DRAGON CAPITAL (CYPRUS) LTD

PILLAR III DISCLOSURES

YEAR ENDED 31 DECEMBER 2022

May 2023

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

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1 OVERVIEW

Since 26 June 2021, Dragon Capital (Cyprus) Limited ("the Company" or "DCCL") 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 Cyprus Law on the Prudential Supervision of Investment Firms (165(I)/2021).

The IFR & 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 Process, and the Liquidity Requirement, among others.

The Company is a Class 2 CIF and is required to hold €750k ($800 equivalently) of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

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 summarised 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.

1.1. Company Incorporation and Principal Activities

The Company is domiciled in Cyprus and was incorporated on 2 February 2006, as a private limited liability company under the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated as a Cypriot Investment Firm ("CIF") by the Cyprus Securities and Exchange Commission (CySEC) under License Number 112/10 with LEI code 213800A5US82UYY9H485.

According to its CIF license, the Company is authorized 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; ▪ 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.

The above services can be offered for the following financial instruments:

Financial Instruments
▪ Transferable securities; ▪ Money-market instruments; ▪ Units in collective investment undertakings; ▪ 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; ▪ Options, futures, swaps, forwards and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event; ▪ Options, futures, swaps and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market; ▪ Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in the previous point above and not being for commercial purposes, which have the characteristics of other derivative financial instruments;

- Financial contracts for differences;
- Options, futures, swaps, forward-rate agreements and any other derivative contracts relating to climatic variables, freight rates or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of default or other termination event, as well as any other derivative contracts relating to assets, rights, obligations, indices and measures not otherwise mentioned in this part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.

1.2. Scope of disclosures

As at 31 December 2022, the Company was controlled by Tomas Fiala (the "UBO") who owned 99,1% of the Company's shares. The Company is related to Conebond Limited (and its direct and indirect subsidiaries), a Cyprus registered company, due to common UBO.

The Pillar 3 Disclosures for the year ended 31 December 2022 are prepared 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. The Company also prepares its Financial Statements on an individual (solo) basis, in accordance with the International Financial Reporting Standards ("IFRS").

1.3. Disclosure Policy

This report represents the Pillar III Disclosures of the Company as at the end of 2022 and has been prepared in compliance with Part Six of the IFR. To this end, reference date is set to be the 31st of December 2022. The reporting currency of the Company is the US Dollar ($).

The Company discloses information in relation to its capital requirements on an annual basis. The disclosures are published on the Company's website https://dccl.com.cy/en/pillar-iii/ in conjunction with the date of publication of the financial statements.

1.4. Going concern basis

The Company has made a loss of US$10.091.948 during the year ended 31 December 2022, as of that date the Company's current assets exceeded its current liabilities by US$16.940.706 and the Company was in net asset position of US$17.161.867. The significant loss incurred during the year derived mainly from the fair value decrease of securities held and traded by the Company as a result of the Russian invasion in Ukraine, which is still ongoing and its duration is unknown.

The Company's financial statements have been prepared on going concern basis as:

- Although the securities values decreased by 55% compared to pre-war, in 2023 the values started recovering having an increase by 38% until April 2023. As at 31 December 2022 the Company has debt securities with exposure in Ukraine but such exposure decreased until April 2023. These debt securities are mainly Ukrainian government bonds and the management does not consider significant risk on interest and principal repayment or a value drop down in next periods. For 2023 the Company reiterates its plans for conservative trading in plain vanilla transferable securities – equities of Ukrainian corporates, Eurobonds/bonds of Ukrainian Government and Corporates, other exchange traded and cleared international financial instruments.
- There is no expectation worsening of market conditions due to stabilization of military action, macro support of global partners, that significantly contribute to investors” confidence.
- No clients left the Company due to war in Ukraine and the Company continues execution of clients' orders in usual manner.
- The Management has assessed the financial position of the Company during April 2023 and it’s still in strong net asset and current asset position, and generated profits for the first four months of 2023.
- As per management’s assessment, the Company remains financially stable, strong, and solvent, with sufficient level of own eligible funds and liquid funds that are held at European Union based credit institutions.

1.5. Operating environment of the Company

Ukraine economic environment

The Company as at 31 December 2022 (and in 2023) holds debt securities of the Ukrainian government, and even though the repayment is deferred and interest income will not be accrued for a specific period of time, no significant impact is expected on interest and principal repayments on due date.

The Russian invasion in Ukraine, ongoing since 24 February 2022, has exacted a heavy toll on domestic economic activity and everyday life.

Nevertheless, the economy returned on an upward trend in Q1 2023, as curbs on power consumption disappeared in mid-February thanks to swift repairs on damaged power equipment, the resumption of power imports from Europe, and relatively warm and sunny weather. This, in turn, boosted domestic confidence and economic activity, trimming the decline in real GDP to -26% in February from -32% in January, according to Economy Ministry estimates.

