



MDB Group Limited

Annual Report and
Financial Statements
2025

Contents

Directors' Report.....	3
Who We Are.....	20
Group Board.....	23
Statement of Compliance with the Principles of Good Corporate Governance.....	27
Remuneration Report.....	44
Financial Statements--.....	54
Statements of Financial Position.....	55
Statements of Comprehensive Income.....	56
Statements of Changes in Equity.....	57
Statements of Cash Flows.....	58
Notes to the financial statements.....	59
Independent Auditor's Report.....	220

Directors' Report



We hereby present the annual report of MDB Group Limited (the “Company”) and its subsidiaries (“MeDirect” or the “Group”) for the year ended 31 December 2025¹. These results reflect the consolidated position of the Company and its subsidiaries².

A year of new beginnings

The year 2025 marked the beginning of a new chapter in MeDirect’s growth journey. Following the signing of a share purchase agreement in November 2024, the European Central Bank granted regulatory approval in August 2025 for the acquisition of MDB Group Limited by Banka CREDITAS a.s. (“Banka CREDITAS”), and the transaction was duly completed in September 2025. Banka CREDITAS is part of the privately-owned CREDITAS Group (“CG”), a diversified investment group with interests in financial services, real estate and energy. Through this acquisition, MeDirect gains a financially strong and strategically aligned controlling shareholder, one with the same challenger bank DNA and a shared commitment to customer-centricity and innovation.

As part of its strategic vision for the Group, Banka CREDITAS invested €40 million of new capital to date, with a firm commitment of additional investment in 2026. This provides the Group with the financial resources to accelerate its existing growth strategy across its core markets of Malta and Belgium, whilst continuing to enhance its market-leading digital banking platform. Notwithstanding this change in ownership, MeDirect’s brand and identity remain fully intact. MeDirect continues to be headquartered in Malta and remains firmly committed to serving its retail and corporate customers across all markets in which it operates.

The year also saw a change in senior leadership. Following the departure of Arnaud Denis as Group Chief Executive Officer effective 31 January 2025, Jean-Claude Maher assumed the role of Group Chief Executive Officer. Mr Maher, previously the Group’s Chief Operating Officer, brings more than 30 years of banking experience to the role, having held a broad range of senior positions at Deutsche Bank AG across research, corporate banking, transaction banking, private banking, and country management. The change in ownership and leadership reinforces our strategy as a fully-fledged pan-European digital bank. The Group’s ambition remains to establish itself as the leading challenger bank in each of its core markets, deploying its scalable and adaptable digital banking platform to meet the evolving needs of both retail and corporate customers. In the near term, the Group’s strategic priorities are centred on deepening its product offering for retail and corporate clients in Malta and Belgium, growing market share organically and exploring new opportunities to scale its digital banking platform, whilst maintaining the highest standards of credit discipline, risk management and customer service that have underpinned its growth to date.

¹ This report is prepared in accordance with the Maltese Companies Act (Cap. 386) (the “Act”) and complies with the disclosure requirements of the Sixth Schedule to the Act.

² The principal subsidiaries of the Company are MeDirect Bank (Malta) plc (“MeDirect Malta”), MeDirect Bank SA (“MeDirect Belgium”) and MeDirect Tech Limited. The Company also consolidates certain entities in respect of which MeDirect Malta and MeDirect Belgium have retained substantially all the underlying risks and rewards. These include Bastion 2020-1 NHG B.V., Bastion 2021-1 NHG B.V., Bastion 2022-1 NHG B.V., Bastion 2025-1 NHG B.V. each of which is a controlled special purpose entity established in the Netherlands as part of the Group’s funding strategy, and Medifin Estates, a property leasing partnership.

Growing client franchise in core markets

The Group continued to invest in brand development across its core markets of Malta and Belgium, with the objective of deepening customer recognition and reinforcing its positioning as a trusted provider of banking and investment services.

During 2025, the Group's client base grew by 8% to reach 168,000 by 31 December 2025, compared with 155,000 at year-end 2024. At year-end 2025, the Group had about 133,000 retail clients in Belgium, 33,400 in Malta and 1,600 in the Netherlands.



The Group's aggregate client financial assets reached €6.5 billion as of 31 December 2025, an increase of 10% from the prior year end, with assets under custody rising by 16% to €2.4 billion over the same period, reflecting continued growth across both individual and business client segments.

In Belgium, the number of investing clients increased by 34% to 50,000 by the end of 2025 - a net addition of nearly 13,000 investors - with overall client growth of 12.5% recorded over the same period.

In Malta, the corporate banking franchise expanded further, with the Group now serving over 650 business clients, offering a comprehensive suite of products and features, tailored lending, and banking solutions to both companies and their principals. Lastly, following a strategic review, the Board resolved to discontinue MeDirect's Retail & Wealth activities in The Netherlands, having concluded that the continuation of the business would not deliver returns commensurate with the Group's profitability or strategic objectives. Notwithstanding the decision to exit, the Group successfully retained a significant proportion of its client relationships through a structured migration campaign. Of the approximately 3,700 clients invited to transition to the Group's Malta banking platform, around 60% elected to do so during the year. The campaign remained ongoing at the year end, with the remaining clients yet to confirm their decision. The decision to discontinue its Retail & Wealth activities in The Netherlands does not affect the Group's Dutch NHG or Buy-to-Let businesses.

Developing MeDirect's cutting-edge digital platform

Over the course of 2025, MeDirect executed a disciplined programme of investment across Wealth Management and e-Banking, delivering material enhancements that directly support revenue growth, operational resilience, regulatory compliance, and long-term competitive differentiation.

The strategic imperatives underpinning the delivery programme were threefold:

- Deepening product capability to capture a greater share of client wallet across banking and wealth verticals;
- Accelerating the modernisation and internalisation of core technology, including the migration of mutual fund execution to an internally managed service, the integration of a new pricing engine, and the expansion of the proprietary Payments Hub, to lower cost-to-serve, and strengthen data sovereignty as well as its security and fraud prevention features; and
- Reinforcing MeDirect's regulatory and risk management posture in an increasingly demanding supervisory and geopolitical environment.

Wealth Management Platform

MeDirect's wealth proposition lies at the heart of MeDirect's differentiated value. Partnering with globally recognised asset managers – including BlackRock, Invesco, Janus Henderson, and Franklin Templeton – MeDirect offers clients a curated, open-architecture investment platform spanning mutual funds, equities, ETFs, bonds, model portfolios, advisory, and discretionary portfolio management services. In 2025, the Wealth division delivered a strategically significant portfolio of initiatives that enhanced product depth, client experience, and operational rigour.

Product Enhancement and Client Proposition

Service-Level Selection for OTC Investment Orders

The introduction of mandatory service-level selection for over-the-counter investment orders represents a pivotal step in aligning MeDirect's advisory framework with evolving MiFID II requirements and client suitability obligations. This enhancement ensures that each client interaction is appropriately classified and documented, reinforcing investor protection while enabling MeDirect to deliver tiered, value-differentiated service propositions.

Accumulator Income Solution

The launch of the Accumulator Income solution enhances MeDirect's suitability-driven portfolio allocation capabilities, enabling wealth advisors and clients to construct income-oriented portfolios calibrated to individual risk profiles. This initiative aligns with growing demand for structured, outcome-oriented investment solutions and positions MeDirect competitively within the broader European digital wealth management landscape.

Stop Loss and Take Profit Functionality

The delivery of Stop Loss and Take Profit order types equips clients with sophisticated, real-time risk management tools, enabling automated execution at pre-defined price thresholds. This functionality enhances client autonomy in managing portfolio risk, reduces exposure to adverse market movements, and aligns with MeDirect's strategy of providing institutional-grade capabilities within a retail and affluent client digital experience.

Technology Modernisation and Operational Efficiency

Model Portfolios

The comprehensive revamp of model portfolio administration streamlines the creation, rebalancing, and monitoring of model portfolios, enhancing scalability as Assets under Management grow. This re-engineering effort replaces legacy workflows with a modern, rules-based engine that improves accuracy, reduces operational burden, and supports MeDirect's ambition to scale its discretionary and advisory wealth offerings across multiple jurisdictions.

Automation of Asset Transfers

The automation of asset transfer workflows eliminated manual processing steps in the movement of client assets between custodians and accounts, reducing settlement risk, accelerating turnaround times, and improving the client onboarding experience for portfolio consolidation, a strategically important capability for attracting high-value clients migrating from competing platforms.

Mutual Fund Execution Migration

The migration of mutual fund execution from legacy third-party infrastructure to an internally managed service constitutes one of the most strategically significant technology decisions of the year. By internalising fund execution, MeDirect gains direct control over order routing, execution quality, and cost structures, while eliminating dependency on external vendors whose service levels and pricing trajectories posed a long-term strategic risk.

Near Real-Time Pricing Engine

The proprietary pricing revamp engine replaces externally sourced pricing data workflows with a modern, internally operated service that enhances transparency, improves data quality, and reduces recurring vendor costs. This initiative forms part of a broader data sovereignty strategy that positions MeDirect to leverage proprietary data assets for future analytics, personalisation, and regulatory reporting capabilities.

e-Banking Platform

The e-Banking delivery sustained exceptional momentum throughout 2025, executing a wide-ranging programme of enhancements across payments infrastructure, corporate capabilities, fraud prevention, customer experience, and regulatory compliance. These investments reinforce MeDirect's position as a digitally-native institution capable of competing with both traditional banks and emerging challengers.

Customer Relationship and Experience

CRM Platform Launch

The deployment of a new Customer Relationship Management (“CRM”) platform represents a foundational investment in MeDirect’s client engagement infrastructure. The CRM enables a 360-degree view of client interactions across channels, supports personalised communication and marketing automation, and provides relationship managers with actionable insights to deepen wallet share. This platform is expected to serve as the backbone for future data-driven growth initiatives, including cross-selling, retention analytics, and lifetime value optimisation.

Digital Onboarding and App Pairing

Streamlined digital onboarding and app pairing journeys reduce time-to-activation for new clients while maintaining rigorous anti-fraud and Know Your Customer (KYC) controls. By minimising friction in the acquisition funnel, these enhancements directly support MeDirect’s client growth targets across Malta and its broader European footprint.

Corporate Banking Expansion

Corporate Card Capabilities

The launch of corporate card services encompassing both virtual and physical card issuance, extends MeDirect’s value proposition to business clients, complementing the Corporate Banking Platform launched in 2024. Virtual cards enable immediate issuance for online procurement and subscription management, while physical cards support everyday business expenditure. This expansion strengthens MeDirect’s positioning as a comprehensive digital banking partner for small and medium-sized enterprises.

Building on the successful 2024 launch of the omni-channel Corporate Banking Platform with its integrated salary payment module, MeDirect is now positioned to offer businesses a holistic digital banking ecosystem that unifies corporate and personal account management under a single, frictionless experience.

Payments Infrastructure Transformation

SEPA Direct Debits

The introduction of SEPA Direct Debit capabilities enables MeDirect’s clients, both personal and business to initiate and receive recurring euro-denominated collections across the Single Euro Payments Area. This capability is particularly significant for business clients managing subscription billing, membership fees, and utility payments, and represents a prerequisite for competing effectively in the European payments landscape.

Outbound Instant Payments

The launch of outbound SEPA Instant Payments delivers on a key strategic commitment signalled in the 2024 report and positions MeDirect at the forefront of real-time payment adoption in Malta. Clients can now execute euro transfers that settle within seconds, 24 hours a day, 365 days a year a capability that materially enhances MeDirect’s competitive standing against both traditional banks and digital-first challengers.

Payments Hub Enhancements

Major enhancements to MeDirect's proprietary Payments Hub have expanded processing capacity, improved automation of payment routing and reconciliation, and enabled enterprise-grade integration patterns. These upgrades support MeDirect's growing transaction volumes and provide a scalable foundation for future payment product innovation, including multi-currency capabilities and open banking integrations.

Security, Fraud Prevention and Regulatory Compliance

24/7 Fraud Prevention Services

The implementation of around-the-clock fraud stop services provides MeDirect's clients with continuous protection against unauthorised transactions, ensuring rapid response and containment capabilities regardless of time or day. This capability reflects MeDirect's commitment to best-practice fraud prevention standards and aligns with regulatory expectations.

Device Whitelisting and ThreatMetrix³ Integration

The introduction of device whitelisting and ThreatMetrix integration strengthens MeDirect's multi-layered security architecture by leveraging behavioural biometrics, device intelligence, and global threat data to detect and prevent fraud at the point of authentication. These capabilities significantly reduce MeDirect's exposure to account takeover, social engineering, and device-based attack vectors. Beyond these technical enhancements, MeDirect continued its proactive customer outreach programme, providing focused updates on emerging fraud threats and practical guidance on how clients can protect themselves.

Regulatory Statements and Administrative Tools

The delivery of enhanced regulatory statement generation and administrative tooling support MeDirect's compliance with supervisory reporting obligations while improving operational efficiency for back-office teams. These enhancements ensure that MeDirect maintains the highest standards of transparency and accountability in its regulatory interactions.

³ ThreatMetrix, now LexisNexis® ThreatMetrix®, is a digital identity intelligence platform that analyses device and behavioural data in real time to identify and prevent fraudulent online transactions and activity.

Strategic Delivery Summary

AREA	STRATEGIC PILLAR	KEY DELIVERABLES
Wealth	Product Depth	<ul style="list-style-type: none"> – OTC service-level selection – Accumulator Income solution – Stop Loss / Take Profit order types
	Tech Modernisation	<ul style="list-style-type: none"> – Model portfolio revamp & rules-based engine – Automated asset transfer workflows – Correction tool redesign
	Vendor Independence	<ul style="list-style-type: none"> – Mutual fund execution migration (in-house) – Proprietary pricing engine
e-Banking	Client Experience	<ul style="list-style-type: none"> – New CRM platform (360° client view) – Streamlined digital onboarding – App pairing journey
	Corporate	<ul style="list-style-type: none"> – Virtual & physical corporate cards – Salary payment module enhancements
	Payments	<ul style="list-style-type: none"> – SEPA Direct Debits – Outbound Instant Payments – Payments Hub capacity expansion
	Security	<ul style="list-style-type: none"> – 24/7 fraud stop service – Device whitelisting – ThreatMetrix integration – Anti-fraud customer outreach
	Compliance	<ul style="list-style-type: none"> – Regulatory statement generation – Back-office administrative tooling

Financial performance

The financial year ending 31 December 2025 was a year of deliberate and consequential action. The Group recorded a loss before tax of €6.3 million (2024: €5.0 million), an outcome that reflects the conscious and considered decisions of the Board to accelerate the Group's strategic repositioning, absorb legacy costs and enter 2026 with a clean balance sheet and a clear growth mandate. Three principal factors shaped the financial result for the year:

The Group substantially completed its exit from the ICL asset class, reducing the net portfolio by 90% at the year end. This was an accelerated and deliberate de-risking of the balance sheet, consistent with the Group's strategic focus on its core retail and business banking franchises in Malta and Belgium. The impact was net nil contribution to this year's profitability, from the Group's historically highest-margin asset class, with income offset by disposals and wind-down costs.

- Leverage ratio constraints prevailing until the completion of the acquisition in September 2025 moderated balance sheet growth, lending activity and revenue generation across both core markets for the greater part of the year.

- Restructuring and reorganisation measures arising from the Group's strategic repositioning were enacted during the year, alongside a post-acquisition balance sheet review that identified and resolved residual prior period exposures, all fully charged in 2025; impact €4.3 million

Adjusting for €4.3 million one-off factors, the Group delivered an underlying net operating profit of €0.8 million in 2025 (2024: €14.3 million). Net underlying operating profit was driven by the following factors:

- Operating income amounted to €76.9 million, a decrease of €8.8 million or 10.3% (2024: €85.8 million), adjusted for €1.0 million charge arising from the post-acquisition balance sheet review. The key driver of this reduction was the accelerated exit from the ICL asset class, which accounted for approximately €10.3 million of the year-on-year decline, reflecting the near-total wind-down of what had previously been the Group's highest-margin lending portfolio.
- On the underlying basis, excluding the impact of the ICL portfolio, operating income grew €1.2 million or 1.3%. The increase in net interest income was principally attributable to growth across all mortgage lending segments and the Maltese business banking portfolio, partially offset by lower interest revenue on treasury investments, which declined in line with the broader reduction in market interest rates during 2025. Net growth of €0.7 million or 10.3% was registered in fees from the wealth business and other commissions for a total amount of €7.9 million in 2025.
- Operating costs increased by €4.7 million to €76.1 million (2024: €71.5 million), adjusted for €3.2 million charges arising from restructuring, reorganisation measures, and the post-acquisition balance sheet review. The principal driver of the underlying cost increase was €4.2 million of incremental regulatory charges in respect of Depositor Compensation Schemes ("DCSs") and supervisory fees across the Group's Belgian and Maltese operations. These charges are non-discretionary and regulatory in nature, excluding these levies, the Group's cost base remained broadly unchanged from the prior year, demonstrating a continued discipline in the management of its expenses.

Expected credit losses ("ECLs") for the financial year 2025 amounted to a €2.9 million net charge (2024: €19.3 million net charge). The net movement in provisions for the year was predominantly attributable to the unwinding of credit provisions held against the ICL portfolio, consistent with the Group's substantially completed exit from that asset class and the de-recognition of the associated credit exposures.

On an underlying basis, the Group recorded a net operating profit of €0.8 million for the year. This was more than offset by an adverse ECL charge of €2.9 million, resulting in an underlying loss before tax of €2.1 million. After absorbing €4.3 million of non-recurring charges arising from restructuring, reorganisation measures and the post-acquisition balance sheet review, the reported loss before tax amounted to €6.3 million.

Balance Sheet Position

The Group's total assets grew by 5.2% during the financial year, reaching €5.34 billion as of 31 December 2025 (31 December 2024: €5.07 billion), reflecting the continued execution of MeDirect's growth strategy and the sustained expansion of its core business activities.

Balance Sheet transformation

The Group substantially completed its exit from the ICL asset class during 2025, through non-replacement of repayments and targeted portfolio disposals, reducing the net ICL balance by 90% to €21.5 million at 31 December 2025, from €208.8 million at the prior year end. Two residual senior secured loan exposures remained in Malta and one revolving credit facility in Belgium, the latter being in the process of wind-down.

Net loans and advances to customers grew by 3.3% to €3.0 billion at 31 December 2025, from €2.9 billion at the prior year end. Excluding the ICL portfolio run-down, underlying lending balances grew by 10.4% across both core markets and the majority of asset classes, reflecting continued diversification of the balance sheet. Key developments were as follows:

- MeDirect's mortgage portfolio continued to be anchored by Dutch government-guaranteed NHG mortgages, which represented 38% of total assets at the year end. The relative weighting of NHG mortgages within the portfolio has been gradually reduced in line with the Group's strategic objective of achieving a more diversified balance sheet composition. The partnership with HollandWoont, a leading Dutch NHG origination and servicing platform, enables MeDirect to control the origination of NHG mortgages based on its strategic priorities and market conditions.
- MeDirect's Dutch Buy-to-Let mortgage portfolio, established in October 2022 in partnership with Build Finance, reached €248.3 million as of 31 December 2025, representing 43% growth. Using the Build Finance platform, MeDirect is building its Dutch Buy-to-Let business in a controlled manner and benefits from attractive risk-adjusted returns.
- The volume of Belgian residential mortgage receivables acquired from Allianz surpassed €500 million, representing growth of 48% over the prior year. This reflects the continued scaling of the Group's mortgage acquisition activity, underpinned by a disciplined approach to credit selection and efficient capital deployment, whilst maintaining strong portfolio quality.
- The Maltese mortgage portfolio continued to expand during 2025, generating solid year-on-year growth of 17%, building on the suite of products offered to retail clients.
- The corporate banking franchise in Malta continued to gain momentum, with the business lending portfolio growing by 35.6% during 2025, a significant acceleration from the 7.5% growth recorded in 2024. This was underpinned by fully collateralised lending facilities and a sustained commitment to supporting local businesses.

The investment portfolio increased by a net €82.6 million or 6.1%. The gross rate of return on treasury investments decreased from 3.2% in 2024 to 2.1% in 2025. One of the key contributing factors was the decrease in market rates, with Euribor 3m declining by 1.4% on average between 2024 and 2025. The Group continued diversifying its investments into “AAA” rated notes issued by securitisations of consumer finance, auto loans and mortgage loan receivables originated in the Dutch and German markets.

The funding mix shifted moderately further toward customer deposits as the Group’s primary source of funding, mostly through increased retail deposits. At year-end 2025, customer deposits stood at €4.1 billion, an increase of 6.7% from the previous year’s €3.9 billion.

Liquidity and capital position of the Group

Throughout the financial year, MeDirect maintained sound liquidity and capital positions, providing a solid foundation for the continued execution of its business strategy and the pursuit of sustainable growth.

The Group’s liquidity remained in excess of minimum regulatory requirements. As of 31 December 2025, the Liquidity Coverage Ratio (LCR) stood at 196% (2024: 183%), and the Net Stable Funding Ratio (NSFR) at 133% (2024: 122%), both reflecting the Group’s prudent approach to liquidity risk management and its sound structural funding profile.

From a capital adequacy perspective, MeDirect’s Tier 1 capital ratio was 20.8% as of 31 December 2025 (2024: 16.4%), with a total capital ratio of 23.5% (2024: 19.8%). Both ratios exceeded applicable regulatory minimum requirements, Pillar 2 recommendations, and internal management buffer thresholds, underscoring the Group’s resilient capitalisation and its capacity to absorb potential shocks while supporting business growth.

The leverage ratio increased to 4.8% at year-end 2025 (2024: 4.4%), reflecting both additional capital invested by the shareholder and the Group’s continued balance sheet discipline.

Asset Quality

During the financial year, the Group broadly concluded its de-risking strategy, marking a significant milestone in the ongoing enhancement of its asset quality. Through the active management of its Non-Performing Loan (“NPL”) portfolio, including the selective divestment of non-performing exposures predominantly within the ICL portfolio, the Group achieved a material reduction in its NPL ratio.

As of 31 December 2025, the NPL ratio stood at 0.9%, compared to 2.2% in the previous year, representing a reduction of 130 basis points year-on-year and reflecting the Group’s disciplined approach to credit risk management and its commitment to maintaining a high-quality loan book.

ESG and Social responsibility

During the year, MeDirect continued to embed Environmental, Social and Governance (“ESG”) principles across its operations and to foster ESG awareness throughout the organisation. Following the initial reporting of the Group’s carbon footprint in December 2023, MeDirect has maintained ongoing monitoring of its carbon emissions as part of its broader approach to sustainability.

These efforts reflect the Board's commitment to reducing both the Group's own operational carbon footprint and its financed emissions, in pursuit of the net-zero target by 2050, consistent with the objectives of the Paris Agreement.⁴

In furtherance of this commitment, the Group's offices in Malta and Belgium hold LEED (Leadership in Energy and Environmental Design)⁵ and CWaPE (Commission wallonne pour l'énergie)⁶ certifications respectively, demonstrating adherence to recognised environmental standards across its principal operating locations.

Regulatory compliance remained central to the Group's ESG agenda. During the year under review, MeDirect completed a Double Materiality Assessment, through which the key material topics that will inform and underpin the Group's ESG strategy going forward were identified. The Directors consider this a significant step in strengthening the Group's governance framework and ensuring that its ESG commitments are grounded in a structured and transparent assessment process.



The Group's ESG performance continued to receive independent external recognition. EcoVadis awarded MeDirect a Gold Medal in 2025, placing the Group among the top five percent of companies rated globally. Ongoing training and awareness initiatives remain an organisational priority, ensuring the continued and consistent integration of ESG principles throughout the Group's business processes and culture.

On the social front, the Group deepened its focus on Diversity, Equity, and Inclusion ("DEI") by becoming a signatory to the Malta Diversity and Inclusion Charter. As of December 2025, MeDirect had employees from over thirty nationalities, with 61% of the workforce being male and 39% female. MeDirect prides itself on developing its employees and promoting from within. The Group contributes to the local communities in which it operates by supporting charitable organisations as well as talented individuals areas such as sports and culture through sponsorships, donations, and the voluntary actions of its employees. Progress in implementing the requirements of the EU Accessibility Act further demonstrated MeDirect's commitment to fostering an inclusive and accessible banking environment for all stakeholders.

Conclusion

In 2025, the Group successfully navigated a period of significant transition, emerging as a stronger, better-capitalised and more strategically focused organisation. The completion of the acquisition by Banka CREDITAS marks the beginning of a new chapter in the Group's development, bringing with it a financially strong and strategically aligned controlling shareholder, €40 million of new capital and a firm commitment of further investment in 2026.

⁴ The Paris Agreement is an international climate treaty adopted under the United Nations Framework Convention on Climate Change (UNFCCC) in December 2015, establishing a global framework to limit global warming and achieve net-zero greenhouse gas emissions by 2050.

⁵ An internationally recognised green building certification programme, awarded to buildings that meet defined standards of energy efficiency, sustainable design, and environmental performance.

⁶ Regulatory body for the energy market in the Walloon Region of Belgium. CWaPE certification recognises compliance with regional energy efficiency and sustainability standards.

Notwithstanding the changes in ownership and senior leadership, MeDirect continued throughout 2025 to execute its business strategy with consistency and purpose. The Group grew its client franchise across Malta and Belgium, expanded the breadth of its digital banking and wealth management offering, and continued to invest in the proprietary technology platform that underpins MeDirect's distinctive market proposition. The net loss recorded for the year was a loss of intent. It reflected the Board's deliberate decision to front-load restructuring and reorganisation actions, de-risk the balance sheet, and position the Group unequivocally for a return to sustainable profitability. The reported result was further magnified by significant incremental regulatory charges, non-discretionary in nature, which arose unexpectedly during the year and are likely to persist at a similar level going forward. The Group is committed to absorbing these charges within its operating model as it continues its trajectory toward sustainable profitability.

Looking beyond 2026, the Group's strategic priorities are clear and executable: to grow its client franchise across Malta and Belgium, to deepen client relationships through an increasingly seamless and comprehensive digital offering, to extend the reach of its wealth management platform, to broaden and strengthen its business banking franchise in Malta as a long-term and reliable partner to its business clients, and to generate stable and consistent returns for the benefit of all stakeholders. The Group's ability to listen to client feedback, anticipate industry trends and adapt its offering accordingly has been and will remain central to its competitive positioning. With the support of Banka CREDITAS and a talented and committed team across Malta and Belgium, the Board enters 2026 with confidence - in the Group's strategy, in its people and in its platform.

Board of Directors

Under the Company's Articles of Association, directors shall serve until they resign or are removed in accordance with the provisions of the Act or the Company's Memorandum and Articles of Association.

The Directors of the Company who held office during the year were:

Mr. Bart Bronselaer	- appointed as independent non-executive director on 27 November 2024 and became Chair on 11 December 2024
Mr. Jean-Claude Maher	- appointed as chief executive officer and executive director on 13 March 2025
Ms. Izabela Banas	- appointed as chief financial officer and executive director on 4 September 2024
Mr. Philip English	- appointed as non-executive director on 21 August 2023
Ms. Dina Quraishi	- appointed as independent non-executive director on 6 July 2023
Mr. John Zarb	- appointed as independent non-executive director on 12 July 2017
Mr. Arnaud Denis	- appointed as chief executive officer and executive director on 15 October 2019 and resigned on 31 January 2025
Ms. Lisa Fergus	- appointed as chief risk officer and executive director on 14 December 2023 and resigned on 10 October 2025

Dividends and reserves

The retained earnings of the Group amounted to €36.8 million (2024: €45.8 million) and of the Company amounted to €34.5 million (2024: €43.5 million). After consideration of the financial results of the Group, the Directors of the Company do not recommend the payment of a final dividend. The Board has determined that the Group should conserve its capital to maximise its ability to support its customers, to continue to strengthen its balance sheet and to invest selectively in its platform.

Confirmation of MeDirect's going concern assessment

After due consideration of MeDirect's business, profitability projections, funding and capital plans, robust risk and internal control processes and taking into account the broader macroeconomic outlook, the Directors confirm that in their opinion MeDirect is in a position to continue operating as a going concern for the foreseeable future. The Board is satisfied that at the time of approving these financial statements, MeDirect will have sufficient capital to meet not only its regulatory capital and liquidity requirements but also any internal risk buffers and any buffers recommended by its regulators.

Enhancing risk governance

MeDirect recognises the importance of adopting robust enterprise-wide risk management principles across all areas of its operations. The Group's core objective in managing risk is to safeguard its customers, counterparties, and stakeholders, while preserving financial resilience and supporting sustainable growth. Through the continued strengthening of its risk management framework and governance structures, MeDirect remains committed to fostering a strong risk culture embedded throughout the organisation, ensuring that risk considerations are integral to strategic decision-making and day-to-day operations.

Managing risk effectively, efficiently, and sustainably is an integral part of the Group's business strategy. MeDirect's risk management approach focuses on ensuring continued financial soundness and safeguarding the interests of its stakeholders while retaining the ability to pursue value-creating business opportunities in a fast-changing environment. This is achieved through high standards of corporate governance and sound risk management principles embedded in the Enterprise Risk Management Framework ("ERMF"). The ERMF outlines the highest-level principles for risk management by setting out standards, objectives and key responsibilities of different risks and groups across the Group.

MeDirect maintains a well-established risk governance structure, underpinned by an active Board of Directors, an experienced senior management team and a centralised risk management function that operates independently of the business lines. The Board of Directors retains primary decision-making authority, supported by oversight from the Board-level Risk and Compliance Committee. Executive-level governance is exercised through a number of dedicated committees, including the Enterprise Risk Management Committee and Compliance and Financial Crime Committee.

The Board sets the tone from the top by defining the Group's risk culture and holding ultimate accountability for prudent and effective risk management. Clear governance arrangements ensure disciplined risk-taking, defined responsibilities and robust oversight.

Risk ownership and control remain embedded in the business and are cascaded from MeDirect's senior management through all three lines of defence, supported by independent risk and compliance oversight and complemented by internal audit assurance. These functions operate with sufficient independence, resources and direct access to the Board to provide credible challenge.

The Group has established a comprehensive and robust risk management framework which sets forth the steps necessary to assess, manage, monitor, and report current and emerging risks, whilst continually seeking to improve and evolve its risk management practices to ensure that it can proactively manage its risk environment.

MeDirect has designed its risk management framework to support and enable the sustainable delivery of its strategy. This risk management framework ensures that new and proposed business lines, areas of growth, changes in technology and management decisions have robust oversight and are well governed.

Risks are monitored through regular and timely risk reporting, enabling the proactive identification and management of risks with the aim of reducing or avoiding undue exposure to various specific risk types. The ERMF identifies the following principal risks which are: business model and strategy risk, capital adequacy, liquidity risk, credit risk, market risk (including IRRBB, CSRBB and FX risk), operational risk, IT and information security risk, financial crime risk, regulatory risk, reputational risk, geopolitical risk and sustainability risk. The framework also supports the identification of new and emerging exposures relevant for MeDirect, for example, through the risk inventory, ensuring that evolving external developments and changes in the Group's operating environment are appropriately assessed, monitored and managed.

Risk appetite limits established by the Board set forth the amount and types of risk that MeDirect is prepared to accept or tolerate when delivering its strategy. These risk appetite limits are embedded in policies, management authorities, and limits across the Group. Frequent and close monitoring of all risk appetite limits, combined with comprehensive reporting to management and the Board ensures that risk is maintained within acceptable levels in accordance with the Group's risk appetite.

In addition, all material risk categories are subject to stress testing analysis at a risk type and portfolio level to ensure that MeDirect remains financially healthy during and after severe risk events. Stress testing is an important component of the Group's risk management framework and covers a wide range of idiosyncratic and market-wide scenarios. Beyond providing senior management with insights into vulnerabilities under exceptional but plausible conditions, stress testing forms an integral part of the annual budgeting and risk appetite-setting process. Throughout the financial planning cycle, preliminary budget assumptions are used to update stress scenarios and perform stress test whose results are continuously refined and fed back into the budgeting process, ensuring that updated capital, liquidity and credit risk projections inform risk taking plans. This iterative loop and ongoing process (conducted by Risk Management department supported by Finance, ALM/Treasury and other teams from the first line), also informs the definition of the Risk Appetite Statement, the calibration of risk appetite limits, and the assessment of medium term balance sheet resilience. In doing so, stress testing enables the Group to identify potential risk segments in its business model, validate the prudence of budget assumptions, and develop appropriate risk controls, contingency plans and mitigating actions.

MeDirect's Board regularly discusses and monitors controls, addressing any threats or emerging risks which could potentially have an adverse effect on the operations or financial condition of the Group. Controls include, amongst others, maintaining an adequate and diversified funding base, interest rate hedging aimed at protecting its balance sheet, continuing reduction of credit risk and diversification of the balance sheet into lower-risk mortgage assets and robust operational risk controls, particularly in view of the Group's reliance on technology to improve the efficiency of its operations.

Related parties

During the year ended 31 December 2025, other than the transactions described under note 35 to the financial statements, there were no material changes in related party transactions as compared with those described in the financial statements for the year ended 31 December 2024. In addition, no related party transactions materially affected the financial position or liquidity of MeDirect.

MeDirect confirms that there were no material contracts to which it or any of its subsidiaries was a party in which any of its directors was directly or indirectly interested.⁷

Events after the reporting date

There were no events after the reporting date that would have a material effect on the financial statements of the Company or the Group.

Pillar 3 disclosures

MeDirect is required to publish Pillar 3 quantitative and qualitative disclosure requirements.⁸ The Group publishes its full Pillar 3 disclosures annually as a separate document that is available on MeDirect's website.

Standard licence conditions applicable under the Investment Services Act (Cap. 370)

Licence holders are required to include in the Directors' Report breaches of standard licence conditions under the Investment Services Act (Cap. 370). The Directors confirm that no breaches of standard licence conditions and no other breach of regulatory requirements under the Investment Services Act (Cap. 370) that were subject to administrative penalty or regulatory sanction were reported during the financial year.

Statement of Directors' responsibilities for the financial statements

MeDirect is required by the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386) to prepare financial statements that give a true and fair view of the state of affairs of the Company and the Group as of the end of each reporting year and of the profit or loss for that year.

⁷ Statement pursuant to Capital Market Rule 5.70.1.

⁸ As governed by BR 07: Publication of Annual Report and Audited Financial Statements of Credit Institutions authorised under the Maltese Banking Act (Cap. 371), issued by the MFSA, which follows the disclosure requirements of EU Regulation No 575/2013 (CRR) of the European Parliament and of the Council of 26 June 2013 and the Commission Implementing Regulation (EU) 2021/637 of 15 March 2021.

In preparing the financial statements, MeDirect is responsible for:

- ensuring that the financial statements of the Group and Company have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting suitable accounting policies and applying them consistently;
- making judgements and estimates that are reasonable;
- accounting for income and charges relating to the accounting period on the accruals basis;
- valuing separately the components of asset and liability items;
- reporting comparative figures corresponding to those of the preceding accounting period; and
- preparing the financial statements on a going concern basis, unless it is inappropriate to presume that the Group and Company will continue in business as a going concern.

MeDirect is also responsible for designing, implementing, and maintaining internal controls designed to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and that comply with the Maltese Companies Act (Cap. 386). MeDirect is also responsible for safeguarding the assets of the Company and the Group and for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The financial statements of the Company for the year ended 31 December 2025 are included in the Annual Report 2025, which is published in hard-copy printed form and will be made available on the Group's website. MeDirect is responsible for the maintenance and integrity of the Annual Report on the website in view of its responsibility for the controls over and the security of its website. Access to information published on the Group's website is available in other countries and jurisdictions where legislation governing the preparation and dissemination of financial statements may differ from requirements or practice in Malta.

Statement by the Directors pursuant to Capital Market Rule 5.68⁹

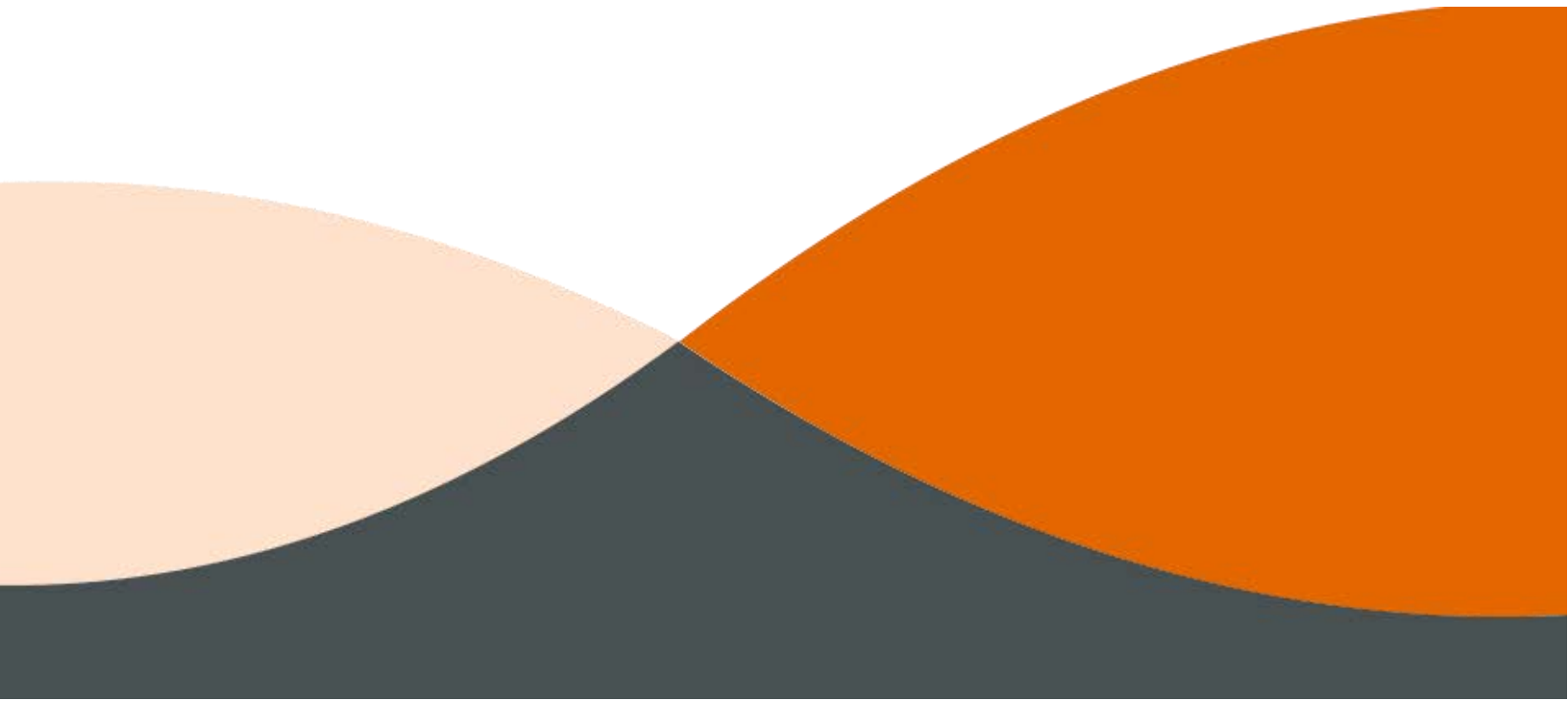
The undersigned declare that to the best of their knowledge, the financial statements were prepared in accordance with the applicable accounting standards, give a true and fair view of the assets, liabilities, financial position and profit or loss of the Company and its subsidiaries included in the consolidation taken as a whole and that this report includes a fair review of the performance of the business and the position of the Company and its subsidiaries included in the consolidated financial statements, together with a description of the principal risks and uncertainties that it faces.

Signed by Bart Bronselaer (Chair) and Jean-Claude Maher (Chief Executive Officer) on 11 March 2026.



⁹ Statement in accordance with SLC 7.60 of the Investment Services Rules for Investment Services providers regulated by the MFSA

Who we are



Our vision is

Delivering choice, transparency, and digital-first banking

MeDirect Group is a Maltese-anchored bank, operating in Malta and Belgium, with a clear vision to provide individual customers with a wide choice of high-quality investment and financial products. Through our open architecture model and intuitive online and mobile platforms, we give access to some of the best investment solutions available on the market. Combined with our daily banking and savings products, this makes MeDirect the ideal choice for self-driven individuals looking to build their wealth with confidence.

In Malta, our focus on choice and excellence also extends to business customers. As a financial institution founded and headquartered locally, we play an active role in supporting Malta's economy. The country's business community increasingly relies on us as a trusted partner, using our digital business banking platform to access a full range of transaction and lending solutions tailored to its needs.

Across both personal and business banking, challenging the larger, more established players within the sector is part of our DNA. The choice we offer is backed by market-leading expertise, from our funds and ETFs offering in Belgium to our advisory and business services in Malta. This expertise, combined with technology, ensures we deliver both quality and value.

The technology and resources to scale rapidly

Achieving our ambitions is made possible by our technology. MeDirect's proprietary, modular banking platform enables us to scale rapidly and integrate seamlessly with partners to deliver intuitive, customer centric solutions. By leveraging cloud-agnostic, microservices-based architecture, we ensure rapid deployment, cost efficiency, and adaptability to market demands.

This architecture gives us the flexibility and agility to respond swiftly to evolving market needs. The completion of our acquisition by Banka CREDITAS a.s. in 2025, and the resulting investment in our Group, positions us strongly for accelerated growth and innovation.

Consistent Values

At MeDirect, our values guide everything we do, and we thrive in the changing world around us:

Autonomy: We empower our customers and give them the tools to manage their money, their way. We encourage our employees to take ownership of their work and grow their skills.

Innovation: We are results driven and constantly review how we go about delivering on our vision and improving our value proposition.

Transparency: The financial world isn't simple, but the MeDirect app is. We communicate clearly with our clients and our colleagues.

Responsibility: We take our responsibilities to all our stakeholders seriously - customers, employees, regulators, investors and the broader community.

Customer Proposition

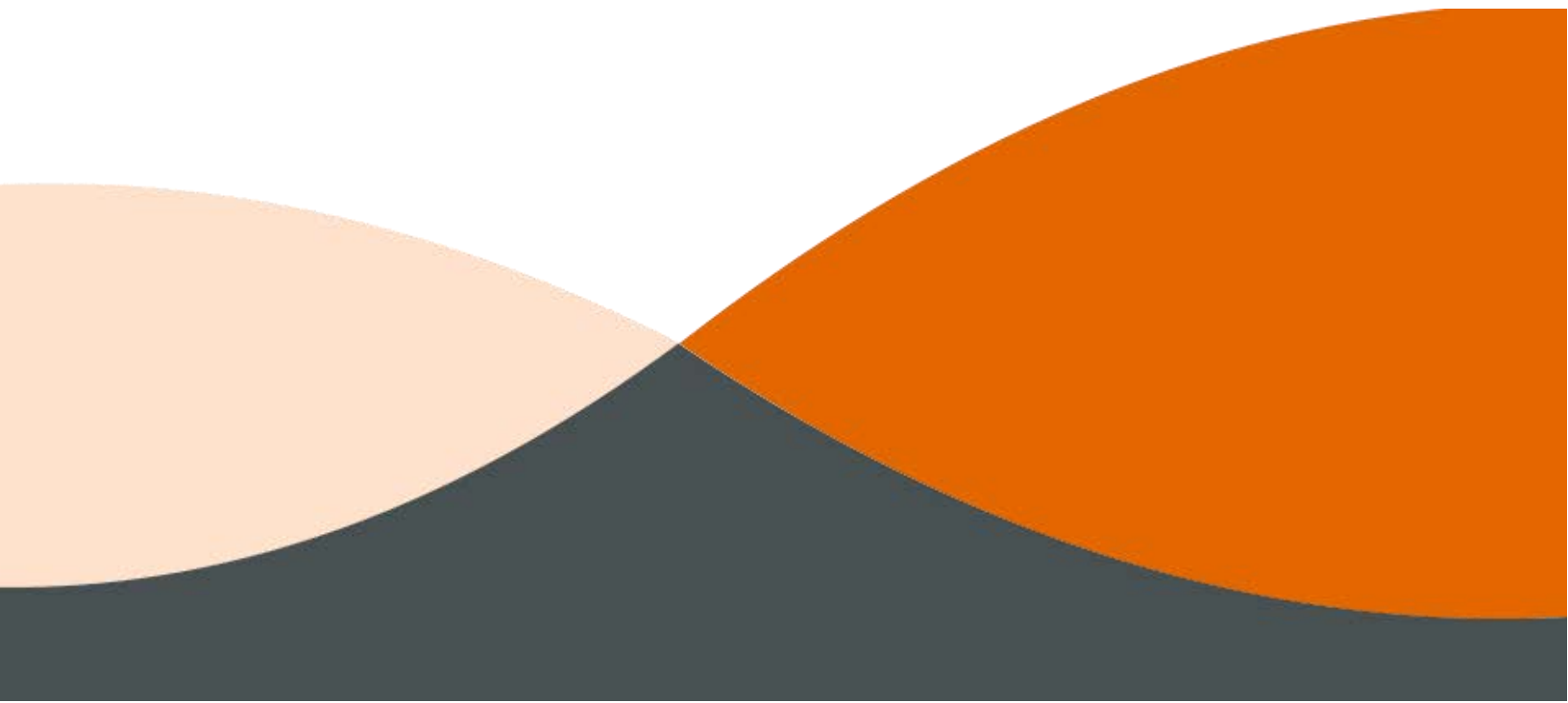
These values underpin our customer proposition to deliver choice, transparency, and digital-first banking by offering:




- * Freedom and flexibility, embodied in our “My Money, My Choices” branding
- * Comprehensive investment solutions, including brokerage, discretionary portfolio management and model portfolios
- * Business services that support business operations and growth
- * Convenience and transparency through a seamless digital experience backed by competitive pricing
- * Personalised advisory services in Malta through our branches


Looking Ahead

In partnership with Banka CREDITAS a.s., MeDirect is entering a new phase of expansion. We are focused on scaling our banking platform, expanding our product range, and strengthening our presence. We are at an important point in our journey and determined to deliver even greater value to our customers and stakeholders.


Group Board



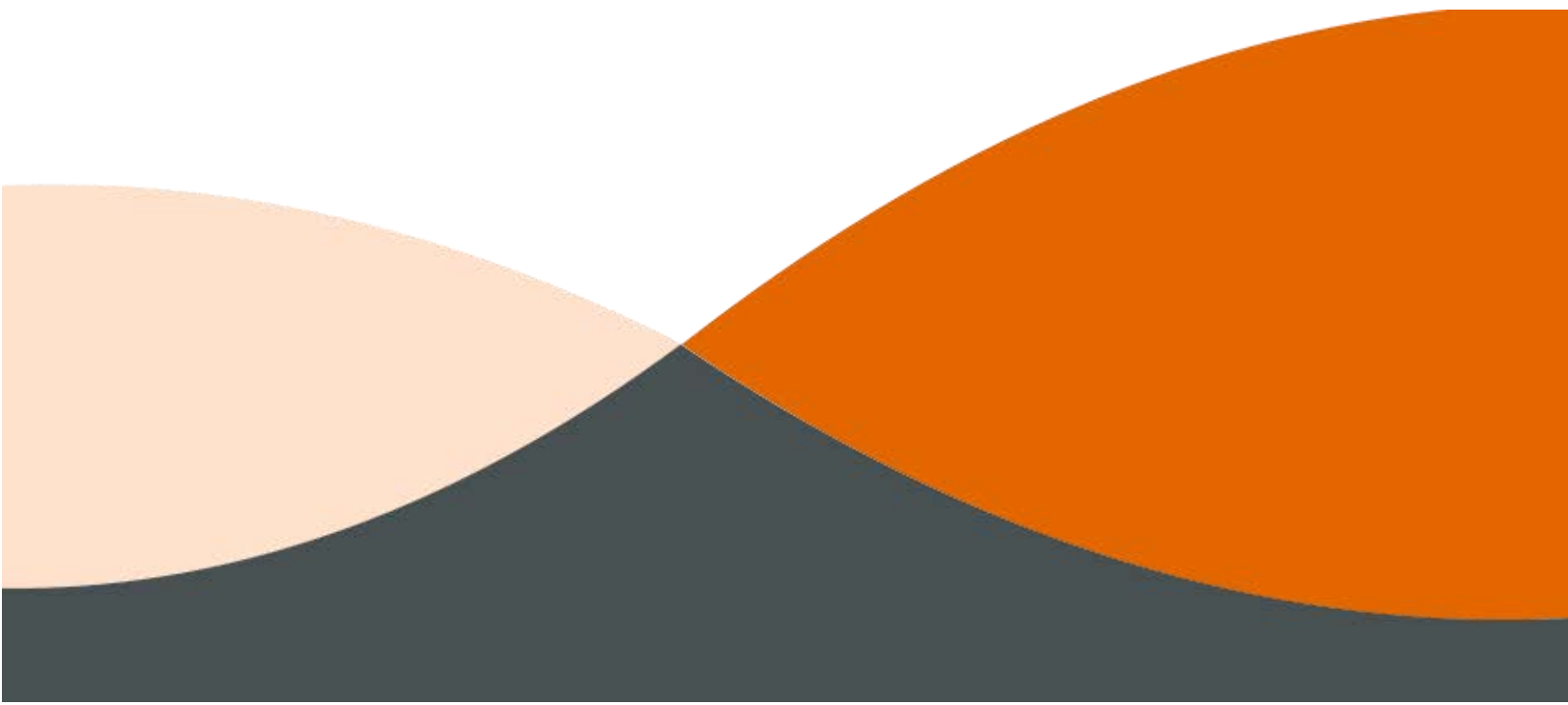
	<p>Bart Bronselaer <i>Independent Chair and Non-Executive Director</i></p> <ul style="list-style-type: none"> - Joined the MDB Group Board on 27 November 2024 as Chair of the Board - Joined the Board of Directors of MeDirect Bank SA on 12 January 2021 and served as the Chair of the Board Risk Committee at MeDirect Bank SA through to March 2025. <p>Former key positions held:</p> <ul style="list-style-type: none"> - Head of Debt Markets, Merrill Lynch International (London) - Chair of the Board of Directors, Royal Park Investments - Director, Dexia NV - Director, Dexia Credit Local - Chief Executive Officer and Chair of the management committee ad interim of Dexia NV and Director and Chief Executive Officer ad interim of Dexia Credit Local <p>External appointments:</p> <ul style="list-style-type: none"> - Director, United Pensions OFP - Member of the Board of Schools of "Zusters Annunciaten," a single board of directors overseeing multiple schools organised into four separate groups.
	<p>Dina Quraishi <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> - Appointed to the MDB Group Board on 6 July 2023 and is the Chair of the Risk and Compliance Committee, member of the Audit Committee and observes the Nominations and Remuneration Committee - 20+ years of experience in risk management covering various sectors including payments, FinTech, engineering and financial services. <p>Former key positions held:</p> <ul style="list-style-type: none"> - A former Chief Risk Officer and risk leader within several international corporates, Dina has been a member of Malta's independent National Climate Action Council since October 2024 and is a partner at Solvo Partners. <p>External Appointments:</p> <ul style="list-style-type: none"> - None.
	<p>John Zarb <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> - Joined the MDB Group Board on 17 July 2017 and is the Chair of the Audit Committee - 40 years of experience with PwC in Malta, retiring from his role as Partner in 2014 <p>Former key positions held:</p> <ul style="list-style-type: none"> - Formerly President of Malta Institute of Accountants and served as Malta's representative on the EU Accounting Regulatory Committee and on the Accountancy Board for several years <p>External appointments:</p> <ul style="list-style-type: none"> - Director, Foster Clark Products Ltd - Board member and Chair of the Audit committee of Tumas Investments plc and board member and Chair of the Remuneration Committee of its parent company, Tumas Group Company Limited

	<p>Philip English <i>Non-Executive Director</i></p> <ul style="list-style-type: none"> - Joined the MDB Group Board on 21 August 2023 - 30+ years of experience focusing on portfolio management, security valuation, financial markets and institutions and commercial banking. <p>Former key positions held:</p> <ul style="list-style-type: none"> - Served on the Board of Directors of the CFA Society Washington, DC - Served on the Investment Management Committee for Raffa Wealth Management <p>External appointments:</p> <ul style="list-style-type: none"> - Research Associate Professor of Finance at the Fox School of Business, Temple University - Executive Director of the Fischer-Shain Centre for Financial Services and executive member of its Board
	<p>Jean-Claude Maher <i>Director and Group Chief Executive Officer</i></p> <ul style="list-style-type: none"> - Joined MDB Group Ltd. as Director and Group Chief Executive Officer as of 17 March 2025. - Previously joined MeDirect Bank SA/NV in February 2025 as Chief Operating Officer <p>Former key positions held:</p> <ul style="list-style-type: none"> - Served as Country Chief Operating Officer at Deutsche Bank, following a series of progressively senior roles of increasing responsibility spanning June 1994 to July 2023. <p>External Appointments:</p> <ul style="list-style-type: none"> - None.
	<p>Izabela Banas <i>Director and Group Chief Financial Officer</i></p> <ul style="list-style-type: none"> - Joined MDB Group as Group Chief Financial Officer in June 2024 and formally as a director on MDB Group Board on 4 September 2024. <p>Former Key Positions Held:</p> <ul style="list-style-type: none"> - 25+ years' experience in finance at large corporations, 18 years in financial services - CFO, Bank of Valletta plc - CFO, HSBC Private Bank, EMEA - Various senior management positions in finance at Credit Suisse, Willis Towers Watson and General Electric - Certified Lean Sigma Black Belt <p>External Appointments:</p> <ul style="list-style-type: none"> - Deputy Chair of the Malta Bankers Association.

The above is the Board as of the date of this Annual Report. In addition to the above, Mr. Martin Kubiček was nominated as Group Chief Risk Officer and Executive Director of MDB Group Limited and MeDirect Bank (Malta) plc, subject to regulatory approval. Furthermore, Mr. Steve Agius and Mr. Josef Holub were nominated as non-executive directors, whilst Mr. Chris Portelli, the Group Chief Technology Officer was nominated as an executive director. All these appointments are subject to regulatory approval.

	<p>Josef Holub <i>Nominated as Non-Executive Director (subject to regulatory approval)</i></p> <ul style="list-style-type: none"> - Nominated on 17 November 2025 as non-executive director and as a member of the Board Nominations and Remuneration Committee and the Board Risk and Compliance Committee <p>Former Key Positions Held:</p> <ul style="list-style-type: none"> - Chief Financial Officer and Board member, Banka CREDITAS - CFO, Aviva životní pojišťovna a.s. - Audit, PriceWaterhouse (now PWC) - Economist, Škoda Plzeň <p>External Appointments:</p> <ul style="list-style-type: none"> - Member of the Supervisory Board and Audit Committee of Banka CREDITAS
	<p>Dr. Steve Agius <i>Nominated as Non-Executive Director (subject to regulatory approval)</i></p> <ul style="list-style-type: none"> - Nominated on 17 November 2025 as non-executive director and as a member of the Board Risk and Compliance Committee - Holds a PhD in the use of data to address cognitive flaws. <p>Former Key Positions Held:</p> <ul style="list-style-type: none"> - Chief Executive Officer, Identita Malta - Chief Operations Officer and Head of COVID-19 Vaccination Programme, Mater Dei Hospital, Malta - Non-executive Director, Bank of Valletta plc - Chief of Information and Development, Malta Communications Authority <p>External Appointments:</p> <ul style="list-style-type: none"> - CEO, Active Ageing and Community Care - Visiting senior lecturer, Faculty of Economics, Management and Accountancy
	<p>Martin Kubiček <i>Nominated as Executive Director and Group Chief Risk Officer (subject to regulatory approval)</i></p> <ul style="list-style-type: none"> - Nominated as executive director and Group Chief Risk Officer on 17 November 2025. <p>Former Key Positions Held:</p> <ul style="list-style-type: none"> - Board Member and Chief Risk Officer, Max Banka - Board Member and Chief Risk Officer, Expobank cz - Head of Enterprise Risk Management, Moneta Money Bank - Head of Enterprise Risk Management, GE Money Bank <p>External Appointments:</p> <ul style="list-style-type: none"> - Member of the Management Board and Chief Risk Officer, Banka CREDITAS
	<p>Chris Portelli <i>Group Chief Technology Officer and nominated as Executive Director (subject to regulatory approval)</i></p> <ul style="list-style-type: none"> - Nominated as executive director on 6 February 2026. - Has been serving as Chief Technology Officer since May 2021. He held positions of progressive succession & responsibility at MeDirect since May 2018 <p>Former Key Positions Held:</p> <ul style="list-style-type: none"> - Service Manager – CSL Data Centre Services <p>External Appointments:</p> <ul style="list-style-type: none"> - None

Statement of Compliance with the Principles of Good Corporate Governance



Introduction

The Group hereby reports on the extent to which the Code of Principles of Good Corporate Governance (the “Code”) has been adopted by its subsidiary MeDirect Bank (Malta) plc (“MeDirect Malta”) as required by the Capital Markets Rules of the Malta Financial Services Authority.

The Group acknowledges that the Code does not dictate or prescribe mandatory rules but recommends principles of good practice. However, the Directors believe that such practices are in the best interests of MeDirect Malta, its shareholders and other stakeholders, primarily because compliance with principles of good corporate governance is expected by investors on the Malta Stock Exchange and evidences the Directors’ and the Group’s commitment to a high standard of corporate governance.

The Directors report that since MeDirect Malta is a company that only issues debt securities and has not issued equity securities which are traded in a multilateral trading facility, it is exempt from disclosing the information prescribed in Capital Markets Rules 5.97.1, 5.97.2, 5.97.3, 5.97.6 and 5.97.8 in this corporate governance statement. It is in the light of these factors that the Directors are herein reporting on the corporate governance of MeDirect Malta.

The Directors are aware that the Code highlights principles which although of general application to listed companies are adaptable by each company depending on its particular circumstances. Those circumstances are more often than not determined by two factors: (i) the specific nature of the business of the company; and (ii) the fact that whilst certain principles in the Code are applicable to companies the equity securities of which are listed on the Stock Exchange, they are not altogether applicable, or not applicable in the same manner, to companies that fall within the definition of a listed company by virtue of having issued debt instruments which are listed on the Malta Stock Exchange. In this context, the Directors believe that the Group’s current organisational set up guarantees the proper and efficient functioning of MeDirect Malta and provides adequate corporate governance safeguards.

Compliance with the Code

Principles 1 and 3: Board of Directors and composition of the Board

MeDirect Malta’s Board of Directors (the “Board”) included directors with a diverse range of skills and experience acquired in senior roles with international banks and financial organisations, professional firms and government entities. At 31 December 2025, the MeDirect Malta Board consisted of four non-executive members and two executive members, satisfying the rule that one third of the Directors should be Non-Executive Directors, with the majority of the Non-Executive Directors being independent.

The Chair and the Chief Executive Officer of MeDirect Belgium have a standing invitation to attend discussions as observers; however, they are excluded from any decision-making processes. The size and composition of the Board are considered fully adequate for MeDirect Malta's needs, reflecting an appropriate balance of skills and experience relative to the organisation's scale and operations.

All Directors are deemed to be fit and proper to direct the business of MeDirect Malta.

The Board of MeDirect Malta cooperates closely with the Board of its direct subsidiary, MeDirect Belgium, to ensure consistent application of Group standards and coordination of activities, whilst at the same time respecting the independence of each Board and their respective needs to meet all applicable statutory and regulatory obligations in the jurisdictions in which they are organised and do business.

