

Roemer Capital (Europe) Limited

PILLAR III DISCLOSURE report

YEAR ENDED 31 DECEMBER 2023

APRIL 2024

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1. Introduction

1.1. CIF Information

Roemer Capital (Europe) Limited was incorporated in the Republic of Cyprus on 08 August 2016 as a private limited liability company with registration number 333287 and it is a Cyprus Investment Firm. Roemer Capital (Europe) Limited (the 'Company') is authorised by the Cyprus Security Exchange Commission (the 'CySEC') under License 305/16 to provide the following investment and ancillary services:

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account
- Portfolio management
- Provision of investment advice
- Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis
- Placing of financial instruments without a firm commitment basis

Ancillary Services

- Safekeeping and administration of financial instruments, including custodianship and related services
- Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
- Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
- Foreign exchange services where these are connected to the provision of investment services: :
- Investment research and financial analysis or other forms
- Services related to underwriting
- Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

The Company is categorised as a 'Class 2 Firm' and supervised for compliance with prudential requirements under Directive (EU) 2019/2034 in relation to the following:

- own funds requirements relating to quantifiable, uniform and standardised elements of risk-to-firm, risk-to-client and risk-to-market;
- requirements limiting concentration risk;
- liquidity requirements relating to quantifiable, uniform and standardised elements of liquidity risk;

- reporting requirements related to points (a), (b) and (c);
- public disclosure requirements.

1.2. Scope of Application

The Pillar III disclosure Report (the 'Report') has been prepared in accordance with requirements as laid out in Part Six of the Regulation (EU) 2019-2033 (the 'IFR') and discloses the information after the Company publishes its annual financial statements for the year ended 31.12.2023.

As per the provisions of Company's Law, CAP 113 ("Law"), the Company's direct parent entity, Roemerberg Capital Limited, is exempt from preparing consolidated financial statements because the company and its subsidiary undertakings do not constitute a large sized group as defined by the Law.

Despite of this, as the parent company is a union parent investment holding company and the group meets the definition of an investment firm group as per IFR 4(25) as the activities of the parent entity is to acquire holdings, the Company is presenting the Pillar III report based on consolidated financial statements and consolidated regulatory requirements.

The consolidated perimeter consists of the Roemer Capital (Europe) Limited (the Company), Roemerberg Capital Limited (the Holding company or the Parent company) and Roemerberg Financial Products Limited (the Service company). Almost all of the business activity of the consolidated group is concentrated in the Company, so it is the company that is preparing Pillar III report on a consolidated basis. Numbers below are presented on consolidated basis unless explicitly marked as 'solo'.

The Company's market disclosures are published on the Company's official website <https://roemercapital.com/disclosures/>

2. Risk Management Objectives and Policies

2.1. Risk Strategies and Processes

The risk management, as an integral part of the Company's corporate governance, aims:

- to help the Company achieve its targets and ensure its financial stability;
- to minimize possible financial losses for the Company or its clients;
- to ensure capital adequacy to cover material risks;
- to comply with regulatory requirements;
- to keep the Directors fully informed about the risks relating to the Company's activities.

The Risk Management Department (the 'RMD') is responsible for the establishing, implementing, maintaining the risk management function. RMD is a separate independent unit. The Head of RMD reports to the Risk & Compliance Director (acting on behalf of the Board) and the Board directly.

According to the Company's Risk Management Policy, the risk management function encompasses the following processes:

- risk identification and assessment;
- definition of Risk Appetite and ICARA;
- establishing risk limits and measures;
- monitoring and control of risks;
- risk reporting.

The risk identification recognizes fully the economic substance of all risk exposures including the risks the Company poses to *itself* and its *customers*. It takes both *regulatory* and *economic* perspectives into account. All risks identified as material are addressed in all parts of the annual Risk Management Report and Internal Capital Adequacy and Risk Assessment (the 'ICARA').

The Company must have the available capital, which is at all times more than or equal to the capital needed to cover all the material risks on an ongoing basis.

To be consistent with the Company's business strategy, and risk appetite, a comprehensive risk management framework has been developed as an integral part of material business decisions, new product or risk limit approvals, and risk monitoring which is described in the ICARA.

A risk management procedure is established for every material risk including risk category set out in Parts Three, Four and Five of the IFR. The RMD on a regular basis provides its assessment of the risk and capital adequacy of the Company, supported by stress-test results and any other relevant information.

Risk limits are set to ensure that exposures are consistent with the capital adequacy. The Company has set up a number of procedures to monitor and control their exposures to market and credit risks.

According to the business model, the Company has no significant appetite to unhedged foreign-exchange risk. The Company also has limited appetite for the interest rate risk. The Company's limited interest rate exposure comes from the trading portfolio of fixed income instruments. This risk is managed by setting the DV01 limit for the trading position for different term buckets. The risk limit structure and risk reporting are tailored to monitor the risk limits daily and to escalate any limits breaches to the Executive Directors and the Board of Directors if needed.

Exposures to other material risks (equity, counterparty and credit spread risks) are restricted by limits set up in line with the Company's risk appetite. To manage these risks on the operational level each trading desk has a Desk Mandate. The Desk Mandate is a document that contains a description of the desk trading strategy, assessment of the desk risk profile, risk management instruments applicable for the desk, risk limits and the list of persons responsible for each aspect of risk management of the desk. The Company can also hedge these risks on a case-by-case basis.

