this fluctuation is the fluctuation in exposure measure.

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 fairness and competitiveness
- 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 Company's Board of Directors is ultimately responsible for the maintenance and adoption of the remuneration policy as well as for overseeing its implementation.
The Risk Manager in collaboration with the Compliance/AML Officer are responsible to regularly check if the remuneration policy needs to be updated and draft the according changes to the policy. Furthermore they prepare decisions regarding the remuneration of the staff.

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 2017 the company paid only fixed remuneration to its key management and employees.

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 2017, is provided in the table below:

Table 17: Fixed and Variable Remuneration by Senior Management and Other Staff

Position	No. of staff	Fixed $'000	Variable $'000	Total $'000
Senior Management Executive & Non-Executive Directors	4	77	-	**77**
Other Staff	3	116	-	**116**
Total	**7**	**193**	**-**	**193**

The fees of non-executive directors cover the period that they serve as members of the Board.

The following table presents the annual gross remuneration per business line as at 31 December 2017, for those categories of staff whose professional activities have a material impact on the risk profile of the Company:

Table 18: Annual Aggregate Remuneration by Business Area

Business Area	Aggregate Remuneration $'000
Non-Executive Directors	7
Control Functions	70
Other risk-taking functions	116
Total	**193**

Appendices

Appendix I: Transitional Own Funds Disclosure

At 31 December 2017	Transitional Definition $’000	Full - phased in Definition $’000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	20.261	20.261
Retained earnings	5.991	5.991
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	**26.252**	**26.252**
Common Equity Tier 1 (CET1) capital: regulatory adjustments	-	-
Intangible assets (net of related tax liability)	-	-
CIF contribution into ICF	(96)	(96)
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)	**(96)**	**(96)**
Common Equity Tier 1 (CET1) capital	**26.156**	**26.156**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**26.156**	**26.156**
Tier 2 (T2) capital	**-**	**-**
Total capital (TC = T1 + T2)	**26.156**	**26.156**
Total risk weighted assets	**57.007**	**57.007**
Capital ratios and buffers		
Common Equity Tier 1	**45,88%**	**45,88%**
Tier 1	**45,88%**	**45,88%**
Total capital adequacy ratio	**45,88%**	**45,88%**

Appendix II: Balance Sheet Reconciliation

Item description	31 December 2017 $'000
Eligible Own Funds	
Share capital	10
Share premium	20.251
Retained Earnings	4.937
Profit & Loss	8.554
Dividends	(7.500)
Intangible assets/Goodwill	-
CIF contribution into ICF	(96)
Total Equity as per Balance Sheet	**26.156**
Original Own Funds (Tier 1 Capital)	**26.156**