

Lidion Holdings plc

Annual Report & Financial Statements 2025

TABLE OF CONTENTS

Directors' Report.....	3
Statements of Profit or Loss and Other Comprehensive Income.....	9
Statements of Financial Position.....	10
Statements of Changes in Equity.....	11
Statements of Cash Flows.....	12
Notes to the Financial Statements.....	13
Independent Auditor's Report.....	61
Appendix I: Share Register Information.....	66
Appendix II: 5-year summary.....	67

DIRECTORS' REPORT FOR THE YEAR ENDED 31 DECEMBER 2025

Introduction

The directors have the pleasure of submitting their thirteenth annual report, together with the audited financial statements of Lidion Holdings plc (the "Company") as a standalone and consolidated financial statements which include its subsidiary Lidion Bank plc (separately referred to as "Lidion Bank" or the "Bank") (together "the Group") 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 year 1 January 2025 to date:

Stephen Muscat, non-executive director

Frank J. Sekula, non-executive director

Trond Dale, Chairman and non-executive director

Kjetil Ole Kjølsvik, non-executive director (resigned 27th March 2025)

Company Secretary

Dr Francesca Briffa Polidano (appointed 11th April 2025)

Sharon Fenech (resigned 11th April 2025)

Directors' responsibilities

The Directors are required by the Companies Act (Cap.386) to prepare financial statements for each financial period by generally accepted accounting principles and practices, which give a true and fair view of the state of the Group which is free from material misstatements as and for the financial year ended 31 December 2025.

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

- Select suitable accounting policies and then apply them consistently,
- Make judgments and estimates that are reasonable, and
- Prepare the financial statements 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 Companies Act (Cap. 386).

This responsibility includes designing, implementing, and maintaining such internal controls as the directors determine are necessary to 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 Group, and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Principal activities

Lidion Holdings plc "the Company" is registered in Malta as a public limited liability company under the Companies Act, 1995 (Chapter 386, Laws of Malta). It is a holding company for Lidion Bank plc, which is licensed by the Malta Financial Services Authority to carry out the business of banking in terms of the Banking Act, 1994 (Chapter 371, Laws of Malta).

Directors' Report (continued)

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.

The Company has the status of an exempt Financial Holding Company in accordance with sub-article (4) of Article 11B of the Banking Act (Chapter 371 of the Laws of Malta) and Banking Rule BR/25.

Dividends

For the year ending 31 December 2025, the Board of Directors proposes that no dividend shall be paid to the shareholders.

Performance review

For the year ended 31 December 2025, profit before tax increased to €3.7 million (2024: €3.6 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.

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.

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.

Basis of preparation of financial statements

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

Auditors

A resolution to reappoint Deloitte Audit Limited as auditors of the Company will be proposed at the forthcoming Annual General Meeting.

Principal risk and uncertainties

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

The primary risks identified by the Group 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 Group 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 Group 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

Directors' Report (continued)

Group 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 Group's principal activities and, as such, credit risk management is key. The appetite and tolerance levels for credit risk deemed acceptable by the Group 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 Group 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 Group 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 Group's ability to sustain operations and meet its obligations over the long term.

The Group 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 Group 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 Group's strategy under both expected and stressed conditions. The Group's stress testing framework forms an integral part of the ICAAP. Several severe but plausible scenarios are developed to test the resilience of the Group's business model and risk profile.

Liquidity and funding risk management

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

Directors' Report (continued)

Funding risk pertains to the possibility that the Group 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 Group lacks stable funding in the medium and long term.

To address these concerns, the Group actively monitors its liquidity ratios and safeguards its liquidity requirements. Additionally, the Group 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 Group conducts an Internal Liquidity Adequacy Assessment Process (ILAAP), alongside a Recovery Plan. Moreover, the Group 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 Group's continual risk assessment, the implemented mitigation strategies, and their effects on liquidity requirements. The Group'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 Group. 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 Group's stress testing included in both ILAAP and Recovery Plan. In addition, ALCO provides governance and oversight of the Group'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 Group'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 Group'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 Group 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 Group 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 Group 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 Group'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 Group, potentially resulting in a loss of before the transaction is completed. The Group 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 Group's reputation, or regulatory sanctions.

Operational risk is inherent in the Group's products, services, and activities. The Group's operational risk management framework is fully integrated into the Group's overall risk management framework. The Group 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 Group's risk appetite.

Financial Crime Compliance Risk

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

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

The Board provides oversight of the Group'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 Group responds proactively to identified risks. To strengthen the control environment, the Group 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 Group'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 Group 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 Group including incidents, and vulnerability assessments. Staff awareness programmes and simulated phishing exercises form part of the Group'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 Group'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 Group's testing program to validate the Group'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 Group 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 Group, its counterparties, or its invested assets. The Group 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

Directors' Report (continued)

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 Group 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 Group's risk appetite, strategy, and credit analysis, ensuring alignment with supervisory expectations. Internal governance structures further reinforce ESG implementation and ongoing reporting responsibilities.

Approved by the Board of Directors on 29 April 2026 and signed on its behalf by:



Mr Trond Dale
Chairman



Mr Stephen Muscat
Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2025

	Note	The Group		The Company	
		01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR
Revenue					
Interest income	2	16,280,680	11,906,507	-	82,096
Interest expense	3	(5,417,734)	(3,390,032)	(17,400)	(136,038)
Net interest income / (expense)		10,862,946	8,516,475	(17,400)	(53,942)
Fee and commission income		2,402,875	2,969,523	180,406	173,565
Fee and commission expense		(986,514)	(898,507)	(9,755)	(9,255)
Net fee and commission income	4	1,416,361	2,071,016	170,651	164,310
Net operating income before net impairment losses		12,279,307	10,587,491	153,252	110,368
Net impairment losses	8	(1,525,903)	(855,336)	-	-
Net operating income		10,753,404	9,732,156	153,252	110,368
Other non-operating income	7	-	485,922	-	485,922
Total other non-operating income		-	485,922	-	485,922
Factoring related expenses	6	746,050	444,566	-	-
Employee compensation and benefits	5	3,403,725	3,427,090	-	-
General administrative expenses	7	2,267,963	2,276,719	82,381	112,860
Amortisation of intangible assets	17	423,461	260,163	70,296	72,284
Depreciation of property, plant and equipment	18	94,534	50,862	-	-
Depreciation of right of use of assets		111,000	151,200	-	-
Total expense		7,046,733	6,610,601	152,677	185,144
Profit before tax	9	3,706,671	3,607,477	574	411,146
Income tax charge	10	(188,126)	(501,315)	-	-
Profit for the year		3,518,545	3,106,162	574	411,146
Total comprehensive income for the year		3,518,545	3,106,162	574	411,146

