

EXNESS (CY) LTD

Pillar III Disclosures

For the Year Ended 31 December 2024

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1 Introduction, Scope and Purpose of this Document

Exness (CY) Ltd (“Exness” or the “Company”) was incorporated in Cyprus on the 2nd of September 2011 as a private limited liability Company under the provisions of the Cyprus Companies Law, Cap. 113 with registration number HE 293057 and LEI code 213800TS6IQF7NLQSP32.

The Company is authorized and regulated by the Cyprus Securities and Exchange Commission (“CySEC” or the “Commission”) under license number 178/12 for the conduct of designated investment business in the Republic of Cyprus. The Company is a Class 2 Cyprus Investment Firm (“CIF”) and is required to hold €750k of initial capital set in accordance with Article 14 of Regulation (EU) 2019/2033 (the “Investment Firm Regulation” or “IFR”) and specified in Article 9 of EU Directive 2019/2034 (“the Investment Firm Directive” or “IFD”), as the latter has been harmonized with local legislation through the issuance of the Cyprus Law 165(I)/2021 for the Prudential Supervision of Investment Firms.

The Company’s operating license from CySEC permits it to undertake regulated investment and ancillary services, as these are indicated in the following table and analyzed further below.

The Company has terminated in January 2020 the business relationships with all Retail and Elective Professional clients, as it has decided to focus on a Business-to-Business Model (“B2B”) strategy and to offer its services only to Per Se Professional Clients and Eligible Counterparties. In addition, the Company aims to provide enhanced services and products to institutional clients. The decision of the Company to enhance its services offered to institutional clients is a strategic decision that was resolved by the Board of Directors (the “Board”) of the Company.

The Company’s revenue is mainly obtained from its market-making services, when acting as a principal to the execution of its clients’ trades. The Company’s profitability is mainly affected by market conditions that influence customer’s behavior and market practices, as well as by the operating environment of the Company’s clientele.

Table 1 - Company License Information

| | | Investment Services and Activities | | | | | | | | | Ancillary Services | | | | | | |
|-----------------------|----|------------------------------------|---|---|---|---|---|---|---|---|--------------------|---|---|---|---|---|---|
| | | 1 | 2 | 3 | 4 | 5 | 6 | 7 | 8 | 9 | 1 | 2 | 3 | 4 | 5 | 6 | 7 |
| Financial Instruments | 1 | √ | √ | √ | √ | - | - | - | - | - | √ | √ | - | √ | - | - | - |
| | 2 | √ | √ | √ | √ | - | - | - | - | - | √ | √ | | | - | | - |
| | 3 | √ | √ | √ | √ | - | - | - | - | - | √ | √ | | | - | | - |
| | 4 | √ | √ | √ | √ | - | - | - | - | - | √ | √ | | | - | | - |
| | 5 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |
| | 6 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |
| | 7 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |
| | 8 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |
| | 9 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |
| | 10 | √ | √ | √ | - | - | - | - | - | - | √ | √ | | | - | | - |

The Company is authorized to provide the following Investment and Ancillary Services listed in Part I of the first Appendix of the Law 87(I)/2017 regarding the provision of investment services, the exercise of investment activities and the operation of regulated markets (hereinafter, the “Law”):

Investment Services:

1. Reception and transmission of orders in relation to one or more financial instruments
2. Execution of orders on behalf of clients
3. Dealing on own account
4. Portfolio Management.

Ancillary Services:

1. Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services.
2. Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
3. Foreign exchange services where these are connected to the provision of investment services.

The Company is authorized to provide the investment services in points (1) to (3) above and the ancillary services in points (1) and (2) above relate to all of the financial instruments listed below, as per Part III of the first Appendix of the Law:

1. Transferable Securities
2. Money Market Instruments
3. Units in Collective Investment Undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.
5. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to commodities that must be settled in cash or may be settled in cash at the option of one of the parties other than by reason of a default or other termination event).
6. Options, futures, swaps, and any other derivative contract relating to commodities that can be physically settled provided that they are traded on a regulated market or/and an MTF, or an OTF, except for wholesale energy products traded on an OTF that must be physically settled.
7. Options, futures, swaps, forwards and any other derivative contracts relating to commodities, that can be physically settled not otherwise mentioned in point 6 above and not being for commercial purposes, which have the characteristics of other derivative financial instruments.
8. Derivative instruments for the transfer of credit risk.
9. Financial contracts for differences.
10. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to climatic variables, freight rates, emission allowances or inflation rates or other official economic statistics that must be settled in cash or may be settled in cash at the option of one of the parties (otherwise than by reason of a default or other termination event), as well as any other derivative contract relating to assets, rights, obligations, indices and measures not otherwise mentioned in this Part, which have the characteristics of other derivative financial instruments, having regard to whether, inter alia, they are traded on a regulated market, OTF, or an MTF.

The ancillary service of "foreign exchange services where these are connected to the provision of investment services" is provided in relation to all financial instruments of Part III of the first Appendix of the Law.

Moreover, the Company is authorized to provide the investment service of Portfolio Management for the following financial instruments in accordance with the Law:

1. Transferable Securities
2. Money Market Instruments
3. Units in Collective Investment Undertakings
4. Options, futures, swaps, forward rate agreements and any other derivative contracts relating to securities, currencies, interest rates or yields, or other derivatives instruments, financial indices or financial measures which may be settled physically or in cash.

During 2024, the Company operated as a market maker, offering investment and ancillary services in relation to CFDs on foreign exchange and commodities via the website www.exness.eu and using the electronic platform of MetaTrader.

1.1 Regulatory Context

This Pillar III Disclosures Report (the “Report”) has been prepared in accordance with Part Six of the IFR and relates to the financial year ending on 31st of December 2024.

Since 26th of June 2021, the Company abides by the prudential rules set by the IFR & IFD framework. The IFR & IFD framework addresses the prudential requirements of Class 2 and Class 3 investment firms in a more customized and risk-sensitive manner than the previous, CRR & CRD framework, and has been established with the purpose of avoiding disproportionate administrative burden on this category. Moreover, a transitional period of five years from initial implementation is allowed, where necessary, to help investment firms adjust to the new risk quantification methodologies, by enabling them to adopt gradually the Pillar I methodologies set by the IFR.

1.1.1 The Three Pillars

The Regulatory framework consists of a three “Pillar” approach:

- Pillar I establishes minimum capital and liquidity requirements, ensuring that the Company maintains at all times a sufficient amount of capital and liquid assets that are above the minimum required thresholds, calculated using prescribed methods set by the IFR.
- Pillar II (Internal Capital Adequacy and Risk Assessment - “ICARA” - Process) requires investment firms and supervisors to take a view on whether a firm should hold additional capital and/or liquid assets against risks that are not fully captured by the Pillar I process (e.g. Credit Concentration risk); those risks not taken into account by the Pillar I process (e.g. Interest Rate risk in the Banking Book, Strategic risk, Reputation risk, Regulatory Compliance risk); and factors external to the Company (e.g. business cycle effects). Pillar II connects the regulatory capital and liquidity requirements to the Company’s ICARA process and to the reliability of its internal control structures. The function of Pillar II is to provide communication between supervisors and investment firms on a continuous basis and to evaluate how well the investment firms are assessing their capital and liquidity needs relative to their risks. If a deficiency arises, prompt and decisive action is taken to restore the appropriate relationship of capital- and liquidity-to risk.
- Pillar III requires the disclosure of information regarding the key risk management objectives and policies of the Company, its risk governance, its remuneration policies and practices, as well as the results of its capital adequacy calculations, on an annual basis.

