

Finalto



Finalto EU Ltd

Pillar III Disclosures for Financial Year 2025

April 2026

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1 Introduction, scope and purpose of this Document

Finalto EU Ltd, ex Magnasale Trading Limited, (“Finalto EU” or the “Company”) is an investment firm incorporated in Cyprus as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113. The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (hereinafter “CySEC”) under license number 264/15 and with LEI Code 549300M2TA4XMO4UUZ22, for the conduct of designated investment business in the Republic of Cyprus and other jurisdictions. The Company’s operating license from CySEC permits it to undertake regulated investment services including the services of reception and transmission of orders in relation to one or more financial instruments, the execution of orders on behalf of clients and the dealing on own account. The Company is also authorized to provide the ancillary services of safekeeping and administration of financial instruments, credit granting and foreign exchange services where these are connected to the provision of investment services.

The Company is focused on offering investment services to professional and eligible counterparties engaged in the sectors of Contracts for Difference (“CFDs”) on a solely Business to Business (B2B) model. The business objective of the Company is to act as the liquidity provider and hedging counterparty to the risk assumed by other regulated brokers also engaged in offering CFDs to their clients.

Furthermore, it is noted that the Company does not hold any real crypto assets.

In 2025, the Company and the Group completed a significant regulatory-approved restructuring, which resulted in the discontinuation of all B2C operations at both the Company and Group level. Following this restructuring, Finalto EU transitioned to operate exclusively as a B2B only business, completing the migration of B2B clients from its affiliate company, Safecap Investments Ltd. We note that the Company is not considered as a Significant CIF as per the conditions set out in CySEC Circular C487, for the financial year covered by these Disclosures.

1.1 Regulatory context

Since 26 June 2021, the Company is subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework. The framework consists of the EU Regulation 2019/2033 on the prudential requirements of investment firms (“Investment Firm Regulation” or “IFR”) and the EU Directive 2019/2034 on the prudential supervision of investment firms (“Investment Firm Directive” or “IFD”). The latter has been harmonized into local legislation through the issuance of the Law for the Prudential Supervision of Investment Firms (165(I)/2021).

The IFR and IFD rules focus on specific methodologies that investment firms are required to apply for quantifying their exposure to risk and deriving their Capital Adequacy ratio, as well as to their required level of initial capital, their Internal Capital Adequacy & Risk Assessment (“ICARA”) Process, and the Liquidity Requirement, among others.

The framework consists of three (3) Pillars that are used to regulate, supervise and improve the risk management of firms in the financial services industry. The Pillars and their applicability to the Company, are summarised below:

- **Pillar I** - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital and liquid resources, that remain above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- **Pillar II** - ICARA and Supervisory Review and Evaluation Process (“SREP”) - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- **Pillar III** - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

In addition, as per the new rules, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

- Common Equity Tier 1 Capital of at least 56% of minimum capital requirements
- Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of minimum capital requirements
- Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of minimum capital requirements.

Moreover, the Company is required to maintain liquid assets equal to at least one third of its Fixed Overhead Requirement.

The Company is a Class 2 CIF and is required to hold €750K (\$881K as at 31st of December 2025) of initial capital, set in accordance with Article 14 of the IFR and Article 9 of the IFD.

Finalto EU Pillar III disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2025. This Report should be read in conjunction with the audited financial statements of the Company, which are prepared in accordance with the International Financial Reporting Standards (“IFRS”). The disclosures are made on a solo basis and are published annually. Furthermore, the Company has commissioned its External Auditors to verify its Pillar III Disclosures. Where in this Report there are references to “reference date”, this is the 31st of December 2025.

The Company’s Pillar III disclosures are published on the Company’s website through the ‘Legal Information section. Please refer to the following links: <http://finalto.com/eu/>.

Unless stated otherwise, all amounts are in thousands of United States Dollars (“US\$” or “USD”).

2 Governance, Risk Management Objectives and Policies

2.1 The Board of Directors

The Company's Board of Directors (the "Board" or "BoD") is required to assess and review the effectiveness of the policies, arrangements and procedures put in place for the Company to comply with its obligations under the Investment Services and Activities and Regulated Markets Law 87(I)/2017 (the "Law"), as well as the relevant CySEC Directives and the IFR and to take appropriate measures to address any deficiencies. The responsibilities of the Company's Board of Directors include, among others, the following:

- Approve and periodically review the strategies and policies for taking up, managing, monitoring and mitigating the risks that the Company is or might be exposed to, including those posed by the macroeconomic environment in which it operates in relation to the status of the business cycle;
- Ensure that all the Risk Management regulatory requirements are applied, and that appropriate systems and controls are introduced;
- Be actively involved in and ensure that adequate resources are allocated to the management of all material risks, as well as in the valuation of assets, the use of external credit ratings and internal models relating to those risks;
- Review and approve the Annual Risk Management Report and take all action as deemed appropriate under the circumstances to remedy any weaknesses and/or deficiencies identified therein.