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2025

	Note	The Group 2025 EUR	2024 EUR	The Company 2025 EUR	2024 EUR
Assets					
Balance with Central Bank of Malta, and cash and cash equivalents	11	217,895,579	169,457,235	7,198	8,348
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	57,844,182	34,066,125	-	-
Factored receivables	15	104,852,020	68,155,722	-	-
Investment in subsidiary	20	-	-	21,500,518	21,500,518
Intangible assets	17	1,996,153	1,427,035	178,551	248,847
Property, plant and equipment	18	372,388	420,694	-	-
Deferred tax	19	109,697	61,491	-	-
Right of use asset	16	122,434	240,024	-	-
Other assets	21	2,150,279	2,113,104	-	-
Prepayments and accrued income	22	1,923,347	1,455,803	5,390	114,274
Total assets		390,469,577	281,540,900	21,691,657	21,871,987
Liabilities					
Amounts owed to customers	23	355,553,647	255,331,733	-	-
Other liabilities	24	1,075,453	1,073,350	731,257	939,675
Accruals	25	2,925,999	2,396,727	47,745	20,232
Finance lease creditor	16	125,657	254,586	-	-
Subordinated liability		4,785,770	-	-	-
Total liabilities	26	364,466,525	259,056,395	779,002	959,907
Equity					
Share capital	27	17,497,881	17,497,881	17,497,881	17,497,881
Share premium		3,635,610	3,635,610	3,635,610	3,635,610
Shareholders' advances	28	234,004	234,004	-	-
Currency translation reserve		(563,956)	(563,956)	(130,608)	(130,609)
Retained earnings / (accumulated losses)		5,199,511	1,680,966	(90,228)	(90,802)
Total equity		26,003,050	22,484,505	20,912,655	20,912,080
Total liabilities and equity		390,469,577	281,540,900	21,691,657	21,871,987
Memorandum Items					
Total commitments	29	3,714,255	4,083,987	-	-
Contingent liabilities	30	7,612,715	7,621,846	-	-

The notes on pages 13 to 59 are an integral part of these financial statements.

The financial statements on pages 9 to 59 were approved by the Board of Directors and authorised for issue on 29 April 2026 and signed on its behalf by:



Mr Trond Dale
Chairman



Mr Stephen Muscat
Director

STATEMENTS OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2025

The Group	Share capital and shareholders' advances EUR	Retained earnings EUR	General banking risk reserve EUR	Currency translation reserve EUR	Total EUR
At 01 January 2024	12,460,506	(1,425,196)	-	(563,956)	10,471,354
Increase in shareholders' advances	8,906,988	-	-	-	8,906,988
Profit for the year	-	3,106,162	-	-	3,106,162
At 31 December 2024	21,367,494	1,680,966	-	(563,956)	22,484,505
Profit for the year	-	3,518,545	-	-	3,518,545
At 31 December 2025	21,367,494	5,199,511	-	(563,956)	26,003,050

The Company	Share capital and shareholders' advances EUR	Accumulated losses EUR	Currency translation reserve EUR	Total EUR
At 01 January 2024	12,226,502	(501,948)	(130,608)	11,593,945
Increase in shareholders' advances	8,906,989	-	-	8,906,989
Profit for the year	-	411,146	-	411,146
At 31 December 2024	21,133,491	(90,802)	(130,608)	20,912,081
Profit for the year	-	574	-	574
At 31 December 2025	21,133,491	(90,228)	(130,608)	20,912,655

STATEMENTS OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2025

	The Group		The Company	
	2025	2024	2025	2024
	EUR	EUR	EUR	EUR
Cash flows from operating activities				
Interest and commission received	18,607,144	16,665,685	173,566	725,899
Interest and commission paid	(6,712,883)	(5,075,308)	(17,400)	(504,904)
Cash payments to employees and suppliers	(6,395,504)	(5,954,765)	51,101	(102,843)
Cash flows from operating activities before changes in operating assets and liabilities	5,498,757	5,635,611	207,266	118,151
Movement in finance lease, loans receivables and factored receivables	(60,996,340)	(34,359,400)	-	-
Movement in other assets	(165,051)	1,944,285	-	3,944,672
Movement in other liabilities	18,617	(3,848,843)	(208,418)	(4,093,667)
Movement in amounts owed to customers	100,221,914	119,559,780	-	-
Net cash generated from / (used in) operating activities	44,577,897	88,931,433	(1,152)	(30,844)
Cash flows from investing activities				
Purchase of property, plant and equipment	(39,107)	(408,667)	-	-
Purchase of intangible assets	(971,521)	(908,706)	-	-
Amount invested in subsidiary	-	-	-	(6,660,052)
Net cash used in investing activities	(1,010,628)	(1,317,373)	-	(6,660,052)
Cash flows from financing activities				
Proceeds from shareholders' advances	-	6,660,052	-	6,660,052
Lease payments for principal portion of lease liability	(128,925)	(108,896)	-	-
Payments of debt security in issue	-	(1,784,000)	-	-
Issue of subordinated debt	5,000,000	-	-	-
Net cash generated from financing activities	4,871,075	4,767,159	-	6,660,052
Net increase /(decrease) in cash and cash equivalents	48,438,344	92,381,220	(1,152)	(30,840)
Cash and cash equivalents at beginning of year	169,457,235	77,076,015	8,348	39,188
Cash and cash equivalents at end of year	217,895,579	169,457,235	7,192	8,348

NOTES TO THE FINANCIAL STATEMENTS

1. Material accounting policies

a. Basis of preparation

The financial statements of Lidion Holdings plc and its subsidiary (together 'The Group') 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, 1994 (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. The financial statements of the Group consist mainly of results obtained in the Bank, therefore most of the notes also refer mostly to the Bank.

Going Concern

The financial statements are prepared on a going concern basis, as the Directors are satisfied that the Group 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 Company 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 2025. 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).

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).
- 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.

Material accounting policies (continued)

- 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.

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 Group'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

Material accounting policies (continued)

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 the 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 Group 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 Group'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 Group's stated objective for managing the financial assets is achieved and how cash flows are realised.

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 Group 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 Group considers:

- contingent events that would change the amount and timing of cash flows;
- leverage features;
- prepayment and extension terms;
- terms that limit the Group'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.

Material accounting policies (continued)

Under IFRS 9, the Group 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 Group 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 Group.
- 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.

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

In assessing whether a borrower is in default, the Group 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 Group; 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.

Material accounting policies (continued)

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

- the borrower is unlikely to pay its credit obligations to the Group in full, without recourse by the Group 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 Group. 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 Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its financial assets. The Group 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.
- EAD is based on the amounts the Group 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 Group 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 Group'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 Group 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 Group cannot identify the ECL on the loan commitment component separately from those on the drawn component: The Group 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.

