

**Annual disclosure of information by IP “INTERCAPITAL MARKETS” AD  
as of December 31, 2022  
according to the requirements of the Regulation (EU) 2019/2033 on the prudential  
requirements of investment firms**

**I. GENERAL INFORMATION**

IP “Intercapital Markets” AD is a joint-stock company, registered in Sofia, under company case No.2709/2003 of the Sofia City Court. The company headquarters is in the Republic of Bulgaria, Sofia-city, “Sredets” municipality and the management address is Sofia-city, Sredets municipality, 140 “Georgi Rakovski” str., floor 6.

IP “Intercapital Markets” AD carries out its activity both on the territory of the Republic of Bulgaria and on the territory of the Republic of Poland, where the IP has a registered branch. The address of the branch is: Warsaw 00-697, ul. Al. Jerozolimskie 61 and is represented by Katerina Tikhomirova Dimitrova, in her capacity as Branch Director. The company is a member of the Bulgarian Stock Exchange - Sofia, as well as the Warsaw Stock Exchange.

The company is governed by a Board of Directors composed of: Nicolay Viktorovitch Mayster, Nataliya Vladimirova Amzina, Desislava Dimitrova Ruseva, Zhivka Dimitrova Stankova-Nikolova and Nadezhda Georgieva Kurtisheva. IP “Intercapital Markets” AD is represented jointly by two Executive Directors - Nicolay Viktorovitch Mayster, Nataliya Vladimirova Amzina.

The company holds a partial license to carry out activities as an investment intermediary pursuant to decision No. ПГ - 03-0204/24.02.2006 of the Financial Supervision Commission.

The Company’s subject of activity encompasses:

1. Provision of investment services and performance of investment activities within its scope on the territory of the Republic of Bulgaria and abroad, as follows:

- 1.1. acceptance and transmission of orders related to one or more financial instruments, including brokerage for transactions in financial instruments,
- 1.2. implementation of orders on behalf of clients,
- 1.3. portfolio management,
- 1.4. provision of investment advice to clients,
- 1.5. offering financial instruments for initial sale without an unconditional and irrevocable obligation to acquire the financial instruments on its own account.

2. Carrying out the following ancillary services on the territory of the Republic of Bulgaria and abroad:

- 2.1. safekeeping and administration of financial instruments at the expense of clients, including custodian activity (holding of financial instruments and clients' money at a depository institution) and related services such as management of financial receipts/ provided collateral,
- 2.2. granting loans for performing transactions with one or more financial instruments, provided that the person providing such loan shall participate in the transaction under terms and conditions established by an ordinance,
- 2.3. providing consultations to entities on capital structure, industrial strategy, and related issues, as well as advice and services referred to mergers and acquisitions,
- 2.4. investment research and financial analyses or other forms of general recommendations relating to transactions in financial instruments,
- 2.5. services in connection with the offering of financial instruments for initial sale without an unconditional and irrevocable obligation to acquire the securities on its own account.

The services that are provided through the branch of the Intermediary are acceptance and transmission of orders in connection with one or more financial instruments (on a regulated and on

over-the counter market (OTC) market), including mediation for concluding transactions with financial instruments, as well as execution of orders on behalf of clients.

The supervision of the IP's activity as an investment Intermediary shall be carried out by the Financial Supervision Commission (FSC), with headquarters and address: 16 Budapest Street, [www.fsc.bg](http://www.fsc.bg), Sofia 1000. The activity of the investment Intermediary branch in Poland shall be regulated by the Polish financial supervision authority (UKNF) - with address Warsaw 00-549, ul. Milenka 20 and the General Directorate - Generalny Inspektor Informacji Finansowej (GIIF).

IP "Intercapital Markets" AD has a share in the capital of the companies "IKM IMO" AD - 40% and Management Company "Invest Fund Management" AD - 9.31%

#### **Amount of turnover**

For the calendar year 2022, the company has realized income from financial and non-financial activities in the amount of BGN 2 682 056.

#### **Number of employees**

As of December 31, 2022 the total number of personnel in the company at the central office in Sofia is 13 full-time employees. Six employees work on an employment contract at the branch of Intercapital Markets JSC in Warsaw.

#### **Financial result of the activity before taxation**

For 2022, the company has realized an accounting financial result - a loss in the amount of BGN 727 553.

#### **Accrued deferred taxes on the financial result - 81 902 / tax temporary difference**

After tax conversion, the company's tax financial result for 2022 is a loss in the amount of BGN 645 651.

