Prochoice
Chrimatistiriaki Ltd

# Prochoice Chrimatistiriaki Ltd

Risk Management 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. General Information and Scope of Application

### Requirements of the Regulation (EU) No 575/2013

The information below is disclosed in accordance with the provisions of Part Eight of Regulation (EU) No 575/2013 of the European Parliament and of the council of 26 June 2013 on prudential requirements for credit institutions and investment firms (hereinafter the “Regulation”) and paragraph 32(1) of DI144-2014-14 (the “Directive”) of the Cyprus Securities and Exchange Commission (the “CySEC”) for the prudential supervision of investment firms. In accordance with the abovementioned Regulation and Directive, Prochoice Chrimatistiriaki Ltd (‘the Company”) has an obligation to publish information in relation to risks and risk management on an annual basis at a minimum.

The information that the Company discloses herein relates to the year ended 31 December 2014.

### Principal Activities

Prochoice Chrimatistiriaki Ltd was incorporated in Cyprus 7th May 2008 as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company has applied for and obtained a licence with Number 100/09 in July 2009 from the CySEC to operate as a Cyprus Investment Firm.

Also, the company is a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

Currently, the Company has a license to offer the following investment and ancillary services based on the applicable laws and regulations of the period under review:

| Investment Services | Ancillary Services |
|---|---|
| Reception and transmission of orders | Safekeeping and administration of financial instruments, including custodianship and related services |
| Execution of Orders on Behalf of Clients | Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction |
| | Foreign exchange services where these are connected to the provision of investment services |
| | Investment research and financial analysis of other forms |
| | Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services |

During the year the Company was operating online through its Online Trading Platform at the website www.pro-choice.com.cy.

### Disclosure Policy

The Company discloses information in relation to its capital requirements on an annual basis.

The disclosures are published on the website of the Company five months after the financial year end.

**Scope of the Disclosures**
Prochoice Chrimatistiriaki Ltd does not have any subsidiaries and therefore the information presented in this report relates solely to the Company.

## 2. Governance – Board and Committees

### 2.1 The Board

The Board of Directors, which consists of both executive and non-executive and independent members, has overall responsibility for the establishment and oversight of the Company's risk management and governance framework. The following are part of the responsibilities of the Board of Directors in relation to risk management:

- Setting the strategies and objectives of the Company
- Overseeing the internal control system of the Company
- Approving internal documents, policies and procedures
- Following any changes in the investment services market, investigating competition and deciding about the development of new products and the expansion of the Company

The Board has overall responsibility for the business. It sets the strategic aims for the business, in line with delegated authority from the shareholder and in some circumstances subject to shareholder approval, within a control framework, which is designed to enable risk to be assessed and managed.

The Board satisfies itself that financial controls and systems of risk management are robust. The Board comprises of 3 executive directors, and 3 independent non-executive directors.

### 2.2 Board - Recruitment and Diversity Policy

The Board of directors is elected by the Shareholders of the Company and it combines an assessment of both technical capability and competency skills referenced against the Company's leadership framework.

At the general meeting of the Shareholders reference is made to the most recent Board Skills to establish specific experience and also academic qualifications are presented.

The members of the Board have academic background from broad areas of study as Finance, Accounting, Marketing and Business Administration. The Board of Directors elects the CEO of the company who is an Executive Director and he is in charge for setting the dates and the subjects that the board discuses at its meetings. The Board of Directors meets on a monthly basis.

The Board of Directors assigns the members of the Investment/Risk Committee as well as the members of the Audit Committee. These two committees have three members each, one of them is the CEO and the other two members are executive or non-executive members of the board.

### 2.3 Risk Committee

The company has an Investment/Risk committee (IRC) which is comprised of the CEO of the company and 2 non-executive directors and reports to the Board. The role of the IRC includes the oversight and challenge of the Company's risk appetite and the recommendation to the Board of any changes to risk appetite, the assessment of any future risks, the review and challenge, where appropriate, of the outputs from the Asset and Liability Management Committee (ALCO) and Risk Management Committee (RMC) and to oversee that a supportive risk culture is appropriately embedded in the business. During the year 2014 the Investment/ Risk management committee has met four times.