Material accounting policies (continued)

Collective basis

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

Where the Group 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 IAS 17 Leases.

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 Group 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 Group 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 Group 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 Group 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.

*Material accounting policies (continued)***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 Group'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 Group 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:

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 Group 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 Group 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.

*Material accounting policies (continued)***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 with in 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 '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 were 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 Group 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

Material accounting policies (continued)

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 Group 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 Group 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 Group retains after paying the other party the consideration received in exchange for the services to be provided by that party.

I. Employee benefits

The Group 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 Group's cash management are included as a component of cash and cash equivalents for the purpose of the cash flow statements.

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 Group'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 Group 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 Group assesses on a forward-looking basis the expected credit loss ('ECL') associated with its loan and financial leases portfolio, investments carried at amortised costs and FVOCI and other financial assets. The Group 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.

Material accounting policies (continued)

For the year ended 31 December 2024 there was an impairment allowance of EUR 1,434,154 (2023: EUR 550,447) on the Group's finance lease receivable and loans to customers.

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 Group'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

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
On cash at bank	4,314,402	3,899,759	-	-
On investments	45,847	11,128	-	-
Finance lease interest income	96,612	193,676	-	-
Interest on subordinated debt	-	-	-	82,096
Loan interest income	3,525,606	2,216,049	-	-
Interest income from factoring arrangements	8,298,213	5,585,895	-	-
Interest Income	16,280,680	11,906,507	-	82,096

Interest income on investments consists of the coupon on Malta Government stocks which are detailed in note 12.

3. Interest expense

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
On amounts owed to customers	4,720,836	2,612,845	-	-
On loan from subsidiary	144,426	-	17,400	17,400
On debt securities in issue	-	118,638	-	118,638
On FX hedging transactions	552,471	658,549	-	-
Interest Expense	5,417,734	3,390,032	17,400	136,038

4. Net fee and commission income

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
Arrangement fees on finance leases and loans	355,580	578,419	-	-
Corporate fee income	1,940,752	1,735,299	-	-
Agency fee	106,542	655,805	-	-
Operating lease income	-	-	180,406	173,565
Fee and commission income	2,402,875	2,969,523	180,406	173,565
Origination fee on finance leases and loans	(521,863)	(514,242)	-	-
Corporate fee expense	(82,924)	(65,199)	-	-
Other fees	(381,726)	(319,066)	(9,755)	(9,255)
Fee and commission expense	(986,514)	(898,507)	(9,755)	(9,255)
Net fee and commission income	1,416,361	2,071,016	(170,651)	164,310

5. Employee compensation and benefits

5.1. Directors' compensation

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	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 incurred during the period are analysed as follows:

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	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	-	-
Total remuneration for directors	3,403,725	3,427,090	-	-

Other staff costs consist of health insurance, staff training and recruitment costs.

Employee and compensation benefits (continued)

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

	2025	2024
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

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR
Outsourcing and system costs	144,804	162,784	-	-
Insurance costs	508,799	232,088	-	-
Due diligence fees	92,448	49,694	-	-
	746,050	444,566	-	-

7. General administrative expenses

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

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR
Office and IT and financial	878,716	925,619	24,437	24,276
Professional, regulatory and insurance	1,078,528	963,950	57,944	88,584
Marketing and travelling	154,899	283,895	-	-
Deposits funding costs	155,820	103,255	-	-
	2,267,963	2,276,719	82,381	112,860

Other non-operating income:

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR
Interest expense waived	-	401,722	-	401,722
Exchange differences	-	84,200	-	84,200
	-	485,922	-	485,922

8. Net impairment losses

	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR
Write Downs:		
On financial assets		
• charge for expected credit loss	1,012,113	892,405
• decrease due to write off	513,977	-
• provision on assets held for realisation	(188)	(37,069)
Net impairment losses	1,525,903	855,336

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 POCL)
	Loans to customers	Loans to customers	Loans to customers
	EUR	EUR	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

Net impairment losses (continued)

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Loans to customers	Loans to customers	Loans to customers
	EUR	EUR	EUR
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) ECL to lifetime (credit-impaired) ECL		-	-
- 12m ECL to lifetime (not credit-impaired) ECL	(765)	1,650	-
Changes in risk parameters	(26,435)	-	193
Closing balance 31 December 2024	106,325	239,558	508,397

Finance lease receivables:

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCl)
	Finance lease receivables	Finance lease receivables	Finance lease receivables
	EUR	EUR	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

Net impairment losses (continued)

	12m ECL	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit- impaired but not POCI)
	Finance lease receivables	Finance lease receivables	Finance lease receivables
	EUR	EUR	EUR
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
Movement from:			
- lifetime (not credit-impaired) to lifetime (credit-impaired) ECL		(4,397)	11,289
Changes in risk parameters	(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 POCI)
	Factored receivables	Factored receivables	Factored receivables
	EUR	EUR	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

	12m ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired but not POCI)
	Factored receivables	Factored receivables	Factored receivables
	EUR	EUR	EUR
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 year	(77,743)	(95,968)	-
Closing balance 31 December 2024	18,086	11,958	-

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)	-

Net impairment losses (continued)

Comparative period

	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	195,358,760	77,743	95,968	-
Settlement in full of factored receivables with a gross carrying amount of	(184,500,847)	(74,250)	(19,642)	-

9. Profit before tax

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
Profit before tax is stated after charging:				
Total remuneration payable to the Bank's auditors for:				
• the audit of financial statements	71,800	59,870	11,800	13,570
• tax services	22,633	4,450	13,133	1,800
• non-audit services	8,000	23,660	-	13,660
	102,433	87,980	24,933	29,030

10. Income tax expense

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR	01 Jan 2025 to 31 Dec 2025 EUR	01 Jan 2024 to 31 Dec 2024 EUR
Current tax charge	(236,332)	(156,373)	-	-
Deferred tax charge	48,206	(344,942)	-	-
	(188,126)	(501,315)	-	-

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

	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR
Profit before tax	3,706,671	3,196,330
Tax at the applicable rate of 5%	(185,334)	(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 on opening deferred tax	(523)	(356,470)
Tax expense for the year	(188,126)	(501,315)

	The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR
Profit before tax	575	411,146
Theoretical tax charge	(29)	20,557
Unrealised foreign exchange differences	974	828
Disallowed expenses	(342)	(6,508)
Amortisation	3,515	3,614
Waiver of accrued interest	-	(9,930)
Capital allowance absorbed	(4,619)	(2,530)
Tax loss absorbed	-	(1,841)
Realised exchange difference – capital	-	(4,210)
Unutilised tax loss	443	-
Tax expense for the year	-	-

11. Balance with Central Bank of Malta, and cash and cash equivalents

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
Balances with Central Bank of Malta	210,525,102	163,816,140	-	-
Cash in banks and financial institutions	7,370,379	5,640,460	7,198	8,348
Cash in hand	98	635	-	-
	217,895,579	169,457,235	7,198	8,348

The Group balance with the Central Bank of Malta includes an amount of EUR 239,474 (2023: EUR 174,863) pledged in favour of the Depositor Compensation Scheme in guarantee of all the Group's eligible depositors.