The government stood current on its debt obligations in the first months of the war but decided to launch an restructuring of sovereign Eurobonds and GDP warrants in July 2022. As a result, holders of US$21bn of outstanding sovereign and sovereign-guaranteed Eurobonds agreed to postpone all principal and interest payments for two years in a parallel manner, with the first payment now scheduled for August 2024. This enabled the government to save nearly US$6.0bn in principal and coupon payments over two years.

The stock of public debt rose by 14% y-o-y to US$111bn in 2022 and a further 3.0% YTD to $116bn in February 2023, driven by government borrowings aimed at financing a much increased budget deficit. The debt-to-GDP ratio rose to 82% in 2022, up from 50% in 2021, according to the IMF, and reflecting last year's sharp drop in GDP.

The Company reviewed and acknowledged the updated information on UK sanctions list and Office of Foreign Assets Control's ("OFAC") list of specially designated nationals. To this end, it has already transferred its administrator services (i.e. registered office, secretary service, accounting outsourcing etc.) from the current provider and its affiliated entities to other reputable service provider. The Company is relying on clarification that OFAC will not view as "evading or avoiding" efforts by non-U.S. persons to comply with U.S. sanctions by replacing sanctioned suppliers or service providers (including financial institutions) with non-sanctioned persons.

2 CORPORATE GOVERNANCE-BOARD AND COMMITTEES

2.1. Board of Directors

The Board of Directors (the "Board") comprises of four members, two (2) which are Executive Directors and two (2) which are Non-Executive (Independent) Directors. The majority of the members of the Board of the Company, including the General Manager, are residents of the Republic of Cyprus. One Executive Director is resident of the Republic of Ukraine, who was approved by CySEC, and provides additional insights and opinions on local Ukrainian financial market developments that help Company align its overall strategy.

The duties of the Board include:

- Formulate the Company's strategy in terms of development of existing and new services;
- Establish and implement a sound risk strategy, risk appetite, risk culture and risk management framework;
- Govern the organization by broad/specific policies, procedures and objectives;
- Ensure that the Company maintains and implements adequate internal control mechanism;
- Ensure that the Company complies with its legal obligations to CySEC;
- Assess and review on regular basis the effectiveness of Company's policies, procedures and arrangements in place and their compliance with the relevant Laws and Directives issued by EU governing bodies and the Commission;
- Monitor the performance of the Investment Committee;
- Ensure that sufficient and experienced personnel and resources are available to the Company to carry out its operations;
- Ensure that the Compliance /AMLRO function has necessary authority, expertise, sufficient resources and direct access to all relevant information in order to be able to monitor the activities performed by the employees and assess its knowledge and competence;
- Implement and monitor Internal Capital Adequacy Assessment Process in order to appropriately identify and measure any risks, to set appropriate level of internal capital in relation to Company's risk profile and to apply and further develop a suitable risk-management and internal control systems;
- Ensure that the Board receives on a regular (at least annual basis) written reports from the Compliance/AML officer, Risk Management Officer and Internal Audit Function, follows up any issues raised as well as ensure that remedial measures have been taken in the event of any deficiencies;
- Approve and oversee the remuneration policy of the Company;
- Appoint and replace Head of Compliance /AML Officer.

Head of Compliance/AML Department, Head of Risk Management Department, Internal Audit service provider are responsible for the provision of periodic (at least annual) reports to the Board.

The Board meets as a minimum four times per year at Company's office in Cyprus. The Board follows a formal procedure for scheduling of its meetings of matters that the Board needs to take decisions. Minutes are always taken during the meeting and signed by the Chairman and the Secretary of the Company. Decisions taken at Board Meetings should be by a majority of votes.

During 2022, the Board met seven (7) times. All meetings of the Board have been held at the registered office of the Company in Cyprus. Furthermore, three (3) resolutions regarding operational matters of the Company were adopted in 2022.

The Board oversees the Risk Management Function. The Risk Management Function reports directly to the Board. In addition, the members of the Board receive quarterly risk management reports. The main goal of such reporting is to increase awareness of the Board of current developments of the Company and to monitor the compliance with requirements set by risk management framework - risk management arrangements, processes and mechanism. Quarterly report contains information on trading/investment activity developments, Capital Adequacy developments and levels, compliance with set requirements of risk management framework/policy, results of the follow up review. Delivery of reports was stopped in 2021 due to regulatory changes in prudential supervision. The Company carefully assessed the need for the reports in the light of changing supervisory environment and renewed its practice for delivery of quarterly reports in 2022. Quarterly Risk Management Reports are deemed as one of the instruments of the operational risk control for the coverage and mitigation of risks.

Aspects of the diversity

The Board understands diversity to include, but not be limited to the following diversity aspects: educational and professional background, gender, age and geographical provenance (if applicable) etc. and is committed to promoting each of these aspects of diversity.

