DISCLOSURES IN ACCORDANCE WITH THE DIRECTIVE FOR THE CAPITAL REQUIREMENTS OF INVESTMENT FIRMS FOR THE YEAR ENDED 31 DECEMBER 2016

April 2017

ACCORDING TO ARTICLE 431 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

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1. Introduction

1.1 Corporate information

The Company Ronin Europe Limited (the Company) was incorporated on 21 August 2006 as a private company with limited liability under the Companies Law, Cap.113. The Company's principal activity is the operation as an investment firm and the provision of investment and related services.

On 31 October 2007 the Company received authorisation from the Cyprus Securities and Exchange Commission (hereafter the "CySEC") to operate as a Cypriot Investment Firm under license number 081/07 and registration number HE 182457. This authorisation entitles the Company to operate locally and outside Cyprus.

The Company's license was subsequently amended on 7th November 2011, whereby the Company has also been granted a license for trading on own account.

According to its CIF license, the Company is authorized to provide the following investment and ancillary services:

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Investment advice

Ancillary Services:

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services
- Services Related to Underwriting
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services.

1.2 Pillar III Regulatory Framework

Regulatory framework overview:

The information below is disclosed in accordance with 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 (hereafter the "Regulation") and paragraph 32(1) of DI144-2014-14 of the Cyprus Securities and Exchange Commission (the "CySEC") for the prudential supervision of investment firms (the Directive).

The information that Ronin Europe Ltd ('the Company") discloses herein relates to the year ended 31 December 2016.

The Regulation and Directive are based on three pillars:

1. Pillar I has to do with the standards that set out the minimum regulatory capital requirements required for credit, market and operational risk

2. Pillar II covers the Supervisory Review Process which assesses the Internal Capital Adequacy Processes (ICAAP). This pillar requires investment firms to develop internal methodologies to assess their exposure to, and capital needs for, all material risks not reflected under Pillar I

3. Pillar III covers transparency and relates to the obligation of investment firms to publicly disclose information with respect to their risks, their capital and the risk management structures, policies and procedures they have in place

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

1.3 Disclosure policy: Basis and Frequency of Disclosure / Location and verification

The 2016 Pillar III disclosures report (Report) of the Company sets out both quantitative and qualitative information required in accordance with Part 8 'Disclosures by Institutions' of the CRR. Articles 431 to 455 of the Capital Requirements Regulation (CRR) specify the Pillar III framework requirements. The Report provides information on the capital structure, capital adequacy, risk exposures, and risk weighted assets of the Company. The Report is prepared and published annually in accordance with Articles 13 and 433 of CRR. In determining the frequency of the disclosure, the Company took into consideration that the risk profile of the Company does not fluctuate significantly in a six-month period and that the Pillar III disclosures should be prepared in accordance with financial reports to allow users to assess the risk of the Company.

1.3.1 Location of publication

The Company's Pillar III disclosures are published according to Article 434 CRR the latest within four months from the end of the year on the Ronin Europe Limited corporate website:

http://ron.in/en/europe/what-mifid/

Additional information regarding attributable risks can be found in the Company's audited Annual Report and Financial Statements for the year ended December 31, 2016.

https://ron.in/wp-content/uploads/2016/01/Audited-FS-2016.pdf

1.3.2 Verification

The Company's Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. This includes approval by the Directors, the Risk Manager and the General Manager. The Company's Pillar III disclosures have been reviewed and they have been approved by the Board. In addition, the Remuneration disclosures have been reviewed by the Remuneration Committee. The disclosures are subject to audit by Deloitte Ltd the external auditors of the Company and they are based on the Company's Annual Report and Financial Statements. The Company is required to provide a copy of the auditor's verification report to Cyprus Securities and Exchange Commission within five months of the yearend.

2. Scope of the Application

The disclosures are based on the audited financial statements of Ronin Europe Limited for the year ended 31 December 2016 and are presented on an individual (solo) basis.

3. Risk Management Framework

Risk is an inherent part of the Company's business activities. The Company's overall objective is to manage its business and the associated risks, in a manner that balances serving the interest of its clients and protects the safety and soundness of the Company. Ronin Europe has clear risk management objectives and strategy to deliver them, through core risk management processes.

At a strategic level, the risk management objectives are to:

- Identify the Company's significant risks;
- Formulate the Company's risk appetite and ensure that business profile and plans are consistent with it;
- Optimise risk/return decisions by taking them as closely as possible to the business, while establishing strong management review;
- Ensure that business growth plans are properly supported by effective risk management;
- Manage risk profile to ensure that specific financial deliverables remain possible under a range of adverse business conditions; and
- Help executives improve the control and co-ordination of risk taking across the business.

The Company's approach is to provide direction on: understanding the principal risks to achieving Company strategy; establishing risk appetite; and establishing and communicating the risk management framework. The process is then broken down into five steps: identify, assess, control, report and manage/challenge. Each of these steps is broken down further, to establish end-to-end activities within the risk management process. The Company's risk management strategy is broadly unchanged in 2016.

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risks relating to the Company`s activities. The Company's risk policy is aimed at maintaining, on the whole, a medium-to-low, predictable risk profile. The current risk management framework sets the process applied in the activities of and across the Company, designed to identify potential events that may affect its business, to manage risks to be within its risk appetite, and to provide reasonable assurance regarding the achievement of its mission and its objectives.
Communication of information at all relevant levels of the Company is defined by the organizational structure which clearly specifies reporting lines and allocates functions and responsibilities; the Company maintains internal reporting of various risk types, frequency, and depth of reports.

The Company's risk management framework is monitored by various executive and board committees as described further below (Section 4 Governance). The framework and its constituents are subject to compliance and assurance reviews that endorse its effectiveness or where necessary identify issues to be addressed. The Company's management and BoD are satisfied that these arrangements are appropriate given the risk profile of the Company.

4. Risk Governance – Board and Committees

4.1 Board of Directors

The Board is currently consisting of two independent non-executive directors, and two executive directors.

