

AS KIT FINANCE EUROPE

Pillar III Disclosure

As of 31 December 2017

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1. INTRODUCTION

This report represents a summary of the capital assessment and risk management process that was prepared for the year-end as of 31/12/2017. The Management Board of AS KIT Finance Europe considers that in general, the risk management arrangements that the Company has put in place are adequate with regard to the Company's profile and strategy.

The Pillar 3 report complements the Annual Report with additional information, and is intended to be read in conjunction with the Annual Report, in particular the Annual Report sections entitled Risk Management, as well as the Notes to the Financial Statements. This report is verified, approved by the Management Board and has not been additionally audited by the Company's external auditors.

The concept of three Pillars requires the following:

- Pillar I- to meet minimum regulatory capital requirement for credit, market, and operational risks;
- Pillar II- to meet the requirement for additional capital to cover the risks analyzed under Company's internal risk assessment and supervisory review process;
- Pillar III – to meet the market discipline enabled by disclosure, with regard to capital adequacy and risk management in order to allow stakeholders to understand the risk profile of the Company.

The standards set out in Basel III (2011) together with requirements of the Capital Requirement Directive (CRD IV, 2013/36/EU), Capital Requirement Regulation (CRR, 575/2013) and EBA Guidelines (EBA/GL/2016/11) introduced much more stringent requirements to the capital adequacy assessment and the disclosure under Pillar III.

The rules in Articles 431 to 451 of CRR set out the provision for Pillar III disclosure. This must be done in accordance with a formal disclosure document. The report is available on the Company's web site and meets its obligations with respect to Pillar III.

The CRR rules provide that one or more of the required disclosures may be omitted if in the Company's view the information is immaterial, proprietary or confidential. Materiality is based on the criterion that the omission or misstatement of any information would be likely to change or influence the decision of a reader relying on that information. The information is proprietary, if it were shared, would undermine competitive position of the Company. Information is considered to be confidential where there are obligations binding the Company to confidentiality with its customers, suppliers and counterparties. Where a disclosure is considered to be immaterial, proprietary or confidential it would be stated in the document.

2. BACKGROUND

AS KIT Finance Europe founded in 2004, is a licensed European investment firm, operating within the framework of applicable European law. The Company is governed by the Estonian Securities Market Act and supervised by the Estonian Financial Supervision Authority. The Company specializes on provision of investment and ancillary services to retail clients, professional investors and institutions on the securities and commodities markets. The Company is a 100% subsidiary of

Russian broker KIT Finance (PJSC). The Company's head office is located in Tallinn, Estonia has a representative office in St. Petersburg, Russia, and a branch in Limassol, Cyprus.

The Company has a clearly defined business model around provision of direct market access (DMA) to main international stock exchanges as well as execution of OTC transactions to the retail clients, mid-sized corporate clients and professional institutions. The Company also holds clients' money and securities. The trading book is operated to meet the regulatory requirements and for hedging purposes. The Company's major assets and liabilities are denominated in Euro, Russian Rubles and US Dollars.

The risk strategy of the Company is aligned with the business model, resulting in the following risks concentrations:

- Credit risk is the risk that the Company suffers losses because of clients and/or counterparties defaulting on their contractual obligations. AS KIT Finance Europe operates within well-defined robust credit granting criteria.
- Market risk arises from the Company's exposure to changes in market prices for foreign exchange rates. The main objective of market risk management is to mitigate the possible loss from uncertainties in market risk factors.
- Liquidity risk always follows one or more spikes in other financial risks. The Market liquidity risk may arise when a market disruptions impairs the company's ability to sell large positions or lower quality positions. This type of liquidity risk refers to margin lending provided to its clients.

Additional information on the Company's management of risk and its risk profile is included in the remaining sections of this document and the Annual Report posted on the site: <https://kfe.ee/about-company/disclosure/>.

3. FREQUENCY OF DISCLOSURE AND BASIS FOR PREPARATION

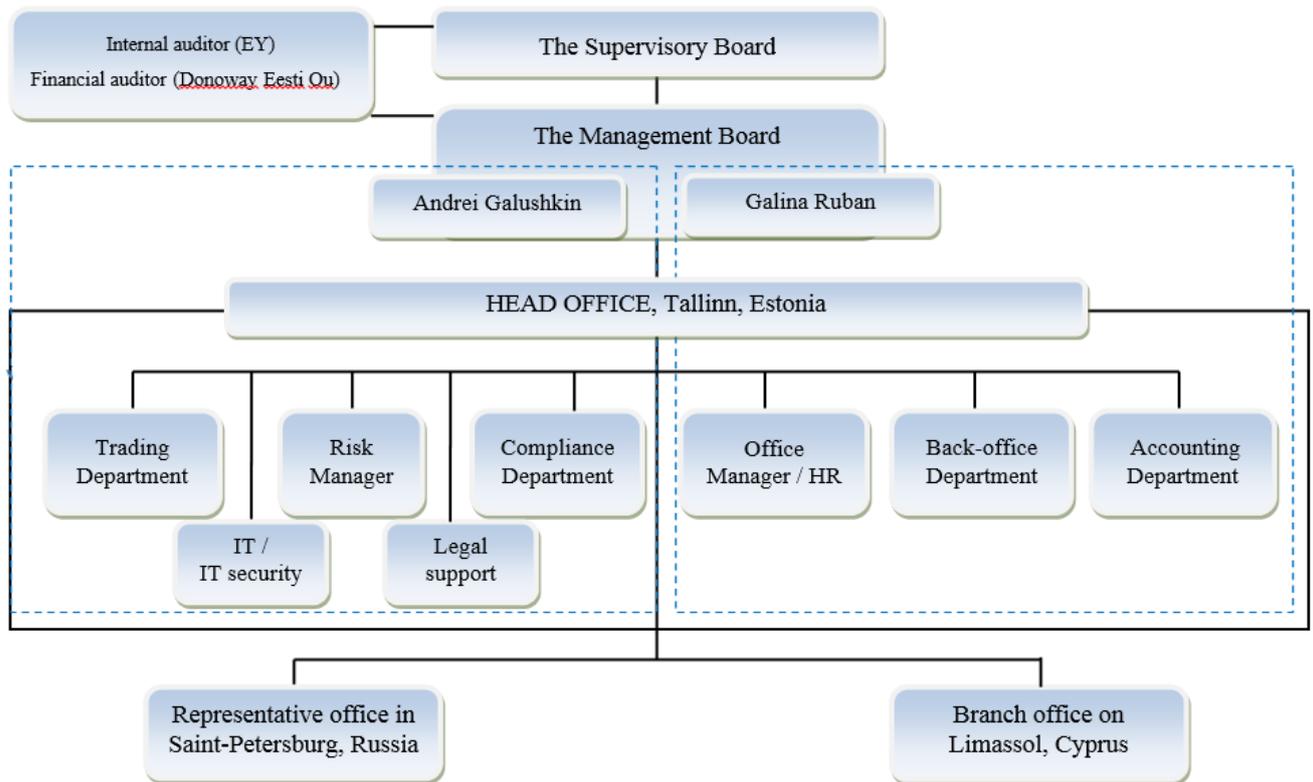
The Company prepares the Pillar III disclosure on the annual basis. Should there need to be a material changes to procedures of risk assessment as a result of changes in the Company's operations, risk management structure or other substantial changes the Management Board will review and update the Pillar III disclosure at any time.

