

AQUILLA NUMMUS LTD
PILLAR III DISCLOSURES AND MARKET DISCIPLINE FOR THE
YEAR ENDED 31 DECEMBER 2023



AQUILLA
NUMMUS

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

YEAR ENDED 31 DECEMBER 2023

May 2024



KPMG Limited
Chartered Accountants
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Independent Auditors' Report to the Board of Directors of Aquilla Nummus Ltd for the year ended 31 December 2023 pursuant to Part Six of Regulation (EU) 2019/2033 concerning disclosure requirements of investment firms

1. We report in relation to the fair presentation of the disclosures of Aquilla Nummus Ltd (the "Company") for the year ended 31 December 2023, pursuant to our Engagement Letter for the provision of services in relation to Pillar 3 Disclosures, dated 30 April 2024. The Disclosures, which are set out on the Company's website, are attached as an Appendix and have been initialled for identification purposes.

Respective responsibilities

2. The Company's Board of Directors is responsible for the preparation and fair presentation of the Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 (the "IFR"). Our responsibility is to express an independent conclusion in relation to the fair presentation of the Disclosures, in all material respects, in accordance with the requirements of the IFR.

Scope of work performed

3. We conducted our work in accordance with International Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information". This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the requirements of the IFR. Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the requirements of Part Six of the IFR, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

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4. The procedures performed do not constitute either an audit or a review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

5. Based on our work described in this report, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2023 are not fairly presented, in all material aspects, in accordance with the requirements of the IFR.

6. Our report is solely for the purpose as set out above and is not to be used for any other purpose or to be distributed to any other parties without our prior consent in writing, other than to the Cyprus Securities and Exchange Commission to which we acknowledge that our report will be provided. This report relates only to the Disclosures required pursuant to Part Six of the IFR and does not extend to any financial statements or other financial information of the Company.

A handwritten signature in blue ink, consisting of several loops and a long horizontal stroke extending to the right.

KPMG Limited
Certified Public Accountants and Registered Auditors

Nicosia, 30 May 2024

AQUILLA NUMMUS LTD
PILLAR III DISCLOSURES AND MARKET DISCIPLINE FOR THE
YEAR ENDED 31 DECEMBER 2023



**AQUILLA
NUMMUS**

APPENDIX

Disclosures in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014

YEAR ENDED 31 DECEMBER 2023

May 2024

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1. Overview

1.1. CIF Information

Aquila Nummus Ltd (“the Company” or “Aquila”) obtained its License on the 4th of December 2017 with license number 345/17 and was fully authorized to offer financial services upon effective completion of its authorization conditions. The Company was activated on 4th December 2017 to offer the service of Portfolio Management and Safekeeping and Administration of Financial Instruments for the account of clients and has a Lei Code of 549300ZCGZNVDA6R3Y84.

The Company is categorized as a Class 2 Cyprus Investment Firm (“CIF”), with minimum initial capital requirement of €150K, set in accordance with Article 14 of the Investment Firm Regulation (“IFR”) and Article 9 of the Investment Firm Directive (“IFD”). Furthermore, for the year under consideration the Company was classified as a significant CIF, in accordance with the criteria set by CySEC Circular C487.

Aquila’s license includes the provision of the following investment and ancillary services, in the financial instruments specified below:

Investment Services

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Portfolio management

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
- Foreign exchange services where these are connected to the provision of investment services

Financial Instruments

- Transferable securities
- Money market instruments
- Units in Collective Investment Undertakings (CIUs)
- Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, emission allowances, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash

1.2. Scope of application

The Company is publishing the disclosures on an individual (solo) basis, as it does not fall under the scope of prudential consolidation based on the provisions of Article 7 of the IFR and relate to the financial year ending on 31st of December 2023. The disclosures are prepared on an annual basis and should be read in conjunction with the Financial Statements, which are also prepared on an individual (solo) basis, in accordance with the International Financial Reporting Standards (“IFRS”). The Company's Audited Financial Statements for 2023 have been prepared using Euro (“EUR”) as a reporting currency.

1.3. Regulatory framework overview

Since 26 June 2021, the Company, as the majority of EU investment firms, has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”), as the latter has been harmonized into local legislation through the issuance of the Law for the Prudential Supervision of Investment Firms (165(I)/2021).

The IFR and IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

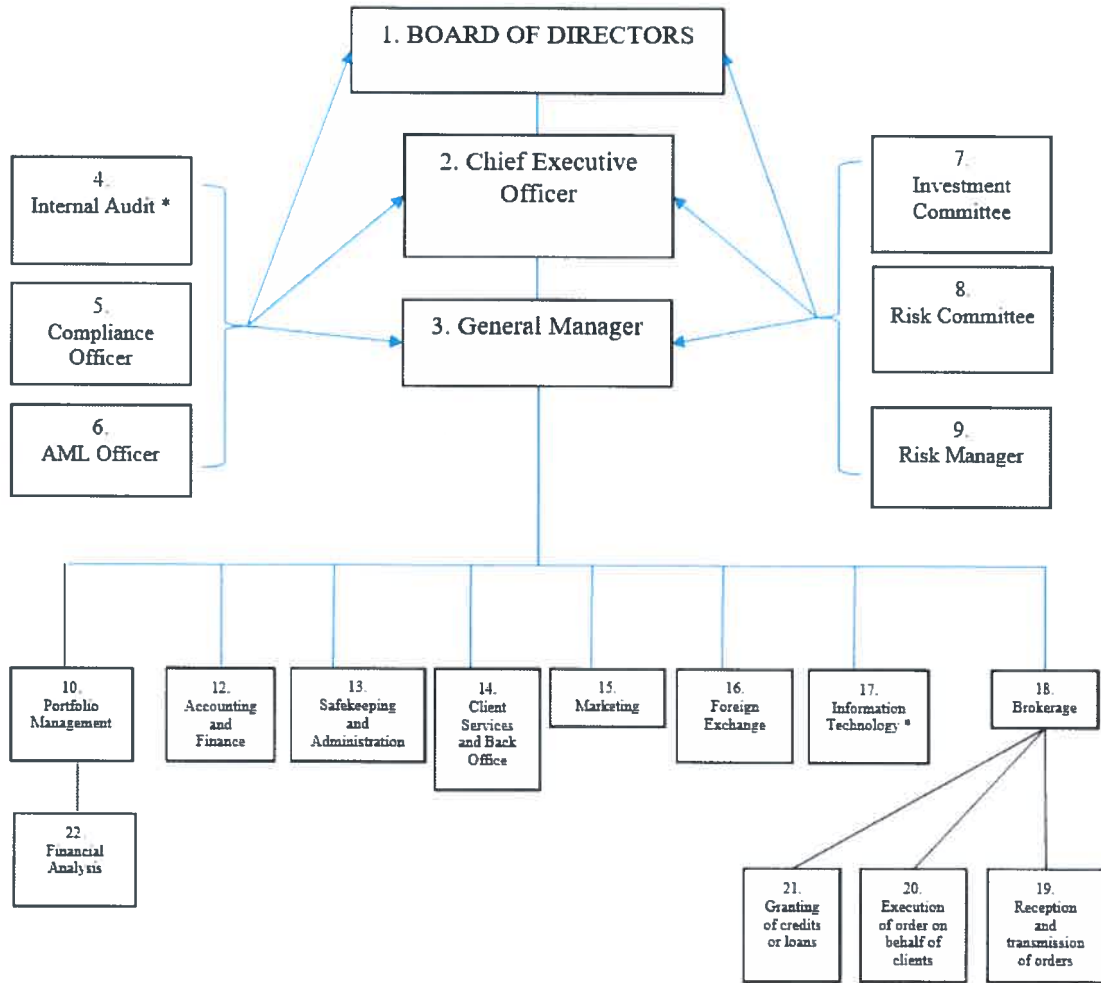
The IFR/IFD framework consists of three Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three Pillars and their applicability to the Company, are summarized below:

- Pillar I - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar II - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar III - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

The present Pillar III Disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2023.

The Company is required to publish Pillar 3 disclosures setting out the arrangements it has put in place to monitor, manage and mitigate the various risks it incurs, as well as the results of its capital adequacy calculations for the immediately preceding year based on audited figures. The Company prepares these disclosures on an annual basis and publishes them on its website, while it also submits them to CySEC accompanied by its external auditors' verification report within five months after its financial year-end.

1.4. Organisational Structure



* Outsourced



1.5. Risk Management objectives and policies

To ensure effective risk management, the Company has adopted three levels of control, with clearly defined roles and responsibilities.

First Level Control: Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds. These controls are independently checked by the Compliance Function Officer as a second set of oversight and observations are reported to the Board which is then analyzed and remedied. First Level control acts as an early warning mechanism for identifying (or remedying) risks or failures.

Second Level Control: The Risk Management Function is responsible for proposing to the Board through the Risk Management Committee appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. The Risk Management Function will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them. Integral to the mission of Second Level Controls is identifying risk areas, detecting situations/activities in need of monitoring and developing policies to formalize risk assessment, mitigation and monitoring.

Third Level Control: Comprised by the Internal Audit Function which is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls. Internal Audit undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e., soundly, honestly and professionally) as well as reviews the Company's relevant policies and procedures. Internal Audit works closely with both the First and Second Level of Controls to ensure that its findings and recommendations are taken into consideration and followed, as applicable.

1.5.1. Risk Management Framework

Aquila is required to establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. In this respect, Aquilla must adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems.

The Company must at all times monitor the following:

- the adequacy and effectiveness of the Company's risk management policies and procedures;
- the level of compliance by the Company and relevant persons in relation to the arrangements, processes and mechanisms adopted to manage the risks relating to the Company's activities, processes and systems;
- the adequacy and effectiveness of measures taken to address any deficiencies in those policies and procedures, including failures by the relevant persons to comply with, or follow such arrangements, policies, processes and mechanisms.

In view of the nature, scale and complexity of its business activities and the nature and range of the investment services undertaken during that business, Aquilla is required to establish and maintain a risk management function/unit. The function/unit shall operate independently and:

- a) Implement policies and procedures aimed at managing the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance;
- b) Make available reports and advice to Senior Management.

In line with the above, Aquilla has appointed a Risk Manager and has established a Risk Management Committee. The Risk Manager reports to the Risk Management Committee which report directly to the Board of Directors.

1.5.2. Risk Appetite Statement

Risk Appetite is the amount and type of risk that the Company is able and willing to accept in pursuing its business objectives. Risk appetite is expressed in both quantitative and qualitative terms and covers all risks, both on-balance sheet and off-balance sheet.

An effective risk appetite statement is empowering in that it enables the decisive accumulation of risk in line with the strategic objectives of the Company while giving the board and management confidence to avoid risks that are not in line with the strategic objectives. The Risk Appetite framework has been designed to create links to the strategic long-term plan, capital planning and the Company's risk management framework.

The Company has established a robust Risk Appetite Framework. The Board approves the Risk Appetite which defines the type and amount of risk that the Company is prepared to accept to achieve its objectives.

1.5.3. Risk Culture

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

The Company is committed to embedding a strong risk culture throughout the business where everyone understands the risks they personally manage and are empowered and qualified to take accountability for them. The Company embraces a culture where each of the business areas is encouraged to take risk-based decisions, while knowing when to escalate or seek advice.

2. Corporate Governance and Risk Management

The Company's systems of risk management and internal control include risk assessment, management, or mitigation of risks, including the use of control processes, information and communication systems and processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and can respond quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

2.1. The Board of Directors

The business activities of the Company are conducted under the guidance, procedures and decisions established or resolved by the Board of Directors (the "Board" or "BoD") in accordance with the CIF's constituent documents, licenses and provisions of the applicable legislation. The composition of the Company's BoD is comprised at any point of time of four members, two of which are non-executive directors and independent of the Company's

executive management function. One of the executive directors is always the CEO of the Company.

The Board is responsible for setting up targets, establishing internal controls, overseeing business operations as well as preventing and resolving conflicts of interests. Furthermore, the Board of Directors has the overall responsibility for the establishment and oversight of the Company's Risk Management Framework.

The Company has in place the Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board of Directors, Investment and Risk Committees, Senior Management and staff of the Company across all its departments.

The Non-executive Directors must have adequate experience in the financial services field. In view of that experience, they must be able to understand the nature of the Company's business as performed in the market, understand clearly their duties and responsibilities in line with the applicable legislation and demonstrate and prove to the CySEC that they are familiar with the obligations deriving from the Risk management and Procedures Manual of Aquilla, as well as Regulatory obligations among other requirements related to their positions as Non-Executive Directors.