## **II. OBJECTIVES AND POLICIES FOR RISKS MANAGEMENT**

### **1. Risks management strategy**

The strategy of IP "Intercapital Markets" AD for risk management is a tool of the management team, which shall ensure the control, monitoring, and limitation of the risks inherent in the usual activity of the Intermediary to guarantee adequate management concerning the goals.

Risk management is a process in which the development of existing risks is investigated, analyzed, and monitored to avoid them or reduce the negative effect of their occurrence. The policy followed by IP "Intercapital Markets" AD regarding the risks is moderate to conservative.

The process of identifying, analysing, and assessing risks covers the entire activity of IP "Intercapital Markets" AD and is tied to the achievement of the goals and objectives of the investment intermediary and taking actions to their minimization to acceptable levels. Processes for managing these risks support the decision-making of responsible managerial decisions. The intermediary's strategy shall define the process of risk management as a process of recognition, analysis, counteraction, monitoring, and control of risk aimed at minimizing the effects of negative impacts. Risk management is a systematic process for the investment intermediary with the main objective of effectively reducing uncertainty. The intermediary's risk management strategy aims to define the types of risks, their evaluation and monitoring of the risk management activities' results, and the terms in which specific actions will be taken. The investment intermediary shall comply with the policies and procedures for determining the features related to the activity carried out, which assist the intermediary's management in determining the risk appetite, as well as on establishing acceptable levels of risk.

The risk analysis and management policy is an integral part of the general investment policy of IP "Intercapital Markets" AD. The risk factors that influence the activity of the investment intermediary are:

1. **credit risk** – the probability that IP will suffer a financial loss due to the counterparty's failure to fulfill an obligation under a given financial instrument, contract, etc.,
2. **foreign exchange risk** - the probability that IP will suffer a financial loss because of unfavorable changes in the exchange rates in which IP holds its assets or has formed liabilities,
3. **commodity risk** – risk of positions in exchange-traded commodities or commodities derivative instruments in the investment portfolio of the Investment intermediary. IP "Intercapital Markets" AD does not hold such type of assets in its investment portfolio and for this reason is not exposed to commodity risk, respectively does not calculate capital requirements for its coverage,
4. **concentration risk** – risk arising from the application of credit risk reduction techniques and large indirect credit exposures,
5. **operational risk** - risk of loss because of inappropriate or incorrect internal procedures, errors of persons and systems or from internal events, including legal risk and risk of non-fulfillment of obligations under the Markets in Financial Instruments Act',
6. **liquidity risk** – the possibility that the IP will not have sufficient funds to meet its obligations when they become due and the inability to realize its assets at an appropriate price and within acceptable terms,
7. **market risk** - the probability of incurring losses or not realizing profit under the influence of adverse changes in the prices of financial instruments, market interest rates, exchange rates and others,
8. **reputational risk** - the possibility of negative publications and statements in the mass media, electronic media, etc., concerning the investment intermediary, true or false, which will lead to a decrease in the client base, revenues or to the filing of lawsuits,
9. **risks arising from the macro environment and the economic cycle's phases.** Since the investment intermediary is not able to influence either the macroeconomic risk or the economic cycle's phase in which the country's economy is located, taking measures regarding these risks are limited to reducing their negative impact on the activity and financial results of the company.

## 2. Structure and organization of the "Risk management" Unit

To adequately meet the requirements of Ordinance No. 50 on the capital adequacy and liquidity of investment intermediaries, IP "INTERCAPITAL MARKETS" AD formed an independent unit for "Risk Management", which shall report directly to the IP's managing body and prepare reports on the state of the risk according to the "Rules for communication between the risk management unit and the management bodies of the IP".

In performing its functions, the unit shall carry out, among other things, identification, collection, and presentation to the management of the IP of reliable and credible information. Within this process, there is continuous horizontal and vertical communication from and to all levels, within the intermediary's introduced accountability system.

