Lightyear Europe AS
Registry code 16235024
Volta 1
Tallinn 10412
Estonia

19.07.2023

Lightyear Europe AS disclosures based on the 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 regarding the financial year ending 31 March 2023.

I. Information regarding internal governance arrangements (EU 2019/2033 Art 48)

The Firm is committed to maintaining a management structure based on the principle that functions are clearly separated and independent of each other, ensuring mutual control at different levels and responsibilities.

The number of directorships held by members of the management body in Lightyear Europe AS is three (3) Management Board members and three (3) Supervisory Board members which is appropriate and proportional considering the size and simple structure of Lightyear Europe AS.

The Firm has a policy on Fitness and Propriety Assessment Guide, wherein the Firm ensures that, in regards to the selection of members of the management board or supervisory board, the necessary knowledge, education, skills, experience, professional qualifications are required to the positions. Members of the management board and supervisory board have been selected based on their professional expertise and with the aim of ensuring diversity in relevant domains knowledge is covered by the selected members. By undertaking this action, the Firm will ensure a robust governance framework ensuring the Firm is managed in a sustainable manner.

The Firm does not have a separate Risk Committee, however a Compliance and Risk function has been established which compiles quarterly risk reports to be shared with the Boards.

II. Information regarding remuneration policy and practices (EU 2019/2033 Art 51)

The Firm's principles relating to remuneration are focused on long-term growth and discouraging unnecessary risk-taking by rewarding the right behaviours and outcomes for customers, shareholders and the Firm.

The remuneration principles of the Firm are based on:

- The Firm's ability attract and motivate the very best people, regardless of gender, ethnicity, age, disability or any other factor unrelated to performance or experience;
- Fair salaries at a Firm that endeavours to offer career and growth opportunities;
- A remuneration policy that is as simple as possible;
- Making all staff owners of the Firm, thereby aligning them to the Firm's long-term vision; and
- A culture that understands that certain reward incentives can skew behaviours and encourage unnecessary risk-taking which will cause harm to our customers and the Firm.

The objective of these principles is to mitigate risks primarily of the following two types:

- Business Execution: adverse outcomes as the result of poor execution of regular business tasks (mistakes, oversights, etc.);
- Human Resources: adverse outcomes as a result of poor execution of attracting and retaining the staff.

The remuneration committee of Lightyear Europe AS ensures that remuneration policy is reviewed annually and that the review includes analysis if the policy is gender neutral by monitoring the development of the gender pay gap separately for the Members of the Management Board and other staff of the Firm.

Regarding monitoring the gender pay gap where material differences between the average pay between male and female staff or male and female members of the management body exist, the Firm will document the main reasons, take appropriate actions where relevant or should be able to demonstrate that the difference does not result from a policy that is not gender neutral.

The Firm has considered a variable remuneration model. Presently we do not find this type of remuneration suitable to best achieve the objectives of the Firm and the Firm has decided not to use variable remuneration model.

Share awards may be subject to vesting and holding periods as well as regulatory requirements around their deferral. Such awards may be subject to clawback. More details on the terms and conditions of the option program are available in the notes of the annual report.

Lightyear Europe AS is eligible to benefit from a derogation laid down in Article 32(4) both point (a) and (b) of Directive (EU) 2019/2034.

III. Information regarding Risk Management and Own Funds objectives and policies (EU 2019/2033 Art 47, 49, 50)

Prudent risk and capital management ensures credibility and transparency of the activities of investment firms, including aims to make investment firms more resilient to economic cycles and lower the risk of becoming insolvent in crisis situations, which could have adverse impact on its customers.

Capital management covers implementing measures to maintain sufficient own funds, assessing internal own funds adequacy, calculating the own funds adequacy ratio and proper reporting. Capital management process includes development and implementation of capital plans, assessment of own funds adequacy, calculation of the own funds adequacy ratio and own funds allocation processes.

The Firm follows the three-pillar framework for prudent capital management. **Pillar 1** Own Funds are regulatory capital requirements that Lightyear Europe AS capital must meet at all times. For **Pillar 2** capital, Firm assesses additional liquidity and capital needs that are based on company risk profile and strategic goals. **Pillar 3** is regulatory disclosures to the public with the aim of providing transparency.

Lightyear Europe AS shall have Own Funds that always meet all the following conditions:

$$\frac{\text{Common Equity Tier 1 capital}}{D} \geq 56\ \%$$

$$\frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital}}{D} \geq 75\ \%$$

$$\frac{\text{Common Equity Tier 1 capital} + \text{Additional Tier 1 capital} + \text{Tier 2 capital}}{D} \geq 100\ \%$$

D being the highest of the three:

a) permanent minimum capital as defined by EU 2019/2033 (150 000 EUR for investment services provided by the Firm)

b) Fixed overhead requirement

c) K-factor requirement

The Firm applies as the highest of three the permanent minimum capital requirement.

The Firm has set risk limits and reporting requirements for monitoring capital management. Capital planning is part of periodical assessment of capital needs and is revised during the additional capital and liquidity assessment process. The Firm shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement. Considering that the Firm holds share premium and capital payments primarily in cash, the liquidity requirements are met with excess.

The Supervisory Board has approved risk limits and statements considering Lightyear Europe AS's business strategy. The Firm is not ready to accept high risk in pursuit of its activities and chooses to apply sufficient levels of controls and other risk mitigation activities.

The Firm has not issued any Own Funds instruments besides fully paid-up capital instruments and share premium. The tables below describe the Own Funds structure and provide a reconciliation to amounts reported in the Annual Report.

		(a)	(b)
		Amounts	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**	3,252,294	
2	**TIER 1 CAPITAL**	3,252,294	
3	**COMMON EQUITY TIER 1 CAPITAL**	3,252,294	
4	Fully paid up capital instruments	150,001	d
5	Share premium	4,849,999	e
6	Retained earnings	- 87,299	f
7	Accumulated other comprehensive income		
8	Other 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		
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	- 1,660,407	f
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		
21	(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
22	(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
23	(-) CET1 instruments of financial sector entites where the institution does not have a significant investment		
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment		
25	(-)Defined benefit pension fund assets		
26	(-) Other deductions		
27	CET1: Other capital elements, deductions and adjustments		
28	**ADDITIONAL TIER 1 CAPITAL**		
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 institution does not have a significant investment		
37	(-) AT1 instruments of financial sector entities where the institution has a significant investment		
38	(-) Other deductions		
39	Additional Tier 1: Other capital elements, deductions and adjustments		
40	**TIER 2 CAPITAL**		
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 institution does not have a significant investment		
49	(-) T2 instruments of financial sector entities where the institution has a significant investment		
50	Tier 2: Other capital elements, deductions and adjustments		

		a	c
		Balance sheet as in published/audited financial statements	***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*			
a	*Current assets*	*3,237,581*	
b	*Fixed assets*	*712,060*	
	Total Assets	***3,949,641***	
Liabilities *- Breakdown by liability classes according to the balance sheet in the published/auditied financial statements*			
c	*Current liabilities*	*349,480*	
	Total Liabilities	***349,480***	
Shareholders' Equity			
d	*Share capital*	*150,001*	*4*
e	*Share premium*	4,849,999	*5*
f	Accumulated loss	- 1,747,706	6, 17
	Total Shareholders' equity	**3,252,294**	