The Board is responsible for the implementation of the "Policy on the assessment of the suitability of members of the Board of Directors and key function holders" and shall have regard to the Board's commitments in relation to diversity when identifying and nominating candidates.

Board appointments will be based on merit and candidates will be considered against objective criteria.

The Board will be oriented to hire women as members of the Board of Directors. Taking into account the size, nature and provided services there in no concrete target and timeframe. During the process of Board of Directors formation educational and professional background, age and geographical provenance will be taken into account.

2.2.Number of directorships held by members of the Board

Table 1 below provides information on the number of directorships each member of the management body of the Company holds at the same time in other entities [including the directorship held in Dragon Capital (Cyprus) Limited]. Directorships in organisations which do not pursue predominantly commercial objectives, such as non-profit or charitable organizations, are not taken into account for the purposes of the below. Furthermore, executive or non-executive directorships held within the same group, are considered as a single directorship.

Table 1: Board's Directorships

Name of Director	Executive Directorships	Non-Executive Directorships
Mr. Oleksandr Fedorov	1	-
Mr. Ivo Suchy	3	-
Mr. Apollon Athanasiades	1	1
Mr. Soteris Eliophotou	-	1

Note: Directorships held in non-commercial organizations are not included.

Taking into consideration the fact that the Company's on-and off-balance sheet assets is on average, over the last four financial years, lower than EUR 100 million, the Company does not satisfy the definition of a "Significant CIF", as per the provisions of the latest CySEC Circular C487.

2.3.Risk Committee

Having assessed the complexity and scale of the Company's trading activity, it's size and scale of business, the Company did not set up a Risk Committee. Risk issues are covered by the Risk Management Department of the Company with direct reporting to the management body.

2.4.Investment Committee

Currently the Company has 1 committee - Investment committee. Having assessed the scope and complexity of its business the Company does not consider establishing any additional committees and will review such option in future. The purpose of the Investment Committee is to contribute towards the formation of Company's trading policy by examining investment opportunities and analysing their potential.

The Investment Committee's main responsibilities are the following:

- Meet at least annually;
- Provide a framework on which investment decisions for investment of own funds will be based;
- Develop own funds trading policies and procedures;

- Set the Company's trading policy;
- Predetermine the markets and the financial instruments in which the Company operates;
- Deal with any other matters relating to Company's investment activity;
- In close cooperation with Risk Management Function, which is responsible for the ICAAP practical process and implementation, in order to develop recommendations for trading limits; and
- Communicate the above decisions to the Board.

Provision of a framework on which investment decisions are based:
- Decisions are taken with a majority vote;
- In case of an unusual event occurring in the markets, the Investment Committee will reassess its position with an extraordinary meeting;
- Meetings are called with 48-hours notice to members.

3 RISK MANAGEMENT OBJECTIVES AND POLICIES

3.1.Risk Management Framework

The Company's risk management framework aims to establish, implement and maintain adequate policies and procedures designed to manage any type of risk related to the Company's activities, processes and systems. The current risk management framework is designed to identify potential events that may affect Company's operations. Risk Management framework manages risks, so they are within Company's risk appetite and provides reasonable assurance regarding the achievement of its mission and its objectives. Communication of information at all relevant levels of the Company is defined by the organisational structure which clearly specifies reporting lines and allocates functions and responsibilities. The Company maintains internal reporting at various risk types, frequency, and depth of reports.

The Risk Management Framework of the Company consists of three (3) major elements:

- Risk Management Policy
- ICARA
- Trading Book Policy

All elements of the framework are interconnected and aim to address various types of risks from different perspectives. Risk Management Policy covers all major risks faced by the Company in its daily operations and ways to control and mitigate them. ICARA covers risks not fully covered by Risk Management Policy and set standards for overall risk tolerance and acceptance. The updated ICARA pays more attention to the business model of the Company. Risk Management function carefully identifies and monitors potential harms from both the market and the client. Trading Book Policy provides additional guidelines for mitigation techniques and controls of risk, covered in Risk Management Policy and additionally integrates risk tolerance levels set by the ICARA in daily operations.

Risk Management Framework (including Risk Management Policy, ICARA process (including ICARA Report), Trading Book Policy) are reviewed on regular basis, at least annually, by Head of Risk Department and further reviewed and approved by the Board. Review is performed in order to identify any deficiencies and promptly react to those, securing the adequacy and effectiveness of the framework.

3.2.Risk Management Function

The Risk Management function operates independently and monitors the adequacy and effectiveness of policies and procedures, the level of compliance to those policies and procedures, in order to identify deficiencies and rectify.