12. Investments measured at amortised cost

	The Group		The Company	
	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024	01 Jan 2025 to 31 Dec 2025	01 Jan 2024 to 31 Dec 2024
	EUR	EUR	EUR	EUR
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 comprises 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 (for which 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.

Finance lease receivables (continued)

The Group	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 comprises excluding unearned future income:		
	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

The Group	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:

The Group	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 Group, 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

The Group	2025	2024
	EUR	EUR
Term loans and advances	60,098,317	34,920,405
Less Impairment losses	(2,254,135)	(854,280)
Net loans and advances at amortised cost	57,844,182	34,066,125

Loans to customers (continued)

	2025	2024
The Group	EUR	EUR
	2025	
Opening gross loan balance	35,114,971	24,652,283
New loans	37,255,348	17,204,002
Less principal repayments	(12,272,002)	(6,935,880)
Net investment in the loans gross of ECL	60,098,317	34,920,405

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 Impairment losses	(99,697)	(30,044)
Net factored receivables and advances at amortised cost	104,852,020	68,155,722

	2025	2024
	EUR	EUR
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	<u>339,049</u>	<u>717,988</u>
Accumulated depreciation		
Opening balance	(477,964)	(326,764)
Charge for the year	(111,000)	(151,200)
Disposals	372,349	-
Closing balance	<u>(216,615)</u>	<u>(477,964)</u>
Carrying amount	122,434	240,024
Lease liabilities		
Current	125,657	125,213
Non-current	-	129,373
	<u>125,657</u>	<u>254,586</u>

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
	<u>111,000</u>	<u>151,200</u>
Interest expense		
	2025	2024
	EUR	EUR
Interest expense (included in interest payable)	5,695	9,580
	<u>5,695</u>	<u>9,580</u>

17. Intangible Assets

The Group	Trademark	Computer Software	Computer Systems	Total
	EUR	EUR	EUR	EUR
Cost				
At 01 January 2024	2,056	273,349	1,278,162	1,553,567
Acquisitions	1,050	-	907,657	908,707
At 31 December 2024	3,106	273,349	2,185,819	2,462,274
Acquisitions	-	-	971,521	971,521
At 31 December 2025	3,106	273,349	3,157,340	3,433,795
Accumulated depreciation				
At 01 January 2024	1,228	258,425	515,422	775,075
Charge for the year	138	11,427	248,598	260,163
At 31 December 2024	1,366	269,852	764,020	1,035,238
Reclassifications/adjustments	-	-	(21,058)	(21,058)
Charge for the year	190	3,388	419,883	423,461
At 31 December 2025	1,556	273,240	1,162,847	1,437,643
Carrying amount				
At 01 January 2025	1,740	3,497	1,421,799	1,427,035
At 31 December 2025	1,550	109	1,994,493	1,996,152

The Company	Trademark	Computer Software	Computer Systems	Total
	EUR	EUR	EUR	EUR
Cost				
At 01 January 2024	-	103,500	701,630	805,130
Additions	-	-	-	-
At 31 December 2024	-	103,500	701,630	805,130
Additions	-	-	-	-
At 31 December 2025	-	103,500	701,630	805,130
Accumulated amortisation				
At 01 January 2024	-	100,671	383,328	483,999
Charge for the year	-	2,829	69,455	72,284
At 31 December 2024	-	103,500	452,783	556,283
Charge for the year	-	-	70,296	70,296
At 31 December 2025	-	103,500	523,078	626,579
Carrying amount				
At 01 January 2025	-	-	248,847	248,847
At 31 December 2025	-	-	178,551	178,551

18. Property, plant and equipment

The Group	Fixtures & Fittings	Furniture	IT infrastructure & equipment	Office Equipment	Total
	EUR	EUR	EUR	EUR	EUR
Cost					
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 31 December 2024	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 31 December 2024	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	112,285	263,296	119,432	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	87,873	372,388

The Company does not hold any property, plant and equipment as at 31 December 2025.

19. Deferred tax

Recognised deferred tax asset

Deferred tax asset is attributable to the following temporary differences:

	The Group		The Company	
	2025 EUR	2024 EUR	2025 EUR	2024 EUR
Tax value of gains and capital allowances carry-forwards	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 Group 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.

Deferred tax (continued)

YA 2025	The Group	
	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. Investment in subsidiary

The Company owns 100% of the ordinary shares in these subsidiaries.

	Incorporated in	Nature of Business	Equity Interest %	Investment at cost EUR 2025
Lidion Bank plc	Malta	Banking	100	21,500,518
				21,500,518
				2024
Lidion Bank plc	Malta	Banking	100	21,500,518
				21,500,518

The registered address of the subsidiary i.e. Lidion Bank plc is Block 3, Level 0, Trident Park, Mdina Road Zone 2, Central Business District, Birkirkara, Malta. The subsidiary prepares its financial statements to the same date, 31 December.

21. Other assets

	The Group		The Company	
	2025 EUR	2024 EUR	2025 EUR	2024 EUR
Receivable from related parties	188,239	40,409	-	-
VAT receivable	-	-	-	-
Other receivables	1,982,677	2,091,736	-	-
	2,170,916	2,132,145		
Expected loss	(20,636)	(19,040)	-	-
	2,150,279	2,113,104	-	-

22. Prepayments and accrued income

	The Group		The Company	
	2025	2024	2025	2024
	EUR	EUR	EUR	EUR
Prepayments	703,356	314,280	-	-
Accrued income on finance leases, loans and factored receivables	1,585,355	1,447,022	-	-
Interest in suspense	(365,364)	(305,499)	-	-
Accrued income on operating lease	-	-	5,390	114,274
	1,923,347	1,455,803	5,390	114,274

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

23. Amounts owed to customers

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

24. Other liabilities

	The Group		The Company	
	2025	2024	2025	2024
	EUR	EUR	EUR	EUR
Other creditors	682,748	866,996	23,708	2,913
VAT payable	392,705	206,354	25,270	32,021
Amount owed to related parties	-	-	682,280	904,741
	1,075,453	1,073,350	731,257	939,675

25. Accruals

	The Group		The Company	
	2025 EUR	2024 EUR	2025 EUR	2024 EUR
Accrued interest	1,446,954	1,554,056	-	-
Other accruals	1,479,044	842,671	47,745	20,232
	2,925,999	2,396,727	47,745	20,232

26. 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 Group 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.