2.2. Duties and Responsibilities of the Directors

The Board of Directors shall be responsible for ensuring that the Company complies with its obligations under the Law. At least on an annual basis, the Board shall:

- a) act within their powers;
- b) exercise independent judgment;
- c) exercise reasonable care, skill and diligence;
- d) avoid conflicts of interest;
- e) determine the strategic, marketing or other plans of the Company;
- f) review the effectiveness of policies, arrangements and procedures put in place that Aquilla complies with its obligations under the Law and legal framework;
- g) take appropriate measures to address any deficiencies as per above;
- h) evaluate the work carried out by the Internal Auditor(s);
- i) adopt strategies to improve the operation of the internal audit mechanism;
- j) assess the Internal Auditor's efficiency based on reports submitted to the Board by the Internal and the External Auditors. The reports shall, as a matter of course, encompass any complaints or denunciations formulated by clients during the year;
- k) discuss internal audit issues and submit to the CySEC, within 20 days as of the meeting, the minutes covering the discussion of said issues;
- l) receive all the information required for reviewing and evaluating the effectiveness and efficiency of controls for attaining the Company's objectives, as well as the adequacy of the Company's objectives in comparison to the present needs and conditions;
- m) determine the remuneration of staff, Senior Management and Directors of the Company and indemnify Directors for their travelling and representation expenses;
- n) determine the terms of reference of the Company's committees;
- o) approve the annual budget as well as the quarterly and yearly performance of the Company;
- p) The board member who is also responsible for AML must ensure the implementation of the provisions of the AML Law and of the directives and/or circulars and/or regulations issued pursuant thereto including any relevant acts of the European Union.

2.3. Number of Directorships held by members of the Board

The table below discloses the number of directorships held by members of the management body. The board of Directors consists of the Chief Executive Officer, the General Manager and two non-Executive Directors. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit or charitable organizations, are not taken into account.

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

Director	Function	Number of Directorships
Yana Raevskaia	Independent, Non-Executive Director	1
Vruyr Gabrielyan	Executive Director	2
Vahe Gevorgyan	Chief Executive Officer	2
Marios Epaminonda ²	Independent, Non-Executive Director	4

Notes:

1. The information in this table is based only on representations made by the Company's directors at the time of preparation of the report.
2. The number of directorships held by this director exceed the minimum required by Circular C487 for the obligations of Significant CIFs. 2 out of the 3 non-executive positions are in regards to positions held in externally managed funds and CySEC does not consider such appointments equivalent to non-executive positions of other regulated entities, i.e. investment firms. It is further noted that CySEC has assessed and approved the relevant appointments at the time of their application.

2.4. Policy on Diversity

The Company promotes Diversity on its management body, in order to promote a diverse pool of Members. The Company's Diversity policy aims to engage a broad set of qualities and competences when recruiting Members, to achieve a variety of views and experiences and facilitate independent opinions and sound decision-making within the management. In this respect, when appointing Members, the Company is not influenced by the Member's educational and professional background, gender, age, or geographical provenance.

The Company shall always ensure that the management body collectively possesses adequate knowledge, skills and experience to be able to understand the Company's activities, including the main risks.

The composition of the Company's management body will reflect the knowledge, skills and experience necessary to fulfil its responsibilities. This includes that the management body collectively shall have an appropriate understanding of those areas for which the Members are collectively accountable, and the skills to effectively manage and oversee the Company, including the following aspects:

- a) The business of the Company and the main risks related to it;
- b) Each of the material activities of the Company;
- c) Relevant areas of financial competence;
- d) Financial accounting and reporting;
- e) Risk management, compliance and internal audit;
- f) Information technology and security;
- g) Local, regional and global markets, where applicable.
- h) The legal and regulatory environment;
- i) Managerial skills and experience;
- j) The ability to plan strategically.

2.5. Governance Committees

2.5.1. Risk Management Committee

In order to support effective governance and management of the wide range of responsibilities the Board has established the Risk Management Committee. A Non-Executive Director presides over the Committee. The Risk Manager and members of the Risk Committee change only upon the approval of the Board of Directors.

The Risk Management Committee is responsible for overseeing the duties of the Company's Risk Management function and for ensuring the effective supervision of the relevant risks through continuous monitoring of the Company's risk management policies. In general, the Risk Management Committee is responsible:

- a) To establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company.
- b) To adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance.
- c) To monitor the adequacy and effectiveness of the Company's risk management policies and procedures, the level of compliance by the CIF and its relevant persons, and the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms and
- d) To provide the reports and advice to Senior Management on a frequent basis, and at least annually.

2.5.2. Investment Committee

An Investment Committee has been formed to ensure the implementation of a prudent investment policy and the monitoring of the provision of adequate investment services to Clients. The Board of Directors determines the composition and appoints the members and secretary of the Investment Committee. The Non-Executive Director presides over the Investment Committee. The members of the Investment Committee change only upon the approval of the Board of Directors. The Investment Committee reports directly to the Senior Management.

The decisions concerning the product universe, strategies followed, counterparties decided upon, pricing policies, investments in specific shares, bonds, mutual funds or other financial instruments are made by majority vote. The minutes are kept and notified to the Board of Directors. The latter decides about the Company's investment policies, giving regard to the recommendations of the Investment Committee, which is responsible, inter alia:

- a) to supervise the proper choice of investments (framework for investment decisions);
- b) to analyze the investment potential and contribute to the elaboration of the investment policy, as applicable;
- c) to determine the Company's pricing policy;
- d) to decide upon the markets and types of Financial Instruments in which the Company shall be active;
- e) to determine the mode, content and frequency of the Client's briefing. Also, to monitor that Retail Clients are informed about their right to request different time frequency of the provision of their periodic statement by the Company, about their investment transactions;
- f) to brief the Internal Auditor, as applicable;
- g) to establish, approve, adjust and monitor the Company Investment Policy in relation to the Portfolio Management, and Investment Advice and Brokerage Departments by using the recommendations of the Head of the Department through the Investment Reports, as applicable;
- h) to review the Company Investment Policy whenever a material change occurs;
- i) to establish risk profile categories for each Client (e.g., conservative, balanced, and growth);

- j) to analyze the economic conditions and the investment alternatives based on a thorough examination of third-party reports;
- k) to select appropriate benchmarks for different type of portfolios, where applicable;
- l) to examine the returns and the associated risks of the Client portfolios, as applicable;
- m) to monitor the collection of the Client information through the filling of the Investment Questionnaire, or information obtained through interviews.

Based on the business model of the Company, the Board has decided to discontinue the exercises of the Investment committee, since the people forming it were the same as the ones in the Board of Directors and any related topics would be discussed during the Board meetings. CySEC has been informed of this change and the Company has communicated an amended organizational structure that does not include the investment committee anymore. The Company will also amend its Internal Operations Manual to reflect this change.

