FXOPEN EU LTD

Disclosure and Market Discipline Report (Pillar III)

Made in accordance with Part Six of Regulation (EU) 2019/2033 of the European Parliament and of the Council on the prudential requirements of investment firms
based on audited accounts as at 31st December 2025

May 2026

FXopen

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1. Introduction

The purpose of this report is to inform the public and other market participants of the key components, scope and effectiveness of the Company risk measurements, risk profile and capital adequacy.

The scope of this report is to promote market discipline and to improve transparency of market participants as per the regulation Regulation (EU) 2019/2033 (the Investment Firm Regulation, "IFR") of the European Parliament and of the Council on the prudential requirements of investment firms.

The Report has been prepared in accordance with the regulatory regime for investment firms, namely the IFR and the IFD as well as the relevant provisions of the Prudential Supervisions for Investment Firms Law of 2021 (the "Law") and the Capital Adequacy Investment Firms Law of 2021. Relevant qualitative and quantitative information is disclosed in line with the "*Commission Implementing Regulation (EU) 2021/2284 on reporting requirements for investment firms under Article 54(3) and on disclosures requirements under Article 49(2) of Regulation (EU) 2019/2033*".

The information contained in this report is published on the Company's website on an annual basis. The Company is making the disclosures on a solo basis pursuant to the Pillar III disclosure requirements as laid out in Part Six of the IFR.

According to Basel III Accords, there are three pillars, which are designed to promote market discipline through the disclosure of important financial information regarding the risk exposures of the Company and of the risk management process followed.

The current regulatory framework consists of three pillars:

Pillar I: Covers minimum capital and liquidity requirements

Pillar II: Regulates the investment firm's accountability to the regulator for capital and liquidity adequacy. If the regulator deems the capital to be insufficient, a corrective requirement can be imposed on the company in the form of what is known as a 'SREP decision'.

Pillar III: Market Discipline requires the disclosure of information regarding the prudential requirements, risk management and principles of the remuneration policy. The Board of Directors and Senior Management are responsible for establishing and maintaining an effective internal control structure over the disclosure of financial information, including

Pillar III disclosures. The Disclosures & Market Discipline Report has been reviewed and approved by the Board.

1.1 Reporting Details

The Company reports on a solo basis and the reporting currency is EUR.

1.2 Non-Material, Proprietary or Confidential Information

This document has been prepared to satisfy the Pillar III disclosure requirements set out in Articles 46 to 53 of the IFR. The Company does not seek any exemption from disclosure on the basis of proprietary or confidential information. Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

Definitions:

- FXOpen EU Ltd: the "Company"

- Cyprus Securities and Exchange Commission: "CySEC"

- Regulation (EU) 2019/2033 ("the Investment Firm Regulation" or "IFR")

- Directive (EU) 2019/2034 of the European Parliament and of the Council of 27 November 2019 on the prudential supervision of investment firms and amending Directives 2002/87/EC, 2009/65/EC, 2011/61/EU, 2013/36/EU, 2014/59/EU and 2014/65/EU ("the Investment Firms Directive" or "IFD")

- Frequency: The Company will be making these disclosures annually. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements

- Media and Location: The disclosure will be published on our website: www.fxopen.com

- Scope of report: The Pillar III Disclosures Report (the 'Report') is prepared on an individual (solo) basis in accordance with the disclosure requirements as laid out in Part Six of the IFR. Investment firms are required to disclose their capital resources, capital requirements, remuneration policies, risk management practices and governance

standards. The disclosures are in accordance with the audited financial statements of the Company for the year ended 2025.

2. Business Background

The Company was incorporated in Cyprus on the 8th of August 2012 with Registration Number HE 310300, as a limited liability company under the Cyprus Companies Law, Cap. 113. FXOpen EU Ltd is a licensed Cyprus Investment Firm regulated by the Cyprus Securities & Exchange Commission (CySEC) with license number 194/13.

2.1 Group Structure

The Company is a subsidiary of the FCA-regulated entity FXOpen Ltd and of a holding company, Prometheus Holding Ltd.

2.2 Services offered by the Company / Operating Model

License Number	194/13
CIF Authorization date	17/04/2013
Company Registration Number	HE 310300
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	
Ancillary Services	
Safekeeping and administration of financial instruments, including custodianship and related services	
Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction	
Foreign exchange services where these are connected to the provision of investment services	
Control Functions	
Compliance Function	In-house
AML Function	In-house
Accounting Function	Outsourced
Risk Management Function	In-house
Internal Audit Function	Outsourced
External Audit Function	Outsourced

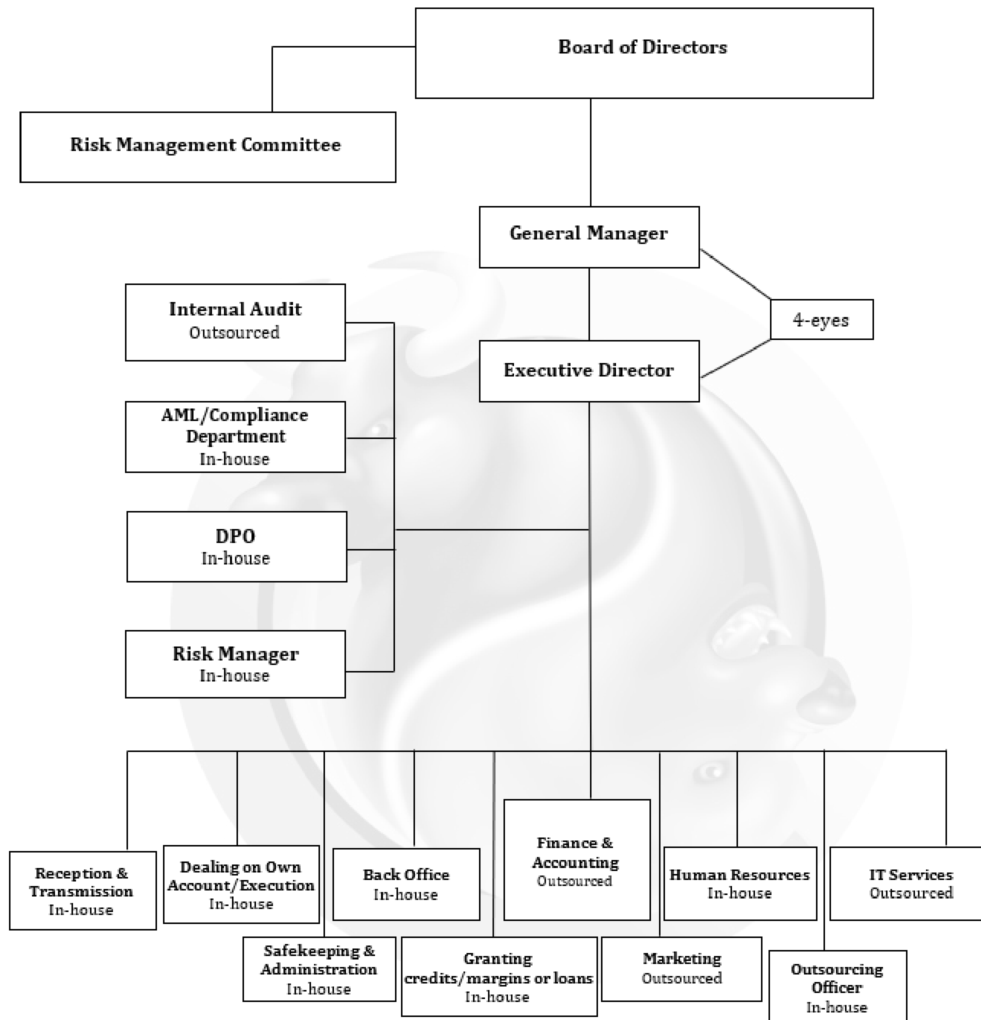
3. Corporate Governance of the Company

3.1 Corporate Governance

Through the below structure, the Company incorporates a strict corporate governance framework and incorporates the various organisational and functional reporting lines, as well as the different roles and responsibilities therein, while it also facilitates the compliance of the Company with the principle of segregation of duties and helps in the avoidance and control of possible conflict of interest situations within the Company.

