The Ultima Investments Cyprus Limited

(previously known as BrokerCreditService (Cyprus) Limited)

RISK MANAGEMENT DISCLOSURES

YEAR ENDED 31 DECEMBER 2024

MAY 2025

Disclosures in accordance with Part Six of 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

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1. Introduction

1.1 Corporate Information

The Ultima Investments Cyprus Limited, previously BrokerCreditService (Cyprus) Limited (the ''**Company**'' or "**The Ultima Cyprus**") with LEI code 5493008C22FNI0QEEF10, is authorised and regulated by the Cyprus Securities and Exchange Commission ("CySEC") as a Cypriot Investment Firm ("CIF") to offer Investment and Ancillary Services under license number 048/04 dated October 2004.

On 11 February 2025, the Registrar of Companies issued a certificate of the Company's name change following the previous approval of the name change granted by the CySEC on 9 January 2025.

The Company has the licence to provide the following investment and ancillary services:

Investment Services	Ancillary Services
Reception and transmission of orders in relation to one or more financial instruments	Safekeeping and administration of financial instruments, including custodianship and related services
Execution of orders on behalf of clients	Granting credits or loans to one or more financial instruments, where the firm granting the credit or loan is involved in the transaction
Dealing on Own Account	Advice to undertakings on capital structure, industrial strategy and related matters and advice and services relating to mergers and the purchase of undertakings
Portfolio Management	Foreign exchange services where these are connected to the provision of investment services
Underwriting of financial instruments and/or placing of financial instruments on a firm commitment basis	Investment research and financial analysis or other forms of general recommendation relating to transactions in financial instruments
Placing of financial instruments without a firm commitment basis	Services related to underwriting
	Investment services and activities as well as ancillary services where these are connected to the provision of investment or ancillary services

1.2 Pillar 3 Regulatory Framework

Regulatory framework overview

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

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

Based on the relevant provisions of the IFR & IFD framework, the Company qualifies as a Class 2 CIF and is required to hold €750K of initial capital, as per Article 14 of the IFR and Article 9 of the IFD. Furthermore, for the year under consideration the Company was classified as a significant CIF, in accordance with the criteria set by CySEC Circular C487.

The IFR/IFD framework consists of three Pillars which are used to regulate, supervise and improve the risk management of firms in the financial services industry. The three Pillars and their applicability to the Company are summarised below:

- Pillar 1 - Minimum Capital Requirements - ensures that the Company maintains at all times a sufficient amount of capital above the minimum requirement in relation to certain key risks, as calculated using prescribed methods.
- Pillar 2 – Internal Capital Adequacy and Risk Assessment ("ICARA") Process and Supervisory Review and Evaluation Process ("SREP") - ensures that the Company and its supervisor, CySEC, actively assess, control and mitigate the various risks that the Company faces.
- Pillar 3 - Market Discipline - ensures the promotion of market discipline through the disclosure of the Company's regulatory requirements, risk management and risk governance policies and procedures, allowing market participants to view and compare meaningful information relating to the Company and its peers.

The present Pillar 3 Disclosures have been prepared in compliance with Part Six of the IFR and relate to the financial year ending on 31st of December 2024. The Company is making these Disclosures on an individual (solo) basis, as it does not fall under the scope of prudential consolidation based on the provisions of Article 7 of the IFR. The Company also prepares its Financial Statements on an individual (solo) basis, in accordance with the International Financial Reporting Standards ("IFRS").

The report was so far being published annually on the Company's website www.bcscyprus.com. After the change in the Company's name, the website was changed as well and the report will be published annually on www.theultimacy.com in accordance with regulatory guidelines. It is published by the Company as per its formal disclosure policy approved by the Company's Board of Directors (hereinafter "BoD" or "Board"). The Company's Pillar 3 Disclosures are subject to independent review and validation prior to being submitted to the BoD for approval, and subsequently to CySEC. This includes approval by Directors and Heads of Risk, and the Auditors of the Company.

1.3 Operating environment

Impact of the conflict in Ukraine

The Company through its operations has a significant exposure to the economy and the financial markets of the Russian Federation. Following the ongoing conflict between Russia and Ukraine, the Company operates in an environment where it has to monitor and control compliance with anti-Russian sanctions on an ongoing basis. The Company is obliged to perform detailed disclosure for every transaction with Russian participation conducted through its major settlement venue (Euroclear).

The main sanction restrictions include the ban on dealing with securities issued by major Russian credit institutions and their affiliates, the government of Russia, the Central Bank of Russia, and securities issued by entities operating in the energy, mining and quarrying sectors in Russia. Russian/Belarusian persons are prohibited to purchase any securities issued after 12 April 2022 and denominated in official currencies of Member States. Euroclear has obliged the Company to control cash deposits of Russian/Belarusian persons on accounts held with Euroclear and block those whose accrued deposits from 26 February 2022 exceed €100K.

The Company monitors that resources received on coupons and dividends on sanctioned securities are blocked and not transferred to the clients. These additional procedures do not materially affect the Company's financial statements, they however might cause some operational delays in settlement of trades, withdrawal of dividends, and movement of funds between places of safekeeping.

2. Risk Management Objectives and Policies

2.1 Risk Management Framework and Governance

The Company's activities during 2024 exposed it to a variety of financial risks: market risk (including price risk, currency risk, cash flow interest rate risk and fair value interest rate risk), credit risk and liquidity risk arising from the financial instruments it holds.

The primary objectives of the financial risk management function are to establish risk limits and then to ensure that exposure to risks stays within these limits. The Company's risk management function is designed to identify and analyse these risks, to set appropriate risk limits and controls, and to monitor the risks and adherence to limits by means of reliable and up to date administrative and information systems. The Company regularly reviews its risk management framework to reflect the changes in markets, products and effective best practice. The current structure of the risk framework implemented by the Company aims to manage risks in order to minimise the exposure of itself and its stakeholders to any event, or set of occurrences able to cause adverse effects, while concurrently maximising the efficiency and effectiveness of the Company's operations in accordance with best practice. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve overall objectives.

For The Ultima Cyprus, quality management of risk is one of its hallmarks and a priority in its activity. Throughout its operations, the Company combines prudence in risk management with use of well-established risk management techniques, which have proven to be decisive in generating recurrent and balanced earnings and creating shareholder value.

The risk model is based on the principles of:

- Independent function from the business areas;
- The establishment of separate functions between the business areas (risk takers) and the risk areas responsible for measurement, analysis, control, and information provide sufficient independence and autonomy to control risks appropriately;
- Involvement of senior management in decisions taken;
- Collegiate decision-making, which ensures a variety of opinions and does not make results dependent on decisions solely taken by individuals;
- Defining functions;
- Each risk taker unit needs to have clearly defined types of activities, segments, and risks which they could incur and decisions they might make in the sphere of risks, in accordance with delegated powers;
- Risk control and management is conducted on an integrated basis through the organizational structure.

Management and control of risk are developed in the following way:

- Formulate the risk appetite;
- The purpose is to identify and evaluate, synthetically and explicitly, the levels and types of risk that the Company is ready to assume in the development of its business;
- Establish risk policies and procedures;
- Establish the basic framework for regulating risk activities and processes.