The Board shall be responsible for ensuring that the Company complies with its obligations under the Law. The Board shall assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the Law, and to take appropriate measures to address any deficiencies. The Board shall ensure that it shall receive on a frequent basis and at least annually written reports regarding Compliance, Internal Audit and Risk Management issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies. The Board shall be responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information. Furthermore, the Board shall pass a resolution for selecting a service provider or individual for outsourcing.

The Board satisfies itself that financial controls and systems of risk management are robust. The Board of Directors in cooperation with the Risk Manager and Risk Management Committee are responsible for organization and monitoring of the internal control mechanism of the Company.

The main objectives of the Board are:

- governing the organization by establishing broad policies and objectives;
- selecting, appointing, supporting and reviewing the performance of the General Manager;
- ensuring the availability of adequate financial resources;
- approving annual budgets;
- accounting to the shareholders for the organization's performance;
- setting the salaries and compensation of Company management;
- review and approve the Financial Statements, the Annual Risk Report, the Annual Internal Audit Report, the Annual Compliance Report, MLCO Annual Report, the Suitability Report, the ICAAP Report, Internal Policies and Procedures, the ISDA- GMRA and all the other agreements signed by the Company, the Financial Statements, the Annual Risk Report, the Remuneration Policy, Internal Audit Report.

4.1.1 Board recruitment policy

Recruitment into the Board combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework. The Company's recruitment policy involves contemporary methodology and the tools required to acquire a competitive pool of candidates that is free from any form of favoritism and adheres to the principles of equity, equal opportunity and industrial legislation. To this end, the Company recruits, hires, trains and promotes individuals without regard to color, race, religious belief, sex, marital status, sexual orientation, national or ethnic origin, disability, veteran status, or age. Recruitment to a vacant position will be a result of a competitive merit-based process in accordance with this policy and relevant guidelines. All employees must sign a contract of employment prior to commencement. The standard terms and conditions of employment contracts can only be approved by the General Manager and shall contain:

- Position title
- Type of position
- Specific job duties
- Skills, credentials, and experience required
- Anticipated salary range

4.1.2 Board Diversity policy

The Company invests in the talents of each individual, and in each employee's creativity and innovation that it may bring different experiences, perspectives and cultures work together in the company. This is what drives invention and high performance and it is the base of knowledge, skills and cross-cultural understanding, which in turn, enables the members of the Company to understand, relate and respond to the diverse and changing clients throughout the world, connecting them to the power of investment

4.1.3 Composition of the Board

The Directors during 2016 were:

Tatiana Elkina
Mrs. Elkina joined the Board of Ronin Europe in 2010. She is currently Executive Director and General Manager of the Company. She works in the financial services sector since 1995.
She holds Bachelor degree with honor in Finance and Certificate of Professional Competence.

Artem Delendik
Mr. Delendik joined the Board of Ronin Europe in 2011. He is currently Executive Director of the Company and also responsible for Investment Advice Department. He works in the financial services sector since 2002.

He holds Master degree in Economics and Certificate of Professional Competence.

Alexander Papadopoullos

Mr. Papadopoullos joined the Board of Ronin Europe in 2009. He is currently Independent Non-Executive Director of the Company.

He holds Master degree in Law and member of Cyprus Bar Council and Chartered Institute of Arbitrators.

Costas G. Tsielepis

Mr. Tsielepis joined the Board of Ronin Europe in 2009. He is currently Independent Non- Executive Director of the Company.

He holds degree in Economics and member of the Institute of Chartered Accountants in England and Wales and member of the Institute of Certified Public Accountants of Cyprus.

4.1.4 Number of directorships held by members of the Board

The table below provides the number of directorships a 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 Ronin Europe Ltd	Directorships - Executive	Directorships – Non Executive
Tatiana Elkina	Executive Director	1	0
Artem Delendik	Executive Director	2	1
Alexander Papadopoullos	Independent Non-Executive Director	1	3
Costas G. Tsielepis	Independent Non-Executive Director	1	1

4.2 Committees

4.2.1 Risk Management Committee

The Company maintains a Risk Management Committee, which is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company, in general.

Towards this direction, the Company had adopted risk management policies, which identify the risks relating to the Company’s activities, processes and systems and sets the level of risk tolerated by the Company. Also, the Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

The main responsibilities of the Risk Management Committee are the following:

(a) scrutinize and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company

(b) review the risk management procedures in place (monitor and control the Risk Manager in the performance of his/her duties)

(c) ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically such policy shall ensure that all parties involved in the provision of investment services are aware of:
- the particular features of each investment service, financial instrument, and risk inherent in the provision of the services in respect thereof
- the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company

(d) consider, to the extent possible, risk factor affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties

(e) with respect to liquidity risk and market risk, review the policies of the Risk Management Department on:
- acceptable maximum risk assumption limits per class of risk
- break down of such risk limits further where necessary, for example, per class of investment service or financial instrument, or Client or market
- implementing stop loss-control limits
- following up open positions within the approved limits

(f) ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets

(g) approve Client and counterparty limits

(h) approve policy description concerning information systems and monitor the information systems in place

(i) appoint the responsible security user/super user for the provision of access rights to the various database and monitor the security measures in place

(j) supervise and approve the Company's Disaster Recovery Plan.

The Risk Management Committee has met 14 times in 2016.

4.2.2 Investment committee

The Investment Committee is formed to ensure the practice of a proper investment policy and the monitoring of the provision of adequate investment services to Clients.

The responsibilities of the Investment Committee are the following:

a) to establish, approve, monitor and adjust the Company Investment Policy
b) to supervise the proper choice of investments (framework)
c) information analysis for a better briefing prior to decision-making
d) to analyze the investment potential and contribute to the elaboration of the investment policy
e) to determine the Company's pricing policy
f) to determine the mode, content and frequency of the Client's briefing
g) to brief the Internal Auditor
h) to establish risk profile categories for each Client (e.g. cautious, balance, growth, aggressive)
i) to analyze the economic conditions and the investment alternatives based on a thorough examination of third party reports
j) to select appropriate benchmarks for different type of portfolios, where applicable
k) to examine the returns and the associated risks of the managed portfolios
l) to decide upon the markets and types of financial instruments in which the Company shall be active
m) to review annually the portfolio management policy established and to use the recommendations of the Head of the Portfolio Management Department. Such a review shall also be carried out whenever a material change occurs
n) to review annually the investment advice policy established and to use the recommendations of the Head of the Investment Advice Department. Such a review shall also be carried out whenever a material change occurs
o) to monitor the collection of the Client information through the filling of the KYC Questionnaire, the Investment Questionnaire, or information obtained through interviews

The Investment Committee has met 23 times in 2016.