27. Share capital

	The Group		The Company	
	2025 EUR	2024 EUR	2025 EUR	2024 EUR
Authorised:				
49,919,999 ordinary shares (2024: 49,919,999) at EUR 1.166 each	58,176,767	58,176,767	58,176,767	60,292,975
80,000 ordinary shares at EUR 1.2657 each	101,256	101,256	101,256	101,256
1 ordinary B shares at EUR 1.2657 each	1	1	1	1
	58,278,024	58,278,024	58,278,024	60,394,232
Issued and paid up:				
14,927,599 A shares (2024: 14,927,599) at EUR 1.1654 each	17,396,624	17,396,624	17,396,624	17,396,624
80,000 ordinary A shares at EUR 1.2657 each	101,256	101,256	101,256	101,256
1 ordinary B shares at EUR 1.2657 each	1	1	1	1
	17,497,881	17,497,881	17,497,881	17,497,881

Holders of 'B' shares do not have voting rights nor are they entitled to dividends.

	2025 EUR	2024 EUR	2025 EUR	2024 EUR
Share Premium	3,635,610	3,635,610	3,635,610	3,635,610
	3,635,610	3,635,610	3,635,610	3,635,610

28. Shareholders' advances

Shareholders' advances consist of amounts paid by the shareholders in the form of capital. There were no injections during 2025 (2024: EUR 6,660,052). Shareholder advances are repayable at the discretion of the Group subject to MFSA approval.

29. Commitments

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

30. Contingent liabilities

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

31. Related party transactions

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

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

The Group

Statement of Financial Position	Dec 2025	Dec 2024
Corporate loans to related parties (note 14)	5,974,531	3,551,818
Accrued income on corporate loans to related parties (note 2)	342,778	350,904
Other balances receivable from related parties (note 21)	255,824	40,409
Amounts owed to related parties (deposit account balances) (note 22)	55,698	34,077

Statement of Comprehensive Income	Dec 2025	Dec 2024
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
Origination fee expense to related party (note 4)	209,667	212,893

Related party transactions (continued)

The Company

Statement of Financial Position	Dec 2025	Dec 2024
Loan from subsidiary (note 25)	132,775	194,566
Balance payable to subsidiary company in relation to finance expenses (note 25)	549,504	710,175
Tax liability receivable from subsidiary (note 23)	392,705	156,375
Statement of Comprehensive Income	Dec 2025	Dec 2024
Interest expense on loan payable to subsidiary company (note 3)	17,400	17,400
Interest income in relation to subordinated debt receivable from subsidiary (note 2)	-	82,095
Fee income relating to an operating lease provided to subsidiary (note 4)	173,565	173,565

With respect to the amounts due from related parties, the Group 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 Group under a back-to-back agreement. The Group used this pass-through structure because the transaction required the lender to be an entity established in the United Kingdom.

32. 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 Group's carrying amount of finance lease receivables and loans to customers amounted to EUR 58,587,994 (2023: EUR 35,752,064). 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.

Fair values of financial assets and financial liabilities (continued)

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 and are thus rated as investment grade with fixed rate coupons as fixed by the issuer (the Malta Government), 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)

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 bearing no interest and repayable on demand amounted to EUR 244,934,708 (2024: EUR 160,312,052) whereas deposits in issue consisted of:

Fair values of financial assets and financial liabilities (continued)

Amounts owed to customers (average rate)

	2025	
	EUR	Average rate
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%
	102,736,640	
	2024	
	EUR	Average rate
Fixed Rate Savings Account 5 Year	6,048,550	2.63%
Fixed Rate Savings Account 3 Year	7,727,510	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 Group 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.

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. 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.

Risk management (continued)

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

	The Group		The Company	
	2025	2024	2025	2024
	EUR	EUR	EUR	EUR
Cash & cash equivalents	217,895,579	169,457,235	7,198	8,348
Finance lease receivables	743,812	1,685,939	-	-
Loans to customers	57,976,957	34,066,125	-	-
Factored receivables	104,852,020	68,155,722	-	-
Investments measured at amortised cost	2,459,687	2,457,728	-	-
Subordinated debt	-	-	-	-
	383,928,055	275,822,749	7,198	8,348

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.

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 Group 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 Group owns the underlying assets until the end of the financing contracts' duration. For loans, the Group actively uses collaterals in its credit risk mitigation. The Group'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.

Risk management (continued)

There was no collateral or other security enhancements held against finance lease receivables where the Group 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).

Concentration of risks

The Group 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	217,895,579	743,812	57,844,182	104,852,020	2,459,687
Concentration by sector					
-Government	-	-	-	-	2,459,687
-Corporates	-	187,562	48,662,391	104,852,020	-
-Central banks, other banks & financial institutions	217,895,579	-	4,055,521	-	-
-Households	-	556,250	5,126,270	-	-
	217,895,579	743,812	57,844,182	104,852,020	2,459,687

Risk management (continued)

-Households	-	-	-	-	-
-Arts, entertainment and recreation	-	-	3,727,729	329,944	-
-Agriculture, energy supply and renewables	-	533,384	296,043	447,306	-
-Central banks	210,532,399	-	-	-	-
-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	-	-	7,061,244	607,893	-
	217,895,579	743,812	57,844,182	104,852,020	2,459,687
-EU	217,593,930	-	47,320,803	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	-
	217,895,579	743,812	57,844,182	104,852,020	2,459,687

Risk management (continued)

	2024				
	Cash and cash equivalents	Finance lease receivable	Loans to customers	Factored receivable s	Investment s 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	-	-
	169,448,887	1,685,939	34,260,691	68,155,722	2,457,728
-Households	-	-	-	-	-
-Arts, entertainment and recreation	-	-	4,018,551	344,042	-
-Agriculture, energy supply and renewables	-	1,220,273	2,081,445	596,393	-
-Central banks	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	-
	169,448,887	1,685,939	34,260,691	68,155,722	2,457,728

Risk management (continued)