2.5.3. Remuneration and Nomination Committees

In view of the fact that the Company qualifies as a Significant CIF as per CySEC Circular C487 and in order to company with the relevant requirements, it should establish a Nomination and a Remuneration Committee. Even though the Company is significant in terms of its assets under management, the Company's size, internal organization and the nature, scope and complexity of its activities remain outside the scope of a significant CIF. Hence the Company has not yet prioritized the establishment of such committees. In order to continue to be fully compliant with the directive, the Company is currently in the process of addressing the issue to CySEC.

2.6. Other Governance Functions

2.6.1. Risk Manager

The Risk Manager is responsible for overseeing the duties of the Company's Risk Management function and for ensuring more effective supervision of the relevant risks through continuous monitoring of the Company's risk management policies.

In general, the Risk Manager is responsible for the following:

- a) To establish, implement and maintain adequate risk management policies and procedures which identify the risks relating to the Company's activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company;
- b) To adopt effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems, in light of that level of risk tolerance;
- c) To monitor the adequacy and effectiveness of the Company's risk management policies and procedures, the level of compliance by the Company and its relevant persons, and the adequacy and effectiveness of measures taken to address any deficiencies in those policies, procedures, arrangements, processes and mechanisms, including failures by the relevant persons of the Company to comply with such arrangements, processes and mechanisms, and
- d) To provide the reports and advice to senior management on a frequent basis, and at least annually.

2.6.2. Internal Audit

The Internal Auditor is responsible for reviewing and evaluating, at least on an annual basis, the appropriateness, effectiveness and adequacy of the policy, practices, measures, procedures and control mechanisms applied for the prevention of Money Laundering and Terrorist Financing. The findings and observations of the internal auditor are submitted, in a written report form, to the Board of Directors which decides the necessary measures that need to be taken to ensure the rectification of any weaknesses and/or deficiencies which have been detected.

The Internal Auditor shall bear the responsibility to:

- a) Establish, implement and maintain an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements
- b) Issue recommendations based on the result carried out in accordance with point (a)
- c) Verify compliance with the recommendations of point (b)
- d) Provide timely, accurate and relevant reporting in relation to internal audit matters to the Board of Directors and the Senior Management of the Company, at least annually.

The Internal Auditor is accountable directly to the Board of Directors. All procedures at all levels of the hierarchy of the Company are the object of systematic audit control. Audits are carried out on a regular basis, while extraordinary spot audits are to be carried out without notice.

In the course of his investigations and audits the Internal Auditor has access to all the Company's records, files and documents and may seek the assistance of any of the Company's employee, who is expected to provide it.

2.6.3. Compliance Officer

The Board ensures regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Board appointed a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer report to the Senior Management and the Board of Directors of the Company.

The Compliance Officer shall be in a position within the organizational structure that ensures he acts independent and has the necessary authority, resources, expertise and access to all relevant information.

2.6.4. Anti-Money Laundering Compliance Officer

The Board has appointed a person to the position of the Company's Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report any information or suspicion on transactions involving money laundering and terrorist financing. The AMLCO belongs to the higher hierarchical levels/layers of the Company to command the necessary authority. The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and report to the Senior Management and the Board of Directors of the Company. In cases where it shall be deemed necessary and following recommendations by the AMLCO, assistants to the AMLCO shall also be appointed. The Company currently has an internal permanent AMLCO Officer who reports directly to the Board of Directors on AML/CFT matters.



2.7. Information flow on risk to the management body

Risk information flows up to the Board directly from the business departments and control functions. The Board of Directors ensures that it receives on a frequent basis, at least annually written reports regarding External Audit, Internal Audit, Compliance Function, Money Laundering and Terrorist Financing; and Risk Management issues and approves the Company's ICARA report.

3. Principal Risks

This section sets out the Company's objectives and policies to manage each key risk that arises from its activities and operations, as well as the strategies and processes it has put in place in order to manage and mitigate each such risk.

3.1. Risk to Client

Risk to Client ("RtC") is the risk that an investment firm poses to its clients in the event where it fails to properly carry out the services being offered to them. It reflects the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors through which some of the core aspects of RtC are being captured and measured, and which act as proxies that cover the specific business areas that are referred to above. These K-factors consist of the following:

- **K-AUM (Assets Under Management)** – K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management. As the Company provided portfolio management during the year ending 31 December 2023, the Company was subject to the risk relating to this K-factor.
- **K-CMH (Client Money Held)** – K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. As part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor.
- **K-ASA (Assets Safeguarded and Administered)** – K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on their own balance sheet or in third-party accounts. During the year under review, the Company offered safeguarding services in relation to assets of its clients and was therefore subject to the risk relating to K-ASA for these client trades.
- **K-COH (Client Orders Handled)** – K-COH captures the potential risk to clients of an investment firm which executes orders in the name of the client. The Company executes its clients' orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply.

Failure to carry out its services or operations correctly will be a key risk that the Company would need to manage. The negative impact on clients of this failure could be substantial if not managed appropriately.



3.1.1. K-AUM

Asset management means managing portfolios (which include one or more financial instruments) on a discretionary basis in accordance with mandates given by clients. Aquilla shall manage client portfolios in a manner that serves, in the best possible way, client interests. The Company shall carry out the service of Portfolio Management with all due professional care acting in compliance with the rules of the relevant legislation. When providing portfolio management, the Company must obtain the necessary information regarding the client's or potential client's financial situation and his investment objectives so as to be able to recommend the investment services and financial instruments that are suitable to the client's situation. This service aims at the creation of long-term relationships with a selective number of clients through the successful management of their portfolios.

The Head of Asset Management is the person responsible for the day to day running of this Unit. The discretionary management of client portfolios must be based on the framework set by the Investment and Risk Management Committees. The Head of Asset Management may request external investment advice, analysis and research in order to facilitate and enhance his/her work.

The Company has enforced Chinese Walls between Asset Management, and all other Units. In line with the Company's Chinese Walls policy, Asset Management Unit may have direct access to third-party or to the Company's brokerage platforms for the purpose of keeping information about their clients separate from that of other units.

At the end of each business day, the Head of Asset Management prepares and signs a List of Deals containing the required information on the day's transactions. Subsequently, he must pass this information to the Back Office for comparison with broker confirmations, settlement and follow up.

3.1.2. K-CMH

The Company holds money on behalf of clients in accordance with the client money rules set out in the CySEC's Directive DI87-01(A) for the Safeguarding of Client Assets, Product Governance Obligations and Inducements. Such monies are classified as "segregated client funds" in accordance with the CySEC regulatory requirements. Segregated client money accounts hold statutory trust status, according to regulatory requirements, restricting the Company's ability to control the monies and accordingly such amounts are not presented on the Company's statement of financial position.