The risk management system put in place is adequate with regard to the Company's size, internal organization and the nature, scope and complexity of its activities.

2.2. Risk Profile

During the year 2022, the Company underwent change of ownership and pause in its business activity. This time was spent on developing a new business strategy for the firm that the Company implemented in the year 2023. As of 31 December 2023, the Company exposure to risks set out by the IFR is at a low level as is demonstrated by the high capital ratios. The own funds and client's funds are placed with credit institutions, part of the funds is temporary considered restricted. The restricted funds are mostly concentrated in one major bank, the Company is still taking steps to alleviate the issue, but as of the end of 2023, this is no longer considered a critical threat to the Company financial stability due to improvement of financial metrics in the reporting period.

Pause in the business activity of the Company in the year 2022 driven the very conservative risk profile of the Company, where the most significant risk was business risk due to ongoing development of the new business strategy. The 2022 strategy was reconsidered due to the war in Ukraine as access to main market, clients and products previously being part of the company's 3 years strategy was restricted and, in some cases, - impossible. The new business plan considers shift to the new emerging markets and reorientation on the clients outside the Russian market. The new plan has a number of quantifiable milestones that allow for the precise assessment of the business strategy interim success and allow for the early warning of the business risk realization. The Company spent year 2023 implementing the new business plan which resulted in a significant increase of the Company own funds, increase in available liquid assets and overall increase in the financial stability of the Company.

3. Governance

3.1. Board of Directors

The Company's Board of Directors:

- has the overall responsibility for the Company and approve and oversee the implementation of the Company's strategic objectives, risk prevention strategy and internal governance,
- ensures the integrity of the accounting and financial reporting systems, including financial and operational controls and compliance with the law and relevant standards,
- oversees the process of disclosure and announcements,
- is responsible for providing effective supervision of senior management.

The table below provides the number of directorships held by members of the Board of Directors at the same time. It shall be noted that, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profitmaking or charitable organizations, are not taken into account for the purposes of the below.

Table 1: Number of Directorships of the members of the Board of Directors

| Director | Position | Number of Executive Directorships | Number of Non-Executive Directorships |
|---------------------------------|--|-----------------------------------|---------------------------------------|
| Dr. Roman Lokhov | Non-Executive Director, Chairman of the Board | 4 | 1 |
| Mr. Christodoulos Christodoulou | Non-Executive Director | 2 | 3 |
| Ms. Irina Khrabrova | Executive Director, Managing Director | 2 | 0 |
| Mr. Charalambos Charalambous | Executive Director, Risk & Compliance Director | 1 | 0 |

3.2. Recruitment Policy

Members of the Board of Directors are the persons who effectively direct the business of the Company. They need to be of sufficiently good repute and possess sufficient knowledge, skills and experience to perform their duties. The Company Equal Opportunities Policy strictly prohibit any form of discrimination when selecting members of the Board of Directors and promotes diversity. All requirements of the Policy were achieved every time when the Company recruited any member of the Board.

According to the Company's recruitment policy, the overall composition of the Board of Directors needs to reflect an adequately broad range of experiences. The Board of Directors shall collectively possess adequate knowledge, skills and experience to be able to understand the Company's activities and principal risks. The majority of the Directors shall be Non-Executive Directors. The majority of the Directors shall be citizens of the Republic. At least two members of the management of the Company need to be classed as directors.

3.3. Risk Management

The top-level governing body of the Company is the Board of Directors (hereafter "the Board"). The Board is responsible for setting the main risk metrics such as economic capital and for approving high-level risk control procedures. Among the main functions and responsibilities of the Board regarding risk management process are:

- setting the Company's strategic aims and financial objectives;
- approving the appointment of any person to the office of Head of Risk;
- reviewing and approving the Company's policies and corresponding procedures and measures;

- setting and implementing the Company's risk strategy, risk culture and risk appetite;
- ensuring rigorous stress and scenario testing of the Company's business;
- assessing the setup, functioning and effectiveness of the risk management function and risk management systems and processes for identifying, measuring, assessing, controlling, responding to, and reporting on all the risks resulting from Company's activities, the integrity of the risk management information systems, including the accuracy, reliability and completeness of the data used, and adequacy of risk models including consistency, timeliness, independence and reliability of data sources used in such models.

Executive Directors act in accordance with the resolutions of the Board and facilitate implementation of the general business strategy as well as specific decisions of the Board. Among the main functions and responsibilities of the Executive Directors regarding risk management process are:

- ensuring the identification and communication to the Board of all material risks along with mitigation plans and procedures;
- effectively manage operational or financial matters to deliver on the mandate of the Company and to address risks that arise proactively and effectively;
- oversee risk matters to deliver on the mandate of the Company and to address risks that arise proactively and effectively; and
- ensure that the Company has in place all necessary risk management systems.