The Company has in place an Internal Operations Manual which lays down the activities, processes, duties and responsibilities of the Board, Committees, Senior Management and staff constituting the Company.

Diagram of Organizational Structure as at 31st of December 2025



1. Board of Directors

The Board is responsible for ensuring that the Company complies with its regulatory obligations. The Board assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the relevant Laws, and to take appropriate measures to address any deficiencies, and set the strategy of the Company. The Board is responsible for the monitoring of the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information.

The Board is required to proceed with an annual declaration on the adequacy of the Company's risk management framework and ensure that the risk management arrangements and systems of financial and internal control in place are in line with the Company's risk profile. The Board considers that the Company has in place adequate systems and controls with regards to its size, risk profile and strategy and an appropriate array of assurance mechanisms, properly resourced and skilled, to avoid or minimise loss.

All the supervisory functions (i.e. Compliance, AML Compliance, Risk Management and Internal Audit) of the Company have an open line of communication with the Board in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the management body. In addition, the Risk Management Committee is communicating its suggestions and findings to the Board, as and if necessary.

The table below summarizes the Board of Directors and the position and capacity held in 2025.

Full name of Director	Position and Capacity	Country
Alexey Stepanov	Executive Director, "4 eyes"	UK
Ioannis Koutelakis	Executive Director, "4 eyes"	Cyprus
Ioannis Papapetrou	Non-executive Director, Independent	Cyprus
Georgios Kambourides	Non-executive Director, Independent	Cyprus

2. Risk Management Function

The Risk Manager ensures that all the different types of risks taken by the Company are in compliance with the Law and the obligations of the Company under the Law, and that all necessary procedures, relating to risk management are in place. The Risk Manager shall report to the Senior Management of the Company.

As an addition to the above, the Company is operating a Risk Management Committee, which is responsible for monitoring and controlling the Risk Manager in the performance of his duties. Also is formed with the view to ensure the efficient management of the risks inherent in the provision of the investment services to Clients, as well as the risks underlying the operation of the Company.

The corporate governance of the Company regarding risk management is considered adequate through the establishment of an effective risk oversight structure. The internal organisational controls are in place to safeguard that the Company accelerate the ability to identify, assess and mitigate the relevant risks. Also, the aim of the Company and in general the risk management function is to quickly recognize potential adverse events, be more proactive and forward looking and establish the appropriate risk responses were deemed necessary and at all times to comply with the relevant legislation.

3. Compliance Function

The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer are to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively.

4. Internal Audit Function

The Internal Auditors review and evaluate the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The Internal Audit Function undertakes on-site inspections/visits to ensure that the responsibilities of each Function are discharged properly (i.e. soundly, honestly and professionally), as well as reviewing the Company's relevant policies and procedures. The recommendations that the Internal Auditor makes to the Senior Management and the Board regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

5. Anti-Money Laundering Compliance Officer

The Anti-Money Laundering Officer reports directly to the Board of Directors and is responsible for ensuring that the Company maintains full compliance with applicable AML and Counter-Terrorist Financing legislation. The duties include, but are not limited to, the following:

- Ensuring the implementation and ongoing effectiveness of the procedures described in the Company's AML Procedures Manual;
- Ensuring that all Company employees receive adequate and regular AML/CTF training tailored to their roles and responsibilities;
- Verifying that client accounts are opened only after completion of all required customer due diligence (CDD) and identification procedures, as outlined in the AML Manual;
- Ensuring full compliance with high standards of AML/CTF practice across all markets and jurisdictions in which the Company operates;
- Overseeing the implementation and monitoring of the Company's Know Your Client (KYC) and Customer Due Diligence (CDD) procedures;
- Conducting ongoing monitoring of client relationships and transactions to identify and report any unusual or suspicious activity;
- Performing sanctions screening of clients, beneficial owners, and transactions against relevant international sanctions lists, ensuring timely identification and escalation of any matches or alerts;
- Gathering and maintaining up-to-date information on new and existing customers, including beneficial ownership structures;
- Analysing customers' transactions to detect patterns indicative of potential money laundering or terrorist financing;
- Ensuring prompt reporting of suspicious transactions (STRs/SARs) to the relevant authorities, in line with regulatory requirements;
- Ensuring continuous improvement of internal AML/CTF controls, systems, and procedures based on regulatory updates, audits, and internal reviews;
- Providing a written annual report to the Board of Directors on the matters of own responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

3.2 Recruitment Policy

Recruitment of Board members combines an assessment of both technical capability and competency skills referenced against the Company's regulatory and operational framework. It seeks to resource the specific experience and skills needed to ensure the optimum blend (diversity) of individual and aggregate capability having regard to the Company's long-term strategic plan.

The persons proposed for appointment to the Board should commit the necessary time and effort to fulfil their obligations. Prior to their appointment the proposed persons should obtain the approval of the Commission. Main factors influencing the decision to propose the appointment of potential Directors include:

- Integrity and honesty;

- High business acumen and judgment;
- Knowledge of financial matters including understanding of financial statements and important financial ratios;
- Knowledge and experience relevant to financial institutions;
- Risk Management experience; and
- Specialized skills and knowledge in finance, accounting, law, or related subject.

3.3 Number of Directorships held by members of the Board

As per Article 9(4) of the Investment Services and Activities and Regulated Markets Laws, the number of directorships which may be held by a member of the Board of Directors at the same time should take into account individual circumstances and the nature, scale and complexity of the CIF's activities. Unless representing the Republic, members of the Board of Directors of a CIF that is significant in terms of its size, internal organization and nature, the scope and the complexity of its activities shall not hold more than one of the following combinations of directorships at the same time:

a) One executive directorship with two non-executive directorships;
b) Four non-executive directorships

In addition to the above, the following shall count as a single directorship:

a) executive or non-executive directorships held within the same group
b) executive or non-executive directorships held within:

    (i) institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 are fulfilled; or
    (ii) undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

The Board members of the Company hold the following directorships to other entities:

Full name of Director	Position and Capacity	# Executive	# Non-Executive
Alexey Stepanov	Executive Director, "4 eyes"	2	-
Ioannis Koutelakis	Executive Director, "4 eyes"	-	-
Ioannis Papapetrou	Non-executive Director, Independent	-	-
Georgios Kambourides	Non-executive Director, Independent	1	1

3.4 Diversity Policy

Diversity is increasingly seen as an asset to organizations and linked to better economic performance. It is an integral part of how we do business and imperative to commercial success. The Company recognizes the benefits of having a diverse Board of Directors which includes and makes use of differences in the skills, experience, background, race and gender between directors, as well as the value of a diverse and skilled workforce. The Company is committed to creating and maintaining an inclusive and collaborative workplace culture that will provide sustainability for the organization in the future.

The Company promotes diversity in the composition of its Board of Directors and ensures a broad range of perspectives, experiences, and skills are represented, supporting effective governance and decision-making. In line with this, the firm considers a variety of diversity aspects, including but not limited to gender, age, educational background, and professional experience, when selecting members of the Board of Directors. The current composition of the management body reflects ongoing efforts to enhance diversity, and a balance of the above differences is considered when determining the optimum composition of the Board of Directors.

3.5 Investment Policy

Investment Firms should disclose the following information in accordance with Article 46 of IFR:

a. the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector.
b. a complete description of voting behavior in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 46, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and
c. an explanation of the use of proxy advisor firms.
d. the voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 of Article 46.

CIFs who meet the criteria of Paragraph 26(8)(a) of the Law, whose on-and-off balance sheet assets on average over the 4-year period are less than €100m are exempted from the disclosure requirement regarding investment policy.

The Company does not meet the condition of Paragraph 26(8)(a) of the Law and as such it does not disclose the requirements regarding investment policy.

3.6 Risk Management Committee

The Company, due to its size, scale and complexity has established a Risk Management Committee, in order to better handle the risks that arise from its operations.

The Risk Management Committee is a committee appointed by the Board of Directors to review the Company's system of risk management. The Committee assists the Board in identifying, assessing, and monitoring all material risks to which the Company is or may be exposed, ensuring that these are managed in line with the Company's risk appetite and regulatory obligations. It reviews and evaluates the adequacy of the Company's risk management policies, internal controls, and capital adequacy processes, and ensures that emerging risks are identified and appropriately addressed.