Principle 2: Chair and Chief Executive Officer

The offices of MeDirect Malta's Chair and Chief Executive Officer are held by different individuals, avoiding concentration of authority and power in one individual and differentiating the leadership of the Board from that of running MeDirect Malta's business.

MeDirect Malta's Chair is responsible for (i) leading MeDirect Malta's Board, (ii) ensuring that MeDirect Malta's Board receives precise, timely and objective information to enable it to take sound decisions and monitor effectively the performance of the company, (iii) ensure effective communication with shareholders and (iv) encourage active engagement by all Directors in discussions about key issues.

MeDirect Malta's Chief Executive Officer ("CEO") leads the MeDirect Malta Executive Committee, which is responsible for the execution of the strategy approved by the Board. The MeDirect Malta CEO coordinates closely with the CEO of MeDirect Belgium and its Executive Committee.

Principles 4, 5 and 8: Responsibilities of the Board, Board Meetings and Committees

The MeDirect Malta Board has the first level responsibility for executing the four basic roles of corporate governance: accountability, monitoring, strategy formulation and policy development.

Functioning of the Board

The MeDirect Malta Board delegates the management and day-to-day running of the Group to the Group CEO, who acts in coordination with the CEO of MeDirect Belgium, in accordance with such policies and directions as the Board may from time to time determine, with the exception of the following matters which require the specific approval of the Board:

- Overall business strategy;
- Key policies that may have a material impact on the Group;
- Overall risk strategy, including the risk appetite and risk management framework;
- Corporate governance structure, including the proper functioning of Board committees;
- The internal controls framework for the Group, setting forth the responsibilities of the Board and of management of all business lines and internal units, including internal control functions, outsourced activities and distribution channels;
- Amounts, types and distribution of both internal capital and regulatory capital with the aim of ensuring adequate coverage of the risks of the Group;
- Targets for liquidity management of the Group;
- Dividend policy, including recommendation for payment of any dividend;
- Remuneration practices, including remuneration of the members of the Board and senior management;
- Arrangements ensuring that the individual and collective suitability assessments of the Board are carried out effectively, that the composition and succession planning of the Board are appropriate and that the Board performs its functions effectively, including the effectiveness of the Board Committees;
- Assessment and evaluation of key function holders;
- Arrangements ensuring the integrity of the accounting and financial reporting systems, including financial and operational controls designed to ensure compliance with law and regulation as well as relevant standards; and
- A conflicts of interest policy covering conflicts on an institutional level and for staff.

The Board is also responsible for setting a framework of values and a code of conduct in which the stated corporate and risk culture can evolve and thrive. Each member of the Board should reinforce these values through their own behaviour and decisions. The Board has oversight of the following:

- The process of public disclosures and communications with external stakeholders and competent authorities; and
- The overall activity, financial and risk situation of the Group, taking into account the economic environment, and the implementation of sustainable strategic decisions that have a significant impact on the business.

The Board monitors, periodically reviews and addresses any weaknesses identified regarding the implementation of processes, strategies and policies related to any of their approval and oversight responsibilities.

The Board may delegate some of its responsibilities, in particular its review and monitoring responsibilities, to Board Committees, however it still retains oversight over these activities and remains responsible for ultimate decision-making.

Notices of the dates of scheduled meetings of MeDirect Malta's Board together with supporting materials are circulated to the Directors in advance of such meetings. Advance notice is also given of ad hoc meetings of MeDirect Malta's Board to allow Directors sufficient time to arrange their commitments in order to be able to participate. Eighteen meetings of the Board of MeDirect Malta were held during the 2025 financial year.

As soon as practicable after each Board meeting, minutes that faithfully record attendance, deliberations and decisions of MeDirect Malta's Board are prepared and circulated to all Directors.

Where common issues are being discussed, certain Board meetings are held jointly with the Board of MeDirect Belgium.

The following section sets forth details of the members of MeDirect Malta's Board of Directors and of each of the committees of MeDirect Malta's Board.

Board of Directors - MeDirect Malta

The following table sets forth the percentage of meetings attended by each director during the financial year:

Meetings attended

Bart Bronselaer	Independent Chair and Non-Executive Director	100%
John Zarb	Independent Non-Executive Director	94%
Dina Quraishi	Independent Non-Executive Director	100%
Philip English	Non-Executive Director	89%
Jean-Claude Maher*	Executive Director - Chief Executive Officer	100%
Arnaud Denis**	Executive Director - Chief Executive Officer	100%
Izabela Banas	Executive Director - Chief Financial Officer	100%
Lisa Fergus***	Executive Director - Chief Risk Officer	92%

* Jean-Claude Maher was appointed as an executive director on 13 March 2025.

** Arnaud Denis resigned on 31 January 2025.

*** Lisa Fergus resigned on 10 October 2025.

Committees of the Board

Certain responsibilities of the Board are delegated to Board committees. The Board committees play an essential role in supporting the Board in fulfilling its responsibilities and ensuring that the highest standards of corporate governance are maintained. Updates from the Chairs of the Board Committees are included as a standing agenda item in all routine Board meetings.

The Committees coordinate their activities with the equivalent committees of MeDirect Belgium, and where common issues are being addressed, certain meetings are held jointly with the equivalent committees of MeDirect Belgium.

Board Committees

A. Audit Committee

The purpose of the Audit Committee is to oversee the quality and integrity of the Group's financial reports, particularly the key financial judgments, and review the accounting policies. In addition, the Audit Committee oversees the design adequacy and operating effectiveness of the Group's internal control framework and governance structure through the activities of the Internal Audit Function. The primary responsibilities of the Group Audit Committee are the following:

- review accounting policies;
- monitor the Group's financial and other disclosures, ensuring compliance with legal and regulatory requirements;
- review the qualifications, performance and independence of the external auditor;
- review and approve Internal Audit's plan and oversee the execution of the plan; and
- assess the effectiveness of Internal Audit, including the adequacy and competence of its staff.

The members of the Audit Committee are:

John Zarb	Committee Chair and Independent Non-Executive Director
Bart Bronselaer	Member and Independent Non-Executive Director
Dina Quraishi	Member and Independent Non-Executive Director

In terms of Capital Markets Rules 5.117 and 5.118, John Zarb is the non-executive director whom the Group Board considers as competent in accounting and/or auditing. John Zarb retired from his role as partner at PricewaterhouseCoopers at the end of 2014 after a career spanning over 40 years in the audit and advisory practices of the firm. He is a past President of the Malta Institute of Accountants and served for a number of years on the Accountancy Board and as Malta's representative on the EU Accounting Regulatory Committee. John Zarb was also the Chair of PG plc and is currently a director of Tumas Investments plc and director and Chair of the remuneration committee of Tumas Group Company Limited. He also serves as a director of Foster Clark Products Limited.

During the year ended 31 December 2025, eleven meetings of the Audit Committees were held. The Group Chief Internal Auditor attends the meetings as a standing invitee, unless there are exceptional circumstances. Other officers or employees may be asked to join the meeting as required.

MeDirect Malta and MeDirect Belgium hold Joint Board Audit Committees in order to boost efficiency, improved information sharing, and foster better interaction among independent non-executive directors, all while respecting each committee's autonomy and legal obligations. Typical agenda items include presentations from Finance, Internal Audit, and statutory auditors, as well as the approval of financial statements and disclosures. For matters specific to MeDirect Malta, Belgian representatives excuse themselves to allow independent deliberation by the Malta members, and a similar arrangement exists for MeDirect Belgium. Conflicts of interest are discussed separately, and closed sessions with auditors are conducted independently.

B. Nominations and Remuneration Committee

The Group's Nominations and Remuneration Committee prepares and approves the Remuneration Report. The disclosures in the Remuneration Report reflect the requirements of EU Capital Requirements Regulation (575/2013) to the extent applicable to the financial year under review.

MeDirect Malta's Nominations and Remuneration Committee includes only Non-Executive Directors with no personal financial interest in the Group. The members of the Committee are Bart Bronselaer (Chair), John Zarb, and Philip English. A separate Nominations and Remuneration Committee exists for MeDirect Belgium.

C. Board Risk and Compliance Committee

The primary purpose of the Board Risk and Compliance Committee is to assist the Group Board of Directors in its oversight of management's responsibility to execute an enterprise-wide risk management strategy and framework designed to identify, assess and manage the Group's strategic, credit and investment, market, and operational risks within risk appetite. The Board retains overall responsibility for managing risk.

This is performed through an in-depth and detailed oversight of the Group's risk management and compliance strategy, policies and practices and monitoring its actual performance against the risk appetite approved by the Board. The Risk function and the Compliance function both report to the Board Risk and Compliance Committee.

Amongst the primary responsibilities of the Board Risk and Compliance Committee are:

- to ensure that the Group's risk strategy and Risk Appetite Framework (including its Risk Appetite Statement and associated thresholds for escalation and related controls) are comprehensive and consistent with the Group's business strategy, objectives, corporate culture and values;
- to assess, and report at least annually on, the effectiveness of the Group's Risk Management Function, the Compliance Function and the Money Laundering Reporting Officer, including the adequacy of staffing levels and expertise as well as the completeness of the function's coverage;
- to ensure the sufficiency and effectiveness of the process of pricing assets and liabilities; and
- to vet and approve related party transactions in accordance with Capital Markets Rule 5.138.

The Board Risk and Compliance Committee has oversight of all the Group's risk and compliance matters, even if they arise in its main subsidiary, MeDirect Belgium, which has its own Board Risk and Compliance Committee.

The Board Risk and Compliance Committee coordinates its activities with the Board Risk and Compliance Committee of MeDirect Belgium, and where common issues are being addressed, certain meetings are held jointly by the committees.

The current members of the Board Risk and Compliance Committee are:

Dina Quraishi Committee Chair and Independent Non-Executive

Director John Zarb Member and Independent Non-Executive Director

Philip English Member and Non-Executive Director

The Group Chief Financial Officer, the Group Chief Risk Officer, MeDirect Malta's Chief Compliance Officer and the MeDirect Malta Money Laundering Reporting Officer attend the Board Risk and Compliance Committee meetings by invitation. The Group's and MeDirect Belgium's Board Chairs attend meetings as observers.

The Chair of the Committee reports on all matters to the Group's Board after each meeting and notifies the Board of any decisions made. The Committee makes whatever recommendations to the Group Board it deems necessary. The Board Risk and Compliance Committee met nine times during the financial year.

Principal Management Committees

A. Malta Executive Committee (“Malta ExCo”)

The MeDirect Malta Board delegates the execution of MeDirect Malta’s strategy to the Malta ExCo. This committee serves as a management forum to manage the execution of MeDirect Malta’s business priorities and reinforce the governance of MeDirect Malta’s activities. It focuses on MeDirect Malta’s growth strategies and new initiatives and monitors the ability of MeDirect Malta to respond to new regulatory developments. It meets on a monthly basis and is responsible for the formulation and implementation of Board-approved strategies and plans and for ensuring that the business is operated in accordance with such strategies and plans.

The Malta ExCo is chaired by the Group CEO and includes the Group Chief Financial Officer and the Group Chief Risk Officer. The Group Chief Technology Officer, General Counsel and the Chief Internal Audit Officer (as an observer) are standing invitees of the Malta ExCo.

MeDirect Belgium has a similar Executive Committee comprising the MeDirect Belgium CEO, Chief Financial Officer, and Chief Risk Officer.

B. Enterprise Risk Management Committee (“ERMC”)

The ERMC (formally the Management Risk Committee) is a sub-committee of the Malta ExCo. Its purpose is to provide executive risk management oversight and steering in Malta and on behalf of the Group, by monitoring, assessing, and driving enterprise risk management activities and governance. This includes providing executive risk management oversight of risk strategy, risk policy, risk appetite, risk tolerance, emerging risks and portfolio risk exposure across all principal risk categories.

The ERMC has 4 sub committees:

1. Management Credit Committee (MeDirect Malta and MeDirect Belgium operate a separate committees)
2. Model Governance Committee (MeDirect Malta and MeDirect Belgium operate a combined committee)
3. Compliance and Financial Crime Committee (MeDirect Malta only)
4. ESG Committee (MeDirect Malta and MeDirect Belgium operate a combined committee).

The following are the main responsibilities of the EMRC:

- Oversee and advise the Malta ExCo and the Board Risk and Compliance Committee across all enterprise risk- related matters;
- Monitor and oversee compliance with risk appetite limits and risk strategy across all principal risks at the MeDirect Malta entity level and at the Group level and advise and escalate to the Board Risk and Compliance Committee on risk appetite and risk tolerance-related matters, where necessary;
- Conduct an annual review of the following documents:
 - » Internal Capital Adequacy Assessment Process (“ICAAP”);
 - » Internal Liquidity Adequacy Assessment Process (“ILAAP”);
 - » Recovery Plan; and
 - » Climate-related and Environmental Risks (“CER”) Materiality Assessment.
- Monitor and oversee the impact and action plans required to address emerging and strategic risks;
- Review internal control systems to ensure effectiveness and report to the Board Risk and Compliance Committee on the effectiveness of risk management and internal controls;
- Provide oversight of the annual business continuity and crisis management tests; and
- Review how effectively management is embedding and maintaining an effective risk management culture and a strong internal control environment designed to foster compliance with Group policies and compliance requirements.

The members of the ERMC are the Group Chief Risk Officer (Chair), MeDirect Belgium Chief Risk Officer (Deputy Chair), Chief Information Security Officer, Head of Credit Risk, Head of Prudential Risk, Head of Operational Risk and Business Continuity, Head of Regulatory Affairs and Sustainability, Head of Data Protection, MeDirect Malta Chief Compliance Officer, MeDirect Belgium Head of Compliance and Chief People Officer.

The EMRC for MeDirect Belgium is held jointly with the Group EMRC since most of the topics are common to both entities.

B1. Management Credit Committee (“MCC”)

The MCC is a sub-committee of the Group ERMC. Its purpose is to oversee management of credit activities and mitigation of credit risks and to ensure an effective credit management process.

The MCC is chaired by the Group Chief Risk Officer, with the Head of Credit Risk serving as deputy chair, both holding the casting vote and a right of veto of all MCC decisions. The MCC meets monthly or as required for the proper fulfilment of its duties. Specific matters relating to MeDirect Belgium are covered by the MeDirect Belgium Management Credit Committee, which is a subcommittee of the MeDirect Belgium ExCo. All other portfolios are discussed in a joint MCC meeting.

B2. Model Governance Committee (“MGC”)

The MGC is a sub-committee of the ERM. Its purpose is to provide oversight of the implementation of the Model Risk Management Framework, specifically the validation, monitoring and oversight of the models used in the Group. The MGC oversees models developed internally and through third parties and aims to ensure that the risk of adverse consequences from model errors or inappropriate use of modelled outputs is mitigated.

Members of the MGC are fully knowledgeable about the model risk management framework of the Group and have a broad understanding of the financial and business risks of the Group and the financial and business environment. The MGC is chaired by the Group Chief Risk Officer and meets every two months.

B3. Malta Compliance and Financial Crime Committee (“CFCC”)

The CFCC is a sub-committee of the MeDirect Malta ERM. Its purpose is to provide risk management oversight for MeDirect Malta in relation to compliance and financial crime risk by assessing and monitoring such risks and by ensuring compliance with regulatory requirements, industry standard, and internal controls relating to such risks. This includes providing risk management oversight of the strategy, policies, risk appetite and risk tolerance in respect of compliance and financial crime risk, monitoring and addressing emerging risks and managing overall compliance and financial crime risk exposure.

The CFCC has a functional reporting line to the BRCC. The committee is chaired by the Chief Compliance Officer, with the MLRO acting as deputy chair. The committee meets at least monthly.

B4. Environmental, Social and Governance (“ESG”) Committee

The ESG Committee is a sub-committee of the Group ERM. It acts as an advisory body that provides preliminary validation of matters pertaining to ESG actions and reports, including the implementation of ESG-related initiatives and reporting, and monitoring of ESG-related risks and opportunities and climate-related and environmental risks (“CER”).

The Committee aims to ensure that the implementation of ESG actions is consistent with the Group’s business model, corporate culture and values, as well as risk management framework.

The Committee's responsibilities include the following:

- a) Oversee CER and ESG initiatives, including the regulatory requirements and reviews, applicability, priorities and implementation;
- b) Oversee CER and ESG related risks and opportunities;
- c) Define the ESG strategy, action plans and initiatives;
- d) Monitor the implementation of ESG Strategy, action plans and initiatives;
- e) Recommend remedial actions to foreseen issues or delays to the Board of Directors; and
- f) Discuss compliance and audit findings relating to ESG/CER matters.

The Committee reviews ESG-related disclosures/reports prior to discussion and notification/approval by the Board of Directors.

The Committee members include key representatives of business units and control functions critical to the management of initiatives related to CER and ESG. The Committee is chaired by the Head of Sustainability.

C. Asset and Liability Committee ("ALCO")

The Asset Liability Management Committee (ALCO) is a key governance body within the Group responsible for overseeing the management of the assets and liabilities to ensure an optimal balance between risk and return, whilst maintaining adequate liquidity and regulatory compliance.

ALCO monitors and evaluates, at an integrated and consolidated exposures level, the liquidity, funding and capital position of the Group on a continuous basis to ensure that business and regulatory requirements are met and to provide tactical and strategic direction. On annual basis, ALCO evaluates and approves all core documents supporting the Group's liquidity, funding and capital positions.

Furthermore, the Committee oversees and exercises executive authority, in each case in accordance with the risk appetite statement set by the Board of Directors, for:

- market risk positions (including foreign exchange) and hedging activities;
- interest rate risk and credit spread risk;
- loan and deposit pricing, fund transfer pricing and trading activities;
- adherence with the approved investment strategy; and
- relevant policies and procedures

ALCO meets at least once a month to review the most current financial and market information and to ensure cautious management of balance sheet and market-related risks. The Committee is chaired by the Head of Assets and Liabilities Management and is composed of members of Executive Management.

D. Operations Committee

The purpose of the Group Operations Committee is to ensure that the Group has in place and operates effectively and appropriately robust change management, project management, outsourcing and vendor management processes and procedures. The Group Operations Committee also oversees ICT strategy implementation and monitoring, operational and cyber security risks and data governance initiatives and ensures that arrangements related to business continuity and disaster recovery are in place. The Group's Operations Committee is a sub-committee of the Malta ExCo and the MeDirect Belgium ExCo and is the decision-making body for matters described above under the delegated authority from the Malta ExCo and the MeDirect Belgium ExCo.

The Operations Committee's terms of reference are to oversee and take any necessary decisions in the following areas:

- Feasibility of the business and regulatory change requests;
- Operational feasibility of the new products and services;
- Governance of the onboarding and monitoring of key third party vendors;
- Governance of the arrangements related to budgeted spending on change initiatives, business continuity and disaster recovery and data retention and archiving; and
- Awareness and oversight of the arrangements related to ICT strategy and its implementation, operational risk and cyber security and organisational design of the Group from the point of view of efficiency and change sustainability.

The members of this committee include the Group Chief Technology Officer (Chair), Group Chief Executive Officer, Chief Information Security Officer, Group Chief Risk Officer, MeDirect Belgium Chief Risk Officer, Interim Malta Chief Risk Officer, Group Chief Financial Officer, MeDirect Belgium Chief Financial Officer, General Counsel, Head of Digital Channels, Project Management Office Manager and Head of Procurement.

Code Provision 4.2.7 - Succession planning

MeDirect Malta has established a list of Key Personnel Substitutes to cover instances in which executive directors, key personnel and managers are temporarily incapacitated or otherwise unable to complete their duties for a significant period of time.

If such individuals are permanently unable to re-assume their duties, MeDirect Malta's management, in consultation with the Board, will designate permanent successors, either from MeDirect Malta's existing management team or, if appropriate, by selecting an outside candidate.

As part of succession planning and talent management, MeDirect Malta's and MeDirect Belgium's Boards and CEOs ensure that MeDirect implements appropriate schemes to recruit, retain and motivate high quality executive officers. They also encourage members of management to progress to higher levels, seek to maintain high morale amongst MeDirect's Malta's personnel and identify high performing employees with the potential to take on more responsibilities.

The succession plan ensures that MeDirect is empowering and developing its employees, with the aim of ensuring that there is a pool of talent ready for advancement and promotion into increasingly challenging roles when they arise.

Principle 6: Information and professional development

Board members of MeDirect Malta and MeDirect Belgium receive regular updates on MeDirect's strategic, operational, corporate governance, compliance, risk management and financial plans and objectives.

MeDirect Malta's and MeDirect Belgium's Boards appoint their respective CEOs, taking into account the views of the ultimate controlling shareholder and MeDirect Malta, respectively. The Boards' training programmes aim to improve Board members' awareness of risk, regulation and compliance developments in the financial services sector, covering topics ranging from ESG and sustainable finance to information technology and cyber security.

Directors of MeDirect Malta and MeDirect Belgium are given opportunities to update and develop their skills and knowledge through briefings by senior executives and externally run seminars. Moreover, directors have access to independent professional advice relating to their roles as directors, at MeDirect's expense.

The Company Secretary reports directly to the Board and is responsible for ensuring adherence to the Board procedures and dissemination of information amongst the Board, its committees and senior management.

Principle 7: Evaluation of the Board's performance

Periodically, MeDirect Malta's Board carries out an evaluation procedure whereby Board members are requested to complete a questionnaire on the performance of the Board and its committees. The evaluation is co-ordinated by the Board's Chair, and all directors participate in the process. Feedback from the evaluation is presented to the Nominations and Remuneration Committee.

Principles 9 and 10: Relations with shareholders and with the market and institutional shareholders

MeDirect Malta and MeDirect Belgium maintain ongoing communication with its shareholders and the market in respect of its strategy and performance. During the year under review, MeDirect Malta issued various company announcements and media releases to explain ongoing corporate developments, material events and transactions and their impact on MeDirect Malta's financial position. Through public announcements, MeDirect Malta's website, financial reports and interaction with the media in Malta, MeDirect Malta provides the market with regular, timely, accurate, comprehensive and comparable information in sufficient detail to enable investors to make informed investment decisions in respect of MeDirect Malta's listed securities.

MeDirect Malta's ultimate controlling shareholder is represented on its Board of Directors and actively monitors its investment in MeDirect Malta. Following the acquisition by the CREDITAS Group, the directors nominated to represent the new shareholder are awaiting regulatory approval before they can formally assume their Board roles.

The Chairs of MeDirect Malta's and MeDirect Belgium's Audit, Nominations and Remuneration and Risk and Compliance Committees are available to answer questions at the Annual General Meeting. In accordance with the provisions of the Malta Companies Act, the directors shall, at the request of members of MeDirect Malta holding not less than one-tenth of its paid-up share capital, convene an Extraordinary General Meeting of MeDirect Malta.

Principle 11: Conflicts of interest

MeDirect Malta's Articles of Association and the Belgian Code of Companies provide that any director of MeDirect Malta and MeDirect Belgium respectively who is in any way, whether directly or indirectly, interested in a transaction or proposed transaction with MeDirect must (i) declare to the other directors the nature of such interest, (ii) unless otherwise determined by the unconflicted Directors, not participate in or be present for any discussion of any such transaction or proposed transaction and (iii) not vote on any such transaction or proposed transaction.

On joining the MeDirect Malta Board and regularly thereafter, directors are informed and reminded of their obligations relating to dealing in MeDirect Malta's securities under applicable law and regulation, including the Malta Capital Markets Rules.

Principle 12: Corporate social responsibility

MeDirect Malta remains committed to supporting the community. MeDirect Malta supported cultural, sporting, charitable and educational organisations and initiatives throughout the year ending 31 December 2025.

In fulfilling its role as a responsible corporate citizen, MeDirect actively encourages its employees to engage with and volunteer for causes they care about. This approach has led to successful fundraising efforts for Hospice Malta and Inspire, as well as staff volunteering with various organisations.

MeDirect actively supports individual initiatives throughout the year. In 2025, employees continued to make use of MeDirect's Volunteering Time Off policy, allowing employees to take two additional paid leave days annually to volunteer with a non-profit organisation, charity, or community group.

MeDirect's commitment to its employees also extends to their wellbeing and mental health. Through an ongoing partnership with The Richmond Foundation, employees have access to counselling services to support their personal and professional lives.

Throughout the year, MeDirect regularly shared articles offering personal financial management tips through its website, social media channels, and email newsletters. As part of its commitment to financial education, MeDirect also launched the Ask the Advisor video series, in which expert advisors provide tips and insights into the world of investing.

MeDirect's financial contributions to charitable causes continued during 2025, including a donation to L-Istrina, Malta's annual national fundraiser in support of the Malta Community Chest Fund Foundation. Beyond charitable donations, MeDirect remained a prominent supporter of Malta's cultural scene. The Soċjetà Filarmonika La Stella A.D. 1863 continued to receive backing from MeDirect Malta while MeDirect also reaffirmed its dedication to promoting excellence and a healthy lifestyle by renewing sponsorship agreements with the Island Car Club and Otters ASC water polo club.

In 2025, MeDirect Belgium also reinforced its commitment to social responsibility through several meaningful initiatives. In May, MeDirect donated €1,000 to Live in Colour to support their community projects. In October, MeDirect organised a company walk to raise awareness for breast cancer, during which an additional €1,000 was donated to Think Pink, a non-profit organisation dedicated to breast cancer prevention, awareness, and research.

During Easter, MeDirect also organised a chocolate egg initiative, with part of the proceeds donated to the United Fund for Belgium, which contributes to the fight against poverty and supports people living with disabilities. Finally, for end-of-year gifts, MeDirect Belgium chose to offer a gourmet food basket via Funds For Good, which supports local entrepreneurs by promoting their sustainable products without taking any commission, thereby promoting social impact and responsible trade.

Additionally, for the third year, MeDirect partnered with the local garbage disposal company to pick-up garbage in the streets around the office in Brussels and, as part of Mobility Week, MeDirect organised an electric bike tour of Brussels to promote sustainable transport among colleagues.

Other disclosures

There were no material contracts to which MeDirect Malta or its subsidiary were a party and in which any one of MeDirect Malta's directors was directly or indirectly interested.

Management's internal controls over financial reporting

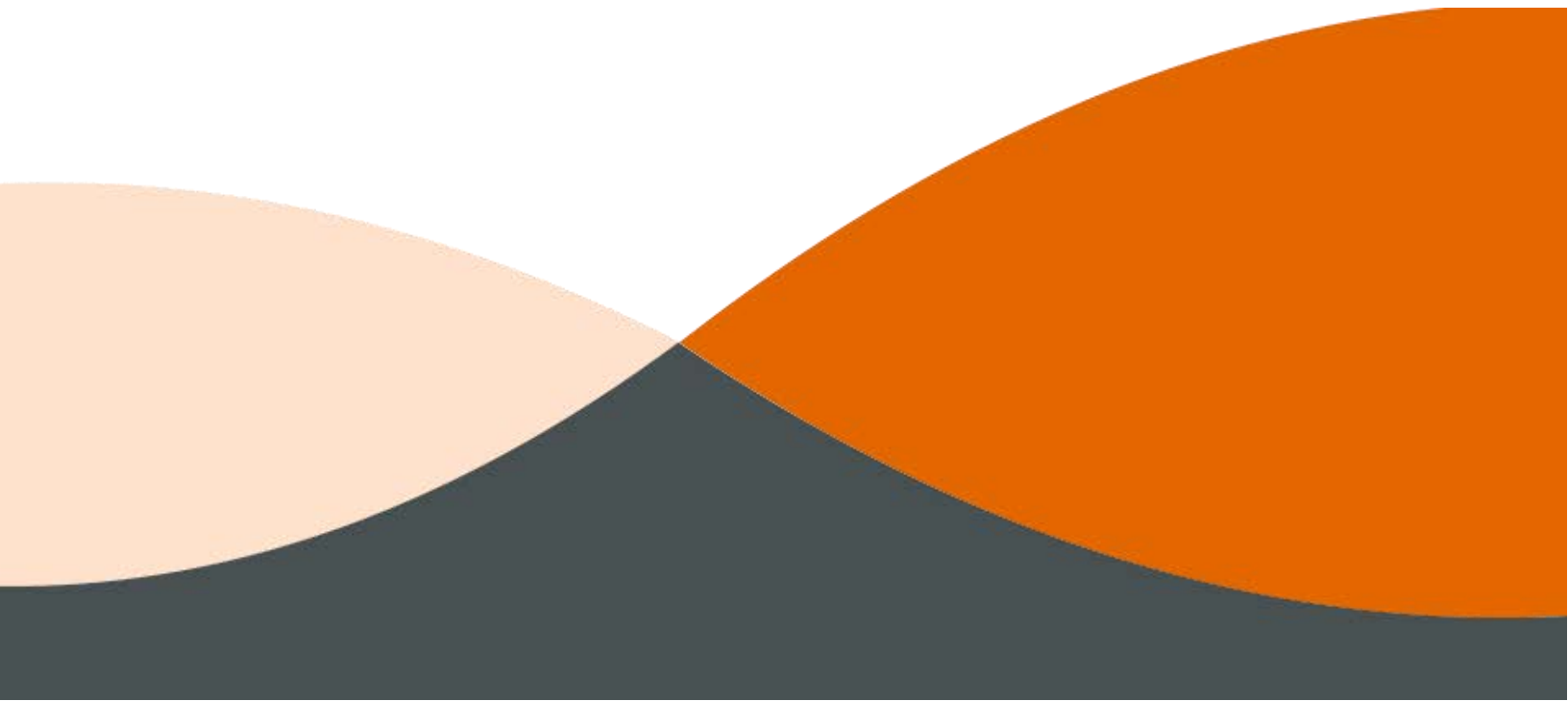
MeDirect Malta's and MeDirect Belgium's Boards are responsible for ensuring that senior management develops and implements a sound system of internal controls and for reviewing its effectiveness. The system is designed to manage, rather than eliminate, the risk of failure in order to achieve business objectives and can only provide reasonable and not absolute assurance against material misstatement or loss. MeDirect operates a system of internal controls that provides reasonable assurance of effective and efficient operations, including controls relating to financial and operational matters and compliance with laws and regulations. Processes are in place for identifying, evaluating and managing the significant risks facing MeDirect Malta and the Group.

The management of MeDirect is responsible for instituting and preserving sufficient internal control over financial reporting. Internal control over financial reporting is a process designed under the supervision of the Group Chief Financial Officer and the MeDirect Belgium Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external reporting purposes in accordance with IFRS as adopted by the European Union.

Internal control over financial reporting includes policies and procedures that relate to:

- maintaining records that, in reasonable detail, accurately and fairly reflect transactions and dispositions of assets;
- providing reasonable assurances that transactions are recorded as necessary to permit preparation of financial statements in accordance with IFRS as adopted by the EU;
- ensuring that receipts and expenditures are made only in accordance with authorisations of management and the relevant Directors; and
- providing reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use or disposition of assets that could have a material effect on the financial statements.

Remuneration Report



Remuneration governance

The primary purpose of the Group Nominations and Remuneration Committee (that also covers MeDirect Malta) and the Nominations and Remuneration Committee of MeDirect Belgium (“NRCs”) is to review remuneration levels in the Group and to consider whether to approve performance-related and other variable bonus awards that may be delivered in cash or share-linked instruments. A list of Material Risk Takers is revised and approved at least on an annual basis.

The NRCs are charged with aligning the Group’s remuneration policy and in particular performance-related elements of remuneration, with the Group’s business strategy and risk tolerance, objectives, values and long-term interests. The key objectives of the NRCs in this regard are the following:

- annual review of the proposals put forward by management relating to the principles of the remuneration policy and verification with management that they are effectively implemented;
- monitoring of the budgets allocated to the fixed salary increases for the forthcoming year and the variable remuneration pools for the previous financial year; and
- annual review of the individual remuneration of senior management and staff members who are employed in control functions, as well as that of staff with total remuneration above a threshold fixed by the NRCs.

One of the NRCs primary functions of the NRCs is to ensure that the Group is able to attract and retain suitable employees at all levels at an acceptable cost. It may request market-related information from time to time, to verify the recommendations made by management. On an annual basis, the NRCs review the budgets allocated to the fixed salary increases for the forthcoming year and the variable remuneration pools for the previous financial year and review the individual remuneration of senior management and staff members who are employed in control functions such as Risk and Compliance, as well as that of staff with total remuneration above a threshold fixed by the relative NRC.

Membership and meetings

The members of the Group’s NRC are:

Bart Bronselaer	Committee Chair/Independent Non-Executive Board Chair
John Zarb	Independent Non-Executive Director
Philip English	Non-Executive Director

The Group's Chief People Officer acts as a secretary to the Committee, whilst the following were attendees throughout the year, except where it was deemed that there may be a conflict of interest: the Group Chief Executive Officer, the Chief Administration Officer, the other non-executive director, Dina Quraishi and the Chair of MeDirect Belgium, Marcia De Wachter.

During the year ended 31 December 2025, the Group's NRC met nine times. One meeting was held jointly with the Belgian NRC. These meetings were attended by all members of the Group's NRC.

Remuneration policy statement

The Remuneration Policy is owned by the Chair of the Group's NRC and is approved by the Group's Board of Directors. The policy was developed in conjunction with the Group's principal shareholder and the NRCs. The policy is reviewed on an annual basis by the NRCs or when significant changes occur in related directives, guidance, best practice and technical standards. The policy is also reviewed on an annual basis by the Internal Audit function to ensure that it complies with all applicable legal and regulatory requirements. The NRCs may also require review of this policy by external advisors to the extent deemed necessary or appropriate.

The purpose of the Remuneration Policy is to set out the overall principles that MeDirect Malta and MeDirect Belgium must follow when determining the remuneration and compensation of its management and staff. This policy establishes an effective framework for determining role descriptions, performance measurement, risk adjustment of compensation and linkages to reward. The Group Board and the MeDirect Belgium Board are responsible for ensuring that remuneration practices are based on sound governance processes that take into account the Group's risk strategy and profile.

The Boards, directly and through the NRCs, carry out effective monitoring and evaluation of adherence to the remuneration policy and of the Group's remuneration system on an ongoing basis. The NRCs and the Boards monitor the ongoing performance by executive directors and senior management and determine the design and implementation of an effective remuneration system. They also ensure that remuneration policies and practices are consistent with a prudent, forward-looking approach, aimed at maintaining a sound capital base, and that all awards of variable remuneration to Material Risk Takers are subject to malus and clawback arrangements and are otherwise consistent with the Remuneration Policy.

Material Risk Takers, comprising members of staff whose actions have a material impact on the risk profile of the Group, are identified on the basis of the qualitative and quantitative criteria set out in the Commission Delegated Regulation (EU) 2021/923. Material Risk Takers are also identified on the basis of additional criteria developed internally. This category includes members of the Board of Directors, members of senior management and business heads and key personnel of independent control functions such as the internal audit, compliance and risk management.

Material Risk Takers also include:

- Staff members authorised to approve or veto the introduction of new products;
- Staff members authorised to take decisions on material credit risk exposures or is a member of a committee which has authority to take decisions on material credit risk exposures; and
- Staff members who were awarded total remuneration in the previous financial year equal to or in excess of other material risk takers (excluding non-executive, support function and control function roles).

The list of Material Risk Takers is reviewed and reconsidered by the Group's and MeDirect's Belgium's NRCs at least annually.

Remuneration consists of base salary and, where applicable, performance based or other variable compensation. Performance-related compensation is determined both on (i) a Group basis, and (ii) an individual employee basis.

Compliance with the Group's rules and requirements and ongoing involvement in risk management are taken into account when determining performance-based remuneration for employees. Other non-financial factors are considered such as skills acquired, personal development, commitment to the Group's business strategies and policies and contribution to the performance of the team. Performance is measured in relation to non-financial and financial goals and, where appropriate, failure to perform in non-financial areas of responsibility outweighs success in profit generation in determining compensation. The remuneration of staff in control functions is designed to allow the Group to employ qualified and experienced personnel in those functions and to take into account the nature of their responsibilities.

The Group Risk function provides advice in respect of the definition of suitable risk-adjusted performance measures, as well as in assessing how the variable remuneration structure affects the risk profile and culture of the Group. The Risk function also provides input into the process for determining bonus pools and the allocations of variable remuneration awards to ensure that all relevant factors are considered in determining awards. The Risk function also validates and assesses risk adjustment data, and a member of the Risk Committee provides input to the NRCs.

The Group Compliance function analyses how the Remuneration Policy affects the Group's compliance, in all jurisdictions in which the Group operates, with legislation regulations and internal policies and conducts an annual review of the implementation of the Remuneration Policy. The Compliance function reports on identified compliance risks and issues of non-compliance, and its findings are taken into account in the review and oversight of the Remuneration Policy.

The Internal Audit function carries out an independent annual review of the design adequacy, control effectiveness and sound monitoring of the Remuneration Policy. The Internal Audit function also informs the NRC of any negligent or unacceptable behaviour of key staff and management members which should be considered during the review of remuneration levels and approval of performance-related and other variable bonus awards.

The Group's Remuneration Policy includes malus and clawback provisions applicable to all material risk takers and key personnel in control functions, including variable compensation paid in cash. Clawback, if applied, requires employees to pay back an amount already received. It can be applied for five years from the date of award or until the end of the applicable retention period, as applicable. Malus, if applies, permits reduction of incentive awards before they become payable or vest. Malus may be applied at any time during the applicable deferral period.

The Group can apply malus and clawback to variable remuneration if the affected employees were responsible for significant losses to the Group or if standards of fitness and propriety were not met during the period for which the variable remuneration was awarded.

Variable remuneration is paid or vests only if it is sustainable in relation to the financial and regulatory capital situation of the Group as a whole. Subject to national contract and labour law, total variable remuneration may be reduced in the event of negative financial performance of the Group. Reductions may affect, both current remuneration and payouts of amounts previously earned.

Conflicts of interests relating to the Remuneration Policy and the award of remuneration under the policy are identified and appropriately addressed.

In 2025 the Group reviewed the remuneration policy and the Deferred Bonus plan, but there were no changes.

The Group's reward strategy

The quality and long-term commitment of employees is fundamental to the Group's success. The Group aims to attract, retain and motivate highest quality employees who would like a long-term career with the Group and will perform their role at a high level. The Group's compensation package provides for fixed and variable remuneration.

Fixed remuneration

Fixed remuneration reflects the individual's role, experience and responsibilities. It comprises base salary and, in some cases, a fixed allowance relating to extra hours or work on public holidays, for example. Base salaries are expected to comprise the majority of the Group's overall compensation, benchmarked regularly, and are paid monthly by direct credit to an employee's personal account. Allowances are also paid monthly by direct credit.

Fixed remuneration also includes fixed benefits. Benefit packages are determined based on market practice and include medical and life insurance for all employees across the Group. In Belgium and the United Kingdom, the Group contributes to defined contribution pension schemes.

Employees of MeDirect Malta are also entitled to the following benefits:

Staff savings account

All Malta-based employees are entitled to make monthly after-tax deposits of a specified amount to an employee savings account, benefiting from a favourable interest rate and payable in December.

Home loan subsidy

Home loans are offered to staff at favourable interest rates.

Variable remuneration

Variable remuneration may consist of performance bonuses and other variable bonuses and can be awarded in cash or share linked instruments. Guaranteed sign-on payments and severance payments are awarded in cash. In accordance with Article 92(1) (q) of directive 2013/36/EU (“CRD”), variable remuneration is not paid through vehicles or methods that facilitate non-compliance with CRD or Regulation (EU) No 575/2013. In Belgium, a number of employees opted to be paid the performance bonus in warrants or options rather than in cash.

Performance bonuses represent additional remuneration, payable to employees as a reward for achieving specific goals or meeting predetermined targets. All variable remuneration is discretionary, irrespective of performance, and the amount of variable remuneration is not determined in advance. The Group may also award ad hoc bonuses that are linked to pre-determined KPIs in relation to specific projects.

Retention bonuses can be awarded on the condition that employee remains at a Group company for an agreed period. Retention bonuses can be used to retain critical employees who are key to success of the realisation of the strategic plan of the Group.

Grants of retention bonuses, guaranteed remuneration and/or severance payments are made in accordance with applicable regulatory requirements, and any such remuneration is awarded in such form as is determined by the NRCs, taking account of applicable regulatory requirements and Group policy.

Determination of variable remuneration pools

A variable remuneration pool is established for the Group as a whole and is calculated at Group level based on the success of the Group in meeting its business objectives. In determining the variable remuneration pool, the Group applies a prudent, forward-looking approach, consistent with maintaining a sound capital base. The Group expects that in aggregate variable remuneration will not materially affect the capital position or ability to strengthen the capital base of the Group or either of its banking subsidiaries.

The variable remuneration pool is determined based on the following factors:

- Financial results of the Group, the relevant subsidiary and/or the relevant business line, after taking into account the cost of risk, capital and liquidity, with the aim of ensuring that the total amount of variable remuneration does not undermine the Group's or the subsidiary's capacity to meet its objectives in terms of capital requirements; and
- Qualitative factors such as market practices, conditions under which activities are carried out and risk management.

The pool will be further adjusted to reflect all relevant identified current and future risks and the Group's capital position. Such an adjustment may include the NRCs reducing pools of variable remuneration in the event of a breach (or unacceptable risk of a breach) of any key regulatory ratios and/or reducing or not paying variable remuneration to any employee (whether or not a Material Risk Taker) who the NRC determines has caused or contributed to any such breach (or risk of a breach).

The variable remuneration pool is split between entities by taking into consideration the pools allocated in the previous financial period, as well as other factors such as change in composition of staff and senior management and market benchmarks.

The variable remuneration pool is approved by the NRC of MeDirect Malta and MeDirect Belgium.

Measures of performance as basis for awarding of bonuses

All personnel are compensated from the variable remuneration bonus pool based on their contribution to the achievement of the Group's business objectives as well as personal objectives. The allocations of individual variable remuneration awards are correlated to the staff member's formalised annual individual appraisal, that takes into consideration quantitative and qualitative objectives known to the employee, as well as risk management considerations.

Individuals are compensated from that bonus pool based on their contribution to the achievement of the Group's and/or the subsidiary's business objectives. Individual criteria will also depend on the role of the individual. For example, portfolio managers are judged on factors such as risk management, overall continuing performance of the portfolio and contribution to development of the Group's systems, whereas members of the Treasury function are assessed on effectiveness in managing liquidity as well as interest rate risk. The amount of variable remuneration will vary depending on the performance of the staff member, as well as of the staff member's business unit and the institution as a whole.

The appraisal process for all employees involves the following stages:

- Objective setting at the beginning of the year
Goals are set for the development of the employee. Objectives may be technical (related to area of expertise and day- to-day role) or behavioural (related to personal objectives).
- End of year appraisal
Employees prepare a self-appraisal, and the employee's manager prepares an appraisal. The employee and the manager meet to discuss performance and rating.

Individual allocation of the variable remuneration

All staff (including material risk takers)

The Chief People Officer initiates the process of gathering recommendations for salary revisions, bonuses and promotions from heads of departments. A variable remuneration pool is allocated per department based on the bonus pool of the Group. The individual departments then allocate the pool amongst their employees based on performance.

All staff are eligible for performance-related variable remuneration, although the Group has full discretion as to whether or not to pay variable remuneration on a Group-wide or an individual basis.

The amount payable to any individual under the annual variable remuneration plan is based on the following:

- The Group's financial performance (profits before tax after cost of capital adjustments, cost-to-income ratio and maintenance of all regulatory ratios across the Group (including CET1) within established risk appetite levels;
- Customer satisfaction (if applicable) based on the subjective assessment of the NRC;
- Conduct risk (after the Risk function has shared its reports with the Board Risk Committee and based on the Board Risk Committee's recommendation to the NRC); and
- Personal performance against qualitative objectives and at least one quantitative objective.

Variable remuneration may not be linked directly to individual sales or revenues generation targets.

In exceptional circumstances, the allocation of variable remuneration may differ from the above procedure, as determined on a case-by-case basis. The Chief Administration Officer together with the Chief People Officer ensure that recommendations for salary revisions and bonuses do not exceed the allocated pool. The Group Chief Risk Officer and the Chief Risk Officer of MeDirect Belgium must confirm that the bonus allocation is consistent with sound and effective risk management practices and does not adversely affect the capital adequacy of both entities. Final recommendations are discussed with the Group Chief Executive Officer and the Chief Executive Officer of MeDirect Belgium for approval before presentation to the NRC of the relevant entity.

Internal control functions

Whilst the overall bonus pool of the Group is based on the Group's financial results, compensation for control functions is not directly tied to the results of any business unit but should provide incentives for such staff to deliver the highest level of performance. Control functions are judged on success in developing and implementing appropriate policies, developing effective risk management controls and procedures, monitoring risk and building control systems. The Group's remuneration practices shall ensure that no material conflicts of interest arise in respect of remuneration for staff in the Group's control functions.

The methods used for determining the variable remuneration of control functions are designed to encourage staff not to compromise their objectivity and independence. When control function staff receive variable remuneration, it is determined separately from the business units they control, including the performance which results from business decisions in which the control function is involved. The criteria used for assessing performance and risk are based exclusively on internal control objectives.

Other matters on variable remuneration

In accordance with applicable remuneration regulations, the ratio between the variable components of remuneration and the fixed components is limited to 100% (200% with shareholders' approval subject to certain conditions being met) for variable remuneration paid to MeDirect Malta staff and 50% for variable remuneration paid to MeDirect Belgium staff.

Where variable remuneration is more than €50,000 both for MeDirect Malta and MeDirect Belgium employees or in certain other circumstances, a portion of the variable remuneration will be deferred and/or payable in the form of instruments. During the financial year, no variable remuneration paid exceeded 100% of fixed remuneration (or 50% in the case of MeDirect Belgium).

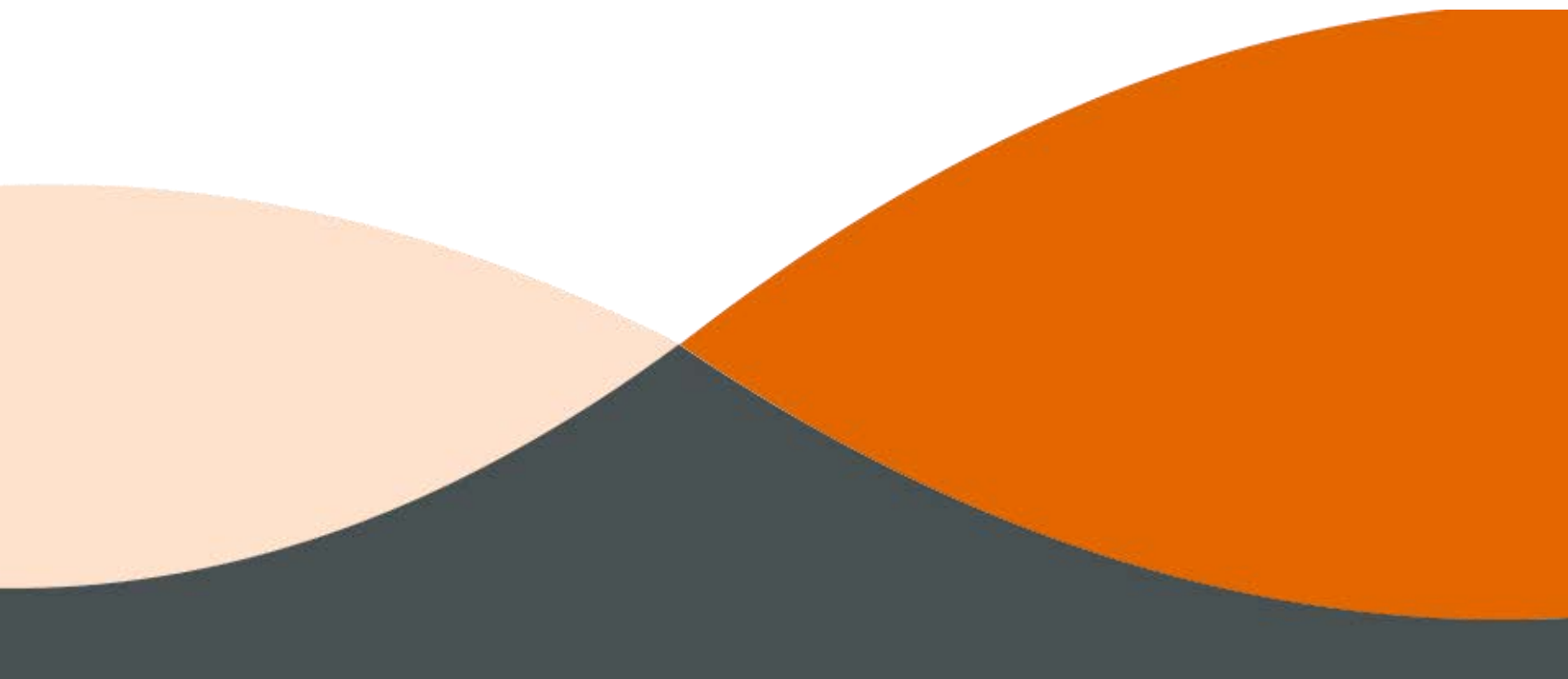
Variable remuneration may be paid in the following forms: 1) upfront cash; 2) an upfront share-linked award and/or 3) a deferred award of cash or share-linked instruments subject to deferral. An award for share-linked instruments entitles the material risk taker to a cash payment based on the market value of a specified number of shares of the Group at a given date but does not entitle the employee to shares or any interest in or right over such shares. Upfront and deferred share-linked awards linked to a retention bonus are subject to a retention period of not less than one or more than five years as determined by the relevant NRC. Any tranche of a deferred award which has not yet been paid will lapse if the recipient leaves employment before the end of the deferral period, except in the case of specific reasons described in the Deferred Bonus Plan and if approved by the relevant NRC. All share-linked instruments awarded to date were issued to current and previous material risk takers.

Variable remuneration awarded in cash is normally paid in the first quarter of the subsequent financial year as determined by the NRCs. Variable remuneration paid to Material Risk Takers is subject to malus and clawback provisions. The clawback provisions state that the bonus may have to be repaid if the recipient of an award participated in or was responsible for conduct which resulted in significant losses to the Group and/or a business unit, in case of failure to meet appropriate standards of fitness and propriety, including cases of fraud, dishonesty or gross negligence, or in the case of significant reputational damage to the Group or a business unit or where such conduct would lead to regulatory actions. Clawback provisions may be applied ex post to variable remuneration paid in cash and share-linked instruments.

Malus may be applied at the discretion of the relevant NRC, and examples of the circumstances in which such discretion to impose malus may be exercised are included in the Group's Remuneration Policy. Malus provisions may be applied ex ante to share-linked instruments.

Subject to regulatory de minimis limits, for Material Risk Takers, deferral will apply to at least 40% of annual variable remuneration (and up to at least 60% in certain circumstances as determined in accordance with applicable regulations by the relevant NRC), including both cash and instrument payments. The deferral period is five years, with one-fifth of the deferred amount vesting at the end of each of the first five anniversaries of the award date.

Financial Statements



Statements of Financial Position

	Notes	Group		Company	
		2025 €000	2024 €000	2025 €000	2024 €000
ASSETS					
Balances with central banks and cash	4	272,565	206,870	-	-
Derivative financial instruments	5	185,928	175,310	-	-
Loans and advances to financial institutions	6	329,161	316,403	156	224
Loans and advances to customers	7	3,023,394	2,927,475	-	-
Investments					
- Securities portfolio	8	890,401	698,866	-	-
- Securitisation portfolio	8	392,060	514,669	-	-
- Asset-Backed Securitisation portfolio	8	158,994	145,285	-	-
- Subsidiaries	9	-	-	280,836	248,672
Property and equipment	10	2,431	4,624	-	-
Intangible assets	11	16,324	16,827	-	-
Investment Property	13	-	17,042	-	-
Current tax assets		1,218	1,042	2	2
Deferred tax assets	14	17,730	17,512	-	-
Prepayments and accrued income	15	8,348	4,965	-	-
Other assets	16	39,007	26,576	11,936	13,019
Total assets		5,337,561	5,073,466	292,930	261,917
EQUITY					
Called up issued share capital	17	55,738	55,738	55,738	55,738
Share premium	17	13,756	13,756	13,756	13,756
Shareholders' contributions	17	173,443	136,300	173,642	136,300
Other reserves	17	792	(394)	2,066	880
Retained earnings	17	36,763	45,819	34,459	43,505
Total equity		280,492	251,219	279,661	250,179
LIABILITIES					
Derivative financial instruments	5	11,204	32,681	-	-
Amounts owed to financial institutions	18	209,814	179,777	-	-
Amounts owed to customers	19	4,139,020	3,878,702	-	-
Debt securities in issue	20	602,397	641,673	-	-
Subordinated liabilities	21	67,329	67,358	11,915	11,671
Current tax liabilities		56	2	-	-
Deferred tax liabilities	14	-	196	-	-
Provisions for liabilities and other charges	22	111	202	-	-
Accruals and deferred income	23	13,998	11,696	17	13
Other liabilities	24	13,140	9,960	1,337	54
Total liabilities		5,057,069	4,822,247	13,269	11,738
Total equity and liabilities		5,337,561	5,073,466	292,930	261,917
Memorandum items					
Commitments to extend credit, guarantees and other commitments	33-34	238,314	212,551	-	-

The notes on pages 59 to 219 are an integral part of these financial statements. The financial statements on pages 54 to 219 were signed on behalf of the Board of Directors by Bart Bronselaer (Chairman) and Jean-Claude Maher (Chief Executive Officer) on 11 March 2026.

Statements of Comprehensive Income

	Notes	Group		Company	
		2025 €000	2024 €000	2025 €000	2024 €000
Interest income *		155,496	194,674	1,317	1,291
Interest expense *		(91,351)	(117,621)	(1,317)	(1,291)
Net interest income	25	64,145	77,053	-	-
Fee and commission income		12,469	12,464	-	-
Fee and commission expense		(4,567)	(5,303)	(1)	(2)
Net fee and commission income	26	7,902	7,161	(1)	(2)
Net trading income	27	2,401	1,600	1	(1)
Net loss from financial instruments at fair value through profit or loss		-	(125)	-	-
Share of results of subsidiary undertaking	9	-	-	(7,836)	(5,866)
Other operating income					
- Realised gains on disposal of other investments	27.1	974	-	-	-
- Realised gains on disposal of loans and advances		191	3	-	-
- Other income		301	71	-	-
Total operating income		75,914	85,763	(7,836)	(5,869)
Personnel expenses	28	(28,865)	(26,828)	-	-
Depreciation and amortisation	10-11	(5,933)	(5,741)	-	-
Other administrative expenses	29	(44,588)	(38,900)	(24)	(16)
Total operating expenses		(79,386)	(71,469)	(24)	(16)
Net operating (loss)/profit before changes in expected credit losses		(3,472)	14,294	(7,860)	(5,885)
Change in expected credit losses and other credit impairment charges	30	(2,846)	(19,332)	-	-
Loss/Total comprehensive loss for the year before tax		(6,318)	(5,038)	(7,860)	(5,885)
Tax expense	31	(1,552)	(856)	-	-
Loss/Total comprehensive loss for the year		(7,870)	(5,894)	(7,860)	(5,885)
- Attributable to equity holders of the parent					

* All interest income and expense is calculated using the effective interest rate (EIR) method.

The notes on pages 59 to 219 are an integral part of these financial statements.

Statements of Changes in Equity

Group	Share capital €000	Share premium €000	Shareholders' contributions €000	Other reserves €000	Retained earnings €000	Totals €000
Balance at 1 January 2024	55,738	13,756	136,300	(558)	51,877	257,113
Total comprehensive income						
Loss for the year	-	-	-	-	(5,894)	(5,894)
Total comprehensive income, net of tax	-	-	-	-	(5,894)	(5,894)
Transfer to legal reserve (Note 17)	-	-	-	164	(164)	-
Balance at 31 December 2024	55,738	13,756	136,300	(394)	45,819	251,219
Balance at 1 January 2025	55,738	13,756	136,300	(394)	45,819	251,219
Total comprehensive income						
Loss for the year	-	-	-	-	(7,870)	(7,870)
Total comprehensive income, net of tax	-	-	-	-	(7,870)	(7,870)
Transaction with owners						
Shareholders' contributions (Note 17)	-	-	37,143	-	-	37,143
Total transaction with owners	-	-	37,143	-	-	37,143
Transfer to legal reserve (Note 17)	-	-	-	1,186	(1,186)	-
Balance at 31 December 2025	55,738	13,756	173,443	792	36,763	280,492
Company						
	Share capital €000	Share premium €000	Shareholders' contributions €000	Other reserves €000	Retained earnings €000	Totals €000
Balance at 1 January 2024	55,738	13,756	136,300	716	49,554	256,064
Total comprehensive income						
Loss for the year	-	-	-	-	(5,885)	(5,885)
Total comprehensive income, net of tax	-	-	-	-	(5,885)	(5,885)
Transfer to legal reserve (Note 17)	-	-	-	164	(164)	-
Balance at 31 December 2024	55,738	13,756	136,300	880	43,505	250,179
Balance at 1 January 2025	55,738	13,756	136,300	880	43,505	250,179
Total comprehensive income						
Loss for the year	-	-	-	-	(7,860)	(7,860)
Total comprehensive income, net of tax	-	-	-	-	(7,860)	(7,860)
Transaction with owners						
Shareholders' contributions (Note 17)	-	-	37,342	-	-	37,342
Total transaction with owners	-	-	37,342	-	-	37,342
Transfer to legal reserve (Note 17)	-	-	-	1,186	(1,186)	-
Balance at 31 December 2025	55,738	13,756	173,642	2,066	34,459	279,661

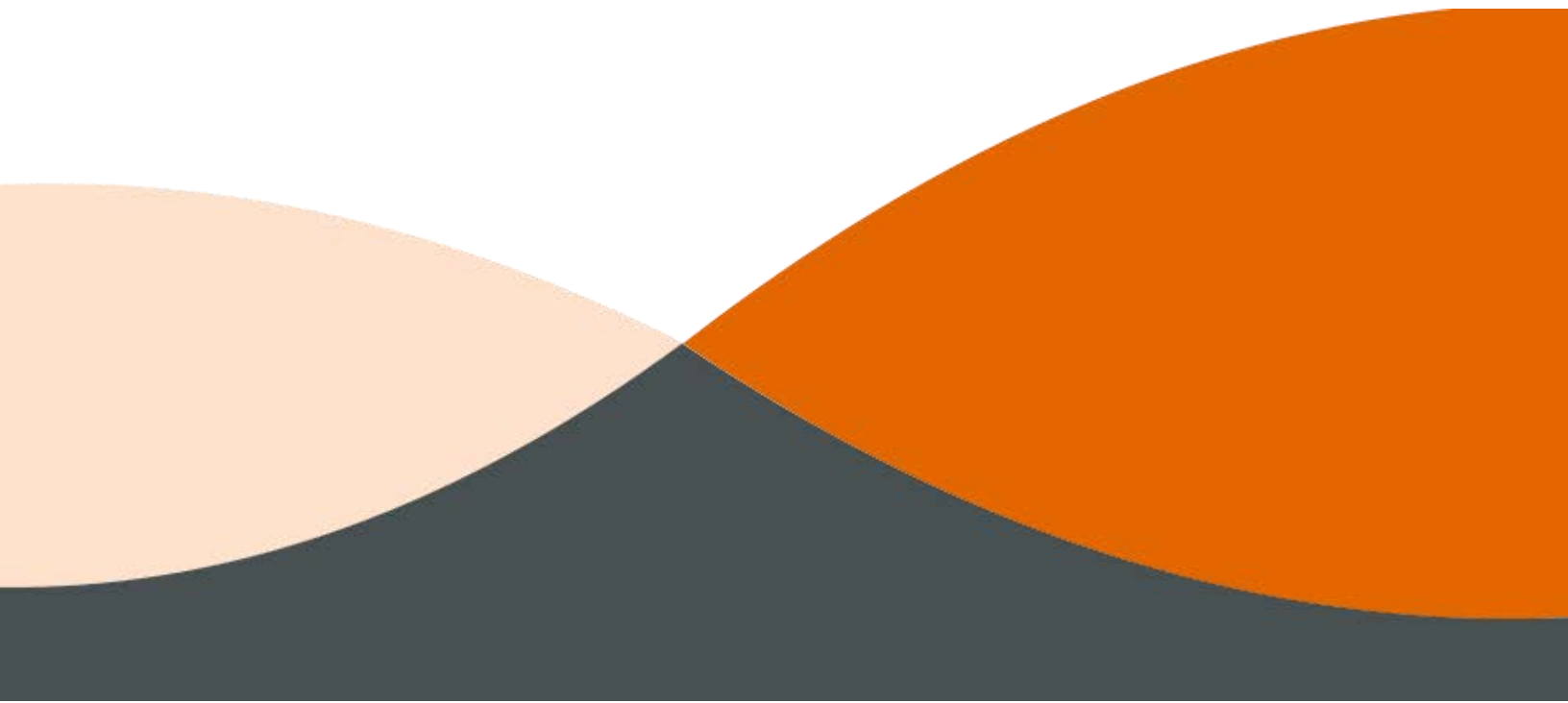
The notes on pages 59 to 219 are an integral part of these financial statements.

