Independent Assurance Report to the Cyprus Securities and Exchange Commission (the “CySEC”) in respect of Payward Europe Digital Solutions (CY) Limited (ex I.F. Greenfields Wealth Ltd) for the year ended 31 December 2025

We report in relation to the fair presentation of the disclosures of Payward Europe Digital Solutions (CY) Limited (ex I.F. Greenfields Wealth Ltd) (the “Company”) for the year ended 31 December 2025, pursuant to the letter sent by the CySEC to Investment Firms on 4 April 2023 (the “Letter”).

The disclosures required under Part Six of the Regulation (EU) 2019/2033 of the European Parliament and of the Council of 27 November 2019 on the prudential requirements of investment firms and amending Regulations (EU) No 1093/2010, (EU) No 575/2013, (EU) No 600/2014 and (EU) No 806/2014 (the "IFR"), and the Law to Provide for the Prudential Supervision of Investment Firms ("L.165(I)/2021") of the Cyprus Securities and Exchange Commission (the “Disclosure requirements”) (the “Disclosures”) are attached as an Appendix and have been initialed for identification purposes.

Respective Responsibilities

The Company’s Board of Directors is responsible for the preparation and fair presentation of the Disclosures to enable the Company to comply with the Disclosure Requirements.

Our responsibility is to express an independent limited assurance conclusion on whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the Disclosure Requirements.

Our Independence and Quality Control

We have complied with the independence and other ethical requirements of the International Code of Ethics for Professional Accountants (including International Independence Standards) issued by the International Ethics Standards Board for Accountants (IESBA Code), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour.

Our firm applies the International Standard on Quality Management 1 and, accordingly, maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards, and applicable legal and regulatory requirements.

Scope of work performed

We conducted our work in accordance with the International Standard on Assurance Engagements (ISAE) 3000 (Revised) “Assurance Engagements other than Audits or Reviews of Historical Financial Information”, issued by the International Auditing and Assurance Standards Board. This Standard requires that we plan and perform our work to obtain limited assurance whether any matters have come to our attention that cause us to believe that the Disclosures are not fairly presented, in all material respects, in accordance with the Disclosure Requirements.

Our procedures included verifying, on a sample basis, the compliance of the Disclosures with the Disclosure Requirements, as well as obtaining evidence supporting certain of the amounts and notifications included in the Disclosures. Our procedures also included an assessment of any significant estimates made by the Company's Board of Directors in the preparation of the Disclosures. We believe that our procedures provide a reasonable basis for our conclusion.

The procedures performed do not constitute either an audit or review made in accordance with International Standards on Auditing or International Standards on Review Engagements, and hence we do not express any assurance other than the statement made below. Had we performed an audit or a review in accordance with International Standards on Auditing or International Standards on Review Engagements, other matters might have come to our attention that would have been reported to you.

Conclusion

Based on the procedures we have performed and the evidence we have obtained, nothing has come to our attention that causes us to believe that the Disclosures for the year ended 31 December 2025 are not fairly presented, in all material respects, in accordance with the Disclosure Requirements.

Purpose and Restriction on use

Our report, including the conclusion, has been prepared solely for the purpose as set out above and for your information, and is not to be issued for any other purpose or to be distributed to any other parties without our prior consent in writing. This report relates only to the Disclosures and does not extend to any financial statements or other financial information of the Company.

PricewaterhouseCoopers

PricewaterhouseCoopers Limited
Certified Public Accountants and Registered Auditors

Limassol, 30 July 2026

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Payward Europe Digital Solutions (CY) Limited

PILLAR III DISCLOSURES

Public disclosures in accordance with Part Six of Regulation (EU) 2019/2033
on the prudential requirements of investment firms

FOR THE YEAR ENDED 31 DECEMBER 2025

PAYWARD EUROPE DIGITAL SOLUTIONS (CY) LTD

June 2026

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DISCLOSURE

The Disclosure and Market Discipline Report for the year 2025 has been prepared by Payward Europe Digital Solutions (CY) Ltd (ex. I.F. GREENFIELDS WEALTH LTD) according to Investment Firm Regulation, Regulation (EU) 2019/2033 ("IFR") that came into force on 26 July 2021, in particular Part Six of the IFR.

Payward Europe Digital Solutions (CY) Ltd states that any information that was not included in this report was either not applicable on the Company's business and activities or such information is considered as proprietary to the Company and sharing this information with the public and/or competitors would undermine its competitive position.

Payward Europe Digital Solutions (CY) Ltd is supervised and regulated by the Cyprus Securities and Exchange Commission under License 342/17.

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1. INTRODUCTION

1.1. Company Information

Table 1.1: Company information

Company's Information	
CIF Authorization date	13/11/2017
CIF License number	342/17
Company Registration Date	09/06/2016
Company Registration Number	HE 356603
Services During Reporting Period	

Investment Services:

- Reception and transmission of orders in relation to one or more financial instruments
- Execution of orders on behalf of clients
- Dealing on own account

Ancillary Services:

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

The present report is prepared by Payward Europe Digital Solutions (CY) Ltd (hereinafter referred to as "PEDSL" and or the "Company"), a Cyprus Investment Firm ("CIF") authorized and regulated by the Cyprus Securities and Exchange Commission ("CySEC") under the license number 342/17 and operates in accordance with the Markets in Financial Instruments Directive ("MiFID II").

It should be noted that during 2024, the company I.F. Greenfields Wealth Ltd was under acquisition by Payward Europe Ltd which was approved by CySec in December 2024. Following the approval, the company changed its name to Payward Europe Digital Solutions (CY) Ltd and revised its product offering which did not include CFD's, the main product offered by the company prior to the acquisition.

1.2. Scope of application

In relation to Part Six of the IFR, which came into force on 26 July 2021, the Company is required to disclose information relating to its risk management objectives and policies, own funds, own funds requirements, governance and remuneration policy and practices as Pillar III Disclosures ("Report").

The information contained in the Report is audited by the Firm's external auditors and published on an annual basis.

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The Report is based on the Audited Financial Statements of the previous year which are prepared in accordance with IFRS.

1.3. Pillar III Regulatory framework

1.3.1. Overview

The Report has been prepared in accordance with the regulatory regime for investment firms adopted by the European Parliament, the IFR and the IFD as well as the relevant provisions of the Law 165(I)/2021 "The Prudential Supervision for Investment Firms Law of 2021" (the "Law") as well as "The Capital Adequacy Investment Firms Amending Law of 2021", Law 164(I)/2021.

The Company is categorised as a 'Class 2 Firm' and supervised for compliance with prudential requirements under Directive (EU) 2019/2034 in relation to the following:

a) own funds requirements relating to quantifiable, uniform and standardised elements of risk-to-firm, risk-to-client and risk-to-market;

b) requirements limiting concentration risk;

c) liquidity requirements relating to quantifiable, uniform and standardised elements of liquidity risk;

d) reporting requirements related to points (a), (b) and (c);

e) public disclosure requirements.

The IFR introduces new requirements in relation to the classification of investment firms, own funds, own funds requirements, capital ratios, internal governance, and the establishment of the K-factors as a new methodology for calculating the own funds requirement.

The current regulatory framework comprises three pillars:

- **Pillar I** - covers the minimum own funds and liquidity requirement.
- **Pillar II** - covers the Supervisory Review and Evaluation Process ("SREP") and the Internal Capital Adequacy and Risk Assessment Process ("ICARA").
- **Pillar III** - covers external disclosures that are designed to provide transparent information on regulatory capital adequacy, capital requirements and risk management and internal governance practices and policies.