The Committee meets regularly to review risk reports, stress testing results, and key risk indicators, and to make recommendations to the Board regarding risk tolerance limits, mitigation measures, and any enhancements to the risk management framework. The Risk Management Committee consists of 3 participants and the Risk Manager with no voting rights. During 2025 eight meetings were held.

The role of the Risk Management Committee is essential to:

- ensure the efficient management of the risks inherent in the provision of the investment services to clients;
- monitor the risks underlying the operation of the Company;
- be responsible for monitoring and controlling the associated risks;
- identifying additional risks that the Company is/may exposed to;
- sets and monitors risk limits and other mitigation measures;
- evaluates the adequacy and effectiveness of controls in place for managing the risks; and
- adopts necessary actions.

The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

3.7 Reporting and Information Flow

The Company has established a risk-related informational flow to the Board of Directors to be in line with the requirements set out in the Law and subsequent Directives. Details of the major reports submitted to the Board during 2025 are presented in the table below:

Report Name	Responsible Person	Recipient	Frequency	Reporting Deadline
Annual Compliance Report	Compliance Officer	BoD, CySEC	Annual	30/04/2025
Annual Internal Audit Report	Internal Auditor	BoD, CySEC	Annual	30/04/2025
Annual Risk Management Report	Risk Manager	BoD, CySEC	Annual	30/04/2025
Annual Anti-Money Laundering Compliance Report	AML Compliance Officer	BoD, CySEC	Annual	31/03/2025
Pillar III Disclosures (Market Discipline and Disclosure)	Risk Manager	BoD, CySEC, Public	Annual	30/04/2025
Financial Reporting	External Auditor	BoD, CySEC	Annual	30/04/2025
Capital Adequacy Reporting Form 165-01	Risk Manager / Accounting	Senior Management, CySEC	Quarterly	11/02/2025 12/05/2025 11/08/2025 11/11/2025
Quarterly Risk Statistics	Risk Manager / Accounting	CySEC	Quarterly	03/02/2025 08/05/2025 05/08/2025 04/11/2025
Risk Based Supervision Framework	Risk Manager / Accounting	CySEC	Annual	13/06/2025
Prudential Supervision Information Form 165-03	Risk Manager / Accounting	CySEC	Annual	30/06/2025

4. Risk Management

Risk Management is the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating.

It is an interactive process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact.

There is a formal structure for monitoring and managing risks across the Company comprising of detailed risk management frameworks (including policies and supporting documentation) and independent governance and oversight of risk.

To ensure effective risk management the Company has adopted the "three lines of defense" model of governance with clearly defined roles and responsibilities.

First line of defense: Managers are responsible for establishing an effective control framework within their area of operations and identifying and controlling all risks so that they are operating within the organizational risk appetite and are fully compliant with Company policies and where appropriate defined thresholds.

Second line of defense: The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the Company's risk appetite and for devising the suite of policies necessary to control the business including the overarching framework and for independently monitoring the risk profile, providing additional assurance where required. Risk will leverage their expertise by providing frameworks, tools and techniques to assist management in meeting their responsibilities, as well as acting as a central coordinator to identify enterprise-wide risks and make recommendations to address them.

Third line of defense: comprises the Internal Audit Function which is responsible for providing assurance to the Board and senior management on the adequacy of design and operational effectiveness of the systems of internal controls

4.1 Risk Management Process

The Company adopted and implemented its risk management process in order to create a robust and standardized procedure to manage each identified risk. The risk management process is an on-going and cyclical process which enables the Risk Management function to

set the risk tolerance levels and also how the risks will be identified, assessed, controlled and managed.

The risk management cyclical process of the Company contains six steps which every one of them has its significance. All the steps need to be considered in order to apply an appropriate and effective risk management process for each risk exposure.

Continuous Risk Management Process

Step 1 – Set Strategy/Objectives

At the board level, strategic risk management is a necessary core competency. The Company should set, approve and establish risk management strategy/objectives regarding its risk appetite/tolerance levels in order to proceed with the appropriate action for each identified risk exposure. The Senior Management and the Board of Directors should take a proactive approach in order to achieve the Company's goal to further develop risk management capabilities. By establishing appropriate strategies and objectives regarding risk exposures, the Company will avoid unpleasant events which may harm its operations.

Step 2 – Risk Identification

Without clear objectives it is impossible to identify events that might give rise to risks that could impede the accomplishment of a particular strategy or objective. Risk identification is the most important process in risk management planning. Risk identification determines which risks might affect the operations of the Company. While each risk is captured, it is important for senior management and the Board of Directors to focus and prioritize on the

key risks. This prioritization is accomplished by performing the risk assessment. The risk identification process is performed on an-ongoing basis in order to safeguard the operations of the Company to upcoming disrupting events. There are some techniques for identifying risk such as brainstorming, SWOT analysis, scenario analysis, facilitated workshops etc. The risks that may be identified include, but are not limited to, credit, market, operational, conduct, reputational and compliance risk.

Step 3 – Risk Assessment

The first activity within the risk assessment process is to develop a common set of assessment criteria to be deployed across business units and corporate functions. Assessing risks consists of assigning values to all the identified risk exposures of the Company. Thus, the risk assessment is performed by considering the probability of a risk occurrence and the impact of this risk on the achievement on the set objectives.

However, risks do not exist in isolation. Often there are risk interactions, which at the beginning a risk exposure can be seen as insignificant, but as they interact with other events and conditions, they may cause great damage to the Company's operation.

Step 4 – Risk Response

The results of the risk assessment process then serve as the primary input to risk responses whereby response options are examined according to the risk appetite of the Company. The main objective of the Company is to mitigate the risk exposures affecting its operations, whatever their risk category. For example, if the impact of a risk is considered as high, then immediate action should be taken. For each risk category, there is an appropriate response. Each risk and related response should be assigned to the manager, who is responsible for the area affected by the risk. The action taken to respond to risk exposure should be determined and documented which is an essential part of the risk response process.

Step 5 – Risk Control

Having identified the risk exposures of the Company, assessed them and the appropriate response has been determined, then the Risk Manager has to review the existing controls, and all hazards must be managed before harming the operations of the Company. The management of risks in the Company requires mitigating risks so far as reasonably practicable. All risk exposures that have been assessed should be dealt with, in order of priority. The most effective control options should be selected to mitigate risks. The hierarchy of controls is determined by the category of each risk exposure according to the Risk Matrix of the Company. This should be used to determine the most effective controls.

An essential component of the risk assessment is to first set a benchmark for the Company's Risk Appetite. The Company's risk appetite is governed firstly by the regulatory requirements imposing the Company to have at least an 100% Total Capital Ratio, and in all cases to have own funds more or equal to the sum of its capital requirements, and more than the Company's initial capital.

The Company accepts risks rated A and B while risks having a score C and D are interpreted as material and are considered to fall outside the Company's Risk Appetite. In such cases, further analysis is undertaken, on whether additional capital or controls are more appropriate to be added, so as for the risk to be mitigated and returned into the Company's risk appetite.

Step 6 – Communicate and Monitor

Risk identification, risk assessment, risk response and control are an on-going process. Therefore, regularly review the effectiveness of Company's risk assessment and control measures is an essential part of the risk management function. The Risk Manager has to ensure that the significant risks remain within the acceptable risk levels that emerging risks and gaps are identified and that risk response and control activities are adequate and appropriate. Indicators that fall outside of acceptable risk levels should be escalated with appropriate action plans to bring the risk back within established risk levels. Those risks that still remain above acceptable risk levels should be considered by the Board for their approval of any necessary resolution strategies. This activity will form the basis for reporting to the Board and on-going monitoring by management.

The monitoring process is an essential part of the risk management activities, which creates a "safety net" on the operations of the Company. Thus, the Risk Management Committee and the Internal Audit of the Company play an important oversight role in confirming that management is monitoring and managing risks in accordance with established levels. The Risk Manager shall communicate to the senior management and the Board of Directors the findings of each committee regarding the risk exposures in order to mitigate them, which is the main objective of the Company.

The level of risk is analyzed by combining estimates of likelihood and consequences, to determine the priority level of the risk.