According to the IFR, the Pillar III disclosures should be provided in one medium or location, where possible. The Pillar III disclosure requirements are contained in relevant Articles of Part Six of the IFR. In addition, these disclosures must be verified by the external auditors of the CIF, in accordance with CySEC's expectations. The CIF will be responsible to submit its external auditors' verification report to CySEC, five months after the end of each financial year, at the latest. The Company makes available its annual Pillar III disclosures on its website as it does not publish its financial statements. In addition, the Company arranges for verification of these disclosures to be carried out by its external auditors and sent to CySEC.

1.2 Pillar III Disclosure Policy

The disclosures included in this Report are made on a solo basis. This Report should be read in conjunction with the audited financial statements of the Company for the year ended 31 December 2024 which are prepared in accordance with the International Financial Reporting Standards (“IFRS”). The date of this document is April 2025. Where “reference date” is mentioned, this refers to 31 December 2024.

Unless stated otherwise, all amounts are in thousands of Euro (“€” or “EUR”).

In addition, for the year under consideration the Company did not meet the criteria of a significant CIF as per CySEC’s Circular 487 and therefore, this Report does not include details regarding the Investment Policy or the Environmental, Social and Governance Risks outlined in Articles 52 and 53 of the IFR, respectively.

The following provides a summary of certain important items of the Company’s Pillar III Disclosure Policy:

1.2.1 Information To Be Disclosed

Frequency

The Company’s policy is to publish the disclosures required on an annual basis as per its obligations under the IFR.

Medium and Location of Publication

The Company’s Pillar III disclosures are published on the Company’s website. Please refer to the following link: <https://www.exness.eu/legal-documents/>.

Verification

The Company has commissioned its External Auditors to verify its Pillar III Disclosures, to be aligned with the expectations of the CySEC, which require the submission by CIFs of their External Auditor’s Pillar 3 verification report within five months following their financial year-end.

1.3 Operating environment of the Company

The geopolitical situation in Eastern Europe with the ongoing military conflict between Russian and Ukraine as well as the Israel - Gaza conflict have intensified throughout 2023. Their financial effect on the global economy and the overall business activities of the Company cannot be estimated with reasonable certainty at this stage, due to the pace at which the conflicts prevail and the high level of uncertainties arising from the inability to reliably predict the outcome. However, the Company is not directly exposed.

The Company’s Management is continuously monitoring the situation and will take appropriate actions when and if needed. As of the day of the preparation of this Report, the Company has not experienced any disruption in its operations and has evaluated contingency plans to avoid any disruptions in the foreseeable future. However, currently there is a wide range of uncertainty associated with the crisis’ possible outcomes and the economic impact depends on variables that are difficult to predict.

2 Governance and Risk Management

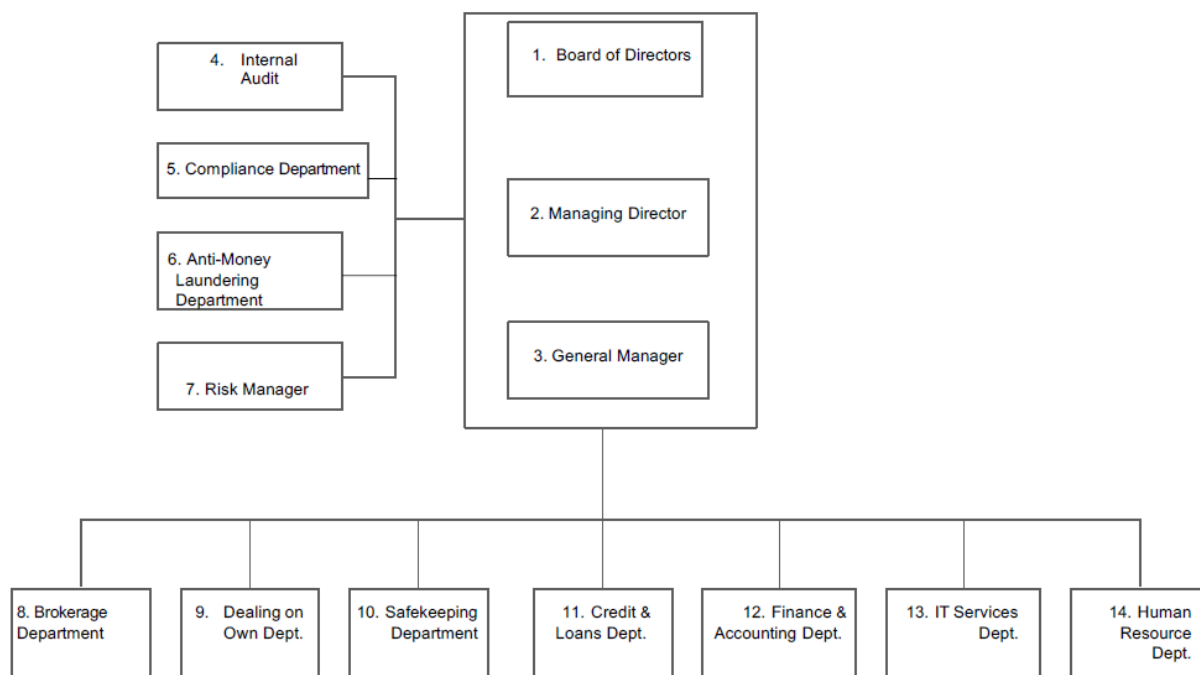
The Company’s systems of risk management and internal control include risk assessment, management or mitigation of risks, including the use of control processes, information and communication systems, as well as processes for monitoring and reviewing their continuing effectiveness.

The risk management and internal control systems are embedded in the operations of the Company and are capable of responding quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

The Company has implemented a structured framework for systematically identifying, assessing, monitoring, and reporting the risks arising from its operations.

Taking into consideration that, based on its assessment and in accordance with the provisions of CySEC Circular C487, the Company was not considered a “Significant CIF” for the year ended 31 December 2024, the establishment of Nomination, Remuneration or Risk Committee was not deemed necessary at the present stage.

2.1 Organizational Structure



2.2 The Board of Directors

The Company’s Board has the overall responsibility for the establishment and oversight of the Company’s Risk Management Framework. The Board satisfies itself that financial controls and systems of risk management are robust.

The Company has in place the Internal Operations Manual (“IOM”) which lays down the activities, processes, duties and responsibilities of its Board, Senior Management and staff.

The Company implements and maintains adequate risk management policies and procedures which identify the risks relating to its activities, processes and systems, and where appropriate, set the level of risk tolerated by the Company. The Company adopts effective arrangements, processes and systems, in light of that level of risk tolerance, where applicable.

The Board 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 applicable Law, as subsequently amended or replaced, as well as any relevant CySEC’s requirements, and also to take appropriate measures to address any deficiencies.

In particular, when managing and/or assessing risks, the responsibilities of the **Board of Directors** can be summarized as follows:

- Ensures that the Company complies with its obligations under primary and secondary legislation. The Board ensures that the Management Body defines, oversees and is accountable for the implementation of the governance arrangements that ensure effective and prudent management of the Company, including the segregation of duties in the Company and the prevention of conflicts of interest and in a manner that promotes the integrity of the market and interest of clients.
- Has the overall responsibility for the Company and approves and oversees the implementation of the Company’s strategic objectives, risk strategy and internal governance.
- Ensures that it receives on a frequent basis, and at least annually, written reports regarding Internal Audit, Compliance, Money Laundering & Terrorist Financing, Risk Management and ICARA issues, indicating, in particular, whether the appropriate remedial measures have been taken in the event of any deficiencies.
- Reviews the process of disclosure and announcements and is responsible for providing effective supervision of Senior Management.
- Monitors the internal control mechanisms of the Company to enable prevention of activities outside the scope and strategy of the Company and of any unlawful transactions, and also ensures the identification of risks and the timely and adequate flow of information.

On 31 December 2024, the Board of the Company comprised of two Executive Directors and three Non-Executive Directors, two of which were independent.

