

ANNUAL REPORT

& Financial
Statements

2025

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Readers are reminded that the official statutory Annual Report and Account 2025, authorised for issue by the Board of Directors, is in European Single Electronic Format (ESEF) and is published on <https://www.lidionbank.com/investor-relations/financial-statements>

CHAIRMAN'S MESSAGE



Trond Dale – Chairman

The past year has marked a pivotal chapter in our Bank's journey, defined by growth and decisive actions that have positioned us to navigate an evolving financial landscape. As Chairman, it is my privilege to address our stakeholders and investors, reaffirming our commitment to progress, resilience, and long-term value creation.

Against a backdrop of geopolitical complexity, the Bank has demonstrated agility and foresight. Global events continue to reshape financial markets and regulatory expectations, requiring us to adapt and innovate. 2025 saw the Bank achieve expansion across its core operations, driven by a strategic focus on sustainable growth and prudent risk management. This momentum is reflected in our continued progress across our service lines and the successful issuance of our latest bond. The subordinated bond strengthens our regulatory capital base and provides additional flexibility to pursue opportunities with discipline.

"ACHIEVING FURTHER GROWTH WILL REQUIRE CONTINUED DILIGENCE, INNOVATION, AND COLLABORATION ACROSS THE BANK. WE RECOGNISE THE EFFORT REQUIRED TO REALISE OUR GOALS AND ARE COMMITTED TO FOSTERING A CULTURE THAT EMBRACES CHALLENGE AND CHANGE. WE REMAIN FOCUSED ON DISCIPLINED EXECUTION, GOVERNANCE, AND SUSTAINABLE RETURNS OVER THE LONG TERM."

Our main service lines, Cash Management and Financing (encompassing Corporate Lending and Factoring Solutions), have each contributed meaningfully to our performance. Cash Management has delivered enhanced solutions for liquidity and transaction efficiency, while Financing has supported diverse corporate clients in their ambitions through tailored lending and working capital products. These offerings reflect our commitment to supporting real economic activity and providing reliable, responsive financial services.

This growth has been pursued within our risk appetite framework and with continued focus on resilience. We continued to strengthen governance, compliance and operational resilience in line with evolving regulatory expectations. Further detail is provided in the CEO's message and the financial statements.

Investment in technology remains central to our vision, with a particular emphasis on new technologies. Rather than adopting technology for its own sake, our technology investments are targeted at improving resilience, service quality and scalable efficiency, while elevating the client experience. This approach is pragmatic and purposeful, focused on solving real business challenges and anticipating client needs in a digital era.

Looking ahead, our ambitions are clear. Achieving further growth will require continued diligence, innovation, and collaboration across the Bank. We recognise the effort required to realise

our goals and are committed to fostering a culture that embraces challenge and change. We remain focused on disciplined execution, governance, and sustainable returns over the long term.

We remain firmly committed to supporting the digital advertising industry through innovative financial solutions.

In closing, I extend my sincere appreciation to our clients, shareholders, bondholders, colleagues, and partners for their trust and engagement throughout 2025. Together, we are building a bank that is not only prepared for the future, but actively shaping it.

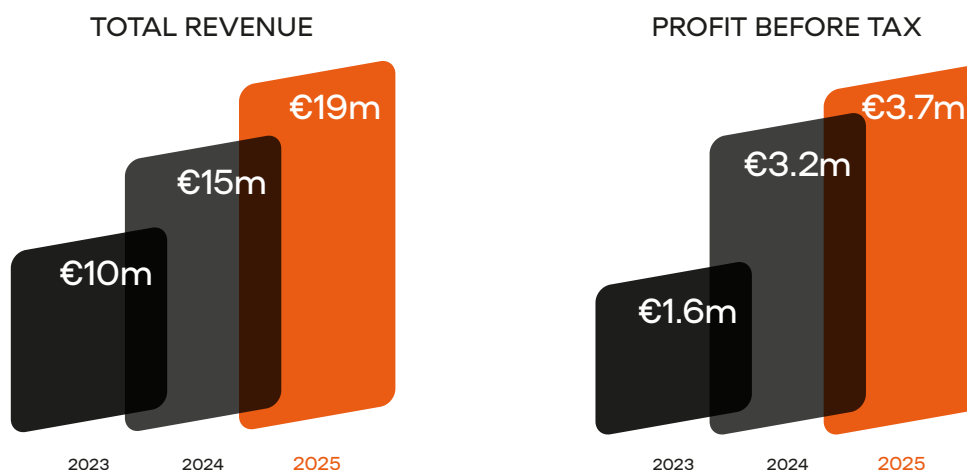
Signed by Trond Dale,
Chairman, on 29 April 2026

CEO'S MESSAGE



Jonathan Bellizzi – CEO

As we reflect on 2025, I am proud of the progress Lidion Bank has made in strengthening its client-centric offering. Regulatory expectations intensified, and the importance of technology, data integrity, and cyber resilience became even more central to sustaining trust in the banking system. We responded with clarity and discipline—prioritising execution, strengthening our operating and control frameworks, and continuing to invest in capabilities that enable us to serve clients effectively while growing within a well-defined risk appetite and governance structure.



Strong Performance And Disciplined Growth Across Core Activities

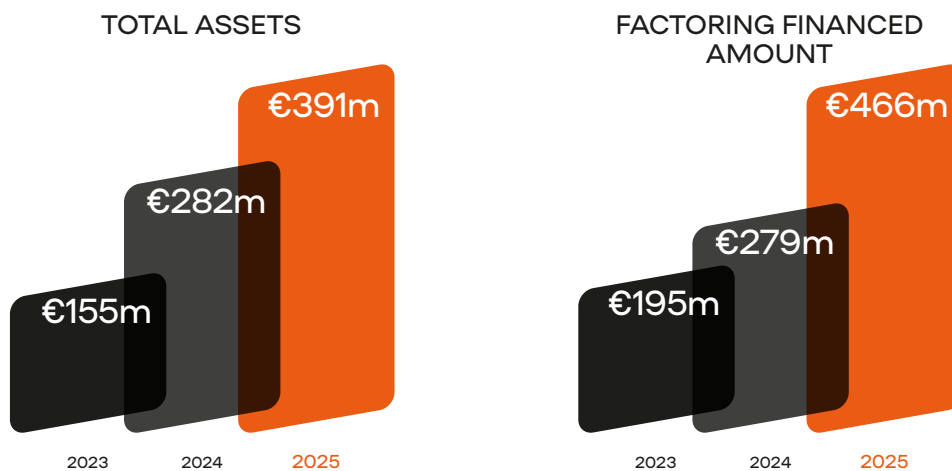
For the year ended 31 December 2025, profit before tax increased to €3.7 million (2024: €3.2 million), supported by higher business volumes across our core offerings. Revenue grew to €19 million (2024: €15 million), while net operating income increased to €11 million (2024: €10 million) reflecting improved scale and operating leverage while maintaining disciplined cost and risk management. Excluding the one off provision of €1.5 million recognised on the legacy agricultural lending portfolio, profit before tax for the year would have amounted to €5.2 million, equating to a 20% ROE.

Our financing service line continued to expand. The factoring book reached €105 million (2024: €68 million), and we financed €466 million in new factored receivables during the year (2024: €279 million). Loans to customers grew to €58 million (2024: €34 million) as we supported more client needs and broadened our financing offering while keeping underwriting standards, portfolio monitoring and concentration management as central to our growth approach.

"PROFIT BEFORE TAX INCREASED TO €3.7 MILLION, SUPPORTED BY HIGHER BUSINESS VOLUMES ACROSS OUR CORE OFFERINGS. REVENUE GREW TO €19 MILLION WHILE NET OPERATING INCOME INCREASED TO €11 MILLION."

Our cash management business also continued to scale, evidenced by client deposits reaching €276 million at December 2025 (2024: €187 million) and total payment volumes of €4 billion throughout 2025 (2024: €1.5 billion). These results reinforce its role as a core and recurring service offering, underpinned by sustained growth in client balances and payment activity.

Overall, these results reflect the continued execution of our strategy to build a sustainable, diversified and scalable business model anchored in financing and cash management services. Growth was achieved alongside disciplined risk management and a strong focus on asset quality, operational resilience, and capital efficiency, positioning the Bank well to support sustainable and prudent expansion going forward.



Funding, Liquidity And Capital – Supporting Sustainable Expansion

Growth was matched with prudent balance sheet and liquidity management. Total assets increased to €391 million (2024: €282 million), supported by a larger funding base. Non equity funding increased to €364 million (2024: €259 million), reflecting continued progress in building scalable and diversified funding base while preserving balance sheet resilience.

Liquidity ratios remained robust and well above regulatory thresholds, with Liquidity Coverage Ratio of 188% (2024: 340%) and Net Stable Funding Ratio of 200% (2024: 352%). We also strengthened our capital base by way of retained earnings and bond financing. During 2025, the Bank also completed the issuance of a €5 million 6% unsecured subordinated bond, maturing in July 2035, strengthening capital flexibility and supporting long term growth plans while maintaining a conservative capital structure aligned with regulatory and stakeholder expectations. At year end, the Bank reported a Total Capital Ratio of 21.6% (2024: 22.5%), and a Tier 1 Capital Ratio of 17.8% (2024: 22.5%), both well in excess of regulatory thresholds.

Regulatory Alignment And Operational Resilience – Turning Compliance Into Capability

The regulatory landscape continued to evolve during 2025, particularly across instant payments, prudential frameworks, and operational resilience. The Instant Payments Regulation was embedded within the Bank’s euro payments offering, while DORA requirements were incorporated into the Bank’s ICT risk management, incident response, resilience testing, and third-party governance arrangements. Governance, capital planning, and supervisory reporting continued to be maintained in line with CRR3 and CRD6 requirements. Our approach is to treat these developments not as ‘check-the-box’ compliance, but as an opportunity to strengthen the Bank’s foundations and deliver better outcomes for clients, while meeting supervisory expectations in a proportionate and sustainable manner.

"OUR FOCUS IS PRAGMATIC: USING DATA AND AUTOMATION TO REDUCE MANUAL EFFORT, IMPROVE CONTROL RELIABILITY, SHORTEN PROCESSING TIMES, AND ENHANCE THE QUALITY OF SERVICE AND INFORMATION AVAILABLE TO CLIENTS WHILE MAINTAINING STRONG GOVERNANCE AND CONTROLS."

Risk Management And Control Environment – Scaling With Discipline

Responsible growth requires clarity of risk appetite, strong governance, and continuous enhancement of controls. During the year, we continued to strengthen our risk management framework, supported by effective Board oversight and structured escalation mechanisms. Credit risk management remained a core focus as the balance sheet expanded, with provisioning grounded in the IFRS 9 expected credit loss methodology and active oversight of portfolio performance and concentrations, including the early identification of emerging risks.

We continued to invest in the second line of defence across Risk, Regulatory Compliance, and Financial Crime Compliance. This reflects our view that growth must be matched with strong independent oversight, robust monitoring, and a culture of accountability to safeguard the Bank. These arrangements are underpinned by experienced teams, clear ownership, and a strong tone from the top in respect of risk management and internal controls.

Technology And AI – Pragmatic Investment For Efficiency And Client Experience

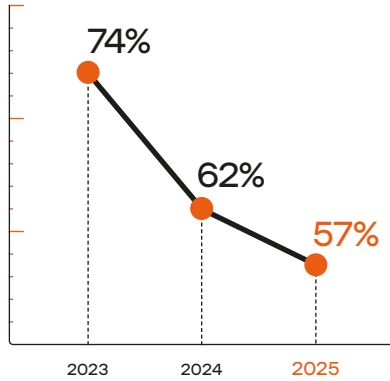
Technology remains a strategic enabler. During 2025, we continued investing in systems and capabilities that enhance automation, improve operational throughput, strengthen cyber and ICT controls, and deliver a more intuitive and secure client experience. These investments support operational resilience, scalability, and sustainable growth.

Our focus is pragmatic: using data and automation to reduce manual effort, improve control reliability, shorten processing times, and enhance the quality of service and information available to clients while maintaining strong governance and controls.

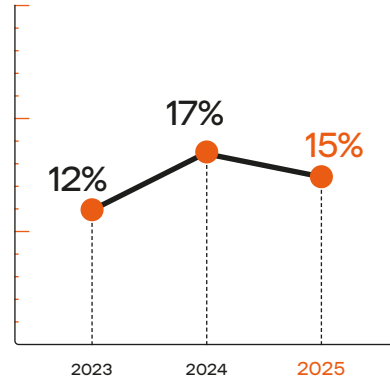
ESG – Embedded, Proportionate, And Governance Led

While ESG is not positioned as a standalone growth driver for the Bank, we recognise its increasing relevance. The Bank has an established ESG strategy and governance framework, with oversight anchored through Board and Risk Committee structures, and integration into risk management processes, policies, and staff training in a manner proportionate to the Bank's size, complexity and risk profile.

COST : INCOME RATIO



RETURN ON EQUITY



Looking Ahead

Our outlook for 2026 remains anchored around Financing and Cash Management as core growth pillars, with technology continuing to play a central enabling role in supporting efficiency, resilience and client experience. We will remain focused on expanding our Financing solutions and further enhancing Cash Management capabilities, while continuing to invest in digital transformation and operational automation. This approach is designed to deliver faster, secure and more intuitive banking services, underpinned by a continued commitment to exceptional client experience.

Looking ahead, we remain firmly committed to supporting the digital advertising industry, which continues to represent a strategically important market for the Bank. We will continue to invest in the development and launch of innovative financial solutions tailored to the evolving needs of our clients, enabling them to scale responsibly and operate with greater financial certainty. This forward-looking focus is

supported by our disciplined approach to capital allocation, risk management, and operational resilience, ensuring that growth is pursued sustainably and in alignment with our long-term strategic objectives.

With a strong capital base, robust liquidity, and a governance and risk framework aligned to the Bank's growth ambitions, Lidion Bank is well positioned to continue executing its strategy and delivering sustainable value to all stakeholders including clients, shareholders and the regulator.

In closing, I would like to join our Chairman in thanking our clients, shareholders, bondholders, colleagues, and partners for their continued trust and collaboration throughout the year. Together with the Board, we are translating our strategy into tangible outcomes and strengthening the Bank to ensure it is equipped not only to meet the future, but to deliver lasting value through it.

Signed by Jonathan Bellizzi,
Chief Executive Officer, on 29 April 2026

**CORPORATE
GOVERNANCE
STATEMENT OF
COMPLIANCE**

CORPORATE GOVERNANCE STATEMENT OF COMPLIANCE

A. Introduction

Lidion Bank plc (the "Bank") is required to comply with the corporate governance requirements applicable to issuers with securities admitted to trading on the Official List of the Malta Stock Exchange. This Corporate Governance Statement has been prepared pursuant to Listing Rules, Capital Market Rules, and the Code of Principles of Good Corporate Governance (the "Code") issued by the Malta Financial Services Authority ("MFSA").

The Board of Directors (the "Board") of the Bank is committed to acting with transparency, honesty, integrity, and accountability in its oversight of the Bank. The Board believes that strong governance practices support the Bank's long-term sustainability, financial soundness, reinforce trust with the market, and ensure the Bank operates in the best interests of its stakeholders, including bondholders, customers and regulators.

Good corporate governance is ultimately the responsibility of the Board. To this end, the Board has adopted a decision making and oversight framework that reflects the Bank's size, nature, and operational needs. This structure ensures that the Bank maintains effective controls, clear roles, and an appropriate level of supervision across its activities.

B. Compliance with the code

The Bank, as a Small and Non-Complex Institution ("SNCI"), applies the principle of proportionality in implementing the Code of Principles of Good Corporate Governance (the "Code") issued by the Malta Financial Services Authority. Accordingly, the Bank has adopted governance arrangements that are appropriate to its size, nature and complexity.

The Bank has complied with the provisions and principles of the Code throughout the financial year under review, except where departures were considered appropriate in light of the Bank's size, nature and complexity. In such cases, the Bank has adopted alternative arrangements which the Board considers to be adequate and effective in ensuring sound governance and proper oversight.

Principle 1: The Board

The Board of Directors is responsible for providing leadership, setting strategy, approving its risk appetite and overseeing the Bank's operations in accordance with its regulatory obligations, values and strategic objectives. The Board of Directors of the Bank is composed of six members, including the Chairman, one executive director (the CEO), and four additional non-executive directors, the majority of whom are independent. The Board delegates specific responsibilities to its Board Committees.

Principle 2: Chairman and Chief Executive Officer (CEO)

The Bank's current organisational structure incorporates the position of a CEO. The position of the Chairman and that of the CEO are occupied by different individuals. Their respective positions have been defined with specific roles rendering these positions completely separate from one another. This separation of roles of the Chairman and the CEO avoids concentration of authority and power in one individual.

The Chairman is responsible to lead the Board and to set its agenda. The Chairman ensures that the Board's discussions on any issue put before it goes into adequate depth, that the opinions of all the Directors are taken into account and that all the Board's decisions are supported by adequate and timely information. The Chairman ensures that the CEO develops a strategy which is agreed to by the Board. The CEO is responsible for day-to-day management, execution strategy and implementation of Board decisions.

Principle 3: Composition of the Board

The Board considers its composition of six members to be appropriate for the Bank's size, scale, and operational complexity. The collective experience, professional backgrounds, and diverse skills of the Directors provide the balance of expertise needed to support effective oversight and ensure the Board functions efficiently.

Independence of Directors

During the period under review, the Board consisted of a majority of independent directors.

Independence is assessed in line with the MFSA's fit and proper requirements and the criteria set out in the Code of Principles of Good Corporate Governance. The Board considers that this composition provides strong independent oversight appropriate for a regulated credit institution with listed debt securities, thereby supporting effective governance and the protection of bondholder interests. The appointment of all Directors is subject to regulatory approval.

Principles 4 and 5: The Responsibilities of the Board and Board Meetings

The Board meets regularly and discusses and decides upon matters relating to the business of the Bank.

The Board regularly reviews and evaluates corporate strategy, major operational and financial plans, risk policies, performance objectives and business alternatives. The Board also monitors implementation and corporate performance within the parameters of all relevant laws, regulations and codes of best business practice. The Board has a formal schedule of matters reserved for its decision and also delegates specific responsibilities to its Board Committees.

The Board ensures that it has the appropriate policies and procedures in place, which guarantee that the Bank maintains the highest standards of corporate conduct, including compliance with applicable laws, regulations, business and ethical standards.

After each Board meeting, minutes that faithfully record attendance, matters discussed and decisions taken, are prepared and circulated to all Directors as soon as practicable after the meeting.

During the current financial year, the Board met twelve times during which all members attended.

Principle 6: Information and Professional Development

The Bank ensures that Directors receive continuous updates on regulatory, risk and operational developments. New Directors undergo an onboarding process covering the Bank's operations, regulatory framework, risk profile and governance structures.

Directors have access to ongoing training relevant to their role. The Board training plan is reviewed and refreshed annually, taking into account regulatory developments, individual directors' needs, and the Board's collective skills and suitability assessment. Training needs and gaps identified through the collective suitability assessment directly inform the focus and content of Board training for the relevant year.

Principle 7: Evaluation of the Board's Performance

The Board conducts an annual assessment exercise covering board effectiveness, committee performance, director contribution and governance arrangements.