4.2.3 Remuneration committee

The main targets of the Remuneration Committee are the development and implementation of remuneration policies and practices that support the delivery of the business strategy and which thereby help create value for the Company and the shareholders. The Committee ensures the sufficient understanding of the Company's remuneration policy and employment conditions by adopting a coherent approach to remuneration in respect of all employees.

The Remuneration Committee has met 2 times in 2016.

5. Information flow on risk to the management body

The information flow on risk to the management body is achieved, inter alia, through the following reports that are prepared once a year:

1. Annual Risk Manager Report prepared by the Risk Manager
2. Annual Compliance Report
3. Money Laundering Compliance Officer Report and
4. Internal Audit Report (outsourced to KPMG)
5. ICAAP Report
6. Suitability Report
7. Statement of financial position and estimated calculation of income tax
8. Board of Directors approves all transactions in the banking book portfolio following recommendations of Risk Management Committee
9. Board of Directors approves entering into Master, GMRA and ISDA Agreements following recommendations of Risk Man. Committee

Additionally the Board of Directors receives all the minutes of the Risk Management, Investment, Remuneration and Nomination Committees.

6. Internal Control Functions

6.1 Risk Management Function

The Risk Manager is responsible to operate the Risk Management Function. One of the fundamental tasks of the Risk Manager is to classify the risk by size. In this way more attention is given to checking the investments and services which are considered of higher risk. Where the risk can be quantified in numbers the classification is easier and is based on amounts which bear risks in accordance with the size the policy of the Company and the available capital. For other risks the Risk Manager together with the Management and Board of Directors set out criteria for the classification of risks.

The main responsibilities of Risk Manager are the following:

- Conform to the company's operations manual, the legal and regulatory framework and CySEC requests and communication
- Regularly give the Board of Directors a report on the investigations with the details of any of violation, consequences of the violation for the Company and persons involved in it. At the same time work out recommendations for prevention of such situations
- Analyze the market and its trends (from a risk management perspective), as applicable
- Evaluate how the introduction of any potential new services or activities by the Company could affect the risk management of the Company, and provide such requests to the Senior Management or the Board, as requested
- Examine the capital adequacy and the exposures of the Company
- Provide draft written reports to the Senior Management making recommendations and indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies, at least annually. These reports shall be presented to the Board and discussed during its meetings, at least annually
- Set up, update and monitor Client and counterparty limits
- Maintain a record of all the Clients and counterparties risk and limits involved
- Recommend, provide and supervise policy description concerning information systems (including backup systems that can restore smooth operation in case of failure)

Written evidence and reports on the check of the above should are produced and distributed to the Board of Directors and the Internal Auditor. Report is also submitted to the CySEC not later than 2 months after the year end.

6.2 Internal Audit Function

The Internal Audit function is outsourced to KPMG. The Internal Audit Function operates independently from other parts of the Company and reports directly to the Board of Directors, providing testing and evaluation of processes and controls across all business lines. The Internal

Audit team assesses the effectiveness of governance, risk management and internal controls; evaluates compliance with laws and regulations; and identifies opportunities for improvement. In this way, the Internal Audit Function assists management in the effective discharge of its responsibilities and the better management and control of the Company.

It is an independent unit reporting directly to the Board of Directors through a written Internal Audit Report prepared on an annual basis. Report is also submitted to the CySEC not later than 4 months after the year end.

6.3 Compliance function and Money Laundering officer

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

- To ensure that the Company is in compliance with the legislation in force
- To assess the risks arising from customers, products and transactions, countries of origin or operations
- To perform due diligence and obtain appropriate identification documents of all prospective Company's Clients and conducting of ongoing monitoring.
- To control the Client's files on the following criteria: country of residence, nationality, blacklists, restrictions and enforcements, sanctions imposed, PEPs.
- To perform due diligence and obtain appropriate incorporation and internal documents of all prospective Company's Counterparties and conducting of ongoing monitoring.
- To control the Counterparties' files on the following criteria: country of incorporation, FATF lists, equivalence of AML procedures and controls adopted by the Counterparty, blacklists, restrictions and enforcements, sanctions imposed.
- To review any internal suspicion reports, and act as a first point of contact with MOKAS
- To ensure that the Company maintains the appropriate Client records and updates information on an on-going basis.
- To monitor all cash transactions, and all inward/outward transfers of funds initiated by clients paying special attention to the beneficiary bank and beneficiary account, frequency of transactions and reasons for such transfers.

6.4 Board Declaration – Adequacy of the Risk Management Arrangements

The Board is responsible for reviewing the effectiveness of the Company's risk management arrangements and systems of financial and internal control. These are in structure to achieve the business objectives, targets and to serve the tasks of the Company in the reasonable assurance against fraud, material misstatement and loss.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile, market positioning and strategy and the desirable tools of assurance mechanisms, properly resourced and skilled, to avoid or diminish loss.

6.5 Risk Statement

The Company's Risk Statement is provided in Annex I. This is approved by the Board and describes the Risk Appetite and its link to the overall strategy.

7. Principal Risks

7.1 Identification and measurement of key risks

Ronin Europe completes the Internal Capital Adequacy Assessment Process (ICAAP) periodically, which forms part of management and decision-making processes such as the Company's risk appetite, strategy, capital and risk management frameworks, and stress testing. The ICAAP is used to assess the key risks to which the Company is exposed; how these risks are measured, managed, monitored and mitigated; and how much capital the firm should hold to reflect these risks now, in the future and under stressed conditions.