## 2.4 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. For the purposes of the below, executive or non-executive directorships held within the same group count as single directorship.

| Name of Director | Position within Prochoice | Directorships – Executive | Directorships – Non-Executive |
|---|---|---|---|
| Antonis Antoniou | Executive | 0 | 1 |
| Stelios Koiliaris | Executive | 0 | 0 |
| Andreas Leonidou | Executive | 0 | 1 |
| Stavros Stavrou | Non-Executive | 0 | 0 |
| Stefanos Hailis | Non-Executive | 0 | 0 |
| Sergios Sergiou | Non-Executive | 0 | 0 |

## 2.5 Structure and Organization of the Risk Management Framework

The Company's risk management policies are established to identify and analyse the risks faced by the Company. Their purpose is to set appropriate risk limits and controls, to monitor risks and adherence to limits, to manage the Company's financial risk and to minimize the effects of fluctuations in financial markets on the value of the Company's financial assets and liabilities. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

Under authority delegated by the board, the Executive Directors develop and implement risk management systems, policies and procedures.

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

- Board of Directors
- Investment Committee
- Risk Management Department
- Compliance and Anti-money Laundering Function
- Accounting and Finance
- Internal Audit

Board of Directors

As described in paragraph 2.1 above the Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

Investment Committee

The Investment Committee determines the risk pricing policy of the Company.

Risk Management Department

The Company's risk management department is separate and independent from the other functions and activities of the Company. The Risk Management Department ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks.

Compliance and Anti-money Laundering Function

The Company has a compliance officer who is responsible for identifying, assessing, advising, monitoring and reporting on the investment firm's compliance risk. Company compliance supports business in complying with current and emerging regulatory developments, including money laundering and terrorist financing control, identifying and managing market abuse and mitigating reputation risk. The compliance framework of the Company is based on the principles of effective compliance risk management as required by the law and different directives issue by supervisory authorities in Cyprus as well as different directives issue by European bodies.

The Company, following the Law on Prevention and Suspension of Money Laundering and Terrorist Financing (N188 (I)/2007) and the Directive DI144-2007-08 of 2012 of the Cyprus Securities and Exchange Commission for the Prevention of Money Laundering and Terrorist Financing, follows documented procedures for the prevention of transactions that may be related to money laundering and Terrorist Financing. Detailed procedures relating to the prevention of money laundering followed by the company are included in the "Procedures Manual for Prevention and Suspension of Money Laundering and Terrorist Financing".

Accounting and Finance Department

The Accounting and Finance Department is responsible for monitoring the Company's capital adequacy and the timely submission of Common Reporting templates to CySEC.

Internal Audit

The Internal Audit function is outsourced. The internal auditors are independent and report directly to the Board of Directors.

The main responsibilities of the internal audit are the following:

- Assess and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements;
- Issue recommendations based on the result of work carried out;
- Verify compliance with the procedures set by the Law or by the internal operations of the Company;
- Report in relation to internal audit matters.

## 3. Information flow on risk to the management body

During the year the Board of Directors reviewed the Internal Audit report prepared by PWC and the annual report of the Financial Accounts prepared by KPMG. Also the Annual report of the Money Laundering Compliance Officer is communicated and approved. During the year the Compliance report and the Risk management report are presented to the Board for discussion and approval. Parallel to these annual presentations the board also gets information monthly regarding the financial status of the company and different new laws or directives that affect our business.

## 4. Board Declaration – Adequacy of 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 designed to manage and try to eliminate the risks in order to meet the business objectives. The Board takes in to account all different risk relative to the company's line of business and gives orders for better monitoring of risk.

The Board considers that it has in place adequate systems and controls with regard to the Company's profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or

minimize loss. The company does not involve in investing for own account something that eliminates the risk of loss on investments. Also the diversification used for deposit in different Banks and different countries minimize the risk if any of the default of the Banks we work with. The day to day work of the Risk Management Officer helps the Board to take relevant actions to minimize risk.

## 5. Board Risk Statement

The Company's risk statement is provided in Appendix I. This is approved by the Board and describes the Company's overall risk profile associated with the business strategy.