Table 2 - Exness (Cy) Ltd Board of Directors 2024

| Name | Position |
|-------------------------|--|
| Mr. Socratis Fekkas | Managing Director, Executive Director |
| Mrs. Marina Spanou | General Manager, Executive Director |
| Mr. Andreas Tifas | Independent, Non-Executive Director (Chairman of the Board Meetings) |
| Mr. Andreas Matsas | Independent, Non-Executive Director |
| Mrs. Vaso Mavromoustaki | Non-Executive Director |

2.3 Diversity Policy for the Selection of Members of the Management Body

The Company is committed to encouraging equality and diversity among its workforce and eliminating unlawful discrimination. The aim is for its workforce to be truly representative of all sections of society and its customers, and for its employees to feel respected and able to give their best. The Company, in providing its services, is also committed against unlawful discrimination of customers or the public.

The purpose of the Company's Diversity Policy is to:

- provide equality, fairness and respect for all in its employment, whether temporary, part-time or full-time.
- not unlawfully discriminate, based on the Equal Treatment and Labor Law, protected characteristics of race or ethnical origin, religion or belief, age or sexual orientation in the field of employment.
- not unlawfully discriminate and treat equally, based on the Disabled Persons Law , people with disabilities.
- oppose and avoid all forms of unlawful discrimination. This includes in pay and benefits, terms and conditions of employment, dealing with grievances and discipline, dismissal, redundancy, leave for parents, requests for flexible working and selection for employment, promotion, training, or other developmental opportunities.

The Company's Diversity Policy is fully supported by Senior Management and has been agreed with trade unions and/or employee representatives.

2.4 Number of Directorships held by Board Members

All members of the Board commit sufficient time to perform their functions in the Company. The number of directorships which may be held by a member of the Board at the same time shall take into account individual circumstances and the nature, scale and complexity of the Company's activities. In accordance with Section 9(4) of the Law, unless representing the Republic, members of the Board of a CIF that is significant in terms of its size, internal organization and the 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:

- one executive directorship with two non-executive directorships
- four non-executive directorships.

As previously mentioned, based on Company's internal assessment in relation to the conditions triggering "significance" under the Law and as per CySEC's Circular 487, the Company did not consider itself to be a significant CIF for the year ended 31st of December 2024, therefore the aforementioned limits on directorships did not apply.

The table below provides the number of directorships each member of the Company's Management body held at the same time in other entities, including the position in the Company, 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 3 - Number of directorships held by the Company’s Board members

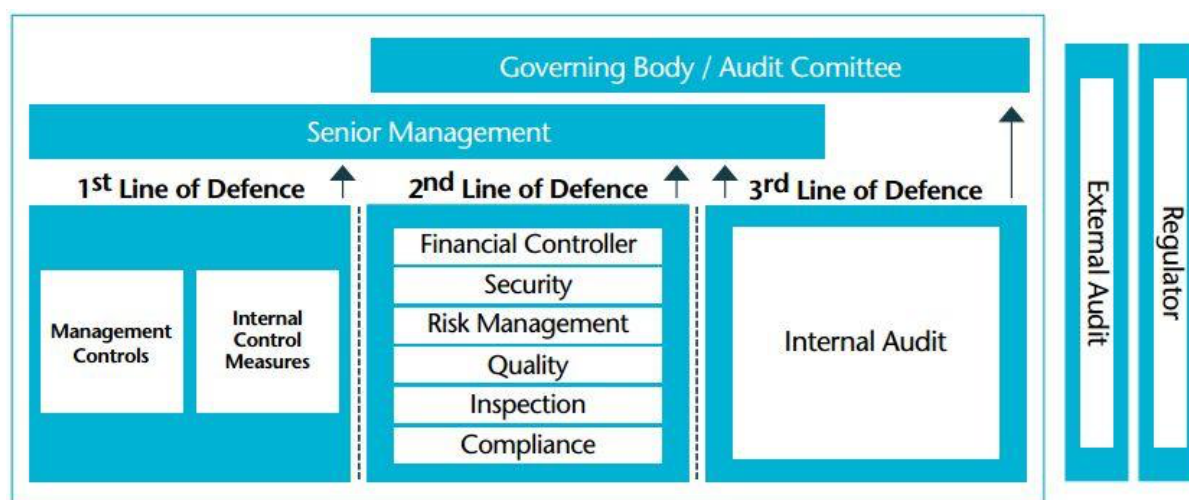
| Name | Position | Executive Directorships | Non-Executive Directorships |
|-------------------------|---------------------------------------|-------------------------|-----------------------------|
| Mr. Socratis Fekkas | Managing Director, Executive Director | 1 | 2 |
| Mrs. Marina Spanou | General Manager, Executive Director | 1 | - |
| Mr. Andreas Tifas | Independent, Non-Executive Director | 1 | 4 |
| Mr. Andreas Matsas | Independent, Non-Executive Director | - | 2 |
| Mrs. Vaso Mavromoustaki | Non-Executive Director | 1 | 1 |

Note: The information presented in the table above is based on representations made by the Directors of the Company as at the time of preparation of this Report.

2.5 Risk Management

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 in the achievement of its strategic objectives.

To ensure effective risk management, the Company has adopted the Three Lines of Defence model, with clearly defined roles and responsibilities.



Source: Chartered Institute of Internal Auditors

First Line of Defence - Management: Operational management is responsible for maintaining effective internal controls and performing risk and control activities on a daily basis. They identify and assess risks, implement mitigation strategies, and ensure internal policies and procedures are aligned with the company’s objectives.

Second Line of Defence - Risk Management and Compliance: The Risk Management and Compliance functions support management in overseeing and ensuring that risks are effectively controlled. They monitor the implementation of risk management practices, help define target risk exposure, and report risk-related information. The Compliance function specifically monitors adherence to laws and regulations and reports potential concerns to Senior Management.

Third Line of Defence - Internal Audit: Internal Audit provides independent assurance to the Board and Senior Management that the activities of the first and second lines are consistent with expectations. They evaluate and improve the effectiveness of risk management, controls, and governance processes, offering advice and recommendations to strengthen the Company's overall risk framework.

2.5.1 Risk Management Framework and Policy

As already mentioned, risk is an inherent element of the Company's operations and external environment. To achieve its strategic objectives and ensure long-term sustainability, the Company recognizes that effective risk management is essential. This framework is designed to integrate risk management into all levels of the organization, with particular emphasis on empowering front-line teams to actively participate in risk identification and mitigation.

The risk management is a continuous process, integrated within the Company's existing business procedures. Risk management is multidimensional, encapsulated by the culture, processes and structures that are directed towards realising potential opportunities whilst managing adverse scenarios involving the following key steps:

- Communicate and consult
- Establish the context
- Identify risks
- Analyse and evaluate risks
- Mitigate risks
- Monitor and review

The risk identification process is a fundamental component of the Company's overall Risk Management Framework. The Company utilizes a structured and collaborative approach to risk identification, ensuring all potential risks are recognized and addressed in a timely manner. The following process is followed:

- Regular Risk Reviews
- External Risk Sources
- Risk Reporting from Internal Audits
- Scenario Analysis and Stress Testing
- Risk Identification in New Initiatives
- Emerging Risk Monitoring

The Board meets on a regular basis (at least quarterly) and receives updates on risk and regulatory capital matters from Management. The Board reviews regularly (at least annually) written reports concerning compliance, risk management and internal audit policies, procedures and work, as well as the Company's risk management policies and procedures as implemented by the Management.

As part of its business activities, the Company faces a variety of risks, the most significant of which are described further below. The Company holds regulatory capital against three all-encompassing main types of risk: Risk to Client, Risk to Market and Risk to Firm.

The Risk Management and Procedures Manual 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 Manager and other key parties. It also outlines key aspects of the risk management and control process and identifies the main

monitoring and reporting procedures.