The Risk Management Department assists the Board in setting the general principles of the risk management framework, quantify the economic capital requirements and in promoting the risk awareness culture across the Company. Risk Management Department also performs the necessary day-to-day risk management functions such as identification, quantification, and control of risks. Among the main functions and responsibilities of the Risk Manager are:

- establishing, implementing, maintaining, and updating risk management policies and procedures with due regard to regulations and directives as issued by the Regulator;
- identifying and assessing the risks inherent in investment services provided, or investment activities performed by the Company;
- providing the Executive Directors with the necessary information and the tools to effectively manage the risks of the Company, such as material violations of limits, measures, or procedures as well as appropriate remedial actions, the adequacy and effectiveness of measures taken to address deficiencies in the risk management etc;
- assigning and controlling the limits to the businesses and trading desks and assuring these limits are following the economic capital allocation guidelines;
- monitoring and controlling the risks and limits;
- performing stress-testing; and

- producing the necessary regulatory reports, including capital adequacy statement according to the ICARA.

3.4. Investment Policy

In accordance with Article 52 of the IFR, investment firms should disclose the following information in relation to their investment policy, where value of their on and off-balance sheet assets is on average more than 100 million euro over the four-year period immediately preceding the given financial year:

a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;

b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 52, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and

c) an explanation of the use of proxy advisor firms;

d) the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 52.

As at 31st of December 2023 the Company does not meet the requirement therefore, no further disclosure is made.

3.5. Environmental, social and governance risks

In accordance with Article 53 of the IFR, from 26 December 2023, IFs should disclose information on environmental, social and governance risks, including physical risks and transition risks, as defined in the report referred to in Article 35 of Directive (EU) 2019/2034, where value of their own on and off-balance sheet assets is on average more than 100 million euro over the four-year period immediately preceding the given financial year.

As at 31st of December 2023 the Firm does not meet the requirement therefore, no further disclosure is made.

4. Own Funds

The Company is required to hold sufficient own funds in accordance with the provisions of the IFR.

The Company's total capital resources as of 31 December 2023 are shown in the table below. The Company's Capital Resources consist of Tier 1 Capital only.

Table 2: Own Funds Composition

| Ref | Item | €'000 | Cross reference to Table 3 |
|-----|--|---------|----------------------------|
| 1 | OWN FUNDS | 9 025 | |
| 2 | TIER 1 CAPITAL | 9 025 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 6 828 | |
| 4 | Fully paid up capital instruments | 20 500 | Ref 13 |
| 5 | Share premium | 0 | Ref 14 |
| 6 | Retained earnings | -12 430 | Ref 15 |
| 12 | (-)TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1 | -1 197 | |
| 17 | (-) Losses for the current financial year | -649 | Ref 15 |
| 19 | (-) Other intangible assets | -547 | Ref 2 |
| 27 | CET1: Other capital elements, deductions and adjustments | -46 | Ref 3 |
| 28 | ADDITIONAL TIER 1 CAPITAL | 2 198 | Ref 16 |
| 31 | (-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1 | 0 | |
| 40 | TIER 2 CAPITAL | 0 | |
| 43 | (-) TOTAL DEDUCTIONS FROM TIER 2 | 0 | |

Table 3: Reconciliation of Regulatory Own Funds to Balance Sheet

| Ref | Item | Balance sheet as in solo audited financial statements, 31.12.2023 | Under regulatory scope of consolidation | Cross reference to Table 2 |
|-----------------------------|------------------------------------|---|---|----------------------------|
| Assets | | | | |
| 1 | Property, plant and equipment | 55 | 62 | |
| 2 | Intangible assets | 547 | 547 | Ref 19 |
| 3 | Contributions to the ICF | 46 | 46 | Ref 27 |
| 4 | Non-financial assets | 222 | 222 | |
| 5 | Financial assets at amortised cost | 2 085 | 1 996 | |
| 6 | Cash at bank | 40 028 | 40 028 | |
| 7 | Financial assets at fair value | 43 403 | 43 403 | |
| 8 | Cash and cash equivalents | 8 929 | 8 963 | |
| 9 | Total Assets | 95 316 | 95 267 | |
| Liabilities | | | | |
| 11 | Payables | 86 544 | 86 544 | |
| 12 | Total Liabilities | 86 544 | 86 544 | |
| Shareholders' Equity | | | | |
| 13 | Share Capital | 13 130 | 20 500 | Ref 4 |
| 14 | Share Premium | 538 | 0 | Ref 5 |
| 15 | Accumulated losses | -7 105 | -13 079 | Refs 6, 17 |
| 16 | Other equity instruments | 2 198 | 2 198 | Ref 28 |
| 17 | Advances from shareholders | 11 | 0 | |
| 18 | Total Shareholders' equity | 8 772 | 9 619 | |

Own funds details are presented in the Annex I.

5. Own Funds Requirements

5.1. Capital Requirements

The regulatory capital adequacy is assessed according to the own funds requirements set out in the IFR. According to Article 9 of the IFR, the Company shall at all times satisfy the following own funds requirements:

| | |
|-----------------------|------|
| CET 1 Ratio | 56% |
| Tier 1 Ratio | 75% |
| Total Own Funds Ratio | 100% |

There are three main top-level components contributing to the resulting own fund requirements –

- Permanent minimum capital requirement
- Fixed overhead requirement
- Total K-Factor Requirement

The Company's own fund requirements as of 31 December 2023 are shown in the table below.