4.2 Risk Appetite

The Risk Appetite of the Company is the level of risk, by type and by business that the Company is prepared to incur given its strategic targets and is one of the strategic oversight tools available to the Management body. Risk appetite is generally expressed through both

quantitative and qualitative means and should consider extreme conditions, events and outcomes.

The Risk appetite framework is defined as the overall approach, including policies, processes, controls, and systems through which risk appetite is established, communicated, and monitored. Moreover, it includes a risk appetite statement, risk limits, and an outline of the roles and responsibilities of those overseeing the implementation and monitoring the Risk appetite framework. The Risk appetite framework should consider material risks to the financial institution, as well as, to the institution's reputation.

Essential indicators for determining Risk Appetite are regularly monitored over the year to detect any events that may result in unfavourable developments on the Company's risk profile. Such events may give rise to remedial action, up to the deployment of a recovery plan in the most severe cases.

The Company is assessing its risk appetite in respect to investing and to managing business and operational activities while the Company's Risk Appetite Statement is prepared by the Risk Manager and approved by the Board of Directors. The Board approves the Company's corporate strategy, business plans, budget, long term plan and ICARA. The Company employs mitigation techniques defined within the Company's policies, to ensure risks are managed within its Risk Appetite.

Once IFR came into force in 2021, we have revised our regulatory appetite levels as per the tables below taking into consideration the revised capital requirements:

Risk Appetite levels:

	Total Capital Ratio
Well Above the limit	> 150%
At the limit	100 % - 150%
Below the limit	< 100%

	Own Funds
Well Above the limit	>300,000
At the limit	150,000 – 300,000
Below the limit	<150,000

	Common Tier 1 Ratio
Well Above the limit	> 80%
At the limit	56 % - 80%
Below the limit	< 56%

	Additional Tier 1 Ratio
Well Above the limit	> 100%
At the limit	75 % - 100%
Below the limit	< 75%

FXOpen EU Ltd – Regulated by the Cyprus Securities and Exchange Commission – CIF Licence No. 194/13

5. Prudential requirements / Firm classification

The IFD and IFR entered into force on 26th of July 2021, introducing a new classification system for investment firms, based on their activities, systemic importance, size and interconnectedness. All investment firms are classified as Class 1, 2 or 3 Investment Firms.

Class 1 Investment Firms are the largest and most interconnected investment firms, with risk profiles similar to those of significant credit institutions, have equal treatment with credit institutions in the sense of a level playing field accordingly and they fall entirely under the Regulation EU) No 575/2013 ("CRR").

Class 2 and Class 3 investment firms are subject to the provisions of the IFR/IFD and must comply with a dedicated prudential framework, including capital requirements, reporting obligations, and internal governance policies. Unlike the CRR/CRD regime, which was originally designed for credit institutions, the IFR/IFD implements a more proportionate and risk-sensitive regime tailored to the specific nature of investment firms.

CIFs that meet all of the criteria below are categorised as Class 3 Investment Firms while when they exceed any of the following specific size thresholds, they are categorised as Class 2 Investment Firms.

Control	Thresholds
Assets Under Management	<€1.2 billion
Client orders handled – cash trades	< €100 million per day
Client orders handled – derivative trades	<€1 billion per day
Assets safeguarded and administered	zero
Client Money Held	zero
On and off-balance sheet total	< €100 million
Total annual gross revenue from investment services and activities	< €30 million

Further to the above, the Company is categorized as a Class 2 Investment Firm since it does not meet all of the above criteria and as such it should maintain own funds of at least the higher between:

A. Permanent minimum capital requirement

The permanent minimum capital requirement of the Company is **€750k** since it is authorized to provide the investment service of *"dealing on own account" in addition to the investment services of "reception, transmission and execution of orders" and "Execution of Orders on Behalf of Clients".*

B. Fixed overhead requirements

The Fixed Overheads Requirement is calculated as one quarter (¼) of the previous year fixed expenses (based on audited figures).

C. K-Factors requirement

The new K-Factors are quantitative indicators that reflect the risk that the new prudential regime intends to address. Specifically, capital requirements from applying the K-factors formula (pursuant to Article 15 of the IFR) is the sum of Risk to Client ('RtC'), Risk to Market ('RtM') and Risk to Firm ('RtF') proxies.

Pillar I

The Company meets the capital requirements, reporting requirements and it has internal governance policies as per the prudential framework.

In line with the above and according to Article 9 of the Regulation 2019/2033, a CIF shall at all times satisfy the below own funds requirements. Also, Company's capital adequacy ratios as of end-2025 based on audited financial statements were as shown in the table below.

	Minimum requirements (%)	FXOpen EU Ltd
Tier 1 Ratio	56	103,5%
Additional Tier 1 Ratio	75	103,5%
Tier 2 Ratio	100	103,5%

The Company did not breach any of the minimum capital ratios mentioned above.

The Board of Directors, as well as the Risk Manager, monitor the reporting requirements and have policies and procedures in place to help meet the specific regulatory requirements. This is achieved through the preparation of accounts to monitor the financial and capital position of the Company.

ICARA – Pillar II

The Company has in place an Internal Capital and Risk Assessment Process (ICARA).

Together with this ICARA Report and the subsequent Supervisory Review and Evaluation Process (SREP) from CySEC, fall within the scope of the Pillar 2 rule as set and discussed in the Basel III Capital Accord of the Bank of International Settlements (BIS) and the regulatory framework for Investment Firms (IFR/IFD).

ICARA ensures that the Company:

- appropriately identifies, measures, aggregates and monitors the risks incurred by the Company,
- keeps a capital coverage determined by internal regulations that is sufficient for the fundamental risks the Company is exposed to,
- has an adequate risk management system, which continuously improves in accordance with the risk factors identified,
- appropriately identifies, measures, aggregates and monitors the liquidity risk over an appropriate set of time horizons, including intra-day, to ensure that the investment firm maintains adequate levels of liquid resources, and
- would be able to wind down or restructure its activities in an orderly manner in a given period.

The Company's ICARA can be described as the foundation of the Company's operations, which comprises as well as aligns:

- the Company's Risk Management System (Risk Management Committee, Risk Management systems and processes in place, such as limits as well as ways to monitor their implementation, regulatory Pillar 1 capital adequacy calculations and subsequent reporting to CySEC, etc.),
- the Company's overall Corporate Governance Framework, Board of Directors of the Company (hereinafter, the 'Board'), Senior Management (4-Eyes Principle), a well-defined and updated organizational structure, documented reporting lines between the various departments, etc.),
- the Company's Internal Control system (an independent Internal Auditor performing a constructive inspection with the outcome of its reported findings and recommendations to the Board, at least annually),
- the definition of the Company's financial budget and corporate strategy, and their alignment with the Company's available capital and the risks faced.

The Company during 2025 followed the Pillar 1 plus, minimum capital requirement approach, i.e. the Company takes as a starting point the minimum capital calculated under Pillar 1, re-assesses the overall risk environment to identify and quantify uncontrolled/material risks, and subsequently decides on the allocation of additional capital or the imposing of additional controls, or a combination of both.

The Company's ICARA, as defined within the applied Pillar 1 plus minimum capital requirement approach, has revealed that the Company has the additional regulatory capital which is considered adequate for the risks that the company incurs within its business and organizational processes, as defined within the Pillar 2 allocations.

In 2025, the Risk Manager prepared the ICARA report based on the latest available Audited Financial Statements by establishing an assessment with respect to the capital and liquidity adequacy of the Company, designing financial projections and stress tests to reflect the K-Factors requirement pursuant to IFR/IFD framework.

Disclosure & Market Discipline under Pillar III

Enhancing the capital requirements framework, Pillar III introduces the obligation to provide to the public a market disclosure and discipline report. The purpose of this report is to inform the public and other market participants of the key components, scope and effectiveness of the Company risk measurements, risk profile and capital adequacy. The scope of Market Disclosure and Discipline report is to promote market discipline and to improve transparency for market participants.

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6. Own Funds and Own fund requirements

6.1. Own Funds

The Company's objectives in managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and to maintain an optimal capital structure to reduce the cost of capital.