The principal risks that the company is exposed to are as follows:

- Credit risk
- Liquidity risk
- Currency risk
- Debt securities price risk
- Capital risk management
- Operational risk
- Reputation risk
- Strategic risk
- Business risk
- Regulatory risk
- Legal and compliance risk
- IT risk

Further information on each principal risk is provided in the sections below.

7.2 Credit Risk

Credit risk arises when a failure by counterparties to discharge their obligations could reduce the amount of future cash inflows from financial assets on hand at the statement of financial position date. The Company has no significant concentration of credit risk.

The Company's credit risk management consists of the following activities:

- Establishing a comprehensive credit risk policy framework
- Monitoring and managing credit exposure across all asset classes
- Intensive management of criticized exposures
- Determining the allowance for credit losses and ensuring appropriate credit risk-based capital management

Moreover, the Company has policies in place to ensure that sales of services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions and the Company has policies to limit the amount of credit exposure to any financial institution.
Wholesale credit risk is monitored regularly at an aggregated portfolio, industry and individual client and counterparty level with established concentration limits that are reviewed and revised as deemed appropriate by management, usually on an annual basis.

7.3 Liquidity risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability, but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and other highly liquid current assets.

7.4 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency. The Company is exposed to currency risk arising from various currency exposures primarily with respect to the Euro, GBP and the Russian Ruble. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

7.5 Debt Securities Price Risk

Debt securities price risk is the risk of loss as a result of adverse changes in the prices of debt securities held by the Company. Debt security prices change as the credit risk of the issuers change. The Company invests a significant part of its liquid assets in debt securities both sovereign and corporate/institutional bonds. The Fitch's ratings of the debt securities held as at 31 December 2016 was as follows:

Securities Description	Type	Asset Class	Fitch Rating
BANBRA 3.875% 10/10/22	Bond	INSTITUTION	BB
BINBUR 4.125% 06/06/24	Bond	INSTITUTION	BBB+
CHMFRU 6.7% 25/10/17	Bond	CORPORATE	BBB-

NVTKRM 4.422% 13/12/22 Corp	Bond	CORPORATE	BBB-
PETBRA 5.357% 27/01/21	Bond	CORPORATE	BB
SBERRU 5.18% 28/06/2019	Bond	CORPORATE	BBB-
VALEBZ 4.375% 11/01/22	Bond	CORPORATE	BBB
VEBBNK 6.902% 09/07/20	Bond	CORPORATE	BBB-
VTB 6.551% 13/10/20	Bond	CORPORATE	BBB-
VTB 6.95% 17/10/22 Corp	Bond	CORPORATE	BBB-
SOAF 4.665% 17/01/24	Bond	CENTRAL GOV/CENTRAL BANK	BBB-
BERMUD 4.854% 06/02/24	Bond	CENTRAL GOV/CENTRAL BANK	WD
BRAZIL 4.875% 01/22/21 Corp	Bond	CENTRAL GOV/CENTRAL BANK	BB
CHILE 3.875% 05/08/20	Bond	CENTRAL GOV/CENTRAL BANK	A+
EIBKOR 4% 14/01/24	Bond	INSTITUTION	AA-
ISRAEL 3.15% 30/06/23	Bond	CENTRAL GOV/CENTRAL BANK	A+
KAZAKS 3.875% 14/10/24	Bond	CENTRAL GOV/CENTRAL BANK	BBB
KOREA 5.625% 11/03/25 Corp	Bond	CENTRAL GOV/CENTRAL BANK	AA-
MEX 4% 02/10/23	Bond	CENTRAL GOV/CENTRAL BANK	BBB+
RUSSIA 11 07/24/18	Bond	CENTRAL GOV/CENTRAL BANK	BBB
T 1.5% 08/15/26 Govt	Bond	CENTRAL GOV/CENTRAL BANK	AAA
T 2% 11/15/26 Govt	Bond	CENTRAL GOV/CENTRAL BANK	AAA
TURKEY 4.875% 10/09/26 Corp	Bond	CENTRAL GOV/CENTRAL BANK	BBB-
TURKEY 5.125% 25/03/22	Bond	CENTRAL GOV/CENTRAL BANK	BB+
TURKEY 6.25% 26/09/22	Bond	CENTRAL GOV/CENTRAL BANK	BB+

Changes in the prices of debt securities classified as available-for-sale investments affect the equity of the Company (if not impaired).

7.6 Capital Risk

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company. Such procedures are explained in detail in the Policy and Internal Operations manual of the Company.

The Company is further required to report on its capital adequacy each quarter and has to maintain at all times a minimum capital adequacy ratio which is set at 8% (for Pillar I risk), plus a capital conservation buffer which has to be met entirely out of Common Equity Tier 1 capital and for the period 1/1/2016 to 31/12/2016 amounted to 0,625% based on the transitional implementation provisions. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation on a monthly basis of accounts to monitor the financial and capital position of the Company.

7.7 Operational Risk

Operational risk is the risk of loss aristing from inadequate or failed processes or systems, human factors or due to external events that are neither market nor credit-related. Operational risk is inherent in the Company's activities and can reveal itself in fraud, unauthorized activities, business interruptions, inappropriate behavior of employees, failure to comply with applicable laws and regulations or failure of clients and counterparties to perform in accordance with their arrangements. These events could result in financial losses, litigation and regulatory fines, as well as other damage to the Company. The main target is to keep Operational risk at appropriate levels, in light of the Company's financial stability, the characteristics of its businesses, the markets in which it operates, and the competitive and regulatory environment to which it is subject.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a program of audits undertaken by the Internal Auditors and External Auditors of the Company and by continuous monitoring of Operational risk incidents to ensure that past failures are not repeated. In addition the Company manages this risk via onsite inspections by the Compliance Officer, maintaining a Disaster Recovery and Business Continuity plan and information security policy.

7.8 Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large clients, poor customer service, fraud or theft, customer claims and legal action, regulatory fines.

The Company has policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The

Company's Directors are made up of high caliber professionals who are recognized in the industry for their integrity and ethos; this adds value to the Company.

7.9 Strategic Risk

Strategic Risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company's exposure to Strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

7.10 Business Risk

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to Business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

7.11 Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws, Directives and Circulars issued by CySEC, EU Regulations, ESMA Recommendations and Guidelines; these can be found in the Internal Operations Manual and relevant policies. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore the risk of non-compliance is very low.