2.1. The immediate responsibilities of this department are as follows:

- a) assists with specific developments the Board of Directors and the Executive Director in determining the risk management policy and the maximum permissible levels for the main types of risk,
- b) measures and analyzes current risks to which IP "INTERCAPITAL MARKETS" AD is exposed, according to the procedures described further in these rules,
- c) collects, evaluates, and organizes the entry into the database of internal and external information necessary for the risks assessment according to an applicable credibility and sufficiency method,
- d) adapt ready-made models for risk quantification and monitoring risk factors on the activity of the investment firm,
- e) controls compliance with the defined limits and risk levels and reports to the Executive Director,
- f) performs a periodic review of the risk matrix of IP "INTERCAPITAL MARKETS" AD, as well as the effectiveness of the application of risk management rules in accordance with market conditions,

- g) prepares justified proposals for updating or improving the risk management's rules and for changes in the permissible levels of risk and submits them for approval by the Board of Directors of the investment intermediary,
- h) participates in the preparation of the capital adequacy and liquidity report of the investment intermediary as of the last date of each month and other required documents under Ordinance No. 50 of 2015 on the capital adequacy and liquidity of investment firms,
- i) prepares and disclose publicly the information under Regulation 2019/2033 amending Regulation 575/2013 on its website,
- j) prepares reports on the state of the risk and submits the same for examination, discussion and acceptance by the Board of Directors of IP "INTERCAPITAL MARKETS" AD,
- k) provides the necessary information for the development of a Policy for selection, assessment of suitability, promotion of diversity, introduction to work and training of the members of the management and control body and the persons occupying key positions in IP "INTERCAPITAL MARKETS" AD.

2.2. The organizational structure of IP "INTERCAPITAL MARKETS" AD, related to risk management, is four-dimensional:

1. Board of Directors,
2. Executive Director,
3. Risk Committee,
4. Employees working under contract for IP "INTERCAPITAL MARKETS" AD.

The Board of Directors of IP "INTERCAPITAL MARKETS" AD has the following responsibilities on risk management:

1. Adopts rules and policies for risk management and monitors their updating,
2. Accepts as elements of the risk management policy:
  - a. the level of risk that IP INTERCAPITAL MARKETS AD is ready to accept,
  - b. guidelines for the development of the risk assessment and management system.
3. Establishes specific limits that allow individual units at the investment intermediary to operate with the relevant autonomy, as well as determines the maximum permissible levels for the main types of risk, with a view not to expose IP "INTERCAPITAL MARKETS" AD to unacceptable risks,
4. Updates, if necessary, the maximum permissible levels for the main types of risk,
5. Controls the risk factors for the investment intermediary by discussing reports submitted by the Executive Director and makes decisions within the limits of his powers,
6. Makes decisions about personnel, software, and other provision of risk management activities.

The Executive directors, governing and representing IP "INTERCAPITAL MARKETS" AD has the following responsibilities on risk management:

1. Organizes the work on the correct implementation of the rules and risk management policy adopted by the Board of Directors,
2. Creates a work organization that ensures compliance with the specified limits and risk levels,
3. Monitors for compliance of the risk quantification, monitoring and evaluation procedures used by the relevant employees at the investment intermediary with the internal company documents adopted by the Board of Directors,
4. Implements the Board of Directors' decisions about the personnel, material, technical and methodical provision of risk management activities.

### **III. INFORMATION ABOUT MANAGEMENT RULES**

1. The participation of the members of the management body of IP "INTERCAPITAL MARKETS" AD in the management of other companies or cooperatives as procurators, managers or board members:

<b>Nicolay Mayster</b> <i>/Executive Director and member of the Board of Directors/</i>	<b>Nataliya Amzina</b> <i>/Representative and member of the Board of Directors/</i>	<b>Desislava Ruseva</b> <i>Member of the Board of Directors</i>	<b>Zhivka Stankova - Nikolova</b> <i>Member of the Board of Directors</i>	<b>Nadezhda Kurtisheva</b> <i>Member of the Board of Directors</i>
Igoria Trade, SA, Poland  Chairman of the Supervisory Board	"IKM IMO" EAD, Executive Director	None	JKM Trading LTD, Manager	None
Highway Capital, UK, member of the Supervisory Board	"RAK 2019" AD, member of the Board of Directors, terminated on 16.12.2022.			
"Proto Capital" EOOD, Manager	"Alpha Trading Bulgaria" EOOD, Manager			
"Teratrading" EOOD, Manager	"Titan Bulgaria" OOD, Manager			
"Poliprospects" EOOD, Manager	RP Trades LTD, Manager			
Intercapital EOOD, Manager	"NVA Trading 1" EOOD, Manager			
"Strategic Asset Allocation" EOOD, Manager	"NVA Trading 2" EOOD, Manager, terminated on 27.05.2022.			
"MNM TRUST" AD, Representative	"NVA Trading 3" EOOD, Manager			
"Futures Deal" LTD, manager	"NVA Trading 4" EOOD, Manager			
"IKM IMO" EAD, member of the Board of Directors	"NVA Trading 5" EOOD, Manager			
"BG PROINVEST" AD, member of the Board of Directors	NVM Innovation Sp.zoo, Poland, member of the Supervisory Board			
NVM Trading SP. ZO.O, Poland manager				
"Investors Association Partnership", Management Board's member				
IKM Trade 1 EOOD, Manager				
IKM Trade 2 EOOD, Manager				

2. Selection policy and assessment of the suitability, promotion of diversity, introduction to work and training of members of the management and control body and key function holders.