The Company is required to report on a quarterly basis its capital adequacy and has to maintain at all times a minimum capital adequacy ratio which is at 100%. The capital adequacy ratio expresses the capital base of the Company as a proportion of the total risk weighted assets. The Senior Management and the Accounting Department monitor the reporting obligation and put in place policies and procedures in order to meet the relevant regulatory requirement.

The Company calculates the capital adequacy ratio on a quarterly basis and monitors its direction in order to ensure its compliance with externally imposed capital requirements.

The Company shall disclose information relating to their own funds according to Article 49(a) and (c) of IFR. The following information provides a full reconciliation of the Common Equity Tier 1 (CET1) and Additional Tier 1 (AT1) instruments and Tier 2 (T2) instruments issued by the Company. The Company's regulatory capital comprises fully of CET1 capital while it has not issued any AT1 or T2 capital.

The total Capital Requirements as at 31st of December 2025 are shown in the table below:

Capital Adequacy/Own Funds Requirements

	31st December 2025 (audited) Amount €000
CET1 Capital	791,54
Tier 1 Capital	791,54
Total Capital	791,54
Permanent Minimum Capital (PMC)	750
Fixed Overhead Requirement (FOR)	155,97
K-Factor Requirement (KFR)	17,13
Requirement Used	PMC
Total Own Fund Requirement	750
Total Ratio	103,5%
CET1 Ratio	103,5%

The Capital Adequacy ratio of the company for the year ended 31st of December 2025 was 103,5%, which is higher than the minimum required which is 100%.

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Composition of regulatory own funds as at 31/12/2025 (EU IF CC1)

Composition of regulatory own funds	Amounts (€000)	Source based on reference number letters of the balance sheet in the audited financial statements (EU IF CC2)
OWN FUNDS	791,54	
TIER 1 CAPITAL	791,54	
COMMON EQUITY TIER 1 CAPITAL	791,54	
Fully paid-up capital instruments	3.009,43	1 (Shareholder's equity)
Share premium		
Retained earnings	-2.265,16	3 (Shareholder's equity)
Previous years retained earnings	-2.265,16	
Profit eligible		
Accumulated other comprehensive income		
Other reserves	145,00	2 (Shareholder's equity)
Minority interest given recognition in CET1 capital		
Adjustments to CET1 due to prudential filters		
Other funds		
(-) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	-56,46	
(-) Own CET1 instruments		
(-) Direct holdings of CET1 instruments		
(-) Indirect holdings of CET1 instruments		
(-) Synthetic holdings of CET1 instruments		
(-) Losses for the current financial year	-48,85	3 (Shareholder's equity)
(-) Goodwill		
(-) Other intangible assets	-7,61	
(-) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities		
(-) Qualifying holding outside the financial sector which exceeds 15% of own funds		
(-) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds		
(-) CET1 instruments of financial sector entities where the institution does not have a significant investment		
(-) CET1 instruments of financial sector entities where the institution has a significant investment		
(-) Defined benefit pension fund assets		
(-) Other deductions		
CET1: Other capital elements, deductions and adjustments	-41,28	2 (Assets)

ADDITIONAL TIER 1 CAPITAL	-	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	-	
(-) Own AT1 instruments		
(-) Direct holdings of AT1 instruments		
(-) Indirect holdings of AT1 instruments		
(-) Synthetic holdings of AT1 instruments		
(-) AT1 instruments of financial sector entities where the institution does not have a significant investment		
(-) AT1 instruments of financial sector entities where the institution has a significant investment		
(-) Other deductions		
Additional Tier 1: Other capital elements, deductions and adjustments		
TIER 2 CAPITAL	-	
Fully paid up, directly issued capital instruments		
Share premium		
(-) TOTAL DEDUCTIONS FROM TIER 2	-	
(-) Own T2 instruments		
(-) Direct holdings of T2 instruments		
(-) Indirect holdings of T2 instruments		
(-) Synthetic holdings of T2 instruments		
(-) T2 instruments of financial sector entities where the institution does not have a significant investment		
(-) T2 instruments of financial sector entities where the institution has a significant investment		
Tier 2: Other capital elements, deductions and adjustments		

<u>Own funds</u>: reconciliation of regulatory own funds to balance sheet as at 31/12/2025 (EU ICC2)

		Balance sheet as in audited financial statements	Cross reference to EU IF CC1
	ASSETS		
1	Property, plant and equipment	5.869	
2	Contributions to Investors Compensation Fund	41.280	CET1: Other capital elements, deductions and adjustments
3	Intangible assets	6.860	
4	Trade and other Receivables	238.083	
5	Cash and cash equivalents	1.114.080	
6	Balances due from brokers	80.085	

	Total assets	**1.486.257**	
	LIABILITIES		
1	Accounts payable	629.,140	
2	Balances due from brokers	16.690	
	Total liabilities	**645.830**	
	SHAREHOLDERS' EQUITY		
1	Share Capital	3.009.434	Fully paid up capital instruments
2	Non-refundable advances	145.000	Other reserves
3	Accumulated losses	-2.314.007	Retained earnings and Losses for the current financial year
	Total shareholder's equity	**840.427**	

The Company shall disclose the main features of the CET1 and AT1 instruments and Tier 2 instruments issued according to Article 49(b) of IFR. Therefore, the Company's capital instruments' main features are outlined below:

No	Item	CET1 Capital
1	Issuer	FXOpen EU Ltd
2	LEI number	21380048PC82MHHE1M07
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies 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)	€3.009.434
7	Nominal amount of instrument	€3.009.434
8	Issue price	€1
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	14/03/2014
12	Perpetual or dated	Perpetual
13	Original maturity date	No maturity
14	Issuer call subject to prior supervisory approval	N/A
15	Optional call date, contingent call dates and redemption amount	N/A
16	Subsequent call dates, if applicable	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	N/A

	or mandatory (in terms of timing)	
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
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	Write-down features	N/A
26	Non-compliant transitioned features	N/A
27	If yes, specify non-compliant features	N/A
28	Link to the full term and conditions of the instrument (signposting)	N/A

Permanent Minimum Capital Requirement (PMC)

The Permanent Minimum Capital Requirement is the initial capital required for authorisation to conduct the relevant investment services set in accordance with the Investment Firm Directive.

As at 31/12/2025, the Firm's PMC was EUR 750,000 for offering the services refer to in Section 2.2 of this report.

6.2 IFR Risks and related requirements

The introduction of IFR brought significant changes in the way investment firms calculate their capital requirements. As such our Firm has created a separate policy in avoid mixing risks arising from the Company's operations (i.e. non-IFR risks as these are presented in the section above) with risks arising from the revised capital requirements framework, presented below alongside, the rest of the "non-risk" capital requirements.

In line with this, the risks under IFR are collectively referred to as K-Factors. K-Factor requirements (KFR) is a methodology recommended by the European Banking Authority, in order to capture the range of risks which an investment firm is exposed to.

The K-factors essentially replaced the CRR credit, market and operational risk approach in order to better calibrate the capital needed to meet the risks of the investment firm.

Broadly speaking, K-factors are quantitative indicators or factors which represent the risks that an investment firm can pose to customers, market/liquidity and the firm itself. There are three K-factor groups:

1. Risk-to-Client (RtC)

The K-factors under RtC capture client assets under management and ongoing advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

As at 31/12/2025, our firm was exposed to:

	K-factor Requirement Amount (€000')
K-AUM	0
K-CMH	0,49
K-ASA	0
K-COH	0,06

K-AUM: Assets Under Management

K-AUM captures the risk of harm to clients from an incorrect discretionary management of client portfolios or poor execution and provides reassurance and client benefits in terms of the continuity of service of ongoing portfolio management and investment advice.

AUM is the value of assets an IF manages for its clients under both discretionary portfolio management and non-discretionary arrangements constituting investment advice of an ongoing nature.

K-CMH: Clients Money Held

K-CMH captures the risk of potential for harm where an investment firm holds the money of its clients, taking into account whether they are on its own balance sheet or in third-party accounts and arrangements under applicable national law provided that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm.

CMH is the amount of client money that an investment firm holds or controls. It excludes client money that is deposited in a (custodian) bank account in the name of the client itself, where the investment firm has access to these client funds via a third-party mandate (on a segregated or non-segregated basis).

