

IFR Disclosures as at 31 December 2021

In accordance with Regulation (EU) 2019/2033 (“IFR”), as at the date of publication of the Company’s financial statements, the Company is required to disclose information on its risk management objectives and policies, governance, its own funds and own funds requirements, and its remuneration policy and practices.

(i) Risk management objectives and policies

The Company has established, implemented, and maintains adequate risk management policies and procedures, which identify, measure and provide for the proper reporting of all material risks that the Company may face. These policies set a generally conservative level of risk tolerated by the Board of Directors and adopt effective arrangements, processes and mechanisms to manage the risks relating to Company’s activities, processes and systems, in the light of that level of risk tolerance.

In terms of the IFR, the Company is required to disclose information about the following risks:

- a) Risks relating to capital requirements, including own funds requirements, fixed overhead requirements, minimum capital requirements, risk-to-client factors, risk-to-market factors and risk-to-firm factors – this risk is managed and monitored by means of policies and procedures aimed at ensuring that the Company is within its regulatory capital requirements at all times;
- b) Concentration risk – this risk is managed and monitored by means of policies and procedures aimed at ensuring that the Company is within regulatory concentration thresholds at all times; and
- c) Liquidity risk – this risk is managed by maintaining sufficient liquid assets within the Company at all times, and the periodic review of the Company’s liquidity position.

In addition, all the above risks are managed through the continued daily involvement of at least one director in any function within the Company that could lead to such risks and through frequent Board meetings to continually oversee, assess and mitigate such risks to make sure that residual risk remains within the Company’s conservative risk appetite. The Company’s internal capital adequacy and risk assessment process (ICARAP) is also performed and reviewed at least on an annual basis so as to ensure that the Company’s risk assessment is consistently updated as necessary.

(ii) Governance

As at 31 December 2021, the directors of the Company held the following number of directorships:

Mr Vincent J Rizzo – 3 (including directorship in two holding companies)
Mr Vincent E Rizzo – 3 (including directorship in two holding companies)
Mr Edward Rizzo – 3 (including directorship in one holding company)
Mr David Shead – 1

The Company’s policy is to ensure that its Board has a sufficient mix of knowledge and expertise to set the Company’s strategy and objectives and to oversee that the Company’s targets are being achieved. As detailed in the Directors’ report, the Board is of the view that the Company’s objectives and overall strategy are being achieved.

In view of the Company’s relatively small size and low complexity of its operations, and current adequate level of oversight by the Board on the Company’s operations and risk management processes, the Board believes that the setting up a separate risk committee is not necessary at this point in time.

(iii) Own funds

The Company is required to disclose the following information regarding its own funds, in accordance with the IFR:

(a) a full reconciliation of Common Equity Tier 1 items, Additional Tier 1 items, Tier 2 items and applicable filters and deductions applied to own funds of the investment firm and the balance sheet in the audited financial statements of the investment firm;

As at 31 December 2021, the Company's own funds amounted to €1,040,826 and consisted of Ordinary Share Capital of €750,000, fair value reserve -€600, and retained earnings of €291,426.

The difference between the retained earnings of €291,426 calculated for own funds purposes, and the retained earnings of €342,624 disclosed in the published audited financial statements of the Company arises from the fact that while the former was computed in accordance with International Financial Reporting Standards (IFRSs) as adopted by the EU, the latter is computed in accordance with the Accountancy Profession (General Accounting Principles for Small and Medium-Sized Entities) Regulations, Legal Notice 289 of 2016 (GAPSME). This difference of €51,198, arising solely from the different treatment of leases under IFRSs compared to GAPSME, leads to the €51,198 difference between the Company's own funds of €1,040,826 as calculated for regulatory purposes, and the Company's total equity of €1,092,024 as shown in the published financial statements.

The disclosure of own funds is being presented in the following prescribed regulatory templates:

Template EU IF CC1.01 - Composition of regulatory own funds

| | | (a) | (b) |
|--|--|------------------|--|
| | | Amounts (EUR) | Source based on reference numbers/letters of the balance sheet in the audited financial statements |
| Common Equity Tier 1 (CET1) capital: instruments and reserves | | | |
| 1 | OWN FUNDS | 1,040,826 | |
| 2 | TIER 1 CAPITAL | 1,040,826 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 1,040,826 | |
| 4 | Fully paid up capital instruments | 750,000 | Note 4 |
| 6 | Retained earnings | 291,426 | |
| 7 | Accumulated other comprehensive income | -600 | |
| 28 | ADDITIONAL TIER 1 CAPITAL | - | |
| 40 | TIER 2 CAPITAL | - | |