Principle 8: Board Committees

Audit Committee

The Audit Committee (the "AC") supports the Board by overseeing the Bank's financial reporting, internal controls, and audit functions. It monitors the integrity of financial statements, reviews accounting policies, and ensures appropriate reporting processes and disclosure controls are in place. The AC oversees the effectiveness of internal controls, maintains oversight of the internal audit function—including its independence, annual audit plan, reporting and performance. It also oversees the external auditor by recommending appointment, approving terms of engagement, monitoring independence, reviewing audit plans and findings, and ensuring timely remediation of issues raised by auditors or regulators. The AC reviews and oversees related party transactions in line with policy requirements and may request any information it deems necessary, with conflicted members excluded from deliberations. The AC has unrestricted access to Bank staff, records, internal and external auditors, and key outsourced functions to enable it to carry out its responsibilities effectively.

The AC's oversight of financial reporting and market disclosures supports transparency and protects the interests of bondholders in the Bank's listed debt instruments.

The AC is composed of three independent non-executive directors which includes at least one member with accounting and/or audit expertise.

During the current financial year, the AC met five times during which meetings all members attended.

Risk Committee

The Risk Committee (the "RC") supports the Board by overseeing the Bank's risk management framework, risk governance structure, and the controls in place to identify, measure, monitor, and manage the Bank's key risks. The RC ensures that the Bank operates within its approved Risk Appetite Framework and that its risk taking activities align with its strategic objectives.

The RC reviews the Bank's risk strategies, policies, and methodologies, and oversees the independence and effectiveness of the Risk Management Function, including the Head of Risk. It examines reports on credit, market, liquidity, operational, ICT, cyber, conduct, and strategic risks, and reviews the adequacy of stress testing, Internal Capital Adequacy Assessment Process (ICAAP), and Internal Liquidity Adequacy Assessment Process (ILAAP) processes, thereby safeguarding the interests of bondholders and supporting the Bank's obligations as a listed debt issuer. The RC may request any information it considers necessary and has unrestricted access to management, and internal control functions.

During the current financial year, the RC met six times, during which all members attended. The RC is composed of three independent non executive directors.

The Bank has not established a Remuneration Committee. In view of the Bank's size and complexity as an SNCI, remuneration matters are overseen directly by the Board.

Principle 9: Relations with Shareholders and with the Market

During the reporting period, the Bank held its Annual General Meeting, during which shareholders considered and voted on the resolutions presented. The Bank maintained transparent communication with the market through the publication of its audited annual financial statements and its six month interim financial statements for 2025. In line with its obligations as a listed debt issuer on the Malta Stock Exchange, the Bank issued four Company Announcements during the year to ensure the timely, accurate and transparent disclosure of information, including price sensitive developments relating to its listed debt instruments, in accordance with the Capital Markets Rules, the Listing Rules and the Market Abuse Regulation. All such disclosures, together with the Bank's financial reports and regulatory communications, are made available to the public through the Malta Stock Exchange and on the Bank's website to ensure equal access to information for all market participants.

C. Required disclosures under capital markets rules

Internal Control and Risk Management Systems in Relation to Financial Reporting

In accordance with the Capital Markets Rules, the Bank is required to describe the key elements of its internal control and risk management systems relating to the financial reporting process. The Bank maintains an internal control framework designed to ensure the accuracy, reliability, and integrity of financial reporting and compliance with applicable accounting standards and regulatory requirements.

This framework includes:

- a structured financial reporting environment supported by documented accounting policies and procedures; established operational controls and segregation of duties to mitigate financial reporting risks;
- periodic monitoring and assessment of control effectiveness by the Internal Audit Function;
- oversight by the Audit Committee, which reviews financial reporting processes, internal control effectiveness, and significant accounting judgements; and
- review and approval of financial information by the Board of Directors.

These measures collectively ensure that the Bank's financial reporting is complete, accurate, and prepared in accordance with applicable reporting frameworks and regulatory expectations for credit institutions.

D. Diversity Policy

The Bank maintains a formal Board Diversity Policy, approved by the Board of Directors, which promotes a balanced and diverse Board by considering attributes such as gender, age, educational and professional background, and geographical provenance, recognising that diverse perspectives enhance decision making and reduce group thinking. The Policy applies to all aspects of Board composition including appointments, re-appointments, and succession planning, and while the Bank is not required to set quantitative gender targets as it is not a Significant Institution, it remains committed to improving diversity in line with regulatory guidance, with the Non Executive Directors overseeing implementation and periodic review of the Policy. The Diversity Policy is applied in a manner consistent with the Bank's size, complexity, and nature as a listed bond issuer.

DIRECTORS' REPORT

DIRECTORS' REPORT

for the year ended 31 December 2025

Introduction

The Directors submit their 13th annual report, together with the audited financial statements of Lidion Bank plc ('the Bank') for the year ended 31 December 2025.

The report covers 12 months from 1 January 2025 to 31 December 2025.

Board of Directors

The following directors served on the Board during the period 1 January 2025 to date:

Jonathan Bellizzi

Chief Executive Officer and Executive Director

Trond Dale

Non-Executive Director

Stephen Muscat

Non-Executive Director

Frank J. Sekula

Non-Executive Director

Dr Desiree Cassar

Non-Executive Director

Kjetil Ole Kjelvik *(resigned 27th March 2025)*

Non-Executive Director

Mehmet Zafer Karatas *(appointed 9th June 2025)*

Non-Executive Director

Company Secretary:

Sharon Fenech *(resigned 11th April 2025)*

Francesca Briffa Polidano

(appointed 11th April 2025)

Directors' responsibilities

The Directors are required by the Companies Act (Cap.386) to prepare financial statements at end of the financial period according to generally accepted accounting principles and practices to give a true and fair view of the state of the Bank which is free from material misstatements.

In preparing the financial statements, the directors are required to:

- Select suitable accounting policies and apply them consistently,
- Make judgments and estimates that are reasonable,
- Make sure that the financial statements do not contain any material misstatements, and
- Prepare on a going concern basis unless otherwise determined.

The Directors are responsible for ensuring that proper accounting records are kept which can be used to prepare financial statements that depict an accurate financial position of the Company in compliance with the Banking Act (Cap. 371) and the Companies Act (Cap. 386).

This responsibility includes designing, implementing, and maintaining internal controls that enable the preparation of financial statements that are free from material misstatements, whether due to fraud or error. They are also responsible for safeguarding the assets of the Bank, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Additionally, the Directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the financial statements, as required by Capital Markets Rules 5.55.6, in accordance with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the ESEF RTS);

- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report that is free from material non-compliance with the requirements of the ESEF RTS, whether due to fraud or error; and
- consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

Principal activities

The Bank is registered in Malta as a public limited liability company under the Companies Act, 1995 (Chapter 386, Laws of Malta).

The Bank is licensed by the Malta Financial Services Authority to carry out the business of banking in terms of the Banking Act (Cap. 371).

The main activities of the Bank involve the provision of various banking services, including bank account and payment services, non-recourse factoring, and various types of lending.

Dividends

The Board of Directors resolved to recommend the payment of a final gross cash dividend of €0.3938 per ordinary share (€0.3741 net), amounting to a total net dividend payout of €2,600,000 equivalent to a total gross dividend payout of €2,736,842.

This final dividend is subject to approval by shareholders at the Annual General Meeting as well as regulatory non-objection and has not been included as a liability in

these financial statements. The proposed dividend is expected to be paid while maintaining capital and liquidity ratios in line with applicable regulatory requirements and the Bank's internal targets.

Performance Review

A review of the performance of the Bank for the year ended 31 December 2025 and an indication of future developments are provided in the Chairman's message and CEO's message, which can be found in the front section of this Annual Report.

Basis of preparation of financial statements

The financial statements are prepared on a going concern basis after due consideration of the Bank's growth, profitability, liquidity, capital adequacy and solvency.

Auditors

A resolution to reappoint Deloitte Audit Limited as auditor was approved by the Board of Directors on 29th April 2026.

Principal risk and uncertainties

The management of risk is a critical underpinning for the execution of the Bank's strategy. The material risks and uncertainties that the Bank faces across its business and portfolios are key areas of management focus.

The primary risks identified by the Bank encompass credit risk stemming from fluctuations in credit quality and the recoverability of loans and amounts owed by counterparties, concentration

risk due to an uneven distribution of counterparties, solvency, liquidity and funding and interest rate risks inherent in banking operations (IRRBB). Additionally, other risks under close scrutiny by management include foreign exchange risk, operational risks, financial crime, cyber-security, and business continuity risks. These risks can trigger reputational risk.

The Bank has established a robust Risk Governance structure and implemented comprehensive risk management policies and frameworks, underpinned by a clearly defined Risk Appetite Framework (RAF), to identify, assess, and manage these risks. The Risk Appetite Framework sets the boundaries within which the Bank operates by articulating the nature and extent of risks it is willing to accept in pursuit of its strategic objectives and defines clear escalation and breach management protocols to ensure that any deviations from the approved risk appetite are promptly identified, reported, and addressed. The Risk Governance and Management framework ensures clear accountability and oversight across all levels of the organization. Together, these frameworks enable the Bank to establish appropriate risk limits and controls, and to continuously monitor risks and ensure compliance with the approved risk appetite and set limits.

Credit risk

Credit Risk is the risk that a borrower fails to meet its respective obligations in accordance with, or perform according to, the agreed terms.

Lending is one of the Bank's principal activities and, as such, credit risk management is key. The appetite and tolerance levels for credit risk deemed acceptable by the Bank are defined and

evaluated in the Risk Appetite Framework (RAF), which is approved by the Board and reviewed at least annually.

Credit Risk is managed and controlled in various ways, including:

- Operations of the Credit Risk Committee.
- Implementation and management of Credit and Factoring policies.
- Internal Capital Adequacy Assessment Process (ICAAP).
- Comprehensive Stress testing framework.
- Internal credit scoring systems.
- Use of collateral
- Forward-looking expected credit loss model for quantifying provisions compliant with IFRS 9.
- Stress testing relating to credit risk.
- Expected credit loss (ECL) model.
- Recovery Plan

Concentration risk

Concentration risk refers to the potential adverse impact resulting from a significant exposure to specific counterparties, sectors, or geographic regions within a Bank's portfolio. It encompasses the risk of losses arising from dependencies on a limited number of counterparties or a high degree of correlation among exposures. Effective management of concentration risk involves identifying and monitoring concentrations, assessing their potential impact, and implementing strategies to mitigate associated vulnerabilities.

Concentration is managed and controlled by the Bank in various ways, including:

- Operations of the Credit Committee and Risk Committee.
- Internal Capital Adequacy Assessment Process (ICAAP).
- Implementation and management of Key risk indicators (KRIs).
- Comprehensive Stress testing framework.

Solvency risk

Solvency risk refers to the potential threat that the Bank may not have sufficient capital to meet its long-term obligations or commitments. Solvency risk can lead to financial distress, default, or insolvency if not adequately managed. It is a critical concern for stakeholders, including creditors, investors, and regulators, as it impacts the Bank's ability to sustain operations and meet its obligations over the long term.

The Bank effectively manages solvency risk by maintaining adequate capital reserves, undertaking prudent financial management practices, and continuously monitoring its financial health and performance metrics. Capital management is reported and discussed at the Asset-Liability Committee (ALCO), Risk Committee and the Board. The Board actively monitors capital levels against both regulatory requirements and internal capital targets to safeguard depositors and support sustainable growth.

The Bank performs an ICAAP, which includes an assessment of both Pillar I and Pillar II risks, including credit default, Concentration risk, operational risk, IRRBB risk and other key risks. The ICAAP also incorporates multi-year capital planning to ensure sufficient capital is maintained to support the Bank's strategy under both expected and stressed conditions. The Bank's stress testing framework forms an integral part of the ICAAP. Several severe but plausible scenarios are developed to test the resilience of the Bank's business model and risk profile.

Liquidity and funding risk management

Liquidity risk is the potential that the Bank may be unable to meet its financial commitments in the short term and medium term, either partially or wholly, and without incurring unacceptable losses.

Funding risk pertains to the possibility that the Bank may not meet its financial obligations in the medium to long term, either partially or wholly, or without experiencing a significant increase in funding costs.

Furthermore, funding risk can also be viewed as the risk that the Bank lacks stable funding in the medium and long term.

To address these concerns, the Bank actively monitors its liquidity ratios and safeguards its liquidity requirements. Additionally, the Bank conducts regular reviews of its liquidity plans to ensure preparedness. Ensuring adequate liquidity buffers is essential to always maintaining stakeholder confidence and meeting obligations.

Additionally, the Bank conducts an Internal Liquidity Adequacy Assessment Process (ILAAP), alongside a Recovery Plan. Moreover, the Bank has instituted an Asset and Liability Committee and integrated Key Risk Indicators (KRIs). These pivotal decision-making tools are instrumental in ensuring the Board of Directors remains well-informed about the Bank's continual risk assessment, the implemented mitigation strategies, and their effects on liquidity requirements. The Bank's stress testing framework forms an integral part of the ILAAP. As part of the testing framework, severe but plausible scenarios are developed that test the resilience of the Bank. The Board also ensures that liquidity KRIs remain within approved tolerances and oversees the results of scenario based liquidity stress testing which forms part of the Bank's stress testing included in both ILAAP and Recovery Plan. In addition, ALCO provides governance and oversight of the Bank's liquidity position and forward looking funding needs.

Market risk

Market risk refers to the risk of losses arising from adverse movements in market prices.

The Bank's exposure to market risk is mainly related to:

- Interest rate risk.
- Foreign exchange risk.

Interest Rate Risk in the Banking Book (IRRBB)

Interest rate risk in the banking book refers to the potential adverse impact on the Bank's earnings and capital resulting from fluctuations in interest rates. This risk arises from the maturity mismatch between a Bank's assets and liabilities, as changes in interest rates can affect the value of these financial instruments differently. Interest rate risk in the banking book includes repricing risk, which relates to the timing of interest rate changes. The Bank also monitors the Economic Value of Equity (EVE). This measures the changes in the net present value of interest rate sensitive instruments over their remaining lives resulting from interest rate movements. The Bank addresses Interest Rate Risk as part of its Internal Capital Adequacy Assessment Process (ICAAP) and incorporates it into stress testing. Interest rates are a focal point of discussion during meetings of the ALCO. To further monitor this risk, the Bank has established KRIs that track exposure levels and trigger appropriate risk management actions when predefined thresholds are exceeded.

Foreign exchange risk

Foreign exchange risk refers to the risk that the Bank's financial performance and position will be affected by fluctuations which take place in the exchange rates between different currencies. This risk can take place when a financial transaction

is undertaken using a currency other than the base currency of the Bank, potentially resulting in a loss of before the transaction is completed. The Bank mitigates this risk by employing FX hedge transactions and maintains KRIs to limit potential adverse currency movements. This risk falls under the oversight of the ALCO and Risk Committee.

Operational risk

Operational risk encompasses a wide range of potential losses arising from inadequate or failed internal processes, systems, human errors, or external events. This includes errors, fraud, legal risks, regulatory compliance failures, technology failures, disruptions to business continuity, and any other operational breakdowns that could result in financial losses, damage to the Bank's reputation, or regulatory sanctions.

Operational risk is inherent in the Bank's products, services, and activities. The Bank's operational risk management framework is fully integrated into the Bank's overall risk management framework. The Bank continuously invests in human resources, processes, and systems to reduce the risk of operational failures and ensure it meets its operational targets. These investments include strengthening control environments, enhancements in technology and automation, and targeted staff training to support ongoing regulatory compliance and operational resilience. The Board emphasises continuous control enhancement and proactive mitigation to ensure the operational risk profile remains within approved tolerances and aligned with the Bank's risk appetite.

Financial Crime Compliance Risk

Financial Crime Compliance Risk is defined as the risk of loss resulting from the Bank being subject to financial crime.

The Bank is committed to combatting financial crime and complying with all applicable laws and regulations relating to financial crime to safeguard the Bank, its customers, and its employees against financial crime-related risks. The Bank has instituted a Financial Crime Compliance function and established a Financial Crime Compliance Committee to address financial crime. The Bank maintains zero tolerance for financial crime and is dedicated to identifying potentially suspicious activity and vulnerabilities.

The Board provides oversight of the Bank's AML/CFT policies, customer assessments, and sanctions compliance. Governance is supported through the Financial Crime Compliance Committee, which ensures that emerging risks, regulatory expectations, and operational controls are regularly reviewed. The Board also monitors suspicious transaction reporting volumes, typology trends, and remediation actions, ensuring the Bank responds proactively to identified risks. To strengthen the control environment, the Bank continues to invest in transaction monitoring systems, screening tools, and enhanced due-diligence capabilities. Maintaining a robust financial crime compliance framework is considered critical to protecting the Bank's regulatory standing and reputation.

Cyber risk

Cyber risk encompasses the potential harm or disruption to an organization's operations, assets, or data caused by cyber-attacks, security breaches, or technological vulnerabilities. This risk includes threats such as malware, phishing attacks, ransomware, and insider threats, and it requires robust cybersecurity measures, employee training, and incident response plans to mitigate effectively. Managing cyber risk involves ongoing monitoring, threat intelligence analysis, and continuous

improvement of security controls and protocols. The Bank manages cyber risk as part of its overall risk management framework. Cyber risks are discussed and reported in detail at the Risk Committee. Cybersecurity remains one of the most rapidly evolving threat areas, and the Risk Committee receives detailed reporting on the ICT posture of the Bank including incidents, and vulnerability assessments. Staff awareness programmes and simulated phishing exercises form part of the Bank's ongoing efforts to strengthen user-level resilience and reduce the likelihood of successful attacks. Given the dynamic threat landscape, the Board prioritises continued investment in modern security architecture and rapid incident response capabilities.

Business continuity risk

Business continuity risk refers to the vulnerability of the Bank's critical operations, processes, or services to disruption or failure due to unforeseen events, disasters, or emergencies. This risk can arise from natural disasters, pandemics, supply chain disruptions, or infrastructure failures, and it highlights the importance of having robust business continuity plans, disaster recovery strategies, and effective resilience measures in place. Effective management of business continuity risk involves identifying critical dependencies, establishing recovery priorities, and conducting regular testing and simulation exercises to ensure readiness for various scenarios.

The Board also ensures regular testing exercises and simulations are conducted in line with the Bank's testing program to validate the Bank's preparedness for disruption. In addition, the Board monitors key operational dependencies, including third-party resilience, to ensure that critical outsourced services can continue to operate under stress.

Reputational risk

Reputational risk refers to the threat of damage to a Bank's reputation or brand image resulting from negative perceptions, actions, or events. This risk can arise from the various risks mentioned above and other events, such as ineffective service, unethical behaviour, environmental controversies, or data breaches, and it may lead to a loss of customer trust, decreased market value, or regulatory scrutiny. To maintain a strong reputation the Bank proactively manages its products and services, promotes transparent communication, and ensures consistent adherence to ethical standards and corporate values.

Environmental, Social and Governance (ESG) Risk

ESG risks encompass the possibility of detrimental financial consequences to the institution arising from the current or anticipated effects of ESG factors on the Bank, its counterparties, or its invested assets. The Bank recognizes the need for a sustainable and responsible banking strategy and is aware of its exposure to ESG risks. While closely following regulatory guidelines, developments and supervisory expectations it is committed to addressing ESG risks and factors, acknowledging its responsibility as a licensed credit institution to comply with regulations and adopt good practices. It engages stakeholders to

effectively respond to these complexities, integrating ESG considerations into its strategy and operations. Through diligent tracking of regulatory guidelines, proactive risk management, and a materiality assessment of ESG factors, the Bank ensures comprehensive risk mitigation. Internal governance arrangements foster a risk-aware culture, integrating ESG into business practices.