2.1. The internal regulatory document adopted and implemented by IP "Intercapital Markets" AD: "Policy on the selection, assessment of the suitability, promotion of diversity, introduction to work

and training of members of the management and control body and key function holders" considers the structure and internal organization of the investment intermediary.

The purpose of the policies is to guarantee a reliable management system for the Company. The policies follow an approach of diversification of knowledge and skills, as well as the determination of departmental areas and management activities, and all the requirements of the regulatory framework for this type of employees are expressly considered when selecting members of the Company's Board of Directors.

The document sets out the main guidelines, criteria and principles for ensuring diversity in the selection and assessment of the suitability of the members of the Board of Directors, including the Senior Management and the key function holders, so that they meet the high standards applied by the Company, in order to realize its goals and development strategy.

The document includes the following:

- Information on promoting diversity,
- Information regarding the suitability of the members of the governing body and persons holding key positions,
- Information regarding introduction to work and training of the governing body.

The policy has been drawn up in compliance with the principle of proportionality, in accordance with the EBA Guidelines on the assessment of the suitability, in accordance with the Intermediary's significance, its organizational structure, the rules for its internal organization, as well as with the nature, scale and complexity of its economic activity.

The nature and scope of the performed investment services and activities included in the prudential consolidation under Regulation (EU) 2019/2033 on the prudential requirements of investment firms and amending Regulation (EU) No 575/2013 are reported.

The information included in the document is applied independently, forming the overall policy of the Intermediary regarding the selection and suitability of the governing body and the key function holders, which in turn guarantees a reliable system for effective, stable and reasonable management and control in the investment an intermediary.

IP "Intercapital Markets" AD shall apply the following policy for the selection of members of its governing body:

- the selection of each member of the Board of Directors shall be carried out based on objective criteria for suitability, according to the Suitability Policy, considering the information regarding the diversity,
- the final decision to select a candidate shall be based on a positive assessment of his suitability as well as the added value he will bring to the Board of Directors, considering the benefits of diversity within the governing body,
- the selection of members of the governing body shall be guided by the principle that no candidate shall be selected, nor excluded solely or to a large extent, because of his race, colour, sex, origin, or sexual orientation,
- During the selection, it should be considered whether, with the election of the relevant candidate as a member of the Board of Directors, the Board's members will collectively possess sufficient knowledge, skills, and experience necessary for them to lead the activities of the investment intermediary.

## 2.2. Promoting diversity within the governing body

Promoting diversity is part of the document "Policy for selection, assessment of suitability, promotion of diversity, introduction to work and training of members of the management and control body and key function holders".

Under "diversity" shall be understood a situation where the governing body members have such different characteristics from each other in terms of their age, gender, geographic origin, education,

and professional experience that these differences provide a diversity of opinion on the governing body.

IP “Intercapital Markets” AD shall recognize the importance and promote diversity in the management body, considering it a necessary condition and guarantee for good management and progress of the investment intermediary and strives to maintain and increase it.

IP “Intercapital Markets” AD shall consider diversity in the governing body as one of the criteria for the selection of this body’s members. The main objective of the Company in planning and carrying out the selection, assessment of suitability, and appointment of a member of the management body is to strive to include such new members in the management body that by their characteristics, qualities, and competencies a sufficient variety of qualities and competencies of the governing body as a whole.

IP “Intercapital Markets” AD shall provide conditions for sustainable growth of its employees without any discrimination, including gender, complying with the provisions of the Anti-Discrimination Act. IP “Intercapital Markets” AD shall promote the career development of the investment intermediary employees and the management body members, accepting career development to provide practical knowledge and experience of the daily activities of IP “Intercapital Markets” AD and to facilitate the selection of a sufficiently diverse group of candidates for members of the governing body.