Template EU IFCC2: Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

| | | (a) and (b) | c |
|--|-----------------------------------|--|---|
| | | Balance sheet (a) as in published/audited financial statements, and (b) Under regulatory scope of consolidation | Cross reference to EU IF CC1 |
| | | As at period end | |
| Assets - Breakdown by asset classes according to the balance sheet in the published/audited financial statements | | | |
| 1 | Non-Current Assets | 368,951 | |
| 2 | Current Assets | 985,366 | |
| 3 | Total Assets | 1,354,317 | |
| Liabilities - Breakdown by liability classes according to the balance sheet in the published/audited financial statements | | | |
| 1 | Non-Current Liabilities | 10,364 | |
| 2 | Current Liabilities | 251,929 | |
| 3 | Total Liabilities | 262,293 | |
| Shareholders' Equity | | | |
| 1 | Share Capital | 750,000 | 4 |
| 2 | Fair value reserve | - 600 | 7 |
| 3 | Retained earnings | 342,624 | 6 |
| 4 | Total Shareholders' equity | 1,092,024 | |

(b) a description of the main features of the Common Equity Tier 1 and Additional Tier 1 instruments and Tier 2 instruments issued by the investment firm;

The following table describes the terms and conditions of the called up ordinary share capital as at 31 December 2021, which is the only instrument included within the Company's total own funds.

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

| | | a |
|----|---|---|
| 1 | Issuer | Rizzo, Farrugia & Co (Stockbrokers) Ltd |
| 2 | Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement) | N/A |
| 3 | Public or private placement | Private |
| 4 | Governing law(s) of the instrument | Maltese Law |
| 5 | Instrument type (types to be specified by each jurisdiction) | Ordinary Shares |
| 6 | Amount recognised in regulatory capital (Currency in million, as of most recent reporting date) | EUR 0.75 million |
| 7 | Nominal amount of instrument | EUR 0.75 million |
| 8 | Issue price | N/A |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholder's equity |
| 11 | Original date of issuance | 20 September 1991 |
| 12 | Perpetual or dated | Perpetual |
| 13 | Original maturity date | N/A |
| 14 | Issuer call subject to prior supervisory approval | Yes |
| 15 | Optional call date, contingent call dates and redemption amount | N/A |
| 16 | Subsequent call dates, if applicable | N/A |
| | <i>Coupons / dividends</i> | |
| 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) | 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 | No |
| 23 | Noncumulative or cumulative | Non-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 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 | No |
| 37 | If yes, specify non-compliant features | N/A |
| 38 | Link to the full term and conditions of the instrument (signposting) | N/A |

(c) a description of all restrictions applied to the calculation of own funds in accordance with the IFR and the instruments and deductions to which those restrictions apply.

No restrictions were applied to the calculation of the Company's own funds as at 31 December 2021.

(iv) Own funds requirements

The Company assesses the adequacy of its internal capital to support current and future activities on an ongoing basis by means of periodic management reports and regulatory updates being considered and discussed by the Board.

As at 31 December 2021, the Company's K-Factor requirement, calculated in accordance with Article 15 of the IFR, amounted to €194,101, and the Company's fixed overheads requirement, determined in accordance with Article 13 of the IFR, amounted to €414,128.

(v) Remuneration policy and practices

The Company's remuneration policy (Remuneration Policy), which is reviewed by the Board on a yearly basis, provides for a gender-neutral remuneration approach and does not allow for investment distribution performance-related remuneration to its employees.

The Remuneration Policy aims to ensure that remuneration practices, including, for categories of staff whose professional activities may have a material impact on the risk profile of the Company ("Identified Staff") are consistent with the Company's strategy and risk appetite. Whilst the Company does not pay investment distribution performance-related remuneration, the Company ensures that any variable remuneration does not exceed 100% of any fixed component of Remuneration, which variable remuneration is based on quantitative and qualitative criteria to include specific job description as well as EBITDA, capital and liquidity and strategy and risk management. The variable remuneration for 2021 was Nil.

The following refers to the aggregated quantitative information on remuneration for the senior management and members of staff whose actions have a material impact on the risk profile ("Identified Staff"):

| | Fixed Remuneration | Variable Remuneration | Number of Beneficiaries |
|------------------|--------------------|-----------------------|-------------------------|
| Identified Staff | €625,451 | Nil | 6 |

In view that the Company's on and off-balance sheet assets are less than EUR 100 million over the four-year period immediately preceding the financial year and that no individual's annual variable remuneration exceeded EUR 50,000 and did not represent more than one fourth of that individual's total annual remuneration, then a waiver would apply from the IFD requirements to have 50% of variable remuneration paid in instruments as well as from the requirement to have such variable remuneration deferred. Consequently, no retention period would apply given the inapplicability of the awarding of variable remuneration in instruments and the inapplicability of such deferral.

2 November 2022