SKANESTAS INVESTMENTS LIMITED

Authorised and Regulated by the Cyprus Securities and Exchange Commission under license number 251/14

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Annual Report for Disclosure of Information for the year 2015

Basel III / Pillar III

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Contents

1. Basel III / Pillar III Regulatory Framework ... 3
2. Information about the Company ... 4
3. Basis of preparation of the Report, frequency of disclosures and location. ... 5
4. Risk management framework and other risk management disclosures. ... 6
5. Own funds structure. ... 10
6. Capital requirements and capital adequacy ... 14
7. Credit Risk. ... 18
8. Market risks ... 26
8.1 Foreign exchange risk ... 26
9. Operational risks ... 27
10. Liquidity risk ... 28
11. Remuneration and recruitment policies and practices. ... 29

1. Basel III / Pillar III Regulatory Framework

The Basel Committee on Banking Supervision, the primary global standard-setter for the prudential regulation of banks, had implemented the basis for assessing the capital requirements and capital adequacy (known as Basel II). The Basel II framework requirements were incorporated into European and Cyprus national relevant regulations.

In 2013 the European Union adopted a legislative package to strengthen the regulation of the financial sector and to implement the Basel III agreement in the EU legal framework. Basel III, developed by the Basel Committee on Banking Supervision, is a comprehensive set of reform measures and prudential regulations, aiming to strengthen the regulation, supervision and risk management in the financial sector. The new package replaced previously applied capital requirements directives (2006/48 and 2006/49) with a Capital Requirements Regulation (CRR) Capital Requirements Directive IV (CRD IV) came in force in 2014 (Regulation (EU) No 575/2013, Directive 2013/36/EU).

New legislative package (CRR and CRD IV) has introduced substantive changes to the methods and principles to capital requirements and calculation in compare to the one existed earlier (for example, introduced changes in calculation of risk weighted assets) and also implemented some principally new requirements and measures such as leverage and liquidity, implementation of various capital buffers etc. New legislative package also emphasises importance of internal governance arrangements transparency. Certain provisions of a new legislative package are subject to transitional period provisions.

Regulatory body in the Republic of Cyprus, the Cyprus Securities and Exchange Commission (CySEC), has issued a number of Directives, Circulars and technical guidelines related to implementation of new legislative and also imposed the rules on application of transitional provisions, in particular: “Directive DI144-2014-15 on discretions of the Cyprus Securities and Exchange Commission arising from Regulation (EU) No.575/2013” and “Directive DI144-2014-14 for the prudential supervision on Investment Firms”.

The Basel III, similar to the predecessor is based around three complementary elements or “pillars”:

- Pillar I covers Minimum Regulatory Requirements – eligible funds should be sufficient to cover capital requirements for credit risk, market risk and operational risk;
- Pillar II covers the Supervisory Review Process, which assesses the internal capital adequacy processes (ICAAP). ICAAP addresses a wide range of risks, not only those risks covered by Pillar I, but also, for example, such risks as liquidity risk, concentration, reputation and other;
- Pillar III Market discipline, covers transparency and the obligation of investment firms to disclose the regulatory capital requirements and to provide meaningful information related to their risks, capital, risk management and internal control processes.

2. Information about the Company

Skanestas Investments Limited was incorporated on 10th of June 2013. The Company was granted its CIF authorization on 14th October 2014 and its further amended on 07th January 2015.

The Company is authorised and regulated by Cyprus Securities and Exchange Commission (CySEC, the Regulator) under the number 251/14.

The principal activities of the Company are the provision of investment services, including reception, transmission and execution of orders on behalf of Clients, portfolio management, ancillary services, including safekeeping and administration of financial instruments for the account of Clients, including custodianship and related services, granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments and foreign exchange services where these are connected to the provision of investment services. During the year ended 31 December 2015 the Company did not renounced any of it's license activities.

The financial result of the Company for the year ended 31 December 2015 was USD (200.131). On 31 December 2015 the total assets of the Company were USD346.353, and net assets were USD335.246. (Loss) / Return on assets (net (loss) / profit divided by total assets) for the year ended 31 December 2015 was (USD 0.58) per USD1.00 of total assets.

The Auditor of the Company is Yiallourides & Partners Ltd, incorporated in Cyprus.

3. Basis of preparation of the Report, frequency of disclosures and location.

The purpose of this Report is to provide updated information on application by the Company of the Basel framework for assessing the capital requirements and capital adequacy and risk assessment process in accordance with Pillar III requirements.

This Report has been prepared in accordance with the provisions of the Capital Requirements Regulation (in particular Part Eight of the Regulation (EU) No.575/2013), Capital Requirements Directive IV and relevant provisions of CySEC regulations.

This Report is based on the audited financial statements of the Company for the year ended 31 December 2015.

The Company's financial statements, capital adequacy report and other reports to the Regulator are prepared on a standalone (solo) basis since the Company does not have any subsidiaries in accordance with the International Financial Reporting Standards.

The Disclosures have been reviewed and approved by the Company's Board of Directors. The compliance of the Disclosures with the requirements of CySEC Directive DI144-2014-14 has been verified by the Company's external Auditor on a sample basis.

In accordance with the Article 433 of the Regulation (EU) No.575/2013, financial institutions are required to publish the disclosures, required in by Part Eight of the Regulation (EU) No.575/2013 at least on an annual basis. The Company considered whether more frequent publication of some or all the disclosures (in particular, of the disclosures related to own funds and capital requirements, in accordance with Articles 437 and 438 CRRIV) is required and came to the conclusion that annual publication is adequate.

