

**Galaxy Derivatives LLC**

**Financial Statement**

**Year ended December 31, 2025**

(With Report of Independent Registered Public Accounting Firm Thereon)



KPMG LLP  
Two Manhattan West  
375 9th Avenue, 17th Floor  
New York, NY 10001

## Independent Auditors' Report

To the Member and Those Charged with Governance  
Galaxy Derivatives LLC:

### Report on the Audit of the Financial Statement

#### *Opinion*

We have audited the statement of financial condition of Galaxy Derivatives LLC (the Company) as of December 31, 2025, and the related notes (collectively, the financial statement).

In our opinion, the accompanying financial statement presents fairly, in all material respects, the financial position of the Company as of December 31, 2025, in accordance with U.S. generally accepted accounting principles.

#### *Basis for Opinion*

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statement section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Responsibilities of Management for the Financial Statement*

Management is responsible for the preparation and fair presentation of the financial statement in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the financial statement that is free from material misstatement, whether due to fraud or error.

In preparing the financial statement, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the financial statement is issued.

#### *Auditors' Responsibilities for the Audit of the Financial Statement*

Our objectives are to obtain reasonable assurance about whether the financial statement as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statement.



In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statement.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statement.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP

New York, New York  
February 26, 2026

# Galaxy Derivatives LLC

Statement of Financial Condition  
(Expressed in thousands)

	As of December 31, 2025
<b>Assets</b>	
Cash	5,210
Collateral receivable	405
Fiat loans receivable - related parties	64,316
Digital asset loans receivable - related parties	14,657
Due from related parties	267
<b>Total assets</b>	<b>84,855</b>
<b>Liabilities</b>	
Derivative liabilities	69
Collateral payable	4,242
Due to related parties	23
Other liabilities	229
<b>Total liabilities</b>	<b>4,563</b>
<b>Equity</b>	<b>80,292</b>
<b>Total liabilities and equity</b>	<b>84,855</b>

The accompany notes are an integral part of this financial statement.

# Galaxy Derivatives LLC

Notes to the Financial Statement  
For the Year Ended December 31, 2025

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## 1. BASIS OF PRESENTATION

### Nature of Operations

Galaxy Derivatives LLC (“GUS”, or the “Company”) is a Delaware limited liability company formed on June 9, 2022. The sole member of GUS is Galaxy Digital LP, (“Galaxy LP”). Galaxy Digital LP is a wholly-owned subsidiary of Galaxy Digital Inc., (“GDI” and, together with its consolidated subsidiaries, “Galaxy”).

The Company is registered with the Commodity Futures Trading Commission (“CFTC”) as a Swap Dealer and is a registered member of the National Futures Association (“NFA”) as of May 29, 2025. The Company has onboarded institutional clients to trade over-the-counter (“OTC”) digital asset derivatives.

## 2. SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been consistently applied in these financial statements, unless otherwise indicated.

### Basis of Presentation

The accompanying financial statements have been prepared on the basis of accounting principles generally accepted in the United States of America (“U.S. GAAP”). The financial statements include the accounts of the Company. The Company’s functional currency is the U.S. Dollar.

### Going Concern

In accordance with Accounting Standards Codification (“ASC”) 205-40, *Presentation of Financial Statements-Going Concern*, the Company believes that its business operations will continue for the foreseeable future, as it has the support of the Parent which will provide additional capital to the Company as required. The affiliate has committed to covering the expenses of the Company for at least one year from the date of these financial statements.

### Use of Estimates

The preparation of the Company’s financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions about future events that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. These estimates are based on historical experience and other assumptions that management believes to be reasonable under the circumstances. Actual results could differ from those estimates, and such differences could affect the Company’s financial statements.

### Cash and Cash Equivalents

Cash and cash equivalents may include cash on hand, demand deposits and short-term highly liquid investments that are readily convertible into known amounts of cash, with maturities of three months or less when acquired. As of December 31, 2025, the Company did not classify any balances as cash equivalents.

### Derivatives

The Company trades over-the-counter (“OTC”) derivative instruments linked to a broad range of digital assets, including, but not limited to, Bitcoin and Ethereum. Trading activities are primarily client-driven and designed to meet the needs of a sophisticated client base seeking customized instruments to navigate the digital asset market. The Company enters into back-to-back derivative transactions through Galaxy Digital Delta One LLC (“Delta One”), a GUS affiliate, which mirror each client-facing trade and fully hedge the Company’s economic risk. These transactions are generally short-term in nature, and do not extend beyond twelve months.

The Company recognizes all derivative financial instruments in the Statement of Financial Condition as either assets or liabilities at fair value, with transactions recorded on a trade-date basis. In accordance with ASC 815, *Derivatives and Hedging*, the Company nets certain derivative contracts, and eligible collateral, with the same counterparty when the criteria for offsetting are met.

The Company’s operations are primarily focused on facilitating client trading activity and do not involve economic hedging. As a result, the Company does not apply hedge accounting under ASC 815, and certain disclosures otherwise required for hedging relationships are not applicable.

A Master Netting Agreement (“MNA”) allows for the offsetting of derivative receivables and payables with the same counterparty, reducing gross exposures to a single net amount. For contracts that are legally enforceable, the Company nets

# Galaxy Derivatives LLC

Notes to the Financial Statement  
For the Year Ended December 31, 2025

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derivative receivables and payables in the Statement of Financial Condition. Where eligible, the Company also nets cash variation margin received or transferred, up to the fair value exposure for the related counterparty.

## Collateral

In addition to variation margin, the Company receives and transfers initial collateral in the form of fiat and digital assets to mitigate counterparty credit risk. While such fiat and digital assets reduce credit exposure, they are not eligible for netting under ASC 815 and are included within Collateral receivable and Collateral payable, respectively, in the Statement of Financial Condition.

Digital assets received as collateral may be self-custodied by the Company, lent to GUS-related parties, or posted to counterparties. Digital assets collected as collateral, or posted to a counterparty, include rehypothecation rights where applicable and are therefore recognized or derecognized upon receipt or disbursement. The Company records digital assets received as collateral at fair value within Digital assets on the Statement of Financial Condition when held at the reporting date and records a corresponding Collateral payable. The Company records digital assets posted to a counterparty at fair value as Collateral receivable.

A collateral payable is recognized when the Company recognizes digital asset collateral that is posted by a customer, and the Company has the right to rehypothecate the collateral. The Collateral payable is accounted for as a hybrid instrument, with an asset host contract, representing the payable for the digital asset collected. Embedded within the host contract is a derivative based on changes in the fair value of the underlying digital asset. The host contract is reported within Collateral payable on the Statement of Financial Condition. Embedded derivatives are accounted for at fair value and included in Collateral payable on the Statement of Financial Condition.

## Digital Assets

The Company transacts with its counterparties and affiliates in digital assets to exchange contract premiums, physically settle a contract where the digital asset is the underlying, to collect or post digital assets as collateral against a contract, or to settle loans and interest with its related parties.

To transact in digital assets, the Company holds the cryptographic key information of its own wallets. As of December 31, 2025, the Company holds no digital assets in its wallets, and therefore no digital assets are reflected in the Statement of Financial Condition.

Some counterparties post digital asset collateral directly to third-party custodians rather than to the Company. In these arrangements, the Company does not have control over the collateral except in the event of counterparty default. Accordingly, such collateral is not recorded in the Statement of Financial Condition. As of December 31, 2025, no collateral was held for counterparties by third-party custodians related to derivative contracts.

Some counterparties will post digital assets as collateral to the Company for open contracts and request that the Company custodies the digital assets until a new contract that requires collateral is opened. In these arrangements, the Company does not have the right to or control over the digital assets. Accordingly, these digital assets are not recognized on the Statement of Financial Condition. As of December 31, 2025, there was a total of \$1.6 million of digital assets custodied on behalf of counterparties in segregated wallets with no rehypothecation rights.

The Company applies the disclosure requirements for derivative instruments prescribed by ASC 815, which require disclosure of how derivative instruments are accounted for and their location and amounts within the financial statements. The disclosures required under ASC 815 are included in Note 7.

## Loans receivable

Fiat loans receivable - related parties and Digital asset loans receivable - related parties are U.S. dollar and digital asset loans to affiliates which are unsecured, open-term loans to related parties. The Company has the intent and ability to hold these loans for the foreseeable future, until maturity, repayment, or termination by the related party, and therefore classifies them as held for investment.

Loans receivable are reported at their outstanding principal balances less any allowance for credit loss, if applicable. Digital asset loans receivable are recorded at the fair value of the underlying assets, less any allowance for credit loss, if applicable. Interest income is recognized when earned and is recorded within interest income on the Company's Statement of Income (Loss).

Loans accounted for at amortized cost are placed on nonaccrual status when it is probable that the Company will not collect all principal and interest due under the contractual terms, regardless of the delinquency status or if a loan is past due for 90 days or

# Galaxy Derivatives LLC

Notes to the Financial Statement  
For the Year Ended December 31, 2025

more, unless the loan is both well collateralized or has begun reperforming. At that time, all accrued but uncollected interest is reversed against interest income and interest subsequently collected is recognized on a cash basis to the extent the loan balance is deemed collectible. Otherwise, all cash received is used to reduce the outstanding loan balance. A loan is considered past due when a principal or interest payment has not been made according to its contractual terms. The allowance for credit losses on loans receivable under the current expected credit loss ("CECL") model reflects management's estimate of credit losses over the remaining expected life of the loans and also considers forecasts of future economic conditions. There was no allowance for credit losses or bad debt expense for the year ended December 31, 2025.

## Due to/from related parties

Due from related parties represent amounts due from affiliated entities within Galaxy, while Due to related parties represent amounts due to affiliated entities within Galaxy. These balances primarily arise from derivative settlements, interest receivable, and expense sharing arrangements. The transactions associated with these receivables and payables are discussed in Note 7.

## Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The Company measures certain financial instruments at fair value on a recurring basis in accordance with ASC 820, *Fair Value Measurement*.

Fair value is a market-based measure considered from the perspective of a market participant. When market assumptions are not readily available, assumptions are established to reflect those that the Company believes market participants would use in pricing the asset or liability at the measurement date.

In determining fair value, the Company uses various valuation approaches and establishes a hierarchy for inputs used in measuring fair value, requiring that the most observable inputs be used when available. Observable inputs are inputs that market participants would use in pricing the asset or liability and are developed based on market data obtained from sources independent of the Company. Unobservable inputs are inputs that reflect the Company's assumptions about the assumptions market participants would use in pricing the asset or liability and are developed based on the best information available in the circumstances.

The fair value hierarchy is broken down into three levels based on the observability of inputs as follows:

- Level 1 – Unadjusted quoted prices in active markets for identical, unrestricted assets or liabilities that the Company can access at the measurement date.
- Level 2 – Observable inputs other than Level 1 quoted prices, including quoted prices for similar assets or liabilities in active markets, quoted prices for identical or similar assets or liabilities in inactive markets, or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the asset or liability.
- Level 3 – Unobservable inputs that reflect management's estimates of the assumptions that market participants would use in pricing the asset or liability.

The availability of observable inputs can vary from position to position and is affected by a wide variety of factors, including, for example, the type of position, the liquidity of markets, and other characteristics particular to the security. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Accordingly, the degree of judgment exercised in determining fair value is greatest for instruments categorized in Level 3.

The Company's derivative instruments consist primarily of digital asset-linked option contracts and forward contracts. Derivative instruments are classified as Level 2 within the fair value hierarchy, as their valuations are based predominantly on observable market inputs. Option contracts are valued using widely accepted option pricing models, including the Black-76 model, while forward contracts are valued using cost-to-carry methodologies. These valuation techniques incorporate observable inputs such as spot prices, forward prices, implied volatilities, yield curves, discount rates, and contractual terms, obtained from independent market data sources.

The Company validates derivative valuations through independent price verification procedures and model governance controls. Given the reliance on substantially observable inputs and the relatively short duration of the Company's derivative contracts, management believes the use of Level 2 classification is appropriate.

As of December 31, 2025, the Company held no level 3 investments, nor held any investments throughout the year ended December 31, 2025. As a result, there were no unobservable inputs that have been internally developed by the Company to determine fair value.

## Income taxes

# Galaxy Derivatives LLC

Notes to the Financial Statement  
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The Company operates as a limited liability company and is treated as a disregarded entity for Federal income tax purposes. Accordingly, all tax effects of the Company's income or loss are passed through to the member and no provision or liability for Federal income taxes is included in these financial statements.

The Company is required to file income tax returns in state tax jurisdictions. The Company's tax returns are subject to examination by taxing authorities in the jurisdictions in which it operates in accordance with the normal statutes of limitations in the applicable jurisdiction. The statute of limitations for state purposes is generally three years, but may exceed this limitation depending upon the jurisdiction involved. Returns that were filed within the applicable statute remain subject to examination. As of December 31, 2025, state taxing authorities have not proposed any adjustment to the Company's tax position.

## Recent Accounting Pronouncements

In December 2023, the FASB issued ASU 2023-09, Improvements to Income Tax Disclosures, which enhances required income tax disclosures. The guidance is effective for fiscal years beginning after December 15, 2025 for entities other than public business entities. The Company has not early adopted this standard. Because the Company is treated as a disregarded entity for federal income tax purposes and does not recognize income tax expense, adoption is expected to result only in additional disclosures and will not impact the Company's financial position, results of operations, or cash flows.

## 3. EQUITY

Galaxy Digital LP is the sole member of Galaxy Derivatives LLC, and may make, but shall not be required to make capital contributions to the Company. For the year ended December 31, 2025, the member made no cash contributions or distributions.

## 4. CAPITAL REQUIREMENTS

As a registered Swap Dealer, the Company is subject to minimum capital requirements in accordance with CFTC § 23.101 and NFA Section 18 and must be able to demonstrate such compliance to the CFTC and NFA. Failure to meet minimum capital requirements can initiate certain mandatory and possibly additional discretionary actions by regulators that, if undertaken, could have a direct material effect on the Company's financial statements. Under capital adequacy guidelines and the regulatory framework for prompt corrective action, the Company must meet specific capital guidelines that involve quantitative measures of the Company's assets, liabilities, and certain off-balance sheet items as calculated under regulatory accounting practices. The Company's capital amounts and classifications are subject to qualitative judgments by the regulators about components, risk weights, and other factors.

At December 31, 2025, the Company qualified as well capitalized under the regulatory framework for prompt corrective action as described under CFTC capital rules.

The Company has chosen to use the "Bank Holding Company (BHC) Approach," and thus, elected to be subject to the minimum capital requirements set forth in CFTC § 23.101(a)(1)(i).

The Company does not use models for market or credit risk charges so its capital at all times must equal or exceed the maximum of the following:

1. Common equity tier (CET) 1 capital of \$20 million, as if the Company itself were a BHC;
2. An aggregate of common equity tier 1 capital, additional tier 1 capital, and tier 2 capital, all as defined under the BHC regulations in 12 CFR 217.20, equal to or greater than 8% of the swap dealer's BHC equivalent risk-weighted assets; provided, however, that the swap dealer must maintain a minimum of common equity tier 1 capital equal to 6.5% of its BHC equivalent risk-weighted assets; provided further, that any capital that is subordinated debt under 12 CFR 217.20 and that is included in the swap dealer's capital;
3. Total Capital equal to or greater than 8% of the Firm's Uncleared Swap Margin; and
4. The amount of capital required by the NFA.

The Company did not have any subordinated debt at the start of the year and has not issued any subordinated debt instruments during the year ended December 31, 2025.

At December 31, 2025, the Company had regulatory capital of \$80.3 million, which was \$60.3 million in excess of the minimum requirement. The minimum requirement was \$20.0 million of CET1 capital, as if the Company itself were a BHC.

As of December 31, 2025, the Company's CET1 ratio and Total Capital ratio stood at 76%. These ratios exceeded the minimum capital requirements of 6.5% and 8.0% for CET1 ratio and Total Capital ratio, respectively. The Company's risk-weighted requirements were also greater than its uncleared swap margin requirement.

# Galaxy Derivatives LLC

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For the Year Ended December 31, 2025

As a Swap Dealer registered with the CFTC, the Company is subject to examinations related to the conduct of its normal business activities. The Company discusses matters with its regulators raised during examinations or otherwise subject to their inquiry and oversight. The Company may need to take actions to address matters raised by its regulators and could be subject to fines, penalties, or other actions by its regulators. As of December 31, 2025, no matters were identified that could have a material impact on the Company's financial position.

## 5. FAIR VALUE MEASUREMENTS

The following table sets forth by level, within the fair value hierarchy, the Company's assets and liabilities measured and recorded at fair value on a recurring basis:

(in thousands)	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Netting</u>	<u>Total</u>
<b>Assets</b>					
Derivative assets	—	4,614	—	(4,614)	—
Collateral receivable	—	249	—	—	249
Embedded derivative - collateral payable - digital assets	—	66	—	—	66
Digital asset loans receivable - related parties	—	14,657	—	—	14,657
<b>Total assets</b>	<b>—</b>	<b>19,586</b>	<b>—</b>	<b>(4,614)</b>	<b>14,972</b>
<b>Liabilities</b>					
Derivative liabilities	—	4,614	—	(4,545)	69
<b>Total liabilities</b>	<b>—</b>	<b>4,614</b>	<b>—</b>	<b>(4,545)</b>	<b>69</b>

(1) For contracts with the same counterparty, both cash collateral and counterparty nettings are included in the column title "Netting". Refer to Note 6 for further information on derivative instruments.

### Assets and liabilities not measured and recorded at fair value

The Company's financial instruments, including Cash, Fiat loans receivable - related parties, fiat Collateral receivable, fiat Collateral payable, Due from related parties, and Due to related parties are not measured at fair value. The carrying value of these instruments approximate the fair values due to their liquid or short-term nature.

## 6. DERIVATIVES

The following table presents the fair value of the Company's derivative instruments and their respective location on the Statement of Financial Condition:

<b>Derivative Instruments (in thousands)</b>	<b>Derivative Assets</b>	<b>Derivative Liabilities</b>
Options	4,364	4,364
Forwards	250	250
<b>Gross fair value of derivative contracts</b>	<b>4,614</b>	<b>4,614</b>
Counterparty netting	(3,202)	(3,202)
Variation margin	(1,412)	(1,343)
Impact of counterparty and collateral netting	(4,614)	(4,545)
<b>Total fair value</b>	<b>—</b>	<b>69</b>

As of December 31, 2025, the notional volume for the Company's open option contracts was \$442.5 million and for open forward contracts was \$5.6 million.

The following table presents a breakdown of the Company's collateral posted and collected and as of December 31, 2025.

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For the Year Ended December 31, 2025

(in thousands)	<b>December 31, 2025</b>
<b>Collateral receivable</b>	
Fiat	\$ 156
Digital assets	249
<b>Total collateral receivable</b>	<b>405</b>
<b>Collateral payable</b>	
Fiat	\$ 3,993
Digital assets	249
<b>Total collateral payable</b>	<b>4,242</b>

## 7. RELATED PARTY TRANSACTIONS

### Expense sharing

At December 31, 2025, the Company had a service agreement with Galaxy Digital Services LLC (“GDS”), an affiliated company. The affiliate provides office space, compensation expenses, professional and consulting fees, and other services pursuant to a service agreement. The Company is not required to make any payments to GDS under the agreement.

GDS paid expenses of \$0.5 million on behalf of the Company that are reflected as expenses on the Statement of Income (Loss). The Company paid GDS \$0.8 million due to balances owed to them attributable to expenses paid by them during the prior year and current year on behalf of the Company. As of December 31, 2025, the Company owes GDS \$23.2 thousand that is reflected on the Statement of Financial Condition in Due to related parties.

The terms of these arrangements may not be the same as those that would otherwise exist or result from agreements and transactions among unrelated parties.

### Derivatives

As of December 31, 2025, the open notional volume with Galaxy Digital Delta One LLC was \$224.0 million. After netting of counterparty positions and eligible cash variation margin, there were no Derivative assets or Derivative liabilities included on the Statement of Financial Condition related to Galaxy Digital Delta One LLC, and \$0.3 million of Collateral payable to Galaxy Digital Delta One LLC.

### Loans receivable

The Company enters into fiat currency and digital asset loan agreements with entities under common control.

As of December 31, 2025, the Company had \$62.1 million in Fiat loan receivables - related parties from Galaxy Digital Delta One LLC, and \$11.2 million in Digital asset loans receivable - related parties. In the year ended December 31, 2025, the Company lent no funds to Galaxy Digital Delta One LLC, received \$20.0 million in repayments of loans receivable from Galaxy Digital Delta One LLC, and earned interest income on these loans of \$7.6 million included in the Statement of Income (Loss). As of December 31, 2025, the Company had a receivable balance from Galaxy Digital Delta One LLC of \$0.2 million included in Due from related parties on the Company's Statement of Financial Condition related to derivative settlements and interest income receivable from related parties.

As of December 31, 2025, the Company had \$2.2 million in Fiat loan receivables - related parties from Galaxy Digital LLC, and \$3.5 million in Digital asset loans receivable - related parties. In the year ended December 31, 2025, the Company lent \$11.0 million to Galaxy Digital LLC, received \$8.8 million in repayments of loans receivable from Galaxy Digital LLC, and earned interest income on these loans of \$0.1 million. As of December 31, 2025, there was \$0.1 million of accrued interest receivable from Galaxy Digital LLC included within Due from related parties.

As the loans receivable from related parties are unsecured, the Company evaluates counterparty credit risk for all affiliates with outstanding loan receivables. Substantially all of the Company's interest income is derived from these related-party loans. Galaxy, the ultimate parent, provides a guarantee to cover all instances of non-payment from affiliates, thereby limiting the Company's credit exposure. The Company has not experienced any losses on its related party receivables through December 31, 2025.

From time to time, accrued interest and other related party balances may be settled through reclassifications of due to or due from balances in lieu of cash settlement.

## 8. RISKS AND UNCERTAINTIES

Financial instruments that potentially subject the Company to concentrations of credit risk consist primarily of cash, loans receivable, due from related parties, and derivative assets and liabilities.

The Company places its cash with high credit-quality financial institutions and has established guidelines relative to credit ratings and maturities that seek to maintain safety and liquidity. At times the Company's balances may be greater than the federally insured limit. Any loss incurred or a lack of access to such funds could have a significant adverse impact on the Company's financial condition, results from operations, and cash flows. The Company has not experienced any losses on its cash deposits through December 31, 2025.

The Company considers counterparty credit risk for all parties to outstanding derivative instruments to the extent such risk would be considered by a market participant in the transfer or settlement of those contracts (exit price). Counterparty credit exposure arising from derivative instruments is mitigated through enforceable master netting agreements, daily exchange of cash variation margin, and ongoing monitoring of counterparty creditworthiness. As of December 31, 2025, three counterparties individually held 100% of the Company's gross derivative assets, holding approximately 65%, 22% and 13%. However, the Company has obtained sufficient variation margin from the respective counterparties to cover these positions, resulting in a negligible risk of loss due to credit.

A determination that a digital asset is a "security," or that an activity in which the Company engages in involves a "security" transaction for purposes of the federal securities laws could have adverse regulatory consequences for the Company, and could therefore adversely impact the Company's business, financial condition and results of operations. The Company's process for analyzing whether or not a particular digital asset is a security for purposes of the federal securities laws may not yield results that are consistent with subsequent determinations by the SEC or federal courts, or with similar determinations made by the Company's competitors.

The Company's liquidity profile is influenced by (i) margin requirements associated with derivative contracts, (ii) collateral posting requirements, and (iii) the timing of repayments on related-party loans. Derivative activities may require the Company to post significant amounts of collateral in response to market movements. Although client trades are generally back-to-back hedged with an affiliate, timing mismatches in collateral calls, valuation disputes, or rapid market movements could require the Company to deploy cash before receiving offsetting amounts. In addition, the Company's assets are concentrated in related-party loans. These loans are open-term and unsecured. If affiliates are unable or unwilling to repay on demand, or if market conditions impair their liquidity, the Company's ability to meet its own obligations could be adversely affected.

The Company relies in part on expense-sharing arrangements with affiliates, under which certain operating expenses are borne by Galaxy Digital Services LLC. The continuation of these arrangements is dependent on the financial capacity and strategic decisions of the affiliate. Termination or modification of such arrangements could materially increase the Company's operating expenses and liquidity requirements.

As a registered Swap Dealer, the Company is subject to minimum capital requirements and regulatory oversight by the CFTC and NFA. Failure to maintain required capital levels or comply with applicable regulations could result in restrictions on operations, fines, or revocation of registration.

The Company's business depends on the secure and continuous operation of technology systems used to execute, value, margin, and settle derivative transactions, as well as to custody digital assets. Digital assets are susceptible to risks unique to distributed ledger technology, including cybersecurity breaches, loss or compromise of private keys, protocol vulnerabilities, and network disruptions. Although the Company does not hold digital assets with rehypothecation rights as of December 31, 2025, operational failures, cybersecurity incidents, or third-party custodian disruptions could result in financial loss, reputational damage, or regulatory scrutiny. The Company also relies on affiliated entities for hedging transactions, expense support, and certain operational services. Disruptions affecting affiliates could adversely impact the Company's ability to conduct business.

## 9. COMMITMENTS AND CONTINGENCIES

In the ordinary course of business, the Company may be threatened with, named as defendants in, or made parties to pending and potential legal actions. Except as discussed below, the Company does not believe that the ultimate outcome of these or any outstanding matters will have a material effect upon the Company's business, results of operations or financial condition.

# Galaxy Derivatives LLC

Notes to the Financial Statement  
For the Year Ended December 31, 2025

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## **10. SUBSEQUENT EVENTS**

The Company evaluated subsequent events through February 26, 2026 which is the date the financial statements were issued, and determined there have been no events that have occurred that would require adjustments to the disclosures in the financial statements.