2.2 Risk Governance – Board and Committees

2.2.1 Board of Directors

The responsibility for proper and effective risk governance lies with the Board of Directors, which:

- Provides oversight, direction, and input to the establishment of the risk appetite framework;
- Ultimately owns and approves the risk appetite;
- Uses a risk appetite framework and statement as a guide in working with management to assess and set the overall corporate strategy;
- Leverages the risk appetite framework to evaluate individual strategic decisions and establish a consistent and transparent decision-making process.

2.2.2 Nomination Committee

According to the Law 87(I)/2017, a CIF that is significant in terms of its size, internal organization and the nature, scope, and complexity of its activities, must establish a Nomination Committee composed of members of the Board of Directors who do not perform any executive function in the CIF.

The responsibilities of the Nomination Committee are to:

- Identify and recommend, for the approval of the Board of Directors or for approval of the general meeting, candidates to fill Board vacancies, evaluate the balance of knowledge, skills, diversity and experience of the Board and prepare a description of the roles and capabilities for a particular appointment, and assess the time commitment expected;
- Decide on a target for the representation of the underrepresented gender in the Board and prepare a policy on how to increase the number of the underrepresented gender in the Board to meet that target;
- Periodically assess the structure, size, composition and performance of the Board and make recommendations to the Board with regard to any changes;
- Periodically assess the knowledge, skills and experience of individual members of the Board and of the Board collectively, and report to the Board accordingly;
- Periodically review the policy of the Board for selection and appointment of Senior Management and make recommendations to the Board;

- Review the time required from non-Executive directors. Performance evaluation should be used to assess whether the non-Executive Directors are spending enough time to fulfil their duties.

In performing its duties, the Nomination Committee aims, to the extent possible and on an ongoing basis, to take account of the need to ensure that the Board of Directors' decision-making is not dominated by any one individual or by a small group of individuals in a manner that is detrimental to the interests of the Company as a whole. Also, the Nomination Committee must be able to use any form of resources that it considers to be appropriate, including external advice, and shall receive appropriate funding to that effect.

2.2.3 Risk Committee

The Risk Committee's purpose is to identify and assess the risks undertaken by the Company and to guarantee that the Company has a well-defined policy regarding the assumption, follow up and management of risks, as well as to communicate the risk policy accordingly to each of the Company's Departments and to external parties where appropriate. The Risk Committee is supported by the Company's Risk Management Function.

The Risk Committee ensures that the Company's activities are consistent with its risk appetite and establishes the limits for the main risk exposures, reviewing them systematically and resolving those operations that exceed the powers delegated to bodies lower down the hierarchy.

The responsibilities of the Risk Committee are to:

- Work with the Board to set a corporate strategy that is consistent with risk appetite;
- Provide input to the development of the risk appetite statement;
- Establish regular dialogue about risk appetite with the Board and with business units, ensuring that risks taken by the business adhere to the overall risk appetite;
- Identify strategic emerging risks and drive implementation of stress testing and scenario planning;
- Articulate and translate risk appetite, making it relevant to the business units;
- Establish appropriate controls, policies, and reporting processes that enable business units and functions to own and manage their risks within risk appetite;
- Maintain periodic reviews with risk management and the business units to identify emerging risk issues and their potential impact on compliance with risk appetite.

In addition, the Risk Committee co-ordinates decision-making and provides oversight in relation to the Risk Management Function. It also develops Company-wide and specific risk policies, assigns owners of significant risks and evaluates the effectiveness of the policies in place for managing specific risks.

As at 31st of December 2024, the Risk Committee was composed of three members, all of them being Non-Executive Directors. Any of the members of the Risk Committee may call meetings if they deem it necessary.

To enhance the decision-making process, the Company established a sub-committee (the "Risk Committee Beta") to support the Risk Committee. The sub-committee is composed of three members: the Executive Director responsible for Regulatory Compliance and AML matters, the Head of Risk, and the Chief Accountant.

During 2024, as per the Company's records, the Risk Committees combined held 23 meetings.

2.2.4 Remuneration Committee

The Remuneration Committee is responsible for the preparation of decisions regarding remuneration, including those which have implications for the risk management of the Company, and which are to be taken by the BoD of the Company.

More specifically, the Remuneration Committee is responsible to:

- Determine and agree with the Board the framework or broad policy for the remuneration of the executive directors, including compensation payments;
- Recommend and monitor the level and structure of remuneration for Senior Management;
- Approve the design of, and determine targets for, any performance-related pay schemes operated by the Company and approve the total annual payments made under such schemes;
- Determine the total remuneration package including bonuses and incentive payments of each executive director and senior manager and any employee receiving total remuneration that takes them into the same remuneration bracket as senior management and risk takers, whose professional activities have a material impact on the risk profile of the Company;
- Determine and review the Company's remuneration policy;
- Have the authority to appoint remuneration consultants if deemed necessary; and
- Obtain reliable and up to date remuneration information for other companies of comparable scale.

The members of the Committee are appointed by the Board of Directors and consist of Non-Executive directors, the majority of whom are independent. As of 31st December 2024, the Remuneration Committee comprised of three Non-Executive Directors.

2.3 Senior Management

Senior Management includes natural persons who exercise executive functions within a company and who are responsible and accountable to the management body, for the day-to-day management of the entity, including for the implementation of the policies concerning the distribution of services and products to clients by the Company and its personnel. The power to the Senior Management is conferred onto them with and by authority of the Board of Directors.

Senior Management receives on a periodic basis, and at least annually, written reports from the Compliance, Risk Management, and Internal Audit departments. These reports are reviewed by the Senior Management and the Board of Directors and are subsequently submitted to CySEC.

2.4 Risk Management Function

The primary goal of the Risk Management Department is to ensure that any Company operations, activities, market position-taking and trading, and credit expansion do not expose the Company to any credit, financial, market or operational risks that could threaten the Company's present and future viability. The process of risk management implies identification and analysis of risks and determination of a strategy aimed at minimization of these risks with possible risk prevention, as well as risk mitigation. The purpose of managing risks is the prompt identification of any potential problems before they occur so that risk-handling activities may be planned and invoked as needed to mitigate adverse impacts and allow the Company to achieve its overall objectives.

The Risk Management Department is responsible for administering risk management techniques in order to minimize or mitigate risk exposure due to internal and/or external factors. This includes establishing policies and guidelines for risk management throughout the Company in order to ensure that the basic objective of risk management – the preservation of Company assets (both human and physical), by the minimization of loss – is met at the least possible cost to the Company.

The Risk Management Department responsibilities consist of:

- Identifying and assessing the Company's risks to ensure that they are being monitored continuously, and risk management activities are complete and effective;
- Coordinating information sharing on risk management across the Company's business units and governing bodies under the Risk Management Framework;
- Developing documents based on international best practices to regulate the guidelines and procedures for routine coordination of the Company's business units within risk management processes;
- Reporting on risk management and submitting reports for review, agreement and approval by the Management, the Board of Directors, and their Committees;
- Calculating risk metrics and risk limits using external and internal resources and monitoring and controlling risks of the Company and client accounts;
- Implementing risk controls in the Company's IT systems.