The Company prepares and presents the disclosures (herein the Disclosures) required by Part Eight of the Regulation (EU) No.575/2013 annually. The Disclosures are published on the Company's website: www.skanestas.com

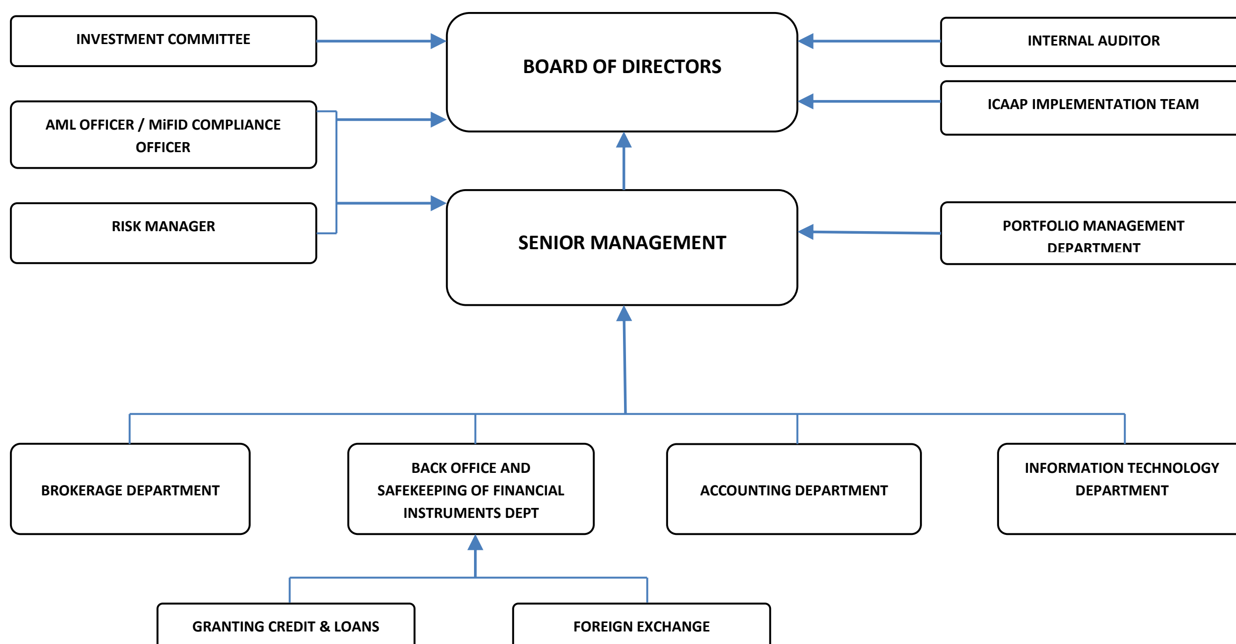
4. Risk management framework and other risk management disclosures.

Risk is inherent to the activities of investments companies. The Company's ability to identify, measure, monitor and manage each type of risk to which the Company is exposed is an important factor in its financial soundness, profitability, reputation and in the achievement of its strategic targets. Risk management is also one of the most important aspects in decision making; it aims to identify any risks to which the Company is potentially exposed when making decisions and to avoid or minimise such risks.

The risk management function in the Company is carried out in respect of all major types of existing and potential risks including credit, market, operational and other risks. The internal risk governance procedures in the Company are carried out based on principals of comprehensive analysis and control. The Company's organisational structure represents the following bodies responsible for risk management:

- The Board of Directors (strategic level)
- ICAAP Implementation Team and Investment Committee (strategic and tactical level);
- Risk management department and Risk manager (tactical and operational level);
- Heads of key departments (operational level).

The Company's organizational structure as at 31 December 2015.



The Board of Directors has the ultimate responsibility for the management framework of the Company and monitoring of the internal control mechanisms of the Company. The Board meets on a regular basis, and receives updates on risk and regulatory capital matters from management. The Board of Directors reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies, procedures and work as well as the Company's risk management policies and procedures as implemented by Management.

The Risk Management Department of the Company, assists the Board of Directors in fulfilling its responsibilities and obligations concerning the risk management aspects, risk monitoring and implementation of risk mitigation measures while the daily functions of risk management are performed by the risk manager.

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures that are designed to help to identify and manage risks related to the Company's activities. The risk management framework and risk management procedures are regularly reviewed and updated in order to reflect business and regulatory environment change and to be sufficient to recognize, monitor and manage the risks the business is currently exposed to or might potentially face in the future.

The current risk management framework in place sets the process applied to the activities of the Company, designed to identify potential events that may negatively affect the Company's business, to manage risks within its risk appetite, and to provide reasonable assurance that risks are compatible with the Company's mission and its objectives. Actual risk levels are subject to regular monitoring by the Risk Management Department which includes a risk evaluation of the Company's portfolio and monitoring actual exposures against limits.

Communication of information at all relevant levels of the Company is defined by the organizational structure disclosed above, which clearly specifies reporting lines and allocates functions and responsibilities; the Company maintains internal reporting of various risk types, frequency, and depth of reports.

The Company's risk management framework is based on a continuous monitoring by management and relevant committee of the Company. The risk management framework is proportionate to the scale, nature and complexity of the Company's business and comprises of the following components:

-ICAAP procedures;
-Risk Management and Investment Committees;
-Regular Compliance Officer inspections;
-Regular Internal auditor's inspections;
-Regular Anti-money laundering Compliance officer inspections;
-Line Management;
-Financial Statements of the Company are audited annually by the auditor of the Company.

Internal audit function is outsources and performed by the independent specialized Company and the compliance function is performed by a full-time in-house professional Compliance Officer that aim to evaluate independently the effectiveness of the Company's system of internal controls and compliance with the regulatory requirements. The Company's Board of Directors regularly monitors and reviews results of inspections and audits and takes necessary actions to ensure the continuous compliance with the relevant laws, regulations, adequacy and appropriateness of internal risk management policies and procedures.

The risk management function also performs an assessment of risk distribution within the Company between the Company's departments. This assessment is mainly based on the areas of responsibilities of the relevant departments, consideration of inherent strengths, capabilities and weaknesses and focusing on potential risks relevant for each particular department and responses to the risks.

Risk culture is a critical element in the Company's risk management framework and procedures. Management considers risk awareness and risk culture within the Company as an important part of the effective risk management process. Ethical behavior is a key component of the strong risk culture and its importance is also continuously emphasized by the management.

By setting a proper "tone at the top" in the Company and encouraging critical thinking and judgment around risk decision-making, management created an atmosphere of ethical behavior and risk awareness. The attitude of management to place ethical behavior, risk awareness and overall risk management processes on a high level of the corporate values matrix encourages employees of the Company to be of the same attitude to risk and ethical values and helps maintaining sound internal corporate and risk management environment.

The managing body of the Company acknowledges a principle of proportionality, individual circumstances, nature, scale and complexity of the Company's activities when developing, maintaining and assessing efficiency and

effectiveness of the corporate governance arrangements, risk management framework and procedures.

Skanestas Investments Limited is not a public company and its shares are not publicly traded. The Company has a clearly defined and not complex internal organization; the Company is not large in terms of capital and number of employees. During the reporting period and as at the reporting date the Company was not involved in dealing with complex derivative instruments.

Considering the nature, scale and complexity of operations that are expected in the future, the Company has developed a policy that establishes and applies processes and mechanisms that are most appropriate and effective in monitoring activities.