Statements of Cash Flows

	Notes	Group		Company	
		2025 €000	2024 €000	2025 €000	2024 €000
Cash flows from operating activities					
Interest and commission receipts		173,428	203,189	1,317	1,291
Interest and commission payments		(95,884)	(122,876)	(1,317)	(1,291)
Payments to employees and suppliers		(86,719)	(65,045)	-	-
Operating cash flows before changes in operating assets/liabilities		(9,175)	15,268	-	-
(Increase)/decrease in operating assets:					
- Reserve deposit with central banks		(2,679)	(7,087)	-	-
- Loans and advances to financial institutions and customers		(90,114)	(112,332)	-	-
Increase/(decrease) in operating liabilities:					
- Amounts owed to financial institutions and customers		248,004	506,362	1	(1)
- Other payables		4,543	(2,497)	1,283	39
Tax paid		(2,090)	(2,798)	-	-
Net cash from operating activities		148,489	396,916	1,284	38
Cash flows from investing activities					
Additional investment in subsidiary	9	-	-	(40,000)	-
Acquisition of property and equipment	10	(104)	(464)	-	-
Acquisition and development of intangible assets	11	(3,930)	(4,508)	-	-
Acquisition of investments measured at amortised cost	8	(256,521)	(259,454)	-	-
Redemption and disposal of investments measured at amortised cost	8	172,620	221,715	-	-
Redemption of investments measured at fair value through profit and loss	8	-	893	-	-
Net advances from subsidiary		-	-	1,306	22
Net cash (used in)/from investing activities		(87,935)	(41,818)	(38,694)	22
Cash flows from financing activities					
Redemption/repurchase of debt securities	20	(38,131)	(272,049)	-	-
Shareholders' contribution	17	37,143	-	37,342	-
Principal element of lease payments	24	(1,167)	(1,203)	-	-
Net advances to other group companies		(18)	-	-	-
Net cash used in financing activities		(2,173)	(273,252)	37,342	-
Net increase/(decrease) in cash and cash equivalents		58,381	81,846	(68)	60
Cash and cash equivalents at beginning of year		59,696	(22,150)	224	164
Cash and cash equivalents at end of year	32	118,077	59,696	156	224

The notes on pages 59 to 219 are an integral part of these financial statements.

Notes to the financial statements



1. Summary of material accounting policy information

1.1 Reporting entity

MDB Group Limited (the “Company”) is a limited liability company domiciled in Malta and incorporated in Malta with its registered address at The Centre, Tigne’ Point, Sliema, Malta, TPO 0001. Since the last publication, there were no changes to the name of the reporting entity.

The consolidated financial statements of the Company as at and for the financial year ended 31 December 2025 comprise the financial statements of the Company and its subsidiaries, together referred to as “the Group”. Therefore, these financial statements report the consolidated financial results of MDB Group Limited for the financial year ended 31 December 2025, including the financial results of MeDirect Bank (Malta) plc (“MeDirect Malta”); its principal subsidiary, namely MeDirect Bank SA (“MeDirect Belgium”); Bastion 2020-1 NHG B.V. (“Bastion 2020-1”), Bastion 2021-1 NHG B.V. (“Bastion 2021-1”), Bastion 2022-1 NHG B.V. (“Bastion 2022-1”) and Bastion 2025-1 NHG B.V. (“Bastion 2025-1”), four controlled special purpose entities utilised as part of the Group’s funding strategy in respect of the Dutch Mortgage business; MeDirect Tech Limited (“MeDirect Tech”) that leases computer hardware and software to MeDirect Malta and MeDirect Belgium; and Medifin Estates, a property leasing partnership.

The separate financial statements of MDB Group Limited reflect the financial results of the Company.

MeDirect Belgium is a credit institution licensed in Belgium and is carrying out all of the Group’s activities in Belgium.

The principal customer-related activities of MeDirect Malta and MeDirect Belgium include an easy-to-use wealth platform with access to fund houses and mutual funds, a suite of wealth products available through digital channels and attractive and innovative savings products in Malta, Belgium and the Netherlands.

MeDirect Belgium invests in Dutch residential mortgages via an established third-party mortgage originator in the Netherlands and Belgian residential mortgage loan product in partnership with Allianz Benelux S.A/N.V.. This offering is underpinned by a robust credit risk framework and will continue to diversify the asset base of MeDirect Belgium into the residential mortgage sector. MeDirect Belgium also invests in Dutch buy-to-let mortgage business whereas MeDirect Malta offers innovative and attractive home loan products in a client-oriented process.

MeDirect Malta continues to support the Maltese real economy through convenient banking services such as payment services and foreign exchange and through lending to Maltese corporates on projects and to small and medium-sized enterprises through fully collateralised lending facilities. MeDirect Malta also holds a consumer finance receivables portfolio.

With de-risking broadly completed, leaves MeDirect Malta with a couple of exposures remaining in its International Corporate Lending Portfolio of senior secured loans and MeDirect Belgium holding one revolving credit facility which is in the process of being wound down.

The Group has retained substantially all risks and rewards pertaining to the activities of Bastion 2020-1, Bastion 2021-1, Bastion 2022-1 and Bastion 2025-1 and hence to assets, liabilities and related income and expenditure attributable to these entities, and as such, all assets, liabilities and related income and expenditure have been reflected within the Group's consolidated financial statements. Bastion 2020-1 was put into liquidation in December 2025.

MeDirect Belgium, in line with article 6 of the Securitisation Regulation (EU) No 2017/2402 of the European Parliament and of the Council of 12 December 2017, undertook to retain, on an ongoing basis, a material net economic interest in the Bastion securitisation transactions. This implies that the Group retains substantially all risks and rewards pertaining to the activities of these securitisation structures and hence to the assets, liabilities and related income and expenditure attributable to the structures and as such, all assets, liabilities and related income and expenditure of the securitisation special purpose entities are reflected in the Group's financial statements.

Medifin Estates, a property leasing partnership, was set up to lease property which is then leased back to the Group.

MeDirect Tech owns the key rights and licences, including software solutions that are utilised by both MeDirect Malta and MeDirect Belgium. It leases out amongst other equipment, software and motor vehicles and provides related support services to the other Group entities.

1.2 Basis of preparation

The Company's consolidated financial statements have been prepared in accordance with the requirements of International Financial Reporting Standards ("IFRS") as adopted by the European Union.

These financial statements have also been drawn up in accordance with the provisions of the Maltese Banking Act (Cap. 371) and the Maltese Companies Act (Cap. 386).

These financial statements have been prepared on the basis of the historical cost convention, except for:

- derivative financial instruments which are measured at fair value;
- recognised financial assets designated as hedged items in qualifying fair value hedge relationships which are measured at amortised cost adjusted for changes in fair value attributable to the risk being hedged; and
- investment in subsidiary in the Company's separate financial statements that are measured using the equity method.

The material accounting policies adopted in the preparation of these financial statements are set out below. Unless otherwise stated, these policies have been consistently applied to all the years presented.

The preparation of financial statements in conformity with IFRS Accounting Standards as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgement in the process of applying the Group's accounting policies (see Note 3.1 – Critical accounting estimates and judgements in applying the Group's accounting policies).

Standards, interpretations and amendments to published standards effective in 2025

During the financial year ended 31 December 2025, the Group adopted the following amendments to existing standards but the adoption of these revisions to the requirements of IFRSs as adopted by the EU did not result in significant changes to the Group's accounting policies impacting the Group's financial performance and position.

- Amendments to IAS 21: Lack of Exchangeability.

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods. The Group has not early adopted any standards, interpretations or amendments that have been issued but are not yet effective.

Standards, interpretations and amendments to published standards issued but not yet effective

The new and amended standards and interpretations that are issued, but not yet effective, up to the date of issuance of the Group's financial statements are disclosed below. The Group intends to adopt these standards and interpretations, if applicable, when they become effective. These standards and interpretations are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions except for IFRS 18, which is further discussed below.

- Amendments to IFRS 9 and IFRS 7: Disclosures - Classification and Measurement of Financial Instruments, effective 1 January 2026;
- Amendments to IFRS 9 and IFRS 7: Disclosures - Contracts Referencing Nature-dependent Electricity, effective 1 January 2026;
- Annual Improvements to IFRS Accounting Standards - Volume 11, effective 1 January 2026; and
- IFRS 18 Presentation and Disclosure in Financial Statements, effective 1 January 2027.

IFRS 18 is set to replace IAS 1 Presentation of financial statements, introducing new requirements that will help to achieve comparability of the financial performance of similar entities and provide more relevant information and transparency to users. Even though IFRS 18 will not impact the recognition or measurement of items in the financial statements, its impacts on presentation and disclosure are expected to be pervasive, in particular those related to the statement of financial performance. IFRS 18 also requires the disclosure of management-defined performance measures within the financial statements. Management is currently assessing the detailed implications of applying the new standard on the Group's and Company's financial statements. The new standard will be applicable from its mandatory effective date of 1 January 2027, with retrospective application.

Standards, interpretations and amendments that are not yet endorsed by the European Union, are not yet effective and not early adopted

Certain new standards, amendments and interpretations to existing standards have been published by the date of authorisation for issue of these financial statements but are not yet endorsed by the European Union. In the opinion of the Directors, the adoption of these standards will not have significant impact on the financial statements of the Group.

- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective 1 January 2027; and
- Amendments to IAS 21: The Effects of Changes in Foreign Exchange Rates, effective 1 January 2027.

Appropriateness of going concern assumption in the preparation of the financial statements

The Group's business, profitability projections, funding and capital plans under base and stress scenarios, together with a range of other factors such as the economic outlook along with ongoing developments in EU economies indicate that the Group will have sufficient capital, under both the base and stress scenarios, to meet not only the regulatory capital requirements but also any internal risk buffers and any buffers recommended by the regulators throughout the forthcoming financial period. The projections confirmed that the Group will have an adequate level of funding and liquidity that may allow the relevant minimum regulatory requirements to be satisfied.

The financial statements are therefore 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, and that accordingly no material uncertainty exists that may cast significant doubt about the Group's ability to continue as a going concern and that may require disclosure in terms of IAS 1. 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 and the capital resources of the Group.

1.3 Consolidation

Subsidiaries are all entities over which the Group has control. The Group controls an entity where the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Consistent accounting policies are applied throughout the Group for the purposes of consolidation.

Accounting for business combinations between entities under common control

Business combinations between entities under common control, which do not fall within the scope of IFRS 3, are accounted for using the predecessor method of accounting. Under the predecessor method of accounting, assets and liabilities are incorporated at the predecessor carrying values, which are the carrying amounts of assets and liabilities of the acquired entity from the financial statement amounts of the acquired entity.

No new goodwill arises in predecessor accounting, and any difference between the consideration given and the aggregate book value of the assets and liabilities (as of the date of transaction) of the acquired entity, is included in equity in retained earnings. The financial statements incorporate the acquired entity's results only from the date on which the business combination between entities under common control occurred and reflect the acquirees assets and liabilities as from that date.

Accounting for investments in subsidiaries in the parent company's separate financial statements

In the separate financial statements of the Company, the investment in subsidiary is accounted for using the equity method.

1.4 Foreign currency transactions and balances

a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency). The functional currency of all Group entities is the euro. The financial statements are presented in euro, which is also the Group's presentation currency. The amounts are rounded to the nearest thousand euro, unless otherwise stated.

b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

1.5 Financial assets

Initial recognition and derecognition

The Group recognises a financial asset in its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group initially recognises loans and advances to customers at the date of transfer of beneficial ownership or when cash is advanced to borrowers. Investments and transactions in all other financial instruments consisting of regular way purchases and sales are recognised on settlement date.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership or the Group has not retained control of the asset.

When assets are sold to a third party with a concurrent total return swap on the transferred assets, the transaction is accounted for as a secured financing transaction, retaining the asset on the statement of financial position because the Group retains all or substantially all the risks and rewards of ownership of such assets.

Similarly, when assets are sold to a structure through which the Group is deemed to have retained all, or substantially all, risks and rewards, the transferred assets are not derecognised.

In transactions in which the Group neither retains nor transfers substantially all the risks and rewards of ownership of a financial asset and it retains control over the asset, the Group continues to recognise the asset to the extent of its continuing involvement, determined by the extent to which it is exposed to changes in the value of the transferred asset.

In certain transactions the Group retains the obligation to service the transferred financial asset for a fee. The transferred asset is derecognised if it meets the derecognition criteria. An asset or liability is recognised for the servicing contract if the servicing fee is more than adequate (asset) or is less than adequate (liability) for the performance of the servicing.

Modifications of terms

If the terms of a financial asset are renegotiated or modified or an existing financial asset is replaced with a new one due to financial difficulties of the borrower, then an assessment is made of whether the financial asset should be derecognised. If the cash flows of the renegotiated asset are substantially different, then the contractual rights to cash flows from the original financial asset are deemed to have expired. In this case, the original financial asset is derecognised, and the new financial asset is recognised at fair value.

When a loan is restructured as part of forbearance strategy and the restructuring results in derecognition of the existing loan, the new loan is disclosed as forborne.

The accounting treatment in respect of the modification of terms of financial assets, including considerations made to determine whether the terms of the renegotiated asset are substantially different, is described in more detail in the 'Modified financial assets' sub-section.

Classification and measurement

The classification and measurement criteria under IFRS 9 are driven by the entity's business model for managing the financial instruments and the contractual cash flow characteristics of the financial instruments.

In line with the provisions of IFRS 9, the Group classifies and measures all financial assets under any one of the following categories:

- Amortised cost; or
- Fair value through profit or loss ("FVTPL").

The Group determines the classification and measurement basis for financial assets based on an assessment of both the business model within which the financial assets are held and a review of the contractual terms of each financial asset to determine if cash flows are solely payments of principal and interest (SPPI).

In this regard, subsequent to initial recognition, financial instruments are measured at:

- amortised cost if the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows ("Hold to Collect") and the contractual terms of the financial asset give rise to cash flows that are SPPI; or
- FVTPL if the financial asset does not pass the business model assessment referred to above or SPPI criteria.

In performing the SPPI assessment, the Group considers the following contractual terms to determine whether these introduce variability in contractual cash flows that is inconsistent with a basic lending arrangement, amongst others:

- variable interest rates, which typically consider the time value of money, credit risk and other basic lending risks and costs;
- leverage, which is a contractual cash flow characteristic that results in increased variability in contractual cash flows;
- modifications of the time value of money; and
- contractual features that could alter the timing or amount of contractual cash flows of a financial asset, such as contingent events, prepayment and extension options.

The Group has identified the following separate portfolios which require separate business model assessments due to the fact that these are managed separately and by different business units / management teams, namely (i) the Dutch Mortgage portfolio (including the buy-to-let mortgages portfolio); (ii) the Belgian Mortgage portfolio; (iii) the Maltese Business Lending portfolio; (iv) the Maltese Mortgage portfolio; (v) the Consumer Finance receivables portfolio; (vi) the International Corporate Lending portfolio; (vii) the Securities Investment portfolio; (viii) the Securitisation Investment portfolio; and (ix) the Asset-Backed Securitisation Investment portfolio.

Financial assets measured at amortised cost

Financial assets in a portfolio where the objective of the portfolio is to collect the contractual cash flows and which contain contractual terms that give rise on specified dates to cash flows that are solely payments of principal and interest are measured at amortised cost. These financial assets are initially measured at fair value, which is generally the cash consideration to originate or purchase the asset including any direct and incremental transaction costs, upon recognition. The Group's financial assets measured at amortised cost comprise primarily loans and advances to banks, loans and advances to customers, comprising the Dutch Mortgage portfolio, the Belgian Mortgage portfolio, the Maltese Business Lending portfolio, the Maltese Mortgage portfolio, the Consumer Finance receivables portfolio, the International Corporate Lending portfolio, and a portfolio of debt securities classified under the Securities, Securitisation Investment and Asset-Backed Securitisation Investment portfolio.

Financial instruments at fair value through profit or loss

Financial instruments that are held for trading or fail the SPPI test are classified in this category. These consist of certain derivative financial instruments.

Reclassification of financial assets and liabilities

The Group does not reclassify its financial assets subsequent to their initial recognition, apart from the exceptional circumstances in which the Group acquires, disposes of, or terminates a business line. Financial liabilities are never reclassified.

Impairment of financial assets measured at amortised cost

IFRS 9 requires the measurement of credit loss allowances on financial instruments using the expected credit loss ("ECL") impairment model using a forward-looking approach that emphasises shifts in the credit risk attached to a financial instrument, and consequently the probability of future credit losses, even if no loss events have yet occurred.

Since movements in the fair value of financial instruments measured at FVTPL are recognised directly in profit or loss, no credit loss allowances are deemed necessary for these financial instruments.

In contrast, financial assets measured at amortised cost, are subject to impairment requirements using the general impairment model stipulated by IFRS 9. This is due to the fact that, since an integral aspect of the business model for financial assets measured at amortised cost is to collect contractual cash flows, the effects of changes in credit risk are more relevant to a user's understanding than the effects of other changes, such as changes in market interest rates.

IFRS 9 impairment requirements are also applicable to loan commitments that are not measured at FVTPL (if the terms and conditions of the arrangement give rise to an enforceable contract to extend credit) and financial guarantee contracts. None of these are within the scope of IFRS 9 but are still subject to impairment requirements in accordance with IFRS 9.

Expected credit losses may be recognised for loans and advances to banks and customers, other financial assets measured at amortised cost, debt instruments measured at amortised cost, and certain loan commitments and financial guarantee contracts. The Group may commit to underwrite loans on fixed contractual terms for specified periods of time. When the Group intends to hold the loan, the loan commitment is included in the impairment calculations set out below.

Three stage expected credit loss approach

IFRS 9 outlines a ‘three-stage’ model for impairment based on changes in credit quality since initial recognition. The key driver of the measurement of ECLs therefore relates to the level of credit risk for each exposure and, as a result, an assessment of the change in credit risk over the expected life of an asset is a core element in determining the staging criteria under IFRS 9. The three stages under IFRS 9 are as follows:

- Stage 1 - Financial instruments that have not had a significant increase in credit risk (SICR) since initial recognition and not purchased or originated credit-impaired (POCI), or that have “low credit risk” at the reporting date are classified in Stage 1. 12-month ECLs are recorded to measure the expected losses that result from default events that are possible within 12 months after the reporting date;
- Stage 2 - Financial instruments that have experienced a SICR since initial recognition are classified in Stage 2. Lifetime ECLs are recorded to measure the expected losses that result from all possible default events over the expected life of the financial instrument; and
- Stage 3 / POCI- Financial instruments that demonstrate an increase in likelihood of default and which are considered to be in default or credit-impaired (also at origination), are classified in Stage 3, also requiring the measurement of lifetime ECLs. Financial instruments that provide evidence of being credit-impaired at initial recognition, are classified as Purchase-Originated Credit Impaired (POCI), also requiring the measurement of lifetime ECLs.

Non credit-impaired and without significant increase in credit risk (Stage 1)

ECL resulting from default events that are possible within the next 12 months (12-month ECL) are recognised for financial instruments that are in Stage 1.

Financial instruments are all classified within Stage 1 upon initial recognition, unless a financial instrument is purchased or originated credit-impaired (POCI) in which case the exposure is classified as POCI upon initial recognition and will remain classified as such until derecognition. Therefore, the Group calculates a credit loss allowance based on 12-month ECL. Subsequent changes in credit risk will be reflected in the staging of the exposure, with a transfer of the exposure to Stage 2 or 3 conditional upon the identification of a SICR or impairment respectively.

The provisions of IFRS 9 include a practical expedient to measure credit loss allowances using 12-month ECL for financial instruments having low credit risk as at the reporting date. In practical terms, this means that, in those cases where a financial instrument is deemed to have low credit risk, management is not required to perform an assessment to determine whether a SICR has occurred. The Group considers “low credit risk” to exist in case of selected financial instruments, for example listed bonds with an investment-grade credit rating by at least one major rating agency.

For all Stage 1 and 2 financial assets, interest income is recognised by applying the effective interest rate to the gross carrying amount, prior to deduction of credit loss allowances.

Significant increase in credit risk (SICR) or Stage 2

The concept of default risk is central to IFRS 9. Therefore, a key risk parameter used by the Group in its credit risk management activities is the probability that the obligor defaults, either within the next 12-month period (in case of Stage 1 exposures) or over the lifetime of the exposure (in case of Stage 2 exposures).

An assessment of whether credit risk has increased significantly since initial recognition is performed at least at each reporting date by considering the change in the risk of default occurring over the remaining life of the financial instrument. The assessment explicitly or implicitly compares the risk of default occurring at the reporting date compared with that at initial recognition, taking into account reasonable and supportable information, including information about past events, current conditions and future economic conditions.

To assess a SICR event, the Group considers both actual and forward-looking information relating to external market indicators, internal factors and borrower-specific information. The assessment is unbiased and to the extent relevant, uses forward-looking information consistent with that used in the measurement of ECL. The analysis of credit risk is based on multiple factors, and their relevance is driven by product type, characteristics of the financial instrument and the obligor. Therefore, it is not possible to provide a single set of criteria that will determine what is considered to be a significant increase in credit risk, and these criteria will differ for different types of lending. The internal credit risk management framework comprises the use of both qualitative and quantitative SICR triggers.

The Group's credit risk rating processes are designed to highlight exposures which require closer management attention because of their greater probability of default and potential loss.

In this respect, the Group adopts a five-point credit quality classification system in order to rate the credit quality of its key financial assets. Further detail on internal credit risk management is outlined in Section 2 (Financial Risk Management, Credit Risk). Typically, an internal risk grade is assigned to each obligor by the business which is then reviewed by both the Credit Risk Team, and the Management Credit Committee responsible for the oversight of the Group's respective portfolios. The following are the internal risk grades:

- Regular - No material credit concerns.
- Focus - No immediate prospect that a credit loss will ultimately be suffered, but worthy of closer credit oversight. (This risk grade is not used for the International Corporate Lending portfolio).
- Under Surveillance - Significant increase in credit risk with identified concerns and some prospect that a credit loss may ultimately be suffered.
- Doubtful - Likely that the contractual terms of the debt will not be met and that a credit loss will be suffered (Impaired).
- Write-off - Full or partial write-down of exposures with no prospect of recovery.

An overview of the Group's qualitative SICR assessment is provided below. However, the quantitative assessment performed by the Group to identify a SICR varies across each of the Group's portfolios of financial instruments and is disclosed in the relevant sub-sections below.

It is possible for multiple instruments to the same customer to be classified under different stages. This may occur when the Group holds exposures originated at differing points in time thereby potentially giving rise to differing default risk at initial recognition, causing a variation in the relative increase in credit risk since origination between the different instruments.

The Group has defined likely SICR triggers that are deemed most relevant in the Group Credit Risk policy. However, triggers are not treated as exhaustive and are subject to robust credit risk management assessments. Qualitative SICR trigger assessments are undertaken at least quarterly for each instrument and any identified SICR trigger events are presented to the appropriate Management Credit Committee.

- *International Corporate Lending portfolio*

Financial instruments within the Group's International Corporate Lending portfolio are managed on an individual basis for credit purposes, whereby the Group's credit analysts have access to the obligors and their financial information, the latter comprising both historical and forecasted financial information. The SICR assessment for the International Corporate Lending portfolio comprises the following:

- Use of qualitative SICR triggers, including for example evidence of past due information, significant changes in the operating or borrowing performance of the borrower;
- Use of quantitative SICR assessment based on a ratings-based approach using lifetime 'Point in Time' (PiT) Probabilities of Default (PDs) (i.e. PD in current economic conditions); and
- Hard trigger (Internal credit classification) - financial asset that has a credit quality classification of "Under surveillance" is Stage 2, classification of "Impaired" is Stage 3.

For the purposes of the quantitative SICR assessment, the Group has adopted a ratings-based approach (i.e. based on notch deterioration) for its SICR assessment.

Due to the lack of sufficient internal history of defaults, the Group uses a credit risk modelling solution developed by an external vendor to estimate unconditional PiT PDs by: (i) benchmarking the obligor's financial statements with those of the underlying model dataset; and (ii) applying a qualitative scorecard to adjust the quantitative unconditional PiT PDs to better reflect obligor-specific peculiarities.

A forward-looking, probability weighted PiT PD estimated by the model is mapped to an implied default rating, which adopts Moody's public ratings agency scale terminology from C up to Aaa. When performing the SICR assessment, the Group compares the implied rating at origination to the implied rating at the reporting date and determines the difference in notches between them. The Group's staging criteria is therefore deemed to be based on a ratings/notch deterioration approach.

The quantitative SICR staging decision uses both a relative and an absolute threshold approach. The relative threshold approach involves calculating the magnitude of the difference between the reporting date rating and the origination date rating based on the deterioration in the number of notches between the two ratings. The appropriate stage is determined based on the magnitude of this difference.

Although the Group has adopted a ratings-based approach (i.e. based on notch deterioration) for its SICR assessment, each implied rating is represented by an underlying PD. A two-notch rating downgrade from origination is considered a SICR trigger. ESG factors do not form part of the quantitative SICR staging assessment but are considered separately in the measurement of ECL through a post-model management adjustment.

Lifetime PDs are determined by estimating the marginal PD for each year over the life of the financial instrument. For example, for a five-year loan, PDs are calculated for each of the five years. The year-1 PD is calculated as the probability of the loan defaulting within the first year of it being issued, whereas the year-2 PD is calculated as the probability of the loan surviving the first year but defaulting in the second year. The same principle of survival applies to the PDs for the remaining years. The summation of marginal PDs results in the derivation of the cumulative lifetime PD term structure. Cumulative lifetime PDs increase at a diminishing rate as the residual life of the loan shortens.

PDs are determined upon origination date and at each subsequent reporting date at an obligor level rather than at a facility level. Therefore, at any given date, multiple facilities attributable to the same obligor are assigned the same PD, reflecting the borrower's financial condition as at the date of the assessment. In this regard, different facilities with the same obligor originated at the same time are expected to have an identical PD both at origination date as well as subsequent reporting dates. However, facilities with the same obligor originated at different time intervals can have different PDs upon origination, reflecting the borrower's financial condition and credit risk at each respective origination date, whereas identical PDs are determined at each subsequent reporting date in respect of all such facilities.

In this regard, a simple or absolute comparison of PDs at initial recognition and at the reporting date is not appropriate to determine the stage of an exposure. All other things kept constant, the PD of a financial instrument is expected to reduce with the passage of time. Thus, in order to take this into consideration, the Group estimates the annualised PD over the remaining life of the financial asset as at the origination date and the annualised PD over the remaining life of the financial asset as at the reporting date. The annualised PD measure is the cumulative PD for a given period, stated on a per-year basis. These are then mapped to implied ratings which are used to determine potential SICR events and consequently the credit stage of a financial instrument through a combination of relative and absolute thresholds using the implied credit ratings.

Hard Trigger based on Internal Risk Classifications

The quantitative assessment through the Group's implied credit rating staging criteria is considered alongside qualitative SICR triggers and forms part of the overall SICR trigger assessment. In this regard, when qualitative SICR triggers are observed by credit analysts, the Group applies a hard trigger based on the internal credit classification (Stage 2 for all borrowers classified as "Under surveillance", and Stage 3 for all borrowers classified as "Doubtful").

- *Dutch Mortgage portfolio*

In respect of the Dutch national-guaranteed residential mortgage assets (for which losses are capped at 10% of expected losses through the 'Nationale Hypotheek Garantie' or NHG, capping the LGD) classified within the Group's Dutch Mortgage portfolio, the primary determinant of SICR is a quantitative rule based on the change in PD between origination and reporting date, and based on absolute PD thresholds. SICR is determined at "loan part" level – i.e. each facility (even where the source of repayment is the same) is assessed for SICR.

The quantitative SICR trigger compares residual lifetime PD at reporting date versus residual lifetime PD at origination. To identify whether an account experienced a SICR since initial recognition, a lifetime PD threshold is used.

In this respect, the following SICR triggers and backstops are applied and would result in a shift of these exposures to Stage 2:

- Change in Probability of Default: lifetime PD of the exposure on the reporting date exceeds its lifetime PD at initial recognition by more than 200%; or
- Absolute level: 12-month PD of the exposure on the reporting date exceeds 20%.

The following are also deemed to give rise to SICR:

1. Forbearance events where exposures are not 30 days past due ("DPD");
2. Where payments in respect of the exposure are 30 DPD or more.

Quantitative SICR triggers are not applied to mortgages / loan parts with a PD of 0.03% or below at reporting date. Such exposures are deemed to qualify for the low credit risk exemption (Stage 1 without further staging assessment) in IFRS 9. The appropriateness of the application of this exemption is periodically tested for portfolios on which it is applied.

- *Belgian Mortgage and Dutch Buy-to-Let Mortgage portfolio*

Staging for the Belgian Retail Residential Mortgages and Dutch Buy-to-Let Mortgage portfolios are similar as for Dutch Residential Mortgages where primary determinants of SICR are delinquency, forbearance, and other quantitative rules relating to the relative and absolute change in PD.

- *Maltese Business Lending portfolio*

For Maltese Business Lending assets, the Group is unable to use external credit ratings as all exposures are unrated, nor rely on risk-modelling for quantifying credit risk for each asset, as no robust database exists for the asset class. The Group therefore uses the evidence of past-due information as the primary driver of SICR triggers alongside other qualitative SICR metrics.

Payments in respect of exposures within this portfolio that are more than 30-days past due are considered as evidencing a SICR trigger.

Similar to the approach taken for the International Corporate Lending portfolio, the other identifier of SICR within the Maltese Business Lending portfolio is the review by respective relationship managers which takes into consideration qualitative SICR triggers such as a deteriorating risk classification with other banks (through the Central Credit Register), requests for concessions and other financially related triggers as described previously in respect of the International Corporate Lending portfolio.

Exposures within the Maltese Business Lending portfolio are therefore managed at an individual exposure level for credit purposes, through relationship managers who have access to the customers and their financial information on a regular basis. Such qualitative SICR trigger assessments are undertaken at least quarterly and any identified SICR trigger events are presented to the appropriate Management Credit Committee. These SICR assessments could lead to changes in the internal risk grade assigned to each borrower.

- *Maltese Mortgage portfolio*

Staging for the Maltese Retail Residential Mortgages portfolio is similar as for Dutch Mortgages where primary determinants of SICR are Delinquency, Forbearance, and other quantitative rules relating to the relative and absolute change in PD.

- *Consumer Finance receivables portfolio*

To identify a SICR, the following triggers in the Group Credit Policy have been identified as the most relevant to the Consumer Finance receivables portfolio.

- Quantitative triggers based on PD movements
- Hard triggers based Days Past Due
- Forbearance

Any debtor exposure that is more than 30-days past due is considered as evidencing a SICR trigger.

- *Securities Investment portfolio*

In order to monitor SICR in relation to its Securities Investment portfolio, the Group refers to external credit ratings from an international credit rating agency. In this regard, an exposure is deemed to have low credit risk if it is assigned an investment-grade status by one of these three external credit rating agencies.

Should the credit rating of a financial instrument fall below the investment-grade threshold, i.e. BBB (or equivalent) the financial instrument is deemed to have suffered a SICR. As a result, the financial instrument will be re-classified as a Stage 2 exposure, which will impact the measurement of the ECL charges, moving from a 12-month ECL calculation to a lifetime ECL calculation.

- *Securitisation Investment and Asset-Backed Securitisation Investment portfolios*

Due to the unique characteristics of Collateralised Loan Obligation (“CLO”) and Asset-Backed Security (“ABS”) vehicles, the definitions for SICR differ from the Group’s Credit Policy.

In respect of tranches (or notes) of CLOs and ABSs to which an investment-grade Implied Rating is assigned, the Group makes use of the low credit risk exemption. As a result, the Group assumes that no SICR has occurred since initial recognition as long as the tranche retains an investment-grade Implied Rating. Hence, the Group assumes that the credit risk attributable to tranches to which the low credit risk exemption is applied has not increased significantly since initial recognition.

Similar to the Securities Investment portfolio criteria, investment-grade rating is an example of a financial instrument that may be considered as having low credit risk. Therefore, the Group measures 12-month ECL for publicly rated investment-grade tranches of CLOs.

Notwithstanding the above, the following triggers in the Group Credit Policy have been identified as the most relevant to the Group's investments in both AAA-rated CLO and ABS notes.

1. Quantitative trigger based on a material reduction in the secondary market price of the notes in which MeDirect invested (where feasible). Active trading of the note in which MeDirect is invested at or below 90c in the Euro should trigger consideration of SICR.
2. Quantitative triggers based on CLO / ABS vehicle performance triggers such as cash re-direction and/or outstanding uncleared principal deficiency ledgers (or similar concept) and/or use of liquidity and/or reserve funds to support the interest payment and amortisation of the debt tranche in which MeDirect invested.
3. Hard trigger based on any external rating agency downgrade for the Class A CLO Senior notes (i.e. AAA rated at origination), in which MeDirect has invested, by four or more notches.

Credit impaired (Stage 3)

The Group defines a financial asset as credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred.

IFRS 9 introduces a rebuttable presumption that default does not occur later than when a contractual repayment relating to a financial asset is 90 days past due, unless reasonable and supportable information is available to demonstrate that a more lagging criterion is more appropriate. This presumption has not been rebutted by the Group for its lending portfolios, meaning that default is deemed not to have occurred later than when a financial asset is 90 days past due. Although this presumption is applicable to all lending portfolios managed by the Group, it is much more relevant for identifying defaulted exposures within the Maltese Business Lending portfolio and the Dutch, Belgian and Maltese Mortgage portfolios.

The definition of default is addressed in more detail by guidelines issued by the European Banking Authority (EBA) and the Basel Committee on Banking Supervision (BCBS). These guidelines provide detailed definitions of what should be considered in the determination of defaulted exposures for regulatory purposes. As a result, the Group aligned the IFRS 9 definition of default, used for accounting purposes, to the definitions provided in the EBA and BCBS guidelines, thereby ensuring that a single consistent view of credit risk is applied for internal risk management, regulatory capital and the measurement of ECLs.

In this regard, defaulted exposures are those that satisfy either or both of the following criteria:

- (i) material exposures which are past due by more than 90 days;
- (ii) the debtor is assessed as unlikely to pay its credit obligations in full without realisation of collateral, regardless of the existence of any past-due amount or of the number of days past due.

Therefore, since the criteria for credit-impaired under IFRS 9 can be interpreted consistently with the definition of default for regulatory purposes, all defaults in terms of regulation are deemed to be credit-impaired, and vice versa. Defaulted exposures are therefore classified under Stage 3 for IFRS 9 purposes.

In order to define which events trigger "unlikeliness to pay", the Group takes into account the situations and events listed in the Capital Requirements Regulation ("CRR") definition of default and in the IFRS definition of impairment requirements.

IFRS 9 provides a list of events that may indicate that a financial asset is credit-impaired. The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or borrower;
- A breach of contract, such as default or past due event;
- The lender(s) of the borrower having granted a concession(s) to the borrower for economic or contractual reasons relating to the borrower's financial difficulty (this would not have otherwise been considered);
- It is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- The disappearance of an active market for that financial asset because of financial difficulties; or
- The purchase or recognition of a financial asset at a deep discount that reflects the incurred credit losses.

For all Stage 3 financial assets, interest income is recognised by applying the effective interest rate to the amortised cost or carrying amount of the financial instrument, i.e. gross carrying amount less credit loss allowances.

Write-offs

Financial assets and the associated credit loss allowances are normally written off, either partially or in full, when there is no realistic prospect of recovery. In the case of international corporate loans, the determination is made after considering facts and circumstances relating the borrower's financial position, typically following a distressed restructure. Where loans are secured, this is generally after receipt of any proceeds from the realisation of security. In circumstances where the net realisable value of any collateral has been determined and there is no reasonable expectation of further recovery, write-off may be earlier (see Note 2.2.5). In this respect, the Group writes off financial assets when the relevant Management Credit Committee of MeDirect Malta and MeDirect Belgium determines that the balance is uncollectible, but this does not constitute that the debt has been cancelled.

Modified financial assets

In accordance with IFRS 9, the modification of contractual cash flows of a financial instrument could result in one of two possible outcomes:

- (i) If the modification is not considered to be significant, the modified cash flows are considered to pertain to the original financial asset; or
- (ii) If the modification is considered to be significant, the original asset is considered to be extinguished and accordingly the original asset is derecognised and replaced by a new financial asset.

The assessment of whether a modification is considered to be significant is critical in determining the accounting implications of modifications to an asset's contractual cash flows. The Group applies judgement in assessing whether a change in contractual terms (such as a change in interest rates, currency or the remaining term of the loan) is substantial enough to represent an expiry of the original instrument.

In this regard, when considering a change in the contractual terms, the Group evaluates how the cash flows under the revised terms compare with the cash flows under the original terms of the loan and also takes into consideration qualitative factors. Qualitative considerations include extension of terms, insertion of credit enhancements, changes in interest rates, etc. When a number of such considerations are present, in conjunction with the assessment of the difference between the original and revised cashflows, a modification could be deemed to be substantial, resulting in the derecognition of the financial instrument.

When the modification is not substantial enough to result in the derecognition of that financial asset, the Group recalculates the gross carrying amount of the financial asset as the present value of the modified contractual cash flows discounted at the original effective interest rate (or credit-adjusted effective interest rate for POCI financial assets). The difference is recognised as a modification gain or loss in profit or loss.

When there is a substantial modification to the terms of a financial asset resulting in the derecognition of the existing financial asset and the subsequent recognition of the modified financial asset, the modified asset is considered a 'new' financial asset. Any new financial assets that arise following derecognition events as a result of substantial modification to the terms of the instrument are classified as Stage 1 assets, unless the new financial asset is credit-impaired on initial recognition, in which case it will be classified as a POCI financial asset. A loss is booked in profit or loss (normally as a write-off) since the new instrument is recognised at fair value.

When the modification is not substantial enough to result in the derecognition of the financial asset, renegotiated loans within the International Corporate and Maltese Business Lending portfolios are considered credit-impaired and accordingly classified as Stage 3 assets unless no unlikelihood-to-pay events are deemed to have occurred. Assets that are credit-impaired at the time of renegotiation remain in Stage 3 post renegotiation. When evidence suggests that the renegotiated loan is no longer credit-impaired, the asset is transferred out of Stage 3. This is assessed on the basis of historical and forward-looking information and an assessment of the credit risk over the expected life of the asset, including information about the circumstances that led to the renegotiation. A full assessment from the appropriate Management Credit Committee is required for approval that the exposure is no longer considered as credit-impaired.

With respect to loans within the Dutch and Maltese Mortgage portfolios, when the modification is not substantial enough to result in derecognition, renegotiated loans are classified as credit impaired, and accordingly as Stage 3 assets, when the exposure is 90 DPD and Stage 2 when less than 90 DPD. Renegotiated loans are classified based on whether the modification indicates a significant increase in credit risk. Loans renegotiated for reasons other than financial difficulty (e.g., refinancing for better terms) are not considered SICR and may remain in Stage 1.

Other than originated credit-impaired loans, all other modified loans could be transferred out of Stage 3 if they no longer exhibit any evidence of being credit-impaired and, in the case of renegotiated loans, there is sufficient evidence to demonstrate a significant reduction in the risk of non-payment of future cash flows over the minimum observation period, and there are no other indicators of impairment. These loans could be transferred to Stage 1 or 2 based on the mechanism as described below by comparing the risk of a default occurring at the reporting date (based on the modified contractual terms) and the risk of a default occurring at initial recognition (based on the original, unmodified, contractual terms). Any amount written off as a result of the modification of contractual terms would not be reversed but recorded as a recovery under cost of risk.

Purchased or originated credit-impaired

Originated credit-impaired financial assets are those assets that are credit-impaired on initial recognition. The Group does not expect to purchase any financial assets that are credit-impaired. However, there might be rare instances where the Group originates new assets following a renegotiation or restructure for reasons relating to a borrower's distressed financial circumstances that otherwise would not have been considered, and which may result in the new assets to be deemed POCI. The amount of change in lifetime ECL is recognised in profit or loss as an impairment gain or loss until the POCI is derecognised, even if the lifetime ECL are less than the amount of ECL included in the estimated cash flows on initial recognition.

Movement between stages

Financial instruments are transferred out of Stage 2 if their credit risk is no longer considered to be "significantly increased" since initial recognition.

For IFRS 9 purposes, the Group has determined the below guideline approach to determine whether movement from Stage 2 to Stage 1 is appropriate:

- Where qualitative triggers were used to determine SICR: Stage transfer from Stage 2 to Stage 1 is subjective. Where implied rating SICR triggers were not a determinant for reclassification in the first instance, it is expected that any qualitative SICR triggers that were observed that derived the SICR event must be fully resolved and evidenced for a 90-day period prior to any reclassification.
- Where quantitative triggers were used to determine SICR, the financial asset must evidence an improvement and return to the external or implied default risk rating at the point of inception (instrument should evidence an implied default rating in line or better than the original inception rating in order to trigger a reclassification from Stage 2 to Stage 1).
- Any instrument that is no longer 30-days past due can only be reclassified to Stage 1 when: (i) all contractual arrears have been remediated (Nil days past due); and (ii) no further non-payment has been observed for a minimum of 90 days. This is subject to regulatory materiality thresholds defined in the Group Credit Risk policy.

In addition, for exposures within the International Corporate and Maltese Business Lending portfolios, curing of Stage 2 exposures is governed by the Management Credit Committee Quarterly Portfolio Review process where supportive evidence of improved performance and thereby stage transfer is reviewed and approved by the committee.

Similarly, for movement of Stage 3 corporate loans to either Stage 2 or Stage 1, a full assessment from the appropriate Management Credit Committee is required for approval that unlikeliness to pay criteria are no longer present, the exposure is no longer considered as impaired and there is no past due amount on the exposure (through settling of amounts in a regular manner).

Stage transfer in respect of corporate exposures is also subject to a 12-month probation period where defaulted (Stage 3) exposures are classified as NPEs before they can be upgraded to Stage 2. Meanwhile, stage transfer of defaulted retail exposures is subject to a 3-month probation period, unless the default/NPE classification is the result of forbearance measures for which a 12-month probation period applies.

For loans that are assessed for impairment on a portfolio basis, the evidence to support the stage transfer assessment typically comprises a history of payment performance against the original or revised terms, as appropriate to the circumstances. For loans that are assessed for impairment on an individual basis, all evidence is determined on a case-by-case basis.

Movement between stages is aligned with the Group Credit Risk policy, and any exceptions are governed by the Management Credit Committee.

Measurement of expected credit losses

The Group first determines whether an increased likelihood of default is present for an individually assessed financial asset, and then measures credit loss allowances using different models for non credit-impaired and credit-impaired financial assets, as follows:

- If no evidence of impairment exists (Stage 1 and Stage 2 assets), the Group uses statistical models developed by an external vendor to measure ECLs for exposures within the International Corporate Lending portfolio and Maltese Business Lending portfolio at facility level.
- For credit-impaired exposures (Stage 3 assets), the Group generally models ECLs based on an internally developed methodology to estimate the expected cash flows by reference to borrowers' enterprise values and forecasted operating cash flows for exposures within the International Corporate Lending portfolio and the individual valuation of the underlying asset / collateral for exposures within the Maltese Business Lending portfolio.

With respect to the Dutch Mortgages, Securitisation Investment and Securities Investment portfolios, the ECLs on all assets (irrespective of staging) are modelled using statistical models developed by an external vendor. For the Belgian and Maltese Mortgage Lending portfolios, the ECL for the mortgage portfolios is determined using internally developed statistical models. For the Asset Backed Securitisation Investment portfolio and the Consumer Finance receivables portfolio, ECLs are determined utilising historical information and applying applicable credit enhancements.

ECLs are defined as the probability-weighted estimate of credit losses over the expected life of a financial instrument. Credit losses are in turn defined as the present value of all expected cash shortfalls between contractual and expected cash flows, discounted using the original effective interest rate (EIR).

Lifetime ECLs refer to the ECLs that result from all possible default events over the expected life of a financial instrument, whilst 12-month ECLs are a portion of lifetime ECLs and represent the lifetime cash shortfalls that result if a default occurs in the 12 months after the reporting date, weighted by the probability of the default occurring.

For each portfolio, the Group calculates ECLs on its financial instruments based on three key inputs, namely: probability of default ("PD"), loss given default ("LGD") and exposure at default ("EAD"). The 12-month ECL is calculated by multiplying the 12-month PD, LGD and EAD. Lifetime ECL is calculated on a similar basis for the entire residual life of the exposure.

Non credit-impaired financial assets (Stage 1 & 2)

This section provides a detailed description of the methodology used by the Group to measure credit loss allowances in respect of exposures classified as Stage 1 and Stage 2 assets using statistical models developed by an external vendor (for the Dutch Mortgages, Securitisation Investment and Securities Investment portfolios) and internally developed models (for the Belgian and Maltese Mortgages).

Probability of Default

One of the key risk parameters used by the Group in its ECL calculation is the probability that the obligor defaults either within the next 12-month period (in case of Stage 1 exposures) or over the lifetime of the exposure (in case of Stage 2 / 3 exposures).

Since the PD is a probability measure used to capture the likelihood that a customer will default over a defined period of time, this is estimated at a customer level.

PDs for the Group's portfolios are estimated based on statistical models developed by external vendors. These models vary by portfolio and are calibrated using historical default data, internal risk assessments, or external credit ratings, depending on the asset class. In particular, the models used for the International Corporate Lending, Maltese Business Lending, and Securities Investment portfolios use rating scale to PD matrices calibrated based on historical default data observed in the market and compiled by the external vendor. In respect of the International Corporate Lending portfolio, PDs and implied ratings are modelled by benchmarking borrower-specific characteristics, including financial performance and qualitative characteristics captured through a scorecard, with the underlying dataset. In respect of the Maltese Business Lending portfolio, PDs are estimated through rating scale to PD matrices by mapping internal risk grades to public ratings. In respect of exposures within the Securities Investment portfolio, PDs are generally estimated using public ratings through rating scale to PD matrices. With regard to the Dutch Mortgage portfolio, PDs are generated using models based on historical default rates observed in the Netherlands for similar assets. With regards to the Belgium and Malta Residential Mortgages portfolio, PDs are also generated using models based on proxies for historical default rates using external, publicly available sources for similar assets. Asset-Backed Securitisations and Securitisation portfolios are allocated a nominal PD due to their low credit risk, whilst the Consumer Finance receivables portfolio takes the lifetime PD based on the lifetime expected loss of this portfolio.

Loss Given Default

The second key risk parameter used by the Group relates to the estimation of the recovery rate expected to be observed in the event that a 'default' occurs. In this regard, the Group uses the LGD to capture this element within the ECL calculation.

The LGD of an exposure measures the size of the estimated loss (as a proportion of the total EAD) that is expected to materialise in the event of default. It is based on the difference between the contractual cash flows due and the cash flows that the Group expects to receive, whether from cash flows or from any collateral. It takes into account the mitigating effect of collateral value at the time it is expected to be realised and the time value of money. LGD for ECL measurement includes the expected impact of future economic conditions and discounting back from estimated time of default to reporting date using the original EIR.

In contrast with PDs, LGDs are estimated at a facility level. Whilst linked to the general credit risk of the obligor, recovery rates are also impacted by the relative ranking of a particular facility within the obligor's debt structure.

For assets within the Group's International Corporate Lending portfolio, estimated recovery rates are measured using statistical models developed by external vendors by benchmarking exposure-specific characteristics with the underlying dataset.

The Group's Securities Investment portfolio consists of covered bonds, bonds issued by supranational organisations, sovereign bonds and corporate bonds. For its supranational exposures and sovereign exposures, the Group uses the LGD values obtained from the statistical model developed by an external vendor while for covered bonds the LGD is aligned with regulatory standards. The LGD for corporate bonds is modelled using the same methodology as for the International Corporate Lending portfolio.

The LGD used for the Maltese Business Lending portfolio is driven by the loan-to-value ratio of the individual facilities, whilst also taking into consideration other factors such as costs to sell, valuation haircuts and the time value of money.

The LGD for the Dutch Mortgage portfolio is modelled using the loan-to-value ratio of individual loan parts. Expected recoveries are used to determine the expected loss and are modelled by reference to assumptions in relation to valuations of different property types, haircut to sale proceeds and the time value of money. The LGD is then estimated at 10% of expected losses, since the NHG absorbs 90% of losses, adjusted for assumptions on expected NHG pay-outs and claim rejection rates.

With regards to the Belgium and Malta Residential Mortgages portfolios, as the Group has insufficient loss data, LGD parameters are based on external, publicly available sources of loss data for similar assets.

For the Securitisation Investment portfolio, as for PDs, the LGDs are determined by taking a nominal amount of the investment made considering the low credit risk of the investment.

For the Asset-Back Securitisation Investment portfolio, the LGDs are determined by considering the value security within the overall structure considering the low credit risk of the investment.

For the Consumer Finance receivables portfolio, a scorecard has been developed utilising historical loss data and applicable credit enhancements.

Exposure at Default

The EAD is used to estimate the Group's expected exposure at the time of default of an obligor, taking into account expected changes in the exposure after the reporting date, including repayments of principal and interest, and any expected drawdowns on committed facilities.

The maximum period over which ECLs are measured is the maximum contractual period over which the Group is exposed to credit risk.

- *International Corporate Lending portfolio*

For the Group's International Corporate Lending portfolio, the Group makes use of behavioural rather than contractual maturity, thereby reflecting expectations on the exercise of prepayment or extension options. In this regard, for Revolving Credit Facilities and Term Loans containing a prepayment option which is expected to be exercised by the obligor, the Group adjusts the contractual maturity date to reflect the expected maturity date, thereby reflecting the expected payment profile. Expected maturities are assessed quarterly, on a case-by-case basis, in order to determine any change to the expected maturity.

To measure the EAD of off-balance sheet exposures, including loan commitments, the Group aligns the expected drawdown on committed facilities with the credit conversion factors (CCFs) as set out in the Standardised Approach to Credit Risk under the CRR.

- *Dutch Mortgage portfolio*

The EAD for the Dutch Mortgage portfolio is based on amortisation per the contractual payment profiles, taking into account modelled prepayments. The maturity date is deemed to be equal to the contractual maturity of the mortgage. To measure the EAD of off-balance sheet assets, the Group applies a 75% CCF.

- *Belgian Mortgage portfolio*

The EAD for the Belgian Residential Mortgage portfolio is based on the outstanding exposure amount as at reporting date. To measure the EAD of off-balance sheet assets (commitments to lend), the Group applies an 80% CCF.

- *Maltese Business Lending portfolio*

For the Maltese Business Lending portfolio, the maturity date is deemed to be equal to the contractual maturity of the exposure.

To measure the EAD of Revolving Credit Facilities the Group applies a 100% CCF, whereas the EAD for Term Loans is assumed to be equivalent to the drawn amounts as at reporting date.

- *Maltese Mortgage portfolio*

The EAD for the Maltese Residential Mortgage portfolio is based on the outstanding exposure amount as at reporting date. To measure the EAD of off-balance sheet assets (commitments to lend), the Group applies a 90% CCF.

- *Consumer Finance receivables portfolio*

For the Group's Consumer Finance receivables portfolio, the EAD is assumed to be the full committed exposure.

- *Securities Investment portfolio*

For the Group's Securities Investment portfolio, the maturity date is deemed to be equal to the contractual maturity of the exposure, and the EAD assumed to be the full committed exposure.

- *Securitisation Investment and Asset-Backed Securitisation Investment portfolios*

For the Group's Securitisation Investment and Asset-Backed Securitisation Investment portfolios, the EAD is based on the outstanding exposure amount as at reporting date.

Credit-Impaired financial assets (Stage 3)

For Stage 3 assets in the International Corporate Lending and Maltese Business Lending portfolios, the Group estimates ECL on an individual basis. When assessing impairment for these assets, the recoverable amount corresponds to the present value of estimated future cash flows. In the case of collateralised exposures, typically within the Maltese Business Lending portfolio, the estimation of the recoverable amount reflects the cash flows that may result from the liquidation of the collateral discounted at the original effective interest rate.

For exposures in the International Corporate Lending portfolio, the Group deems these assets as very rarely secured by assets whose value is easily observable. Therefore, recoverable amounts are usually calculated by projecting expected cash flows using a discounted cash flow ("DCF") approach to determine the Enterprise Value ("EV") under multiple scenarios. The recoverable amount under each scenario is estimated as the EV, plus available cash, less exit fees, discounted using the estimated weighted average cost of capital ("WACC") at a borrower level. The latter is determined using multiple assumptions in respect of the cost of debt and cost of equity. The recoverable amount is then compared to the EAD in order to determine any expected shortfalls / credit losses.

Hence for Stage 3 exposures the individual impairment allowance is measured as the difference between the asset's outstanding exposure, which is measured as the sum of the carrying amount and the expected future drawdown on off-balance sheet commitments estimated by reference to CCFs, and the recoverable amount. The recoverable amount is the weighted average of the base case and the downside case, with recoveries under each case capped separately at 100%. The carrying amount of the asset is reduced through the use of an allowance account and the amount of the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the previously recognised impairment loss is reversed by adjusting the allowance account. The amount of the reversal is recognised in profit or loss.

For exposures in the Maltese Business Lending portfolio, these are typically secured by real estate assets, cash collateral or tradeable equities whose value is more easily observable. In this respect, the recoverable amount is usually calculated on the basis of the present value of the estimated future cash flows of a collateralised financial asset, reflecting the cash flows that may result from foreclosure less costs for obtaining and selling the collateral, whether or not foreclosure is probable.

For the Securities Investment portfolio, recoverable amounts are assessed on a mark-to-market basis, using observable market prices for the instruments held.

For the Dutch, Belgian and Maltese Mortgages and the Securitisation Investment and Asset-Backed Securitisation Investment portfolios, the ECL on Stage 3 exposures is equivalent to the LGD parameter multiplied by the exposure amount, with PD equivalent to 100%.

For the Consumer Finance receivables portfolio, the Stage 3 ECL is equivalent to the amounts of the receivables that experienced outstanding amounts that are past due by more than 90 days.

Forward-looking information

The recognition and measurement of ECL requires the incorporation of forward-looking information into the ECL estimates to meet the measurement objective of IFRS 9. A particularly complex aspect is the need to consider a range of possible forward-looking economic scenarios when calculating ECL, given the potential effect of non-linearities on ECL. Based on the principle of non-linearity, the modelled increase in credit losses if conditions are expected to deteriorate exceeds the decrease in credit losses if conditions improve. The Group takes into consideration reasonable and supportable information relating to forecasts of future macroeconomic conditions in order to determine the expected level of and movement in credit risk for specific obligors.

The Group first identifies macroeconomic variables (MEVs) which have the highest correlation to systemic credit risk factors for its obligors using statistical methods developed by external vendors. These macroeconomic variables include country-level variables that are deemed to have the highest correlation to the Group's portfolios. The MEVs applied for ECL calculations for each portfolio may differ. The MEVs that exhibit the highest level of correlation for exposures classified within the International Corporate Lending, Maltese Business Lending and Securities Investment portfolios principally comprise country-specific Gross Domestic Product ("GDP"), unemployment levels and the performance of stock market indices. In addition, the House Price Index and national unemployment rates are key for exposures within the Dutch, Belgian and Maltese Mortgage portfolios, whereas interest rates are used for calculating ECLs for exposures within the Securitisation Investment portfolio.

IFRS 9 does not require every possible scenario to be identified. However, it requires the Group to estimate ECLs by taking into consideration multiple forward-looking macroeconomic scenarios, since the use of a single 'most likely' scenario is not deemed sufficient. As a result, the measurement of ECLs in line with IFRS 9 involves the use of significant judgement in developing alternative macroeconomic scenarios and/or management adjustments. In this regard, the Group uses an external vendor solution to determine multiple forecasts of macroeconomic conditions (reflecting future paths of the selected key macroeconomic variables). The Group then estimates an unbiased, forward-looking, probability-weighted ECL by assigning probability weights to expected losses under each of the macroeconomic scenarios.

IFRS 9 does not require forecasts of future conditions to extend over the entire expected life of the financial instrument in question. The Group uses macroeconomic forecasts from the external vendor for up to 20 quarters to estimate a forward-looking ECL. For maturities that go beyond this 5-year period, the Group extrapolates projections from available data.

For the Asset-Backed Securitisation Investment portfolio and the Consumer Finance receivables portfolio, historical information as well as credit enhancements are utilised to determine future ECLs.

Multiple forward-looking scenarios for Stage 3 Credit-impaired exposures

With regards to Stage 3 exposures within the Group's International Corporate Lending portfolio, ECLs are based on a DCF analysis aimed at assessing the level of credit risk in detail and estimating the recoverable amount for the instrument. In line with IFRS 9 requirements, such exposures still require a consideration of multiple forward-looking scenarios. The scenarios are designed specifically for each obligor in question by considering the different cash flows that may accrue to the Group under the contractual agreement including those resulting from potential restructuring, which may include derivative features including pay-outs if certain targets or objectives are met at a future date. Such scenarios are designed by reference to estimated unlevered operating cash flows, typically over a three-year forecasted period, together with a terminal value estimated using assumed stable cash flows under each scenario.

With regards to Stage 3 exposures within the Group's Maltese Business Lending portfolio, different work-out options available to the Group in respect of each impaired exposure, such as the initiation of court proceedings to enforce foreclosure of collateral or reaching an amicable out-of-court agreement with the obligor to sell the collateral in the market and repay the exposure from the sales proceeds, are taken into consideration.

In line with the requirements of IFRS 9, the Group assigns a probability weight, based on management judgement, to each of the scenarios considered in the estimation of ECLs. Due to the high level of subjectivity involved, decisions relating to the selection of scenarios, probabilities and assumed forecasted cash flows are subject to scrutiny through the Group's governance structure around credit risk.