K-ASA: Assets Safeguarded and Administered

K-ASA captures the risk of safeguarding and administering client assets and ensures that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

ASA means the value of assets that an investment firm safeguards and administers for clients – ensuring that investment firms hold capital in proportion to such balances, regardless of whether they are on its own balance sheet or in third-party accounts.

K-COH: Client Orders Handled

K-COH captures the potential risk to clients of an investment firm which executes orders (in the name of the client, and not in the name of the investment firm itself), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

COH captures the potential risk to clients of an investment firm which executes its orders (in the name of the client). This is the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and execution of orders on behalf of clients.

2. Risk-to-Market (RtM)

The K-factor under RtM captures net position risk (K-NPR) in accordance with the market risk provisions of CRR or, where permitted by the competent authority for specific types of investment firms which deal on own account through clearing members, based on the total margins required by an investment firm's clearing member (K-CMG).

A Class 2 investment firm must calculate its K-NPR requirement by reference to trading book positions and positions other than trading book positions where the positions give rise to foreign exchange risk or commodity risk. The K-NPR requirement is calculated in accordance with Title IV of Part Three of the CRR.

As at the reference date of the report, the Company was exposed to market risk resulting from exposures from on-balance sheet items denominated in non-reporting currency.

As at 31/12/2025, our firm was exposed to:

	K-factor Requirement Amount (€000')
K-NPR	16,55
K-CMG	0

Market risk capital requirements based on NPR:

	K-factor Requirement Amount (€000')
Position risk	0
Foreign exchange risk	16,55
Commodity risk	0
Total (NPR)	16,55

<u>Foreign Exchange Risk</u>

Foreign exchange risk is the effect that unanticipated exchange rate changes may have on the Company. In the ordinary course of business, the Company is exposed to foreign exchange risk, which is monitored through various control mechanisms.

The foreign exchange risk in the Company is effectively managed by setting and controlling foreign exchange risk limits, such as through the establishment of a maximum value of exposure to a particular currency pair as well as through the utilization of sensitivity analysis.

The Company continues to regularly monitor the impact of exchange rate risks and if deemed necessary, corrective actions will be taken to minimize the effect.

<u>Commodities Risk</u>

Commodities Risk is the risk of unexpected changes in commodities' prices. These commodities are split into precious metals (except gold), base metals, agricultural products and other energy products (oil, gas).

The Company calculates its capital requirement with respect to commodities risk using the Simplified Approach. Each position in commodities or commodity derivatives is expressed in terms of the standard unit of measurement. The spot price in each commodity is expressed in the reporting currency.

<u>Position Risk</u>

Position Risk is the risk involved with a certain trading position, commonly incurred due to the changes in price of the debt and equity instruments. The Company calculates its capital requirements for position risk as the sum of the own funds' requirements for the general and specific risk of its positions in debt and equity instruments.

3. Risk-to-Firm (RtF)

The K-factors under RtF capture an investment firm's exposure to the default of their trading counterparties (K-TCD) in accordance with simplified provisions for counterparty credit risk based on CRR, concentration risk in an investment firm's large exposures to specific counterparties based on the provisions of CRR that apply to large exposures in the trading book (K-CON), and operational risks from an investment firm's daily trading flow (K-DTF).

<u>As at 31/12/2025, our firm was exposed to:</u>

	K-factor Requirement Amount (€000')
K-TCD	0
K-DTF	0,04
K-CON	0

K-TCD: Trading Counterparty Default

K-TCD captures the risk to an investment firm by counterparties to over-the-counter (OTC) derivatives, repurchase transactions, securities and commodities lending or borrowing transactions, long settlement transactions, margin lending transactions, or any other securities financing transactions, as well as by recipients of loans granted by the investment firm on an ancillary basis as part of an investment service that fails to fulfil their obligations, by multiplying the value of the exposures, based on replacement cost and an add-on for potential future exposure, accounting for the mitigating effects of effective netting and the exchange of collateral.

K-CON: Concentration Risk on Large Exposures

K-CON captures concentration risk in relation to individual or highly connected private sector counterparties with whom firms have exposures above 25% of their own funds, or specific alternative thresholds in relation to credit institutions or other investment firms, by imposing a capital add-on in line with CRR for excess exposures above those limits.

K-DTF: Daily Trading Flow

K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or for clients in its own name in one day which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower.

DTF means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients which are already taken into account within the scope of client orders handled.

Further to K-Factor requirements, the Company when calculating its capital requirements considers the following:

Liquidity Requirement

Liquidity requirement corresponds to the risk of the Company not being able to meet its cash or collateral requirements as they arise. The Company's primary objective is to ensure the funding of its activities in the most cost-effective way by managing liquidity risk and adhering to regulatory constraints (such as the requirement of always holding a minimum of one third of their fixed overheads requirement in liquid assets).

The Company's policy is to maintain adequate liquidity and contingent liquidity to meet its liquidity needs under both normal and stressed conditions. To achieve this, the Company

monitors and manages its liquidity needs on an ongoing basis. The Company also ensures that it has sufficient cash on demand to meet expected operational expenses. This excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters. Currently the Company is subject to liquidity risk, however it takes all necessary steps to mitigate this risk and meet all its obligations which have currently been achieved.

As a Class 2 investment firm, the Company is required to hold an amount of liquid assets equivalent to at least one third of the fixed overheads requirement. The purpose is to ensure that the investment firms have an adequate stock of unencumbered high-quality liquid assets that can be converted easily and immediately in private markets in cash to meet their liquidity needs for a 30-calendar day liquidity stress scenario.

The table below shows the Firm's liquidity requirement as at 31/12/2025.

IFR Liquidity Requirement, as at 31/12/2025

	Amount (€000')
Liquidity Requirement	51,99
Client guarantees	0
Total liquid assets	719,37
Unencumbered short-term deposits	718,96
Total eligible receivables due within 30 days	0
Level 1 assets	0,40
Coins and banknotes	0,40
Withdrawable central bank reserves	0
Central bank assets	0
Central government assets	0
Regional government/local authorities assets	0
Public Sector Entity assets	0
Recognisable domestic and foreign currency central government and central bank assets	0
Credit institution (protected by Member State government, promotional lender) assets	0
Multilateral development bank and international organisations assets	0
Extremely high-quality covered bonds	0
Level 2A assets	0
Regional government/local authorities or Public Sector Entities assets	0
Central bank or regional government or local authorities or Public Sector Entities assets	0
High quality covered bonds (CQS2)	0
High quality covered bonds (Third Country, CQS1)	0
Corporate debt securities (CQS1)	0
Level 2B assets	0
Asset-backed securities	0

Corporate debt securities	0
Shares (major stock index)	0
Restricted-use central bank committed liquidity facilities	0
High quality covered bonds (RW35 %)	0
Qualifying CIU shares/units	0
Total other eligible financial instruments	0

Fixed Overhead Requirement (FOR)

Under IFR, the Firm is required to report its Fixed Overhead requirement calculated as a quarter of the fixed overheads of the preceding year. The table below indicates the calculations used for our reporting:

Fixed Overhead Requirement, as at 31/12/2025

	Amount (€000')
Fixed Overhead Requirement	155,97
Annual Fixed Overheads of the previous year after distribution of profits	623,88
Total expenses of the previous year after distribution of profits	623,88
Of which: Fixed expenses incurred on behalf of the investment firms by third parties	0
(-) Total deductions	0
(-) Staff bonuses and other remuneration	0
(-) Employees', directors' and partners' shares in net profits	0
(-) Other discretionary payments of profits and variable remuneration	0
(-) Shared commission and fees payable	0
(-) Fees, brokerage and other charges paid to CCPs that are charged to customers	0
(-) Fees to tied agents	0
(-) Interest paid to customers on client money where this is at the firm's discretion	0
(-) Non-recurring expenses from non-ordinary activities	0
(-) Expenditures from taxes	0
(-) Losses from trading on own account in financial instruments	0
(-) Contract based profit and loss transfer agreements	0
(-) Expenditure on raw materials	0
(-) Payments into a fund for general banking risk	0
(-) Expenses related to items that have already been deducted from own funds	0
Projected fixed overheads of the current year	447,28
Variation of fixed overheads	-28,3%

Concentration risk requirements

The concentration risk arising from exposures to each counterparty, including central counterparties, groups of connected counterparties, and counterparties in the same economic sector, geographic region or from the same activity or commodity, the application of credit risk mitigation techniques, and including in particular risks associated with large

indirect credit exposures such as a single collateral issuer, must be addressed and controlled including by means of written policies and procedures.

