GPB FINANCIAL SERVICES LTD

Disclosures 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

YEAR ENDED 31 DECEMBER 2014

May 2015

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1 Introduction

According to the requirements stated in paragraph 1 of Article 431 of the European Regulation 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 (collectively the “Regulation” or “CRR”), GPB Financial Services Ltd (the “Company”) has an obligation to disclose information relating to risks and risk management policies and procedures on an annual basis. These disclosures must be included either in the financial statements of the Company, if these are published, or on its website. In addition, these disclosures must be verified by the external auditor of the Company. The Company will be responsible for submitting its external auditor’s verification report to CySEC the latest within five months from the end of each financial year.

The disclosures are based on the audited financial statements of GPB Financial Services Ltd for the year ended 31 December 2014.

2 Background

GPB Financial Services Ltd is a wholly owned subsidiary of Gazprombank (OJSC). The Company was incorporated in Cyprus on February 24, 2009 as a limited liability company. Its main activity consists of the provision of Investment and Ancillary Services and Investment activities for the Financial Instruments under license number 113/10, dated January 27, 2010 and granted by the CySEC.

The Company’s principal activity is the provision of the following investment services:

1. Reception and Transmission of orders related to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
4. Investment advice
5. Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
6. Placing of financial instruments without a firm commitment basis

The Company also provides the following ancillary services:

1. Safekeeping and administration of financial instruments, including custodianship and related services
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction

3. Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
4. Foreign exchange services where these are connected to the provision of investment services
5. Investment research and financial analysis or other forms
6. Services related to underwriting

3 Method and Place of Disclosure of Information

The Company is making the disclosures on an individual (solo) basis. The Company has included its risk management disclosures as required by the Regulation on its website as it does not publish its financial statements. The Company has commissioned its independent auditors KPMG Limited to verify its Disclosures. The Company is required according to the Directive DI 144-2014-14 of CySEC (the “Directive”) to provide a copy of the auditor’s verification report to CySEC, five months after the end of each financial year, at the latest.

4 GPB Financial Services Risk Management Framework and Structure

The Risk Management Function forms an integral part in the Company’s day to day operations. As such, the Company has the necessary risk management systems to identify exposures to risk, establish appropriate ranges for exposures, measure these exposures and execute appropriate adjustments whenever exposure levels fall outside of target ranges. This is a continuous process and is subject to evaluation and revision to reflect new policies and information. The systems have the necessary controls in place to generate prudent and reliable valuation estimates which are provided to Senior Management regularly. Senior Management is primarily responsible for managing risks and for ensuring that the Company follows its strategic objectives.

5 Structure and Organization of the Risk Management Framework

In developing the risk management framework, the Company has placed great emphasis on establishing and recognising the appropriate responsibility for risk management at all levels of staff within the Company. For the Company, the purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve overall objectives.

Taking into account the nature, scale and complexity of investment services and activities undertaken in the course of this business, the integrated objective of the distinct functions of Internal Audit, Risk

Management and Compliance, the Accounting Department and all other operations departments, is to enhance the accuracy and overall effectiveness of the Company's risk management and monitoring structure.

5.1 Roles and Responsibilities

Board of Directors

- Define the risk tolerance of the Company
- Set acceptable risk levels according to the risk tolerance of the Company
- Ensure Senior Management takes the necessary steps to identify, assess, monitor and control these risks
- Approve and periodically review the risk management policy of the Company

Heads of Departments

- Develop and implement procedures and systems for managing risks in their area of expertise
- Perform regular identification and assessment of risks and controls within their area of expertise
- Report to Risk Management Operational risk events and losses in their areas of competence and actions taken to mitigate the risk of losses
- Ensure the proper training of their staff in order to avoid Legal and Compliance risks and promote the quality of the services the Company offers

Risk Management

- Establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company’s activities and processes
- Develop and maintain an effective risk identification, assessment, reporting and mitigation framework
- Develop and recommend action plans for the improvement of internal controls and the mitigation of risks
- Analyze for the Investment Committee the potential hazards associated with the recommended framework on which investment decisions/advice are based

Compliance Office

- Identify, assess, monitor and report on Compliance risk, i.e. Legal risk, Financial Loss or Reputation risk due to failure to comply with all applicable laws and regulations
- Set up internal policies and procedures to enhance the compliance of the Company with the applicable legislation