With the creation of a new article 61a, para. 1 of MiFIA, for IP “Intercapital Markets” AD, the obligation to establish a “Risk Committee” and a “Remuneration Committee arose because the intermediary's balance sheet and off-balance sheet assets in the 4 years before the current financial year exceeded EUR 100 million.

To bring its activities in line with the requirements of Ordinance 50, IP "Intercapital Markets" AD held a meeting of the Board of Directors on 27.06.2022, at which a decision was made to create the above-mentioned committees.

#### IV. OWN FUNDS

As of December 31, 2022, the Company’s own funds are formed only by Tier 1 Capital.

*Template EU IF CC1.01 - Own Funds Composition (investment firms other than small and non-interconnected)*

		a	b
		Values	<i>Source based on the reference numbers/letters of the balance sheet items in the audited financial statements</i>
<b>Common Equity Tier 1 Capital (CET1): instruments and reserves</b>			
<b>1</b>	<b>OWN FUNDS</b>	2210224	
<b>2</b>	<b>TIER 1 CAPITAL</b>	2210224	
<b>3</b>	<b>Common Equity TIER 1 Capital</b>	2210224	
4	Fully paid-up capital instruments	1600000	Statement of financial position, row “Own funds”
5	Share premium		
6	Retained earnings	1592828	Statement of Financial Position, row “Accumulated Profit/Loss”
7	Accumulated other comprehensive income		
8	Other reserves	160000	Statement of Financial Position, row “Reserves”
9	Minority interest given recognition in CET1 capital		

10	Adjustments to CET1 due to prudential filters		
11	Other funds		
12	(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	1142604	
13	(-) Own CET1 instruments		
14	(-) Direct holdings of CET1 instruments		
15	(-) Indirect holdings of CET1 instruments		
16	(-) Synthetic holdings of CET1 instruments		
17	(-) Losses for the current financial year	645651	
18	(-) Goodwill		
19	(-) Other intangible assets		
20	(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	81902	Statement of Financial Position, row "Deferred tax assets"
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds	415051	Statement of Financial Position, row "Long-term investments"
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
23	(-) CET1 instruments of financial sector entities where the investment firm does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the investment firm has a significant investment		
25	(-) Defined benefit pension fund assets		
26	(-) Other deductions		
27	CET1: Other capital elements, deductions, and adjustments		
28	<b>ADDITIONAL TIER 1 CAPITAL</b>		
29	Fully paid up, directly issued capital instruments		
30	Share premium		
31	(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1		
32	(-) Own AT1 instruments		
33	(-) Direct holdings of AT1 instruments		
34	(-) Indirect holdings of AT1 instruments		
35	(-) Synthetic holdings of AT1 instruments		
36	(-) AT1 instruments of financial sector entities where the investment firm does not have a significant investment		
37	(-) AT1 instruments of financial sector entities where the investment firm has a significant investment		



38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions, and adjustments		
40	<b>TIER 2 CAPITAL</b>		
41	Fully paid up, directly issued capital instruments		
42	Share premium		
43	(-) TOTAL DEDUCTIONS FROM TIER 2		
44	(-) Own T2 instruments		
45	(-) Direct holdings of T2 instruments		
46	(-) Indirect holdings of T2 instruments		
47	(-) Synthetic holdings of T2 instruments		
48	(-) T2 instruments of financial sector entities where the investment firm does not have a significant investment		
49	(-) T2 instruments of financial sector entities where the investment firm has a significant investment		
50	Tier 2: Other capital elements, deductions, and adjustments		

*Template EU ICC2 – Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements.*

		<i>a</i>	<i>b</i>	<i>c</i>
		<b>Balance sheet as in published/audited financial statements</b>	<b>Under regulatory scope of consolidation</b>	<b>Cross reference to EU IF CC1</b>
		<b>As at period end</b>	<b>As at period end</b>	
<b>Assets</b> — Breakdown by asset classes according to the balance sheet in the published/audited financial statements				
1	<i>Tangible fixed assets - Property, Plant and Equipment, Right-of-use assets, Deferred tax assets</i>	501937		
2	<i>Investment properties - Apartments in Marina Cape complex - Aheloy</i>	276543		
3	<i>Long-term investments-minority interest</i>	415051		<i>ped 18</i>
4	<i>Financial assets</i>	1437671		
5	<i>Trade and other receivables</i>	550215		
	<i>Prepaid expenses/expenses for future periods</i>	3840		

xxx	<b>Total assets</b>	3185257		
<b>Liabilities</b> — Breakdown by liability classes according to the balance sheet in the published/audited financial statements				
1	Current liabilities	209819		
2	Non-current liabilities	268261		
3				
4				
xxx	<b>Total liabilities</b>	478080		
<b>Shareholders' Equity</b>				
1	Own funds	1600000		peð 10
2	Reserves	160000		peð 14
3	Accumulated profit	1592828		peð 13
4	Financial result for the period	-645651		
xxx	<b>Total shareholders' equity</b>	2707177		