## 6. Capital Management

The adequacy of the Company's capital is monitored by reference to the provisions of the Capital Requirements Regulation (the "Regulation" or "Regulation (EU) 575/2012") and the Capital Requirements Directive as this is transposed by the CySEC (the "Directive" or "DI 144-2014-14"). Together the Regulation and Directive, referred to as CRDIV package, is an EU legislative package covering prudential rules for banks and investment firms and through a transitional period starting from 2014, will bring into force the regulatory provisions of Basel III.

The Basel III consists of three pillars:
(I) Minimum capital requirements
(II) Supervisory review process
(III) Market discipline

### Pillar I – Minimum Capital Requirements

The Company adopted the Standardised approach for Credit and Market risk and the Fixed Overhead approach for Operational risk.

According to the Standardised approach for credit risk, in calculating the minimum capital requirement, risk weights are assigned to exposures, according to their characteristics and exposure class to which they belong.

The Standardised measurement method for the capital requirement for market risk adds together the long and short market risk positions according to predefined models to determine the capital requirement.

For operational risk, the Company is required to hold eligible capital of at least one-quarter of the fixed overheads of the previous year.

### Pillar II – The Supervisory Review and Internal Capital Adequacy Assessment Processes

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 II covers any risk not fully addressed in Pillar I, such as concentration risk, reputation risk, business and strategic risk and any external factors affecting the Company.

Pillar II connects the regulatory capital requirements to the Company's internal capital adequacy assessment procedures (ICAAP) and to the reliability of its internal control structures. The function of Pillar II is to

provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the 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 didn't finalise its internal capital adequacy assessment process for the financial year 2014.

**Pillar III – 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.

According to the CySEC Directive DI144-2014-14, the risk management disclosures should be included in either the financial statements of the investment firms if these are published, or on their websites. In addition, these disclosures must be verified by the external auditors of the investment firm. The investment firm will be responsible to submit its external auditors' verification report to CySEC within five months of each financial year.

The Company has included its risk management disclosures on its website as it does not publish its financial statements. Verification of these disclosures has been made by the external auditors and sent to CySEC.

**Capital adequacy ratio**

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

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

| **Table 1: Capital Adequacy Ratio** | |
|---|---|
| | **31 December 2014** |
| | **€000** |
| ***Eligible Own Funds*** | |
| ***Common Equity Tier 1 Capital*** | |
| Share capital | *852* |
| Retained Earnings | (565) |
| Audited income (negative) from current year | (56) |
| Intangible assets and computer software | **-** |
| ***Total Common Equity Tier 1 Capital*** | ***231*** |
| | |
| ***Capital Requirements*** | |
| Credit risk | 32 |
| Market Risk | - |
| Additional Capital Requirements due to Fixed Overheads | 37 |
| ***Total Capital Requirements*** | **69** |
| | |
| ***Capital Adequacy Ratio*** | **26,89%** |
| | |

The Own Funds of the Company consist solely of Common Equity Tier 1 Capital, which is made up of share capital and reserves (retained earnings and audited loss form current year).

Intangible assets and computer software are deducted from the Company's Common Equity Tier 1 Capital.

**Share Capital**

The Company's issued share capital as at 31 December 2014 amounted to €852 thousands, divided into 852.000 ordinary shares of €1 each.

## 7. Credit Risk

**General**

Credit risk arises when a failure by counter parties 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 policies to limit the amount of credit exposure to any financial institution.

The Company has credit exposure to the banks with which it deposits funds. The Company deposits its funds in reputable financial institutions in order to minimize its credit risk. The Company's policy is not to invest on own account in the stock market. Its assets are kept in the banks as well as assets used on hardware and software in order to execute the day to day work.

The Company has credit risk exposure from clients since it provides credits to some of them. It is noted however, that the Company didn't provide new loans to clients during 2014.

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 main categories of exposures the Company is exposed to with regards to Credit risk are deposits with banks, trade and other receivables and fixed assets.

Prochoice Chrimatistiriaki Ltd did not hold any derivatives and did not enter into any repurchase transactions, securities or commodities lending or borrowing transactions, long settlement transactions or margin lending transaction, hence the Company does not face counterparty credit risk.