In addition, it describes the processes and mechanisms that are in place to manage and mitigate 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, the Execution of Clients' orders and the Trading on the Company's behalf.

2.5.2 Risk Appetite Statement

The Risk Appetite defines the extent of risk the Company is prepared and capable of accepting to achieve its mission and strategic objectives, ensuring a balanced approach to risk and return. The Risk Appetite Statement ("RAS") aims to align the Company's risk-taking activities with its overall strategy and business model. It establishes the Company's risk tolerance levels in pursuing its business operations and strategic goals, while ensuring these remain within its risk-bearing capacity.

The RAS incorporates high-level principles and Key Risk Indicators ("KRIs") designed to alert the Company and its Management to emerging risk concerns, prompting appropriate remedial actions. Predefined boundaries are embedded within the Company's risk management and reporting framework, ensuring that risk exposure stays within established thresholds.

The RAS is applicable to the Company, its Management and employees, who are expected to adhere to it consistently in the performance of their daily responsibilities. It also extends to third parties to whom Exness outsources critical functions or operations. The Company takes all necessary measures to ensure such parties are informed of the latest RAS, its meaning and its purpose.

The Board is responsible for approving the RAS, as well as any important updates that need to be made to it from time to time, and carries ultimate responsibility for overseeing its implementation by the Company's Management and staff, and by external parties to which the Company's functions and/or operations are outsourced. The Board is also responsible for establishing the risk appetite, monitoring the risk profile, and ensuring alignment between them. It ensures that the Company considers the relevant types and levels of risks and allocates adequate resources for their management and control. Senior Management is liable for achieving the desired risk profile and managing risks on an ongoing basis.

The Company recognizes that achieving its strategic objectives requires a disciplined approach to risk-taking, guided by a clearly defined Risk Appetite established by its Board. This Risk Appetite balances the necessity of pursuing growth opportunities with the imperative of managing risks effectively to safeguard shareholder value. While the Company strives to mitigate risks, it acknowledges that controls can provide reasonable, but not absolute, assurance against significant losses.

The Board has set specific limits on the levels of risk the Company is willing to accept during its operations. These limits, integrated within the Company's risk management processes and reporting practices, ensure alignment with the defined Risk Appetite. Any breaches of these thresholds trigger corrective actions to realign exposures with the approved risk parameters. This disciplined approach promotes a proactive risk management culture, focusing on continuous monitoring and adherence to established boundaries.

The RAS is a critical tool in guiding the Company's governance and decision-making processes. It articulates both qualitative and quantitative parameters that frame the Company's risk-taking philosophy. Qualitative statements set the tone for risk tolerance across key areas, while quantitative metrics enable precise monitoring of compliance with risk thresholds. Together, these elements provide

a structured approach to shaping the Company's risk profile.

Additionally, the RAS contributes to building a risk-aware culture. By embedding risk considerations into daily operations, the Company ensures that decision-making at all levels reflects its commitment to sustainable growth and resilience. The RAS also underscores the importance of aligning risk-taking with long-term strategic goals, providing a comprehensive framework for managing uncertainties in a dynamic operating environment.

Among the wide spectrum of risks, the Company considers the following risks as the most material to its financial position and viability:

- Regulatory Risk
- Operational Risk
- Liquidity Risk
- Concentration Risk
- Market Risk
- Strategic Risk

Further to the above, the Company incorporates a set of qualitative indicators designed to assist in monitoring risk and ensuring adherence to the risk appetite established by the Board. These metrics serve as practical tools to guide the Company in maintaining its risk exposure within approved boundaries. To achieve this, a structured process has been implemented to regularly track and assess these quantitative risk appetite metrics and thresholds against the defined risk capacity and tolerance limits.

2.5.3 Risk Culture

The Company promotes a strong risk culture throughout the organization. The aim is to help reinforce the Company's resilience by encouraging a holistic approach to the management of risk and return throughout the organization, as well as the effective management of the risk, capital and reputational profile. The Company actively takes risks in connection with the business and as such the following principles underpin the risk culture within the organisation:

- Risk is taken within a defined risk appetite.
- Every risk taken shall be approved within the Risk Management Framework.
- Risk taken needs to be adequately compensated.
- Risk should be continuously monitored and managed.

Employees at all levels are responsible for the management and escalation of risks. The Company expects all employees to exhibit behaviours that support a strong risk culture. To promote this, the policies require that behaviour assessment is incorporated into the performance assessment and compensation processes of employees. The Company has communicated the following risk culture behaviours through various communication vehicles:

- Being fully responsible for our risks.
- Being rigorous, forward looking and comprehensive in the assessment of risk.
- Inviting, providing and respecting challenges.
- Trouble shooting collectively.
- Placing the Company and its reputation at the heart of all decisions.

2.6 Risk Management Function

The Company operates a dedicated Risk Management function under which the Risk Manager is responsible for implementing the Risk Management Policy, as this is defined and approved by the Board.

The Management Body appoints the Risk Manager to ensure that all the different types of risks taken by the Company remain in compliance with the applicable law and the obligations of the Company, and that all the necessary procedures, relating to risk management are in place. The Risk Manager reports to the Management Body of the Company and is responsible, among others, for:

- complying and implementing the relevant provisions of the applicable law, relating to risk management issues.
- educating and training the personnel of the Company on risk-related issues.
- examining the capital adequacy and the exposures of the Company.
- drafting written reports to the Management Body including recommendations as well as indicating in particular whether the appropriate remedial measures have been undertaken in the event of any deficiencies, at least annually. These reports are presented to the Management Body and discussed during its meetings, at least annually.
- managing the overall risks faced by the Company, with a particular focus on the client side risks where fraud, dispute, client identification and due diligence and funding/deposit risks are handled and monitored accordingly in coordination with the MLCO, as applicable.
- engaging into and fulfil his/her ICARA related duties and responsibilities as these are detailed in the ICARA Report of the Company.
- preparing and submitting to the Board the Annual Risk Management Report.

For the year under review, the Company outsourced the Risk Management Function to a reputable firm.

2.7 Compliance Function

The Management Body ensures regulatory compliance through a comprehensive and pro-active compliance strategy. To this end, the Management Body appoints a Compliance Officer in order to establish, implement and maintain adequate and effective policies and procedures, as well as appropriate systems and controls designed to detect any risk of failure by the Company to comply with its obligations. Further to this, the Compliance Officer is responsible to put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer reports to the Management Body of the Company.

The Compliance Officer is independent and has the necessary authority, resources, expertise and access to all relevant information.

The Compliance Officer is responsible, among others, for the following:

- Liaising with all relevant business and support areas within the Company.
- Monitoring and assessing the level of compliance risk that the Company faces, taking into account the investment and ancillary services provided, as well as the scope of financial instruments traded and distributed.
- Monitoring on a permanent basis and assessing, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures put in place, and the actions taken to address any deficiencies in the Company's compliance with its obligations.
- Advising and assisting the relevant persons responsible for carrying out the investment services to be in compliance with the applicable law.
- Preparing and presenting to the Board the Annual Compliance Report.

2.8 Anti-Money Laundering Compliance Function

The Management Body retains a person to the position of the Company's Anti-Money Laundering Compliance Officer (hereinafter the "AMLCO") to whom the Company's employees report their knowledge or suspicion of transactions involving money laundering and terrorist financing. The AMLCO belongs to the higher hierarchical levels of the Company so as to command the necessary authority.

The AMLCO leads the Company's Anti-Money Laundering Compliance procedures and processes and reports to the Senior Management of the Company.