ESG considerations are becoming increasingly central to regulatory supervision. The Risk Committee oversees the integration of ESG risks into the Bank's risk appetite, strategy, and credit analysis, ensuring alignment with supervisory expectations. Internal governance structures further reinforce ESG implementation and ongoing reporting responsibilities.

The Directors' report was signed on behalf of the Board of Directors on 29 April 2026 by Trond Dale (Chairman) and Jonathan Bellizzi (Director) as per the Directors' Declaration on the ESEF Annual Financial Report submitted in conjunction with the Annual Financial Report.

FINANCIAL STATEMENTS

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the year ended 31 December 2025

		2025	2024
	Note	EUR	EUR
Revenue			
Interest income	2	16,300,103	11,932,150
Interest expense	3	(5,417,734)	(3,353,489)
Net interest income		10,882,369	8,578,661
Fee and commission income		2,402,875	2,969,523
Fee and commission expense		(985,623)	(981,696)
Net fee and commission income	4	1,417,252	1,987,827
Net operating income before net impairment losses		12,299,621	10,566,488
Net impairment losses	8	(1,525,903)	(855,336)
Net operating income		10,773,718	9,711,152
Factoring related expenses	6	746,050	444,566
Employee compensation and benefits	5	3,403,725	3,427,090
General administrative expenses	7	2,359,147	2,253,225
Depreciation of property, plant and equipment	18	94,534	50,862
Amortisation of intangible assets	17	353,165	187,879
Depreciation of right of use assets	16	111,000	151,200
Total expense		7,067,621	6,514,822
Profit before tax	9	3,706,097	3,196,330
Income tax charge	10	(188,126)	(501,315)
Profit for the year		3,517,971	2,695,015
Total comprehensive income for the year		3,517,971	2,695,015

STATEMENT OF FINANCIAL POSITION

as at 31 December 2025

	Note	2025 EUR	2024 EUR
Assets			
Balance with Central Bank of Malta, and cash and cash equivalents	11	217,888,381	169,448,887
Investments measured at amortised cost	12	2,459,687	2,457,728
Finance lease receivable	13	743,812	1,685,939
Loans to customers	14	57,976,957	34,260,691
Factored receivables	15	104,852,020	68,155,722
Intangible assets	17	1,817,602	1,178,188
Property, plant and equipment	18	372,388	420,694
Deferred tax	19	109,697	61,491
Right of use assets	16	122,434	240,024
Other assets	20	2,699,781	2,824,325
Prepayments and accrued income	21	1,917,958	1,441,026
Total assets		390,960,717	282,174,715
Liabilities			
Amounts owed to customers	22	355,553,647	255,331,734
Other liabilities	23	1,026,475	1,039,463
Accruals	24	2,878,255	2,475,989
Lease Liabilities	16	125,657	254,586
Subordinated liabilities	25	4,785,769	–
Total liabilities		364,369,803	259,101,772
Equity			
Share capital	26	8,616,433	8,616,433
Shareholder advance	27	13,118,088	13,118,088
Currency translation reserve		(433,348)	(433,348)
Retained earnings		5,289,741	1,771,770
Total equity		26,590,914	23,072,943
Total liabilities and equity		390,960,717	282,174,715
Memorandum Items			
Total commitments	28	3,714,255	4,083,987
Contingent liabilities	29	7,612,715	7,621,846

The notes on pages 28 to 68 are an integral part of these financial statements.

The financial statements on pages 24 to 68 were approved by the Board of Directors and authorised for issue on 29 April 2026. The financial statements were signed on behalf of the Board of Directors as per the Directors' Declaration on the ESEF Audit Financial Report submitted in conjunction with the Annual Financial Report and were signed by:

Mr Trond Dale
Chairman

Mr Jonathan Bellizzi
Director and CEO

STATEMENT OF CHANGES IN EQUITY

for the year ended 31 December 2025

	Share capital and shareholders' advances	Retained earnings / (Accumulated losses)	Currency translation reserve	Total
	EUR	EUR	EUR	EUR
At 01 January 2024	15,074,469	(923,245)	(433,348)	13,717,876
Increase in shareholders' contribution	6,660,052	–	–	6,660,052
	21,734,521	(923,245)	(433,348)	20,377,928
Total comprehensive income for the year	–	2,695,015	–	2,695,015
At 31 December 2024	21,734,521	1,771,770	(433,348)	23,072,943
Total comprehensive income for the year	–	3,517,971	–	3,517,971
At 31 December 2025	21,734,521	5,289,741	(433,348)	26,590,914

STATEMENT OF CASH FLOWS

for the year ended 31 December 2025

	2025	2024
Note	EUR	EUR
Cash flows from operating activities		
Interest and commission received	18,607,144	15,939,786
Interest and commission paid	(6,712,883)	(4,570,404)
Cash payments to employees and suppliers	(6,602,770)	(5,851,922)
Cash flows from operating activities before changes in operating assets and liabilities	5,291,491	5,517,460
Movement in finance lease, loans receivable and factored receivables	(60,996,341)	(34,359,400)
Movement in other assets	(165,050)	(2,000,387)
Movement in other liabilities	227,035	144,824
Movement in amounts owed to customers	100,221,915	119,559,780
Net cash generated from operating activities	44,579,050	88,862,277
Cash flows from investing activities		
Purchase of property plant and equipment	(39,107)	(47,287)
Purchase of intangible assets	(971,521)	(908,706)
Net cash used in investing activities	(1,010,628)	(1,317,373)
Cash flows from financing activities		
Proceeds from shareholders' advances	–	6,660,052
Repayment of lease liability	(128,928)	(108,896)
Issue of subordinated debt	5,000,000	–
Payments of subordinated debt	–	(1,684,000)
Net cash generated from financing activities	4,871,072	4,867,156
Net movement in cash and cash equivalents	48,439,494	92,412,060
Cash and cash equivalents at the beginning of the year	169,448,887	77,036,827
Cash and cash equivalents at the end of the year	217,888,381	169,448,887

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NOTES TO THE FINANCIAL STATEMENTS

1. MATERIAL ACCOUNTING POLICY INFORMATION

a. Basis of preparation

The financial statements of the Bank have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (EU IFRS). These financial statements have also been prepared in accordance with the provisions of the Banking Act (Cap. 371) and the Companies Act, 1995 (Cap. 386). The financial statements have been prepared on the historical cost basis, except for certain financial assets which are measured at their fair value.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Bank has the resources to continue in business for the foreseeable future. In making this assessment, the Directors have considered a wide range of information relating to present and future conditions, including future projections of profitability, cash flows, capital requirements and capital resources.

International financial reporting standards effective in the current year

Standards, interpretations and amendments to published standards, which are effective in the current year:

In the current year, the Bank has applied a number of amendments to IFRS Accounting Standards issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2024. Their adoption has not had any material impact on the disclosures or on the amounts reported in these financial statements.

The following amendments are effective in the current year:

- Amendments to IAS 21 – The Effects of Change in Foreign Exchange Rates – lack of exchangeability (effective for financial periods beginning on or after 1 January 2025).

The Bank's assets and liabilities are presented in order of liquidity. Therefore, the Bank is not affected by Classification of Liabilities as Current or Non-current (Amendments to IAS 1) and Non-current liabilities with Covenants (Amendments to IAS 1), which clarify certain requirements for determining whether a liability is classified as current or non-current

Standards, interpretations and amendments to published standards that are not yet effective

Up to the date of approval of these financial statements, certain new standards, amendments and interpretations to existing standards have been published but are not yet effective for the current reporting period and which have not been adopted early.

The following standards, interpretations and amendments have been issued by the IASB:

- Amendments to IFRS 9 and IFRS 7 – Contracts Referencing Nature-dependent Electricity (effective for financial periods beginning on or after 1 January 2026, subject to endorsement by the EU).
- Annual Improvements Volume 11 (effective for financial periods beginning on or after 1 January 2026, subject to endorsement by the EU).
- IFRS 19 – Subsidiaries without Public Accountability: Disclosures (effective for financial periods beginning on or after 1 January 2027, subject to endorsement by the EU).

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

a. Basis of preparation (continued)

- IFRS 18 'Presentation and Disclosure in Financial Statements', which becomes effective (subject to endorsement by the EU) for financial periods beginning on or after 1 January 2027, will replace IAS 1 Presentation of Financial Statements. It nevertheless carries forward many of the requirements in IAS 1. The main changes brought about by IFRS 18 are the introduction of new requirements to:
 - a) present specified categories and defined subtotals in the statement of profit or loss, with special rules applicable to banks and similar entities whose main business activity is to invest in assets and/or provide financing to customers;
 - b) provide disclosures on management-defined performance measures in the notes to the financial statements, whereby information about any such alternative performance measures must be presented in a single note that must include, amongst others, reconciliations to the most directly comparable subtotal listed in IFRS 18; and
 - c) improve aggregation and disaggregation by including which characteristics to consider when assessing whether items have similar or dissimilar characteristics.
 - Amendments to the Classification and Measurement of Financial Instruments (Amendments to IFRS 9 and IFRS 7), which become effective (subject to endorsement by the EU) for financial periods beginning on or after 1 January 2026:
 - a) permit an entity to deem a financial liability (or part of it) that will be settled in cash using an electronic payment system to be discharged before the settlement date if specified criteria are met, including that the entity neither has the practical ability to access the cash or to withdraw, stop or cancel the payment instruction, nor has any significant settlement risk;
 - b) provide clarification on the assessment of whether the contractual cash flows on a financial asset represent solely payments of principal and interest, with additional examples now provided in IFRS 9, and additional guidance on assessing:
 - whether contractual terms are consistent with a basic lending arrangement;
 - assets with non-recourse features; and
 - contractually-linked instruments;
 - c) introduce additional disclosures for investments in equity instruments designated at fair value through other comprehensive income; and
 - d) introduce new disclosures in relation to contractual terms that could change the timing or amount of contractual cash flows on the occurrence (or non-occurrence) of a contingent event that does not relate directly to changes in a basic lending risks and costs.
- The changes resulting from the future adoption of IFRS 18 and of the amendments to IFRS 9 and IFRS 7 (Classification and Measurement of Financial Instruments) are in the process of being assessed by the Bank to determine the potential effect on the financial statements of the Bank.
- The amendments to IAS 21 and to IFRS 9 and IFRS 7 (Contracts Referencing Nature-dependent Electricity), the Annual Improvements Volume 11, and the introduction of IFRS 19 have been determined not to have a material effect.

b. Foreign currency translation

In preparing the financial statements, transactions denominated in currencies other than the functional currency are translated at the exchange rates ruling on the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to EUR at the rates of exchange ruling at the reporting date. Gains and losses arising from such translation are dealt with in profit or loss. Non-monetary assets and liabilities denominated in foreign currencies that are stated at fair value are translated to EUR at the exchange rate prevailing on the date the fair value was determined. Non-monetary assets and liabilities denominated in foreign currencies that are measured in terms of historical cost are not retranslated.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c. Loans and receivables

Financial assets at amortised cost

Debt instruments that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost include balances with Central Bank of Malta, cash and cash equivalents, loans to customers and investments at amortised cost. Financial assets at amortised cost are initially recognised at their fair value plus directly attributable transaction costs

Appropriate allowances for expected credit losses ('ECLs') are recognised in profit or loss in accordance with the Bank's accounting policy on ECLs.

Changes in the carrying amount as a result of foreign exchange gains or losses, impairment gains or losses and interest income are recognised in profit or loss.

Interest income is recognised using the effective interest method and is included in the line item 'Interest income'. For financial assets other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired. For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

Fair value through other comprehensive income (FVOCI)

Fair value through other comprehensive income (FVOCI): Financial assets that are held for collection of contractual cash flows and for selling the assets, where the assets' cash flows represent solely payments of principal and interest, and that are not designated at fair value through

profit and loss (FVTPL), are measured at FVOCI. Financial assets at FVOCI are initially recognised at their fair value plus directly attributable transaction costs. Movements in the carrying amount are taken through OCI, except for the FVOCI recognition of impairment gains or losses on specified dates, interest revenue and foreign exchange gains and losses on the instrument amortised cost which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in other comprehensive income (OCI) is reclassified from equity to profit or loss and recognised in "Net gain on investment securities". Interest income from these financial assets is included in 'Interest income' using the effective interest rate method.

Business model assessment

The Bank assessed the objective of a business model in which an asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management. The information considered included:

- the stated policies and objectives for the portfolio and the operation of those policies in practice. In particular, whether management's strategy focuses on earning contractual interest revenue maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising cash flows through the sale of the assets;
- how the performance of the portfolio is evaluated and reported to the Bank's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- the frequency, volume and timing of sales in prior periods, the reasons for such sales and its expectations about future sales activity. However, information about sales activity is not considered in isolation, but as part of an overall assessment of how the Bank's stated objective for managing the financial assets is achieved and how cash flows are realised.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c. Loans and receivables (continued)

Cash flows that represent solely payments of principal and interest

For the purposes of this assessment, 'principal' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principal amount outstanding during a particular period of time and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as profit margin. In assessing whether the contractual cash flows are solely payments of principal and interest, the Bank will consider the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition. In making the assessment, the Bank considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Bank's claim to cash flows from specified assets (e.g. non-recourse asset arrangements); and
- features that modify consideration of the time value of money – e.g. periodical reset of interest rates.

Expected credit losses

The impairment model applies to the following financial instruments that are not measured at FVTPL:

- financial assets that are measured at amortised cost;
- debt instruments that are classified as at fair value through other comprehensive income;
- financial lease receivables;
- factored receivables; and
- irrevocable loan commitments.

Under IFRS 9, the Bank recognises a loss allowance at an amount equal to lifetime ECL, except in the following cases, where the amount recognised is 12-month ECL:

- financial instruments which have low credit risk at the reporting date; and
- financial instruments on which credit risk has not increased significantly since their initial recognition.

For finance lease receivables, the Bank applies the following accounting policy to measure the loss allowance –the 'three-stage' model below.

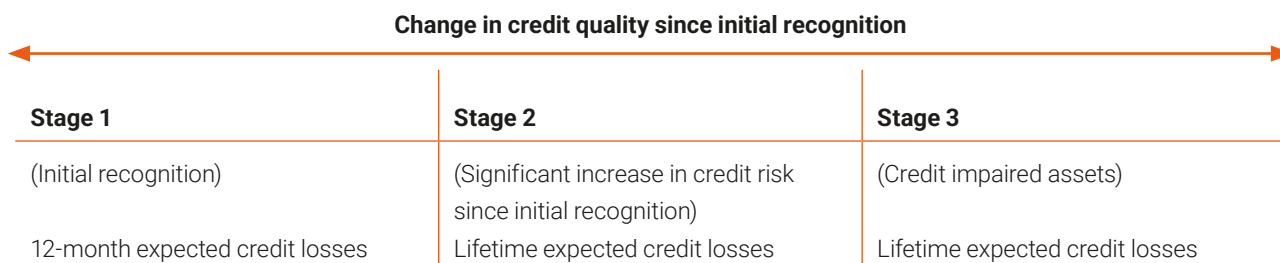
IFRS 9 outlines a 'three-stage' model for impairment based on changes in credit quality since initial recognition as summarised below:

- A financial instrument that is not credit-impaired on initial recognition is classified in 'Stage 1' and has its credit risk continuously monitored by the Bank.
- If a significant increase in credit risk ('SICR') since initial recognition is identified, the financial instrument is moved to 'Stage 2' but is not yet deemed to be credit-impaired. The assessment of whether credit risk on a financial asset has increased significantly is one of the critical judgements in implementing the impairment model of IFRS 9.
- If the financial instrument is deemed to be credit-impaired but not purchased or originated credit impaired ('POCI'), the financial instrument is then moved to 'Stage 3'.
- Financial instruments in Stage 1 have their ECL measured at an amount equal to the portion of lifetime expected credit losses that result from default events possible within the next 12 months. Instruments in Stages 2 and 3 have their ECL measured based on expected losses on a lifetime basis.
- A pervasive concept in measuring ECL in accordance with IFRS 9 is that it should consider forward-looking information.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c. Loans and receivables (continued)

The following diagram summarises the 'three-stage' model for impairment under IFRS 9:



Significant increase in credit risk (SICR)

The assessment of whether credit risk on a financial asset has increased significantly is one of the critical judgements in implementing the impairment model of IFRS 9. The Bank adopts the rebuttable presumption that there was a significant increase in credit risk when the contractual payments are more than 30 days past due.

In the case of the Bank's loan portfolio, the objective of the assessment is to identify whether a significant increase in credit risk has occurred for an exposure by comparing:

- the remaining lifetime probability of default (PD) as at the reporting date; with
- the remaining lifetime PD for the point in time that was estimated at the time of initial recognition of the exposure (adjusted where relevant for changes in prepayment expectations).

The Bank assesses SICR through direct client contact, arrears and changes in sectoral levels of the borrower. The Bank applies the low credit risk simplification for all investments which are of an investment grade.

In assessing whether a borrower is in default, the Bank considers indicators that are:

- qualitative – e.g. breaches of covenant;
- quantitative – e.g. overdue status and non-payment on another obligation of the same issuer to the Bank; and
- based on data developed internally and obtained from external sources.

Inputs into the assessment of whether a financial instrument is in default and their significance may vary over time to reflect changes in circumstances.

The Bank considers a financial asset to be in default when:

- the borrower is unlikely to pay its credit obligations to the Bank in full, without recourse by the Bank to actions such as realising security (if any is held); or
- the borrower is past due more than 90 days on any material credit obligation to the Bank. Overdrafts are considered as being past due once the customer has breached an advised limit or been advised of a limit smaller than the current amount outstanding.

The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial assets. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL will reflect:

- An unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

Measuring ECL

Under the 'three-stage' model, the ECL is measured on either a 12-month (12M) or Lifetime basis depending on whether a significant increase in credit risk has occurred since initial recognition or whether an asset is considered to be credit impaired. Expected credit losses are the discounted product of the Probability of Default (PD), Exposure at Default (EAD), and Loss Given Default (LGD), defined as follows:

- The PD represents the likelihood of a borrower defaulting on its financial obligation (as per "Definition of default and credit-impaired" above), either over the next 12 months (12M PD), or over the remaining lifetime (Lifetime PD) of the obligation.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

c. Loans and receivables (continued)

- EAD is based on the amounts the Bank expects to be owed at the time of default, over the next 12 months (12M EAD) or over the remaining lifetime (Lifetime EAD). For example, for a revolving commitment, the Bank includes the current drawn balance plus any further amount that is expected to be drawn up to the current contractual limit by the time of default, should it occur.
- LGD represents the Bank's expectation of the extent of loss on a defaulted exposure. LGD varies by type of counterparty, type and seniority of claim and availability of collateral or other credit support. LGD is expressed as a percentage loss per unit of exposure at the time of default (EAD).

The ECL is determined by projecting the PD, LGD, and EAD for each future month and for each individual exposure or collective segment. These three components are multiplied together and adjusted for the likelihood of survival (i.e. the exposure has not prepaid or defaulted in an earlier month). This effectively calculates an ECL for each future month, which is then discounted back to the reporting date and summed. The discount rate used in the ECL calculation is the original effective interest rate or an approximation thereof.

Forward-looking information

The assessment of SICR and the calculation of ECL both incorporate forward-looking information. The Bank has performed historical analysis and identified the key economic variables impacting credit risk and expected credit losses for each portfolio.

These economic variables and their associated impact on the PD, EAD and LGD vary by financial instrument. Expert judgement will also be applied in this process.