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

		a
		<b>Free text</b>
1	Issuer	<b>IP "INTERCAPITAL MARKETS" AD</b>
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	
3	Public or private placement	Private
4	Governing law(s) of the instrument	Bulgarian law
5	Instrument type (types to be specified by each jurisdiction)	shares in uncertificated form
6	Amount recognised in regulatory capital (Currency in million, as of most recent reporting date)	BGN 1.6 million
7	Nominal amount of instrument	BGN 10
8	Issue price	BGN 10

9	Redemption price	Not applicable
10	Accounting classification	Share capital
11	Original date of issuance	2003-2006
12	Perpetual or dated	Indefinite
13	Original maturity date	Not applicable
14	Issuer call subject to prior supervisory approval	No
15	Optional call date, contingent call dates and redemption amount	Not applicable
16	Subsequent call dates, if applicable	Not applicable
	<b><i>Coupons / dividend</i></b>	Not applicable
17	Fixed or floating dividend/coupon	Not applicable
18	Coupon rate and any related index	Not applicable
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	Not applicable
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Not applicable
22	Existence of step up or other incentive to redeem	Not applicable
23	Noncumulative or cumulative	Noncumulative
24	Convertible or non-convertible	Not subject to conversion
25	If convertible, conversion trigger(s)	Not applicable
26	If convertible, fully or partially	Not applicable
27	If convertible, conversion rate	Not applicable
28	If convertible, mandatory or optional conversion	Not applicable
29	If convertible, specify instrument type convertible into	Not applicable
30	If convertible, specify issuer of instrument it converts into	Not applicable
31	Write-down features	No
32	If write-down, write-down trigger(s)	Not applicable
33	If write-down, full or partial	Not applicable
34	If write-down, permanent or temporary	Not applicable
35	If temporary write-down, description of write-up mechanism	Not applicable
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	Not applicable
38	Link to the full term and conditions of the instrument (signposting)	Not applicable

Equity is reduced by minority interest in the capital of other entities.

## V. CAPITAL REQUIREMENTS

IP "INTERCAPITAL MARKETS" AD has reliable, effective and comprehensive strategies and

processes for assessing and maintaining the capital it considers adequate to cover the risks of the relevant nature and extent to which the intermediary may be exposed.

The investment intermediary shall observe capital adequacy indicators to identify potential threats in a timely manner, taking preventive actions to ensure lasting adequacy of both equity and internal capital.

The investment intermediary shall implement a policy to identify all material risks that could cause economic losses and lead to the depletion of internal capital. According to the economic perspectives, the intermediary ensures the satisfactory coverage of the risks with internal capital or the so-called "internal capital adequacy". It thereby ensures the availability of sufficient capital to bear the risks, absorb the losses and pursue a sustainable strategy, even in a prolonged period of unfavorable development of circumstances.

In view of this, the internal capital represents the financial resources (set aside reserves) necessary to cover the risks related to the overall activity of the investment intermediary.

As of December 31, 2022, the investment intermediary maintains own funds, the amount of which according to Art. 11 (1) of Regulation (EU) 2019/2033 cannot be less than the highest of the following values:

- the requirement based on the fixed total costs for the previous year
- the requirement for permanent minimum capital
- the requirement based on K-factors

The IP "Intercapital Markets AD" own funds are measured by the K-factors, which are the highest value from those listed in Art. 11, paragraph 1 of Regulation (EU) 2019/2033.