In respect of exposures within the Dutch, Belgian and Maltese Mortgages, Securities, Securitisation Investment and Asset-Backed Securitisation Investment and Consumer Finance receivables, the ECL on Stage 3 exposures is modelled based on an identical methodology as that used for Stage 1 and Stage 2 exposures.

1.6 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the consolidated statement of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

1.7 Intangible assets

1.7.1 Goodwill

Goodwill represents the excess of the cost of an acquisition over the fair value of the Group's share of the identifiable net assets of the acquired subsidiary at the date of acquisition. Goodwill on acquisitions of subsidiaries is included in 'intangible assets'.

Goodwill is tested annually for impairment and carried at cost less accumulated impairment losses. Impairment losses on goodwill are not reversed. Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

1.7.2 Computer software

Intangible assets with finite useful lives, such as purchased and internally developed computer software, are amortised, on a straight-line basis, over their estimated useful lives. Estimated useful life is generally the lower of legal duration, where applicable, and expected useful life. The estimated useful life of purchased software and developed computer software ranges between 3 to 5 years. Costs incurred in the ongoing maintenance of software are expensed immediately as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software elements controlled by the Group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use;
- management intends to complete the software and use it;
- there is an ability to use the software;
- it can be demonstrated how the software will generate probable future economic benefits;
- adequate technical, financial and other resources to complete the development and to use the software are available; and
- the expenditure attributable to the software during its development can be reliably measured.

Directly attributable costs that are capitalised as part of the software include the software development employee costs and an appropriate portion of relevant overheads.

Capitalised development costs are amortised from the point at which the asset is ready for use. Other development expenditure that does not meet these criteria is recognised as an expense as incurred. Development costs previously recognised as an expense are not recognised as an asset in a subsequent period.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

1.8 Property, plant and equipment

All property, plant and equipment used by the Group is initially recorded at historical cost, including transaction costs and borrowing costs. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

All property, plant and equipment is subsequently stated at historical cost less accumulated depreciation and impairment losses.

Depreciation on assets, recognised in profit or loss, is calculated using the straight-line method to allocate their cost to their residual values over their estimated useful lives, as follows:

- leasehold improvements 4 - 10 years (limited to lease term)
- computer equipment 3 - 5 years
- other equipment 4 years
- fixtures and fittings 10 years
- motor vehicles 5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.9 Impairment of non-financial intangible assets

Assets that have an indefinite useful life, for example goodwill or certain intangible assets, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows (cash-generating units). The impairment test also can be performed on a single asset when the fair value less costs to sell or the value in use can be determined reliably. Non-financial assets other than goodwill that suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

1.10 Investment property

Investment properties are stated at historical cost less depreciation. Historical cost includes transaction costs and expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or are recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to profit or loss during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate the cost of the assets to their residual values over their estimated useful lives, which for buildings is estimated at 50 years.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 13).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised in profit or loss.

1.11 Current and deferred income tax

The tax expense or credit for the year comprises current and deferred tax. Tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In the latter case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period.

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill; deferred income tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

1.12 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares are shown in equity as a deduction, net of tax, from the proceeds.

1.13 Financial liabilities

The Group recognises a financial liability on its statement of financial position when it becomes a party to the contractual provisions of the instrument. The Group's financial liabilities, other than derivative financial liabilities (refer to Note 1.14), are classified as financial liabilities measured at amortised cost using the effective interest method.

These comprise principally amounts owed to financial institutions, amounts owed to customers, other payables and other liabilities.

1.14 Derivative financial instruments

Derivative financial instruments, including currency forwards and swaps, interest rate swaps and other derivative contracts, are classified as held for trading derivatives unless designated as hedging instruments, and are initially recognised at fair value on the date on which a derivative contract is entered into, and are subsequently remeasured at their fair value. Fair values are obtained from valuation techniques for over-the-counter derivatives, including discounted cash flow models. Fair values for currency forwards and swaps are determined using forward exchange market rates at the end of the reporting period. Discounting techniques, reflecting the fact that the respective exchange or settlement will not occur until a future date, are used when the time value of money has a significant effect on the fair valuation of these instruments.

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss. If a derivative is not designated in a qualifying hedge relationship, then all changes in its fair value are recognised immediately in profit or loss as a component of net trading income.

The Group designates certain derivatives as hedging instruments in qualifying hedging relationships. On initial designation of the hedge, the Group formally documents the relationship between the hedging instrument/s and hedged item/s, including the risk management objective and strategy in undertaking the hedge, together with the method that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, as to whether the hedging instrument/s is/are expected to be 'highly effective' in offsetting the changes in the fair value of the respective hedged item/s during the period for which the hedge is designated, and whether the actual results of each hedge are within a range of 80-125 percent.

1.14.1 Fair value hedges

When a derivative is designated as a hedging instrument in a hedge of the change in fair value of a recognised asset or liability or a firm commitment that could affect profit or loss, changes in the fair value of the derivative are recognised immediately in profit or loss together with changes in the fair value of the hedged item that are attributable to the hedged risk.

If the hedging derivative expires or is sold, terminated, or exercised, or the hedge no longer meets the criteria for fair value hedge accounting, or the hedge designation is revoked, then hedge accounting is discontinued prospectively.

Any adjustment up to that point of discontinuation to a hedged item for which the effective interest method is used, is amortised to profit or loss as part of the recalculated effective interest rate of the item over its remaining life.

The Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU carve-out version of IAS 39. The EU carve-out macro hedging rules enable a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument in the Group's macro fair value hedging model and remove some of the limitations in fair value hedge accounting relating to hedging portfolios and under-hedging strategies. Under the EU carve-out, hedge accounting may be applied to portfolios and ineffectiveness only arises when the revised estimate of the amount of cash flows in scheduled time buckets falls below the designated amount of that bucket. The Group applies fair value hedge accounting for portfolio hedges of interest rate risk (macro hedging) under the EU carve-out in respect of its retail operations after considering the duration gap between the International mortgages and the Maltese Corporate Lending portfolio on the one hand and the portfolios on the other hand. The hedging activities are designated as a portfolio fair value hedge in respect of the International Mortgages book and the Maltese Corporate Lending portfolio, being the hedged items. Changes in the fair value of the derivatives are recognised in the statement of comprehensive income together with the basis adjustment in relation to the International Mortgages and the Maltese Corporate Lending portfolio (hedged items) insofar as attributable to interest rate risk (the hedged risk).

The Group establishes the hedging ratio by matching the notional of the derivatives with the principal of the portfolio being hedged. Possible sources of ineffectiveness are as follows:

- Differences between the expected and actual volume of prepayments, as the Group hedges to the expected repayment date taking into account expected prepayments based on past experience;
- Difference in the discounting between the hedged item and the hedging instruments, as cash collateralised interest rate swaps are discounted using Overnight Indexed Swaps (OIS) discount curves, which are not applied to the fixed rate mortgages;
- Hedging derivatives with a non-zero fair value at the date of initial designation as a hedging instrument; and
- Counterparty credit risk which impacts the fair value of uncollateralised interest rate swaps but not the hedged items.

The gain or loss relating to the effective portion of interest rate swaps hedging fixed interest loans and securities is recognised in profit or loss within interest income, together with changes in the fair value of the hedged fixed interest loans and securities attributable to interest rate risk.

The gain or loss relating to the ineffective portion is also recognised in profit or loss within interest income and disclosed separately.

1.15 Provisions

Provisions for legal and other claims are recognised when the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

1.16 Interest income and expense

Interest income and expense for all interest-bearing financial instruments are recognised within 'interest income' and 'interest expense' in profit or loss using the effective interest method.

When calculating the effective interest rate, the Group estimates cash flows considering all contractual terms of the financial instrument (for example, prepayment options) but does not consider future credit losses.

Interest income and expense presented in the profit or loss include:

- interest on financial assets and financial liabilities measured at amortised cost calculated using the effective interest method; and
- the effective portion of fair value changes attributable to qualifying hedging derivatives designated in fair value hedges of interest rate risk, together with changes in fair value of the hedged items attributable to interest rate risk.

Fair value changes attributable to other derivatives in hedging relationships which are discontinued are presented in 'net trading income' with effect from the last date on which the hedge was demonstrated to be effective.

Interest on credit-impaired financial assets is recognised using the rate of interest used to discount the future cash flows for the purpose of measuring the credit loss allowance.

1.17 Fees and commissions

Fee and commission income and expenses that are an integral part of the loan, are included in the effective interest rate of the financial asset or liability.

Other fee and commission income, comprising account servicing fees, underwriting fees, investment management fees, foreign exchange fees, guarantee fees, placement fees and syndication fees, are recognised in profit or loss as the related services are performed.

Loan commitment fees for loans that are likely to be drawn down are deferred (together with related direct costs) and recognised as an adjustment to the effective interest rate on the loan upon drawing of the loan.

When a loan commitment is not expected to result in the drawdown of a loan, the related loan commitment fees are recognised in profit or loss on a straight-line basis over the commitment period.

Fee and commission expense, relating mainly to transaction and service fees, is expensed as the services are received.

Consideration payable to customers, comprising incremental costs in the form of cash amounts that the Group pays to wealth management customers, are incurred in acquiring new customer contracts. These costs are deferred within "Other assets" and subsequently recognised as an offset within fee and commission income, as follows:

- For customer contracts with a contractual fixed period, these costs are amortised over the contractual life.
- For customer contracts with no contractual fixed period, these costs are amortised over the estimated life of the contracts, which is reviewed periodically by reference to the Group's experience with attrition rates by wealth management customers.

1.18 Net trading income

Net trading income comprises all realised and unrealised foreign exchange differences and all fair value changes arising on derivatives held for trading, including derivatives that are not designated as hedging instruments and derivatives that no longer meet the criteria for hedge accounting.

1.19 Net income from other financial instruments carried at fair value through profit or loss

Net income from other financial instruments carried at fair value through profit or loss comprises all realised and unrealised fair value changes, interest income, dividends and foreign exchange differences attributable to financial assets carried at fair value through profit or loss.

1.20 Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group. Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the future lease payments. Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Right-of-use assets are generally comprising the amount of the initial measurement of the lease liability and are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated).

1.21 Share-based compensation

The Group operates a deferred bonus plan in the form of a share-based compensation plan whereby selected officers or employees are awarded performance bonuses upon meeting specific performance conditions, or retention bonuses.

Together with upfront cash amounts, bonuses may comprise upfront share-linked awards and deferred share-linked awards. Share-linked awards consist of share-linked instruments in the form of a number of notional ordinary shares of MDB Group Limited computed by dividing the related portion of the bonus amount by the market value of these ordinary shares at award date. Share-linked award bonuses are eventually settled in cash on the settlement date (the expiry of the retention or delay period) on the basis of the market value of the ordinary shares of MDB Group Limited determined on the settlement date, multiplied by the number of notional shares computed on the date of award. Deferred share-linked awards attributable to retention bonuses are subject to a vesting period during which period the specific officer or employee must remain in employment for vesting to occur. Meanwhile, performance bonuses vest immediately, but are also subject to a deferral period. Therefore, both upfront and deferred share-linked awards are subject to a retention or delay period, for settlement purposes, post vesting.

Share-based compensation is recognised as an employee benefit expense from grant date over the relative vesting period, which in the case of retention bonuses occurs through graded vesting. The total amount to be expensed from grant date over the vesting period is determined by reference to the fair value of the awards at the grant date, reflecting the fair valuation of MDB Group Limited's ordinary shares on award date. Accordingly, the Group amortises on a straight-line basis the compensation cost arising on the grant of such awards over the nominal vesting period for employees based on the graded vesting of the plan. The resultant liability is re-measured at the end of each reporting period and at the date of settlement, with changes in fair value recognised in profit or loss.

1.22 Financial guarantee contracts and loan commitments

Financial guarantee contracts are contracts that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

In the ordinary course of business, the Group gives financial guarantees, consisting of guarantees and acceptances. Such financial guarantees are given to banks, financial institutions and other bodies on behalf of customers.

Financial guarantee contracts are initially measured at fair value and subsequently measured at higher of:

- The amount of the credit loss allowance (calculated as described in Note 1.5); and
- The premium received on initial recognition less income recognised in accordance with the principles of IFRS 15.

Loan commitments are the Group's commitments to provide credit under pre-specified terms and conditions and are measured at the amount of the credit loss allowance (calculated as described in Note 1.5).

For loan commitments and financial guarantee contracts, the credit 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 credit 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 for liabilities and other charges.

1.23 Cash and cash equivalents

Cash and cash equivalents are carried in the statement of financial position at face value less expected credit losses. Cash and cash equivalents comprise balances with less than three months' maturity from the date of acquisition, including cash in hand, unrestricted balances held with central banks, deposits held at call with financial institutions and other short-term highly liquid investments with original maturities of three months or less.

Amounts owed to financial institutions that are repayable on demand or have a contractual maturity of three months or less 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 statement of cash flows.

1.24 Customer assets

Customer assets are held with the Group in a fiduciary capacity and are segregated from the assets of the Group in accordance with the applicable rules and regulations on protection of customer assets, except when such customer assets are held by the Group to cover a required margin or when they are used to secure an obligation towards the Group.

Customer assets are not presented within the Group's statement of financial position.

2. Financial Risk Management

2.1 Introduction and overview

The Group's core business activities include:

- deposit taking;
- the provision of wealth management and investment services;
- the granting of residential mortgage loans in the Dutch, Belgian and Maltese markets, the granting of buy-to-let mortgages in the Dutch market and the relative securitisation of sub-portfolios of such Dutch residential mortgage loans through RMBS transactions;
- the granting of loans to international and Maltese corporates; and
- the holding of consumer finance receivables.

The Group also provides basic retail services such as money transfer and spot currency exchange and its retail customers may also use the MeDirect debit card that may be used globally, wherever Mastercard is accepted. As from 2024, MeDirect made digital wallets accessible for card users as customers may now connect their debit card to their Apple Pay or Google Pay digital wallets. Currency swaps, foreign exchange forwards and interest rate swaps are also entered into for risk management purposes.

In respect of funding, the Group continues to do securitisations of Dutch mortgages portfolios and to access the international wholesale funding markets through bilateral repo lines and the Eurex repo platform.

The major components within the Group's asset base are: the Dutch Mortgage portfolio, comprising residential mortgage lending to Dutch customers; the Dutch buy-to-let mortgage portfolio; the Belgian Mortgage portfolio, comprising residential mortgage lending to Belgian customers, the Maltese Mortgage and Business Lending portfolios, comprising residential mortgage loans to retail customers to support the purchase of residential properties as their own dwellings and loans to Maltese corporates; the International Corporate Lending portfolio which is in run-off, comprising loans to international corporates; the Consumer Finance receivables portfolio; the Securities Investment portfolio principally comprising investment-grade debt securities; the Securitisation Investment portfolio, comprising acquired positions in Collateralised Loan Obligation ("CLO") transactions managed by third parties; and the Asset-Backed Securitisation Investment portfolio, comprising consumer loans, auto loans, and residential mortgage loans to Dutch and German customers.

The main financial risks assumed by the Group are: (a) counterparty credit risk arising primarily from loans and advances to customers, and also from other financial instruments; (b) liquidity risk arising from maturity mismatches and committed but undrawn revolving credit facilities; (c) market risk, including interest rate risk; and (d) operational risk, including cyber security related threats.

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

2.1.1 Risk management framework

The Group recognises the need to have an effective and efficient Risk Management Function that is an integral part of the Group’s strategic planning and management processes and has therefore adopted a comprehensive enterprise risk management approach that provides a balance between sustainable growth and maximising long term value while managing the associated risks. The Risk Management Function is actively involved in all material strategic and business as usual risk management decisions, including budgets and change management, and is adequately structured to deliver a holistic view of the whole range of risks faced by the Group in its strategic decision-making.

The Enterprise Risk Management Framework (“ERMF”) provides a comprehensive definition of the Group’s risk management processes to enable informed risk-based decision-making. This framework provides a detailed structure as to how the Group identifies, manages, measures and monitors material risks, including policies, procedures, risk limits and risk controls. This ensures adequate, timely and continuous identification, measurement, assessment, monitoring, management, mitigation and reporting of the risks at the business line, institution and consolidated or sub-consolidated levels.

The Group’s objective is to deploy an integrated risk management approach that ensures an awareness of, and accountability for, the risks taken throughout the Group and also to develop the tools needed to address those risks.

Strong risk management and internal controls are core elements of the Group’s strategy and culture. The Group has adopted a risk management and internal control structure, referred to as the Three Lines of Defence (Figure 1), to ensure it achieves its strategic objectives while meeting regulatory and legal requirements and fulfilling its responsibilities to shareholders, customers and staff.



Figure 1: Three Lines of Defence Model

In the three lines of defence model, business line management is the first line of defence (including those functions that are responsible for day-to-day operations and the Treasury function), the various risk control and compliance oversight functions established by management represent the second line of defence, and internal audit is the third.

Each of these three “lines” play a distinct role within the Group’s wider governance framework. Although the Group adopts a “three lines of defence” model, it is worth mentioning the additional interaction between the Group and its external auditors and regulatory bodies adds further “lines of defence”, albeit they are not depended upon internally by the Group to act in such capacities.

2.2 Credit risk

Credit risk is the risk of loss to the Group’s business or of adverse change in its financial position, resulting from fluctuations in the credit standing of issuers of securities, customers, counterparties and any debtors in the form of default or other significant credit loss event (e.g. downgrade or spread widening).

2.2.1 Management of credit risk

The Group’s Credit Policy establishes the principles, credit standards, monitoring and reporting requirements and escalation and approval processes that govern the ongoing management of the Group’s credit risk exposure. The policy applies to all subsidiaries of the Group and governs the associated credit frameworks for each asset class.

The Group’s Board of Directors has defined risk appetite limits based on the Capital Requirements Regulation (“CRR”), Regulation (EU) No 575/2013 of the European Parliament and of the Council of 26 June 2013 on prudential requirements for credit institutions and investment firms and amending Regulation (EU) No 648/2012, governing large exposures as well as prudential requirements. Exposure limits are monitored on a regular basis by the Risk, Corporate Credit and Treasury teams. Amongst other things, the Credit Policy for each asset class outlines the following specific exposure and trading limits:

- Concentration limits;
- Country limits;
- Portfolio limits; and
- Minimum credit quality within each asset class.

Limits on counterparty exposures are established by the Group’s Management Credit Committee (“MCC”). Such limits relate to net exposure, after application of cash (and cash equivalent) collateral, as provided in industry standard documentation, and are established to manage credit risk to banks and other financial institutions in connection with the Group’s over-the-counter (“OTC”) derivative and repurchase agreement transactions. Settlement and delivery risk are mitigated with industry-standard documentation such as the Loan Management Association (“LMA”) and International Swaps and Derivative Association (“ISDA”) agreements, alongside associated Credit Support Annex (“CSA”) legal documents. Any bilateral secured financing transaction is executed under a signed Global Master Repurchase Agreement (“GMRA”) or an ISDA agreement.

The Group's objective is to manage its credit portfolios maintaining a sound and prudent credit risk profile, whilst optimising returns for the Group. To facilitate achieving this target, the Group invests in a diversified portfolio of financial assets, including both high-quality securities with strong ratings stability and a diversified portfolio of loans to corporates, whose higher returns are viewed as justifying a greater level of risk. In accordance with its business strategy, the Group continued to reduce its exposure to the International Corporate Lending portfolio, with the expectation that the Group will exit this asset class. The portfolio has reduced by 89.7% over the last financial year and now represents less than 1% of the loans and advances to customers.

Accordingly the Group's credit risk taking activities comprise principally residential mortgage lending classified under the Dutch, Belgian and Maltese Mortgage portfolios; lending to Maltese corporate clients, classified under the Maltese Business Lending portfolio; Consumer Finance receivables portfolio; investments in debt securities classified under the Securities Investment portfolio; investments in asset-backed securities classified under the Asset-Backed Securitisation Investment portfolio, which activities are described below.

The Group's financial assets are managed on a portfolio basis, considering correlations between asset classes. The Group diversifies its exposures to avoid excessive concentration in particular countries, industries or types of financial institutions through its risk appetite framework and statement.

All exposures classified under the International Corporate Lending and Securitisation Investment portfolios undergo a thorough analysis process, not only from an internal credit perspective but also from a legal, financial and credit ratings perspective.

The Group's Corporate Credit and Risk teams, which manage the credit analysis and research process, are composed of highly trained individuals with specialised skill sets and years of experience in Corporate Syndicated Loans markets. The credit analysis and research process includes scenario analysis on investments to determine whether they can withstand significant adverse credit, idiosyncratic and market events. Additionally, the portfolio is subject to a continual, thorough monitoring and oversight process to identify any financial instruments which require increased monitoring of performance. Further details on the credit approval and monitoring processes are provided within the Group's Pillar 3 Disclosures report available in the following webpage: <https://www.medirect.com.mt/about-us/investor-relations>.

In respect of the Maltese Business Lending portfolio, MeDirect Malta's Corporate lending team is responsible for performing the primary credit analysis on proposed credits, as well as performing regular borrower reviews to monitor the performance of the underlying exposures, recommending appropriate courses of action and co-ordinating the decision-making process. The Risk team is responsible for reviewing the primary credit analysis performed by the Corporate Credit team, challenging key views and assumptions adopted by the first line of defence, including engaging in discussion during Management Credit Committee meetings and providing recommendations on the appropriate course of action. Portfolio and credit file reviews are performed regularly to monitor the performance of the underlying exposures and to evaluate the level of credit risk within the portfolio, including the performance of market sectors and concentrations therein, with the objective to build and maintain assets of high quality.

The Maltese Retail lending portfolio is not managed on an individual borrower basis, due to the high volume of relatively low value and homogenous exposures but is instead monitored on a portfolio level basis. The Maltese lending unit will alert the Management Credit Committee of any material issues or early warning signs identified and any MCC member may ask for any credit to be reviewed in detail.

As referred to previously, the Group also has a Dutch and Belgian mortgage business line. The Dutch national-guaranteed mortgage business line benefits from a private non-profit fund guarantee and government guarantee (indirectly), thus it benefits from favourable credit risk weighting treatment as credit risk is deemed to be low. The residual credit risk arising therefrom is managed by MeDirect Belgium's Credit and Risk teams. On a regular basis a sample file review is performed by the Business Team and presented at the ERM. A number of mortgages that would have been originated in the prior months are selected, some of which are subject to a detailed and complete file review with the remaining subject to a high-level review. Emphasis is placed on NHG compliance, the borrower's labour situation and income as well as on the veracity of the collateral valuation. Furthermore, meetings are held on a regular basis in which the Dutch economy, Dutch mortgage market, NHG developments and the snapshot of the credit risk profile of the portfolio is discussed, by reference to risk appetite limits, internal credit classification of the current portfolio along with the development of the staging and expected credit losses of the portfolio.

Credit risk involved in both the Dutch buy-to-let activity as well as the Belgian mortgage activity differs from Dutch mortgages as they do not benefit from a third-party guarantee. Every application undergoes a thorough screening based on a predefined set of criteria. If one or more requirements is not met, credit files are reviewed by a Joint Credit Committee, comprised of a MeDirect Belgium's Business and Risk delegation. To check the exhaustive and correct application of predefined criteria, regular sample checks are organised on both data collected as well as assessments performed. Moreover, regular controls are put in place to confirm the adequacy of processes, staffing, systems and controls by 2nd and 3rd line of defence.

The Treasury function is responsible for managing the Securities investment portfolio, overseen by the risk function, under the oversight of the Management Credit Committee ("MCC") and the Board Risk and Compliance Committee. The Group focuses on acquiring debt securities meeting the criteria of high-quality liquid assets ("HQLA"). Permitted assets in this portfolio include government bonds (including regional governments), agencies and supranational institutions, covered bonds as well as securities issued by financial institutions (some of which may carry a government guarantee) and Asset-Backed Securities ("ABS").

The Treasury function is also responsible for managing the AAA-rated CLOs, with the assistance of Finance and overseen by the risk function, under the oversight of the Management Credit Committee ("MCC").

The Malta Corporate Team are responsible for managing the Consumer Finance receivables portfolio, with the assistance of Finance and overseen by the risk function, under the oversight of the Management Credit Committee ("MCC").

The Group focuses on the quality and timeliness of the data used to inform management decisions. In particular, enhanced credit risk monitoring is applied within the International Corporate Loan portfolio. The following table presents the maximum exposure to credit risk from on-balance sheet and off-balance sheet financial instruments, before taking account of any collateral held or other credit enhancements. For financial assets recognised on balance sheet, the maximum exposure to credit risk equals their carrying amount for on balance sheet exposures. For financial guarantees granted, it is the maximum amount that the Group would have to pay if the guarantees were called upon. For loan commitments and other credit-related commitments, it is generally the full amount of the committed facilities.

For the purposes of Note 2.2 – Credit risk, amounts related to “Investments measured at amortised cost” are inclusive of basis adjustments attributable to the hedged risk.

	MeDirect Malta Group	
	2025	2024
	€000	€000
Net exposure:		
Financial assets measured at amortised cost		
Balances with central banks	272,563	206,868
Loans and advances to financial institutions	329,004	316,179
Loans and advances to customers	3,023,394	2,927,475
- International Corporate Lending portfolio	21,504	208,759
- Dutch Mortgage portfolio	2,265,686	2,205,956
- Belgian Mortgage portfolio	540,484	366,245
- IFRS basis adjustment: International Mortgage portfolio	(174,573)	(142,246)
- Maltese Business Lending portfolio	208,936	154,073
- IFRS basis adjustment: Maltese Business Lending portfolio	519	686
- Maltese Mortgage portfolio	151,367	129,274
- Consumer Finance receivables	9,471	4,728
Investments measured at amortised cost	1,441,455	1,358,820
- Securities portfolio	890,401	698,866
- Securitisation portfolio	392,060	514,669
- Asset-Backed Securitisation portfolio	158,994	145,285
Accrued income	2,670	1,454
Loans to related parties (included in other assets)	1,321	48
Other receivables (included in other assets)	2,769	1,501
Other assets (included in other assets)	34,728	23,334
	5,107,904	4,835,679
Instruments mandatorily measured at fair value through profit or loss	185,928	175,310
- Held for trading derivative financial instruments	184	907
- Held for risk management derivative financial instruments	185,744	174,403
	5,293,832	5,010,989
Commitments to extend credit, guarantees and other commitments	238,314	212,551

Summary of financial instruments to which the impairment requirements in IFRS 9 are applied

The following disclosures present the gross carrying/nominal amount of financial instruments measured at amortised cost to which the impairment requirements in IFRS 9 are applied and the associated credit loss allowances.

MeDirect Malta Group	2025		2024	
	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance
	€000	€000	€000	€000
Financial assets measured at amortised cost				
Balances with central banks	272,565	(2)	206,870	(2)
Loans and advances to financial institutions	329,005	(1)	316,180	(1)
Loans and advances to customers	3,032,791	(9,397)	2,942,417	(14,942)
- International Corporate Lending portfolio	26,458	(4,954)	221,366	(12,607)
- Dutch Mortgage portfolio	2,266,097	(411)	2,206,207	(251)
- Belgian Mortgage portfolio	541,482	(998)	366,799	(554)
- IFRS basis adjustment: International Mortgage portfolio	(174,573)	-	(142,246)	-
- Maltese Business Lending portfolio	210,061	(1,125)	155,195	(1,122)
- IFRS basis adjustment: Maltese Business Lending portfolio	519	-	686	-
- Maltese Mortgage portfolio	151,707	(340)	129,606	(332)
- Consumer Finance receivables	11,040	(1,569)	4,804	(76)
Investments measured at amortised cost	1,441,680	(225)	1,359,061	(241)
- Securities portfolio	890,488	(87)	698,961	(95)
- Securitisation portfolio	392,099	(39)	514,720	(51)
- Asset-Backed Securitisation portfolio	159,093	(99)	145,380	(95)
Accrued income	2,670	-	1,454	-
Loans to related parties (included in other assets)	1,321	-	48	-
Other receivables (included in other assets)	2,769	-	1,501	-
Other assets (included in other assets)	34,728	-	23,334	-
	5,117,529	(9,625)	4,850,865	(15,186)
Commitments to extend credit, guarantees and other commitments	238,425	(111)	212,829	(278)
Total	5,355,954	(9,736)	5,063,694	(15,464)

The following table contains an analysis of the maximum credit risk exposure from financial assets not subject to impairment.

	MeDirect Malta Group	
	2025	2024
	€000	€000
Instruments mandatorily measured at fair value through profit or loss		
- Held for trading derivative financial instruments	184	907
- Held for risk management derivative financial instruments	185,744	174,403
	<u>185,928</u>	<u>175,310</u>

2.2.2 Summary of credit quality of financial assets to which impairment requirements in IFRS 9 are applied

The Group's credit risk rating processes are designed to highlight exposures which require closer management attention because of their greater probability of default and potential loss.

As previously explained in the accounting policy (refer to Note 1.5), the Group adopts a five-point internal credit classification rating scale in order to assess the relative credit quality of exposures within its portfolios of financial instruments. In this respect, the members of the respective Management Credit Committees review the grading proposed by the business and the Group's Credit Risk teams. Each of the five internal credit classification ratings within the scale is aligned to the Group's approach for determining the relative staging of financial assets in line with the requirements emanating from IFRS 9 as follows:

Stage 1 (Performing)

1. Regular - no material credit concerns.
2. Focus - no immediate prospect that a credit loss will ultimately be suffered, but worthy of close credit oversight. (This credit classification rating is not applicable to the International Corporate Lending portfolio).

Stage 2 (Underperforming)

3. Under Surveillance - significant increase in credit risk with identified concerns and some prospect that a credit loss may ultimately be suffered.

Stage 3 (Non-performing)

4. Doubtful - it is likely that the contractual terms of the debt will not be met and that a credit loss will be suffered.
5. Write-off - full or partial write-down of exposures with little prospect of recovery.

Deteriorating Credits

The Group determines that a financial instrument is credit-impaired and in Stage 3 by considering an increased likelihood of default, primarily whether:

- contractual payments of either principal or interest are past due by more than 90 days;
- there are other indications that the borrower is unlikely to pay, such as when a concession has been granted to the borrower for economic or legal reasons relating to the borrower's financial condition; and
- the loan is otherwise considered to be in default.

Credit impaired loans and advances are those that are classified as "Doubtful" or "Write-off". These grades are assigned when the Group considers that either the customer is unlikely to pay its credit obligations in full, without recourse to security, or when the customer is more than 90 days past due on any material credit obligation to the Group. If unlikelihood to pay is not identified at an earlier stage, it is deemed to occur when an exposure is more than 90 days past due.

The Group is required to identify non-performing exposures ("NPEs") and to assess the recoverability of the recognised exposures.

Assessment is made at an obligor (rather than facility) level. This implies that in those cases where a particular debtor has multiple facilities with the Group, the Group considers whether there are indications of unlikelihood to pay at the level of the debtor, irrespective of the different levels of losses that can be incurred in respect of the different facilities resulting from different levels of seniority.

Therefore, the definitions of credit-impaired is aligned as far as possible to the regulatory definition of 'non-performing' so that Stage 3 represents all loans that are considered defaulted or otherwise credit-impaired. For further clarity, exposures in respect of which a "default" is considered to have occurred, and exposures that have been found "credit impaired" in accordance with IFRS as adopted by the EU, shall always be considered as "non-performing exposures".

As described in more detail in section 1.5 of the financial statements, the Group's staging assessment in respect of exposures classified within the International Corporate Lending portfolio takes into consideration both qualitative and quantitative criteria.

The impact on borrowers' financial performance of the macroeconomic impacts of geopolitical tensions, seeing increased cost and energy inflation on the financial performance of borrowers within the Group's lending portfolios, is captured within the quantitative assessment determined within the Group's IFRS 9 model, since it is taken into account within the macro-economic scenarios used to determine the probability weighted ECL, as well as in the life-time PiT PDs at reporting date used to determine SICR by comparing the magnitude of the difference between the corresponding reporting date implied rating and the origination date implied rating.

Exposures within the Securities Investment and Securitisation Investment portfolios are typically rated. Publicly rated exposures predominantly meet the definition of investment-grade rating and, in this respect, are considered to have low credit risk. A SICR assessment is only performed in respect of exposures to which a sub-investment-grade rating has been attributed.

The following table presents information about the credit quality of financial assets held by the Group to which the impairment requirements in IFRS 9 are applied:

MeDirect Malta Group	Performing		Under performing	Non-performing		Total
	Regular	Focus	Under surveillance	Doubtful	POCI	
As at 31 December 2025	€000	€000	€000	€000	€000	€000
On-balance sheet at amortised cost:						
Balances with central banks	272,563	-	-	-	-	272,563
<i>Gross</i>	272,565	-	-	-	-	272,565
<i>Credit loss allowances</i>	(2)	-	-	-	-	(2)
Loans and advances to financial institutions	329,004	-	-	-	-	329,004
<i>Gross</i>	329,005	-	-	-	-	329,005
<i>Credit loss allowances</i>	(1)	-	-	-	-	(1)
Loans and advances to customers	2,945,358	18,596	36,796	22,644	-	3,023,394
- International Corporate Lending portfolio	-	-	10,496	11,008	-	21,504
<i>Gross</i>	-	-	10,847	15,611	-	26,458
<i>Credit loss allowances</i>	-	-	(351)	(4,603)	-	(4,954)
- Dutch Mortgage portfolio	2,246,568	3,101	14,451	1,566	-	2,265,686
<i>Gross</i>	2,246,681	3,101	14,697	1,618	-	2,266,097
<i>Credit loss allowances</i>	(113)	-	(246)	(52)	-	(411)
- Belgian Mortgage portfolio	512,402	15,482	8,183	4,417	-	540,484
<i>Gross</i>	512,779	15,493	8,266	4,944	-	541,482
<i>Credit loss allowances</i>	(377)	(11)	(83)	(527)	-	(998)
- IFRS basis adjustment: International Mortgage portfolio	(174,573)	-	-	-	-	(174,573)
- Maltese Business Lending portfolio	200,998	13	2,385	5,540	-	208,936
<i>Gross</i>	201,354	13	2,398	6,296	-	210,061
<i>Credit loss allowances</i>	(356)	-	(13)	(756)	-	(1,125)
- IFRS basis adjustment: Maltese Business Lending portfolio	519	-	-	-	-	519
- Maltese Mortgage portfolio	151,114	-	140	113	-	151,367
<i>Gross</i>	151,429	-	142	136	-	151,707
<i>Credit loss allowances</i>	(315)	-	(2)	(23)	-	(340)
- Consumer Finance receivables	8,330	-	1,141	-	-	9,471
<i>Gross</i>	8,351	-	1,150	1,539	-	11,040
<i>Credit loss allowances</i>	(21)	-	(9)	(1,539)	-	(1,569)
Investments measured at amortised cost	1,441,455	-	-	-	-	1,441,455
- Securities portfolio	890,401	-	-	-	-	890,401
<i>Gross</i>	890,488	-	-	-	-	890,488
<i>Credit loss allowances</i>	(87)	-	-	-	-	(87)
- Securitisation portfolio	392,060	-	-	-	-	392,060
<i>Gross</i>	392,099	-	-	-	-	392,099
<i>Credit loss allowances</i>	(39)	-	-	-	-	(39)
- Asset-Backed Securitisation portfolio	158,994	-	-	-	-	158,994
<i>Gross</i>	159,093	-	-	-	-	159,093
<i>Credit loss allowances</i>	(99)	-	-	-	-	(99)
Accrued income	2,670	-	-	-	-	2,670
Loans to related parties (included in other assets)	1,321	-	-	-	-	1,321
Other receivables (included in other assets)	2,769	-	-	-	-	2,769
Other assets (included in other assets)	34,728	-	-	-	-	34,728
	5,029,868	18,596	36,796	22,644	-	5,107,904
Off-balance sheet at nominal amount:						
Commitments to extend credit, guarantees and other commitments						
<i>Nominal amount</i>	234,412	7	3,931	75	-	238,425
<i>Credit loss allowances</i>	(111)	-	-	-	-	(111)
	234,301	7	3,931	75	-	238,314

MeDirect Malta Group	Performing		Under performing	Non-performing		Total
	Regular	Focus	Under surveillance	Doubtful	POCI	
As at 31 December 2024	€000	€000	€000	€000	€000	€000
On-balance sheet at amortised cost:						
Balances with central banks	206,868	-	-	-	-	206,868
<i>Gross</i>	206,870	-	-	-	-	206,870
<i>Credit loss allowances</i>	(2)	-	-	-	-	(2)
Loans and advances to financial institutions	316,179	-	-	-	-	316,179
<i>Gross</i>	316,180	-	-	-	-	316,180
<i>Credit loss allowances</i>	(1)	-	-	-	-	(1)
Loans and advances to customers	2,792,197	12,500	65,620	56,928	230	2,927,475
- International Corporate Lending portfolio	108,636	-	51,861	48,032	230	208,759
<i>Gross</i>	109,320	-	52,350	59,243	453	221,366
<i>Credit loss allowances</i>	(684)	-	(489)	(11,211)	(223)	(12,607)
- Dutch Mortgage portfolio	2,195,409	4,706	5,094	747	-	2,205,956
<i>Gross</i>	2,195,523	4,716	5,205	763	-	2,206,207
<i>Credit loss allowances</i>	(114)	(10)	(111)	(16)	-	(251)
- Belgian Mortgage portfolio	354,286	3,486	6,906	1,567	-	366,245
<i>Gross</i>	354,567	3,489	6,992	1,751	-	366,799
<i>Credit loss allowances</i>	(281)	(3)	(86)	(184)	-	(554)
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	-	(142,246)
- Maltese Business Lending portfolio	142,461	4,308	1,423	5,881	-	154,073
<i>Gross</i>	142,813	4,313	1,423	6,646	-	155,195
<i>Credit loss allowances</i>	(352)	(5)	-	(765)	-	(1,122)
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	-	686
- Maltese Mortgage portfolio	129,274	-	-	-	-	129,274
<i>Gross</i>	129,606	-	-	-	-	129,606
<i>Credit loss allowances</i>	(332)	-	-	-	-	(332)
- Consumer Finance receivables	3,691	-	336	701	-	4,728
<i>Gross</i>	3,701	-	339	764	-	4,804
<i>Credit loss allowances</i>	(10)	-	(3)	(63)	-	(76)
Investments measured at amortised cost	1,358,820	-	-	-	-	1,358,820
- Securities portfolio	698,866	-	-	-	-	698,866
<i>Gross</i>	698,961	-	-	-	-	698,961
<i>Credit loss allowances</i>	(95)	-	-	-	-	(95)
- Securitisation portfolio	514,669	-	-	-	-	514,669
<i>Gross</i>	514,720	-	-	-	-	514,720
<i>Credit loss allowances</i>	(51)	-	-	-	-	(51)
- Asset-Backed Securitisation portfolio	145,285	-	-	-	-	145,285
<i>Gross</i>	145,380	-	-	-	-	145,380
<i>Credit loss allowances</i>	(95)	-	-	-	-	(95)
Accrued income	1,454	-	-	-	-	1,454
Loans to related parties (included in other assets)	48	-	-	-	-	48
Other receivables (included in other assets)	1,501	-	-	-	-	1,501
Other assets (included in other assets)	23,334	-	-	-	-	23,334
	4,700,401	12,500	65,620	56,928	230	4,835,679
Off-balance sheet at nominal amount:						
Commitments to extend credit, guarantees and other commitments						
<i>Nominal amount</i>	208,879	443	2,070	1,437	-	212,829
<i>Credit loss allowances</i>	(185)	-	-	(93)	-	(278)
	208,694	443	2,070	1,344	-	212,551

For securities within the Securities Investment, Securitisation Investment and Asset-Backed Securitisation Investment portfolios, the Group's credit quality classifications encompass a range of more granular external rating grades attributed by external agencies to debt securities. The following table illustrates this information:

	MeDirect Malta Group	
	2025	2024
	€000	€000
Securities Investment portfolio		
National and regional government securities, supranationals and agencies		
- AAA	44,776	60,114
- AA+ to AA-	175,296	141,125
- A- to BBB-	10,524	65,521
Other securities		
- AAA	327,764	331,941
- AA+ to AA-	87,410	100,165
- Not rated	244,631	-
	890,401	698,866
Securitisation Investment portfolio		
AAA	392,060	514,669
	392,060	514,669
Asset-Backed Securitisation Investment portfolio		
AAA	158,994	145,285
	158,994	145,285
Total	1,441,455	1,358,820

These portfolios are also categorised under the five credit quality classifications used by the Group (i.e. regular, focus, under surveillance, doubtful and write-off) and these ratings are determined by the Management Credit Committee.

As at 31 December 2025 and 2024, all the investments in the Securities Investment portfolio, Securitisation Investment portfolio and Asset-Backed Securitisation Investment portfolio are classified as regular.

2.2.3 Detailed information on credit quality of financial assets

The following table provides an overview of the Group's credit risk by stage and business segment, and the associated ECL coverage.

Summary of credit risk (excluding financial instruments not subject to impairment requirements) by stage distribution and ECL coverage

	Gross carrying/nominal amount					Credit loss allowance					ECL coverage				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
MeDirect Malta Group	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	%	%	%	%	%
As at 31 December 2025															
On-balance sheet at amortised cost:															
Balances with central banks	272,565	-	-	-	272,565	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	329,005	-	-	-	329,005	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	-	10,847	15,611	-	26,458	-	(351)	(4,603)	-	(4,954)	-	3.2	29.5	-	18.7
- Dutch Mortgage portfolio	2,249,782	14,697	1,618	-	2,266,097	(113)	(246)	(52)	-	(411)	-	1.7	3.2	-	-
- Belgian Mortgage portfolio	528,272	8,266	4,944	-	541,482	(388)	(83)	(527)	-	(998)	0.1	1.0	10.7	-	0.2
- IFRS basis adjustment: International Mortgage portfolio	(174,573)	-	-	-	(174,573)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	201,367	2,398	6,296	-	210,061	(356)	(13)	(756)	-	(1,125)	0.2	0.5	12.0	-	0.5
- IFRS basis adjustment: Maltese Business Lending portfolio	519	-	-	-	519	-	-	-	-	-	-	-	-	-	-
- Maltese Mortgage portfolio	151,429	142	136	-	151,707	(315)	(2)	(23)	-	(340)	0.2	1.4	16.9	-	0.2
- Consumer Finance receivables	8,351	1,150	1,539	-	11,040	(21)	(9)	(1,539)	-	(1,569)	0.3	0.8	100.0	-	14.2
Investments															
- Securities portfolio	890,488	-	-	-	890,488	(87)	-	-	-	(87)	-	-	-	-	-
- Securitisation portfolio	392,099	-	-	-	392,099	(39)	-	-	-	(39)	-	-	-	-	-
- Asset-Backed Securitisation portfolio	159,093	-	-	-	159,093	(99)	-	-	-	(99)	0.1	-	-	-	0.1
Accrued income	2,670	-	-	-	2,670	-	-	-	-	-	-	-	-	-	-
Loans to related parties (included in other assets)	1,321	-	-	-	1,321	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	2,769	-	-	-	2,769	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	34,728	-	-	-	34,728	-	-	-	-	-	-	-	-	-	-
Off-balance sheet at nominal amount:															
Commitments to extend credit, financial guarantees and other commitments	234,419	3,931	75	-	238,425	(111)	-	-	-	(111)	-	-	-	-	-
	5,284,304	41,431	30,219	-	5,355,954	(1,532)	(704)	(7,500)	-	(9,736)	-	1.7	24.8	-	0.2

	Gross carrying/nominal amount					Credit loss allowance					ECL coverage				
	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total	Stage 1	Stage 2	Stage 3	POCI	Total
MeDirect Malta Group	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	%	%	%	%	%
As at 31 December 2024															
On-balance sheet at amortised cost:															
Balances with central banks	206,870	-	-	-	206,870	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions	316,180	-	-	-	316,180	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	109,320	52,350	59,243	453	221,366	(684)	(489)	(11,211)	(223)	(12,607)	0.6	0.9	18.9	49.2	5.7
- Dutch Mortgage portfolio	2,200,239	5,205	763	-	2,206,207	(124)	(111)	(16)	-	(251)	-	2.1	2.1	-	-
- Belgian Mortgage portfolio	358,056	6,992	1,751	-	366,799	(284)	(86)	(184)	-	(554)	0.1	1.2	10.5	-	0.2
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	(142,246)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	147,126	1,423	6,646	-	155,195	(357)	-	(765)	-	(1,122)	0.2	-	11.5	-	0.7
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	686	-	-	-	-	-	-	-	-	-	-
- Maltese Mortgage portfolio	129,606	-	-	-	129,606	(332)	-	-	-	(332)	0.3	-	-	-	0.3
- Consumer Finance receivables	3,701	339	764	-	4,804	(10)	(3)	(63)	-	(76)	0.3	0.9	8.2	-	1.6
Investments															
- Securities portfolio	698,961	-	-	-	698,961	(95)	-	-	-	(95)	-	-	-	-	-
- Securitisation portfolio	514,720	-	-	-	514,720	(51)	-	-	-	(51)	-	-	-	-	-
- Asset-Backed Securitisation portfolio	145,380	-	-	-	145,380	(95)	-	-	-	(95)	0.1	-	-	-	0.1
Accrued income	1,454	-	-	-	1,454	-	-	-	-	-	-	-	-	-	-
Loans to related parties (included in other assets)	48	-	-	-	48	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	1,501	-	-	-	1,501	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	23,334	-	-	-	23,334	-	-	-	-	-	-	-	-	-	-
Off-balance sheet at nominal amount:															
Commitments to extend credit, financial guarantees and other commitments	209,322	2,070	1,437	-	212,829	(185)	-	(93)	-	(278)	0.1	-	6.5	-	0.1
	4,924,258	68,379	70,604	453	5,063,694	(2,220)	(689)	(12,332)	(223)	(15,464)	-	1.0	17.5	49.2	0.3

An exposure is “past due” when any amount of principal, interest or fee has not been paid on the date it was due. Past due but not credit-impaired loans are those loans and advances for which contractual interest or principal payments are past due but do not meet the Group’s criteria for “credit impaired” as outlined in the Three stage expected credit loss (ECL) approach.

MeDirect Malta and MeDirect Belgium do not have any exposures forming part of the International Corporate Lending, Securities Investment, Securitisation Investment and Asset-Backed Securitisation Investment portfolios which are past due but not credit impaired. Past due but not credit-impaired facilities are attributable to the Maltese Business Lending portfolio, representing exposures to counterparties domiciled in Malta and concentrated within the real estate and construction sector, the Dutch Mortgage portfolio, representing residential mortgage exposures to households and individuals domiciled in the Netherlands, the Belgian Mortgage portfolio, representing residential mortgage exposures to households and individuals domiciled in Belgium, a small portfolio of professional lending exposures held for rental purposes and the Maltese Mortgage portfolio, representing home loans granted to Malta individuals and the Consumer Finance receivables, representing consumer lending to retail customers resident in Malta.

Unless identified at an earlier stage, all financial assets are deemed to have experienced a significant increase in credit risk when they are more than 30 days past due. As at 31 December 2025 and 2024, no exposures within the Securities Investment, Securitisation Investment and Asset-Backed Securitisation Investment portfolios were classified as Stage 2. None of the Stage 2 exposures within the International Corporate Lending portfolio were past due as at 31 December 2025 and 2024.

In this regard, the following disclosure only presents the ageing of Stage 2 financial assets in the Maltese Business Lending, Consumer Finance receivables and Dutch, Belgian and Maltese Mortgage portfolios. It distinguishes between those assets that are classified as Stage 2 when they are either not past due or up to 30 days past due from those that are classified as Stage 2 due to ageing and are more than 30 days past due (>30 DPD). Past due financial instruments are those loans where customers have failed to make payments in accordance with the contractual terms of their facilities. As at 31 December 2025, Stage 1 exposures with a gross carrying amount of €3.1 million (2024: €4.7 million) and €15.5 million (2024: €3.5 million) classified within the Dutch Mortgage and Belgian Mortgage portfolios were classified as past due but not credit-impaired.

Group	Gross exposure			Credit loss allowance		
	Stage 2	Of which up to 30 DPD	Of which more than 30 DPD	Stage 2	Of which up to 30 DPD	Of which more than 30 DPD
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Dutch Mortgage portfolio						
- Loans and advances to customers	14,697	8,853	5,844	(246)	(5)	(241)
Belgian Mortgage portfolio						
- Loans and advances to customers	8,266	2,709	5,557	(83)	(25)	(58)
Maltese Business Lending portfolio						
- Loans and advances to customers	2,398	2,398	-	(13)	(13)	-
Maltese Mortgage portfolio						
- Loans and advances to customers	142	-	142	(2)	-	(2)
Consumer Finance receivables						
- Loans and advances to customers	1,150	501	649	(9)	(4)	(5)
	26,653	14,461	12,192	(353)	(47)	(306)

Group	Gross exposure			Credit loss allowance		
	Stage 2	Of which up to 30 DPD	Of which more than 30 DPD	Stage 2	Of which up to 30 DPD	Of which more than 30 DPD
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Dutch Mortgage portfolio						
- Loans and advances to customers	5,205	3,370	1,835	(111)	(2)	(109)
Belgian Mortgage portfolio						
- Loans and advances to customers	6,992	3,048	3,944	(86)	(40)	(46)
Maltese Business Lending portfolio						
- Loans and advances to customers	1,423	1,423	-	-	-	-
Consumer Finance receivables						
- Loans and advances to customers	339	-	339	(3)	-	(3)
	13,959	7,841	6,118	(200)	(42)	(158)

Distribution of financial instruments to which the impairment requirements in IFRS 9 are applied, by credit quality and stage distribution

MeDirect Malta Group	Gross carrying amount/nominal amount					Total	Credit loss allowance	Net
	Regular	Focus	Under surveillance	Doubtful	POCI			
As at 31 December 2025	€000	€000	€000	€000	€000	€000	€000	€000
On-balance sheet at amortised cost:								
Balances with central banks	272,565	-	-	-	-	272,565	(2)	272,563
Loans and advances to financial institutions	329,005	-	-	-	-	329,005	(1)	329,004
Loans and advances to customers								
- International Corporate Lending portfolio								
- Stage 2	-	-	10,847	-	-	10,847	(351)	10,496
- Stage 3	-	-	-	15,611	-	15,611	(4,603)	11,008
- Dutch Mortgage portfolio								
- Stage 1	2,246,681	3,101	-	-	-	2,249,782	(113)	2,249,669
- Stage 2	-	-	14,697	-	-	14,697	(246)	14,451
- Stage 3	-	-	-	1,618	-	1,618	(52)	1,566
- Belgian Mortgage portfolio								
- Stage 1	512,779	15,493	-	-	-	528,272	(388)	527,884
- Stage 2	-	-	8,266	-	-	8,266	(83)	8,183
- Stage 3	-	-	-	4,944	-	4,944	(527)	4,417
- IFRS basis adjustment: International Mortgage portfolio	(174,573)	-	-	-	-	(174,573)	-	(174,573)
- Maltese Business Lending portfolio								
- Stage 1	201,354	13	-	-	-	201,367	(356)	201,011
- Stage 2	-	-	2,398	-	-	2,398	(13)	2,385
- Stage 3	-	-	-	6,296	-	6,296	(756)	5,540
- IFRS basis adjustment: Maltese Business Lending portfolio	519	-	-	-	-	519	-	519
- Maltese Mortgage portfolio								
- Stage 1	151,429	-	-	-	-	151,429	(315)	151,114
- Stage 2	-	-	142	-	-	142	(2)	140
- Stage 3	-	-	-	136	-	136	(23)	113
- Consumer Finance receivables								
- Stage 1	8,351	-	-	-	-	8,351	(21)	8,330
- Stage 2	-	-	1,150	-	-	1,150	(9)	1,141
- Stage 3	-	-	-	1,539	-	1,539	(1,539)	-
Investments measured at amortised cost								
- Securities portfolio								
- Stage 1	890,488	-	-	-	-	890,488	(87)	890,401
- Securitisation portfolio								
- Stage 1	392,099	-	-	-	-	392,099	(39)	392,060
- Asset-Backed Securitisation portfolio								
- Stage 1	159,093	-	-	-	-	159,093	(99)	158,994
Accrued income								
- Stage 1	2,670	-	-	-	-	2,670	-	2,670
Loans to related parties (included in other assets)								
- Stage 1	1,321	-	-	-	-	1,321	-	1,321
Other receivables (included in other assets)								
- Stage 1	2,769	-	-	-	-	2,769	-	2,769
Other assets (included in other assets)								
- Stage 1	34,728	-	-	-	-	34,728	-	34,728
Off-balance sheet at nominal amount:								
Commitments to extend credit, financial guarantees and other commitments								
- Stage 1	234,412	7	-	-	-	234,419	(111)	234,308
- Stage 2	-	-	3,931	-	-	3,931	-	3,931
- Stage 3	-	-	-	75	-	75	-	75
	5,265,690	18,614	41,431	30,219	-	5,355,954	(9,736)	5,346,218

MeDirect Malta Group	Gross carrying amount/nominal amount						Credit loss allowance	Net
	Regular	Focus	Under surveillance	Doubtful	POCI	Total		
As at 31 December 2024	€000	€000	€000	€000	€000	€000	€000	€000
On-balance sheet at amortised cost:								
Balances with central banks	206,870	-	-	-	-	206,870	(2)	206,868
Loans and advances to financial institutions	316,180	-	-	-	-	316,180	(1)	316,179
Loans and advances to customers								
- International Corporate Lending portfolio								
- Stage 1	109,320	-	-	-	-	109,320	(684)	108,636
- Stage 2	-	-	52,350	-	-	52,350	(489)	51,861
- Stage 3	-	-	-	59,243	-	59,243	(11,211)	48,032
- POCI	-	-	-	-	453	453	(223)	230
- Dutch Mortgage portfolio								
- Stage 1	2,195,523	4,716	-	-	-	2,200,239	(124)	2,200,115
- Stage 2	-	-	5,205	-	-	5,205	(111)	5,094
- Stage 3	-	-	-	763	-	763	(16)	747
- Belgian Mortgage portfolio								
- Stage 1	354,567	3,489	-	-	-	358,056	(284)	357,772
- Stage 2	-	-	6,992	-	-	6,992	(86)	6,906
- Stage 3	-	-	-	1,751	-	1,751	(184)	1,567
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	-	(142,246)	-	(142,246)
- Maltese Business Lending portfolio								
- Stage 1	142,813	4,313	-	-	-	147,126	(357)	146,769
- Stage 2	-	-	1,423	-	-	1,423	-	1,423
- Stage 3	-	-	-	6,646	-	6,646	(765)	5,881
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	-	686	-	686
- Maltese Mortgage portfolio								
- Stage 1	129,606	-	-	-	-	129,606	(332)	129,274
- Consumer Finance receivables								
- Stage 1	3,701	-	-	-	-	3,701	(10)	3,691
- Stage 2	-	-	339	-	-	339	(3)	336
- Stage 3	-	-	-	764	-	764	(63)	701
Investments measured at amortised cost								
- Securities portfolio								
- Stage 1	698,961	-	-	-	-	698,961	(95)	698,866
- Securitisation portfolio								
- Stage 1	514,720	-	-	-	-	514,720	(51)	514,669
- Asset-Backed Securitisation portfolio								
- Stage 1	145,380	-	-	-	-	145,380	(95)	145,285
Accrued income								
- Stage 1	1,454	-	-	-	-	1,454	-	1,454
Loans to related parties (included in other assets)								
- Stage 1	48	-	-	-	-	48	-	48
Other receivables (included in other assets)								
- Stage 1	1,501	-	-	-	-	1,501	-	1,501
Other assets (included in other assets)								
- Stage 1	23,334	-	-	-	-	23,334	-	23,334
Off-balance sheet at nominal amount:								
Commitments to extend credit, financial guarantees and other commitments								
- Stage 1	208,879	443	-	-	-	209,322	(185)	209,137
- Stage 2	-	-	2,070	-	-	2,070	-	2,070
- Stage 3	-	-	-	1,437	-	1,437	(93)	1,344
	4,911,297	12,961	68,379	70,604	453	5,063,694	(15,464)	5,048,230

Reconciliation of changes in gross carrying/nominal amount and credit loss allowances for loans and advances to customers, including accrued income, and other credit-related commitments.

The following disclosure provides a reconciliation by stage of the Group's gross carrying/nominal amounts and credit loss allowances for loans and advances to customers for the International Corporate Lending portfolio, including credit-related commitments. On-balance sheet exposures are shown at their gross carrying amounts whereas off-balance sheet exposures are shown at their nominal amounts.

Within the following tables the line items "New business" and "Repayments and disposals" represent movements within the Group's International Corporate Lending portfolio in respect of gross carrying/nominal amounts and associated credit loss allowances. "New business" represents new lending sanctioned during the financial year. Meanwhile, "Repayments and disposals" reflect loan repayments and disposals that occurred during the financial year, which however relate to loans that would only have existed on the Group's balance sheet as at the end of the preceding financial reporting period. Accordingly, repayments and disposals relating to loans sanctioned during the financial reporting period are netted off against new lending included within "New business".

The line item "Transfers of financial instruments" represents the impact of stage transfers on gross carrying/nominal amounts and associated credit loss allowances determined as at the end of the financial reporting period. The line item "Net remeasurement of ECL arising from stage transfers and changes in risk parameters, including climate risk" represents the increase or decrease in credit loss allowances due to modified measurement basis from 12-month to lifetime in relation to stage transfers. It also includes the effects of changes in other expected credit loss measurement factors and model parameters such as, but not limited to, changes in time to maturity of assets; changes in underlying credit ratings; changes in measurement of loss given default and changes in respect of multiple economic scenarios. Finally, this line item also comprises the increase in ECL in respect of assets written off during the period measured as the movement between 1 January and the date of write-off.

The decrease in credit loss allowances in the financial year ended 31 December 2025 was principally driven by the run off of the International Corporate Lending portfolio leading to a decrease in ECLs of €7.8 million. Also, the expected credit loss allowances decreased as a result of the disposal of Stage 3 loans and the realisation of ECLs on Stage 3 loans by way of write-off amounting to €8.8 million as disclosed in the line item "Assets written off".

The decrease in credit loss allowances in the financial year ended 31 December 2024 was principally driven by the general improvement in financial condition experienced by borrowers within the portfolio, leading to significant repayments and in turn a decrease in ECLs of €0.3 million. Also, the expected credit loss allowances decreased as a result of the disposal of Stage 3 loans and the realisation of ECLs on Stage 3 loans by way of write-off amounting to €18.5 million as disclosed in the line item "Assets written off".

As per the following table, as at 31 December 2024, net exposures amounting to €78.2 million were transferred out of Stage 1 into Stages 2 or 3 during the year, with net transfers to Stage 3 amounting to €46.7 million. The net remeasurement of ECLs reflects the decrease in PDs and LGDs driven by point-in-time economic adjustments and more pessimistic forward-looking macroeconomic scenarios being forecasted in the modelling of ECLs. As explained in more detail in Note 2.2.7 – ‘Current Conditions and Forward-looking information incorporated in the ECL model’, the Group deemed that forward-looking macroeconomic scenarios appropriately reflected the uncertainty within the wider economy and reflects this increase in PDs and LGDs.

The following table provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances, by stage, for the International Corporate Lending portfolio, followed by an analysis of the gross carrying/nominal amount and credit loss allowances as at 31 December 2025 and the ECL movement throughout the financial year.