The Pillar III disclosure has been prepared on a solo basis based on the audited accounting information for the year 2017.

In 2017, the Company did not undertake any securitization activity.

Certain statements in this disclosure are forward-looking statements, which involve a number of risks and uncertainties. Any forward-looking information is not a guarantee of future performance and that actual results could differ materially from those contained in the forward-looking information due to a number of factors.

4. ORGANIZATIONAL STRUCTURE



5. RISK MANAGEMENT AND GOVERNANCE

5.1. Risk management

The Company, taking into account the importance of the risk control mechanism, follows the maintained Risk Management Policy and other related rules. The Policy ensures comprehensive control and governance procedures for the risks faced by the Company, in line with the risk appetite concept. The Company's risk management framework aims to create, implement and sustain adequate procedures designed to identify and manage all risks related to activities of the Company. The Policy is regularly reviewed and updated.

The risk management process of the Company includes continuous and consistent identification, assessment, monitoring and analysis of the impact of risks faced by the Company in accordance with selected approaches and methods.

The following key principles form the basis of the overall risk management system:

- Risk awareness
- Concept of Risk Appetite
- Common standards used for risk assessments
- Application of single system of limits
- Reporting system
- IT support of the Risk management system
- Risk compliance

Risk management system of the Company is functioning on the strategic and executive levels. At the strategic level, the decisions are made by the Supervisory Board. The Company's risk strategy is directly linked to the KIT Finance Group strategic framework. This framework defines the limits of the risk appetite within which the Company operates. The Supervisory Board approves risk management system, defines risk appetite, tolerance levels and other risk parameters of the Company necessary for achievement of strategic goals. The Supervisory Board, taking into account the regulatory requirements, the Company's strategy and financial results, and other risk factors, reviews the risk appetite and risk tolerance yearly. The Supervisory Board is also responsible for making decisions in case of exceeding the limits and tolerance levels. The risk management strategy is monitored by benchmarking the actual risk profile against the risk appetite and discussed on a quarterly basis by the members of Risk Committee after the internal report is provided by the risk manager. This ensures that day-to-day operations are executed within the boundaries set by the business and risk strategy. Breaches of the Risk Appetite will result in immediate action at the appropriate management level.

At the executive level, Risk management-related decisions are made by the Management Board, Product and Risk Committee and the Risk management.

The Management Board is responsible for implementation of decisions of the Supervisory Board, overall management of the Company and organization of the risk management system.

The Company has a Products and Risks Committee. The aim of the Products and Risks Committee is to organize and increase the efficiency of the process of implementing, maintaining and developing new products and services and to identify and analyze the risks associated with those products.

The tasks of the Risk management include:

- Identification, assessment, analysis, monitoring and control of all types of risks to which the Company is exposed;
- Control of limits and reporting of violations of established limits;
- Reporting and advising to the Management Board regularly and on demand;
- Development and update of policies, procedures and other internal documents on risk control;
- Development of methodologies of risk measurement and implementation of regulatory and local requirements.

5.2. Information flow on risk to the Management Board

The risk reporting system is based on the principles of transparency and timeliness. The process of preparation and transmission of risk reporting consists of internal and external activities carried out on a regular basis, and as required.

Internal reports for the Management Board are prepared by the risk manager quarterly and include information in the composition, defined in the internal Guidance of the management of Company's capital adequacy.

External reporting is an essential part of the risk reporting. Disclosure is aimed at meeting the requirements for financial and regulatory reporting to the Company. External disclosure corresponds to the current legislation of Estonian Republic and the European Union as well as accounting standards.

To ensure continuous performance of the Company's functions the Incident Management Policy, the Business Continuity Policy, the Business Continuity and the Recovery plan were developed. These policies and plans prescribe the actions to be taken and establish communication procedures in the event of different scenarios in order to ensure uninterrupted business performance. The risk management is responsible for the indicators control and reporting to the Management Board.

The systems used in the Company are able to distinguish positions clearly between the Trading Book and Banking Book so that the regulatory capital charges are properly calculated. The systems are equipped with control mechanisms to generate prudent and reliable reporting provided to the Management Board at least quarterly and whenever requested.

During 2017 risk related issues were discussed a different levels, including deficiencies in the risk management framework identified during the year's internal audit, the Company's capital adequacy ratio and changes in the regulatory framework.

5.3. Risk Appetite

The Company intends to use risk appetite concept for the distribution of capital between different types of risks and business lines. Risk appetite is defined as the amount of risk the Company is prepared to accept in pursuit of its strategy, taking into account interest of clients, plans of the shareholders with respect to the level of expected profitability for the year, launch of new projects, capital and regulatory requirements. Risk Appetite is established for all material risks of the Company and is approved by a separate resolution of the Supervisory Board. The Supervisory Board of the Company considers the issue of the necessity to change the Risk Appetite at least once a year. Particular values of the Risk Appetite may be updated during a financial year in case of changes in the economic situation and/or alteration of the requirements for institutions (alteration of the existing ratios and/or introduction of new ratios).

<i>Risk Category</i>	<i>Risk appetite</i>	<i>Trend</i>
<i>Credit Risk</i>	<i>Medium</i>	<i>Stable</i>
<i>Operational Risk</i>	<i>Medium</i>	<i>Decreasing</i>
<i>Market Risk</i>	<i>Medium</i>	<i>Stable</i>
<i>Liquidity Risk</i>	<i>Low</i>	<i>Stable</i>
<i>Strategic Risk</i>	<i>Medium</i>	<i>Stable</i>
<i>Overall rating</i>	<i>Medium</i>	<i>Stable</i>

5.4. Stress and scenario testing

Given the importance of stress testing in terms of sound risk management and regulatory compliance, the stress testing process involves of senior management up to the Management Board of the Company. The Management Board is responsible for the Company's stress testing framework and its execution, while the Risk manager acts as the executor.

The Company uses stress testing to consider the effect on profitability and stability under stressed condition. The main source of income of the Company stems from brokerage commissions and interests. To ensure sustainability, the Company considers the simultaneous effect of realization of two or more risks. The main stress test models focus on credit risk, market risk, net interest income, operational risk and non-interest income. After a scenario is generated, quantitative stress test models are used to determine the impact of the scenario on the financials of the Company.

The stress testing is applied to the collateral, using highly improbable severe scenario of decline in value of 25% in one day interval to calculate the amount that can be lost.

The stress testing is applied to project the risk level in relation to available capital resources over a given period and at a particular confidence level. This includes open FX-positions and own investments. The testing framework uses historical experience to quantify the level of stress that the base scenario should be exposed. For the stress testing the 99% confidence level and one day interval is applied.

5.5. Governance arrangements

The Supervisory Board consist of three Members and there are two Members of the Management Board. The Members of the Management board, who exercise the functions of the executive body, do not have any external directorships. The Supervisory Board and the Management Board collectively have a wide range of experiences, backgrounds and knowledge to ensure that they are able to manage the Company adequately. Varied experiences and backgrounds include accounting, legal, banking, investments, risk management, etc.

Members of Supervisory Board and Member of Management Board meet the criteria set out in the Security market Act of Republic of Estonia.