During 2014, the amount given as credit to customers is covered by shares own by customers and the shares that the customers are trading through the Company. The Company used eligible shares (e.g. shares listed in recognised exchange or included in a main index) received by its clients to reduce its credit risk exposures to those clients. The Company applies the Comprehensive Approach for credit risk mitigation purposes.

**Capital Requirements**

The Company follows the Standardised Approach for the calculation of the minimum capital requirements for credit risk.

Table 3 below presents the allocation of credit risk in accordance with the Standardised Approach exposure classes:

| Table 3: Exposure classes and minimum capital requirements | | | | |
|---|---|---|---|---|
| **Asset Class** | **Average exposure value** | **Exposure value before and after credit risk mitigation and before Credit Conversion Factor** | **Exposure value before and after credit risk mitigation and after Credit Conversion Factor** | **Minimum Capital Requirements** |
| | **€000** | **€000** | **€000** | **€000** |
| Institutions | 729 | 1.083 | 1.083 | 21 |
| Corporates | 222 | 153 | 104 | 7 |
| Public Sector Entities | 22 | 44 | 44 | 3 |
| Other Items | 13 | 14 | 14 | 1 |
| **Total** | **986** | **1.294** | **1.245** | **32** |

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

The Company uses external credit ratings from Fitch, Moody's and Standard & Poor's. These ratings are used for all relevant exposure classes.

In the cases where the three credit ratings differ, the Company takes the two credit assessments generating the two lowest risk weights and then it uses the credit assessment that corresponds to the higher risk weight.

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 corporate clients were risk weighted by 100% risk factor since they were all unrated and were incorporated in countries with no credit rating or with credit assessment up to credit quality step 5.

The Other Items category includes cash in hand, fixed assets and other receivables for which the Company is unable to determine the counterparty. 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 the Company's exposure to Investors' Compensation Fund as per paragraph 13(3) of Directive DI144-2014-15 on the national discretions of the CySEC.

The Company has used the credit step mapping table below to map the credit assessment to credit quality steps.

| Credit Quality Step | Fitch | Moody's | S&Ps |
|---|---|---|---|
| 1 | AAA to AA- | Aaa to Aa3 | AAA to AA- |
| 2 | A+ to A- | A1 to A3 | A+ to A- |
| 3 | BBB+ to BBB- | Baa1 to Baa3 | BBB+ to BBB- |
| 4 | BB+ to BB- | Ba1 to Ba3 | BB+ to BB- |
| 5 | B+ to B- | B1 to B3 | B+ to B- |
| 6 | CCC+ and below | Caa1 and below | CCC+ and below |

Table 4 below presents the exposures of the Company before and after credit risk mitigation ("CRM") by credit quality step ("CQS"):

**Table 4: Exposures before and after CRM by CQS**

| Credit Quality Step | Exposure amount before credit risk mitigation | Exposure amount after credit risk mitigation |
|---|---|---|
| | €000 | €000 |
| 1 | - | - |
| 2 | - | - |
| 3 | - | - |
| 4 | - | - |
| 5 | 869 | 869 |
| 6 | 90 | 90 |
| Unrated/Not Applicable | 335 | 286 |
| **Total** | **1.294** | **1.245** |

Table 5 presents the breakdown of exposure classes per residual maturity

**Table 5: Exposure classes and residual maturity**

| | Current account/ Less than 3 months | More than 3 months or no maturity | Total |
|---|---|---|---|
| **Asset Class** | **€000** | **€000** | **€000** |
| Institutions | 1.032 | 51 | 1.083 |
| Corporates | - | 153 | 153 |
| Public Sector Entities | - | 44 | 44 |
| Other Items | - | 14 | 14 |
| **Total** | **1.032** | **262** | **1.294** |

Table 6 presents the exposures of the company after credit risk mitigation by geographic area:

| Table 6: Exposure classes and geographical distribution | | | | |
|---|---|---|---|---|
| **Asset Class** | **Cyprus €000** | **Greece €000** | **UK €000** | **Total €000** |
| Institutions | 160 | 917 | 6 | 1.083 |
| Corporates | 153 | 0 | 0 | 153 |
| Public Sector Entity | 44 | 0 | 0 | 44 |
| Other Items | 14 | 0 | 0 | 14 |
| **Total** | **371** | **917** | **6** | **1.294** |