Concentration by geography

-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

Credit risk for the parent company is very remote therefore this is only presented on a consolidation level. The details below list, by credit risk 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	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	<u>217,888,381</u>	<u>-</u>	<u>-</u>	<u>217,888,381</u>
Net carrying amount at 31 Dec 2025	<u>217,888,381</u>	<u>-</u>	<u>-</u>	<u>217,888,381</u>
Loans to customers				
<i>Internal rating grades</i>				
Regular	53,826,293	-	-	53,826,293
Watch list	-	3,462,772	-	3,462,772
In Default	-	-	2,942,027	2,942,027
Gross carrying amount at 31 Dec 2025	<u>53,826,293</u>	<u>3,462,772</u>	<u>2,942,027</u>	<u>60,231,092</u>
Loss allowance at 31 Dec 2025	<u>(175,532)</u>	<u>(127,270)</u>	<u>(1,951,158)</u>	<u>(2,253,959)</u>
Net carrying amount at 31 Dec 2025	<u>53,650,762</u>	<u>3,335,502</u>	<u>990,869</u>	<u>57,977,133</u>
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	<u>601,361</u>	<u>-</u>	<u>145,486</u>	<u>746,847</u>
Loss allowance at 31 Dec 2025	<u>(1,580)</u>	<u>-</u>	<u>(1,455)</u>	<u>(3,035)</u>
Net carrying amount at 31 Dec 2025	<u>599,781</u>	<u>-</u>	<u>144,031</u>	<u>743,812</u>

*Risk management (continued)***Factoring***Internal rating grades*

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*Internal rating grades*

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*Internal rating grades*

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

Risk management (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 2024	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

*Risk management (continued)***Investments at amortised cost***Internal rating grades*

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

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

Credit risk for the parent company is very remote therefore this is only presented on a consolidation level. 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.

Risk management (continued)

Reconciliation of liabilities arising from financing activities

The table below details changes in the Group'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	Inflows	Cash Outflows	New leases	Foreign exchange movements	Other changes	Closing Balance 2025
	EUR	EUR	EUR	EUR	EUR	EUR	EUR
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 Outflows	Other changes	Foreign exchange movements	Other changes	Closing balance 2024
	EUR	EUR	EUR	EUR	EUR	EUR
Subordinated liabilities	1,684,000	(1,684,000)	-	-	-	-
Lease liabilities	22,182	(108,896)	370,055	-	(28,756)	254,586
	1,706,182	(1,792,896)	370,055	-	(28,756)	254,586

Management of liquidity risk

The Group'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 Group's reputation.

The Group 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 Group's ALCO (Asset and Liability Committee) maintains oversight and is responsible for strategic decision-making related to liquidity risk. The Group 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 Group 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.

Risk management (continued)

The following table analyses the Group'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						
	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	Total
	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	20,322,412	360,465,073

	2024						
	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	Total
	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 at bank, loan receivable and finance lease receivables.

Risk management (continued)

Residual contractual maturities of financial assets and financial liabilities

The table below 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			Total
	less than 3 months	Between 3 months and 1 year	Between 1 and 10 years	
	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				
Investment 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 subsidiary	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.

Risk management (continued)

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.

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
	<u>337,129</u>	<u>337,129</u>	<u>390,623,587</u>	<u>390,623,587</u>

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 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
	<u>239,473</u>	<u>239,473</u>	<u>281,935,242</u>	<u>281,935,242</u>

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 Group'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 Group's currency open positions amount to EUR 127,850 (2024: EUR 97,325).

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 Group 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.

Risk management (continued)

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;
- reconciliation and monitoring 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;
- 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 Group'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 Group'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 Group's capital resources.

The Group hedges the majority of its foreign exchange exposures. As a result, the Group'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.

Risk management (continued)

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

	2025	2024
	EUR	EUR
Own funds		
Tier 1		
- Ordinary shares	21,133,492	21,133,492
- Shareholders' advances	234,004	234,004
- Retained earnings / (accumulated losses)	5,199,513	1,680,967
- Foreseeable dividends	(2,500,000)	-
- Other reserves	(563,956)	(563,956)
- Intangible assets	(1,996,153)	(1,427,035)
- Deferred tax asset	(109,697)	(61,491)
Total Tier 1	21,397,203	20,995,981
Tier 2		
Subordinated liabilities	3,540,896	-
Total Tier 2 Capital	3,540,896	-
Total own funds	24,938,099	20,995,981

Risk management (continued)

	Face value	Risk weighted assets	Face value	Risk weighted assets
	2025	2025	2024	2024
	EUR	EUR	EUR	EUR
-Cash and cash equivalents	217,895,579	3,538,673	169,457,235	4,100,218
-Investments	2,459,687	-	2,457,728	-
-Finance lease receivable	743,812	469,959	1,685,939	1,305,922
-Loans to customers	57,844,182	38,076,224	34,066,125	21,711,858
-Factored receivables	104,852,020	63,435,752	68,155,722	49,539,428
-Deferred tax asset	109,697	-	61,491	-
-Other assets	6,564,600	4,174,743	5,656,660	4,265,604
-Off balance sheet	11,326,970	60,004	11,705,832	2,041,993
Credit risk	<u>401,796,547</u>	<u>109,755,355</u>	<u>293,246,732</u>	<u>82,964,750</u>
Foreign exchange risk		-		-
Operational risk		<u>14,020,363</u>		<u>13,745,625</u>
Total Risk Weighted Assets		<u>123,775,718</u>		<u>96,710,375</u>
Capital Adequacy Ratio				
Tier 1 Capital Ratio		17.29%		21.71%
Total Capital Ratio		20.15%		21.71%

33. Registration details

The registered and principal office of the Company (C57008) is Block 3 Level 0, Trident Park Mdina Road, Zone 2 Central Business District Birkirkara, CBD 2010 Malta. The company is a public limited company incorporated in Malta.

34. Post balance sheet events

Subsequent to the reporting date, a dividend distribution of €2.6 million by Lidion Bank to Lidion Holdings was approved at Lidion Bank's Annual General Meeting. Receipt of the dividend is expected after the reporting date and remains subject to regulatory non-objection.

Independent auditor's report

to the members of
Lidion Holdings plc

Report on the Audit of the Financial Statements

Opinion

We have audited the individual financial statements of Lidion Holdings plc (the Company) and the consolidated financial statements of the Company and the Group (together, the Group), set out on pages 9 to 60, which comprise the statements of financial position as at 31 December 2025, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows 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 Company and the Group as at 31 December 2025, and of the Company's and the Group's financial performance and its 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).

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 Company in accordance with the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants including International Independence Standards* (IESBA Code) together with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive* (Maltese Code) that are relevant to our audit of the financial statements in Malta, and we have 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.

Information Other than the Financial Statements and the Auditor's Report Thereon

The directors are responsible for the other information. The other information comprises the Directors' Report on page 3 and the information included in the cautionary statement regarding forward-looking statements, share register information and the 5-year summary, but does not include the financial statements and our auditor's report thereon.

