MDB Group Limited

Annual Report and Financial Statements

2024

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Directors' Report

We hereby present the annual report of MDB Group Limited (the "Company") and of the Company and its subsidiaries ("MeDirect" or the "Group") for the year ended 31 December 2024.[1] These results reflect the consolidated position of the Company and its principal subsidiaries.[2]

A year of change ...

The year 2024 was an important year of transition for the Group. MeDirect's controlling shareholder, AnaCap Financial Partners II LP ("AnaCap"), identified a new prospective controlling shareholder for the Group which is committed to reinforcing the Group's capital base and facilitating the growth plans of both MeDirect Malta and MeDirect Belgium. On 28 November 2024, the Company's immediate parent company, Medifin Finance Limited, entered into a share purchase agreement with Banka CREDITAS a.s. ("Banka CREDITAS"), pursuant to which Banka CREDITAS agreed to purchase 100% of the share capital of the Company, subject to receiving all required regulatory approvals.

Banka CREDITAS is a Czech financial institution that is part of CREDITAS Group ("CG"), a privately-owned investment group with investments primarily in financial services, real estate (rental housing and development) and energy (distribution and generation). The financial services arm of CG has investments in banking, investment services, asset management, leasing and other related areas.

Banka CREDITAS is interested in using the MeDirect banks to grow and diversify its financial services business into additional European markets. As such, it plans to retain both MeDirect banks and to invest additional capital to enable them to continue to build their businesses.

In addition to the above, after almost eight years as chair of the Company and MeDirect Malta, Mike Bussey decided to leave MeDirect in December 2024 to have time to pursue other interests, including his recent appointment as Chair of the Board of Trustees of the London Clinic, one of the largest private hospitals in England. His successor is Bart Bronselaer, who has been a director of MeDirect Belgium since January 2021. Mr. Bronselaer has over 30 years' of experience in European institutional financial services and was a director and temporarily the interim CEO of the Belgian financial holding company Dexia and the French bank Dexia Crédit Local.

Finally, after having led the Group for more than five years, Arnaud Denis decided to leave MeDirect effective 31 January 2025. During his time as CEO, Mr. Denis led the de-risking, scaling and transformation of the Group into a fully-fledged digital bank offering a wide range of banking, wealth and investment services, and backed by cutting-edge technology. He also oversaw the transition of MeDirect to a new controlling shareholder.

The successor to Mr. Denis as Group Chief Executive Officer is Jean-Claude Maher (subject to regulatory approval), currently the Group's Chief Operating Officer. Mr. Maher has more than 30 years of experience in banking and, prior to joining MeDirect, worked since 1994 with Deutsche Bank AG where he held various roles in research, corporate banking, transaction banking, private banking and country management. His most recent role at Deutsche Bank was as Country Chief Operating Officer and Branch Manager of Deutsche Bank in Belgium.

... in which MeDirect continued to execute its business strategy

Notwithstanding changes in management and the prospective change in shareholder, MeDirect continued to execute

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. and Bastion 2022-1 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.

its business strategy by growing its franchises in Malta, Belgium and the Netherlands, developing its digital platform, transforming its balance sheet, building its capabilities in recently launched asset classes such as Belgian and Maltese mortgages.

Growing a pan-European client franchise

The Group enhanced its brand awareness in its core markets of Malta, Belgium and the Netherlands. During 2024, the Group's client base grew by 17% to reach 155,000 by 31 December 2024, compared with 133,000 at year-end 2023. At year-end 2024, the Group had 118,000 retail clients in Belgium, 34,000 in Malta and 3,000 in the Netherlands. In December, MeDirect Belgium received an award from Spaargids.be as Best Savings Bank in Belgium.

MeDirect also expanded its corporate client base. It now serves over 500 corporate customers doing business in 15 countries by offering innovative technology, high quality, personalised services and tailored financial solutions. Through its new corporate banking platform (described at greater length below), MeDirect Malta offers a full range of banking and lending services for both companies and their owners.

Individual and corporate clients have grown their financial assets with MeDirect, reaching an aggregate of €5.9 billion in December 2024, an increase of 19% from year-end 2023. Assets under custody have grown to €2.1 billion, an increase of 22% from year-end 2023.

Developing MeDirect's cutting-edge digital platform

In 2024, MeDirect solidified its position as Malta's digital bank. By leveraging technology and maintaining a customer-centric approach, MeDirect delivered transformative solutions that significantly enhanced its offerings for both individual and corporate clients.

Corporate banking platform

A major highlight of the year was the launch of the MeDirect Corporate Banking Platform, an innovative solution that provides businesses with seamless banking experiences. One of its standout features is a salary payment module, enabling businesses to streamline payroll processes with ease and precision. Built as an omni-channel solution, the platform is accessible through both web and mobile interfaces, ensuring flexibility and convenience for users.

This solution was developed with an emphasis on user-centric design, resulting in highly positive Net Promoter Scores. Businesses and their owners can now manage their corporate and personal accounts through a unified journey, eliminating the need for separate tools and processes. This integration not only saves time but also empowers clients with greater control and visibility over their finances, setting a new benchmark in digital banking solutions.

Expansion of payment options: Google Pay and Apple Pay

Another key achievement in 2024 was the rollout of Google Pay and Apple Pay services in Malta and Belgium. These launches followed the introduction of MeDirect's debit card services, which were successfully implemented just months earlier. By integrating these globally recognised payment platforms, MeDirect has enabled its clients to make secure, contactless payments effortlessly, aligning with the rapidly growing demand for digital payment solutions.

The addition of digital wallets marks a significant step forward in MeDirect's commitment to delivering modern, tech-driven financial services. These features have not only enhanced convenience but also strengthened the bank's value proposition in key markets.

A cutting-edge banking ecosystem

Underpinning these advancements is MeDirect's internally developed banking ecosystem, designed for rapid innovation and scalability. Built with cutting-edge technologies, the platform leverages distributed micro-frontends and microservices architecture, hosted on expansive Kubernetes clusters. This architecture provides MeDirect with unparalleled flexibility to scale its services in response to growing customer demands.

The adoption of distributed micro-frontends ensures that different components of the platform can be updated independently, enabling faster feature releases and a smoother user experience. Similarly, the microservices architecture enhances system resilience and reliability, ensuring uninterrupted service delivery even during peak usage.

By investing in such a robust technological foundation, MeDirect has positioned itself to enrich its offerings continuously and respond dynamically to market needs. This commitment to innovation has not only reinforced client trust but has also set the stage for future advancements.

Newest developments: SEPA instant payments and wealth management

Looking to the future, MeDirect has an ambitious roadmap aimed at further enhancing its services. One of the most anticipated developments is the introduction of SEPA Instant Payments, a feature that will enable real-time euro transfers across participating banks. This will serve as an add-on to MeDirect's internally built payment hub, providing clients with faster and more efficient payment capabilities.

In addition, MeDirect is exploring an open model that will allow clients to invest in model portfolios tailored to their financial goals. This innovative solution aims to simplify wealth management, making it more accessible and user-friendly for clients seeking to grow their investments.

Financial performance

The Group delivered net operating profit of €14.3 million in 2024, a decrease of 6.3% (2023: €15.3 million). Net operating profit was driven by the following factors:

- Operating income decreased by €2.8 million, or 3.1%, to €85.8 million (2023: €88.5 million). The Group's top line was adversely affected by further de-risking of its balance sheet through a reduction of the International Corporate Lending ("ICL") portfolio, which continued at pace in 2024. Lower net interest income from the ICL portfolio reduced -net interest income by approximately €12.0 million versus 2023.
- Excluding the impact of ICL portfolio, operating income grew €9.6 million or 15.7%. This was principally driven by growth across all sectors of mortgage lending as well as in Maltese corporate portfolios, generating higher net interest income, partially offset by increased cost of funding. Growth of €2.1 million or 40.4% was registered in fees from the wealth business and other commissions for a total amount of €7.2 million in 2024.
- Operating costs decreased by €1.8 million to €71.5 million (2023: €73.3 million), principally as a result of lower professional services and marketing expenditure which more than offset an increase in personnel costs incurred as the Group strengthened its resources by acquiring new talent in the areas of regulatory compliance, risk management, customer experience and product development.

Expected credit losses ("ECLs") for the financial year 2024 amounted to a €19.3 million net charge (2023: €0.9 million net charge), predominantly driven by adverse developments in the ICL portfolio. The net ECL charge impact was due to realised losses as a result of targeted divestments of selected exposures and deterioration in two specific lending positions. During the comparable period of 2023, the Group recorded a substantial recovery of Stage 3 exposures and benefited from larger releases of provisions based on ECL model calculations.

With net operating profit of €14.3 million offset by unfavourable ECL impact of €19.3 million, the Group's net result for financial year 2024 was a loss before tax of €5.0 million (2023: €14.3 million profit before tax). Return on equity for the Group resulted in (2.3%), a reduction from 4.3% in the previous year.

Balance Sheet Position

The Group's balance sheet grew by 1.9% in 2024 and stood at €5.07 billion as of 31 December 2024 (2023: €4.98 billion).

Balance sheet transformation

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 2024, customer deposits stood at €3.9 billion, an increase of 17.2% from the previous year's €3.3 billion.

After successfully reducing the size of the Group's ICL portfolio to €329 million (net of provisions) by the end of 2023, MeDirect continued to de-risk its balance sheet. By year-end 2024, the ICL portfolio was reduced by a further 37%, to €206 million (net of provisions). The Group proactively reduced the ICL portfolio through non-replacement of repayments and selected loan sales.

Net loans and advances to customers as of 31 December 2024 reached €2.9 billion, an increase of 6.3% when compared with the €2.8 billion of 31 December 2023, driven by increased mortgage lending. Key developments in the mortgage asset class were:

- MeDirect's Dutch-government guaranteed NHG mortgage activity continued to form the core of its mortgage portfolio, comprising 40% of the Group's total balance sheet. 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, more than doubled in size and reached €173.5 million as of 31 December 2024. 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.
- MeDirect further expanded its Belgian and Maltese mortgage lending businesses, both of which registered double-digit growth.

The corporate lending portfolio in Malta grew by 7.5% during the period, reflecting continued support of local businesses through collateralised facilities.

The investment portfolio increased by a net €37.2 million or 2.8%. The effective rate of return on treasury investments improved from 2.4% in 2023 to 3.2% in 2024. One of the key contributing factors was an investment into "AAA" rated notes issued by securitisations of consumer finance, auto loans and mortgage loan receivables originated in the Dutch and German markets.

Capital position of the Group

MeDirect's capital and liquidity positions remained adequate, supporting the continuation of its business strategy and further growth. As of 31 December 2024, MeDirect's Tier 1 capital ratio stood at 16.4%, with a total capital ratio of 19.8%, both above regulatory requirements, recommendations and management buffers. Leverage ratio at year-end 2024 remained at 4.4%, the same level as 2023.

Asset Quality

The Group continued to execute its de-risking strategy and to improve its asset quality by actively managing its Non-Performing Loan ("NPL") portfolio and reducing its NPL ratio by divesting certain non-performing loans, predominantly in the ICL portfolio. As of 31 December 2024, the NPL ratio was reduced to 2.2%, from 2.5% as of 31 December 2023.

ESG and Social responsibility

MeDirect continued to integrate Environmental, Social and Governance ("ESG") principles into its business and to raise ESG awareness throughout the organisation. During 2024, MeDirect expanded its offering of green funds and ETFs, green mortgage loans and introduced a new green lending product in Malta. Additionally, it reported its carbon footprint for the first time in December 2023 and has since continued to monitor its carbon emissions. This effort aligns with MeDirect's commitment to reducing its own carbon footprint and financed emissions to achieve net-zero by 2050, in line with the Group's ESG Strategy. To reduce its own emissions, MeDirect sources 100% green energy for its offices in the Netherlands and the United Kingdom, while its Malta and Belgium offices are LEED (Leadership in Energy and Environmental Design) and CWaPE (Commission wallonne pour l'énergie) certified.

PLATINUM Top 1% ecovadis Sustainability Rating 2024

In 2024, MeDirect continued to improve its EcoVadis rating, earning a prestigious Platinum medal. This recognition places MeDirect in the top 1% of companies rated by EcoVadis, a leading sustainability rating provider. The Group continue its efforts to increase ESG awareness throughout the organisation .

Diversity and inclusion are two important values for MeDirect. As of December 2024, MeDirect had employees from over 30 nationalities, with 62% of the workforce being male and 38% female. In April 2024, MeDirect Malta was re-certified with the Equality Mark by the National Commission for the Promotion of Equality. MeDirect prides itself on developing its employees and promoting from within. It contributes to the local communities in which it operates by supporting charitable organisations as well as talented individuals in areas such as sports and culture through sponsorships, donations and the voluntary actions of its employees.

Conclusion

In 2024, MeDirect took an important step toward securing a bright future. On 28 November 2024, Banka CREDITAS agreed to purchase MeDirect, subject to all required regulatory approvals, The prospective acquisition of MeDirect by Banka CREDITAS is expected to provide the Group with a strong controlling shareholder, committed to reinforcing the Group's capital base and facilitating its sustainable growth plans in each of the markets in which it competes. Banka CREDITAS has both the financial strength and industry expertise to work in partnership with MeDirect with the aim of continuing to build MeDirect's client franchise and technology platform and of producing stable and consistent profitability.

Notwithstanding the many changes during 2024, MeDirect continued to execute its business strategy. The Group continued to de-risk its balance sheet and to reduce the size of its ICL portfolio, whilst maintaining adequate prudential ratios, in excess of regulatory requirements, recommendations and management buffers.

At the same time, MeDirect continued to build its customer-centric platform, adding additional features and functionalities designed to make banking and wealth management as effortless as possible. From the launch of an omni-channel corporate banking platform to the introduction of globally recognised payment solutions, MeDirect has consistently demonstrated its ability to innovate and adapt. Supported by a cutting-edge technological infrastructure, MeDirect is well-positioned to continue its trajectory of growth and innovation, shaping the future of digital banking for years to come.

By listening to client feedback and staying ahead of industry trends, MeDirect intends to continue to deliver solutions that cater to the evolving needs of its diverse corporate and retail customer base.

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 4 December 2024 and became Chair on 11 December 2024
Mr. Michael Bussey – appointed as independent non-executive director and chair on 20 February 2017 and resigned on 11 December 2024
Mr. Arnaud Denis – appointed as chief executive officer and executive director on 15 October 2019 and resigned on 31 January 2025
Ms. Izabela Banas – appointed as chief financial officer and executive director on 12 September 2024
Mr. Philip English – appointed as non-executive director on 12 August 2024
Ms. Lisa Fergus – appointed as chief risk officer and executive director on 14 December 2023
Mr. Radoslaw Ksiezopolski – appointed as chief financial officer and executive director on 10 October 2019 and resigned on 15 July 2024
Ms. Dina Quraishi – appointed as independent non-executive director on 12 August 2024
Mr. John Zarb – appointed as independent non-executive director on 12 July 2017

Mr. Jean-Claude Maher was nominated as chief executive officer and executive director on 1 February 2025, subject to regulatory approval.

Dividends and reserves

The retained earnings of the Group amounted to €45.8 million (2023: €51.9 million) and of the Company amounted to €43.5 million (2023: €49.6 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 Wealth 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 declare that 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 understands the importance of adopting sound enterprise-wide risk management principles. MeDirect's core objective in the management of risk is to protect its customers and counterparties and to ensure its ability to grow sustainably and continue to develop a strong risk culture.

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 has a well-established risk governance structure, with an active and engaged Board of Directors supported by an experienced senior management team and a centralised risk management function that is independent of the business lines. Decision making is primarily conducted through the Board of Directors with oversight from a Board level Risk and Compliance Committee and delegated authority within executive level committees, including the newly established Enterprise Risk Management Committee and Compliance and Financial Crime Committee. The responsibilities of the Group's Risk Management function are to protect the Group through embedding a strong risk culture and to enable it to deliver sustainable income by facilitating and monitoring the implementation of effective risk management practices and assisting risk owners in defining and controlling risk exposures.