1.3.2. Disclosure Policy

The Pillar III Disclosure Report (the 'Report') has been prepared on an individual (solo) basis in accordance with the requirements laid out in Part Six of Regulation (EU) 2019/2033 (the 'IFR'). The Report is published on the Company's website and coincides with the finalisation of the Company's audited financial statements for the year ended 31 December 2025. As the

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Company does not publicly publish its financial statements, the Report serves as the primary public disclosure of the Company's risk and capital position.

Materiality is based on the criterion that the omission or misstatement of information would be likely to change or influence the decision of a reader relying on that information for the purpose of making economic decisions. Where the Company has considered a disclosure to be immaterial, this was not included in the document.

1.3.3. Frequency

The Company`s policy is to publish the disclosures required on an annual basis. The frequency of disclosure will be reviewed should there be a material change in approach used for the calculation of capital, business structure or regulatory requirements.

1.3.4. Medium and location of publication

Institutions may determine the appropriate medium, location and means of verification to comply effectively with the disclosure requirements. In this respect, the Pillar III disclosures will be published on the Company's website.

1.3.5. Verification

The Pillar III disclosures are subject to internal review and validation prior to being submitted to the Board for approval. In addition, Pillar III disclosures must be verified by the external auditors of the Company and the audited report needs to be submitted to CySEC.

1.4. Risk management policy, objectives, and risk culture

The Company's Risk Management Policy establishes a formalised, systematic and principles-based approach to identifying, managing and monitoring the risks inherent in its activities. It sets out the risk framework, codifies the core risk operating principles and defines the roles and responsibilities of risk stakeholders. As a subsidiary of Payward Inc. (dba Kraken), the Company maintains its own risk management framework while taking the Group's enterprise-level risk assessments into account, and it remains responsible for and in control of its own risk management.

The Company's objective is to manage its risk profile on a proportionate, risk-based basis — regularly conducting risk assessments for business-impacting risks, new products and emerging risks, and ensuring compliance with CySEC requirements and Article 23 of Delegated Regulation (EU) 2017/565. The Risk Management Function supports this by maintaining the framework that guides risk assessment (policy, process guidance, documentation standards, risk categorisation and scoring) and reports to the Board and Senior Management at least annually.

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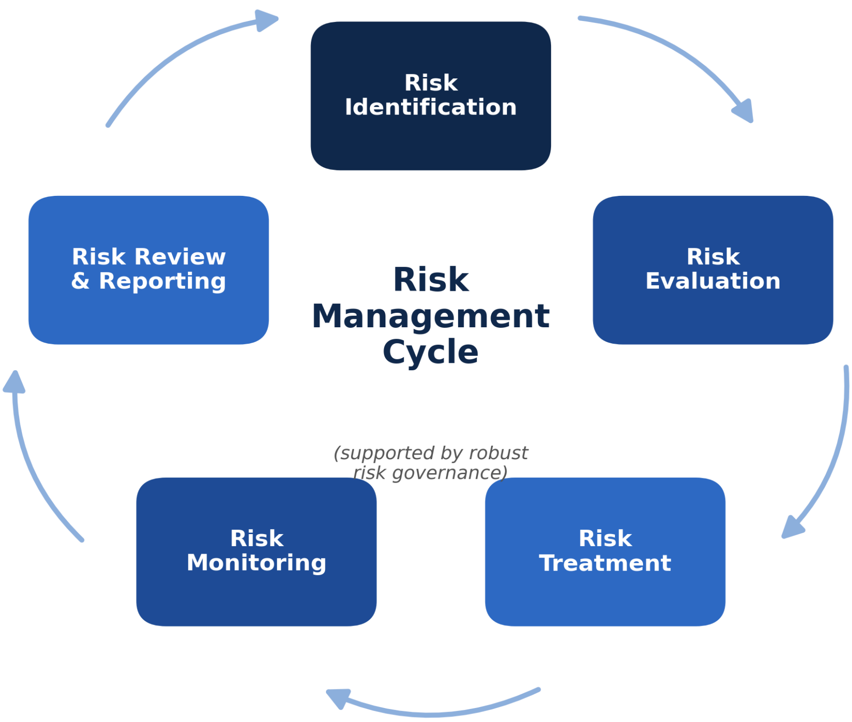
The Company's approach to risk management is systematic, structured, transparent and documented; iterative and responsive to change; subject to periodic review and continual enhancement; and reported in a timely, comprehensive, accurate and actionable way. All identified risks are managed proportionately to their size, all mitigation activity is evidenced ("show me rather than tell me"), and risks are measured using qualitative and quantitative measures where possible. Risk management operates as a continuous cycle, risk identification, evaluation, treatment, and monitoring and reporting (including escalation), supported by robust risk governance. Inherent risk is scored as impact × likelihood, control effectiveness is then applied to derive residual risk, and residual risk is the focus of the Board's oversight.



Risk Management Cycle

The role of the Risk Management Function is to establish an operating risk framework that defines and communicates the risk culture of the Company. The framework consists of five elements:

- Risk Appetite (the level of risk the Company will accept, articulated in the Risk Appetite Statement and reviewed annually);
- Risk Register (a multi-tiered risk inventory maintained in the GRC system of record, with entity-specific Level 4 risks for PEDSL-CY);
- Risk Metrics (key risk indicators with defined thresholds providing early indication of risk relative to appetite);

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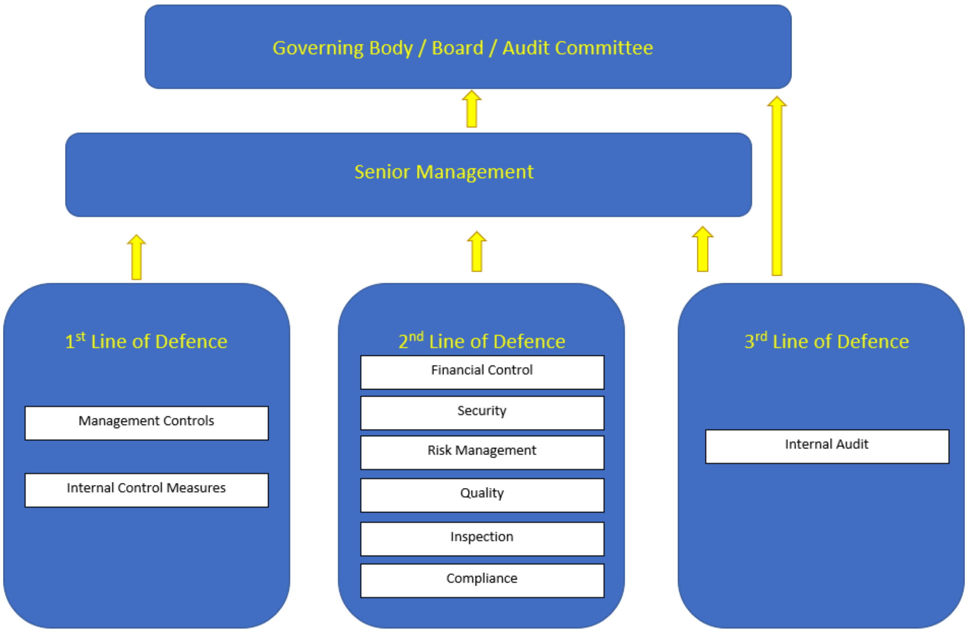
- Risk Education (promoting a firm-wide culture of risk awareness and clarifying ownership and escalation paths); and
- Governance.

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

First Line (business): Managers are responsible for establishing an effective control framework within their area of operation and identifying and controlling all risks.

Second Line (Risk Management, Compliance and Legal): The Risk Management Function is responsible for proposing to the Board appropriate objectives and measures to define the risk appetite and for devising the suite of policies necessary to control the business and independently monitoring the risk profile. The Risk Management Function, in coordination with the Compliance function, is identifying risk areas, detecting areas for monitoring, and developing policies to formalise risk assessment, mitigation, and monitoring.