Exposure means any asset or off-balance sheet item without applying the risk weights or degrees of risk. Large Exposure means exposures in the trading book/banking book of an investment firm to a client or a group of connected clients, the value of which exceeds the limits set.

The CIFs that are categorized as Class 2 IFs should continue to monitor and control their concentration risk with regards to their trading book exposures to a client or a group of connected clients in accordance with Part four of IFR.

Class 2 firms must also apply limits to their trading book exposures to meet concentration risk requirements such that no exposure to an individual client or group of connected clients exceeds 25% of their total own funds. Where a client is, or a client group contains, a credit institution or an investment firm, the limit is the higher of 25% or EUR150m. Where the EUR150m threshold is applied, the sum of exposure to entities that are not credit institutions or investment firms must not exceed 25% of the firm's own funds and the firm's total concentration risk must not exceed 100% of the firm's own funds.

Where any trading book exposure exceeds the limits mentioned above, CIF shall calculate an additional capital requirement as part of the K-CON requirement.

According to Circular C513, the Company should notify CySEC without delay when the limits referred to in article 37(3) of IFR are exceeded, as required by article 38 of IFR.

Moreover, harm can arise from more than just a concentrated trading book exposure to a client. To mitigate the potential for harm that can arise from different types of concentrated exposures or relationships, the Company should monitor and control all their sources of concentration risk, including:

- exposures in a trading book
- assets (for example, trade debts) not recorded in a trading book
- off-balance sheet items
- the location of client money
- the location of client assets
- the location of its own cash deposits
- the sources of its earnings.

However, there are no limits on the banking book exposures of an Investment Firm.

The Company reports to CySEC on a quarterly basis the level of concentration risk with respect to the credit institutions, investment firms and other entities where client money are held and where client securities are deposited, while it shall report the level of concentration risk with respect to the credit institutions where its own cash is deposited as per Article 54(2) of IFR.

7. Company's main risks (other than IFR related risks)

7.1 Operational Risks

Operational risk is defined as the risk of a direct or indirect impact resulting from human factors, inadequate or failed internal processes and systems, or external events. Operational risk includes, inter alia, actual and/or potential losses caused from deficiencies in the Company's set-up of operations, including but not limited to, system integrity and reliability, employee fraud, weaknesses in personnel appointments, organizational structure and internal communication inefficiencies.

The following list presents some event-type categories, included in operational risk, with some examples for each category:

- Internal Fraud - Risk of unexpected loss deriving from fraudulent action of persons internal to the company e.g. tax evasion, intentional mismarking of positions, bribery.
- External Fraud - Risk of unexpected loss deriving from fraudulent action of person external to the firm e.g. theft of information, hacking damage, third-party theft, forgery.
- Personnel issues - Over-dependence on key personnel and management. Lack of key staff due to unexpected periods of absence.
- Execution, Delivery, & Process Management – e.g. data entry errors, accounting errors, failed mandatory reporting, negligent loss of Client assets.

The Company's exposure to operational risk is limited to the extent of its current scale and complexity. The Company has a comprehensive framework with a common approach to identify, assess, quantify, mitigate, monitor and report operational risk. Overall planning, coordination, and monitoring is centralized, however, most operational risks are managed within the departments in which they arise.

In addition to its overall framework, in order to mitigate operational risks, the Company has specific processes and systems in place to focus continuously on high priority operational matters such as information security, managing business continuity and combating fraud.

7.2 Strategic Risk

Strategic risk corresponds to the unintended risk that can result as a by-product of planning or executing the strategy. A strategy is a long-term plan of action designed to allow the Company to achieve its goals and aspirations. Strategic risks can arise from:

- Inadequate assessment of strategic plans;
- Improper implementation of strategic plans; or
- Unexpected changes to assumptions underlying strategic plans.

Risk considerations are a key element in the strategic decision-making process. The Company assesses the implications of strategic decisions on risk-based return measures and risk-based capital in order to optimize the risk- return profile and to take advantage of economically profitable growth opportunities as they arise.

7.3 Reputation Risk

Reputational risk can arise from direct Company actions or by actions of third parties that it may or may not have a relationship with. Such Company actions may include internal security breaches, employee fraud, client misinformation, mistakes in handling client requests and any other actions that can lead to significant negative public opinion and subsequently loss of business and income. Third party actions can include problems with the provision of the outsourced services that can lead to operational interruptions, database hosting and security, spreading of rumors and unsubstantiated information.

The Company strives to preserve its reputation by adhering to applicable laws and regulations, and by following the core values and principles of the Company, which include integrity and good business practice. The Company centrally manages certain aspects of reputation risk, for example communications, through functions with appropriate expertise. It also places great emphasis on information technology security, which is one of the main causes of such reputational risk manifestation.

7.4 Business Risk

Business Risk arises due to probable losses that might be incurred by the Company during unfavourable market conditions, thus having a current and/or future possible impact on earnings or capital from adverse business decisions and/or the lack of responses to industry changes by the Company.

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

7.5 Capital Risk

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for capital risk management. Specifically, the Company is required

to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis and has to maintain at all times a minimum capital adequacy ratio which is set at 100%. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements.

7.6 Regulatory Risk

Regulatory risk may arise as a result of negligent actions by the Company's Senior Management and / or staff members, and may lead to fines, loss of license and / or other form of disciplinary action by the regulatory authority. As a result, the Company's reputation will be adversely affected.

The Company maintains strong compliance / internal audit departments, which perform frequent inspections on the Company's processes and procedures. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and suggestions for improvement are implemented by management. The Internal Auditors evaluate and test the effectiveness of the Company's control framework at least annually.

In case a non-compliance issue arises, all appropriate measures are immediately taken to rectify the issue. Both the compliance officer and the internal auditor are qualified and well trained and remain abreast of any new regulatory developments. The potential of such risk arising is considered low.

7.7 Legal and Compliance Risk

The Company may, from time to time, become exposed to this type of risk, which could be manifested because of non-compliance with local or international regulations, contractual breaches or malpractice.

The probability of such risks being manifested is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews performed by the compliance officer. Additionally, the management consists of individuals with suitable professional experience, ethos and integrity, who have accepted responsibility for setting and achieving the Company's strategic targets and goals. In addition, the Board meets regularly to discuss such issues and any suggestions to enhance compliance are implemented by management.

From the Company initiation until the date of this report no legal or compliance issues arose. Any changes to local, EU and third country Regulations, Directives, and Circulars are being constantly monitored and acted upon ensuring that the Company is always compliant with them.

7.8 Information Technology Risk

Information technology risk could occur because of inadequate information technology security, inadequate use of the Company's information technology, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology within a reasonable time and with reasonable costs when the environment or business requirements change.

For this purpose, policies have been implemented related to back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing, and encryption techniques.

Furthermore, the Company has taken steps to align with the Digital Operational Resilience Act (DORA) requirements by incorporating ICT-related incident detection and response procedures, periodic resilience testing, and third-party ICT service provider oversight, ensuring digital operational continuity and resilience across critical business functions.

The Internal Auditor, as part of the annual on-site inspections, evaluates and assesses whether the Company's systems and infrastructure are adequate. Materialization of this risk has been minimized to the lowest possible level given the Company's current complexity of its operations and the services it offers to its clients.

7.9 Money Laundering and Terrorist Financing Risk

Money laundering and terrorist financing (ML/TF) risk mainly refers to the risk where the Company may be used as a vehicle to launder money and/or assist/involved in financing terrorism.

The Company has in place policies, procedures and controls in order to mitigate the money laundering and terrorist financing risks. Among others, these policies, procedures and controls include the following:

- the adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the ML/TF risks faced by the Company,

- the adoption of adequate Client due diligence and identification procedures in line with the Clients' assessed ML/TF risk,
- setting certain minimum standards of quality and extent of the required identification data for each type of Client (e.g. documents from independent and reliable sources, third party information),
- obtaining additional data and information from Clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a Business Relationship or an Occasional Transaction,
- monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries,
- performing sanctions screening of clients, beneficial owners, and transactions against relevant international sanctions lists ensuring timely identification and escalation of any matches or alerts, and
- ensuring that the Company's personnel receive the appropriate training and assistance.