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 ten principal risks which are: business model and strategy risk, capital adequacy, liquidity risk, credit risk, market risk, operational risk, IT and information security risk, financial crime risk, regulatory risk and reputational risk. For 2025, however, the Group has also introduced an eleventh risk category: sustainability risk, covering ESG matters.

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 critical risk appetite limits are subjected 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 part of the Group's risk management framework and addresses a range of idiosyncratic and market-wide scenarios. The results of stress testing enable senior management to assess any potential vulnerability to exceptional but plausible adverse events. Stress testing enables MeDirect to assess its capital adequacy and liquidity risks and to identify potentially risky segments in its business model, as well as inherent systematic risks. This enables the Group to develop appropriate risk controls, contingency plans and mitigating actions to address relevant risks before adverse events occur.

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 increasing reliance on technology to improve the efficiency of its operations.

Related parties

During the year ended 31 December 2024, other than the transactions described under note 36 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 2023. 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.[1]

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.[2] 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.[2]

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.

In preparing the financial statements, MeDirect is responsible for:

- ensuring that the financial statements have been drawn up in accordance with International Financial Reporting Standards as adopted by the EU;
- selecting and applying appropriate accounting policies;
- making accounting estimates that are reasonable in the circumstances; and
- ensuring that the financial statements are prepared on the going concern basis unless it is inappropriate to presume that the Company and the Group 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 2024 are included in the Annual Report 2024, 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

1 Statement pursuant to Capital Market Rule 5.70.1.
2 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.

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 5.68[1]

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 consolidated financial statements 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), Izabela Banas (Chief Finance Officer) and Lisa Fergus (Chief Risk Officer) on 12 March 2025.

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

Who we are

Purpose, Mission and Core Values

Our customer proposition is:

Empowering people to manage their wealth with confidence and autonomy.

Delivering on this exciting mission is why we have built a world class mobile app and digital banking platform, giving our clients a one-stop shop for their wealth and banking needs. Our vision for our customers is embodied in our "My Money, My Choices" branding, which speaks to the freedom and flexibility provided to customers in managing their finances.

We aim to meet the needs of the underserved affluent customer segment and to provide the best digital services available in our markets both to people who want to control their finances and to those want to be guided in their investment journeys. Our solution addresses the needs of a large potential universe, ranging from first time to experienced investors. We offer a wide choice of investment products and a highly convenient platform that enables our customers to achieve their financial goals. Increasingly, we are helping our corporate by providing a digital solution for their banking and financing needs.

Users of our platform may include:

- affluent individual and corporate customers unsatisfied with the offline journey provided by their current bank or investment advisors;
- people who do not have the time or expertise to manage their money and want to delegate or be guided;
- tech-savvy investors who want to access a highly functional trading platform with real-time capabilities and rich information; and
- customers who do not qualify for private banking, which typically caters only to customers with significant investible wealth.

MeDirect addresses these needs with cutting-edge technology and customer-centric solutions. We offer, on a single multi-channel platform with open architecture, a broad range of online investment solutions combined with superior user experience and attractive pricing. Our app provides customers with a wide range of services including trading, advisory and discretionary portfolio management, coupled with daily banking facilitated by our physical and virtual card capabilities. Through our new corporate services platform, launched in Malta in 2024, we are also addressing the banking needs of businesses.

Technology is the backbone of our success. Our internal tech teams have developed the critical components of our platform, allowing us to deploy seamless service aggregation capabilities. Our technology architecture is state-of-the-art, with scalability and modularity at its core. It has been, built by a talented team recruited from advanced technology sectors including iGaming, Financial Services and Telecom.

Our strategic priorities reflect our **core values:**

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.

How our vision ties into our core strategy

Our core strategy is based on four main pillars:

1. Scaling up our platform

MeDirect focuses on the affluent customer segment (typically with €30,000 - €300,000 in wealth) that values convenience, transparency and choice. MeDirect aims to provide a full range of investment services from brokerage to investment guidance to discretionary portfolio management, combined with high-quality daily banking functions, including physical and virtual cards and digital wallets. We bring to market innovative solutions combining our proprietary software with seamlessly aggregated services from selected partners to create intuitive customer journeys.

> MeDirect focuses on the affluent customer segment that values convenience, transparency and choice.

2. Growing a low risk and capital efficient mortgage lending platform

We have built mortgage offerings in the Netherlands, Belgium and Malta and developed a lending platform that is both scalable and competitive. In Belgium and the Netherlands, MeDirect operates with a B2B2C approach, by working with the best servicing and origination partners and focusing on niche market segments, while still maintaining an appropriate risk-reward balance. We aim to use this business line to complement our wealth offering and to build a platform which maximises the full range of synergies between the two business lines, including cross-selling mortgages to wealth customers or vice-versa.

> We have built mortgage offerings in the Netherlands, Belgium and Malta and developed a lending platform that is both scalable and competitive.

3. MeDirect Tech Proprietary platform

MeDirect's technology strategy is a testament to the power of modern software architecture in driving business growth and maintaining a competitive edge. MeDirect's cloud-agnostic approach allows for the seamless integration of services from various third-party providers, enhancing its digital offerings. This strategic selection of partners contributes to a robust and flexible modular ecosystem, capable of supporting the platform's scalability.

The transition from a monolithic setup to a containerised platform was a pivotal move in MeDirect's tech strategy. This shift not only facilitated scaling up to accommodate higher volumes and broader geographies but also ensured cost-efficiency. The adoption of a modular microservices architecture underlines MeDirect's commitment to continuous innovation and its ability to adapt to evolving business and customer needs.

> Strategic selection of partners contributes to a robust and flexible modular ecosystem, capable of supporting the platform's scalability.

MeDirect's proprietary platform design revolves around core elements that prioritise user experience and interfaces, client experience management, order orchestration, payment execution, and transaction management. These elements are underpinned by key design principles that ensure a seamless and efficient operation. MeDirect's in-house software development team, recognised for its excellence, plays a crucial role in the ongoing development and refinement of this cutting-edge technology.

Overall, MeDirect's tech architecture is a strategic asset that enables it to offer a comprehensive and multi-channel customer experience while optimising operational efficiency and scalability. This positions MeDirect well to respond swiftly to market demands and to continue its trajectory of innovation and growth.

4. Efficient operating model

MeDirect operates a high-quality service centre in Malta comprising technology, digital channels, operations and other support teams. These teams drive MeDirect's vision to be simpler, better and faster for its customers and workforce. These teams:

- develop software and applications to improve customer experience;
- manage the IT infrastructure and support;
- manage customer operations and change across MeDirect; and
- provide professional services in areas such as finance, risk and treasury.

Each of our banks have dedicated marketing and product teams, as well as robust control functions. This international set-up means MeDirect can scale up efficiently while remaining flexible and close to local market customer and regulatory requirements.

Group History

2009	June	Acquired by AnaCap Financial Partners II L.P.
	November	Launch of online deposits in Malta
2015	June	Belgian branch obtains banking licence and becomes subsidiary of Maltese bank
2016	January	MDB Group regulated under the Single Supervisory Mechanism
2019	September	Launch of Dutch NHG mortgage business line
2020	May	Successful completion of first Residential Mortgage-Backed Security ("RMBS")
		Launch of retail mobile app
2021	March	Launch of home loans in the Maltese market
	November	Awarded "Best Use of Technology in Business Transformation" by Tech.MT for MeDirect's digital onboarding platform
2022	April	MeDirect launches mortgage products in Belgium in partnership with Allianz
	October	Launch of professional buy-to-let mortgage product in the Netherlands
2023	May	Geographical expansion of digital wealth products and deposits into the Netherlands
		MeDirect Belgium rated 3rd best bank in Belgium by Forbes global survey
	July	Launch of physical and virtual cards contributing to growth in MeDirect customer base
2024	January	Launch of upgraded MeDirect Corporate Banking Platform
	July	Partnership with one of Malta's leading communications services provider
	August	MeDirect makes digital wallets accessible for card users through Google Pay and subsequently Apple Pay
	November	Medifin Finance Limited, the direct parent company of MeDirect enters into a share purchase agreement with Banka CREDITAS a.s. subject to regulatory approval
	December	MeDirect Belgium awarded Best Savings Bank award by Spaargids.be
		Significant milestone of 150,000 retail customers with more than €5 billion in of financial assets held with MeDirect

Group Board

Bart Bronselaer

Independent Chair and Non-Executive Director

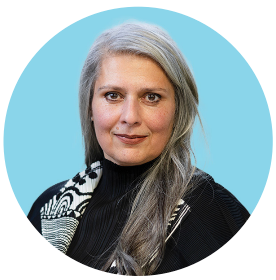
» Joined the MeDirect Group Board on 27 November 2024 as Chair of the Board, while concurrently serving as Chair of the Board Risk Committee at MeDirect Bank SA through February 2025

Former key positions held:

» 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

External appointments:

» Director - United Pensions OFP



Dina Quraishi

Independent Non-Executive Director

» Joined MeDirect Board on 6 July 2023 and is the Chair of the Risk and Compliance Committee
» 20+ years of experience in risk management covering various sectors including payments, FinTech, engineering and financial services

Former key positions held:

» Chief Risk Officer – SWIFT (Belgium)
» Global Head of Enterprise Risk Management – Sandvik (Sweden)
» Head of Operational Risk – Zurich Insurance

John Zarb

Independent Non-Executive Director

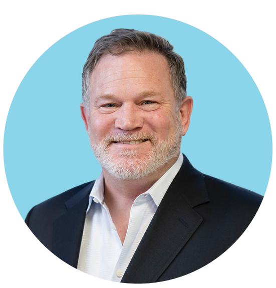
» Joined the MeDirect Group Board on 17 July 2017 and is the Chair of the Audit Committee, also a Director and Audit Committee member at MeDirect Bank SA
» 40 years of experience with PwC in Malta, retiring from his role as Partner in 2014

Former key positions held:

» 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

External appointments:

» Director - Foster Clark Products Ltd
» Board member of Tumas Investments plc and board member and Chair of the Remuneration Committee of its parent company, Tumas Group Company Limited



Philip English

Non-Executive Director

» Joined MDB Group's Board on 21 August 2023
» 30+ years of experience focusing on portfolio management, security valuation, financial markets and institutions and commercial banking

Former key positions held:

» Served on the Board of Directors of the CFA Society Washington, DC
» Served on the Investment Management Committee for Raffa Wealth Management

External appointments:

» 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

Izabela Banas

Director and Group Chief Financial Officer

- Joined MeDirect Group's Board on 4 September 2024.
- 25 years experience in finance at large corporations, 17 years in financial services.
- Certified Lean Sigma Black Belt

Former key positions held:

- CFO - Bank of Valletta
- CFO - HSBC Private Bank, EMEA
- Various senior management positions in finance at Credit Suisse, Willis Towers Watson and General Electric

Lisa Fergus

Director and Group Chief Risk Officer

- Joined MeDirect Group Board on 19 December 2023 as Group CRO
- Experienced banking professional with over 30 years in depth experience across enterprise risk management, compliance, financial crime, internal audit and corporate governance

Former key positions held:

- CRO - Ashman Finance, UK
- CRO - Monzo, UK
- CRO - Clear Bank, UK
- CRO - Masthaven Bank, UK
- Leading an audit quality assurance and professional practices programme globally at Barclays Bank

The above is the Board as of the date of this Annual Report. In addition to the above, Jean-Claude Maher was nominated as Chief Executive Officer and Executive Director of MDB Group Limited and MeDirect Bank (Malta) plc on 9 January 2025, subject to regulatory approval. As of 31 December 2024, Arnaud Denis was a member of the Boards of MDB Group Limited and MeDirect Bank (Malta) plc. and he resigned effective 31 January 2025.

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 2024, the MeDirect Malta Board consisted of four non-executive members and three 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. Taking into account certain factors such as the size of MeDirect Malta, the size of the Board and the balance of skills and experience represented by its members, the MeDirect Malta Directors are considered to be appropriate for the requirements of MeDirect Malta's business.

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. Seventeen meetings of the Board of MeDirect Malta were held during the 2024 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
Michael Bussey*	Independent Chair and Non-Executive Director	100%
Bart Bronselaer**	Independent Chair and Non-Executive Director	100%
John Zarb	Independent Non-Executive Director	100%
Dina Quirashi	Independent Non-Executive Director	100%
Philip English	Non-Executive Director	100%
Arnaud Denis***	Executive Director - Chief Executive Officer	100%
Radoslaw Ksiezopolski****	Executive Director - Chief Financial Officer	100%
Izabela Banas*****	Executive Director - Chief Financial Officer	100%
Lisa Fergus	Executive Director - Chief Risk Officer	100%

* Michael Bussey resigned on 11 December 2024.

** Bart Bronselaer became an independent non-executive director of MeDirect Malta on 27 November 2024 and Board Chair on 11 December 2024.

*** Arnaud Denis resigned on 31 January 2025. Jean-Claude Maher was nominated as an executive director on 1 February 2025, subject to regulatory approval.

**** Radoslaw Ksiezopolski resigned on 15 July 2024.

***** Izabela Banas was appointed as an executive director on 4 September 2024.

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

* Michael Bussey, resigned from the Board of MeDirect Malta on 11 December 2024 and was replaced as a member of the Audit Committee on that date by Bart Bronselaer.

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 2024, nine 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.

Since 2024, MeDirect Malta and Belgium have held Joint Board Audit Committees. These sessions have boosted efficiency, improved information sharing, and fostered 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) (who replaced Michael Bussey upon Mr. Bussey's resignation on 11 December 2024), 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, Group Head of Channels and Customer Experience, Head of Legal and Commercial Strategy 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 and Resolution Plan;
  - » Solvent Wind-Down Plan;
  - » Failing or likely to fail 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 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 who holds 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 ERMC. 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 at least monthly.

B3. Malta Compliance and Financial Crime Committee ("CFCC")

The CFCC is a sub-committee of the MeDirect Malta ERMC. 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 ERMC. It acts as an advisory body that provides preliminary validation of ESG actions and reports. It also oversees the implementation of ESG-related initiatives and reporting, corporate social responsibility engagement and monitoring of ESG- and CER-related risks and opportunities.

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, Group Head of Channels and Customer Experience, Chief Information Security Officer, Head of Dutch Retail Market, Group Chief Risk Officer, MeDirect Belgium Chief Risk Officer, Group Chief Financial Officer, MeDirect Belgium Chief Financial Officer, Head of Commercial Strategy and Legal, and the Supply and Procurement Senior Manager.

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 Directors 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. An external evaluation took place most recently during the financial year ended 31 December 2023.

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.

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 2024.

In fulfilling its role as a responsible corporate citizen, MeDirect actively encourages its employees to engage with and volunteer for causes they about which they care. This approach has led to successful fundraising efforts for Puttinu Cares, Hospice Malta and Inspire, as well as staff volunteering with organisations such as the Foodbank Lifeline Foundation and Gozo SPCA, amongst others.

MeDirect actively supports individual initiatives throughout the year, such as a mission to HopeXChange in Ghana. In 2024, MeDirect introduced a 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.

Promoting financial literacy is another key focus area for MeDirect, aligning with its mission to democratise finance and empower individuals with the tools and knowledge needed to build their wealth confidently and independently. In 2024, MeDirect supported various initiatives, including employees volunteering to educate students on personal finance and backing the launch of a finance toolkit. This toolkit equips teachers and coaches with resources to discuss financial topics with young people, particularly those from disadvantaged backgrounds. Additionally, MeDirect sponsored and participated in Malta's first national financial capability and wellbeing conference, organised by Junior Achievement Malta.

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 2024, 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 national dance company ŻfinMalta and Soċjetà Filarmonika La Stella A.D. 1863 continued to receive backing from MeDirect Malta. MeDirect 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 2024, MeDirect Belgium also participated in various community initiatives. Highlights included employee participation in Clean up Brussels and Mobility Week, during which staff cleaned the streets around the office and opted for sustainable commutes by public transport, bike or on foot. Employees also participated in the 20km of Brussels, with MeDirect Belgium giving a donation to Think Pink, an organisation dedicated to raising breast cancer awareness and funding research. Additionally, MeDirect Belgium staff collected school supplies, which were sent to a school in Morocco.