- Ensure that the information presented to the clients is fair, clear and not misleading
- Ensure that policies and procedures, as well as controls for the prevention of money laundering and terrorist financing are correctly applied and that proper information/reports are sent on time to CySEC (Anti-Money Laundering Compliance Officer)

Internal Audit

- Conduct independent appraisals of the Company's activities, functions and operations to ensure that an adequate framework of internal controls has been established and operates effectively

Accounting

- Monitor the day-to-day recording of all financial information
- Control all receipts and payments, internal management reporting and external financial reporting
- Calculate/report the capital adequacy requirement in accordance with the Regulation and CySEC's Directives

6 Governance arrangements

6.1 Board - Recruitment and Diversity Policy

One of the BoD's main responsibilities is to identify, evaluate and select candidates for the Board and ensure appropriate succession planning. The persons proposed for the appointment should have specialised skills and/or knowledge to enhance the collective knowledge of the BoD and must be able to commit the necessary time and effort to fulfil their responsibilities. Prior to the appointment, the Company must obtain the approval of CySEC.

The potential candidates should possess the following skills/qualities:

- Specialised skills and/or knowledge in accounting, finance, banking, law, business administration or related subject.
- Integrity, honesty and the ability to generate public confidence.
- Demonstrated sound business judgment.
- Knowledge of financial matters including understanding financial statements and financial ratios.
- Knowledge of and experience with financial institutions.
- Risk management experience.
- The competencies and skills that the BoD considers each existing director to possess.

The Company recognises the benefits of having a diverse BoD which includes and makes use of differences in the skills, experience, background, race and gender between directors. A balance of these differences will be considered when determining the optimum composition of the BoD.

6.2 Risk Committee

The Company did not establish a Risk Committee as it is not considered significant in terms of size, internal organisation and nature, scope and complexity of its activities.

6.3 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 of Director	Position within the Company	Directorships – Executive	Directorships – Non-Executive
Evanthia Kania	Executive	1	-
Eleni Paphiti	Executive	More than 5	-
Irina Chuprynenko	Executive	3	-
Denis Avrouschenco	Executive	3	-
Andreas Aloneftis	Non-Executive	-	More than 5
Anastasios Televantides	Non-Executive	-	More than 5

6.4 Information flow on risk to the management body

The information flow on risk to the management body is achieved through the reports of the Risk Management department, the Internal Audit, the Money Laundering Compliance officer, the Compliance officer, and any other reports or minutes prepared and presented to the board (refer to Appendix II).

7 Disclosures in accordance with Part Eight of the Regulation

The adequacy of the Company's capital is monitored by reference to the rules established by the Basel Committee and adopted by CySEC. In 2014, CySEC has adopted the European Regulation 5757/2013 on prudential requirements (the "Regulation" or "CRR") and issued Directive DI144-2014-15 on the discretions of CySEC arising from the Regulation and Directive 144-2014-14 for the prudential supervision of investment firms (the "Directive"), adopting the relevant European Union Directive 2013/36/EU ("CRDIV"). Together the Regulation and Directive will form the framework of Basel III. Basel III consists of three pillars: a) minimum capital requirements, b) supervisory review process and c) market discipline.

(a) Pillar 1 – Minimum Capital Requirements

The Company follows the Standardised Approach for measuring Credit and Market risk and the Basic Indicator Approach for the calculation of Operational risk. According to the Standardised Approach for Credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures after the consideration of various mitigating factors, according to the exposure class to which they belong.

The Standardised measurement method for the capital requirement for Market FX risk adds together the Company's long and short positions in foreign currencies according to predefined models, to determine the capital requirement. The main sources of foreign exchange risk for the Company are certain bank balances and trade receivables in non-reporting currencies. For Operational risk, the Basic Indicator Approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation.

(b) Pillar 2 – The Supervisory Review Process (SRP)

The Supervisory Review Process provides rules to ensure that adequate capital is in place to support any risk exposures of the Company, in addition to requiring appropriate risk management, reporting and governance structures. Pillar 2 covers any risk not fully addressed under Pillar 1, such as Concentration risk, Reputation risk, Business and Strategic risk and any external factors affecting the Company.

Pillar 2 connects the regulatory capital requirements to the Company's internal capital adequacy assessment process (ICAAP) and to the reliability of its internal control structures. The function of Pillar 2 is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well investment firms are assessing their capital needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital to risk.