Clients' funds are strictly held off balance sheet and effectively segregated and separated from the Company's own funds.

As prescribed by the legislative and regulatory framework, Aquilla has to keep separate bank accounts for money belonging to clients. These accounts are checked on a daily basis and reconciled with the clients' credit balances in the corresponding currencies. The accountant shall:

- reconcile the client accounts with the client credit balances, as these appear in the CIF's electronic system.
- under no circumstances, combine the clients' funds with any other funds payable or receivable by the CIF.

The accountant checks the clients' funds as well as the transactions completed through the client's bank accounts daily, as follows:

- Special clearing with the associate financial institutions.
- Payment for any fees and transaction rights.

- Payment and deposits to clients for the completion of their transactions.
- Transfer of the transaction commissions to the CIF's bank account.

Client bank accounts are checked on a daily basis by the Accounting & Finance Unit and reconciled daily to the bank statement containing the balance of the clients' accounts per the CIF's software system.

3.1.3. K-ASA

For the purpose of safeguarding the rights of clients, in relation to financial instruments and funds belonging to them, Aquilla must:

- a) Adequately and orderly record maintenance of the Company's business and internal organisation;
- b) Keep systems and procedures that are adequate to safeguard the security, integrity and confidentiality of on, taking into account the nature of the information in question;
- c) Keep such records and accounts as are necessary to enable it, at any time and without delay, to distinguish assets held for one client from assets held for any other client, and from the Company's own assets;
- d) Maintain its records and accounts in a way that ensures their accuracy and in particular their correspondence to the financial instruments and funds held for clients;
- e) Maintain and regularly update a record of the kinds of investment or ancillary service or investment activity carried out by or on behalf of the Company in which a conflict of interest entailing a material risk of damage to the interests of one or more clients has arisen or, in the case of an ongoing service or activity, may arise;
- f) Conduct, on a regular basis, reconciliations between its internal accounts and records and those of any third parties for whom those assets are held. Such reports are by default prepared on a monthly basis and sent to clients on quarterly basis. Upon a client's specific request, the report can be prepared also on a specific day. The reports are prepared jointly by the Back Office and Accounting & Finance Department. The Head of the Department for Safekeeping and Administration as per organisational structure bears full responsibility for the integrity of the reporting to clients;
- g) Ensure that client financial instruments deposited with a third party, are separately identifiable from the financial instruments belonging to the Company and from those belonging to that third party, by means of differently titled accounts on the books of the third party or other equivalent measures that achieve the same level of protection;
- h) Introduce adequate organisational arrangements to minimise the risk of loss or diminution of client assets, or of rights in connection with those assets, as a result of misuse of the assets, fraud, poor administration, inadequate record-keeping or negligence;
- i) Ensure that client funds deposited in a central bank, a credit institution or a bank authorised in a third country or a qualifying money market fund are held in an account or accounts identified separately from any funds belonging to the Company. The Head of the Department for Safekeeping and Administration bears responsibility for the reconciliation of client funds held in these accounts accordingly;
- j) Responsibility for clients' funds received and administrated by the Department for Safekeeping and Administration and held with financial institutions lies with the Company and its Chief Executive Officer as appointed per its internal organisational structure and as approved by the Cyprus Securities and Exchange Commission.

3.2. Risk to Market

Risk to Market ("RtM") is the risk that an investment firm poses to the financial markets that it operates in and the counterparties that it trades with.

There are two K-factors that capture the principal risks under RtM: renunciation.

- **K-NPR (Net Position Risk)** – This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) No. 575/2013 (“CRR”). Therefore, K-NPR captures the Market Risk, which is defined as the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Company’s income or the value of its holdings of financial instruments. The Company’s exposure to market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The Company is primarily exposed to Market Risk resulting of its exposure to Foreign Exchange risk.
- **K-CMG (Clearing Margin Given)** – This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing as set out in Article 23 of IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. Bearing in mind the Company’s size of relevant operations during 2023, this K-factor is not applicable to the Company.

3.2.1. K-NPR

Market risk is the risk that general market pressures will cause. It includes the need to liquidate a position where the value of an investment gets to fluctuate significantly during a down period in the cycle. Market risk is highest for securities with above-average price volatility and lowest for stable securities such as Treasury bills. Market risk is of little consequence to a person who purchases securities with the intention of holding them for long periods.

The Company may be faced with Market risk exposure relating to the general market evolution, interest rates variation, currency exchange rates variation, etc. Market risk exposure further includes the operations of an investment firm when dealing on own account. In order for the Company to mitigate Market risk, the following measures will be followed:

- a) Measuring of leading indicators on those markets that Aquilla is active in and measuring the external factors that influence the development of these markets, such as occupancy rates, demographical data, interest rates, projects under construction, household income, economic growth and others;
- b) Continuous benchmarking of the portfolio and individual assets against market standards;
- c) Annual portfolio valuation by professionally qualified appraisers and comparison against up-to date specific market characteristics;
- d) Investments may only be pursued within the geographical region indicated by the clients’ documentation. No investments should be performed in countries of a volatile political climate. In case of unexpected adverse events, Aquilla Nummus Ltd will limit clients’ exposure through a hands-on monitoring and asset management policy and aim to exit the country;
- e) All real estate investments are to be insured to a value that is at least equal to their replacement value;
- f) Regular performance of portfolio sensitivity analysis against currency fluctuations;
- g) Sensitivity analysis, and stress testing on adverse market scenarios;
- h) Close monitoring of interest rate fluctuations. Where the cost of financing includes a floating interest rate element, hedging agreements will be concluded as appropriate;
- i) Market risk to be minimized through controlling the clients’ exposure to concentration risk;
- j) Constantly monitoring the order books of the investment firm as to detect weaknesses, also in cases where the investment firm is licensed for dealing on own account.

Foreign Exchange Risk

Foreign Exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Foreign exchange risk arises when future commercial transactions and recognized assets and liabilities are denominated in a currency that is not the Company's functional currency. The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the cash held at banks. The currencies in which these transactions are primarily denominated are euro and US dollars. The Company's management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

3.3. Risk to Firm

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

There are three K-factors that capture the key aspects of RtF, namely:

- **K-TCD (Trading Counterparty Default)** – K-TCD captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties. In particular, it looks at the risk of losses arising from the default of a counterparty with which a company maintains open Trading Book positions in derivatives and other specified transactions and includes positions with both clients and liquidity providers. This K-factor is not applicable to the Company.
- **K-DTF (Daily Trading Flow)** – K-DTF captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name (and not on behalf of the client as an agent). During the year ending 31 December 2023, the Company was subject to the risk relating to this K-factor.
- **K-CON (Concentration Risk)** – K-CON seeks to apply additional own funds to manage concentration to a single counterparty / issuer of financial instruments or a group of connected counterparties/issuers to which a company incurs Trading Book exposures. This K-factor is not applicable to the Company.