Table 5: Own Funds Requirements, EUR '000

| OWN FUNDS | 2023 | 2022 (solo) |
|---------------------------------------|----------------|--------------------|
| COMMON EQUITY TIER 1 CAPITAL | 6,828 | 7,127 |
| ADDITIONAL TIER 1 CAPITAL | 2,198 | 0 |
| TIER 1 CAPITAL | 9,025 | 7,127 |
| TIER 2 CAPITAL | 0 | 0 |
| TOTAL OWN FUNDS | 9,025 | 7,127 |
| OWN FUNDS REQUIREMENTS | 1,196 | 1,503 |
| Permanent minimum capital requirement | 750 | 750 |
| Fixed overhead requirement | 1,196 | 1,503 |
| Total K-Factor Requirement | 781 | 154 |
| <i>Total own funds requirement</i> | <i>1,196</i> | <i>1,503</i> |
| CET 1 Ratio | 570.83% | 474.19% |
| Tier 1 Ratio | 754.58% | 474.19% |
| Own Funds Ratio | 754.58% | 474.19% |

5.1.1. Permanent minimum capital requirement

As per Article 5 of the IFR and following reference to the Directive (EU) 2019/2034, the initial capital of an investment firm required pursuant to Article 15 of Directive 2014/65/EU for the authorisation to provide any of the investment services or perform any of the investment activities listed in points (3) and (6) of Section A of Annex I to Directive 2014/65/EU shall be EUR 750 000.

As the Company is authorized to conduct both activities listed in the points 3 (Dealing on own account) And 6 (Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis), permanent minimum capital requirement is set at EUR 750 000.

5.1.2. Fixed overhead requirement

Article 13 of the IFR introduces the fixed overhead element of the minimal capital requirement, it mandates that investment firms maintain capital equal to at least one-quarter of the fixed overheads incurred during the preceding year, as reported in the firm's annual financial statements. The primary objective of this requirement is to ensure that firms have sufficient financial resources to cover administrative and operating expenses, thereby enhancing financial stability and resilience against adverse business conditions. The fixed overhead requirement acts as a financial safeguard, preventing firms from operating with excessively low levels of capital that could compromise their ability to sustain operations during periods of economic downturn or financial stress. The fixed overheads requirement is applicable to all CIFs. As of the year 2023, the fixed overhead requirement requirements the Company were EUR 1 196 080.

5.1.3. K-factors

IFR introduced K-Factors, quantitative and qualitative measures designed to assess and address the risks inherent to the activities of investment firms. Each K-factor targets a specific risk domain, ensuring that firms maintain adequate capital levels and robust risk management practices.

The K -Factors are not mapped to a specific type of risk but in the most cases one type of risk is more prevalent, and the Company may use a number of K-factors as a proxy for a certain risk exposure, or an exposure profile that is a combination of several prominent types of risk.

5.1.3.1. Risk to Market

K-NPR (Net Position Risk Factor) - Assesses the market risk associated with the firm's trading book, particularly the volatility in the market values of positions held and the firm's ability to liquidate these positions without significant losses.

K-CMG (Credit and Counterparty Margin Given Risk Factor) - Evaluates the risk involved in extending credit or margins to clients and counterparties, focusing on the potential for default and the firm's exposure to credit losses.

Table 6. RtM K-factors

| RtM K-factor | | K-factor requirement, EUR '000 |
|----------------------------------|-------|--------------------------------|
| K-Net positions risk requirement | K-NPR | 540 |
| Clearing margin given | K-CMG | 0 |
| Total RtM K-Factor requirement | | 540 |

Risk to Market K-factors are mostly associated with Market risk. Market risk refers to the risk of losses due to fluctuations in interest rates, exchange rates, and market prices.

The main source of Market risk for the Company is its own book trading. Market risk is managed by setting both single name limits on securities and portfolio limits. Portfolio limits are set in the Desk Mandate in

accordance with the economic capital allocated to the desk. Due to comparatively simple structure of the current portfolios the limits are mostly simple cost price notional and mark-to-market value limits, with the addition of the specific sensitivity limits such as DV01 limits for the fixed income instruments and vega limits for the vanilla exchange-traded options. As the structure and scope of the portfolios become more complex, a transition to full sensitivity and VaR metrics-based limit system is planned.

5.1.3.2. Risk to Firm

K-TCD (Trading Counterparty Default Risk Factor) - This factor quantifies the risk of financial loss due to a counterparty's failure to fulfill its financial obligations in a trading relationship, particularly relevant in derivatives, securities financing, and other trading activities.

K-DTF (Daily Trading Flow Risk Factor) - Measures the risks related to the volume of trading activities conducted by the firm each day, considering factors such as market liquidity and the firm's capacity to execute large transaction volumes without adverse effects.

K-CON (Concentration Risk Factor) - Assesses the risks arising from any large exposures to a single counterparty, client, or group of connected clients, which could lead to significant losses if the counterparty fails to meet its obligations.

Table 7. RtF K-factors

| RtF K-factor | | K-factor requirement, EUR '000 |
|--|-------|--------------------------------|
| Trading counterparty default | K-TCD | 209 |
| Daily trading flow - Cash trades | K-DTF | 30 |
| Daily trading flow - Derivative trades | K-DTF | |
| K-Concentration risk requirement | K-CON | |
| Total RtF K-Factor requirement | | 239 |

Risk to Firm K-factors are generally considered as a proxy for the Credit risk. Credit risk arises from the potential for default by borrowers and counterparties, which can lead to financial losses for the company. The Company's direct credit exposure is mostly money kept with regulated entities such as banks and brokers.