In the Netherlands, MeDirect entered into a partnership with the Amsterdam Tennis Club – Sloterplas and The Pink Panthers rugby team. These partnerships enabled the tennis club to provide training for underprivileged children and supported the rugby team in developing its youth programme, with a focus on initiatives that helped teens and young adults build self confidence.

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 and Shareholder representative

**replaced Michael Bussey on the 11th December*

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 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 2024, the Group's NRC met seven 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 teh policy are identified and appropriately addressed.

In 2024 the Group reviewed the remuneration policy and the Deferred Bonus plan, but there were no material 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 are 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, are 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 of 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 is 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 of 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

		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€000**	€000	**€000**	€000
ASSETS					
Balances with central banks and cash	4	**206,870**	265,453	**-**	-
Derivative financial instruments	5	**175,310**	207,950	**-**	-
Loans and advances to financial institutions	6	**316,403**	358,557	**224**	164
Loans and advances to customers	7	**2,927,475**	2,753,672	**-**	-
Investments					
- Securities portfolio	8	**698,866**	710,930	**-**	-
- Securitisation portfolio	8	**514,669**	610,706	**-**	-
- Asset-Backed Securitisation portfolio	8	**145,285**	-	**-**	-
- Subsidiaries	9	**-**	-	**248,672**	254,538
Property and equipment	10	**4,624**	6,091	**-**	-
Intangible assets	11	**16,827**	16,416	**-**	-
Non-current assets classified as held for sale	12	**-**	1,785	**-**	-
Investment property	13	**17,042**	-	**-**	-
Current tax assets		**1,042**	207	**2**	2
Deferred tax assets	14	**17,512**	17,525	**-**	-
Prepayments and accrued income	15	**5,437**	4,747	**-**	-
Other assets	16	**26,104**	23,576	**13,019**	12,864
Total assets		**5,073,466**	4,977,615	**261,917**	267,568
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	**136,300**	136,300	**136,300**	136,300
Other reserves	17	**(394)**	(558)	**880**	716
Retained earnings	17	**45,819**	51,877	**43,505**	49,554
Total equity		**251,219**	257,113	**250,179**	256,064
LIABILITIES					
Derivative financial instruments	5	**32,681**	25,464	**-**	-
Amounts owed to financial institutions	18	**179,777**	374,960	**-**	-
Amounts owed to customers	19	**3,878,702**	3,309,063	**-**	-
Debt securities in issue	20	**641,673**	916,747	**-**	-
Subordinated liabilities	21	**67,358**	66,871	**11,671**	11,453
Current tax liabilities		**2**	980	**-**	-
Deferred tax liabilities	14	**196**	342	**-**	-
Provisions for liabilities and other charges	22	**202**	298	**-**	-
Accruals and deferred income	23	**11,696**	12,270	**13**	14
Other liabilities	24	**9,960**	13,507	**54**	37
Total liabilities		**4,822,247**	4,720,502	**11,738**	11,504
Total equity and liabilities		**5,073,466**	4,977,615	**261,917**	267,568
Memorandum items					
Commitments to extend credit, guarantees and other commitments	34-35	**212,551**	260,017	**-**	-

The notes on pages 42 to 200 are an integral part of these financial statements. The financial statements on pages 37 to 200 were signed on behalf of the Board of Directors by Bart Bronselaer (Chairman), Izabela Banas (Chief Financial Officer) and Lisa Fergus (Chief Risk Officer) on 12 March 2025.

Statements of comprehensive income

		Group		Company	
		2024	2023	2024	2023
	Notes	€000	€000	€000	€000
Interest income *		194,674	173,755	1,291	1,267
Interest expense		(117,621)	(91,434)	(1,291)	(1,267)
Net interest income	25	77,053	82,321	-	-
Fee and commission income		12,464	9,694	-	-
Fee and commission expense		(5,303)	(4,594)	(2)	(1)
Net fee and commission income	26	7,161	5,100	(2)	(1)
Net trading income	27	1,600	547	(1)	-
Net (loss)/gain from financial instruments measured at fair value through profit or loss		(125)	447	-	-
Share of results of subsidiary undertaking	9	-	-	(5,866)	11,981
Other operating income					
– Realised losses on disposal of other investments measured at amortised cost		-	(30)	-	-
– Realised gains on disposal of loans and advances		3	82	-	-
– Other income		71	77	-	-
Total operating income		85,763	88,544	(5,869)	11,980
Personnel expenses	28	(26,828)	(24,291)	-	-
Depreciation and amortisation	10-11	(5,741)	(5,572)	-	-
Other administrative expenses	29	(38,900)	(43,425)	(16)	(43)
Total operating expenses		(71,469)	(73,288)	(16)	(43)
Net operating profit/(loss) before changes in expected credit losses		14,294	15,256	(5,885)	11,937
Change in expected credit losses and other credit impairment charges	30	(19,332)	(945)	-	-
(Loss)/profit for the year before tax		(5,038)	14,311	(5,885)	11,937
Tax expense	31	(856)	(2,408)	-	-
(Loss)/profit for the year - Total comprehensive (loss)/income		(5,894)	11,903	(5,885)	11,937
- Attributable to equity holders of the parent					

		Group	
		2024	2023
	Note	€	€
Earnings per share (Basic and diluted)	32	(0.10)	0.21

** All interest income is calculated using the effective interest rate (EIR) method.*
The notes on pages 42 to 200 are an integral part of these financial statements.

Statements of changes in equity

Group	Share capital	Share premium	Shareholders' contributions	Reserve for general banking risks	Other reserves	Retained earnings	Total
	€000	€000	€000	€000	€000	€000	€000
Balance at 1 January 2023	55,738	13,756	136,300	3,798	(1,050)	36,668	245,210
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,903	11,903
Total comprehensive income, net of tax	-	-	-	-	-	11,903	11,903
Transfer to legal reserve (Note 17)	-	-	-	-	492	(492)	-
Release of reserve (Note 17)	-	-	-	(3,798)	-	3,798	-
Balance at 31 December 2023	55,738	13,756	136,300	-	(558)	51,877	257,113
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**

Company	Share capital	Share premium	Shareholders' contributions	Reserve for general banking risks	Other reserves	Retained earnings	Total
	€000	€000	€000	€000	€000	€000	€000
Balance at 1 January 2023	55,738	13,756	136,300	3,798	224	34,311	244,127
Total comprehensive income							
Profit for the year	-	-	-	-	-	11,937	11,937
Total comprehensive income, net of tax	-	-	-	-	-	11,937	11,937
Transfer to legal reserve (Note 17)	-	-	-	-	492	(492)	-
Transfer from Statutory legal reserve (Note 17)	-	-	-	(3,798)	-	3,798	-
Balance at 31 December 2023	55,738	13,756	136,300	-	716	49,554	256,064
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**

The notes on pages 42 to 200 are an integral part of these financial statements.

Statements of cash flows

		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€000**	€000	**€000**	€000
Cash flows from operating activities					
Interest and commission receipts		**203,189**	171,107	**1,291**	1,267
Interest and commission payments		**(122,876)**	(62,031)	**(1,291)**	(1,267)
Payments to employees and suppliers		**(65,045)**	(68,704)	**-**	-
Operating cash flows before changes in operating assets/liabilities		**15,268**	40,372	**-**	-
(Increase)/decrease in operating assets:					
- Reserve deposit with central banks		**(7,087)**	(1,804)	**-**	-
- Loans and advances to financial institutions and customers		**(112,332)**	(192,894)	**-**	-
Increase/(decrease) in operating liabilities:					
- Amounts owed to financial institutions and customers		**506,362**	401,388	**(1)**	-
- Other payables		**(2,497)**	2,657	**39**	(612)
Tax (paid)/refunded		**(2,798)**	517	**-**	1,578
Net cash from/(used in) operating activities		**396,916**	250,236	**38**	966
Cash flows from investing activities					
Acquisition of property and equipment	10	**(464)**	(242)	**-**	-
Acquisition and development of intangible assets	11	**(4,508)**	(6,257)	**-**	-
Acquisition of investments measured at amortised cost	8	**(259,454)**	(231,750)	**-**	-
Redemption of investments measured at amortised cost	8	**221,715**	183,606	**-**	-
Repayment/redemption of investments measured at fair value through profit and loss	8	**893**	5,292	**-**	-
Net advances from/(to) subsidiary		**-**	-	**22**	(960)
Net cash (used in)/from investing activities		**(41,818)**	(49,351)	**22**	(960)
Cash flows from financing activities					
Redemption/repurchase of debt securities	20	**(272,049)**	(58,688)	**-**	-
Principal element of lease payments	24	**(1,203)**	(1,177)	**-**	-
Net cash used in financing activities		**(273,252)**	(59,865)	**-**	-
Net increase in cash and cash equivalents		**81,846**	141,020	**60**	6
Cash and cash equivalents at beginning of year		**(22,150)**	(163,170)	**164**	158
Cash and cash equivalents at end of year	33	**59,696**	(22,150)	**224**	164

The notes on pages 42 to 200 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 2024 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 2024, 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") and Bastion 2022-1 NHG B.V. ("Bastion 2022-1"), three controlled special purpose entities utilised as part of the Group's funding strategy in respect of the Dutch Mortgage business; Grand Harbour I B.V. ("GH I"), a controlled special purpose entity that used to be utilised as part of the Group's funding strategy in respect of the International Corporate Lending portfolio and is in the process of being liquidated; 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.

Both MeDirect Malta and MeDirect Belgium still hold a portfolio of senior secured loans and revolving credit facilities to finance the business of European corporates.

The Group has retained substantially all risks and rewards pertaining to the activities of Bastion 2020-1, Bastion 2021-1 and Bastion 2022-1 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.

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 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:

- financial investments measured at fair value through profit or loss;
- 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 principal 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 IFRSs as adopted by the EU requires the use of certain accounting estimates. It also requires the Directors to exercise their judgment in the process of applying the Group's accounting policies (see Note 3.1 – Critical accounting estimates and judgments in applying the Group's accounting policies).

Standards, interpretations and amendments to published standards effective in 2024

During the financial year ended 31 December 2024, 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.

- Lease Liability in a Sale and Leaseback - Amendments to IFRS 16;
- Classification of Liabilities as Current or Non-current and Non-current Liabilities with Covenants - Amendments to IAS 1; and
- Disclosures: Supplier Finance Arrangements – Amendments to IAS 7 and IFRS 7.

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.

Interest Rate Benchmark Reform

The 'Interest Rate Benchmark Reform Phase 2: Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16' issued in August 2020 represents the second phase of the IASB's project on the effects of interest rate benchmark reform, addressing issues affecting financial statements when changes are made to contractual cash flows and hedging relationships as a result of the reform.

Under these amendments, changes made to a financial instrument measured at other than fair value through profit or loss that are economically equivalent and required by interest rate benchmark reform do not result in the derecognition or a change in the carrying amount of the financial instrument, but instead require the effective interest rate to be updated to reflect the change in the interest rate benchmark. In addition, hedge accounting is not discontinued solely because of the replacement of the interest rate benchmark if the hedge meets other hedge accounting criteria.

Interbank offered rates ('Ibors') are used to set interest rates on hundreds of trillions of different types of financial transactions and are used extensively for valuation purposes, risk measurement and performance benchmarking.

The 2016 EU Benchmark Regulation, which aims to ensure the accuracy, robustness and integrity of interest rate benchmarks, has led various national working groups to actively discuss the mechanisms for an orderly transition of five Libor currencies (US dollar, Euro, Pound sterling, Japanese yen and the Swiss franc) and the Euro Overnight Index Average ('Eonia') to their chosen replacement near risk-free rate ('RFR').

Since 31 December 2021 representative Libor rates are no longer available in the case of all sterling, euro, Swiss franc and Japanese yen rates, and the 1-week and 2-month US dollar rates. Meanwhile, the benchmark in the case of the remaining US dollar settings (one, three, six and 12 month), ceased on 30 June 2023. In addition, the Eonia benchmark ceased on 3 January 2022.

As a result, the Group embarked on an IBOR transition programme, under the governance of the Chief Financial Officer, to facilitate an orderly transition from libors to RFRs. During the financial year ended 31 December 2021, the Group successfully transitioned its GBP Libor and Eonia exposures to SONIA and ESTR, respectively, and completed its transition of all remaining exposures with USD Libor dependency by June 2023.

In this respect, as at 31 December 2021, leveraged loans to customers with a gross carrying amount of €161.9 million were transitioned from underlying GBP Libor reference rates to SONIA rates. The amendments to all such contracts were deemed to be necessary as a direct consequence of the IBOR reform. In addition, the new basis for each contract was also deemed to be economically equivalent to the previous basis, which was achieved through the inclusion of credit spread adjustments to each contract.

Meanwhile, during 2021, model changes were also made to the valuation of interest rate derivative instruments with a notional value of €1.7 billion by replacing the Eonia with the ESTR discount curve. This change resulted in an adjustment to the carrying amount of derivatives amounting to €0.3 million which had been recognised in profit or loss during that year.

As a result, as at 31 December 2021, all financial instruments with a contractual maturity date after 31 December 2021 and for which the benchmark had ceased, were transitioned to RFRs accordingly.

The Euribor administrator has used its prerogatives to reinforce Euribor governance and the calculation methodology to comply with the requirements of the benchmark reform ("BMR"). This benchmark can therefore continue to be used with no time limit unless it ceases to be published and is replaced by an alternative or is no longer representative. To this effect, the Group's working group will continue to review and monitor the regulatory landscape, as like any benchmark, in time, Euribor could transition to an alternative rate.

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.

- Amendments to IAS 21: Lack of Exchangeability, effective 1 January 2025;
- 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;
- IFRS 18 Presentation and Disclosure in Financial Statements, effective 1 January 2027;
- IFRS 19 Subsidiaries without Public Accountability: Disclosures, effective 1 January 2027; and
- Amendments to IFRS 10 and IAS28: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture, available for optional adoption/effective date deferred indefinitely.

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 will allow the relevant minimum regulatory requirements to be satisfied. Furthermore, these financial projections do not consider the additional capital that may be invested by Banka CREDITAS a.s. into MDB Group Limited and its subsidiary companies, as stated in the company announcement issued by MeDirect, once the share purchase agreement is approved by the regulatory authorities.

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:
(i) 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
(ii) FVTPL if the financial asset does not pass the business model assessment referred to above and 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:

(i) variable interest rates, which typically consider the time value of money, credit risk and other basic lending risks and costs;
(ii) leverage, which is a contractual cash flow characteristic that results in increased variability in contractual cash flows;
(iii) modifications of the time value of money; and

(iv) 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 International Corporate Lending portfolio; (ii) the Dutch Mortgage portfolio (including the buy-to-let mortgages portfolio); (iii) the Belgian Mortgage portfolio; (iv) the Maltese Business Lending portfolio; (v) the Maltese Mortgage portfolio; (vi) the Consumer Finance receivables 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 that are held 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 International Corporate Lending portfolio, the Dutch Mortgage portfolio, the Belgian Mortgage portfolio, the Maltese Business Lending portfolio, the Maltese Mortgage portfolio and the Consumer Finance receivables portfolio, and a portfolio of debt securities classified under the Securities, Securitisation Investment and Asset-Backed Securitisation Investment portfolio.

In addition, financial assets measured at amortised cost comprised the Group's investments in the Grand Harbour CLO 2019-1 Designated Activity Company ("GH1-2019") structured note tranches, with the exception of the equity tranche which was measured at FVTPL. Both investments were previously classified under the Securitisation Investment portfolio and were repaid during the financial year ended 31 December 2024.

Financial instruments at fair value through profit or loss

Financial instruments, other than those held for trading, are classified in this category. As at 31 December 2024, the Group also held equity instruments acquired as part of debt restructuring arrangements entered into with borrowers experiencing financial difficulties classified within the International Corporate Lending portfolio.

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 both business models 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), financial guarantee contracts and recognised lease receivables to which IFRS 16 Leases applies. 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, 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. Financials 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 remain 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 little 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.

Other than for the 'days past due' trigger, the Group does not expect to observe a single qualitative SICR trigger to signal a SICR event in normal circumstances, unless where the event is material. Therefore, 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.