The Head of the Risk Department is responsible for:

- Establishing, implementing and maintaining adequate risk management policies and procedures which identify the risks relating to Company's activities, processes and systems;
- Setting Company's risk tolerance;
- Developing internal control mechanisms, effective procedures for risk assessment, effective control and safeguard arrangements for information processing systems;
- Adopting effective arrangements, processes and mechanisms to manage the risks relating to the Company's activities, processes and systems in light of the set risk tolerance;
- Analyzing for the Investment Committee the potential hazards associated with the recommended framework on which the investment decisions/advice are based;
- Credit assessment (quality and financial analysis of client) to which a credit of loan is granted according to Dragon's risk criteria and limits;
- Credit assessment of counterparties and classification of the counterparty according to Company's risk criteria and limits;
- Monitoring of investment risk undertaken by Dragon for each client, counterparty and as a whole;
- Monitoring of brokerage and own account transactions as regards to adherence to established risk limits;
- Monitoring of day-to-day operational risks;
- Monitoring of credits and loans to clients;
- Building and promoting a risk awareness culture within the Company, including ICARA, and providing the relevant training;
- Ensuring that the Company complies with its continuous prudential supervision obligations to CySEC such as the submission of Capital Adequacy Ratio, contribution to Investors Compensation Fund, etc.;
- Monitoring the adequacy and effectiveness of its risk management policies and procedures;
- Monitoring the level of compliance by the Company and its employees with the arrangements, processes and mechanisms adopted;
- Monitoring the adequacy and effectiveness of measures taken to address any deficiencies in the risk management policies, arrangements and procedures;
- Reporting to Senior Management/Board at least annually on risk management issues (submission of annual Risk Management Report), indicating in particular whether appropriate remedial measures have been taken.

Risk limit monitoring

All trading activities are counted without delay towards the corresponding limits of Trading Book Limits System and every trader should be informed promptly of the limits relevant to them and of their current level of utilization.

All individual positions are aggregated into the overall risk position at least once a day at the close of trading.

3.3. Internal Audit Function

The Internal Audit function ensures that there is adequate planning, control and recording of all audit and review work performed, that there is timely reporting of findings, conclusions and recommendations to the Board, and that matters or risks highlighted in the relevant reports are followed up and resolved satisfactorily.

The Internal Audit function is outsourced and has the following responsibilities:

- To establish, implement and maintain an audit plan and to examine and evaluate the adequacy and effectiveness of IT systems, internal control mechanisms and arrangements;
- To issue recommendations based on the result of the audit;
- To verify compliance with the recommendations; and
- To report in relation to internal audit matters to the Senior Management, the Board and to the regulators.

The Senior Management and the Board assess and periodically review the effectiveness of the policies, arrangements and procedures put in place to comply with the regulatory obligations and to take appropriate measures to address deficiencies. The internal auditor issues the written reports to the Senior Management/Board on an annual basis, containing information on regulatory compliance, risk management/compliance and other internal audit findings indicating in particular whether the appropriate remedial measures have been taken into consideration with regards to any deficiencies. These reports on the same matters are presented and discussed during the meetings of the Board. In cases of serious irregularities such as money embezzlement, money laundering, market manipulation, etc., the Board is immediately informed in order for immediate actions to be taken.

3.4. Compliance and Anti-Money Laundering Compliance Officer

During 2022, the Compliance and AMLCO Function were performed by the same person. The Compliance and Anti-Money Laundering Compliance Officer is independent of all operational and business functions and reports directly to the Board. More specifically this officer is responsible for the following:

- To design and build upon the general principles of the Company, the internal policies, procedures and controls relevant to the prevention and suppression of Money Laundering and Terrorist Financing;
- To develop and establish the Client Acceptance Policy, which require submission to the Board for approval;
- To review and update the AML Manual as may be required from time to time, and for such updates to be communicated to the Board for their approval;

- To implement the guidelines and broad instructions issued by the member of the Board responsible for AML, and create efficient and transparent processes to be followed across the Company, based on the said broad instructions and guidelines;
- To receive information from the Company's employees which is considered to be knowledge or suspicion of money laundering or terrorist financing activities or might be related with such activities. The information is received in a written report form ("Internal Suspicion Report");
- To evaluate and examine the information received in a written report form and to take appropriate actions;
- To ensure the preparation, maintenance and update of the lists of Clients categorised following a risk-based approach;
- To detect, record and evaluate, at least on an annual basis, all risks arising from existing and new Clients, new financial instruments and services, and amend and update the systems and procedures applied by the Company for the effective management of the aforementioned risks;
- To identify the third person, which the Company relies and/or shall rely for applying customer due diligence and identification procedures of the Clients, by providing his written consent for the relevant reliance. The written consent must be kept in the personal records of the third person;
- To ensure that the branches and subsidiaries of the Company, if any, that operate in countries outside the EEA, have taken all necessary measures for achieving full compliance with the provisions of the Manual, in relation to Client identification, due diligence and record keeping procedures;
- To provide advice and guidance to the employees of the Company on subjects related to Money Laundering and Terrorist Financing;
- To acquire the knowledge and skills required for the improvement of the appropriate procedures for recognising, preventing and obstructing any transactions and activities that are suspected to be associated with Money Laundering or Terrorist Financing;
- Provision of training as required;
- Timely submission of the Monthly Prevention statement to CySEC;
- The preparation of the Annual Report;
- To respond to all requests and queries from the Unit and CySEC, and to provide all requested information and fully cooperate with the Unit and CySEC;

The Compliance and Anti-Money Laundering Compliance Officer has access to the documents and information required for performing the relevant duties and responsibilities.