The aggregate level of risk an institution is willing to assume within its risk capacity to achieve its strategic objectives and taking into account the risk / return attributes characterize a risk appetite. Considering market conditions, other external factors and business strategy the Company maintains its current risk appetite at a medium level on a scale from low to high.

Risk appetite scale:

COLOUR	RISK LEVEL
	Low
	Medium
	High

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to identify and manage any type of risks related to activities of the Company. The Company's risk management function ensures regular provision of information regarding risk monitoring, identified risks, recommendations and proposed measures to the management. The overall risk management arrangements and procedures in place are considered by the managing body as sufficient in all material aspects, appropriate and consistent with the principle of proportionality.

5. Own funds structure.

In accordance with the provisions of the Part two of the Regulation (EU) No.575/2013, the own funds comprise the following elements:

-Tier1 capital, which consists of the sum of:

- ✓ Common Equity Tier1 capital
- ✓ Additional Tier1 Capital

-Tier2 capital

The Common Equity Tier1 capital comprises in particular the following components:

-Capital instruments, that meet criteria laid down in the Article 28 and 29 of CRR;
-Share premium accounts, that relate to the capital instruments referred to above;
-Accumulated retained earnings and other comprehensive income;
-Other reserves.

The additional Tier1 capital includes certain capital instruments as defined in the Chapter three Part two of CRR. The Tier2 capital may include such elements as capital instruments and subordinated loans that meet the conditions laid down in the Article 63 of the Regulation (EU) No.575/2013 and share premium accounts related to such instruments and other items in accordance with CRR.

The Company's own funds are fully formed by Common Equity Tier1 capital and do not include any elements of additional Tier1 capital or Tier2 capital.

As at 31st December 2015 the Company's common Equity Tier1 (CET1 capital) capital consisted of the following components:
-Share capital (ordinary shares, classified as equity);
-Share premium (premium over the nominal value of the additionally issued ordinary shares)
-Eligible reserves (accumulated losses carried forward)
-Other Reserves

All the elements on the Company's CET1 capital satisfy the requirement laid down in the Chapter One Part Two of CRR to be qualified as CET1 elements, in particular:

-The capital instruments were issued directly by the Company;
-The capital instruments were paid up;
-The capital instruments are classified as equity within the meaning of the IFRS;
-The capital instruments are clearly and separately disclosed in the Company's statement of financial position;
-The capital instruments are of perpetual nature;
-The capital instruments rank below all other claims in the event of insolvency or liquidation of the Company;
-Entitle their owners to a claim on the residual assets of the institution;
-Retained earnings and other reserves are available for unrestricted and immediate use to cover risks or losses as soon as these occur and verified by the persons independent of the Company that are responsible for the auditing of the accounts of the Company.

The number of issued ordinary shares as at the reporting date is 13.220 shares EUR1.00 nominal each. (2013: 1.000 issued shares, EUR1.00 each; 2014: 11.000 issued shares, EUR1.00 each). The Company was incorporated in accordance with the provisions of the Companies Law, Cap.113. The shares are not convertible and do not bear fixed dividends, dividends are fully discretional.

In the Company's statement of financial position the Company's shares are classified as shareholders equity. In accordance with the regulatory treatment the Company's ordinary shares are classified CET1 capital (both transitional and post-transitional provisions).

At the reporting date, the Company's eligible reserves include accumulated losses due to the fact that the Company activated its operational license at the end of the year 2015 and did not have any income from its main operations. The Disclosures were prepared based on the audited financial statements of the Company and the amount of the eligible reserves (accumulated losses carried forward) is respectively based on the audited figures.

Provisions of CRR require application of prudential filters and deductions reducing the amount of institutions' own funds, relevance and application of which to the Company's own funds is analysed below:

-Article 32 of CRR requires institutions exclude from the elements of own funds increase in its equity that results from securitised assets. During the financial year ended 31st of December, 2015 the Company did not use securitization as a funding mechanism, and therefore the provisions of Article 32 of CRR are not applicable for the Company;

-Article 33 of CRR requires institutions to exclude from the elements of own funds fair value reserves related to cash flow hedges of financial instruments not valued at fair value, gain and losses on liabilities at fair value resulting from the changes in own credit standing and fair value gains or losses arising from the institution's own credit risk related to derivative liabilities. As at reporting date, the Company was not engaged in any derivative transactions and/or open cash flow hedging positions, therefore no elements referred to in Article 33 of CRR are included in the own funds of the Company.

-Article 34 of CRR requires institutions to exclude from the elements of own funds additional fair value adjustments to the assets measured at fair value. As at the reporting date, there were no assets measures at fair value that were assessed as required additional value adjustment after due consideration by the management;

-In accordance with the provisions of Article 35 of CRR, there were no adjustments made to remove from the own funds unrealised gains/losses on assets and liabilities measured at fair value;

- In accordance with the provisions of Article 36 of CRR, the following deductions were made from the Company's CET1 capital:

- ✓ Losses for the current financial year;
- ✓ Other Reserves
- ✓ Intangible assets (effect of transitional provisions assessed as immaterial);

Except for the above stated, other elements referred to in the Article 36 are not applicable, considering the Company's capital structure.

-Deductions from Additional Tier1 capital as required by the Article 56 of CRR are not applicable for the Company due to absence of element of Additional Tier1 capital in the Company's own funds structure;

- Deductions from Tier2 capital as required by the Article 66 of CRR are not applicable for the Company due to absence of element of Tier2 capital in the Company's own funds structure;

-Provisions of the Article 79 of CRR are not applicable for the Company.

The table below provides detailed analysis on the Company's own funds structure as at the reporting date of 31st of December 2015 considering both application of transitional provisions and also calculation of own funds based on fully phased-in provisions.

Own Funds Elements	Based on transitional provisions USD	Based on fully phased-in provisions USD
Share Capital	15.811	15.811
Share Premium	523.589	523.589
Total equity capital	**539.400**	**539.400**
Less:		
Cumulative losses carried forward:		
Retained loss brought forward (based on audited financial statements for the year end 2015)	(209.218)	(209.218)
Other Reserves	(8.059)	(8.059)
Less Deductions:		
Intangible Assets	(3.617)	(3.617)
Total eligible own Funds	318.506	318.506

Intangible assets of the Company are represented by a net book value of externally acquired computer software. Due to the fact that the Company's eligible own funds are formed entirely of CET1 capital, deduction of intangible assets entirely related to the Company's CET1 capital.