The Company implements the ICAAP requirements in accordance with the guidelines issued by the CySEC and has a procedure to update the ICAAP document on an annual basis. The ICAAP process includes, among other things, risk identification and assessment, stress testing and capital allocation for Pillar 2 purposes.

(c) Pillar 3 – Market Discipline

Market Discipline requires the disclosure of information regarding the risk management policies of the Company, as well as the results of the calculations of minimum capital requirements, together with concise information as to the composition of own funds and remuneration of the risk takers of the Company.

7.1 Capital Management and Preservation

The Company's eligible own funds is comprised by Common Equity Tier 1 Capital and Tier 2 Capital. Intangible assets (computer software) are deducted when deriving Common Equity Tier 1 capital.

In Tier 2 capital the Company includes the unrealised gains from its investments in available for sale instruments. The amount that is recognised as part of the Company's Tier 2 capital is subject to the transitional provisions of CySEC, as per Directive DI144-2014-15.

As at 31st of December 2014, the Company's eligible own funds consisted of the following:

	USD '000
	31 Dec 2014
Common Equity Tier 1 Capital	
Share Capital	5.301
Retained Earnings	29.112
Audited Income for year ended 31/12/2014	875
Intangible Assets	(2.239)
Total Common Equity Tier 1 Capital	33.049
Additional Tier 1 Capital	-
Total Tier 1	33.049
Tier 2 Capital	
Unrealized gains of available for sales assets (transitional definition)	11
Total Regulatory Capital	33.060

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

The Company manages its capital structure and allocations and makes adjustments to it in light of changes in economic conditions and the risk characteristics of its activities on an ongoing basis. The monitoring of the capital level is performed on an ongoing basis.

Particularly, the Accounting Department monitors on an ongoing basis every important change in assets and, when necessary, assesses risk weighted assets and the capital required for each class of assets.

The Company calculates the risk weighted exposure amounts in accordance with Chapter 2 of Title II of the Regulation. The Company also ensures that it maintains a minimum ratio of capital to risk weighted assets of 8%.

The Company's capital position as per the year-end, is analysed as follows:

	USD ‘000 31 Dec 2014
Total Regulatory Capital	33.060
Capital Requirements	
Credit, Counterparty Credit and Dilution Risks and Free Deliveries Capital Requirement	1.274
Position, Foreign Exchange, and Commodities Capital Requirement	218
Operational Risk Capital Requirement	2.083
Total Capital Requirements	3.575
Surplus Capital Against Total Risks	29.485
Total Capital Adequacy Ratio	73,98%

8 Credit and Counterparty Risk

8.1 Definition

This 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 reporting date. The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors its receivables on a continuous basis. Cash balances are held mainly in current accounts in Russian and European banks and the Company has policies to limit the amount of credit exposure to any financial institution.

8.2 Monitoring Credit and Counterparty Risk

The Risk Management Department is responsible for managing and monitoring Credit risk. In coordination with the Head of each department, the Risk Management Department designs and implements Credit risk policies and guidelines. It is responsible for establishing methodologies of measuring Credit risk and, whenever necessary, informs the Board about the level of Credit risk and actions taken to mitigate its effect.

8.3 Credit and Counterparty Risk Mitigation

The Company considers that there is a certain element of Credit Counterparty risk which emanates from trading operations. For this purpose the Company has established methodologies and techniques to manage and monitor Credit and Counterparty risk.

Management assigns counterparty trading limits for every counterparty it intends to trade with in order to limit the Company's exposure to a particular counterparty. In order to approve a counterparty limit the Company has established the Credit risk assessment methodology for evaluating the counterparty's credit strength based on required trading limits. This method analyzes the counterparty's credit quality based on an analysis of financial and non-financial information. Counterparty limits are set using the VaR methodology and are reviewed annually.

The Company has established a number of other measures, to minimize Settlement risk and indirectly Counterparty risk. Such measures include performing transactions only on a Delivery Versus Payment ("DVP") basis, or requesting pre-payments or pre-deliveries. In certain cases where DVP is not possible with certain counterparties the Company assigns settlement (or free delivery limits) limits based on the counterparty's credit quality.