MeDirect Malta Group	Non credit-impaired				Credit-impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Gross carrying/nominal amount	Credit loss allowance
	Gross carrying/nominal amount	Credit loss allowance	Gross carrying/nominal amount	Credit loss allowance	Gross carrying/nominal amount	Credit loss allowance	Gross carrying/nominal amount	Credit loss allowance		
Year ended 31 December 2025	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
International Corporate Lending										
At beginning of year	124,687	(753)	52,350	(489)	60,260	(11,276)	453	(223)	237,750	(12,741)
Repayments and disposals	(109,255)	685	(52,350)	489	(23,124)	1,432	-	-	(184,729)	2,606
Transfers of financial instruments										
- Transfers from Stage 3	-	-	10,853	(267)	(10,853)	267	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters, including climate risk										
	-	43	-	(84)	-	(3,272)	-	-	-	(3,313)
Realisation of ECL through restructuring and disposals										
	-	-	-	-	(8,246)	8,246	(453)	223	(8,699)	8,469
Other	(1,815)	-	(6)	-	(2,426)	-	-	-	(4,247)	-
At end of year	13,617	(25)	10,847	(351)	15,611	(4,603)	-	-	40,075	(4,979)
ECL released for the year										7,762
Assets written off										(8,792)
Other										(109)
Change in expected credit losses and other credit impairment charges for the year										(1,139)

MeDirect Malta Group	As at 31 December 2025		Year ended 31 December 2025
	Gross carrying/ nominal amount	Credit loss allowance	ECL (charge)/release
	€000	€000	€000
As per preceding table	40,075	(4,979)	(1,139)
Balances at central banks	272,565	(2)	-
Loans and advances to financial institutions	329,005	(1)	-
Loans and advances to customers			
- Dutch Mortgage portfolio: drawn exposures	2,266,097	(411)	(160)
- Dutch Mortgage portfolio: undrawn commitments	21,643	(4)	-
- Belgian Mortgage portfolio: drawn exposures	541,482	(998)	(443)
- Belgian Mortgage portfolio: undrawn commitments	12,192	(13)	-
- Maltese Business Lending portfolio: drawn exposures	210,061	(1,125)	(300)
- Maltese Business Lending portfolio: undrawn commitments	142,962	(5)	-
- Maltese Mortgage portfolio: drawn exposures	151,707	(340)	(9)
- Maltese Mortgage portfolio: undrawn commitments	27,198	(64)	(12)
- Consumer Finance receivables: drawn exposures	11,040	(1,569)	(800)
- Consumer Finance receivables: undrawn commitments	1,398	-	-
Investments measured at amortised cost			
- Securities portfolio	890,488	(87)	9
- Securitisation portfolio	392,099	(39)	12
- Asset-Backed Securitisation portfolio	159,093	(99)	(4)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through profit or loss	5,469,105	(9,736)	(2,846)
Total credit loss allowance/total income statement ECL charge for the year		(9,736)	(2,846)

Expected credit losses measured in respect of exposures within the Maltese Business Lending portfolio resulted in an increase from €1.12 million to €1.13 million during the year (2024: an increase from €0.56 million to €1.12 million). The Group's credit risk is mitigated through the maintenance of adequate levels of collateralisation, typically by charges on real estate properties. In this regard, movements in expected credit losses were largely driven by model and risk parameter changes, primarily due to the economic recovery during the year, improving macroeconomic scenarios as well as net book movements that were more than offset by deterioration in performance of certain borrowers as well as stage transfers during the year.

The table also includes the credit loss allowances attributable to the Dutch Mortgage portfolio backed by the NHG guarantee scheme, the Belgian Mortgage portfolio and the Maltese Mortgage portfolio, the credit loss allowances attributable to the Securitisation Investment portfolio (acquired portions in CLO transactions managed by third party entities), Securities Investment portfolio and Asset-Backed Securitisation Investment portfolio, included within "Investments measured at amortised cost". The ECL charge for the Group in respect of these portfolios is not considered significant in absolute terms and, as a result, no further disclosures were deemed necessary.

The following table provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances, by stage, for the International Corporate Lending portfolio, followed by an analysis of the gross carrying/nominal amount and credit loss allowances as at 31 December 2024 and the ECL movement throughout the financial year.

MeDirect Malta Group	Non credit-impaired				Credit-impaired				Total	
	Stage 1		Stage 2		Stage 3		POCI		Gross carrying/ nominal amount	Credit loss allowance
	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance	Gross carrying/ nominal amount	Credit loss allowance		
Year ended 31 December 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
International Corporate Lending										
At beginning of year	303,411	(2,774)	21,459	(711)	56,082	(9,325)	426	(212)	381,378	(13,022)
New business	19,621	(103)	-	-	-	-	-	-	19,621	(103)
Repayments and disposals	(121,070)	998	(11)	-	(42,232)	7,571	-	-	(163,313)	8,569
Transfers of financial instruments										
- Transfers from Stage 1 to Stage 2	(52,952)	542	52,952	(542)	-	-	-	-	-	-
- Transfers to Stage 3	(25,295)	265	(21,448)	711	46,743	(976)	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters, including climate risk	-	319	-	53	-	(9,893)	-	(11)	-	(9,532)
Realisation of ECL through restructuring and disposals	-	-	-	-	(1,347)	1,347	-	-	(1,347)	1,347
Other	972	-	(602)	-	1,014	-	27	-	1,411	-
At end of year	124,687	(753)	52,350	(489)	60,260	(11,276)	453	(223)	237,750	(12,741)
ECL released for the year										281
Assets written off										(18,497)
Other										31
Change in expected credit losses and other credit impairment charges for the year										(18,185)

MeDirect Malta Group	As at 31 December 2024		Year ended 31 December 2024
	Gross carrying/ nominal amount	Credit loss allowance	ECL (charge)/release
	€000	€000	€000
As per preceding table	237,750	(12,741)	(18,185)
Balances at central banks	206,870	(2)	-
Loans and advances to financial institutions	316,180	(1)	-
Loans and advances to customers			
- Dutch Mortgage portfolio: drawn exposures	2,206,207	(251)	34
- Dutch Mortgage portfolio: undrawn commitments	32,446	(3)	-
- Belgian Mortgage portfolio: drawn exposures	366,799	(554)	(201)
- Belgian Mortgage portfolio: undrawn commitments	8,004	(14)	1
- Maltese Business Lending portfolio: drawn exposures	155,195	(1,122)	(835)
- Maltese Business Lending portfolio: undrawn commitments	103,521	(75)	-
- Maltese Mortgage portfolio: drawn exposures	129,606	(332)	47
- Maltese Mortgage portfolio: undrawn commitments	27,181	(52)	(52)
- Consumer Finance receivables: drawn exposures	4,804	(76)	(148)
- Consumer Finance receivables: undrawn commitments	1,090	-	-
Investments measured at amortised cost			
- Securities portfolio	698,961	(95)	(29)
- Securitisation portfolio	514,720	(51)	131
- Asset-Backed Securitisation portfolio	145,380	(95)	(95)
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through profit or loss	5,154,714	(15,464)	(19,332)
Total credit loss allowance/total income statement ECL charge for the year		(15,464)	(19,332)

2.2.4 *Loans and advances to customers with renegotiated terms and the Group's forbearance policy*

The contractual terms of a loan may be modified for a number of reasons, including changing market conditions, customer retention and other factors not related to a current or potential credit deterioration of the customer. An existing loan whose terms have been modified would be derecognised in certain circumstances and the renegotiated loan recognised as a new loan at fair value.

Forbearance measures always aim to return the exposure to a situation of sustainable repayment capacity.

Forbearance measures consist of concessions towards a debtor facing or about to face difficulties in meeting its financial commitments ("financial difficulties").

The Group renegotiates loans to customers in financial difficulties (referred to as "forbearance activities") to maximise collection opportunities and minimise the risk of default. Under the Group's forbearance policy, loan forbearance is granted on a selective basis if the debtor is currently in default on its debt or if there is a high risk of default, there is evidence that the debtor made all reasonable efforts to pay under the original contractual terms and the debtor is expected to be able to meet the revised terms.

A concession is defined in the European Banking Authority ("EBA") final draft Implementing Technical Standards (2014) and further set out in the EBA final guidance on Management of Non-performing and Forborne Exposures (2018), which refer to either of the following actions:

- a modification of the previous terms and conditions of a contract which the debtor was considered unable to comply with due to its financial difficulties ("troubled debt") to allow for sufficient debt service ability, that would not have been granted had the debtor not been in financial difficulties; or
- a total or partial refinancing of a troubled debt contract, that would not have been granted had the debtor not been in financial difficulties.

The revised terms usually applied by the Group include extending the maturity, amending the terms of loan covenants and partial write-offs where there is reasonable financial evidence to demonstrate the borrower's inability to repay the loan in full. MeDirect Malta's Management Credit Committee regularly reviews reports on forbearance activities.

For the purposes of these financial statements, "loans with renegotiated terms" are defined as loans that have been restructured due to a deterioration in the borrower's financial position, for which the Group has made concessions by agreeing to terms and conditions that are more favourable for the borrower than the Group had provided initially and that it would not otherwise consider. A loan continues to be presented as part of loans with renegotiated terms until maturity, early repayment or write-off, unless certain prescriptive conditions are met.

Typically, the Group either categorises a forborne exposure as performing or classifies the exposure as forborne non-performing if unlikely-to-pay indicators are evidenced, as outlined in the Non-Performing and Default Exposure section of the Group's Credit Policy.

Renegotiated loans can be classified as non-credit-impaired where the renegotiation has resulted from significant concern about a borrower's ability to meet their contractual payment terms, but the renegotiated terms are based on current market rates and contractual cash flows are expected to be collected in full following the renegotiation.

Non-credit-impaired renegotiated loans also include previously impaired renegotiated loans that have demonstrated satisfactory performance over a period of time or have been assessed based on all available evidence as having no remaining indicators of impairment.

On renegotiation, where the existing agreement is cancelled and a new agreement is made on substantially different terms, or if the terms of an existing agreement are modified, such that the renegotiated loan is substantially a different financial instrument, the loan would be derecognised and a new loan is recognised, for accounting purposes.

When determining whether a loan that is restructured should be derecognised and a new loan recognised, the Group considers the extent to which the changes to the original contractual terms result in the renegotiated loan, considered as a whole, being a substantially different financial instrument.

As outlined previously, renegotiated loans that are classified as credit-impaired/Stage 3 exposures at the renegotiation date which have not had a substantial modification in terms, are not derecognised and remain disclosed as credit-impaired/Stage 3 exposures until there is sufficient evidence of cure to demonstrate a significant reduction in the risk of non-payment of future cash flows observed over a one-year period and there are no other indicators of impairment. In contrast, when substantial modification has been made to the terms of the renegotiated loan, the old financial asset is derecognised and a new financial asset is recognised, the latter being classified as a Stage 1 asset unless originated credit-impaired, in which case it is classified as a POCI financial asset.

As at 31 December 2025 and 2024, none of the exposures within the Maltese Mortgage portfolio, the Dutch Buy-to-Let Mortgage portfolio, Consumer Finance receivables portfolio, Securities Investment, Securitisation Investment and Asset-Backed Securitisation Investment portfolios were forborne reflecting the fact that both the Securities Investment portfolio, Securitisation Investment portfolio, and the Asset-Backed Securitisation Investment portfolio principally comprise of investment grade exposures and that the Maltese and the Dutch Buy-to-Let mortgage portfolios have been in place for just a few years. In this regard, any amounts disclosed in this section relate to forbearance activity within the International Corporate Lending, Maltese Business Lending, Dutch and Belgian Mortgage portfolios.

The following table shows the carrying amount of the Group's loans and advances to customers classified within the International Corporate Lending and Maltese Business Lending portfolios reflecting forbearance activity, by stage and by past due status.

MeDirect Malta Group	International Corporate Lending portfolio		Maltese Business Lending portfolio		Total
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	
	€000	€000	€000	€000	
As at 31 December 2025					
Stage 1					
Neither past due nor credit-impaired	-	-	201,367	-	201,367
Stage 2					
Neither past due nor credit-impaired	10,847	-	-	-	10,847
Past due but not credit-impaired					
- by up to 30 days	-	-	2,398	-	2,398
Stage 3					
Credit-impaired, net of credit loss allowances	-	11,008	540	5,000	16,548
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	10,847	11,008	204,305	5,000	231,160
Stage 1 credit loss allowances	-	-	356	-	356
Stage 2 credit loss allowances	351	-	13	-	364
Stage 3 credit loss allowances	-	4,603	4	752	5,359
As at 31 December 2024					
Stage 1					
Neither past due nor credit-impaired	109,320	-	147,126	-	256,446
Stage 2					
Neither past due nor credit-impaired	52,350	-	-	-	52,350
Past due but not credit-impaired					
- by up to 30 days	-	-	1,423	-	1,423
Stage 3					
Credit-impaired, net of credit loss allowances	10,651	37,381	1,180	4,701	53,913
POCI					
Credit-impaired, net of credit loss allowances	-	230	-	-	230
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	172,321	37,611	149,729	4,701	364,362
Stage 1 credit loss allowances	684	-	357	-	1,041
Stage 2 credit loss allowances	489	-	-	-	489
Stage 3 credit loss allowances	267	10,944	4	761	11,976
POCI credit loss allowances	-	223	-	-	223

The following table shows the carrying amount of the Group's loans and advances to customers classified within the Dutch and Belgian Mortgage portfolio reflecting forbearance activity, by stage and by past due status.

MeDirect Malta Group	Dutch Mortgage Portfolio		Belgian Mortgage Portfolio		Total
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	
	€000	€000	€000	€000	
As at 31 December 2025					
Stage 1					
Neither past due nor credit-impaired	2,246,681	-	512,779	-	2,759,460
Past due but not credit-impaired:					
- by up to 30 days	3,101	-	15,493	-	18,594
Stage 2					
Neither past due nor credit-impaired	6,303	2,550	632	1,514	10,999
Past due but not credit-impaired:					
- by up to 30 days	-	-	562	-	562
- by more than 30 days and up to 90 days	4,121	1,723	5,415	143	11,402
Stage 3					
Credit-impaired, net of credit loss allowances	1,105	461	2,564	1,853	5,983
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	2,261,311	4,734	537,445	3,510	2,807,000
Stage 1 credit loss allowances	113	-	388	-	501
Stage 2 credit loss allowances	141	105	65	18	329
Stage 3 credit loss allowances	34	18	306	221	579

MeDirect Malta Group	Dutch Mortgage Portfolio		Belgian Mortgage Portfolio		Total
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	
	€000	€000	€000	€000	
As at 31 December 2024					
Stage 1					
Neither past due nor credit-impaired	2,195,523	-	354,581	-	2,550,104
Past due but not credit-impaired:					
- by up to 30 days	3,337	-	3,475	-	6,812
- by more than 30 days and up to 90 days	1,379	-	-	-	1,379
Stage 2					
Neither past due nor credit-impaired	157	2,887	257	2,301	5,602
Past due but not credit-impaired:					
- by up to 30 days	-	326	-	-	326
- by more than 30 days and up to 90 days	735	1,100	4,434	-	6,269
Stage 3					
Credit-impaired, net of credit loss allowances	493	254	1,308	259	2,314
Loans and advances to customers, net of Stage 3 credit loss allowances	2,201,624	4,567	364,055	2,560	2,572,806
Stage 1 credit loss allowances	124	-	284	-	408
Stage 2 credit loss allowances	62	49	55	31	197
Stage 3 credit loss allowances	16	-	153	31	200

As at 31 December 2025, Stage 1 exposures with a gross carrying amount of €151.4 million classified within the Maltese Mortgage portfolio were neither past due nor credit-impaired. As at 31 December 2024, all exposures within the Maltese Mortgage portfolio were classified as Stage 1 – neither past due nor credit-impaired.

As at 31 December 2025, total gross forborne loans and advances to customers as a percentage of total gross loans and advances to customers of the Group were equivalent to 1% (2024: 2.1%).

Interest income recognised by the Group during the financial year ended 31 December 2025 in respect of forborne exposures amounted to €0.5 million (2024: €4.0 million).

The movement in the gross carrying of forborne loans and advances to customers, before credit loss allowances is analysed below:

	MeDirect Malta Group	
	2025	2024
	€000	€000
Year ended 31 December		
At beginning of year	61,398	88,661
Loans to which forbearance measures have been extended during the year without derecognition	6,406	31,317
Capitalised interest	297	1,631
Capitalised fees	-	(191)
Repayments or disposals	(40,308)	(53,562)
Loans exiting forborne status during the year without derecognition	(3,506)	(7,135)
Write-offs	(63)	(219)
Write-backs	14,400	-
Amortisation of premium or discount	(7,698)	17
Exchange differences	(1,080)	879
At end of year	29,846	61,398

Capitalised fees included in the preceding table reflect amounts disbursed by customers in relation to the origination of the exposure. Such amounts are recognised as part of the gross carrying amount of the exposure in the form of deferred income and amortised over the life of the instrument.

As at 31 December 2025, credit loss allowances in respect of the Group's forborne loans were equivalent to €5.7 million (2024: €12.0 million). Additions to credit loss allowances on forborne loans during the year ended 31 December 2025 amounted to €3.7 million (2024: €10.5 million). Reversals of credit loss allowances on forborne loans during the year ended 31 December 2025 amounted to €10.0 million (2024: €8.5 million).

The following tables show the gross carrying amounts of the Group's holdings of renegotiated loans and advances to customers analysed by industry sector and stage:

	MeDirect Malta Group				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000
As at 31 December 2025					
Real estate and construction	-	-	2,861	-	2,861
Financial and insurance activities	-	-	15,611	-	15,611
Households and individuals	-	5,930	2,553	-	8,483
Transportation and storage	-	-	2,891	-	2,891
	-	5,930	23,916	-	29,846

	MeDirect Malta Group				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000
As at 31 December 2024					
Accommodation and food service activities	-	-	21,051	-	21,051
Real estate and construction	-	-	2,571	-	2,571
Financial and insurance activities	-	-	26,570	453	27,023
Households and individuals	-	6,614	544	-	7,158
Transportation and storage	-	-	2,891	-	2,891
Wholesale and retail trade, repairs of motor vehicles and motorcycles	-	-	704	-	704
	-	6,614	54,331	453	61,398

The Group's forbore loans classified within the International Corporate Lending portfolio as at 31 December 2025 consist of corporate exposures based in Europe, amounting to €11.0 million (2024: €37.6 million). The forbore loans classified within the Maltese Business Lending portfolio are mainly categorised as exposures to corporate customers within the real estate and construction sector. Forbearance measures in respect of exposures classified within the Dutch and Belgian Mortgage portfolios are limited to payment arrangements, allowing customers to repay the amounts in arrears in addition to the regular monthly instalment. Past due amounts are thereby regularised within an agreed number of months. The forbore loans classified within the Dutch and Belgian Mortgage portfolios are categorised as exposures to households and individuals in the previous tables.

2.2.5 *Write-offs*

Financial assets written off by the Group during the financial year ended 31 December 2025 amounted to €9.1 million (2024: €19.4 million) and were all resulting from renegotiations of financial instruments as described in further detail in note 2.2.4 – “Loans and advances to customers with renegotiated terms and the Group's forbearance policy”.

2.2.6 *Collateral*

The Group holds collateral against loans and advances to customers classified under the Maltese Business Lending and the Dutch, Belgian and Maltese Mortgage portfolios in the form of hypothecary rights over immovable assets, and registered rights over movable assets and guarantees. The assets held as collateral are assigned a fair value at the time of credit approval. The assigned value is regularly monitored to identify assets that need revaluation.

Depending on the customer's standing and the type of product, in certain circumstances facilities may be provided on an unsecured basis, although the Group has limited appetite for such agreements. In most lending facilities, a charge over collateral is obtained and considered in determining the credit risk appetite and risk-return profile of all lending decisions. In the event of a default, the Group may utilise the collateral as a source of repayment. Depending on its form, collateral can have a significant financial effect in mitigating exposure to credit risk.

Collateral received by the Group includes residential and commercial property, as well as financial collateral such as debt securities and cash on deposit. The immovable property collateral received in respect of exposures within the Maltese Business Lending and Maltese Mortgage portfolios, the Dutch Mortgage portfolios and the Belgian Mortgage portfolios are mainly located in Malta, the Netherlands and Belgium respectively.

The following tables show the gross carrying amount and associated credit loss allowances of the loans and advances to customers classified under the Maltese Business Lending portfolio by level of collateral expressed through the loan-to-value (“LTV”) ratio. The collateral measured for the purposes of the following tables consists of fixed first charges on real estate, and charges over cash and marketable financial instruments. The collateral amounts represent the expected market value on an open market basis for real estate: no adjustment has been made to the collateral for any expected costs of recovery. Cash is valued at its nominal value and marketable securities at their fair value. If an exposure is fully cash secured (100% LTV), no ECL is measured in this respect, whereas ECL is calculated on exposures which are partially cash secured and having a LTV ratio less than 100%.

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Stage 1						
a) Not collateralised	130,408	(241)	-	-	130,408	(241)
b) Fully collateralised						
- Up to 50% LTV	16,421	-	-	-	16,421	-
- 51% to 75% LTV	42,616	(66)	-	-	42,616	(66)
- 76% to 90% LTV	8,855	(49)	-	-	8,855	(49)
c) Partially collateralised						
- greater than 100% LTV	3,067	-	-	-	3,067	-
	<u>201,367</u>	<u>(356)</u>	<u>-</u>	<u>-</u>	<u>201,367</u>	<u>(356)</u>
Stage 2						
a) Not collateralised	2,398	(13)	-	-	2,398	(13)
	<u>2,398</u>	<u>(13)</u>	<u>-</u>	<u>-</u>	<u>2,398</u>	<u>(13)</u>
Stage 3						
a) Not collateralised	52	(4)	1,481	(152)	1,533	(156)
b) Fully collateralised						
- Up to 50% LTV	-	-	4,271	(600)	4,271	(600)
c) Partially collateralised						
- greater than 100% LTV	492	-	-	-	492	-
	<u>544</u>	<u>(4)</u>	<u>5,752</u>	<u>(752)</u>	<u>6,296</u>	<u>(756)</u>
Total	<u>204,309</u>	<u>(373)</u>	<u>5,752</u>	<u>(752)</u>	<u>210,061</u>	<u>(1,125)</u>

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Not collateralised	110,246	(246)	-	-	110,246	(246)
b) Fully collateralised						
- Up to 50% LTV	13,564	(1)	-	-	13,564	(1)
- 51% to 75% LTV	16,667	(76)	-	-	16,667	(76)
- 76% to 90% LTV	6,581	(34)	-	-	6,581	(34)
- 91% to 100% LTV	68	-	-	-	68	-
	<u>147,126</u>	<u>(357)</u>	<u>-</u>	<u>-</u>	<u>147,126</u>	<u>(357)</u>
Stage 2						
a) Not collateralised	1,423	-	-	-	1,423	-
	<u>1,423</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,423</u>	<u>-</u>
Stage 3						
a) Not collateralised	65	(4)	2,570	(161)	2,635	(165)
b) Fully collateralised						
- 51% to 75% LTV	122	-	2,892	(600)	3,014	(600)
c) Partially collateralised						
- greater than 100% LTV	997	-	-	-	997	-
	<u>1,184</u>	<u>(4)</u>	<u>5,462</u>	<u>(761)</u>	<u>6,646</u>	<u>(765)</u>
Total	<u>149,733</u>	<u>(361)</u>	<u>5,462</u>	<u>(761)</u>	<u>155,195</u>	<u>(1,122)</u>

The following table shows the gross carrying amount and associated credit loss allowances of the loans and advances to customers classified under the Dutch Mortgage portfolio by level of collateral expressed through the LTV ratio. The collateral measured for the purposes of the table below consists of fixed first charges on real estate.

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	574,757	(18)	-	-	574,757	(18)
- 51% to 75% LTV	1,342,107	(69)	-	-	1,342,107	(69)
- 76% to 90% LTV	316,981	(25)	-	-	316,981	(25)
- 91% to 100% LTV	15,693	(1)	-	-	15,693	(1)
c) Partially collateralised						
- greater than 100% LTV	244	-	-	-	244	-
	<u>2,249,782</u>	<u>(113)</u>	<u>-</u>	<u>-</u>	<u>2,249,782</u>	<u>(113)</u>
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	38	-	879	-	917	-
- 51% to 75% LTV	9,739	(109)	2,682	(104)	12,421	(213)
- 76% to 90% LTV	647	(32)	712	(1)	1,359	(33)
	<u>10,424</u>	<u>(141)</u>	<u>4,273</u>	<u>(105)</u>	<u>14,697</u>	<u>(246)</u>
Stage 3						
a) Fully collateralised						
- Up to 50% LTV	363	(7)	203	-	566	(7)
- 51% to 75% LTV	303	(11)	-	-	303	(11)
- 76% to 90% LTV	473	(16)	276	(18)	749	(34)
	<u>1,139</u>	<u>(34)</u>	<u>479</u>	<u>(18)</u>	<u>1,618</u>	<u>(52)</u>
Total	<u>2,261,345</u>	<u>(288)</u>	<u>4,752</u>	<u>(123)</u>	<u>2,266,097</u>	<u>(411)</u>

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	451,058	(14)	-	-	451,058	(14)
- 51% to 75% LTV	1,292,556	(75)	-	-	1,292,556	(75)
- 76% to 90% LTV	393,155	(29)	-	-	393,155	(29)
- 91% to 100% LTV	61,722	(6)	-	-	61,722	(6)
b) Partially collateralised						
- greater than 100% LTV	1,748	-	-	-	1,748	-
	<u>2,200,239</u>	<u>(124)</u>	<u>-</u>	<u>-</u>	<u>2,200,239</u>	<u>(124)</u>
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	124	(4)	679	(1)	803	(5)
- 51% to 75% LTV	753	(58)	3,086	(26)	3,839	(84)
- 76% to 90% LTV	15	-	548	(22)	563	(22)
	<u>892</u>	<u>(62)</u>	<u>4,313</u>	<u>(49)</u>	<u>5,205</u>	<u>(111)</u>
Stage 3						
a) Fully collateralised						
- Up to 50% LTV	-	-	106	-	106	-
- 51% to 75% LTV	279	(6)	148	-	427	(6)
- 76% to 90% LTV	230	(10)	-	-	230	(10)
	<u>509</u>	<u>(16)</u>	<u>254</u>	<u>-</u>	<u>763</u>	<u>(16)</u>
Total	<u>2,201,640</u>	<u>(202)</u>	<u>4,567</u>	<u>(49)</u>	<u>2,206,207</u>	<u>(251)</u>

The following table shows the gross carrying amount and associated credit loss allowances of the loans and advances to customers classified under the Belgian Mortgage portfolio by level of collateral expressed through the LTV ratio. The collateral measured for the purposes of the table below consists of fixed first charges on real estate.

Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	59,282	(34)	-	-	59,282	(34)
- 51% to 75% LTV	178,527	(126)	-	-	178,527	(126)
- 76% to 90% LTV	233,150	(185)	-	-	233,150	(185)
- 91% to 100% LTV	54,878	(42)	-	-	54,878	(42)
b) Partially collateralised						
- greater than 100%	2,435	(1)	-	-	2,435	(1)
	<u>528,272</u>	<u>(388)</u>	<u>-</u>	<u>-</u>	<u>528,272</u>	<u>(388)</u>
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	826	(5)	803	(6)	1,629	(11)
- 51% to 75% LTV	2,554	(22)	260	(4)	2,814	(26)
- 76% to 90% LTV	2,782	(32)	-	-	2,782	(32)
- 91% to 100% LTV	447	(6)	594	(8)	1,041	(14)
	<u>6,609</u>	<u>(65)</u>	<u>1,657</u>	<u>(18)</u>	<u>8,266</u>	<u>(83)</u>
Stage 3						
a) Fully collateralised						
- Up to 50% LTV	196	(21)	3	-	199	(21)
- 51% to 75% LTV	252	(27)	489	(52)	741	(79)
- 76% to 90% LTV	1,015	(111)	768	(82)	1,783	(193)
- 91% to 100% LTV	1,246	(131)	814	(87)	2,060	(218)
c) Partially collateralised						
- greater than 100% LTV	161	(16)	-	-	161	(16)
	<u>2,870</u>	<u>(306)</u>	<u>2,074</u>	<u>(221)</u>	<u>4,944</u>	<u>(527)</u>
Total	<u>537,751</u>	<u>(759)</u>	<u>3,731</u>	<u>(239)</u>	<u>541,482</u>	<u>(998)</u>

Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	39,597	(24)	-	-	39,597	(24)
- 51% to 75% LTV	112,973	(85)	-	-	112,973	(85)
- 76% to 90% LTV	162,753	(139)	-	-	162,753	(139)
- 91% to 100% LTV	42,479	(36)	-	-	42,479	(36)
b) Partially collateralised						
- greater than 100% LTV	254	-	-	-	254	-
	<u>358,056</u>	<u>(284)</u>	<u>-</u>	<u>-</u>	<u>358,056</u>	<u>(284)</u>
Stage 2						
a) Fully collateralised						
- 51% to 75% LTV	2,362	(24)	617	(7)	2,979	(31)
- 76% to 90% LTV	1,553	(21)	796	(11)	2,349	(32)
- 91% to 100% LTV	776	(10)	888	(13)	1,664	(23)
	<u>4,691</u>	<u>(55)</u>	<u>2,301</u>	<u>(31)</u>	<u>6,992</u>	<u>(86)</u>
Stage 3						
b) Fully collateralised						
- Up to 50% LTV	338	(36)	-	-	338	(36)
- 76% to 90% LTV	720	(75)	290	(31)	1,010	(106)
- 91% to 100% LTV	249	(26)	-	-	249	(26)
c) Partially collateralised						
- greater than 100% LTV	154	(16)	-	-	154	(16)
	<u>1,461</u>	<u>(153)</u>	<u>290</u>	<u>(31)</u>	<u>1,751</u>	<u>(184)</u>
	<u>364,208</u>	<u>(492)</u>	<u>2,591</u>	<u>(62)</u>	<u>366,799</u>	<u>(554)</u>

The following table shows the gross carrying amount and associated credit loss allowances of the loans and advances to customers classified under the Maltese Mortgage portfolio by level of collateral expressed through the LTV ratio. The collateral measured for the purposes of the table below consists of fixed first charges on real estate.

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Stage 1						
a) Not collateralised	19,539	(52)	-	-	19,539	(52)
b) Fully collateralised						
- Up to 50% LTV	27,354	(43)	-	-	27,354	(43)
- 51% to 75% LTV	40,901	(82)	-	-	40,901	(82)
- 76% to 90% LTV	63,268	(137)	-	-	63,268	(137)
c) Partially collateralised						
- greater than 100% LTV	367	(1)	-	-	367	(1)
	<u>151,429</u>	<u>(315)</u>	<u>-</u>	<u>-</u>	<u>151,429</u>	<u>(315)</u>
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	142	(2)	-	-	142	(2)
	<u>142</u>	<u>(2)</u>	<u>-</u>	<u>-</u>	<u>142</u>	<u>(2)</u>
Stage 3						
a) Fully collateralised						
- 51% to 75% LTV	136	(23)	-	-	136	(23)
	<u>136</u>	<u>(23)</u>	<u>-</u>	<u>-</u>	<u>136</u>	<u>(23)</u>
Total	<u>151,707</u>	<u>(340)</u>	<u>-</u>	<u>-</u>	<u>151,707</u>	<u>(340)</u>
MeDirect Malta Group	Non-forborne		Forborne		Total	
	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance	Gross carrying amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Not collateralised	21,278	(72)	-	-	21,278	(72)
b) Fully collateralised						
- Up to 50% LTV	19,726	(37)	-	-	19,726	(37)
- 51% to 75% LTV	32,211	(79)	-	-	32,211	(79)
- 76% to 90% LTV	56,391	(144)	-	-	56,391	(144)
	<u>129,606</u>	<u>(332)</u>	<u>-</u>	<u>-</u>	<u>129,606</u>	<u>(332)</u>

As at 31 December 2025, the Group held senior secured loans to international borrowers classified under the International Corporate Lending portfolio which amounted to €10.6 million (2024: €198.9 million). In respect of such financial assets, the Group normally has a right over the borrower's unencumbered assets. The Consumer Finance receivables lending is uncollateralised.

All the Group's exposures classified under the Securities Investment portfolio as at 31 December 2025 and 2024 are unsecured with the exception of a sub-portfolio of covered bonds amounting to €435.3 million (2024: €432.1 million), which are backed by a separate group of assets in the form of loans. Similarly, all exposures classified under the Securitisation Investment portfolio as at 31 December 2025 and 2024 and the Asset-Backed Securitisation Investments portfolio are also backed by a separate group of assets in the form of loans.

2.2.7 Current Conditions and Forward-looking information incorporated in the ECL model

Point-in-time, forward-looking PD and LGD modelling methodology

The modelling methodology used by the Group in the measurement of credit loss allowances in respect of Stage 1 and Stage 2 exposures leverages current and multiple scenarios of future projections of macroeconomic data beyond the reporting date in order to determine point-in-time PDs and incorporate forward-looking information. Statistical models used are developed by an external vendor.

As explained in more detail in Note 1.5 of the financial statements, for the International and Maltese Corporate Lending and Securities portfolios the models use rating scale to TTC PD matrices calibrated on the basis of an underlying dataset of market observations to firstly determine a TTC PD and accordingly an implied rating for each borrower. The TTC PD implied rating is determined by calibrating borrowers' financial and non-financial profile with those of observable rated peers. An exposure's implied rating is then converted to an unconditional PiT PD using a methodology which utilises market capitalisation/equity volatility and leverage of comparable firms, with shocks to a firm's stock price translated into corresponding shocks to the credit risk metric attributable to the underlying exposure. Therefore, equity market performance is a key variable for incorporating current conditions into the Group's ECL modelling methodology, particularly in the conversion from TTC to PiT PDs.

The methodology then utilises macroeconomic correlation models in order to determine the historical correlation of a borrower's financial performance with overall country or region-level macroeconomic conditions, with the correlation factors estimated principally by reference to borrower size as well as the industry in which the borrower operates. Multiple macroeconomic forecasts developed by an external vendor are then applied to PiT PDs to produce probability-weighted forward-looking conditioned PiT PDs in line with the requirements of IFRS 9. The conditioning of PDs by reference to multiple macroeconomic scenarios reflects forecasted quarter-on-quarter changes in macroeconomic variables (such as GDP, unemployment and HPI) over the PD term structure of the exposure. The Group's modelling methodology therefore estimates a point-in-time and forward-looking measure of default risk. The same methodology is also used to estimate PiT LGDs.

Input parameters similar to those of the Corporate and Securities portfolios do not exist for determining implied ratings of the Maltese Business Lending portfolio, mainly due to existing data limitations within the Maltese market. Therefore, implied ratings are assigned by the Credit Risk team using professional judgement by reference to default rates experienced in similar markets as well as the financial performance and position of the borrower in relation to financial performance and position at origination. A similar approach to that adopted for Corporate and Securities portfolios is applied to determine conditional PiT PDs, using the TTC implied risk ratings based on internal risk classifications by the Credit Risk team which are then adjusted to PiT forward looking PDs as described above.

For Dutch residential mortgages, PiT PDs and LGDs are determined using loan and borrower characteristics such as loan-to-value ('LTV') and loan-to-income ('LTI') inputs, calibrated based on historical data of proxy NHG loans from RMBS transactions which are adjusted to incorporate current and forward-looking macroeconomic variables and data such as unemployment rates, real GDP growth and house price indices. Likewise, for the Dutch buy-to-let portfolio, PiT PDs and LGDs are determined using loan and borrower characteristics which are adjusted to incorporate current and forward-looking macroeconomic variables and data such as regional unemployment rates, real GDP growth and regional house price indices.

PiT PDs for Maltese mortgages are based on the actual six months NPL ratio published by the Central Bank of Malta in its Financial Stability Report and the actual quarterly NPL ratio published by the European Banking Authority in its Risk Dashboard Report, adjusted to incorporate forward-looking macroeconomic variables including real GDP growth, unemployment rates, a 10-year treasury rates, compensation of employees and household disposable income.

For the Belgian mortgages, the PiT PDs are mainly based on the Belgium Mortgage industry level NPL data published by the National Bank of Belgium adjusted to incorporate forward-looking macroeconomic variables including unemployment rates, house price index, real GDP growth, claims on private sector and compensation of employees.

In respect of defaulted / Stage 3 exposures classified within the International Corporate Lending portfolio, the Group utilises an internally developed discounted cash flow methodology in order to estimate the net present value of forecasted operating cash flows under multiple forward-looking scenarios discounted using the borrower-specific weighted average cost of capital ("WACC"). In this regard, forward-looking expectations based on the impact of changing macroeconomic conditions on the borrower are reflected in multiple scenarios of operating cash flows developed by management, which are discounted and probability-weighted in accordance with the requirements of IFRS 9.

Similarly, the expected recoveries in respect of defaulted / Stage 3 exposures classified within the Maltese Business Lending portfolio are estimated by reference to multiple work-out options determined on the basis of an individual borrower assessment and taking into consideration the impact of macroeconomic conditions on the recoverable amount under each scenario.

The model used to measure credit loss allowances in respect of all exposures classified within the Dutch, Belgian and Maltese Mortgage portfolio estimates PDs and LGDs by reference to historical information observed in that jurisdiction for similar assets as well as multiple forward-looking macroeconomic forecasts for the respective economy developed by the external vendor.

The current U.S. administration has contributed to an elevated level of uncertainty and volatility in the global economic environment, with Europe's economy remaining particularly exposed amid ongoing trade policy measures and uncertainty regarding their scope, duration and economic impact. Existing and potential trade restrictions could negatively affect global trade flows and economic growth, with adverse effects on the EU's exports and investment through weakened confidence and persistent uncertainty. In addition, geopolitical risks remain heightened and could further deteriorate economic conditions. The macroeconomic scenarios and forward-looking information applied in the estimation of ECL are subject to a significant degree of estimation uncertainty and management judgement. The forecasting of economic conditions therefore inherently involves a higher level of risk and subjectivity.

This has required an elevated level of review to ensure that the macroeconomic methodology used by the Group, provided by a reputable third party, results in plausible scenarios that adequately captures the uncertainties previously mentioned. The scenarios were assessed as appropriate and sufficiently prudent for the Group's impairment assessment.

Judgement is still required in the determination of macroeconomic forecasts reflecting potential future economic conditions under different scenarios and their impact on PDs and LGDs.

Forecasts of future economic conditions

The Group applies macroeconomic scenarios sourced from an external vendor to the PD and LGD term structures for the estimation of credit loss allowances in respect of Stage 1 and Stage 2 exposures classified within the International Corporate Lending and Maltese Business Lending portfolios, as well as in respect of all exposures classified within the Dutch Mortgage (inclusive of the Dutch Buy-to-Let portfolio), Belgian Mortgage, Maltese Mortgage and Securities Investment portfolios. The macroeconomic scenarios represent the Group's view of the range of potential outcomes, and application of these scenarios captures the non-linearity of expected credit losses under different scenarios for all portfolios.

The Group has chosen three macroeconomic scenarios that include a central, or baseline, scenario and two "alternative" scenarios to reflect upside and downside scenarios. The scenarios are constructed by the external vendor based on a target severity for each of the scenarios. While the baseline scenario is by design in the middle of possible future economic outcomes, the alternative scenarios capture alternative economic conditions that are equally distanced from the baseline in terms of their severity as per the assumptions of the external vendor. After their construction, the scenarios are each assigned probability weights based on the external vendor's severity distribution and on how well they approximate (simulated) possible future economic developments. The scenarios are generated/refreshed on a quarterly basis.

The macroeconomic scenarios used in the Group's modelling of credit loss allowances reflect a range of possible macroeconomic paths. These scenarios incorporate potential economic impacts arising from geopolitical tensions, assumptions regarding U.S. tariffs on the EU and other trading partners, developments in energy markets, monetary and fiscal policy assumptions, and supply chain dynamics.

In light of ongoing geopolitical tensions and the economic uncertainty arising from recent International policy developments, the Group conducted rigorous monitoring of macroeconomic forecasts developed by the external vendor to assess the adequacy and reasonableness of the scenarios. Accordingly, the macroeconomic scenarios were reviewed on a quarterly basis.

The scenarios have been benchmarked and assessed against the macroeconomic forecasts for the Euro area published by the ECB, in line with ECB guidance, with the latest publication available being the one published in December 2025. In this respect, the Group's forward looking macroeconomic scenarios are deemed to be aligned with the ECB's macroeconomic forecasts for the Euro area.

As at 31 December 2025, management selected to use three scenarios developed and recommended by the external vendor which are deemed to be mostly aligned with the December 2025 ECB Staff projections. As per the preceding year, management selected the Baseline, the Upside, and the Downside 2 scenarios.

The scenarios used for the purposes of determining the ECL as at 31 December 2025 are described below.

Baseline

- The U.S. administration imposes tariffs on the EU and other trading partners, with rates settling only moderately above the baseline tariff of 10%. The effective tariff rate on goods from the EU increases to approximately 13%.
- U.S. President seeks to engage with Russia and Ukraine, but the conflict continues with varying intensity, as negotiations fail to lead to lasting peace. The U.S. significantly scales back military aid to Ukraine. European countries agree to fill the gap but do not fully compensate for the loss of U.S. financial support. The situation at the front worsens, but Ukraine mostly manages to prevent a collapse.
- For the Middle East tensions, an enduring peace solution that satisfies all parties is hard to find, but an all-out regional conflict is ultimately avoided.
- European oil and gas prices hover around multiyear lows as global supply increases in the face of sluggish growth in global demand. Tensions in the Middle East and sanctions on Russian oil companies do not disrupt global oil supply. Europe successfully manages to halt imports of Russian gas without affecting import prices.
- Supply chains come under renewed pressure as firms navigate the erratic tariff policy, but severe strains are avoided.
- ECB does not implement further cuts and keeps the deposit rate at 2% for the foreseeable future, before hiking once to bring rates in line with the assumed neutral rate of 2.25%.
- Structural factors such as high debt levels and a declining working-age population bear down on eurozone growth over the long-term.

Upside

- U.S. tariffs drop from current levels. This is a result of the U.S. changing its strategy regarding tariffs, potentially under pressure from the U.S. courts and/or Congress, and comes only after the U.S. declares victory thanks to concessions from other countries. The end of tariffs for the EU is facilitated by increased purchases of natural gas and/or U.S.-made weapons, as well as the lowering of tariffs on some imports from the U.S.
- The U.S.'s attempts to negotiate a settlement between Russia and Ukraine are partially successful with an enduring ceasefire. Supplies of commodities such as oil, gas and food from the region increase
- The supply side of the economy expands strongly, driven by productivity gains, while slack in the economy proves more substantial than initially thought. The global economy picks up robustly, boosting manufacturing output. Productivity gains and the expansion of the supply side of the economy are stronger.
- Global energy prices are slightly higher than in the baseline, reflecting stronger demand that is met by robust supply.
- Given the stronger economy and slightly higher inflation, the ECB realises that it made a mistake taking rates below neutral and raises them back to neutral levels.
- The increase in defence spending is bigger than expected and proves transformative for the European economy.

Downside 2

- The trade war escalates again after a period of calm. The overall tariff rate is between 15% and 20%.
- Tensions over Russia's invasion of Ukraine increase. Fears grow that NATO will be dragged into the conflict, which leads to an even sharper decline in confidence.
- Worries emerge that the conflict in the Middle East will develop further and destabilise the region. This is facilitated by the U.S. and/or Israel escalating tensions with Iran.
- Tensions between the U.S. and China persist and intensify, with barriers to shipping along the Taiwan Strait.
- The euro zone's domestic political risks intensify and lead to a selloff in financial markets.
- Business investment declines as does the demand for labour.
- After some hesitation, the ECB rapidly cuts rates, taking the deposit rate below neutral but above zero.
- To limit stress in sovereign and interbank markets, the ECB restarts its purchase of government bonds, provides forward guidance about its future policy moves, and further loosens the eligibility criteria for the collateral it accepts from banks.
- As national budgets come under pressure from high debt levels and stress in sovereign debt markets, additional defence spending is limited. However, the worsening situation in Ukraine means more urgent pressure to increase defence spending. Even as defence spending rises, the economic boost is weak given the broader downturn and financial market constraints. As a result, these actions are insufficient in counteracting the economic downturn.

The year-on-year forecasts for 2025 to 2028 for key macro-economic variables (MEVs) under each of the scenarios described above are disclosed within this section.

The Group's weighting allocation approach is that weights represent the share of outcomes that are best approximated by a scenario (not the likelihood of a specific scenario occurring). The Group has assigned the probability weightings to each scenario using the mid-point approach through which the probability weight assigned to each scenario would be dependent on the mid-points between the percentiles (representing the severity of the scenario) which each scenario represents along the distribution curve. Management selected this mid-point approach since it is an approach recommended by the external vendor and, the scenarios and probability weight chosen are deemed to be mostly aligned with the December 2025 ECB Staff projections.

The scenarios selected, together with the relative probability weightings relative to the severity distribution provided by the external vendor for each scenario, are disclosed in the table below:

External vendor Scenarios	Upside	Baseline	Downside 2
External Vendor Severity	90%	50%	10%
Probability Weight	30%	40%	30%

The following tables present the year-on-year growth rates for the key macroeconomic variables provided by the external vendor under the baseline and the five alternative scenarios referred to above for the measurement of ECL for all portfolios as at 31 December 2025 and 2024.

For the International Corporate Lending and Securities portfolios, MEVs are determined for each country, with the forecasted MEV data in respect of the countries to which the Group is mostly exposed being presented in the following tables. Eurozone MEVs are used in some cases, rather than country-level MEVs, as the former are deemed to have a higher correlation to the country specific portfolio assets. For exposures within the Maltese Business Lending portfolio and the Maltese Mortgages portfolio, Malta-specific MEVs are used for the measurement of credit loss allowances. The key MEVs used for the estimation of ECL for exposures classified within the Corporate and Securities portfolios comprise real GDP growth, the performance of stock market indices and unemployment rates.

With respect to the Dutch Mortgage portfolio (inclusive of the Dutch Buy-to-Let portfolio), the Group utilises regional-level as well as national-level MEVs as appropriate in order to capture regional level peculiarities. The key MEVs used for the estimation of ECL in respect of exposures classified within these portfolios comprise the house price index, unemployment rates, a 10-year treasury rates, and real GDP growth with the national level forecasts used in the ECL calculation being disclosed in the table hereunder.

For the Belgian Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of house price index, unemployment rates, real GDP growth, claims on private sector and compensation of employees.

With respect to the Maltese Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are real GDP growth, unemployment rates, a 10-year treasury rates, compensation of employees and household disposable income.

Economic Scenarios: Year-on-year Forecasts (2025 – 2028) for key MEVs

Key Drivers	ECL Scenario	International Lending and Treasury												Local Lending				Dutch Mortgages				Belgium Mortgages			
		UK				US				Eurozone				Malta				Netherlands				Belgium			
		2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028	2025	2026	2027	2028
Real GDP - Growth %	Upside	1.2%	4.9%	1.8%	1.6%	1.6%	3.8%	2.1%	2.4%	1.1%	3.7%	1.6%	1.6%	3.9%	4.6%	3.5%	2.4%	1.2%	4.0%	1.8%	1.5%	1.2%	3.5%	1.3%	1.6%
	Baseline	1.2%	1.3%	1.5%	1.7%	1.6%	2.2%	1.8%	2.2%	1.1%	1.4%	1.7%	1.7%	3.9%	1.5%	3.9%	2.8%	1.2%	1.3%	1.8%	1.7%	1.2%	1.2%	1.4%	1.7%
	Downside 2	1.2%	-3.9%	1.8%	2.8%	1.6%	-2.5%	1.4%	3.1%	1.1%	-4.0%	2.3%	2.9%	3.9%	-4.0%	4.4%	3.9%	1.2%	-4.0%	2.1%	3.7%	1.2%	-4.2%	1.9%	2.8%
Unemployment Rate - Average %	Upside	4.8%	4.7%	4.2%	4.1%	4.2%	3.9%	3.9%	3.8%	6.4%	6.0%	5.6%	5.6%	2.9%	3.1%	3.2%	3.2%	3.9%	3.8%	3.5%	3.6%	6.1%	5.8%	5.3%	5.4%
	Baseline	4.8%	5.1%	5.0%	5.0%	4.2%	4.7%	4.7%	4.4%	6.4%	6.4%	6.2%	6.1%	2.9%	3.2%	3.3%	3.3%	3.9%	4.1%	4.1%	4.0%	6.1%	6.1%	6.0%	5.9%
	Downside 2	4.8%	6.3%	7.6%	7.7%	4.2%	7.4%	8.1%	6.7%	6.4%	7.0%	7.8%	7.6%	2.9%	3.2%	3.5%	3.6%	3.9%	4.5%	5.8%	5.3%	6.1%	6.6%	7.4%	7.3%
Stock Market Index - Growth %	Upside	16.7%	7.3%	-1.3%	1.9%	14.4%	1.0%	1.1%	6.4%	21.1%	10.0%	0.7%	1.8%	0.9%	19.3%	1.4%	7.3%	-	-	-	-	-	-	-	-
	Baseline	16.7%	-2.6%	1.3%	4.6%	14.4%	-5.9%	1.5%	7.6%	21.1%	1.6%	2.5%	3.3%	0.9%	13.4%	1.4%	8.0%	-	-	-	-	-	-	-	-
	Downside 2	16.7%	-21.5%	10.1%	11.0%	14.4%	-34.6%	7.7%	21.3%	21.1%	-30.1%	13.5%	16.2%	0.9%	-7.3%	10.4%	12.9%	-	-	-	-	-	-	-	-
10Yr Treasury Rate - Average %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	3.5%	3.8%	3.9%	3.9%	2.8%	3.0%	3.1%	3.1%	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	3.5%	3.7%	3.7%	3.7%	2.8%	2.8%	2.8%	2.8%	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	3.5%	3.0%	2.8%	2.8%	2.8%	2.0%	1.7%	1.7%	-	-	-	-
House Price Index %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	4.4%	3.3%	2.1%	0.7%	3.5%	3.8%	1.7%	1.1%	1.9%	3.4%	2.9%	2.9%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	4.4%	2.3%	1.4%	0.6%	3.5%	0.8%	1.2%	2.0%	1.9%	2.9%	2.6%	2.8%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	4.4%	0.0%	0.0%	0.1%	3.5%	-6.7%	-3.1%	6.9%	1.9%	1.6%	-0.2%	4.2%
Household Disposable Income - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	0.2%	2.8%	2.8%	2.9%	-	-	-	-	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	0.2%	5.5%	3.0%	3.4%	-	-	-	-	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	0.2%	-1.4%	-2.1%	2.9%	-	-	-	-	-	-	-	-
Claims on Private Sector - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.7%	3.5%	3.4%	3.2%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.7%	3.0%	3.1%	3.1%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	3.7%	2.1%	2.3%	2.9%
Compensation of Employees - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	1.6%	5.7%	4.8%	4.7%	-	-	-	-	4.7%	5.6%	5.5%	4.8%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	1.6%	3.5%	4.9%	4.7%	-	-	-	-	4.7%	3.7%	4.7%	4.6%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	1.6%	2.2%	2.5%	3.3%	-	-	-	-	4.7%	-0.6%	2.2%	4.9%

Economic Scenarios: Year-on-year Forecasts (2024 – 2027) for key MEVs

Key Drivers	ECL Scenario	International Lending & Treasury												Local Lending				Dutch Mortgages				Belgian Mortgages			
		UK				US				Eurozone				Malta				Netherlands				Belgium			
		2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027	2024	2025	2026	2027
Real GDP - Growth %	Upside	1.5%	5.6%	1.4%	2.0%	2.5%	3.3%	2.0%	2.2%	1.1%	3.4%	1.4%	1.8%	4.9%	7.9%	4.7%	3.1%	1.8%	3.7%	1.4%	1.4%	-	-	-	-
	Baseline	1.5%	2.1%	1.2%	2.1%	2.5%	1.9%	1.5%	2.0%	1.1%	1.2%	1.5%	1.9%	4.9%	4.8%	5.2%	3.4%	1.8%	1.0%	1.4%	1.7%	-	-	-	-
	Downside 2	1.5%	-3.5%	1.5%	3.3%	2.5%	-2.5%	1.8%	3.3%	1.1%	-4.5%	2.0%	3.2%	4.9%	-1.1%	5.8%	4.6%	1.8%	-4.5%	1.7%	3.7%	-	-	-	-
Unemployment Rate - Average %	Upside	4.3%	3.9%	3.7%	3.7%	4.0%	3.3%	3.3%	3.5%	6.4%	6.2%	5.9%	5.8%	3.2%	3.2%	3.1%	3.0%	3.7%	3.6%	3.4%	3.6%	5.6%	5.6%	6.0%	6.0%
	Baseline	4.3%	4.4%	4.5%	4.6%	4.0%	4.1%	4.1%	4.1%	6.4%	6.4%	6.4%	6.3%	3.2%	3.2%	3.2%	3.1%	3.7%	3.8%	4.0%	4.0%	5.6%	5.8%	6.1%	6.1%
	Downside 2	4.3%	5.5%	7.1%	7.3%	4.0%	7.3%	8.0%	6.6%	6.4%	7.1%	7.9%	7.5%	3.2%	3.3%	3.4%	3.5%	3.7%	4.3%	5.8%	5.3%	5.6%	6.4%	8.0%	8.3%
Stock Market Index - Growth %	Upside	10.1%	9.8%	-2.2%	1.5%	32.3%	5.9%	-2.1%	3.7%	14.8%	11.7%	0.8%	1.5%	3.1%	24.1%	-3.0%	8.4%	-	-	-	-	-	-	-	-
	Baseline	10.1%	-0.3%	0.4%	4.3%	32.3%	-0.1%	-1.7%	4.9%	14.8%	0.8%	2.0%	3.8%	3.1%	16.3%	-3.0%	9.4%	-	-	-	-	-	-	-	-
	Downside 2	10.1%	-19.6%	9.1%	10.5%	32.3%	-34.6%	5.9%	19.6%	14.8%	-32.4%	15.4%	17.7%	3.1%	-7.4%	6.2%	15.3%	-	-	-	-	-	-	-	-
10Yr Treasury Rate - Average %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	2.6%	2.8%	2.9%	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	2.5%	2.5%	2.6%	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	1.6%	1.3%	1.5%	-	-	-	-
House Price Index %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	6.7%	2.2%	0.5%	7.8%	6.4%	3.5%	1.1%	-0.8%	3.2%	2.4%	2.3%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	5.5%	1.4%	0.5%	7.8%	3.4%	2.7%	1.8%	-0.8%	1.8%	2.4%	2.1%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	2.4%	-0.3%	0.7%	7.8%	-4.6%	-1.8%	6.2%	-0.8%	-2.9%	0.1%	1.6%
Household Disposable Income - Growth %	Upside	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	7.6%	3.3%	3.2%	-	-	-	-	2.2%	2.8%	2.4%	2.1%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	7.2%	3.0%	2.9%	-	-	-	-	2.2%	1.4%	1.2%	1.7%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	2.5%	2.7%	2.9%	-	-	-	-	2.2%	-0.6%	-1.5%	2.1%

Model adjustments and management overlays

ECB guidance states that subjective model inputs and post-core model adjustments (overlays) may be used given the current level of uncertainties. These need to be directionally consistent with objective and verifiable evidence such as observable macroeconomic variables and forward-looking forecasts. Overlays should be supported by adequately documented processes and subject to strict governance oversight.

Management is confident that the modelled macroeconomic scenarios from the external vendor include reasonable, economic, and geopolitical risk assumptions and the model outputs are appropriately reflecting the current market conditions.

ECL sensitivity analysis in respect of macroeconomic scenarios

Notwithstanding the significant number of assumptions and different aspects forming part of the Group's methodology for modelling credit loss allowances in respect of exposures classified within the Group's portfolios of financial instruments, the ECL measurement is deemed to be most sensitive to the inherent level of estimation uncertainty in respect of the modelling of macroeconomic forecasts.

The Group is hereby presenting the sensitivity analysis in respect of credit loss allowances attributable to the Stage 1 and Stage 2 exposures classified within the International Corporate Lending and Maltese Business Lending portfolios, as well as in respect of all exposures classified within the Dutch Mortgage (inclusive of the Dutch Buy-to-Let portfolio), Belgian Mortgage, Maltese Mortgage, and Securities Investment portfolios as at 31 December 2025 and 2024, estimated by determining the range of credit loss allowances which would have been measured as at each date by assigning a 100% weighting to each of the macroeconomic scenarios developed by the external vendor, as presented in the following table.

Scenario sensitivity	Upside	Baseline	Downside 2
Group			
2025			
Probability Weight 2025	30%	40%	30%
ECL as at 31 December 2025	2,414,154	2,620,762	3,479,190
2024			
Probability Weight 2024	30%	40%	30%
ECL as at 31 December 2024	2,210,395	2,624,572	4,519,649
Bank			
2025			
Probability Weight 2025	30%	40%	30%
ECL as at 31 December 2025	979,738	1,153,228	1,817,108
2024			
Probability Weight 2024	30%	40%	30%
ECL as at 31 December 2024	1,169,588	1,392,774	2,371,262

It is to be noted that the weighted average ECL cannot be reconciled by applying the relative probability weights to the ECL outcomes under each scenario since staging might change across the scenarios when using a 100% weighting (e.g. an exposure might be classified as Stage 2 in one out of five individual scenarios, and as Stage 1 in the weighted average scenarios).

Although duly taken into consideration, the impact of macroeconomic scenarios on the measurement of credit loss allowances in respect of credit-impaired / Stage 3 exposures classified within the International Corporate Lending portfolio is less pronounced compared to other borrower-specific factors used to forecast operating cash flows under different scenarios. Accordingly, the sensitivity impact was not considered to be significant.

The Group has integrated ESG considerations, including climate-related and environmental risk factors, into its credit risk management framework and IFRS 9 ECL methodology. Climate-related risks are incorporated through forward-looking assessments of both physical and transition risk drivers which may affect borrower creditworthiness and collateral values.

For the Dutch Mortgage portfolio, the Group incorporates climate-related risks through climate-adjusted macroeconomic scenarios sourced from an external specialist provider. A statistical model developed by the same provider is used to translate these scenarios into impacts on PD and LGD parameters, which are reflected in the estimation of climate-adjusted credit loss allowances.

For the Maltese Business Lending portfolio and the Belgian and Maltese mortgage portfolios, climate-related risks are incorporated primarily through stresses applied to collateral values pledged as security. In relation to transition risk, the introduction of climate-related regulations and higher energy efficiency standards may require borrowers to incur additional capital expenditure to upgrade properties, potentially reducing disposable income and increasing PD. In addition, energy efficiency requirements may exert downward pressure on property values. The Group reflects this through stressed HPI assumptions applied to collateral values for LGD modelling purposes.

As at 31 December 2025 and 2024, the increase in expected credit losses recognised in relation to climate risk was not deemed material to warrant further disclosures.

Other portfolios

For its Asset-Backed Securitisation Investment portfolio, the Group has adopted the low credit risk exemption since as at reporting date the credit risk on this portfolio has not increased significantly since initial recognition.

For its Consumer Finance receivables portfolio, the Group has adopted the simplified approach in that the loss allowance is always measured at an amount equal to the portfolio's lifetime expected credit losses and a provision matrix is used to determine the ECL.