Taking into account the size of the Company there is no separate Recruitment policy for the members of Supervisory Board and Management Board. The recruitment is performed at the Group (shareholder) level, considering among other factors the diversity of the skills and backgrounds. The Company does not set an age limit for the board members, in relation to gender, two genders have equal representation in the Management Board and unequal representation in the Supervisory Board due to the fact that the Company has an odd number of Supervisory Board members. However, the Company aims to the representation by at least one person of gender that represented in minority. In relation to geographical provenance, all members of the Management Board reside permanently in Estonia.

Information on the members of the Management board education and experience is disclosed on the Internet: www.kfe.ee/en

5.6. Internal capital adequacy assessment process (ICAAP)

Conducting ICAAP, the Company uses its internal Policies and Procedures to analyze identified material risks, their measurements models, governance and mitigation technics. The ICAAP is linked to overall business planning and establish the strategy for maintaining appropriate capital levels.

The risk monitoring and reporting are continuous processes those are under regular control of the Management Board. The ICAAP assumptions, methodology and infrastructure are challenged at the highest level of organization. During the ICAAP, the Company requires to:

- identify and assess all material risks;
- maintain sufficient capital to face these risks;
- apply appropriate risk management techniques to supply enough capital in order to meet capital requirements.

All of the above insures that the interest of shareholders, concept of risk appetite and regulatory requirements are fulfilled to guarantee the stable Company position.

The ICAAP is used by FSA to assess Company performance in accordance with the parameters of the Supervisory Review and Evaluation Process (SREP), including among other things, capital adequacy, risk measurement models and risk governance. In accordance with the EBA guideline (EBA/GL/2014/13) the SREP risk assessment should occurred on a 12-month to 3-year basis. The Estonian Financial Security Authority (Finantsinspektsioon, FSA) has no review the assessment for 2017. Therefore, this ICAAP report for 2017 based on the recommendations and requirements set out in SREP 2016 dated 06.03.2017.

6. OWN FUNDS

The capital base of the Company as at 31 December 2017 consists of Common Equity Tier 1 (CET1) capital. CET1 is comprised by share capital, retained earnings, reserves, from CET1 the Company deducts its intangible assets.

The Company's capital base is presented in the table below:

Tier 1 Capital structure	2017
Share Capital	1 612 710
Reserves	161 271
Retained Earnings	14 668 534
Intangible Assets (-)	-1 338
Tier 1 Capital	16 441 177

Additional disclosures on the calculation of own funds according to implementing technical standards as laid down in the Commission Implementing Regulation (EU) No 1423/2013 are available in Annex 1 to this report.

7. REGULATORY CAPITAL REQUIREMENT

The regulatory capital requirements have evolved in the last few years with introduction of CRR and CRD, in terms of which risks are covered of the capital base components. The regulatory requirement is split into Pillar 1* (general minimum requirements for all institutions) and Pillar 2 requirements (based on an individual assessment of each institution).

In addition, the Company has to comply with Capital buffers requirements identified in Basel III reforms including capital conservation buffer, countercyclical capital buffer and systemic risk buffer.

- The capital conservation buffer as defined in Article 129 of CRD requires the company to hold additional Common Equity Tier 1 capital equal to 2,5 % of total risk exposure amount
- The systemic risk buffer as defined in Article 133 of CRD requires to maintain additional capital to cover the systemic risk, which in 2017 was set by the Bank of Estonia at 1% of total risk exposure amount located in Estonia.
- The countercyclical capital buffer is regulated by Article 135 of CRD. in 2017 the Bank of Estonia set the rate of 0%.

Regulatory Capital Requirements	<i>CET1</i>	<i>AT1</i>	<i>Tier 2</i>	<i>Total</i>
Minimum requirement	4.50%	1.50%	2.00%	8.00%
Capital conservation buffer	2.50%			2.50%
Systemic risk buffer	1.00%			1.00%
Countercyclical buffer	0.00%			0.00%
Total Pillar I	8.00%	1.50%	2.00%	11.50%

* the Pillar 1 is disclosed in the Annual report in more details: <https://kfe.ee/en/about-company/disclosure/>

The Company follows the Standardized Approach to estimate the Pillar 1 for Credit and Market Risk capital requirements, and the Basic Indicator Approach for the calculation of Operational Risk capital requirements. The table below shows Pillar 1 own funds requirements of the Company as at 31 December 2017:

Pillar I Regulatory Capital Requirement

		Total risk exposure amounts	Minimum capital requirements
		31.12.2017	31.12.2017
1	<i>Credit risk (excluding CCR)</i>	4 618 111	369 449
2	Of which the standardised approach	4 618 111	369 449
5	<i>Settlement risk</i>	0	0
6	<i>Market risk</i>	10 085 670	806 853
7	Of which the standardized approach	10 085 670	806 853
8	<i>Operational risk</i>	3 823 084	305 847
9	Of which basic indicator approach	3 823 084	305 847
10	<i>Capital conservation buffer 2.5%</i>		463 172
11	<i>Systemic risk buffer 1%</i>		142 675
12	Total	18 526 866	2 087 996

8. MATERIAL RISKS

8.1. Credit Risk

8.1.1. Overview of Credit Risk

Credit risk relates to the possibility that an unexpected change in a client/counterparty's creditworthiness may generate a corresponding unexpected change in the market value of the associated credit exposure. The financial performance of the Company could be distorted by the adverse changes in the credit quality of borrowers or any economic deterioration, which could affect the value of collateral.

The management of Credit Risk, including Counterparty Credit Risk, is the primary responsibility of the Risk Management. The Management Board together with Risk Management are responsible for establishing policies and procedures which identify, analyze, evaluate, treat and monitor risks during the course of business. The Management Board is also responsible for the establishment of limits on the amount of risk accepted in relation to a borrower or groups of borrowers. The procedure for regular risk management reporting are also in place to enable in-time actions and risks mitigations if required by the Management Board.

The Company has established a number of methodologies and techniques for managing and monitoring Credit Risk and Counterparty Credit Risk. The methodologies are reviewed annually by the Risk Manager and are updated as and when necessary.

8.1.2. Nominated External Credit Assessment Institutions (ECAI) for the application of the Standardized Approach

Under the Standardized approach, the Company uses Fitch, Standard and Poor's and Moody's Investor Service ratings as follow:

- if only one credit assessment is available from a nominated ECAI for a rated item, that credit assessment is used to determine the risk weight for that item;
- if two credit assessments are available from nominated ECAIs and the two correspond to different weights for a rated item, the higher risk weight is assigned;
- if more than two credit assessments are available from nominated ECAIs for a rated item, the two assessments generating the two lowest risk weights are referred to. If the two lowest risk weights are different, the higher risk weight is assigned. If the two lowest risk weights are the same, that risk weight is assigned

The use of above method complies with the requirements of the CRR, and is used consistently for all exposures in a specific asset class.

8.1.3. Past due and Impaired

The Company defines loans and receivables as non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, loans and receivables are measured at their amortized cost (cost less any principal repayments and any reduction for impairment) using the effective interest rate method.

The loans and receivables become past due when a counterparty has failed to make a payment when contractually due. During the year there were no past due balances within trading securities, repurchase receivables, due from banks. The total amount of past due receivables from the clients at the end of 2017 is less 100EUR.