#### I 02.01 — OWN FUNDS REQUIREMENTS (I2.1)

Rows	Item	Value
		0010
0010	Own Funds requirement	578455
0020	Permanent minimum capital requirement	293375
0030	Fixed overhead requirement	578455
0040	Total K-Factor Requirement	308535
	<b>Transitional own funds requirements</b>	
0050	Transitional requirement based on CRR own funds requirements	-
0060	Transitional requirement <i>based on fixed overhead requirements</i>	-
0070	Transitional requirement <i>for investment firms previously subject only to an initial capital requirement</i>	-
0080	Transitional requirement <i>based on initial capital requirement at authorization</i>	-
0090	Transitional requirement for investment firms that are not authorized to provide certain services	-
0100	Transitional requirement of at least 250 000 EUR	-
	<b>Memorandum items</b>	
0110	Additional own funds requirement	-
0120	Additional own funds guidance	-

0130	Total own funds requirement	578455
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As of December 31, 2022, the investment intermediary complies with the supervisory requirements of Regulation (EU) 2019/2033, according to which the ratio of Tier 1 capital should be no less than 56% of the total capital requirement, the ratio of Tier 1 capital should be no less than 75% of the total capital requirement, and the equity ratio - no less than 100%.

IF 02.02 — CAPITAL RATIOS (IF2.2)

Rows	Item	Value
		0010
0010	CET 1 Ratio	382.09124
0020	Surplus(+)/Deficit(-) of CET 1 Capital	1886289.5
0030	Tier 1 Ratio	382.09124
0040	Surplus (+)/Deficit (-) of Tier 1 Capital	1776383.1
0050	Own Funds Ratio	382.09124
0060	Surplus (+)/Deficit (-) of Total capital	1631769.5

**VI. PERMANENT MINIMUM CAPITAL REQUIREMENT**

According to Art. 14 of Regulation (EU) 2019/2033, the permanent minimum capital requirement shall amount to at least the levels of initial capital. For IP “Intercapital Markets” AD, the requirement is EUR 150 000. The registered and paid-in share capital of IP “Intercapital Markets” AD is BGN 1 600 000.

**VII. FIXED OVERHEADS REQUIREMENT**

The fixed overheads requirement shall amount to at least one quarter of the fixed overheads of the preceding year. According to the developed Regulatory Technical Standards for capital requirements for investment firms based on fixed overheads to supplement the calculation of the requirement, at least the following deductible items shall be included:

- a) Staff bonuses and other remuneration, to the extent that they depend on the net profit of the investment firm in the respective year,
- b) employees’, directors’ and partners’ shares in profits,
- c) other appropriations of profits and other variable remuneration, to the extent that they are fully discretionary,
- d) shared commission and fees payable which are directly related to commission and fees receivable, which are included within total revenue, and where the payment of the commission and fees payable is contingent on the actual receipt of the commission and fees receivable,
- e) fees to tied agents,
- f) non-recurring expenses from non-ordinary activities.

I 03.00 — FIXED OVERHEADS REQUIREMENT CALCULATION (I3)

Rows	Item	Value
		0010

<b>0010</b>	<b>Fixed Overhead Requirement</b>	578455
<b>0020</b>	Annual Fixed Overheads of the previous year after distribution of profits	2313818
<b>0030</b>	<b>Total expenses of the previous year after distribution of profits</b>	2313818
<b>0040</b>	of which: Fixed expenses incurred on behalf of the investment firms by third parties	-
<b>0050</b>	<b>(-) Total deductions</b>	-
<b>0060</b>	(-) Staff bonuses and other remuneration	-
<b>0070</b>	(-) Employees', directors' and partners' shares in net profits	-
<b>0080</b>	(-) Other discretionary payments of profits and variable remuneration	-
<b>0090</b>	(-) Shared commission and fees payable	-
<b>0100</b>	(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	-
<b>0110</b>	(-) Fees to tied agents	-
<b>0120</b>	(-) Interest paid to customers on client money where this is at the firm's discretion	-
<b>0130</b>	(-) Non-recurring expenses from non-ordinary activities	-
<b>0140</b>	(-) Expenditures from taxes	-
<b>0150</b>	(-) Losses from trading on own account in financial instruments	-
<b>0160</b>	(-) Contract based profit and loss transfer agreements	-
<b>0170</b>	(-) Expenditure on raw materials	-
<b>0180</b>	(-) Payments into a fund for general banking risk	-
<b>0190</b>	(-) Expenses related to items that have already been deducted from own funds	-
<b>0200</b>	<b>Projected fixed overheads of the current year</b>	2 500 000
<b>0210</b>	<b>Variation of fixed overheads (%)</b>	8,5%

### VIII. K-FACTOR REQUIREMENT

IP "Intercapital Markets" AD shall calculate the applicable to the company based on the relevant set of K-factors with which it is accounted the risk-to-client („RtC“), the risk-to-market („RtM“) and the risk-to-firm („RtF“).