Third Line (Internal Audit): The Internal Audit Function is responsible for providing assurance to the Board on the adequacy of design and operational effectiveness of the systems of internal controls.



Furthermore, the Company has established an effective risk oversight structure and the necessary internal organisational controls to ensure that the Company undertakes the following:

- The adequate risk identification and management
- The establishment of the necessary policies and procedures

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- The setting and monitoring of the relevant limits and
- Compliance with the applicable legislation

The Board meets at least on a quarterly basis and receives regular updates on risk, capital adequacy, and regulatory matters, including the Company's K-factor requirements, liquidity position, and Internal Capital and Risk Assessment (ICARA) outcomes. The Board reviews written reports prepared by the Compliance, Risk Management, and Internal Audit functions covering policies, procedures, and ongoing activities, and is responsible for approving the Company's risk management framework and overseeing its implementation by senior management.

Additionally, the Board is reviewing and approving the risk strategy of the Company, building a robust risk culture so the Company can implement its strategy within its risk appetite. Part of the risk culture of the Company includes:

- Implementation of the risk culture in all departments and aspects of the Company.
- Conducting firm-wide risk assessments.
- Changes and/or updates in policies and procedures.
- Changes in key personnel.
- Training.

1.5. Risk Statement

The Company's activities expose it to a variety of financial and non-financial risks. The principal risks identified through the Company's ICARA process include credit risk, market risk, operational risk, and liquidity risk, alongside conduct risk, compliance risk, regulatory risk, reputational risk, business risk, and strategic risk. Each risk is assessed in terms of its likelihood and potential capital impact, with mitigating controls and capital allocations documented within the ICARA.

The Company's risk profile is influenced by broader macroeconomic and geopolitical conditions, including ongoing conflicts (e.g. the Ukrainian-Russian and Middle East conflicts) and evolving EU regulatory requirements, to the extent that these affect client activity levels, market volatility, and the firm's revenue and cost base. The Company monitors these developments as part of its ongoing risk management process and incorporates relevant stress scenarios into its capital planning.

Risk Strategy

The risk strategy of the Company is the responsibility of the Board, which formulates it and is responsible for monitoring its implementation. This is achieved through the development of risk management processes and procedures as well as through an assessment of the risks undertaken and the effectiveness of the risk management framework, given the Company’s

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business model. By implementing the strategy, the Company is able to mitigate its exposure to these risks.

Risk Appetite

The Risk Appetite Statement defines the level and nature of risk the Company is prepared to take in pursuit of its mission and vision. In areas where it has discretion, the Company embraces certain risks in order to maintain agility and address the evolving landscape of financial markets, including digital assets. Risk appetite is defined and Board-approved across the Company's main risk categories, consistent with the Payward Group Enterprise Risk Management framework, so that strategic decisions align with the approved appetite for each risk.

The Company classifies its risks under six Level 1 categories — Operational; Security & Technology; Financial & Balance Sheet; Legal & Regulatory; Strategic; and Reputational — and has integrated the IFR/IFD standards into the framework, including capital and liquidity requirements, governance and reporting, and the management of concentration and operational risk.

The Risk Appetite Framework is built on six core principles:

- **Service Excellence**— reliable, accurate and timely service to clients, with a focus on continuously improving the effectiveness and efficiency of operations while minimising errors;
- **Client Success**— taking only as much risk as is appropriate to serve clients' needs prudently, efficiently and effectively over the long term;
- **Risk Awareness**— taking risks only where they are known and understood, and minimising or avoiding risk where the Company has limited experience;
- **Reputation**— no tolerance for the wilful or negligent violation of laws, regulations or policies, and avoidance of activities that could damage the Company's reputation;
- **Accountability**— the Board sets and monitors risk appetite and limits, with day-to-day management by the first line under independent second-line oversight, leveraging the three lines of defence; and
- **Sustainability**— growing only in a measured way that supports long-term strategic objectives and does not compromise the Company's ability to manage risk.

The Risk Appetite Statement is the written articulation of the aggregate level and types of risk the Board is willing to accept in pursuit of its strategic objectives and business plan, expressed through qualitative statements and quantitative limits and triggers relative to relevant metrics, so that performance and compliance can be tracked. It is prepared by the Risk Manager, approved by the Board and reviewed at least annually; the capital indicators and recovery indicators set out below are monitored against these limits and triggers.

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

The Company's quantitative key risk indicators and recovery plan indicators, with green / amber / red thresholds aligned to the Risk Appetite Statement and the Recovery Plan, are set out below:

Table 1.2: Key Risk Indicators

Indicator	Base (Green)	Amber	Red (Recovery Trigger)
Common Equity Tier 1 ratio	> 160%	120-160%	≤ 120%
Total Capital ratio	> 160%	120-160%	≤ 120%
Liquid assets / FOR requirement	> 300%	100-300%	≤ 100%
Liquid assets / total liabilities	> 100%	70-100%	≤ 70%
Single banking-counterparty concentration	< 70%	70–90%	> 90%
Cost-income ratio	< 80%	80-100%	≥ 100%
Operating losses (per year)	< €1m	€1m-3m	≥ €3m

Material Risk Exposures

During the year 2025, the Company concentrated its efforts on its change of line of business offering, further to the change of control approved by CySEC on 2 December 2024 and effected with the Registrar of Companies on 29 December 2024.

As of 31 December 2025, the Company carries material exposures on Bank Frick, as the single Banking Partner holding the company's operating cash and single-issuer concentration to Backed AG, as the issuer of the Company's xStocks inventory. In 2025, Backed AG was bought by the Payward Inc Group. These large exposures are captured in the Company's COREP calculation and additional capital is held against these positions, as required under the IFR K-Factor requirements.

Note: Client funds' are kept in segregated client accounts, as per CySEC Directive DI87-01 requirements.

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1.6. Declaration of the Management Body

The Board of Directors is ultimately responsible for the risk management framework of the Company. The Risk Management framework is the sum of systems, policies, processes, and employees of the Company that identify, assess, mitigate, and monitor all sources of risk that could have a material impact on the Company's operations.

The Board of Directors approves in full the adequacy of Risk Management arrangements of the institution providing assurance that the risk management systems in place are adequate with regards to the institution's profile and strategy.

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2. CORPORATE GOVERNANCE

The systems of risk management and internal control include risk assessment, management or mitigation of risks, use of control processes, information and communication systems and processes for monitoring and reviewing their effectiveness. The risk management and internal control systems are embedded in the operations of the Company and can respond quickly to evolving business risks, whether they arise from factors within the Company or from changes in the business environment.

2.1. The Board of Directors

The Board has the overall responsibility for the establishment and oversight of the Risk Management Framework. The Company has in place the Internal Operations Manual which describes the activities, processes, duties and responsibilities of the Board, Committees, Senior Management, and employees. The Board additionally implements and maintains adequate risk management policies and procedures which identify the risks relevant to the Company and sets the level of risk tolerated by the Company.

The Company's Non-executive Directors are experienced professionals that may be invited to participate in other companies` boards from time to time. The number of directorships held by the members of the Board shall in those cases not exceed the maximum number allowed.

In line with this, the Company is responsible to approve and monitor its Board members in terms of conflicts of interest, as well.