As at 31st December 2025, the Board comprised of two (2) Executive and two (2) Independent Non-Executive Directors.

2.2 Diversity in the selection of members of the management body

The Company is committed to promote a diverse and inclusive workplace at all levels, reflective of the markets in which it does business. It recognizes that successful businesses flourish through embracing diversity into their business strategy and developing talent at every level in the organization.

The Company has established the Suitability and Diversity of Management Body Policy with the aim to engage a broad set of qualities and competences when recruiting members of the Management Body, to achieve a variety of views and experiences and to facilitate independent opinions and sound decision-making within the Management Body.

2.3 Number of Directorships held by the Board Members

The table below provides the number of directorships that each member of the management body of the Company holds at the same time in other entities (excluding the directorship in Finalto EU and its related entities that belong to the same group), as at the time of preparation of this Report. Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account for the purposes of the below. Executive or non-executive directorships held within the same group, are considered as a single directorship.

Table 1: Number of directorships held by the Company's Board members excluding position in Finalto EU

Name	Position in Finalto EU	Total number of Executive Directorships	Total number of Non-Executive Directorships
Emilios Ellinas	Executive Director	-	-
Christiana Solomou	Executive Director	-	-
Athos Demetriou	Non-Executive Director	1	1
Stelios Prodromitis	Non-Executive Director	1	1

¹ The information presented in this table is based only on representations made by the directors of the Company.

² Mr. Stanislav Bunimovich resigned from his position as non-Executive Director on 7 March 2025.

³ Mr. Stavros Anastasiou resigned from his position as Executive Director on 1 June 2025.

⁴ Mr. Emilios Ellinas appointed as Executive Director on 1 June 2025.

⁵ Mr. Damien Francis resigned from his position as non-Executive Director on 14 November 2025.

2.4 Risk Management Policy

Risk is inherent in the Company's business and activities. The Company's ability to identify, monitor and manage each type of risk to which it is exposed is an important factor in its financial stability and performance and for the achievement of its strategic objectives.

The Risk Management Policy is included in the Company's Internal Procedures Manual (hereafter "IPM"). The IPM aims to set out those policies and procedures and to ensure compliance with legislative requirements and with departmental and general procedures.

The Risk Management Policy forms part of the Company's internal control and corporate governance arrangements. It explains the Company's underlying procedures with respect to risk management and documents the roles and responsibilities of the Risk & Compliance Committee, the Chief Risk Officer ("CRO") and other key parties. It also outlines key aspects of the risk management process and identifies the main reporting procedures. In addition, it describes the process followed by the Risk & Compliance Committee to evaluate the effectiveness of the Company's internal control procedures.

Processes and mechanisms are in place to manage the risks, with special consideration to risks arising from the operations of the Dealing Room and the Own Account Trading departments in the process of the reception and transmission of client orders, execution of clients' orders and trading on the Company's behalf.

2.5 Risk & Compliance Committee

The Company has a Risk & Compliance Committee ("RCC") in place to oversee on behalf of the Board all matters relating to risk management and regulatory compliance. The Risk & Compliance Committee's arrangements are proportionate to the size, complexity and risk profile of the Company. The Committee acts independently from the management of the Company.

The main objectives of the Risk & Compliance Committee are the following:

- Review and assess the integrity and adequacy of the Company's Risk Management Framework, including processes, policies and organisational structures.
- Promote a consistent Risk Management oversight and review limit excesses.
- Examine the appropriateness of incentives provided by the remuneration system, and ensure that they take into consideration risk, capital, liquidity and the likelihood and timing of earning streams.

- Work with the Remuneration Committee to establish a remuneration culture, policy and framework that balances commercial objectives with risk and compliance factors and requirements and supports capital and liquidity preservation.
- Review the reports prepared by the Risk and Compliance functions and make recommendations for remedial and other action.
- Review the Capital Adequacy, liquidity and limits of each Company, according to Pillar I.
- Monitor the process for establishing the ICARA methodology according to Pillar II and review the ICARA Report and the Pillar III disclosures.
- Oversee the implementation of risk limits across the different kinds of risks (including Credit, Market and Liquidity risk) and consider or approve any limit excesses based on this risk limit structure.

During 2025 Finalto EU was not considered a significant CIF, however the Company still held three (3) RCC meetings.

From 2026 onwards, given that Finalto EU continues not to be classified as a significant CIF and following the recent split of operations, which has simplified the Company's structure, it was decided that the RCC will no longer remain in place. Risk and Compliance matters will instead be addressed at Board level only.