Where it is probable that the Company is unable to recover a loan or receivable in accordance with the agreed terms and conditions, the item is considered impaired and an impairment loss is recognized. The amount of an impairment loss is the difference between the asset's carrying amount and recoverable amount. The recoverable amount of a receivable is the amount of its estimated future cash flows, discounted by applying a market interest rate charged from similar debtors. The recoverability of receivables is estimated on an individual basis, taking into account the information available on the debtor's creditworthiness. Impairment losses are recognized as an expense in the period in which they are incurred. Doubtful receivables are written down to their recoverable amount. Irrecoverable receivables are written off the balance sheet taking into account the previously created reserve.

As of the end of 2017, the Company has reserves for impairment in the amount of 14 411 euro, and wrote down irrecoverable receivables in the amount of 411 euro.

In addition, in 2017, the client repaid the debt in the amount of 99 357 euro.

8.1.4. Exposure Value and Capital Requirement

The value of exposure is calculated at fair value according International Financial standards. Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The minimum capital requirements of Pillar I are calculated by exposure using a Minimum Capital Adequacy Ratio of 8% as defined by the Directive 575/2013.

To determine the capital requirements for credit risk the Company uses standardized approach and applies comprehensive method to the collateral valuation for credit risk mitigation. Standardized approach requires the classification of exposures into specific asset classes, and utilizes specific risk-weights, which vary depending on the asset class and credit rating of the exposure.

The Company's credit portfolio risk is concentrated mostly in the institution segment. Table below shows exposures split by exposure type for 2017 and capital requirement.

Capital requirement

<i>Risk position</i>	<i>Exposure Value before CRM (EUR)</i>	<i>Exposure Value after CRM (EUR)</i>	Capital Requirement 8% (EUR)
<i>Short Term Deposits</i>	8 022 904	4 606 760	368 541
<i>Short Term Loans and Receivables</i>	6 566 722	6 197	496
<i>Other Assets</i>	62 516	5 154	412
TOTAL	14 652 142	4 618 111	369 449

*requirements to clients for commissions of third parties and money in cash

The Company also provides information on the geographical breakdown of exposures using the table below.

Capital requirement by geography and exposure classes

<i>Areas and Countries</i>	<i>Original exposure (EUR)</i>	<i>Exposure Value before CRM (EUR)</i>	<i>Exposure Value after CRM (EUR)</i>	<i>Capital Requirement 8% (EUR)</i>
EU	3 830 072	3 323 188	673 930	53 914
<i>Retail</i>	484 037	0	0	0
<i>Institution</i>	3 342 330	3 323 174	673 916	53 913
<i>Corporates</i>	3 705	14	14	1
USA	960 139	960 139	192 141	15 371
<i>Retail</i>	205	205	154	12
<i>Institution</i>	959 934	959 934	191 987	15 359
CIS	9 415 595	3 750 567	3 749 395	299 952
<i>Retail</i>	4 969 016	4 688	3 516	282
<i>Corporates</i>	4 446 579	3 745 879	3 745 879	299 670
Others	446 336	2 645	2 645	212
<i>Corporates</i>	446 336	2 645	2 645	212
TOTAL	14 652 142	8 036 539	4 618 111	369 449

8.1.5. Counterparty credit risk

The credit risk for own operations arises when the Company enters into transactions with financial instruments on its own behalf and at its own expense, at the same time the deal opposite side can be counterparties or clients of the Company.

The basic methods of managing the counterparty credit risk includes the system of limits and restrictions, the monitoring system and methods of risk mitigation.

The Company uses limits settings for counterparties based on their financial performance and due diligence.

The Company's business model involves the participation of AS KIT Finance Europe in transactions to meet clients' needs mostly as an intermediary and does not bear any credit risk concerning this. Moreover, the transactions where the Company acts as a mediator are mostly concluded on DVP terms.

In addition the Company quarterly estimates financial situation, major events in business activities, fines, awards and other significant points that may affect the relationship with banks and brokers in which the Company has opened accounts. Reports on the evaluation of counterparties are provided to the Management Board by a risk manager.

8.1.6. General information on CRM

Taking into account the nature of the Company's business the credit risk is mainly inherent to marginal loans provided to clients. The Company lends cash for trading to the clients against collateral composed of eligible assets. The marginal loans are provided against liquid collateral for the period of one day that could be extended. All securities that are qualified as collateral are tested against the established criterias. Risk rates are disclosed in the Internet: www.kfe.ee . Risk management uses IT solutions and analytical tools to continuously monitor clients' margin requirements to minimize the credit risk.

Most of the transactions entered by the Company or its clients are settled and cleared by the Central Clearing Counterparties, main part of OTC transactions are settled on a delivery-versus-payment basis. Therefore, the delays in settlements and associated risks are minimized. The Company tests the creditability of counterparties regularly and sets out the limits on operations with them.

AS KIT Finance Europe uses conclusion of ISDA and RISDA agreements as a means of mitigating associated risks. The conclusion of transactions within the framework of the above agreements allows to standardize the multiple terms of transactions to the proper degree and, thereby, to reduce legal risks.

The credit risks on short terms deposits is minimized by anticipating continuous monitoring of financial stability of banks and brokers where the Company has deposits and diversification investments.

8.2. Market Risk

The market risk may result in potential loss with the realization of negative consequences on FX-rates, stock quotes or interest rates. The major source of the market risk is the open foreign exchange position. The total regulatory capital requirement to cover the market risk as of 31.12.2017 was 806 853 euro, and 800 393 euro were attributed to the foreign exchange risk and 6 460 euro to instruments in own portfolio.

Management of market risk is responsibility of the Members of the Board and the Risk manager. The Company established methodologies for limit setting to control the exposures to the market risk.

The Value at Risk ("VaR") and stress testing scenarios are in place for quantitative risk measurement and management.

The Management Board, in close cooperation with the Risk manager, review the information reported, taking corrective actions to mitigate risk if and when necessary.

8.2.1. Foreign Exchange Risk

The foreign exchange risk is the risk of changes of the exchange rates that would have an adverse effect on the value of the assets and liabilities nominated in currencies other when euro. The Company has large open positions mainly nominated in Russian rubles and US dollars to enable provision of marginal loans. The open FX-position is managed on the consolidated basis and risk mitigation technics are used for the Group's open FX-position. The Company hedges at least 50% of position in US dollars by currency futures. The overall Group risk appetite for the foreign exchange open position risk is low. The amount of own funds required to cover the foreign exchange risk is equal to 800 393 euro.

8.2.2. The Market Risk in the own portfolio.

In order to comply with regulatory requirements for liquid assets, the Investment Company owns a conservative portfolio of liquid instruments. Taking into account the quality of assets and the volume of the portfolio, no significant risks of changes in value arise. As of 31.12.2017, the global and specific risk exposure amount was 80 756 euro and regulatory capital requirement is 6 460 euro.

8.3. Operational Risk

8.3.1. Regulatory capital requirement for operational risk

Operational risk could realize because of inadequate or unauthorized actions of personnel, failures of IT systems, inconsistency of internal processes with the nature and scale of activities, and because of external influences on the Company's operations.

The Company calculates the own funds requirement for operational risk according to Basic Indicator Approach. Under the Basic Indicator Approach (BIA) this is 15% of the Company's average operating income of the relevant indicator based on the last three twelve-monthly observations at the end of the financial year.