The following table summarizes the number of positions that each member held (including the one in PEDSL) on 31 December 2025:

Table 2.1: Directors' Positions held

Name	Position in the CIF	Directorships (Executive)	Directorships (Non-Executive)
Stephanos Angeli	Executive Director	1	4
Sotiris Konstantinou	Executive Director	1	2
Alexia Theodorou	Executive Director	1	0
Marios Chrysanthou	Independent Non-Executive Director	0	1
Yiannis Menelaou	Independent Non-Executive Director	1	1

2.2. Board Recruitment

The Company and its shareholders rely on a strong Board; therefore, they carefully evaluate the recruitment of all Directors and ensure appropriate succession planning. The persons proposed for the appointment need to have specialised skills and/or knowledge to enhance the

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collective knowledge and experience of the Board. The Senior Management is assigned the responsibility to review the qualifications of potential director candidates and make recommendations to the existing Board to ensure selecting the most appropriate candidate. The following comes into consideration:

- Skills and/or knowledge in accounting, finance, banking, law, and business administration
- Sufficient knowledge and experience in the financial industry
- Integrity, honesty, and the ability to secure public confidence
- Sound business judgment
- Risk management experience

2.3. Policy on Diversity

The Company recognizes the value of a diverse and skilled workforce and management body, as diversity is an asset to organizations and linked to better economic performance.

The Company considers itself diverse regarding its main workforce and has in place a diversity policy in relation to its management body and all employees. The Company while assessing diversity should consider the following aspects:

- Educational and professional background
- Gender (to ensure gender balance)
- Age (to ensure adequate representation of population)
- Geographical provenance (to ensure sufficient knowledge and views on the culture, market specificities and legal frameworks of the areas the Company is active in)

2.4. Policy on Information flow on risk to the management body

In line with the regulatory requirements, the Company has been able to maintain a good reporting flow, as it can be seen below:

Table 2.2: Information to the Management Body

Report Name	Owner of Report	Recipient	Frequency
Audited Financial Statements	External Auditor	Board, CySEC	Annually
Risk Management Report	Risk Manager	Board, CySEC	Annually
Risk Register	Risk Manager	Board	Annually
Anti-money laundering Officer`s Report	Anti-money laundering officer	Board, CySEC	Annually
Internal Auditor`s Report	Internal Auditor	Board, CySEC	Annually
Market Discipline and Disclosures	Risk Manager	Board	Annually
Compliance Officer`s Report	Compliance Officer	Board, CySEC	Annually
Internal Capital Adequacy Assessment Process Report	Risk Manager	Board	Annually
Suitability Report	External Auditor	Board, CySEC	Annually

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Capital Adequacy Form IF Class2 Ind	Risk Manager	Board, CySEC	Quarterly
Capital Adequacy Form 165-01	Risk Manager	Board, CySEC	Quarterly
Prudential Supervision Information Form 165-03	Risk Manager	Board, CySEC	Annually

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3. REMUNERATION

Remuneration refers to payments or compensations received for services or employment. The Company has established and implemented a Remuneration Policy which is applicable for its employees as well as its Senior Management.

Based on the above, the Policy includes the information about the base salary and any variable components of the salary that an employee or executive may receive during employment and shall be appropriate to the Company's size, internal organization and the nature, the scope and the complexity of its activities.

The Company is responsible among other things for the following:

a) to evaluate the employees performance;

b) to review the organizational structures, as and if needed;

c) to ensure the consistent and improved implementation of the conflicts of interest and conduct of business requirements in the area of remuneration;

d) to monitor implementation of the remuneration policies and practices approved by the Board;

e) to control and possibly mitigate risks that remuneration policies and practices create, if any risks are identified;

f) to ensure that the scope and purpose of the remuneration policies relate to categories of staff which include senior management, personnel in control functions and employees whose professional activities have a material impact on their risk profile;

g) to ensure that the remuneration of personnel in control functions and senior management should be independent from the business units they oversee, have appropriate authority, and be remunerated according to the achievement of the objectives linked to their functions and independent of the performance of the business areas they control.

The Company's Policies comply with the following principles, in a manner appropriate to its size, internal organisation and the nature, scope and complexity of its activities:

- The Policy promotes sound and effective risk management and does not encourage risk-taking that exceeds the acceptable levels of tolerated risks of the Company.
- The Policy is in line with the Company's business strategy, objectives, and values. The Policy has been designed to serve the Company's long-term interests, while it has incorporated measures to avoid conflicts of interest.
- The Company is responsible for ensuring the implementation of the Policy and to periodically review it and suggest changes that may be necessary for ensuring that the Company's talent is retained.

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- The implementation of the Policy is reviewed at least annually, subject to independent internal review for compliance with policies and procedures adopted by the Board.
- The remuneration of the personnel in control functions is in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they oversee.
- The remuneration of the Senior Management and personnel in control functions are directly overseen by the Board.

In relation to variable components of remuneration, it is designed to ensure that the total remuneration remains at competitive levels thus rewarding the personnel for their performance whilst remaining aligned with the department's and/or the Company's performance and long-term targets.

The total remuneration consists of fixed remuneration and possible variable remuneration components. The principles of the variable component of remuneration for these categories of employee are based primarily by qualitative criteria and secondly by quantitative criteria.

In addition to the aforementioned, the following principles for variable elements of remuneration shall also apply:

- the total amount of remuneration is based on a combination of the assessment of the performance of the individual and of the business unit concerned. The overall results of the Company when assessing individual performance and financial and non-financial criteria are also taken into account;
- the total variable remuneration does not limit the ability of the Company to strengthen its capital base;
- guaranteed variable remuneration is not consistent with sound risk management and shall not be a part of prospective remuneration plans;
- fixed and variable components of total remuneration are appropriately balanced, and the fixed component represents a sufficiently high proportion of the total remuneration to allow the operation of a fully flexible policy on variable remuneration components. This includes the possibility to pay no variable remuneration.
- payments relating to the early termination of a contract reflect performance achieved over time and do not reward failure or misconduct;
- the measurement of performance used to calculate variable remuneration components or pools of variable remuneration components includes an adjustment for all types of current and future risks and takes into account the cost of the capital and the liquidity required;
- the allocation of the variable remuneration components within the Company also considers all types of current and future risks.

Additionally, taken into consideration CySEC`s Circular C487, the Company is not obliged to establish a Nomination Committee or a Risk Management Committee as the Company is not considered as Significant CIF, as its on and off-balance sheet assets are, on average, less than EUR 100 million over the four-year period immediately preceding the given financial year.

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Table 3.1: Remuneration analysis split by Senior Management and key management personnel

2025	Number of Employees	Aggregated Fixed remuneration €000	Aggregated Fixed remuneration %	Aggregated Variable remuneration €000	Aggregated Variable remuneration %	Total remuneration €000
Senior Management	**3**	489	95.32%	24	4.68%	513
Other Staff (with material impact on the risk profile of the Company)	**9**	553	98.22%	11	1.78%	563

Note 1 : Ratio of fixed to variable remuneration (Article 51(b) IFR)

In accordance with Article 51(b) of Regulation (EU) 2019/2033 ("IFR") and Article 30(2) of Directive (EU) 2019/2034 ("IFD"), and based on the amounts disclosed in Table 3.1 above, for the year ended 31 December 2025 the **fixed component represented 96.75%** and the **variable component 3.25%** of total remuneration awarded to identified staff (senior management and other members of staff whose professional activities have a material impact on the Company's risk profile), taken together. The ratio of variable remuneration to fixed remuneration was equal to 3.36%. The Company maintains a sufficiently high fixed component to permit a fully flexible policy on variable remuneration, including the ability to pay no variable component, and the variable component is at all times within the maximum ratio set in the Company's Remuneration Policy.