Total eligible own funds of the Company as at the reporting date in both, transitional provisions and fully phased-in provisions were 319 (000, EUR).

Additionally to the stated above and in order to comply with the provisions of Article 437(1) of CRR, a full reconciliation of Common Equity Tier1 items is presented below. Filters and deductions applied pursuant Articled 32 to 35, 36, 56, 66 and 79 where applicable to the own funds of the Company and the statement of financial position in the Company's audited financial statements for the year ended 31 December 2015 (based on the methodology as defined in the Commission Implementing Regulation (EU) No 1423/2013 of 20 December 2013).

Detailed information regarding reconciliation between the Company's audited statement of financial position items used to calculate own funds and regulatory own funds elements provided in the tables below.

Reconciliation between audited statement of financial position (SoFP) items, presented in US Dollars and regulatory own funds as at 31 December 2015

	Audited SoFP elements (rounded to the nearest thousand)	Adjustments for regulatory own funds requirements	SoFP adjusted for regulatory own finds requirements
ASSETS			
Non-current assets			
Property, plant and equipment	10.093	-	10.093
Intangible assets	3.617	(3.617)	-
	13.710	**(3.617)**	**10.093**
Current assets			
Receivables	79.659	-	79.659
Shareholders' current accounts	13.122	(13.122)	-
Cash at bank and in hand	239.862	-	239.862
	332.643	**(13.122)**	**319.521**
Total assets	**346.353**	**(16.739)**	**329.614**
EQUITY AND LIABILITIES			
Equity			
Share Capital	16.196	-	16.196
Share Premium	536.327	-	536.327
Other reserves	(8.059)	-	(8.059)
Accumulated losses	(209.218)	-	(209.218)
Adjustments for regulatory own funds calculations	-	(16.739)	(16.739)
Total Equity	**335.246**	**(16.739)**	**318.507**
Current Liabilities			
Trade and other payables	11.107	-	11.107
	11.107	**-**	**11.107**
Total equity and liabilities	**346.353**	**(16.739)**	**329.614**

6. Capital requirements and capital adequacy

In accordance with the provisions of Articles 92 (1), Article 465 of CRR and in accordance with the provisions of paragraph 20 CySEC Directive DI144-2014-15, institutions shall at all times satisfy the following own funds requirements:

Minimum regulatory requirements for CET1, Tier1 and Total capital ratios

	Year 2014	Year 2015	Year 2016	Year 2017
Common Equity Tier 1 capital	4.5%	4.5%	4.5%	4.5%
Tier 1 Capital	6.0%	6.0%	6.0%	6.0%
Capital Ratio	8.0%	8.0%	8.0%	8.0%

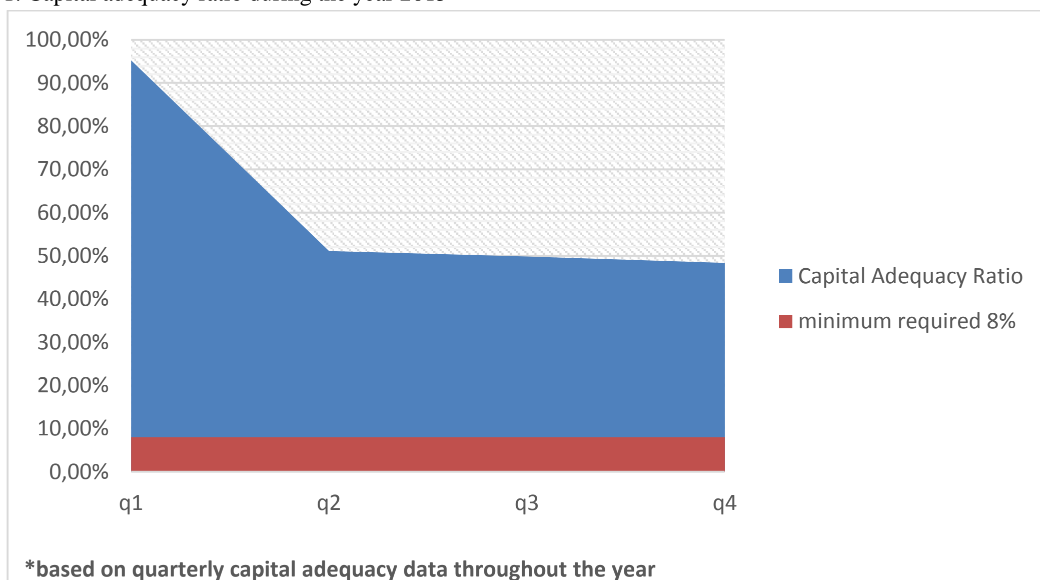
The Company as at the reporting date of 31 December 2015 and during the reporting year maintained a sufficient capital base and a healthy capital ratio in order to safeguard the Company's compliance with imposed regulatory requirements and its ability to continue as a going concern as well as to support the future development of the business.

For the assessment of adequacy of its capital requirements under the Pillar I the Company applies standard approaches in accordance with the current relevant regulations and does not apply currently any approach that would require obtaining permission from the Regulatory body.

During the financial year ended 31 December 2015 and as at the reporting date the Company fully complied with all externally imposed capital requirements, maintained a sufficient level of own funds and capital adequacy ratio substantially above the regulatory requirements.

As it was stated above, the minimum regulatory defined capital adequacy ratio that must be maintained is 8%. During the reporting year and as at 31 December 2015 the Capital ratio of the Company was substantially above the required minimum of 8% as shown in the chart below (based on quarterly reporting of capital adequacy data).

Chart 1. Capital adequacy ratio during the year 2015



During the reporting period the Company submitted its capital adequacy reports to CySEC on a quarterly basis. The Company had submitted all Capital Adequacy returns for the year ended 31 December 2015 in a timely manner.

Total own funds of the Company were sufficient to cover the regulatory imposed capital requirements and the Company maintained a sufficient surplus of own funds over the capital requirements.

The capital adequacy ratio of the Company as at 31 December 2015 was 48.35% (the minimum required ratio is 8%). Summary information on total own funds of the Company, risk weighted exposures calculated as at the reporting date in accordance with current regulation as well as CET1 ratio, Tier1 ratio and total capital ratio are shown in the tables below.