Presentation of allowance for ECL in the statement of financial position

Loss allowances for ECL will be presented in the statement of financial position as follows:

- Financial assets measured at amortised cost: as a deduction from the gross carrying amount of the assets;
- Loan commitments: generally, as a provision; and
- Where a financial instrument includes both a drawn and undrawn component, and the Bank cannot

identify the ECL on the loan commitment component separately from those on the drawn component:

The Bank will present a combined loss allowance for both components. The combined amount will be presented as a deduction from the gross carrying amount of the drawn component. Any excess of the loss allowance over the gross amount of the drawn component will be presented as a provision.

Collective basis

If evidence of a significant increase in credit risk at the individual instrument level is not yet available, the Bank performs the assessment of significant increases in credit risk on a collective basis by considering information on, for example, a group or sub-group of financial instruments.

Where the Bank does not have reasonable and supportable information that is available without undue cost or effort to measure lifetime ECL on an individual instrument basis, lifetime ECL is measured on a collective basis.

In such instances, the financial instruments are grouped on the basis of shared credit risk characteristics, including geographical, industry and collateral classification.

Measurement of ECL

ECL is a probability-weighted estimate of credit losses. It will be measured as follows:

- financial assets that are not credit-impaired at the reporting date: as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that the Bank expects to receive);
- financial assets that are credit-impaired at the reporting date: as the difference between the gross carrying amount and the present value of estimated future cash flows; and
- undrawn loan commitments: as the present value of the difference between the contractual cash flows that are due to the Bank if the commitment is drawn down and the cash flows that the Bank expects to receive.

For lease receivables, the cash flows used for determining the expected credit loss are consistent with the cash flows used in measuring the lease receivable in accordance with IFRS 16 Leases.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

d. Financial liabilities and equity instruments

Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into, and the definitions of a financial liability and an equity instrument.

Financial liabilities are initially measured at fair value plus, in the case of financial liabilities not at fair value through profit or loss, transaction costs that are directly attributable to their issue. Financial liabilities are subsequently measured at amortised cost using the effective interest method, except for financial liabilities at fair value through profit or loss, which are measured at fair value.

Financial liabilities at fair value through profit or loss include financial liabilities classified as held for trading and those designated at fair value through profit or loss upon initial recognition. During the current period, the Bank did not designate any financial liabilities at fair value through profit or loss upon initial recognition. Derivatives are categorised as held for trading unless they are designated as effective hedging instruments.

Financial liabilities that are measured at amortised cost using the effective interest method include primarily amounts owed to banks and customers, subordinated liabilities and debt securities in issue.

The gain or loss on financial liabilities classified as at fair value through profit or loss is recognised in profit or loss. For financial liabilities carried at amortised cost, the gain or loss is recognised in profit or loss when the financial liability is derecognised and through the amortisation process whereby any difference between the proceeds, net of transaction costs, and the settlement or redemption is recognised over the term of the financial liability. Equity instruments are recorded at the proceeds received, net of direct issue costs.

e. Recognition, de-recognition and offsetting of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Bank becomes a party to the contractual provisions of the instrument.

All loans and receivables are recognised when cash is advanced to borrowers.

A financial asset is derecognised when the contractual rights to the cash flows from the financial asset expire, or when the Bank transfers the financial asset and the transfer qualifies for derecognition. A financial liability is derecognised when it is extinguished. This occurs when the obligation specified in the contract is discharged, cancelled or expires.

Financial assets and financial liabilities are offset and the net amount presented in the statements of financial position when the Bank has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

f. Intangible assets

Intangible assets comprise trademarks, computer software, computer systems and website costs. In determining the classification of an asset that incorporates both intangible and tangible elements, judgment is used in assessing which element is more significant. Computer software which is an integral part of the related hardware is classified as property, plant and equipment and accounted for in accordance with the Bank's accounting policy on property, plant and equipment. Where the software is not an integral part of the related hardware, this is classified as an intangible asset.

An intangible asset is recognised if it is probable that the expected future economic benefits that are attributable to the asset will flow to the Bank and the cost of the asset can be measured reliably.

An intangible asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. Gains or losses arising from derecognition represent the difference between the net disposal proceeds, if any, and the carrying amount, and are included in profit or loss in the period of derecognition.

Intangible assets are initially measured at cost. After initial recognition, they are carried at cost less any accumulated amortisation and any accumulated impairment losses.

g. Depreciation and amortisation

Amortisation of intangible assets commence when these assets are available for use and are charged to profit or loss so as to write off the cost of assets, other than land, less any estimated residual value, over their estimated useful life, using the straight-line method, on the following bases:

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

g. Depreciation and amortisation (continued)

Intangible assets

Trademark	10% per annum
Computer software	20% to 33% per annum
Computer systems	20% per annum
Website costs	33% per annum

The depreciation or amortisation method applied, the residual value and the useful life are reviewed at each reporting date.

h. Impairment of intangible assets

At each reporting date the Bank reviews the carrying amount of its intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If such indication exists, the recoverable amount is estimated in order to determine the extent of the impairment loss and the carrying amount of the asset is reduced to its recoverable amount, as calculated. The recoverable amount is the higher of fair value less costs to sell and value in use.

An impairment loss is recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the loss shall be treated as a revaluation decrease to the extent that it does not exceed the amount in the revaluation surplus for that asset. An impairment loss recognised in a prior year is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. When an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, to the extent that it does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

Impairment reversals are recognised immediately in profit or loss, unless the asset is carried at a revalued amount, in which case the impairment reversal is recognised directly in equity, unless an impairment loss on the same asset was previously recognised in profit or loss.

i. Provisions

Provisions are recognised when the Bank has a present, legal or constructive obligation as a result of a past event, and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable

estimate can be made of the amount of the obligation. Provisions are measured at the directors' best estimate of the expenditure required to settle the present obligation at the reporting date. If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Provisions are not recognised for future operating losses.

j. Taxation

Current and deferred tax is charged or credited to profit or loss, except when it relates to items charged or credited directly to equity, in which case it is also dealt within equity.

Current tax is based on the taxable result for the period. The taxable result for the period differs from the result as reported in the statements of comprehensive income because it excludes items which are non-assessable or disallowed and it further excludes items that are taxable or deductible in other periods. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

Deferred tax is determined under the balance sheet liability method in respect of all temporary differences between the carrying amount of an asset or liability in the statements of financial position and its tax base.

Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets including deferred tax assets for the carry forward of unused tax losses and unused tax credits, are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences (or the unused tax losses and unused tax credits) can be utilised. The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the asset to be utilised. Deferred tax is calculated at the tax rates that are expected to apply to the period when the asset is realised, or the liability is settled based on tax rates that have been enacted or substantively enacted by the reporting date.

In terms of Article 3 (6) of the Consolidated Group (Income Tax) Rules (Subsidiary Legislation 123.189) ('SL 123.189'), where the parent company makes an election in order for itself and its 95% subsidiary to form a fiscal unit (the

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

j. Taxation (continued)

'transparent subsidiary'), the parent company (the 'principal taxpayer') assumes the rights, duties and obligations under the Income Tax Acts relative to that fiscal unit.

In terms of Article 4 (1) of SL 123.189, where a 95% subsidiary joins a fiscal unit (a) the balance of any item allowed to be carried forward thereby under the Income Tax Act, under any rules made thereunder or any other tax credits that may be carried forward in terms of any other law, and (b) the balance of any profits allocated to the tax accounts, excluding the untaxed account, of the 95% subsidiary, existing at the end of the basis year preceding that with regard to which the election for the 95% subsidiary to join the fiscal unit becomes effective, shall be considered to be a balance of the principal taxpayer as from the basis year with regard to which the election for the 95% subsidiary to join the fiscal unit becomes effective. Provided that where the subsidiary is not a 100% subsidiary, the aggregation referred to in Article 4 (1) of SL 123.189 shall be subject to the approval of the holders of the equity shares which are not owned, directly or indirectly, by the parent company.

In any circumstance in which the provisions of Article 4 (1) of SL 123.189 do not apply, where the balances referred to in that sub-article are retained by the 95% subsidiary, such balances shall be kept in abeyance and not taken into account for the purposes of the Income Tax Act for as long as the 95% subsidiary remains a transparent subsidiary, after which time such balances shall once again become available to the 95% subsidiary without reduction or limitation.

In terms of Article 6 (1) of SL 123.189, the chargeable income of a fiscal unit for a year of assessment shall be computed as if such income was derived by the principal taxpayer and shall be chargeable to tax in the name of the principal taxpayer at the rate/s applicable thereto. In terms of Article 12 (3) of SL 123.189, where a fiscal unit has been formed: (a) the principal taxpayer and its 100% subsidiaries which are transparent subsidiaries shall be jointly and severally liable for the payment of tax, additional tax and interest due by the fiscal unit; (b) without prejudice to paragraph (a): (i) the tax due by the fiscal unit may be apportioned between the principal taxpayer and its 100% subsidiaries which are transparent subsidiaries as the principal taxpayer may determine; (ii) the tax due by the fiscal unit, or part thereof, may also be apportioned to a transparent subsidiary which is a 95% subsidiary but not a 100% subsidiary in accordance with an agreement agreed to by and between the principal taxpayer.

k. Revenue recognition

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable. When calculating the effective interest rate, the Bank estimates cash flows considering all contractual terms of the instrument but not future credit losses. The calculation includes payments and receipts that are an integral part of the effective interest rate, transaction costs and all other discounts or premiums.

Fees and commissions that are earned on the execution of a significant transaction are recognised as revenue when the significant transaction has been completed. Fees and commissions that are earned as services are provided to the client are recognised as revenue as the services are provided. Where fees are charged to cover the cost of a continuing service, these are recognised on an appropriate basis over the relevant period.

When the Bank acts as an agent to arrange for the provision of the specified service by another party revenue is recognized in the amount of any fee or commission to which the Bank expects to be entitled in exchange for arranging for the specified services to be provided by the other party. The fee or commission might be the net amount of consideration that the Bank retains after paying the other party the consideration received in exchange for the services to be provided by that party.

l. Employee benefits

The Bank contributes towards the state pension and the social security in accordance with local legislation. The costs of retirement benefits are charged to profit or loss as they accrue.

m. Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and deposits repayable on demand or with a contractual period to maturity of less than 90 days; advances to banks repayable within 90 days from the date of the advance and balances with the Central Bank of Malta. Amounts owed to banks that are repayable on demand or with a contractual period to maturity of less than 90 days and which form an integral part of the Bank's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

1. MATERIAL ACCOUNTING POLICY INFORMATION (continued)

n. Finance leases

Assets leased to customers under agreements which transfer substantially all the risks and rewards associated with ownership, other than legal title, are classified as finance leases. Finance charges receivable are recognised in the statements of financial position and income is recognised over the period of the lease so as to give a constant rate of return on the net cash investment in the lease, considering all receipts associated with the lease.

o. Non-current assets held for sale

Non-current assets are classified as assets held for sale and are stated at the lower of carrying amount and fair value less costs to sell when their carrying amount is to be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable.

p. Loan commitments

Loan commitments are the Bank's commitments to provide credit under pre-specified terms and conditions and are measured as the amount of the loss allowance.

For loan commitments, the loss allowance is recognised as a provision. However, for contracts that include both a loan and an undrawn commitment and the Bank cannot separately identify the Expected Credit Losses on the undrawn commitment component from those on the loan component, the Expected Credit Losses on the undrawn commitment are recognised together with the loss allowance for the loan. To the extent that the combined Expected Credit Losses exceed the gross carrying amount of the loan, the Expected Credit Losses are recognised as a provision.

q. Judgments in applying accounting policies and key sources of estimation uncertainty

The preparation of financial statements in conformity with IFRSs as adopted by the EU requires management to make judgements, estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. The estimates and associated assumptions are based on

historical experience and other factors that are considered to be relevant, as adjusted for conditions at the balance sheet date. Actual results could differ from such estimates.

Impairment of financial assets at amortised cost

The Bank assesses on a forward-looking basis the expected credit loss ('ECL') associated with its loan and financial leases portfolio, factored receivables, investments carried at amortised costs and FVOCI and other financial assets. The Bank recognises a loss allowance for such losses at each reporting date. The measurement of ECL reflects:

- An unbiased and probability weighted amount that is determined by evaluating a range of possible outcomes;
- The time value of money; and
- Reasonable and supportable information that is available without undue cost or effort at the reporting date about past events, current conditions and forecasts of future economic conditions.

For the year ended 31 December 2025 there was an impairment allowance of EUR 2,356,682 (2024: EUR 1,434,154) on the Bank's finance lease receivable, loans to customers and factored receivables.

Taxation

Current tax is the result of taxable profit for the period. The taxable result is different from the amount reported in profit or loss since it excludes disallowed and non-assessable items.

In the process of applying the Bank's accounting policies, management has made no other judgements which can significantly affect the amounts recognised in the financial statements. At the reporting date, there were no other key assumptions concerning the future, or any other key sources of estimation uncertainty, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

2. INTEREST INCOME

	2025	2024
	EUR	EUR
Interest income from factoring arrangements	8,298,214	5,585,895
On cash at bank	4,240,932	3,899,759
Loan interest income	3,611,930	2,250,909
Finance lease interest income	94,315	176,216
On investments at amortised cost	54,712	19,371
Interest Income	16,300,103	11,932,150

3. INTEREST EXPENSE

	2025	2024
	EUR	EUR
On amounts owed to customers	4,720,836	2,612,845
On subordinated debt	144,426	82,095
On FX forward contracts	552,472	658,549
Interest Expense	5,417,734	3,353,489

4. NET FEE AND COMMISSION INCOME

	2025	2024
	EUR	EUR
Arrangement fees on finance leases and loans	355,580	578,419
Cash management fee income	1,940,752	1,735,299
Agency fee	106,543	655,805
Fee and commission income	2,402,875	2,969,523
Origination fee on finance leases and loans	(521,863)	(514,242)
Cash management fee expense	(82,924)	(71,939)
Other fees	(380,836)	(395,515)
Fee and commission expense	(985,623)	(981,696)
Net fee and commission income	1,417,252	1,987,827

5. EMPLOYEE COMPENSATION AND BENEFITS

5.1 Directors compensation

	2025	2024
	EUR	EUR
Directors' fees	449,106	593,160
Directors' salaries	262,826	212,539
Total remuneration for directors	711,932	805,699

All directors' fees and emoluments consist of short-term benefits.

5.2 Personnel expenses including directors' salaries incurred during the period are analysed as follows:

	2025	2024
	EUR	EUR
Wages and salaries	3,080,239	3,109,840
Social security costs	133,548	88,662
Other staff costs	189,938	228,588
	3,403,725	3,427,090

Other staff costs consist of fringe benefits, staff training and recruitment costs.

5.3 The average number of employees employed during the period excluding non-executive directors was as follows:

	2025	2024
	Number	Number
Chiefs	3	5
Heads	11	8
Managers	13	13
Senior officers	9	12
Officers	12	13
Other	1	1
Total	49	52

6. FACTORING RELATED EXPENSES

	2025	2024
	EUR	EUR
Outsourcing and system costs	144,804	162,784
Credit insurance	508,799	232,088
Due diligence fees	92,447	49,694
	746,050	444,566

7. GENERAL ADMINISTRATIVE EXPENSES

The main categories of general administrative expenses consist of the following:

	2025	2024
	EUR	EUR
Office, IT and financial	1,265,797	1,183,937
Professional, regulatory and insurance	782,631	682,138
Marketing and travelling	154,899	283,895
Deposit funding costs	155,820	103,255
	2,359,147	2,253,225

8. NET IMPAIRMENT LOSSES

	2025	2024
	EUR	EUR
Write Downs:		
On financial assets		
• charge for expected credit loss	1,012,113	892,045
• decrease due to write off	513,978	–
• provision on assets held for realisation	(188)	(37,069)
Net impairment losses	1,525,903	855,336

8. NET IMPAIRMENT LOSSES (continued)

The following table shows the movement in ECLs that has been recognised for the respective financial assets:

Loans:	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired but not POCI)
	Loans to customers EUR	Loans to customers EUR	Loans to customers EUR
Opening balance at 01 Jan 2025	106,325	239,558	508,397
Resulting from new originations during the year	138,516	–	–
Resulting from closing of lending deals during the year	(67,542)	(1,650)	(4,220)
	177,299	237,908	504,177
Movement from:			
• 12m ECL to lifetime (credit-impaired) ECL	(15)	–	9,131
• Lifetime (not credit-impaired) ECL to lifetime (credit-impaired) ECL	–	–	–
• 12m ECL to lifetime (not credit-impaired) ECL	(646)	6,348	–
Changes in risk parameters	(1,106)	(116,986)	1,437,850
Closing balance 31 December 2025	175,532	127,270	1,951,158
Opening balance at 01 Jan 2024	68,520	–	51,285
Resulting from new originations during the year	97,557	237,908	–
Resulting from closing of lending deals during the year	(20,716)	–	(274)
	145,361	237,908	51,011
Movement from:			
• 12m ECL to lifetime (credit-impaired) ECL	(11,836)	–	457,193
• lifetime (not credit-impaired) to lifetime (credit-impaired) ECL	–	–	–
• lifetime (not credit-impaired) ECL to 12m ECL	(765)	1,650	–
Movement during the year			
Changes in risk parameters	(26,435)	–	193
Closing balance 31 December 2024	106,325	239,558	508,397

8. NET IMPAIRMENT LOSSES (continued)

Finance lease receivables:	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Finance lease receivables EUR	Finance lease receivables EUR	Finance lease receivables EUR
Opening balance at 1 Jan 2025	5,132	–	544,698
Resulting from new originations during the year	–	–	–
Resulting from closing of lending deals during the year	(1,112)	–	(543,478)
	4,020	–	1,220
Movement from:			
• lifetime (not credit-impaired) to lifetime (credit-impaired) ECL	–	–	–
Changes in risk parameters	(2,440)	–	235
Closing balance 31 December 2025	1,580	–	1,445
Opening balance at 1 Jan 2024	13,914	4,397	238,431
Resulting from new originations during the year	–	–	–
Resulting from closing of lending deals during the year	(636)	–	(4,765)
	13,278	4,397	233,666
Changes in risk parameters	–	(4,397)	11,289
	(8,146)	–	299,743
Closing balance 31 December 2024	5,132	–	544,698

Factored receivables:	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Factored receivables EUR	Factored receivables EUR	Factored receivables EUR
Opening balance at 1 Jan 2025	18,086	11,958	–
Resulting from new originations during the year	46,304	41,600	11,793
Resulting from closing of lending deals during the year	(18,086)	(11,958)	–
Closing balance 31 December 2025	46,304	41,600	11,793
Opening balance at 1 Jan 2024	77,743	95,968	–
Resulting from new originations during the year	18,086	11,958	–
Resulting from closing of lending deals during the period	(77,743)	(95,968)	–
Closing balance 31 December 2024	18,086	11,958	–

8. NET IMPAIRMENT LOSSES (continued)

The following table explains how significant changes in the gross carrying amount of certain financial assets (and contract assets) contributed to changes in the loss allowance:

Current year	Exposure	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired but not POCI)
	EUR	EUR	EUR	EUR
Financial leases				
Settlement in full of finance leases with a gross carrying amount of	947,785	(1,112)	–	(543,478)
Net change in the grading of loans amounting to	–	–	–	–
Loans				
New loans during the year	37,255,348	138,516	–	–
Net change in the grading of loans amounting to	1,678,054	(661)	6,348	9,131
Settlement in full of Loans with a gross carrying amount of	8,608,483	(67,542)	(1,650)	(4,220)
Factored receivables				
New factored receivables during the year	465,875,425	46,304	41,600	11,793
Settlement in full of factored receivables with a gross carrying amount of	429,209,185	(18,086)	(11,958)	–
Comparative year				
	Exposure	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired but not POCI)
	EUR	EUR	EUR	EUR
Financial leases				
Settlement in full of finance leases with a gross carrying amount of	1,249,216	(636)	–	(4,765)
Net change in the grading of loans amounting to	–	–	(4,397)	11,289
Loans				
New loans during the year	17,204,002	97,557	237,908	–
Net change in the grading of loans amounting to	2,529,680	(12,601)	1,650	457,193
Settlement in full of Loans with a gross carrying amount of	6,935,880	(20,716)	–	(274)
Factored receivables				
New factored receivables during the year	278,576,450	18,086	11,958	–
Settlement in full of factored receivables with a gross carrying amount of	253,207,583	(77,743)	(95,968)	–

9. PROFIT BEFORE TAX

	2025	2024
	EUR	EUR
Profit before tax is stated after charging:		
Total remuneration payable to the Bank's auditors for:		
• the audit of financial statements	60,000	46,300
• tax related services	9,500	2,650
• non-audit services	8,000	10,000
	77,500	58,950

10. INCOME TAX EXPENSE

	2025	2024
	EUR	EUR
Current tax charge	(236,332)	(156,373)
Deferred tax charge/(credit)	48,206	(344,942)
	(188,126)	(501,315)

The tax recognised in profit or loss on the Bank's profit before tax differs from the theoretical amount that would arise using the applicable tax rate as follows:

	2025	2024
	EUR	EUR
Profit before tax	3,706,098	3,196,330
Tax at the applicable rate of 5%	(185,305)	(159,817)
Permanent difference on intangible assets	(1,337)	(7,567)
Permanent difference on right of use assets	(479)	5,164
Adjustment for unrecognized deferred tax asset of prior year	(915)	9,451
Non-allowable expenses	(9,271)	(151)
Impact of notional interest deduction ("NID")	9,704	8,075
Impact ECL	(523)	(356,470)
Tax expense for the year	(188,126)	(501,315)

11. BALANCES WITH CENTRAL BANK OF MALTA, CASH AND CASH EQUIVALENTS

	2025	2024
	EUR	EUR
Balances with Central Bank of Malta	210,525,103	163,816,140
Cash in bank and financial institutions	7,363,180	5,632,112
Cash in hand	98	635
	217,888,381	169,448,887

The balance with the Central Bank of Malta includes an amount of EUR 337,129 (2024: EUR 239,474) pledged in favour of the Depositor Compensation Scheme.