The main responsibilities of the AMLCO include, inter alia, the following:

- to design, based on the general policy principles of the Company, the internal practice, measures, procedures and controls relevant to the prevention of money laundering and terrorist financing, and describe and explicitly allocate the appropriateness and the limits of responsibility of each department that is involved.
- to develop and establish the clients' acceptance policy and submit it to the Board for consideration and approval.
- to detect, record, and evaluate, at least on an annual basis, all risks arising from existing and new clients, new financial instruments and services and update and amend the systems and procedures applied by the Company for the effective management of the aforesaid risks.
- to provide advice and guidance to the employees of the Company on subjects related to money laundering and terrorist financing.
- to acquire the knowledge and skills required for the improvement of the appropriate procedures for recognising, preventing and obstructing any transactions and activities that are suspected to be associated with money laundering or terrorist financing.
- to train the Company's employees on AML matters.
- to prepare and submit to the Board the Anti-Annual Money Laundering Compliance Report.

The AMLCO function discharges its responsibilities properly and independently.

2.9 Internal Audit Function

The role of the Internal Audit function is the 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 Management Body of the Company.

The Internal Auditor is responsible for applying the Internal Control System (hereinafter, the "ICS"), which confirms the accuracy of the reported data and information. Furthermore, the role of the Internal Auditor is the programming, on an at least annual basis (as applicable), of checks on the degree of application of the required ICS.

The Internal Auditor has clear access to the Company's personnel and books. Likewise, the Company's employees have access to the Internal Auditor for the reporting of any significant deviations from the guidelines provided. The Board ensures that internal audit issues are considered when presented to it by the Internal Auditor and appropriate actions are taken. The Board ensures that all issues are dealt with and prioritized according to the Board's assessment.

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 Internal Auditor's annual report to the Board for review and approval.

2.10 Risk Management Strategies and Capital Management

The Company deploys several risk management strategies in order to control its risks, which include maximum overall exposure levels and value at risk indicators. These strategies are designed to ensure that risks are effectively managed within the Company's defined Risk Appetite and aligned with its long-term objectives. The objectives of the risk management strategy are the following:

- To protect the Company's assets, reputation, and long-term sustainability by systematically identifying and managing risks across all business functions.
- To ensure that risk-taking is aligned with the Company's strategic goals and Risk Appetite, facilitating informed decision-making.
- To continuously improve risk management practices, ensuring resilience in the face of emerging and evolving risks.

Key elements of the risk management strategy are the risk identification, risk assessment and risk mitigation and control.

The Company manages its capital structure and makes adjustments to it in light of changes in economic conditions and the regulatory environment. The Capital Management framework of Exness is designed to manage its capital needs on a permanent basis. The Company has in place internal guidance in order to ensure that the capital adequacy ratio remains well above the regulatory minimum thresholds. This is achieved through the regular monitoring of the financial and capital position of the Company. In addition, the Company ensures that it maintains its liquid resources at sufficient levels that exceed the minimum liquidity requirement Article 43 of IFR.

The primary objective of the Company's capital management is to ensure that it maintains a strong credit standing and healthy capital ratios over and above all applicable thresholds, in order to support its business and maximize shareholder value.

2.11 Internal Capital Adequacy and Risk Assessment (ICARA) Report

The ICARA is embedded to the core of the Company's operations and comprises as well as aligns the Company's overall Risk Management System, Governance Framework, ICS, the definition of its financial budget and corporate strategy, and the alignment of those with the Company's available capital and the risks faced. The ICARA serves as a valuable risk management tool which ensures that the Company's Risk Management Framework receives the necessary attention from all the related functions/personnel of the Company and ensures the forging of a robust organization by promoting a risk-averse culture within the Company. The Company has included the Internal Liquidity Adequacy Assessment Process

(ILAAP) within its ICARA.

The Board and the Senior Management ensure the appropriate design, adoption and implementation of the Company's ICARA, by performing their ICARA related duties and responsibilities as these are detailed in the ICARA Report of the Company.

The ICARA Report is drafted and reported to the Board, at least on an annual basis. The ICARA Report is also comprehensively and formally documented. The ICARA Report is also submitted to CySEC upon request of the latter, for the performance of the Supervisory Review and Evaluation Process ("SREP").

3 Own Funds

Own Funds (also referred to as capital resources) is the type and level of regulatory capital that must be held to enable the Company to absorb losses. The Company is required to hold Own Funds in sufficient quantity and quality in accordance with the IFR & IFD prudential framework, which sets out the characteristics and conditions for Own Funds.

The Company throughout the year under review managed its capital structure in light of the changes in the economic and business conditions and the risk characteristics of its activities. During the 12-month accounting period to 31 December 2024, the Company complied fully with all capital and liquidity requirements and operated well within the regulatory requirements.

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 (CET1) capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

1. CET1 capital of at least 56% of Minimum Own Funds Requirements.
2. CET1 capital and Additional Tier 1 Capital of at least 75% of Minimum Own Funds Requirements.
3. CET1 capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Minimum Own Funds Requirements.

Tables 4 and 5 have been prepared using the format set out in 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. Table 4 presents the composition of the Company's Own Funds as at 31 December 2024, while Table 5 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date. As shown below, the Company's Own Funds as of 31 December 2024 consisted solely of CET1 capital resources and amounted to €6.520K.

Table 4 - Template EU IF CC1.01 - Composition of Regulatory Own Funds

| Template EU IF CC1 | | | |
|--------------------|--|---------------------|---|
| Ref | Own Funds component | 31 Dec 2024 (€'000) | Source based on reference numbers/letters of the Balance Sheet in the audited Financial Statements (cross reference to EU IF CC2) |
| 1 | OWN FUNDS | 6.520 | |
| 2 | TIER 1 CAPITAL | 6.520 | |
| 3 | COMMON EQUITY TIER 1 CAPITAL | 6.520 | |
| 4 | Fully paid up capital instruments | 40 | Ref. 1 (Shareholders' Equity) |
| 5 | Share premium | 6.033 | Ref. 2 (Shareholders' Equity) |
| 6 | Retained earnings | 538 | Ref. 4 (Shareholders' Equity) |
| 8 | Other reserves | (29) | Ref. 3 (Shareholders' Equity) |
| 10 | Adjustments to CET1 due to prudential filters | (0) | |
| 27 | CET1: Other capital elements, deductions and adjustments | (63) | Ref. 1 & 2 (Assets) |
| 28 | ADDITIONAL TIER 1 CAPITAL | - | |
| 40 | TIER 2 CAPITAL | - | |

Table 5 - Template EU IF CC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the Audited Financial Statements

| Template EU IF CC2 | | | |
|--------------------|--|--|------------------------------|
| (€'000) | | Balance Sheet as in audited Financial Statements | Cross reference to EU IF CC1 |
| | | | |
| Ref | | | |
| | Total Assets | 8.868 | |
| | of which: | | |
| 1 | CYSEC Investor Compensation Fund (Financial assets at fair value through other comprehensive income) | 57 | Ref 27 |
| 2 | Additional Cash Buffer (part of Cash and cash equivalents) | 6 | Ref 27 |
| | | | |
| | Total liabilities | 2.286 | |
| | | | |
| | Total Shareholders' Equity | 6.582 | |
| | of which: | | |
| 1 | Share capital | 40 | Ref. 4 |
| 2 | Share premium | 6.033 | Ref. 5 |
| 3 | Other reserves | (29) | Ref. 8 |
| 4 | Retained earnings | 538 | Ref. 6 |

4 Minimum Capital Requirements

Under the IFR & IFD framework, Class 2 investment firms are required to derive their Minimum Capital Requirements by taking the highest of the Fixed Overheads Requirement (“FOR”), the Permanent Minimum Capital Requirement (“PMCR”) and the K-factors that apply to each investment firm.

4.1 Fixed Overhead Requirement (“FOR”)

The Company monitors its FOR at least on a quarterly basis. The Company complies with Article 13 of the IFR, according to which the Company shall hold own funds of at least one quarter of its fixed overhead expenses, based on the most recent audited annual financial statements after distribution of profits . The FOR as at 31 December 2024 amounted to €488K.