2.5 Compliance Function

The Company has established, implemented, and maintains policies and procedures designed to detect any risk of failure to comply with the obligations under Law 87(I)/2017, as well as the associated risks, and has put in place measures and procedures designed to minimize such risk and to enable the CySEC to exercise its powers effectively under that Law. When elaborating those policies, the Company took into account the nature, scale and complexity of its business and the nature and range of investment services and activities provided in the course of that business.

The Company has established and effectively maintains a permanent Compliance Function which operates independently and has the necessary authority and expertise to carry out its duties as appropriate, and to do so it is provided with access to all relevant information. The Compliance Function has the following responsibilities:

- To monitor on a permanent basis and to assess, on a regular basis, the adequacy and effectiveness of the measures, policies and procedures, mentioned above, and the actions taken to address any deficiencies in the Company's compliance with its obligations;
- To advise and assist the relevant persons responsible for carrying out investment services and activities to comply with the Company's obligations under Law 87(I)/2017;
- To report to the Board of Directors, on at least an annual basis, on the implementation and effectiveness of the overall control environment for investment services and activities, on the risks that have been identified and on the complaints-handling reporting, as well as on remedies undertaken or to be undertaken;
- To monitor the operations of the complaints-handling process and consider complaints as a source of relevant information in the context of its general monitoring responsibilities;
- To establish a risk-based monitoring program, taking into consideration all areas of the Company's investment services, activities and any relevant ancillary services.

2.6 Internal Audit Function

The Internal Audit Function is outsourced. The Internal Auditor reports directly to the BoD of the Company. Moreover, the Internal Auditor discusses relevant issues of concern with regards to Internal Audit matters with the Company's Senior Management.

The Internal Auditor is independent and is not subject to any supervision by the Company, nor does it have to report to any of the Heads of the Departments of the Company. The Internal Auditor has the authority to discuss with the Head of each Department issues of concern with regards to Internal Audit matters that may or would encompass a risk cause and/or may affect the operations of each specific Department.

The Internal Auditor's duty is the provision, by exploiting its independence and autonomy, of a constant review and evaluation of the operations and activities of the Company in all aspects. Moreover, it is the Internal Auditor's responsibility to offer recommendations and advice to ensure that the Company operates at the highest standards, in accordance with best practice and in compliance with the legal framework as formulated by the competent authorities. More specifically, the responsibilities of the Internal Auditor include:

- Providing an objective and independent appraisal of all Company activities, financial, operational and others;
- Providing assurance to the BoD on all control arrangements;
- Assisting the BoD by evaluating and reporting to its members on the effectiveness of the controls for which they are responsible and by issuing recommendations;
- 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, at least once a year, and no later than four months after the end of the calendar year under review, a report to the Senior Management and the BoD with the findings of the Internal Auditor.

2.7 Risk Appetite Statement

The Ultima Cyprus uses the following three principles as outlined by the Company for its risk appetite framework:

- The Risk appetite should be aligned to strategy and considered a forward-looking view of an organization's desired risk profile in a variety of scenarios;
- The Risk Committee should be actively involved, and strong accountability structures and clear incentives and constraints should be in place;
- Risk appetite statements should be operationalized through the use of the right level and type of information, fostering strong internal relationships, and establishing risk limits with actionable input for risk/business managers.

Senior management acknowledges the necessity of the allocation of economic capital for the business to operate. The Ultima Cyprus aims to limit both its exposure to different types of risk and the size of the potential losses. The Company employs a top-down approach to capital allocation, which means that company-wide economic capital is defined first and then distributed between types of risk and business units. The Ultima Cyprus realizes the necessity of risk management and risk mitigation and considers the setting of limits as the main instrument of risk management.

The Ultima Cyprus has defined limits as quantitative measures based on forward-looking assumptions that allocate the financial institution's aggregate risk appetite statement (e.g. measure of loss or negative events) to business lines, specific risk categories, concentrations, and as appropriate, other levels. A limit system may include hard limits not to be exceeded in accordance with risk policies.

2.8 Internal Capital Adequacy and Risk Assessment Process

CIFs shall have in place sound, effective and complete strategies and processes to assess and maintain, on an ongoing basis, the amounts, types and distribution of internal capital and liquidity that they consider adequate to cover the nature and level of the risks to which they are or might be exposed. In this respect, The Ultima Cyprus has adopted the relevant guidelines issued by CySEC.

These strategies and processes are subject to regular internal review to ensure that they remain comprehensive and proportionate to the nature, scale and complexity of the activities of the Company.

The Company is in the process of updating its Internal Capital Adequacy and Risk Assessment ("ICARA") Process, which is aligned with the IFR & IFD framework and Law 165(I)/2021 on the Prudential Supervision of Investment Firms. The ICARA forms the basis for the assessment of the need for any supplementary amount of capital and liquidity the Company may need to hold against risks that potentially could harm the clients, the market and/or the Company itself. These risks are not covered by prudential capital and liquidity requirements in terms of the minimum capital and liquidity ratios set by the IFR in the context of the Pillar 1 obligations.

The ICARA process is embedded in the core risk management approach of the Company and forms an internal tool which allows The Ultima Cyprus to identify, assess, monitor, manage, and report the short and long term risks that it faces or that it may face and to determine the own funds and/or liquid resources necessary to ensure that its overall capital and liquidity needs are met at all times.

The ICARA falls under the scope of Pillar 2 of the European prudential rules to which the Company is subject, which can be described as a set of relationships between the CySEC and the investment firm, with the objective to enhance the link between the investment firm's risk profile, its risk management and risk mitigation systems, and its capital.

Pillar 2 establishes a process of prudential interaction that complements and strengthens Pillar 1 by promoting an active dialogue between the regulator and the investment firm such that, any inadequacies or weaknesses of the internal control framework and also other important risks, the fulfillment of which may entail threats for the investment firm, are identified and managed effectively with the enforcement of additional controls and mitigating measures.

The ICARA comprises of all the measures and procedures adopted by The Ultima Cyprus, with the purpose of ensuring:

- The appropriate identification and measurement of risks;
- An appropriate level of internal capital and liquidity in relation to the Company's risk profile; and
- The application and further development of suitable risk management and internal control systems and tools.

The ICARA Report is approved by the Company's BoD. From The Ultima Cyprus's perspective, the ICARA:

- Promotes a comprehensive risk management framework for the Company;
- Aligns capital and liquidity with risk management and strategy; and
- Provides a tool for communicating to the Board and the regulator the key aspects of its risk management and governance structure.

Stress Testing

AS part of its ICARA process, the Company has put in place a framework for stress testing its risk exposure as well as a Stress testing policy. The Company's stress test scenarios and conditions are inherited from the Group's overall stress testing conditions, but the Company has also separately developed its own stress tests of its capital and liquidity and performs reverse stress testing.