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 at least one of the following rating agencies: Moody's, Fitch or Standard & Poor's. 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 Collaterised 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.

Throughout 2024, the Group's investment in tranches within GH1-2019, a Collateralised Loan Obligation Structured Entity ("CLO SE") originated and managed by the Group, was repaid.

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 unlikeliness-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. In all other instances, renegotiated loans within these portfolios are initially classified as Stage 2 assets.

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 there is an increased likelihood of default 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. 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 no internal 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 that are past due 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 Investment, 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.

Goodwill is allocated to cash-generating units for the purpose of impairment testing. The allocation is made to those cash-generating units or groups of cash-generating units that are expected to benefit from the business combination in which the goodwill arose, identified according to operating segment. A cash-generating unit to which goodwill has been allocated is tested for impairment annually, and whenever there is an indication that the unit may be impaired, by comparing the carrying amount of the unit, including the goodwill, with the recoverable amount of the unit. The recoverable amount is the higher of fair value less costs to sell and value in use.

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

1.7.3 Acquired trademarks

Trademarks acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 5 years, which is the shorter of their estimated useful lives and periods of contractual rights.

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 Non-current assets classified as held for sale

Non-current assets are classified as held for sale when their carrying amounts will be recovered principally through a sale transaction rather than through continuing use, they are available for sale in their present condition and their sale is highly probable. Non-current assets classified as held for sale are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses for any initial or subsequent write-down of an asset to fair value less costs to sell are recognised in profit or loss. Gains for any subsequent increase in fair value less costs to sell of an asset are recognised only up to the extent of the cumulative impairment loss recognised and are reflected within profit or loss.

1.11 Investment property

Investment properties are stated at historical cost less depreciation. Historical cost includes transaction costs amd 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.

1.12 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.

1.13 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.

1.14 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 1.15), 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.

1.15 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.

1.15.1 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 core deposits and under-hedging strategies. Under the EU carve-out, hedge accounting may be applied to core deposits 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 core deposits 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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. 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. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

1.16 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.

1.17 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.

1.18 Fees and commissions

Fee and commission income and expenses that are an integral part of the effective interest rate on a financial asset or liability are included in the calculation of the effective interest rate and treated as part of interest income or interest expense.

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.

1.19 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.

1.20 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.

1.21 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).

1.22 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.

1.23 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.

1.24 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.

1.25 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, comprising loans to international corporates; the Consumer Finance receivables portfolio; the Securities Investment portfolio principally comprising investment-grade debt securities; and 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. As at 31 December 2023, the Group also held investments in CLO transactions originated by the Group (representing a 5% vertical slice in each structured note tranche of the Grand Harbour CLO 2019-1 Designated Activity Company ("GH1-2019")). These tranches in GH1-2019 were repaid in 2024.

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.

These risks principally relate to the Group's banking activities and are managed by MeDirect Malta's Board of Directors.

As a result, this note presents information about the financial risk management of the MeDirect Malta Group, which comprises MeDirect Malta and MeDirect Belgium ("MeDirect Malta Group"), thus excluding MDB Group Limited that is just a holding company.

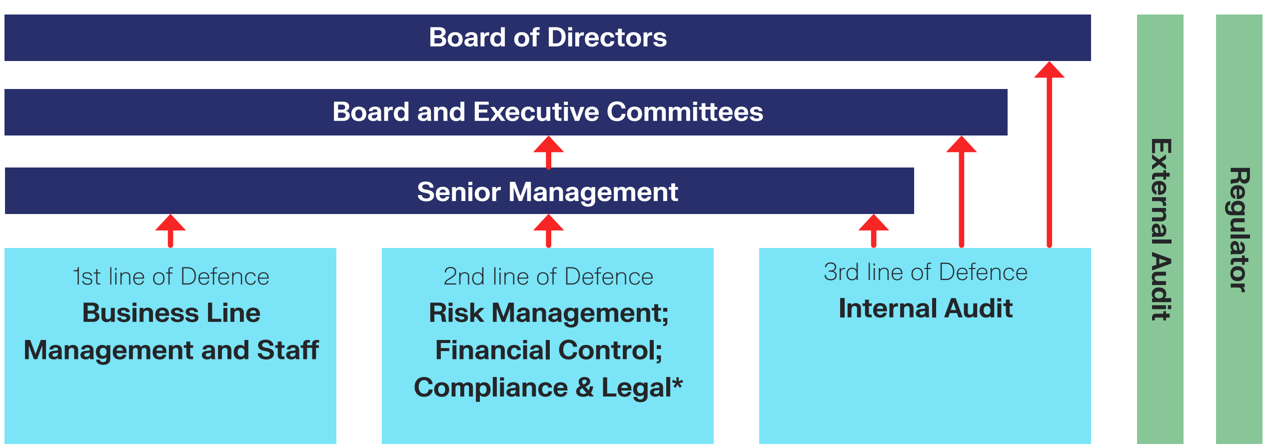
2.1.1 Risk management framework

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.



*On occasions, the Legal team also performs duties within the first line of defence

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 size has reduced by 37% over the last financial year.

Accordingly the Group’s credit risk taking activities comprise principally residential mortgage lending classified under the Dutch, Belgian and Maltese Mortgage portfolios; lending to international and Maltese corporate clients, classified under the International Corporate Lending and Maltese Business Lending portfolios respectively; Consumer Finance receivables portfolio; investments in debt securities classified under the Securities Investment portfolio; investments in CLO structures classified under the Securitisation 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 ERMC. 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 covered bonds issued by governments (including regional governments), agencies and supranational institutions, as well as securities issued by financial institutions (some of which may carry a government guarantee).

The Treasury function is also responsible for managing the AAA-rated CLO and ABS portfolio, 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 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	
	2024	2023
	€000	€000
On balance sheet net exposure: **Financial assets measured at amortised cost**		
Balances with central banks	**206,868**	265,450
Loans and advances to financial institutions	**316,179**	358,393
Loans and advances to customers	**2,927,475**	2,753,672
- International Corporate Lending portfolio	**205,925**	328,506
- Dutch Mortgage portfolio	**2,202,281**	2,104,568
- Belgian Mortgage portfolio	**365,380**	254,937
- IFRS basis adjustment: International Mortgage portfolio	**(142,246)**	(183,180)
- Maltese Business Lending portfolio	**153,592**	142,841
- IFRS basis adjustment: Maltese Business Lending portfolio	**686**	-
- Maltese Mortgage portfolio	**129,051**	98,599
- Consumer Finance receivables portfolio	**4,728**	-
- Accrued interest	**8,078**	7,401
Investments measured at amortised cost	**1,358,820**	1,320,618
- Securities portfolio	**698,866**	710,930
- Securitisation portfolio	**514,669**	609,688
- Asset-Backed Securitisation portfolio	**145,285**	-
Accrued income	**1,473**	914
Loans to related parties (included in other assets)	**48**	41
Other receivables (included in other assets)	**1,048**	1,024
Other assets (included in other assets)	**23,315**	21,365
	4,835,226	4,721,477
Instruments mandatorily measured at fair value through profit or loss	**175,310**	208,968
- Held for trading derivative financial instruments	**511**	511
- Held for risk management derivative financial instruments	**174,799**	207,439
- Investments - Securitisation portfolio	**-**	1,018
	5,010,536	4,930,455
Off balance sheet at nominal amount		
Commitments to extend credit, guarantees and other commitments	**212,551**	260,017

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	2024		2023	
	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	206,870	(2)	265,452	(2)
Loans and advances to financial institutions	316,180	(1)	358,394	(1)
Loans and advances to customers	2,942,417	(14,942)	2,767,989	(14,317)
- International Corporate Lending portfolio	218,206	(12,281)	340,950	(12,444)
- Dutch Mortgage portfolio	2,202,532	(251)	2,104,853	(285)
- Belgian Mortgage portfolio	365,934	(554)	255,290	(353)
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	(183,180)	-
- Maltese Business Lending portfolio	154,714	(1,122)	143,399	(558)
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-
- Maltese Mortgage portfolio	129,383	(332)	98,978	(379)
- Consumer Finance receivables portfolio	4,804	(76)	-	-
- Accrued interest	8,404	(326)	7,699	(298)
Investments measured at amortised cost	1,359,061	(241)	1,320,866	(248)
- Securities portfolio	698,961	(95)	710,996	(66)
- Securitisation portfolio	514,720	(51)	609,870	(182)
- Asset-Backed Securitisation portfolio	145,380	(95)	-	-
Accrued income	1,473	-	914	-
Loans to related parties (included in other assets)	48	-	41	-
Other receivables (included in other assets)	1,048	-	1,024	-
Other assets (included in other assets)	23,315	-	21,365	-
	4,850,412	(15,186)	4,736,045	(14,568)
Off balance sheet at nominal amount:				
Commitments to extend credit, guarantees and other commitments	212,829	(278)	260,315	(298)
Total	5,063,241	(15,464)	4,996,360	(14,866)

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

	MeDirect Malta Group	
	2024	2023
	€000	€000
Instruments mandatorily measured at fair value through profit or loss		
- Held for trading derivative financial instruments	**511**	511
- Held for risk management derivative financial instruments	**174,799**	207,439
- Investments - Securitisation portfolio	**-**	1,018
Total	**175,310**	208,968

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.

The financial assets recorded in each stage have the following characteristics:

- Stage 1: Non credit-impaired and without significant increase in credit risk on which a 12-month ECL is recognised (Regular and Focus internal classifications)
- Stage 2: A significant increase in credit risk has been experienced since initial recognition on which a lifetime ECL is recognised (Under Surveillance internal classification)
- Stage 3/POCI: An increased likelihood of default and are therefore considered to be in default or otherwise credit-impaired on which a lifetime specific ECL is recognised (Doubtful and Write-off internal classifications)

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 unlikeliness 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 unlikeliness 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 the Ukraine-Russia and Israel-Gaza conflicts, 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.

The Group exercises a degree of caution in respect of determining whether a significant increase in credit risk has occurred since origination. In this respect, management has introduced certain caps/notch downgrades to the implied ratings assigned to borrowers within the International Corporate Lending portfolio that have undergone significant restructuring to reflect an increased level of credit risk since origination. Notch downgrades were also applied to exposures that have qualitatively been considered 'under surveillance', due to management's concerns that credit losses may potentially be incurred in the future.

As described in more detail in section 1.5 of the financial statements, the staging criteria applied in respect of exposures classified within the Dutch Mortgage portfolio are based on credit deterioration indicators such as delinquency levels, forbearance activity and changes in PDs modelled by an external vendor on the basis of forecasted macro-economic scenarios which are revised to reflect the elevated level of economic uncertainty driven by the military conflict between

Russia and Ukraine and between Israel and Hamas and the high interest rates as explained in more detail in Note 2.2.7 - 'Current Conditions and Forward-looking information incorporated in the ECL model'. In this regard, the staging criteria are still deemed to be appropriate, with the impact of these conflicts on the credit risk profile of the Dutch Mortgage portfolio being captured in the modelling of PDs. Through climate-adjusted scenarios and a statistical model sourced from an external vendor the Group estimates the climate-adjusted credit loss allowances of its exposures classified within Dutch Mortgages portfolio.

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		Underperforming	Non-performing		
	Regular	Focus	Under surveillance	Doubtful	POCI	Total
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
Gross (including accrued interest)	206,870	-	-	-	-	206,870
Credit loss allowances	(2)	-	-	-	-	(2)
Loans and advances to financial institutions	316,179	-	-	-	-	316,179
Gross (including accrued interest)	316,180	-	-	-	-	316,180
Credit loss allowances	(1)	-	-	-	-	(1)
Loans and advances to customers	2,792,197	12,500	65,620	56,928	230	2,927,475
- International Corporate Lending portfolio	107,672	-	50,453	47,570	230	205,925
Gross	108,348	-	50,929	58,476	453	218,206
Credit loss allowances	(676)	-	(476)	(10,906)	(223)	(12,281)
- Dutch Mortgage portfolio	2,191,755	4,695	5,086	745	-	2,202,281
Gross	2,191,869	4,705	5,197	761	-	2,202,532
Credit loss allowances	(114)	(10)	(111)	(16)	-	(251)
- Belgian Mortgage portfolio	353,480	3,472	6,881	1,547	-	365,380
Gross	353,761	3,475	6,967	1,731	-	365,934
Credit loss allowances	(281)	(3)	(86)	(184)	-	(554)
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	-	(142,246)
- Maltese Business Lending portfolio	142,016	4,283	1,423	5,870	-	153,592
Gross	142,368	4,288	1,423	6,635	-	154,714
Credit loss allowances	(352)	(5)	-	(765)	-	(1,122)
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	-	686
- Maltese Mortgage portfolio	129,051	-	-	-	-	129,051
Gross	129,383	-	-	-	-	129,383
Credit loss allowances	(332)	-	-	-	-	(332)
- Consumer Finance receivables portfolio	3,691	-	336	701	-	4,728
Gross	3,701	-	339	764	-	4,804
Credit loss allowances	(10)	-	(3)	(63)	-	(76)
- Accrued interest	6,092	50	1,441	495	-	8,078
Gross	6,100	50	1,454	800	-	8,404
Credit loss allowances	(8)	-	(13)	(305)	-	(326)
Investments measured at amortised cost	1,358,820	-	-	-	-	1,358,820
- Securities portfolio	698,866	-	-	-	-	698,866
Gross (including accrued interest)	698,961	-	-	-	-	698,961
Credit loss allowances	(95)	-	-	-	-	(95)
- Securitisation portfolio	514,669	-	-	-	-	514,669
Gross (including accrued interest)	514,720	-	-	-	-	514,720
Credit loss allowances	(51)	-	-	-	-	(51)
- Asset-Backed Securitisation portfolio	145,285	-	-	-	-	145,285
Gross (including accrued interest)	145,380	-	-	-	-	145,380
Credit loss allowances	(95)	-	-	-	-	(95)
Accrued income	1,473	-	-	-	-	1,473
Loans to related parties (included in other assets)	48	-	-	-	-	48
Other receivables (included in other assets)	1,048	-	-	-	-	1,048
Other assets (included in other assets)	23,315	-	-	-	-	23,315
	4,699,948	12,500	65,620	56,928	230	4,835,226
Off balance sheet at nominal amount:						
Commitments to extend credit, guarantees and other commitments						
Nominal amount	208,879	443	2,070	1,437	-	212,829
Credit loss allowances	(185)	-	-	(93)	-	(278)
	208,694	443	2,070	1,344	-	212,551

MeDirect Malta Group	Performing		Underperforming	Non-performing		
	Regular	Focus	Under surveillance	Doubtful	POCI	Total
As at 31 December 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
On balance sheet at amortised cost:						
Balances with central banks	265,450	-	-	-	-	265,450
Gross (including accrued interest)	265,452	-	-	-	-	265,452
Credit loss allowances	(2)	-	-	-	-	(2)
Loans and advances to financial institutions	358,393	-	-	-	-	358,393
Gross (including accrued interest)	358,394	-	-	-	-	358,394
Credit loss allowances	(1)	-	-	-	-	(1)
Loans and advances to customers	2,496,932	148,414	44,237	63,875	214	2,753,672
- International Corporate Lending portfolio	151,094	112,016	20,279	44,903	214	328,506
Gross	152,692	112,995	20,982	53,855	426	340,950
Credit loss allowances	(1,598)	(979)	(703)	(8,952)	(212)	(12,444)
- Dutch Mortgage portfolio	2,091,229	3,080	9,962	297	-	2,104,568
Gross	2,091,365	3,080	10,107	301	-	2,104,853
Credit loss allowances	(136)	-	(145)	(4)	-	(285)
- Belgian Mortgage portfolio	221,539	28,843	4,059	496	-	254,937
Gross	221,761	28,870	4,105	554	-	255,290
Credit loss allowances	(222)	(27)	(46)	(58)	-	(353)
- IFRS basis adjustment: International Mortgage portfolio	(183,180)	-	-	-	-	(183,180)
- Maltese Business Lending portfolio	113,810	2,167	9,696	17,168	-	142,841
Gross	114,162	2,173	9,696	17,368	-	143,399
Credit loss allowances	(352)	(6)	-	(200)	-	(558)
- Maltese Mortgage portfolio	98,599	-	-	-	-	98,599
Gross	98,978	-	-	-	-	98,978
Credit loss allowances	(379)	-	-	-	-	(379)
- Accrued interest	3,841	2,308	241	1,011	-	7,401
Gross	3,859	2,321	247	1,272	-	7,699
Credit loss allowances	(18)	(13)	(6)	(261)	-	(298)
Investments measured at amortised cost	1,320,208	-	410	-	-	1,320,618
- Securities portfolio	710,930	-	-	-	-	710,930
Gross (including accrued interest)	710,996	-	-	-	-	710,996
Credit loss allowances	(66)	-	-	-	-	(66)
- Securitisation portfolio	609,278	-	410	-	-	609,688
Gross (including accrued interest)	609,339	-	531	-	-	609,870
Credit loss allowances	(61)	-	(121)	-	-	(182)
Accrued income	914	-	-	-	-	914
Loans to related parties (included in other assets)	41	-	-	-	-	41
Other receivables (included in other assets)	1,024	-	-	-	-	1,024
Other assets (included in other assets)	21,365	-	-	-	-	21,365
	4,464,327	148,414	44,647	63,875	214	4,721,477
Off balance sheet at nominal amount:						
Commitments to extend credit, guarantees and other commitments						
Nominal amount	249,158	8,074	1,587	1,496	-	260,315
Credit loss allowances	(122)	(61)	(3)	(112)	-	(298)
	249,036	8,013	1,584	1,384	-	260,017