A separate Risk Committee (covering Credit, Market, and Liquidity Risk) continues to convene on a biweekly basis, along with an Operational Risk Committee held monthly, on an EU/UK Unit basis. These committees are composed solely of members and executive employees from the EU and UK entities, without any non-executive participation.

2.6 Risk Management Function

The Company operates a dedicated Risk Management function under which the CRO is responsible for implementing the Risk Management Policy, as this is set by the Board of Directors and the Risk & Compliance Committee. In addition, it ensures ongoing compliance with the Company's Risk Management regulatory requirements and has a direct reporting line to the Board of Directors and the Risk & Compliance Committee.

The Risk Management function has an oversight role and individual types of risks are managed daily by first line functions. More specifically, as a second line of defence, the Risk Management function is in place to:

- Oversee processes across the Company and ensure they comply with risk management policies.
- Assess and challenge the business processes and their effectiveness to implement the policies.
- Identify and assess new and existing exposures to risk which may impact the Company.
- Monitor and review limits and mandates for Capital, Liquidity, NOPs, PL cuts and general Risk to Market, Risk to Firm and Risk to Client exposures.
- Provide oversight and support to first line functions, as they are the business units that actively manage risks as part of their daily operations.

2.7 Compliance and Money Laundering Compliance Functions

The Company's Compliance function covers (a) Financial Crime / AML, (b) Monitoring and Surveillance, (c) Governance, Code of Conduct and Regulatory Compliance and (d) Regulatory Counselling. In performing its duties, the Compliance function considers the areas of material business activity or material business and regulatory risk, with an overall aim of always ensuring consistent regulatory compliance.

The Chief Compliance Officer ("CCO") and the Money Laundering Reporting Officer ("MLRO") have direct access to the Board of Directors.

2.8 Internal Audit Function

The role of the Internal Audit function is the provision of ongoing review and evaluation of the operations and activities of the Company in all respects, as well as the provision of recommendations and advice to ensure that the Company operates at the highest standards and in accordance with best practices while remaining in line with the applicable legal and regulatory framework. The Internal Auditor is an independent and autonomous function with direct reporting line to the Board of Directors. The key responsibilities of the Internal Audit function include:

- Providing an objective and independent appraisal of all Company activities (financial, operational and others).
- Giving assurance to the Board on all control arrangements, including management and corporate governance.
- Assisting the Board by evaluating and reporting the effectiveness of the controls for which the Board is responsible and issuing recommendations and suggestions.
- Keeping records and books with regards to the internal audit work performed.
- Establishing, implementing and maintaining an audit plan to examine and evaluate the adequacy and effectiveness of the Company's systems, internal control mechanisms and arrangements.
- Submitting the Annual Internal Auditor's Report to the Board of Directors over the activities performed by the Internal Auditors.

It is noted that, during 2025, the Internal Audit function of the Company has been outsourced.

2.9 Risk Management Strategies and Capital Management

A designated team of professionals monitors the Company's exposures and prepares various reports (i.e. Risk Management Report, Compliance Report, AML Report) that enable the analysis of risks and provide support for future action plans.

The primary objective of the Company's capital management is to ensure that it maintains healthy capital ratios in order to support its business and maximize shareholder value. The Company manages its capital and liquid resources to ensure that it will be able to continue as a going concern, while increasing the return to its shareholders.

2.10 Internal Capital Adequacy and Risk Assessment Process ("ICARA")

The Company needs to keep additional capital to cover its Pillar II risks. The amount of this capital is determined internally by the Company, through the performance of the ICARA process. Upon CySEC's request, the ICARA is collected by the CySEC and undergoes the Supervisory Review and Evaluation Process ("SREP"). Following the SREP, the final Pillar II capital deemed as necessary by the CySEC is communicated to the Company and considered as an additional requirement affecting the minimum required Capital Adequacy Ratio.

Part of the ICARA process is to identify the risks associated with the activities of the Company on a forward-looking basis. For each of the identified risks, the Company assesses if the risk is sufficiently covered by Pillar I or if additional Pillar II requirements need to apply. The CRO is responsible for the preparation of the annual ICARA report which is being submitted to the BoD for approval and subsequently to CySEC upon request. The Company incorporates a stress-testing framework in the ICARA Report. The Pillar II capital requirements are calculated taking into consideration the results from the stress testing and capital allocation exercises of the ICARA.

The CRO is responsible for the dissemination of the ICARA results throughout the Company (from the Board towards all employees), the implementation of the suggestions/requirements and the monitoring of the progress. The ICARA report should be revised and approved by the Board of Directors and be readily available for review by the CySEC.

2.11 Board Risk Appetite Statement

The Risk Appetite Statement defines the level of risk the Board is willing to take in pursuit of its business objectives and strategic goals. It defines the parameters within which the Company can operate and the relevant risks it can assume, both on an individual as well as on an aggregated basis.