The Company, in calculating "Credit, Counterparty Credit and Dilution Risks and Free Deliveries", adopts the Standardised approach for Credit risk and takes into consideration the following exposure classes:

	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014
Credit, Counterparty Credit and Dilution Risks and Free Deliveries Capital Requirement – Standardized Method	Original Exposure/ Pre-conversion Factors	Risk Weighted Exposure Amount	Capital Requirements
Exposures to institutions	34.484	14.119	1.129
Exposures to corporates	1.521	1.521	122
Exposures to Public Sector Entities	113	113	9
Equity	14	14	1
Other items	162	162	13
Total	36.294	15.929	1.274

Geographical distribution of exposures by exposure class:

	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014
Exposure Class	Cyprus	Russia	Hong Kong	France	Luxemburg	BVI	Other	Total
Exposures to institutions	155	24.137	1.500	737	7.431	-	524	34.484
Exposures to corporates	23	-	-	-	-	1.423	75	1.521
Exposures to Public Sector Entities	113	-	-	-	-	-		113
Equity exposures	14	-	-	-	-	-		14
Other items	162	-	-	-	-	-		162
Total	467	24.137	1.500	737	7.431	1.423	599	36.294

Distribution of exposures by industry:

	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014
Exposure Class	Banking / Financial Services	Other	Total
Exposures to institutions	34.484	-	34.484
Exposures to corporates	-	1.521	1.521
Exposures to Public Sector Entities	113	-	113
Equity exposures	14	-	14
Other items	-	162	162
Total	34.611	1.683	36.294

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).

Trade receivables are recognized initially at fair value and are subsequently measured at amortized cost using the effective interest method, less provision for impairment. For those trade receivables that are 90 days or more past due, in non-accrual status, the Company classifies them as “in default”, thus an impairment test will emerge.

A provision for impairment of trade receivables is established when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default of payments (90 days or more past due) are considered indicators of impairment. The amount of the provision is the difference between the carrying amount and the recoverable amount, being the present value of estimated future cash flows, discounted at the effective interest rate. The amount of the provision is recognized in the statement of comprehensive income.The credit quality of financial assets that are neither past due nor impaired can be assessed by historical information about counterparty default rate and whether those are collateralised or not.

Management does not expect any losses from non-performance by these counterparties. There was no past due or impaired amount to date by any counterparty.

Breakdown of exposures by residual maturity and average exposure for 2014:

	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014
Exposure Class	Average Exposure for the period	Residual Maturity ≤ 3 months	Residual Maturity > 3 months
Exposures to institutions	33.214	34.465	19
Exposures to corporates	840	1.498	23
Exposures to Public Sector Entities	57	-	113
Equity exposures	7	-	14
Other items	218		162
Total	34.335	35.963	331

9 Nominated External Credit Assessment Institutions (ECAIs) for the application of the Standardised Approach

The Company has chosen to use Fitch Ratings for all asset classes under the Standardised Approach. The use of Fitch Ratings is in compliance with the requirements of the Regulation and is used consistently for all exposures in a specific asset class. Where there is no rating from the specific institution, the ratings of Moody's Investor Services are used, and then those of Standard and Poor's Rating Services. The Group will continue to use the same approach for its entire portfolio unless there are material differences in the way it performs its business. The Company considers that a certain element of Credit risk exists regarding the Company's cash. In order to minimize the possibility of loss, cash amounts are mostly held with reputable banks and financial institutions.

A breakdown of the Company's credit risk exposures by credit quality step of counterparties is shown below:

	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014	USD '000 31 Dec 2014
Exposure Class	CQS 1	CQS 2	CQS 4	CQS 6	Unrated	N/A	Total
Exposures to institutions	7.577	740	24.490	155	1.522	-	34.484
Exposures to corporates	-	-	-	-	1.521	-	1.521
Exposures to Public Sector Entities	-	-	-	-	113	-	113
Equity exposures	-	-	-	14	-	-	14
Other items	-	-	-	-	-	162	162
Total	7.577	740	24.490	169	3.156	162	36.294

10 Market Risk

Market risk is defined as the risk of financial loss as a result of changes in interest rates, exchange rates, stock prices and commodity prices.

The Investment Committee of the company sets market risk limits at a business level. The purpose of the limits is to assist senior management in controlling the overall risk profile.