2.2.8 Concentration of credit risk exposures

2.2.8.1 Concentration of investment securities

Securities Investment portfolio

The Group monitors concentrations of investment securities for credit risk by type of exposure. An analysis of concentrations of credit risk at the reporting date for the financial year ended 31 December 2025 and 2024 is shown in the following table.

	MeDirect Malta Group	
	2025	2024
	€000	€000
Concentration by type		
As at 31 December:		
Carrying amount:		
Covered bonds	435,270	432,107
National and regional government	345,116	245,847
Supranational and agencies	110,015	20,912
Total	890,401	698,866

Securitisation Investment portfolio

The Group's Securitisation Investment portfolio comprise the investment in CLO transactions managed by third-party entities, amounting to €389.7 million (2024: €510.7 million). The Group's investment in CLO transactions managed by third-party entities comprise positions in the most senior tranche of 20 different CLOs (2024: 24), all of which are also collateralised by a pool of leveraged loans.

As at 31 December 2025, credit loss allowances in respect of exposures classified under the CLO transactions managed by third-party entities measured at amortised cost amounted to €39 thousand (2024: €51 thousand).

Asset-Backed Securitisation Investment portfolio

The Group's Asset-Backed Securitisation Investment portfolio comprises the investment in AAA-rated Dutch and German securitisations of a pool of unsecured consumer loans, auto loan receivables, and residential mortgage loans.

Credit loss allowances for the Group amounting to €99 thousand (2024: €95 thousand) were recognised in respect of these exposures.

2.2.8.2 Concentration of loans and advances to customers

An analysis of concentration of loans and advances to customers, excluding IFRS basis adjustment, by industry sector and geography is shown in the following tables.

As at 31 December 2024, exposures to UK counterparties classified under the International Corporate Lending portfolio and categorised as ‘Other European countries’ in the tables below amounted to €27.9 million.

Exposures classified under Maltese Business Lending, Consumer Finance receivables, Maltese Mortgage, Dutch and Belgian Mortgage portfolios are categorised as EU exposures in the following tables with the Maltese Business Lending portfolio classified under “real estate activities” and “construction” sectors whereas the Consumer Finance receivables, Dutch, Belgian and Maltese retail mortgage portfolio classified under the “household and individuals” sector. The exposures disclosed in these tables are exclusive of the IFRS basis adjustment.

MeDirect Malta Group	Gross carrying amount					Credit loss allowance				
	EU	Other European countries	North America	Asia	Total	EU	Other European countries	North America	Asia	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Stage 1										
As at 31 December 2025										
Construction	130,944	-	-	-	130,944	(272)	-	-	-	(272)
Households and individuals	2,937,834	-	-	-	2,937,834	(837)	-	-	-	(837)
Real estate activities	70,423	-	-	-	70,423	(84)	-	-	-	(84)
	3,139,201	-	-	-	3,139,201	(1,193)	-	-	-	(1,193)
Stage 2										
As at 31 December 2025										
Construction	2,205	-	-	-	2,205	(13)	-	-	-	(13)
Financial and insurance activities	10,847	-	-	-	10,847	(351)	-	-	-	(351)
Households and individuals	24,255	-	-	-	24,255	(340)	-	-	-	(340)
Real estate activities	193	-	-	-	193	-	-	-	-	-
	37,500	-	-	-	37,500	(704)	-	-	-	(704)
Stage 3										
As at 31 December 2025										
Construction	2,897	-	-	-	2,897	(156)	-	-	-	(156)
Financial and insurance activities	15,611	-	-	-	15,611	(4,603)	-	-	-	(4,603)
Households and individuals	8,237	-	-	-	8,237	(2,141)	-	-	-	(2,141)
Real estate activities	3,399	-	-	-	3,399	(600)	-	-	-	(600)
	30,144	-	-	-	30,144	(7,500)	-	-	-	(7,500)
Total	3,206,845	-	-	-	3,206,845	(9,397)	-	-	-	(9,397)

MeDirect Malta Group	Nominal amount					Credit loss allowance				
	EU	Other European countries	North America	Asia	Total	EU	Other European countries	North America	Asia	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Commitments to purchase financial assets, commitments to extend credit, guarantees and other commitments										
As at 31 December 2025										
Construction	117,721	-	-	-	117,721	(5)	-	-	-	(5)
Financial and insurance activities	13,617	-	-	-	13,617	(25)	-	-	-	(25)
Households and individuals	62,431	-	-	-	62,431	(81)	-	-	-	(81)
Real estate activities	44,656	-	-	-	44,656	-	-	-	-	-
	238,425	-	-	-	238,425	(111)	-	-	-	(111)

MeDirect Malta Group	Gross carrying amount					Credit loss allowance				
	EU	Other European countries	North America	Asia	Total	EU	Other European countries	North America	Asia	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Stage 1										
As at 31 December 2024										
Construction	89,566	-	-	-	89,566	(247)	-	-	-	(247)
Financial and insurance activities	25,493	8,051	7,440	-	40,984	(262)	(54)	(28)	-	(344)
Households and individuals	2,691,602	-	-	-	2,691,602	(750)	-	-	-	(750)
Information and communication	16,796	-	-	-	16,796	(106)	-	-	-	(106)
Manufacturing	18,026	-	5,388	-	23,414	(85)	-	(35)	-	(120)
Professional, scientific and technical activities	8,001	-	-	-	8,001	(22)	-	-	-	(22)
Real estate activities	57,560	-	-	-	57,560	(110)	-	-	-	(110)
Wholesale and retail trade, repairs of motor vehicles and motorcycles	12,080	-	8,045	-	20,125	(92)	-	-	-	(92)
	2,919,124	8,051	20,873	-	2,948,048	(1,674)	(54)	(63)	-	(1,791)
Stage 2										
As at 31 December 2024										
Construction	1,544	-	-	-	1,544	-	-	-	-	-
Financial and insurance activities	17,305	-	9,319	-	26,624	(348)	-	(105)	-	(453)
Households and individuals	12,536	-	-	-	12,536	(200)	-	-	-	(200)
Professional, scientific and technical activities	25,577	-	-	-	25,577	(36)	-	-	-	(36)
Real estate activities	28	-	-	-	28	-	-	-	-	-
	56,990	-	9,319	-	66,309	(584)	-	(105)	-	(689)
Stage 3										
As at 31 December 2024										
Accommodation and food service activities	-	21,222	-	-	21,222	-	(1,366)	-	-	(1,366)
Construction	2,742	-	-	-	2,742	(165)	-	-	-	(165)
Financial and insurance activities	37,670	-	-	-	37,670	(9,729)	-	-	-	(9,729)
Households and individuals	3,278	-	-	-	3,278	(263)	-	-	-	(263)
Real estate activities	3,904	-	-	-	3,904	(600)	-	-	-	(600)
Wholesale and retail trade, repairs of motor vehicles and motorcycles	351	-	-	-	351	(116)	-	-	-	(116)
	47,945	21,222	-	-	69,167	(10,873)	(1,366)	-	-	(12,239)
POCI										
As at 31 December 2024										
Financial and insurance activities	453	-	-	-	453	(223)	-	-	-	(223)
	453	-	-	-	453	(223)	-	-	-	(223)
Total	3,024,512	29,273	30,192	-	3,083,977	(13,354)	(1,420)	(168)	-	(14,942)

MeDirect Malta Group	Nominal amount					Credit loss allowance				
	EU	Other European countries	North America	Asia	Total	EU	Other European countries	North America	Asia	Total
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
Commitments to purchase financial assets, commitments to extend credit, guarantees and other commitments										
As at 31 December 2024										
Accommodation and food service activities	-	1,017	-	-	1,017	-	(65)	-	-	(65)
Construction	102,393	-	-	-	102,393	(75)	-	-	-	(75)
Financial and insurance activities	-	-	15,366	-	15,366	-	-	(69)	-	(69)
Households and individuals	68,721	-	-	-	68,721	(69)	-	-	-	(69)
Real estate activities	25,332	-	-	-	25,332	-	-	-	-	-
	196,446	1,017	15,366	-	212,829	(144)	(65)	(69)	-	(278)

2.2.9 *Offsetting financial assets and financial liabilities*

The Group is eligible to present certain financial assets and financial liabilities on a net basis in the statement of financial position in accordance with the Group's policy described in Note 1.6 'Offsetting Financial Instruments'.

The following tables set out:

- the impact of offsetting financial assets and financial liabilities on the consolidated statement of financial position.
- the financial impact of netting for instruments subject to an enforceable master netting arrangement or similar agreement; and
- the available financial collateral received or pledged in relation to the total amounts of assets and liabilities that were not offset.

The Group enters into derivative transactions under International Swap and Derivatives Association (ISDA) master netting agreements. In general, under such agreements the amounts owed by each counterparty on a single day in respect of all transactions outstanding in the same currency are aggregated into a single net amount that is payable by one party to the other. In certain circumstances such as when an event of default occurs, all outstanding transactions under the agreement are terminated and settled in a single net amount per currency.

The ISDA agreements do not meet the criteria for offsetting the positive and negative values in the statement of financial position. This is attributable to the fact that the Group and its counterparties do not have any currently legally enforceable right to settle on a net basis or to realise the asset and settle the liability simultaneously because the right to offset is enforceable only on the occurrence of future credit events.

The Group also pledges and receives collateral in the form of cash and marketable securities primarily for sale and repurchase agreements and for margining purposes on OTC derivative transactions. Pledges are generally conducted under terms that are usual and customary for standard contracts and transactions of this nature. The rights of set off relating to such collateral are conditional upon the default of the counterparty. The financial instruments subject to such collateral arrangements are included in the following table within 'Financial collateral pledged/(received)'.

The net amount of financial instruments that do not meet the on-balance sheet offsetting criteria, including collateral pledged and received, presented within the following tables is equal to the amount presented in the statement of financial position for that instrument.

The following table shows financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

MeDirect Malta Group

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Amounts subject to master netting arrangements	Financial collateral pledged/(received) (incl. cash)	
	€000	€000	€000	€000	€000	€000
As at 31 December 2025						
Financial assets						
Derivative financial instruments	185,928	-	185,928	(40)	-	185,888
Loans and advances to financial institutions	414,036	(85,032)	329,004	-	(11,164)	317,840
Investments - Securities Portfolio	890,401	-	890,401	-	(125,795)	764,606
Investments - Securitisation Portfolio	392,060	-	392,060	-	(124,363)	267,697
Investments - Asset-Backed	158,994	-	158,994	-	-	158,994
	<u>2,041,419</u>	<u>(85,032)</u>	<u>1,956,387</u>	<u>(40)</u>	<u>(261,322)</u>	<u>1,695,025</u>
Financial liabilities						
Derivative financial instruments	(11,204)	-	(11,204)	40	11,164	-
Amounts owed to financial institutions	(294,846)	85,032	(209,814)	-	250,158	40,344
	<u>(306,050)</u>	<u>85,032</u>	<u>(221,018)</u>	<u>40</u>	<u>261,322</u>	<u>40,344</u>

MeDirect Malta Group

	Gross amounts of recognised financial instruments	Gross amounts of recognised financial instruments offset in the statement of financial position	Net amounts of financial instruments presented in the statement of financial position	Related amounts not offset in the statement of financial position		Net amount
				Amounts subject to master netting arrangements	Financial collateral pledged/(received) (incl. cash)	
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Financial assets						
Derivative financial instruments	175,310	-	175,310	(396)	-	174,914
Loans and advances to financial institutions	316,179	-	316,179	-	(32,285)	283,894
Investments - Securities Portfolio	698,866	-	698,866	-	(130,362)	568,504
Investments - Securitisation Portfolio	514,669	-	514,669	-	(123,697)	390,972
Investments - Asset-Backed Securitisation	145,285	-	145,285	-	-	145,285
	<u>1,850,309</u>	<u>-</u>	<u>1,850,309</u>	<u>(396)</u>	<u>(286,344)</u>	<u>1,563,569</u>
Financial liabilities						
Derivative financial instruments	(32,681)	-	(32,681)	396	32,285	-
Amounts owed to financial institutions	(179,777)	-	(179,777)	-	254,059	74,282
	<u>(212,458)</u>	<u>-</u>	<u>(212,458)</u>	<u>396</u>	<u>286,344</u>	<u>74,282</u>

Derivative financial liabilities and loans and advances to financial institutions are offset as a netting agreement is in place with the counterparty in order to set-off the liabilities against the assets received. There is a legal right to settle, or otherwise eliminate, the amount due by applying the amount receivable from the same counterparty against it.

As at 31 December 2025, the Group's derivative financial liabilities subject to master-netting agreements have a fair value of €40 thousand (2024: €0.4 million). Within the preceding table, these have been capped at the fair value of the derivative assets of the Group amounting to €40 thousand (2024: €0.4 million).

2.3 Liquidity Risk

2.3.1 *Management of liquidity risk*

In line with the Group's Liquidity Risk Management Policy, management of the Group's liquidity position is the responsibility of its Treasury Operations and ALM function under the oversight of the Asset and Liability Committee ("ALCO") and the Board Risk and Compliance Committee ("BRCC"). The Treasury Operations and ALM function have primary responsibility for managing and reporting the Group's projected liquidity position (the "base case") to the ALCO.

The Group's Risk team ensures that all liquidity risks are independently identified, measured, overseen and reported. In particular, the Risk team has primary responsibility for monitoring liquidity risk, including defining potential adverse liquidity scenarios ("stress cases") that are considered for assessing the Group's exposure to these scenarios and for assessing the effectiveness of contingency plan funding measures, bringing to attention any potential shortfalls in liquidity contingencies.

The Group's liquidity risks principally relate to its banking activities and the Group's Board of Directors sets, approves and oversees the implementation of the targets for liquidity management of the Group. Analysis of liquidity risk is the joint responsibility of the Group's Treasury Operations and ALM and Risk functions under the oversight of the ALCO and of the BRCC.

MeDirect Malta and MeDirect Belgium are subject to capital and liquidity regulatory requirements and other restrictions such as those emanating from the large exposures framework that may limit their ability to transact with affiliates. Thus, the ability of the Group to transfer liquidity or capital between entities is subject to regulatory restrictions, which may limit the availability of liquidity for the Group as a whole.

Management Asset and Liability Committee

The Group has established an Asset and Liability Committee ("ALCO") to ensure the Group has in place, and operates effectively, appropriate and robust strategies and policies to manage and optimise the Group's asset-liability mix and oversee the Group's capital, liquidity, funding, interest rate risk and foreign exchange ("FX") risk position. Group ALCO cascades Group strategies down across each business line and legal entities and across risk types and products. Group ALCO oversees and, where necessary, approves Group policies and objectives for assets and liability management, capital and funding management and allocation, market risk position and hedging activity, liquidity monitoring, capital usage and efficiency, product-pricing, fund transfer pricing, dealing and trading activities according to the risk appetite statement set by the Group Board. Group ALCO's authority covers MeDirect Bank (Malta) plc and MDB Group Limited. Belgium ALCO's authority covers MeDirect Bank SA. Group ALCO is a sub-committee of the Group EXCO.

Board Risk and Compliance Committee

The Board delegates to the Board Risk and Compliance Committee ("BRCC") its oversight responsibilities of the risk function. Therefore, the BRCC represents the principal forum for overseeing the Group's liquidity and funding risk. In addition, it is responsible for recommending to the Board an appropriate liquidity and funding risk appetite and for approving liquidity risk-related policies and recommendations. The BRCC is also responsible for ensuring that all liquidity risk controls are in accordance with regulatory requirements and best practice and for advising the Board on the coordination and prioritisation of liquidity risk management issues throughout the Group.

The BRCC reviews regular reports on the liquidity position of the Group, including the review of stress testing scenarios to assess the resilience of its liquidity buffers in relation to internal liquidity metrics and the minimum regulatory requirements comprising the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR"). It is informed immediately of new and emerging liquidity concerns and ensures that Executive management takes appropriate remedial actions to address the concerns, including the viability of contingency funding options in light of monthly stress test results.

Roles and responsibilities

The Group's Treasury team, under the leadership of the Group Chief Financial Officer has primary responsibility for managing and reporting the Group's projected liquidity position (the "base case"). For liquidity purposes, the Group's balance sheet, encompassing both assets and liabilities, is managed on an intraday and day-to-day basis, and includes monitoring compliance with metrics of current liquidity. The department is also responsible for forecasting the Group's future cash flow profile, as well as for analysis and management of the Group's deposit book.

The Group's Risk team, under the leadership of the Group Chief Risk Officer ("CRO"), has primary responsibility of independently monitoring current liquidity performance as well as defining potential adverse liquidity scenarios that should be considered, and for reporting exposure to these scenarios (the "downside case"). Under the leadership of the Group CRO, it is responsible for ensuring that all significant risks relating to liquidity are properly identified and clearly incorporated into the Group's risk management and reporting framework. It is also responsible for producing reports that show and analyse the Group's sensitivity to external events related to liquidity, including the definition of severe but plausible events that could constitute stress scenarios.

Funding strategy

Banks traditionally perform a role of liquidity transformation, whereby they fund through liabilities that are liquid in the short to medium term, in order to invest in longer term and less liquid assets. This mismatch of liquid liabilities and less liquid assets is a near universal feature of bank balance sheets and clearly leads to a risk if liabilities cannot be rolled over when they mature (which may be every day in the case of money held in current or savings accounts).

The Group's strategy to mitigate this risk has four main components:

- Diversifying deposit product offerings as its primary instrument of funding by focusing on the retail and corporate markets to maximise granularity and by expanding outside Malta indirectly through platforms to reduce its dependence on a single market;
- Limiting its exposure to wholesale funding withdrawal by locking in term, rather than short-dated, funding against illiquid assets (where this is used at all: illiquid assets are primarily deposit funded) and by either diversifying its sources of funding in general or ensuring that it does not rely on funding that is at the discretion of market counterparties;
- Maintaining a contingency source of funding by ensuring that substantially all of its HQLA Securities Investment portfolio is eligible for funding at Eurex or at the ECB, as well as ensuring that other AAA-rated debt instruments are eligible for use as collateral against multiple repo lines, if alternative sources are unavailable; and
- Holding a much higher than typical proportion of assets that could over time be liquidated or against which funding can be obtained in the secondary market.

The Group's objective is to maintain a prudent funding structure drawn from diverse funding sources in the short-, medium- and long-term.

Potential funding sources may include, but are not limited to:

- Deposits from retail and corporate customers;
- Bond issuance, either secured (for example through the issuance of RMBSs, the latter representing one of the main sources of funding for the Dutch Mortgage portfolio), senior unsecured or subordinated;
- Issuance of capital instruments; and
- Central Bank funding.

The Group complies with the Liquidity Coverage Ratio ("LCR") in relation to short-term liquidity and monitor the Net Stable Funding Ratio ("NSFR") in order to assess long-term liquidity:

- The Liquidity Coverage Ratio ("LCR"): The ratio aims to ensure that institutions are able to withstand a 30-day period of stress by virtue of having sufficient unencumbered High Quality Liquid Assets ("HQLA"). HQLA consist of cash or assets that can be converted into cash at little or no loss of value in the markets. The LCR metric is designed to promote the short-term resilience of the Group's liquidity profile.

During the year ended 31 December 2025 and 2024, the LCR was within both the regulatory minimum and the risk appetite set by the Group. As at 31 December 2025 and 2024, the Group's LCR was above 100% at all times.

- The Net Stable Funding Ratio ("NSFR"): This ratio looks at the relationship between long-term assets and long-term funding. The NSFR requires institutions to maintain sufficient stable funding relative to required stable funding and reflects a bank's long-term funding profile (funding with a term of more than a year). It is designed to complement the LCR and the NSFR requirement is of 100%.

The Group's NSFR remained above the minimum legal requirement of 100% and the risk appetite set by the Group at all times during the financial year ended 31 December 2025 and 2024.

2.3.2 *Liquidity risk reporting*

Reliable liquidity management reporting is essential to provide the Executive and the Board with timely and forward-looking information on the Group's liquidity position. Reporting of risk measures is done on a weekly and monthly basis and compares current liquidity exposures to established limits and stress tests to identify any emerging pressures and limit breaches.

The Group's Risk team report regular stress testing of its liquidity profile, as well as the availability of contingency funding options through both its ILAAP and monthly Maximum Cumulative Outflow ("MCO") report. The MCO analyses the likely risks to the Group's liquidity position and quantifies its ability to withstand the associated shocks through deployment of management contingency funding plan options. Summarised results from all the various analyses are used as inputs to the MCO, with the liquidity impacts of different levels of severity of both idiosyncratic and market-wide scenarios modelled across a twelve-month time horizon. In addition, the Group's Liquidity Contingency Plan ("LCP") analyses the availability and practicability of its contingency funding measures with regards to idiosyncratic and market-wide stress scenarios. Impacts are assessed at Group level, as well as at MeDirect Malta and MeDirect Bank SA individual levels.

The Risk team also monitors deposit concentration within its monthly risk management report where the Group's top ten depositors are monitored by also looking at the corporate sector and the product maturity ladder.

2.3.3 *Contractual maturity ladder*

The following is an analysis of financial assets and liabilities by remaining contractual maturities as at the reporting date, with the exception of the analysis of loans and advances to customers classified under the International Corporate Lending and Dutch and Belgian Mortgage portfolios, debt securities in issue and subordinated liabilities, that are based on the expected maturities based on the date when the instruments are expected to be fully repaid, since this is how the liquidity of the Group is monitored on a regular basis. Refer also to Note 2.3.5 that provides an analysis of encumbered investments.

Cash flows on customer deposits are disclosed based on the contractual maturity date, thus resulting in a significant negative liquidity gap in the "Not more than 1 month" bucket mainly because of deposit savings accounts that are contractually repayable on demand, so they get placed in the earliest time bucket in the contractual maturity ladder. Expected cash flows on customer deposits vary significantly from the contractual cash flows shown in the following table. Customer deposits are largely repayable on demand but diversification of these deposits by number and type of depositors, and the past experience of the Group would indicate that these customer accounts provide a long-term and stable source of funding for the Group.

MeDirect Malta Group	Not more than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	No maturity date	Total
	€000	€000	€000	€000	€000	€000	€000
As at 31 December 2025							
Assets							
Balances with central banks	234,516	-	-	-	-	38,047	272,563
Derivative financial instruments	296	1,502	3,343	27,880	152,907	-	185,928
Loans and advances to financial institutions	329,004	-	-	-	-	-	329,004
Loans and advances to customers	26,975	54,561	212,663	1,259,006	1,644,243	-	3,197,448
- International Corporate Lending portfolio	268	-	-	21,236	-	-	21,504
- Dutch Mortgage portfolio	16,189	29,517	146,496	887,178	1,186,306	-	2,265,686
- Belgian Mortgage portfolio	6,059	17,859	50,777	206,384	259,405	-	540,484
- Maltese Business Lending portfolio	4,088	5,218	8,129	118,700	72,801	-	208,936
- Maltese Mortgage portfolio	4	1,234	3,963	20,435	125,731	-	151,367
- Consumer Finance receivables	367	733	3,298	5,073	-	-	9,471
Investments	28,361	26,926	190,552	378,230	817,386	-	1,441,455
- Securities portfolio	28,361	26,926	190,552	378,230	266,332	-	890,401
- Securitisation portfolio	-	-	-	-	392,060	-	392,060
- Asset-Backed Securitisation portfolio	-	-	-	-	158,994	-	158,994
Accrued income	2,670	-	-	-	-	-	2,670
Loans to related parties (incl. in other assets)	-	-	-	-	-	1,321	1,321
Other receivables (incl. in other assets)	-	-	-	-	-	2,769	2,769
Other assets (incl. in other assets)	-	-	-	-	-	34,728	34,728
Subtotal	621,822	82,989	406,558	1,665,116	2,614,536	76,865	5,467,886
- IFRS basis adjustment: International Mortgage portfolio	-	-	-	-	-	(174,573)	(174,573)
- IFRS basis adjustment: Maltese Business Lending portfolio	-	-	-	-	-	519	519
Total financial assets	621,822	82,989	406,558	1,665,116	2,614,536	(97,189)	5,293,832
Liabilities							
Derivative financial instruments	234	-	658	5,438	4,874	-	11,204
Amounts owed to financial institutions	584	209,230	-	-	-	-	209,814
Amounts owed to customers	3,587,924	99,511	346,985	104,518	82	-	4,139,020
Debt securities in issue	-	1,890	282,532	317,975	-	-	602,397
Subordinated liabilities	-	950	55,414	10,965	-	-	67,329
Lease liabilities (incl. in other liabilities)	391	8	399	781	50	-	1,629
Total financial liabilities	3,589,133	311,589	685,988	439,677	5,006	-	5,031,393
Liquidity gap	(2,967,311)	(228,600)	(277,919)	1,223,928	2,609,530	-	-
Cumulative liquidity gap	(2,967,311)	(3,195,911)	(3,475,341)	(2,249,902)	359,628	-	-

MeDirect Malta Group	Not more than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years	No maturity date	Total
	€000	€000	€000	€000	€000	€000	€000
As at 31 December 2024							
Assets							
Balances with central banks	171,500	-	-	-	-	35,368	206,868
Derivative financial instruments	396	-	2,254	23,068	149,091	511	175,310
Loans and advances to financial institutions	302,425	13,754	-	-	-	-	316,179
Loans and advances to customers	23,083	51,700	174,986	1,168,771	1,650,495	-	3,069,035
- International Corporate Lending portfolio	1,378	2,834	231	198,965	5,351	-	208,759
- Dutch Mortgage portfolio	13,647	35,593	133,964	756,235	1,266,517	-	2,205,956
- Belgian Mortgage portfolio	3,181	7,157	27,182	118,689	210,036	-	366,245
- Maltese Business Lending portfolio	4,698	4,901	8,692	74,324	61,458	-	154,073
- Maltese Mortgage portfolio	7	870	3,367	17,897	107,133	-	129,274
- Consumer Finance receivables	172	345	1,550	2,661	-	-	4,728
Investments	-	29,331	9,943	490,028	829,518	-	1,358,820
- Securities portfolio	-	24,991	9,816	490,028	174,031	-	698,866
- Securitisation portfolio	-	3,914	127	-	510,628	-	514,669
- Asset-Backed Securitisation portfolio	-	426	-	-	144,859	-	145,285
Accrued income	1,454	-	-	-	-	-	1,454
Loans to related parties (incl. in other assets)	-	-	-	-	-	48	48
Other receivables (incl. in other assets)	-	-	-	-	-	1,501	1,501
Other assets (incl. in other assets)	-	-	-	-	-	23,334	23,334
Subtotal	498,858	94,785	187,183	1,681,857	2,629,104	60,762	5,152,549
- IFRS basis adjustment: International Mortgage portfolio	-	-	-	-	-	(142,246)	(142,246)
- IFRS basis adjustment: Maltese Business Lending portfolio	-	-	-	-	-	686	686
Total financial assets	498,858	94,785	187,183	1,681,857	2,629,104	(80,798)	5,010,989
Liabilities							
Derivative financial instruments	165	-	755	8,813	22,948	-	32,681
Amounts owed to financial institutions	22,600	157,177	-	-	-	-	179,777
Amounts owed to customers	3,165,521	150,342	421,194	142,909	69	-	3,880,035
Debt securities in issue	5,590	11,181	49,210	575,692	-	-	641,673
Subordinated liabilities	-	950	55,687	10,721	-	-	67,358
Lease liabilities (incl. in other liabilities)	109	413	755	1,942	70	-	3,289
Total financial liabilities	3,193,985	320,063	527,601	740,077	23,087	-	4,804,813
Liquidity gap	(2,695,127)	(225,278)	(340,418)	941,780	2,606,017	-	-
Cumulative liquidity gap	(2,695,127)	(2,920,405)	(3,260,823)	(2,319,043)	286,974	-	-

Current accounts and savings deposits payable on demand or at short notice of the Group amounted to €3,587 million (2024: €2,299 million), as at 31 December 2025. This amount is disclosed within the 'Not more than 1 month' maturity grouping. As at 31 December 2025 savings deposits with a withdrawal notice period of one month amounting to €546 thousand (2024: €339 thousand), are disclosed within the 'Between 1 and 3 months' maturity grouping. In addition, as at 31 December 2025 savings deposits with a withdrawal notice period of three to six months amounting to €66 million (2024: €82 million) and €15 million (2024: €11 million), are disclosed within the 'Between 3 months and 1 year' maturity grouping. Furthermore, as at 31 December 2025, savings deposits with a withdrawal notice period of one year for the Group amounting to €12 million (2024: €21 million), are disclosed within the 'Between 1 year and 5 years' maturity grouping. However, in practice these deposits are maintained with the Group for longer periods; hence the effective date of repayment is later than the contractual date.

As of 31 December 2025, unencumbered financial assets classified as Securities Investments measured at amortised cost with a carrying amount of €818.6 million (2024: €568.0 million), form part of the high-quality liquid asset portfolio for LCR purposes. Accordingly, they may be liquidated within one month.

As at 31 December 2024, the Group's cash from margin balances amounting to €24.5 million, may become available upon maturity of the contract, favourable change in the market value/change in the exchange rates or reduction in the initial margins.

2.3.4 Residual contractual maturities of financial liabilities

The following is an analysis of undiscounted cash flows payable under the principal non-derivative financial liabilities by remaining contractual maturities as at the reporting date, except for debt securities in issue and subordinated liabilities for which undiscounted cash flows payable are presented by expected maturities in line with the Contractual Maturity Ladder presented in Note 2.3.3.

MeDirect Malta Group	Carrying amount	Total outflows	Not more than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
	€000	€000	€000	€000	€000	€000	€000
As at 31 December 2025							
Non-derivative liabilities							
Amounts owed to financial institutions							
- Due to clearing houses	178,074	178,074	-	178,074	-	-	-
- Due to other banks	31,740	31,740	31,740	-	-	-	-
Amounts owed to customers	4,139,020	4,152,036	3,587,997	99,878	353,300	110,772	89
Debt securities in issue	602,397	627,985	-	4,141	292,009	331,835	-
Subordinated liabilities	67,329	70,748	-	1,073	57,602	12,073	-
Lease liabilities (included in other liabilities)	1,629	1,711	396	8	443	813	51
	5,020,189	5,062,294	3,620,133	283,174	703,354	455,493	140
As at 31 December 2024							
Non-derivative liabilities							
Amounts owed to financial institutions							
- Due to clearing houses	157,177	157,177	-	157,177	-	-	-
- Due to other banks	22,600	22,600	22,600	-	-	-	-
Amounts owed to customers	3,880,035	3,892,945	3,165,573	151,164	426,477	149,662	69
Debt securities in issue	641,673	682,344	5,945	11,890	52,329	241,626	370,554
Subordinated liabilities	67,358	72,893	-	1,073	57,602	14,218	-
Lease liabilities (included in other liabilities)	3,289	3,510	115	427	773	2,093	102
	4,772,132	4,831,469	3,194,233	321,731	537,181	407,599	370,725

The following is an analysis of undiscounted cash flows relating to the Group's principal derivative financial instruments by remaining contractual maturities as at the reporting date:

MeDirect Malta Group	Carrying amount	Inflows/ (Outflows)	Not more than 1 month	Between 1 and 3 months	Between 3 months and 1 year	Between 1 and 5 years	More than 5 years
	€000	€000	€000	€000	€000	€000	€000
31 December 2025							
Derivative assets							
Derivative financial instruments							
- Interest rate swaps	185,744	205,893	1,571	2,207	14,612	70,310	117,193
- Foreign exchange swaps	184	(216)	(216)	-	-	-	-
Inflows		47,322	47,322	-	-	-	-
Outflows		(47,538)	(47,538)	-	-	-	-
	185,928	205,677	1,355	2,207	14,612	70,310	117,193
Derivative liabilities							
Derivative financial instruments							
- Interest rate swaps	10,968	(17,180)	(452)	(678)	(5,468)	(10,724)	142
- Foreign exchange swaps	236	228	228	-	-	-	-
Inflows		36,196	36,196	-	-	-	-
Outflows		(35,968)	(35,968)	-	-	-	-
	11,204	(16,952)	(224)	(678)	(5,468)	(10,724)	142
31 December 2024							
Derivative assets							
Derivative financial instruments							
- Interest rate swaps	174,403	201,341	2,577	3,328	20,871	78,186	96,379
- Foreign exchange swaps	396	(409)	(409)	-	-	-	-
Inflows		55,922	55,922	-	-	-	-
Outflows		(56,331)	(56,331)	-	-	-	-
- Other derivative financial instruments (no maturity)	511	-	-	-	-	-	-
	175,310	200,932	2,168	3,328	20,871	78,186	96,379
Derivative liabilities							
Derivative financial instruments							
- Interest rate swaps	32,516	(37,071)	370	119	(5,354)	(19,282)	(12,924)
- Foreign exchange swaps	165	151	151	-	-	-	-
Inflows		16,972	16,972	-	-	-	-
Outflows		(16,821)	(16,821)	-	-	-	-
	32,681	(36,920)	521	119	(5,354)	(19,282)	(12,924)

2.3.5 Encumbered assets

The following tables set out the availability of the Group's financial assets to support future funding. The International Mortgage portfolios and Maltese Business Lending portfolio exclude any IFRS basis adjustments.

MeDirect Malta Group	Encumbered		Unencumbered		Total
	Pledged as collateral	Other*	Available as collateral	Other**	
	€000	€000	€000	€000	
31 December 2025					
Balances with central banks and cash	-	38,047	234,518	-	272,565
Derivative financial instruments	-	-	-	185,928	185,928
Loans and advances to financial institutions	244,121	-	-	84,883	329,004
Loans and advances to customers	-	-	-	3,197,448	3,197,448
- International Corporate Lending portfolio	-	-	-	21,504	21,504
- Dutch Mortgage portfolio	-	-	-	2,265,686	2,265,686
- Belgian Mortgage portfolio	-	-	-	540,484	540,484
- Maltese Business Lending portfolio	-	-	-	208,936	208,936
- Maltese Mortgage portfolio	-	-	-	151,367	151,367
- Consumer Finance receivables	-	-	-	9,471	9,471
Investments	250,158	-	1,191,297	-	1,441,455
- Securities portfolio	125,795	-	764,606	-	890,401
- Securitisation portfolio	124,363	-	267,697	-	392,060
- Asset-Backed Securitisation portfolio	-	-	158,994	-	158,994
Accrued income	-	-	-	2,670	2,670
Loans and advances to related parties (included in other assets)	-	-	-	1,321	1,321
Other receivables (included in other assets)	-	-	-	2,769	2,769
Other assets (included in other assets)	-	-	-	34,728	34,728
	494,279	38,047	1,425,815	3,509,747	5,467,888

MeDirect Malta Group	Encumbered		Unencumbered		Total
	Pledged as collateral	Other*	Available as collateral	Other**	
	€000	€000	€000	€000	
31 December 2024					
Balances with central banks and cash	-	35,368	171,502	-	206,870
Derivative financial instruments	-	-	-	175,310	175,310
Loans and advances to financial institutions	247,349	-	-	68,830	316,179
Loans and advances to customers	-	-	-	3,069,035	3,069,035
- International Corporate Lending portfolio	-	-	-	208,759	208,759
- Dutch Mortgage portfolio	-	-	-	2,205,956	2,205,956
- Belgian Mortgage portfolio	-	-	-	366,245	366,245
- Maltese Business Lending portfolio	-	-	-	154,073	154,073
- Maltese Mortgage portfolio	-	-	-	129,274	129,274
- Consumer Finance receivables	-	-	-	4,728	4,728
Investments	255,470	-	1,103,350	-	1,358,820
- Securities portfolio	130,861	-	568,005	-	698,866
- Securitisation portfolio	124,609	-	390,060	-	514,669
- Asset-Backed Securitisation portfolio	-	-	145,285	-	145,285
Accrued income	-	-	-	1,454	1,454
Loans and advances to related parties	-	-	-	48	48
Other receivables (included in other assets)	-	-	-	1,501	1,501
Other assets (included in other assets)	-	-	-	23,334	23,334
	502,819	35,368	1,274,852	3,339,512	5,152,551

*Represents assets that are not pledged for funding purposes but that the Group believes it is restricted from using to secure funding, for legal or other reasons.

**Represents assets that are not restricted for use as collateral, but that the Group would not consider as readily available to secure funding in the normal course of business.

2.4 Market risk

Market risk arises from fluctuations in key market variables, including interest rates, foreign exchange rates, and credit spreads. These changes can have a direct impact on the Group's financial performance, affecting its income streams and the valuation of its holdings in financial instruments. Unlike credit risk, market risk is not tied to the credit standing of an obligor or issuer but rather to broader economic and market conditions.

Effective market risk management is crucial to ensure the Group remains resilient in the face of volatile market conditions. The primary objective is to identify, measure, and control these exposures within well-defined and acceptable parameters. At the same time, the Group aims to strategically manage these risks to optimise the return on risk. This involves balancing the need to protect the Group's financial stability with opportunities to enhance performance through prudent risk-taking within its risk appetite framework.

2.4.1 *Management of market risks*

The responsibility for managing market risk lies with the Group's Treasury team, under the monitoring of the Group's Risk team. Oversight is provided by the Group's Asset and Liability Committee (ALCO) and the Board Risk and Compliance Committee, as outlined in the Group's policies on Foreign Exchange (FX) Risk and Interest Rate Risk and Credit Spread Risk in the Banking Book (IRRBB & CSRBB).

2.4.2 *Foreign exchange risk*

Foreign exchange (FX) risk refers to potential fluctuations in the value of the Group's positions due to changes in foreign currency exchange rates. To minimise FX risk, the Group adopts a proactive hedging strategy for all significant exposures within its risk appetite. The primary FX risks are associated with US Dollar and GB Pound movements stemming from the Group's corporate banking operations. The Group mitigates these risks by aligning foreign currency-denominated liabilities with corresponding assets in the same currency. Any residual mismatches are closely monitored, and the Treasury team is authorised to employ financial instruments such as spots, forwards, and swaps to effectively hedge FX exposures.

The following table provides an analysis of the principal financial assets and financial liabilities of the Group into relevant currency groupings. The International Mortgage portfolios and Maltese Business Lending portfolio exclude any IFRS basis adjustment.

MeDirect Malta Group	EUR currency	GBP currency	USD currency	Other	Total
	€000	€000	€000	€000	€000
As at 31 December 2025					
Financial assets					
Balances with central banks and cash	272,565	-	-	-	272,565
Derivative financial instruments	185,928	-	-	-	185,928
Loans and advances to financial institutions	305,493	7,374	5,870	10,267	329,004
Loans and advances to customers	3,197,214	-	234	-	3,197,448
- International Corporate Lending portfolio	21,270	-	234	-	21,504
- Dutch Mortgage portfolio	2,265,686	-	-	-	2,265,686
- Belgian Mortgage portfolio	540,484	-	-	-	540,484
- Maltese Business Lending portfolio	208,936	-	-	-	208,936
- Maltese Mortgage portfolio	151,367	-	-	-	151,367
- Consumer Finance receivables	9,471	-	-	-	9,471
Investments	1,441,455	-	-	-	1,441,455
- Securities portfolio	890,401	-	-	-	890,401
- Securitisation portfolio	392,060	-	-	-	392,060
- Asset-Backed Securitisation portfolio	158,994	-	-	-	158,994
Accrued income	2,670	-	-	-	2,670
Loans to related parties (included in other assets)	1,282	39	-	-	1,321
Other receivables (included in other assets)	2,640	129	-	-	2,769
Other assets (included in other assets)	34,728	-	-	-	34,728
	5,443,975	7,542	6,104	10,267	5,467,888
Financial liabilities					
Derivative financial instruments	11,204	-	-	-	11,204
Amounts owed to financial institutions	209,807	7	-	-	209,814
Amounts owed to customers	4,035,861	37,883	47,086	18,190	4,139,020
Debt securities in issue	602,397	-	-	-	602,397
Subordinated liabilities	63,169	4,160	-	-	67,329
Lease liabilities (included in other liabilities)	1,629	-	-	-	1,629
Other liabilities (included in other liabilities)	9,785	561	98	15	10,459
	4,933,852	42,611	47,184	18,205	5,041,852
Net on-balance sheet financial position		(35,069)	(41,080)	(7,938)	
Notional of derivative financial instruments		35,086	41,096	8,015	
Residual exposure		17	16	77	

MeDirect Malta Group	EUR currency	GBP currency	USD currency	Other	Total
	€000	€000	€000	€000	€000
As at 31 December 2024					
Financial assets					
Balances with central banks and cash	206,870	-	-	-	206,870
Derivative financial instruments	175,310	-	-	-	175,310
Loans and advances to financial institutions	294,541	5,484	5,130	11,024	316,179
Loans and advances to customers	3,047,369	21,213	453	-	3,069,035
- International Corporate Lending portfolio	187,093	21,213	453	-	208,759
- Dutch Mortgage portfolio	2,205,956	-	-	-	2,205,956
- Belgian Mortgage portfolio	366,245	-	-	-	366,245
- Maltese Business Lending portfolio	154,073	-	-	-	154,073
- Maltese Mortgage portfolio	129,274	-	-	-	129,274
- Consumer Finance receivables	4,728	-	-	-	4,728
Investments	1,358,820	-	-	-	1,358,820
- Securities portfolio	698,866	-	-	-	698,866
- Securitisation portfolio	514,669	-	-	-	514,669
- Asset-Backed Securitisation portfolio	145,285	-	-	-	145,285
Accrued income	1,454	-	-	-	1,454
Loans to related parties (included in other assets)	-	48	-	-	48
Other receivables (included in other assets)	1,499	2	-	-	1,501
Other assets (included in other assets)	23,334	-	-	-	23,334
	5,109,197	26,747	5,583	11,024	5,152,551
Financial liabilities					
Derivative financial instruments	32,681	-	-	-	32,681
Amounts owed to financial institutions	179,777	-	-	-	179,777
Amounts owed to customers	3,783,694	35,654	45,597	15,090	3,880,035
Debt securities in issue	641,673	-	-	-	641,673
Subordinated liabilities	62,983	4,375	-	-	67,358
Lease liabilities (included in other liabilities)	3,161	128	-	-	3,289
	4,703,969	40,157	45,597	15,090	4,804,813
Net on-balance sheet financial position		(13,410)	(40,014)	(4,066)	
Notional of derivative financial instruments		13,415	39,748	4,248	
Residual exposure		5	(266)	182	

The Group uses derivative financial instruments to hedge movements in foreign exchange rates by entering derivative contracts with notional amounts which substantially reflect the net exposure in each currency. As a result, the Group is not materially exposed to fluctuations in foreign exchange rates as evidenced in the preceding tables, reflecting the policy to eliminate foreign exchange risk as much as is practicable.

In view of the Group's policy for managing currency risk, the Board does not deem necessary the presentation of a sensitivity analysis disclosing how profit or loss and equity would have been affected by changes in foreign exchange rates that were reasonably possible at the end of the reporting year.

2.4.3 Interest rate risk

The Group's and MeDirect Belgium's Interest Rate Risk in the Banking Book (IRRBB) position is managed through a three-lines-of-defence model, ensuring a layered approach to risk management.

The First Line of Defence is represented by the Group/Belgium ALM team. This team actively monitors and manages the day-to-day interest rate risk exposures, aligning them with the strategic objectives of the Group.

The Second Line of Defence is within the Risk team, which operates independently of the ALM function. This team is tasked with establishing risk limits, monitoring adherence to these limits, and providing oversight to ensure risks are managed in line with the Group's and MeDirect Belgium's IRRBB policy.

The Third Line of Defence is performed by Internal Audit, which independently reviews the effectiveness of the controls and processes in place to manage IRRBB. This layer provides an additional level of assurance to the Group's senior management and governing bodies.

The monitoring and reporting activities are subject to oversight by the Group/MeDirect Belgium Asset and Liability Committee (ALCO).

Interest rate risk is actively managed by comparing the interest rate risk profile of the Group's assets with that of its liabilities. This involves assessing mismatches between the two and taking appropriate actions to mitigate any significant exposure. Unmatched interest rate risks arising from the balance sheet are hedged through the use of interest rate derivatives, primarily interest rate swaps. These instruments enable the Group to reduce potential variability in its earnings and safeguard its financial stability.

Interest rate risk reporting and analysis

As part of its monitoring duties, the Group's Risk team prepares and reports on the Group's interest rate risk position on a monthly basis. The report outputs show the effects of a number of internal and regulatory interest rate shocks on the:

- Group's projection and sensitivity of net interest income – Δ NII;
- Group's projection and sensitivity of economic value of equity – Δ EVE; and
- Time bucket sensitivity of the interest rate gap – PV01.

The Group measures its exposure adopting both contractual and behavioural views (where items without deterministic maturity are assigned certain level of stickiness). The impact of the automatic options embedded in the banking book structure is assessed under Δ NII, Δ EVE and PV01.

The following table discloses the mismatch of the dates on which interest rates on financial assets and liabilities either will be reset to market rates levels, or the date on which instruments mature, based on contractual terms. Actual cash flows on reset dates may differ from contractual dates owing to the possible exercise of behavioural options such as prepayments. In the following tables, loans and advances to customers classified under the Dutch and Belgian Mortgage portfolios and subordinated liabilities, are based on the expected maturities, that is the date when the instruments are expected to be fully repaid, since this is how the interest rate risk of the Group is monitored on a regular basis. In addition, contractual terms of the other instruments may not be representative of the behaviour in respect of financial assets and liabilities. The International Mortgage portfolios and Maltese Business Lending portfolio exclude any IFRS basis adjustments.

MeDirect Malta Group	Carrying amount	Repricing in:					More than 5 years
		Not more than 3 months	Between 3 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years	
	€000	€000	€000	€000	€000	€000	€000
As at 31 December 2025							
Financial assets							
Balances with central banks	272,563	272,563	-	-	-	-	-
Loans and advances to financial institutions	329,004	329,004	-	-	-	-	-
Loans and advances to customers	3,197,448	332,146	325,328	700,854	588,951	1,250,169	
- International Corporate Lending portfolio	21,504	21,504	-	-	-	-	-
- Dutch Mortgage portfolio	2,265,686	83,829	242,217	561,594	394,618	983,428	
- Belgian Mortgage portfolio	540,484	17,866	50,835	116,933	93,699	261,151	
- Maltese Business Lending portfolio	208,936	207,735	1,201	-	-	-	-
- Maltese Mortgage portfolio	151,367	112	27,777	17,254	100,634	5,590	
- Consumer Finance receivables	9,471	1,100	3,298	5,073	-	-	-
Investments	1,441,455	682,284	175,462	165,023	152,354	266,332	
- Securities portfolio	890,401	131,230	175,462	165,023	152,354	266,332	
- Securitisation portfolio	392,060	392,060	-	-	-	-	-
- Asset-Backed Securitisation portfolio	158,994	158,994	-	-	-	-	-
	5,240,470	1,615,997	500,790	865,877	741,305	1,516,501	
Financial liabilities							
Amounts owed to financial institutions:	209,814	31,740	178,074	-	-	-	-
- Due to clearing houses	178,074	-	178,074	-	-	-	-
- Due to other banks	31,740	31,740	-	-	-	-	-
Amounts owed to customers	4,139,020	3,686,632	313,111	113,064	26,131	82	
Debt securities in issue	602,397	602,397	-	-	-	-	-
Subordinated liabilities	67,329	12,348	54,981	-	-	-	-
	5,018,560	4,333,117	546,166	113,064	26,131	82	
Interest rate repricing gap		(2,717,120)	(45,376)	752,813	715,174	1,516,419	
Impact of hedging interest rate derivatives – notional amounts	174,775	1,771,850	25,967	(360,690)	(305,119)	(1,132,008)	
Net interest rate repricing gap		(945,270)	(19,409)	392,123	410,055	384,411	

MeDirect Malta Group	Carrying amount	Repricing in:				
		Not more than 3 months	Between 3 months to 1 year	Between 1 and 3 years	Between 3 and 5 years	More than 5 years
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Financial assets						
Balances with central banks	206,868	206,868	-	-	-	-
Loans and advances to financial institutions	316,179	316,179	-	-	-	-
Loans and advances to customers	3,069,035	410,058	189,543	440,142	546,898	1,482,394
- International Corporate Lending portfolio	208,759	208,759	-	-	-	-
- Dutch Mortgage portfolio	2,205,956	49,239	133,965	343,027	413,208	1,266,517
- Belgian Mortgage portfolio	366,245	10,338	27,182	65,114	53,575	210,036
- Maltese Business Lending portfolio	154,073	140,576	13,497	-	-	-
- Maltese Mortgage portfolio	129,274	629	13,349	29,340	80,115	5,841
- Consumer Finance receivables	4,728	517	1,550	2,661	-	-
Investments	1,358,820	734,147	200,451	164,792	203,327	56,103
- Securities portfolio	698,866	84,191	190,453	164,792	203,327	56,103
- Securitisation portfolio	514,669	504,671	9,998	-	-	-
- Asset-Backed Securitisation portfolio	145,285	145,285	-	-	-	-
	4,950,902	1,667,252	389,994	604,934	750,225	1,538,497
Financial liabilities						
Amounts owed to financial institutions:	179,777	32,583	147,194	-	-	-
- Due to clearing houses	157,177	9,983	147,194	-	-	-
- Due to other banks	22,600	22,600	-	-	-	-
Amounts owed to customers	3,880,035	3,365,703	371,449	117,786	25,093	4
Debt securities in issue	641,673	641,673	-	-	-	-
Subordinated liabilities	67,358	1,389	55,249	10,720	-	-
	4,768,843	4,041,348	573,892	128,506	25,093	4
Interest rate repricing gap		(2,374,096)	(183,898)	476,428	725,132	1,538,493
Impact of hedging interest rate derivatives – notional amounts	141,887	1,381,550	384,600	(559,033)	(220,890)	(986,227)
Net interest rate repricing gap		(992,546)	200,702	(82,605)	504,242	552,266

The Group's exposure to interest rate risk primarily arises from mismatches in the repricing terms of its assets and liabilities. Its asset base is composed of both short- and long-duration portfolios. The short-duration portfolio includes high-quality securities within the Investments portfolio and the International Corporate Lending portfolio, which typically reprice periodically. In contrast, the long-duration portfolio consists of the Dutch and Belgian Mortgage portfolios, which have extended maturities. The presence of interest rate floors embedded in most of the International Corporate Lending portfolio is a mitigation factor of the repricing risk in case rates decrease. Beyond repricing mismatches, fluctuations in market interest rates can also affect the Mark-to-Market (MtM) value of the Group's fixed-rate instruments.

The net interest rate repricing gap is attributable to differences between the behavioural and the contractual view of repricing profile. The Interest rate risk measurement, limits and hedging decisions are based on the behavioural view of repricing profile. The interest rate gaps under the behavioural view are kept at low levels resulting in conservative interest rate risk taken by the Group.

The Group's and MeDirect Belgium's long-term risk exposure to interest rate risk is managed through a hedging strategy which uses a series of plain vanilla interest rate swaps that form a run-off profile matching a mortgage portfolio run-off profile with behavioural pre-payment assumptions.

A positive interest rate sensitivity gap exists where more assets than liabilities reprice during a given period. Although a positive gap position tends to benefit net interest income in a rising interest rate environment, the actual effect will depend on several factors, including the extent to which repayments are made earlier or later than the contracted date and variations in interest rates within repricing periods and among currencies. Similarly, a negative interest rate sensitivity gap exists where more liabilities than assets re-price during a given period. A negative gap position tends to benefit net interest income in a declining interest rate environment, but the actual effect will depend on the same factors as for positive interest rate gaps.

The management of interest rate risk attributable to interest rate repricing gap limits is supplemented by monitoring the sensitivity of the Group's financial assets and liabilities to various interest rate scenarios under the stress testing framework whilst the extent of the difference between risk factors on the asset side and liability side is monitored through the re-fixing gap analysis.

The estimated impact on the Group's Net Interest Margin ("NIM") and on Economic Value based on scenarios and assumptions prescribed by the EBA guidelines on the management of interest rate risk arising from non-trading book activities (EBA/RTS/2022/10) would be as follows:

31 December 2025

- NIM would increase by €1.8 million in a parallel up scenario and decrease by €10.7 million in the parallel down scenario.
- Economic value of equity would decrease by €10.3 million in a parallel up scenario and decrease by €10.9 million in the parallel down scenario.

31 December 2024

- NIM would decrease by €0.1 million in a parallel up scenario and decrease by €4 million in the parallel down scenario.
- Economic value of equity would increase by €1.1 million in a parallel up scenario and increase by €0.6 million in the parallel down scenario.

The main assumptions used in the model utilised to measure the benchmarks referred to above are:

- Interest bearing assets are assumed to mature on their expected maturity or behavioural prepayment profile and are not replaced for the Δ EVE purposes (run off balance sheet);
- Interest bearing assets are assumed to mature on their expected maturity and are replaced on like for like basis for the Δ NII purposes (constant balance sheet);
- The Dutch NHG and Belgian Retail mortgages are assumed to follow a CPR curve over and above the contractual principal payment schedule;
- In addition to the legal floor on regulated savings accounts of MeDirect Belgium, there is an implicit zero floor option on retail customer deposits as the Group will not charge negative rates to the retail segment of its customer base;
- The Δ NII and Δ EVE metrics includes the effect of changes in value of the contractual automatic options embedded in the banking book assets;
- Customer deposits follow their behavioural schedule;
- Behavioural schedules are conditional to interest rate scenarios; and
- Sensitivities to behavioural assumptions are measured on a quarterly basis as part of the ICAAP whereas the IRRBB measurement has been validated and adapted to cater for novel characteristics of new product lines.

Interest rate movements affect reported equity in the following ways:

- retained earnings arising from increases or decreases in net interest income after taking into consideration the net impact of interest rate hedging instruments; and
- fair value reserves arising from increases or decreases in fair values of investments measured at fair value through other comprehensive income reported directly in equity.

2.4.4 Credit Spread Risk

The Group has a portfolio of Treasury securities (held mainly as High-Quality Liquid Assets - HQLAs) and other low credit risk bearing assets which give rise to the Credit Spread Risk in the Banking Book ("CSRBB").

Exposure to movements in securities prices can be decomposed into the exposure to interest rates and to spreads which for a same level of creditworthiness fluctuate on a daily basis as a result of the changes in the market demand and liquidity for certain securities.

The Group quantified the credit spread through the difference between the security's market yield at the valuation date and the risk-free rate and is strengthening its market value risk assessment including metrics related to the Marked-to-Market value sensitivity to spreads. For assets being held to their maturities, the Group is not directly exposed to their market value variations. Nevertheless, the credit spread is an important market risk category for the Group given the existence of the Treasury and highly rated securities, mainly held for liquidity purposes, which could potentially be used as contingency assets in case of severe liquidity stress. This risk is however mitigated by the high credit quality requirement set in the Treasury's policy, the short spread duration of those securities and the hold to maturity strategy of the Group.

2.5 Environmental, Social and Governance-related (“ESG”) risk

During 2025, the Group continued to integrate ESG risk assessments into its internal business processes to ensure appropriate ESG risk management.

The Board of Directors are ultimately responsible for approving and overseeing the implementation of the Group's strategic objectives, principal policies and procedures, including its ESG Strategy and Climate-related and Environmental Risks (“CER”)/ESG risk procedures and commitments that are incorporated into the Group's wider risk management framework. Moreover, the Board reviews and approves the Group's Non-Financial report together with the Group Annual Report & Financial Statements ensuring that all material ESG-related topics are covered and disclosed.

The Board structure enables the Group to coordinate its CER/ESG policies and procedures to ensure consistency on matters affecting all entities within the Group across all jurisdictions including Malta, Belgium and the UK. By setting the ESG agenda at the parent level, the Board ensures a common ESG strategic framework which can be deployed and implemented across the Group, including at the subsidiary level. This helps to ensure that ESG is given appropriate priority on the Group's agenda and that ESG factors are embedded in the decision-making processes at all levels of the Group structure.

The Board maintains oversight of CER/ESG risks via the risk management reports that are reported during the routine Board meetings by the Chief Risk Officer.

The ESG Committee has the overall responsibility to oversee CER/ESG risks and initiatives, including oversight of the MeDirect ESG strategy and agenda implementation, whilst providing advice and support to the Board of Directors on CER/ESG-related matters. The Committee consists of top management of main functions, including Finance, Risk, Compliance and other functions. The Head of Regulatory Affairs and Sustainability is the Chair of the Committee and the Belgium Chief Risk Officer is the co-Chair. The Internal Audit function is a permanent invitee to the Committee as an observer in order to maintain its independent status.

Moreover, the Group incorporated CER across the three lines of defence (“LoD”) by updating business procedures and policies, the Risk Management Framework, Compliance Monitoring Plans and Internal Audit Plan.

Business functions (1LoD) are responsible for identifying, assessing and managing ESG risks within their specific operations and for incorporating the management of such risks in the various stages of their business processes including, amongst others, the credit process. Business functions are expected to implement the Group's procedures and policies related to ESG risks in their day-to-day business operations.

The Group Risk Management function (2LoD) is responsible for developing and tracking a dashboard of relevant CER and ESG risk indicators within the existing risk reporting frameworks of the Group. It has integrated ESG risks in the risk identification and management process. In 2025, the Group Risk Management function continued enhancing the Sustainability Risk Appetite Statement, ESG risk inventory and the transmission channel table to cover the full impact of ESG, including CER, on the traditional financial and non-financial risk categories.

Moreover, the Risk function reviews and updates on an annual basis the Group CER Materiality Assessment that analyses the sensitivity of the Group's businesses to physical and transition risks using a forward-looking approach. The Risk Management function is responsible for monitoring and evaluating ESG risks, setting risk appetite and tolerance thresholds and establishing a risk management framework and procedures, incorporating ESG risks.

The Compliance function (2LoD) is responsible for preparing a Compliance Action and Monitoring Plan, which is approved by the Board of Directors, that addresses ESG from a conduct perspective. The Compliance function operates independently from the business units but advises and assists business units and other internal functions to ensure that operations are in line with policies, procedures and regulations.

The IAF (3LoD) is responsible for executing a multi-year audit plan across the Group. On a periodic basis, the IAF provides confirmation that ESG principles are adhered to and that CER risks have been addressed appropriately. Relevant internal audit observations, conclusions and audit reports are periodically collated and made available to the Head of Sustainability, the ESG Committee and the Boards of Directors and Management Committees, as appropriate. The implementation of related internal audit recommendations is periodically tracked and formally reported at Executive and Audit Committee level. This information complements the reports provided by the first and second lines of defence.

All the strategic objectives and commitments related to CER/ESG were incorporated in the ESG Strategy "On the path to sustainability for 2022-2024/25". During 2025, the Group reviewed the ESG Strategy to ensure continued consistency with the CER Materiality Assessment. A progress report is presented to the ESG Committee and Board of Directors for ongoing awareness.

The Risk and appropriate Business functions continue to adopt (hard) risk appetite limits into its Risk Appetite Statements for all lending portfolios linked to physical and/or transition climate risks, such as high flood risk and high sea-level increase risk regions, poor EPC scoring (yearly energy efficiency) of the mortgaged properties, sectors highly contributing to climate change, and exclusion sectoral lists. The Group will continue to monitor these limits, and applies escalation procedure, in line with the Risk Appetite Framework, in case of a breach in limits.

The Group also incorporated the impact of CER on its operational centres and reputation, as part of its operational framework. The Business Continuity Plan (“BCP”) includes scenarios related to natural hazards (e.g. storm, earthquake, flooding), power failure and political and social instability, among others. MeDirect has a setup where the employees can work from home via VPN in case of such extreme situation and it has been tested and functioning without any issue. In 2025, the Operational & Reputational Risk Appetite Statement was updated to include a metric on the number of operational losses resulting from ESG-related failures. In addition, ESG impact has been added in the Operational Risk Procedure for RCSA exercises in 2025-2026.