Table 7 below presents the breakdown of the Company's exposures after credit risk mitigation into industry sectors, analyzed by asset class:

| Table 7: Breakdown of exposures to industry sectors | | | |
|---|---|---|---|
| **Asset Class** | **Financial/ Banking Services €000** | **Other €000** | **Total €000** |
| Institutions | 1.083 | 0 | 1.083 |
| Corporates | - | 153 | 153 |
| Public Sector Entity | 44 | 0 | 44 |
| Other Items | 0 | 14 | 14 |
| **Total** | **1.127** | **167** | **1.294** |

**Impairment of assets**

Assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment. Assets that are subject to depreciation or amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised 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 assets**

A financial asset is **past due** when a counterparty has failed to make a payment when contractually due. For classifying an exposure into Past Due/Default asset class the Company applies the definitions of Article 127 and 178 of the European Regulation 575/2013.

The Company recorded no provisions and impairments for its exposures as at 31/12/2014. In addition, there were no exposures in default as at the reference date.

## 8. Operational Risk

General
Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Company's processes, personnel, technology and infrastructure, and from external factors other than credit, market and liquidity risks. The directors are responsible for managing operational risk and have identified the following risks which are considered significant to the Company.

*Technology*
The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of the business. Such dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. The Company has business continuity procedures and policies in place which are designed to allow the Company to continue trading in its core markets and its systems are designed to mitigate the risk of failure of any component.

Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that where possible multiple providers and data routes are utilized. To remain competitive, the Company must continue to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

*Regulation*
The Company is regulated by the Cyprus Securities and Exchange Commission. The regulatory environment is regularly changing and imposes significant demands on the resources of the Company. As the Company's activities expand, offering new products and penetrating new markets, these regulatory demands will inevitably increase. The Company receives revenue from markets not regulated by the Cyprus Securities and Exchange Commission.

**Capital Requirements**

The Company applies the Fixed Overhead approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk since it falls under Article 95(1) of the Regulation. Under this method, the Company calculates its total Risk Weighted Assets as the higher of the following:

a. the sum of the risk weighted assets calculated for credit and market risks;

b. 12,5 multiplied by the one quarter of the fixed overheads of the preceding year.

The following table shows the calculation of the capital requirements for Operational Risk based on the fixed overheads methodology.

| **Table 8: Total Risk weighted assets as per Article 95(1) if the Regulation** | |
|---|---|
| **Type of risk** | **Risk weighted Assets** |
| | **€000** |
| Credit risk | 399 |
| Market risk | - |
| 12,5 multiplied by the one quarter of the fixed overheads of the preceding year | 858 |
| **Total** | **858** |

The additional capital requirements calculated under the fixed overhead approach, amounts to 37 thousand Euros [= (858-399)*0.08].

## 9. Market Risk

*General*
Market risk changes in line with fluctuations in market prices, such as foreign exchange rates, interest rates, equities and commodities prices. These market prices affect the Company's income or the value of its holdings of financial instruments.

*Management of market risk*
The Company's products can be divided into two: those which relate to a liquid financial market in which it is normally easy for the Company to hedge and those for which there is not an easily accessible and cost-effective hedging mechanism.

The Company does not take proprietary positions based on an expectation of market movements.

During 2014 due to the fact that the company cannot perform the investment activity of dealing for own account, it had no investments in bonds or shares in any stock market.

*Foreign Exchange risk*
Foreign exchange risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company keeps mainly its accounts in Euro therefore no foreign exchange rate risk exists.

*Interest rate risk*
Interest rate risk is the risk that movements in market interest rates will adversely impact the financial results of the Company. The Company considers interest rate risk to be significantly low.

### Capital Requirements

As the Company has no trading book, it calculates its capital requirements on foreign exchange risk only. However, as at 31/12/2014, the Company's open position in foreign currencies is zero and as a result, the Company does not hold any capital for foreign exchange risk.

## 10. 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.

*Management of liquidity risk*
The company holds in separate accounts the funds of its clients. Therefore the company considers liquidity risk to be significantly low.