7.12 Legal and Compliance risk

Legal and Compliance risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Internal Auditors and Compliance Officer. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

7.13 IT Risk

IT risk could occur as a result of inadequate information technology and processing, or arise from an inadequate IT strategy and policy or inadequate use of the Company's information technology. The Company's Business Continuity Plan addresses the consequences of IT risk. Specifically, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

8. Capital Base & Leverage Ratio

The Capital Base of the Company as at 31 December 2016 consisted solely of Common Equity Tier 1 (CET1) capital i.e. wholly paid up share capital, share premium, retained profits net of dividends and investment revaluation reserve representing fair value loss of available for sale financial assets.

CySEC requires each investment firm to maintain a minimum Pillar I ratio of capital to risk weighted assets of 8%, plus the capital conservation buffer which as at 31 December was 0,625%, and any time may impose additional capital requirements for risk not covered by Pillar I. As at 31 December 2016 the capital adequacy ratio of the Company was 85,6%.

The following table shows a breakdown of the Own funds of the company as at 31 December 2016:

Table 8.1: Eligible Own Funds

Capital Position	As at 31/12/2016 (USD '000)
Tier 1 Capital	
Paid up Share Capital	2.000
Share Premium	874
Retained earnings	32.004
Investment revaluation reserve	280
Deductions (ICF)	(115)
Total Tier 1 Capital	***35.043***
Total Common Equity Tier 1 Capital	**35.043**

Share capital

Authorised capital
The authorised share capital of the Company remained unchanged during the year 2016, at 2.000.000 ordinary shares of nominal value of USD1.00 each.

Issued capital
Similarly, the Company issued and allotted to the shareholders 2.000.000 ordinary shares of nominal value USD1,00 each.

Further breakdown of the own funds is provided in Annex II and III

Leverage Ratio

The leverage ratio requirement was introduced into the Basel III framework as a non-risk-based limit, to supplement risk-based capital requirements introducing additional safeguards against model risk and measurement errors. From 1 January 2016 the leverage ratio calculated in accordance with Article 429 of the CRR has to be disclosed. The leverage ratio is calculated by the Company as at 31 December 2016, level of application – solo.

Table 8.2: Leverage Ratio

	Measure used	**As at 31/12/2016 (USD '000)**
Numerator	Tier 1 Capital	35.043
Denominator	Total Exposure	35.288
Leverage ratio		***99,3%***

Table 8.3: Summary comparison of accounting assets vs leverage ratio exposure measure

As at 31/12/2016	**Applicable Amounts (USD '000)**
Total assets as per published financial statements	35.403
Adjustment for investments in banking, financial, insurance or commercial entities that are consolidated for accounting purposes but outside the scope of regulatory consolidation	-
Adjustment for fiduciary assets recognised on the balance sheet pursuant to the operative accounting framework but excluded from the leverage ratio exposure measure	-
Adjustments for derivative financial instruments	-
Adjustment for securities financing transactions (i.e. repos and similar secured lending)	-
Adjustment for off-balance sheet items (i.e. conversion to credit equivalent amounts of off-balance sheet exposures)	-
Other adjustments	(115)
Total leverage ratio exposure	***35.288***

Table 8.4: Leverage Ratio exposure measure

As at 31/12/2016		CRR leverage ratio exposures (USD '000)
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	35.403
2	Asset amounts deducted in determining Tier 1 capital	(115)
3	**Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)**	**35.288**
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (i.e. net of eligible cash variation margin)	-
5	Add-on amounts for PFE associated with all derivatives transactions (mark-to-market method)	-
11	**Total derivative exposures (sum of lines 4 to 10)**	**35.288**
Securities financing transaction exposures		
16	**Total securities financing transaction exposures (sum of lines 12 to 15a)**	**-**
Other off-balance sheet exposures		
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	35.043
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	35.288
Leverage ratio		
22	**Leverage ratio**	**99,30%**

The leverage ratio is a volume-based measure calculated as tier 1 capital divided by total on- and off-balance sheet exposures, derivative exposures and securities financing transactions ('SFT') exposures. Reference level of the ratio is min 3%. It is not a binding requirement to comply with and it is expected to be reviewed in 2017, to decide whether a different ratio is to be used for each business model or point in the economic cycle. From the year 2018 it will become a binding requirement.

9. Capital Requirements

Minimum regulatory capital requirements

The Company assess its needs under Pillar I for credit, market and operational risk. The total capital requirements per category of risk of the Company as at 31 December 2016 amounted to USD 3,3m and are analyzed in Table 9.1 below:

Table 9.1: Capital Requirements per Category of Risk (USD000)

Risk Category	Minimum Capital Requirements
Credit Risk	2.055
Market Risk	61
Operational Risk	1.150
Total Capital Requirements	**3.266**

As shown in Table 9.1 above, the total capital requirements of Ronin Europe Limited as at 31 December 2016 amounted to USD 3,3m producing the following capital ratios:

Table 9.2: Capital Ratios

CET1 ratio	85,84%
T1 capital ratio	85,84%
Total Capital ratio	85,84%

The CET1 ratio is the CET1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks. The Tier 1 ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering Pillar I risks and the total capital ratio is the own funds of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks. The Company aims to always maintain a high capital adequacy ratio, well above the required minimum of CET1 of 8% plus the applicable capital buffer(s).

Ronin Europe Limited was granted an exemption from the requirement to maintain an institutional countercyclical capital buffer of Common Equity Tier I Capital.