Summary own funds and risk weighted exposures as at 31 December 2015

REGULATORY OWN FUNDS AND CAPITAL ADEQUACY RATIO	USD, 000
OWN FUNDS	
COMMON EQUITY TIER 1 CAPITAL	*319*
ADDITIONAL TIER 1 CAPITAL	*0*
TIER 1 CAPITAL	*319*
TIER 2 CAPITAL	*0*
TOTAL ELIGIBLE CAPITAL	319

RISK WEIGHTED EXPOSURES	USD, 000
RISK WEIGHTED EXPOSURE AMOUNTS FOR CREDIT RISKS	*327*
TOTAL RISK EXPOSURE AMOUNT FOR MARKET RISKS	*332*
TOTAL RISK EXPOSURE AMOUNT FOR OPERATIONAL RISK	*0*
TOTAL RISK EXPOSURE AMOUNT	659

The amount of eligible own funds and risk weighted exposure were calculated in accordance with the relevant regulatory provision (in particular CRR, CRDIV and regulations in the Member State). Regulatory defined methods of assessment of risk weighted exposures applied by the Company will be explained in details further in this report. Based on the amount of own funds and the risk weighted assets, relevant capital ratios were calculated as a percentage of relevant own funds category to the weighted assets as at the reporting date are presented in the table below:

Capital ratios as at 31 December 2015

	Company's Capital Ratios	*Minimum Regulatory Required Capital Ratios*
CET1 Capital Ratio	48.35%	4.5%
Tier1 Capital Ratio	48.35%	6.0%
Total Capital Ratio	48.35%	8.0%

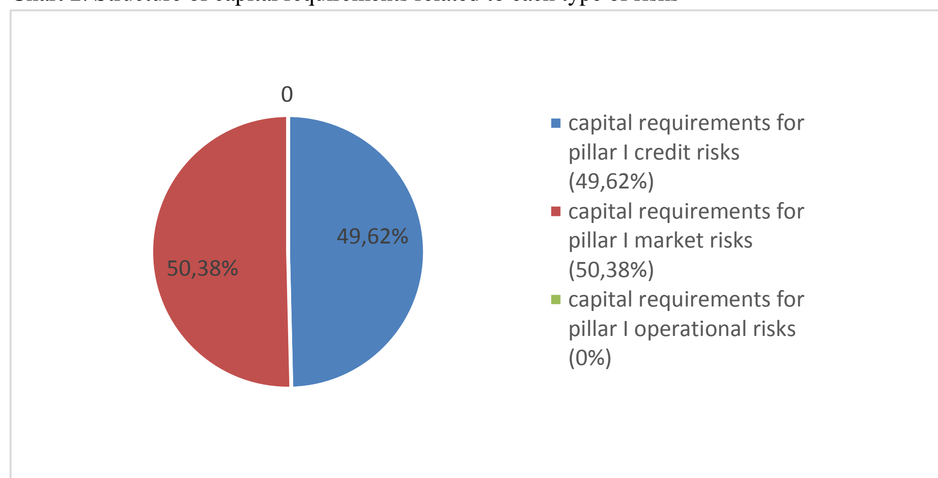
The entire capital of the Company is formed of CET1 capital elements only, therefore both CET1 Capital and Tier1 Capital equal to the total eligible own funds and all three capital ratios are respectively equal. As it is shown in the table above all three capital ratios are substantially above the minimum regulatory requirements.

Although the risk weighted exposures as reported above, provide a transparent explanation on the methods used to calculate the capital ratios, the table below presents relevant capital requirements calculated for each Pillar I risk in order to provide users with analytical comparable information on relevance and significance of each particular Pillar I risks for the Company. The capital requirements are calculated based on relevant legislative provisions as at reporting date and will be disclosed in more details in the later sections of this Report.

Capital requirements for Pillar I risks as at 31 December 2015

CAPITAL REQUIREMENTS	USD, 000
CAPITAL REQUIREMENTS FOR CREDIT RISKS	*26.16*
CAPITAL REQUIREMENTS FOR MARKET RISKS	*26.56*
CAPITAL REQUIREMENTS FOR OPERATIONAL RISKS	*0*
TOTAL CAPITAL REQUIREMENTS FOR PILLAR I RISKS	52.72

Chart 2. Structure of capital requirements related to each type of risks



The main objective of the Company for the purposes of managing its capital is to ensure that the Company complies with the regulatory imposed capital requirements and maintains adequate capital ratio and sufficient capital base in order to cover all material risks it may face and to keep the confidence of clients, creditors and other stakeholders and also to secure the future development of the Company.

7. Credit Risk.

In the ordinary course of business, the Company is exposed to credit risk, which is monitored through various control mechanisms. Credit risk is the risk that counterparty or a client may potentially fail to meet its obligations when they become due. Credit risk will arise when a failure by counterparties or clients to discharge their obligations could reduce the amount of future cash inflows from financial assets held as at the reporting date. Deposits with banks and financial institutions, outstanding receivables and committed transactions are associated with credit risk.

Therefore credit quality of counterparties involved in different business activities with the Company is a crucial element in the Company's management of credit risks.

The Company has implemented procedures and processes for the credit risk analysis of its potential and existing counterparties and clients based on the range of the factors, including:

- Analysis of the business history (including references to earlier business relationship with the Company)
- Analysis of risks associated with the country of establishment
- Analysis of risks associated with operating environment
- Assessment of financial soundness based on available financial information
- Financial experience
- Business reputation and other factors

The Company has implemented and follows procedures for the identification, assessment and mitigation of credit risk components, which include placing of limits on the amount of risk to each counterparty and / or a particular group of counterparties. The allocation of the limits also takes into consideration the factors listed above.

The Company's strategies and processes specifically address the following areas:

-Establishment of appropriate environment for credit risks identifying, measuring, monitoring and controlling by continuous application and review of the Company's procedures for credit risk monitoring;

-Operating under a sound counterparties' due diligence process;

-Maintaining of appropriate credit risk measurement and monitoring process;

As at 31 December 2015 there were no unsettled transactions to be reported. As at year end the Company did not have any unsettled loans receivable. Due to the fact that no loans have been granted by the Company to its employees or management members, the Company did not exposed to the default risk of management or employees of the Company. Therefore the Company bears no corresponding risks for this type of activities.

The Company holds funds in accounts with large reputable Russian, Cyprus and international banks and other financial institutions. Only banks and financial institutions of a high credit quality are qualified to hold the Company's funds. The quality rating admissibility threshold for all credit and financial institutions to be acceptable to hold the Company's funds is no less than "B1 to B3" according to Moody's rating agency or respective levels according to other recognized rating agencies.