Another source of credit risk for the Company is margin lending. Clients' margin trading doesn't create direct credit exposure but have a possibility of a potential exposure in a scenario where market volatility exceeds securities haircuts. The Company manages this risk by setting conservative haircuts and margin call levels to reduce the risk probability. The Company also includes its margin trading portfolio into its stress testing scenarios where also conservatively models clients' defaults if the Company have any credit exposure on them in a stress scenario. The Company had relatively low margin lending activity in the reporting period, thus didn't have major credit exposure or potential credit exposure to the clients deriving from margin activity.

Another important source of the credit exposures is the trades with the counterparties. The Company manages this risk by setting counterparty limits that are based on the assessment of the counterparties' creditworthiness based both on the external credit ratings as well as in-house credit quality analysis.

To align the limits with the economic capital, credit VaR is calculated for the whole portfolio of credit exposures assuming zero correlations between the defaults.

Daily Counterparty Limit report is prepared by the risk management department, which allows for the monitoring of the counterparty trades exposures. As of the end of the reporting period, the Risk Management Department was actively monitoring 39 counterparties in relation to Delivery Versus Payment (DVP) and Free of Payment (FOP) limits.

The Company as a CIF (Cyprus Investment Firm) is subject to the Large Exposures Regime (Concentration Risk), as part of the IFR. As a result, the Company takes active steps to limit its exposure to groups of connected counterparties. This is subject to regular forecasting and daily monitoring and reporting. Where excesses occur, capital is set aside and the CySEC are notified. The Company follows the regulatory guidelines and sets its concentration appetite accordingly – up to 100% of eligible capital for the institutions and 25% of eligible capital for non-institutions. Where the exposure exceeds these levels, the Company calculates additional capital requirements (K-CON).

During the year 2023, the Company has had no excess of the Large Exposure Limit.

5.1.3.3. Risk to Client

K-AUM (Assets Under Management Risk Factor) – This factor quantifies risk based on the total value of assets managed on behalf of clients. It assesses the potential for financial loss due to mismanagement or unfavorable market changes affecting client portfolios.

K-CMH (Client Money Held Risk Factor) – Evaluates the risk associated with holding client funds. It addresses the potential financial impact and compliance requirements of managing and safeguarding these funds against misappropriation or operational errors.

K-ASA (Assets Safeguarded and Administered Risk Factor) – Relates to the risks incurred from safeguarding and administering assets that are not owned by the firm but are held in custody, including duties such as ensuring the integrity of asset ownership, record-keeping, and protection against fraud.

K-COH (Client Orders Handled Risk Factor) – Measures the risk associated with the volume and nature of client orders handled by the firm, focusing on the potential for financial loss due to errors in order processing or execution failures.

Table 8. RtC K-factors

| RtC K-factor | | K-factor requirement, EUR '000 |
|-------------------------------------|-------|--------------------------------|
| Assets under management | K-AUM | 0 |
| Client money held – Segregated | K-CMH | 0 |
| Client money held – Non-segregated | K-CMH | 0 |
| Assets safeguarded and administered | K-ASA | 1 |
| Client orders handled – Cash trades | K-COH | 0 |

| | | |
|--|-------|---|
| Client orders handled – Derivatives trades | K-COH | 0 |
| Total RtC K-Factor requirement | | 1 |

Risk to Client K-factors are considered mostly covering operational risk of the client related activity. Operational risk arises from internal processes, people, systems, and external events that can lead to financial losses or reputational damage. The Company manages operational risk by implementing robust internal controls, regularly conducting risk assessments, and developing contingency plans for potential risk events. For every significant process, the Company develops a procedure and/or a methodology that describes this process, establishes roles of all participants, and regulates interactions between them regarding the process. The Company established New Product Committee (NPC) to assess all new types of business activities and identify risks that these activities can expose the Company to. For each new business activity or a product, a separate NPC meeting resolution must be prepared that describes the activity or the product, highlights key risks and lays groundwork for managing these risks even before the activity or the product goes live.

In the year 2023 the Company had a limited number of NPCs due to active modification of the company operational structure. In the year 2024 the Company plans to reimplement the NPCs process in full, to further reduce operational risks.

The Company includes information and communication technology risks into the operational risk category. First-line risk management and mitigation of this type of risk as well as day-to-day monitoring is done by the IT Department, and the supervision and the risk audit function is performed by the Risk Management Department.

5.1.4. Other risks

There is a number of major risks, that are not easily mapped to the K-factors are affecting the company in an indirect way or are equally impacting all operations covered by K-factors. These risks are presented in this paragraph.

5.1.4.1. Liquidity risk

Liquidity risk refers to the risk of not being able to meet financial obligations as they become due. The Company manages liquidity risk by performing liquidity gap analysis based on the stressed cashflow, that highlights liquidity gaps for different term buckets. From there the Company aims to align its assets and liabilities term structure to cover the short-term liquidity gaps and have robust redundant plans to cover the long-term gaps.