4 INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT (“ICARA”)

During 2022, the Company has prepared its first Internal Capital Adequacy and Risk Assessment (“ICARA”) Process, through which it ensured 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.

The purpose of the ICARA Process is to ensure that the Company has sufficient capital at all times to cover the risks associated with its activities. ICARA process is used by the Company to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that the Company considers adequate to cover the nature and level of risks which the Company may pose to others and to which the investment firms themselves are or might be exposed. ICARA requires the Company not only to identify and assess risks and maintain sufficient capital to face these risks, but to apply appropriate risk-management techniques to ensure adequate capitalization on an ongoing basis.

the result of ICARA Process application is the ICARA Report. An ICARA Report is produced annually and represents Company's own assessment of its internal capital requirements. ICARA report is reviewed and approved by the Board of Directors at least annually. The report addresses the current risk management framework, including policies, processes and procedures implemented, highlight their deficiencies, if any, and present recommendations for remedial action to be taken.

5 PRINCIPAL RISKS

The Company aims to follow a continuous, active, and systematic Risk Management process of well-defined steps in order to understand, manage and communicate risks from a firm-wide perspective. This is achieved through the effective identification, assessment, treatment and reporting of internal and external risks.

5.1. Risk to Client

Risk to Client ("RtC") captures the risk that may be imposed onto the clients. RtC exists in the activities/services of a firm which are related to the client and are measured as a percentage of Clients Money Held (CMH), Assets Under Management (AUM), Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH) that are explained below:

- K-AUM (Assets Under Management) is the value of assets that an investment firm manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature. Even though the Company is authorized to provide Investment Advice service, this is not offered to clients in connection with trading activity/transactions execution. Investment Advice authorization is used in connection with activities of Corporate Finance, Underwriting and Investment Advice Department. Therefore, the Company was not subject to the risk relating to this K-factor.
- K-CMH (Client Money Held) is the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm. Based on the reference year, 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) is the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts. During the year under review, the Company offered safeguarding services in relation to debt and equity securities. Therefore, the Company was subject to the risk relating to this K-factor.
- K-COH (Client Orders Handled) is the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients. The Company executes clients' orders by acting as an agent to their trades, therefore the risk reflected by this K-factor was applied for the year ending 31 December 2022.

K-CMH

The Company makes adequate arrangements to safeguard the ownership rights of its clients, especially in the event of the Company's insolvency, and prevents the use of client's funds for its own account. Firstly, upon receiving customer funds DCCL will place them immediately in segregated accounts.

The Company exercises all due skill, care and diligence in the selection, appointment, and periodic review of the third party and of arrangements for the holding and safekeeping of client's funds.

Also, the Company considers the need for diversification of accounts used for clients' funds/financial instruments with several reputable banking/custodian institutions. If the Company decides to deposit client funds with a credit institution, bank, or money market fund of the same group as the Company, the Company will limit the funds that it deposits with any such group entity or combination of any such group entities so that funds do not exceed 20% of all such funds.

In addition, Customer assets are deposited in reputable authorized banks in either EU or third countries and DCCL performs periodic reviews (at least annually) of the banks and of their arrangements for the safekeeping of the funds and makes decision whether it will continue to keep accounts with the current provider.

K-ASA

DCCL deposits financial instruments held on behalf of its clients into an account or accounts opened with a third party, provided that DCCL exercises all due skill, care and diligence in the selection, appointment and periodic review of the third party and of arrangements for the holding and safekeeping of those financial instruments.

The Company's assessment of thirds parties is based among others on scoring system for the evaluation of the risks (for example, creditworthiness) associated with third party. Also, the company ensures that controls are in place to reduce the risk of customers assets being misused or lost because of inadequate record-keeping or negligence.

The Company considers diversifying Clients' funds into other institutions as per the provisions of Paragraph 6(2) of Directive DI87-01 and Part D of Circular C458. The Company is in discussion with banks for accounts opening/banking and custody services. The Company currently cooperates with a European bank which acts as Company's prime broker for orders execution. This is to ensure that the Company has arrangements in place to hold Client assets in separate accounts from the Company's own bank accounts and also ensure that reconciliations of Client balances are performed on a regular basis and are properly filed.