In order to formalize an anti-crisis management procedure, the Group has specified three macro conditions:

- Basic condition: This corresponds to a normal, non-crisis market situation, with no threat for the financial performance and stability of the Group. No anti-crisis-management measures should be applied.
- Stress condition: This corresponds to an increased degree of threat to the financial performance of the Group but no threat to the overall financial stability. Some elements of anti-crisis management may be introduced.
- Crisis condition: This hereafter referred to as Crisis, corresponds to Russian and global market turmoil based on historical stress scenario for the year of 2008 and as a result high risks for the financial performance of the Group accompanied by a possible threat to its financial stability. Anti-crisis management measures shall be introduced.

As part of its risk assessment and measurement process, the Company performs a number of stress tests to evaluate the impact of a set of extreme but plausible events on its financial position, performance and capital adequacy. For each type of risk, the Company assesses its impact on liquidity and capital adequacy through P&L. Scenarios for the stress test are forward-looking and use projected data.

The Company operates in dynamic markets with differing characteristics where risks have to be managed systematically to reduce potential negative financial impact. The goal for the Company is to identify, assess and prioritize risks and to react appropriately with suitable actions that mitigate, reduce or control the impact of negative events. The Company views risk management as a tool which adds value by raising awareness of risks and places focus on efficient day-to-day business operation and in line with the Company strategy. The Company's main revenue streams originate from separate markets with independent market dynamics. To some degree, this has the effect of spreading the risk.

2.9 Investment Policy

According to paragraph 1 of IFR Article 52, investment firms which do not meet the criteria referred to in point (a) of Article 32(4) of the IFD, shall disclose the following in accordance with IFR Article 46 of this Regulation:

- The proportion of voting rights attached to the shares held directly or indirectly by the investment firm, broken down by Member State and sector;
- A complete description of voting behavior in the general meetings of companies the shares of which are held in accordance with paragraph 2 of IFR Article 52, 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;
- An explanation of the use of proxy advisor firms; and
- The voting guidelines regarding the companies the shares of which are held in accordance with paragraph 2 IFR Article 52.

However, as per paragraph 2 of IFR Article 52, the investment firm shall comply with the above only in respect of each company whose shares are admitted to trading on a regulated market and only in respect of those shares to which voting rights are attached, where the proportion of voting rights that the investment firm directly or indirectly holds exceeds the threshold of 5% of all voting rights attached to the shares issued by the Company. Voting rights shall be calculated on the basis of all shares to which voting rights are attached, even if the exercise of those voting rights is suspended.

As at the reference date the Company did not hold any shares that would meet the criteria stated in Article 52(2) of IFR and therefore no disclosures regarding investment policy were made.

2.10 Diversity Policy

The Company recognizes and embraces the benefits of having a diverse Board and sees increasing diversity at Board level as an essential element in maintaining a competitive advantage. A truly diverse Board will include and make good use of differences in the skills, regional and industry experience, social and ethnic background, race, gender and other distinctions between Directors such as cognitive and personal strengths. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

All Board appointments and succession plans are based on merit and objective criteria, in the context of the skills, experience, independence and knowledge which the Board as a whole requires to be effective.

The Nomination Committee reviews and assesses Board composition on behalf of the Board and recommends the appointment of new Directors. The Committee also oversees the conduct of the annual review of Board effectiveness. Moreover:

- In reviewing Board composition, the Nomination Committee will consider the benefits of all aspects of diversity including, but not limited to, those described above, in order to enable it to discharge its duties and responsibilities effectively.
- In identifying suitable candidates for appointment to the Board, the Nomination Committee will consider candidates on merit against objective criteria and with due regard for the benefits of diversity on the Board.
- As part of the annual performance evaluation of the effectiveness of the Board, Board Committees and individual Directors, the Nomination Committee will consider the balance of skills, experience, independence and knowledge of the Company on the Board and the diversity representation of the Board, including gender, how the Board works together as a unit, and other factors relevant to its effectiveness.
- The Nomination Committee will oversee the development of a diverse pipeline for succession for the Board.

The Nomination Committee will discuss and agree annually all measurable objectives for achieving diversity on the Board and recommend them to the Board for adoption. At any given time the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

Regarding gender diversity, as at 31 December 2024 the female Board representation was 60% of the total Board of Directors' membership, which satisfied the more than 30% target set in the Company's Diversity Policy. Additionally, the target to have at least 30% of the Board consisting of independent directors, was satisfied.

2.11 Number of Directorships

The table below provides the number of directorships held by each member of the Company's management body in other entities, **including the one in The Ultima Cyprus**, as at the time of preparation of this Report. Directorships in companies belonging to the same group are considered as one directorship. In addition, directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit-making or charitable organizations, are not taken into account.

The number of directorships which can be held by a member of the Board of Directors of a significant CIF, may not exceed any of the following at the same time:

a) once executive directorship with two non-executive directorships
b) four non-executive directorships.

Table 1: Number of directorships[1]

Name of Director	Position in The Ultima Cyprus	No. of Directorships – Executive	No. of Directorships – Non-Executive
Mr. Igor Zatseda	Executive	1	-
Mrs. Iryna Theodoulou	Non- Executive	-	1
Mrs. Tonia Antoniou	Non- Executive	1	1
Mrs. Vera Kuzniatsova	Executive	1	-
Mr. Denis Kozub	Non- Executive	1	1

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

3. Principal Risks

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

a. Risk to Client

Risk to Client ("RtC") captures the risk that may be imposed onto the clients. RtC exists in the activities/services of the Company which are related to the client and are measured as a percentage of Assets Under Management (AUM), Clients Money Held (CMH), Assets Safeguarded & Administered (ASA) and Clients' Orders Handled (COH). These are further explained below:

K-AUM (Assets Under Management) – This 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.

K-CMH (Client Money Held) – Captures the amount of client money that an investment firm holds, taking into account the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm.

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.

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), for example as part of execution-only services to clients or when an investment firm is part of a chain for client orders.

3.1.1 K-AUM

As the Company provides portfolio management services it is subject to the risk relating to this K-factor. Nevertheless, during the year ending 31 December 2024 the Company was not materially exposed to K-AUM.

Portfolio management means managing portfolios in accordance with mandates given by clients on a discretionary client-by-client basis, where such portfolios include one or more financial instruments.

The Company manages client portfolios in a manner that serves, in the best possible way, client interests. The Company carries out the service of Portfolio Management with all due professional care, acting in compliance with the rules of the relevant legislation. The Company, when providing the investment service of portfolio management, obtains the necessary information regarding the client's knowledge and experience in the investment field relevant to the specific type of product or service, and the client's financial situation and investment objectives as to be able to recommend investment services and financial instruments that are suitable to the client.

3.1.2 K-CMH

As part of its business, the Company receives from its customers cash deposits to enable them to perform transactions in financial instruments and to this end, it is subject to the risk captured by the K-CMH factor. The Company has such systems and internal records that enable it to distinguish, at any point in time, the funds of one client from another, and from the Company’s own funds. Furthermore, the Company performs reconciliations of clients’ money in order to ensure that any discrepancies that may exist between its internal back office records and external statements from third party custodians, as well as between its internal back office and accounting records, are identified and investigated.