12. INVESTMENTS MEASURED AT AMORTISED COST

	2025	2024
	EUR	EUR
Malta Government Stock ('MGS')	2,461,410	2,459,450
	2,461,410	2,459,450
Less expected loss	(1,723)	(1,722)
	2,459,687	2,457,728

Investments measured at amortised cost are subject to net impairment losses as per note 8.

Interest rates for the above MGSs vary from 2.1% to 3% and maturities vary between 2036 and 2041.

13. FINANCE LEASE RECEIVABLES

Finance lease receivables comprise receivables in respect of asset financing provided to farmers in the United Kingdom, to finance the acquisition of various agriculture-related equipment, vehicles and machinery. The financing arrangements are in the form of finance leases and hire purchase agreements. The main difference between the two types of financing is that under a finance lease, the lessee does not acquire the asset, nor does he have an option to acquire the asset. At the end of the lease, the asset is either sold to a third party (where there is a secondary market) or the lessee can continue the lease for a secondary period at a rent that is substantially lower than market rent. Under hire purchase financing, the lessee has the option to acquire the underlying asset for a nominal fee, at a price that is expected to be sufficiently lower than the fair value at the date the option becomes exercisable.

Under both types of financing arrangements, the net investment in the lease is based on the interest rate implicit in the lease which causes the present value of the minimum lease payments and the unguaranteed residual value to be equivalent to the fair value including initial direct costs. In the case of early settlements, the finance income is still due from the lessee, normally net of a rebate of 2% of the outstanding capital and finance income value.

	2025	2024
	EUR	EUR
Gross investment in finance lease receivable	788,411	2,393,704
Unearned future income on:		
Hire Purchase arrangements	(41,564)	(157,935)
Less expected credit loss	(3,035)	(549,830)
Net investment in finance leases	743,812	1,685,939

Gross investment in finance leases excluding unearned future income is as follows::

	2025	2024
	EUR	EUR
Opening gross balance	2,235,769	3,484,985
New finance leases and hire purchase arrangements	-	-
Less principal repayments	(1,488,922)	(1,249,216)
Net investment in the leases gross of ECL excluding unearned future income	746,847	2,235,769

13. FINANCE LEASE RECEIVABLES (continued)

	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial Lease	–	–	–	–	–	–	–	–
Hire Purchase	70,857	505,518	170,475	–	–	–	–	746,847
	70,857	505,518	170,475	–	–	–	–	746,847

Gross investment in finance leases comprises excluding unearned future income in 2024:

	Less than 3 months	Between 3 and 12 months	Between 1 and 2 years	Between 2 and 3 years	Between 3 and 4 years	Between 4 and 5 years	Over 5 years	Total
	EUR	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Financial Lease	121,991	–	–	–	–	–	–	121,991
Hire Purchase	835,277	412,932	652,754	212,815	–	–	–	2,113,778
	957,268	412,932	652,754	212,815	–	–	–	2,235,769

The underlying assets have no unguaranteed residual values accruing to the benefit of the Bank, nor has any contingent rent been included as part of income in the current period. Finance lease receivables are subject to net impairment losses as per note 8.

14. LOANS TO CUSTOMERS

	2025	2024
	EUR	EUR
Term loans and advances	60,231,092	35,114,971
Less expected credit losses	(2,254,135)	(854,280)
Net loans and advances at amortised cost	57,976,957	34,260,691

	2025	2024
	EUR	EUR
Opening gross loan balance	35,114,971	24,846,849
New loans	37,255,348	17,204,002
Less principal repayments	(12,139,227)	(6,935,880)
Net investment in the loans gross of ECL	60,231,092	35,114,971

Loans receivables are subject to net impairment losses as per note 8.

15. FACTORED RECEIVABLES

	2025	2024
	EUR	EUR
Fee based factored receivables	104,951,717	68,185,766
Less expected credit losses	(99,697)	(30,044)
Net factored receivables and advances at amortised cost	104,852,020	68,155,722
Opening gross factored receivables balance	68,185,766	42,816,899
New factored receivables	465,875,425	278,576,450
Less principal repayments	(429,109,488)	(253,207,583)
Net investment in the factored receivables gross of ECL	104,951,703	68,185,766

Factored receivables are subject to net impairment losses as per note 8.

16. RIGHT OF USE ASSETS

The statement of financial position shows the following amounts relating to leases:

	2025	2024
	EUR	EUR
Right of use asset		
Opening balance	717,988	347,933
Additions	–	370,055
Disposals	(378,939)	–
Closing balance	339,049	717,988
Accumulated depreciation		
Opening balance	(477,964)	(326,764)
Charge for the year	(111,000)	(151,200)
Disposals	372,349	–
Closing balance	(216,615)	(477,964)
Carrying amount	122,434	240,024
Lease liabilities		
Current	125,657	125,213
Non-current	–	129,373
	125,657	254,586

Cash outflows in relation to leases during the year amounted to EUR 128,928 (2024: EUR 108,896).

	2025	2024
	EUR	EUR
Depreciation charge on right of use assets		
Depreciation for the year	111,000	151,200
	111,000	151,200
Interest expense (included in interest payable)	5,695	9,580
	5,695	9,580

17. INTANGIBLE ASSETS

	Trademark	Computer Software	Computer Systems	Total
Cost	EUR	EUR	EUR	EUR
At 01 January 2024	2,057	169,849	576,532	748,438
Additions	1,050	–	907,656	908,706
At 01 January 2025	3,107	169,849	1,484,188	1,657,144
Additions	–	–	971,521	971,521
At 31 December 2025	3,107	169,849	2,455,709	2,628,665
Accumulated amortisation				
At 01 January 2024	1,228	157,754	132,095	291,077
Charge for the year	138	8,597	179,144	187,879
At 01 January 2025	1,366	166,351	311,239	478,956
Reclassifications/adjustments	–	–	(21,058)	(21,058)
Charge for the year	190	3,388	349,587	353,165
At 31 December 2025	1,556	169,739	639,768	811,063
Carrying Amount				
At 01 January 2025	1,741	3,498	1,172,949	1,178,188
At 31 December 2025	1,551	110	1,815,941	1,817,602

18. PROPERTY, PLANT AND EQUIPMENT

	Fixtures & Fittings	Furniture	IT infrastructure & equipment	Office Equipment	Total
Cost	EUR	EUR	EUR	EUR	EUR
At 01 January 2024	163,728	63,343	267,217	118,393	612,681
Additions	312,260	25,987	8,545	61,875	408,667
At 01 January 2025	475,988	89,330	275,762	180,268	1,021,348
Additions/reclassifications	(206,906)	218,976	–	27,037	39,107
At 31 December 2025	269,082	308,306	275,762	207,305	1,060,455
Accumulated depreciation					
At 01 January 2024	161,603	53,470	252,774	81,945	549,792
Charge for the year	24,329	4,733	4,834	16,966	50,862
At 01 January 2025	185,932	58,203	257,608	98,911	600,654
Reclassifications/adjustments	–	(7,121)	–	–	(7,121)
Charge for the year	7,123	61,203	5,688	20,520	94,534
At 31 December 2025	193,055	112,283	263,296	119,431	688,067
Carrying amount					
At 01 January 2025	290,056	31,127	18,154	81,357	420,694
At 31 December 2025	90,530	181,518	12,466	87,874	372,388

19. DEFERRED TAX

Recognised deferred tax asset

Deferred tax asset is attributable to the following temporary differences:

	2025	2024
	EUR	EUR
Deductible temporary difference	109,697	61,491

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. At 31 December 2025 the Bank had unutilised tax losses and other temporary differences which resulted in a total deferred tax asset of EUR 109,697 (2024: EUR 61,491) of which EUR 109,697 (2024: EUR 61,491) was recognised on balance sheet. The Directors will continue to monitor the position on an ongoing basis and will review their position accordingly for the upcoming financial year.

YA 2025	31 Dec 2025	31 Dec 2024
	EUR	EUR
Difference on accelerated depreciation	(15,148)	(14,543)
Unabsorbed tax losses	–	–
Provision for bad & doubtful debts	122,829	72,746
Provision for foreign exchange differences	1,655	1,645
Closing balance of ROU asset (IFRS 16)	(6,122)	(12,001)
Closing balance of lease liability	6,283	12,729
Assets held for realisation (sale)	–	915
Deductible temporary differences	109,697	61,491

20. OTHER ASSETS

	2025	2024
	EUR	EUR
Receivable from related parties	255,824	111,514
Receivable from parent company	549,504	710,175
Other receivables	1,951,089	2,021,676
	2,720,417	2,843,365
Expected loss	(20,636)	(19,040)
	2,699,781	2,824,325

21. PREPAYMENTS AND ACCRUED INCOME

	2025	2024
	EUR	EUR
Accrued income from factoring	801,440	682,245
Accrued income on finance leases and loans	783,915	747,411
Prepayments	697,967	316,869
Interest in suspense	(365,364)	(305,499)
	1,917,958	1,441,026

Interest in suspense refers to earned interest receivable deferred on loans, factored receivables and financial leases which have become non-performing and impaired.

22. AMOUNTS OWED TO CUSTOMERS

	2025	2024
	EUR	EUR
Current accounts	244,934,708	160,312,052
Notice accounts	23,490,451	16,789,691
Fixed term deposits	79,246,190	65,092,157
Cash in transit	269,583	5,515,988
Deposits placed for guarantees	7,612,715	7,621,846
	355,553,647	255,331,734

The fixed term deposits are repayable on maturity, current accounts are repayable on demand and notice accounts are repayable once notice is given and the stipulated notice period has passed.

23. OTHER LIABILITIES

	2025	2024
	EUR	EUR
Other creditors	633,770	883,088
Payable to parent	392,705	156,375
	1,026,475	1,039,463

The 2025 balance of the payable to parent represents the Bank's share of the tax liability incurred by the Group under the Consolidated Group (Income Tax) Rules, with the parent, as principal taxpayer, responsible for settling the Group's tax obligations.

24. ACCRUALS

	2025	2024
	EUR	EUR
Accrued interest on term deposits, debt securities in issue and guarantees	1,446,952	1,657,168
Other accruals	1,431,303	818,821
	2,878,255	2,475,989

25. SUBORDINATED LIABILITIES

In July 2025, the Bank issued EUR 5 million 6% callable unsecured subordinated bonds pursuant to a Base Prospectus and accompanying Final Terms dated 18 June 2025. The Bond will mature on 23 July 2035. These debt securities, which are listed on the Malta Stock Exchange, are denominated in Euro, pay interest at a fixed rate of 6% and are redeemable at par. The EUR 5 million 6% unsecured subordinated bonds will, in the event of winding up of the Bank, be subordinated to the claims of depositors and all other creditors. In relation to this subordinated bond, the Bank has incurred a cost of EUR 214,230. As at 31 December 2025, the contractual amount due at maturity is EUR 5 million. At the close of the last trading day for the year 2025, the quoted price of the bonds was €100.

26. SHARE CAPITAL

	2025	2024
	EUR	EUR
Authorised:		
43,049,650 ordinary shares at EUR 1.1654 each	50,170,062	50,170,062
6,950,349 A shares at EUR 1.2397 each	8,616,348	8,616,348
1 ordinary B share at EUR 1.2397 each	1	1
	58,786,411	58,786,411
Issued and paid up:		
6,950,349 ordinary A shares at EUR 1.2397 each (2024: 6,590,349)	8,616,432	8,616,432
1 ordinary B share at EUR 1.2397	1	1
	8,616,433	8,616,433

Holders of 'B' shares do not have voting rights nor are they entitled to dividends, and they are not entitled to any bonus shares upon capitalisation of any share premium or other reserve by the Company.

27. SHAREHOLDERS' ADVANCES

Shareholders' advances consist of amounts paid by the shareholders in the form of capital. Shareholder advances are only repayable at the discretion of the Bank subject to MFSA approval.

28. TOTAL COMMITMENTS

Commitments consist of further loan pay-outs amounting to EUR 3,714,255 (2024: EUR 4,083,987) under normal trading conditions.

29. CONTINGENT LIABILITIES

Contingent liabilities consist of guarantees given by the Bank to corporate clients in favour of third parties which guarantees are fully cash collateralised.

30. RELATED PARTY TRANSACTIONS

The directors consider the ultimate beneficial owners to be Atilla Aytekin and Umut Akpinar who own 36.37% each indirect and beneficial interest in the Bank as at the reporting date.

The parent company is Lidion Holdings plc, a company incorporated and registered in Malta, the registered address of which is Block 3 Level 0, Trident Park Mdina Road, Zone 2 Central Business District, Birkirkara CBD 2010. The parent company prepares consolidated financial statements in accordance with International Financial Reporting Standards as adopted by the EU. A copy of the Annual report and Accounts of the ultimate parent company will be delivered to the Malta Business Registry.

During the course of banking operations, the Bank conducted business transactions with its parent company and other related parties. All loans to related parties are at normal trading conditions.

	Dec 2025	Dec 2024
	EUR	EUR
Statement of Financial Position		
Loan to parent company (note 14)	132,775	194,566
Balance receivable from parent company in relation to finance expenses (note 14)	549,504	710,175
Corporate loans to related parties (note 14)	5,974,531	3,480,713
Accrued income on corporate loans to related parties (note 14)	360,178	368,304
Other balances receivable from related party (note 14)	255,824	111,514
Amounts owed to related parties (deposit account balances) (note 22)	55,698	34,077
Tax liability payable to parent (note 23)	392,705	156,375
Statement of Comprehensive Income		
Interest income on loan to parent company (note 2)	17,400	17,400
Interest income on corporate loans to related parties (note 2)	342,778	350,904
Other fee income from related parties (note 4)	38,371	13,433
Lease expense to parent company consisting of a right of a rental service agreement, related to IT costs (note 7)	173,565	173,565
Origination fee expense to related party (note 4)	209,667	212,893
Interest expense in relation to subordinated debt to parent company (note 3)	–	82,095

With respect to the amounts due from related parties, the Bank has recognised a provision of EUR 1,942,027 (2024: EUR 440,825) on a loan to a related party in the United Kingdom, which was then on-lent to a third party of the Bank under a back-to-back agreement. The Bank used this pass-through structure because the transaction required the lender to be an entity established in the United Kingdom.

31. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The following is a description of the fair value measurement of financial assets and financial liabilities measured on a basis other than fair value. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

For financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Finance lease receivables and loans to customers

As at 31 December 2025 and 2024, the Bank's carrying amount of finance lease receivables and loans to customers amounted to EUR 58,720,769 (2024: 35,946,630). The finance lease receivables and loans to customers are granted on the basis of a negotiated interest amount depending on the category of underlying agricultural assets being financed. Interest rates in agricultural asset financing are relatively inelastic to market rates. Finance lease receivables and loans to customers which have been granted at certain interest rates would still be granted at the same interest rates as at end of the financial year. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Factored receivables

As at 31 December 2025 and 2024, the Bank's carrying amount of factored receivables amounted to EUR 104,852,020 (2024: EUR 68,155,722). Factoring consists of invoice funding to the European market mainly in the online advertising and publicity industry. Invoices purchased at a discount have a tenor of 90 days or 120 days. The carrying amounts therefore approximate fair value and are on the basis of the discounted cash flow method and deemed to be a level 2 measurement.

Investments measured at amortised cost

As at 31 December 2025 and 2024, the Bank's carrying amount of investments held at amortised cost amounted to EUR 2,459,687 (2024: EUR 2,457,728). The intention is to have these investments used as high liquid assets and to be held up till maturity. These are investment in MGSs (Malta Government Stocks) and are thus rated as investment grade with fixed rate coupons as fixed by the issuer, with fixed redemption date with yield to maturity which can be arrived at with the discounted cash flow method. The fair value approximates the carrying amount and is based on public quoted prices and deemed to be a level 1 measurement.

Details	Notional amount	Fair value of forward contract as at 31 December 2025
	EUR	EUR
Forex Fwd EUR/DKK	159,000	(102)
Forex Fwd EUR/NOK	354,000	(2,608)
Forex Fwd EUR/SEK	1,751,000	(7,797)
Forex Fwd EUR/USD	10,840,000	(32,033)

31. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Investments measured at amortised cost (continued)

Details	Notional amount	Fair value of forward contract as at 31 December 2024
	EUR	EUR
Forex Fwd EUR/DKK	270,000	(95)
Forex Fwd EUR/GBP	4,600,000	9,544
Forex Fwd EUR/SEK	3,300,000	(11,553)
Forex Fwd EUR/USD	3,500,000	(19,359)
Forex Fwd NOK/SEK	127,988	471
Forex Fwd USD/SEK	20,702,406	(212,940)

Other financial assets and liabilities

Other financial assets and financial liabilities comprise cash and balances with Banks, accrued income, other receivables, accrued expenses, and other liabilities. As at 31 December 2025 and 2024, the carrying amounts of these financial instruments approximated their fair values due to their short-term maturities or the fact that they carry an arm's length interest rate.