Deloitte Audit Limited is a limited liability company registered in Malta with registered office at Deloitte Place, Triq l-Intornjatur, Central Business District, CBD 3050, Malta. Deloitte Audit Limited forms part of Deloitte Malta. Deloitte Malta consists of (i) Deloitte, a civil partnership regulated in terms of the laws of Malta, constituted between limited liability companies, operating at Deloitte Place, Triq l-Intornjatur, Zone 3, Central Business District, Birkirkara CBD 3050, Malta and (ii) the affiliated operating entities: Deloitte Advisory and Technology Limited (C23487), Deloitte Audit Limited (C51312), Deloitte Corporate Services Limited (C103276), Deloitte Tax Services Limited (C51320) and iMovo Limited (C50760), all limited liability companies registered in Malta with registered offices at Deloitte Place, Triq l-Intornjatur, Zone 3, Central Business District, Birkirkara CBD 3050, Malta. Deloitte Corporate Services Limited is authorised to act as a Company Service Provider by the Malta Financial Services Authority. Deloitte Audit Limited is authorised to provide audit services in Malta in terms of the Accountancy Profession Act. Deloitte Malta is an affiliate of Deloitte Central Mediterranean S.r.l., a company limited by guarantee registered in Italy with registered number 09599600963 and its registered office at Via Santa Sofia no. 28, 20122, Milan, Italy. For further details, please visit www.deloitte.com/mt/about.

Deloitte Central Mediterranean S.r.l. is the affiliate for the territories of Italy, Greece and Malta of Deloitte NSE LLP, a UK limited liability partnership and member firm of Deloitte Touche Tohmatsu Limited, a UK private company limited by guarantee ("DTTL"). DTTL and each of its member firms are legally separate and independent entities. DTTL, Deloitte NSE LLP and Deloitte Central Mediterranean S.r.l. do not provide services to clients. Please see www.deloitte.com/about to learn more about our global network of member firms.

Deloitte Legal is an association of advocates warranted to practise law in Malta and is exclusively authorised to provide legal services, in Malta, under the Deloitte brand.

Independent auditor's report (continued)

to the members of
Lidion Holdings plc

Information Other than the Financial Statements and the Auditor's Report Thereon (continued)

Except for our opinion on the Directors' Report in accordance with the Companies Act (Cap. 386), 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 on page 3, 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 company and its environment obtained in the course of the audit, we have not identified any material misstatements in the Directors' Report.

Responsibilities of the Directors for the Financial Statements

As explained more fully in the statement of director's responsibilities on page 3, the directors are responsible for the preparation of financial statements that give a true and fair view in accordance with IFRS Accounting Standards as issued by the IASB as adopted by the EU and the requirements of the Companies Act (Cap.386), 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.

In preparing the financial statements, the directors are responsible for assessing the Company's and the Group'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 Company and/or the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Statements

This report, including the opinions set out herein, has been prepared for the Company's members as a body in accordance with articles 179 and 179A 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 and 179A 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.

Independent auditor's report (continued)

to the members of
Lidion Holdings plc

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

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 Company and the Group or on the efficiency or effectiveness with which the directors have conducted or will conduct the affairs of the Company and the Group. The financial position of the Company and/or the Group 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 Company's and the Group'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 Company and/or the Group, 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 Company and/or the Group. Any decision-making in this respect should be formulated on the basis of a separate analysis, specifically intended to evaluate the prospects of the Company and/or the Group 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 Company's and the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- 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 Company's and the Group'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 Company and/or the Group 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 Company's and/or the Group's ability to continue as a going concern in our auditor's report should not be viewed as a guarantee as to the Company's and/or the Group'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.

Independent auditor's report (continued)

to the members of
Lidion Holdings plc

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

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

For the avoidance of doubt, any conclusions concerning the adequacy of the capital structure of the Company, 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 directors 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.

Report on Other Legal and Regulatory Requirements

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.

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

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 Group’s business, strategic initiatives, future business development and economic performance. While these forward-looking statements represent The Group’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 Group’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 Group’s assets and exposures;
- (2) developments affecting the availability of capital and funding to The Group and other credit institutions, including any changes in The Group’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 Group’s internal processes for risk management, risk control, measurement and modelling, and of financial models generally;
- (5) the degree to which The Group 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 Group’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 Group;
- (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 Group’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 due to the process and outcome of Brexit and hence the Group’s continued full access to the UK market;
- (13) technological developments; and
- (14) the impact of all such future developments on positions held by The Group, on its short-term and longer-term earnings, on the cost and availability of funding and on The Group’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 Group 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 I: SHARE REGISTER INFORMATION

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

None

As at 31 December 2025, the Company's issued share capital was held by 6 shareholders (2024: 4 shareholders). The share capital of the Group and the Company consists of two classes of ordinary "A" shares with equal voting rights and one class of ordinary "B" shares with no voting rights and no entitlement to dividends.

Shareholders holding 5% or more of the equity capital consist of:

Shareholder	31 December 2025		31 December 2024	
	Number of shares held	% of shares	Number of shares held	% of shares
Armoza Beheer B.V.	5,458,251	36.37	5,458,251	36.37
Monde Celeste B.V.	5,458,250	36.37	5,458,250	36.37
Westmoreland Investments Ltd	1,241,241	8.27	1,241,241	8.27
Turgut Nezih Sipahioglu	1,363,850	9.09	1,363,850	9.09
Kenan Yavuz	743,004	4.95	-	-
Tarik Vatansaver	743,004	4.95	-	-

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

Company Secretary

Dr Francesca Briffa Polidano

2,

Triq San Frangisk

Qormi

QRM 1801

+356 79324050

APPENDIX II: FIVE YEAR SUMMARY (CONSOLIDATED)

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	16,280,680	11,906,507	8,071,462	3,144,547	1,397,922
Interest expense	(5,417,734)	(3,390,032)	(2,212,314)	(710,459)	(483,356)
Net interest income	10,862,946	8,516,475	5,859,148	2,434,088	904,566
Fee and commission income	2,402,875	2,969,523	1,859,014	3,505,541	1,147,234
Fee and commission expense	(986,514)	(898,507)	(652,167)	(415,238)	(345,250)
Net fee and commission income	1,416,361	2,071,016	1,206,847	3,090,303	804,984
Net operating income before net impairment losses	12,279,307	10,587,491	7,065,995	5,524,391	1,709,550
Net impairment losses	(1,525,903)	(855,336)	(279,254)	(155,747)	(133,573)
Net operating income	10,753,405	9,732,156	6,786,741	5,368,644	1,575,977
Other non-operating income	-	485,922	-	-	-
Total non-operating income	-	485,922	-	-	-
Factoring related expenses	901,870	547,821	726,201	572,065	-
Employee compensation and benefits	3,403,725	3,427,090	2,624,850	2,256,576	1,076,076
General administrative expenses	2,267,963	2,089,264	1,765,114	1,502,015	799,514
Amortisation of intangible assets	423,461	260,163	178,490	190,530	87,296
Depreciation of property, plant and equipment	94,534	50,862	24,544	80,213	53,514
Depreciation of right of use of assets	111,000	151,200	73,476	111,076	73,490
Total expense	7,046,732	6,526,400	5,392,675	4,712,475	2,089,890
Profit / (loss) before tax	3,706,672	3,607,477	1,394,066	656,171	(513,913)
Income tax credit	(188,126)	(501,315)	(565,401)	971,834	-
Profit / (loss) for the year / period	3,518,546	3,106,162	828,665	1,628,005	(513,913)