4.2 Permanent Minimum Capital Requirement (“PMCR”)

The Company monitors its Own Funds on a continuous basis and ensures that they remain above the Permanent Minimum Capital Requirement of €750K, which corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

4.3 K-Factor Requirement

The Company’s K-factor requirement is calculated in accordance with Articles 16 through to 33 of the IFR.

Table 6 below breaks down the Pillar I Minimum Capital Requirements that the Company was required to hold as of 31st of December 2024.

Table 6 - Minimum Capital Requirements

| Minimum Capital Requirements | | |
|---|-------|-----------------------------|
| K-Factor Requirement | | 31 December 2024 (€'000) |
| Risk-to-Client (RtC) | k-AUM | - |
| | k-CMH | 9 |
| | k-ASA | - |
| | k-COH | - |
| Risk-to-Market (RtM) | k-NPR | 791 |
| | k-CMG | - |
| Risk-to-Firm (RtF) | k-TCD | 7 |
| | k-DTF | 12 |
| | k-CON | - |
| Total K-Factor Requirement | | 818 |
| Fixed Overhead Requirement – FOR | | 488 |
| Permanent Minimum Capital Requirement – PMCR | | 750 |

Table 6 above shows that the total K-Factor requirement of €818K is the highest amount and constitutes the Minimum Capital Requirement that the Company must hold at all times.

Table 7 below presents the components of the Company’s Capital Adequacy Ratio as at the end of 2024. As it can be seen, the Company’s Own Funds comprised entirely of CET1 capital and amounted to €6.520K, thus exceeding the minimum capital requirement of €818K, resulting to a capital surplus of €5.702K. This is reflected by a Capital Adequacy Ratio of 797% which exceeded the minimum required threshold of 100% set out in Article 9(1)(c) of IFR.

Table 7 - Capital Excess/Ratio

| 31 December 2024 | (€'000) | Reference |
|---------------------------------------|----------------|--------------------------------|
| Capital | | |
| Common Equity Tier 1 | 6.520 | |
| Additional Tier 1 | - | |
| Tier 2 | - | |
| Total Own Funds | 6.520 | a |
| Own Funds Requirement | | |
| K-factor Requirement | 818 | b |
| Fixed Overhead Requirement | 488 | c |
| Permanent Minimum Capital Requirement | 750 | d |
| Minimum Own Funds Requirement | 818 | e = (higher of b, c, d) |
| Capital Excess/Ratio | | |
| Capital Excess | 5.702 | a-e |
| Capital Ratio | 797% | a/e |

5 Principal Risks

As part of its business activities, the Company faces a variety of risks, the most significant of which are described further below.

5.1 Risk to Client

Risk to Client (“RtC”) is the risk covering the business areas of investment firms from which harm to clients can conceivably be generated in case of problems.

There are four K-factors under RtC:

- **K-AUM (Assets Under Management)** 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. During the year under review, the Company did not provide portfolio management or investment advice services, thus the Company was not subject to the risk relating to this K-factor.
- **K-CMH (Client Money Held)** 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 whether arrangements exist to ensure that client money is safeguarded in the event of bankruptcy, insolvency, or entry into resolution or administration of the investment firm. As part of its business, the Company holds and safeguards funds on behalf of its customers, in order to enable them to perform transactions in financial instruments, and to this end, it is subject to the risk captured by this K-factor.
- **K-ASA (Assets Safeguarded and Administered)** 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 their own balance sheet or in third-party accounts. For the year under review, the Company’s clients traded solely in CFD products, which due to their inherent nature are captured under K-CMH, thus this K-factor did not apply to the Company.
- **K-COH (Client Orders Handled)** 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. The Company executes its clients’ orders by acting as principal to their trades, therefore the risk reflected by this K-factor does not apply. It is noted that these orders are captured under K-DTF.

5.1.1 K-CMH

The Company holds clients’ funds as part of its day-to-day trading operations. As such, the Company has in place adequate arrangements to safeguard the clients’ rights and prevent the use of client funds for its own account. Further to the above, the Head of Safekeeping Department is responsible for ensuring that the Company does not mix its own funds with clients’ funds in accordance with the client money rules set out in the CySEC’s Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

The client bank accounts are segregated from the bank accounts of the Company and the external auditors of the Company report annually to CySEC on the adequacy of arrangements so as to safeguard the clients’ ownership rights and to prevent the use of the client funds for the Company’s own account.

5.2 Risk to Market

Risk to Market (“RtM”) is the risk that an investment firm poses to the financial markets it operates in and the counterparties it trades with.

- **K-NPR (Net Position Risk)** captures the exposure towards Market risk, which is defined as the risk that the value of an investment will decrease due to changes in market factors (such as currency fluctuations, changes in interest rates and movements in equity and commodity prices). K-NPR is measured according to the Pillar I rules that apply under the CRR for Market risk exposures arising from an investment firm’s positions in interest rate instruments, equities, foreign exchange and commodities. The Company’s exposure to Market risk at any point in time depends primarily on short-term market conditions and client activities during the trading day. The Company is subject to Market Risk as a result of its trading activities where it acts as a counterparty to its clients’ CFD transactions as well as from its on-balance sheet assets and liabilities that are denominated in a currency other than its reporting currency (the euro).
- **K-CMG (Clearing Margin Given)** - This is an alternative to K-NPR to provide for Market risk for trades that are subject to clearing as set out in Article 23 of 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. This K-factor was not applicable to the Company for the year ended 31 December 2024.

5.2.1 K-NPR

As already mentioned, the Company’s exposure to Market risk at any point in time depends primarily on short-term market conditions and the levels of client activity. The Company implements market position limits for operational efficiency and does not take proprietary positions based on an expectation of market movements. These limits are regularly reviewed and closely monitored to ensure compliance. As a result, not all net client exposures are hedged, and the Company may have a substantial net position in any of the financial markets in which it offers products. The Company aims to set market position limits and actions that reflect its risk appetite, for each financial instrument or markets in which the Company’s clients can trade.

The Company continually monitors its Market risk exposure against these limits so that relevant action is initiated. This can include the initiation of appropriate hedging strategies or limit locks, without any more exposure being accepted.

- **Market Price Risk**
Market Price risk is the risk that the value of financial instruments will fluctuate as a result of changes in market prices. As mentioned above, the Company is exposed to fluctuations in market prices on its open positions on CFDs. The exposure is constantly monitored by the Risk Management department. If there is significant exposure, then immediate actions are taken by the Risk Management department to mitigate it. As there is a broad client base, with its different trading strategies, “natural hedging” is achieved to a considerable extent.
- **Interest Rate Risk**
Interest Rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. The Company considers that it is exposed, to some extent, to interest rate risk in relation to its bank deposits. The Company's income and operating cash flows are substantially independent of changes in market interest rates as the Company has no significant interest-bearing assets. The Company's Management monitors the interest rate fluctuations on a

continuous basis and acts accordingly.

- **Foreign Exchange Risk**

Foreign Exchange risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. It arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's measurement currency (i.e. Euro). The Company is exposed to foreign exchange risk arising from various currency exposures primarily with respect to the US Dollar, British Pound and Japanese Yen. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

As at 31 December 2024, the Company did not have any proprietary open positions in CFDs other than FX CFDs.

5.3 Risk to Firm

Risk to Firm ('RtF') is the risk that an investment firm faces through its trading activity and market participation.