The Company still has a part of its funds temporary blocked due to the sanctions imposed on the previous beneficiary of the company. Since the change of ownership most of the accounts were unblocked but a significant part of its liquidity is still inaccessible for the Company. However, strong financial result in the reporting period allowed the company to remedy liquidity constraint significantly and by the end of the reporting period liquidity risk of the Company was considered low compared to its estimation as “high” in

the previous period.

Despite this, liquidity management remains a major focus of the Risk Management team. To manage liquidity risk the Company performs daily liquidity assessment. Daily liquidity assessment report contains information about current short-term liquidity, its usage and liquidity capacity for business units.

In addition to the regular daily Treasury report and gap analysis, Risk Management Department also monitors the liquidity closely to identify potential liquidity shortages and work closely with the Treasury to implement necessary measures to eliminate the liquidity gaps.

According to the IFR, the Company shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead.

Table 9. Liquidity requirements

| €'000 | 2023 | 2022 (solo) |
|-----------------------|-------|-------------|
| Liquidity Requirement | 399 | 374 |
| Total liquid assets | 8 926 | 19 |

The Company did not meet its liquidity requirements as per IFR as of 31/12/2022, as a significant amount of its cash balances did not fully satisfy the provisions of Commission Delegated Regulation (EU) 2015/61 regarding for it to be considered as eligible for inclusion under the unencumbered short term deposits balance but the Company was able to meet its financial obligations as they fell due during 2022, through the utilization of these cash balances.

However, in the year 2023 due to good business planning and sound financial management the Company increased its liquid assets enough to easily meet the minimal liquidity requirements and accumulated a sizable buffer to be able to deal with most of the scenarios of the stressed liquidity environment for the period of up to a year.

The Company has keeps improving its internal requirements in respect to market and funding liquidity risks. The requirements are monitored and controlled by means of sound administrative procedures and robust internal control mechanisms which include, among other instruments, liquidity gap analysis and Risk Management Department oversight over the Company treasury function.

5.1.4.2. Interest Rate Risk

Interest rate risk arises from changes in interest rates that can affect the company's net interest income and the market value of its assets and liabilities. During 2023, the Company had low exposure to this type of risk in its liquidity management portfolio due to small exposure to the interest risk sensitive instruments and generally tightly matched assets and liabilities term structure.

Most of the Company's interest risk comes from the high cost of the funding witch also concentrated in a few big clients. The main interest revenue estimations that come from margin lending to its retail clients and from the security financing of one big client can't be predicted accurately using the current Company financial planning system. It puts a major part of interest earning at risk.

The Company is striving to decrease its interest risk and is taking steps to mitigate it by diversifying its liquidity sources, decreasing cost of borrowing, and developing better financial planning in regard to interest revenue.

5.1.4.3. Compliance Risk

Compliance risk refers to the risk of non-compliance with laws, regulations, and internal policies, which can result in financial penalties, reputational damage, and loss of business. The Company manages compliance risk by maintaining a strong compliance culture, providing regular compliance training, and implementing effective compliance monitoring and reporting processes. All counterparties of the Company, no matter how small, are passing through the compliance review and get equal treatment from the compliance standpoint.

No compliance findings identified during the reporting period pose material risk to the viability of the Company.

5.1.4.4. Business Risk

Business risk arises from changes in the business environment, competition, and the company's strategic objectives. The Company manages business risk by regularly reviewing its business plan, conducting research and competitor analysis, and implementing a robust strategic planning process that considers potential risks and opportunities.

The previous long-term plan of the Company was reconsidered in the year 2022 due to the war in Ukraine as access to main market, clients and products previously being part of the company's 3 years strategy were restricted and, in some cases made unreachable. The new business plan of 2023 considers shift to the new emerging markets and reorientation on the clients outside the Russian market. The new plan has a number of quantifiable milestones that allow for the precise assessment of the business strategy interim success and allow for the early warning of the business risk realization. In the reporting period the Company made significant steps towards its goals stated in the 2023 plans thus significantly lowering the business risk.

The Company aims to review the business plan at least annually.

One more major source of business risk is the uncertainty, created by the delay of the SEOC decision that will allow the company to use its restricted assets in the Raiffeisen Bank. Lack of the final decision creates reputational risks for the Company and puts additional pressure on the company profitability through missing opportunity costs.

5.1.4.5. Country risk

As the Company broadens its operational footprint to include new countries within the European Union

and other regions, it invariably faces unique risks that are specific to each of these jurisdictions. Such risks can significantly impact operations and range from regulatory compliance issues to unexpected legal and market fluctuations. As of the end of the reporting period the Company has plans to expand to the new markets and is actively seeking good opportunities. We research several key areas: market dynamics, legal frameworks, compliance requirements, and regulatory environments. As we do so we always try to minimize risk and maximize compliance, thereby safeguarding our operations and enhancing our competitive advantage in these new markets. However, the process of doing so is not fully formalized in the Company, which we plan to do going forward.

5.2. Capital Management

To always satisfy the minimal capital requirements, the Company implements several daily controls that aimed at limiting daily operations with a number of limits and restrictions that ensure that the resulting trades and operation wont lead to the exceeding of the regulatory requirements.