For securities within both 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 and the amounts presented in the table below are exclusive of accrued interest income:

MeDirect Malta Group	**Measured at amortised cost**	
	2024	2023
Securities Investment portfolio	**€000**	€000
National and regional government securities, supranationals and agencies		
AAA	**59,944**	34,290
AA+ to AA-	**140,025**	184,231
A- to BBB-	**64,639**	49,732
Other securities		
AAA	**328,568**	321,570
AA+ to AA-	**99,676**	116,087
	692,852	705,910
Securitisation Investment portfolio		
AAA	**510,628**	598,427
AA+ to AA-	**-**	2,950
BB+ to B-	**-**	2,945
	510,628	604,322
Asset-Backed Securitisation Investment portfolio		
AAA	**144,859**	-
Total	**1,348,339**	1,310,232

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 2024 and 2023, all the investments in the Securities Investment portfolio and the Securitisation Investment portfolio and the Asset Backed Securitisation Investment portfolio were classified as regular, with the exception of the Group's investment, as at 31 December 2023, in the most junior non-equity GH1-2019 tranche measured at amortised cost, which was rated B+ and which was deemed to have experienced a SICR since initial recognition hence being classified as "Under Surveillance". Staging in respect of the Group's investment, in the GH1-2019 structured note tranches was determined by reference to Implied Ratings determined in accordance with the methodology described in Note 1.5 of the financial statements, whereby a SICR assessment was only performed when Implied Ratings fall below investment-grade.

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 2024															
On balance sheet at amortised cost:															
Balances with central banks (including accrued interest)	206,870	-	-	-	206,870	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions (including accrued interest)	316,180	-	-	-	316,180	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	108,348	50,929	58,476	453	218,206	(676)	(476)	(10,906)	(223)	(12,281)	0.6	0.9	18.7	49.2	5.6
- Dutch Mortgage portfolio	2,196,574	5,197	761	-	2,202,532	(124)	(111)	(16)	-	(251)	-	2.1	2.1	-	-
- Belgian Mortgage portfolio	357,236	6,967	1,731	-	365,934	(284)	(86)	(184)	-	(554)	0.1	1.2	10.6	-	0.2
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	(142,246)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	146,656	1,423	6,635	-	154,714	(357)	-	(765)	-	(1,122)	0.2	-	11.5	-	0.7
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	686	-	-	-	-	-	-	-	-	-	-
- Maltese Mortgage portfolio	129,383	-	-	-	129,383	(332)	-	-	-	(332)	0.3	-	-	-	0.3
- Consumer Finance receivables portfolio	3,701	339	764	-	4,804	(10)	(3)	(63)	-	(76)	0.3	0.9	8.2	-	1.6
- Accrued interest	6,150	1,454	800	-	8,404	(8)	(13)	(305)	-	(326)	0.1	0.9	38.1	-	3.9
Investments															
- Securities portfolio (including accrued interest)	698,961	-	-	-	698,961	(95)	-	-	-	(95)	-	-	-	-	-
- Securitisation portfolio (including accrued interest)	514,720	-	-	-	514,720	(51)	-	-	-	(51)	-	-	-	-	-
- Asset-Backed Securitisation portfolio (including accrued interest)	145,380	-	-	-	145,380	(95)	-	-	-	(95)	0.1	-	-	-	0.1
Accrued income	1,473	-	-	-	1,473	-	-	-	-	-	-	-	-	-	-
Loans to related parties (included in other assets)	48	-	-	-	48	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	1,048	-	-	-	1,048	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	23,315	-	-	-	23,315	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount:															
Commitments to extend credit, financial guarantees and other commitment	209,322	2,070	1,437	-	212,829	(185)	-	(93)	-	(278)	0.1	-	6.5	-	0.1
	4,923,805	68,379	70,604	453	5,063,241	(2,220)	(689)	(12,332)	(223)	(15,464)	-	1.0	17.5	49.2	0.3

	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 2023															
On balance sheet at amortised cost:															
Balances with central banks (including accrued interest)	265,452	-	-	-	265,452	(2)	-	-	-	(2)	-	-	-	-	-
Loans and advances to financial institutions (including accrued interest)	358,394	-	-	-	358,394	(1)	-	-	-	(1)	-	-	-	-	-
Loans and advances to customers															
- International Corporate Lending portfolio	265,687	20,982	53,855	426	340,950	(2,577)	(703)	(8,952)	(212)	(12,444)	1.0	3.4	16.6	49.8	3.6
- Dutch Mortgage portfolio	2,094,445	10,107	301	-	2,104,853	(136)	(145)	(4)	-	(285)	-	1.4	1.3	-	-
- Belgian Mortgage portfolio	250,631	4,105	554	-	255,290	(249)	(46)	(58)	-	(353)	0.1	1.1	10.5	-	0.1
- IFRS basis adjustment: International Mortgage portfolio	(183,180)	-	-	-	(183,180)	-	-	-	-	-	-	-	-	-	-
- Maltese Business Lending portfolio	116,335	9,696	17,368	-	143,399	(358)	-	(200)	-	(558)	0.3	-	1.2	-	0.4
- Maltese Mortgage portfolio	98,978	-	-	-	98,978	(379)	-	-	-	(379)	0.4	-	-	-	0.4
- Accrued interest	6,180	247	1,272	-	7,699	(31)	(6)	(261)	-	(298)	0.5	2.4	20.5	-	3.9
Investments															
- Securities portfolio (including accrued interest)	710,996	-	-	-	710,996	(66)	-	-	-	(66)	-	-	-	-	-
- Securitisation portfolio (including accrued interest)	609,339	531	-	-	609,870	(61)	(121)	-	-	(182)	-	22.8	-	-	-
Accrued income	914	-	-	-	914	-	-	-	-	-	-	-	-	-	-
Loans to related parties (included in other assets)	41	-	-	-	41	-	-	-	-	-	-	-	-	-	-
Other receivables (included in other assets)	1,024	-	-	-	1,024	-	-	-	-	-	-	-	-	-	-
Other assets (included in other assets)	21,365	-	-	-	21,365	-	-	-	-	-	-	-	-	-	-
Off balance sheet at nominal amount:															
Commitments to extend credit, financial guarantees and other commitment	257,232	1,587	1,496	-	260,315	(183)	(3)	(112)	-	(298)	0.1	0.2	7.5	-	0.1
	4,873,833	47,255	74,846	426	4,996,360	(4.043)	(1,024)	(9,587)	(212)	(14,866)	0.1	2.2	12.8	49.8	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 portfolio, 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 2024 and 2023, no exposures within the Maltese Mortgage portfolio, Securities Investment, Securitisation Investment and Asset-Backed Securitisation Investment portfolios were classified as Stage 2, with the exception of the Group's investment in the most junior GH1-2019 tranche measured at amortised cost, which was not past due but classified as "Under Surveillance" as at 31 December 2023 but this was repaid in 2024. None of the Stage 2 exposures within the International Corporate Lending portfolio were past due as at 31 December 2024 and 2023.

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 and Belgian 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 2024, Stage 1 exposures with a gross carrying amount of €1.4 million (2023: €3.1 million) and €3.5 million (2023: €28.9 million) classified within the Dutch Mortgage and Belgian Mortgage portfolios respectively were classified as past due but not credit-impaired.

	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
MeDirect Malta Group	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
As at 31 December 2024						
Dutch Mortgage portfolio						
- Loans and advances to customers	5,197	3,365	1,832	(111)	(2)	(109)
- Accrued interest	8	5	3	-	-	-
Belgian Mortgage portfolio						
- Loans and advances to customers	6,967	3,040	3,927	(86)	(40)	(46)
- Accrued interest	25	8	17	-	-	-
Maltese Business Lending portfolio						
- Loans and advances to customers	1,423	1,423	-	-	-	-
Consumer Finance receivables portfolio						
- Loans and advances to customers	339	-	339	(3)	-	(3)
	13,959	7,841	6,118	(200)	(42)	(158)

	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
MeDirect Malta Group	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
As at 31 December 2023						
Dutch Mortgage portfolio						
- Loans and advances to customers	10,107	7,387	2,720	(145)	(48)	(97)
- Accrued interest	5	3	2	-	-	-
Belgian Mortgage portfolio						
- Loans and advances to customers	4,105	896	3,209	(46)	(11)	(35)
- Accrued interest	14	2	12	-	-	-
Maltese Business Lending portfolio						
- Loans and advances to customers	9,696	9,696	-	-	-	-
- Accrued interest	44	44	-	-	-	-
	23,971	18,028	5,943	(191)	(59)	(132)

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							
	Regular	Focus	Under surveillance	Doubtful	POCI	Total	Credit loss allowance	Net
As at 31 December 2024	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
On balance sheet at amortised cost:								
Balances with central banks (including accrued interest)	206,870	-	-	-	-	206,870	(2)	206,868
Loans and advances to financial institutions (including accrued interest)	316,180	-	-	-	-	316,180	(1)	316,179
Loans and advances to customers								
- International Corporate Lending portfolio								
- Stage 1	108,348	-	-	-	-	108,348	(676)	107,672
- Stage 2	-	-	50,929	-	-	50,929	(476)	50,453
- Stage 3	-	-	-	58,476	-	58,476	(10,906)	47,570
- POCI	-	-	-	-	453	453	(223)	230
- Dutch Mortgage portfolio								
- Stage 1	2,191,869	4,705	-	-	-	2,196,574	(124)	2,196,450
- Stage 2	-	-	5,197	-	-	5,197	(111)	5,086
- Stage 3	-	-	-	761	-	761	(16)	745
- Belgian Mortgage portfolio								
- Stage 1	353,761	3,475	-	-	-	357,236	(284)	356,952
- Stage 2	-	-	6,967	-	-	6,967	(86)	6,881
- Stage 3	-	-	-	1,731	-	1,731	(184)	1,547
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	-	(142,246)	-	(142,246)
- Maltese Business Lending portfolio								
- Stage 1	142,368	4,288	-	-	-	146,656	(357)	146,299
- Stage 2	-	-	1,423	-	-	1,423	-	1,423
- Stage 3	-	-	-	6,635	-	6,635	(765)	5,870
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	-	686	-	686
- Maltese Mortgage portfolio								
- Stage 1	129,383	-	-	-	-	129,383	(332)	129,051
- Consumer Finance receivables portfolio								
- Stage 1	3,701	-	-	-	-	3,701	(10)	3,691
- Stage 2	-	-	339	-	-	339	(3)	336
- Stage 3	-	-	-	764	-	764	(63)	701
- Accrued interest								
- Stage 1	6,100	50	-	-	-	6,150	(8)	6,142
- Stage 2	-	-	1,454		-	1,454	(13)	1,441
- Stage 3	-	-	-	800	-	800	(305)	495
Investments measured at amortised cost								
- Securities portfolio (including accrued interest)								
- Stage 1	698,961	-	-	-	-	698,961	(95)	698,866
- Securitisation portfolio (including accrued interest)								
- Stage 1	514,720	-	-	-	-	514,720	(51)	514,669
- Asset-Backed Securitisation portfolio (including accrued interest)								
- Stage 1	145,380	-	-	-	-	145,380	(95)	145,285
Accrued income								
- Stage 1	1,473	-	-	-	-	1,473	-	1,473
Loans to related parties (included in other assets)								
- Stage 1	48	-	-	-	-	48	-	48
Other receivables (included in other assets)								
- Stage 1	1,048	-	-	-	-	1,048	-	1,048
Other assets (included in other assets)								
- Stage 1	23,315	-	-	-	-	23,315	-	23,315
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
	4,910,844	12,961	68,379	70,604	453	5,063,241	(15,464)	5,047,777

MeDirect Malta Group	Gross carrying amount/nominal amount						Credit loss allowance	Net
	Regular	Focus	Under surveillance	Doubtful	POCI	Total		
As at 31 December 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
On balance sheet at amortised cost:								
Balances with central banks (including accrued interest)	265,452	-	-	-	-	265,452	(2)	265,450
Loans and advances to financial institutions (including accrued interest)	358,394	-	-	-	-	358,394	(1)	358,393
Loans and advances to customers								
- International Corporate Lending portfolio								
- Stage 1	152,692	112,995	-	-	-	265,687	(2,577)	263,110
- Stage 2	-	-	20,982	-	-	20,982	(703)	20,279
- Stage 3	-	-	-	53,855	-	53,855	(8,952)	44,903
- POCI	-	-	-	-	426	426	(212)	214
- Dutch Mortgage portfolio								
- Stage 1	2,091,365	3,080	-	-	-	2,094,445	(136)	2,094,309
- Stage 2	-	-	10,107	-	-	10,107	(145)	9,962
- Stage 3	-	-	-	301	-	301	(4)	297
- Belgian Mortgage portfolio								
- Stage 1	221,761	28,870	-	-	-	250,631	(249)	250,382
- Stage 2	-	-	4,105	-	-	4,105	(46)	4,059
- Stage 3	-	-	-	554	-	554	(58)	496
- IFRS basis adjustment: International Mortgage portfolio	(183,180)	-	-	-	-	(183,180)	-	(183,180)
- Maltese Business Lending portfolio								
- Stage 1	114,162	2,173	-	-	-	116,335	(358)	115,977
- Stage 2	-	-	9,696	-	-	9,696	-	9,696
- Stage 3	-	-	-	17,368	-	17,368	(200)	17,168
- Maltese Mortgage portfolio								
- Stage 1	98,978	-	-	-	-	98,978	(379)	98,599
- Accrued interest								
- Stage 1	3,859	2,321	-	-	-	6,180	(31)	6,149
- Stage 2	-	-	247	-	-	247	(6)	241
- Stage 3	-	-	-	1,272	-	1,272	(261)	1,011
Investments measured at amortised cost								
- Securities portfolio (including accrued interest)								
- Stage 1	710,996	-	-	-	-	710,996	(66)	710,930
- Securitisation portfolio (including accrued interest)								
- Stage 1	609,339	-	-	-	-	609,339	(61)	609,278
- Stage 2	-	-	531	-	-	531	(121)	410
Accrued income								
- Stage 1	914	-	-	-	-	914	-	914
Loans to related parties (included in other assets)								
- Stage 1	41	-	-	-	-	41	-	41
Other receivables (included in other assets)								
- Stage 1	1,024	-	-	-	-	1,024	-	1,024
Other assets (included in other assets)								
- Stage 1	21,365	-	-	-	-	21,365	-	21,365
Off balance sheet at nominal amount:								
Commitments to extend credit, financial guarantees and other commitments								
- Stage 1	249,158	8,074	-	-	-	257,232	(183)	257,049
- Stage 2	-	-	1,587	-	-	1,587	(3)	1,584
- Stage 3	-	-	-	1,496	-	1,496	(112)	1,384
	4,716,320	157,513	47,255	74,846	426	4,996,360	(14,866)	4,981,494

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 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”.