K-COH

The Company has a process in place by which it assesses the execution venues on which it relies upon to execute the orders of its clients, and that it monitors the credit standing and overall position of this party to ensure that the risk of losses arising for the client because of the failure of such a party to execute a transaction, is minimized to the greatest extent possible.

5.2. Risk to Market

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Company's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk comprises of equity risk, foreign exchange risk and commodity risk. There are two K-factors that capture the principal risks under RtM:

- K-NPR (Net Position Risk) means the value of transactions recorded in the Trading Book of an investment firm, as well as transactions in the Banking Book which give rise to Foreign Exchange and/or Commodity 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 CRR. Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-trading book interest rates, non-trading book foreign exchange rates). Exposure to market risk at any point in time depends primarily on short term market conditions and the levels of client activity. Based on the reference year, this K-factor is applicable to the Company.
- K-CMG (Clearing Margin Given) 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. This is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. Based on the reference year, this K-factor was not applicable to the Company due to the nature of its operations.

K-NPR

The Company's exposures to Market risk arise from the trading of Ukrainian Eurobonds traded OTC and Ukrainian equity and bonds traded on the Ukrainian Stock Exchange.

DCCL manages, controls, and mitigates its exposure to Market Risk using the methodology of "mark to market" and trading limits system.

Overall operational environment for market risk control is back/middle office system 1C with built in Risk Management Module. Automatic price upload allows automatic control of current valuation of positions taken and their correspondence to set trading limits and stop loss limits.

This system is developed to limit possible market risk exposure through individual limitation of exposures in instruments traded by Dealing on Own Account Department. Set limits do not allow to take more risks than Company care bare under set risk profile. Along with that limit system defines individual stop-loss levels taking into consideration market volatility of different products. This approach allows better position management and capital-under-risk control through decrease of market risk accepted.

5.3. 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).

- K-TCD (Trading Counterparty Default) means the exposures in the Trading Book of an investment firm in instruments and transactions referred to in Article 25 of the IFR, which give rise to the risk of a counterparty's default. 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. The Company, throughout the year under review, was exposed to TCD due to its over-the-counter ("OTC") derivative transactions (i.e. Currency Swaps).
- K-DTF (Daily Trading Flow) is the daily value of transactions that an investment firm enters into through dealing on own account or through the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled. The Company is exposed to DTF due to the fact that it executes trades on a principal basis (i.e. dealing on own account).
- K-CON (Concentration Risk) captures large exposures in the Trading Book to counterparties and groups of connected counterparties, including issuers of Trading Book financial instruments. The Company was not exposed to this risk during the year under review.

K- TCD
Dragon Capital implemented and utilized several risk mitigation techniques for non-centrally cleared derivatives (FX swaps for settlement process). Among the techniques utilized in 2022 the following can be observed: timely confirmations, portfolio reconciliations, mark-to-market valuation (in connection with trading book limit system), dispute resolution and collateral allocation.

K-DTF
The Company manages operational risk through a control-based environment in which processes are documented and transactions are reconciled and monitored using "four-

eye" principal. The Company has three layers in organization structure: front office, middle office, and back office. A minimum of two parts take part in each workflow. Front office does trade, back office settles this trades and risk management controls correctness of this deal regarding limits. "Four-eye" principal implements in all processes thus errors can be detected in any steps.

6 Other Risks

6.1. Compliance Risk

Compliance risk is the risk of financial loss, including fines and other penalties, which arises from noncompliance with laws and regulations of the state. The risk is limited to a significant extent due to the supervision applied by the Compliance Officer, as well as by the monitoring controls applied by the Company.

6.2. Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimising such losses such as maintaining sufficient cash and other highly liquid current assets and by having available an adequate amount of committed credit facilities.

The risk management department performs the following tasks regarding liquidity risk:

- Provides the framework for liquidity risk measurement
- Monitor liquidity risk
- Manage liquidity position (short and long term)
- Evaluate and manage liquidity related contingencies

This particular attention is paid when setting limits to risk, in the case of insufficient market liquidity of individual products, of not being able to conclude contracts or not being able to conclude them on the expected terms for the purpose of managing positions and that payment obligations can be met on settlement dates or in respect of margin calls.

Also, the Company follows the Liquidity requirement set by the new IFR/IFD framework. As at 31 December 2022 the Company satisfied the Liquidity Requirement.

7 OWN FUNDS

The new prudential framework for investment firms set out in the IFR and the IFD is designed to reflect better the nature, size, and complexity of investment firms' activities compared to the CRR/CRD framework. One key aspect of the new framework is that it provides for simpler and more bespoke capital requirements for investment firms.