9.1 Credit Risk

The Company has adopted the Standardized Approach for the assessment of capital requirements for credit risk
The following table presents the allocation of credit risk exposures by asset class, as at 31/12/2016:

Table 9.3: Credit Risk Exposure by Asset Class				
Exposure class	**Average Exposure during 2016 (USD '000)**	**Exposure after CRM (USD '000)**	**Risk weighted assets (USD '000)**	**Capital Requirements (USD '000)**
Central Government and Central Bank	8.415	15.250	7.420	594
Public sector entities	35	25	25	2
Institutions	5.195	3.844	2.406	192
Corporates	13.712	16.124	15.790	1.263
Other Items	152	45	45	4
Total	**27.506**	**35.288**	**25.686**	**2.055**

Table 9.4 below presents the Company's exposures by residual maturity. We note that the Company does not keep any collaterals in relation to its credit risk exposures

Table 9.4: Credit Risk Exposure by Residual Maturity (USD'000)			
Exposures at 31 December 2016	**Maturity ≤ 3 months**	**Maturity > 3 months**	**Total**
Exposure Class			
Central Government and Central Bank	208	15.042	**15.250**
Public sector entities	-	25	**25**
Institutions	856	2.988	**3.844**
Corporates	3.491	12.633	**16.124**
Other Items	-	45	**45**
Total	**4.555**	**30.733**	**35.288**

The following table presents the geographic distribution of the Credit risk exposures of the Company, as at year end:

Table 9.5: Credit Risk Exposure by Country					
Asset class	As at 31/12/2016 (USD '000)				
	Cyprus	Other EU Countries	Russia	Other Countries	Total
Central Government and Central Bank	-	-	2.370	12.880	**12.250**
Public sector entities	25	-	-	-	**25**
Institutions	42	-	-	3.802	**3.844**
Corporate	694	1.001	10.776	3.653	**16.124**
Other Items	45	-	-	-	**45**
Total	**806**	**1.001**	**13.146**	**20.335**	**35.288**

Table 9.6 below analyses the Company's Credit risk exposures by industry sector. Total exposure before and after provisions are equal.

Table 9.6: Credit Risk Exposure by Industry			
Asset class	As at 31/12/2016 (USD '000)		
	Financial & Insurance	Other	Total
Central Government and Central Bank	-	15.250	**15.250**
Public sector entities	-	25	**25**
Institutions	3.844	-	**3.844**
Corporate	2.582	13.542	**16.124**
Other Items	-	45	**45**
Total	**6.426**	**28.862**	**35.288**

Use of External Credit Assessments Institutions' (ECAI) Credit Assessments for the determination of Risk Weights

The Company uses external credit ratings from Fitch. These ratings are used for all relevant exposure classes.

The Company has used the Credit Quality Step mapping table below to map the credit assessment to credit quality steps.

Table 9.7: Credit QualityStep Mapping table	
Credit Quality Step	**Fitch**
1	AAA to AA-
2	A+ to A-
3	BBB+ to BBB-
4	BB+ to BB-
5	B+ to B-
6	CCC+ and below

Furthermore, the Company has used the mapping table below to map Credit Quality Steps to risk weights:

Table 9.8: Association of Credit Quality Steps with Risk Weights				
Credit Quality Step	**Institutions Risk Weight**		**Sovereigns Risk Weight**	**Corporate Risk Weigh**
	Residual Maturity up to 3 months	**Residual Maturity more than 3 months**		
1	20%	20%	0%	20%
2	20%	50%	20%	50%
3	20%	50%	50%	100%
4	50%	100%	100%	100%
5	50%	100%	100%	150%
6	150%	150%	150%	150%

Exposures to rated institutions are risk weighted based on the credit assessment of the institution itself and the residual maturity of the exposure as per Article 120 of CRR. Exposures to unrated institutions are assigned a risk weight according to the credit quality step to which exposures to the central government of the jurisdiction in which the institution is incorporated are assigned, as specified in Article 121 of CRR. Notwithstanding the general treatment mentioned above, short term exposures to institutions could receive a favorable risk weights of 20% if specific conditions are met.

Exposures to Central Governments and Central Banks were risk weighted by 0%, 20%, 50% for the ones with credit assessment up to credit quality step 3 and 100% for the ones that were unrated.

The Other Items category includes mainly plant and equipment, utility deposits and cash in hand. A risk weight of 100% was applied to Other Items, with the exception of cash at hand, for which a 0% risk weight factor was assigned.

The Public sector entity includes VAT and tax receivables. The Company's exposure to Investors' Compensation Fund as per CySEC circular C162 is no longer included in the PSE.

Table 9.9 below analyses the Company's credit risk exposures by the risk weight assigned.

Table 9.9: Credit Risk Exposure by Risk weight						
Asset class	**As at 31/12/2016 (USD '000)**					
	0%	**20%**	**50%**	**100%**	**150%**	**Total**
Central Government and Central Bank	3.107	1.589	6.904	3.650	**-**	**15.250**
Public sector entities	-	-	-	25	**-**	**25**
Institutions	(495)	2.416	-	1.923	**-**	**3.844**
Corporate	-	418	-	15.706	**-**	**16.124**
Other Items	-	-	-	45	**-**	**45**
Total	**2.612**	**4.423**	**6.904**	**21.349**	**-**	**35.288**

Table 9.10 below analyses the Company's credit risk exposures by CQS.

Credit Quality Step	**Exposure values USD'000**
CQS 1	4.986
CQS 2	1.590
CQS 3	18.445
CQS 4	7.269
CQS 5	-
CQS 6	-
Not rated	2.998
Total	**35.288**

Impairment of assets

Assets that have an indefinite useful life are not subject to amortization and are tested annually for impairment. Assets that are subject to depreciation or amortization are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units).

Past Due

The definition of ‘past due’ exposures is in accordance with Article 178 (1) (b) of the Regulation. As at the reporting date, the Company did not have any past due exposures.

9.2 Operational Risk

Operational risk is the risk that derives from the deficiencies relating to the Company’s information technology and control systems as well as the risk of human error and natural disasters. The Company’s systems are evaluated, maintained and upgraded continuously.

The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. This is supported by a program of audits undertaken by the Internal Auditors of the company and by continuous monitoring of operational risk incidents to ensure that past failures are not repeated.

The Company calculates its operational risk using the Basic Indicator approach and takes the average over three years of the sum of its net income.