## 11. Remuneration Disclosures

In accordance with the Regulation, the Company should disclose information about its remuneration policy and practices followed for those categories of staff whose professional activities have a material impact on its risk profile.

Due to its size and the principle of proportionality, which takes into account the scale, nature and complexity of activities of the Company, the Company considers all its employees as persons with material risk impact on the Company.

The Company's remuneration policy is set by the Board of Directors. The level of remuneration offered by the Company to management and staff is established based on skills, knowledge, individual performance and the remuneration offered by other companies that are similar in size and range of activities.

The remuneration structure offered by the Company to management and staff comprises mainly of a fixed salary cash component. The Company's remuneration policy includes variable pay component (cash based) in the form of bonuses.

The Company's annual remuneration to management and staff as at 31 December 2014 is shown in the Table below:

| | **As at 31st December 2014** | | | |
|---|---|---|---|---|
| | **No. of staff** | **Annual Remuneration €000** | | |
| | | **Fixed** | **Variable Cash based** | **Variable Non cash** |
| Senior Management and Executive Directors | *3* | 122 | 0 | 0 |
| Other staff | *3* | 24 | 1 | 0 |
| **Total** | ***6*** | **146** | **1** | **0** |

The category "Senior Management and Executive Directors" includes Executive Directors and heads of departments.

Other staff includes the remaining persons employed by the Firm during 2014.

| **Business Area** | **As at 31st December 2014** |
|---|---|
| | **Aggregate Remuneration €000** |
| Administrative and Operational Services | 44 |
| Finance and accounting | 15 |
| Trading | 50 |
| Control functions | 38 |
| **Total** | **147** |

## Appendix

### *I. Board Approved Risk Statement*

Effective risk management is fundamental to the business activities of the Company. We seek to achieve an appropriate balance between risk and reward in our business, and continue to build and enhance the risk management capabilities that assist in delivering our growth plans in a controlled environment.

The Company's risk management function is primarily accountable for setting the Company's risk management framework and policy, providing oversight and independent reporting to executive manager through the Company's risk officer, and to the board through the Company's Investment committee. The business unit risk management functions implement the Company's risks management framework and policy in the business units, approve risk within specific mandates and provide an independent overview of the effectiveness of risk management by the first line of defense.

Risk management is at the core of the operating structure of the company. We seek to limit adverse variations in earnings and capital by managing risk exposures within agreed levels of risk appetite. Our risk management approach includes minimizing undue concentrations of exposure, limiting potential losses from stress events and ensuring the continued adequacy of all our financial resources. The company's economic capital management framework governs how economic capital is quantified, and assigns roles and responsibilities for the management and allocation of economic capital. The methodologies used to quantify the amount of economic capital required by the company have evolved over the last two years. These methodologies are subject to regular reviews to ensure that the economic capital results are a true reflection of the underlying portfolios and risk drivers that impact the company. Economic capital is calculated for each of the following quantifiable risk types such as credit risk, equity risk, market risk, operational risk and business risk.

Our risk management processes have continued to prove effective throughout the 2014, despite a tough economic environment in Cyprus as well as in Greece. Executive management remained closely involved in important risk management initiatives, which have focused particularly on preserving appropriate levels of liquidity and capital, and effectively managing the risk portfolios.

The company's risk management function is primarily accountable for setting the company's management framework and policy by providing oversight and independent reporting to executive management. The business unit risk management functions implement the company's risk management framework and policy in the business units, approve risk within specific mandates and provide an independent overview of the effectiveness of risk management by the first line of defense.

The Company's risk management department is separate and independent from the other functions and activities of the Company. The Risk management Department ensures that relevant controls are put in place to evaluate the effectiveness and the practical implementation of measures to mitigate and manage risks according to the strategies and objectives set by the Board of Directors of the Company.

The company's approach to risk management is based on well-established governance processes and relies on both individual responsibility and collective oversight, supported by comprehensive reporting. This approach balances strong corporate oversight at company level, beginning with proactive participation by the company's chief executive and the company board of directors committee in all significant risk matters, with independent risk management department within the company.