10.1 Equity Risk

During the year the Company performed a small number of trades in equities from the over-the-counter equity market. Due to the short-term nature of these transactions, the Company decided to book them in the trading book. For measuring the Market Equity risk arising from these investments and the corresponding capital requirement, the Company used the Standardised approach. As at year end, the Company didn't have equity exposures in trading book and therefore no capital requirement resulting from Market Equity risk.

Position, Foreign Exchange and Commodities Capital Requirement – Standardized Method	USD ‘000 31 Dec 2014 Net Positions		USD ‘000 31 Dec 2014 Capital Requirement
	Long	Short	
Traded Debt Instruments in Trading Book	-	-	-
Equities in Trading Book	-	-	-
Position Risk in Commodities	-	-	-
Total Positions in Non-reporting Currencies for FX	2.729	-	218
Excess of Large Exposures in Trading Book	-		-
Total	2.729	-	218

10.2 Currency Risk

Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. The Company is exposed to Currency risk resulting primarily from its deposits and receivables in Euro and Rubbles denominated accounts. Its management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

The Company’s functional and reporting currency for both financial and regulatory reporting purposes is the US Dollar. As at year end, the Company was exposed to Market Currency risk as it had balances denominated in the foreign currencies shown below. The capital requirement for Currency risk is USD 218 thousand.

	USD ‘000 31 Dec 2014	USD ‘000 31 Dec 2014
Currency	NET Long	NET Short
EUR	2.638	-
GBP	17	-
RUB	69	-
CHF	5	-
Total	2.729	-

10.3 Interest Rate Risk

Interest rate risk is not considered material, since the effect of a small shift of the base interest rate will not have a material impact on the overall results of the Company. The Company has interest rate-bearing assets, which mainly comprise of short term deposits. The Company ensures to obtain competitive market interest rates for its deposits and its credit line facility with parent Company.

10.4 Liquidity Risk

Liquidity risk is the risk of potential loss due to the inability to sell a financial instrument in a determined price and trading size. Also, funding risk is a type of Liquidity risk where the assets do not match with the liabilities or liabilities funding long asset positions cannot be rolled over at reasonable cost.

The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets.

11 Operational Risk

Operational risk is defined as the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. Operational risk can be described as the potential for loss as a consequence of human failure or the breakdown of a process and/or technology, as well as external events incurred while pursuing the Company's objectives.

The Company adopted the Basic Indicator Approach for measuring Operational risk. The Basic Indicator Approach calculates the average, on a three year basis, of net income to be used in the risk weighted assets calculation. This includes the average over a 3 year period of brokerage income, asset management fees, dividend income and other revenues. The capital requirement for Operational risk is equal to 15% of the relevant indicator defined in Article 316 of the Regulation.

The Company manages Operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. There is a procedure for the identification and effective management of incidents and problems. The Company has in place a fully operation Disaster Recovery site supported with business continuity metrics. All measures are within appetite at year end.

In the following Table there is an analysis of the Capital Requirements for Operational risk under the Basic Indicator Approach:

Operational Risk Capital Requirements	EUR'000 31 Dec 2012	EUR'000 31 Dec 2013	EUR'000 31 Dec 2014	EUR '000 Average	EUR '000 Capital Requirement
Basic Indicator approach for Operational risk calculation	15.890	20.756	5.007	13.884	2.083

12 Hedging Policies

Under the current circumstances and according to the Company's strategies and objectives, the management of the Company does not establish specific hedging strategies, although it might do so and adopt such strategies should the Company or market circumstances change.

13 Remuneration Disclosures

The Company's remuneration policy and disclosure are subject to the principle of proportionality, which takes into account the scale, nature and complexity of the activities of the Company. The remuneration policy has been prepared by the General Manager, who is also responsible for Human Resources issues, and has been reviewed and approved by the Board of Directors. Updates to the remuneration policy are performed by the General Manager and are submitted to the Board for approval.

The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, individual performance and market rates. Staff performance is assessed on an annual basis through the Company's HR processes, which comprise of a self-assessment exercise performed by each employee against predefined performance criteria (both financial and non-financial), followed by a discussion between management and employee during which performance is evaluated against the targets set and new targets are determined for the new year.