The Company is frequently reviewing its policies, procedures and controls with respect to money laundering and terrorist financing to ensure top level compliance with the applicable legislation.

7.10 ESG risks

ESG risks are considered as risk drivers that may impact the Company's risk profile through existing risk categories, such as credit, market, operational, or reputational risk. These risks are typically classified into two main categories: physical risks and transition risks.

- ***Physical risks*** refer to the potential financial impact of climate-related events (e.g., floods, storms, rising sea levels) on the Company's operations and counterparties.

- ***Transition risks*** relate to the financial risks arising from the shift toward a low-carbon economy, including regulatory changes, evolving market preferences, and technological advancements.

In accordance with Article 35 of the Investment Firms Directive, from 26 December 2022, investment firms are required to disclose information on environmental, social, and governance (ESG) risks, including physical risks and transition risks, as defined in the EBA's Final Report on ESG risk disclosures. This information must be disclosed once in the first year and biannually thereafter.

However, investment firms that meet the criteria set out in Section 26(8)(a) of the Law, and whose average on and off-balance sheet assets over the previous four-year period are less than €100 million, are exempt from the ESG disclosure requirements under Article 35 of the IFD.

The Company confirms that its average on and off-balance sheet assets over the preceding four-year period are below €100 million, and it therefore qualifies for exemption under Section 26(8) of the Law. As such, the Company is not required to disclose ESG risk information for the reporting period.

8. Disclosure regarding the remuneration policy and practices

The Company's Board of Directors is responsible for the adoption, periodic review and implementation of the Company's Remuneration Policy. The Board of Directors has approved the Remuneration Policy that has been drafted by the Senior Management of the Company based on Part Eight of Regulation (EU) No 575/2013 of the European Parliament.

The Company's Remuneration Policy fulfils the Company's obligation under Part Eight of Regulation (EU) No 575/2013 of the European Parliament. Responsible body for the implementation of the Company's Remuneration Policy shall be the Board of Directors. The responsibility of the Board is to prepare the decisions regarding the Remuneration Policy, including those which have implications for the risk and risk management of the Company and to table the said decisions or proposals for final deliberation. Additionally, the Compliance Officer of the Company is advising the Board regarding remuneration matters in order to ensure that any developments in the regulation will be implemented by updating the remuneration policy of the Company accordingly to comply with the provisions of the relevant legislation.

Remuneration Committee

It is noted that the Company has considered its size, internal organisation and the nature, scope and complexity of its activities and it does not deem as necessary the establishment of a specific remuneration committee. Remuneration practices are currently set by Senior Management, in its supervisory capacity. In case the Company shall deem necessary to establish a Remuneration Committee in the future, then this section shall be updated as applicable.

Remuneration System

Remuneration can consist of a) a fixed and b) a variable remuneration.

<u>Fixed Remuneration</u>

- Fixed Remuneration varies for different positions/roles depending on each position's actual functional requirements, and it is set at levels which reflect the educational level, experience, accountability, and responsibility needed for a staff member to perform each position/role. The remuneration is also set in comparison with standard market practices employed by the other market participants/ competitors.
- Fixed Remuneration has as a purpose to attract and retain Company's employees. This fixed amount of remuneration includes salary, fixed pay allowance and other cash allowances and are all determined based on the role and position of each

employee, considering the experience, seniority, education, responsibility, and market conditions.
- The Company's fixed remuneration is approved by the Board of Directors for all the relevant employees, and it is reviewed by the Company at such intervals, as it shall decide at its sole discretion, without affecting the other terms of employment.

Variable Remuneration

- The variable remuneration is a performance-based remuneration which motivates, and rewards staff members based on their results in relation to the targets set at the beginning of the year. This kind of remuneration is not guaranteed, and the BoD has determined a maximum percentage of variable remuneration relative to the fixed remuneration in order to ensure a compliant ratio between these two kinds of remuneration.
- No remuneration is payable under deferral arrangements (with vested or unvested portions). Finally, the Company did not pay any non-cash remuneration for the year under review, since the Company does not have any non-cash instruments, such as shares or other equivalent non-cash instruments, in place.
- The Company recognizes that its remuneration system has some features that increase the mis-selling risk. Therefore, the Company applies effective mitigation controls for each part of the remuneration system.

Article 32 of the IFD sets, among others, the conditions on variable remuneration paid to employees:
- at least 50% of the variable remuneration shall consist of shares/ share-linked instruments/ equivalent non-cash instruments that adequately reflect the credit quality of the IF as a going concern, or non-cash instruments which reflect the instruments of the portfolios managed;
- at least 40% of the variable remuneration is deferred over the three-to-five-year period.

Following Article 32(4)(a) of the IFD, these points don't apply to the Company since the Company does not fall under the definition of 'significant CIF' (off-balance sheet assets is on average less than €100m over the preceding four-year period).

Moreover, according to Article 34(4) of IFD, Investment Firms are required to disclose the number of natural persons that are remunerated €1mln or more per financial year, in pay brackets of €1mln, including their job responsibilities, the business area involved and the main elements of salary, bonus, long-term award and pension contribution. Nevertheless, currently there are no natural persons at the Company that are remunerated €1M or more per financial year and as such the above disclosure is not applicable to the Company.

During the year 2025, the remuneration of staff consisted of a fixed component only, with no variable element. The remuneration of each individual varies depending on position, education, experience, performance, accountability and responsibility.

The Company's information for the year is presented below:

a) Aggregate quantitative information on remuneration, broken down by business area:

Table 8: Remuneration by Business Area

Business Area	No. of Beneficiaries	Fixed Remuneration €	Variable Remuneration €
Control Functions	2	35.225	0

b) Aggregate quantitative information on remuneration, broken down by senior management and members of staff whose actions have a material impact on the risk profile of the investing firm, indicating the following:

Table 9: Remuneration by Position/Role

Position/Role	No. of Beneficiaries	Fixed Remuneration €	Variable Remuneration €
Senior Management (Executive and Non-Executive Directors incl. the General Manager, CEO and Department Heads)	6	195.965	0
Other Staff whose actions have a material impact on the risk profile of the institution	0	0	0
Total	**6**	**195.965**	**0**

9. Way forward

The year 2026 is expected to present additional challenges and risks for the Company, as the global economic and financial landscape remains uncertain and increasingly complex. The outlook continues to be shaped by geopolitical tensions, including the ongoing war in Ukraine, conflicts in other regions, and shifts in global alliances. The global environment is further influenced by a range of macroeconomic and structural factors, including slowing and uneven global growth, with advanced economies facing tighter financial conditions and emerging markets showing mixed resilience. At the same time, financial market volatility, driven by shifting investor sentiment, interest rate movements, and sector-specific risks, remains a key concern. Additional challenges arise from tightened regulatory expectations, particularly in relation to sustainability, data governance, and operational resilience, alongside long-term structural transitions such as digitalization, deglobalization trends, and the growing impact of climate-related risks on financial systems and business operations.

In response to these challenges, the Company has adopted a forward-looking and prudent approach to safeguard its resilience and business continuity. It continues to strengthen its risk management and governance framework, enhancing its ability to identify, assess, and respond to emerging risks in a timely manner. Regular stress testing, scenario analysis, and capital planning exercises are conducted to ensure the Company remains adequately capitalized and liquid under adverse conditions.

The Company has also reinforced its client on-boarding, due diligence, and sanctions screening processes, aligning them with the latest regulatory developments and international best practices. Coordination between the Risk Management, Compliance, and Internal Audit functions has been further improved to support early risk detection and effective oversight.

The Board of Directors and senior management remain committed to maintaining Company's risk appetite, ensuring that the Company's activities are consistent with its strategic objectives and regulatory obligations. The Company will continue to monitor global economic, geopolitical, and regulatory developments closely throughout 2026 and will adjust its strategies as necessary to preserve financial soundness, operational stability, and the trust of its clients and stakeholders.