The Risk Appetite Statement includes some high-level principles and key risk indicators to alert Management and the Board of Directors of any risk concerns and triggering appropriate responsive actions. Specific limits are in place, which are embedded in the risk monitoring systems and reporting, to cap the amount of risk the Company will take.

The Board of Directors has identified several categories of principal risk and established policies and procedures that seek to manage them:

- Regulatory Risk
- Operational Risk
- Liquidity Risk
- Credit and Counterparty Risk
- Market Risk.

The Board of Directors periodically revises the Risk Appetite Statement and its management framework, analyzing the impact of unlikely but plausible tension scenarios and adopting the pertinent measures to ensure the policies set are met.

3 Principal Risks

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

3.1 Risk to Client

Risk to Client (“RtC”) reflects the risk covering the business areas of an investment firm from which harm to clients can conceivably be generated in case of problems. The K-factors that are reflected under RtC based on the IFR Pillar I methodologies, are the following:

K-AUM (Assets Under Management)
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. <i>During the year ending 31 December 2025, the Company was not subject to the risk relating to this K-factor since it did not offer the investment services of “Portfolio management” and “Investment Advice”.</i>
K-CMH (Client 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 provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. K-CMH excludes client money that is deposited on a (custodian) bank account in the name of the client itself, where the investment firm has access to the client money via a third-party mandate. Based on the reference year, as part of its business, the Company receives from its customers, cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by this K-factor. <i>Since the Company holds client funds in designated client bank accounts, it is therefore exposed to K-CMH risk. The relevant requirement is calculated in accordance with the Pillar 1 IFR methodology.</i>
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. <i>During the year under review, the Company did not offer safeguarding services. Therefore, the Company was not subject to the risk relating to this K-factor.</i>
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. <i>The Company executes its clients’ orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply.</i>

3.1.1 K-CMH

The Company is subject to CMH that captures the risk of potential for harm where an investment firm holds the money of its clients and provide that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. This risk from a capital point of view covers the Company's off-balance sheet items.

When holding client money, the Company takes necessary measures to safeguard such funds as appropriate, with an aim to ensure compliance with Directive DI87-01 for the Safeguarding of financial instruments and funds belonging to clients.

3.2 Risk to Market

Risk to Market ("RtM") is the risk that the fair value or future cash flows of financial instruments will fluctuate due to changes in market variables such as equity prices, interest rates, foreign exchange rates and commodity prices. Market risk arises from the Company's exposures to financial instruments and to changes in the market prices of these financial instruments. Market risk comprises of equity risk, interest rate risk, foreign exchange risk and commodity risk.

There are two K-factors that capture the principal risks under RtM:

K-NPR (Net Position Risk)
<p>This k-factor is measured in accordance with the CRR rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities (Note: CRR refers to the Capital Requirements Regulation comprising of EU Regulation No. 575/2013 on prudential requirements for credit institutions, as amended or replaced from time to time). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to the change in market risk factors (market prices, non-Trading Book interest rates, non-Trading Book foreign exchange rates). Exposure to Market risk at any point in time depends primarily on short term market conditions and the levels of client activity. <i>Based on the reference year, this K-factor was applicable to the Company.</i></p>
K-CMG (Clearing Margin Given)
<p>This is an alternative to K-NPR to provide for Market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of the IFR. CMG means the amount of total margin required by a clearing member or qualifying central counterparty, where the execution and settlement of transactions of an investment firm dealing on own account take place under the responsibility of a clearing member or qualifying central counterparty. <i>Based on the reference year, this K-factor was not applicable to the Company due to the nature of its operations.</i></p>

3.2.1 K-NPR

The Company bears minimal Market risk. The Company's exposures to Market risk arise solely from its on-balance sheet Banking Book exposures, which give rise to Market FX risk. No Market Risk arises from its clients trading activity, since all client flow is fully STP'ed.

As at 31 December 2025, the Company's Market risk was derived solely from its Banking Book assets and liabilities that were denominated and funded in a currency other than its reporting currency, the USD (Market FX risk). The Company was not exposed TDI risk as it did not participate in such transactions. In addition, the Company did not have any exposure on commodities, equities, FX, Interest Rate and or precious metals as it employs a match-principal hedging approach, thereby mitigating exposure and risk.

The Company has in place a Market Risk Policy which outlines how Market risk is managed. In particular, the policy establishes market position limits reflecting Finalto EU risk appetite for each financial market in which clients can trade. These limits are determined based on the available capital, trading levels, volatilities and the market liquidity of the underlying financial product or asset class.

The Company's operational model means that, where client exposures exist, not all such exposures are hedged, thus the Company may have a residual position in any of the CFDs it offers. However, as at the reference date all exposures were 100% hedged.