Amounts owed to customers

This category of liabilities is measured at amortised cost and amounts to EUR 355,553,647 (2024: EUR 255,331,733). Amounts owed to customers are at fixed rates. The rate of interest of deposits was dictated by the market interest rate for similar deposits protected by the Depositors Compensation Scheme. The carrying amounts therefore are at fair value and are based on the discounted cash flow method and deemed to be a level 2 measurement.

Corporate current account balances repayable on demand amounted to EUR 244,934,708 (2024: EUR 160,312,052) whereas fixed term deposits in issue consisted of:

Amounts owed to customers (average rate)

	2025	Average rate
	EUR	
Fixed Rate Savings Account 5 Year	1,818,950	2.58%
Fixed Rate Savings Account 4 Year	246,000	2.60%
Fixed Rate Savings Account 3 Year	12,071,542	3.16%
Fixed Rate Savings Account 2 Year	3,740,655	2.65%
Fixed Rate Savings Account 18 Months	855,090	2.39%
Fixed Rate Savings Account 1 Year	40,218,997	2.41%
Fixed Rate Savings Account 9 Months	3,445,000	2.25%
Fixed Rate Savings Account 6 Months	14,466,216	2.36%
Fixed Rate Savings Account 3 Months	1,863,740	2.34%
Fixed Rate Savings Account 1 Month	520,000	1.28%
Notice accounts	23,490,451	1.96%
	102,736,641	

31. FAIR VALUES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES (continued)

Amounts owed to customers (continued)

	2024	Average rate
	EUR	
Fixed Rate Savings Account 5 Year	6,048,550	2.63%
Fixed Rate Savings Account 3 Year	7,722,510	1.72%
Fixed Rate Savings Account 2 Year	12,228,938	3.56%
Fixed Rate Savings Account 1 Year	15,021,994	3.64%
Fixed Rate Savings Account 9 Months	7,642,079	3.47%
Fixed Rate Savings Account 6 Months	13,923,086	3.37%
Fixed Rate Savings Account 3 Months	2,500,000	2.88%
Notice accounts	16,789,691	2.62%
	81,881,848	

32. RISK MANAGEMENT

The Bank has exposure to the following risks from financial instruments:

- credit risk
- liquidity risk
- market risk
- interest rate risk in the banking book (IRRBB)

The Bank is also exposed to non-financial risks, namely operational risk.

This note presents information about the Bank's exposure to each of the above risks, and the Bank's objectives, policies and processes for measuring and managing these risks.

Risk Management Framework

The Risk Committee has overall responsibility for the development, implementation and oversight of the risk management framework. The Risk Committee consists of three non-executive members of the Bank's Board of Directors. The Committee assists the Board of Directors in identifying, measuring, monitoring and controlling the Bank's key risks. It also reviews and assesses the effectiveness of current risk management practices and policies employed within the Bank.

The Risk Committee's responsibilities also extend to supervising the Bank's regulatory capital management and risk-based performance measurement. Furthermore, the Committee is also responsible for ensuring the Bank's exposures are in line with the risk appetite set and approved by the Board of Directors, and which is updated at least once per year.

The Bank manages a broad range of financial and non-financial risks through a comprehensive Risk Governance and Management Framework supported by a clearly defined Risk Appetite Framework (RAF). The RAF articulates the nature and level of risks that the Bank is willing to accept in pursuing its strategic objectives and establishes structured escalation procedures in the event of risk appetite breaches.

The Bank's Risk Governance ensures clear accountability, with the Board of Directors retaining ultimate responsibility for risk oversight. The Risk Committee, supported by the Risk Management Function, oversees the implementation, monitoring and effectiveness of all risk management frameworks, policies and controls.

32. RISK MANAGEMENT (continued)

Credit Risk

Credit risk is the risk of financial loss to the Bank if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Bank's finance lease receivable, finance of factoring receivables, loans to customers, investments and cash and cash equivalents.

Credit risk constitutes the Bank's most significant risk and arises mainly from lending activities. To identify, measure and manage its credit risk arising from all these activities, the Bank has sufficient methodologies, policies, procedures and expertise to mitigate risks effectively. The Bank has adopted a policy of engaging only with creditworthy counterparties, and obtaining sufficient collateral wherever appropriate, as a means of mitigating the risk of financial loss from defaults.

When it comes to factoring, credit risk management is influenced by the short-term nature of these receivables, where exposure is limited to a relatively brief period before collection. To further mitigate risk, the Bank utilises credit insurance with the aim to insure debtor limits when necessary. The vast majority of these limits are insured by insurance providers, which are rated **A1** and **Aa2** by Moody's. The Credit Committee monitors client exposures and any conditions for the impairment of assets and the related provisions for potential losses.

Credit Risk appetite and tolerance levels are established within the Bank's Risk Appetite Framework and reviewed by the Board at least annually. Credit risk is managed through credit policies, internal scoring models, use of collateral, credit insurance (for factoring), the ICAAP, and a comprehensive stress testing framework that tests the resilience of credit portfolios under severe but plausible scenarios.

Exposure to credit risk

Except as stated below, the carrying amount of financial assets represents the maximum credit exposure and is shown gross, without considering any collateral or other credit enhancements, unless these qualify for offset in accordance with IAS 32. However, the carrying amount is presented net of expected credit losses, as required by IFRS 9.

The maximum exposure at the reporting date was primarily in relation to the following:

	2025	2024
	EUR	EUR
Cash & cash equivalents	217,888,381	169,448,887
Finance lease receivables	743,812	1,685,939
Loans to customers	57,976,957	34,260,691
Factored receivables	104,852,020	68,155,722
Investments measured at amortised cost	2,459,687	2,457,728
	383,920,857	276,008,967

Loan commitments – the maximum exposure to credit risk arising on loan commitments and other credit related commitments that are irrevocable over the life of the respective facilities is the full amount of the committed facilities.

The amount of cash and cash equivalents include EUR 337,129 (2024: EUR 239,474) pledged to the statutory Depositors' Compensation Scheme. The credit risk exposure of financial assets presented in the table above is equal to their carrying amount as recognised on the balance sheet.

The exposures recognised on the statement of financial position are measured at carrying value. From a credit risk perspective, cash and cash equivalents and investments are graded as 'regular' whereas finance lease receivable, loans to customers and factored receivables have different gradings as explained further in the current note.

32. RISK MANAGEMENT (continued)

Credit Risk (continued)

A financial asset is past due when a counterparty has failed to make a payment by when contractually due. Non-performing facilities are those credit facilities where payments on interest and/or capital are overdue by 90 days or where the Bank has reasons to doubt the eventual recoverability of funds. As at 31 December 2025, the Bank had an amount of EUR 3,087,513 (2024: EUR 3,454,308) classified as non-performing facilities.

Allowances for impairment

The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loan loss allowance established for groups of homogeneous assets in respect of losses, if any, that have been incurred but not yet identified. The total allowances for the expected credit loss amounted to EUR 2,356,682 (2024: EUR 1,434,154).

Write-off policy

The Bank writes off a loan/security balance and related allowances for impairment losses when it determines that the loan or security is uncollectible.

This determination is reached after considering information such as the occurrence of significant changes in the borrower's/issuer's financial position, indicating that the borrower/issuer can no longer pay the obligation, or that proceeds from collateral will not be sufficient to fully pay back the entire exposure.

Collateral and other credit enhancements obtained

In its asset financing lending, including for hire purchase and finance leases, the Bank owns the underlying assets until the end of the financing contracts' duration. For loans, the Bank actively uses collaterals in its credit risk mitigation. The Bank's policy is to obtain collateral as needed prior to the disbursement of approved loans mainly through liens on property and land.

Estimates of fair value are based on the value of the collateral assessed at the time of borrowing, and generally are not updated except when a loan is individually assessed as impaired. No collateral is held over loans and advances to the parent company.

There was no collateral or other security enhancements held against finance lease receivables where the Bank owns the underlying assets.

Collaterals consist of the following.

	2025	2024
	EUR	EUR
Collateral		
Land and renewables	53,003,187	18,200,391
Securities	5,372,722	100,800
Moveable property	3,385,532	21,486,641
	61,761,441	39,787,832

The above overall collaterals give a widespread coverage of the gross lending portfolio of the Bank which amounts to EUR 38,688,873 (2024: EUR 24,147,350). This excludes factored receivables which are not secured but mostly insured. Collateral for Stage 3 financial assets (all consisting of loans and finance leases) amounted to EUR 3,087,513 (2024: EUR 2,862,988).

32. RISK MANAGEMENT (continued)

Concentration of risks

The Bank monitors concentrations of credit risk by sector, geographic location, and industry. An analysis of concentrations of credit risk at the reporting date is shown below:

2025	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivables	Investments at amortised cost
	EUR	EUR	EUR	EUR	EUR
Carrying amount	217,888,381	743,812	57,976,957	104,852,020	2,459,687
Concentration by sector					
• Government	–	–	–	–	2,459,687
• Corporates	–	187,562	48,795,166	104,852,020	–
• Central banks, other banks & financial institutions	217,888,381	–	4,055,521	–	–
• Households	–	556,250	5,126,270	–	–
	217,888,381	743,812	57,976,957	104,852,020	2,459,687
• Households	–	–	–	–	–
• Arts, entertainment and recreation	–	–	3,727,729	329,944	–
• Agriculture, energy supply and renewables	–	533,384	296,043	447,306	–
• Central banks	210,525,201	–	–	–	–
• Financial services	7,363,180	–	13,685,064	516,801	–
• Government	–	–	–	342,799	2,459,687
• Information and communication	–	–	1,694,079	18,709,619	–
• Manufacturing	–	187,562	374,447	2,037,082	–
• Professional services	–	–	5,258,131	70,596,795	–
• Real Estate and construction	–	22,866	3,580,718	224,468	–
• Wholesale and retail trade	–	–	9,252,207	7,558,789	–
• Administrative and support service activities	–	–	4,456,581	1,570,635	–
• Education	–	–	–	173,516	–
• Electricity, gas, system and air conditioning supply	–	–	283,709	474,551	–
• Construction	–	–	8,174,230	96,250	–
• Human health and social work activities	–	–	–	162,583	–
• Transportation and storage	–	–	–	939,799	–
• Accommodation and food services	–	–	–	63,190	–
• Other	–	–	7,194,019	607,893	–
	217,888,381	743,812	57,976,957	104,852,020	2,459,687
• EU	217,613,732	–	47,453,578	82,217,445	2,459,687
• Other European countries	–	–	–	615,538	–
• UK	301,649	743,812	497,476	5,093,212	–
• US	–	–	–	14,597,154	–
• Other countries	–	–	10,025,903	2,328,671	–
	217,888,381	743,812	57,976,957	104,852,020	2,459,687

32. RISK MANAGEMENT (continued)
Concentration of risks (continued)

2024	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivables	Investments at amortised cost
	EUR	EUR	EUR	EUR	EUR
Carrying amount	169,448,887	1,685,939	34,260,691	68,155,722	2,457,728
Concentration by sector					
• Government	–	–	–	–	2,457,728
• Corporates	–	1,055,336	29,354,179	68,155,722	–
• Central banks, other banks & financial institutions	169,448,887	–	2,702,018	–	–
• Households	–	630,603	2,204,494	–	–
	<u>169,448,887</u>	<u>1,685,939</u>	<u>34,260,691</u>	<u>68,155,722</u>	<u>2,457,728</u>
• Households	–	–	–	–	–
• Arts, entertainment and recreation	–	–	4,018,551	344,042	–
• Agriculture, energy supply and renewables	–	1,220,273	2,081,445	596,393	–
• Financial services	169,448,887	–	–	–	–
• Financial services	–	–	9,920,672	1,349,299	–
• Government	–	–	–	–	2,457,728
• Information and communication	–	–	–	8,191,046	–
• Manufacturing	–	239,334	3,334,900	1,025,725	–
• Professional services	–	–	–	52,140,466	–
• Real Estate and construction	–	56,114	4,586,212	91,702	–
• Wholesale and retail trade	–	–	3,889,874	2,309,221	–
• Administrative and support service activities	–	170,218	906,832	311,765	–
• Education	–	–	–	359	–
• Electricity, gas, system and air conditioning supply	–	–	872,800	532,143	–
• Construction	–	–	2,014,097	106,781	–
• Human health and social work activities	–	–	–	48,744	–
• Transportation and storage	–	–	16,586	205,032	–
• Accommodation and food services	–	–	–	383,400	–
• Other	–	–	2,618,722	519,604	–
	<u>169,448,887</u>	<u>1,685,939</u>	<u>34,260,691</u>	<u>68,155,722</u>	<u>2,457,728</u>
• EU	167,083,040	–	25,370,419	47,277,062	2,457,728
• Other European countries	–	–	–	154,151	–
• UK	2,365,847	1,685,939	4,151,918	7,583,294	–
• US	–	–	–	11,746,195	–
• Other countries	–	–	4,738,354	1,395,020	–
	<u>169,448,887</u>	<u>1,685,939</u>	<u>34,260,691</u>	<u>68,155,722</u>	<u>2,457,728</u>

Credit quality
Current year

The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

32. RISK MANAGEMENT (continued)
Credit quality (continued)

	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired but not POCI)	Total
	EUR	EUR	EUR	EUR
Cash and cash equivalents				
<i>External rating grades</i>				
AAA – A	210,525,201	–	–	210,525,201
A – BBB–	46,644	–	–	46,644
No rating	7,316,536	–	–	7,316,536
Gross carrying amount at 31 Dec 2025	217,888,381	–	–	217,888,381
Net carrying amount at 31 Dec 2025	217,888,381	–	–	217,888,381
Loans to customers				
<i>Internal rating grades</i>				
Regular	53,826,117	–	–	53,826,117
Watch list	–	3,462,772	–	3,462,772
In Default	–	–	2,942,027	2,942,027
Gross carrying amount at 31 Dec 2025	53,826,293	3,462,772	2,942,027	60,230,916
Loss allowance at 31 Dec 2025	(175,532)	(127,270)	(1,951,158)	(2,253,959)
Net carrying amount at 31 Dec 2025	53,650,585	3,335,502	990,869	57,976,957
Finance lease receivable				
<i>Internal rating grades</i>				
Regular	601,361	–	–	601,361
Watch list	–	–	–	–
In Default	–	–	145,486	145,485
Gross carrying amount at 31 Dec 2025	601,361	–	145,486	746,847
Loss allowance at 31 Dec 2025	(1,580)	–	(1,455)	(3,035)
Net carrying amount at 31 Dec 2025	599,781	–	144,031	743,812
Factoring				
<i>Internal rating grades</i>				
Regular	73,096,971	–	–	73,096,971
Watch list	–	31,842,935	–	31,842,935
In Default	–	–	11,797	11,797
Gross carrying amount at 31 Dec 2025	73,096,971	31,842,935	11,797	104,951,703
Loss allowance at 31 Dec 2025	(46,304)	(41,600)	(11,797)	(99,700)
Net carrying amount at 31 Dec 2025	73,050,667	31,801,335	–	104,852,003
Investments at amortised cost				
<i>Internal rating grades</i>				
Regular	2,461,410	–	–	2,461,410
Gross carrying amount at 31 Dec 2025	2,461,410	–	–	2,461,410
Loss allowance at 31 Dec 2025	(1,723)	–	–	(1,723)
Net carrying amount at 31 Dec 2025	2,459,687	–	–	2,459,687
Loan Commitments				
<i>Internal rating grades</i>				
Regular	3,714,255	–	–	3,714,255
Gross carrying amount at 31 Dec 2025	3,714,255	–	–	3,714,255
Net carrying amount at 31 Dec 2025	3,714,255	–	–	3,714,255

32. RISK MANAGEMENT (continued)
Credit quality (continued)
Comparative year

The details below list, by credit risk rating grades, the gross carrying amount of financial assets (and the exposure to credit risk on loan commitments):

	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired but not POCI)	Total
	EUR	EUR	EUR	EUR
Cash and cash equivalents				
<i>External rating grades</i>				
AAA – A	163,816,775	–	–	163,816,775
A – BBB-	1,086,764	–	–	1,086,764
No rating	4,545,348	–	–	4,545,348
Gross carrying amount at 31 Dec 2024	169,448,887	–	–	169,448,887
Net carrying amount at 31 Dec 2022	169,448,887	–	–	169,448,887
Loans to customers				
<i>Internal rating grades</i>				
Regular	28,708,031	–	–	28,708,031
Watch list	–	3,878,417	–	3,878,417
In Default	–	–	2,528,523	2,528,523
Gross carrying amount at 31 Dec 2024	28,708,031	3,878,417	2,528,523	35,114,971
Loss allowance at 31 Dec 2024	(104,085)	(241,798)	(508,397)	(854,280)
Net carrying amount at 31 Dec 2024	28,603,946	3,636,619	2,020,126	34,260,691
Finance lease receivable				
<i>Internal rating grades</i>				
Regular	1,309,984	–	–	1,309,984
Watch list	–	–	–	–
In Default	–	–	925,786	925,786
Gross carrying amount at 31 Dec 2024	1,309,984	–	925,786	2,235,770
Loss allowance at 31 Dec 2024	(5,130)	–	(544,701)	(549,831)
Net carrying amount at 31 Dec 2024	1,304,854	–	381,085	1,685,939
Factoring				
<i>Internal rating grades</i>				
Regular	50,637,007	–	–	50,637,007
Watch list	–	17,548,759	–	17,548,759
Gross carrying amount at 31 Dec 2024	50,637,007	17,548,759	–	68,185,766
Loss allowance at 31 Dec 2024	(18,086)	(11,958)	–	(30,044)
Net carrying amount at 31 Dec 2024	50,618,921	17,536,801	–	68,155,722
Investments at amortised cost				
<i>Internal rating grades</i>				
Regular	2,459,450	–	–	2,459,450
Gross carrying amount at 31 Dec 2024	2,459,450	–	–	2,459,450
Loss allowance at 31 Dec 2024	(1,722)	–	–	(1,722)
Net carrying amount at 31 Dec 2024	2,457,728	–	–	2,457,728

32. RISK MANAGEMENT (continued)

Credit quality (continued)

Loan Commitments

Internal rating grades

Regular	4,083,987	–	–	4,083,987
Gross carrying amount at 31 Dec 2024	4,083,987	–	–	4,083,987
Net carrying amount at 31 Dec 2024	4,083,987	–	–	4,083,987

Liquidity risk

The Bank defines liquidity risk as the current or prospective risk to earnings and capital arising from an institution's inability to meet its liabilities when they fall due.

Reconciliation of liabilities arising from financing activities

The table below details changes in the Bank's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the statement of cash flows as cash flows from financing activities.

	Opening Balance 2025	Cash		Non-cash changes			Closing Balance 2025
		Inflows	Outflows	New leases	Foreign exchange movements	Other changes	
Subordinated liabilities	–	5,000,000	–	–	–	–	5,000,000
Lease liabilities	254,586	–	(128,928)	–	–	–	125,657
	254,586	5,000,000	(128,928)	–	–	–	5,125,657

	Opening Balance 2024	Cash		Non-cash changes			Closing Balance 2024
		Outflows	Other changes	Foreign exchange movements	Other changes		
						EUR	
Subordinated liabilities	1,684,000	(1,684,000)	–	–	–	–	–
Lease liabilities	22,182	(108,896)	370,055	–	(28,756)	254,586	254,586
	1,706,182	(1,792,896)	370,055	–	(28,756)	254,586	254,586

32. RISK MANAGEMENT (continued)

Management of liquidity risk

The Bank's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Bank's reputation.