3.1.3 K-ASA

In 2024 the Company provided custody services for the securities and financial instruments of its clients, which were traded through its trading platforms, and was therefore subject to K-ASA. For the purposes of safeguarding clients’ rights in relation to assets belonging to them, the Company:

- Keeps records and accounts in its systems as are necessary to enable it at any time and without delay to distinguish assets held for one client from assets held for any other client, and from its own assets.
- Maintains its internal records and accounts in a way that ensures their accuracy, and in particular their correspondence to the assets held for clients. The relevant departments are responsible for ensuring the maintenance of the records and accounts.
- Conducts reconciliations between its internal accounts and records and those of third parties by whom those assets are held.

3.1.4 K-COH

The Company executes a portion of its clients’ orders by acting as agent to their trades, therefore the risk reflected by this K-factor was applicable for the year ending 31st of December 2024. The Company calculates its K-COH based on the provisions of Articles 15 and 20 of the IFR.

The Company mitigates its exposure to this risk by assessing the effectiveness of its Best Execution Policy and overall execution arrangements on a regular basis. The review is carried out on an ad-hoc basis, whenever a material change occurs that may affect the Company’s ability to continue to obtain the best possible result for its clients on a consistent basis. The review also takes into consideration possible changes to the relative importance of the execution factors in meeting the overarching best execution requirement.

b. Risk to Market

Risk-to-Market (RtM) K-factors only apply to firms with a Trading Book that deal on their own account or on behalf of their clients, i.e. they deal on a matched principal basis or as a market maker, except for Market FX and Commodity Risk which apply also to Banking Book business. There are two K-factors for RtM:

K-NPR (Net Position Risk) – This k-factor is based on the rules for Market Risk for positions in equities, interest rate financial instruments, foreign exchange and commodities in accordance with Regulation (EU) 575/2013 on prudential requirements for credit institutions ("Capital Requirements Regulation" or "CRR"). Therefore, K-NPR captures the Market Risk, which is defined as the risk that the Company's income or the value of its holdings of financial instruments will change due to a change in market risk factors (market prices, non-Trading Book foreign exchange rates). Exposure to Market Risk at any point in time depends primarily on short term market conditions and the levels of client activity.

K-CMG (Clearing Margin Given) – K-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 is an alternative to K-NPR to provide for market risk for trades that are subject to clearing or on a portfolio basis, where the whole portfolio is subject to clearing or margining as set out in Article 23 of IFR. K-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. Based on the reference year, this K-factor was not applicable to the Company due to the nature of its operations.

3.2.1 K-NPR

As at 31 December 2024, the Company was exposed to Market Risk arising from changes in financial instrument prices due to its business model, that of a market maker. The Company is authorized to Deal on Own Account, thus, it acts as counterparty to its clients' trading. Limits of maximum risk tolerated are set and honoured. Any excess risk above tolerance levels is hedged with the Company's Liquidity providers. The Company places greater emphasis on diversifying its exposure to more than one institution than dealing with the potential effects of interest rate fluctuations.

The Ultima Cyprus has policies and procedures to identify, monitor and control market risk incurred as part of its trading and non-trading activities. In particular, the Company employs a wide range of quantitative methods to manage market risk which include measures using Value-at-Risk methodology, based on historical valuation or MonteCarlo simulation methods. These methodologies are used not only for assessing market risk in proprietary trading portfolios but also for calculating margin requirements for assets used as collateral. Overall, as at 31 December 2024 the exposure of The Ultima Cyprus to market risk was considered significant and related primarily to market FX (currency) risk.

Currency Risk
Currency risk is the risk that the value of financial instruments will fluctuate due to changes in foreign exchange rates. Currency risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Company's functional currency. As at 31 December 2024 the Company was exposed to foreign exchange risk relating to its assets and liabilities that were denominated and funded in a currency other than its reporting currency (USD), as well as from the notional amounts of its FX Forwards, and arose primarily with respect to the Chinese Yuan (CNY), Russian Ruble (RUR) and Euro (EUR). Monetary assets and liabilities denominated in US Dollars (USD) do not expose the Company to any currency risk.

The management monitors the exchange rate fluctuations on a continuous basis and acts accordingly. The currency risk is managed by setting and controlling foreign exchange risk limits, such as through the establishment of maximum value of exposure.

Market Equity Risk
Market equity risk may arise in the case where the Company's equity investments fail to achieve expected returns and/or where a stock market downfall leads to changes in the market prices of shares. The Company is exposed to market equity risk through its equities with respect to its deliverable securities services. The Company mitigates its exposure to market equity risk by partially hedging its equity positions, as it deems necessary. As at 31 December 2024, the Company was exposed to market equity risk due to its investments in equities and equity options.

Market Interest Rate Risk
Interest rate risk is the risk that the value of financial instruments will fluctuate due to changes in market interest rates. Interest-bearing assets and borrowings issued at variable rates expose the Company to cash flow interest rate risk. Interest-bearing assets and borrowings issued at fixed rates expose the Company to fair value interest rate risk. Company's management monitors the interest rate fluctuations on a continuous basis and acts accordingly. As at 31 December 2024, the Company incurred market interest rate risk primarily due to its investments in bonds and from the cash leg of its reverse repo positions.

c. Risk to Firm

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

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

K-DTF (Daily Trading Flow) – K-DTF captures the operational risks to an investment firm in large volumes of trades concluded for its own account or on behalf of clients but in its own name, which could result from inadequate or failed internal processes, people and systems or from external events, based on the notional value of daily trades, adjusted for the time to maturity of interest rate derivatives in order to limit increases in own funds requirements, in particular for short-term contracts where perceived operational risks are lower. DTF aims to capture the operational risks from a CIF's daily trading flow.

K-CON (Concentration Risk) – K-CON means the exposures in the Trading Book of an investment firm to a client or a group of connected clients, counterparties and issuers of instruments, the value of which exceeds the limits specified in the IFR. The k-CON factor applies to all investment firms with a Trading Book. As at 31st of December 2024, the Company had no significant concentration of TCD risk to any single client hedging counterparty, or issuer in relation to its Trading Book bonds or equities, and to this end it had a K-CON of zero.

3.3.1 K-TCD

The Company, as at 31st of December 2024, was exposed to TCD due to its over-the-counter ("OTC") FX forwards and equity options, reverse repo positions and margin facility (margin lending) transactions. The Company mitigates its exposure towards TCD risk by applying negative balance protection, recognising the margin used to secure clients' positions as cash collaterals and carefully selecting its hedging counterparties. Counterparty credit risk relating to margin facilities to customers is considered small due to the existence of security collaterals, which as at 31 December 2024 sufficiently mitigated the related exposure.

The management of Credit Risk, including Counterparty Credit risk, is the primary responsibility of the Risk Management function, with Senior Management assuming a supervisory role in the process. The Risk Management department together with Senior Management are responsible for establishing policies and procedures which identify, analyse, evaluate, treat and monitor risks during the course of business.

The Company considers that there is a certain element of Counterparty Credit risk which arises from trading operations at pre-settlement and settlement stage, however this risk is limited due to the fact that for the majority of transactions the duration of this exposure is limited to the hours or days from the time a transaction is agreed upon until settlement. Beyond that, most transactions are executed under the Delivery Versus Payment (DVP) method, thus minimizing the Counterparty Credit risk.

3.3.2 K-DTF

During 2024, the Company was exposed to DTF due to the fact that it executed trades on a principal basis.