The decrease in credit loss allowances in the financial year ended 31 December 2023 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 €3.2 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 €3.4 million as disclosed in the line item “Assets written off”.

As per the following table, net exposures amounting to €78.2 million were transferred out of Stage 1 into Stages 2 or 3 during the year (2023: €14.7 million), with net transfers to Stage 3 amounting to €46.7 million (2023: €26.5 million). The net remeasurement of ECLs reflects in 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 now appropriately reflected the uncertainty within the wider economy and reflects this increase in PDs and LGDs.

The table below provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances, by stage, for the International Corporate Lending portfolio.

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 allow-ance
Year ended 31 December 2024	€000	€000	€000	€000	€000	€000	€000	€000	€000	€000
International Corporate Lending portfolio										
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	906	-	(602)	-	1,012	-	27	-	1,343	-
At end of year	124,621	(753)	52,350	(489)	60,258	(11,276)	453	(223)	237,682	(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	237,682	(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	2,202,532	(251)	34
- Dutch Mortgage portfolio: undrawn commitments	32,446	(3)	-
- Belgian Mortgage portfolio: drawn exposures	365,934	(554)	(201)
- Belgian Mortgage portfolio: undrawn commitments	8,004	(14)	1
- Maltese Business Lending portfolio: drawn exposures	154,714	(1,122)	(835)
- Maltese Business Lending portfolio: undrawn commitments	103,521	(75)	-
- Maltese Mortgage portfolio: drawn exposures	129,383	(332)	47
- Maltese Mortgage portfolio: undrawn commitments	27,181	(52)	(52)
- Consumer Finance receivables portfolio: drawn exposures	4,804	(76)	(148)
- Consumer Finance receivables portfolio: undrawn commitments	1,090	-	-
- Accrued interest	5,312	-	-
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)
Other accrued income	1,473	-	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through profit or loss	5,156,187	(15,464)	(19,332)
Total credit loss allowance/total statement of comprehensive income ECL charge for the year		(15,464)	(19,332)

Expected credit losses measured in respect of exposures within the Maltese Business Lending portfolio resulted in an increase from €0.6 million to €1.1 million during the year (2023: an increase from €0.2 million to €0.6 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 and to the Maltese Mortgage portfolio, the credit loss allowances attributable to the Securitisation Investment portfolio (acquired portions in CLO transactions managed by third party entities), 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 table below provides a reconciliation of movements in gross carrying/nominal amounts and credit loss allowances by stage for the International Corporate Lending portfolio for the financial year ended 31 December 2023:

MeDirect Malta Group	Non-credit impaired				Credit impaired					
	Stage 1		Stage 2		Stage 3		POCI		Total	
	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 2023	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**	**€000**
International Corporate Lending portfolio										
At beginning of year	522,548	(5,731)	83,716	(3,021)	49,068	(7,243)	435	(224)	655,767	(16,219)
Repayments and disposals	(205,070)	1,396	(50,889)	906	(14,794)	1,988	-	-	(270,753)	4,290
Transfers of financial instruments										
- Transfers to Stage 3	(14,673)	635	(11,852)	807	26,525	(1,442)	-	-	-	-
Net remeasurement of ECL arising from stage transfers and changes in risk parameters, including climate risk	-	926	-	597	-	(8,392)	-	12	-	(6,857)
Realisation of ECL through restructuring and disposals	-	-	-	-	(5,764)	5,764	-	-	(5,764)	5,764
Other	606	-	484	-	1,047	-	(9)	-	2,128	-
At end of year	303,411	(2,774)	21,459	(711)	56,082	(9,325)	426	(212)	381,378	(13,022)
ECL released for the year										3,197
Assets written off										(3,428)
Other										(8)
Change in expected credit losses and other credit impairment charges for the year										(239)

MeDirect Malta Group	As at 31 December 2023		Year ended 31 December 2023
	Gross carrying/ nominal amount	Credit loss allowance	ECL (charge)/release
	€000	€000	€000
As per preceding table	381,378	(13,022)	(239)
Balances at central banks	265,452	(2)	-
Loans and advances to financial institutions	358,394	(1)	-
Loans and advances to customers			
- Dutch Mortgage portfolio: drawn exposures	2,104,853	(285)	(101)
- Dutch Mortgage portfolio: undrawn commitments	94,503	(3)	1
- Belgian Mortgage portfolio: drawn exposures	255,290	(353)	(223)
- Belgian Mortgage portfolio: undrawn commitments	28,722	(15)	19
- Maltese Business Lending portfolio: drawn exposures	143,399	(558)	(345)
- Maltese Business Lending portfolio: undrawn commitments	54,654	-	-
- Maltese Mortgage portfolio: drawn exposures	98,978	(379)	(184)
- Maltese Mortgage portfolio: undrawn commitments	26,964	-	-
- Accrued interest	2,555	-	-
Investments measured at amortised cost			
- Securities portfolio	710,996	(66)	130
- Securitisation portfolio	609,870	(182)	(3)
Other accrued income	914	-	-
Summary of financial instruments to which the impairment requirements in IFRS 9 are applied through profit or loss	5,136,922	(14,866)	(945)
Total credit loss allowance/total statement of comprehensive income ECL charge for the year		(14,866)	(945)

Credit loss allowances attributable to loans and advances to customers

The following table shows the credit loss allowances on loans and advances to customers recognised on the Group's balance sheet as at 31 December 2024 and 2023, excluding credit loss allowances on accrued interest and other credit-related commitments, analysed by stage distribution.

	MeDirect Malta Group				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000
As at 31 December 2024					
International Corporate Lending portfolio	676	476	10,906	223	12,281
Dutch Mortgage portfolio	124	111	16	-	251
Belgian Mortgage portfolio	284	86	184	-	554
Maltese Business Lending portfolio	357	-	765	-	1,122
Maltese Mortgage portfolio	332	-	-	-	332
Consumer Finance receivables portfolio	10	3	63	-	76
	1,783	676	11,934	223	14,616

	MeDirect Malta Group				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000
As at 31 December 2023					
International Corporate Lending portfolio	2,577	703	8,952	212	12,444
Dutch Mortgage portfolio	136	145	4	-	285
Belgian Mortgage portfolio	249	46	58	-	353
Maltese Business Lending portfolio	358	-	200	-	558
Maltese Mortgage portfolio	379	-	-	-	379
	3,699	894	9,214	212	14,019

The movement in credit loss allowances and the ECL charge for the financial year ended 31 December 2024 and 2023 are analysed in detail in the tables presented in the previous section.

During the financial year ended 31 December 2024, interest income amounting to €5.1 million (2023: €5.0 million) of the Group was recognised in profit or loss on credit-impaired loans.

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 2024 and 2023, 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 are relatively new portfolios. 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 principal amount (excluding accrued interest) and associated credit loss allowances 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		
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	Total
	€000	€000	€000	€000	€000
As at 31 December 2024					
Stage 1					
Neither past due nor credit-impaired	108,348	-	146,656	-	255,004
Stage 2					
Neither past due nor credit-impaired	50,929	-	-	-	50,929
Past due but not credit-impaired					
- by up to 30 days	-	-	1,423	-	1,423
Stage 3					
Credit-impaired, net of credit loss allowances	10,428	37,142	1,180	4,690	53,440
POCI					
Credit-impaired, net of credit loss allowances	-	230	-	-	230
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	169,705	37,372	149,259	4,690	361,026
Stage 1 credit loss allowances	676	-	357	-	1,033
Stage 2 credit loss allowances	476	-	-	-	476
Stage 3 credit loss allowances	263	10,643	4	761	11,671
POCI credit loss allowances	-	223	-	-	223

MeDirect Malta Group	International Corporate Lending Portfolio		Maltese Business Lending Portfolio		
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	Total
	€000	€000	€000	€000	€000
As at 31 December 2023					
Stage 1					
Neither past due nor credit-impaired	258,190	7,497	116,335	-	382,022
Stage 2					
Neither past due nor credit-impaired	2,916	18,066	9,696	-	30,678
Stage 3					
Credit-impaired, net of credit loss allowances	13,790	31,113	1,030	16,138	62,071
POCI					
Credit-impaired, net of credit loss allowances	-	214	-	-	214
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	274,896	56,890	127,061	16,138	474,985
Stage 1 credit loss allowances	2,341	236	358	-	2,935
Stage 2 credit loss allowances	19	684	-	-	703
Stage 3 credit loss allowances	658	8,294	-	200	9,152
POCI credit loss allowances	-	212	-	-	212

In May 2020, MeDirect Malta had launched the MeAssist lending product to enhance access to bank financing to corporate customers in the Group's Maltese Business Lending portfolio in Malta. Individual loan facilities offered in the form of working capital facilities granted to assist customers with their operational requirements in view of the market disruptions brought about by the outbreak of the COVID-19 pandemic under this product are up to 90% secured by guarantees provided under the Malta Development Bank CGS, capped at 50% of the actual portfolio volume. In this respect, total commitments entered into with corporate customers within the Group's Maltese Business Lending portfolio meeting the criteria of the MeAssist lending product amounted to €1.0 million as at 31 December 2024 (2023: €1.3 million), of which €0.2 million (2023: €0.3 million) was drawn down and classified in Stage 1 and €1.2 million was classified in Stage 3 (2023: €1.0 million).

The following table shows the principal amount (excluding accrued interest) and associated credit loss allowances 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		
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	Total
	€000	€000	€000	€000	€000
As at 31 December 2024					
Stage 1					
Neither past due nor credit-impaired	2,191,869	-	353,761	-	2,545,630
Past due but not credit-impaired:					
- by up to 30 days	3,330	-	3,475	-	6,805
- by more than 30 days and up to 90 days	1,375	-	-	-	1,375
Stage 2					
Neither past due nor credit-impaired	157	2,883	257	2,296	5,593
Past due but not credit-impaired:					
- by up to 30 days	-	325	-	-	325
- by more than 30 days and up to 90 days	734	1,098	4,414	-	6,246
Stage 3					
Credit-impaired, net of credit loss allowances	492	253	1,289	258	2,292
Loans and advances to customers, net of Stage 3 and POCI credit loss allowances	2,197,957	4,559	363,196	2,554	2,568,266
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

MeDirect Malta Group	Dutch Mortgage Portfolio		Belgian Mortgage Portfolio		
	Non-forborne exposures	Forborne exposures	Non-forborne exposures	Forborne exposures	Total
	€000	€000	€000	€000	€000
As at 31 December 2023					
Stage 1					
Neither past due nor credit-impaired	2,091,365	-	221,761	-	2,313,126
Past due but not credit-impaired:					
- by up to 30 days	3,080	-	28,870	-	31,950
Stage 2					
Neither past due nor credit-impaired	231	4,619	-	896	5,746
Past due but not credit-impaired:					
- by more than 30 days and up to 90 days	4,030	1,227	3,209	-	8,466
Stage 3					
Credit-impaired, net of credit loss allowances	297	-	330	166	793
Loans and advances to customers, net of Stage 3 credit loss allowances	2,099,003	5,846	254,170	1,062	2,360,081
Stage 1 credit loss allowances	136	-	249	-	385
Stage 2 credit loss allowances	106	39	35	11	191
Stage 3 credit loss allowances	4	-	39	19	62

As at 31 December 2024 and 2023, all exposures within the Maltese Mortgage portfolio were classified as Stage 1 – neither past due nor credit-impaired. In addition, none of the exposures classified therein were forborne as at 31 December 2024 and 2023.

As at 31 December 2024, 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 2.1% (2023: 3.2%).

Interest income recognised by the Group during the financial year ended 31 December 2024 in respect of forborne exposures amounted to €4.0 million (2023: €6.0 million).

The movement in the principal amount (excluding accrued interest) of forborne loans and advances to customers, before credit loss allowances is analysed below:

	MeDirect Malta Group	
	2024	2023
	€000	€000
Year ended 31 December		
At beginning of year	**88,661**	108,058
Loans to which forbearance measures have been extended during the year without derecognition	**30,948**	35,067
Capitalised interest	**1,631**	987
Capitalised fees	**(191)**	-
Repayments or disposals	**(53,758)**	(52,278)
Loans exiting forborne status during the year without derecognition	**(7,135)**	(7,666)
Newly recognised loans as a result of forbearance measures	**-**	898
Write-offs	**(219)**	(301)
Write-backs	**-**	2,181
Amortisation of premium or discount	**17**	636
Exchange differences	**879**	1,079
At end of financial year	**60,833**	88,661

Capitalised fees included in the table above 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 2024, credit loss allowances in respect of the Group's forborne loans were equivalent to €11.7 million (2023: €9.7 million). Additions to credit loss allowances on forborne loans during the year ended 31 December 2024 amounted to €10.5 million (2023: €7.8 million). Reversals of credit loss allowances on forborne loans during the year ended 31 December 2024 amounted to €8.5 million (2023: €2.4 million).

The following tables show the principal amounts (excluding accrued interest) 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 2024					
Accommodation and food service activities	-	-	21,044	-	21,044
Real estate and construction	-	-	2,560	-	2,560
Financial and insurance activities	-	-	26,390	453	26,843
Households and individuals	-	6,602	542	-	7,144
Transportation and Storage	-	-	2,891	-	2,891
Wholesale and retail trade; Repair of motor vehicles and motorcycles	-	-	351	-	351
	-	6,602	53,778	453	60,833

	MeDirect Malta Group				
	Stage 1	Stage 2	Stage 3	POCI	Total
	€000	€000	€000	€000	€000
As at 31 December 2023					
Accommodation and food service activities	-	18,066	-	-	18,066
Administrative and support services	-	-	5,052	-	5,052
Real estate and construction	-	-	16,337	-	16,337
Financial and insurance activities	7,497	-	34,004	426	41,927
Households and individuals	-	6,742	185	-	6,927
Professional, scientific and technical activities	-	-	1	-	1
Wholesale and retail trade; Repair of motor vehicles and motorcycles	-	-	351	-	351
	7,497	24,808	55,930	426	88,661

The Group's forborne loans classified within the International Corporate Lending portfolio as at 31 December 2024 consist of corporate exposures based in Europe, amounting to €37.4 million (2023: €35.1 million). As at 31 December 2023, the Group's forborne loans classified within the International Corporate Lending portfolio consist of corporate exposures based in the United States, amounting to €20.9 million. The forborne 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 forborne loans classified within the Dutch and Belgian Mortgage portfolios are categorised as exposures to households and individuals in the tables above.

2.2.5 Write-offs

Financial assets written off by the Group during the financial year ended 31 December 2024 amounted to €18.5 million (2023: €3.4 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.

Exposures meeting the eligibility criteria of the MeAssist lending product to aid Maltese corporate customers classified within the Maltese Business Lending portfolio in the aftermath of the outbreak of the pandemic benefit from unfunded credit risk protection in the form of guarantees covering up to 90% of individual exposure amounts capped at 50% of the portfolio and provided under the MDB CGS.

The following tables show the principal amount (excluding accrued interest) 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, as well as guarantees provided under the MDB CGS. 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%. Guarantees provided in respect of the MeAssist lending product under the MDB CGS are shown at 90% of the guaranteed exposure amount.