31.12.2017	EUR
Average operating income over the last 3 years	2 038 978
BIA Coefficient	15%
Capital requirement under Pillar I	305 847

In 2012 the Company implemented incident management system and the respective policy that in many ways help to measure, control and mitigate operational risk. The system allows proactively manage risk, reacting to incidents according to the level of a threat and scheduling action plans that prevent repeating incidents. In addition, the system works as a database for loss events. During 2017, the Company was accumulating and analyzing loss event statistics that is necessary to estimate both, the distribution of severity (size of operational losses) and the frequency (number of loss events per year). According to the system data, the estimated operational loss for the year 2017 was about 1000 euro. This number is significantly below the regulatory capital requirement.

8.4. Liquidity

The Company's balance sheet represented by cash, liquid securities, which can be sold directly in the market to generate liquidity immediately, short-term loans on the asset side and by CET1 capital assets on the liabilities side. Additionally, the Company thoroughly reviews its off-balance sheet commitments because they expose the Company to contingent liquidity risk.

8.4.1. Regulatory requirements

In 2010, the Basel Committee on Banking Supervision (BCBS) issued the Basel III international framework for liquidity risk measurement, standards and monitoring. The Basel III framework includes a liquidity coverage ratio. The liquidity coverage ratio addresses liquidity risk over a 30-day period.

The sum of the values of liquid assets should cover the liquidity outflows less the liquidity inflows under stressed conditions to ensure that the Company maintains levels of liquidity buffers, which are adequate to face any possible imbalance between liquidity inflows and outflows under gravely stressed conditions over a period of thirty days. During times of stress, the Company may use its liquid assets to cover the net liquidity outflows.

The stock of liquid assets should be available at any time to meet the liquidity outflows.

To meet the regulatory requirements the Company hold corporate bonds of APPLE INC 1.3% 23/02/2018 (US037833BN98) and US Treasury Note 0.75 01/31/18 (ISIN US912828P204). The fair value of this portfolio as of 31.12.2017 was 2 689 705 euro, which is approximately 15% of total assets. The liquidity coverage ratio as of the end of 2017 was 1329% and exceeded the regulatory minimum.

31.12.2017	EUR
Liquid assets (15% haircuts)	2 286 249
Outflow of funds	860 219
Inflow of funds (max 75% of outflow)	645 164
Net outflow of liquid funds	215 055
The liquidity coverage capital requirement	172 044
Liquidity Coverage Ratio	1329 %

The Company's overall liquidity strategy, in particular, the amount of open currency positions, is closely connected with the KIT Finance Group politics and implemented according to the Company's Liquidity Management and Control Rules.

The Supervisory board is responsible for annually defining overall risk tolerance. In addition the Management Board sets the limits for open positions in the main working currencies of the Company. The risk manager is responsible for monthly monitoring of limits, their reflection in the quarterly report and notification of the Management Board in case of excess of limits. To mitigate currency risks in relation to positions in US dollars, the Management board establishes a requirement to use hedging arrangements. The choice of hedging instruments remains with the Company's Management Board.

The Market liquidity risk may arise when a market disruptions impairs the company's ability to sell large positions or lower quality positions. This type of liquidity risk refers to margin lending provided to its clients. Typically, the marginal loans are provided against liquid collateral for the period of one day that could be extended. All securities that qualify as eligible assets run through internal checks and are included in the marginal list. According to internal policies, eligible assets only include highly liquid exchange listed securities, blue chips and securities included in the main foreign stock exchange indexes. The collateral portfolio is diversified and monitored daily to avoid any loss resulted from economic distortion.

9. UNENCUMBERED ASSETS

The purpose of these disclosures is to provide information on components of encumbered and unencumbered assets of AS KIT Finance Europe as required in Part Eight of CRR and related guidelines issued by the European Banking Authority (EBA). In accordance with those requirements, assets have been treated as encumbered if pledged or if it is subject to any form of arrangement to secure, collateralize or credit enhance any transaction from which it cannot be freely withdrawn.

The Company does not have the source of asset encumbrance. Distribution of unencumbered assets at 31 December 2017, is set out below. Fair value of unencumbered assets is fair value of the debt securities held by the Company and the price that would be received to sell an asset.

Asset encumbrance: Encumbrance overview – Assets

<i>EUR</i>	Carrying amount of unencumbered assets	Fair value of unencumbered assets
Total assets	17 650 834	
Loans on demand	8 022 996	-
Debt securities	2 689 705	2 689 705
of which: issued by general governments	1 254 041	1 254 041
of which: issued by non-financial corporations	1 435 664	1 435 664
Loans and advances other than loans on demand	6 746 043	-
Other assets	192 090	-

10. LEVERAGE

The leverage ratio is calculated according to Part seven Article 429 of CRR, as well as the transitional provision of Article 499 as an institution's capital measure divided by that institution's total exposure measure and shall be expressed as a percentage. The Tier 1 capital is the same under both conditions of Article 499(1) (a) and (b) CRR therefore the Company does not have any transitional provisions other than the intangible assets.

The Company does not use large amounts of borrowed funds and therefore the value of Leverage Ratio is well above the regulatory minimum.

The present disclosure is performed with the application of the “Commission Implementing Regulation (EU) 2016/200 of 15 February 2016 laying down implementing technical standards with regard to disclosure of the leverage ratio for institutions, according to Regulation (EU) No 575/2013 (CRR).

Quantitative Information

The following table shows the Leverage Ratio as of December 31, 2017

	As of 31.12.2017
<i>Leverage Ratio Exposure Value</i>	14 652 142
<i>Assets belonging to the trading book</i>	2 689 705
<i>Asset amount deducted</i>	-1 338
<i>Total Leverage Ratio exposure</i>	17 340 509
<i>Tier 1 capital</i>	16 441 177
<i>Leverage Ratio</i>	94.81%

ANNEX 2 to this document includes the obligatory disclosures established in the Basel Committee on Banking Supervision document and in the European Banking Authority document on leverage ratio disclosure, pursuant to article 451 (2) of the CRR.

11. REMUNERATION POLICY AND PRACTICE

The Remuneration Policies were adopted by the Company in line with regulatory requirements of the European Union, Republic of Estonia and the KIT Finance Group's internal practice. These Policies define the basic principles of salaries and remuneration and are based on the sound and effective risk management. The Remuneration Policies are integrated into the Company governance structure and ensure that employees are awarded appropriately to their efforts.

11.1. Design Characteristics of the remuneration system

- Salary. Salary levels are intended to be market competitive and consists of 100% of fixed compensation.
- Bonuses. Bonuses are variable remuneration

The following types of bonuses are provided in the Remuneration Policy:

- Bonuses based on the Company's particular department and personal performance;
- Bonuses for special tasks reduced on operation errors;
- Sales related premiums.

Staff remuneration is based on competitive market-based wages that fairly compensate employees in view of skills provided, work performed and responsibility undertaken. The individual bonuses are assessed during the annual appraisal process, covering both financial and non-financial metrics.

The Company adopted the Key Performance Indicators approach to ensure the congruence of the Company's goals and employees efforts. Based on this approach every employee has set of performance indicators chosen by respective Managers and receives a semi-annual appraisal review.