Operational risk (other than daily trading flow) is defined as "the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events". The main operational risk events include internal fraud, external fraud, employment practices and workplace safety, clients, products, and business practices, business disruption and system failures, damage to physical assets, execution, delivery, and process management.

The Ultima Cyprus Operational Risk Management focuses on:

- proactive measures in order to ensure business continuity as well as the accuracy of information used internally and reported externally, and
- on competent and well-informed staff and their adherence to established rules and procedures, as well as on security arrangements to protect the physical and IT infrastructure of the Company.

The Ultima Cyprus identifies and assesses the operational risk inherent in all its key products, activities, processes and systems. The Company mitigates operational risks by defining, documenting and updating all relevant processes and procedures. Furthermore, it mitigates operational risk by following strict rules for the assignment of duties and responsibilities among and within the functions and by maintaining a system of internal control and supervision. The main principle for organizing workflows is to segregate business-generating functions from the recording, supporting and monitoring functions. An important factor in operational risk mitigation is also the continuous development and upgrading of the Company's strategic plan.

d. Other Risks

Liquidity Risk

Liquidity Risk is the risk that arises when the maturity of assets and liabilities does not match and can be divided into two sub-categories:

- **Market Liquidity Risk**, which occurs when the Company is unable to sell or realise specific assets without significant losses due to price movements.
- **Funding Liquidity Risk**, which occurs when the Company cannot fulfil its obligations due to an inability to obtain new funding.

An unmatched position potentially enhances profitability but can also increase the risk of losses. The Company has procedures with the object of minimizing such losses such as maintaining sufficient cash and by having available an adequate amount of committed credit facilities.

The Ultima Cyprus differentiates between Market Liquidity Risk and Funding Liquidity Risk. The Company's Market Liquidity Risk arises from the following sources:

- Cash balances;
- FX OTC and on-exchange trades;
- Collateral held as part of client margin trading or repo business;
- Error positions held on The Ultima Cyprus' books. These must be liquidated upon identification;
- Own positions.

The Company's Funding Liquidity Risk arises from the following sources:

- Trading activities, including settlement flows of cash and securities and margin held with counterparties;
- Non-trading expenses/costs incurred and requiring payment.

The Ultima Cyprus has two main objectives for the management of liquidity:

- Ensure that it can meet expected and unexpected payment obligations at all times (primary objective);
- Contribute towards the profitability of the Company (secondary objective).

The Company also aims to secure sufficient liquidity by retaining access to funding and by possessing liquid assets.

The Group's Treasury department ensures that the Company has sufficient funds to meet its trading obligations as they fall due. Moreover, the Company operates a set of limits in order to ensure Liquidity Risk is controlled. The Ultima Cyprus defines a minimum liquidity buffer which must be ring-fenced in cash or highly liquid securities. Also, the Company operates strict limits on the amount of non-USD currencies it holds in order to minimize FX Market Risk. However, in terms of Liquidity Risk, The Ultima Cyprus anticipates that these balances can be converted into USD with minimal to no Liquidity Risk impact. For the same reason, The Ultima Cyprus does not hold exotic currencies.

In addition, whilst the Company seeks to maintain a sufficient liquidity buffer to mitigate against crisis scenarios, The Ultima Cyprus nonetheless operates a Recovery plan. The purpose of this Plan is to provide a clear description of a range of steps that The Ultima Cyprus may take in order to restore financial strength and viability during a stressed situation that could threaten its status as a going concern, and cause disruption to its clients, counterparties or the wider market.

Furthermore, the Company monitors its Liquidity Risk on at least a daily basis. Group Treasury conducts several intra-day forecasts of liquidity gaps. This includes real-time monitoring of collateral. If the value of collateral falls below parameters agreed with the client, The Ultima Cyprus may request additional collateral or, in certain circumstances, unwind the trades.

In addition to the Own Funds Requirements, a Liquidity Requirement was introduced by the IFR (Article 43), according to which the Company is required to maintain liquid assets equal to at least one third of its Fixed Overhead Requirement based on Article 13(1) of the IFR. As at 31 of December 2024 the Company satisfied the Liquidity Requirement.

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 clients, poor customer service, fraud or theft, customer claims, legal action and regulatory fines.

The Company has policies and procedures in place when dealing with possible customer complaints in order to provide the best possible assistance and service under such circumstances. In addition, the Company's Directors are made up of high calibre professionals who are recognized in the industry for their integrity and ethos, which adds value to the Company.

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.

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 forecasts is conducted with a view to minimize the Company's exposure to Business risk. This is analysed at a Group level and taken into consideration when implementing the Company's strategy.

Regulatory Risk

Regulatory risk is the risk the Company faces by not complying with the relevant Laws and Directives issued or adopted by its supervisory authority, the CySEC. 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 the relevant Laws and Directives. Compliance with these procedures and policies are further assessed and reviewed by the Company's Internal Auditors and Compliance Officer and suggestions for improvement are implemented by Management. The Internal Auditor evaluates and tests the effectiveness of the Company's control framework at least annually.

Compliance Risk

Compliance risk is the current and prospective risk to earnings or capital arising from violations of, or non-conformance with, laws, bylaws, regulations, prescribed practices, internal policies and procedures, or ethical standards. This risk exposes the Company to financial loss, fines, civil penalties, payment of damages and the voiding of contracts.

Compliance risk can lead to diminished reputation, reduced Company value, limited business opportunities, reduced expansion potential and an inability to enforce contracts. Through its Compliance Function, the Company ensures that all personnel receive the appropriate training and assistance regarding compliance issues.

Money Laundering and Terrorist Financing Risk

Money Laundering and Terrorist Financing risk mainly refers to the risk of the Company being used as a vehicle to launder money and/or assist/be involved in financing terrorism. The Company has in place and is updating as applicable, certain policies, procedures and controls in order to mitigate Money Laundering and Terrorist Financing Risk. Among others, these policies, procedures and controls include the following:

- Adoption of a risk-based approach that involves specific measures and procedures in assessing the most cost effective and appropriate way to identify and manage the Money Laundering and Terrorist Financing Risks faced by the Company;
- Adoption of client due diligence and identification procedures in line with the clients' assessed Money Laundering and Terrorist Financing Risk, setting certain minimum standards of quality and extent of the required identification data for each type of client (e.g. documents from independent and reliable sources, third party information, etc.);
- Obtaining additional data and information from clients, where this is appropriate and relevant, for the proper and complete understanding of their activities and source of wealth and for the effective management of any increased risk emanating from a particular business relationship or an occasional transaction;
- Monitoring and reviewing the business relationship or an occasional transaction with clients and potential clients of high-risk countries;
- Ensuring that the Company's personnel receive the appropriate training and assistance to perform their duties.
- Reporting to the Board and reporting suspicious transactions.

IT Risk

IT risk could occur as a result of inadequate information technology and processing, or from an inadequate IT strategy and policy or inadequate use of the Company's information technology. Policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, use of the internet, access rights and anti-virus procedures. The Company considers that, in consideration of the measures being taken, materialization of this risk has been minimized to the lowest possible level.