The Company uses a combination of quantitative and qualitative metrics for its internal capital management. Quantitative metrics are based on statistical methods and mostly are variations of Value-at-Risk methodology. Quantitative metrics are preferable to the qualitative and are used for the calculation of the internal capital where possible, especially for its trading activity. Qualitative metrics are used where statistical or other numerical approaches cannot be used directly (such as with political or legal risks), however even in these cases resulting internal capital requirements figures are expressed in numerical terms.

The company calculates both current internal capital requirements and maximal potential capital requirements based on its business plan for a period up to a year.

5.3. Remuneration Policy and Practices

5.3.1. Remuneration System

The Remuneration Policy aims to ensure that the staff's compensation is sufficient to retain and attract individuals with appropriate skills and experience to help the Company achieve its targets. The Policy also aims to ensure that conflicts of interest are avoided, and that the remuneration awarded is such that it does not encourage risk-taking that exceeds the Company's approved risk appetite.

Accordingly, the operating standards and mechanisms which have been adopted ensure that the level of rewards provided to employees are directly linked to the desired behaviors and results set by the Board of Directors as well as the Company's documented policies and procedures.

The Company's Remuneration Policy takes into account national criteria on wage setting and makes a clear distinction between criteria for setting basic fixed remuneration and variable remuneration. Basic fixed remuneration primarily reflects relevant professional experience and organizational responsibility as set out in an employee's job description and as part of the terms of employment of each employee. Variable remuneration reflects a sustainable and risk adjusted performance as well as performance in excess of that required to fulfil the employee's job as part of the terms of employment of each employee. It includes all forms of payments or benefits provided directly or indirectly by the Firm to relevant persons.

5.3.2. Remuneration Practices

Even though the Policy applies to all Company employees, the Company wishes to take a more specific risk approach by identifying and assigning higher emphasis and responsibility to persons who are client-facing staff, Senior Management, risk takers, individuals whose total remuneration takes them into the same remuneration level as the aforementioned categories, individuals who perform control duties as well as any other individuals whose professional activities have a significant impact on the Company's risk profile.

Performance appraisals are conducted on an annual basis. In order to perform performance appraisals, key objectives / goals are set for each employee at the beginning of each year. Performance is then assessed against these objectives / goals.

Both fixed and variable components are balanced with the fixed component representing a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy.

Variable remuneration can be reduced to zero and shall not exceed 100% of the fixed component of the remuneration for each individual.

Variable remuneration paid in instruments will be in the form of promissory notes or other equivalent non-cash instrument issued by the Company.

When paying out any variable remuneration to the risk takers, the Company takes into consideration the following, in a manner and to the extent that is appropriate to the Company's size, internal organization and nature, scope and complexity of activities:

At least 40% of the variable remuneration is deferred over a period of three to five years;

In case that variable remuneration is of a particular high amount, then at least 60% of the amount is deferred;

At least 50% of any variable remuneration is paid out in instruments. This is applied to both the deferred and the non-deferred part of the variable remuneration component;

Up to 100% of the total variable remuneration is subject to malus or clawback arrangements, which are set by the Company.

Being a significant institution, the Company has set the deferral period of the members of the Board and the Senior Management to be at least five years. Other identified staff who are not members of the Board or Senior Management, are subject to a deferral period of at least three years.

Malus or clawback arrangements are explicit ex post risk adjustment mechanisms where the Company itself adjusts remuneration of an identified staff member based on such mechanisms.

The tables below present the remuneration analysis by the Company's during the year 2023.

Table 10: Remuneration Analysis by Senior Management and Members of Staff

| | Members of staff | Senior Management (Executive Directors) | Non-Executive Directors |
|---------------------------------|------------------|--|----------------------------|
| Fixed Remuneration, EUR '000 | 839 | 462 | 52 |
| Variable Remuneration, EUR '000 | 389 | 15 | - |
| Total | 1,227 | 477 | 52 |
| <i>Number of Beneficiaries</i> | 11 | 4 | 2 |

Table 11: Remuneration Analysis by Business Area

| Business Area | Remuneration, EUR '000 |
|-----------------------------|------------------------|
| Business Departments | 780 |
| Control Functions | 838 |
| Operations | 83 |
| Finance and Accounting | - |
| Customer Support Department | - |
| IT Services | 55 |
| Administration | - |
| Total | 1,756 |

Annex I. Composition of the Own funds.