Note 2: Additional qualitative and quantitative remuneration information (Article 51(c)(ii)–(vii) IFR)

The following is disclosed in respect of senior management and other identified staff (key management personnel) for the year ended 31 December 2025, in accordance with Article 51(c), points (ii) to (vii), of the IFR:

- (ii) **Forms of variable remuneration** — All variable remuneration awarded by the Company consists solely of discretionary, performance-related bonuses ("Pay-for-Performance"). Such awards are made and settled entirely in cash and paid upfront in the period of award. No variable remuneration is awarded in shares, share-linked or other instruments, and no portion is deferred.
- (iii)–(iv) **Deferred remuneration** — The Company does not operate deferral arrangements. Accordingly, no deferred remuneration was awarded for previous performance periods (vesting in the current or subsequent years), and none was paid out or reduced through ex-post performance/risk adjustment during the year. (Nil)

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- (v) **Guaranteed variable remuneration** — No guaranteed variable remuneration (including sign-on awards or guaranteed bonuses) was awarded during the year; all variable remuneration remains fully at the Company's discretion. (Nil — 0 beneficiaries)
- (vi) **Severance payments awarded in previous periods and paid during the year** — Nil.
- (vii) **Severance payments awarded during the year** — Nil (0 beneficiaries; highest award to a single person: nil).

As a below-threshold investment firm within the meaning of Article 32(4) of the IFD (average on- and off-balance-sheet assets below EUR 100 million), the Company applies the remuneration requirements proportionately and benefits from the derogation from the obligations to defer variable remuneration and to pay a portion in instruments; accordingly points (ii)–(iv) relating to deferral and instruments are not applicable.

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4. OWN FUNDS

The implementation of the IFR and IFD has a classification system for investment firms based on their activities, systemic importance, size, and interconnectedness.

The Company is classified as a Class 2 Investment Firm and as such it should maintain own funds of at least the higher between:

- its fixed overheads requirement calculated in accordance with Article 13 of IFR;
- its permanent (initial) minimum capital requirement in accordance with Article 14 of IFR; or
- its K-factor requirement calculated in accordance with Article 15 of IFR

4.1. Initial capital requirement

Pursuant to Section 9 of the Prudential Supervision of Investment Firms Law of 2021 (Law 165(I)/2021), which transposes Article 9 of Directive (EU) 2019/2034 (IFD), the initial capital required for the authorisation of a CIF is:

- €750,000 where the CIF is authorised to provide the investment services or perform the investment activities in points (3) or (6) of Part I of Annex I to the Investment Services and Activities and Regulated Markets Law (dealing on own account; underwriting/placing on a firm commitment basis) — Section 9(1);
- €75,000 where the CIF is authorised only for points (1), (2), (4), (5) and (7) and is not permitted to hold client money or securities belonging to its clients — Section 9(3);
- €150,000 for all other CIFs — Section 9(4).

PEDSL-CY is authorised to deal on own account (point 3) and to hold client financial instruments under its safekeeping/custody permission. It therefore falls under Section 9(1), and its applicable initial capital requirement is €750,000.

4.2. Fixed Overheads requirement

The Fixed Overheads Requirement shall amount to at least one quarter of the fixed overheads of the preceding year. Investment firms shall use figures resulting from the applicable accounting framework as per the Article 13 of IFR.

Further to the above and as per the regulatory technical standards issued by the EBA, following expenses can be deducted from the fixed overheads.

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Table 4.1: Fixed overheads deductions

	Item description	Deduction
1.	Staff bonuses and other remuneration	-
2.	Employees`, directors` and partners` shares in net profits	-
3.	Other discretionary payments of profits and variable remuneration	-
4.	Shared commission and fees payable	-
5.	Fees, brokerage, and other charges paid to CCPs that are charged to customers	-
6.	Fees to tied agents	-
7.	Interest paid to customers on client money where this is at the firm's discretion	-
8.	Non-recurring expenses from non-ordinary activities	-
9.	Expenditures from taxes	-
10.	Losses from trading on own account in financial instruments	-
11.	Contract based profit and loss transfer agreements	-
12.	Expenditure on raw materials	-
13.	Payments into a fund for general banking risk	-

Further to the above the Fixed Overheads Requirement based on the Audited financial statements is €1,055k as per the tables below:

Table 4.2: Fixed overheads requirement

Item	Amount €’000
Total Expenses	4,218
Total Deductions	-
Annual Fixed Overheads of the previous year	**4,218**
Fixed Overhead Requirement	**1,055**

4.3. K-factor Capital Requirements

The K-factors are newly implemented indicators reflecting several areas of risks. According to Article 15 of the IFR, the K-factor requirement shall amount to at least the sum of the following:

a) Risk‐to‐Client (RtC) K‐factors;

b) Risk‐to‐Market (RtM) K‐factors;

c) Risk‐to‐Firm (RtF) K‐factors

The Company is classified as a Class 2 CIF and all K-factor types are relevant.

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4.3.1. RtC K-factors

The below are the K-factors which constitute the RtC K-factors with the respective coefficients.

K-AUM – Assets Under Management

AUM shall be the rolling average of the value of the total monthly assets under management, measured on the last business day of each of the previous 15 months converted into the entities' functional currency at that time, excluding the three most recent monthly values.

The K-AUM has the 0.02% coefficient.

The table below shows the Total AUM in accordance with the Article 17(1) of IFR:

Table 4.3: Total Assets Under Management

	Amount		
	December 2025 €'000	**November 2025 €'000**	**October 2025 €'000**
Total AUM (average amounts)	**-**	**-**	**-**
Of which: AUM - Discretionary portfolio management	-	-	-
Of which: AUM formally delegated to another entity	-	-	-
AUM - Ongoing non-discretionary advice	-	-	-

K-CMH: Client Money Held

CMH shall be the rolling average of the value of total daily client money held, measured at the end of each business day for the previous nine months, excluding the three most recent months.

The K-CMH for the segregated accounts has the 0.4% coefficient and the K-CMH for the non-segregated accounts has the 0.5% coefficient.

The table below shows the Total CMH values in segregated accounts and non-segregated accounts in accordance with the Article 18(1) of IFR:

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Table 4.4: Total Client Money Held

	Amount		
	December 2025 €'000	**November 2025 €'000**	**October 2025 €'000**
CMH - Segregated (average amounts)	4,130	2,307	1,065
CMH - Non-segregated (average amounts)	-	-	-

K-ASA: Assets Safeguarded and Administered

ASA shall be the rolling average of the value of the total daily assets safeguarded and administered, measured at the end of each business day for the previous nine months, excluding the three most recent months.

The K-ASA has the 0.04% coefficient.

The table below shows the Total ASA values as an arithmetic mean in accordance with the Article 19(1) of IFR:

Table 4.5: Total Assets Safeguarded and Administered

	Amount		
	December 2025 €'000	**November 2025 €'000**	**October 2025 €'000**
Total ASA (average amounts)	**130**	**30**	**12**
Of which: Fair value of financial instruments (Level 2)	130	30	12
Of which: Fair value of financial instruments (Level 3)	-	-	-
Of which: assets formally delegated to another financial entity	-	-	-
Of which: assets of another financial entity that has formally delegated to the investment firm	-	-	-

K-COH: Client Orders Handled

COH shall be the rolling average of the value of the total daily client orders handled, measured throughout each business day over the previous six months, excluding the three most recent months.

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The K-COH for the cash trades has the 0.1% coefficient and the K-COH for the derivative trades has the 0.01% coefficient.

The table below shows the arithmetic mean amount of COH in cash trades and derivatives in accordance with the Article 20(1) of IFR:

Table 4.6: Client Orders Handled

	Amount		
	December 2025 €'000	**November 2025 €'000**	**October 2025 €'000**
COH - Cash trades (average amounts)	**-**	**-**	**-**
Of which: Execution of client orders	-	-	-
Of which: Reception and transmission of client orders	-	-	-
COH - Derivative (average amounts)	**34,752**	**31,210**	**18,312**
Of which: Execution of client orders	-	-	-
Of which: Reception and transmission of client orders	34,752	31,210	18,312

4.3.2. RtM K-factors

Risk to Market (K-NPR)

The Risk-to-Market requirement is driven by the K-Net Position Risk (K-NPR) factor. The Company's net position risk arises from two sources: foreign-exchange risk on its balance-sheet exposures, which are predominantly denominated in US dollars; and equity risk on the xStocks inventory held by the Company as principal. Based on the audited Q4 2025 calculation, the K-NPR requirement is €1,557.3k (€920k on Equity Risk and €637k on FX risk).