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Not collateralised	109,860	(246)	-	-	109,860	(246)
b) Fully collateralised						
- Up to 50% LTV	13,550	(1)	-	-	13,550	(1)
- 51% to 75% LTV	16,632	(76)	-	-	16,632	(76)
- 76% to 90% LTV	6,546	(34)	-	-	6,546	(34)
- 91% to 100% LTV	68	-	-	-	68	-
	146,656	(357)	-	-	146,656	(357)
Stage 2						
a) Not collateralised	1,423	-	-	-	1,423	-
	1,423	-	-	-	1,423	-
Stage 3						
a) Not collateralised	65	(4)	2,560	(161)	2,625	(165)
b) Fully collateralised						
- 51% to 75% LTV	122	-	2,891	(600)	3,013	(600)
- greater than 100% LTV	997	-	-	-	997	-
	1,184	(4)	5,451	(761)	6,635	(765)
Total	149,263	(361)	5,451	(761)	154,714	(1,122)

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Stage 1						
a) Not collateralised	399	(1)	-	-	399	(1)
b) Fully collateralised						
- Up to 50% LTV	59,402	(20)	-	-	59,402	(20)
- 51% to 75% LTV	35,234	(139)	-	-	35,234	(139)
- 76% to 90% LTV	20,312	(198)	-	-	20,312	(198)
- 91% to 100% LTV	988	-	-	-	988	-
	116,335	(358)	-	-	116,335	(358)
Stage 2						
a) Not collateralised	7	-	-	-	7	-
b) Fully collateralised						
- Up to 50% LTV	9,689	-	-	-	9,689	-
	9,696	-	-	-	9,696	-
Stage 3						
a) Not collateralised	45	-	79	(1)	124	(1)
b) Fully collateralised						
- Up to 50% LTV	-	-	1,409	-	1,409	-
- 51% to 75% LTV	-	-	14,850	(199)	14,850	(199)
- greater than 100% LTV	985	-	-	-	985	-
	1,030	-	16,338	(200)	17,368	(200)
Total	127,061	(358)	16,338	(200)	143,399	(558)

The following table shows the principal amount (excluding accrued interest) 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	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	84,833	(1)	-	-	84,833	(1)
- 51% to 75% LTV	495,643	(22)	-	-	495,643	(22)
- 76% to 90% LTV	523,756	(33)	-	-	523,756	(33)
- 91% to 100% LTV	933,997	(58)	-	-	933,997	(58)
- greater than 100% LTV	158,345	(10)	-	-	158,345	(10)
	2,196,574	(124)	-	-	2,196,574	(124)
Stage 2						
a) Fully collateralised						
- 51% to 75% LTV	-	-	353	-	353	-
- 76% to 90% LTV	647	(56)	709	(1)	1,356	(57)
- 91% to 100% LTV	142	(6)	2,322	(26)	2,464	(32)
- greater than 100% LTV	102	-	922	(22)	1,024	(22)
	891	(62)	4,306	(49)	5,197	(111)
Stage 3						
a) Fully collateralised						
- 51% to 75% LTV	-	-	253	-	253	-
- 91% to 100% LTV	279	(6)	-	-	279	(6)
- greater than 100% LTV	229	(10)	-	-	229	(10)
	508	(16)	253	-	761	(16)
Total	2,197,973	(202)	4,559	(49)	2,202,532	(251)

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	88,235	(2)	-	-	88,235	(2)
- 51% to 75% LTV	396,035	(19)	-	-	396,035	(19)
- 76% to 90% LTV	468,787	(31)	-	-	468,787	(31)
- 91% to 100% LTV	1,141,388	(84)	-	-	1,141,388	(84)
	2,094,445	(136)	-	-	2,094,445	(136)
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	-	-	43	-	43	-
- 51% to 75% LTV	159	-	653	(21)	812	(21)
- 76% to 90% LTV	589	(18)	506	(3)	1,095	(21)
b) Partially collateralised						
- greater than 100% LTV	3,513	(88)	4,644	(15)	8,157	(103)
	4,261	(106)	5,846	(39)	10,107	(145)
Stage 3						
a) Fully collateralised						
- 76% to 90% LTV	133	-	-	-	133	-
- 91% to 100% LTV	168	(4)	-	-	168	(4)
	301	(4)	-	-	301	(4)
Total	2,099,007	(246)	5,846	(39)	2,104,853	(285)

The following table shows the principal amount (excluding accrued interest) 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.

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	39,505	(24)	-	-	39,505	(24)
- 51% to 75% LTV	112,721	(85)	-	-	112,721	(85)
- 76% to 90% LTV	162,397	(139)	-	-	162,397	(139)
- 91% to 100% LTV	42,360	(36)	-	-	42,360	(36)
b) Partially collateralised						
- greater than 100% LTV	253	-	-	-	253	-
	357,236	(284)	-	-	357,236	(284)
Stage 2						
a) Fully collateralised						
- 51% to 75% LTV	2,351	(24)	616	(7)	2,967	(31)
- 76% to 90% LTV	1,547	(21)	794	(11)	2,341	(32)
- 91% to 100% LTV	773	(10)	886	(13)	1,659	(23)
	4,671	(55)	2,296	(31)	6,967	(86)
Stage 3						
a) Fully collateralised						
- Up to 50% LTV	338	(36)	-	-	338	(36)
- 76% to 90% LTV	705	(75)	289	(31)	994	(106)
- 91% to 100% LTV	249	(26)	-	-	249	(26)
- greater than 100% LTV	150	(16)	-	-	150	(16)
	1,442	(153)	289	(31)	1,731	(184)
Total	363,349	(492)	2,585	(62)	365,934	(554)

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance	Principal amount	Credit loss allowance
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Stage 1						
a) Fully collateralised						
- Up to 50% LTV	27,468	(20)	-	-	27,468	(20)
- 51% to 75% LTV	73,272	(67)	-	-	73,272	(67)
- 76% to 90% LTV	120,419	(130)	-	-	120,419	(130)
- 91% to 100% LTV	29,472	(32)	-	-	29,472	(32)
	250,631	(249)	-	-	250,631	(249)
Stage 2						
a) Fully collateralised						
- Up to 50% LTV	473	(4)	-	-	473	(4)
- 51% to 75% LTV	369	(3)	305	(3)	674	(6)
- 76% to 90% LTV	1,623	(19)	591	(8)	2,214	(27)
- 91% to 100% LTV	744	(9)	-	-	744	(9)
	3,209	(35)	896	(11)	4,105	(46)
Stage 3						
a) Fully collateralised						
- 76% to 90% LTV	369	(39)	185	(19)	554	(58)
	369	(39)	185	(19)	554	(58)
Total	254,209	(323)	1,081	(30)	255,290	(353)

The following table shows the principal amount (excluding accrued interest) 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	
	Principal amount	Credit loss allowances	Principal amount	Credit loss allowances	Principal amount	Credit loss allowances
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Stage 1						
a) Not collateralised	**21,238**	**(72)**	**-**	**-**	**21,238**	**(72)**
b) Fully collateralised						
- Up to 50% LTV	**19,692**	**(37)**	**-**	**-**	**19,692**	**(37)**
- 51% to 75% LTV	**32,161**	**(79)**	**-**	**-**	**32,161**	**(79)**
- 76% to 90% LTV	**56,292**	**(144)**	**-**	**-**	**56,292**	**(144)**
Total	**129,383**	**(332)**	**-**	**-**	**129,383**	**(332)**

MeDirect Malta Group	Non-forborne		Forborne		Total	
	Principal amount	Credit loss allowances	Principal amount	Credit loss allowances	Principal amount	Credit loss allowances
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Stage 1						
a) Not collateralised	298	(91)	-	-	298	(91)
b) Fully collateralised						
- Up to 50% LTV	19,826	(44)	-	-	19,826	(44)
- 51% to 75% LTV	32,801	(95)	-	-	32,801	(95)
- 76% to 90% LTV	45,892	(148)	-	-	45,892	(148)
c) Partially collateralised						
- greater than 100% LTV	161	(1)	-	-	161	(1)
Total	98,978	(379)	-	-	98,978	(379)

As at 31 December 2024, the Group held senior secured loans to international borrowers classified under the International Corporate Lending portfolio which amounted to €0.2 billion (2023: €0.3 billion). 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 2024 and 2023 are unsecured with the exception of a sub-portfolio of covered bonds amounting to €428.2 million (2023: €438.1 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 2024 and 2023 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, house price index, unemployment rates, claims on private sector 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, claims on private sector, compensation of employees and household disposable income.

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 result of the U.S. presidential election has marked the start of an unparalleled and rather unpredictable year for the global economy, particularly Europe's economy is at risk of falling further amid the prospects of tariffs being imposed. These across-the-board tariffs might lead to a global trade war, which will have an adverse effect on the EU's exports and investment due to uncertainty and shaken confidence. Moreover, geopolitical tensions, especially related to Russia-Ukraine conflict could escalate. Given the high degree of uncertainty, the macroeconomic modelling aspect within the estimation of ECL, and the forecasting of economic conditions is subject to an inherent level of risk and highly subjective.

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. This methodology was also compared to regulator issued scenarios, with those used by the Group being more conservative.

Judgment is still required in the determination of macroeconomic forecasts reflecting potential future economic conditions under difference 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, Securities Investment and Securitisation 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 possible macroeconomic paths taking into consideration a range of potential economic impacts driven by geopolitical tensions in respect of the conflict between Russia and Ukraine and between Israel and Hamas, assumptions on the tariffs due to potential trade wars between the U.S. and the EU, assumptions on the energy markets, monetary policy assumptions as the ECB continues to cut rates, and supply chain assumptions.

With the current geopolitical tensions and the economic uncertainty following the results of the U.S. presidential election, rigorous monitoring of macroeconomic forecasts developed by the external vendor was performed by the Group in order to challenge the adequacy and reasonableness of the developed scenarios. In this respect, 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 2024. 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 2024, management selected to use three scenarios developed and recommended by the external vendor which are deemed to be mostly aligned with the December 2024 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 2024 are described below.

Baseline

- U.S. President imposes tariffs on the EU, increasing the effective tariff rate by 5 percentage points. The EU retaliates with similar tariffs but excludes energy imports. The tariffs go into effect in July and remain in place until the end of 2026
- The U.S. seeks to engage with Russia and Ukraine, but the conflict continues with varying intensity, as negotiations fail to lead to lasting peace
- Israel's hostilities with Hamas do not escalate into an all-out regional conflict
- Global oil prices remain around current levels for several quarters
- Natural gas prices remain close to or below current levels
- Supply chains come under renewed pressure as firms try to beat expected tariffs, but severe strains are avoided
- ECB continues to cut rates reaching neutral levels in spring
- Structural factors such as high debt levels and a declining working-age population bear down on eurozone growth over the long-term

Upside

- The U.S. and the EU quickly find a negotiated settlement to their dispute and avoid imposing disruptive tariffs
- The U.S.'s attempts to negotiate a settlement are partly 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 feels more confident and proceeds with normalisation more slowly than in the baseline. It reaches neutral values significantly later than the baseline

Downside 2

- The U.S. initially imposes larger tariffs on the EU than in the baseline scenario. There is a tit-for-tat escalation, with the EU responding to the EU tariffs. The overall effective tariff rate increases by 12%
- 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. escalating tensions with Iran and/or by Israel being even less constrained by the new U.S. administration
- 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
- Next Generation EU funds support demand, but countries are unable to reform public finances in a meaningful way. National fiscal policy is constrained by high debt levels and stress in sovereign debt markets. As a result, these actions are insufficient in counteracting the economic downturn

The year-on-year forecasts for 2024 to 2027 for key macro-economic variables (MEVs) under each of the scenarios described above together with the MEVs for the Severe Upside and Severe Downside scenarios are disclosed below.

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 2024 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	Severe Upside	Upside	Baseline	Downside 1	Downside 2	Severe Downside
External Vendor Severity	96%	90%	50%	25%	10%	4%
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 2024 and 2023.

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 tables below. 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 Rate, Household Disposable Income, Compensation of Employees, and Claims on Private Sector.

With respect to the Maltese Residential Mortgages portfolio, the key MEVs used for the estimation of ECL are national levels of House Price Index, Unemployment Rate, real GDP growth, Claims on Private Sector and Household Disposable Income.

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

		International Corporate Lending and Treasury												Local Lending				Dutch Mortgages				Belgian Mortgages			
		UK				US				Eurozone				Malta				Netherlands				Belgium			
	ECL Scenario	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 %	Severe Upside	1.5%	7.1%	2.2%	1.9%	2.5%	5.9%	2.4%	2.4%	1.1%	4.3%	1.9%	1.8%	4.9%	9.0%	5.1%	2.9%	1.8%	5.0%	2.0%	1.4%	-	-	-	-
	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 1	1.5%	-1.8%	2.4%	2.4%	2.5%	-0.8%	2.7%	2.7%	1.1%	-1.2%	2.0%	2.3%	4.9%	3.2%	5.4%	3.7%	1.8%	-0.8%	1.3%	2.2%	-	-	-	-
	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%	-	-	-	-
	Severe Downside	1.5%	-4.6%	0.1%	4.6%	2.5%	-4.2%	0.7%	3.4%	1.1%	-6.4%	0.1%	4.2%	4.9%	-2.7%	3.8%	5.8%	1.8%	-6.6%	-0.1%	4.6%	-	-	-	-
Unemployment Rate - Average %	Severe Upside	4.3%	3.6%	3.2%	3.3%	4.0%	3.0%	2.9%	3.2%	6.4%	6.0%	5.6%	5.5%	3.2%	3.2%	3.1%	2.9%	3.7%	3.6%	3.0%	3.3%	5.6%	5.6%	6.0%	5.9%
	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 1	4.3%	4.8%	4.8%	4.7%	4.0%	6.3%	5.6%	4.1%	6.4%	6.7%	6.9%	6.5%	3.2%	3.3%	3.2%	3.1%	3.7%	4.0%	4.7%	4.3%	5.6%	5.9%	6.5%	6.5%
	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%
	Severe Downside	4.3%	6.2%	8.3%	8.2%	4.0%	7.8%	9.2%	9.0%	6.4%	7.3%	8.6%	8.9%	3.2%	3.3%	3.5%	3.6%	3.7%	4.4%	6.4%	6.3%	5.6%	6.6%	9.0%	10.0%
Stock Market Index - Growth %	Severe Upside	10.1%	14.1%	-3.7%	1.8%	32.3%	10.8%	-1.9%	4.5%	14.8%	15.9%	0.6%	1.5%	3.1%	27.3%	-7.6%	8.6%	-	-	-	-	-	-	-	-
	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 1	10.1%	-3.3%	-0.9%	5.1%	32.3%	-21.3%	7.2%	12.7%	14.8%	-10.5%	4.6%	6.7%	3.1%	9.0%	-3.0%	9.8%	-	-	-	-	-	-	-	-
	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%	-	-	-	-	-	-	-	-
	Severe Downside	10.1%	-32.9%	5.2%	16.8%	32.3%	-43.7%	1.0%	15.2%	14.8%	-45.3%	11.8%	21.6%	3.1%	-18.3%	4.9%	15.4%	-	-	-	-	-	-	-	-
10Yr Treasury Rate - Average %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	2.7%	3.0%	3.2%	-	-	-	-
	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	2.6%	2.8%	2.9%	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	2.5%	2.5%	2.6%	-	-	-	-
	Downside 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	1.9%	2.0%	2.5%	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	1.6%	1.3%	1.5%	-	-	-	-
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.6%	1.1%	0.5%	0.5%	-	-	-	-
House Price Index %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	7.6%	3.4%	0.4%	7.8%	7.4%	4.8%	1.2%	-0.8%	3.5%	2.5%	2.3%
	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 1	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	5.7%	0.8%	-0.2%	7.8%	1.2%	2.3%	3.0%	-0.8%	1.1%	1.8%	1.7%
	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%
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	5.0%	1.6%	-2.1%	-0.5%	7.8%	-6.4%	-7.5%	5.4%	-0.8%	-3.6%	-3.3%	-0.1%
Household Disposable Income - Growth %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	10.1%	3.3%	3.3%	-	-	-	-	2.2%	3.4%	3.4%	2.4%
	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 1	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	7.2%	3.1%	2.8%	-	-	-	-	2.2%	1.0%	0.3%	2.0%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	2.5%	2.7%	2.9%	-	-	-	-	2.2%	-0.6%	-1.5%	2.1%
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	9.3%	2.7%	-1.9%	2.7%	-	-	-	-	2.2%	-1.0%	-3.5%	1.7%