Environmental, Social and Governance Risks

From 26 December 2022 onwards, investment firms which satisfy the definition of a "Significant CIF" based on CySEC Circular C487, are expected to disclose information on Environmental, Social and Governance ("ESG") risks, in accordance with Article 53 of the IFR.

The Ultima Cyprus has low tolerance to cooperate with counterparties identified with high degree of ESG risks in order to protect its reputation. Going forward, the Company aims to examine the degree to which it may be materially impacted by ESG risks in order to determine the actions that need to be taken in that respect.

4. Own Funds

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 at all times meet all of the following conditions:

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

Table 2 below presents the composition of the Company's Own Funds as at 31 December 2024, while Table 3 indicates how these Own Funds reconcile with the Company's audited Balance Sheet as of this date, and have been prepared using the format set out in the Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of Regulation (EU) 2019/2033 with regard to supervisory reporting and disclosures of investment firms.

As at 31st of December 2024, the Company's Own Funds comprised entirely of Common Equity Tier 1 capital and amounted to $52.269K.

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

Template EU IF CC1			
Ref	**($'000)**	**31 December 2024 ($'000)**	**Source based on reference numbers of the Balance Sheet in the audited Financial Statements (Template EU IF CC2)**
1	**OWN FUNDS**	**52.269**	
2	**TIER 1 CAPITAL**	**52.269**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**52.269**	
4	Fully paid up capital instruments	1.700	Ref. 1 (Shareholders' Equity)
5	Share premium	44.900	Ref. 2 (Shareholders' Equity)
6	Retained earnings *(net of foreseeable dividends amounting to $11.992K)*	6.497	Ref. 3 (Shareholders' Equity)
10	Adjustments to CET1 due to prudential filters	(4)	Ref. 2 & 4 (Assets) and Ref. 1 (Liabilities)
19	(-) Other intangible assets	(8)	Ref. 1 (Assets)
27	CET1: Other capital elements, deductions and adjustments	(816)	Ref. 3 & 5 (Assets)
28	**ADDITIONAL TIER 1 CAPITAL**	**-**	
40	**TIER 2 CAPITAL**	**-**	

Table 3: 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 Template EU IF CC1
		31 December 2024	
Ref	**Assets -** *Breakdown by asset classes according to the balance sheet in the published/audited financial statements*		
	Total Assets	**185.617**	
	of which:		
1	Intangible assets	8	Ref. 19
2	Derivative financial assets	97	Ref. 10
3	Contribution to Investors' Compensation Fund	620	Ref. 27
4	Non-pledged financial assets at fair value through profit or loss	5.502	Ref. 10
5	Cash buffer of Investors Compensation fund	196	Ref. 27
	Liabilities		
	Total Liabilities	**120.527**	
	of which:		
1	Derivative financial liabilities	4	Ref. 10
	Shareholders' Equity		
	Total Equity	**65.089**	
	of which:		
1	Share capital	1.700	Ref. 4
2	Share premium	44.900	Ref. 5
3	Retained earnings	18.489	Ref. 6

5. Minimum Capital Requirements

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 Overhead Requirement ("FOR"), the Permanent Minimum Capital Requirement ("PMCR") and the K-factors that apply to each investment firm.

a. Fixed Overheads Requirement ("FOR")

The Company's policy is to monitor its FOR at least on a quarterly basis. The Company calculates its FOR by taking the one quarter of its fixed overhead expenses based on the most recent audited annual financial statements. The Fixed Overheads Requirement as at 31 December 2024 amounted to $13.193K.

b. 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 translates to $779K and corresponds to the initial capital that applies to the Company in accordance with Article 9 of the IFD.

c. "K-factor" Capital Requirement

The Company calculates its overall "K-factor" capital requirement on a continuous basis, which is the sum of "K-factor requirements" grouped into three categories: Risk-to-Client (RtC), Risk-to-Market (RtM) and Risk-to-Firm (RtF), in accordance with Articles 16 through to 33 of the IFR (and as described in further detail in Section 3 of this Report). The total K-factor requirement as at 31st of December 2024 amounted to $4.451K.

Table 4 below breaks down the Pillar 1 minimum Own Funds (i.e. minimum capital) requirement that the Company was required to hold as of 31st of December 2024.

Table 4: Minimum Own Funds Requirements

Minimum Own Funds Requirements		
K-factor Requirement		**31 December 2024 ($'000)**
Risk-to-Client (RtC)	K-AUM	-
	K-CMH	597
	K-ASA	1.143
	K-COH	20
Risk-to-Market (RtM)	K-NPR	2.610
	K-CMG	-
Risk-to-Firm (RtF)	K-TCD	27
	K-DTF	54
	K-CON	-

Total K-factor Requirement	**4.451**
Fixed Overhead Requirement – FOR	**13.193**
Permanent Minimum Capital Requirement – PMCR	**779**

With the IFR & IFD requirements, the Company's Minimum Own Funds Requirement as at 31st December 2024 corresponds to the amount of its Fixed Overhead Requirement, which is $13.193K.

As indicated in Table 5 below, the Capital Adequacy Ratio of the Company as at 31 December 2024 amounted to 396,20% which exceeded the minimum required threshold of 100%, by a capital surplus of $30.076K.

Table 5: Capital Excess/Ratio

Metric	31 December 2024 ($'000)	Reference
Capital		
Common Equity Tier 1	52.269	
Additional Tier 1	-	
Tier 2	-	
Total Own Funds	**52.269**	***a***
Own Funds Requirement		
K-factor Requirement	4.451	*b*
Fixed Overhead Requirement	13.193	*c*
Permanent Minimum Capital Requirement	779	*d*
Minimum Own Funds Requirement	**13.193**	***e = (higher of b, c, d)***
Capital Excess/Ratio		
Capital Excess	**39.076**	***a-e***
Capital Ratio	**396,20%**	***a/e***

6. Remuneration Policy and Practices

The purpose of the Company's Remuneration Policy is to define the key aspects of the remuneration principles, procedures and practices adopted by the Company. The Policy aims to provide sufficient incentives for the Company's staff to achieve the business targets, and deliver an appropriate link between reward and performance, while at the same time providing a comprehensive, consistent and effective risk management tool that prevents excessive risk taking and/or mis-selling practices in light of financial incentives schemes, which could lead to compliance risks for the Company in the long-run.

The BoD, together with the Remuneration Committee, are responsible for determining the Remuneration Policy, taking into account the Company's risk management, best market practices and any applicable regulatory guidelines. The BoD has the responsibility for ensuring the implementation of the Remuneration Policy and ongoing compliance by Company staff.

a. Remuneration Policy Principles and Structure

The principles of the Remuneration Policy apply to employees and appointees of the Company whose professional activities have a material impact on the Company's risk profile, and any employee who is deemed to have a material impact on the Company's risk profile, where the key positions that are within the Company's definition of staff who are risk takers are members of the Board of Directors, deputy managing directors, heads of significant business lines and of support and control functions.