The company during the year 2014 was operating according to its Internal Regulations Manual regarding the risk that the company was able to take according to its assets positions. Main purpose of the Risk Management Department was to minimize the effects of fluctuations in financial markets on the value of

the Company's financial assets and liabilities. Risk management policies and systems are reviewed to reflect changes in market conditions and the Company's activities. Operational risk management forms part of the day-to-day responsibilities of management at all levels.

Risk appetite is the maximum level of residual risk that the company is prepared to accept to deliver its business objectives. The company has developed a robust framework that is used to articulate risk appetite throughout the company. The board establishes the company's parameters for risk appetite by providing strategic leadership quittance, reviewing and approving annual budgets and forecasts under different risk scenarios and quarterly reviewing and monitoring the company's risk performance. The company's risk appetite statements are define by headline earnings, liquidity, regulatory capital, economic capital and the confidence level applied to our capital adequacy to cover any unexpected losses.

Credit risk comprises counterparty risk, settlement risk and concentration risk. Counterparty risk is the risk of credit loss to the company as a result of failure by a counterparty to meet its financial or contractual obligations to the company. Settlement risk is the risk of loss to the company from settling a transaction where value is exchanged, but where it fails to receive all or part of counter value. Credit concentration risk is the risk of loss to the company as a result of excessive build of exposure to, among others, a single counterparty, a market, a product, a financial instrument and the country.

The company during 2011 obtained the license from CySec of giving loans to client for performing transaction in the stock exchange. No new loans to client were given during 2014. The total amount of credit given to clients to perform trades with the Cyprus and Athens stock exchanges during 2014 was 82thousand euros given to 4 clients. The entire amount given as credit to customers is covert by shares own by customers and the shares that the customers are trading through us. The exposure of the company to credit risk does not consist from big exposures and the Investment committee understands that the counterparties are able to pay up their obligations to the company without any failure.

Liquidity risk arises when the company, despite being solvent, cannot maintain or generate sufficient cash resources to meet its payment obligations as they fall due to counterparties that provide banking services to the company. This type of event may arise where counterparties who provide the company with funding withdraw as a result of generalized disruption in asset markets which results in normally liquid assets become illiquid.

Country risk is the cross border transfer risk, the uncertainty that a client or counterparty, including the relevant sovereign, will be able to fulfill its obligations to the company outside the host country due to political or economic conditions in the host country.

During 2014 in order to minimize the effect that liquidity risk and/or country risk and due to the fact that its operations are connected with the Cyprus Stock Exchange as well as with the Athens Stock Exchange, the company was using as its main bankers the Bank of Cyprus, Eurobank Cyprus and Bank of Piraeus in Cyprus as bankers for the company's current accounts. Also client accounts were kept besides these three banks in Eurobank Ergasias Greece, Hellenic Bank Cyprus, Alpha Bank Cyprus and at the cooperatives of Makrasikas and Allilegies.

It is important for the company to keep client accounts in several banks and in both countries, Cyprus and Greece, in order for clients' checks to clear same day as the deposit in order for the company's cash flow to face no risk as far as payments perform at the stock exchanges for the clearing of client's transactions. All accounts were kept in Euros and there was no currency risk. Also due to the diversification of the Client's accounts the company minimizes the liquidity risk in case of a default of any banking institution. Due to this diversification of funds the company did not face any real problems regarding the capital controls that the banks in Cyprus were facing during 2014.

Market risk is the risk of a change in the actual or effective market value or earnings of a portfolio of financial instrument caused by adverse movements in market variables such as equity, bond and commodity prices, currency exchange and interest rates, credit spreads, recovery rates and correlation, as well as implied volatilities in all of the above.

During 2014 due to the fact that the company cannot perform the investment activity of dealing for own account, it had no investments in bonds or shares in any stock market. Also during 2014 the company had no loans to banks following the decision taken by the board of directors. The only form of loan that was made was the risk taken by the members of the board to the guarantee given by the company to the Cyprus Stock Exchange for 60thousand euro.