Exposure to Market risk depends primarily on short term market conditions and the levels of client activity. It is mitigated through natural hedging arising from client positions, and by hedging trades that can be performed by the Company at its own discretion.

The Company also has in place a real-time market position monitoring system which enables it to continually monitor its market exposure against these limits so that relevant action is initiated. This can include hedging the excess exposure using hedging accounts maintained with other broker or limit locks, without any more exposure being accepted. More specifically, Market Risk is monitored on a continuous basis by the Dealing team, which acts accordingly, depending on the internal hedging strategy and limits. Market risk is monitored both for Capital Adequacy ratio purposes and for meeting Group Market Risk limits.

3.3 Risk to Firm

Risk to Firm ("RtF") captures an investment firm's exposure to the Risk of Default of its Trading Counterparties (K-TCD), the Concentration Risk arising from its exposures to counterparties and their connected persons (K-CON) and Operational Risks from its Daily Trading Flow of transactions (K-DTF).

K-TCD (Trading Counterparty Default)
K-TCD means the exposures in the Trading Book of an investment firm in specific instruments and transactions giving rise to the risk of trading counterparty default. This methodology replaces the Counterparty Credit Risk that was being implemented under the previously applicable framework, CRR. <i>The Company, as at the reference date, was exposed to TCD, due to the open trades it maintained with derivative contracts.</i>
K-DTF (Daily Trading Flow)
K-DTF means the daily value of transactions that a CIF enters through dealing on own account or the execution of orders on behalf of clients in its own name. DTF aims to capture the Operational risks from an CIF's daily trading flow. <i>The Company is exposed to DTF since it executes its trades on a principal basis (i.e. dealing on own account).</i>
K-CON (Concentration Risk)
K-CON means the exposures in the Trading Book of an investment firm to a client/counterparty or a group of connected clients/counterparties, the value of which exceeds the limits specified in the IFR. <i>As at the reference date, although the Firm had open Trading Book exposures, it had no K-CON risk.</i>

3.3.1 K-TCD

The Company's counterparties under the Trading Book are its institutional clients (B2B), as well as its hedging counterparties. With respect to client-related K-TCD, the Company ensures that client accounts are funded before trading takes place (i.e., the clients need to have enough equity in their accounts to maintain their margin requirements and keep their positions open).

The Company operates a real-time mark-to-market trading platform with customers' profits and losses being credited and debited automatically to their accounts. If the market moves adversely by more than the customer's maintenance margin and or account Minimum account holding (MAH), the Company exercises margin calls and stop outs to prevent the account from going into deficit, hence managing TCD risk effectively (through the margin acting as a collateral for risk management).

3.3.2 K-DTF

As previously mentioned, DTF aims to capture the operational risks from investment firm's daily trading flow. DTF is calculated and monitored on a regular basis by the Dealing and Risk Departments, and in case of a limit breach, actions are taken place to rectify the issue immediately.

3.4 Other Risks

3.4.1 Operational Risk (other than DTF)

In general, Operational risk is defined as the risk of loss that can result from inadequate internal processes, people, system errors or external events, as well as other risks such as fraud, legal or physical and environmental risks.

The Company, due to its nature, is primarily exposed to Operational risks arising from potential system / trading platform failures or delays, internal practices, as well as Legal and Compliance risks. The Company is partially dependent on third parties, including entities within its own Group, for the key technological systems, infrastructure suppliers, data providers and data sources. To remain competitive, the Company continues to enhance and improve the responsiveness, functionality, accessibility and other features of its software, network distribution systems and technologies.

Furthermore, the Company has business continuity procedures and policies in place which are designed to allow it to continue trading in its core markets. The Company's systems are designed to mitigate the risk of failure of any component, enabling the Company to continue to function in the event of an incident, adverse event or business disruption. The Company has also developed and implemented an Operational risk portal through which any operational incidents are reported, evaluated and mitigated, as well as a Key Risk Indicators' framework for each business and functional area, enabling the Company to monitor at regular intervals its performance versus key Operational risk areas.

The Company has ensured compliance with the recent requirements of the Digital Operational Resilience Act (DORA).

3.4.2 Regulatory and Compliance Risk

Regulatory Risk comprises of the risk that legal or regulatory changes that may be imposed by the European Union or by CySEC adversely affect the results and financial position of the Company. Accordingly, Compliance risk reflects the exposure to legal penalties, financial forfeiture, and material loss an organization faces when it fails to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

Non-compliance with the regulatory framework of jurisdictions in which the Company's trading platform is accessible from, could adversely affect the Company's profitability and may result in the suspension, revocation or amendment of its licenses and/or other enforcement action. Increased regulatory scrutiny of the industry in which the Company operates could adversely affect the Group's revenue, business and profitability. Changes to the EU regulatory framework, current and proposed EU regulations and directives could restrict the Company's business. The

implementation of necessary changes to comply with the increased regulatory framework could potentially result in significantly additional demand on the Company's resources.