The table below shows the Company’s exposure to Operational Risk:

	2014 (USD ‘000)	2015 (USD ‘000)	2016 (USD ‘000)	Average (USD ‘000)
Total Net Income from Activities	8.185	6.628	8.189	**7.667**

Under the Basic Indicator Approach, the capital requirement for operational risk is equal to 15% of the average over the three years’ net income amounts shown above, resulting to an Operational risk capital requirement of USD 1,15m.

9.3 Market Risk

Even though the company is licensed for dealing on own account as at the reference date the company does not have any open trading liabilities. The Company calculates its capital requirement with respect to foreign exchange risk using the Standardised Approach.

As at 31 December 2016, the market risk minimum capital requirements due to foreign exchange risk amounted to USD 61 as shown in the table below:

Currency	2016 (USD '000)		
	Original Exposure Amount		Open Position
	Assets	Liabilities	
USD	34.290	8	34.282 (L)
EUR	672	231	441 (L)
RUR	145	7	138 (L)
GBP	181	0	181 (L)
TOTAL	**35.288**	**246**	**760**

Overall Net FX position	760
Capital Base	35.043
2% Capital Base	701
Capital Requirement	61

10. Remuneration

The Remuneration Committee proposes to the Board the remuneration of the executives whose activities are capable of having significant impact on material risk-taking by the Company. The identified group consists of:

- Executive directors;
- Non-executive directors;
- General Manager;
- Heads of Departments;
- AML Compliance Officer;
- Compliance Officer;
- Risk Manager;
- any other employee receiving total remuneration within the same remuneration bracket as senior management and risk takers.

Each year, the Remuneration Committee reviews and, where appropriate, revises the scope of this group in order to identify the persons in the Company who meet the aforementioned parameters.

Remuneration practices

The Remuneration Committee, in setting remuneration policy, recognises the need to be competitive in an international market. The Committee's policy is to set remuneration levels which ensure that the employees are fairly and responsibly rewarded in return for high levels of performance.

Remuneration policy is designed to support key business strategies and create a strong, performance orientated environment. At the same time, the policy must attract, motivate and retain talent. Also the remuneration policy is consistent with and promotes sound and effective risk management and does not encourage risk-taking that exceeds the level of tolerated risk of the Company;

Non-executive Directors

Fees are intended to be competitive with fees paid by the financial sector companies of comparable size. The Non-executive Directors are not eligible for bonuses, long-term incentives or performance-related remuneration. Fees are reviewed annually by the Board. No changes of remuneration policy for the Non-executive directors are expected for the current or subsequent years.

Executive Directors, General Manager, Heads of Departments

It is the policy of the Company to pay base salaries to the executive directors and key personnel at broadly market rates compared with those of executives of companies of a similar size and complexity, whilst also taking into account the executives' personal performance and the performance of the Group.

The annual cash bonus opportunity of Executive Directors is maintained at 30% of salary. Executive Directors are not eligible for share-based or similar incentives.

In the year 2016 fixed salaries of executive directors remained unchanged compared to previous years.

AML Compliance Officer, Compliance Officer, Risk Manager

The remuneration of this category is directly overseen by the Remuneration Committee and cash bonuses for these jobholders are subject for decision made by the Remuneration Committee and are not impacted by the Company's performance, and are driven entirely by personal performance at the same time these officers are not eligible for share-based or similar incentives.

Pay and Performance Link

The remuneration package consist of fixed salary and variable (cash bonus) part and as a whole recognises individual and Company's performance. Fixed remuneration represent a significant proportion of total compensation in order to prevent unnecessary risk-taking. The variable component is part of a performance based remuneration and is linked to specific performance targets of the Company. It is implemented according to the contract signed with the company and the terms and conditions of each employment position. The variable component is not guaranteed and is sufficiently flexible so that in certain circumstances it may even be eliminated in full.
The Performance-related incentives are targeted for the achievement of business objectives. The Company is not committed to performance-related pay at all levels within the organization and the Board takes into consideration the remuneration arrangements throughout the whole Company when determining any bonus. The Company provided at its discretion bonus twice a year. The bonus is based on the salary of the employees and the Company does not use any formulas, variation or competitive packages for the employees. The performance measures used in Company's incentive plans are all financial, with growth in profit being the key measure used.
During the Year 2016, Company's performance was recognised through the Company's annual cash bonus arrangements. Personal performance was specifically reflected in salary levels and in the size of individual awards made under the Company's annual bonus arrangements.

Performance Appraisal

The Management conducts annual performance appraisals for all Employees to monitor and review the appropriateness of each remuneration package. The Company appreciates that appraisals help develop individuals, improve organizational performance, and feed into business planning. Formal performance appraisals are generally conducted annually if it is needed for all staff in the organization by the General Manager. The Directors are appraised by one (1) member of the Group, who is appointed by the main shareholder of the Company. The performance appraisals enable management and monitoring of standards, agreeing expectations and objectives, and delegation of responsibilities and tasks. Staff performance appraisals also establish individual training needs and enable organizational training needs analysis and planning. Performance appraisals generally review each individual's performance against objectives and standards for the current year. Performance appraisals also typically feed into organizational annual pay as part of the salary of the employees, and any bonus as already mentioned is consisted based on the salary of the employees without using any extra packages and formulas for bonus Table 10.1 below presents the gross remuneration for 2016 of Senior Management, Executive Directors and other staff whose actions have material impact on the risk profile of the company.

Table 10.1: Aggregate Remuneration by Senior Management & Executive Directors and Other Staff

31 December 2016 (USD'000)

Role	No. of employees	Fixed (Cash)	Variable (Cash)	Aggregate Remuneration
Directors and Senior Management	8	452	48	**500**
Members of staff whose actions have a material impact on the risk profile of the institution	2	234	5	**239**
Total	**10**	**686**	**53**	**739**

Table 10.2 below presents the variable remuneration for 2016 of Senior Management, Executive Directors and other staff whose actions have material impact on the risk profile of the company.