In case a financial institution is not rated, management assesses the information available in relation to the creditworthiness and financial strength of the institution (based on the requested and publicly available information), as well as whether the institution is regulated in the country of incorporation.

In case the credit rating of the financial institution at any time falls below the admissibility threshold, management takes all necessary measures to reduce the volume of transactions and balances with this financial institution up to the cessation of business activities with the given institution to mitigate possible increase in credit risk and continuously monitors the risk level to keep it within acceptable levels.

Each new bank and financial institution that considered as a potential funds holder of the Company is to be approved by the Company's management before taking any actions. The Company's management decision will be based on a deep and comprehensive risk management analysis of the institution's financial position and performance, its decision making process, business reputation and other factors. Only banks and financial institutions with sufficient financial strength are considered to be potential funds holders of the Company.

The following limits are defined by the risk manager:

-Limit of credit risk on the issuer;

-Limit of credit risk on transactions with the counterparties;

-Credit limit for the amount of funds in banks and other financial institutions.

The Company also controls its exposure to credit risk by maintaining compliance with concentration limits set on the basis of regulatory requirements (large exposures limits) which are set at a level of 25% of eligible own funds to each particular person or a group of connected persons. For certain financial institutions as defined be the regulations this limit may be set at a higher level but in any case at a level not higher than the 100% of the Company's eligible own funds.

During the Reporting period and as at the Reporting date the Company maintained its exposures to the qualifying financial institutions within the limits prescribed by the legislation in place, in particular in accordance with the Regulation (EU) No575/2013, Directive DI144-2007-15 and Directive DI144-2007-14, which defined the qualifying institutions as financial institutions based in a member state of the European Union and USA, Russia, Canada, Switzerland, Japan and Australia. All the financial institutions with which the Company had exposures during the Reporting Period and as at the Reporting date were qualifying financial institutions in accordance with the relevant regulations.

The heads of the key departments and the risk manager review on a daily basis the reports prepared by the back office and the accounting departments in order to timely identify exposures above the limits.

One of sub-classes of credit risk is known as counterparty credit risk, which might arise from the exposures due to OTC derivative instruments, repurchase and reverse repurchase agreements, long settlement transaction and some other. Counterparty credit risk means the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows.

During the Reporting Period the Company did not commit itself to any repurchase or reverse repurchase agreements and also was not involved in dealing with derivative instruments.

For the purpose of calculation of credit weighted assets and capital requirements for credit risk, the Company applies the Standardised Approach in accordance with the provisions of Chapter 2 of Part Three of CRR, which involves:

- Analysis of exposure value. According to Article 111 of CRR, the exposure value of an asset item shall be its accounting value remaining after specific credit risk adjustments, additional value adjustments and other own funds reductions related to the asset value.

- Each exposure should be assigned to one of the exposure classes defined in the Article 112 of CRR, such as:

- exposure to central governments or central banks;

-exposure to regional governments or local authorities;

-exposure to public sector entities;

-exposure to institutions;

-exposure to corporates;

-exposure secured by mortgages on immovable property;

-exposure in the form of covered bonds;

-exposure associated with particularly high risk and other classes

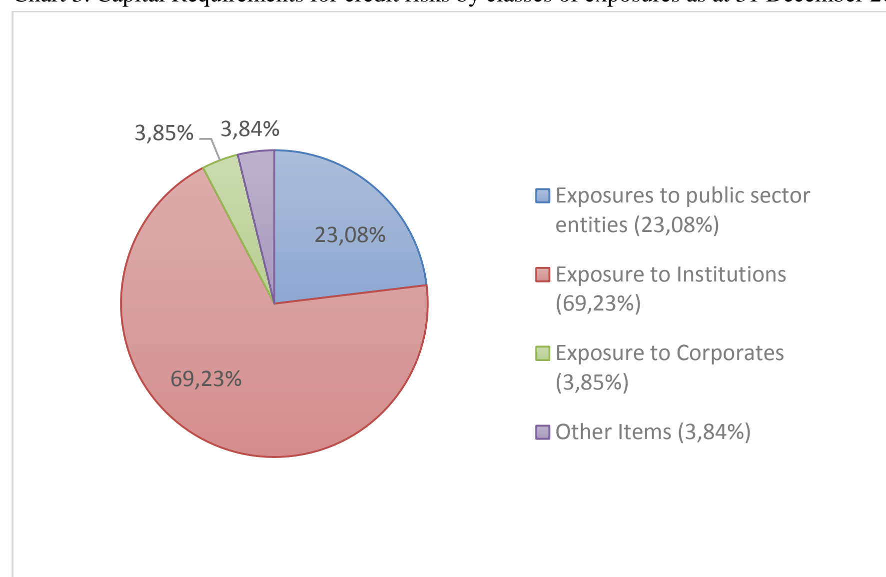
- Except for the items deducted from the own funds, all exposures subject to credit risk then need to be assigned with specific risk weight (i.e. multiplied by the risk weight specified or determined). The application of risk weights shall be based on the exposure class to which the exposure is assigned and on its credit quality;
- To arrive to the amount of capital requirements exposure amount multiplied by the relevant risk weight is multiplied by 8% (which is a regulatory requirement).

The Company's risk weighted exposures and capital requirements for credit risk presented by exposure class, nature, geographical aspects and industry as at 31 December 2015, as well as average exposures for the year ended 31 December 2015 are presented below.

Credit Risk. Total exposures to credit risk and capital requirements as at 31 December 2015 (by classes of exposures)

EXPOSURE CLASSES	Original Exposures	Risk Weighted Exposures	Capital Requirements
	USD, 000	USD, 000	USD, 000
Exposure to Public Sector Entities	75	75	6
Exposure to Institutions	239	223	18
Exposure to Corporates	13	13	1
Other Items	16	16	1
	343	327	26

Chart 3. Capital Requirements for credit risks by classes of exposures as at 31 December 2015



Geographical distribution of exposures by exposure classes as at 31 December 2015

EXPOSURE CLASSES	Cyprus USD, 000	British Virgin Islands USD, 000	Total USD, 000
Public Sector Entities	75	-	75
Institutions	239	-	239
Corporates	-	13	13
Other Items	16	-	16
	330	13	343

Exposures by nature and geographic distribution as at 31 December 2015

EXPOSURE CLASSES	Cyprus USD, 000	British Virgin Islands USD, 000	Total USD, 000
Non-current assets	85	-	85
Cash and cash equivalents	239	-	239
Other Receivables	6	13	19
	330	13	343