To mitigate Regulatory and Compliance Risk, the Compliance and Risk Management Departments, as the second line of defence, are responsible for assessing and monitoring this risk category. To this end, all Company areas are assessed using the inherent and residual risk applied to each area by the responsible manager, the Compliance Officer, and the Board of Directors. In particular, the Departments keep abreast of regulatory developments, participate in material regulatory consultations, and aim to anticipate regulatory issues by providing advice to the Company's Board and the business on such matters on an ongoing basis. External legal advice is obtained on new regulations affecting the CFDs sector in the jurisdictions in which the Company operates. Relevant actions are then initiated by the Company to always ensure comprehensive and consistent compliance.

3.4.3 Money Laundering Risk

Money Laundering risk entails all practices and methods that may be used by the Company's clients, counterparties and/or partners to launder money using the Company's services. The Company has established processes and procedures to identify, assess and understand the money laundering (ML) and terrorist financing (TF) risks that the Company may be exposed to. In identifying potential risks, the Company is using the guidance and recommendations of the FATF and the European Union. This risk is considered high due to the non-face-to-face nature of the Company's business.

The primary responsibility for the assessment of the risks identified lies with the Company's MLRO, as well as the Board of Directors and to this end, a risk assessment using the inherent and residual risk of each of the identified risks is performed by both parties and by the Chief Compliance Officer. The use of a three-party assessment ensures subjectivity is minimised as far as possible, allowing the Company to effectively monitor the risks identified.

Any updates to the regulatory framework which affect the Company's AML processes are brought to the attention of the Board on a quarterly basis, accompanied by any changes in the Company's process and suggestions for relevant improvements.

3.4.4 Liquidity Risk

Liquidity risk is the risk that arises when the maturity of assets and liabilities does not match. An unmatched position potentially enhances profitability but can also increase the risk of losses.

The Company's approach to managing liquidity is to ensure it will have sufficient liquidity to meet its financial liabilities when due, under both normal circumstances and stressed conditions.

Moreover, the Company monitors the amount of its liquid resources to ensure that it remains at all times above the Liquidity requirement set by the IFR & IFD framework. As at 31st of December 2025 the Company satisfied the Liquidity Requirement.

4 Own Funds

The prudential framework for investment firms set out in the IFR and the IFD is designed to reflect the nature, size, and complexity of investment firms. As per the rules set by the IFR, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall at all times meet all of the following conditions:

- a. Common Equity Tier 1 Capital of at least 56% of Minimum Own Funds Requirements.
- b. Common Equity Tier 1 Capital and Additional Tier 1 Capital of at least 75% of Minimum Own Funds Requirements.
- c. Common Equity Tier 1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Minimum Own Funds Requirements.

Table 2 below presents the composition of the Company's Own Funds as at 31 December 2025, while Table 3 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and they have been prepared using the format set out in the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

As shown below, as at 31st of December 2025 the Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to \$28.502K.

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

31 December 2025		(a)	(b)
		Amounts (\$'000)	Source based on reference numbers of the Balance Sheet in the audited Financial Statements (cross reference to Template EU IF CC2)
Ref.	Common Equity Tier 1 (CET1) capital: instruments and reserves		
1	OWN FUNDS	28.502	
2	TIER 1 CAPITAL	-	
3	COMMON EQUITY TIER 1 CAPITAL	28.502	
4	Fully paid up capital instruments	3	Ref. 1 (Shareholders' Equity)
5	Share premium	28.977	Ref. 2 (Shareholders' Equity)
6	Retained earnings	(1.995)	Ref. 3 (Shareholders' Equity)
17	Profits for the current financial year	1.565	Ref. 3 (Shareholders' Equity)
27	CET1: Other capital elements, deductions and adjustments	(47)	Ref. 1 (Assets)
28	ADDITIONAL TIER 1 CAPITAL	-	
40	TIER 2 CAPITAL	-	

Table 3: Template EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

31 December 2025 (\$'000)		(a)	(c)
		Balance Sheet as in audited Financial Statements	Cross reference to Template EU IF CC1
Ref.	Assets - Breakdown by asset classes according to the Balance Sheet in the audited Financial Statements		
	Total Assets	30.133	
	Of which:		
1	Trade and Other Receivables (Investor Compensation Fund)	47	Ref. 27
Ref.	Liabilities - Breakdown by liability classes according to the Balance Sheet in the audited Financial Statements		
	Total Liabilities	1.584	
Ref.	Shareholders' Equity		
	Total Shareholders' Equity	28.550	
1	Share Capital	3	Ref. 4
2	Share Premium	28.977	Ref. 5
3	Retained Earnings	(430)	Ref. 6&17

5 Minimum Capital Requirements

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

5.1 Fixed Overheads requirement (FOR)

The Company reports its FOR to the Group CFO and some Senior Management members on a weekly basis and on a quarterly basis to the regulator. The Board of Directors and the Risk & Compliance Committee members are also informed about the FOR on a quarterly basis, in which the Risk department shares with all members end of month results.