Key performance indicators are based on the objectives set out in the strategy. KPI values are set in accordance with the Company's budget and strategy, the weight of each indicator is determined.

Managers are required to give the appraisal of subordinates' performance semi-annually and conduct a performance dialogue. This allow to ensure that the individual has performed in accordance with the requirements of their job description and to review past goals to establish if these have been met and to what level. At the end of the review process, goals are agreed for the coming period and logged on the individual's appraisal sheet for the coming period. Based on the ratings allocated by Managers the percentage value is assigned and will be applied to the current basic salary.

The size of the remuneration found is calculated to allow the payment of bonuses based on the results of the reporting period. All bonuses are paid twice a year

11.2. Official persons

In accordance with § 79¹ of the Estonian Security Market Act and Regulation (EU) No 604/2014 the Company identifies categories of staff whose professional activities have a material impact on an Company's risk (Official persons). There are 7 individuals who are Official persons, included 2 members of the Management Board, and 5 other employees undertaking significant-influence functions.

The Company maintains a list of Official persons approved by the Supervisory board.

11.3. Remuneration Governance and Decision Making

Taking in to account the size of the Company the Supervisory board performs functions of the Remuneration Committee during 2017 year. The committee discussed remuneration issues four times a year, reviewed the results of the work of the Official persons. The committee did not retain

external consultants but seeks advice from the risk and compliance departments and senior managers.

Based on the legislation requirement, Ernst&Young auditor provided in 2017 audit of remuneration payments.

11.4. Information on remuneration for the Official persons

There are no compensations provided to the Supervisory Board Members upon expiry of powers. The Members of the Management Board and the Supervisory Board do not hold the stock option. None of the employees has received remuneration in excess of 1 million euros. For the previous year there were no severance payments and remuneration deferred during the year.

The information about remunerations paid in 2017 year is available in the Annual report. Taking into account the small number of employees, more detailed information is considered to be confidential due to obligations binding the Company to confidentiality with its employees.

ANNEX 1 Transitional own funds disclosure

	Common Equity Tier 1 capital: instruments and reserves	At 31 June 2014 (DKK millions)	(B) REGULATION (EU) No 575/2013 ARTICLE REFERENCE	(C) AMOUNTS SUBJECT TO PRE-REGULATION (EU) No 575/2013 TREATMENT OR PRESCRIBED RESIDUAL AMOUNT OF REGULATION (EU) 575/2013
1	Capital instruments and the related share premium accounts	1 612 710	26 (1), 27, 28, 29, EBA list 26 (3)	1 612 710
	of which: Instrument type 1	-	EBA list 26 (3)	-
	of which: Instrument type 2	-	EBA list 26 (3)	
	of which: Instrument type 3	-	EBA list 26 (3)	
2	Retained earnings	14 668 534	26 (1) (c)	14 668 534
3	Accumulated other comprehensive income (and any other reserves)	161 271	26 (1)	161 271
3a	Funds for general banking risk		26 (1) (f)	
4	Amount of qualifying items referred to in Article 484 (3) and the related share premium accounts subject to phase out from CET1		486 (2)	
	Public sector capital injections grandfathered until 1 January 2018		483 (2)	
5	Minority interests (amount allowed in consolidated CET1)		84, 479, 480	-
5a	Independently reviewed interim profits net of any foreseeable charge or dividend	-	26 (2)	-
6	Common Equity Tier 1 (CET1) capital before regulatory adjustments	16 442 515		16 442 515
Common Equity Tier 1 (CET1) capital: regulatory adjustments				
7	Additional value adjustments (negative amount)		34, 105	
8	Intangible assets (net of related tax liability) (negative amount)	-1 338	36 (1) (b), 37, 472 (4)	-1 338
9	Empty set in the EU			
10	Deferred tax assets that rely on future profitability excluding those arising from temporary difference (net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 472 (5)	
11	Fair value reserves related to gains or losses on cash flow hedges		33 (a)	

12	Negative amounts resulting from the calculation of expected loss amounts		36 (1) (d), 40, 159, 472 (6)	
13	Any increase in equity that results from securitized assets (negative amount)		32 (1)	
14	Gains or losses on liabilities valued at fair value resulting from changes in own credit standing		33 (1) (b) (c)	
15	Defined-benefit pension fund assets (negative amount)		36 (1) (e), 41, 472 (7)	
16	Direct and indirect holdings by an institution of own CET1 instruments (negative amount)		36 (1) (f), 42, 472 (8)	
17	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)		36 (1) (g), 44, 472 (9)	
18	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (h), 43, 45, 46, 49 (2) (3), 79, 472 (10)	
19	Direct, indirect and synthetic holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)		36 (1) (i), 43, 45, 47, 48 (1) (b), 49 (1) to (3), 79, 470, 472 (11)	
20	Empty set in the EU			
20a	Exposure amount of the following items which qualify for a RW of 1250%, where the institution opts for the deduction alternative		36 (1) (k)	-
20b	of which: qualifying holdings outside the financial sector (negative amount)		36 (1) (k) (i), 89 to 91	
20c	of which: securitization positions (negative amount)		36 (1) (k) (ii) 243 (1) (b) 244 (1) (b) 258	-
20d	of which: free deliveries (negative amount)		36 (1) (k) (iii), 379 (3)	

21	Deferred tax assets arising from temporary difference (amount above 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met) (negative amount)		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
22	Amount exceeding the 15% threshold (negative amount)		48 (1)	
23	of which: direct and indirect holdings by the institution of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities		36 (1) (i), 48 (1) (b), 470, 472 (11)	
24	Empty set in the EU			
25	of which: deferred tax assets arising from temporary difference		36 (1) (c), 38, 48 (1) (a), 470, 472 (5)	
25a	Losses for the current financial year (negative amount)		36 (1) (a), 472 (3)	
25b	Foreseeable tax charges relating to CET1 items (negative amount)		36 (1) (l)	
26	Regulatory adjustments applied to Common Equity Tier 1 in respect of amounts subject to pre-CRR treatment			
26a	Regulatory adjustments relating to unrealised gains and losses pursuant to Articles 467 and 468			
26b	Amount to be deducted from or added to Common Equity Tier 1 capital with regard to additional filters and deductions required pre CRR		481	
27	Qualifying AT1 deductions that exceeds the AT1 capital of the institution (negative amount)		36 (1) (j)	
28	Total regulatory adjustments to Common Equity Tier 1 (CET1)	-1 338		-1 338
29	Common Equity Tier 1 (CET1) capital	16 441 177		16 441 177
Additional Tier 1 (AT1) capital: instruments				
30	Capital instruments and the related share premium accounts	-	51, 52	-
31	of which: classified as equity under applicable accounting standards	-		-
32	of which: classified as liabilities under applicable accounting standards	-		-
33	Amount of qualifying items referred to in Article 484 (4) and the related share premium accounts subject to phase out from AT1	-	486 (3)	-