There are three K-factors under RtF:

- **K-TCD (Trading Counterparty Default)** captures the Counterparty Credit Risk arising from an investment firm's exposure to the default of its trading counterparties for specified Trading Book transactions, where such transactions include but are not limited to derivatives such as CFDs. In particular, TCD means the exposures in the Trading Book of an investment firm in specific instruments and transactions (includes positions with both clients and liquidity providers), giving rise to the risk of trading counterparty default. As at 31 December 2024, the Company was subject to this risk but to a very limited extent, as a result of its positions in equity CFDs opened in the process of executing clients Over-The-Counter transactions on a principal basis, which were small in number and volume.
- **K-DTF (Daily Trading Flow)** captures the Operational Risk related to the value of trading activity that an investment firm conducts. It reflects the risk of transactions that an investment firm enters through dealing on own account or executing orders on behalf of clients in its own name. This applies to the Company, as its permissible services include dealing on own account, and as previously mentioned, during 2024 the Company executed a small number of trades on a principal basis.
- **K-CON (Concentration Risk)** seeks to apply additional own fund requirements to manage concentration to a single counterparty or an issuer of financial instruments, or to a group of connected counterparties/issuers to which an investment firm incurs Trading Book exposures, and which exceed prescribed limits. Concentration risk is partly being addressed through diversification of counterparties, namely banking institutions. The Company's experience in the collection of trade receivables has never caused debts which are past due and have to be impaired. The Company regularly monitors debts overdue. In addition, as at 31 December 2024 the prescribed K-CON limits were not exceeded. Hence, the Company considers that its exposure to this K-factor for the referenced period was maintained at low levels.

5.3.1 K-TCD

For the referenced year the Company's TCD risk resulted from its open CFD positions towards its clients, which were classified into the Trading Book. The Company offers a real-time mark-to-market leveraged trading facility where clients are required to deposit collateral (margin) against positions, which acts as a mitigant for its TCD risk. Any profits and losses generated by clients are credited and debited automatically to their account.

5.3.2 K-DTF

The Company is primarily exposed to Operational risks regarding potential system/trading platform failures or delays, inadequate or failed internal processes, people, systems or external events, as well as other risks such as Fraud, Legal, Physical and Environmental risks. The Company is partially dependent on third parties, including its own Group, for the key technological systems, infrastructure suppliers, data providers and data sources.

The Company's operations are highly dependent on technology and advanced information systems. Its ability to provide its clients with reliable, real-time access to its systems is fundamental to the success of its business. This dependency upon technology exposes the Company to significant risk in the event that such technology or systems experience any form of damage, interruption or failure. Where the Company is dependent upon providers of data, market information, telephone and internet connectivity, the Company mitigates against the risk of failure of any of these suppliers by ensuring that, where possible, multiple providers and data routes are utilized. 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.

The Company has business continuity procedures and policies in place which are designed to allow it to continue trading in its core markets. Its systems are designed to mitigate the risk of failure of any component, enabling it to continue to function in the event of an incident, adverse event or business disruption.. Furthermore, the Company has developed a Key Risk Indicators' framework enabling it to monitor at regular intervals its performance versus key business areas.

6 Other Risks

6.1 Reputation Risk

Reputation risk is the current or prospective risk to earnings and capital arising from an adverse perception of the image of the Company on the part of customers, counterparties, shareholders, investors or regulators. Reputation risk could be triggered by poor performance, the loss of one or more of the Company's key directors, the loss of large customers, poor customer service, fraud or theft, customer claims, legal action and regulatory fines.

The Company has transparent policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. The possibility of having to deal with customer claims is very low as the Company provides high quality services to customers.

6.2 Strategic Risk

Strategic risk could occur as a result of adverse business decisions, improper implementation of decisions or lack of responsiveness to changes in the business environment. The Company's exposure to Strategic risk is moderate as policies and procedures to minimize this type of risk are implemented in the overall strategy of the Company.

6.3 Business Risk

Business risk 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 are 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.

6.4 Capital Management Risk

Capital Management risk is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard its 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 and liquid assets. This ultimately ensures the going concern of the Company. Such procedures are explained in the Risk Management and Procedures Manual of the Company.

The Company is further required to report on its capital adequacy quarterly. Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements. This is achieved through monitoring on a monthly basis its financial and capital positions.

6.5 Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with relevant laws and directives issued by its supervisory body. If materialized, Regulatory risk could trigger the effects of Reputation and Strategic risk. The Company has documented procedures and policies based on the requirements of

relevant laws and directives issued by the Commission, which can be found in the Risk Management and Procedures Manual. 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. Therefore, the risk of non-compliance is considered to be very low.

6.6 Legal and Compliance Risk

Legal and Compliance Risk could arise as a result of breaches or non-compliance with legislation, regulations, agreements or ethical standards and could have an effect on earnings and capital. The probability of such risks occurring is relatively low due to the detailed internal procedures and policies implemented by the Company and regular reviews conducted by the Internal Auditors. The structure of the Company is such as to promote clear coordination of duties and 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 at least once per quarter to discuss such issues and any suggestions to enhance compliance implemented by the Management.

6.7 IT Risk

IT risk could occur as a result of inadequate information technology and processing, or it could arise from an inadequate IT strategy and policy or from insufficient use of the Company's information technology. Policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, the use of the internet and anti-virus protection in order for materialization of this risk to be minimized to the lowest possible degree.

6.8 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.

The Company maintains a Risk Appetite threshold in regard to its Liquid Assets, which is closely monitored for ensuring that actions will be taken prior a potential breach of its regulatory requirement. The Company monitors and reports the level of its liquidity position through the IF Class 2 form through CySEC's XBRL format on a quarterly basis or when the need arises (i.e. failure to comply with its minimum liquidity requirement).

In accordance with the CySEC's client money rules, the Company holds in segregated, clearly designated as clients' money bank accounts, all the funds of its clients. Therefore, the Company considers Liquidity risk in relation to all clients' trading activity to be significantly low. According to Article 43 of IFR, the Company is required to maintain liquid assets (proprietary, not client-related) equal to at least one third of its Fixed Overheads Requirement. As at 31 of December 2024 the Company had available liquid assets amounting to €7.132K, which exceeded the minimum threshold of €163K, and hence satisfied the Liquidity Requirement.

6.9 Credit Risk

Credit risk arises from all transactions that were actual, contingent or potential claims against any counterparty, borrower, obligor, or issuers. These transactions are typically part of traditional non-trading activities or direct trading with client. In addition, the Company is exposed to concertation risk arising from its banking book exposures. Nevertheless, in accordance with the IFR/IFD framework there are no limits on the banking book exposures under Pillar I risks. In this respect, the Company takes into consideration the level of its banking book concertation risk it's exposed to, during its ICARA Report.

7 Remuneration Policy

The Company has established a remuneration policy in accordance with the relevant legal and regulatory requirements, in a way and to the extent that it is appropriate to the Company's size, internal organization and the nature, scope and complexity of its activities.

In brief, the purpose of the remuneration policy is to set out the remuneration practices of the Company. Remuneration means all forms of payments or benefits provided directly or indirectly by the Company to its personnel and "Relevant Persons" in the provision of investment and/or ancillary services to clients.

The Company defines 'Relevant Persons' as the persons who can have a material impact on the service provided and/or corporate behavior of the firm, including persons who are client-facing front-office staff and/or other staff indirectly involved in the provision of investment and/or ancillary services whose remuneration may create inappropriate incentives to act against the best interests of their clients.

Therefore, Relevant Persons include:

- Senior Management, risk takers, staff engaged in control functions and any employee receiving total Remuneration that takes them into the same remuneration bracket as Senior Management, risk takers whose professional activities have a material impact and whose remuneration may create inappropriate incentives to act against the best interests of the Company's clients;
- Non-executive members of the Board of Directors, the Heads of the Departments (i.e. key management personnel); and
- Outsourcing service providers and any specialist financial education providers (i.e. third party service providers of online training to clients).