Table 4.7: Risk to Market (K-NPR) factor

K-NPR — Risk to Market (€'000)	Q4 2025 Audited
K-Net Position Risk requirement	1,557.3

4.3.3. RtF K-factors

Risk to Firm (K-CON)

The Risk-to-Firm requirement is driven by the K-Concentration (K-CON) factor, which captures the Company's largest exposure relative to its own funds. The concentration arises

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from the Company's exposure to Backed, the issuer of the xStocks tokenised securities held as inventory; since 2025, Backed has been a Payward group company.

Risk to Firm - Daily Trading Flow (K-DTF)

The K-Daily Trading Flow (K-DTF) factor, which also forms part of the Risk-to-Firm requirement, captures the value of the Company's daily trading activity dealing on own account. Based on the audited Q4 2025 calculation, the K-DTF factor amount for cash trades is €50.5k, generating a requirement of €0.1k.

Table 4.8: Risk to Firm factor

Risk to Firm (€'000)	Q4 2025 Audited
K-CON requirement	1,286.8
K-DTF (Daily Trading Flow)	0.1
Total Risk to Firm	1,286.9

4.3.4. K-Factors requirements

Table 4.9: K-Factors requirements summary

Item	Factor amount €'000	K-factor requirement €'000
TOTAL K-FACTOR REQUIREMENT		**2,864.3**
Risk to client		**20.0**
Assets under management	-	-
Client money held - Segregated	4,129.7	16.5
Client money held - Non - segregated	-	-
Assets safeguarded and administered	129.6	0.1
Client orders handled - Cash trades	-	-
Client orders handled - Derivatives Trades	34,751.7	3.5
Risk to market		**1,557.3**
K-Net positions risk requirement		1,557.3
Risk to firm		**1,286.9**
K-Concentration (K-CON)		1,286.8
Daily trading flow (K-DTF) – Cash	50.5	0.1

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4.3.5. Own funds requirement

The Own Funds requirement is the maximum of (1) Initial Capital Requirements, (2) Fixed Overheads Requirement, and (3) K-Factors Requirement.

Table 4.10: Own funds Requirement

OWN FUNDS REQUIREMENT	€'000
Initial Capital Requirement	750
Fixed Overheads Requirement	1,055
K-Factors Requirement	2,864
Own Funds Requirement	**2,864**

4.4. Capital Requirements Ratio

Investment firms shall have 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:

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

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

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

The "D" is defined in Article 11 of IFR.

Table 4.11: Own funds requirements ratio

OWN FUNDS COMPOSITION	31/12/2025
Own Funds	**€'000**
Share Capital	4
Share Premium	2,772
Retained earnings	(2,079)
Other reserves	3,788
Deferred tax asset	(2)
Additional deductions in relation to ICF	(40)
Common Equity Tier 1 Capital (CET1)	**4,444**

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Additional Tier 1 Capital (AT1)	-
Tier 1 Capital (T1=CET1+AT1)	**4,444**
Tier 2 Capital (T2)	-
Total Capital (TC=T1+T2)	**4,444**
OWN FUNDS REQUIREMENT	**€'000**
Initial Capital Requirement	750
Fixed Overheads Requirement	1,055
K-Factors Requirement	2,864
Own Funds Requirement	**2,864**
CAPITAL RATIOS	
CET 1 Ratio	**155.1%**
Tier 1 Ratio	**155.1%**
Own Funds Ratio	**155.1%**

As at 31 December 2025, the Company's capital adequacy ratio stood at 155.1%, which is above the minimum regulatory requirement under the IFR/IFD.

4.5. Own Funds Composition

The composition of regulatory own funds are outlined in the table below:

Table 4.12: EU IF CC1.01 – Composition of regulatory own funds

	At 31 December 2025 (in €)	Amount	Source
1	**OWN FUNDS**	**4,443,902**	**22**
2	**TIER 1 CAPITAL**	**4,443,902**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**4,443,902**	
4	Fully paid up capital instruments	3,860	16
5	Share premium	2,772,090	17
6	Retained earnings	(2,079,062)	19
7	Accumulated other comprehensive income	–	
8	Other reserves	3,788,290	18
9	Minority interest given recognition in CET1 capital	–	
10	Adjustments to CET1 due to prudential filters	–	
11	Other funds	–	
12	(–) TOTAL DEDUCTIONS FROM COMMON EQUITY TIER 1	(1,696)	
13	(–) Own CET1 instruments	–	

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14	(–) Direct holdings of CET1 instruments	–	
15	(–) Indirect holdings of CET1 instruments	–	
16	(–) Synthetic holdings of CET1 instruments	–	
17	(–) Losses for the current financial year	–	
18	(–) Goodwill	–	
19	(–) Other intangible assets	–	
20	(–) Deferred tax assets that rely on future profitability and do not arise from temporary differences net of associated tax liabilities	(1,696)	4 & 20
21	(–) Qualifying holding outside the financial sector which exceeds 15% of own funds	–	
22	(–) Total qualifying holdings in undertaking other than financial sector entities which exceeds 60% of its own funds	–	
23	(–) CET1 instruments of financial sector entities where the institution does not have a significant investment	–	
24	(–) CET1 instruments of financial sector entities where the institution has a significant investment	–	
25	(–) Defined benefit pension fund assets	–	
26	(–) Other deductions	–	
27	CET1: Other capital elements, deductions and adjustments	(39,580)	2 & 21
28	**ADDITIONAL TIER 1 CAPITAL**	–	
29	Fully paid up, directly issued capital instruments	–	
30	Share premium	–	
31	(–) TOTAL DEDUCTIONS FROM ADDITIONAL TIER 1	–	
40	**TIER 2 CAPITAL**	–	
41	Fully paid up, directly issued capital instruments	–	
42	Share premium	–	
43	(–) TOTAL DEDUCTIONS FROM TIER 2	–	

Table 4.12 Composition of regulatory own funds (EU IF CC1). Source column references the row numbers of EU IF CC2 (Table 4.13).

Table 4.13: Template EU IF CC2 – Own funds: reconciliation of regulatory own funds to balance sheet in the audited financial statements

	Carrying value of items (in €)	Balance sheet as in audited financial statements	Under regulatory scope of consolidation	Cross-reference to EU IF CC1
	Assets			
1	Property, plant and equipment	190,294	190,294	
2	Investor Compensation Fund contribution	39,584	–	27
3	Lease right-of-use asset	442,195	442,195	
4	Deferred tax asset	1,696	–	20
5	Tokenised equities	5,751,887	5,751,887	

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6	Trade and other receivables	1,453,553	1,453,553	
7	Stablecoins	4,244,732	4,244,732	
8	Cash at bank	15,396,409	15,396,409	
9	**Total assets**	**27,520,350**	**27,520,350**	
	Liabilities			
10	Long-term debt, related party	14,480,688	14,480,688	
11	Lease liability, non-current	312,741	312,741	
12	Payables to related parties	7,534,974	7,534,974	
13	Lease liability, current	139,203	139,203	
14	Trade and other payables	567,566	567,566	
15	**Total liabilities**	**23,035,172**	**23,035,172**	
	Shareholders' Equity			
16	Share capital	3,860	3,860	4
17	Share premium	2,772,090	2,772,090	5
18	Contribution from shareholder	3,788,290	3,788,290	8
19	Accumulated losses	(2,079,062)	(2,079,062)	6
20	(–) Deferred tax asset relying on future profitability	–	(1,696)	20
21	(–) Investor Compensation Fund contribution and other CET1 adjustments	–	(39,580)	27
22	**Total shareholders' equity / Own funds**	**4,485,178**	**4,443,902**	1

Table 4.13: Reconciliation of regulatory own funds to the balance sheet in the audited financial statements (EU IF CC2). Cross-reference column links to the row numbers of EU IF CC1 (Table 4.12).