To comply with the minimum capital requirement under Art. 11, par. 1, the K-factor requirement shall amount to at least the sum of the following:

- a) Risk-to-Client (RtC) K-factors calculated in accordance with Chapter 2,
- b) Risk-to-Market (RtM) K-factors calculated in accordance with Chapter 3,
- c) Risk-to-Firm (RtF) K-factors calculated in accordance with Chapter 4.

The investment intermediary shall monitor the value of the K-factors for any trend that could lead to a material change in the capital requirement.

As of December 31, 2022, the requirements of Regulation (EU) 2019/2033 based on the K-factors are presented in the table below:

I 04.00 — TOTAL K-FACTOR REQUIREMENT CALCULATIONS (14)

		<b>Factor amount</b>	<b>K-factor requirement</b>
<b>Rows</b>	<b>Item</b>	<b>0010</b>	<b>0020</b>
<b>0010</b>	<b>TOTAL K-FACTOR REQUIREMENT</b>		308535
<b>0020</b>	<b>Risk to client</b>		240850
<b>0030</b>	Assets under management	9906691	1981
<b>0040</b>	Client money held - Segregated	7837124	31348
<b>0050</b>	Client money held - Non - segregated	0	0
<b>0060</b>	Assets safeguarded and administered	502281371	200912
<b>0070</b>	Client orders handled - Cash trades	6608164	6608
<b>0080</b>	Client orders handled - Derivatives Trades	0	0
<b>0090</b>	<b>Risk to market</b>		67684
<b>0100</b>	K-Net positions risk requirement		67684
<b>0110</b>	Clearing margin given		
<b>0120</b>	<b>Risk to firm</b>		0
<b>0130</b>	Trading counterparty default		0
<b>0140</b>	Daily trading flow - Cash trades		0
<b>0150</b>	Daily trading flow - Derivative trades		0
<b>0160</b>	K-Concentration risk requirement		0

**IX. INFORMATION ON REMUNERATION POLICY**

The remuneration policy of the investment intermediary shall regulate the remuneration system of the company's employees. The company shall establish clear and objective principles when forming remunerations. In compliance with the requirements of the MiFIA and Ordinance 50, the company established a remuneration committee, which shall monitor the relevance of the existing remuneration policy and, if necessary, make proposals for changes to the Board of Directors.

The amount of the remuneration awarded is fixed - no variable remuneration (including performance-related) applies, and excessive risk-taking is not encouraged. For this reason, no additional remuneration is paid that is tied to quantitative measures of their work performance and no benefits related to retirement are provided. Remuneration in the form of shares or share-related instruments also does not apply.

The remuneration of the executive members of the Board of Directors shall be determined by the Board of Directors. The decision of the Board of Directors shall be adopted by a majority of the members represented. There is no variable part included in the amount of these remunerations, only fixed remunerations. Remuneration shall include gross wages, overtime pay and paid annual leave, as well as temporary disability benefits. It does not include premiums, long-term benefits, and pension contributions.

The amount of remuneration awarded to the executive members of the Board of Directors shall be determined by the Board of Directors. The Board of Directors' decision shall be adopted by a majority of the members represented. There is no variable part included in the remuneration, only fixed remuneration. The remuneration shall include gross wages, overtime pay, paid annual leave, and temporary disability benefits. It does not include premiums, long-term benefits, and pension contributions.

Senior management personnel is natural persons with executive functions, representing the investment intermediary and who are responsible and accountable to the investment intermediary's management or control body for the investment intermediary's day-to-day management. As such, the company shall treat the persons registered under its lot in the Commercial Register as representatives.

Summary quantitative information on remuneration, for management and for employees whose professional activities have a material impact on the risk profile of the institution is presented as follows:

<b>Personnel</b>	<b>Gross amount of remuneration in thousands of BGN</b>
Board of Directors and Branch Director	BGN 319 837.99
Operational and administrative activity	BGN 296 174.80
Key employees	BGN 168 565.03

The investment intermediary did not pay variable remuneration to its employees in 2022. In 2022, there are no persons in the investment intermediary who received remuneration of EUR 1 million or more for the financial year.

#### **X. INVESTMENT POLICY**

To the date of this document publication, the investment intermediary has direct or indirect participation in the following companies in the investment portfolio:

“IKM IMO” AD - 40%

Management Company “Invest Fund Management” AD - 9.31%

IP “INTERCAPITAL MARKETS” AD does not use authorized advisors.

Voting guidelines for companies whose shares are held: there are no guidelines given.

**March 2023**