The remuneration components are:

- *Fixed remuneration:* This is determined based on the role, responsibilities, job complexity and performance of the individual employee, while it also takes into account the local market conditions
- *Performance-based remuneration:* This type of remuneration is intended to motivate and reward high performers who reinforce the work and results of their departments and add value to the Company as a whole. The General Manager may, if considered appropriate, propose to the Board that a percentage of performance-based remuneration is granted to certain employees, depending on their position and

the value they add to the Company. Performance-based remuneration may be disbursed as cash bonus

- *Other benefits:* May be awarded on the basis of individual employment contracts and local market practice
- *Severance payments:* Payable in accordance with relevant employment laws

Employees in credit and control functions are generally not eligible for performance-based pay and therefore only receive remuneration in the form of fixed salaries. However, it is possible that a recommendation is made by the General Manager to the Board for a performance-based pay to be given to such employees in recognition of the value added on the control and risk management procedures and the improvements of current systems in place.

Members of the Board of Directors receive a fixed fee and are not covered by incentive programmes or performance-based remuneration. The basic fee of a Board member is set at a level that is on par with the rest of the market and takes into account the qualifications and commitment required to perform the role, the relevant responsibilities and the number of Board meetings. No pension contributions are payable on the Board member's fees.

During 2014, the remuneration structure offered by the Company to management and staff comprised of a fixed salary cash component and non-cash benefits in the form of medical insurance. The Company also paid bonus in the form of cash to reward outstanding employee performance during the year. Information on the aggregate remuneration to Senior Management and staff as at 31 December 2014 is provided in the following Table:

	No. of people as at 31 Dec 2014	Aggregate Remuneration	Cash - Fixed[1]	Cash - Variable[2]	Non – cash Variable
		USD '000	USD'000	USD '000	USD'000
Senior Management[3]	9	1.156	918	238	-
Other Staff	2	56	56	-	-
Total	11	1.212	974	238	-

[1] This includes basic salary, employer's contribution and medical
[2] Variable remuneration includes bonuses and 2 ex-gratia payments provided to the Company's employees
[3] Senior Management includes Executive Directors as well as Heads / Directors of Departments.

Furthermore, aggregate remuneration analyzed by business area is presented below:

Business Area:	Aggregate Remuneration USD '000
Control Functions and general manager	420
Brokerage & own accout	320
Back office and administration	243
Accounting	173
Other staff	56
Total	1.212

In 2014, no sign-on payments have been awarded. A severance payment of USD 22 thousand was paid to two former employees.

14 Board Risk Declaration

The Board of Directors' primary role is to formulate the Company's strategy and to ensure that the Company operates within that strategy whilst complying with its regulatory obligations and operating within an acceptable level of risk. Furthermore, the Board is responsible for evaluating the Company's risk appetite and risk bearing capacity, as well as, ensuring that the capital maintained is sufficient given the risks borne by the Company's operations.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate risk management tools, properly resourced and skilled, to avoid or minimise loss.

15 Board Approved Risk Statement

The Company's strategic objective is the provision of international institutional investors with the access to the Russian capital markets and the introduction of Russian corporates to the international capital markets. The Company operates with a strong customer focus and provides simple, transparent products which aim to deliver value for customers. The Company's strategy is pursued within efficient risk management practices that formulate the Risk Appetite of the Company.

The Board express the Risk Appetite through a number of key Risk Appetite measures which define the level of risk acceptable across three categories:

Financial: Capital Adequacy, Credit, market, liquidity risks

Operational: Operations, human, IT risk

Compliance Risk: Regulatory risk

Risk appetite measures assist in managing profit volatility within assigned limits which are agreed with the parent Company on a frequent basis and when is deemed necessary. The limits seek to ensure that the Company remains profitable under severe market or economic stress conditions.

The risk appetite measures are integrated into decision making, monitoring and reporting processes, with early warning trigger levels set to drive any required corrective action before overall tolerance levels are reached.

The following table sets out a number of the key measures used to monitor the Company's risk profile:

Risk Area		Metric	Comment	Measure at 31/12/2014
Financial Risk	Capital	Capital Adequacy Ratio	The Company targets a CAD ratio above the regulatory guidance threshold of 8%. Our strategic capital plan show a continuation of above the regulatory guidance threshold	CAD 73,98%
	Credit Risk	Unsettle trades(over 5d)/Asset Ratio	The Company has strong credit management controls and manages exposures to counterparties according to its risk appetite. Zero unsettle trades over 5days confirms the risk appetite towards counterparty exposures	UT/AR was 0%
	Market Risk	Stop loss limits: Unrealized loss per share max. 10% Total Realized Portfolio Profits minus Unrealized losses ≥ USD600K	The Company often enters into proprietary trading activity. The Company trades a range of Russian and European stocks in the form of ADRs. The maximum loss that is accepted is expressed through stop loss ratios with specified limits	At year end the company was within both limits