Notes:

- Figures are presented in euro (€) and are derived from the Company's audited financial statements for the year ended 31 December 2025 and the audited Q4 2025 COREP (Form 165-01).
- Regulatory own funds includes two CET1 deductions: the deferred tax asset relying on future profitability of €1,696, and Investor Compensation Fund / other CET1 adjustments of €39,580 (CySEC Circulars C162 and C334).

The Company also discloses the main features of the CET1 and AT1 instruments and Tier 2 instruments issued according to Article 49(b) of IFR, as outlined in the table below:

Table 4.14: EU IF CCA – Main features of own instruments issued by the firm

No.	Item	CET1 Capital
1	Issuer	Payward Europe Digital Solutions (CY) Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	2138006O8D7SV36PWU16
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Companies Law, Cap. 113

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5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (currency in million, as at most recent reporting date)	€2.776 million
7	Nominal amount of instrument	€3,860
8	Issue price	€1
9	Redemption price	N/A
10	Accounting classification	Shareholders' equity
11	Original date of issuance	09 June 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
	Coupons / dividends	
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)	Fully discretionary
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	Fully discretionary
22	Existence of step up or other incentive to redeem	No
23	Noncumulative or cumulative	Non-cumulative
24	Convertible or non-convertible	Non-convertible
25	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	N/A
32	If write-down, write-down trigger(s)	N/A

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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	N/A
37	If yes, specify non-compliant features	N/A
38	Link to the full terms and conditions of the instrument (signposting)	N/A

As a Class 2 investment firm, the Company shall report to the regulator all the following information on a quarterly and yearly basis (based on audited statements) respectively:

- Level and composition of own funds
- Own funds requirements
- Own funds requirement calculations
- The level of activity in respect of the conditions set out in Article 12(1), including the balance sheet and revenue breakdown by investment service and applicable K‑factor
- Concentration risk
- Liquidity requirements

Concentration risk

The Company as a CIF is subject to the Large Exposures Regime (Concentration Risk), as part of the IFR. As a result, the Company takes active steps to limit its exposure to groups of connected counterparties. This is subject to regular forecasting and daily monitoring and reporting. Where excesses occur, capital is set aside and the CySEC is notified.

During 2025 the Company's most significant large exposure was its single-issuer position in Backed AG, the sole supplier of the xStocks tokenised securities held as inventory — approximately €5.75m, or around 129% of own funds, capitalised through a K-CON requirement of approximately €1,287k. Backed AG has since been acquired into the Payward Inc. group; the exposure is monitored daily and constrained by inventory limits, and where excesses occur additional capital is set aside.

The Company actively monitors the limits set out by the Article 37 of IFR for other large exposures that may arise.

Liquidity requirement

Investment firms shall hold an amount of liquid assets equivalent to at least one third of the fixed overhead requirement as per Part Five of IFR.

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The instruments that are eligible to be qualified as liquid assets shall be mainly coins and banknotes and unencumbered short-term deposits (i.e. of maturity of less than 90 days if fixed term) at a credit institution. The following table represents the Company`s liquidity requirement:

Table 4.15: Liquidity Requirement

Item	€'000
Liquid Assets	15,396
Requirement (1/3 of Fixed Overheads Requirement)	352
Surplus	**15,044**

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5. INTERNAL CAPITAL ADEQUACY AND RISK ASSESSMENT PROCESS (ICARA)

Further to the Article 50 of the IFR and the Paragraph 18 of the Law 165(I)/2021 shall have in place sound, effective and comprehensive arrangements, strategies and processes to assess and maintain on an ongoing basis the amounts, types and distribution of internal capital and liquid assets that they consider adequate to cover the nature and level of risks which they may pose to others and to which the CIFs themselves are or might be exposed. The arrangements, strategies and processes shall be appropriate and proportionate to the nature, scale and complexity of the activities of the CIF concerned and they shall be subject to regular internal review.

The ICARA report is a key tool for both the Company and the regulator as it approaches the risk assessment from a holistic perspective enabling the Company to assess and match risks as much as possible, reducing its residual risk and enabling more precise future growth planning.

The Company prepares the ICARA Report on a solo basis and considers all the risks faced by the Company, their possible impact, likelihood of their mitigation and amount of capital that it needed against them.

The ICARA Report outlines how the Company has implemented and embedded the internal capital adequacy assessment process within its business, taking into consideration its risk profile, risk appetite and capital needs. Specifically, the ICARA Report includes procedures and measures adopted by the Company to ensure:

- the appropriate identification and measurement of risks;
- an adequate level of internal capital in relation to the Company's risk profile;
- the application and enhancement of the risk management and internal control systems.

The Company recognises the importance of the ICARA Report as it justifies its business strategy and risk assessments and updates its ICARA at least on an annual basis or whenever deemed necessary to reflect a material business change that would have material impact in own funds, own funds requirements, concentration risks and liquidity requirements.

5.1 Summary of ICARA findings

The key findings of the 2025 ICARA (reference date 31 December 2025) are summarised below. The Company assessed all material risks on both an inherent and a residual basis, using the PEDSL-CY risk register maintained in AuditBoard, the Q4 2025 COREP submission, the audited 2025 financial position and a forward-looking projection model, and mapped each risk to its treatment under Pillar 1 (the K-factor framework) or Pillar 2 (an internal capital overlay):

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- The Overall Financial Adequacy Requirement (OFAR) is €4,504,012, comprising the Pillar 1 own funds requirement of €2,522,600 (**based on interim Q4 2025 Pillar I calculation**) and a Pillar 2 capital overlay of €1,981,412.
- Against own funds of €4,955,960 (based on interim 2025 year end profits), this gives a capital surplus of €451,948 and an OFAR coverage ratio of 110.03%, which the Board regards as adequate while monitoring closely given the proximity to the internal amber threshold.
- The principal Pillar 1 drivers are the K-NPR and K-CON requirements on the xStocks inventory (the Company's own-account exposure) rather than client-balance K-factors, which are immaterial by comparison.
- Under Pillar 2, the largest add-on relates to operational risk, followed by reputational and strategic risk; liquidity and regulatory risk attract smaller overlays.
- Stress testing across six adverse scenarios plus a reverse stress test confirms no breach of the Permanent Minimum Capital Requirement under the standard scenarios; the binding existential threats identified are a full write-off of the Backed AG xStocks inventory (approximately €5.6m) and an operational failure of the principal banking counterparty.
- The embedded ILAAP shows business-as-usual liquidity (LATR) coverage of 3.46× and 141% coverage under a 50% client-withdrawal stress, and the wind-down assessment shows a six-month orderly exit cost of €756,000 covered 5.2× by own liquid resources.