	Public sector capital injections grandfathered until 1 January 2018	-	483 (3)	-
34	Qualifying Tier 1 capital included in consolidated AT1 capital (including minority interest not included in row 5) issued by subsidiaries and held by third parties	-	85, 86, 480	-
35	of which: instruments issued by subsidiaries subject to phase-out		486 (3)	-
36	Additional Tier 1 (AT1) capital before regulatory adjustments	-		-
<i>Additional Tier 1 (AT1) capital: regulatory adjustments</i>				
37	Direct and indirect holdings by an institution of own AT1 instruments (negative amount)	-	52 (1) (b), 56 (a), 57, 475 (2)	-
38	Holdings of the AT1 instruments of financial sector entities where those entities have reciprocal cross holdings with the institution designed to inflate artificially the own funds of the institution (negative amount)	-	56 (b), 58, 475 (3)	-
39	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution does not have a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (c), 59, 60, 79, 475 (4)	-
40	Direct, indirect and synthetic holdings of the AT1 instruments of financial sector entities where the institution has a significant investment in those entities (amount above 10% threshold and net of eligible short positions) (negative amount)	-	56 (d), 59, 79, 475 (4)	-
41	Regulatory adjustments applied to Additional Tier 1 capital in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase-out as prescribed in Regulation (EU) No 585/2013 (i.e. CRR residual amounts)	-		-
41a	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 473(3)(a), 472 (4), 472 (6), 472 (8) (a), 472 (9), 472 (10) (a), 472 (11) (a)	-

41b	Residual amounts deducted from Additional Tier 1 capital with regard to deduction from Tier 2 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	477, 477 (3), 477 (4) (a)	-
41c	Amounts to be deducted from added to Additional Tier 1 capital with regard to additional filters and deductions required pre-CRR	-	467, 468, 481	-
42	Qualifying T2 deductions that exceed the T2 capital of the institution (negative amount)	-	56 (e)	-
43	Total regulatory adjustments to Additional Tier 1 (AT1) capital	-		-
44	Additional Tier 1 (AT1) capital	-		-
45	Tier 1 capital (T1 = CET1 + AT1)	16 441 177		16 441 177
Tier 2 (T2) capital: instruments and provisions				
46	Capital instruments and the related share premium accounts	-	62, 63	-
47	Amount of qualifying items referred to in Article 484 (5) and the related share premium accounts subject to phase out from T2	-	486 (4)	-
	Public sector capital injections grandfathered until 1 January 2018	-	483 (4)	-
48	Qualifying own funds instruments included in consolidated T2 capital (including minority interest and AT1 instruments not included in rows 5 or 34) issued by subsidiaries and held by third party	-	87, 88, 480	-
49	of which: instruments issued by subsidiaries subject to phase-out	-	486 (4)	-
50	Credit risk adjustments	-	62 (c) & (d)	-
51	Tier 2 (T2) capital before regulatory adjustment	-		-
Tier 2 (T2) capital: regulatory adjustments				
52	Direct and indirect holdings by an institution of own T2 instruments and subordinated loans (negative amount)	-	63 (b) (i), 66 (a), 67, 477 (2)	-
53	Holdings of the T2 instruments and subordinated loans of financial sector entities where those entities have reciprocal cross holdings with the institutions designed to inflate artificially the own funds of the institution (negative amount)	-	66 (b), 68, 477 (3)	-

54	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution does not have a significant investment in those entities (amount above 10 % threshold and net of eligible short positions) (negative amount)	-	66 (c), 69, 70, 79, 477 (4)	-
54a	Of which new holdings not subject to transitional arrangements	-		-
54b	Of which holdings existing before 1 January 2013 and subject to transitional arrangements	-		-
55	Direct, indirect and synthetic holdings of the T2 instruments and subordinated loans of financial sector entities where the institution has a significant investment in those entities (net of eligible short positions) (negative amounts)	-	66 (d), 69, 79, 477 (4)	-
56	Regulatory adjustments applied to tier 2 in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amounts)	-		-
56a	Residual amounts deducted from Tier 2 capital with regard to deduction from Common Equity Tier 1 capital during the transitional period pursuant to article 472 of Regulation (EU) No 575/2013	-	472, 472(3)(a), 472 (4), 472 (6), 472 (8), 472 (9), 472 (10) (a), 472 (11) (a)	-
56b	Residual amounts deducted from Tier 2 capital with regard to deduction from Additional Tier 1 capital during the transitional period pursuant to article 475 of Regulation (EU) No 575/2013	-	475, 475 (2) (a), 475 (3), 475 (4) (a)	-
56c	Amounts to be deducted from or added to Tier 2 capital with regard to additional filters and deductions required pre- CRR	-	467, 468, 481	-
57	Total regulatory adjustments to Tier 2 (T2) capital	-		-
58	Tier 2 (T2) capital	-		-
59	Total capital (TC = T1 + T2)	16 441 177		16 441 177

59a	Risk weighted assets in respect of amounts subject to pre-CRR treatment and transitional treatments subject to phase out as prescribed in Regulation (EU) No 575/2013 (i.e. CRR residual amount)	-		-
	Of which: ... items not deducted from CET1 (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Deferred tax assets that rely on future profitability net of related tax liability, indirect holdings of own CET1, etc.)	-	472, 472 (5), 472 (8) (b), 472 (10) (b), 472 (11) (b)	-
	Of which: ... items not deducted from AT1 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Reciprocal cross holdings in T2 instruments, direct holdings of non-significant investments in the capital of other financial sector entities, etc.)	-	475, 475 (2) (b), 475 (2) ©, 475 (4) (b)	-
	Items not deducted from T2 items (Regulation (EU) No 575/2013 residual amounts) (items to be detailed line by line, e.g. Indirect holdings of own T2 instruments, indirect holdings of non-significant investments in the capital of other financial sector entities, indirect holdings of significant investments in the capital of other financial sector entities etc.)		477, 477 (2) (b), 477 (2) (c), 477 (4) (b)	
60	Total risk-weighted assets	-		-
<i>Capital ratios and buffers</i>				
61	Common Equity Tier 1 (as a percentage of total risk exposure amount)	88.74%	92 (2) (a), 465	88.74%
62	Tier 1 (as a percentage of total risk exposure amount)	88.74%	92 (2) (b), 465	88.74%
63	Total capital (as a percentage of total risk exposure amount)	88.74%	92 (2) (c)	88.74%
64	Institution specific buffer requirement (CET1 requirement in accordance with article 92 (1) (a) plus capital conservation and countercyclical buffer requirements plus a systemic risk buffer, plus systemically important institution buffer expressed as a percentage of total risk exposure amount)	8.00%	CRD 128, 129, 140	8.00%
65	of which: capital conservation buffer requirement	2.50%		2.50%

66	of which: countercyclical buffer requirement	0.00%		0.00%
67	of which: systemic risk buffer requirement	1.00%		1.00%
67a	of which: Global Systemically Important Institution (G-SII) or Other Systemically Important Institution (O-SII) buffer	n/a	CRD 131	n/a
68	Common Equity Tier 1 available to meet buffers (as a percentage of risk exposure amount)	85.24%	CRD 128	85.24%
69	[non-relevant in EU regulation]			
70	[non-relevant in EU regulation]			
71	[non-relevant in EU regulation]			
Amounts below the thresholds for deduction (before risk-weighting)				
72	Direct and indirect holdings of the capital of financial sector entities where the institution does not have a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (h), 45, 46, 472 (10) 56 (c), 59, 60, 475 (4), 66 (c), 69, 70, 477 (4)	-
73	Direct and indirect holdings of the CET1 instruments of financial sector entities where the institution has a significant investment in those entities (amount below 10% threshold and net of eligible short positions)	-	36 (1) (i), 45, 48, 470, 472 (11)	-
74	Empty set in the EU			
75	Deferred tax assets arising from temporary difference (amount below 10 % threshold , net of related tax liability where the conditions in Article 38 (3) are met)	-	36 (1) (c), 38, 48, 470, 472 (5)	-
Applicable caps on the inclusion of provisions in Tier 2				
76	Credit risk adjustments included in T2 in respect of exposures subject to standardized approach (prior to the application of the cap)	-	62	-
77	Cap on inclusion of credit risk adjustments in T2 under standardized approach	-	62	-
78	Credit risk adjustments included in T2 in respect of exposures subject to internal rating-based approach (prior to the application of the cap)	-	62	-
79	Cap for inclusion of credit risk adjustments in T2 under internal ratings-based approach	-	62	-
Capital instruments subject to phase-out arrangements (only applicable between 1 Jan 2014 and 1 Jan 2022)				