3.3.2. K-DTF

Operational Risk is defined by the Basel Committee for Banking Supervision as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The main sources of Operational Risk include inadequate operational processes, IT security, dependence on key service providers and implementation of strategic change, fraud, human error, recruitment training and retention of staff. The Company's systems and controls are evaluated, maintained and upgraded continuously. Furthermore, the Company has a "four-eye" structure and Board oversight ensuring the separation of power and authority regarding vital functions of the Company.

Furthermore, the Company has in place policies and processes whose implementation supports the evaluation and management of almost any exposures to Operational Risk. The Company has implemented an Operational Risk management framework designed to ensure that operational risks are assessed, mitigated and reported in a consistent manner.

The Operational Risk management framework consists of the following components:

- a) Lower human interaction - the majority of actions occurring in the Company's systems are automated and therefore it is less likely that a human error will occur;
- b) Reviewing risks and controls as part of the Internal Audit Function; regular review and updating of policies;
- c) Monitoring the effectiveness of policies, procedures and controls by Internal Audit;
- d) Maintaining Risk Registers by following the risk monitoring program in order to ensure that past failures are not repeated;
- e) Maintaining a four-eye structure and implementing Board oversight over the strategic decisions made by the heads of departments;
- f) Minimizing fraud activities and further enhancing AML/KYC procedures by using a third-party software system, which provides access to a database. The content of this database is derived from a significant number of official sources, including numerous criminal and financial sanctions databases, Politically Exposed Persons data, crime-related data and adverse or negative publications;
- g) Financial accounts are audited by one of the big-four audit firms;
- h) A Disaster Recovery Plan has been designed to be used in the event of a force majeure event affecting the Company's internal systems and databases. This plan is structured around teams, with each team having a set of specific responsibilities;
- i) A Business Continuity Plan has been implemented which helps protect all of the Company's information databases including data, records and facilities.

4. Other Risks

4.1. Concentration Risk

The exposure to the concentration risk can occur on different levels. One level of this is the clients. A good practice and effective mitigation of risk exposure under the concentration risk is to avoid having a client that accounts for more than 10% of the revenue of the investment firm. Another level of the risk exposure under the concentration risk concerns the geographical allocation of investments, whether the invested resources are allocated with a single issuer, a single product or in a specific sector only or whether the investment operations are diversified. Last but not least, the risk exposure is also given where assets are allocated with one brokerage service provider only or deposited in one credit institution only. A diversification also at these points effectively mitigates the risk of interruptions or discontinuity of business operations of the investment firm.

The Risk Manager of the Company continues to review the revenue stream, to ensure that the Company's revenue is no concentrated on few clients therefore ensuring independence.

4.2. Reputation Risk

Risks to the Company's reputation include the risk that an act or omission by the Company or any of its employees could result in damage to the reputation or loss of trust among its stakeholders. Every risk type has potential consequences for the Company's reputation, and therefore, effectively managing each type of risk helps reduce threats to its reputation.

Additionally, the Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which includes integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example, communications, through functions with the appropriate expertise.

4.3. Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from inadequate assessment of strategic plans, improper implementation of strategic plans, or unexpected changes to assumptions underlying strategic plans. Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk-return profile and to take advantage of economically profitable growth opportunities as they arise.

4.4. Business Risk

Business Risk includes the current or prospective risk to earnings and capital arising from changes in the business environment including the effects of deterioration in economic conditions. Research on economic and market forecasts are conducted with a view to minimize the Company's exposure to business risk. These are analyzed and taken into consideration when implementing the Company's strategy.

4.5. Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant Laws and Directives issued by its supervisory body. If materialized, regulatory risk could trigger the effects of reputation and strategic risk. The Company has documented procedures and policies based on the requirements of relevant Laws and Directives issued by the Commission; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually. Therefore, the risk of non-compliance is very low.

4.6. Legal and Compliance Risk

Legal and Compliance Risk could arise because of breaches or non-compliance with legislation, regulations, agreements or ethical standards and have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews by the Compliance and Risk Officers. The structure of the Company is such to promote clear coordination of duties and the management consists of individuals of suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the board meets at least annually to discuss such issues and any suggestions to enhance compliance are implemented by management.

4.7. Securitization Risk

Although investing in securitization programs (e.g., asset-backed securities) is becoming increasingly popular, the Company is not currently exposed to any securitization risk.

4.8. Liquidity Risk

Liquidity risk is the risk that the Company may not have sufficient liquid financial resources to meet its obligations when they fall due or would have to incur excessive costs to do so. The Company's policy is to maintain adequate

liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company assesses monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses through its overdraft facility. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

In addition to the Own Funds Requirements, as previously mentioned, a Liquidity Requirement was introduced by the IFR according to which the Company is required to maintain liquidity levels equal to at least one third of its Fixed Overhead Requirement. The Company monitors the level of its liquid assets on a quarterly basis. As at 31 of December 2023 the Company satisfied the Liquidity Requirement.

4.9. Environmental, Social and Governance Risks

From 26 December 2022 onwards, investment firms which satisfy the definition for a “Significant CIF” based on the latest CySEC Circular C487, shall disclose information on Environmental, Social and Governance (“ESG”) risks, as described in Article 53 of the IFR.

Aquila is committed to maintaining a socially oriented culture as part of its operations and strategy. In the past, the Company has sponsored a football team and an Olympic athlete, while currently it supports a non-profit cultural and educational foundation based in Cyprus, which is dedicated to the promotion of the arts and humanities.

Going forward, the Company aims to examine the degree to which it may be materially impacted by ESG risks in order to determine whether any action needs to be taken in that respect.

The Company has already started preparing its policy regarding its approach on ESG risks.

5. Compliance with the Regulation - Internal Capital Adequacy and Risk Assessment Process

The Company has already prepared its ICARA report for the end of financial year 2023, through which it ensures full alignment with the IFR & IFD framework and the Cyprus Law 165(I)/2021 on the Prudential Supervision of CIFs. This will form the basis of the Company’s Pillar II requirements that the Company views as the additional amount of capital and liquidity it needs to hold against any risks that are not covered by Pillar I.

5.1. Internal Capital

The purpose of capital is to provide sufficient resources to absorb unexpected losses over and above the ones that are expected in the normal course of business. The Company aims to maintain a minimum risk asset ratio which will ensure there is sufficient capital to support the Company during stressed conditions.