Distribution of exposures by industry as at 31 December 2015

EXPOSURE CLASSES	Regional Governments or local authorities	Banks and financial institutions	Investment funds (including ICF) and investment firms	Other industries	Total
	USD, 000	USD, 000	USD, 000	USD, 000	USD, 000
Public Sector Entities	0	0	75	0	75
Institutions	0	239	0	0	239
Corporates	0	0	0	13	13
Other Items	0	2	0	14	16
	0	241	75	27	343

Distribution of exposures by residual maturity as at 31 December 2015

EXPOSURE CLASSES	Less than 3 month	From 3 month to 1 year	From 1 year to 5 years	More than 5 years	Total
	USD, 000	USD, 000	USD, 000	USD, 000	USD, 000
Public Sector Entities	0	0	0	75	75
Institutions	20	219	0	0	239
Corporates	13	0	0	0	13
Other Items	0	2	14	0	16
	33	221	14	75	343

As referred earlier at the reporting date of 31 December 2015 the Company was not exposed to any counterparty credit risk on derivative transactions.

For the purposes of credit risk management, the Company makes assessments on a regular basis whether the exposures to counterparties are past due or impaired.

According to Appendix A of IFRS 7 “Financial Institutions: Disclosures”, “past due” is defined as follows: “A financial asset is past due when a counterparty has failed to make a payment when contractually due”. As at 31 December 2015 the Company did not have any past due financial assets.

According to IFRSs, incurred impairment losses should be recognized in the financial statements of an entity and disclosed. According to paragraph 59 of IAS39 “Financial Instruments: Recognition and Measurement”, a financial asset is impaired and impairment losses are incurred if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a ‘loss event’) and that loss event (or events) has an impact on the estimated future cash flow of the financial asset of group of financial assets that can be reliably estimated.

Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the holder of the asset about the following loss events:

-Significant financial difficulty of the issuer or obligor;

-A breach of contract, such as a default or delinquency in interest or principal payments;

-The lender, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;

-It becomes probable that the borrower will enter bankruptcy or other financial reorganization;

-The disappearance of an active market for that financial asset because of financial difficulties;

-Observable data indicating that there is a measurable decrease in the estimated future cash flows from a group of financial asset since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:

a. adverse changes in the payment status of borrowers in the group (eg an increased number of delayed payments or an increased number of credit card borrowers who have reached their credit limit and are paying the minimum monthly amount);
b. national or local economic conditions that correlate with defaults on the assets in the group (e.g. an increase in the unemployment rate in the geographical area of the borrowers, a decrease in property prices for mortgages in the relevant area, a decrease in oil prices for loan assets to oil producers, or adverse changes in industry conditions that affect the borrower in the group).

The Company uses the following approaches and methods for determining value adjustments and provisions:

The Company first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If the Company determines that no objective of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial

assets with similar credit risk characteristics and collectively assesses them for impairment to the extent applicable to the Company given the nature of its operations and availability of the necessary data. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognized are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on loans and receivables has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount of the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognized in the statement of comprehensive income. If a loan has a variable interest rate, the discount rate for measuring loss is the current effective interest rate determined under the contract. As a practical expedient, the Company may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purposes of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics. Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the debtors' ability to pay all amounts due according to the contractual terms of the assets being evaluated.

Future cash flows in a group of financial assets that are collectively evaluated for impairment are estimated on the basis of the contractual cash flows of the assets in the Company and historical loss experience for assets with credit risk characteristics similar to those in the Company. Historical loss experience is adjusted on the basis of current observable data to reflect the effects of current conditions that did not affect the period on which the historical loss experience is based and to remove the effects of conditions in the historical period that do not exist currently.

When a receivable is uncollectible, it is written off against the related provision for impairment. Such receivables are written off after all the necessary procedures have been completed and the amount of the loss has been determined.

There were no events known to the Company which could have a material effect and require provisions, so no impairment losses were recognized during the year ended 31 December 2015. There were no past due exposures as well.

8. Market risks

Market risk is the risk that movements in market prices, including foreign exchange rates, interest rates and equity prices will have an adverse effect on the Company's income or value of its financial assets and liabilities. Market risk arises from open position in interest rate, fixed open positions in interest rate, fixed income, currency and equity financial instruments and changes in the level of volatility of market prices. Interest rate risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates and is measured by the extent to which changes in market interest rates impact margins and net income.

8.1 Foreign exchange risk

Foreign exchange risk is the risk that the value of financial assets or liabilities will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company's financial statements, capital adequacy report and other reports to the Regulator are presented in the Company's functional currency which is United States Dollar (USD).

According to the provisions of Article 351 of CRR, if the sum of the overall net foreign-exchange position exceeds 2% of its own funds the institution shall calculate own funds requirement for foreign exchange risk. The own funds requirement for foreign exchange risk shall be the sum of its overall net foreign exchange position and its net gold position in the reporting currency, multiplied by 8%. The Company is exposed to foreign exchange risk as of 31 December 2015 since the Company had certain financial assets and cash balances and financial liabilities denominated in foreign currencies which in total exceeded 2% of the Company's own funds. The Company operation activities exposed it to the foreign exchange risk arising primarily from cash balances and financial assets denominated in Euro.

Foreign Exchange Risk. Capital requirements under standardized approach as at 31 December 2015

Total position in non-reporting currency	Total net position	Amount of net position subject to capital charge	Risk capital charge	Capital Requirements
	USD,000	USD,000	USD,000	USD,000
Positions in EURO	332	332	8.00%	27
Positions in Russian Roubles	-	-	8.00%	-
Total	332	332		27

Foreign exchange risks are monitored by the Company on a continuous basis. The Risk Management Department together with the Management of the Company oversee the actual levels of exposures to the activities originally denominated in currencies other than the functional currency of the Company in order to identify if actual levels exceeded allowed and acceptable levels, and to minimize foreign exchange risks to an acceptable level.

9. Operational risks

Operational risk is the risk of loss that might arise from fraud, unauthorized activities, error, omission, inefficiency, or resulting from inadequate of failed internal processes, systems failure or human errors. This risk is inherent in every business organization and covers a wide range of issues. The operational risks include such risks as legal and compliance, security, information systems risks, third parties dependency, external events etc.

The Company manages its operational risks through a control framework and by monitoring and responding to potential risks. Controls in place include effective segregation of duties, IT security, office security and restrictions of physical access to unauthorized personnel, authorization and reconciliation procedures, staff continuous education professional development and trainings (both external and in-house) and assessment processes.