*Appendix II: Five year summary (continued)***Other comprehensive income**

Net gain on debt investments at FVOCI	-	-	-	(70,266)	(104,410)
Other comprehensive income for the year / period, net of tax	-	-	-	(70,266)	(104,410)
Total comprehensive profit / (loss) for the year / period	3,518,546	3,106,162	828,665	1,557,739	(618,323)

Appendix II: Five year summary (continued)

B. STATEMENTS OF FINANCIAL POSITION as at 31 December 2021/2025

	2025	2024	2023	2022	2021
	EUR	EUR	EUR	EUR	EUR
Assets					
Balance with Central Bank of Malta, and cash and cash equivalents	217,895,579	169,457,235	77,076,015	33,230,523	22,052,337
Investments measured at amortised costs	2,459,687	2,457,728	2,491,090	2,524,462	201,135
Fair value through other comprehensive income investments	-	-	-	-	2,448,769
Finance lease receivable	743,812	1,685,939	3,228,243	4,602,092	8,597,060
Loans to customers	57,844,182	34,066,125	24,473,386	17,175,537	10,281,664
Factored receivables	104,852,020	68,155,722	42,642,999	31,864,904	2,617,838
Right of use asset	-	240,024	21,169	61,331	99,455
Intangible assets	1,996,153	1,427,035	778,492	565,042	505,686
Property, plant and equipment	372,388	420,694	62,889	40,146	91,237
Deferred tax	109,697	61,491	406,433	971,834	-
Assets held for realisation	122,434	23,123	297,099	456,519	253,482
Other assets	2,150,279	2,089,981	118,477	1,313,737	1,424,420
Prepayments and accrued income	1,923,347	1,455,803	2,625,063	946,385	235,404
Total assets	390,469,577	281,540,900	154,221,353	93,752,513	48,808,487
Liabilities					
Amounts owed to customers	355,553,647	255,331,733	135,771,953	77,773,222	37,889,019
Debt securities in issue	-	-	4,085,364	4,038,969	4,176,111
Other liabilities	1,075,453	1,073,350	1,043,850	1,060,034	1,337,726
Accruals	2,925,999	2,396,727	2,826,650	1,182,976	766,732
Lease Liabilities	125,657	254,586	22,182	52,682	89,682
Subordinated liability	4,785,770	-	-	-	-
Total liabilities	364,466,525	259,056,395	43,749,999	84,107,883	4,259,270

*Appendix II: Five year summary (continued)***Equity**

Share capital	17,497,881	17,497,881	8,226,502	8,226,502	101,138
Share premium	3,635,610	3,635,610	-	-	-
Shareholders' advance	234,004	234,004	4,234,004	4,234,004	8,726,392
General banking risk reserve	-	-	-	87,181	94,550
Excessive NPL Reserve	-	-	-	-	63,412
Fair Value Reserve	-	-	-	-	68,200
Currency translation reserve	(563,956)	(563,956)	(563,956)	(563,956)	(1,173,731)
Accumulated losses	5,199,513	1,680,966	(1,425,196)	(2,339,101)	(3,330,745)
Total equity	26,003,052	22,484,505	10,471,354	9,644,630	4,549,216
Total liabilities and equity	390,469,577	281,540,900	54,221,353	93,752,513	48,808,486

Memorandum Items

Total commitments	3,714,255	4,083,987	213,559	1,622,291	2,042,026
Contingent Liabilities	7,612,715	7,621,846	6,506,848	1,152,325	50,083

Appendix II: Five year summary (continued)

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 from operating activities					
Interest and commission received	18,067,144	16,665,685	8,656,420	6,146,301	3,694,678
Interest and commission paid	(6,712,883)	(5,075,308)	(1,690,022)	(2,139,683)	(760,839)
Payments to employees and suppliers	(6,181,273)	(5,954,765)	(5,011,410)	(3,569,945)	(2,441,234)
Cash flows from operating activities before changes in operating assets and liabilities	5,712,988	5,635,611	1,954,988	436,673	492,605
Movement in finance lease, loans receivable and factored receivables	(60,996,340)	(34,359,400)	(16,924,631)	(32,301,719)	(3,639,927)
Other assets	(165,051)	1,944,285	1,357,516	110,683	(783,798)
Other liabilities	18,617	(3,848,843)	(1,372,326)	874,633	698,045
Movement in amounts owed to banks and to Customers	100,221,914	119,559,780	59,151,056	38,731,877	5,479,475
Net cash (used in)/ from operating activities	44,792,129	88,931,433	44,166,602	7,852,147	2,246,400
Cash flows from/ (used in) investing					
Purchase of property plant and equipment	(39,107)	(408,667)	(47,287)	12,518	(12,104)
Purchase of intangible assets	(971,521)	(908,706)	(391,940)	(291,526)	(247,258)
Movement in investment assets and assets held for sale	-	-	192,793	(147,861)	318,330
Net cash from/ (used in) investing activities	(1,010,628)	(10,378,789)	(246,434)	(426,869)	58,968
Cash flows from financing activities					
Proceeds from shareholders' advances	-	6,660,052	-	4,000,000	-
Lease payments for the principal portion of lease liability	(128,925)	(108,896)	(74,672)	(109,953)	(77,733)
Payments on debt securities in issue	-	(1,784,000)	-	(137,142)	2,090,390
Issue of subordinated debt	4,785,769	-	-	-	-
Net cash from financing activities	4,656,844	13,774,144	(74,672)	3,752,905	1,257,578
Net movement in cash and cash equivalents	48,438,346	92,381,219	43,845,495	11,178,186	3,562,946
Cash and cash equivalents at the beginning of the year	169,457,235	77,076,015	33,230,520	22,052,337	18,489,391
Cash and cash equivalents at the end of the year	217,895,580	169,457,235	77,076,015	33,230,523	22,052,338

Appendix II: Five year summary (continued)

D. ACCOUNTING RATIOS

	2025	2024	2023	2022	2021
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%)