The Risk function reviews and updates on an annual basis the Group CER Materiality Assessment that analyses the sensitivity of the Group’s businesses to physical and transition risks using a forward-looking approach. In 2025, the Group carried out this annual exercise to analyse the main CER that may impact MeDirect strategy, business model, asset portfolios, funding sources, treasury and hedging, wealth management services, as well as the business operating centres in which it operates. The assessment was validated by the Board.

The Board-approved assessment covered on and off-balance sheet assets and contingencies and addressed acute and chronic physical risks (Floods/Fluvial, Sea Level Risk, Drought/Extreme Heat, Forest Fire/Wildfire, Biodiversity Loss, Water Stress) as well as transition risks (Policy/Regulations, Stranding Risk, Market Sentiment, Technology Change) across different time horizons (short, medium and long). The Group utilised Munich Re’s Location Risk Intelligence platform and European Climate Risk Typology maps to assess physical risks, supplemented by Moody’s Investor Services’ analysis, including sectoral heatmaps as well as research from Moody’s Analytics. The materiality assessment was led by the Risk function in collaboration with various business units and was presented to the ESG Committee and approved by the Board.

The assessment concluded that the Group’s exposure to residual CER is low, in particular in the short- to medium- term. Exposure to sector concentration and transition risk is high overall, driven by an expected modest yet notable impact over the medium-longer term of between 3-10 years and a negligible impact over the shorter-term of up to 3 years. The CER materiality assessment further concluded that the main risk is to the construction sectors, albeit the MT Corporate portfolio is mainly short-dated in nature (<5-year term). Primary risks remain transition to more stringent construction standards and usage of materials / techniques will put at risk smaller and less capable real estate developers. However, more than 50% of outstanding loans are between 0-5 years maturity and therefore exposure to longer term transition risks can be managed strategically with green lending initiatives and through regulatory changes expected for SMEs over the medium term.

These sectors are also exposed to physical risk related to drought / extreme heat and water stress. This risk is mitigated by the limited exposure and low-medium term maturity of these portfolios. Moreover, the Group monitors exposure to these sectors, as the corporate construction and real estate sectors are classified as sectors which contribute significantly to climate change.

As at 31 December 2025, exposures to high flood risk areas are as follows:

	2025
% of Dutch NHG mortgage portfolio exposure in high flood risk areas	0.00%
% of Dutch Buy-to-let mortgage portfolio exposure in high flood risk areas	0.00%
% of Belgian mortgage portfolio exposure in high flood risk areas	13.95%

Physical risk in the Dutch NHG mortgage portfolio is partly mitigated through property insurance and/or National Mortgage Guarantee (NHG) protection. Under the Terms and Conditions (“T&Cs”) of HollandWoont and the NHG programme governing Dutch NHG mortgages borrowers must insure properties against fire and storm damage. Flood risk is only sometimes covered by such insurance. If there is a residual loss it is likely to be compensated by the NHG cover.

For Dutch professional residential buy-to-let mortgages originated under the Build T&Cs property insurance is in also required, but flood risk is not always included. The T&Cs of Allianz in relation to Belgian mortgage loans provide that property insurance (including flood risk) is mandatory. Moreover, property insurance is required for Maltese retail mortgage loans.

Notwithstanding these risks, the Group has assessed its residual risk as low, particularly in the short- to medium-term. The assessment indicates that based on its current CER/ESG risk profile, no additional capital or liquidity buffer is required to cover potential impact of CER risk.

Moreover, CER has been also assessed from both the normative and economic perspectives of the ICAAP, which assesses its impact on the profit or loss, capital requirements and solvency (PD, LGD). The Group has incorporated climate-related scenarios into its stress testing processes, which encompass both physical and transition risks over a three-year time horizon. The updated 2024 capital stress tests include scenarios linked to MeDirect operation (physical risk related to significant weather conditions impacting MT operation) and credit portfolios (NGFS Scenario Combined Orderly Net Zero 2050 Scenario and transition risk related to new CER regulations impose on homeowners with energy-inefficient properties to renovate their houses with the impact on capital and capital ratios). The impact on of the CER transition scenario on the capital is €21.6 million less than the budgeted amount of capital over the considered stress horizon, and on the impairment the impact is €28.4 million impairments over and above the budgeted amount of impairments. The impact of the CER physical scenario on the capital is €15.0 million operational loss.

The Group continues to evolve its stress testing processes and to enhance existing processes to be able to conduct adequate and plausible Climate Risk Stress Tests to make informed decisions.

In reference to the ESMA’s Public Statement on Accounting for Carbon Allowances in Financial Statements, the Group does not have carbon allowances in its balance sheet.

2.6 Capital management - regulatory capital

The Group's regulator, the ECB's Joint Supervisory Team (the "JST") sets and monitors capital requirements for the Group based on the capital requirements prescribed within CRR III and Capital Requirements Directive ("CRD VI").

As a result, the Group is required to maintain a prescribed ratio of total capital to total risk-weighted assets. The Group does not engage in trading and is exempt from having a trading book. Risk-weighted assets on the banking book are determined according to specified requirements that seek to reflect the varying levels of risk attached to assets including balances with counterparties and other illiquid assets.

The Group complies with the provisions of the CRR in respect of regulatory capital and it applies the standardised approach for credit risk. For regulatory purposes, the Group's capital base is divided in two main categories, namely Common Equity Tier 1 Capital and Tier 2 Capital.

- Common Equity Tier 1 Capital which includes ordinary share capital, share premium, shareholders' contributions, retained earnings, fair value reserve and other regulatory adjustments relating to items that are included in equity but are treated differently for capital adequacy purposes including deductions relating to Reserve for Depositor Compensation Scheme ('Other reserves') and certain other regulatory items; and
- Tier 2 Capital consists of subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors.

	2025	2024
	%	%
CET 1 Ratio	20.8	16.4
Total Capital Ratio	23.5	19.8

Group's policy is to maintain a good capital base to maintain investor, creditor and market confidence and to sustain future development of the business. The impact of the level of capital on shareholders' return is also recognised and the Group recognises the need to maintain a balance between the higher returns that might be possible with greater gearing and the advantages and security afforded by a sound capital position

MDB Group Limited is subject to the same supervision as that exercised over credit institutions. Accordingly, in terms of article 7(2) of the CRR, the obligation of MeDirect Malta to comply with the disclosure requirements relating to own funds, capital requirements, large exposures, and transferred credit risk have been waived.

In this respect, the Regulatory Group has complied with all externally imposed capital requirements throughout the year.

MDB Group Limited publishes full Pillar 3 disclosures as a separate document.

2.7 Fair value measurement

'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 in the principal or, in its absence, the most advantageous market to which the Group has access at that date. The fair value of a liability reflects its non-performance risk.

When available, the Group measures the fair value of an instrument using quoted prices in an active market for that instrument. A market is regarded as active if the transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. The judgement as to whether a market is active may include, but is not restricted to, the consideration of factors such as the magnitude and frequency of trading activity, the availability of prices and the size of bid/offer spreads.

If there is no quoted price in an active market, then the Group uses valuation techniques that maximise the use of relevant observable inputs and minimise the use of unobservable inputs. The chosen valuation technique incorporates all of the factors that market participants would take into account in pricing a transaction.

The best evidence of the fair value of a financial instrument at initial recognition is normally the transaction price - i.e., the fair value of the consideration given or received. If the Group determines that the fair value at initial recognition differs from the transaction price and the fair value is evidenced neither by the quoted price in an active market for an identical asset or liability nor based on a valuation technique that uses only data from observable markets, then the financial instrument is initially measured at fair value, adjusted to defer the difference between the fair value at initial recognition and the transaction price. Subsequently, that difference is recognised in profit or loss only to the extent that it arises from a change in a factor (including time) that market participants would consider in setting a price.

If an asset or a liability measured at fair value has a bid price and an ask price, then the Group measures assets and long positions at a bid price and liabilities and short positions at an ask price.

2.7.1 Fair value hierarchy

The Group measures fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

- Level 1: inputs that are quoted market prices (unadjusted) in active markets for identical instruments.
- Level 2: inputs other than quoted market prices included within Level 1 that are observable either directly (i.e., as prices) or indirectly (i.e. derived from prices). This category includes instruments valued using: quoted market prices in active markets for similar instruments; quoted prices for identical or similar instruments in markets that are considered less than active; or other valuation techniques where all significant inputs are directly or indirectly observable from market data. Financial instruments which are generally included in this category include certain loans and advances to customers and over-the-counter derivatives where the fair value is based on observable inputs.
- Level 3: inputs that are unobservable. This category includes all instruments for which the valuation technique includes inputs not based on observable data and the unobservable inputs have a significant effect on the instrument's valuation. This category includes instruments that are valued based on quoted prices for similar instruments for which significant unobservable adjustments or assumptions are required to reflect differences between the instruments."

2.7.2 Use of valuation techniques

In the event that the market for a financial instrument is not active, a valuation technique is used. Valuation techniques may incorporate assumptions about factors that other market participants would use in their valuations, including:

- the likelihood and expected timing of future cash flows from the instrument.
- selecting an appropriate discount rate for the instrument; and
- judgement to determine what model to use to calculate fair value in areas where the choice of valuation model is particularly subjective.

A range of valuation techniques is employed, dependent on the instrument type and available market data. Most valuation techniques are based upon discounted cash flow analyses, in which expected future cash flows are calculated and discounted to present value using a discounting curve. Prior to considering credit risk, the expected future cash flows may be known, as would be the case for the fixed leg of an interest rate swap, or may be uncertain and require projection, as would be the case for the floating leg of an interest rate swap. Projection utilises market forward curves, if available.

Assumptions and inputs used in valuation techniques include risk-free and benchmark interest rates, credit spreads and other premiums used in estimating discount rates, bond and foreign currency exchange rates and expected price volatilities and correlations.

The objective of valuation techniques is to arrive at a fair value measurement that reflects the price that would be received to sell the asset or paid to transfer the liability in an orderly transaction between market participants at the measurement date.

The Group uses widely recognised valuation models for determining the fair value of common and simple financial instruments, such as interest rate and currency swaps, that use only observable market data and require minimal management judgement and estimation.

Fair values of investment securities in inactive markets are based on:

- quoted prices of similar instruments, performing numerical procedures such as interpolation when input values do not directly correspond to the most active market trade parameters; or
- price quotations in respect of orderly transactions between market participants provided by reputable dealers.

Observable prices and model inputs are usually available in the market for listed debt and equity securities, exchange traded derivatives and simple over the counter derivatives such as interest rate swaps. Availability of observable market prices and model inputs reduces the need for management judgement and estimation and reduces the uncertainty associated with determining fair values. Availability of observable market prices and inputs varies depending on the products and markets and is prone to changes based on specific events and general conditions in the financial markets.

2.7.3 Financial instruments measured at fair value

The following table analyses financial instruments measured at fair value at the end of the reporting year, in terms of the respective levels within the fair value hierarchy into which the respective fair value measurement is categorised. The fair value amounts are based on the carrying amounts reflected in the statement of financial position.

Group	As at 31 December 2025				As at 31 December 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Assets								
Instruments mandatorily measured at fair value through profit or loss								
- Derivative financial instruments	-	185,928	-	185,928	-	174,799	511	175,310
Liabilities								
Derivative financial instruments	-	11,204	-	11,204	-	32,681	-	32,681

Bank	As at 31 December 2025				As at 31 December 2024			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
	€000	€000	€000	€000	€000	€000	€000	€000
Assets								
Instruments mandatorily measured at fair value through profit or loss								
- Derivative financial instruments	-	184	-	184	-	286	511	797
Liabilities								
Derivative financial instruments	-	759	-	759	-	833	-	833

Level 2 assets principally comprise derivatives held for risk management that are fair valued based on valuation models with the key methodology utilised comprising the calculation of the net present value of a series of expected cash flows, considering the different terms of each specific contract/instrument (discounted cash flow approach). These models use as their basis independently sourced market parameters including, for example, interest rate yield curves. Market parameters are either directly observable or are implied from observable instrument prices. The model may perform numerical procedures in respect of pricing such as interpolation when input values do not directly correspond to the most active market trade parameters.

The following table shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy:

Group	Securitisation investment portfolio measured at fair value through profit or loss		Derivative financial instruments measured at fair value through profit or loss	
	2025	2024	2025	2024
	€000	€000	€000	€000
Year ended 31 December				
At beginning of year	-	1,018	511	511
Changes in fair value	-	(125)	(511)	-
Realised	-	(893)	-	-
At end of year	-	-	-	511

Bank	Securitisation investment portfolio measured at fair value through profit or loss		Derivative financial instruments measured at fair value through profit or loss	
	2025	2024	2025	2024
	€000	€000	€000	€000
Year ended 31 December				
At beginning of year	-	1,018	511	511
Changes in fair value	-	(125)	(511)	-
Realised	-	(893)	-	-
At end of year	-	-	-	511

As at 31 December 2024, the Group's exposure to Level 3 assets consisted of tax warrants. Accordingly, a sensitivity analysis of the fair value measurement to changes in observable inputs was not deemed relevant.

2.7.3.1 Transfers between levels

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting year during which the transfer has occurred. There were no transfers between levels of the fair value hierarchy during the financial years ended 31 December 2025 and 31 December 2024.

2.7.4 Financial instruments not measured at fair value

The following table sets out the fair values of financial instruments not measured at fair value and analyses them in terms of the respective level within the fair value hierarchy into which the respective fair value measurement is categorised. This table includes only financial instruments in respect of which fair value is estimated to be materially different than the carrying amounts.

Group	As at 31 December 2025				
	Level 1 €000	Level 2 €000	Level 3 €000	Total fair values €000	Total carrying amount €000
Assets					
Loans and advances to customers	-	-	2,573,728	2,573,728	2,806,170
- Dutch Mortgage portfolio	-	-	2,067,520	2,067,520	2,265,686
- Belgian Mortgage portfolio	-	-	506,208	506,208	540,484
Investments	884,232	159,070	391,823	1,435,125	1,441,455
- Securities portfolio	884,232	-	-	884,232	890,401
- Securitisation portfolio	-	-	391,823	391,823	392,060
- Asset-Backed Securitisation portfolio	-	159,070	-	159,070	158,994
Total financial assets	884,232	159,070	2,965,551	4,008,853	4,247,625
Liabilities					
Debt securities in issue	-	-	603,736	603,736	602,397
Subordinated liabilities	54,489	-	11,996	66,485	67,329
Total financial liabilities	54,489	-	615,732	670,221	669,726

Group	As at 31 December 2024				
	Level 1 €000	Level 2 €000	Level 3 €000	Total fair values €000	Total carrying amount €000
Assets					
Loans and advances to customers	-	45,475	2,397,154	2,442,629	2,644,944
- International Corporate Lending portfolio	-	45,475	27,187	72,662	72,743
- Dutch Mortgage portfolio	-	-	2,030,003	2,030,003	2,205,956
- Belgian Mortgage portfolio	-	-	339,964	339,964	366,245
Investments	685,806	145,264	513,500	1,344,570	1,358,820
- Securities portfolio	685,806	-	-	685,806	698,866
- Securitisation portfolio	-	-	513,500	513,500	514,669
- Asset-Backed Securitisation portfolio	-	145,264	-	145,264	145,285
Total financial assets	685,806	190,739	2,910,654	3,787,199	4,003,764
Liabilities					
Debt securities in issue	-	-	642,698	642,698	641,673
Subordinated liabilities	54,637	-	10,900	65,537	67,358
Total financial liabilities	54,637	-	653,598	708,235	709,031

* The Group's International mortgage portfolios disclosed in the preceding tables are presented exclusive of the IFRS basis adjustment equivalent to €174.6 million (2024: €142.2 million).

In addition to the above, as disclosed in note 21 to the financial statements, in February 2021 MDB Group Limited issued €11 million fixed rate reset callable subordinated notes. The proceeds from the issuance of these notes were lent to MeDirect Malta as a subordinated loan, that is disclosed within the subordinated liabilities note.

The fair value of €12.0 million (2024: €10.9 million) of these notes was determined by projecting the cashflows to the first call date and discounting with January-end ESTR curves to obtain the spread over the said curve. The fair value calculation considers the impact of the rise in interest rates throughout this period which is the most likely meaningful contribution to the change in fair value. The spread over the ESTR curves during this period was utilised to measure the present values of future cashflows.

The Level 1 fair values reflected in the tables above consist of the closing bid price quoted in an active market in respect of debt securities classified under the Securities Investment portfolio and subordinated bonds issued by the Group.

The Level 2 fair value disclosures of the Asset-Backed Securitisation Investment portfolio reflected in the tables above consist of the closing bid prices based on quotes from multiple contributors, including both executable and indicative quotes.

As at 31 December 2024, the Level 2 and Level 3 fair value disclosures of the International Corporate Lending portfolio mainly comprise price quotations sourced from an online platform in respect of internationally traded loans and advances, consisting of the Group's international loan book with foreign corporates. As at 31 December 2025, loans and advances to customers forming part of the International Corporate Lending portfolio amounting to €21.5 million (2024: €205.9 million), net of expected credit losses, have not been reflected within the preceding table given that there were no observable market prices or any public information available but the contractual terms of these instruments, that mainly re-price within three months, and the nature of the borrowers, are similar to those of the instruments in the preceding table and thus their fair valuation characteristics would not differ significantly from those of the instruments included in the preceding table.

The Level 3 assets also include the following:

- The Group's investments in tranches of securitisation structures amounting to €389.7 million (2024: €510.6 million), which are mainly rated AAA, and for which a fair value is determined using third party valuation models to estimate the net present value of a series of expected cash flows, taking into consideration instrument-specific contractual terms (discounted cash flow approach). Amongst other things, these models take into consideration the characteristics of the underlying portfolio of assets (including quality of underlying assets), historical portfolio performance, and the liability structure of the CLO transaction. These models also make use of independently sourced market parameters including, for example, interest rate yield curves.
- Dutch mortgages amounting to €2,265.7 million (2024: €2,206.0 million) and Belgium mortgages amounting to €540.5 million (2024: €366.2 million), included in Loans and advances to customers. In order to derive their fair value as at 31 December 2025 and 2024, the Group bootstraps the average of the top three interest rate quotes offered by Dutch government-backed mortgage loan lenders in the Netherlands and Belgian mortgage loan lenders in Belgium respectively for every mortgage fixed rate tenor to create a zero coupon discount curve and applies this curve to discount the projected future cashflows. In addition, to estimate the future cashflows, the Group considers both instrument-specific contractual terms and estimated conditional prepayment rates.

The Group's financial instruments not measured at fair value comprise balances with central banks, loans and advances to financial institutions, and amounts owed to financial institutions and customers. The fair values of these financial assets and liabilities are not disclosed given that the carrying amount is a reasonable approximation of fair value because these are either re-priced to current market rates frequently or are short-term in nature.

As at 31 December 2025, all the Group's exposures classified under loans and advances to financial institutions amounting to €329.0 million (2024: €316.2 million), and balances with central banks amounting to €272.6 million (2024: €206.9 million), reprice or mature in less than one year. Hence their fair value is not deemed to differ materially from their carrying amount at the reporting date.

As at 31 December 2025, the carrying amount for loans and advances to customers classified under the Maltese Business Lending portfolio amounting to €208.9 million (2024: €154.1 million), Maltese Mortgage portfolio amounting to €151.4 million (2024: €129.3 million) and Consumer Finance receivables portfolio amounting €9.5 million (2024: €4.7 million) approximates their fair value because these loans are reprisable at the Group's discretion.

Fair values referred to above are estimated using discounted cash flows, applying market rates.

The 'Amounts owed to financial institutions' of the Group as at 31 December 2025 amounting to €209.8 million (2024: €179.8 million), and 'Amounts owed to customers' of the Group amounting to €4.0 billion (2024: €3.7 billion), sourced from the Maltese and Belgian markets, re-price or mature in less than one year. Hence their fair value is not deemed to differ materially from their carrying amount at the reporting date. Fair values of these liabilities are estimated using discounted cash flows, applying current rates offered for deposits of similar remaining maturities. The fair value of a demand deposit is not less than the amount payable on demand, discounted from the first date on which the amount payable is required to be paid.

The fair value estimates of balances with central banks, loans and advances to financial institutions, and amounts owed to financial institutions are considered Level 2 fair value estimates, whilst the fair value estimates of loans and advances to customers and amounts owed to customers are deemed to be Level 3 fair value estimates.

3. Accounting estimates and judgements

3.1 Critical accounting estimates and judgements in applying the Group's accounting policies

Estimates and judgements are continually evaluated and based on historical experience and other factors including expectations of future events that are believed to be reasonable under the circumstances. The Group makes estimates and assumptions concerning the future. The resulting accounting estimates are, by definition, seldom equal the related actual results. These estimates and assumptions present a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year. The Group's management also makes judgements, apart from those involving estimations, in the process of applying the entity's accounting policies that may have a significant effect on the amounts recognised in the financial statements.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Information about assumptions, estimations and uncertainties that have a significant risk of resulting in a material adjustment in the year ending 31 December 2026 is set out below in relation to estimated cash flows for the purposes of applying the effective interest method and the impairment of financial instruments.

3.2 Expected credit losses on loans and advances to customers

Financial assets measured at amortised cost are evaluated for impairment on the basis described in Accounting Policy Note 1.5. Expected credit losses ("ECL") on loans and advances represent management's best estimate of expected credit losses on the loan portfolios subject to IFRS 9 impairment requirements at the end of the reporting period. In this respect, management is required to exercise judgement in defining what is considered to be a significant increase in credit risk or an unlikelihood-to-pay event, in determining the expected lifetime and point of initial recognition of financial instruments, and in making assumptions and estimates to incorporate relevant information about past events, current conditions and forecasts of economic conditions when calculating expected credit losses.

The measurement of credit loss allowances in respect of loans and advances to customers in line with IFRS 9 principles requires complex statistical analyses and modelling assumptions, with ECL models built and calibrated principally by reference to historical information in respect of default levels and loss severities. However, due to the inherent level of estimation uncertainty in modelling such aspects of the ECL calculation, a significant element of expert judgement is required to ensure that model parameters produce an ECL output which is reasonable and appropriate in light of existing conditions.

For loans within the Group's International Corporate Lending and Maltese Business Lending portfolios, judgement is firstly required in determining whether there is objective evidence that an exposure is credit-impaired. In performing this assessment, management applies a significant level of judgement in evaluating all relevant information on indicators of unlikelihood-to-pay, including the consideration of factors that immediately indicate deterioration in the financial condition of borrowers, but also in respect of factors that impact the outlook of borrowers affecting their ability to pay, as described in Note 1.5. A higher level of judgement is required for loans to borrowers showing continued signs of financial difficulty similar to those experienced during the preceding financial year, and for borrowers that are performing better compared to the prior year to understand whether the improvements are sustainable going forward. These judgements are reflected within forecasted cash flow forecasts under different scenarios for Stage 2 borrowers particularly when assessing their unlikelihood to pay.

The measurement of credit loss allowances in respect of defaulted exposures is performed through an internally developed model based upon management's best estimate of the present value of the cash flows that are expected to be received under multiple forward looking scenarios. As described in note 2.2.1 the Group utilises a DCF approach. In estimating cash flows for defaulted exposures within the International Corporate Lending portfolio, management makes judgements about a debtor's financial situation and future repayment prospects, taking into consideration management plans for growth within the current environment. In this regard, judgement is applied in estimating the expected future cash flows from each borrower under the different scenarios, assigning probabilities to those scenarios, and determining appropriate discount rates reflecting borrower-specific characteristics. The determination of operating cash flows under multiple scenarios requires a significant level of judgement in order to adequately capture the current economic conditions.

The estimates of recoverable cash flows for each defaulted borrower are independently reviewed and challenged by the Group's credit risk function, and approved by the Group's Management Credit Committee.

During 2025 and 2024, the Group extended loan forbearance measures to borrowers experiencing financial difficulties by agreeing to modify the contractual payment terms of loans in order to improve collection opportunities or to avoid default. Where forbearance activities are present, higher levels of judgement and estimation uncertainty are involved in determining their effects on credit loss allowances. Significant judgement was required in determining whether substantial modifications were made to contractual terms, thereby requiring derecognition of the extinguished financial instrument(s) and the recognition of the new financial instrument(s). In addition, whether such restructuring led to the recognition of new financial instruments or the continuing recognition of the pre-restructured debt, the determination of the relative staging of the post-restructured debt and the measurement of the associated credit loss allowances are also deemed to be highly judgemental.

For exposures classified as Stage 1 and Stage 2 within the International Corporate and Maltese Business Lending portfolios, and all exposures within the Dutch, Belgian and Maltese Mortgage portfolios, the Group measures credit loss allowances on the basis of complex models with a number of underlying assumptions.

Particularly, in respect of the International Corporate portfolio, the level of estimation uncertainty is exacerbated in respect of:

- (i) modelling PiT PDs and LGDs;
- (ii) forecasting macroeconomic scenarios for the purposes of estimating probability-weighted credit loss allowances;
- (iii) the determination of expected maturities of facilities, particularly in the case of International Corporates classified as Stage 2; and
- (iv) assessing if there has been a significant increase in credit risk, which comprise a combination of qualitative and quantitative criteria, as described in Note 1.5.

The PD, LGD and EAD models used for the measurement of credit loss allowances for the International Corporate Lending, Maltese Business Lending and Dutch Mortgage portfolio are developed by an external vendor, enabling the estimation of these three key risk parameters at a facility level using statistical models, mainly by benchmarking exposure-specific characteristics against an underlying dataset. Specifically, PDs and LGDs are developed on a name-by-name basis by reference to the default and loss history of comparable borrowers with similar characteristics in terms of size, industry and country of operations.

In this regard, the methodology together with the assumptions and parameterisation used in the calibration of the model are reviewed on a regular basis by management in order to ensure that the model output remains appropriate in view of the Group's observed default and credit loss history. A significant level of judgement is required in order to assess the continuing appropriateness and reasonableness of the PiT PDs and LGDs being determined by the statistical models. In this respect, it is noteworthy to mention that the Group's IFRS 9 model for determining PiT PDs is particularly sensitive to equity market data. As a result, given that equity prices are driven by factors unrelated to creditworthiness, a significant level of expert judgement is required to determine the reasonableness of ECL model outputs. As described in more detail in Note 2.2.7 of the financial statements, as at 31 December 2025 the Group did not resort to the application of overlays.

Similarly, significant judgement was also required in the modelling and selection of macroeconomic forecasts as well as in calibration of the severities and respective probability weights of macroeconomic scenarios used in the determination of ECLs. Judgement in this respect has been amplified by the heightened level of uncertainty triggered by the unprecedented economic and socio-political conditions being currently experienced across countries and industries. In this respect, a number of modelling assumptions are required, based on expert judgement, in order to form a view on the impact of the conflict between Russia and Ukraine and between Israel and Hamas on macroeconomic variables in specific countries and industries.

Hence, as at 31 December 2025, the development of multiple forward-looking macroeconomic scenarios taking into consideration all these variables represents a key element of estimation uncertainty in the measurement of credit loss allowances. In addition, as described in Note 2.2.7 of the financial statements, the Group ensures that the modelled macroeconomic forecasts provided by the external vendor that supplies the Group with the applicable modelled scenarios for the purposes of ECL modelling are aligned with the ECB staff macroeconomic projections published in December 2025.

In view of the high subjectivity involved in forecasting scenarios and the sensitivity of the ECL to the key changes in the number, selection and probability weightings applicable to the different scenarios, the Group has recalculated the ECL under the different scenarios both by applying a 100% weight to each scenario, as well as by re-calibrating the probability weights to scenario severities determined by the external vendor as in the preceding year, i.e. prior to any post-model adjustments. The effect of this uncertainty on the ECL outcome is disclosed in the sensitivity analysis of the measured credit loss allowances as at 31 December 2025 and 2024 presented in Note 2.2.7 of the financial statements.

The determination of expected maturities, which is particularly relevant for Stage 2 exposures within the International Corporate Lending portfolio, is based on behavioural maturity, reflecting management expectations on the exercise of prepayment options, based on borrowers' ability to refinance their debt in the open market. The level of subjectivity in determining expected maturities increases significantly when increased credit risk is experienced by such borrowers as it diminishes their refinancing abilities over the shorter term. In this context, management continues to monitor the expected maturities of borrowers in Stage 2 by reference to borrower specific information as well as by benchmarking the expected timing of future recoveries against actual outcomes to ensure that they remain appropriate.

The identification of SICR events, particularly in respect of the International Corporate Lending portfolio, requires significant judgement in order to assess the severity of the impact of significant events on the financial performance and financial condition of such borrowers. In this respect, during 2025 and 2024, increased reliance has continued to be made by the Group on its qualitative staging criteria, particularly through the introduction of caps on implied ratings and notch downgrades to ensure that borrower specific risks as at the end of the financial reporting period are captured in as timely a manner as possible.

3.3 Valuation of derivatives and hedge accounting

The level of management judgement required in establishing fair value of derivative financial instruments is limited for those instruments valued using valuation models which are standard across the industry and where all parameter inputs are quoted in active markets.

The level of subjectivity and degree of management judgement required is more significant for those derivative financial instruments valued using specialised and sophisticated models and where some or all of the parameter inputs are less liquid or less observable. Management judgement is required in the selection and application of appropriate parameters, assumptions and modelling techniques. Where no market data are available for a particular instrument then pricing inputs are determined by assessing other relevant sources of information such as historical data and making appropriate adjustment to reflect the actual instrument being valued and current market conditions. Further, some valuation adjustments may require the exercise of management judgement to achieve fair value.

Moreover, the accounting treatment of the hedging relationship and the effectiveness test is based on a number of assumptions that include amongst others the expected future early redemptions and renegotiations of the International Mortgage portfolios.

Financial assets and liabilities carried at fair value are required to be disclosed according to the inputs to the valuation method that are used to determine their fair value. Specifically, segmentation is required between those valued using valuation techniques based on observable parameters (level 2) and valuation techniques using significant unobservable parameters (level 3). Management judgement is required in determining the category to which certain instruments should be allocated. This specifically arises when the valuation is determined by a number of parameters, some of which are observable and others are not.

4. Balances with central banks and cash

	Group	
	2025	2024
	€000	€000
At amortised cost:		
Balances with Central Banks	272,563	206,868
Cash	2	2
	272,565	206,870

As at 31 December 2025, balances held with central banks include reserve deposits of the Group amounting to €38.1 million (2024: €35.4 million) relating to the Minimum Reserve Requirement in terms of Regulation (EC) No 1745/2003 of the ECB bearing interest at 0% per annum. Other balances with central banks held with the National Bank of Belgium amounting to €167.3 million (2024: €114.0 million) are subject to a positive interest rate of 2% (2024: positive interest rate of 3%) per annum. The remaining balances that are held with Central bank of Malta are subject to a positive interest rate of 2% per annum (2024: 3% per annum).

Balances with central banks in the preceding table are shown net of credit loss allowances amounting to €2 thousand as at 31 December 2025 (2024: €2 thousand).

5. Derivative financial instruments

The Group established derivative lines with counterparties to purchase foreign exchange swaps, interest rate swaps and other appropriate instruments approved for hedging risks.

The Group uses over-the-counter foreign exchange swaps to hedge its exposure to changes in foreign exchange rates. All foreign exchange swaps mature within 1 month (2024: 1 month) from the reporting date.

The Group uses over-the-counter interest rate swaps to hedge its exposure to interest rate risk emanating from a portfolio of international fixed-rate mortgages (see Note below – macro fair value hedging under the EU carve-out version of IAS 39). The gains on the related hedging instruments during the year ended 31 December 2025 were €32.8 million (2024: losses of €40.1 million). The losses on the hedged items arising during the year attributable to the hedged risk were €32.4 million (2024: gains of €39.8 million).

The Group also uses using over-the-counter interest rate swaps to hedge its exposure to interest rate risk emanating from a portfolio of fixed-rate corporate loans (see Note below – macro fair value hedging under the EU carve-out version of IAS 39). The gains on the related hedging instruments during the year ended 31 December 2025 were €0.2 million (2024: losses of €0.7 million). The losses on the hedged items arising during the year attributable to the hedged risk were €0.2 million (2024: gains of €0.7 million).

As from 2025, the Group used over-the-counter interest rate swaps to hedge its exposure to changes in the fair values of specific fixed rate securities attributable to changes in market interest rates (micro fair value hedging). Interest rate swaps were matched to fixed rate securities in designated fair value hedging transactions. The gains on the hedged items arising during the year ended 31 December 2025 attributable to the hedged risk were €0.1 million. The losses on the related hedging instruments for the Group during the year ended 31 December 2025 were €0.1 million.

Foreign exchange and interest rate swaps are commitments to exchange one set of cash flows for another, resulting in an economic exchange of currencies or interest rates (for example, fixed rate for floating rate).

	Group	
	2025	2024
	€000	€000
Derivative financial assets- fair value	185,928	175,310
Derivative financial liabilities- fair value	(11,204)	(32,681)

The Group applies fair value hedge accounting on micro level in which one hedged item is hedged with one or multiple hedging instruments as well as on macro level whereby a portfolio of items is hedged with multiple hedging instruments. For macro hedges of interest rate risk the Group applies the EU 'carve-out' version of IAS 39. The EU 'carve-out' rules for macro hedging enable a group of derivatives (or proportions) to be viewed in combination and jointly designated as the hedging instrument and remove some of the limitations in fair value hedge accounting relating to hedging net positions of loans and core deposits and under-hedging strategies. Thus, natural interest rate hedges are used in the first place, which is the interest rate risk associated with liabilities (e.g. retail funding, wholesale funding), to determine the net exposure. The remaining exposure is hedged in a portfolio hedge, using the EU 'carve-out' version of IAS 39, in which a portion of the lending portfolio is designated as a hedged item for hedge accounting purposes.

The Group applies the following types of hedge accounting:

Fair value hedges

Hedging the interest rate risk in respect of loans and advances to customers (macro hedge)

The first hedged portfolio comprises fixed-rate mortgages of MeDirect Belgium (refer to Note 7). The International mortgages portfolios have a fixed-rate interest period of more than 240 months. The second hedged portfolio comprises fixed-rate corporate lending of MeDirect Malta (refer to Note 7). These are corporate loans that have a fixed-rate interest period of more than 60 months.

The hedging instruments are interest rate swaps entered into as part of interest rate risk management in the Asset and Liability Management ('ALM') process. The risk being hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates. Effectiveness assessments are performed on a retrospective and a prospective basis, using the dollar offset method.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments;
- Different interest rate curves and the intra period movement of these curves applied to forecast and discount of the cash flows of the hedged item and hedging instruments; and
- Disparity between expected and actual prepayments (prepayment risk).

Hedging the interest rate risk in respect of fixed rate debt securities (micro hedge)

The hedged positions are fixed rate securities managed by the Treasury team.

The hedging instruments are interest rate swaps entered into as part of interest rate risk management in the Asset and Liability Management ('ALM') process. The risk being hedged is the risk of change in fair value of the portfolio attributable to movements in market interest rates. The interest rate risk on specific fixed-income investments held by MeDirect Malta (refer to Note 8), on an individual asset basis, is hedged by swapping the coupon to a floating interest rate using interest rate swaps. The country or credit spread is not hedged. Effectiveness assessments are performed on a retrospective and a prospective basis, using the dollar offset method.

Hedge ineffectiveness can arise from:

- Differences in timing of cash flows of hedged items and hedging instruments; and
- Different interest rate curves and the intra period movement of these curves applied to forecast and discount of the cash flows of the hedged item and hedging instruments.

The fair values of the held for trading derivatives and derivatives designated as hedging instruments in fair value hedges together with the related notional amounts, distinguishing between micro hedges and macro hedges for the purposes of hedge accounting, are as follows:

	Group			
	Notional	Fair value	Notional	Fair value
	2025	2025	2024	2024
	€000	€000	€000	€000
Derivatives held for trading – Assets				
Instrument type:				
- Foreign exchange swaps	47,322	184	54,704	396
- Other derivative financial instruments		-		511
		<u>184</u>		<u>907</u>
Derivatives held for trading – Liabilities				
Instrument type:				
- Foreign exchange swaps	36,196	(236)	16,996	(165)
		<u>(236)</u>		<u>(165)</u>
Net derivatives held for trading		<u>(52)</u>		<u>742</u>
Derivatives designated as hedging instruments in fair value hedges – Assets				
Instrument type:				
- Interest rate swaps maturing in				
More than one year and less than five years				
- Macro hedges	816,582	32,838	705,173	25,312
More than five years				
- Macro hedges	1,224,468	152,906	1,044,727	149,091
		<u>185,744</u>		<u>174,403</u>
Derivatives designated as hedging instruments in fair value hedges – Liabilities				
Instrument type:				
- Interest rate swaps maturing in				
More than one year and less than five years				
- Macro hedges	76,932	(5,728)	1,170,550	(9,568)
More than five years				
- Micro hedges	20,000	(107)	-	-
- Macro hedges	277,050	(5,133)	401,500	(22,948)
		<u>(10,968)</u>		<u>(32,516)</u>
Net derivatives designated as hedging instruments in fair value hedges		<u>174,776</u>		<u>141,887</u>

The carrying amounts and the accumulated basis adjustment for the International Mortgage portfolios and the Maltese Business Lending portfolio are respectively included in the statement of financial position within Loans and advances to customers and accordingly disclosed in note 7.

The accumulated negative basis adjustment within loans and advances to customers amounting to €174.6 million (2024: negative basis adjustment amounting to €142.2 million) also includes the accumulated unamortised fair value hedge adjustments of €0.5 million (2024: €0.1 million) related to hedges within the International Mortgage portfolios that have been discontinued and are now amortised. There has been no such case within the Maltese Business Lending hedges.

The carrying amounts for the fixed-income investments are respectively included in the statement of financial position within Investments - Securities portfolio and accordingly disclosed in note 8.

6. Loans and advances to financial institutions

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
At amortised cost:				
Repayable on call and at short notice	245,688	284,167	156	224
Term loans and advances	83,473	32,236	-	-
	329,161	316,403	156	224

As at 31 December 2025, €150.7 million (2024: €205.5 million) of the Group's loans and advances to financial institutions were pledged as collateral, most of which were in relation to the funding of the purchase of Dutch mortgages amounting to €140.4 million (2024: €197.1 million) and in relation to the funding of the purchase of Belgium mortgages amounting to €10.3 million (2024: €8.4 million).

Besides the above, the Group has amounts of €74.5 million (2024: €23.7 million) that are held for the purposes of margin requirements on hedging instruments attributable to the Dutch Mortgage lending business, and are hence considered encumbered.

As at 31 December 2025, other loans and advances to financial institutions of the Group amounting to €4.6 million (2024: €14.7 million) were encumbered, most of which were pledged in favour of Eurex Clearing AG in relation to clearing of derivative financial instruments. In addition, loans and advances to financial institutions of the Group also include €5.3 million (2024: €5.3 million) in the form of cash that has been contributed to a derivatives clearing fund held by Eurex Clearing AG, of which the Group is a member. The clearing fund protects members against losses until they leave the clearing fund.

Loans and advances to financial institutions as at 31 December 2025 and 2024 were neither past due nor credit-impaired and no forbearance measures were applied by the Group in this respect. In addition, loans and advances to financial institutions in the preceding table are shown net of credit loss allowances amounting to €1 thousand as at 31 December 2025 and 2024.

7. Loans and advances to customers

	Group	
	2025	2024
	€000	€000
International Corporate Lending portfolio		
- Term loans and advances: corporate	26,458	221,366
Dutch Mortgage portfolio		
- Term loans and advances: retail	2,266,097	2,206,207
Belgian Mortgage portfolio		
- Term loans and advances: retail	541,482	366,799
IFRS basis adjustment - International mortgage portfolio	(174,573)	(142,246)
Maltese Business Lending portfolio		
- Repayable on call and short notice: corporate	1,833	3,514
- Term loans and advances: corporate	208,228	151,681
IFRS basis adjustment - Maltese Business Lending portfolio	519	686
Maltese Mortgage portfolio		
- Term loans and advances: retail	151,707	129,606
Consumer Finance receivables	11,040	4,804
Gross loans and advances to customers	3,032,791	2,942,417
Less: Credit loss allowances	(9,397)	(14,942)
	3,023,394	2,927,475

Group	Allowance booked under										
			Stage 1		Stage 2		Stage 3	POCI		Total	
	2025	2024	2025	2024	2025	2024	2025	2024	2025	2024	
	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000	
Credit loss allowances:											
- International Corporate Lending	-	(684)	(351)	(489)	(4,603)	(11,211)	-	(223)	(4,954)	(12,607)	
- Dutch Mortgage portfolio	(113)	(114)	(246)	(120)	(52)	(17)	-	-	(411)	(251)	
- Belgian Mortgage portfolio	(388)	(284)	(83)	(86)	(527)	(184)	-	-	(998)	(554)	
- Maltese Business Lending portfolio	(356)	(357)	(13)	-	(756)	(765)	-	-	(1,125)	(1,122)	
- Maltese Mortgage portfolio	(315)	(332)	(2)	-	(23)	-	-	-	(340)	(332)	
- Consumer Finance receivables	(21)	(10)	(9)	(3)	(1,539)	(63)	-	-	(1,569)	(76)	
	(1,193)	(1,781)	(704)	(698)	(7,500)	(12,240)	-	(223)	(9,397)	(14,942)	

The negative fair value/basis adjustment amounting to €174.6 million (2024: negative fair value/basis adjustment amounting to €142.2 million) is attributable to interest rate swaps entered into as part of the interest rate risk on the International Mortgage portfolio management in the ALM process to hedge the risk of change in fair value of the portfolio attributable to movements in market interest rates (refer to Note 5). The movement led to losses on hedged items attributable to the hedged risk amounting to €32.4 million (2024: gains of €39.8 million) as disclosed in Note 25 to these financial statements.

As at 31 December 2025, the positive fair value/basis adjustment amounting to €0.5 million (2024: positive fair value/basis adjustment amounting to €0.7 million) is attributable to interest rate swaps entered into as part of the interest rate risk on the Maltese Business Lending portfolio management in the ALM process to hedge the risk of change in fair value of the portfolio attributable to movements in market interest rates (refer to Note 5). The movement led to losses on hedged items attributable to the hedged risk amounting to €0.2 million (2024: gains of €0.7 million) as disclosed in Note 25 to these financial statements.

As disclosed in further detail in Note 20, as at 31 December 2025, Dutch retail mortgages amounting to €1,542.0 million (2024: €1,140.3 million) have been securitised through three (2024: three) Residential Mortgage-Backed Security ("RMBS") transactions. As risks and rewards were deemed to have been retained by MeDirect Belgium, as at 31 December 2025 and 2024, these were recognised on the Group's statement of financial position.

The Group's Dutch Mortgage portfolio in the preceding table mainly consist of Dutch retail residential mortgages with the exception of buy-to-let mortgages amounting to €248.3 million as at 31 December 2025 (2024: €173.5 million).

Loans and advances relating to exposures within the International Corporate Lending portfolio amounting to €8.8 million have been written off during the financial year (2024: €18.5 million). As at 31 December 2024, credit loss allowances amounting to €8.2 relating to such write-offs have been released to profit or loss.

As at 31 December 2024, the Group derecognised loans and advances to three European corporations with a gross carrying amount of €38.0 million as a result of restructuring procedures. As at the date of restructuring, credit loss allowances recognised in respect of these financial instruments amounted to €8.2 million. These financial instruments were replaced by new loans and advances to customers with a gross carrying amount of €36.8 million (2024: €36.8 million) that were classified as hold to collect financial assets measured at amortised cost on initial recognition. The holding of the new loans and advances to customers represent the continuing interaction with these customers.

The cash value of unutilised borrowing facilities (headroom) of the Group as at 31 December 2025 which are secured by the investment securities referred to above amounted to €849.0 million (2024: €649.8 million).

As at 31 December 2025, MeDirect Malta also had a repo facility, covered by a global master repurchase agreement, whereby a financial institution makes available to MeDirect Malta a committed repo facility up to a maximum facility size of €40.0 million.

As at 31 December 2025 and 2024, an amount of €3.9 million (2024: €3.9 million) in the form of High-Quality Liquid Assets have been contributed by MeDirect Malta to a derivatives clearing fund held by Eurex Clearing AG, of which MeDirect Malta is a member. The clearing fund protects members against losses until they leave the clearing fund.

As at 31 December 2025, an amount of €43.5 million (2024: €43.5 million) in the form of High-Quality Liquid Assets were also contributed to Eurex Clearing AG to cover for daily margining.

Furthermore, as at 31 December 2025, MeDirect Malta also held €5.5 million (2024: €5.5 million) in the form of High Quality Liquid Assets with Saxo Bank as collateral for trading purposes.

Investment securities with a nominal value of €70.2 million (2024: €75.2 million) and a carrying amount of €70.4 million (2024: €75.3 million) are also pledged as part of the cooperation with the Blauwtrust Groep to access their multi-investor platform to purchase newly originated Dutch mortgages.

As at 31 December 2025, investment securities held by the Group with a nominal value of €2.6 million (2024: €2.2 million) and a fair value of €2.6 million (2024: €2.1 million) were pledged as a “payment commitment” in favour of the Maltese Depositor Compensation Scheme (DCS).

The interest rate risk on specific fixed-income investments (refer to Note 5), on an individual asset basis, is hedged by swapping the coupon to a floating interest rate using interest rate swaps. The country or credit spread was not hedged. The hedges provide protection for changes in fair value of the relevant fixed-income investments attributable to movements in market interest rates. Effectiveness assessments are performed on a retrospective and a prospective basis, using the dollar offset method. As at 31 December 2025, the interest rate risk on specific fixed-income investments held by the Group with a carrying amount of €19.9 million was hedged by swapping the coupon to a floating interest rate using interest rate swaps. This included a positive fair value/basis adjustment amounting to €0.1 million.

As at 31 December 2025 and 2024, the Group had no commitment to purchase further investment securities.

Securitisation Investment portfolio

	Group	
	2025	2024
	€000	€000
Investments measured at amortised cost		
- Debt and other fixed income securities	392,099	514,720
- Less: Credit loss allowances	(39)	(51)
	392,060	514,669

Group	Measured at amortised cost		Measured at fair value through profit or loss	
	2025	2024	2025	2024
	€000	€000	€000	€000
Year ended 31 December				
At beginning of year	514,669	609,688	-	1,018
Additions	-	37,500	-	-
Redemptions	(121,061)	(131,404)	-	(893)
Amortisation of premium/discount	146	79	-	-
Changes in fair value	-	-	-	(125)
Movement in accrued interest	(1,706)	(1,325)	-	-
Movement in credit loss allowances	12	131	-	-
At end of year	392,060	514,669	-	-

These investments represent portions in CLO transactions corresponding to tranches with the highest credit rating in such CLO structures which are managed by third party entities, that are listed on recognised exchanges but not centrally traded. The underlying assets for these CLO transactions are leveraged loans, predominantly senior secured leveraged loans, and high yield corporate bonds. As at 31 December 2025, positions with a nominal value of €389.7 million (2024: €510.6 million) are held in a 'hold to collect' business model and measured at amortised cost.

As at 31 December 2025 and 2024, the Group had pledged €123.7 million of the CLO transactions in favour of third parties in collateral upgrade transactions, where the Group instead received liquid assets €105.0 million as described in LCR Delegated Act (Commission Delegated Regulation (EU) 2015/61).

Reclassification of investments

In June 2022, the Group changed the business model for managing those investments within the Securities and Securitisation Investments portfolios that were originally deemed to be “Hold to collect and sell” and therefore were measured at fair value through other comprehensive income.

The change in business model was attributable to the fact that the first half of 2022 represented the end of the diversification from the international corporate lending business to the Dutch, Belgian and Maltese mortgages business. As a result, on 1 July 2022 these investments of the Group and Bank with a carrying amount of €919.5 million and €272.4 million respectively were reclassified out of the fair value through other comprehensive income measurement category and into the amortised cost measurement category, at an amortised cost of €950.9 million and €280.8 million respectively.

As at 31 December 2025, the Investments - Securities portfolio and the Investments - Securitisation portfolio included investments with a carrying amount of €201.7 million and €287.2 million respectively (2024: €227.4 million and €343.0 million) that were part of this reclassification that took place on 1 July 2022. The fair value of these investments as at 31 December 2025 was equivalent to €199.4 million for the investments in the Securities portfolio and €287.1 million for the investments in the Securitisation portfolio (2024: €220.7 million and €341.9 million respectively). If these investments had not been reclassified out of the fair value through other comprehensive income category so that they are measured at amortised cost, during the period between 1 July 2022 and 31 December 2025 fair value gains would have been recognised in other comprehensive income for the investments in the Securities portfolio equivalent to €9.2 million and fair value gains would have been recognised in other comprehensive income for the investments in the Securitisation portfolio equivalent to €13.4 million (2024: fair value gains of €5.4 million and fair value gains of €14.1 million respectively).

Asset-Backed Securitisation Investment portfolio

	Group	
	2025	2024
	€000	€000
Investments measured at amortised cost		
- Debt and other fixed income securities	159,093	145,380
- Less: Credit loss allowances	(99)	(95)
	<u>158,994</u>	<u>145,285</u>
Year ended 31 December		
At beginning of year	145,285	-
Additions	35,521	144,954
Redemptions	(21,666)	-
Amortisation of premium/discount	(10)	-
Movement in accrued interest	(132)	426
Movement in credit loss allowances	(4)	(95)
At end of year	<u>158,994</u>	<u>145,285</u>

The Group's Asset-Backed Securitisation Investment portfolio consists of investments in 'AAA' rated Class A notes of securitisation transactions (ABS / RMBS) of consumer finance, auto loans and mortgage loans receivables from Dutch and German markets.

9. Investment in subsidiaries

Name of subsidiary	Country of incorporation/ formation	Nature of business	Equity interest	
			2025	2024
			%	%
MeDirect Bank (Malta) plc	Malta	Banking	100	100
			Company	
			2025	2024
			€000	€000
Year ended 31 December				
At beginning of year			248,672	254,538
Additional shareholders' contributions			40,000	-
Share of results and reserves			(7,836)	(5,866)
At end of year			<u>280,836</u>	<u>248,672</u>
At 31 December				
Cost			130,914	130,914
Shareholders' contribution			173,196	133,196
Share of results and reserves			(23,274)	(15,438)
Net book amount			<u>280,836</u>	<u>248,672</u>

MeDirect Malta owns the following subsidiaries:

Name of subsidiary	Country of incorporation/ formation	Nature of business	Equity interest	
			2025	2024
			%	%
MeDirect Bank SA	Belgium	Banking	100	100
MeDirect Tech Limited	Malta	Leases of software and equipment	100	100
Medifin Estates (partnership)	Malta	Operating lease of offices	<u>100</u>	<u>100</u>

MeDirect Belgium was incorporated on 16 June 2014 and was authorised as a Belgian credit institution on 1 June 2015. MeDirect Belgium's principal activities comprise those of offering competitive and cost-effective savings and wealth management products to the Belgian retail market and the financing of Dutch and Belgian mortgages, including RMBS transactions. On 30 September 2025, MeDirect Malta injected a further €29.4 million into MeDirect Belgium.

MeDirect Tech Limited was incorporated on 20 July 2011 and its principal activities comprise those of leasing out property, equipment and intangible assets (predominantly software) and providing related support services to MeDirect Malta and MeDirect Belgium.

Medifin Estates is a partnership set up on 5 June 2012. This partnership enters into certain operating leases for property to be used as offices and branches which are then leased to MeDirect Malta.

10. Property and equipment

Group	Improvements to premises	Computer equipment	Other equipment	Fixtures and fittings	Motor vehicles	Right-of-use assets	Total
	€000	€000	€000	€000	€000	€000	€000
As at 1 January 2024							
Cost	432	4,548	165	1,239	80	10,275	16,739
Accumulated depreciation	(266)	(3,241)	(129)	(627)	(36)	(6,349)	(10,648)
Net book amount	166	1,307	36	612	44	3,926	6,091
Year ended 31 December 2024							
At beginning of year	166	1,307	36	612	44	3,926	6,091
Additions	43	392	8	21	-	-	464
Disposals	-	(92)	-	-	-	-	(92)
Depreciation for the year	(51)	(612)	(18)	(155)	(16)	(1,039)	(1,891)
Depreciation released on disposals	-	52	-	-	-	-	52
At end of year	158	1,047	26	478	28	2,887	4,624
As at 31 December 2024							
Cost	475	4,848	173	1,260	80	10,275	17,111
Accumulated depreciation	(317)	(3,801)	(147)	(782)	(52)	(7,388)	(12,487)
Net book amount	158	1,047	26	478	28	2,887	4,624
Year ended 31 December 2025							
At beginning of year	158	1,047	26	478	28	2,887	4,624
Additions	-	102	2	-	-	-	104
Modification of lease	-	-	-	-	-	(612)	(612)
Disposals	-	(255)	-	-	-	-	(255)
Write-off	(96)	-	(8)	(112)	-	-	(216)
Depreciation for the year	(53)	(459)	(12)	(154)	(16)	(906)	(1,600)
Depreciation released on write-off	58	-	3	-	-	-	61
Depreciation released on disposals	-	247	-	78	-	-	325
At end of year	67	682	11	290	12	1,369	2,431
As at 31 December 2025							
Cost	379	4,695	167	1,148	80	9,663	16,132
Accumulated depreciation	(312)	(4,013)	(156)	(858)	(68)	(8,294)	(13,701)
Net book amount	67	682	11	290	12	1,369	2,431

The fair value of property, plant and equipment is estimated by the Directors to approximate the carrying amount.

As at 31 December 2025 and 2024 the Group operated from four (2024: five) immovable properties which are held under lease agreements.

The right-of-use assets disclosed in the preceding table reflect the following assets relating to leases:

	Group	
	2025	2024
	€000	€000
Premises	1,369	2,887

The movement in the carrying amount of right-of-use assets is analysed in the following table:

	Group			
	Premises	Computer equipment	Other equipment	Total
	€000	€000	€000	€000
As at 1 January 2024				
Cost	9,409	796	70	10,275
Accumulated depreciation	(5,483)	(796)	(70)	(6,349)
Net book amount	3,926	-	-	3,926
Year ended 31 December 2024				
At beginning of year	3,926	-	-	3,926
Depreciation for the year	(1,039)	-	-	(1,039)
At end of the year	2,887	-	-	2,887
As at 31 December 2024				
Cost	9,409	796	70	10,275
Accumulated depreciation	(6,522)	(796)	(70)	(7,388)
Net book amount	2,887	-	-	2,887
Year ended 31 December 2025				
At beginning of year	2,887	-	-	2,887
Modification of lease	(612)	-	-	(612)
Depreciation for the year	(906)	-	-	(906)
At end of the year	1,369	-	-	1,369
As at 31 December 2025				
Cost	8,797	796	70	9,663
Accumulated depreciation	(7,428)	(796)	(70)	(8,294)
Net book amount	1,369	-	-	1,369

The relevant lease liabilities are disclosed and analysed in Note 24 to these financial statements.

There were no capitalised borrowing costs related to the acquisition of property and equipment during the year (2024: nil).

11. Intangible assets

Group	Goodwill	Computer software	Right-of-use assets	Customer list	Trademarks	Total
	€000	€000	€000	€000	€000	€000
As at 1 January 2024						
Cost	461	30,014	4,108	474	-	35,057
Accumulated amortisation	-	(14,059)	(4,108)	(474)	-	(18,641)
Net book amount	461	15,955	-	-	-	16,416
Year ended 31 December 2024						
At beginning of year	461	15,955	-	-	-	16,416
Additions	-	3,918	-	-	590	4,508
Modification of lease	-	(247)	-	-	-	(247)
Amortisation and impairment charges for the year	-	(3,808)	-	-	(42)	(3,850)
At end of year	461	15,818	-	-	548	16,827
As at 31 December 2024						
Cost	461	33,685	4,108	474	590	39,318
Accumulated amortisation	-	(17,867)	(4,108)	(474)	(42)	(22,491)
Net book amount	461	15,818	-	-	548	16,827
Year ended 31 December 2025						
At beginning of year	461	15,818	-	-	548	16,827
Additions	-	3,931	-	-	-	3,931
Write-off	-	(101)	-	-	-	(101)
Amortisation and impairment charges for the year	-	(3,785)	-	-	(548)	(4,333)
At end of year	461	15,863	-	-	-	16,324
As at 31 December 2025						
Cost	461	37,515	4,108	474	590	43,148
Accumulated amortisation	-	(21,652)	(4,108)	(474)	(590)	(26,824)
Net book amount	461	15,863	-	-	-	16,324

The right-of-use assets reflected in the preceding table related to leased computer software. The relevant lease liabilities are disclosed and analysed in Note 24 to these financial statements.

As at 31 December 2025, internally generated software included within Computer software in the table above amounted to €9.7 million (2024: €9.3 million). Capitalised staff costs in respect of the financial year ended 31 December 2025, included within "Additions" to Computer software in the table above amounted to €3.0 million (2024: €3.3 million). Meanwhile, amortisation recognised during the year in respect of internally generated software amounts to €2.6 million (2024: €2 million).

Amortisation of amounts capitalised by the Group of €3.1 million (2024: €2.6 million) had not yet commenced by the end of the reporting year.

Impairment charges recognised during the year in respect of such assets, reflected in the tables above, are deemed insignificant and accordingly no further disclosures were presented in this respect.

There were no capitalised borrowing costs related to the acquisition of software during the year (2024: nil).
Impairment assessment on goodwill arising on the acquisition of Wealth Management business in prior years

The recoverable amount attributable to the wealth management business acquired in prior years was based on its value in use and was determined by discounting the future cash flows to be generated from its continuing operations taking into account synergies as well as the enhanced client platform. The recoverable amount was determined to be higher than the carrying amount (consisting of the net assets and goodwill). As a result, no impairment was deemed necessary. Further disclosures in this respect, including information on assumptions used in the collection of recoverable amounts, were not deemed necessary taking cognisance of the carrying amount of goodwill.

12. Non-current assets held for sale

A property that had been acquired in satisfaction of debt was reclassified to investment property in 2024, as it formed an integral part of an investment property acquired in the course of the 2024.

	Group	
	2025	2024
	€000	€000
Year ended 31 December		
At beginning of year	-	1,785
Reclassification to investment property (Note 13)	-	(1,785)
At end of year	-	-

Property acquired in satisfaction of debt consisted of immovable property that had been pledged as collateral by customers and are made available for sale in an orderly fashion. The Group does not generally occupy such properties for its business use.

13. Investment property

The Group's investment property consisted of a property in Malta comprising both commercial and residential units. During the financial year ended 31 December 2024, the Group acquired an investment property through a court auction as settlement of debt. Additionally, part of the same building already owned by MeDirect Malta and previously classified as non-current assets held for sale, was reclassified as an investment property, as at 31 December 2024, as both properties were intended to be held for long-term rental income and capital appreciation.

	Group	
	2025	2024
	€000	€000
Year ended 31 December		
At beginning of year	17,042	-
Additions	-	15,257
Disposals	(16,840)	-
Depreciation	(202)	-
Reclassification from non-current assets held for sale (Note 12)	-	1,785
At end of year	-	17,042

The Group accounted for its investment properties at historic cost less depreciation in line with IAS 40. During the financial year ended 31 December 2025, the Group recognised rental income of €0.8 million from the property, whereas the direct operating expenses incurred in relation to this property amounted to €0.3 million. This property was disposed of in 2025.