Table 10.2: Variable Remuneration by Senior Management & Executive Directors and Other Staff

31 December 2016 (USD'000)

Role	Cash	Shares	Share-linked and other types	Total Variable Remuneration
Directors and Senior Management	48	-	-	**48**
Members of staff whose actions have a material impact on the risk profile of the institution	5	-	-	**5**
Total	**53**	**0**	**0**	**53**

Table 10.3 below presents the aggregate remuneration by Senior Management & Executive Directors and Other Staff broken into business areas:

Table 10.3: Aggregate Remuneration by Senior Management & Executive Directors and Other Staff into business areas	**Aggregate quantitative information on remuneration**
Business Area	**31 December 2016 ($'000)**
Management, including members of staff who has a material impact on the risk profile of the institution	404
Accounting and control functions	66
Brokerage function	74
Loans and Underwriting function	41
Back-office and Settlement function	154
Total	**739**

Total wages and salaries paid by the company during 2016 can be found in page 35 of the Audited Financial Statements of the Company.

The Company does not operate a pension scheme/provident fund for its employees.

There was no deferred remuneration as at 31 December 2016. During the year, the company didn't make any sign-on or severance payments.

11. Disclosures not applicable for the year 2016

The following Articles of CRR are not applicable as at December 31, 2016:

- Capital requirements – Own funds requirements for settlement risk (Art. 438e)
- Capital Countercyclical buffer (Art. 440)
- Indicators of global systemic importance (Art. 441)
- Credit risk adjustments (Art. 442)
- Unencumbered assets (Art. 443)
- Use of the IRB Approach to credit risk (Art. 452)
- Use of credit risk mitigation techniques (Art. 453)
- Use of the Advanced Measurement Approaches to operational risk (Art. 454)
- Use of Internal Market Risk Models (Art. 455)

12. Annexes

12.1 Annex I - Board Approved Risk Statement

The Company is expressing its attitude to risk through a risk appetite statement which forms the basis of a framework for risk decision-making and for the allocation of risk management resources, tolerances and capital where applicable.

Risk Appetite is the amount and type of risk that the Company is prepared to accept, tolerate or be exposed to at any point in time in the context of its business model and in the course of achieving its business objectives. Risk Appetite is integrated into the business via the Company's business planning, capital planning and the Risk Management Framework ("RMF"). These enable the Company's Board to set the overarching parameters within which it wishes the business to operate and to monitor performance thereon.

Risk appetite is expressed in both quantitative and qualitative terms and cover a number of risks (e.g. counterparty credit risk, concentration credit risk, market risk). The Company accepted the following parameters of risk profile for the year 2016:

- Primary line of business:

- Brokerage – major source of revenue – up to 55%
- Portfolio management - up to 30%
- Financial income – up to 12%

- Additional lines of business: Custody, Investment advice etc. (together up to 3% of total revenue)

- Concentration credit risk tolerance:

- Risk exposure per single jurisdiction should not exceed 50% of the portfolio;
- Risk exposure per single asset class should not exceed 60% of the portfolio;
- Risk exposure per single issuer or group of related issuers should not exceed 25% of the capital base of the Company.

- Counterparty credit risk tolerance: Risk exposure per single counterparty or group of connected persons should not exceed 25% of the capital base of the Company and at the same time the cap is set at 100% of own funds for institutions and 25% for other exposure classes. However, the excess needs specific approval by the Board of the Company.

- Market risk tolerance: A portfolio of prop positions does not intent to gain from a short-term price movements while holding the financial assets; the size of portfolio is limited by the current capital of the Company via capital requirements calculated under Pillar I calculations and ICAAP. Currently the risk appetite is aimed at fixed income financial instruments rated by IRA at the level above BB; the Company does not intend to seek profit in equities and equity-based instruments or derivative instruments.

- Operation risk tolerance: the minimum acceptable performance of internal systems is set at 99%.

- Liquidity risk tolerance: minimum 10% of assets are most liquid securities and cash on any business day.

- FX risk tolerance: the company does not seek the gain from FX trading activities, the only FX exposure can be accepted via purchasing of securities nominated in currencies other than reporting currency of the Company, however such exposure needs special approval by the Management and total limit is set within 10% of the capital base of the Company.

- Compliance risk tolerance: zero tolerance is set for breaching of compliance with regulation rules, including full disclosure by clients.

- Reputation and brand – zero tolerance, the Company, management and personnel will manage/avoid situation/actions that could have a negative impact on Company's reputation and brand.

12.2 Annex II – Balance sheet reconciliation

As at 31 December 2016	USD'000
Eligible Own Funds	
Share capital	2.000
Share premium	874
Retained Earnings	25.146
Audited profit/(loss) for the period	6.858
Accumulated other comprehensive income	280
Total equity and reserves as per Audited Financial Statements	**35.158**
Deductions (ICF Contribution)	(115)
Original Own Funds (Tier 1 Capital)	***35.043***
Capital Requirements	
Credit risk	2.055
Market Risk	61
Operational Risk	1.150
Total Capital Requirements	***3.266***
Capital Adequacy Ratio	***85,84%***
Leverage ratio	***99,30%***

12.3 Annex III – Own funds disclosure template

At 31 December 2016	Transitional Definition USD'000	Full - phased in Definition USD'000
Common Equity Tier 1 capital: instruments and reserves		
Capital instruments and the related share premium accounts	2.874	2.874
Retained earnings	32.004	32.004
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	280	280
Common Equity Tier 1 (CET1) capital before regulatory adjustments	***35.158***	***35.158***
Common Equity Tier 1 (CET1) capital: regulatory adjustments	0	0
Additional value adjustments		0
Intangible assets (net of related tax liability)	0	0
Deferred tax assets that rely on future profitability excluding those arising from temporary differences (net of related tax liability)	0	0
Contribution to ICF	(115)	(115)
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**(115)**	**(115)**
Common Equity Tier 1 (CET1) capital	***35.043***	***35.043***
Additional Tier 1 (AT1) capital	**0**	**0**
Tier 1 capital (T1 = CET1 + AT1)	***35.043***	***35.043***
Tier 2 (T2) capital	**0**	**0**
Total capital (TC = T1 + T2)	***35.043***	***35.043***
Total risk weighted assets	**40.823**	**40.823**
Capital ratios and buffers		
Common Equity Tier 1	*85,84%*	*85,84%*
Tier 1	*85,84%*	*85,84%*
Total capital	*85,84%*	*85,84%*