Operational Risk	The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored. There is a procedure for the identification and effective management of incidents and problems. The Company has in place a fully operational Disaster Recovery site supported with business continuity metrics. All measures are within appetite at year end.
Compliance Risk	Staff receives regular training on compliance issues and policies and procedures are updated in line with new regulations. Objective is to fulfill all regulatory compliance requirements and ensure Company maintains its reputation amongst various stakeholders. All measures are within appetite at year end.

Appendix I

I. Balance sheet reconciliation

Balance Sheet Description, as per published financial statements	Amounts '000s
Share Capital	5.301
Retained Earnings	29.987
Fair value reserves	14
Total Equity as per audited accounts	**35.302**
Regulatory adjustments	
(-) Intangible assets/Goodwill	-2.239
Transitional adjustment for unrealised gains in AFS equities (100% de-recognition)	-14
Total Common Equity Tier 1 capital	**33.049**
Total Additional Tier 1 capital	**0**
Transitional adjustment for unrealised gains in AFS equities (80% recognition)	11
Total Tier 2 capital	**11**
Total as per Regulatory Capital	**33.060**

II. Own funds disclosure template under the Transitional and fully phased in definition

Common Equity Tier 1 capital: instruments and reserves	Transitional Definition	Fully phased in definition
Capital instruments and the related share premium accounts	5.301	5.301
Retained earnings	29.112	29.112
Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards)	14	14
Funds for general banking risk		
Independently reviewed interim profits net of any foreseeable charge or dividend	875	875
Common Equity Tier 1 (CET1) capital before regulatory adjustments	**35.302**	**35.302**
Common Equity Tier 1 (CET1) capital: regulatory adjustments		
Intangible assets (net of related tax liability) (negative amaount)	- 2.239	- 2.239
Losses for the current financial year (negative amount)	-	-
Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468	- 14	-
of which… filter for unrealised gain	- 14	-
Total regulatory adjustments to Common Equity Tier 1 (CET1)	**- 2.253**	**- 2.239**
Common Equity Tier 1 (CET1) capital	**33.049**	**33.063**
Additional Tier 1 (AT1) capital: instruments		
Additional Tier 1 (AT1) capital before regulatory adjustments	**-**	**-**
Additional Tier 1 (AT1) capital: regulatory adjustments		
Total regulatory adjustments to Additional Tier 1 (AT1) capital	**-**	**-**
Additional Tier 1 (AT1) capital	**-**	**-**
Tier 1 capital (T1 = CET1 + AT1)	**33.049**	**33.063**
Tier 2 (T2) capital: instruments and provisions		
Amount to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre CRR	11	-
Of which: … possible filter for unrealised losses	-	-
Of which: … possible filter for unrealised gains	11	-
Total regulatory adjustments to Tier 2 (T2) capital	**11**	**-**
Tier 2 (T2) capital	**11**	**-**
Total capital (TC = T1 + T2)	**33.060**	**33.063**
Total risk weighted assets	44.690	44.690
Capital ratios and buffers		
Common Equity Tier 1 (as a % of risk exposure amount)	73,95%	73,98%
Tier 1 (as a % of risk exposure amount)	73,95%	73,98%
Total capital (as a % of risk exposure amount)	73,98%	73,98%

Definitions:

The Common Equity Tier 1 (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 (T1) ratio is the T1 capital of the Company expressed as a percentage of the total risk weighted assets for covering pillar 1 risks.

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.

Appendix II

Information flow on risk to management body

S/N	Report Name	Owner of Report/Preparer	Recipient (Competent Authority)	Frequency
1	Risk Management Report	Risk Manager	CySEC, BoDs	Annual
2	Internal Capital Adequacy Assessment Process	Risk Manager	CySEC, BoDs	Annual
3	Compliance Report	Compliance Officer	CySEC, BoDs	Annual
4	Internal Audit Report	Internal Auditor	CySEC, BoDs	Annual or more frequent upon management request
5	Anti-money laundering report	Anti-money laundering Compliance officer	CySEC, BoDs	Annual
6	Investment Committee decisions	Risk Manager	BoDs	Upon request