The Bank monitors its liquidity position daily. Liquidity is managed by the Treasury function under the supervision of the Chief Financial Officer, monitored by the Risk Management Function while the Bank's ALCO (Asset and Liability Committee) maintains oversight and is responsible for strategic decision-making related to liquidity risk. The Bank maintains a portfolio of short-term liquid assets, largely made up of cash and cash equivalents, to ensure that sufficient liquidity is maintained within the Bank as a whole.

All liquidity policies are subject to review and approval by Risk Committee and the Board of Directors. The Chief Financial Officer and the Head of Risk are responsible for the liquidity ratios.

Liquidity gaps showing size and maturity mismatches of assets and liabilities together with liquidity stress testing are also being established.

Liquidity and funding risk governance includes oversight by the ALCO, ongoing monitoring of KRIs, and regular stress testing as part of the ILAAP. The Bank maintains adequate liquidity buffers, with liquidity plans reviewed regularly to ensure readiness under both normal and stressed market conditions.

The following table analyses the Bank's main financial liabilities into relevant maturity groupings, based on the remaining period at the reporting date to the contractual maturity date. The analysis includes both interest and principal cash flows.

	2025						Total
	Carrying amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Amounts owed to customers	355,553,647	333,209,400	273,923,247	17,401,742	44,031,903	20,196,755	355,553,647
Leased liabilities	125,657	131,352	–	–	–	125,657	125,657
Subordinated liabilities	4,785,769	4,785,769	–	–	–	4,785,769	4,785,769
	360,465,073	388,126,521	273,923,247	17,401,742	44,031,903	25,108,181	360,465,073

	2024						Total
	Carrying amount	Gross outflow including interest	Less than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 7 years	
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
Amounts owed to customers	255,331,733	240,011,115	199,392,722	15,939,308	32,154,266	7,845,437	255,331,733
Leased liabilities	254,586	264,166	7,048	60,375	60,375	126,788	254,586
	255,586,319	240,275,281	199,399,770	15,999,683	32,214,641	7,972,225	255,586,319

Assets available to meet these liabilities include cash and cash equivalents, loan receivable, factored receivables and finance lease receivables.

32. RISK MANAGEMENT (continued)

Residual contractual maturities of financial assets and financial liabilities

The following table analyses the principal assets and liabilities with contractual maturities that are recognised in the statements of financial position into relevant maturity groupings, based on the remaining period at balance sheet date to their contractual maturity date.

2025	less than 3 months	Between 3 months and 1 year	Between 1 and 10 years	Total
	EUR	EUR	EUR	EUR
Assets				
Investments at amortised cost	–	–	2,459,687	2,459,687
Finance lease receivable	7,858	354,459	381,495	743,812
Loans to customers	1,703,217	3,126,020	53,015,875	57,845,112
Loan to parent	–	–	131,845	131,845
Factored receivables	104,852,020	–	–	104,852,020
Cash and cash equivalents	217,888,381	–	–	217,888,381
	324,451,476	3,480,479	55,988,902	383,920,857
Liabilities				
Amounts owed to customers	291,324,989	44,031,903	20,196,755	3,55,553,647
Leased liabilities	–	–	125,657	125,657
Subordinated liabilities	–	–	4,785,769	4,785,769
	291,324,989	44,031,903	20,322,412	360,465,073
2024				
	less than 3 months	Between 3 months and 1 year	Between 1 and 10 years	Total
	EUR	EUR	EUR	EUR
Assets				
Investments at amortised cost	–	–	2,457,728	2,457,728
Finance lease receivable	407,437	412,932	865,570	1,685,939
Loans to customers	20,982	917,743	33,127,400	34,066,125
Loan to parent	30,439	62,254	101,873	194,566
Factored receivables	68,155,722	–	–	68,155,722
Cash and cash equivalents	169,448,887	–	–	169,448,887
	238,063,467	1,392,929	36,552,571	276,008,967
Liabilities				
Amounts owed to customers	215,332,030	32,154,266	7,845,438	255,331,734
Leased liabilities	67,423	60,376	126,787	254,586
	215,399,453	32,214,642	7,972,225	255,586,320

Banking Rule 07 transposing the provision of the EBA Guidelines on Disclosures of Encumbered, and Unencumbered Assets (EBA/GL/2014/03) requires disclosure on asset encumbrance. The Bank is in compliance with the contents thereof.

This disclosure provides details of available and unrestricted assets that could be used to support potential future funding and collateral needs. An asset is considered as encumbered when it has been pledged as collateral against an existing liability, and as a result is no longer available to the Bank to secure funding, satisfy collateral needs or be sold to reduce the funding requirement.

32. RISK MANAGEMENT (continued)
Residual contractual maturities of financial assets and financial liabilities (continued)

Asset Encumbrance	Carrying amount of encumbered assets	Fair value of encumbered assets	Carrying amount of unencumbered assets	Fair value of unencumbered assets
	EUR	EUR	EUR	EUR
As at 31 December 2025				
Investments at amortised cost	–	–	2,459,687	2,459,687
Finance lease receivable	–	–	743,812	743,812
Loans to customers	–	–	57,976,957	57,976,957
Factoring	–	–	104,852,020	104,852,020
Deferred tax asset	–	–	109,697	109,697
Other assets	–	–	6,930,163	6,930,163
Cash and cash equivalents	337,129	337,129	217,551,252	217,551,252
	337,129	337,129	390,623,587	390,623,587
As at 31 December 2024				
Investments at amortised cost	–	–	2,457,728	2,457,728
Finance lease receivable	–	–	1,685,939	1,685,939
Loans to customers	–	–	34,260,691	34,260,691
Factoring	–	–	68,155,722	68,155,722
Deferred tax asset	–	–	61,491	61,491
Other assets	–	–	6,104,257	6,104,257
Cash and cash equivalents	239,473	239,473	169,209,414	169,209,414
	239,473	239,473	281,935,242	281,935,242

Market risk

Market risk is the risk that changes in market prices, such as interest rate, equity prices, foreign exchange rates and credit spreads (not related to changes in the obligor's/issuer's credit standing) will affect the Bank's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Price risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

At balance sheet date, the Bank's assets and liabilities were all denominated in EUR, USD, GBP, SEK, NOK, PLN, CZK, CHF, AUD, ZAR and DKK. The Bank's currency open positions amount to EUR 127,850 (2024: EUR 97,325).

32. RISK MANAGEMENT (continued)

Exposure to interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Bank calculates both Net Interest Income (NII) and Economic Value of Equity (EVE) to assess exposure to this risk. NII focuses on the changes in interest income and expenses over a specified time horizon, while EVE measures the change in the net present value of interest rate-sensitive instruments over their remaining life as a result of interest rate movements. The European Banking Authority (EBA) introduced technical standards for supervisory outlier tests on EVE and NII. These tests fall under the purview of the Risk Management Function. Results are presented to the Risk Committee. Bank does not maintain a trading book, and as such, its exposure to interest rate risk is confined to its non-trading activities.

Interest rate risk is managed by the treasury function, monitored by the Risk Management Function while the Bank's ALCO maintains oversight and is responsible for strategic decision-making.

Furthermore, the Bank manages Interest Rate Risk in the Banking Book (IRRBB), given that it holds no trading book, with limits and tolerances set within the Risk Appetite Framework and monitored through established Key Risk Indicators. IRRBB is assessed using both Net Interest Income (NII) and Economic Value of Equity (EVE) sensitivity measures, with exposure regularly evaluated through ICAAP stress testing that includes severe but plausible interest-rate shocks. The Risk Management Function monitors compliance, ALCO provides strategic oversight including review of repricing gaps, duration mismatches and structural balance-sheet positioning and any breaches are escalated in line with the Bank's governance framework.

The Bank is exposed to cash flow interest rate risk on borrowings and debt instruments carrying a floating interest rate and to fair value interest rate risk on borrowings and debt instruments carrying a fixed interest rate to the extent that these are carried at fair value. None of the borrowings and debt instruments are carried at fair value.

Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Bank's processes, personnel, technology and infrastructure, as well as external factors, other than credit, market and liquidity risk such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks can arise from all the Bank's operations.

The Bank's objective is to manage operational risk by balancing the avoidance of financial losses and reputational damage with cost-effectiveness, ensuring that control procedures do not unnecessarily restrict initiative and creativity. Operational risk management is integrated into the Bank's overall risk framework and supported by continuous investment in systems, automation, staff training and upgrading of the Bank's control environment. The Board emphasises continuous control strengthening, proactive risk mitigation and adherence to regulatory expectations to ensure that operational risk remains within the Bank's approved appetite.

The primary responsibility for the development and implementation of controls to mitigate operational risk is assigned to senior management. The Risk Management Function is responsible for the monitoring. This responsibility is supported by the establishment of overall standards for the management of operational risk in the following areas:

- requirements for appropriate segregation of duties, including the independent authorisation of transactions;
- compliance with regulatory and other legal requirements;
- documentation of controls and procedures;
- periodic assessment of operational risks, and evaluation of the adequacy of controls and procedures;
- development of contingency plans;

32. RISK MANAGEMENT (continued)

Operational risk (continued)

- training and professional development programs;
- ethical and business standards; and
- risk mitigation, including the use of insurance where appropriate.

Under the CRR III framework, the Bank's capital allocation for operational risk is determined using the Business Indicator Component, which reflects the scale and nature of its business activities, together with an internal loss component where relevant. Based on this methodology, the Bank's operational risk capital requirement amounted to EUR 1,121,629 (2024: EUR 1,022,045).

Capital risk management

The Bank's capital management approach ensures adequate capitalisation to manage the risk exposures at hand while enabling business growth and providing adequate returns to the shareholders. Risk capital management does not in any way substitute risk mitigation measures. It is vital that the structure of limits and thresholds prevents risk concentrations from building up to a level that could compromise a significant portion of the Bank's capital resources.

The Bank hedges the majority of its foreign exchange exposures. As a result, the Bank's overall net foreign exchange position remained below 2% of its total own funds. Consequently, per the de minimis rule in Article 351 of the CRR, the foreign exchange risk exposure for calculating its own funds requirements was deemed to be nil.

Capital management falls directly under the oversight of the BoD.

The following table shows the components and basis of calculation of the Bank's Capital Adequacy ratios.

	2025	2024
	EUR	EUR
Own funds		
Tier 1		
• Ordinary shares	8,616,433	8,616,433
• Shareholders' advances	13,118,088	13,118,088
• Retained earnings/(accumulated losses)	5,289,742	1,771,770
• Proposed dividend	(2,600,000)	–
• Other reserves	(433,348)	(433,348)
• Intangible assets	(1,817,602)	(1,178,188)
• Deferred tax asset	(109,697)	(61,491)
Total Tier 1	<u>22,063,615</u>	<u>21,833,264</u>
Tier 2		
Subordinated liabilities	4,785,769	–
Total Tier 2 Capital	<u>4,785,769</u>	<u>–</u>
Total own funds	<u><u>26,849,384</u></u>	<u><u>21,833,264</u></u>

32. RISK MANAGEMENT (continued)

Capital risk management (continued)

	Face value 2025	Risk weighted assets 2025	Face value 2024	Risk weighted assets 2024
	EUR	EUR	EUR	EUR
• Cash and cash equivalents	217,888,381	3,537,233	169,448,887	4,098,548
• Investments	2,459,687	–	2,457,728	–
• Finance lease receivable	743,812	469,959	1,685,939	1,305,922
• Loans to customers	57,976,957	38,208,999	34,260,691	21,906,151
• Factored receivables	104,852,020	63,435,752	68,155,722	49,539,428
• Deferred tax asset	109,697	–	61,491	–
• Other assets	6,930,164	4,540,307	6,104,257	4,713,201
• Off balance sheet	11,326,970	60,004	11,705,832	2,041,993
Credit risk	<u>402,239,482</u>	<u>110,252,254</u>	<u>293,880,547</u>	<u>83,605,243</u>
Foreign exchange risk		–		–
Operational risk		<u>14,020,363</u>		<u>13,346,249</u>
Total Risk Weighted Assets		<u>124,272,617</u>		<u>96,951,492</u>
Capital Adequacy Ratio				
Tier 1 Total Capital Ratio		17.75%		22.52%
Total Capital Ratio		21.61%		22.52%

33. REGISTRATION DETAILS

The registered and principal office of Lidion Bank (C57067) is Block 3 Level 0, Trident Park Mdina Rd, Zone 2 Central Business District Birkirkara, CBD 2010 Malta. The company is a public limited company incorporated in Malta.

34. SUBSEQUENT EVENTS

There are no events subsequent to the financial reporting date to report.

Independent auditor's report

to the members of
Lidion Bank plc

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Lidion Bank plc (the Bank), set out on pages 24 to 68, which comprise the statement of financial position as at 31 December 2025, and the statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flow for the year then ended, and notes to the financial statements, including material accounting policy information.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Bank as at 31 December 2025, and of the Bank's financial performance and cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB) as adopted by the European Union and have been properly prepared in accordance with the requirements of the Companies Act (Cap. 386) and the Banking Act (Cap.371).

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the Bank in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code), as applicable to audits of financial statements of public interest entities, together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive (Maltese Code)* that is relevant to our audit of the financial statements of public interest entities in Malta. We have also fulfilled our other ethical responsibilities in accordance with the IESBA Code and the Maltese Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion. In conducting our audit, we have remained independent of the Bank and have not provided any of the non-audit services prohibited by article 18A(1) of the Accountancy Profession Act (Cap. 281).

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. This matter was addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

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Independent auditor's report (continued)

to the members of
Lidion Bank plc

Impairment of loans and advances to customers

As at 31 December 2025, the Bank reported total gross loans, including finance lease receivables, of EUR60,977,939 and expected credit loss (ECL) provisions of EUR2,257,170. The determination of the Bank's ECL on its loans and advances to customers is subject to a high degree of estimation uncertainty and management judgement. Assumptions in respect of the timing, measurement and disclosure of ECL include:

- **Staging** - Allocation of assets to stage 1, 2, or 3 on a timely basis using criteria in accordance with IFRS 9 considering the impact of macroeconomic uncertainties on customer behaviours and further support measures that were granted following the identification of underlying significant deterioration in credit risk;
- **Model estimations** - Accounting interpretations, modelling assumptions and data used to build and run the models that calculate the ECL;
- **Economic scenarios** – Inputs, assumptions and weightings used to estimate the impact of multiple economic scenarios;
- **Individual provisions** - Measurement of individual provisions including the assessment of multiple scenarios on exit strategies, collateral valuations and time to collect; and
- **Disclosure** - The completeness and preparation of disclosures considering the key judgments, sources of data and the design of the disclosures.

Our audit response to address the risk of material misstatement arising from the ECL provisioning comprised the following:

Evaluation of controls:

We evaluated the design and implementation of the key controls across the processes relevant to the ECL calculation. These processes included model governance, the allocation of assets into stages, data accuracy and completeness, preparation of multiple economic scenarios, individual provisions and disclosures.

Staging:

We performed an overall assessment of the ECL provision levels by stage to determine if they were reasonable considering the Bank's portfolio, risk profile, credit risk management practices and the macroeconomic environment. We considered trends in the economy and industries to which the Bank is exposed. We challenged the criteria used to allocate an asset to stage 1, 2 or 3 in accordance with IFRS 9 and tested assets in stage 1, 2 and 3 to verify that they were allocated to the appropriate stage.

Model estimations:

We tested the data used in the ECL calculation by reconciling to source systems in order to gain reasonable assurance over the data quality. Assumptions and inputs used in ECL models were tested substantively, including assessing the appropriateness of model design. Formulas used were recalculated for mathematical accuracy.

Economic Scenarios:

We reviewed and challenged the inputs, assumptions and adjustments to the ECL calculation, with particular reference to the macroeconomic data used in the model.

Individual Provision:

For a sample of individually impaired loans, we evaluated the specific circumstances of the customer, including latest available information, the basis for measuring the impairment provision, and whether key judgements were appropriate. We re-performed management's impairment calculations, which were largely based on the expected recovery from collateral held. We tested the valuation of collateral challenging subjective estimates.

Independent auditor's report (continued)

to the members of
Lidion Bank plc

Impairment of loans and advances to customers (continued)

Disclosure:

We assessed the adequacy and appropriateness of disclosures for compliance with the accounting standards and regulatory considerations.

The Bank's disclosures about impairment of loans and advances to customers are included in Notes 1, 13 and 14 which include the directors' assessment of the adequacy of the impairment provisions.

Other Information

The directors are responsible for the other information. The other information comprises the Chairman's message, CEO's message, corporate governance report which includes the compliance with the code, directors' report, five year summary, cautionary statement regarding forward looking statements and share register information page which we obtained prior to the date of this auditor's report.

However, the other information does not include the financial statements, our auditor's report and the annual financial report in XHTML format in accordance with the requirements of the European Single Electronic Format, as defined in our *Report on Other Legal and Regulatory Requirements*.

Except for our opinion on the Directors' report in accordance with the Companies Act (Cap. 386), and on the Corporate Governance Statement of Compliance in accordance with the Capital Markets Rules issued by the Malta Financial Services Authority, our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

With respect to the Directors' report, we also considered whether the Directors' report includes the disclosure requirements of Article 177 of the Companies Act (Cap. 386)

In accordance with the requirements of sub-article 179(3) of the Companies Act (Cap. 386) in relation to the Directors' Report, in our opinion, based on the work undertaken in the course of the audit:

- The information given in the Directors' Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Directors' Report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Bank and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibility of the Directors and the Audit Committee for the Financial Statements

As explained more fully in the Statement of Directors' responsibilities on page 16, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with in accordance with IFRSs as adopted by the EU, the requirements of the Companies Act (Cap.386) and the Banking Act (Cap.371), and for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Independent auditor's report (continued)

to the members of
Lidion Bank plc

Responsibility of the Directors and the Audit Committee for the Financial Statements (continued)

In preparing the financial statements, the directors are responsible for assessing the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Bank or to cease operations, or have no realistic alternative but to do so. The directors have delegated the responsibility for overseeing the Bank's financial reporting process to the Audit Committee.

Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Bank's members as a body in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386).

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions in accordance with articles 179, 179A and 179B of the Companies Act (Cap. 386). Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

In terms of article 179A(4) of the Companies Act (Cap.386), the scope of our audit does not include assurance on the future viability of the audited entity or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Bank. The financial position of the Bank may improve, deteriorate, or otherwise be subject to change as a consequence of decisions taken, or to be taken, by the management thereof, or may be impacted by events occurring after the date of this opinion, including, but not limited to, events of force majeure.

As such, our audit report on the Bank's historical financial statements is not intended to facilitate or enable, nor is it suitable for, reliance by any person, in the creation of any projections or predictions, with respect to the future financial health and viability of the Bank, and cannot therefore be utilised or relied upon for the purpose of decisions regarding investment in, or otherwise dealing with (including but not limited to the extension of credit), the Bank. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Bank and to identify any facts or circumstances that may be materially relevant thereto.

As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Bank's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

Independent auditor's report (continued)

to the members of

Lidion Bank plc

Auditor's Responsibilities for the Audit of the Financial Statements (continued)

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Bank to cease to continue as a going concern. Accordingly, in terms of generally accepted auditing standards, the absence of any reference to a material uncertainty about the Bank's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Bank's ability to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Bank, including the formulation of a view as to the manner in which financial risk is distributed between shareholders and/or creditors cannot be reached on the basis of these financial statements alone and must necessarily be based on a broader analysis supported by additional information.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS")

Pursuant to Capital Markets Rule 5.55.6 issued by the Malta Financial Services Authority, we have undertaken a reasonable assurance engagement in accordance with the requirements of the *Accountancy Profession (European Single Electronic Format) Assurance Directive* issued by the Accountancy Board in terms of the Accountancy Profession Act (Cap. 281), hereinafter referred to as the "ESEF Directive 6", on the annual financial report of the Bank for the year ended 31 December 2025, prepared in a single electronic reporting format.