Finalto EU calculates its FOR by taking the one quarter of the fixed overhead expenses of the preceding year in accordance with the provisions of Article 13 of the IFR. The FOR as at 31 December 2025 amounted to \$311K.

5.2 Permanent Minimum Capital Requirement (PMCR)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the PMCR of €750K. However, the Firm's reporting currency is USD so, as at the reference date, this translates to \$881K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

5.3 "K-factor" Capital Requirement

The Company calculates its overall "K-factor" capital requirement which is the sum of "K-factor requirements" grouped in three categories: Risk-to-Client (RtC), Risk-to-Market (RtM) and Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 3). The total K-Factor requirement as at 31st of December 2025 amounted to \$1.092K.

Table 4 breaks down the Pillar I minimum capital requirement that the Company was required to hold as of 31st of December 2025.

Table 4: Minimum Capital Requirements

Minimum Capital Requirements		31 December 2025 (\$'000)
K-Factor Requirement		
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	31
	K-ASA	-
	K-COH	-
Risk-to-Market (RtM)	K-NPR	1.037
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	10
	K-DTF	14
	K-CON	-
Total K-Factor Requirement		1.092
Fixed Overhead Requirement (FOR)		311
Permanent Minimum Capital Requirement (PMCR)		881

According to the IFR & IFD requirements, the Company's Minimum Capital Requirement as at 31st of December 2025 was determined by the total K-Factor Requirement and amounted to \$1.092K.

Table 5 below indicates the excess capital and the Capital Adequacy ("CAD") Ratio of the Company. As indicated, the Company's CAD Ratio as at 31 December 2025 amounted to 2611%, which exceeded the minimum required threshold of 100%, leading to a capital surplus of \$27.410K.

Table 5: Capital Excess/Ratio

Item Description	31 December 2025 (\$'000)	Reference
Capital	28.502	
Common Equity Tier 1	28.502	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	28.502	a
Own Funds Requirement		
K-factor Requirement	1.092	b
Fixed Overhead Requirement	311	c
Permanent Minimum Capital Requirement	881	d
Minimum Own Funds Requirement	1.092	e = (higher of b, c, d)
Capital Excess/Ratio		
Capital Excess	27.410	a-e
CAD Ratio	2611%	a/e

6 Remuneration Policy

The Remuneration Policy sets out the Company's policy for remuneration practices in compliance with regulatory requirements and the corporate objective of balancing risk and performance through hiring and retaining competent and committed executives for the longer term. The aim is to ensure that short term incentives do not create conflicts of interest. In this respect, the Remuneration Policy should encourage responsible business conduct, avoidance of conflicts of interest and overall fair treatment for clients. In addition, it outlines the internal control processes and procedures implemented within the Company with respect to having in place risk-focused remuneration controls and procedures which are consistent with and promote a code of conduct that ensures the avoidance of conflicts of interest that might lead to detrimental outcomes to the clients of the Company.

The internal governance processes provide a robust level of oversight and control over remuneration policies and risk management to ensure that remuneration decisions are aligned with the risk appetite of the Company, premised on the mapping of potential conflicts. The internal governance of remuneration is managed primarily by the Board of Directors. The Board of Directors, receives input from the respective Business Heads as well as from the Compliance, Risk, Audit, and HR Management functions.

6.1 Fixed and Variable Remuneration

6.1.1 Compensation Mix

The Company, when determining remuneration awards, considers the need to ensure an appropriate ratio between fixed and variable pay to ensure that the Company and the Group are able to operate a fully flexible incentive policy under a hybrid remuneration model. This includes the ability to pay no bonuses or other incentive pay should performance of the Company and Group and / or of an individual require this.

6.1.2 Fixed Remuneration

Fixed remuneration serves to compensate employees according to their qualifications, experience and skills, as well as the requirements, significance and scope of their work. Specifically, it includes the contractually agreed monthly recurring salary.

The appropriate amount for an employee's fixed remuneration shall be determined based on a market comparison of his/her role, general salary levels within the Company, the labor market situation in the industry and at the respective location, and the regulatory requirements for the structures applicable to total remuneration. Competitive fixed remuneration plays an important role in attracting and retaining employees. This guarantees that the Company and the Group have the competencies required to meet their strategic goals. The Company's employees are awarded with a fixed monthly remuneration.