5.2. Approach to assessing adequacy of Internal Capital

As its name indicates, the ICARA is an internal tool which allows Aquilla to assess its position and determine the amount of internal capital and liquidity it needs, to hold in order to cover its material exposures to all the risk it is facing or against the risks to which it may be exposed in the future.

The ICARA falls under the scope of Pillar 2 which can be described as a set of relationships between the CySEC and the investment firm, the objective of which is to enhance the link between the investment firm’s risk profile, its risk management and risk mitigation systems, as well as its capital and liquidity.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1 by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICARA comprises of all the measures and procedures adopted by Aquilla, with the purpose of ensuing:

- The appropriate identification and measurement of risks,
- An appropriate level of internal capital and liquidity levels in relation to the Company's risk profile, and
- The application and further development of suitable risk management and internal control systems and tools.

The ICARA is owned and approved by the Company's Board of Directors.

6. Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold own funds in sufficient quantity and quality in accordance with IFR/IFD framework which sets out the characteristics and conditions for own funds.

Institutions shall disclose information to own funds of the institution. Furthermore, institutions shall disclose a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the institution.

As per the IFR/IFD Framework, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

- a) Common Equity Tier 1 Capital of at least 56% of minimum capital requirements;
- b) Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of minimum capital requirements;
- c) Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of minimum capital requirements.

The Company's objectives when managing capital are:

- a) to comply with the capital requirements set by the regulator (CySEC);
- b) to safeguard the Company's ability to continue as a going concern, and
- c) to maintain a strong capital base to support the development of its business.

The Company monitors Own fund requirements, Capital adequacy and the use of the regulatory capital on a quarterly basis, in accordance with the IFR & IFD prudential framework. Furthermore, the Company submits the relevant capital adequacy forms to its Regulator on a quarterly basis. As at 31st of December 2023, the Company's Own Funds comprised entirely out of Common Equity Tier 1 capital.

The table 2 below shows a breakdown of the own funds as at 31/12/2023, while Table 2 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Final Report on the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

Table 2 - Template EU IF CC1.01 - Composition of Regulatory Own Funds

Template EU IF CC1			
Ref	(€'000)	31 Dec 2023 (€'000)	Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements
1	OWN FUNDS	1.367	
2	TIER 1 CAPITAL	1.367	
3	COMMON EQUITY TIER 1 CAPITAL	1.367	
4	Fully paid-up capital instruments	1	Ref. 1 (Shareholders' Equity)
5	Share premium	1.214	Ref. 2 (Shareholders' Equity)
6	Retained earnings	178	Ref. 3 (Shareholders' Equity)
11	Other funds	4	Ref. 3 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(30)	Ref. 1 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 3 - Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

Template EU IF CC2			
(€'000)		Balance Sheet as in audited Financial Statements	Cross reference to EU IF CC1
		31 December 2023	
Ref	Assets		
	Total assets	1.572	
	<i>of which:</i>		
1	Investors' Compensation Fund	30	Ref. 27
	Liabilities		
	Total liabilities	175	
	Shareholders' Equity		
	Total Equity	1397	
	<i>of which:</i>		
1	Share capital	1	Ref. 4
2	Share premium	1.214	Ref. 5
3	Reserves	182	Ref. 6 & Ref. 11

7. Minimum Capital Requirements

The Capital Adequacy ratio is calculated as the capital base divided by the capital requirements. The capital base may consist of Common Equity Tier 1 ("CET1"), Additional Tier 1 and/or Tier 2 capital. The capital requirements for the Firm are measured by obtaining the maximum of the Firm's Fixed Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the k-factor capital requirements.

7.1. Fixed Overheads Requirements ("FOR")

The Company complies with Article 13 of the IFR stating that the Company shall hold Own Funds of at least one quarter of the fixed overhead expenses of the preceding year. The Fixed Overheads Requirement as of 31 December 2023 amounted to €128K.

7.2. Permanent Minimum Capital Requirement ("PMCR")

The Company's policy is to monitor on a continuous basis its Own Funds and ensure that they remain above the Permanent Minimum Capital Requirement of €150K, which corresponds to the initial capital that applies to the Company, in accordance with Article 9 of the IFD.

7.3. K-Factor Capital Requirement

The K-factor methodology as described by the IFR & IFD prudential rules, essentially quantifies the risks analyzed and categorized in Section 3.4 of this document. As of 31 December 2023, the Company was subject to K-AUM, K-CMH, K-ASA, K-NPR and K-DTF, as a result of the activities carried out.

Table 4 below breaks down the Pillar minimum capital requirement that the Company is required to hold as of 31st December 2023. The Company's K-factor requirement is calculated in accordance with Articles 16 through to 33 of IFR. As stated in Article 11(1) of IFR, the Company is required to hold the higher of its K-factor requirement, fixed overhead requirement and permanent minimum capital requirement.

Table 4 - Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		31 Dec 2023 (€'000)
Risk-to-Client (RtC)	k-AUM	37
	k-CMH	82
	k-ASA	66
	k-COH	-
Risk-to-Market (RtM)	k-NPR	50
	k-CMG	-
Risk-to-Firm (RtF)	k-TCD	-
	k-DTF	5
	k-CON	-
Total K-Factor Requirement		240
Fixed Overhead Requirement ('FOR')		128
Permanent Minimum Capital Requirement ('PMCR')		150

Table 4 above shows that Total K-factor Requirement of €240K is the highest amount of minimum capital that it must hold at all times.

Table 5 below shows that the Company has excess capital of €1.127K above the minimum it is required to hold. This equates to a capital ratio of 570,10%, which is above the minimum threshold of 100% set out in Article 9(1)(c) of IFR.

Table 5 - Capital Excess/Ratio

(€'000)	31 Dec 2023 (€'000)	Reference
Capital		
Common Equity Tier 1	1.367	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	1.367	a
K-factor Requirement	240	b
Fixed Overhead Requirement	128	c
Permanent Minimum Capital Requirement	150	d
Minimum Own Funds Requirement	240	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	1.127	a-e
Capital Ratio	570,10%	a/e

8. Remuneration policy

The Remuneration Policy (the "RP") is the internal document approved by the Company's Board of Directors and its provisions are applicable to each Director, Officer and Employee. The remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels, which reflect the knowledge level, experience, accountability, and responsibility needed for an employee to perform each position/role.