The remuneration policy aims to provide for sufficient incentives so as for the personnel of the Company, including "Relevant Persons", to achieve the business targets, to deliver an appropriate link between reward and performance, whilst at the same time consisting of a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and miss-selling practices in light of financial incentives, which could lead to compliance risks for the Company in the long-run.

The Board of the Company approves the Remuneration Policy and has overall responsibility for the implementation, monitoring and review of this Policy, while it is also responsible for the maintenance of the Policy up to date and thus ensures the review and update of the Policy where necessary. In addition, the Company's Management is responsible to ensure that all persons remunerated by the Company have knowledge of and understand the Remuneration Policy.

It is noted that the Company, for the year under review, has taken into account its size, internal organization and the nature, the scope and the complexity of its activities and it does not deem necessary the establishment of a Remuneration Committee.

7.1 Remuneration System

The Company's remuneration system inevitably takes into account the highly competitive sector in which the Company operates, and the considerable number of resources the Company invests in each member of the staff. Thus, the Company considers remuneration as a significant method of attracting and retaining key employees whose talent can contribute to the Company's short- and long-term success; whilst simultaneously ensuring that the clients' interests will not be impaired by the

remuneration policies and practices adopted by the Company in the short, medium and long term.

Based on the Company's Remuneration Policy there are two different types of remuneration, fixed and variable. Relevant Persons are prohibited to be remunerated only with variable components. The Relevant Persons' total remuneration consists of a fixed component and may include a variable component.

The fixed component represents a sufficiently high proportion of the total remuneration to enable the operation of a fully flexible policy on variable remuneration components, including the ability of paying no variable remuneration component.

It is noted that, the ratio between the fixed and variable components of the remuneration is appropriate in order to take into account the best interest of the clients. The Company ensures that in case there is variable remuneration, the variable component does not exceed 100% of the fixed component of the total Remuneration.

The remuneration mechanisms employed are well-known management and human resources tools that take into account the following factors in order to determine the remuneration of each staff member:

- The financial viability of the Company;
- The general financial situation and the state in which the Company operates;
- Each employee's personal objectives (such as personal development, compliance with the Company's systems and controls, compliance with regulatory requirements, commitment and work ethics) performance evaluation and the rating received based on their performance in relation to the objectives set up at the beginning of the period;
- Each employee's professional conduct with clients (such as acting in the best interest of the client, fair treatment of clients and inducing client satisfaction), as applicable.

Additionally, the Company's remuneration includes all forms of benefits provided by the Company to its staff and can be financial or non-financial, as per below:

- **Financial Remuneration** (i.e. cash, wage increases), and/or
- **Non-Financial Remuneration** which includes the following:
 - Career progression
 - Health Insurance
 - Subscription to the Gym
 - The use of a corporate automobile

Fixed Remuneration

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 qualifications, 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.

The Company's fixed remuneration is approved by the Senior Management for all the relevant employees and it is reviewed by the Company at least annually and according to the relevant legislation without affecting the other terms of employment.

Variable Remuneration

The Company has in place a “variable remuneration scheme” whereby the Relevant Persons may receive variable remuneration in addition to their monthly fixed salary/fixed fee (as well as in case of third-party service providers) according to the results of the relevant person’s performance appraisal.

Nevertheless, the Company does not award, pay or provide guaranteed variable remuneration.

The Variable remuneration is provided when qualitative criteria are fulfilled in according with the remuneration policy.

7.2 Performance Appraisal

The Company ensures that, where remuneration is linked with performance, the total amount of remuneration is based on a combination of the performance assessment of:

- the individual (quantitative as well as qualitative criteria-except those who perform their duties on Control Functions where only qualitative criteria apply- are taken into account; performance evaluation and performance rating are taken into account),
- the business unit concerned, and
- the overall results of the Company and provided that conflicts of interest are mitigated, as described in the remuneration policy.

The Company implements a performance appraisal program, mainly to foster talent and promote healthy competition amongst personnel, which is based on a set of Key Performance Indicators and Targets, developed for each department.

In general, performance appraisal is performed in order to ensure that the appraisal process is based on longer-term performance and that in the future (i.e. when applicable), the actual payment of performance-based components of remuneration will be spread over a period which will take into account the Company’s underlying business cycle and risks.

Additionally, performance appraisal on medium and short-term is being performed as follows:

- Objectives can be set in the beginning of each year, semi-annually or quarterly (depending on the department appraisal process), defining what the Company functions, departments and individuals are expected to achieve.
- Performance checks and feedbacks: Managers provide support and feedback to the concerned staff, during formal or informal performance reviews; the aim is to assist the staff to develop their skills and competencies.
- Performance review: The variable elements of the remuneration depend on the performance evaluation of each employee, the fulfilment of their performance-related targets and the financial performance of the Company.

7.3 Remuneration of Senior Management Personnel and Directors

The remuneration of the Senior Management is intended to ensure that the Company will attract and retain the most qualified Executive Board members. Moreover, the remuneration of the Company’s non-executive directors is fixed and it is set at a level that is aligned to the market and reflects the qualification and competencies required based on the Company’s size and complexity, the responsibilities and the time that the non-executive directors are expected to consume in order to serve the Company.

The remuneration of the Senior Management personnel of the Company, including Board and Revenant Persons are shown in the following table:

Table 8 - Quantitative information on remuneration by Exness (CY) Ltd

| Description | No. of beneficiaries | Fixed Remuneration €'000 | Variable Remuneration €'000 |
|-------------------|----------------------|-----------------------------|--------------------------------|
| Senior Management | 8 | 712 | 708 |
| Relevant Persons | 1 | 34 | 5 |
| Total | 9 | 746 | 713 |

Notes:

1. The ‘Senior Management’ category includes the Executive Directors (who hold the titles of Managing Director & Head of Brokerage Department, General Manager & Head of Compliance Department) and Non-Executive Directors, Head of Dealing on Own Account Department and the Chief Financial Officer. The ‘Relevant Persons’ category includes the Head of AML Function who also holds the position of Compliance Assistant.
2. The variable remuneration paid by the Company during 2024 was entirely in the form of cash.

Furthermore, the Company for members of Senior Management and Revenant Persons:

- Awarded deferred variable remuneration in 2024 amounting to €330K to members of Senior Management and €97K to Relevant Persons, which was paid in early 2025.
- Awarded during 2023 deferred variable remuneration of €5K to members of Senior Management and to Relevant Persons respectively, which was paid in early 2024.
- Did not award any guaranteed variable remuneration during 2024.
- Did not award any severance payments in previous periods, that have been paid out during 2024.

The Company has awarded a severance payment in 2024 to a Senior Management personnel.

5. Appendix I – Main Features of Own Funds

Table 9 - Template EU IF CCA: Own Funds: Main features of own instruments issued by the Company

| Template EU IF CCA | | Common Equity Tier 1 instruments |
|--------------------|--|----------------------------------|
| 1 | Issuer | Exness (CY) 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 | Ordinary Shares |
| 6 | Amount recognised in regulatory capital (in EUR) | EUR 40K |
| 7 | Nominal amount of instrument | EUR 1 each |
| 8 | Issue price (in EUR) | EUR 1 each |
| 9 | Redemption price | N/A |
| 10 | Accounting classification | Shareholders' equity |
| 11 | Original date of issuance | 02/09/2011 |
| 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 | N/A |
| | <i>Coupons / dividends</i> | |
| 17 | Fixed or floating dividend/ coupon | Floating |
| 18 | Coupon date 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 | No |
| 23 | Non-Cumulative or cumulative | Non-cumulative |
| 24 | Convertible or non-convertible | Non-convertible |
| 25 | If convertible, conversion trigger(s) | N/A |
| 26 | If convertible, fully or partially | N/A |
| 27 | If convertible, conversion rate | N/A |
| 28 | If convertible, mandatory or optional conversion | N/A |
| 29 | If convertible, specify instrument type convertible info | 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 |