COVERED AGENTS PROTOCOL

Quarterly Investor Report

Q2 2026

$272.00M	**$41.90M**	**5.52 %**	**$0**
TOTAL VALUE LOCKED	LOANS OUTSTANDING	NET APY (STCUSD)	LOSSES TO LENDERS

All onchain figures in this report are independently verifiable. Verification links: Appendix, page 6.

Prepared by Cap Labs for investors of Cap. Contains forward-looking statements; see Disclosures, page 6.

1 Letter to Investors

Dear Investors,

Q2 demonstrated both the strength of Cap's model and the distance that remains between our current scale and our long-term ambitions.

Cap ended the quarter with $272 million in total value locked, $41.9 million in loans outstanding, and a quarter-median stcUSD net APY of 5.52%. Active borrowers increased 33%, underwriter premiums more than doubled, and non-farming deposits reached 96.84% of the deposit base. The protocol maintained a 4.40x coverage ratio and reported zero cumulative losses.

The launch of CAP was a major milestone. The token achieved broad distribution across leading global trading venues and generated $878 million in volume during its first ten days. Approximately $4.2 million was raised through the Uniswap and Binance Wallet sales, which was used to fund the Stabledrop. More importantly, we continued developing the infrastructure behind the protocol: expanding stcUSD integrations, advancing institutional and fintech relationships, adding gold-backed financial guarantees, and strengthening our underwriting and liquidity-provider presence in the Middle East.

At the same time, our Q2 balance-sheet metrics came in below plan, reflecting a more challenging growth environment during the quarter. TVL declined 17.6% quarter over quarter, cUSD deposits declined 31.5%, and loans outstanding declined 13.7%. As a result, we closed the quarter below our targets for total deposits and guarantee collateral.

While credit conditions tightened across the sector, our job is to build a platform capable of growing through varying market conditions. Our focus must remain on what we control: shortening institutional onboarding timelines, broadening the credit opportunity set, and converting partnerships into deployed capital.

Our priority for Q3 is clear: convert the institutional pipeline into underwriter capital and deployed loans. We are targeting at least $350 million in underwriter capital, $100 million in deployed credit, and $500 million in TVL, while maintaining stcUSD net APY at or above 5.0%. The completion and launch of Cap V2 will support this effort by expanding the protocol's capabilities and improving capital deployment.

We approach these goals with both ambition and humility. The CAP launch has expanded the reach of the network, and the underlying business is showing encouraging signs of progress. Our task now is to translate that progress into durable deposits, diversified credit origination, and consistent returns for capital providers.

Thank you for your continued support and partnership.

Cap Labs

2 Quarter Dashboard

All figures as of June 30, 2026 (quarter-end snapshot) unless noted. Conventions: USD; QoQ = quarter over quarter.

METRIC	Q2 2026	Q1 2026	Δ QoQ	NOTE
SCALE				
Total value locked (TVL)	$272.00M	$330.00M	*-17.58%*	USD + Underwriter escrow
USD deposits (cUSD)	$66.40M	$96.93M	*-31.50%*	Stablecoins
Guarantee collateral	$205.00M	$228.00M	*-10.09%*	Underwriter escrow
LENDING				
Loans outstanding	$41.9M	$48.56M	*-13.71%*	
Active borrowers	16	12	*+33.33%*	
Active underwriters	16	13		
Fees				
cUSD interest distributed	$1.08M	$1.91M	*-43.46%*	
Underwriter premiums	178.49K	$88.34K	*+102.04%*	
Minting fees	$9,210	$38,350	*-75.98%*	
YIELD & QUALITY				
stcUSD net APY (quarter median)	5.52 %	5.08 %	*+8.66%*	vs. peer median 3.39% [1]
Non-farming deposits	96.84%	89.7%	*+7.95%*	Organic-demand proxy
RISK & CAPITAL				
Coverage ratio	4.40x	4.7x	*-1.57%*	Collateral ÷ loans
Losses to underwriters (cumulative)	$0	$0	-	Since inception
Market Data				
Price	$0.0234	-	-	
Circulating Market Cap	$36.59M	-	-	
Fully Diluted Market Cap	$234M	-	-	

Metric definitions: Appendix A. Onchain verification: Appendix B.

[1] Peer median: avg. of Q2 median APYs — Aave (USDC), Spark, Ethena, Morpho (USDC), Maple, Sky (sUSDS) on Ethereum. Source: DefiLlama.

3 Quarter in Review

HIGHLIGHTS

1. Token Generation Event: CAP launched

Cap successfully launched its token, CAP, at a $100M fully diluted valuation. Within days of launch, CAP was listed on Coinbase, Bithumb, Bybit, Kraken, Binance Alpha, Crypto.com, Bitvavo, HTX, MEXC, and Bitmart spot markets. It was also listed for perpetual trading on Binance, OKX, Bybit, Bitget, Lighter, and Aster. In the first 10 days of trading, CAP trading volume reached $878M.

2. Initial Coin Offering: Sales on Uniswap and Binance Wallet

Cap raised around $4.2M in USDC on both Uniswap and Binance Wallet in June. Early access for Uniswap's CCA auction was given to Frontier program participants, who benefited from a 30% discount on the final clearing price. At TGE, these early bidders realized 4-5x returns on their CAP tokens. Both sales sold out, with the auction on Uniswap CCA oversubscribing by 5x with 1,002 individual bids.

3. Business Expansion

Cap continued its strategic growth throughout Q2, diversifying our footprint across geographic regions and key credit sectors.

On the USD deposit side, Cap has diversified its yield sources by

- Strengthening institutional standing by integrating with traditional firms such as Franklin Templeton
- Integrating stcUSD across DeFi, most notably with Aave integrations on MegaETH. Supply caps were immediately reached three times, demonstrating ample appetite for the protocol's yield profile.
- Expanding our reach via neobank and fintech platforms, including Brookwell/Blend and Rootsfi

On the loan origination side, we have broadened our credit mandate with the introduction of gold-backed financial guarantees with Matrixport, further diversifying our collateral profile. Real world assets, such as commodities, stock indices, and alternative fiat currencies represent an important opportunity to Cap's underwriter base. In Q3, Cap will expand into this sector with similar integrations to those achieved with Matrixport.

Our geographic expansion remains focused on the Middle East, where we are actively developing regional LP relationships and local underwriting capabilities to support long-term scaling.

YIELD COMPARISON

For the second quarter, stcUSD generated a net APY of 5.36%, ranking within the top 5th percentile of the DeFi yield sector, as tracked by Stablewatch. This performance represents a significant spread relative to the 4.11% benchmark mean observed across comparable yield-generating assets. Yield generation for the period was driven by the combination of active guaranteed loan origination and reserve yield strategies.

Pool	Q1 mean APY	Q2 mean APY	Mean Δ%
stcUSD (Cap)	5.36%	5.36%	▼ 0.05%
sUSDe (Ethena)	4.01%	3.95%	▼ 1.49%
sUSDS (Sky)	3.94%	3.65%	▼ 7.19%
syrupUSDC (Maple)	4.88%	4.75%	▼ 2.68%
Short term T-bill rates (13 weeks)	3.59%	3.62%	▲ 0.84%

Quarterly mean of daily pool APY. Each pool has 90 tracked days in Q1 and 91 in Q2. Source: DefiLlama.

4 Goals Scorecard

Q2 2026 GOALS — RESULTS

#	Q2 Goals	Result	Status
1	Reach $1Bn in total deposits	$272M in TVL at the end of Q2	✗ Not met, target adjusted to $500M in Q3
2	Guarantee collateral > $500M	~$205M at the end of Q1	✗ Not met, target adjusted to $350M
3	Expand loan transaction types (LBOs, inventory, payment financing)	No public disclosure of new loan types this quarter	◐ In progress
4	SEAL security certification	In progress per Q1 update	◐ In progress — carried to Q3
5	Middle East expansion (hire ME Lead, develop LP relationships)	Hired ME Lead in Q2; developed new partnerships	✓ Met
6	Token launch	$106M FDV auction, 5.5x oversubscribed; tier-1 listings incl. Coinbase, Kraken, Bithumb; #2 lending token by volume in 10 days	✓ Exceeded

Q3 2026 OKRs

Crypto credit markets tightened through Q2, compressing yields and slowing deposit growth sector wide. Cap was not immune: protocol deposits came in below target. However, our institutional pipeline remains intact. The targets below reflect adjusted onboarding timelines that prioritize structural integration with underwriters over near-term TVL.

Objective: Scale the credit engine

- **KR1:** Grow underwriter capital to ≥$350M (from $200M)
- **KR2:** Grow deployed Credit ≥ $100M (from $42M)
- **KR3:** Onboard new underwriting assets and borrower categories to diversify the credit base

Objective: Maintain yield leadership while growing the balance sheet

- **KR1:** Hold stcUSD net APY ≥5.0% quarterly average (peer range: 3.65–4.36%)
- **KR2:** Grow TVL to ≥$500M (from $272M)

Objective: Product Improvements

- **KR1:** Complete audit and launch Cap V2 with extended features to optimize the credit engine
- **KR2:** Migrate idle-asset reserves to tokenized T-bill products, capturing the risk-free rate with atomic, verifiable redemption
- **KR3:** Maintain best-in-class security posture: complete SEAL certification onboarding

5 Asks & Appendix

ASKS

[●] Introductions: Neobanks, Underwriter Profiles, Insurance companies

[●] New Hire Candidates: Marketing Lead, Head of Sales (US)

APPENDIX A — METRIC DEFINITIONS

TVL — total value of all assets deposited in Cap contracts (USD deposits, guarantee collateral, other collateral).

Guarantee collateral — capital escrowed by underwriters that absorbs first loss on the loans they insure.

Coverage ratio — guarantee collateral divided by loans outstanding.

Utilization — share of the USD reserve lent to borrowers.

Non-farming deposits — deposits not attributable to public incentive campaigns.

APPENDIX B — VERIFICATION & SOURCES

Live protocol data: Dune Dashboard · DefiLlama · Prior reports

DISCLOSURES

This report contains forward-looking statements, including goals, targets, and outlook; actual results may differ materially. Figures are unaudited unless otherwise stated. Nothing herein is an offer to sell or a solicitation to buy any security or token. Historical yield is not a guarantee of future performance.

Resources: Website | X/Twitter | Docs