80	- Current cap on CET1 instruments subject to phase-out arrangements	-	484 (3), 486 (2) & (5)	-
81	- Amount excluded from CET1 due to cap (excess over cap after redemptions and maturities)	-	484 (3), 486 (2) & (5)	-
82	- Current cap on AT1 instruments subject to phase-out arrangements	-	484 (4), 486 (3) & (5)	-
83	- Amount excluded from AT1 due to cap (excess over cap after redemptions and maturities)	-	484 (4), 486 (3) & (5)	-
84	- Current cap on T2 instruments subject to phase-out arrangements	-	484 (5), 486 (4) & (5)	-
85	- Amount excluded from T2 due to cap (excess over cap after redemptions and maturities)	-	484 (5), 486 (4) & (5)	-

ANNEX 2 Leverage ratio disclosures

Table LRCom: Leverage ratio common disclosure

№		In euro
On-balance sheet exposures (excluding derivatives and SFTs)		
1	On-balance sheet items (excluding derivatives, SFTs and fiduciary assets, but including collateral)	17 341 847
2	(Asset amounts deducted in determining Tier 1 capital)	(1 338)
3	Total on-balance sheet exposures (excluding derivatives, SFTs and fiduciary assets) (sum of lines 1 and 2)	17 340 509
Derivative exposures		
4	Replacement cost associated with all derivatives transactions (ie net of eligible cash variation margin)	-
5	Add-on amounts for potential future exposure associated with all derivatives transactions (mark-to-market method)	-
5.1	Exposure determined under Original Exposure Method	-
6	Gross-up for derivatives collateral provided where deducted from the balance sheet assets pursuant to the applicable accounting framework	-
7	(Deductions of receivables assets for cash variation margin provided in derivatives transactions)	-
8	(Exempted CCP leg of client-cleared trade exposures)	-
9	Adjusted effective notional amount of written credit derivatives	-
10	(Adjusted effective notional offsets and add-on deductions for written credit derivatives)	-
11	Total derivative exposures (sum of lines 4 to 10)	-
Securities financing transaction exposures		
12	Gross SFT assets (with no recognition of netting), after adjusting for sales accounting transactions	-
13	(Netted amounts of cash payables and cash receivables of gross SFT assets)	-
14	Counterparty credit risk exposure for SFT assets	-
EU-14a	Derogation for SFTs: Counterparty credit risk exposure in accordance with Article 429b (4) and 222 of Regulation (EU) No 575/2013	-
15	Agent transaction exposures	-
EU-15a	(Exempted CCP leg of client-cleared SFT exposure)	-
16	Total securities financing transaction exposures (sum of lines 12 to 15a)	-
Other off-balance sheet exposures		
17	Off-balance sheet exposures at gross notional amount	-

18	(Adjustments for conversion to credit equivalent amounts)	-
19	Other off-balance sheet exposures (sum of lines 17 to 18)	-
Exempted exposures in accordance with CRR Article 429 (7) and (14) (on and off balance sheet)		
EU-19a	(Exemption of intragroup exposures (solo basis) in accordance with Article 429(7) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
EU-19b	(Exposures exempted in accordance with Article 429 (14) of Regulation (EU) No 575/2013 (on and off balance sheet))	-
Capital and total exposures		
20	Tier 1 capital	16 441 177
21	Total leverage ratio exposures (sum of lines 3, 11, 16, 19, EU-19a and EU-19b)	17 340 509
Leverage ratio		
22	Leverage ratio	94.81%
Choice on transitional arrangements and amount of derecognized fiduciary items		
EU-23	Choice on transitional arrangements for the definition of the capital measure	-
EU-24	Amount of derecognised fiduciary items in accordance with Article 429(11) of Regulation (EU) No 575/2013	-

Table LRSum: Summary reconciliation of accounting assets and leverage ratio exposures

1	Total assets as per published financial statements	17 651 770
2	Adjustment for entities which are consolidated for accounting purposes but are outside the scope of regulatory consolidation	-
3	(Adjustment for fiduciary assets recognised on the balance sheet pursuant to the applicable accounting framework but excluded from the leverage ratio total exposure measure in accordance with Article 429(13) of Regulation (EU) No 575/2013)	-
4	Adjustments for derivative financial instruments	-
5	Adjustment for securities financing transactions (SFTs)	-
6	Adjustment for off-balance sheet items (ie conversion to credit equivalent amounts of off-balance sheet exposures)	-
EU-6a	(Adjustment for exempted intragroup exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(7) of Regulation (EU) No 575/2013)	-
EU-6b	(Adjustment for exposures excluded from the leverage ratio total exposure measure in accordance with Article 429(14) of Regulation (EU) No 575/2013)	-
7	Other adjustments	(311 261)
8	Leverage ratio total exposure measure	17 340 509

Table LRSpl: Split-up of on balance sheet exposures (excluding derivatives and SFTs)

EU-1	Total on-balance sheet exposures (excluding derivatives, SFTs, and exempted exposures), of which:	17 341 847
EU-2	Trading book exposures	2 689 705
EU-3	Banking book exposures, of which:	14 652 142
EU-4	Covered bonds	-
EU-5	Exposures treated as sovereigns	-
EU-6	Exposures to regional governments, MDB, international organizations and PSE not treated as sovereigns	-
EU-7	Institutions	4 302 264
EU-8	Secured by mortgages of immovable properties	-
EU-9	Retail exposures	5 453 258
EU-10	Corporate	4 896 620
EU-11	Exposures in default	-
EU-12	Other exposures (eg equity, securitizations, and other non-credit obligation assets)	-

Table LRQua: Free format text boxes for disclosure on qualitative items

1	Description of the processes used to manage the risk of excessive leverage	Leverage ratio is one of the metrics which are periodically monitored by Management Board and discussed in the The Products and Risk Committee. The leverage ratio of AS KIT Finance Europe has never been below the Basel III minimum level of 3%. The current level of the leverage ratio is well above the regulatory minimum, no internal targets have been defined. Changes and potential changes in regulation relating to the leverage ratio are monitored by risk-manager and their potential impact is assessed.
2	Description of the factors that had an impact on the leverage ratio during the period to which the disclosed leverage ratio refers	The Company's leverage amounted to 94.81% as per December 2017 (79.94% as per December 2016). The change in leverage ratio was mainly due to the decrease of trading book exposures (marginal loans).