As per the new rules set by the IFR, 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 at all times meet all of the following conditions:

- Common Equity Tier 1 Capital of at least 56,00% of Own Funds Requirements;
- Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75,00% of Own Funds Requirements; and
- Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100,00% of Own Funds Requirements.

The following information provides an analysis of the Own Funds of the Company as at 31 December 2022. The two tables have been prepared in accordance with the Pillar III templates established by the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of the IFR with regard to supervisory reporting and disclosures of investment firms.

As at 31 December 2022, the Company's Own Funds fully comprised of Common Equity Tier 1 capital and amounted to $16.899k.

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

		Amounts ($'000)	Source based on reference numbers/letters of the balance sheet in the audited financial statements (Cross Reference to EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	**OWN FUNDS**	**16.899**	
2	**TIER 1 CAPITAL**	**16.899**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**16.899**	
4	Fully paid-up capital instruments	10	Ref. 1 (Shareholder's Equity)
5	Share premium	22.678	Ref. 2 (Shareholder's Equity)
6	Retained earnings	(5.526)	Ref. 3 (Shareholder's Equity)
10	Adjustments to CET1 due to prudential filters	(38)	Ref. 4 (Assets) & Ref. 1 (Liabilities)
19	(-) Other intangible assets	(135)	Ref. 1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(90)	Ref. 2 & Ref. 7 (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

		Balance sheet as in published/audited financial statements	Cross reference to EU IF CC1
		As at 31 Dec 2022 ($'000)	
Ref.	**Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements**		
1	Intangible assets	135	Ref. 19
2	Contribution to Investor Compensation Fund	86	Ref. 27
3	Trade and other receivables	400	
4	Financial assets at fair value through profit or loss-trading (Additional Valuation Adjustment)	14.359	Ref. 10
5	Refundable tax	69	
6	Cash and cash equivalents	2.198	
7	Additional cash buffer (part of the Cash and cash equivalents)	4	Ref. 27
	Total Assets	**17.251**	
Ref.	**Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements**		
1	Financial liabilities at fair value through profit or loss (Additional Valuation Adjustment)	58	Ref. 10
2	Trade and other payables	31	
	Total Liabilities	89	
Ref.	**Shareholders' Equity**		
1	Share capital	10	Ref.4
2	Share premium	22.678	Ref.5
3	Reserves	(5.526)	Ref.6
	Total equity	**17.162**	

8 MINIMUM CAPITAL REQUIREMENT

8.1.Capital Requirements

The IFR & IFD framework involves a different approach for calculating the Minimum Capital Requirements, which for Class 2 investment firms dictates that they are derived by taking the highest of the Fixed Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

8.2.Fixed Overheads Requirement ("FOR")

The Company's policy is to monitor its FOR at least on a quarterly basis. The Company calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The Fixed Overheads Requirement as at 31 December 2022 amounted to $238k.

8.3.Permanent Minimum Capital Requirement ("PMCR")

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the PMCR of €750k, which translates to $800k, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

8.4."K-factor" Capital Requirement

The Company calculates its overall "K-factor" Capital Requirement on a continuous basis, which is the sum of "K-factor requirements" grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM), Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 3). The total K-Factors as at 31 December 2022 amounted to $2.191k.

Table 4 breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31 December 2022.

Table 4: Minimum Capital Requirements

Minimum Capital Requirements		
K-Factor Requirement		**31 December 2022 ($'000)**
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	9
	K-ASA	3
	K-COH	-
Risk-to-Market (RtM)	K-NPR	2.171
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	8
	K-DTF	-
	K-CON	-
Total K-Factor Requirement		**2.191**
Fixed Overhead Requirement – FOR		**238**
Permanent Minimum Capital Requirement – PMCR		**800**

According to the IFR & IFD requirements, the Company's Own Funds Requirement as at 31 December 2022 should have been at least the total K-Factor Requirement of $2.191k.

As indicated in **Table 5** below, as at 31 December 2022, the Capital Adequacy Ratio of the Company amounted to 771,41% which exceeded the minimum required threshold of 100,00%, having also a capital surplus of $14.708k.

Table 5: Capital Excess/Ratio

(USD)	31 Dec 2022 ($'000)	Reference
Capital		
Common Equity Tier 1	16.899	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	16.899	*a*
Own Funds Requirement		
K-factor Requirement	2.191	*b*
Fixed Overhead Requirement	**238**	*c*
Permanent Minimum Capital Requirement	**800**	*d*
Minimum Own Funds Requirement	**2.191**	*e = (higher of b, c, d)*
Capital Excess/Ratio		
Capital Excess	**14.708**	*a-e*
Capital Ratio	**771,41%**	*a/e*

9 REMUNERATION POLICY

The Company's Board is responsible for adopting and maintaining the remuneration policy and overseeing its implementation to ensure it is fully operating as intended. Furthermore, the Company's Board approves any subsequent material exemptions made for individual staff member and changes the remuneration policy and carefully consider and monitor their effects. In addition, the Board ensures that the Company's remuneration policies and practices are appropriately implemented and aligned with the Company's overall corporate governance framework, corporate culture, risk appetite and the related governance processes. Also, the Board provides effective input in accordance with their roles into the setting of bonus polls, performance criteria and remuneration awards where those functions have concerns regarding the impact on staff behaviour and the riskiness undertaken.