The company's Investment committee and the Risk Management officer through their different decisions want to ensure that the company is capitalized in line with the risk profile, regulatory requirements and economic capital standards approved by the board. The risk management's objectives are to maintain sufficient capital resources to meet minimum regulatory capital requirements set by the Cyprus Security and Exchange Commission, maintain sufficient capital resources to support the company's risk appetite, cover unexpected loss within the company's target confidence levels, allocate capital to businesses to support the company's objectives and ensure that the company holds capital in excess of minimum requirements in order to withstand the impact of potential and/or unpredicted stress events.

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events. All people involved in the operations are working between certain procedures that are approved by the board and everybody's work regarding company's operations as payments, new customer account opening and execution of customers' orders is monitor by the risk management officer. Adequate backups are kept in order for the company to be able to operate once an external disaster occurs. Also the company owns an electric generator to be able to operate once the electric supply is down. Also the company has two different internet supplies to avoid any discontinuation of the operations. Contingency and recovery plans for core services, key systems and priority business processes have been developed and are revisited as part of existing management processes to ensure that continuity strategies and plans remain relevant. Awareness campaigns remain a critical tool in driving a business continuity culture across the company. The company will continue to enhance and develop operational resilience to meet evolving business priorities.

Based on the calculations that where prepared for the own funds and the capital ratio for the year ended 31/12/2014 our own funds where amounted to €231thousand based on Common Equity Tier 1 capital where the minimum requirements according to circular C046 from CySEC regarding the initial capital for the CIF is €125thousand. Also our capital adequacy ratio by the end of 2014 regarding CET1 capital ratio, T1 capital ratio and Total Capital ratio was 26.89%. According to Article 92 of the Regulation of EU No.575/2013 a CIF at all-time has to satisfy a CET1 capital ratio of at least 4.5%, T1 capital ratio of 6.0% and Total Capital ratio of 8.0%.

The Cyprus and Greek economy continues to be volatile and under stress, and our commitment to sound risk management has proved to be effective. We recognize that maintaining and continually enhancing our risk management capabilities will be critical in the months ahead to ensure that the Company's financial and strategic objectives are achieved within approved levels of risk appetite. During the months ahead difficult decisions will be taken regarding the future of Greek Economy. These decisions will have an effect on our company's business. The Risk Management Officer is looking closely at all possible scenarios and tries to minimize any negative effect, from the decisions that will be taken, on our company.

### *II. Balance sheet reconciliation*

| **Balance Sheet Description, as per published financial statements** | **Amounts** |
|---|---|
| | **€000** |
| Share Capital | 852 |
| Reserves | (621) |
| **Total Equity as per audited accounts** | **231** |
| | |
| **Total Regulatory Own Funds** (Refer to Table 1 above) | **231** |
| | |
| **Diff** | **-** |

### *III. Own funds disclosure template under the Transitional and fully phased in definition*

| **At 31 December 2014** | **Transitional Definition** | **Full - phased in Definition** |
|---|---|---|
| | **€000** | **€000** |
| **Common Equity Tier 1 capital: instruments and reserves** | | |
| Capital instruments and the related share premium accounts | 852 | 852 |
| Retained earnings | (565) | (565) |
| Accumulated other comprehensive income (and other reserves, to include unrealised gains and losses under the applicable accounting standards) | 0 | 0 |
| Funds for general banking risk | 0 | 0 |
| **Common Equity Tier 1 (CET1) capital before regulatory adjustments** | **287** | **287** |
| **Common Equity Tier 1 (CET1) capital: regulatory 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 |
| Losses for the current financial year | (56) | (56) |
| Regulatory adjustments relating to unrealised gains and losses | 0 | 0 |
| **Total regulatory adjustments to Common Equity Tier 1 (CET1)** | **(56)** | **(56)** |
| **Common Equity Tier 1 (CET1) capital** | **231** | **231** |
| **Additional Tier 1 (AT1) capital** | **0** | **0** |
| **Tier 1 capital (T1 = CET1 + AT1)** | **231** | **231** |
| **Tier 2 (T2) capital** | **0** | **0** |
| **Total capital (TC = T1 + T2)** | **231** | **231** |
| **Total risk weighted assets** | **858** | **858** |
| **Capital ratios and buffers** | | |
| Common Equity Tier 1 | 26,89% | 26,89% |
| Tier 1 | 26,89% | 26,89% |
| Total capital | 26,89% | 26,89% |
| | | |

**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.