14. Deferred tax assets and liabilities

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Deferred tax assets	17,730	17,512	-	-
Deferred tax liabilities	-	(196)	-	-

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Property and equipment	(983)	(1,075)	-	-
Derivative financial instruments	-	(95)	-	-
Unutilised wear and tear allowances	26	-	-	-
Unutilised tax losses	11,702	14,555	-	-
Unutilised notional interest deduction	145	-	-	-
Credit loss allowances	2,892	4,458	-	-
Taxation in overseas jurisdictions	3,948	(527)	-	-
	17,730	17,316	-	-

Deferred tax assets and liabilities amounting to €1.0 million (2024: €1.5 million) were offset as there is a legally enforceable right to offset current tax assets against current tax liabilities and the deferred income taxes relate to the same fiscal authority.

Deferred taxes are calculated on all temporary differences under the liability method and are measured 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 (and tax laws) that have been substantively enacted by the end of the reporting period. The principal tax rates used are 35% (2024: 35%) in relation to the Maltese jurisdiction and 25% (2024: 25%) in respect of the Belgian fiscal authority.

Under notional interest deduction rules for Maltese corporate income tax purposes, Maltese entities may claim a deduction of notional interest computed by reference to risk capital and a benchmark interest rate.

Excess notional interest deduction in Malta which cannot be utilised against chargeable income for the respective financial year can be carried forward and added to the notional interest deduction for the following financial year. Unutilised notional interest deduction does not have an expiry date. A deferred tax asset is recognised in respect of unutilised notional interest deduction only to the extent that it is probable that sufficient future taxable profits will be available against which the unutilised deduction can be used.

Movements in deferred tax during the year:

Group	At beginning of	Recognised	At end of year
	year	in profit or loss	
	€000	€000	€000
Year ended 31 December 2025			
Property and equipment	(1,075)	92	(983)
Derivative financial instruments	(95)	95	-
Unutilised wear and tear allowances	-	26	26
Unutilised tax losses	14,555	(2,853)	11,702
Unutilised notional interest deduction	-	145	145
Credit loss allowances	4,458	(1,566)	2,892
Taxation in overseas jurisdictions	(527)	4,475	3,948
	17,316	414	17,730

Group	At beginning of	Recognised	At end of year
	year	in profit or loss	
	€000	€000	€000
Year ended 31 December 2024			
Property and equipment	(1,036)	(39)	(1,075)
Investments measured at fair value through profit or loss	132	(132)	-
Derivative financial instruments	(95)	-	(95)
Unutilised tax losses	12,340	2,215	14,555
Unutilised notional interest deduction	77	(77)	-
Credit loss allowances	6,026	(1,568)	4,458
Taxation in overseas jurisdictions	(261)	(266)	(527)
	17,183	133	17,316

As at 31 December 2025, deferred tax assets attributable to MeDirect Malta are equivalent to €9.9 million (2024: €9.9 million), while deferred tax assets attributable to MeDirect Belgium are equivalent to €7.8 million (2024: €7.4 million).

The recognised deferred tax assets as at 31 December 2025 are expected to be recovered or settled principally after more than 12 months from the end of the reporting period. Unutilised tax losses and unutilised notional interest deduction have no expiry date and can be carried forward indefinitely.

The following table provide an analysis of the underlying amounts on which deferred tax assets were not recognised by the Group and the Company as deferred income tax assets are recognised only to the extent that it is probable that future taxable profits will be available against which the temporary differences can be utilised.

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Property and equipment	9,084	5,142	-	-
Unutilised tax losses	50,892	49,027	-	-
Unutilised notional interest deduction	164,438	135,257	18,011	16,900
	224,414	189,426	18,011	16,900

15. Prepayments and accrued income

	Group	
	2025	2024
	€000	€000
Prepayments	5,678	3,510
Accrued income	2,670	1,455
	8,348	4,965

16. Other assets

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Amounts receivable from:				
- subsidiary companies	-	-	11,915	12,994
Dividend related refund	350	584	-	-
Deferred customer contract costs	1,138	1,132	-	-
Other receivables	2,769	1,501	-	-
Other assets	34,750	23,359	21	25
	39,007	26,576	11,936	13,019

As at 31 December 2025, the amounts receivable from subsidiary companies comprise a callable loan granted by MDB Group Limited to MeDirect Malta amounting to €11.9 million (2024: €11.7 million) which is due on 10 February 2031, the terms of which mirror those of the subordinated notes issued by MDB Group Limited on the Global Exchange Market of Euronext Dublin. As a result, the loan bears a fixed interest rate of 9.75% per annum until 10 February 2026 and thereafter will bear interest at a fixed rate which will be set by an Agent Bank on 10 February 2026.

Other amounts receivable from subsidiary companies as at 31 December 2025 and 2024 are unsecured, interest free and repayable on demand.

As at 31 December 2025, the Group's 'other assets' includes balances amounting to €19.5 million (2024: €16.9 million) held with a third-party mortgage originator in the Netherlands until the relevant NHG eligibility criteria for specific loan applications relating to the Dutch Mortgage portfolio are fulfilled in the future.

As at 31 December 2025, the Group's 'other assets' includes balances amounting to €2.6 million (2024: €3.8 million) held with a third-party mortgage originator in Belgium until the relevant criteria for specific loan applications relating to the Belgian Mortgage portfolio are fulfilled in the future.

As at 31 December 2025, 'other assets' include an amount of €0.8 million (2024: €0.8 million) placed in an account held in respect of the Single Resolution Fund as an Irrevocable Payment Commitment ('IPC') in terms of the Recovery and Resolution Regulations. No further Irrevocable Payment Commitments were made in the financial year ended 31 December 2025 and 2024.

None of these assets are deemed credit-impaired at 31 December 2025 and 2024 and expected credit losses in relation to such balances were deemed to be insignificant.

17. Capital and reserves

	Group and Company	
	2025	2024
	€	€
Authorised:		
Ordinary shares of €1 each	100,000,000	-
Ordinary 'A' shares of €1 each	-	99,999,999
Ordinary 'B' shares of €1 each	-	1
	<u>100,000,000</u>	<u>100,000,000</u>
Issued and fully paid up:		
Ordinary shares of €1 each	56,406,547	-
Ordinary 'A' shares of €1 each	-	56,406,546
Ordinary 'B' shares of €1 each	-	1
	<u>56,406,547</u>	<u>56,406,547</u>

As at 31 December 2025 and 2024, issued share capital is stated net of share issue expenses amounting to €0.7 million.

Rights and entitlements attached to ordinary shares

The holders of Ordinary 'A' shares were entitled to receive dividends as declared from time to time and were entitled to one vote per share at general meetings of the Company. Ordinary 'B' shareholders were not entitled to vote and did not carry any dividend entitlement. The holders of the Ordinary 'A' shares and the holders of the Ordinary 'B' shares were entitled to receive notice of general meetings of the Company. In 2025, the Company became a single member company and as a result the classification of ordinary shares was no longer required.

Share premium

Share premium as at the reporting date represents the amounts paid up by the Company's shareholders in capital issues in excess of the par value. As at 31 December 2025, the share premium amounts to €13.8 million (2024: €13.8 million).

Shareholders' contributions

By virtue of board resolutions dated 19 September 2025 and 24 September 2025, the Company accepted capital contributions from Banka CREDITAS amounting to €39.2 million and €0.8 million respectively. The amount credited to the Group's and Company's shareholders' contribution is net of €2.9 million and €2.7 million respectively in relation to transaction costs associated with these shareholder contributions.

The terms and conditions of the contributions granted render these instruments equity in nature in accordance with the requirements of IAS 32: Financial Instruments – Presentation:

- The Company has no obligation to bear any servicing cost or transfer any economic benefits of any kind to the Contributor or any other person in return; and
- The Company has no obligation to repay the contributions.

The contributions are also eligible as own funds in terms of the Capital Requirements Regulation.

Other reserves

On 6 May 2015, the Group entered into an agreement to acquire the remaining 35% shareholding of Charts Investment Management Service Ltd for a cash consideration of €1.7 million. The subsidiary was principally engaged in providing stockbroking and corporate finance services and other authorised investment services. As a result of the acquisition of the noncontrolling interest, during the financial year ended 31 March 2016, the carrying amount of the non-controlling interest of €0.4 million has been derecognised. The difference between consideration and the carrying amount of the non-controlling interest has been reflected as an adjustment to equity.

As at 31 December 2025, other reserves also comprises of a legal reserve amounting to €2.1 million (2024: €0.9 million) that is required to be maintained by MeDirect Belgium in line with Article 7:211 of the Belgian Companies Code which requires MeDirect Belgium to assign at least 5% of MeDirect Belgium's net profits to the legal reserve until such legal reserve amounts to 10% of MeDirect Belgium share capital.

All reserves at the reporting date, except for the Group's retained earnings and shareholders' contributions, are non-distributable.

Dividends

The directors of the Company do not propose any final dividends for distribution.

18. Amounts owed to financial institutions

	Group	
	2025	2024
	€000	€000
Term deposits	209,583	179,570
Other	231	207
	<u>209,814</u>	<u>179,777</u>

As at 31 December 2025, amounts owed to financial institutions amounting to €31.5 million (2024: €32.4 million) included in terms deposits and consisting of repos are secured by a pledge over the Group's investments (refer to Note 8).

19. Amounts owed to customers

	Group	
	2025	2024
	€000	€000
Repayable on call and at short notice	3,486,573	3,013,695
Term deposits	652,447	865,007
	<u>4,139,020</u>	<u>3,878,702</u>

As at 31 December 2024, amounts owed to customers of the Group included amounts due to Medifin Investments Limited, the ultimate parent company of the Group up till 9 September 2025 (see Note 40), amounting to €0.6 million and amounts due to Medifin Finance Limited, the immediate parent company up till 9 September 2025 (see note 40), amounting to €3 thousand.

As at 31 December 2024, amounts due to ultimate parent company and immediate parent company were unsecured, interest free and repayable on demand.

20. Debt securities in issue

	Group	
	2025	2024
	€000	€000
Year ended 31 December		
At beginning of year	641,673	916,747
Amortisation of premium recognised in profit or loss	(811)	7,375
Amortisation of issue costs recognised in profit or loss	496	(7,222)
Movement in accrued interest	(830)	(3,178)
Repurchase	-	(272,049)
Redemptions	(38,131)	-
At end of year	<u>602,397</u>	<u>641,673</u>
As at 31 December		
Original face value of notes issued	600,587	638,718
Unamortised note premium	656	1,467
Unamortised note issue costs	(737)	(1,233)
Accrued interest expense	1,891	2,721
Net carrying amount	<u>602,397</u>	<u>641,673</u>
As at 31 December		
Bastion 2021-1 NHG B.V.	283,437	297,689
Bastion 2022-1 NHG B.V.	318,960	343,984
Net carrying amount	<u>602,397</u>	<u>641,673</u>

Bastion 2020-1 NHG B.V.

By virtue of a base prospectus dated May 2020, MeDirect Belgium had successfully securitised part of its Dutch retail mortgage portfolio raising €350.0 million through a RMBS transaction, listed on Luxembourg Stock Exchange. As part of the transaction the mortgage portfolio was sold to Bastion 2020-1, a special purpose securitisation vehicle established in the Netherlands, which was controlled by MeDirect Belgium.

This RMBS was subject to interest of 0.60% per annum above 3-month Euribor (including floor at 0%) up to the first optional redemption date, and interest of 1.00% per annum above 3-month Euribor (including floor at 0%) from the first optional redemption date being April 2025, payable quarterly. All bonds were redeemable at par and were to become due for final redemption in April 2057, however, MeDirect Belgium exercised its right to redeem the bond in the first optional redemption date as specified in the base prospectus.

An institutional investor had acquired the Class A notes of the RMBS equivalent to €350.0 million, that had a senior ranking vis-à-vis all the junior tranches retained by MeDirect Belgium. MeDirect retained substantially all risks and rewards of the underlying securitised Dutch government-backed mortgage portfolio and accordingly controlled Bastion 2020-1. As a result, the mortgage portfolio, the senior notes of Bastion 2020-1 held by the institutional investor and related income and expenditure were reflected in the Group's financial statements.

During the financial year ending 31 December 2024, MeDirect Belgium repurchased €273.0 million of Class A notes of Bastion 2020-1 from the institutional investor. As at 31 December 2024, these Class A notes were held by MeDirect Belgium.

On the first optional redemption date at the end of April 2025, MeDirect Belgium fully redeemed the remaining outstanding notes of its first RMBS transaction, Bastion 2020-1 NHG, equivalent to €278.8 million. In December 2025, Bastion 2020-1 NHG B.V. was placed into liquidation.

Bastion 2021-1 NHG B.V.

In January 2021, MeDirect Belgium securitised a further part of its Dutch retail mortgages portfolio through a RMBS transaction listed on Luxembourg Stock Exchange, whereby a principal amount of €414.0 million of the Dutch Mortgage portfolio was sold to a securitisation special purpose entity, Bastion 2021-1 NHG B.V., established in the Netherlands, which is controlled by MeDirect Belgium.

This RMBS is subject to interest of 0.70% per annum above 3-month Euribor (including floor at 0%) up to the first optional redemption date, and interest of 1.05% per annum above 3-month Euribor (including floor at 0%) from the first optional redemption date being August 2026, payable quarterly. All bonds are redeemable at par and shall become due for final redemption in August 2058, however, MeDirect Belgium reserves the right to redeem the bond in particular circumstances specified in the base prospectus.

An institutional investor acquired the Class A notes of the RMBS equivalent to €350.0 million, having a senior ranking vis-à-vis all the junior tranches retained by MeDirect Belgium. MeDirect retains substantially all risks and rewards of the underlying securitised Dutch government-backed mortgage portfolio and accordingly controls Bastion 2021-1. As a result, the mortgage portfolio, the senior notes of Bastion 2021-1 held by the institutional investor and related income and expenditure are reflected in the Group's financial statements.

On each of the Notes Payment Dates of Bastion 2021-1, falling on 20 February 2025, 20 May 2025 and 20 August 2025, amounts of €11.9 million, €75 thousand and €2.2 million of Class A notes, pertaining to the senior tranche were redeemed.

Bastion 2022-1 NHG B.V.

By virtue of a base prospectus dated 25 November 2022, MeDirect Belgium successfully securitised part of its Dutch retail mortgage portfolio raising €368.5 million through placement with external investors of A1 notes of the RMBS transaction, listed on Luxembourg Stock Exchange. As part of the transaction the mortgage portfolio was sold to Bastion 2022-1, a special purpose securitisation vehicle established in the Netherlands, which is controlled by MeDirect Belgium.

This RMBS is subject to interest of 0.60% per annum above 3-month Euribor (including floor at 0%) up to the first optional redemption date, and interest of 1.20% per annum above 3-month Euribor (including floor at 0%) from the first optional redemption date being March 2028, payable quarterly. All bonds are redeemable at par and shall become due for final redemption in May 2060, however, MeDirect Belgium reserves the right to redeem the bond in particular circumstances specified in the base prospectus.

An institutional investor acquired Class A notes of this RMBS equivalent to €369.0 million, having a senior ranking vis-à-vis all the junior tranches retained by MeDirect Belgium. MeDirect retains substantially all risks and rewards of the underlying securitised Dutch government-backed mortgage portfolio and accordingly controls Bastion 2022-1. As a result, the mortgage portfolio, the senior notes of Bastion 2022-1 held by the institutional investor and related income and expenditure are reflected in the Group's financial statements.

On each of the Notes Payment Dates of Bastion 2022-1, falling on 20 February 2025 and 20 August 2025, amounts of €16.3 million and €7.7 million of Class A notes, pertaining to the senior tranche were redeemed.

Bastion 2025-1 NHG B.V.

On April 30, 2025, the Group successfully closed Bastion 2025-1 NHG, its fourth and largest Dutch Residential Mortgage Backed Securities transaction, backed by a portfolio of Dutch prime NHG mortgage loans. The Group retained both the Class A1 notes and the Class A2 notes amounting to €616.7 million and €76.6 million respectively, providing the group with a contingency funding source and offering the potential to secure external funding through future remarketing.

21. Subordinated liabilities

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Year ended 31 December				
At beginning of year	67,358	66,871	11,671	11,453
Foreign exchange differences	(213)	192	-	-
Transaction costs amortised to profit or loss	188	292	244	218
Movement in accrued interest	(4)	3	-	-
At end of year	67,329	67,358	11,915	11,671
Analysed as follows:				
5% Subordinated Unsecured Bonds 2022 – 2027	20,231	20,351	-	-
4% Subordinated Unsecured Bonds 2024 – 2029	35,184	35,337	-	-
9.75% Subordinated Notes 2031	11,914	11,670	11,915	11,671
	67,329	67,358	11,915	11,671

On 16 October 2017, MeDirect Malta announced the issue of euro equivalent of €20 million 5% Subordinated Unsecured Bonds 2027 maturing on 13 October 2027 with an annual redemption option starting on 13 October 2026 held by MeDirect Malta. The bonds were issued on the Malta Stock Exchange in euro and pound sterling. The interest payable is fixed at 5% (effective interest rate of 5.19%) and the bonds are redeemable at their nominal value. The amounts subscribed consisted of £1.2 million (euro equivalent to €1.3 million) bonds in pound sterling and €18.7 million bonds in euro.

On 8 October 2019, MeDirect Malta announced the issue and listing of €35.0 million 4% Subordinated Unsecured Bonds denominated in euro and pound sterling maturing on 5 November 2029 with an annual early redemption option starting 5 November 2026 held by MeDirect Malta. The bonds were issued on the Malta Stock Exchange in euro and pound sterling. The interest payable is fixed at 4% (effective interest rate of 4.2%) and the bonds are redeemable at their nominal value. The amounts subscribed consisted of £2.4 million (euro equivalent to €2.8 million) bonds in pound sterling and €32.2 million bonds in euro.

As at 31 December 2025, the euro equivalent contractual amount due at maturity on the Subordinated Unsecured Bonds listed on the Malta Stock Exchange with regards to MeDirect Malta and MDB Group Limited was €55 million (2024: €55.2 million) and €11.0 million (2024: €10.7 million) respectively.

In February 2021, MDB Group Limited issued €11.0 million fixed rate reset callable subordinated notes due on 10 February 2031, with an annual early redemption option starting 10 February 2026. The notes bear a fixed rate of 9.75% per annum until 10 February 2026 and thereafter will bear interest at a fixed rate which was set by the Agent Bank at 12.6%. These notes were admitted to the Official List of Euronext Dublin and to trading on the Global Exchange Market of Euronext Dublin. The reset rate of interest will be determined by the Agent Bank on the reset determination date as the sum of the reset reference rate and the margin. The proceeds from the issuance of these notes, which qualify as Tier 2 capital, have been lent to MeDirect Malta as a subordinated loan for general corporate purposes, including to strengthen and optimise its capital and to support the execution of its business strategy.

The above liabilities will, in the event of the winding up of MeDirect Malta or MDB Group Limited, be subordinated to the claims of depositors and all other creditors of MeDirect Malta or MDB Group respectively. MeDirect Malta and MDB Group Limited have not had any defaults of interest or other breaches with respect to their subordinated debt securities during the years ended 31 December 2025 and 2024.

22. Provisions for liabilities and other charges

	Group	
	2025	2024
	€000	€000
Credit loss allowances in respect of loan commitments and financial guarantee contracts		
Year ended 31 December		
At beginning of year	202	298
Change in expected credit losses	(91)	(96)
At end of year	111	202

Payment commitments

The Group provides payment commitments to the Depositor Compensation Scheme ("DCS") in Malta and the Single Resolution Fund ("SRF") in Malta and Belgium. These contributions form part of the broader European framework designed to safeguard financial stability and protect depositors.

The DCS provides compensation, up to certain limits, to eligible customers of credit institutions that are unable, or likely to be unable, to pay claims against them. The DCS may impose a further contribution on the Group to the extent the contributions imposed to date are not sufficient to cover the compensation due to customers in any future possible collapse. The ultimate contribution to the industry as a result of a collapse cannot be estimated reliably. It is dependent on various uncertain factors including the potential recovery of assets by the DCS, changes in the level of protected products (including deposits and investments) and the population of DCS members at the time. At 31 December 2025, assets pledged in favour of the DCS comprised debt securities within the Securities portfolio measured at amortised cost with a carrying amount of €2.5 million (2024: €2.2 million). The Depositor Compensation Scheme reserve amounts to €2.5 million (2024: €2.0 million).

In addition, in accordance with article 70(3) of Regulation (EU) No 806/2014 of the European Parliament and of the Council of 15 July 2014 establishing uniform rules and a uniform procedure for the resolution of credit institutions and certain investment firms in the framework of a Single Resolution Mechanism and a Single Resolution Fund and amending Regulation (EU) No 1093/2010, the available financial means of the SRF may include irrevocable payment commitments which are fully backed by unencumbered collateral of low-risk assets. The share of irrevocable payment commitments cannot exceed 30% of the total amount of contributions. At 31 December 2025, irrevocable payment commitments to the SRF by the Group amounted to €0.8 million (2024: €0.8 million), reflecting cash collateral to the SRF. The cash collateral is classified within 'Other assets' in the statement of financial position.

The Group carried out an assessment of the liability arising from its payment commitments to the Deposit Compensation Scheme and the Single Resolution Fund. The evaluation was performed on the basis that the Group's financial statements are prepared on a going concern basis. In forming its view, the Group considered the broader economic environment, including the performance of the Maltese economy, which remains strong and continues to record growth above the EU average. The Maltese financial sector also performed robustly during the year, despite a challenging global landscape characterised by persistent geopolitical tensions. The domestic banking system remained resilient, supported by ample capital and liquidity buffers. The assessment also took into account that domestic credit flows remained heavily concentrated in property-related sectors, reinforcing concentration risks, although overall asset quality has thus far remained sound and stable.

After considering these factors, together with the discounting of expected cash flows and the low probability that the payment commitments to the Deposit Compensation Scheme and the Single Resolution Board would be exercised, the Group concluded that the resulting provision was immaterial.

23. Accruals and deferred income

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Other accrued expenses	9,111	8,621	17	13
Deferred income	4,887	3,075	-	-
	13,998	11,696	17	13

24. Other liabilities

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Amounts due to subsidiary companies	-	-	1,321	39
Indirect taxes payable	1,142	1,137	3	-
Lease liabilities	1,629	3,289	-	-
Other liabilities	10,369	5,534	13	15
	13,140	9,960	1,337	54

Amounts due to subsidiary companies

Amounts due to subsidiaries are unsecured, interest free and repayable on demand.

Lease liabilities

The lease liabilities associated with the recognised right-of-use assets are analysed below.

Group	Non-current		Current		Total	
	2025	2024	2025	2024	2025	2024
	€000	€000	€000	€000	€000	€000
Premises	802	2,191	827	1,098	1,629	3,289

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has certain lease contracts that include extension and termination options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to renew or terminate the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise either the renewal or termination. After the commencement date, the Group reassesses the lease term if there is a significant event or change in circumstances that is within its control that affects its ability to exercise or not to exercise the option to renew or to terminate.

The extension options in leases relating to premises, with the last extension covering till April 2032, have been included in the lease liability as the lease term reflects the exercise of such options.

The contractual undiscounted cash flows attributable to lease liabilities are analysed in Note 2.3.4.

The movement in the carrying amount of these liabilities is analysed in the following table:

	Group	
	2025	2024
	€000	€000
Year ended 31 December		
At beginning of year	3,289	4,339
Additions	368	-
Modification of lease	(612)	-
Payments	(1,535)	(1,203)
Interest charge	119	153
At end of year	1,629	3,289

The income statement reflects the following amounts relating to leases:

	Group	
	2025	2024
	€000	€000
Interest expense (Note 25)	119	153

Other liabilities

Other liabilities mainly consist of liabilities linked to settlement accounts.

25. Net Interest Income

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Interest income				
Loans and advances to financial institutions	31,894	57,368	-	-
Loans and advances to customers				
- interest on loans and advances to customers	105,673	126,447	-	-
- net gains(losses) representing ineffective portion of fair value hedges	386	(283)	-	-
Loans and advances to subsidiary company	-	-	1,317	1,291
Investment securities				
- interest on investment securities	20,470	12,054	-	-
- amortisation of net premiums on investment securities	(2,926)	(912)	-	-
- net gains representing ineffective portion of fair value hedges	(1)	-	-	-
Total interest income	155,496	194,674	1,317	1,291
Interest expense				
Amounts owed to financial institutions	5,761	3,392	-	-
Amounts owed to customers	63,022	71,728	-	-
Lease liabilities	119	153	-	-
Debt securities in issue	18,789	38,578	-	-
Subordinated liabilities	3,660	3,770	1,317	1,291
Total interest expense	91,351	117,621	1,317	1,291
Net interest income	64,145	77,053	-	-

As at 31 December 2024, an amount of €5.1 million relating to credit-impaired financial assets is included within interest income from loans and advances to customers.

The table below discloses the gains and losses arising from fair value hedge relationships and the resulting ineffective portion recognised in net interest income:

	Group	
	2025	2024
	€000	€000
Micro hedging:		
Losses on hedging instruments (Securities Investments)	(107)	-
Gains on hedged items attributable to the hedged risk – basis adjustment to Securities Investments measured at amortised cost (see Note 8)	106	-
	(1)	-
Macro hedging:		
Gains/(losses) on hedging instruments (International Mortgage portfolio)	32,800	(40,100)
(Losses)/gains on hedged items attributable to the hedged risk – basis adjustment to International Mortgage portfolio (see Note 7)	(32,400)	39,800
Gains/(losses) on hedging instruments (Maltese Business Lending portfolio)	153	(669)
(Losses)/gains on hedged items attributable to the hedged risk – basis adjustment to Maltese Business Lending portfolio (see Note 7)	(167)	686
	386	(283)
Net gains/(losses) representing ineffective portion of fair value hedges	385	(283)

26. Net fee and commission income

	Group	
	2025	2024
	€000	€000
Fee and commission income		
Corporate secured lending fee income	244	2,022
Banking transactions fee income	1,791	1,920
Investment services fees	9,158	8,064
Other fee income	1,276	458
Total fee and commission income	12,469	12,464
Fee and commission expense		
Corporate secured lending fee expense	49	1,789
Banking transactions fee expense	663	672
Investment services transaction and custody fees	2,942	2,532
Other fee expense	913	310
Total fee and commission expense	4,567	5,303
Net fee and commission income	7,902	7,161

The Group's net fee and commission income excludes income and expenses that form an integral part of the effective interest rate on financial assets and financial liabilities that are not at fair value through profit or loss, but in the financial year ended 31 December 2025 includes income of €0.2 million (2024: €2.0 million) and expenses of €0.1 million (2024: €1.8 million) relating to such financial assets and liabilities.

The net revenue arising during 2025 (i.e. the gross revenue less any commissions directly related to the acquisition of the said gross revenue) derived from activities in relation to MeDirect Malta's investment services licence in Malta amount to €2.8 million (2024: €2.1 million).

27. Net trading income

	Group	
	2025	2024
	€000	€000
Net income from foreign exchange activities	1,074	1,600
Net gain on disposal of investment property	1,327	-
	2,401	1,600

27.1 Realised gains on disposal of other investments

	Group	
	2025	2024
	€000	€000
Investments measured at amortised cost	974	-

28. Personnel expenses

Personnel expenses incurred, including remuneration and emoluments paid to the directors of MeDirect Malta and MeDirect Belgium, are analysed as follows:

	Group	
	2025	2024
	€000	€000
Directors' emoluments		
- salaries	3,881	3,301
- defined contribution social security costs	52	57
- fees	810	888
- other emoluments	145	155
Staff costs		
- salaries	24,663	23,514
- defined contribution social security costs	2,174	2,172
Staff costs capitalised within Intangible Assets (Note 11)	(2,860)	(3,259)
	28,865	26,828

The directors of MeDirect Tech Limited do not receive any Directors' emoluments as they are employed within the MDB Group and their remuneration for 2025 and 2024 are presented above within 'Staff costs'.

The salary costs include expenses for defined contributions plans amounting to €0.4 million (2024: €0.4 million).

The weekly average number of persons employed during the year, including executive directors, was as follows:

	Group	
	2025	2024
	No.	No.
Executive and senior management	23	26
Other managerial, supervisory and clerical	354	332
Other	6	6
	383	364

The number of persons employed by the Group as at the reporting date, including executive directors, was 386 (2024: 370).

As disclosed in the remuneration report, share-based payments are granted to certain executive directors and other material risk takers under a performance and retention bonus plan, where they are entitled to share-linked instruments, subject to a deferral period not greater than five years, the value of which is based on changes in the fair value of the ordinary shares of MDB Group Limited but which are settled in cash and hence do not entitle the employees to shares or any interest in or right over such shares.

	2025		2024	
	Vested	Unvested	Vested	Unvested
	€000	€000	€000	€000
Group				
Total outstanding deferred remuneration – share-based payments				
Year ended 31 December				
At beginning of year	1,346	394	1,661	653
Awarded throughout the year	-	70	-	42
Vested throughout the year	220	(220)	196	(196)
Paid throughout the year	(354)	-	(650)	-
Performance and other adjustments throughout the year	(232)	133	139	(105)
At end of year	980	377	1,346	394

The total expense recognised during the financial year ended 31 December 2025, disclosed in the table above within ‘salaries’ amounted to €0.2 million (2024: €0.8 million) and the resultant liability as at 31 December 2025, arising from deferred share-based payments and presented in the statement of financial position with ‘Accruals and deferred income’, amounted to €1.4 million (2024: €1.9 million).

29. Other administrative expenses

Other administrative expenses are analysed as follows:

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
IT support and telecommunication costs	9,348	8,738	-	-
Legal, professional and marketing expenses	11,866	12,525	16	11
Regulatory expenses	12,170	7,946	1	1
Indirect taxation	4,642	4,179	3	2
Other expenses	6,562	5,512	4	2
	44,588	38,900	24	16

Included in other administrative expenses are fees charged by the Group’s independent auditors for the year as follows:

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Audit services	594	668	15	11
Other assurance services	40	105	-	-
Tax related services	16	79	-	-
Other non-audit services	100	43	-	-

Other non-audit services consisted of regulatory advisory services in respect of the Group’s compliance with elements of the accounting and regulatory framework it is exposed to or which the Group will be exposed to in the future. These non-audit services have no linkage whatsoever to the audited financial statements.

30. Change in expected credit losses and other credit impairment charges

	Group	
	2025	2024
	€000	€000
Change in expected credit losses		
Loans and advances to customers, including credit-related commitments		
- International Corporate Lending portfolio	7,653	312
- Dutch Mortgage portfolio	(160)	34
- Belgian Mortgage portfolio	(443)	(200)
- Maltese Business Lending portfolio	(3)	35
- Maltese Mortgage portfolio	(21)	(5)
- Consumer Finance receivables	(1,494)	(76)
Investments measured at amortised cost		
- Securities portfolio	9	(29)
- Securitisation portfolio	12	131
- Asset-Backed Securitisation portfolio	(4)	(95)
Other credit impairment charges		
Recoveries		
- International Corporate Lending portfolio	29	-
- Consumer Finance receivables	694	-
Amounts written off on loans and advances to customers		
- International Corporate Lending portfolio	(8,821)	(18,497)
- Maltese Business Lending portfolio	(297)	(870)
- Consumer Finance receivables	-	(72)
	(2,846)	(19,332)

31. Tax expense

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Current tax expense				
- current year tax charge	1,966	989	-	-
Deferred tax (Note 14)				
- current year tax	(414)	(133)	-	-
Income tax charge	1,552	856	-	-

The tax recognised in profit or loss on the Group's and the Company's loss before tax differs from the theoretical amount that would arise using the applicable tax rate in Malta, which is the Company's country of incorporation, as follows:

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Loss before tax	(6,318)	(5,038)	(7,860)	(5,885)
Tax at the applicable rate of 35%	(2,211)	(1,763)	(2,751)	(2,060)
Tax effect of:				
Non-deductible expenses	2,233	1,443	8	7
Unrecognised deferred tax movements (Note 14)	2,618	2,401	-	-
Non-temporary deferred tax differences	-	574	-	-
Income not subject to tax	(442)	(1,595)	-	-
Share of results of subsidiary undertaking	-	-	2,743	2,053
Effect of different tax rates	(524)	(646)	-	-
Other	(122)	442	-	-
Income tax charge	1,552	856	-	-

32. Cash and cash equivalents

Balances of cash and cash equivalents as shown in the statements of cash flows are analysed below:

	Group		Company	
	2025	2024	2025	2024
	€000	€000	€000	€000
Analysis of cash and cash equivalents:				
Cash in hand	2	2	-	-
Call deposits	93,373	67,971	156	224
Target 2 overnight deposits	234,516	171,500	-	-
Amounts owed to financial institutions with original maturity of less than 3 months	(209,814)	(179,777)	-	-
<i>Per Statement of cash flows</i>	118,077	59,696	156	224
Adjustments to reflect:				
Other balances with central banks	38,047	35,368	-	-
Deposits with original maturity of over 3 months and encumbered deposits	235,788	248,432	-	-
<i>Per Statement of financial position</i>	391,912	343,496	156	224

	Notes	Group		Company	
		2025	2024	2025	2024
		€000	€000	€000	€000
Analysed as follows:					
Balances with central banks and cash	4	272,565	206,870	-	-
Loans and advances to financial institutions	6	329,161	316,403	156	224
Amounts owed to financial institutions	18	(209,814)	(179,777)	-	-
		391,912	343,496	156	224

33. Contingent liabilities

As at 31 December 2025, the Group had cash secured guarantee obligations amounting to €19.4 million (2024: €24.2 million).

34. Commitments

Commitments to lend

Commitments to lend represent undrawn formal standby facilities, credit facilities and other similar commitments to lend. As at 31 December 2025, the Group had undrawn commitments of €13.6 million (2024: €16.4 million) under international lending revolving credit facilities. In addition, lending commitments in relation to the Group's Dutch Mortgage portfolio amounted to €21.6 million (2024: €32.4 million), Belgian Mortgage portfolio amounted to €12.2 million (2024: €8 million) and Maltese Mortgage portfolio amounted to €27.2 million (2024: €27.2 million).

As at 31 December 2025, undrawn facilities on corporate term loans of the Group in Malta amounted to €143 million (2024: €103.5 million) and undrawn facilities under Consumer Finance receivables amounted to €1.4 million (2024: €1.1 million).

The expected credit losses on the above commitments to lend are disclosed in Note 22.

35. Related parties

Immediate and ultimate parent company

The ultimate controlling party of MDB Group Limited was AnaCap Financial Partners II L.P. until 9 September 2025 (Note 40) and Ms. Barbora Hubáčková subsequent to this date.

The ultimate parent company of the Company was Medifin Investments Limited, a non-cellular company incorporated and registered in Guernsey up till 9 September 2025. From that date the ultimate parent company has been CREDITAS B.V., a financial holding company which is incorporated and registered in the Netherlands.

The immediate parent company of the Company was Medifin Finance Limited, a non-cellular company incorporated and registered in Guernsey, until 9 September 2025. Subsequent to this date, the immediate parent company has been Banka CREDITAS a.s., a credit institution incorporated and registered in Czech Republic.

Related parties of the Group and the Company include the subsidiaries, the ultimate controlling party, the ultimate parent company, the immediate parent company, all entities controlled by the ultimate controlling party and the ultimate parent company, Key Management Personnel, close family members of Key Management Personnel and entities which are controlled or jointly controlled by Key Management Personnel or their close family members.

Transactions with Key Management Personnel

Key Management Personnel are defined as those persons having authority and responsibility for planning, directing and controlling the activities of the Group, being the directors of MDB Group Limited, MeDirect Malta and MeDirect Belgium.

Key Management Personnel compensation consisting of Directors' remuneration is disclosed in Note 28. The Group also provides non-cash benefits to Key Management Personnel, including gross rent payable on accommodation based in Malta, presented within 'Personnel expenses', and health and life insurance premiums paid by the Group amounting to €0.1 million in the financial year ended 31 December 2025 (2024: €0.1 million), presented within 'Other administrative expenses'.

Related party balances and transactions

During the course of its activities, the Group conducted business on commercial terms with all related parties.

The following table provides the total amount of Group transactions which have been entered into, and Group balances with, related parties of the Group for the relevant financial year:

Related party	Year ended 31 December 2025		As at 31 December 2025		Transaction/balance type
	Income from related parties	Expenses charged by related parties	Amounts owed by related parties	Amounts owed to related parties	
	€000	€000	€000	€000	
Ultimate controlling party (Pre 9 September 2025 - Note 40)	-	98	-	-	Interest expense
Ultimate parent company (Pre 9 September 2025 - Note 40)	3	-	-	-	Service charge fees
Immediate parent company (Pre 9 September 2025 - Note 40)	3	-	-	-	Service charge fees
Key management personnel	-	-	-	341	Amounts owed to customers

Related party	Year ended 31 December 2024		As at 31 December 2024		Transaction/balance type
	Income from related parties	Expenses charged by related parties	Amounts owed by related parties	Amounts owed to related parties	
	€000	€000	€000	€000	
Ultimate controlling party	-	98	-	-	Interest expense
	-	-	-	975	Debt securities in issue
Ultimate parent company	5	-	-	-	Service charge fees
	-	-	-	619	Amounts owed to customers
Immediate parent company	5	-	-	-	Service charge fees
	-	-	-	3	Amounts owed to customers
Key management personnel	-	10	-	-	Interest expense
	-	-	-	293	Amounts owed to customers

Furthermore, as detailed in Note 17, by virtue of board resolutions dated 19 September 2025 and 24 September 2025, the Company accepted capital contributions from Banka CREDITAS a.s. amounting to €39.2 million and €0.8 million respectively.

In 2025, the Group entered into a Master Agreement governing financial transactions with its immediate parent company, Banka CREDITAS a.s. Under this agreement, the parties may enter into financial transactions or incorporate its provisions into the terms of certain or all such transactions, thereby subjecting them to the Master Agreement. No financial transactions were entered into under this arrangement in 2025.

As regards the Company at 31 December 2025, the amounts receivable from subsidiary companies comprise a callable loan granted by MDB Group Limited to MeDirect Malta as disclosed in Note 21 with a carrying amount, inclusive of accrued interest, of €11.9 million (2024: €11.7 million). The interest income on such amounts receivable in the financial year ended 31 December 2025 amounted to €1.3 million (2024: €1.3 million). As at 31 December 2024, other amounts receivable from subsidiary companies amounted to €1.4 million. As at 31 December 2025, other amounts payable to subsidiary companies amounted to €1.3 million.

Also a service level agreement is in place between the Company and MeDirect Malta with an annual charge of €5 thousand by MeDirect Malta.

36. Segmental information

The Group's core activity is lending, carried out from Malta and Belgium and focused on Dutch, Belgian, and Maltese mortgage lending, as well as retail consumer finance receivables in Malta. Its operations are complemented by investments in high-quality collateralised instruments, including covered bonds, guaranteed senior bank debt, sovereign-linked securities, and AAA-rated tranches of securitisation vehicles and asset-backed securities. The Group also maintains a lending book comprising Maltese corporate loans and a small number of remaining exposures from its international corporate lending portfolio, which is currently being wound down. Income generated from these assets is further supported by revenues from the Group's wealth management activities.

The Group's internal management reporting to the Board of Directors and Senior Management is primarily structured by jurisdiction. Senior Management reviews these jurisdiction-specific reports to guide resource allocation and evaluate performance. In areas where it is relevant, these reports are further supported by consolidated analyses covering the Group's overall revenue streams.

Further details on the Group's products, services, and geographical coverage are presented in Notes 2, 7, 8, 25 and 26 to the financial statements. These notes outline the Group's financial risks, sectoral and geographical credit concentrations, and the revenue generated from its single reportable segment. The investment portfolio is broadly diversified, comprising a wide range of exposures across government entities, financial institutions, and other corporate issuers.

	2025			2024		
	Malta	Belgium	Total	Malta	Belgium	Total
	€000	€000	€000	€000	€000	€000
Turnover *	37,467	134,365	171,832	46,463	162,224	208,687
of which interest income	29,034	126,462	155,496	38,019	156,655	194,674
of which fee and commission income	5,638	6,831	12,469	6,835	5,629	12,464
of which other operating income/(loss)	2,795	1,072	3,867	1,609	(60)	1,549
Interest expense	(14,919)	(76,432)	(91,351)	(17,383)	(100,238)	(117,621)
Fee expense and other losses	(1,602)	(2,965)	(4,567)	(3,134)	(2,169)	(5,303)
Change in expected losses and other credit impairment charges						
- International Corporate Lending	(1,897)	758	(1,139)	(7,701)	(10,484)	(18,185)
- Dutch Mortgages	-	(160)	(160)	-	34	34
- Belgian Mortgages	-	(443)	(443)	-	(200)	(200)
- Maltese Business lending	(300)	-	(300)	(835)	-	(835)
- Maltese Mortgages	(21)	-	(21)	(5)	-	(5)
- Consumer Finance Receivables	(800)	-	(800)	(148)	-	(148)
- Other	18	(1)	17	109	(102)	7
Total change in expected losses and other credit impairment charges	(3,000)	154	(2,846)	(8,580)	(10,752)	(19,332)
Personnel expenses	(15,216)	(13,649)	(28,865)	(14,348)	(12,480)	(26,828)
Depreciation and amortisation	(5,264)	(669)	(5,933)	(2,627)	(3,114)	(5,741)
Other operating expenses	(11,542)	(33,046)	(44,588)	(9,655)	(29,245)	(38,900)
(Loss)/profit before tax	(14,076)	7,758	(6,318)	(9,264)	4,226	(5,038)
Taxation	(110)	(1,442)	(1,552)	(36)	(820)	(856)
(Loss)/profit after tax	(14,186)	6,316	(7,870)	(9,300)	3,406	(5,894)
Capital expenditure	3,096	939	4,035	4,606	366	4,972

	2025			2024		
	Malta	Belgium	Total	Malta	Belgium	Total
Total assets (€million)	938	4,400	5,338	961	4,112	5,073
Total liabilities (€million)	887	4,170	5,057	905	3,917	4,822
Full time equivalent staff (No)	315	71	386	298	72	370

* Turnover is defined as interest income, fee and commission income and other operating income. The turnover and interest income allocated to Belgium in the financial year ended 31 December 2024 includes interest charged to MeDirect Malta amounting to €11 thousand.

As at 31 December 2024, total assets allocated to Malta included investment property amounting to €17 million.

The Group carried out its activities in the countries listed above under the name of MeDirect Malta in Malta and in the name of MeDirect Belgium in Belgium. Activities in Malta and Belgium include banking and wealth management.

The preceding table also covers the disclosure required by Article 89 of CRD V whereby the Group must disclose information about turnover, number of employees, profit before tax, tax and public subsidies received by country, taking into account all jurisdictions in which it operates. During the year ended 31 December 2025, the Group received a government grant of €14 thousand from the Ministry for the European Funds. In 2024, the Group did not receive any public subsidies that relate to the Group's activities as a credit institution.

37. Investor compensation scheme

In accordance with the provisions of the Investor Compensation Scheme Regulations, issued under the Maltese Investment Services Act (Cap. 370), licence holders are required to transfer a variable contribution to an Investor Compensation Scheme Reserve and place the equivalent amount with a bank, pledged in favour of the Scheme. Alternatively, licence holders can elect to pay the amount of variable contribution directly to the Scheme. Throughout the financial years ended 31 December 2025 and 2024, MeDirect Malta was not required to pay any variable contribution to the Scheme.

38. Assets held on a nominee basis

As part of its Wealth Management proposition, the Group acts as a nominee holder of financial instruments on behalf of customers under its Investment Services licence. Assets held on a nominee basis are not assets of the Group and are not recognised in the statements of financial position. Accordingly, the Group is not exposed to any credit risk relating to such placements, as it does not guarantee these investments. At 31 December 2025, the total assets held by the Group on behalf of customers amounted to €2,383.9 million (2024: €2,056.8 million).

39. Events after the reporting date

There were no events after the reporting date that would have a material effect on the financial statements.

40. Developments in connection with the shareholding of MDB Group Limited

On 22 October 2024, MeDirect Malta announced that Banka CREDITAS a.s. had submitted a binding offer to Medifin Finance Limited to acquire the entire shareholding of MDB Group Limited.

MeDirect Malta later confirmed, on 29 November 2024, that Medifin Finance Limited and Banka CREDITAS a.s. had signed a share purchase agreement for the full acquisition of MDB Group Limited, contingent upon regulatory approval.

On 29 August 2025, MeDirect Malta reported that the European Central Bank had informed Bank CREDITAS a.s. that it had no objections to the proposed acquisition. The successful acquisition of all shares in MDB Group Limited by Banka CREDITAS a.s., along with one of its affiliates, was effective as from 9 September 2025.

As a result of the acquisition, the Company became a wholly-owned subsidiary of Banka CREDITAS a.s. and part of the larger CREDITAS Group.

41. Statutory information

MDB Group Limited is a limited liability company and is incorporated in Malta.

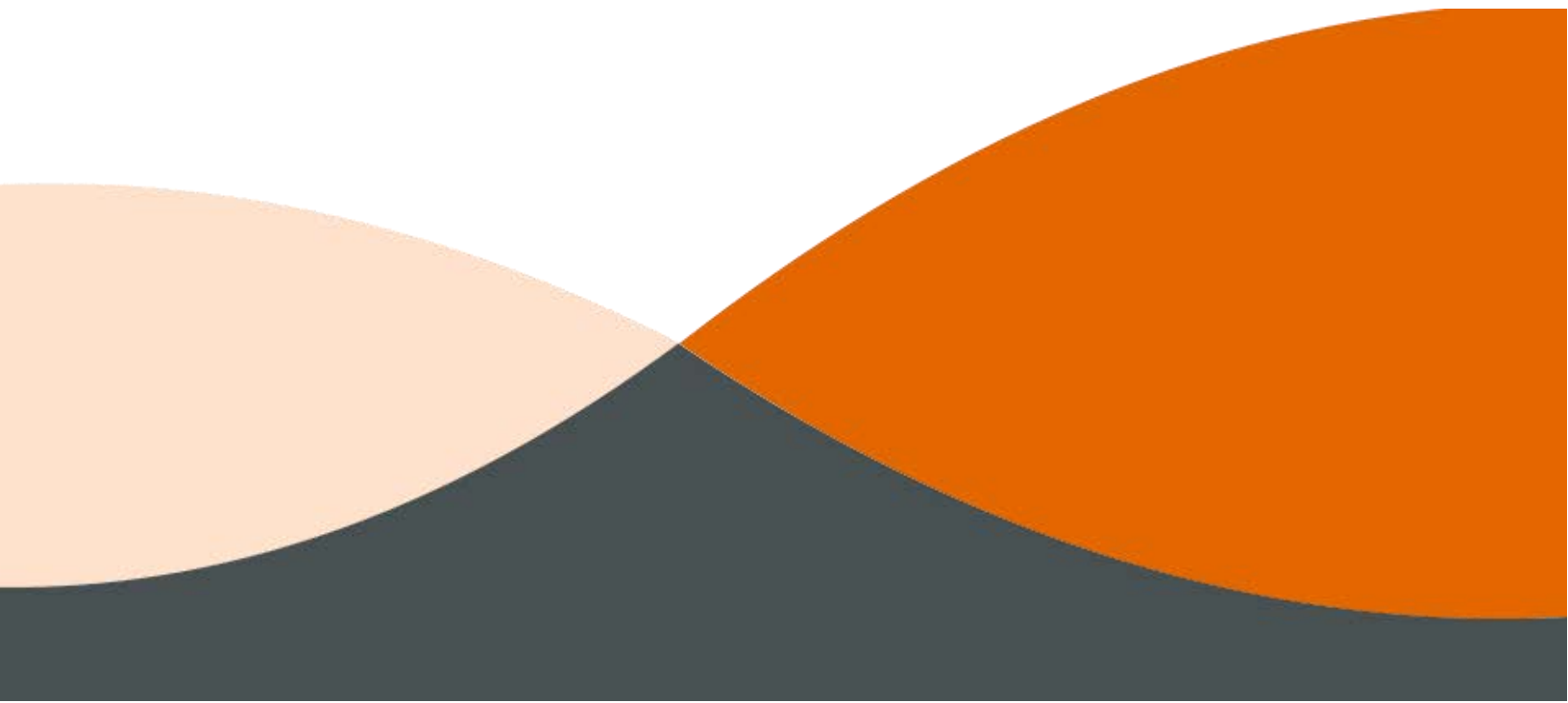
The ultimate controlling party of MDB Group Limited, subsequent to the change in the Company's shareholders (Note 40), is Ms. Barbora Hubáčková.

The ultimate parent company of MeDirect Malta is CREDITAS B.V., a financial holding company, which is incorporated and registered in the Netherlands with its registered address at De Boelelaan 30, Unit 3.14, 1083HJ Amsterdam, Netherlands.

The immediate parent company of MDB Group Limited is Banka CREDITAS a.s., a joint stock company, which is incorporated and registered in Czech Republic, with its registered address at Sokolovská 675/9, Karlín, 186 00 Prague 8, Czech Republic.

Banka CREDITAS a.s. prepares consolidated financial statements of the group of which MDB Group Limited together with its subsidiaries form part. These consolidated financial statements may be viewed on <https://www.creditas.cz>.

Independent Auditor's Report



INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

Opinion

We have audited the separate and consolidated financial statements of MDB Group Limited (the "Company") and its subsidiaries (the "Group") set on pages 54 to 219, which comprise the separate and consolidated statement of financial position as at 31 December 2025, and the separate and consolidated statement of comprehensive income, the separate and consolidated statement of changes in equity and the statement of cash flows for the for the year ended 31 December 2025, and notes to the separate and consolidated financial statements, material accounting policies information.

In our opinion, the accompanying separate and consolidated financial statements give a true and fair view of the financial position of the Company and Group as at 31 December 2025, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year ended 31 December 2025 in accordance with International Financial Reporting Standards as adopted by the European Union ("IFRS") and in accordance with the requirements of the Banking Act (Cap. 371) (the "Banking Act") and the Companies Act (Cap.386) (the "Companies Act") of the Laws of Malta.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (ISAs) and the Companies Act. Our responsibilities under those standards and under the Companies Act 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 and Group in accordance with the *International Code of Ethics for Professional Accountants (including International Independence Standards)* as issued by the *International Ethics Standards Board of Accountants (the "IESBA Code")*, as applicable to audits of financial statements of public interest entities, together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements of public interest entities in accordance with the *Accountancy Profession (Code of Ethics for Warrant Holders) Directive issued in terms of the Accountancy Profession Act, Cap. 281 of the Laws of Malta*. We have also fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

Key audit matters incorporating the most significant risks of material misstatements, including assessed risk of material misstatements due to fraud

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Measurement of expected credit losses of the loans and advances to customers of the Group

The Group's loans and advances to customers, which comprise of corporate loans and advances, mortgages and other facilities amounting to 57% of the Group (Eur 3,023m) at 31 December 2025. The expected credit losses (ECL) on the loans and advances to customers portfolios, as described and disclosed in notes 1.5, 2.2, 3.2, 7 and 30 represents 0.3% of the Group's gross loans and advances to customers as at 31 December 2025.

ECL calculations are based on complex statistical analyses and modelling assumptions developed by external vendors or internally. A significant element of judgement is required to ensure that model parameters produce an ECL output which is reasonable and appropriate in light of existing conditions.

Measurement of ECL for stage 1 and 2 exposures

The stage model of the Group is detailed in Note 1.5. For exposures classified as Stage 1 and Stage 2, the Group measures credit loss allowances on the basis of the following key inputs: Probability of Defaults (PDs) and Loss Given Defaults (LGDs).

The Group applies macroeconomic scenarios sourced from an external vendor to the PD and LGD term structures for the estimation of credit loss allowances in respect of Stage 1 and Stage 2 exposures.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

Measurement of ECL for stage 3 exposures

In respect of defaulted / Stage 3 exposures, the Group utilises an internally developed discounted cash flow ("DCF") methodology in order to estimate the net present value of forecasted operating cash flows under multiple forward-looking scenarios discounted using the borrower-specific discount rate.

Reasons for designation as a KAM

The determination of ECL requires significant judgment across various dimensions, including credit risk assessment, estimation of default rates and loss given default, incorporation of forward-looking information and model calibration, and professional skepticism to ensure accurate and reliable ECL calculations. In performing this assessment, management evaluates all relevant information on indicators of unlikelihood-to-pay, including the consideration of factors that immediately indicate deterioration in the financial condition of borrowers, but also in respect of factors that impact the outlook of borrowers affecting their ability to pay.

The Group utilises a DCF approach for its defaulted exposures. In estimating the cash flows, management makes judgements about a borrower's financial situation and future repayment prospects under different scenarios, assigning probabilities to each scenarios, and determining appropriate discount rates reflecting borrower specific characteristics.

Audit procedures to address the key audit matter

Our audit procedures over the measurement and adequacy of expected credit losses included amongst others:

- Obtained understanding of key process and implementation of the controls relating to the credit issuance, the credit risk management (including periodic credit review, monitoring of the borrower's credit quality using indicators and the determination of the staging), ECL estimation process and the flow of information between systems.

ECL measurement for Stage 1 and Stage 2 exposures

- Involved our Quantitative Specialist to assess the appropriateness of the ECL measurement model, for a sample of portfolios, in line with IFRS 9 requirements;
- Assessed the reasonableness of key assumptions with the involvement of our Quantitative Specialist including:
 - the Staging of the loans, historical migrations and staging sensitivity;
 - the PD's generated by the models;
 - the relevant data points for the determination of the LGD;

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

- Other procedures on key assumptions and inputs:
 - Performed relationship analysis and benchmarked the historical and projected PD's estimated by the model as at year end with PDs for exposures with similar credit quality available from various independent sources;
 - Performed relationship analysis and benchmarked the LGDs estimated by the model with recoveries experienced for similar credit exposures available from various independent sources;
 - For a sample of borrowers, independently assessed the appropriateness of the credit grading and staging based on the latest available borrowers' financial information;
- Tested the accuracy of the model data inputs used against source data including borrowers' information such as key financial data points, sector, geographic location, days past due, amongst others, as applicable.

ECL measurement for Stage 3 exposures

- For stage 3 loans we obtained understanding of the borrower's latest developments and inspected information available to assess the prospects of recoverability;
- Assessed the appropriateness of the DCF methodology and reasonability of key inputs with the involvement of our Valuation specialist including:
 - the expected future cashflows against industry peers;
 - the discount rate used in determining the present value;
 - benchmarked the DCF results to industry multiples;
 - DCF shadow recalculation incorporating additional sensitivity analysis.

We have also assessed the adequacy of disclosures relating to the Group's expected credit losses on loans and advances within the International Corporate Lending portfolio and the Domestic Corporate Lending portfolio presented in notes 1.5, 2.2, 3.2, 7 and 30 to the financial statements.

Valuation of derivatives and hedge accounting of the Group

The net value of the derivatives of the Group amounted to 62% of the net assets as at year end, as disclosed in Notes 1.14, 2.2.9, 3.3 and 5.

Derivative financial instruments mainly comprise of currency forwards, currency swaps and interest rate swaps. They are classified as held for trading derivatives unless designated as hedging instruments and are initially recognised at fair value and subsequently remeasured at fair value. Fair values for currency forwards and swaps are determined using forward exchange market rates at the end of the reporting period.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

The Group applies fair value hedge accounting to portfolio hedges of interest rate risk (macro hedging) under the EU carve-out version of IAS 39 in respect of its retail operations after considering the duration gap between the Dutch and Belgian mortgages and core deposits.

The hedging activities are designated as a portfolio fair value hedge in respect of the mortgage book, being the hedged items. In establishing fair value, management is required to exercise judgment in selection and application of appropriate parameters. Moreover, the accounting treatment of the hedging relationship requires management to forecast future early repayments of mortgages.

Reasons for the designation as a key audit matter

The valuation of the fair value of derivatives is based on a number of estimates and assumptions, inbuilt within the valuation techniques, which are not readily observable on the market. Moreover, the establishment of the correct accounting treatment of the hedging relationship and the effectiveness test is based on a number of assumptions that include amongst others the expected future early redemptions and renegotiations of the mortgages.

Audit procedures to address the key audit matter

Our audit procedures over the valuation of derivatives and hedge accounting included amongst others:

- Obtained understanding of the key process and implementation of controls relating to the valuation of derivatives and hedge accounting;
- Compared the fair values of the derivatives recognized by the Group to the valuation issued by the Group's external counterparties;
- On a sample basis, recalculated the fair value of derivatives using the term of the instrument and key inputs from independent sources including benchmark interest rate curves;
- Assessed the Group's hedging documentation to determine whether it meets the criteria as described in the "carved-out" version of IAS 39 as adopted by the European Union;
- Assessed the reasonableness of the model used by the Group to forecast future early repayments and renegotiations of mortgage loans and back tested to recent financial years;
- Compared the volume of hedging derivatives with the projected volume of hedged mortgage loans over future time buckets to identify any over-hedging situations;
- Assessed the effectiveness tests performed by the Group to determine whether the hedging relationships are effective and whether the ineffectiveness was calculated correctly;
- Assessed the appropriateness of the hedge accounting in line with the results of the Group's model and testing.

We have also assessed the relevance of disclosures relating to the Group's valuation of derivatives and hedge accounting presented in notes 1.14, 2.2.9, 3.3 and 5 to the financial statements.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

Other information

The Directors are responsible for the other information. The other information comprises the information included in the Annual Report, rather than the financial statements and our auditor's report thereon.

Our opinion on the separate and consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon other than our reporting on other legal and regulatory requirements.

In connection with our audit of the separate and consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the separate and consolidated 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.

Responsibilities of the directors and those charged with governance for the financial statements

The Directors are responsible for the preparation and fair presentation of the separate and consolidated financial statements in accordance with IFRS and the requirements of the Companies Act and the Banking Act, and for such internal control as the directors determine is necessary to enable the preparation of separate and consolidated financial statements that are free from material misstatement, whether due to fraud or error.

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

Those charged with governance are responsible for overseeing the Company and Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the separate and consolidated 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 opinion. 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 separate and consolidated financial statements.

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

- identify and assess the risks of material misstatement in the separate and consolidated 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 and 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 and 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 separate and consolidated 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 Group to cease to continue as a going concern;

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

- evaluate the overall presentation, structure and content of the separate and consolidated financial statements, including the disclosures, and whether the separate and consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation; and
- plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

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

INDEPENDENT AUDITOR'S REPORT to the Shareholders of MDB Group Limited

Report on other legal and regulatory requirements

Matters on which we are required to report by the Companies Act

Directors' report

We are required to express an opinion as to whether the Directors' report has been prepared in accordance with the applicable legal requirements. In our opinion the Directors' report has been prepared in accordance with the Companies Act.

In addition, in the light of the knowledge and understanding of the Company and the Group and its environment obtained in the course of the audit, we are required to report if we have identified material misstatements in the Directors' report. We have nothing to report in this regard.

Other requirements

We also have responsibilities under the Companies Act to report 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 separate and consolidated financial statements are not in agreement with the accounting records;
- we have not received all the information and explanations we require for our audit.

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



*The partner in charge of the audit resulting in this independent auditor's report is
Shawn Falzon for and on behalf of*

Ernst & Young Malta Limited
Certified Public Accountants

11 March 2026