The Company's remuneration should:

- Be consistent with and promote sound and effective risk management;
- Be in line with the business strategy and objectives of the Company and take into account long-term effects of the investment decisions taken;
- Not expose the Company to excessive risk;
- Avoid conflicts of interest, encourage responsible business conduct and promote risk awareness and prudent risk taking;
- Be gender-neutral in order to demonstrate the Company's commitment to promoting gender equality and diversity, fostering a more inclusive and equitable work environment for all employees;
- Attract, motivate and retain high calibre directors, officers and employees in a competitive international market;
- Reward individual contributions to the Company's overall performance; and
- Be competitive with industry standards.

Remuneration of the Board of Directors

The basic fee of a Board Member is set at a level that reflects the qualifications and contribution required in view of the Company's complexity and the extent of their responsibilities. The Executive Directors may also receive variable remuneration. The remuneration of Directors in their capacity as Members of the Board of Directors, is approved at the General Meeting of the Company in accordance with the recommendations of the Remuneration Committee.

Additionally, any other remuneration, both fixed and variable, that the Executive Directors may receive in their capacity as employees of the Company for the performance of additional duties, is approved by the Board of Directors.

Independent Control Functions
Staff engaged in control functions are independent from the business units they oversee, have appropriate authority, and are remunerated adequately to attract qualified and experienced staff and in accordance with the achievement of the objectives linked to their functions, independent of the performance of the business areas they control. The remuneration of the senior officers in the Risk Management and Compliance functions is directly overseen by the Remuneration Committee.

Assessment
Every calendar year heads of departments perform an annual appraisal of employees in their respective departments in the reference year. The appraisal is set in a multi-year framework and considers factors such as compliance with laws and regulations, policies and procedures of the Company together with the overall results of the Company as a whole. Based on the appraisal performed, the heads of departments submit their conclusions on their staff performance appraisal to the Company's Head of HR and Administration. The appraisal may be either paper-based or informal.

Where remuneration is performance-related, the total amount of remuneration is based on a combination of the assessment of the performance of the individual, the business unit concerned and the overall results of the Company and when assessing individual performance, financial and non-financial criteria are taken into account.

Remuneration Structure

<u>Fixed Component</u>
The fixed component of an employee's remuneration is set on an individual basis with consideration to several key factors, including the respective role's responsibilities, Cyprus labour market standards in respect to the relevant position, and the Company's financial capabilities. By considering factors such as job responsibilities, market benchmarking, employee qualifications and experience, level of minimum monthly wages in Cyprus and internal budget considerations, the Company considers that it establishes a fair and competitive fixed remuneration package that attracts and retains talented employees while maintaining a sustainable and equitable pay structure. Additionally, the fixed remuneration does not depend on performance, is non-revocable, cannot be reduced, suspended or cancelled and it is paid on a monthly basis.

<u>Variable Component</u>
The variable remuneration reflects performance in excess of that required to fulfill the employee's job description and terms of employment. It is determined based on a combination of individual and Company-wide performance metrics. The structure of variable remuneration is designed to align the interests of employees with the long-term success and financial stability of the Company and with the interests of the Company's clients, while also taking into account regulatory requirements and risk management considerations. Variable remuneration is not guaranteed and is paid at the Company's

discretion. Additionally, the Company does not award, pay or provide guaranteed variable remuneration unless it is exceptional and it occurs in the context of hiring new staff.

Variable remuneration shall not be solely or predominantly based on quantitative commercial criteria, and shall reflect, among other things, compliance with the applicable regulations, the fair treatment of clients and the quality of services provided to clients. The 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, including the possibility to pay no variable remuneration component.

The Company does not pay variable remuneration in the form provided for under paragraphs (j) and (l) of Article 26(1) of Law 165(I)/2021, applying instead exemption granted in Article 26(8)(b) of the said Law:

- No employee shall receive annual variable remuneration exceeding €50K ($52K equivalently) and
- Annual variable remuneration may not exceed 25% of the individual's total annual remuneration.

The Remuneration Committee shall either approve payment of variable remuneration in respect of employees included in the list received from the Managing Director or make necessary amendments. The Board of Directors separately considers variable remuneration of Executive Directors, based on the recommendations of the Remuneration Committee. The Board of Directors then either approves the total bonus pool or suggests necessary corrections.

b. Aggregate Information on Remuneration

The table below provides aggregate quantitative information on remuneration, broken down by senior management and other members of staff whose actions have a material impact on the risk profile of the Company.

Table 6: Aggregate Remuneration broken down by Senior Management and Other staff with material impact on Company's risk profile

Role	31 December 2024			
	No. of Beneficiaries	Fixed Remuneration ($'000)	Variable Remuneration ($'000)	Total ($'000)
Senior Management[1]	11	1.018	195	**1.213**
Other staff whose actions have a material impact on the risk profile of the Company[2]	15	1.275	201	**1.476**
Total	**26**	**2.293**	**396**	**2.689**

1. *The "Senior Management" category includes remuneration and fees paid by the Company to Executive and Non-Executive Directors, as well as Chairpersons of the Executive Committees of the Company. It is noted that one of the Non-Executive Directors was not renumerated by the Company during 2024.*
2. *The "Other staff" category includes the Heads of the functions and Managers of the Company.*

Furthermore, the following are noted in relation to the remuneration of staff whose professional activities have a material impact on the Company's risk profile:

- Variable remuneration awarded during the year was entirely in the form of cash.
- Variable remuneration amounts awarded during 2024, were paid during the year.
- There were no amounts of deferred remuneration that were awarded in previous performance periods and were due to vest in 2024 or in subsequent years.
- During 2024, the Company did not award any guaranteed variable remuneration.
- No severance payments were awarded in previous periods that have been paid out during 2024.
- During 2024, severance payments amounting to $27k were awarded and paid to three persons, of which $23k related to a member of Senior Management, and was the highest such payment made in the year, while the remaining $4k related to two members of Other staff whose actions had a material impact on the risk profile of the Company.

7. Appendix – Main features of Own Funds Instruments

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

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Main features of Own Funds instruments		***Common Equity Tier 1 Capital***
1	Issuer	The Ultima Investments Cyprus Limited
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (USD)	1.700.100
7	Nominal amount of instrument	5.667
8	Issue price	Various
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	07/12/2004 1.000 shares 01/06/2006 3.667 shares 29/12/2006 300 shares 17/09/2013 500 shares 22/09/2017 100 shares 07/11/2018 100 shares
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)	N/A
21	Fully discretionary, partially discretionary or mandatory (in terms of amount)	N/A
22	Existence of step up or other incentive to redeem	N/A
23	Non-cumulative or cumulative	N/A
24	Convertible or non-convertible	Non-convertible
25	If convertible, conversion trigger(s)	N/A
26	If convertible, fully or partially	N/A

27	If convertible, conversion rate	N/A
28	If convertible, mandatory or optional conversion	N/A
29	If convertible, specify instrument type convertible into	N/A
30	If convertible, specify issuer of instrument it converts into	N/A
31	Write-down features	No
32	If write-down, write-down trigger(s)	N/A
33	If write-down, full or partial	N/A
34	If write-down, permanent or temporary	N/A
35	If temporary write-down, description of write-up mechanism	N/A
36	Non-compliant transitioned features	No
37	If yes, specify non-compliant features	N/A
38	Link to the full term and conditions of the instrument (signposting)	N/A