The Company has established a remuneration policy, whose purpose is to set out the remuneration practices of the Company taking into consideration the salaries and benefits of the employees, where these comply with specific principles in a way and to the extent that is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

The design of the Policy is approved by the people who effectively direct the business of the Company, after taking advice from the compliance function, and implemented by appropriate functions to promote effective corporate governance. The people who effectively direct the business should be responsible for the implementation of



remuneration policy and practices and for preventing and dealing with any relevant risks that remuneration policies and practices can create.

The Board adopts and periodically reviews the general principles of the remuneration policy and is responsible for overseeing its implementation. Furthermore, the Policy should also benefit from the full support of Senior Management or, where appropriate, the supervisory function, so that necessary steps can be taken to ensure that relevant persons effectively comply with the conflicts of interest and conduct of business policies and procedures.

8.1. Remuneration System

The Company's remuneration system and policy is concerned with practices of the Company for those categories of staff whose professional activities have a material impact on its risk profile, i.e. the Senior Management and members of the Board of Directors; the said practices are established to ensure that the rewards for the "executive management" are linked to the Company's performance, to provide an incentive to achieve the key business aims and deliver an appropriate link between reward and performance whilst ensuring base salary levels are not set at artificially low levels. The Company uses remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short and long-term success.

The remuneration mechanisms employed are well known management and human resources tools that take into account the staff's skills, experience and performance, whilst supporting at the same time the long-term business objectives. The Company's remuneration system takes into account the highly competitive sector in which the Company operates, and the considerable number of resources the Company invests in each member of the staff.

It is noted that the Company has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a specific remuneration committee. Decisions on these matters are taken on a Board of Directors level while the remuneration policy is periodically reviewed.

The total remuneration of staff currently consists of a fixed and a variable component. Fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components, including the possibility to pay no variable remuneration component. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.

8.1.1. Fixed Remuneration

Fixed remuneration refers to the staff's basic and primary form of remuneration and is determined by relevant legislation and individual employment contracts. When determining the level of Fixed Remuneration, the following may be considered:

- The scope of duties and responsibilities.
- The complexity of work.
- The degree of seniority/role.
- The required skills, job experience and professional expertise.
- The required academic and professional qualifications.
- Internal (similar roles) and external (market) benchmarks.
- The relevant social and labor legislation of the country of employment.

8.1.2. Variable Remuneration

The variable remuneration has been set in order to motivate and reward high performers who significantly contribute to sustainable results, perform according to set expectations for the individual in question, strengthen long-term customer relations, and generate income and shareholder value. Variable remuneration is based on an assessment of the Company's results and a number of Key Performance Indicators (KPIs) reflecting the Company's strategic key priorities.

The variable component shall not exceed 100% of the fixed component of the total remuneration for each individual. The Company's shareholders may approve a higher maximum level of the ratio between the fixed and variable components of remuneration provided the overall level of the variable component shall not exceed 200% of the fixed component of the total remuneration for each individual.

Variable remuneration shall be paid in cash, either via wire transfer or by cheque issued on the employee's name and shall be based on the Employee contribution and the profits of the Company. The total variable remuneration does not limit the ability of the Company to strengthen its capital base.

Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:

- at least 50% of the variable remuneration shall consist of shares/share-linked instruments/ equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instruments of the portfolios managed.
- at least 40% of the variable remuneration is deferred over a three-to-five-year period.

Companies that benefit from the derogation laid in Article 32(4)(a) and (b) can be exempted from the above requirement. For the financial year 2023, the Company did not benefit from the derogation, but variable remuneration was awarded only in the form of cash with no deferral.

During the year under review, there was a variable remuneration component however no remuneration was payable under deferral arrangements (with vested or unvested portions). Finally, the Company did not pay any non-cash remuneration.

8.2. Performance Appraisal

The Company implements a performance appraisal method, which is based on a set of Key Performance Indicators developed for each business unit. These Indicators include quantitative as well as qualitative criteria. The appraisal is being performed as follows:

- a) Objectives are set in the beginning of each month, quarter and/or year (each department is being appraised on different periods) defining what the Company functions, departments and individuals are expected to achieve over an upcoming period of time.
- b) Performance checks and feedbacks: managers provide support and feedback to the concerned staff during the time periods decided, during the daily activities or during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
- c) Annual performance evaluation takes place annually, usually at the end of each year.

8.3. Remuneration of Senior Management Personnel and Directors

Members of the Board of Directors shall receive a fixed, monthly payment in accordance with the decision of the Annual General Meeting of the Company. The Board shall submit a proposal on the fee for the upcoming operating year, taking into account the extend of the responsibilities and time commitment, the results of the Company and

benchmark data on fees paid by European companies, which in size and complexity are similar to Aquilla.

Individual board members may take on specific ad hoc tasks outside their normal duties assigned by the Board. In each such case, the Board may determine a fixed fee for the work carried out related to those tasks, which shall be disclosed in the Company's annual financial statements.

The aggregate remuneration for 2023, broken down by Senior Management (including Executive and Non-Executive Directors) and other Material Risk Takers whose actions have a material impact on the risk profile of the Company as well as for other staff members, is shown below:

Table 6 -Aggregated Quantitative information on remuneration

Description	No. of beneficiaries	Fixed Remuneration €'000	Variable Remuneration €'000
Senior Management ¹	4	162	120
Heads of Departments and other staff ²	4	93	24
Total	8	255	144

Notes:

1. The category "Senior Management" includes the Executive and Non-Executive Directors of the Company.
2. The category "Heads of Departments and other staff" includes the Risk Manager, AML and Compliance, Portfolio Manager, Back Office.

Companies are required to disclose the number of natural persons that are remunerated Euro 1 million or more per financial year, in pay brackets of €1 million, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution.

Nevertheless, currently there are no natural persons at the Company that are remunerated €1 million or more per financial year and as such the above disclosure is not applicable to the Company. No sign-on payments have been awarded during 2023, while no severance payments were paid during the year.

Appendix I – Main Features of Own Funds

Template EU IF CCA		Common Equity Tier 1 instruments
1	Issuer	Aquila Nummus Ltd
2	Unique identifier (e.g., CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private Placement
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type	Ordinary Shares
6	Amount recognised in regulatory capital (in EUR)	1.004
7	Nominal amount of instrument	1.004
8	Issue price (in EUR)	Various
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	07/09/2017 1.001 shares 04/05/2018 1 share 04/1//2019 2 shares
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates	N/A
	<i>Coupons / dividends</i>	N/A
17	Fixed or floating dividend/ coupon	N/A
18	Coupon date and any related index	N/A
19	Existence of a dividend stopper	N/A
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Fully Discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully Discretionary
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	Cumulative
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 info	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
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	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A