Table 12. Roemer Capital (Europe) Limited

| | | Common Equity Tier 1 instruments | Additional Tier 1 instruments | Additional Tier 1 instruments |
|---------------------|---|-------------------------------------|----------------------------------|----------------------------------|
| 1 | Issuer | Roemer Capital (Europe) | Roemer Capital (Europe) | Roemer Capital (Europe) |
| 2 | Unique identifier | 21380027LW8AF611WA03 | N/A | N/A |
| 3 | Public or private placement | Private | Private | Private |
| 4 | Governing law(s) of the instrument | Cyprus | Cyprus | Cyprus |
| 5 | Instrument type | Ordinary shares | Subordinated loan | Subordinated loan |
| 6 | Amount recognized in regulatory capital, EUR | 13,130,000 | 2,000,000 | 197,802 |
| 7 | Nominal amount of instrument, EUR | 1,000 | 2,000,000 | 197,802 |
| 8 | Issue price, EUR | 1,000 | N/A | N/A |
| 9 | Redemption price | N/A | N/A | N/A |
| 10 | Accounting classification | Shareholders' equity | Additional Tier 1 equity | Additional Tier 1 equity |
| 11 | Original date of issuance | 12.06.2014 | 27.06.2023 | 18.08.2023 |
| 12 | Perpetual or dated | Perpetual | Perpetual | Perpetual |
| 13 | Original maturity date | N/A | N/A | N/A |
| 14 | Issuer call subject to prior supervisory approval | No | No | No |
| 15 | Optional call date, contingent call dates and | N/A | N/A | N/A |
| 16 | Subsequent call dates, if applicable | N/A | N/A | N/A |
| Coupons / dividends | | | | |
| 17 | Fixed or floating dividend/coupon | Floating | Fixed | Fixed |
| 18 | Coupon rate and any related index | N/A | N/A | N/A |
| 19 | Existence of a dividend stopper | No | No | No |
| 20 | Fully discretionary, partially discretionary or | N/A | N/A | N/A |
| 21 | Fully discretionary, partially discretionary or | N/A | N/A | N/A |
| 22 | Existence of step up or other incentive to | N/A | N/A | N/A |
| 23 | Noncumulative or cumulative | N/A | N/A | N/A |
| 24 | Convertible or non-convertible | Non-convertible | Convertible | Convertible |
| 25 | If convertible, conversion trigger(s) | N/A | N/A | N/A |
| 26 | If convertible, fully or partially | N/A | N/A | N/A |
| 27 | If convertible, conversion rate | N/A | N/A | N/A |
| 28 | If convertible, mandatory or optional | N/A | N/A | N/A |
| 29 | If convertible, specify instrument type | N/A | N/A | N/A |
| 30 | If convertible, specify issuer of instrument it | N/A | N/A | N/A |
| 31 | Write-down features | N/A | N/A | N/A |
| 32 | If write-down, write-down trigger(s) | N/A | N/A | N/A |
| 33 | If write-down, full or partial | N/A | N/A | N/A |
| 34 | If write-down, permanent or temporary | N/A | N/A | N/A |
| 35 | If temporary write-down, description of | N/A | N/A | N/A |
| 36 | Non-compliant transitioned features | N/A | N/A | N/A |
| 37 | If yes, specify non-compliant features | N/A | N/A | N/A |
| 38 | Link to the full term and conditions of the | N/A | N/A | N/A |

Table 13. Roemerberg Capital Limited

| | | Common Equity Tier 1 instruments |
|----|--|----------------------------------|
| 1 | Issuer | Roemerberg Capital Limited |
| 2 | Unique identifier | 254900U7W9LQ58F5EB88 |
| 3 | Public or private placement | Private |
| 4 | Governing law(s) of the instrument | Cyprus |
| 5 | Instrument type | Ordinary shares |
| 6 | Amount recognized in regulatory capital, EUR | 20,500,000 |
| 7 | Nominal amount of instrument, EUR | 1 |
| 8 | Issue price, EUR | 1 |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | 27.10.2020 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | N/A |
| 14 | Issuer call subject to prior supervisory approval | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/coupon | Floating |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| 21 | Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| 22 | Existence of step up or other incentive to redeem | N/A |
| 23 | Noncumulative or cumulative | N/A |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible into | N/A |
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | N/A |
| 32 | If write-down, write-down trigger(s) | N/A |
| 33 | If write-down, full or partial | N/A |
| 34 | If write-down, permanent or temporary | N/A |
| 35 | If temporary write-down, description of write-up mechanism | N/A |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |

Table 14. Roemerberg Financial Products Limited

| | | Common Equity Tier 1 instruments |
|----|--|---------------------------------------|
| 1 | Issuer | Roemerberg Financial Products Limited |
| 2 | Unique identifier | 254900BFEXGQSWXQRF14 |
| 3 | Public or private placement | Private |
| 4 | Governing law(s) of the instrument | Cyprus |
| 5 | Instrument type | Ordinary shares |
| 6 | Amount recognized in regulatory capital, EUR | 1,501,000 |
| 7 | Nominal amount of instrument, EUR | 1,000 |
| 8 | Issue price, EUR | 1,000 |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | 25.05.2015 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | N/A |
| 14 | Issuer call subject to prior supervisory approval | No |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | Coupons / dividends | |
| 17 | Fixed or floating dividend/coupon | Floating |
| 18 | Coupon rate and any related index | N/A |
| 19 | Existence of a dividend stopper | No |
| 20 | Fully discretionary, partially discretionary or mandatory (in terms of timing) | N/A |
| 21 | Fully discretionary, partially discretionary or mandatory (in terms of amount) | N/A |
| 22 | Existence of step up or other incentive to redeem | N/A |
| 23 | Noncumulative or cumulative | N/A |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible into | N/A |
| 30 | If convertible, specify issuer of instrument it converts into | N/A |
| 31 | Write-down features | N/A |
| 32 | If write-down, write-down trigger(s) | N/A |
| 33 | If write-down, full or partial | N/A |
| 34 | If write-down, permanent or temporary | N/A |
| 35 | If temporary write-down, description of write-up mechanism | N/A |
| 36 | Non-compliant transitioned features | N/A |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |