ANNUAL DISCLOSURE

&

MARKET DISCIPLINE REPORT (PILLAR III AUDITED)

- SOLO BASIS

FOR THE YEAR ENDED 31 DECEMBER 2025

MAY 2026

SM Capital Markets Ltd

CIF license: 339/17

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1. Definitions

SM Capital Markets Ltd: the "Company", or "SMCM".

Cyprus Securities and Exchange Commission: "CySEC".

CIF: Cyprus Investment Firm

EU Regulation 2033/2019 of the European Parliament and of the Council of 27 November 2019 on prudential requirements for investment firms (hereinafter the "IFR").

EU Directive 2034/2019 for the prudential supervision of investment firms (hereinafter the "IFD").

Frequency: The Company is preparing these disclosures annually.

Media and Location: The disclosure is published on Company's website: www.scopemarkets.eu.

Scope of report: The disclosures are in accordance with Part SIX of IFR. The information contained in the Pillar III Market Discipline and Disclosure report is verified by the Company's external auditors and a cope of its verification report is expected to be provided to CySEC five months after the end of each financial year, at the latest.

2. Corporate Information

SM Capital Markets Ltd is a Company registered in Cyprus under registration number HE346068 and LEI Code 549300SS5YL3DNCPHI21. The Company is authorized and regulated in line with the Law (L. 87(I)/2017), by CySEC (License Number 339/17) as a CIF to provide investment and ancillary services to its clients.

The registered address of the Company is Gladstonos, 116, M. Kyprianou House, 3rd&4th Floor 3032, Limassol, Cyprus.

The Company does not fall into the significant category in terms of its size, internal organization and the nature, the scope, and the complexity of its activities, according to the definition of significance as provided by CySEC Circular C487 and to this end, it does not deem necessary to establish a Nomination or a Remuneration Committee for the year under review.

The Company operated under the brand name of Scope Markets and has the license to provide the following investment and ancillary services in relation to the financial instruments outlined below:

Investment Services:

a) Reception and transmission of orders in relation to one or more financial instruments.
b) Execution of orders on behalf of clients.

Ancillary Services:

a) Safekeeping and administration of financial instruments for the account of clients, including custodianship and related services such as cash/collateral management.
b) Granting credits or loans to an investor to allow him to carry out a transaction in one or more financial instruments, where the firm granting the credit or loan is involved in the transaction.
c) Foreign exchange services where these are connected to the provision of investment services.

Financial Instruments:

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

The Company acts as a straight through processing ("STP") broker, providing brokerage services in relation to one or more financial instruments. The Company

mainly offers trading in CFDs on foreign exchange, indices, futures, spot energies, metals, equities and cryptos.

The Company is acting as intermediary as it does not internalize the Market risk arises from clients' activity, while the orders received are transmitted for execution to a regulated market making investment firm, the Liquidity Provider. In this respect, the Company establishes an agreement with the Liquidity Provider through which it ensures that:

1. The financial products offered by the Company are always available to the client.
2. All clients 'orders are executed by the Liquidity Provider as per the Company's terms and conditions, best execution policy and key information documents.

3. Regulatory Framework

The Disclosures have been prepared in accordance with the following:

- Part Six of the IFR known as the prudential requirements regulation for Investment Firms.
- Investment Firms Directive (IFD): Directive (EU) 2019/2034, known as the prudential requirements directive, as this has been transposed into Cyprus legislation through the issuance of Law 165(I)/2021 of CySEC for the Prudential Supervision of Investment Firms.
- Commission Implementing Regulation (EU) 2021/2284 laying down implementing technical standards for the application of IFR with regards to supervisory reporting and disclosures of investment firms.

These Pillar III Disclosures present the evaluation and management of the various risks faced by the Company during the year ended 31 December 2025. As part of the Disclosures, the Company presents, amongst others, information on its capital structure, regulatory capital requirements, liquidity requirements, risk management objectives, policies, governance and remuneration policy and practices.

Information in the Pillar III Disclosures is presented in thousands of Euros (€'000"), unless otherwise indicated.

The Company has established a subsidiary entity which is an investment firm authorized and regulated by the Capital Markets Authority in Kenya, as a result of which it is subject to consolidated supervision by CySEC in accordance with Article 7 of the IFR. The present disclosures concern the Company's Pillar III information on a solo basis. Furthermore, the Company prepares its financial statements in accordance with International Financial Reporting Standards as adopted by the European Union (IFRS-EU) and the requirements of the Cyprus Companies Law, Cap. 113, as amended from time to time.

According to its license, the Company is categorized as a Class 2 investment firm.

Since 26 June 2021, the Company has been subject to the capital adequacy and overall risk management requirements that arise from the investment firm European prudential framework, which consists of IFR and 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.

As per IFR and IFD rules, investment firms are required to maintain Own Funds consisting of the sum of their Common Equity Tier 1 capital, Additional Tier 1 capital and Tier 2 capital, and shall meet all the following conditions at all times:

a. Common Equity Tier 1 ("CET1") Capital of at least 56% of Minimum Capital Requirements.
b. CET1 Capital and Additional Tier 1 Capital of at least 75% of Minimum Capital Requirements.
c. CET1 Capital, Additional Tier 1 Capital and Tier 2 Capital of at least 100% of Minimum Capital Requirements.

4. Corporate Governance

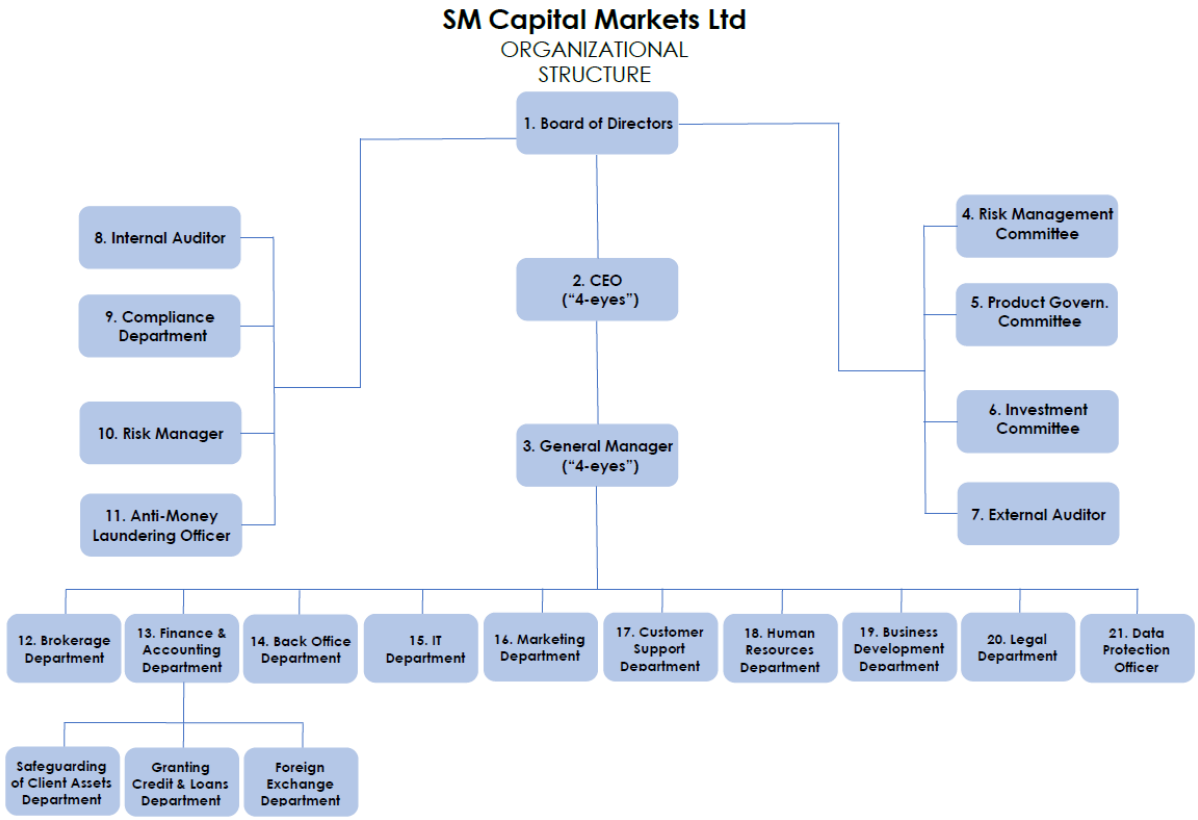

Diagram of Organizational Structure of the Company as at 31/12/2025.

4.1. Board of Directors

The Board of Directors assesses and periodically reviews the effectiveness of the policies, arrangements and procedures put in place to comply with the obligations under the applicable legislation, takes appropriate measures to address any deficiencies and set the strategy of the Company. The Board of Directors is responsible for the monitoring of the internal control mechanisms of the Company to enable the prevention of activities outside the scope and strategy of the Company and the prevention of any unlawful transactions, the identification of risks, and the timely and adequate flow of information.

All the control functions (i.e. Compliance, Anti-Money Laundering ("AML") Compliance, Risk Management, and Internal Audit) of the Company have an open line of communication with the Board of Directors in order to communicate any findings and/or deficiencies they identify in a timely manner and ensure that those will be resolved through the guidance of the Management Body. In addition, the Risk Management, Product Governance, and Investment Committees are communicating their suggestions and findings to the Board of Directors, as and if necessary.

The Company's business effectiveness is based on the guidelines of the risk management policies and procedures put in place. The Board of Directors, Internal Audit, Risk Manager, Compliance Officer and AMLCO control and supervise the overall risk system so that all units charged with risk management perform their roles effectively on a continuous basis.

As of 31 December 2025, the Company's Board of Directors comprises the following directors:

Table: Members of the Company's Board of Directors as at 31 December 2025

Full name of Director	Position/Title/Capacity	Country
Mr. Constantinos Shakallis	CEO, Executive Director, "4 eyes"	Cyprus
Mrs. Charis Ioannidou	General Manager, Executive Director, "4 eyes"	Cyprus
Mr. Daniel Anthony Lawrance	Non-Executive Director	Cyprus
Mr. Nicolaos Kelepeniotis	Non-Executive Director	Cyprus
Mrs. Mikaela Messiou	Non-Executive Director	Cyprus
Mr. Roger Ian Hambury	Non-Executive Director	Jersey

4.2. Board of Directors Declaration

The Board of Directors is ultimately responsible for the Risk Management framework of the Company. Risk Management framework refers to the arrangements (including practices, processes, systems, resources and culture) within the Company's system of management that enable risks to be managed. The framework includes clear statements from top management on the Company's intent regarding risk management and the necessary capacity to achieve this intent. Risk management is an integral component of management and as such it is fully integrated into the Company's management system and processes. The Company's Risk Management framework is commensurate with the size and scope of the Company and its operations. It identifies the key risks faced and reports them to the Board of Directors, which then determines the Company's risk appetite and ensures that an appropriate amount of capital is maintained.

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

4.3 Senior Management

The Senior Management of the Company is undertaken by at least two persons of sufficiently good repute and sufficiently experienced so as to ensure the sound and prudent management of the Company.

The Senior Management is responsible to ensure that the Company complies with its obligations under the applicable legislation. To this end, the Senior Management oversees the development and implementation of the Board of Director's decisions, strategies, and policies, ensure the smooth and uninterrupted running of the business and is responsible for the maintenance of positive relationships with the Company's shareholders.

4.4. Committees

- **Product Governance Committee**

The Product Governance Committee is formed with the view to enhance the level of investor protection and ensure that the Company monitors the products that its offering through all their life cycle. Further to that, the Committee ensures that the Company always acts on the best interest of the clients.

Following the aforementioned, the Company maintains a robust Product Governance Policies and Procedures, in which the target market identified, and the Company complies with the relevant legislation in an appropriate and proportionate manner, considering the nature of the instruments offered, as well as the risks involved distributing the said the instruments.

The members of the Product Governance Committee are appointed by the Board of Directors. The Committee, which reports directly to the Board of Directors, consists of 4 participants (2 Non-Executive Directors, 1 Executive Director and the Risk Manager who is acting ex officio and without voting rights)..

The role of the Committee is essential to:

(a) review and assess all the instruments offered by the Company,
(b) review and assess any new instruments introduced by the Company,
(c) review all the existing policies and procedures in regard to the Product governance arrangements,
(d) identify all the risks involved while offering the selected financial instruments,
(e) identify the target market of end clients within the relevant category of clients for each financial instrument,
(f) identify the distribution strategy so as to ensure that it is consistent by the product governance arrangements,

(g) identify, manage, and prevent any conflicts of interest related to Product governance,
(h) ensure that the Company has in place adequate Product governance arrangement to ensure that the products and services, it intends to offer are compatible with the needs, characteristics, and objectives of an identified target market,
(i) identify the negative target market as well as the grey target market,
(j) review and evaluate the effectiveness of the appropriateness test and suitability test,
(k) detect any risk of failure to comply with the Product governance arrangements,
(l) ensure that the staff possesses the necessary expertise to understand the characteristics and risks of the products that the Company is offering or intends to offer.

The Product Governance Committee decisions relate to general and overall decisions, as far as the investments are concerned, which correspond to the Company's Product Governance, as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of financial instruments, types of financial markets and market segments. Further, these decisions are notified to the relevant Head of the Department of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

- **Risk Management Committee**

The Risk Management Committee is formed with the view to ensure the efficient monitoring of the risks inherent in the provision of the investment services to clients, as well as the risks underlying the operation of the Company, in general.

Towards this direction, the Company forms a robust ICARA and adopt and maintain risk management policies, which identify the risks relating to the Company's activities, processes and systems and set the risk tolerance levels of the Company. The Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the ICARA and of the risk management policies and procedures that are in place, the level of compliance by the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect with those policies and procedures that are in place, including failures by the Company's relevant persons to comply with those policies and procedures.

The members of the Risk Management Committee are appointed by the Board of Directors. The Committee, which reports directly to the Board of Directors, consists of 4 participants (2 Non-Executive Directors, 1 Executive Director and the Risk Manager

who is acting ex officio and without voting rights) and during 2025 it held seventeen (17) meetings.

The role of the Committee is essential to:

(a) all material risks are identified, measured, and properly reported,
(b) scrutinize, and decide on various risks associated with the operation of the Company with the view to increase the awareness of, formulate internal policies and measure the performance of the said policies in dealing with the risks associated with the operation of the Company,
(c) review the risk management procedures in place,
(d) review, discuss, elaborate and amend, if necessary, the ICARA of the Company, on a yearly basis, prior to the approval of the Board of Directors,
(e) monitor and control the Risk Manager in the performance of his/her duties and the effectiveness of the Risk Management Department,
(f) ensure that the Company has clear policy in respect of the assumption, follow up and management of risks duly notified to all interested parties or organizational units of the Company. Specifically, such policy ensures that all parties involved in the provision of investment services are aware of:
    - the particular features of each investment service, financial instrument, and risk inherent in the provision of the services in respect thereof,
    - the interrelation between the volume of the projected returns and the gravity of the risks undertaken by the Company,
(g) consider, to the extent possible, risk factors affecting costs, the price at which competitors offer the same services, and the cost-benefit ratio for each service, and verify that such information is utilized by the Risk Management Department in the carrying out of their duties,
(h) specifically, with respect to liquidity risk and market risk, review the policies of the Risk Management Department on:
    - acceptable maximum risk assumption limits per class of risk,
    - breakdown of such risk limits further where necessary, for example, per class of investment service or financial instrument, or client or market,
    - implementing stop loss-control limits,
    - following up open positions within the approved limits,
    - ensure compliance with the Liquidity Requirement as set by Article 43 of IFR.
(i) prior to expanding its operations to any new financial instruments or investment services, the Committee is satisfied that the Company incorporated such expansion projects into its strategic development plan, located and accurately assessed the inherent risks, by implementing the necessary risk management procedures, and resolving any legal issues associated with the execution of the relevant transactions as well as the issues relating to their monitoring,
(j) ensure the immediate tracking down and scrutiny of important abrupt changes in the Company's financial figures, procedures, or personnel, as well as the regular control of the volume and causes underlying deviations between projections and corporate end results, as submitted to the Board of Directors, so as to enable the assessment of the performance of each of the Company's separate organizational units by reference to the set targets,
(k) approve client and counterparty limits,

(l) appoint the responsible security user/super user for the provision of access rights to the various database and monitor the security measures in place,
(m) maintain systematic supplier cooperation with the information services' end-users in all phases of development, operation, and evaluation of the information applications of the Company's system,
(n) supervise the disaster recovery plan,
(o) supervise the proper choice of investments (framework for investment decisions),
(p) determine the Company's costs and charges policy,
(q) decide upon the markets and types of financial instruments, in which the Company shall be active,
(r) determine the mode, content and frequency of the client's briefing.
(s) brief the Internal Auditor, as applicable,
(t) analyze the economic conditions and the investment alternatives, based on a thorough examination of third-party reports,
(u) ensure, that the Board of Directors' instructions on the Company's overall current and future risk appetite and strategy and assist the Board of Directors in overseeing the implementation of that strategy by Senior Management.

The Risk Management Committee decisions relate to general and overall decisions, as far as the investments are concerned, which correspond to the Company's risk profile, as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of financial instruments, types of financial markets and market segments. Further, these decisions are notified to the relevant Head of the Department of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

Furthermore, the Risk Management Committee bears the responsibility to monitor the adequacy and effectiveness of the Company's Risk Management Policy and procedures put in place, the level of compliance with the Company and its relevant persons with the policies and procedures adopted, as well as the adequacy and effectiveness of measures taken to address any deficiencies with respect to those policies and procedures that are in place, including failure by the Company's relevant persons to comply with those policies and procedures.

- **Investment Committee**

An Investment Committee is formed to ensure the proper monitoring of the provision of adequate investment services to clients.

The members of the Investment Committee are appointed by the Board of Directors. The Committee, which reports directly to the Board of Directors, consists of 3 participants (2 Non-Executive Directors, 1 Executive Director).

The role of the Committee is essential to:

(a) to supervise the proper choice of investments (framework for investment decisions),

(b) to determine the Company's costs and charges policy,
(c) to decide upon the markets and types of financial instruments in which the Company is active,
(d) to determine the mode, content, and frequency of the client's briefing. Also, to monitor that clients are informed about their right to request different time frequency of the provision of their periodic statement by the Company, about their investment transactions,
(e) to brief the Internal Auditor, as applicable,
(f) to establish risk profile categories for each client (e.g. cautious, balance, growth, aggressive),
(g) to analyse the economic conditions and the investment alternatives based on a thorough examination of third-party reports,
(h) to select appropriate benchmarks for different type of portfolios, where applicable,
(i) to examine the returns and the associated risks of the client portfolios, as applicable,
(j) to monitor the collection of the client information through the filling of the Investment Questionnaire, or information obtained through interviews.

The Investment Committee decisions relate to general and overall decisions as far as the investments are concerned which correspond to the client's risk profile categories as applicable. These general and overall decisions relate to various sectors of the economy across multiple regions and countries, general macroeconomic indicators, types of financial instruments, types of financial markets and market segments. Further, these decisions are notified to the relevant Heads of the Departments of the Company, as necessary, to enable discharging of their duties in an effective manner. As far as investments are concerned and when related to specific investment strategies, these decisions are of a prescribed content.

4.5. Risk Management Function

The Risk Management function of the Company bears the responsibility to construct the Company's ICARA, including the formation of the subjective decisions/policies on the relevant risks applicable to the Company, as well as to plan and organize the implementation and embedment of the ICARA within the Company, on an operational level. Further, the Risk Management function is responsible to review, re-run as well as draft the Company's ICARA report to the Board of Directors, on an annual basis.

The Management Body has appointed a Risk Manager who ensures that all the different types of risks taken by the Company are in compliance with the applicable legislation and the obligations of the Company under the said applicable legislation, and that all the necessary procedures relating to risk management are in place. The Risk Manager reports to the Board of Directors of the Company.

As an addition to the above and as already mentioned, the Company is operating a Risk Management Committee, which is responsible for monitoring and controlling the

Risk Manager in the performance of his/her duties. The Risk Management Committee is also formed with a view to enhancing the level of investor protection and ensuring that the Company monitors the products that it's offering though all of their life cycle.

4.6. Compliance Function

The Board of Directors of the Company has appointed a Compliance Officer to lead the Compliance function of the Company, establish, implement and maintain adequate policies and procedures. The Compliance Officer of the Company has the required knowledge and expertise in order to perform his duties effectively. Moreover, the duties of the Compliance Officer are to establish, implement and maintain adequate policies and procedures designed to detect any risk of failure by the Company to comply with its obligations, and put in place adequate measures and procedures designed to minimize such risk and to enable the competent authorities to exercise their powers effectively. The Compliance Officer is independent and has the necessary authority, resources, expertise, and access to all relevant information. The Compliance Officer reports to the Board of Directors of the Company.

The Compliance function of the Company has a vital role within the internal governance framework and is responsible for ensuring all functions of the Company comply with the regulatory obligations of the Company.

4.7. Anti-Money Laundering Compliance Officer

The Anti-Money Laundering Officer reports directly to the Board of Directors and is responsible for:

- Ensuring implementation of the procedures described in the Company's AML Procedures Manual.
- Ensuring that Company employees attend training sessions on anti-money laundering and terrorist financing procedures.
- Ensuring that all clients' accounts are opened only after the relevant pre-account opening due diligence and identification measures and procedures have been conducted, according to the principles and procedures set in the AML Manual.
- Compliance with high standards of AML practice in all markets and jurisdictions in which the Company operates.
- Ensuring the implementation of the "know your client" procedures of the Company.
- Gathering information with regards to the new customers of the Company.
- Analyzing the customers' transactions.
- Continuous improvement of the existing control procedures.
- Providing a written annual report to the Board of Directors on the matters of own responsibility, indicating in particular whether the appropriate remedial measures have been taken in the event of any deficiencies.

4.8. Internal Audit Function

The Internal Auditor reviews and evaluates the adequacy and effectiveness of the Company's systems of internal controls and the quality of operating performance when compared with established standards on an ongoing basis. The recommendations that the Internal Auditor makes to the Senior Management and the Board of Directors regarding the internal controls and the management of the various risks that are associated with the operations, aim to secure a controlled environment in the Company.

The Internal Auditor is separated and independent of the other functions and activities of the Company. The Internal Auditor has been appointed and reports directly to the Board of Directors of the Company.

4.9. Number of Directorships held by members of the Board

According to Article 48 (a) of the IFR, Investments Firms shall disclose, at least on an annual basis, the number of directorships held by the members of the Management Body. In accordance with Article 9 of Law 87(I)/2017 as subsequently amended, the number of directorships which may be held by a member of the Board of Directors of a Significant CIF (within the meaning of CySEC Circular C487), shall not be more than one of the following combinations at the same time:

a) One executive directorship with two non-executive directorships, or
b) Four non-executive directorships.

In addition to the above, the following shall count as a single directorship:

a) executive or non-executive directorships held within the same group, or
b) executive or non-executive directorships held within:
    i. institutions which are members of the same institutional protection scheme, provided that the conditions set out in Article 113, paragraph (7) of Regulation (EU) No 575/2013 ("CRR" as amended) are fulfilled; or
    ii. undertakings (including non-financial entities) in which the CIF holds a qualifying holding.

Directorships in organizations which do not pursue predominantly commercial objectives, such as non-profit or charitable organizations, are not taken into account for the purposes of the below.

The Board members of the Company hold the following directorships to other entities (including the directorship held in the Company):

Table: Number of directorships held by the Company's Directors

Full name of Director	Position / Title / Capacity	Executive	Non-Executive
Mr. Constantinos Shakallis	CEO, Executive Director, "4 eyes"	1	-
Mrs. Charis Ioannidou	General Manager, Executive Director, "4 eyes"	1	-
Mr. Daniel Anthony Lawrance	Non-Executive Director	-	1
Mr. Nicolaos Kelepeniotis	Independent Non-Executive Director	-	4
Mrs. Mikaela Messiou	Independent Non-Executive Director	2	1
Mr. Roger Ian Hambury	Non-Executive Director	1	1

Note 1: *The information in the above table is based only on representations made by the Directors of the Company at the time of preparation of the Report.*
Note 2: *Mr. Michalis Sarris resigned on 21 February 2025 from the position of Executive Director of the Company.*
Note 3: *Mrs. Charis Ioannidou appointed on 16 April 2025 as Executive Director of the Company.*

As already mentioned in Section 2 of this report, the Company is not considered a significant CIF as per the condition of CySEC Circular C487 and as such, the limitation on directorships referred above is not applied to the Company's Directors for the year 2025.

4.10. Diversity Policy

According to Article 48 of the IFR, Investment Firms must disclose information on diversity about the selection of members of the management body.

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

The Company is committed to promoting a diverse and inclusive workplace at all levels, reflective of the communities in which it does business. It approaches diversity in the broadest sense, recognizing those successful businesses flourish through embracing diversity into their business strategy, and developing talent at every level in the organization. For this purpose, the Company takes into consideration various aspects such as broad industry experience, knowledge, independence, gender, age and cultural and educational background for the Board appointments. To conclude, the Company considers itself diverse regarding its main workforce and has in place a Diversity Policy in relation to its management body and all employees.

The Company considers the following factors for the Management Body members selection:

- Integrity, honesty, and the ability to generate public confidence.
- Knowledge, skills, and experience with financial institutions ("fit-and- proper").
- Financial literacy and professional experience, including risk management experience.
- Demonstrated sound and independent business judgment.
- Time commitment expected by the members.
- Diversity principles considered.

The main objectives of the Diversity Policy are:

- To engage a broad set of qualities and competences.
- To achieve a variety of views and experiences.
- To facilitate independent opinions and sound decision making within the Management Body.

To achieve the above objectives, the Company treats employees equally and with respect. The Company protects and does not discriminate against employees with different circumstances. Moreover, it sets a quantitative target for representation of the underrepresented gender in the Management Body and a timeframe by which this target shall be met. Finally, the selection of employment is based on aptitude and ability, educational and professional background, age and gender for the purposes of promoting diversity within the Company.

The Diversity Policy is reviewed as least annually along with the annual review of the composition of the Management Body.

5. Risk Management

5.1. Risk Management Framework and Governance

Risk management is "the systematic application of management policies, procedures and practices to the tasks of establishing the context, identifying, analyzing, assessing, treating, monitoring and communicating". It is an iterative process that, with each cycle, can contribute progressively to organizational improvement by providing management with a greater insight into risks and their impact.

Managing risk effectively in an organization, operating in a continuously changing risk environment, requires strong risk management principles. As a result, the Company is establishing an effective risk oversight structure and the necessary internal organizational controls to ensure that it identifies and manages its risks adequately, establishes the necessary policies and procedures, sets and monitors relevant limits and complies with the relevant legislation. In this respect, the Board and Senior Management of the Company are satisfied that the Risk Management framework is appropriate given the risk profile of the Company and its strategy.

The Management and Board of Directors of the Company recognize that risk is embedded in all activities of the Company. To this end, the Company supports the implementation of a Risk Management framework. In this respect, the Company has established relevant Risk Appetite and Risk Assessment procedures. The Board of Directors of the Company and the Management accept the required level of risk to achieve the required level of return, considering the Risk Identification and Evaluation procedures performed.

There is a formal structure for monitoring and managing risks across the Company, comprising of detailed Risk Management frameworks (including policies and supporting documentation) and independent governance and oversight of risk. To ensure effective risk management the Company has adopted the "three lines of defense" model of governance with clearly defined roles and responsibilities.

First line of defense: Employees receive necessary training on risk parameters that are relative to their line of work and management supervision ensures that changes in underlying operations that leads to an identification of new risk parameters or underlying risk parameter change are communicated and acknowledged by staff. Thereafter, employees are responsible to ensure that appropriate controls are in place to mitigate potential adverse outcomes from such risks with implemented limits that reflect acceptable tolerances. It is fundamental principle of the Company's Risk Management framework that all staff are responsible for understanding and managing the risks falling within their areas of responsibility, for escalating in an appropriate and timely manner where they are not reasonably to self-manage the risks, and for reporting risks and incidents.

Second line of defense: As already mentioned, the Company has a Compliance function and a Risk Management function, which advise the Management and the Board of Directors of the Company on legal, risk management and regulatory compliance matters. Both functions oversee the operations of the Company.

Third line of defense: Comprises of the Internal and External Audit function which is responsible for providing assurance to the Board of Directors and Senior Management on the adequacy of design and operational effectiveness of the systems of internal controls.

5.2. Risk Management Process

The Company adopted and implemented its risk management process in order to create a robust and standardized procedure to manage each identified risk. The risk management process is an on-going and cyclical process which enables the Risk Management function to set the risk tolerance levels and the manner in which the risks are identified, assessed, controlled and managed.

The risk management cyclical process of the Company contains five steps which every one of them has its significance. All the steps need to be considered in order to apply an appropriate and effective risk management process for each risk exposure.

In order for the Company to proceed with the initial assessment of risks, quantitative and qualitative measures are used. Once the assessment controls are set, the Company attempts to mitigate the significant risks identified and to monitor the progress on mitigation actions when defined. The process followed by the Company could be described from the cycle below:

Figure: Continuous Risk Management Process

The Risk Manager identifies the risks the Company faces and records them in a Risk Register, along with details of the specific risk for each identified risk. Thereafter, each risk in the Risk Register is rated in terms of its probability of occurrence and potential financial impact; both estimated by the Risk Manager based on expert judgement, as well as previous events and experience.

The risks that arise from the implementation of the Company's strategic and business plans are regularly analyzed to ensure the adequacy of the relevant policies, procedures and systems.

The Risk Register is reviewed at least annually as part of the ICARA Process by the Risk Manager, the Risk Management Committee, and the Senior Management.

The Company performs Stress Tests on the most material risks identified; thus, it obtains a forward-looking view of the potential adverse results the risks may potentially have on the Company's Balance Sheet, Capital Adequacy and Liquidity levels.

The Company has adopted a robust internal governance framework on which the Company's processes and procedures are monitored and controlled in an appropriate and frequent manner, that ensures the mitigation of all risks identified within the Company.

5.3. Risk Appetite

The Company defines risk appetite as the level of risk, by type and by business that the Company is prepared to incur given its strategic targets. Risk appetite is defined using both quantitative and qualitative criteria.

The risk appetite framework takes into account earnings sensitivities to business cycles and credit, market and operational events. The risk appetite is one of the strategic oversight tools available to the Management bodies. It underpins the budgeting process and draws on the ICARA, which is also used to ensure capital and liquidity adequacy under stressed economic scenarios.

Furthermore, the positioning of the business in terms of risk/return ratio as well as the Company's risk profile by type of risk are analysed and approved by the Board of Directors. The Company's risk appetite strategy is implemented by the Risk Management Committee in collaboration with the Board of Directors and applied by all divisions through an appropriate operational steering system for risks, covering:

- Governance (decision-making, management, and supervisory bodies).
- Management (identification of risk areas, authorisation and risk-taking processes, risk management policies using limits and guidelines, resource management).
- Supervision (budgetary monitoring, reporting, leading risk indicators, permanent controls, and internal audits).

Essential indicators for determining the risk appetite and their adaptations are regularly supervised over the year to detect any events that may result in unfavorable developments in the Company's risk profile. Such events may give rise to remedial action, up to the deployment of the recovery plan in the most severe cases.

Connecting risk tolerance with strategic planning is usually defined as the "risk appetite" of the Company which is defined as "the amount and type of risk that an organization is willing to take in order to meet their strategic objectives". In this respect the risk appetite finds its existence somewhere between the policies, procedures, and controls.

5.4. Internal Capital Adequacy and Risk Assessment Process ("ICARA")

The ICARA process falls within the scope of Pillar II under the IFR/IFD prudential framework. ICARA replaces the former ICAAP and ILAAP processes and integrates capital and liquidity adequacy assessment into a single, forward-looking risk management framework. Its main objective is to ensure that the Company maintains adequate capital and liquidity resources to support its ongoing operations and, where necessary, enable and orderly wind down.

ICARA requires the Company to identify, measure and monitor risks that may not be fully captured under Pillar I requirements, assess risks to its ongoing viability and to its orderly wind-down, and ensure that sufficient own funds and liquid assets are maintained on a continuous and forward-looking basis. The process promotes an ongoing supervisory dialogue with CySEC, which evaluates the Company's ICARA framework through the Supervisory Review and Evaluation Process (SREP). The ICARA framework also includes the assessment of the Company's ability to wind down its activities in an orderly manner without harm to clients or to market integrity.

The responsibility of overall risk management and assessment lies with the Board of Directors, while the Risk Manager supervises the implementation of the ICARA and reports directly to the Board of Directors the risks identified, how they are assessed, how they are monitored, and any issues or shortfalls arise. These may vary depending on the circumstances and include one or more of the following:

- Review the overall business strategy, risk appetite, capital and liquidity planning.
- Review limits.
- Reduce underlying risk positions through risk mitigation strategies.
- Consider an increase in capital.
- Enhance contingency planning.

6. Minimum Capital Requirements

The Company makes sure that at all times it maintains its Own Funds equal to at least 100% of the Total Minimum Capital Requirements. Further analysis of the Own Funds composition can be seen in this Section of the Report.

The Company calculates its Minium Capital Requirements in accordance with IFR and monitors compliance with the applicable prudential ratios on an ongoing basis through internal capital monitoring procedures.

The Total Minimum Capital Requirements (the perimeter e as per table below) are defined as the highest of the following:

- The Fixed Overhead Requirement (25% of the Fixed Overhead expenses) as per Article 13 of IFR.
- The Permanent Minimum Capital Requirement (€150k) which corresponds to initial capital.
- The K-Factor Requirement according to Article 15 of IFR.

The table below presents the key components of the Capital Adequacy (Own Funds) Ratio as of 31st of December 2025, as calculated on a solo basis at the level of the Company. As it can be seen, as at 31st of December 2025 the Company's Own Funds Ratio amounted to 1.068,04%, which exceeded the regulatory minimum requirement of 100%.

Table: Capital Adequacy/Minimum Capital Requirements

As of 31st December 2025	EUR Thousands
Capital	
CET1 Capital	2.935
Additional Tier 1	-
Tier 2	**-**
Total Own Funds (a)	**2.935**
Minimum Capital Requirements	
Permanent Minimum Capital Requirement (b)	150
Fixed Overhead requirement (c)	275
Total K-Factor requirement (d)	209
Total Minimum Capital Requirement (e = higher of b, c & d)	**275**
Capital Excess/Ratio	
Capital Excess (a – e)	**2.660**

Capital Ratio	**1.068,04%**

Composition of Regulatory Own Funds

The table below illustrates the composition of the Company's Own Funds/capital base as of 31st of December 2025, which is made up primarily of the following:

- Ordinary shares and related share premium accounts and,
- Retained earnings.

Deductions from Common Equity Tier 1 capital:

- Significant investments of CET1 instruments in financial sector entity,
- CET1: Other capital elements, deductions and adjustments such as the Investors Compensation Fund contribution and the 3 per thousand of the additional cash buffer for the ICF as per CySEC Circular C162 and C334 respectively.

Table: EU IF CC1.01 - Composition of Regulatory Own Funds (Investment firms other than small and non-interconnected)

Ref	Common Equity Tier 1 (CET1) capital: Instruments and reserves	EUR '000	Source based on the balance sheet in audited financial Statements (cross ref. to EU IF CC2)
1	**OWN FUNDS**	**2.935**	
2	**TIER 1 CAPITAL**	**2.935**	
3	**COMMON EQUITY TIER 1 CAPITAL**	**2.935**	
4	Fully paid-up capital instruments	2.267	Ref. 1 (Shareholders' Equity)
5	Share premium	4.307	Ref. 2 (Shareholders' Equity)
6	Retained earnings	(2.248)	Ref. 3 (Shareholders' Equity)
24	(-) CET1 instruments of financial sector entities where the institution has a significant investment	(1.359)	Ref. 3 (Assets)
27	CET1: Other capital elements, deductions, and adjustments	(32)	Ref. 1&2 (Assets)
28	**ADDITIONAL TIER 1 CAPITAL**	-	
40	**TIER 2 CAPITAL**	-	

Note: There were no changes in the share capital of the Company during the year under review.

Reconciliation of Regulatory Own Funds

The table below illustrates the Company's reconciliation of Regulatory Own Funds with the audited Balance Sheet as of 31st of December 2025.

Table: EU IFCC2: Own Funds: Reconciliation of Regulatory Own Funds to Balance Sheet in the audited financial statements (Solo basis)

Ref	Balance Sheet item	Balance sheet as in audited financial statements EUR '000	Under regulatory scope of consolidation	Cross reference to EU IF CC1
As at 31/12/2025				
Assets – Breakdown by asset classes according to the balance sheet in the audited financial statements				
	Total Assets	**9.547**		
	of which:			
1	Deposit with Investors' Compensation Fund	28	N/A	Ref. 27
2	Additional Cash Buffer (part of cash and cash equivalents)	5	N/A	Ref. 27
3	Investments in subsidiaries	1.359	N/A	Ref. 24
Liabilities - Breakdown by liability classes according to the balance sheet in the audited financial statements				
	Total Liabilities	**5.221**	N/A	
Shareholders' Equity				
	Total Shareholder's equity	**4.327**		
	of which:			
1	Share capital	2.267	N/A	Ref. 4
2	Share premium	4.308	N/A	Ref. 5
3	Accumulated losses/ Retained Earnings	(2.248)	N/A	Ref. 6

Main features of own instruments issued by the Company

The table below illustrates the main features of the own instruments issued by the Company, as of 31st of December 2025.

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

Ref	EU IF CCA: Own Funds: Main features of own instruments issued by the Company	Common Equity Tier 1 Instruments
1	Issuer	SM Capital Markets Ltd
2	Unique identifier (e.g. CUSIP, ISIN or Bloomberg identifier for private placement)	N/A
3	Public or private placement	Private
4	Governing law(s) of the instrument	Cyprus Law
5	Instrument type (types to be specified by each jurisdiction)	Ordinary Shares
6	Amount recognised in regulatory capital (as of most recent reporting date)	EUR 6.575 thousand
7	Nominal amount of instrument	EUR 2.267 thousand
8	Issue price	Various
9	Redemption price	N/A
10	Accounting classification	Shareholder's Equity
11	Original date of issuance	Various
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	N/A
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	Noncumulative or cumulative	N/A

24	Convertible or non-convertible	N/A
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

6.1. K Factor Requirement

The K-factor requirement shall amount to the sum of the capital requirements emanating from the following K-factors:

- Risk to Client (RtC)
- Risk to Market (RtM)
- Risk to Firm (RtF)

The Company calculates the K-Factor requirement in accordance with Articles 15–24 of IFR, based on the nature, scale and complexity of its activities.

Further analysis of the above is provided in the following sections of this Report.

6.2. Fixed Overhead Requirement

As per Article 13 of the IFR, the Fixed Overhead Requirement (FOR) is the amount that the Company is required to hold as eligible capital and is equal to at least one-quarter of its fixed overheads for the preceding year, calculated using figures resulting from the most recent audited annual financial statements, where available, after the

distribution of profits. Under IFR it is required to report on the Fixed Overhead Requirement on a quarterly basis.

Table: Fixed Overhead Requirement

31 December 2025	Amount (EUR '000)
Fixed Overhead Requirement	275
Total expenses of the previous year after distribution of profits	1.099
(-) Total deductions	-

6.3. Risk to Client

The K-factors under RtC capture client assets under management and ongoing investment advice (K-AUM), client money held (K-CMH), assets safeguarded and administered (K-ASA), and client orders handled (K-COH).

Table: Risk to Client K-Factor Requirements

As at 31 December 2025	K- Factor Requirement EUR '000
K-AUM	-
K-CMH	34
K-ASA	3
K-COH	49
Total RtC k-factor requirement	**86**

Client Money Held

Client Money Held ('CMH') means the amount of client money that an investment firm holds, considering the legal arrangements in relation to asset segregation and irrespective of the national accounting regime applicable to client money held by the investment firm.

For the year ended 31st of December 2025 the Company was subject to K-CMH since it held client money under a custodian capacity, and to this end it took all necessary and required measures to safeguard such money in accordance with the rules set by the CySEC in its Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

The Company follows the guidelines set in Article 15 and Article 18 of the IFR for the calculation of the K-CMH requirement. Under the said guidelines, for 31/12/2025, the own funds requirements for K-CMH are equal to the EUR44k which correspond to the rolling average of the value of the total daily client money held, measured at the end

of each business day for the previous nine months, excluding the three most recent months and is the arithmetic mean of the daily values from the remaining six months.

Based on the relevant calculations in the Company's capital requirements, the figure calculated shows that the Company's K-CMH as a part of the Risk to Client as of 31 December 2025 was as per the table below:

Table: Client Money Held

31 December 2025	Exposure Value (EV) €'000	Coefficient	K-Factor Requirement €'000
CMH - Segregated (average amounts)	2.043	0,4%	8
CMH - Non - Segregated (average amounts)	5.236	0,5%	26

Assets Safeguarded and Administered

Assets Safeguarded and Administered, or 'ASA' means the value of assets that an investment firm safeguards and administers for clients, irrespective of whether assets appear on the investment firm's own balance sheet or are in third-party accounts. For the referenced year the Company was subject to K- ASA since it acted as custodian for the positions of its clients in real equities. As in the case of K-CMH, the Company took all necessary measures to safeguard the rights of its clients with respect to these assets by adhering to the requirements of the CySEC Directive DI87-01 for the Safeguarding of Client Assets, Product Governance Obligations and Inducements.

For the referenced year, the K-ASA was EUR3k.

The Company follows the guidelines set in Article 15 and Article 19 of the IFR for the calculation of the K-ASA requirement.

Client Orders Handled

The Client Orders Handled ('COH') k-factor reflects the value of orders that an investment firm handles for clients, through the reception and transmission of client orders and through the execution of orders on behalf of clients. During 2025 the Company was subject to this risk as it executed its clients' orders on an agency, STP basis.

The Company calculates its K-COH requirement in accordance with Articles 15 and 20 of the IFR, which consider the rolling average of the value of the total daily client orders handled by the Company, measured throughout each business day over the previous six months, excluding the three most recent months, and then the arithmetic mean of the remaining three months is derived.

The Company mitigates exposure to K-COH by complying with the best execution requirements, performing due diligence on its liquidity providers, and offering negative balance protection to its clients in order to protect them from realizing material losses in the event of unanticipated fluctuations in the prices of instruments they hold.

For the referenced year, the K-COH was EUR49k.

Assets Under Management

The Company was not exposed to the Assets Under Management ('AUM') k-factor for the year under review as its permissible investment services did not include the provision of portfolio management and/or investment advice.

6.4. Risk to Market

Market risk corresponds to the risk of a loss of value for financial instruments arising from changes in market parameters, the volatility of these parameters and the correlations between them. These parameters include but are not limited to exchange rates, interest rates and the price of securities (equity, bonds), commodities, derivatives, and other assets.

Market risk arises from the below major risk areas:

- Foreign Exchange risk: It is the risk of foreign exchange prices moving against the trading book and banking book exposures.
- Commodities risk: It is the risk of commodity prices moving against the Company's exposures in commodities.
- Equity risk: Prices of equities and indices might move against the related exposures in the trading book.
- Interest rate risk: It is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Based on the relevant calculations in the Company's capital requirements, the figure calculated shows that the Company's K-NPR, as a part of the Risk to Market as of 31 December 2025, was as per the table below:

Table: Net Position Risk

K-Factor Net position risk (K-NPR)	**K – factor requirement**
Total standardised approach	**123**
Position risk	-
Equity instruments	-
Debt instruments	-
of which: securitisations	-
Particular approach for position risk in CIUs	-

Foreign exchange risk	123
Commodities risk	-

For the year ended on 31st of December 2025 the Company was only subject to Market FX Risk, as a result of its on-Balance Sheet assets and liabilities maintained in currencies other than its reporting currency (the Euro), and specifically in USD and GBP. Furthermore, funds deposited by clients may not always be maintained in clients' user currency, which represents the currency in which the Company has an obligation to repay clients' account balances but may be converted instead to other currencies on the basis of management's decisions. This may expose the Company to foreign exchange risk. The Company's Management monitors the exchange rate fluctuations on a continuous basis and acts accordingly.

6.5. Risk to Firm

Trading Counterparty Default

Trading Counterparty Default (TCD') means the exposures in the trading book of an investment firm in instruments and transactions giving rise to the risk of TCD. In other words, the Trading Counterparty Default is the investment firm's exposure to the default of their trading counterparties including clients and liquidity providers. See below the list of instruments and transactions that give rise to TCD:

- Derivative contracts
- Long settlement transactions
- Repurchase transactions
- Securities or commodities lending or borrowing transactions
- Margin lending transactions
- Any other type of SFTs
- Credits and loans

It is noted that the Company is not exposed to the risk of TCD as it performs Straight-Through Processing for all its clients' transactions as per its license.

Daily Trading Flow

Daily Trading Flow ('DTF') means the daily value of transactions that an investment firm enters through dealing on own account or the execution of orders on behalf of clients in its own name, excluding the value of orders that an investment firm handles for clients through the reception and transmission of client orders and through the execution of orders on behalf of clients which are already taken into account in the scope of client orders handled.

It is noted that the Company is not exposed to the risk of DTF as it executed all its client trades on an agency basis. These trades are covered under K-COH.

Concentration Risk (K-CON)

Concentration Risk means the exposures in the trading book of the investment firm to a client or a group of connected clients, the value of which exceeds the following limits:

- An investment firm's limit regarding the concentration risk of an exposure value with regard to an individual client or group of connected clients shall be 25% of its Own Funds.
- Where that individual client is a credit institution or an investment firm, or where a group of connected clients includes one or more credit institutions or investment firms, the limit regarding concentration risk shall be the higher of 25% of the investment firm's Own Funds or EUR 150 million, but in any case, it shall not exceed 100% of the investment firm's Own Funds.

The Company is not exposed to the risk of K-CON since as of the 31st of December of 2025 it did not maintain a Trading Book. Further to the above, the below table indicates detailed information on the Company's K-Factor amount and K-factor requirement as of 31st of December 2025 and as per the relevant Articles of the IFR:

Table: K-factor amount and K-factor requirement (EUR '000)

As of 31st December 2025	**Factor Amount**	**K – factor requirement**
Total K-Factor requirement		**209**
Risk to Client		
Assets under management	-	-
Client money held – Segregated	2.043	8
Client money held – Non-segregated	5.236	26
Assets safeguarded and administered	7.500	3
Client orders handled – Cash trades	52	-
Client orders handled – Derivatives trades	494.263	49
Risk to Market		**123**
K-Net positions risk requirement		123
Clearing margin given	**-**	**-**
Risk to Firm		**-**
Trading counterparty default	**-**	**-**
Daily trading flow – Cash trades	**-**	**-**
Daily trading flow – Derivatives trades	**-**	**-**
K-Concentration risk requirement	**-**	**-**

6.6. Permanent Minimum Capital Requirements ("PMCR")

The Company monitors on a continuous basis its Own Funds in order to ensure that they remain at all times above the PMCR of €150 thousand, which corresponds to its initial capital requirement under Article 14 of the IFR and Article 9 of the IFD, according to the investment and ancillary activities it is authorised to carry out. The Company continuously monitors compliance with the applicable PMCR threshold as part of its internal capital monitoring framework.

6.7. Liquidity Risk and Requirement

Liquidity requirement in the scope of the IFR/IFD prudential framework for the investment firms corresponds to the risk that the Company will not be able to meet its cash needs and/or other obligations. In addition to that, CySEC has the power to impose additional or specific liquidity requirements if it deems that elements of Liquidity risk are not sufficiently covered.

Liquidity risk is defined as the risk that the Company will either not have sufficient financial resources to be able to meet its current and prospective liabilities as they fall due or will only be able to secure such resources without incurring excessive cost. Liquidity risk can arise from the inability to manage unplanned decrease or changes in liquidity and funding sources.

To minimize its exposure to Liquidity risk, the Company implements the below mitigation strategies:

- The Company does not maintain any loans payable or credit facilities.
- The shareholder of the Company is committed to provide support is needed at any time in the future.
- The Company has procedures in place with the objective of minimising liquidity stresses, by maintaining sufficient liquidity for anticipated needs taking into account the risks it faces.
- The Company keeps adequate cash deposits with banking institutions, thus eliminating the risk of running out of cash and does not have any pledged and/or unencumbered assets.

As per Article 43 of the IFR, the Liquidity Requirement is the amount that the Company is required to hold as liquid assets and is equal to at least one third of the investment firm's Fixed Overhead Requirement (note: the calculation of the fixed overhead requirement is explained at the related section of this Report). The Company meets the Liquidity Requirement as at 31st of December 2025.

In accordance with Article 43 of IFR, the Company maintains liquid assets equivalent to at least one third of its Fixed Overhead Requirement.

7. Residual and Other Risks and Mitigating Controls

Implementing an efficient risk management structure is a critical undertaking for the Company, in all businesses, markets and regions in which it operates. The Company's risk management is supervised at the highest level to be compliant with the regulations enforced by CySEC and the European regulatory framework.

Apart from the risks that were introduced in the K-factor framework by the IFR, which are purely Pillar I risks, as part of the Disclosures the Company also refers to the following risks, some of which are partially reflected under Pillar I risks , while others are not captured at all by them and are thus regarded as Pillar II risks (they are captured in ICARA process instead).

The Company operates in the financial services industry and considers a number of additional risks, as also very important; hence they are continuously monitored to be mitigated if required. These risks are discussed further below.

During 2025, the Company continued to enhance its risk management framework in light of evolving regulatory requirements, including developments under the IFR and the Digital Operational Resilience Act (Regulation (EU) 2022/2554, DORA), ensuring that both financial and non-financial risks are appropriately identified, assessed and mitigated.

7.1. Credit Risk

Credit risk is the risk of loss that the Company would incur if any counterparty to the Company fails to perform its contractual credit obligations. Country risk arises when exposure (loan, security, guarantee or derivative) becomes liable to negative impact from changing political, economic, social and financial conditions in the country of exposure.

The Company has policies in place to ensure that sales of products and services are made to customers with an appropriate credit history and monitors on a continuous basis the ageing profile of its receivables. Cash balances are held with high credit quality financial institutions, and the Company has policies to limit the amount of credit exposure to any financial institution.

Clients cannot commence trading unless funds have been deposited into their accounts and their deposits have been cleared. Once trading begins, a given margin is tied, or held as collateral, protecting the Company if the position goes against the Client. If account equity drops below a certain predefined level, under normal market conditions all client positions are automatically closed, therefore eliminating the risk that clients will lose more money than already deposited in their account.

During the year 2025, the geographic distribution of the Company's Credit risk exposures was concentrated in Europe.

7.2. Operational Risk other than DTF

Operational risk is the risk of loss arising from inadequate or failed internal processes, employees and systems, error, omission, inefficiency, systems failure or from external events. The Company's policies and internal controls outline the processes and procedures to be followed by its employees, the reporting lines in place, and each department's functions and responsibilities. The aim of the policies and controls is to minimize the Operational risk the Company faces. This is supported during the Internal Auditor inspection review every year.

The Company's operations are closely dependent on information technology and subsequently the Company has prepared a comprehensive business contingency and disaster recovery plan with recovery procedures and actions to be followed, in case of damage to any vital part of the Company's structure and to ensure it will continue to operate in the event of the occurrence of circumstances beyond its control.

7.3. Strategic Risk

Strategic risk may arise due to adverse decisions made by the Management of the Company.

The Company to mitigate this risk, ensures that it remains at all times in a competitive position and in cases of a turmoil, the management will report to the Board the consequences of the event and will assess the impact of the event on its existing and future business plans.

7.4. Reputational Risk

Reputational risk is defined as the risk that the reputation of the Company deviates negatively from the expected level in the eyes of internal and external stakeholders and interested third parties as regards competence, integrity and reliability. Reputational risk is perceived in most cases as a result of other risks such as Operational risk. Additionally, Reputational risk may arise as a result of poor customer service or from fines imposed by the CySEC that may have a negative impact on the Company's reputation.

Reputational risk may also arise from failures in the implementation of restrictive measures, AML/CFT obligations or other European supervisory expectations, particularly in light of the strengthening of the EU sanctions framework and the establishment of the Anti-Money Laundering Authority (AMLA) which is expected to enhance supervisory scrutiny.

To minimize its Reputational risk, the Company implements the below mitigation strategies:

- Establish adequate policies and practices to safeguard the brand name of the Company,
- All employees of the Company are adequately trained and equipped with the required skills to fulfil their duties,
- The Company follows a slow pace of growth and a steady approach for on-boarding clients, taking the opportunity to identify, manage and eliminate any pitfalls in the procedures.

7.5. Business Risk

Business risk is the risk that the Company may be unable to carry out its operations due to:

- Natural disaster or force majeure (i.e. fire, flood, terrorism, earthquake failure of IT systems),
- Changes in the business cycle deteriorate the strategic plans of the Company,
- Poor performance risk may result to poor investment returns.

The Company has prepared a comprehensive business contingency and disaster recovery plan with recovery procedures and actions to be followed in case of damage to any vital part of its structure.

The Company assesses its budget and business plan in a timely manner in order to stay ahead of negative economic cycles. The Company continues to improve its product offering and trading conditions to the clients.

7.6. Capital Risk

This is the risk that the Company will not comply with capital adequacy requirements. The Company's objectives when managing capital are to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders. The Company has a regulatory obligation to monitor and implement policies and procedures for Capital risk management. Specifically, the Company is required to test its capital against regulatory requirements and has to maintain a minimum level of capital. This ultimately ensures the going concern of the Company.

The Company is further required to report on its capital adequacy on a regular basis (on a quarterly basis Capital Adequacy Forms, excel-to-XBRL CoRep templates, are submitted to CySEC) and has to maintain at all times a minimum Capital Adequacy Ratio which is set at 100% for Pillar I purposes, plus any additional capital requirement that may impose from the Regulator (i.e. CySEC). Management monitors such reporting and has policies and procedures in place to help meet the specific regulatory requirements.

7.7. Legal and Compliance Risk

This risk may arise if the Company is in breach of its regulatory obligations and is not compliant with the applicable legislation requirements due to poor internal compliance policies, procedures and practices. Further, this is the risk of legal action

taken against the Company either because of breach of agreements with clients and/or counterparties breach of applicable law and regulations.

The risk policy and management tools used by the Company to mitigate Legal and Compliance risk is presented below:

- The Company retains legal counsel and regularly obtains legal advice on the preparation of legal documents.
- The Company has trained its employees, and the Heads of Departments are monitoring the teams to make sure they abide to the professional and ethical standards required,
- The Compliance Officer established adequate internal and procedures that are not only in accordance with regulatory obligations but also with best industry practice,
- The Compliance Officer ensures that internal policies and practices are updated in accordance with updates on the legal framework.

Further to the above, the Management of the Company has assessed the Cyprus Tax Reform and its potential impact on the Company.

Based on the legislation enacted and the information currently available, the Company does not expect the reform to have a material adverse impact on its operations, financial position or results. Management will continue to monitor any further clarifications, regulations or implementation guidance issued by the relevant authorities and will take any necessary actions to ensure ongoing compliance with the applicable tax framework.

7.8. Geopolitical Risk

Management continuously monitors geopolitical developments and assesses their potential impact on the Company's operations, clients, counterparties, liquidity, capital position and overall financial performance.

Management has considered the recent developments relating to the Iran – US/Israel conflict, which occurred after the reporting date. Based on the assessment performed, the Company has not identified any material direct exposure to the affected regions, nor any significant adverse impact on its operations, liquidity, capital position or financial performance.

Management acknowledges that increased geopolitical tensions may contribute to heightened volatility in global financial markets. However, based on the Company's business model, client base and operational structure, no material adverse impact is currently expected.

Management will continue to monitor developments closely and assess any potential implications on the Company's activities and financial standing.

7.9. Information Technology Risk

Information Technology risks could occur because of inadequate information technology security, or inadequate use of the Company's information technology. For this purpose, policies have been implemented regarding back-up procedures, software maintenance, hardware maintenance, as well as use of both hardware and software intrusion aversion measures, such as (but not limited to) firewalls, anti-virus software, use of security keys, access restrictions, network fencing and encryption techniques. Materialization of this risk has been minimized to the lowest possible level, given the Company's current complexity of its operations and the services it offers to its clients.

The Information Technology Function of the Company is outsourced to Scope Markets Services (CY) Ltd, an entity belonging to the same group as the Company, which is responsible for the maintenance and upgrade of IT infrastructure, administration of the development and maintenance of business application systems, data availability and analysis for management information purposes, and IT equipment maintenance (both hardware and software) to ensure low downtime levels and negligible business interruption periods.

In alignment with DORA, the Company has strengthened its framework for managing ICT-related risks. This includes enhanced oversight of third-party ICT service providers, formalised procedures for incident identification and reporting, regular resilience and continuity testing, and the maintenance of a comprehensive Register of Information.

These measures are designed to improve the Company's ability to prevent, respond to, and recover from technology-related disruptions and cyber risks, thereby supporting the continuity and reliability of its operations.

8. Remuneration

The remuneration structure at SMCM is an integral part of its corporate governance framework, designed to align with the Company's strategic objectives, business and risk management strategy, and the long-term interests of all stakeholders. This comprehensive approach to remuneration supports our goal of attracting and retaining top talent, discourages excessive risk-taking, and promotes an ethical corporate culture.

The Remuneration policy encompasses all forms of payments or benefits, including financial remuneration such as salaries and cash bonuses, as well as non-financial remuneration including career advancement opportunities and training. These components are structured to ensure they do not encourage behavior contrary to the Company's clients' best interests or SMCM corporate ethical standards. The relevant components are divided into Fixed Remuneration component and Variable Remuneration component.

8.1 Fixed Remuneration

Fixed remuneration is systematically determined by the role's demands, including the complexity, responsibility, and the professional skills required. Each position's remuneration is calibrated according to the educational level, experience, and accountability required, ensuring competitiveness within our sector and parity with market conditions.

This component of remuneration includes not just the basic salary but also encompasses various benefits, reflecting the Company's commitment to the welfare of its employees. Such benefits include, but are not limited to, contributions to health insurance, allowances for maternity and paternity leave, and provisions for remote working arrangements. These benefits are provided uniformly across all applicable roles and are not dependent on performance measures, thus fostering a stable and supportive work environment.

8.2 Variable Remuneration

Variable remuneration at SMCM is merit-based, designed to acknowledge and reward employees who significantly exceed the performance expectations of their roles. This part of the Remuneration policy is crafted to support long-term sustainable results and align employee objectives with the broader strategic goals of the Company.

The structure of variable remuneration is governed by a rigorous set of qualitative and quantitative performance criteria. It includes assessments of individual and team performance, compliance with regulatory standards, and contributions to the Company's risk management practices. The total variable remuneration for all individuals included in the table below this Section does not exceed 100% of the fixed component unless specific conditions are met, whereupon shareholder approval can extend this cap to 200%.

Significantly, the variable component is strictly regulated to prevent conflicts of interest and ensure that it does not encourage risk levels beyond the Company's established risk appetite. In line with regulatory guidelines, this component includes provisions for claw back in cases of non-compliance or if the set performance targets are not met.

Governance of Remuneration

The Board of Directors, with inputs from the Compliance and Risk Management functions, holds the ultimate responsibility for approving and reviewing the Remuneration policy. This oversight ensures that the policy remains compliant with applicable laws and regulations, including CySEC directives and ESMA guidelines.

The Board of Directors also ensures that the remuneration practices do not adversely affect the quality of service to clients or the competitiveness of the Company. They periodically assess the effectiveness of the remuneration policy in achieving its

intended goals, making adjustments as necessary to address any emerging risks or market changes.

As already mentioned, the Company following consideration of its size, internal organization and the nature, scope and complexity of its activities, does not deem necessary the establishment of a Remuneration Committee. Remuneration practices are currently set by the Board of Directors.

Annual Review and Reporting

The Remuneration policy, which details the entire structure and payouts across different levels of the Company, is regularly reviewed. It ensures that all stakeholders, including shareholders and regulatory bodies, are informed of our remuneration practices and their outcomes.

The Remuneration policy also ensures that all remuneration practices at SMCM are transparent, equitable, and aligned with both corporate and regulatory standards.

The aggregate amounts of remuneration for the financial year 2025, broken down by Senior Management, Non-Executive Directors and members of staff whose actions have a material impact on the risk profile of the Company, are presented below:

Table: Aggregate Remuneration awarded in 2025 broken down by Senior Management and Key Management Personnel

31 December 2025 (EUR '000)	No. of staff	Fixed	Variable	Non-cash	Total
Senior Management (Executive Directors and Non-Executive Directors)	6	269	-	-	269
Heads of Departments & Other members of staff whose actions have a material impact on the Company's risk profile	5	224	-	-	224
Grand Total	**11**	**492**	**-**	**-**	**492**

Note 1: *The first category above relates to the Company's Executive Directors and the Non-Executive Directors.*

Note 2: *The second category above includes the management of the Company other than the executives mentioned in Senior Management above.*

Furthermore:

- The Company did not award any guaranteed variable remuneration during 2025.
- The Company did not award any severance payments in previous periods that have been paid out during 2025, and no severance payments were awarded during 2025.

9. Investment Policy

Subject to the conditions specified below, investment firms should disclose the following information in accordance with Article 52 of the IFR:

- 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 behaviour in the general meetings of companies, the shares of which are held in accordance with paragraph 2 of Article 52 of IFR, 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 of Article 52 of IFR.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of CySEC Law 165(I)/2021, whose on-and-off balance sheet assets on average over the 4 preceding years are less than €100m, are exempted from the disclosure requirement regarding investment policy.

The Company's average on-and-off balance sheet assets for the preceding 4-year period of financial year 2025 are less than €100m and as such it meets the criteria of paragraph 26(8) of the said Law. Therefore, the Company is exempted from the disclosures requirement regarding investment policy.

10. Environmental, Social and Governance Risks

From 26 December 2022, investment firms meeting certain criteria shall disclose information on environmental, social and governance risks (ESG risks), including physical risks and transition risks, as per Article 35 of the IFD. The information on ESG shall be disclosed once in the first year and biannually thereafter.

Investment Firms which meet the criteria of Paragraph 26(8)(a) of the CySEC Law 165(I)/2021, who's on-and-off balance sheet assets on average over the 4 preceding years are less than €100m, are exempted from the disclosure of information on ESG risks, including physical risks and transition risks as per Article 35 of IFD.

The Company's average on-and-off balance sheet assets for the preceding 4-year period of financial year 2025 are less than €100m and as such it meets the criteria of paragraph 26(8) of the said Law. Therefore, the Company is exempted from the disclosure's requirement regarding these risks.