Important internal controls for the overall risk management, and in particular operational risks, are the presence of independent internal auditor, compliance and AML compliance officer that conduct systematically rigorous inspections and internal audits, with direct reporting to the Board of Directors.

The Company also has in place a disaster recovery plan and business continuity plan to ensure ability to operate on an ongoing basis and limit losses in event of business disruption.

The Company has Client Due Diligence and identification Procedures and a very selective approach in choosing its customers and counterparties. The Risk Disclosure Policy determines the types of risks arising from carrying out investment activities on the securities market in detail. The Anti Money Laundering Policy is periodically updated by the Anti Money Laundering Compliance Officer based on the general principles set up by the Company's Board of Directors in relation to the prevention of money laundering and terrorist financing.

Legal risk is the risk of financial losses, including fines and other penalties, which arise from noncompliance with laws and regulations as a result of weakness in the legal framework or from insufficient analysis of legal issues during transaction documentation

preparation. The risk is limited to a significant extent due to the work of the internal auditor and in-house compliance officer of the Company.

Funds sufficiency risk is managed by checks of the funds sufficiency are performed by the Back-Office department and Asset Management Department and make prior decision to deal. Additional control on funds is also provided by the broker's automated systems which enable input orders.

The Company's operational risk assessment is based on the Article 95 of the Regulation (EU) No 575/2013. As at 31 December 2015, additional risk exposure amount due to fixed overheads was zero.

10. Liquidity risk

Liquidity risk is generally associated with the risk of inability to settle the obligations when they fall due or the risk to omit lucrative investment or cost saving opportunity because of the lack of sufficient liquid assets. From this point, the compositions and correspondence of the Company's assets and liabilities and sufficient ratio of high liquid assets determine the extent to which the entity is exposed to this risk. Liquidity risk associated with particular assets including financial assets is the risk that a given asset or security could not be traded quickly enough in the market to prevent loss or to make a profit (opportunity loss). Liquidity risk is also arises when the maturity of assets and liabilities does not match. An unmatched position may potentially enhance profitability, but can also increase the risk of losses.

The type of liquidity risk, recognized by the Company as at 31 December 2015 is the Balance-sheet liquidity risk, which arises from the potential shortage of cash and/or other highly liquid asset that the Company experience when it fulfills its obligations to its counterparties.

The Company's assets and liabilities are categorized on the basis of their term of repayment. Drawing on a retrospective data, the Company makes projections with regards to the balance-sheet movements of its asset and liability accounts. The Company then uses these projections to plan the movements in its assets, minimize its balance-sheet liquidity risks and improve the quality of their management.

11. Remuneration and recruitment policies and practices.

Skanestas Investments Limited management body, the Board of Directors, is responsible for the adoption, periodic review and implementation of the Remuneration Policy. The Board of Directors approved the policy at the meeting that took place on 21 August 2015. The Remuneration Policy that was prepared by Management based on the relevant provisions of Directive DI144-2014-14 for the Prudential Supervision of Investment Firms No 575/2013 on prudential requirements for credit institutions and investment firms and amending regulation (EU) No 648/2012 (herewith “Remuneration Rules”).

The Remuneration policy aims to set remuneration of the directors and staff members that is sufficient to attract, retain and motivate them to improve personal and corporate performance, and to be market competitive but not excessive.

The Company’s management and persons whose duties may have a material impact on the risk profile of the Company comprise the Company’s Board of Directors and members of control-function departments (the Company’s organizational structure disclosed in the Section 4 of this report). Remuneration of the management and persons whose duties may have a material impact on the risk profile of the Company consists of fixed element and may include a variable element. Fixed remuneration is not performance related and includes service fees, salary (in accordance with employment agreements) and other benefits.

Variable element is discretional and comprises additional remuneration which might be set by the Board of Directors depending on financial and non-financial performance and other relevant factors, for example such factors as: successful completion of internal projects on development or improvement and implementation of internal controls or reporting systems, employees turnover reduction, improvement of the overall departmental or operational function’s performance, successful completion of educational programs and obtaining of additional professional qualifications, active involvement of the employee in the intercompany trainings and presentations and other aspects. Variable element of remuneration is limited to a maximum of 50% of a total fixed element of each individual. The Company complied with the set limit.

Service fees of non-executive directors are not performance related.

The management body of the Company is represented by the Board of Directors. The current Company’s Board of Directors comprises two executive directors and two independent non-executive directors. One of the non-executive directors currently holds more than one directorship; however this considered as not having a material impact on performance of their duties as they commit sufficient time to perform their functions in the Company.

During the reporting period there were no individuals being remunerated EUR 1 million or more.

Taking into consideration proportionality principle and limited number of employees and management the Company currently does not hold a separate remuneration Committee. Remuneration aspects are discussed, considered and decided directly by the Board of Directors. However it is the Company's policy that no one participates in own remuneration decision making process, so decisions related to remuneration of the Board members are carried out by the Board of Directors' quorum of at least three members without participating of the interested person whose remuneration is being decided. The Board of Directors discusses remuneration related matters at least annually.

Aggregate quantitative information on remuneration, broken down by senior management and other persons whose duties may have a material impact on the risk profile of the Company as well as broken down by business areas for the financial year 31 December 2015 is presented in the table below:

Aggregate quantitative information on remunerations for the financial year ended 31.12.2015

Business area	Number of persons	Classification	Fixed remuneration	Variable remuneration
			USD,000	USD,000
Corporate governance	4	Senior management	37	-
Control function	2	Persons whose duties may have a material impact on the risk profile of the Company	44	-
Total	6		81	-

Amounts shown in the table represent key personnel remuneration, services fees and non-executive directors' remuneration, including social securities taxes where applicable

Considering limited number of management and employees, the Company is restricted to provide more detailed disclosures as this could lead to the confidentiality breach with respect to the Company's management and personnel.

For the selection of the members of the management body the Company pursuing the targets of having professionally experienced, balanced, and integrity management team. The members need to have higher education, necessary professional qualifications, advanced financial knowledge in particular in the areas of financial markets, accounting and financial reporting, have appropriate skills, knowledge and diverse financial experience to perform their duties. The Company's Board of Directors comprises professionally qualified members, with sufficient financial experience and understanding of financial markets, their professional expertise includes in particular accounting and auditing, IT, financial management and other

areas. The Company recognizes the benefits of having a diverse management team in financial specialization, knowledge skills and expertise, background. Diversity of the Board contributes to higher quality management decisions.