Prochoice Chrimatistiriaki Ltd

Disclosures in accordance with the Directive for the Capital Requirements of investment firms for the year ended 31 December 2011

May 2012

CONTENTS

1. GENERAL INFORMATION AND SCOPE OF APPLICATION

Requirements of the Directive

The information below is disclosed in accordance with Directive DI144-2007-05 of 2011 of the Cyprus Securities and Exchange Commission ("CySEC") for the Capital Requirements of Investment Firms.

The information that Prochoice Chrimatistiriaki Ltd ('the Company") discloses herein relates to the year ended 31 December 2011.

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 and commenced its operations on the 8th July 2010.

Prochoice Chrimatistiriaki Ltd is a subsidiary of A.L. Prochoice Group Public Ltd (30,35%) which is a public company listed on the Cyprus Stock Exchange (CSE) since 2001. It is also a member of the Cyprus Stock Exchange (CSE) and a distant member of the Athens Stock Exchange (ASE).

The Company is authorized to provide the following investment and ancillary services:

Investment Services
Reception and transmission of orders on behalf of third parties
Execution of orders on behalf of third parties

Ancillary Services
Safekeeping and administration of financial instruments, including custodianship and related services
Foreign exchange services where these are connected to the provision of the above 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

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. RISK MANAGEMENT AND GOVERNANCE OF THE COMPANY

The Board of Directors has overall responsibility for the establishment and oversight of the Company's risk management and governance framework.

The Company's risk management procedures are established to identify and analyse the risks faced by the Company. Risk management systems are reviewed regularly to reflect changes in market conditions and the Company's activities.

The Company’s accounting and finance and risk departments report to the Chief Operating Officer respectively. The objective of the risk management department is 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, on reported profitability and on the cash flows of the Company.

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
- Accounting and Finance Department
- Internal Audit
- Accounting and Finance Department

<u>Board of Directors</u>
The Board of Directors has the responsibility of:

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

<u>Investment Committee</u>
The Investment Committee determines the risk pricing policy of the Company.

<u>Risk Management Department</u>
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.

<u>Internal Audit (outsourced)</u>
The Company’s internal audit function is separate and independent from the other functions and activities of the Company.

The internal audit function responsibilities 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

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.

3. OWN FUNDS

The Own Funds of the Company consist solely of Tier 1 Capital, which is made up of share capital and reserves (retained earnings and audited loss form current year). The only deductions from own funds were intangible assets amounting to 6 thousand Euros.

The Own Funds (Capital Base) of the Company were 563 thousand Euros and are analyzed in Table 1 below:

Table 1: Capital Base

	31 December 2011 €000
Original Own Funds (Tier 1)	
Share Capital	852
Retained Earnings	-98
Audited income (negative) from current year	-185
Less: Intangible Assets	-6
Total Eligible Own Funds	**563**

Share Capital

The Company's issued share capital as at 31 December 2011 amounted to €852.000, divided into 852.000 ordinary shares of €1 each.

Large Exposure

In accordance with the records of the Company as at 31 December 2011, there were no deductions from the capital base due to large exposures in the Non-Trading Book.

4. CAPITAL REQUIREMENTS

Minimum regulatory capital requirements

The capital requirements of the Company as at 31 December 2011 were 67 thousand Euros and are analyzed in Table 2 below:

Table 2: Minimum Capital Requirements

Risk Type	Minimum Capital Requirements €000
Credit Risk	30
Market Risk	0
Operational Risk	37
Total	**67**

The Capital Adequacy ratio of the Company as at 31 December 2011 was 67, 59%.

4.1. Credit Risk

General

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 reporting 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 in Cyprus and abroad. The Company deposits its funds in reputable Financial Institutions in order to minimise 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.

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. For exposures to institutions, the risk weight depends on the term of the exposure (more favorable risk weights apply where the exposure is under three months) and on the sovereign risk rating. The 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. Moreover, the

Company did not apply credit risk mitigation techniques as it did not use any form of collateral during the period.

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	Minimum Capital Requirements
	€000	**€000**	**€000**
Institutions	585	381	13
Corporates	130	182	15
Other Items	30	29	2
Total	**745**	**592**	**30**

Risk Weighted Assets and Credit Quality Steps

Institutions

For the credit ratings of institutions, the Company has used the ratings provided by Fitch to rate its exposures. The Company's exposures under this category were located in institutions in Cyprus, Greece and United Kingdom.

Corporates

Exposures to corporates were unrated. As a result, a 100% risk weight was used.

Other Items

The Other Items category includes cash in hand, fixed assets and tax receivables from the Cyprus government. A risk weight of 100% has been applied to all other items, except to cash in hand were 0% risk factor has been applied.

The following Table presents the exposures of the Company by Credit Quality Step "CQS" and asset class.

Table 4: Exposure amount by credit quality step and asset class as at 31/12/2011					
Asset Class	**CQS 1 €000**	**CQS 3 €000**	**CQS 4 €000**	**Unrated/ Not Applicable €000**	**Total €000**
Institutions	2	233	146	-	381
Corporates	-		-	182	182
Other Items	-	-	-	29	29
Total	**2**	**233**	**146**	**211**	**592**

Maturity of the exposures

Table 5 presents the breakdown of exposure classes per residual maturity

Table 5: Exposure classes and residual maturity				
	No maturity	**Current account/ Less than 3 months**	**More than 3 months**	**Total**
Asset Class	**€000**	**€000**	**€000**	**€000**
Institutions	-	269	112	381
Corporates	119	19	44	182
Other Items	27	-	2	29
Total	**146**	**288**	**158**	**592**

Table 6 presents the exposures of the company by geographic area:

Table 6: Exposure classes and geographical distribution

Asset Class	Cyprus €000	Greece €000	UK €000	Total €000
Institutions	233	146	2	381
Corporates	182	-	-	182
Other Items	29	-	-	29
Total	**444**	**146**	**2**	**592**

Table 7 below presents the breakdown of the Company's exposures 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	381	-	381
Corporates	146	36	182
Other Items	-	29	29
Total	**527**	**65**	**592**

Impairment

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).

The Company recorded no provisions and impairments for past due exposures as at 31/12/2011.

4.2. 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.

Capital Requirements

The Company applies the Basic Indicator Approach for calculating the amount of capital required under the minimum regulatory capital requirements for Operational Risk. The minimum capital requirements under this approach, and based on the average of the actual gross-income for 2010-2011 and the projected gross- income for 2012, amounts to 37 thousand Euros.

4.3. Market Risk

General

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company's income or the value of its holdings of financial instruments.

Foreign Exchange risk
Foreign exchange risk results from adverse movements in the rate of exchange on transactions in foreign currencies. The Company keeps all 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 31/12/2011, the Company did not have any exposure in foreign currencies. As a result, the Company does not hold any capital for foreign exchange risk.

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