The resulting Overall Financial Adequacy Requirement is set out below:

Table 5.1: Overall Financial Adequacy Requirement and coverage ratio

Component	Amount (€)
Pillar 1 own funds requirement (using interim Q4 2025)	2,522,600
Pillar 2 capital overlay	1,981,412
Overall Financial Adequacy Requirement (OFAR)	**4,504,012**
Own funds (31 December 2025)	4,955,960
Capital surplus above OFAR	451,948
OFAR coverage ratio	**110.03%**

Pillar 2 capital requirements

Each Pillar 2 add-on is calibrated directly to the balance-sheet exposures, income-statement metrics or K-factor magnitudes causally linked to the risk being assessed. The five Pillar 2 risk categories and their resulting capital add-ons as at 31 December 2025 are set out below:

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Table 5.2: Pillar 2 Capital Add-on

Pillar 2 Risk Category	Capital Add-On (€)
Strategic risk	336,070
Reputational risk	504,520
Liquidity risk	259,497
Regulatory risk	252,260
Operational risk	629,065
Total Pillar 2 capital overlay	**1,981,412**

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6. OTHER RISKS

6.1. Operational Risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external factors. Operational Risk includes Legal Risk but excludes Strategic and Reputational Risk. As a fully digital firm dependent on Payward Inc. group infrastructure, the principal 2025 operational drivers are cyber security, platform availability, third-party and group dependency, and safeguarding-process failure.

The following list presents some event types, included in Operational Risk, with some examples for each category:

- Internal Fraud - misappropriation of assets, tax evasion, intentional mismarking of positions, bribery and theft of the CRM from departing employees.
- External Fraud - theft of information, hacking damage, third – party theft and forgery.
- Compliance - Brand impairment, Complaint handling, third country regulator retaliation, E-commerce global taxation matters.
- Clients, Products and Business Practice - market manipulation, asymmetrical slippage, antitrust, improper trade, product defects, fiduciary breaches.

In order to control the exposure to Operational Risks, the management has established two key objectives:

- To minimize the impact of losses suffered, both in the normal course of business (small losses) and from extreme events (large losses).
- To improve the effective management of the Company and strengthen its brand and external reputation.

The Company recognises that the control of Operational Risk is directly related to effective and efficient management practices and high standards of corporate governance.

To that effect, the management of Operational Risk is geared towards:

- Maintaining a strong internal control governance framework.
- Managing Operational Risk exposures through a consistent set of processes that drive risk identification, assessment, control, and monitoring.

The Company implements the below Operational Risk Mitigation Strategies to minimize its Operational Risk Exposure:

- The development of Operational Risk awareness and culture.

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- The provision of adequate information to the Company's management, in all levels, to facilitate decision making for risk control activities.
- The implementation of a strong system of internal controls to ensure that operational losses do not cause material damage to the Company and have a minimal impact on profitability and objectives.
- The improvement of productivity, efficiency, and cost effectiveness, with an objective to improve customer service and protect shareholder value.
- Established structure and board oversight. This structure ensures the separation of power regarding vital functions of the Company namely through the existence of a Senior Management. The board further reviews any decisions made by the Senior Management while monitoring their activities.
- Detection methods are in place to detect fraudulent activities.
- Comprehensive business contingency and disaster recovery plan.

The Senior Management employ specialized tools and methodologies to identify, assess, mitigate, and monitor Operational Risk. These specialized tools and methodologies assist Operational Risk management to address any control gaps. To this effect, the following are implemented:

- Incident collection
- Key Risk Indicators
- Business Continuity Management
- Training and awareness

6.2. 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`s income and operating cash flows are substantially independent of changes in market interest rates. Other than cash at bank, which attracts interest at normal commercial rates, the Company has no other significant interest-bearing financial assets or liabilities. The Company`s management monitors the interest rate fluctuations on a continuous basis and acts accordingly.

6.3. Reputational Risk

Reputational risk is describing factors that can affect Company's reputation. It is essential for the Company to maintain an excellent reputation as it assists in keeping a positive public image and building the client base. Reputation risk can be:

- Direct – risk stemming from a clients` actions or internal issues, such as clients` complaints
- Indirect - risk resulting from the actions of the employees
- Peripheral - risk arising from the actions of business partners, e.g., Tied Agents or Liquidity Providers.

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The Company has in place policies and procedures in order to prevent the escalation of clients` complaints as the Company provides transparent and quality service to its clients. Reputational risk is elevated by the structural link to the crypto market and contagion from any adverse Payward Inc. group event.

6.4. Strategic Risk

Strategic Risk could occur due to 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.

6.5. 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 analysed and taken into consideration when implementing the Company`s strategy.

6.6. 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; these can be found in the Procedures Manual. Compliance with these procedures and policies are further assessed and reviewed by the 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 and remediation actions take place on any findings in order to mitigate the risk of non-compliance.

6.7. Legal and Compliance Risk

Compliance risk corresponds to the risk of legal, administrative, or disciplinary sanctions or material financial losses, arising from failure to comply with the provisions governing the Company’s activities. The Company shall always act in accordance with applicable regulatory rules, as well as professional, ethical, and internal principles and standards. Fair treatment of customers, with integrity, contributes decisively to the reputation of the Company.

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By ensuring that these rules are observed, the Company works to protect its customers and, in general, all its counterparties, employees, and shareholders.

The Compliance Officer verifies that all laws, regulations, and principles applicable to the Company's activities are observed, and that all staff respect the code of conduct and individual compliance. The Compliance Officer also monitors the prevention of reputational damage, performs compliance controls at the highest level and assists with the day-to-day operations.

Independent compliance policies have been set up within the Company's different business lines to identify and prevent any risks of non-compliance.

6.8. IT Risk

IT risk occurs due to inadequate information technology and infrastructure, inadequate IT strategy and policy and inadequate use of the Company`s information technology. The Company has in place policies that are describing back-up procedures, software maintenance, hardware maintenance, use of the internet and anti-virus procedures. Materialization of this risk has been minimized to the lowest possible level.

6.9. Conduct Risk

Conduct risk is defined as the risk of an action, by an individual, financial institution or the industry as a whole, which leads to customer detriment or undermines market integrity. This can bring sanctions and negative publicity to the Company. Moreover, EBA has defined conduct risk as the current or prospective risk of losses to an institution arising from inappropriate supply of financial services including cases of wilful or negligent misconduct.

Consequently, conduct risk arises from failures of designated third parties associated with the Company. Furthermore, the Company can be exposed to conduct risks arising from inadequate agreements with the third parties that hold clients' funds. The Company will continue to monitor the financial soundness of the third parties that are associated with the Company and make sure that it can justify the trading risks it undertakes, ensuring that it is in such a cash flow position that it can undertake the settlement of all trades introduced or executed or hedged by its clients. Moreover, the Company recognises the importance to ensure its clients' protection, thus, the Company has in place arrangements such as stop out limits and maintains adequate agreements with its trading partners.

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7. INVESTMENT POLICY

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

a) the proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;

b) a complete description of voting behaviour in the general meetings of companies the shares of which are held in accordance with paragraph 2 of Article 46, an explanation of the votes, and the ratio of proposals put forward by the administrative or management body of the company which the investment firm has approved; and

c) an explanation of the use of proxy advisor firms; d) the voting guidelines regarding the companies, the shares of which are held in accordance with paragraph 2 of Article 46.

According to paragraph 1 of IFR Article 52, Investment Firms which meet the criteria referred to in point (a) of Article 32(4) of Directive (EU) 2019/2034, whose average on and-off balance sheet assets over the 4-year period are less than €100m, are exempted from the disclosure requirement regarding investment policy. The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosure requirement regarding investment policy.

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8. ENVIRONMENTAL, SOCIAL AND GOVERNANCE RISKS

From 26 December 2022, investment firms shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as defined in the EBA's report referred to in Article 35 of the IFD.

The information on ESG shall be disclosed once in the first year and biannually thereafter. According to paragraph 1 of IFR Article 52, Investment Firms which meet the criteria referred to in point (a) of Article 32(4) of Directive (EU) 2019/2034, and whose average on-and-off balance sheet assets over the 4-year period are less than €100m, are exempted from the disclosure of information on environmental, social and governance risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on and off-balance sheet assets for the preceding four-year period are less than €100m and as such it meets the criteria of the paragraph 26(8) of the Law. Therefore, the Company is exempted from the disclosure requirement regarding ESG.

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