In order to avoid conflicts of interest the Company should identify and appropriately mitigate situation where conflicts of interest may rise, including establishment of the internal reporting system, appropriate controls and the four eyes principle. The remuneration policy should ensure that no material conflicts of interest arise for staff in control functions.

In order to adequately manage any related residual risk, the Company considers all relevant factors such as:

- Role performed by relevant persons;
- Type of products offered;
- Methods of distribution (e.g. non-advised, face-to-face or through telecommunications);
- Long-term value creation;
- Remuneration of the achievement of results on the basis of prudent, responsible risk bearing;
- Benchmark performance against the market; and
- Transparency in its remuneration policy etc.

Remuneration characteristics

The Company's remuneration policy is structured taking into account the environment in which it operates and the results it achieves. It includes the following elements:

- **Fixed remuneration** based on the level of responsibility and the professional path of the employee within the Company, which constitutes a relevant part of total pay; and
- **Variable remuneration** linked to the achievement of previously established targets (multi-year period assessment), based on the assessment of the individual, the business unit, the overall results and prudent risk management.

Variable Remuneration

Variable remuneration should not affect the Company's ability to ensure sound capital base. Where variable remuneration is awarded, such awards should be based on the Company's, staff's and, where applicable, business units' performance and take into account the risks taken. Decisions for Senior Management, risk takers, staff engaged in control functions and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers. Separate objectives are set for risk takers and non-risk takers building a firm ground for independent control and limiting the risk appetite. Performance measures are both quantitative and qualitative.

The combination of these components comprises a balanced remuneration system reflecting the Company's strategy and its values, as well as the interests of its shareholders. The ratio between the fixed and variable components of the remuneration is 1-to-0, where 1 reflects the fixed component and 0 is the variable component of total remuneration respectively. Value 0 means the Company does not pay out variable remuneration.

Ratio between the fixed and variable components of the remuneration can be changed only by the decision of the Board. Such decision on ratio change, should be accompanied by relevant changes (addition of criteria for awarding variable remuneration, identification process, pay-out in instruments policy, if applicable, deferral policy and vesting criteria) to Remuneration Policy of the Company, in line with current legal requirement.

The Company's Board adopts and periodically, at least annually, reviews the general principles of the remuneration policy and is responsible for overseeing its implementation.

The Risk Manager in collaboration with the Compliance/AML Officer of the Company should be responsible, among others, for:

- the preparation of decisions regarding the remuneration of the identified staff;
- checking whether the existing remuneration policy is still up to date and, if necessary, make proposals for changes; and
- assessing the mechanisms and systems adopted, to ensure that the remuneration system properly takes into account all types of risks, liquidity and capital levels and that the overall remuneration policy is consistent with the business strategy, objectives, corporate culture and values and the long-term interest of the institution.

The remuneration policy of the Company is based upon the performance of key management and employees and the profitability of the Company in general. For the year 2022, the Company paid only fixed remuneration to its key management and employees.

Table 6 below presents information on the aggregated quantitative remuneration paid by the Company during 2022, broken down by Senior Management and members of staff whose actions had a material impact on the risk profile of the Company:

Table 6: Fixed and Variable Remuneration by Senior Management and Other Staff

Business Area	No. of beneficiaries	Fixed Remuneration $'000	Variable Remuneration $'000	Total Remuneration $'000
Executive and Non-Executive Directors	4	100	-	100
Other staff	5	262	-	262
Total	**9**	**362**	-	**362**

Note: "Other Staff" category includes Heads of the Departments: Dealing, Brokerage, Compliance/AML, IB/Corporate Finance and BO and Administration.

During 2022 the Company did not provide any non-cash benefits and did not award any guaranteed variable remuneration. In addition, the Company did not pay or award any severance payments or deferred remuneration in 2022 or in previous performance periods.

Finally, the Company does not benefit from the derogation laid down in Article 32(4) of the IFD.

APPENDIX 1: OWN FUNDS

Table 7: Template EU IF CCA: Own funds: main features of own instruments issued by the firm

		Common Equity Tier 1 Capital
1	Issuer	Dragon Capital (Cyprus) Limited
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 (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (as of most recent reporting date)	22.687.764 USD
7	Nominal amount of instrument	10.107 USD
8	Issue price	1 USD
9	Redemption price	N/A
10	Accounting classification	Shareholder's equity
11	Original date of issuance	2/2/2006
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
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	N/A
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	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	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