Independent auditor's report (continued)

to the members of
Lidion Bank plc

Report on Other Legal and Regulatory Requirements (continued)

Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS") (continued)

Solely for the purposes of our reasonable assurance report on the compliance of the annual financial report with the requirements of the ESEF RTS, the "Annual Financial Report" comprises the Directors' Report, the Statement of Directors' responsibilities, the Corporate Governance Statement of Compliance, the annual financial statements, the prescribed disclosures of material contracts, General Company Information, and the Independent auditor's report, as set out in Capital Markets Rules 5.55.

Where the Annual Financial Report does not include consolidated financial statements, compliance with the ESEF RTS solely requires the preparation of an Annual Financial Report in XHTML format.

Responsibilities of the Directors for the Annual Financial Report

The directors are responsible for:

- the preparation and publication of the Annual Financial Report, including the financial statements, in XHTML format as required by Capital Markets Rule 5.56A,
- designing, implementing, and maintaining internal controls relevant to the preparation of the Annual Financial Report in XHTML format, that is free from material misstatement, whether due to fraud or error,

and consequently, for ensuring the accurate transfer of the information in the Annual Financial Report into a single electronic reporting format.

Auditor's responsibilities for the Reasonable Assurance Engagement

Our responsibility is to obtain reasonable assurance about whether the Annual Financial Report, including the financial statements is prepared, in all material respects, in XHTML format, based on the evidence we have obtained. We conducted our reasonable assurance engagement in accordance with the requirements of ESEF Directive 6.

The procedures we performed, including the assessment of the risks that the Annual Financial Report is not prepared, in all material respects, in XHTML format, whether due to fraud or error, were based on our professional judgement and included:

- Obtaining an understanding of the Bank's internal controls relevant to the financial reporting process, including the preparation of the Annual Financial Report in XHTML format, but not for the purpose of expressing an assurance opinion on the effectiveness of these controls.
- Examining whether the Annual Financial Report has been prepared, in all material respects, in XHTML format.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our reasonable assurance opinion.

Independent auditor's report (continued)

to the members of
Lidion Bank plc

Report on Other Legal and Regulatory Requirements (continued)

Report on compliance of the Annual Financial Report with the requirements of the European Single Electronic Format Regulatory Technical Standard as specified in the Commission Delegated Regulation (EU) 2019/815 (the "ESEF RTS") (continued)

Reasonable Assurance Opinion

In our opinion, the Annual Financial Report for the year ended 31 December 2025 has been prepared, in all material respects, in XHTML format.

This reasonable assurance opinion only covers the transfer of the information in the Annual Financial Report into XHTML format as required by the ESEF RTS, and therefore does not cover the information contained in the Annual Financial Report.

Report on Corporate Governance Statement of Compliance

Pursuant to Rule 5.94 of the Capital Market Rules issued by the Malta Financial Services Authority, the directors are required to include in the Bank's Annual Financial Report a Corporate Governance Statement of Compliance explaining the extent to which they have adopted the Code of Principles of Good Corporate Governance set out in Appendix 5.1 to Chapter 5 of the Capital Markets Rules, and the effective measures that they have taken to ensure compliance with those principles. The Corporate Governance Statement of Compliance is to contain at least the information set out in Rule 5.97 of the Capital Markets Rules.

Our responsibility is laid down by Rule 5.98 of the Capital Markets Rules, which requires us to include a report to shareholders on the Corporate Governance Statement of Compliance in the Company's Annual Financial Report.

We read the Corporate Governance Statement of Compliance and consider the implications for our report if we become aware of any information therein that is materially inconsistent with the financial statements or our knowledge obtained in the audit, or that otherwise appears to be materially misstated. We also review whether the Corporate Governance Statement of Compliance contains at least the information set out in Rule 5.97 of the Capital Markets Rules.

We are not required to, and we do not, consider whether the directors' statements on internal control cover all risks and controls, or form an opinion on the effectiveness of the Bank's corporate governance procedures or its risk and control procedures.

In our opinion, the Corporate Governance Statement of Compliance set out on pages 10 to 14 has been properly prepared in accordance with the requirements of Rules 5.94 and 5.97 of the Capital Markets Rules.

Additional matters on which we are required to report pursuant to the Banking Act (Cap. 371)

In our opinion:

- Proper accounting records have been kept so far as it appears from our examination thereof;
- The financial statements are in agreement with the accounting records; and
- We have obtained all the information and explanations, which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

Independent auditor's report (continued)

to the members of
Lidion Bank plc

Matters on which we are required to report by exception under the Companies Act (Cap. 386) in addition to those reported above

Under the Companies Act (Cap. 386), we have responsibilities to report to you if in our opinion:

- Proper accounting records have not been kept;
- Proper returns adequate for our audit have not been received from branches not visited by us;
- The financial statements are not in agreement with the accounting records and returns; or
- We have been unable to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purpose of our audit.

We have nothing to report to you in respect of these responsibilities.

Auditor tenure

We were first appointed to act as statutory auditor by the members of the Bank on 10 September 2012 for the financial year ended 30 June 2013 and were subsequently reappointed as statutory auditors by the members of the Bank on an annual basis. The period of total uninterrupted engagement as statutory auditor including previous reappointments of the firm is 13 financial periods.

Consistency of the audit report with the additional report to the Audit Committee

Our audit opinion is consistent with the additional report to the Audit Committee in accordance with the provisions of Article 11 of the EU Audit Regulation No. 537/2014.

The audit report was drawn up on 29 April 2026 and signed by:

Michael Bianchi as Director
in the name and on behalf of
Deloitte Audit Limited
Registered auditor
Central Business District, Birkirkara, Malta

APPENDIX I – FIVE YEAR SUMMARY

A. STATEMENTS OF PROFIT OR LOSS ACCOUNT AND OTHER COMPREHENSIVE INCOME

FOR THE PERIOD 2021/2025

	Year from 1 Jan 2025 to 31 Dec 2025	Year from 1 Jan 2024 to 31 Dec 2024	Year from 1 Jan 2023 to 31 Dec 2023	Period from 1 Jul 2021 to 31 Dec 2022	Year from 1 Jul 2020 to 31 Jun 2021
	EUR	EUR	EUR	EUR	EUR
Revenue					
Interest income	16,300,103	11,932,150	8,088,844	3,185,722	1,416,136
Interest expense	(5,417,734)	(3,353,489)	(2,083,728)	(526,542)	(407,670)
Net Interest Income	10,882,369	8,578,661	6,005,116	2,659,180	1,008,466
Fee and commission income	2,402,875	2,969,523	1,859,014	3,505,541	1,106,459
Fee and commission expense	(985,623)	(981,696)	(651,048)	(415,238)	(330,618)
Net fee and commission income	1,417,252	1,987,827	1,207,966	3,090,303	775,841
Net operating income before net impairment losses	12,299,621	10,566,488	7,213,082	5,749,483	1,784,307
Net impairment losses	(1,523,903)	(855,336)	(279,254)	(157,685)	(120,238)
Net operating income	10,773,718	9,711,152	6,933,828	5,591,798	1,664,069
Factoring related expenses	746,050	444,567	726,201	572,065	–
Employee compensation and benefits	3,403,725	3,427,090	2,624,850	2,256,576	1,066,113
General administrative expenses	2,359,147	2,253,224	1,794,954	1,980,522	764,354
Depreciation, property, plant and equipment	94,534	50,862	24,544	80,213	57,914
Amortisation of intangible assets	353,165	187,879	74,373	38,574	28,154
Depreciation of right of use assets	111,000	151,200	73,476	110,120	73,486
Total Expense	7,067,621	6,514,822	5,318,398	5,038,070	1,990,021
Profit / (loss) before tax	3,706,098	3,196,330	1,615,430	553,728	(325,952)
Income tax (expense)/credit	(188,126)	(501,315)	(565,401)	971,834	–
Reversal of fair value gain for reclassified investments	–	–	–	(70,266)	(97,783)
Profit / (loss) for the year / period	3,517,972	2,695,015	1,050,029	1,455,296	(423,735)

B. STATEMENTS OF FINANCIAL POSITION

AS AT 31 DEC 2021/2025

	2025	2024	2023	2022	2021
	EUR	EUR	EUR	EUR	EUR
Assets					
Balance with Central Bank of Malta, and cash and cash equivalents	217,888,381	169,448,887	77,036,827	33,223,200	22,007,774
Investments measured at amortised costs	2,459,687	2,457,728	2,491,090	2,524,462	200,800
Fair value through other comprehensive income investments	–	–	–	–	2,444,694
Finance lease receivable	743,812	1,685,939	3,228,243	4,602,092	8,582,756
Loans to customers	57,976,957	34,260,691	24,727,044	17,485,912	10,713,237
Factored receivables	104,852,020	68,155,722	42,642,999	31,864,904	2,613,484
Intangible assets	1,817,602	1,178,188	457,361	141,125	40,835
Property, plant and equipment	372,388	420,694	62,889	40,146	93,229
Deferred tax	109,697	61,491	406,433	971,834	–
Assets held for realisation	–	23,123	297,099	456,519	253,060
Right of use of lease	122,434	240,024	21,169	61,331	107,308
Other assets	2,699,783	2,824,325	767,454	2,005,340	1,750,003
Prepayments and accrued income	1,917,958	1,441,026	2,553,850	915,014	176,277
Total assets	390,960,717	282,174,715	154,672,458	94,291,879	48,983,457
Liabilities					
Amounts owed to customers	355,553,647	255,331,734	135,771,953	77,773,222	37,852,531
Debt securities in issue	–	–	–	–	58,175
Other liabilities	1,026,475	883,088	1,012,241	1,118,392	1,316,215
Tax payable	–	156,375	–	–	–
Accruals	2,878,254	2,475,989	2,464,206	995,736	770,453
Finance lease creditor	125,657	254,586	22,182	52,682	89,533
Subordinated liabilities	4,785,769	–	1,684,000	1,684,000	1,684,000
Total liabilities	364,369,802	259,101,772	140,954,582	81,624,032	41,770,907
Equity					
Share capital	8,616,433	8,616,433	8,616,433	8,616,433	8,616,433
Shareholders' advances	13,118,088	13,118,088	6,458,036	6,458,036	2,458,036
General banking risk reserve	–	–	–	87,181	94,550
Excessive NPL reserve	–	–	–	–	63,412
Fair value reserve	–	–	–	–	70,266
Currency translation reserve	(433,348)	(433,348)	(433,348)	(433,348)	(433,348)
Accumulated profits / (losses)	5,289,742	1,771,770	(923,245)	(2,060,455)	(3,656,799)
Total equity	26,590,915	23,072,943	13,717,876	12,667,847	7,212,550
Total liabilities and equity	390,960,717	282,174,715	154,672,458	94,291,879	48,983,457
Memorandum Items					
Total commitments	3,714,255	4,083,987	213,559	1,622,291	2,0669,663
Total contingent liabilities	7,612,715	7,621,845	6,506,848	–	50,000

C. STATEMENTS OF CASH FLOWS

FOR THE PERIOD 2021/2025

	Year from 1 Jan 2025 to 31 Dec 2025	Year from 1 Jan 2024 to 31 Dec 2024	Year from 1 Jan 2023 to 31 Dec 2023	Period from 1 Jul 2021 to 31 Dec 2022	Year from 1 Jul 2020 to 31 Jun 2021
	EUR	EUR	EUR	EUR	EUR
Cash flows used from operating activities					
Interest and commission received	18,607,144	15,939,786	8,440,750	6,073,302	2,618,680
Interest and commission paid	(6,712,883)	(4,570,404)	(2,263,112)	(1,251,580)	(1,075,124)
Cash payments to employees and suppliers	(6,602,770)	(5,851,922)	(4,220,768)	(4,348,876)	(1,703,748)
Cash flows generated from/(used in) operating activities before changes in operating assets and liabilities	5,291,491	5,517,460	1,956,870	472,846	(160,192)
(Increase)/decrease in finance lease receivable	(60,996,340)	(34,359,400)	(16,924,631)	(3,555,057)	(1,592,505)
Movement in other assets	(165,050)	(2,000,387)	1,271,258	(255,337)	(1,106,873)
Movement in other liabilities	277,035	144,824	5,378,495	925,202	657,589
Increase in amounts owed to banks and to customers	100,221,914	119,559,780	52,644,205	38,768,366	5,151,612
Net cash generated from operating activities	44,579,051	88,862,277	44,326,197	7,709,960	987,078
Cash flows from investing activities					
Purchase of property plant and equipment	(39,107)	(408,667)	(47,287)	(27,131)	(17,303)
(Purchase) / write offs of intangible assets	(971,521)	(908,706)	(390,609)	(138,864)	(6,251)
Movement in investment assets and assets for sale	–	–	–	(152,692)	254,342
Net cash (used in)/ generated from investing activities	(1,010,628)	(1,317,373)	(437,896)	(318,687)	230,789
Cash flows from financing activities					
Proceeds from shareholders' advances	–	6,660,052	–	4,000,000	2,246,939
Amount paid to subsidiary company	–	–	–	–	(851,841)
Lease payments for the principal portion of lease liability	(128,928)	(108,896)	(74,674)	(117,672)	(152,874)
Proceeds from issue of subordinated liabilities	5,000,000	–	–	–	–
Payments on debt securities in issue	–	(1,684,000)	–	(58,175)	(240,398)
Amount pledged to depositors' compensation scheme	–	–	–	1,000,000	(851,841)
Net cash generated from/(used in) financing activities	4,871,072	4,867,156	(74,674)	4,824,153	981,155
Net increase in cash and cash equivalents	48,439,495	92,412,060	43,813,627	12,215,693	2,199,022
Cash and cash equivalents at the beginning of the period/year	169,448,887	77,036,827	33,223,200	20,832,912	18,324,746
Currency translation					309,143
Cash and cash equivalents at the end of the year	217,888,381	169,448,887	77,036,827	33,048,605	20,832,912

D. PERFORMANCE METRICS

	2025	2024	2023	2022	2021
	EUR	EUR	EUR	EUR	EUR
Net interest income and other operating income to total assets.	2.8%	3.5%	4.5%	5.9%	3.4%
Operating expenses to total assets	1.8%	2.4%	3.4%	5.3%	4.1%
Profit/(loss) before tax to equity	15.1%	13.9%	11.8%	4.4%	(4.5%)
Profit/(loss) after tax to total assets	0.9%	1.0%	0.7%	1.5%	(0.9%)
Profit/(loss) after tax to average assets	1.1%	1.2%	0.8%	2.0%	(0.0%)
Profit/(loss) after tax to average equity	13.3%	17.1%	7.95%	13.0%	(4.5%)

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This report contains statements that constitute “forward-looking statements”, including but not limited to statements relating to the anticipated effect of transactions described herein, risks arising from the current market crisis and other risks specific to the Bank’s business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent the Bank’s judgments and expectations concerning the development of its business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from the Bank’s expectations.

These factors include, but are not limited to:

- (1) the extent and nature of future developments in the market segments that have been or may be affected by the current market crisis and their effect on the Bank’s assets and exposures;
- (2) developments affecting the availability of capital and funding to the Bank and other credit institutions, including any changes in the Bank’s credit spreads and ratings;
- (3) other market and macroeconomic developments, including movements in local and international securities markets, credit spreads, currency exchange rates and interest rates;
- (4) changes in internal risk control and limitations in the effectiveness of the Bank’s internal processes for risk management, risk control, measurement and modelling, and of financial models generally;
- (5) the degree to which the Bank is successful in implementing its business and development plans, and whether those plans will have the effects anticipated;
- (6) changes in the financial position or creditworthiness of the Bank’s clients, obligors and counterparties, and developments in the markets in which they operate, including possible failures resulting from the current market crisis and adverse economic environment;
- (7) management changes and changes to the internal or overall structure of the Bank;
- (8) the occurrence of operational failures, such as fraud, unauthorised trading and systems failures;
- (9) legislative, governmental and regulatory developments, including the effect of more stringent capital requirements and of regulatory constraints on the Bank’s activities;
- (10) changes in accounting standards or policies, and accounting determinations affecting the recognition of gain or loss, the valuation of goodwill and other assets or other matters;
- (11) changes in and the effect of competitive pressures, including the possible loss of key employees as a result of compensation issues or for other reasons;
- (12) jurisdictional changes;
- (13) technological developments; and
- (14) the impact of all such future developments on positions held by the Bank, on its short-term and longer-term earnings, on the cost and availability of funding and on the Bank’s capital ratios. In addition, these results could depend on other factors that we have previously indicated could adversely affect our business and financial performance which are contained in our past and future filings and reports. the Bank is not under any obligation to (and expressly disclaims any obligation to) update or alter its forward-looking statements, whether as a result of new information, future events, or otherwise.

Rounding EUR amounts presented throughout this report may not add up precisely to the totals provided in the tables. Percentages and percent changes are calculated based on rounded figures displayed in the tables and text and may not precisely reflect the percentages and percent changes that would be derived based on figures that are not rounded

APPENDIX II – SUPPLEMENTARY FINANCIAL INFORMATION

SHARE REGISTER INFORMATION

Directors' direct interest in the share capital of the company as at 31 December 2025 and 31 December 2024:

None

As at 31 December 2025 and 2024, the Bank's issued share capital was made up of eight million, six hundred and sixteen thousand, four hundred and thirty-three Euro (EUR 8,616,433) divided into six million, nine hundred and fifty thousand, three hundred and forty nine Ordinary 'A' shares and one (1) Ordinary 'B' share, all of a nominal value of one Euro and twenty-three point nine seven cents (EUR 1.2397) each, which shares were fully paid up and subscribed as outlined in the table below.

Shareholders holding 5% or more of the equity capital as at 31 December 2025 and 2024

Shareholder	Number of shares held 31 December 2025	Number of shares held 31 December 2024	% of shares 31 December 2025	% of shares 31 December 2024
Lidion Holdings plc C-57008	6,950,349	6,950,349	99.99%	99.99%
Maltese public limited liability company bearing company registration number: C-57008	Ordinary A Shares	Ordinary A Shares		
Armoza Beheer B.V, a Dutch company bearing company registration number: 77648692	1	1	0.000014%	0.000014%
	Ordinary B Share	Ordinary B Share		

There were no changes in shareholders' holding of 5% or more of the equity share capital until 29 April 2026, the date these financial statements were approved.

Save for what is stated herein and as may be expressly provided in the Bank's Memorandum and Articles of Association or by the respective terms of issue, all ordinary shares in the Company (whatever their class and nominal value) rank pari passu for all intents and purposes of law. The holder of the Ordinary B share is not entitled to vote in respect of its share nor to receive any dividends distributed. On the return of asset on a liquidation or otherwise, the holder of the Ordinary B share is only entitled to a repayment of the nominal amount paid up on such Ordinary B share to the extent that there are sufficient assets of the Company available for distribution and remaining after payment of the Company's debts and liabilities and after payment of the nominal amount paid up on Ordinary A shares of the Company. The holder of the Ordinary B share shall not be entitled to any bonus shares upon the capitalisation of any share premium or other reserve by the Company.

Company Secretary
Francesca Briffa Polidano

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