6.1.3 Variable Remuneration

The Company employs two (2) types of variable remuneration:

- Annual discretionary performance-related bonus. All employees are eligible to receive following the year under review.
- Commission. It is based on a percentage of the net revenues produced by clients referred to by the Sales employee, during the immediately previous quarter. The percentage per client varies upon a few different factors such as the years of business relationship with Finalto. It must be noted that the Company only serves B2B type clients and therefore any conflicts of interest are considered as manageable.

Qualitative and quantitative criteria are taken into account for the determination of variable remuneration. These criteria reflect the desired conduct of the employees to act in the best interest of the clients and in a manner that has regard to focusing on the long-term sustainable performance of the Company versus short term risk taking or

malpractices. Variable remuneration also has the benefit that it can differentiate performance results and promote practices by means of suitable incentive systems, which in turn affect the corporate culture.

While the IFD does not set a specific limit on the ratio of the fixed to variable remuneration, the Company sets its own limit which comes to the 100% of the fixed remuneration. Where upon Ad-hoc discussion, the Company may accept to increase the ratio of the variable remuneration to 150% of the fixed remuneration, following written approval by an Executive Director.

In addition, up to 100% of the total variable remuneration is subject to clawback arrangements, based on the following criteria:

- Cases where the employee participated or was responsible for conduct which resulted in significant losses for the Company;
- Cases where the employee failed to meet appropriate standards of fitness or in instances of individual gross misconduct.

This clawback clause is triggered whenever any of the above two cases are met.

Annual Discretionary Performance - Bonus Pool Determination (including risk adjustment)

The discretionary annual bonus pool for the employee remuneration is suggested by the respective Company's Heads to the Board of Directors for its consideration and evaluation. The Board of Directors, which has the responsibility for the final sign off. The work of the Company's Heads and Board of Directors is based on an assessment of the financial performance for each financial year against targets and a quantitative and qualitative assessment of the risks taken during each financial year, as well as matters relating to capital management and regulatory compliance.

The Board of Directors reviews the annual bonus pool to ensure (a) that all relevant business risks have been assessed and taken into account and (b) that sufficient amounts are allocated to ensure the Company is able to maintain a robust capital base.

Performance Management Approach

The Company operates an annual appraisal process which establishes objectives for all staff covering both financial and non-financial metrics, specific behavioral competencies, including compliance and risk management behaviors with regards to the Company's values, Code of Conduct, policies and procedures.

Performance against non-financial metrics has a significant influence on the overall performance rating and poor performance against non-financial metrics will result in the reduction of an employee's annual incentive award.

Annual performance ratings are independently reviewed (and challenged where appropriate) and calibrated at a Company level to ensure that ratings have been applied consistently and performance has been effectively differentiated.

Under the remuneration framework, remuneration decisions are made based on a combination of business results, performance against objectives, general individual performance of the role and adherence to the Company's values, Code of Conduct, policies and procedures.

Guarantees

Guaranteed bonuses payable over a period of more than 12 months are not paid or permitted. Guaranteed bonuses will also only be paid in the context of hiring a new employee to the Company and on an exceptional basis.

Severance

Any payments related to the early termination of contracts will reflect performance achieved over time and will be designed in a way which does not reward failure, excessive or inappropriate risk taking or regulatory misconduct.

The table below provides the aggregate remuneration of Senior Management and other staff whose activities have a material impact on the risk profile of the Company, broken down by fixed and variable cash remuneration. It is noted that the figures presented in the table below do not include employer's contribution.

Table 5: Quantitative information on remuneration

Staff category	No. of persons	USD (\$'000)		
		Fixed Remuneration	Variable Remuneration	Total Remuneration
Senior Management (Executive & Non-Executive Directors)	4	285	-	285
Other staff	5	180	-	180
Total	9	465	-	465

* The "Other staff" category includes the Heads in Company's Risk, Dealing, Compliance, GDPR and Legal departments.

The following information relates to senior management and staff members whose actions have a material impact on the Company's risk profile. Accordingly, during 2025 the Company did not:

- Provide any non-cash benefits.
- Award any deferred remuneration or in previous performance periods, that was due to vest in 2025 or in subsequent years.
- Award any guaranteed variable remuneration.
- Make any severance payments during 2025, nor were any severance payments made relating to prior periods.

7 Appendix: Main Features of Own Funds Instruments

Template EU IF CCA		a
		Common Equity Tier 1 Capital
1	Issuer	Finalto EU Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (USD, as of most recent reporting date)	2.532
7	Nominal amount of instrument	1 Euro each share
8	Issue price	Various
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	15/05/2014-30/06/2016
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
	<i>Coupons / dividends</i>	
17	Fixed or floating dividend/coupon	Floating
18	Coupon rate and any related index	N/A
19	Existence of a dividend stopper	No
20	Fully discretionary, partially discretionary or mandatory (in terms of timing)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Noncumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A
27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A