Economic Scenarios: Year-on-year Forecasts (2023-2026) for key MEVs

		International Corporate Lending and Treasury												Local Lending				Dutch Mortgages				Belgian Mortgages			
		UK				US				Eurozone				Malta				Netherlands				Belgium			
	ECL Scenario	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026	2023	2024	2025	2026
Real GDP - Growth %	Severe Upside	0.6%	5.4%	2.0%	1.1%	2.6%	6.1%	2.6%	2.8%	0.3%	4.4%	1.9%	1.6%	5.1%	8.2%	3.9%	2.6%	-0.6%	4.9%	2.6%	1.3%	1.5%	4.2%	4.3%	1.9%
	Upside	0.6%	3.9%	1.2%	1.3%	2.6%	3.5%	2.3%	2.5%	0.3%	3.5%	1.5%	1.6%	5.1%	7.1%	3.6%	2.8%	-0.6%	3.6%	2.0%	1.3%	1.5%	3.2%	3.3%	1.9%
	Baseline	0.6%	0.4%	1.0%	1.3%	2.6%	1.3%	1.9%	2.4%	0.3%	1.2%	1.7%	1.8%	5.1%	4.0%	4.0%	3.2%	-0.6%	0.9%	2.0%	1.6%	1.5%	1.7%	1.9%	1.9%
	Downside 1	0.6%	-3.3%	2.5%	1.5%	2.6%	-0.7%	2.9%	2.7%	0.3%	-1.0%	2.6%	1.9%	5.1%	2.5%	4.6%	3.2%	-0.6%	-0.8%	2.2%	2.0%	1.5%	0.3%	2.5%	2.0%
	Downside 2	0.6%	-5.6%	1.3%	2.6%	2.6%	-2.3%	1.6%	3.3%	0.3%	-5.0%	2.2%	3.1%	5.1%	-2.6%	4.7%	4.5%	-0.6%	-5.4%	2.3%	3.8%	1.5%	-4.7%	2.6%	3.2%
	Severe Downside	0.6%	-7.1%	-0.2%	4.2%	2.6%	-4.1%	0.3%	3.4%	0.3%	-7.1%	0.2%	4.5%	5.1%	-4.5%	2.5%	5.9%	-0.6%	-7.3%	0.3%	4.7%	1.5%	-7.1%	0.3%	4.7%
Unemployment Rate - Average %	Severe Upside	4.2%	3.8%	3.5%	3.5%	3.6%	2.8%	2.9%	3.1%	6.5%	6.3%	6.0%	6.1%	2.8%	3.4%	3.6%	3.5%	3.6%	3.6%	3.0%	3.4%	5.6%	6.8%	7.1%	7.0%
	Upside	4.2%	4.1%	3.9%	3.9%	3.6%	3.1%	3.3%	3.4%	6.5%	6.5%	6.3%	6.4%	2.8%	3.5%	3.8%	3.6%	3.6%	3.6%	3.4%	3.7%	5.6%	6.8%	7.1%	7.0%
	Baseline	4.2%	4.5%	4.7%	4.7%	3.6%	4.0%	4.1%	4.0%	6.5%	6.7%	6.7%	6.7%	2.8%	3.6%	3.8%	3.7%	3.6%	3.9%	4.0%	4.1%	5.6%	6.9%	7.1%	7.0%
	Downside 1	4.2%	4.9%	5.0%	4.9%	3.6%	5.7%	5.3%	4.0%	6.5%	7.0%	7.3%	7.1%	2.8%	3.6%	3.9%	3.6%	3.6%	4.0%	4.6%	4.4%	5.6%	7.0%	7.2%	7.1%
	Downside 2	4.2%	5.6%	7.3%	7.5%	3.6%	6.7%	7.4%	6.1%	6.5%	7.7%	8.8%	8.3%	2.8%	3.8%	4.4%	3.9%	3.6%	4.4%	5.9%	5.5%	5.6%	7.2%	8.0%	8.0%
	Severe Downside	4.2%	6.3%	8.5%	8.4%	3.6%	7.2%	8.7%	8.3%	6.5%	8.0%	9.8%	9.6%	2.8%	3.8%	4.7%	4.4%	3.6%	4.5%	6.6%	6.6%	5.6%	7.3%	8.5%	8.7%
Stock Market Index - Growth %	Severe Upside	3.0%	23.3%	-0.3%	2.4%	13.3%	18.1%	2.6%	4.9%	14.0%	20.7%	3.8%	4.5%	0.5%	27.9%	-0.7%	11.2%	-	-	-	-	-	-	-	-
	Upside	3.0%	18.7%	1.2%	2.0%	13.3%	12.9%	2.3%	4.1%	14.0%	16.5%	4.3%	4.6%	0.5%	22.1%	-2.8%	11.9%	-	-	-	-	-	-	-	-
	Baseline	3.0%	7.8%	3.9%	4.8%	13.3%	6.5%	2.8%	5.3%	14.0%	6.1%	4.6%	6.2%	0.5%	9.2%	-0.9%	13.4%	-	-	-	-	-	-	-	-
	Downside 1	3.0%	4.5%	2.5%	5.7%	13.3%	-19.1%	14.3%	14.3%	14.0%	-3.8%	6.9%	8.5%	0.5%	0.4%	-1.1%	15.5%	-	-	-	-	-	-	-	-
	Downside 2	3.0%	-13.2%	12.9%	11.1%	13.3%	-33.8%	11.3%	22.4%	14.0%	-28.2%	26.6%	17.5%	0.5%	-22.3%	0.6%	26.1%	-	-	-	-	-	-	-	-
	Severe Downside	3.0%	-27.5%	8.8%	17.4%	13.3%	-42.9%	4.8%	16.3%	14.0%	-41.5%	20.6%	33.1%	0.5%	-30.8%	10.1%	42.6%	-	-	-	-	-	-	-	-
10Yr Treasury Rate - Average %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	2.7%	2.8%	3.1%	-	-	-	-
	Upside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	2.6%	2.7%	2.8%	-	-	-	-
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	2.6%	2.6%	2.6%	-	-	-	-
	Downside 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	2.1%	2.2%	2.6%	-	-	-	-
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	1.7%	1.5%	1.7%	-	-	-	-
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	2.8%	1.2%	0.9%	1.0%	-	-	-	-
House Price Index %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	6.1%	8.6%	3.3%	-5.3%	2.4%	3.9%	3.6%	-1.6%	-0.5%	0.9%	2.2%
	Upside	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	4.4%	6.3%	2.9%	-5.3%	1.3%	2.7%	3.6%	-1.6%	-0.9%	0.7%	2.3%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	2.8%	1.9%	1.9%	-5.3%	-1.5%	2.8%	4.3%	-1.6%	-2.1%	1.0%	2.5%
	Downside 1	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	2.5%	0.6%	-0.3%	-5.3%	-3.9%	2.3%	5.0%	-1.6%	-3.1%	1.0%	2.3%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	0.8%	-6.2%	-5.0%	-5.3%	-10.1%	-2.0%	8.6%	-1.6%	-6.3%	0.3%	3.6%
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	1.0%	1.2%	-10.3%	-9.8%	-5.3%	-11.6%	-7.9%	7.7%	-1.6%	-6.3%	-2.5%	3.2%
Household Disposable Income - Growth %	Severe Upside	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	9.0%	2.3%	3.0%	-	-	-	-	5.8%	2.5%	3.5%	2.3%
	Upside	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	6.3%	2.3%	3.1%	-	-	-	-	5.8%	2.0%	2.8%	2.1%
	Baseline	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	5.8%	2.1%	2.7%	-	-	-	-	5.8%	1.4%	1.7%	1.8%
	Downside 1	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	5.8%	1.9%	2.5%	-	-	-	-	5.8%	1.2%	1.6%	1.5%
	Downside 2	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	0.9%	1.6%	2.2%	-	-	-	-	5.8%	0.6%	0.9%	1.0%
	Severe Downside	-	-	-	-	-	-	-	-	-	-	-	-	5.4%	1.1%	-3.2%	2.1%	-	-	-	-	5.8%	1.1%	0.3%	0.5%

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.

To ensure that the Group is adequately capturing the level of credit risk in its International Corporate Lending portfolio, an assessment was performed and the Group introduced caps to implied internal ratings to borrowers that have undergone distressed restructuring and where necessary have applied notch downgrades to exposures that are classified as 'Under Surveillance' to reflect the increase in credit risk since origination.

The movement in asset volatility and firms' default points during 2024 can be attributed to being the main variables to the change in PiT PDs within the Group's ECL model for Corporates.

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 Stage 1 and Stage 2 exposures classified within the International Corporate Lending portfolio as at 31 December 2024 and 2023, 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 table below.

Scenario sensitivity	Severe Upside	Upside	Baseline	Downside 1	Downside 2	Severe Downside
MeDirect Malta Group						
Probability Weight 2024	**-**	**30%**	**40%**	**-**	**30%**	**-**
ECL as at 31 December 2024	**-**	**584,164**	**917,374**	**-**	**2,333,097**	**-**
MeDirect Malta Group						
Probability Weight 2023	-	30%	40%	-	30%	-
ECL as at 31 December 2023	-	1,392,904	2,467,718	-	6,939,851	-

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).

The estimated weighted average ECL under each scenario as at 31 December 2024, presented in the table above, is not directly comparable with the estimated weighted average ECL under each scenario as at 31 December 2023, since the size of the International Corporate Lending portfolio decreased significantly compared to the prior financial year.

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 sensitivity impact of macroeconomic scenarios on the ECL outcome measured in respect of exposures classified within the Dutch, Belgian and Maltese Mortgage, Maltese Business Lending, Securities Investment and Securitisation Investment portfolios is not considered to be significant taking cognisance of the level of credit loss allowances estimated at 31 December 2024 and 2023.

The Group has integrated ESG, by catering for climate and environmental risk factors into its existing credit risk processes.

The Group applies climate-adjusted scenarios sourced from an external vendor and utilises a statistical model developed by the external vendor for the estimation of the climate-adjusted credit loss allowances of its exposures classified within the International Corporate Lending, Maltese Business Lending, and Dutch Mortgages portfolios.

The Group applies stresses on the collateral pledged as security for the estimation of the climate-adjusted credit loss allowances of its exposures classified within the Belgian and Maltese mortgage portfolios.

As at 31 December 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's exposure to sovereign Eurozone government bonds as at 31 December 2024 represented 3% (2023: 3%), of the total investment securities within the Securities Investment portfolio.

Credit loss allowances amounting to €1 thousand were recognised in respect of these exposures as at 31 December 2024 (2023: €3 thousand).

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 2024 and 2023 is shown below. The amounts presented in the following table are exclusive of accrued interest.

MeDirect Malta Group	Measured at amortised cost	
	2024	2023
	€000	€000
Concentration by type		
As at 31 December:		
Carrying amount (excluding accrued interest):		
Covered bonds	**428,244**	437,656
National and regional government	**243,696**	247,749
Supranational and agencies	**20,912**	20,505
Total	**692,852**	705,910

Securitisation Investment portfolio

The Group's Securitisation Investment portfolio comprise the investment in CLO transactions managed by third-party entities, amounting to €510.7 million (2023: €585.9 million) excluding accrued interest. The Group's investment in CLO transactions managed by third-party entities comprise positions in the most senior tranche of 24 different CLOs (2023: 27), all of which are also collateralised by a pool of leveraged loans. As at 31 December 2023, the Securitisation Investment portfolio also included the GH1-2019 structured note tranches, amounting to €19.4 million. The Group's investment in GH1-2019 comprised a 5% vertical slice of each of the tranches for "Risk Retention" purposes, with a pool of leveraged loans as collateral. These GH1-2019 structured note tranches were subsequently repaid during the year ended 31 December 2024.

As at 31 December 2024, credit loss allowances in respect of exposures classified under the CLO transactions managed by third-party entities measured at amortised cost amounted to €51 thousand (2023: €59 thousand). As at 31 December 2023, credit loss allowances in respect of exposures classified under the GH1-2019 structured note tranches and measured at amortised cost amounted to €123 thousand. The Group's investment in the equity tranche of GH1-2019, with a fair value of €1.0 million as at 31 December 2023, was measured at FVTPL and accordingly was not subject to impairment in accordance with IFRS 9. The GH1-2019 structured note and equity tranches were subsequently repaid during the year ended 31 December 2024.

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 €95 thousand, were recognised in respect of these exposures as at 31 December 2024 (2023: nil).

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 and accrued interest, 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 €27.6 million (2023: €58.4 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 portfolios classified under the "household and individuals" sector.

MeDirect Malta Group	Principal 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
As at 31 December 2024										
Stage 1										
Construction	89,203	-	-	-	89,203	(247)	-	-	-	(247)
Financial and insurance activities	24,887	7,996	7,438	-	40,321	(255)	(54)	(28)	-	(337)
Households and individuals	2,686,894	-	-	-	2,686,894	(750)	-	-	-	(750)
Information and communication	16,785	-	-	-	16,785	(106)	-	-	-	(106)
Manufacturing	17,975	-	5,387	-	23,362	(85)	-	(35)	-	(120)
Professional, scientific and technical activities	8,000	-	-	-	8,000	(22)	-	-	-	(22)
Real estate activities	57,453	-	-	-	57,453	(110)	-	-	-	(110)
Wholesale and retail trade, repairs of motor vehicles and motorcycles	11,893	-	7,987	-	19,880	(91)	-	-	-	(91)
	2,913,090	7,996	20,812	-	2,941,898	(1,666)	(54)	(63)	-	(1,783)
Stage 2										
Construction	1,395	-	-	-	1,395	-	-	-	-	-
Financial and insurance activities	16,736	-	9,317	-	26,053	(336)	-	(105)	-	(441)
Households and individuals	12,503	-	-	-	12,503	(200)	-	-	-	(200)
Professional, scientific and technical activities	24,876	-	-	-	24,876	(35)	-	-	-	(35)
Real estate activities	28	-	-	-	28	-	-	-	-	-
	55,538	-	9,317	-	64,855	(571)	-	(105)	-	(676)
Stage 3										
Accommodation and food service activities	-	21,044	-	-	21,044	-	(1,355)	-	-	(1,355)
Construction	2,733	-	-	-	2,733	(165)	-	-	-	(165)
Financial and insurance activities	37,081	-	-	-	37,081	(9,435)	-	-	-	(9,435)
Households and individuals	3,256	-	-	-	3,256	(263)	-	-	-	(263)
Real estate activities	3,902	-	-	-	3,902	(600)	-	-	-	(600)
Wholesale and retail trade, repairs of motor vehicles and motorcycles	351	-	-	-	351	(116)	-	-	-	(116)
	47,323	21,044	-	-	68,367	(10,579)	(1,355)	-	-	(11,934)
POCI										
Financial and insurance activities	453	-	-	-	453	(223)	-	-	-	(223)
	453	-	-	-	453	(223)	-	-	-	(223)
Total	3,016,404	29,040	30,129	-	3,075,573	(13,039)	(1,409)	(168)	-	(14,616)

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 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)

MeDirect Malta Group	Principal 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
As at 31 December 2023										
Stage 1										
Administrative and support service activities	8,499	-	-	-	8,499	(191)	-	-	-	(191)
Construction	76,141	-	-	-	76,141	(262)	-	-	-	(262)
Financial and insurance activities	87,048	23,384	15,795	-	126,227	(953)	(194)	(96)	-	(1,243)
Households and individuals	2,444,054	-	-	-	2,444,054	(762)	-	-	-	(762)
Information and communication	10,001	-	-	-	10,001	(101)	-	-	-	(101)
Manufacturing	26,411	-	-	-	26,411	(252)	-	-	-	(252)
Professional, scientific and technical activities	42,784	3,137	-	-	45,921	(320)	(16)	-	-	(336)
Real estate activities	48,118	-	-	-	48,118	(158)	-	-	-	(158)
Transportation and storage	8,964	-	-	-	8,964	(75)	-	-	-	(75)
Wholesale and retail trade, repairs of motor vehicles and motorcycles	11,838	11,913	7,989	-	31,740	(104)	(91)	(124)	-	(319)
	2,763,858	38,434	23,784	-	2,826,076	(3,178)	(301)	(220)	-	(3,699)
Stage 2										
Accommodation and food service activities	-	20,982	-	-	20,982	-	(703)	-	-	(703)
Construction	9,535	-	-	-	9,535	-	-	-	-	-
Households and individuals	14,212	-	-	-	14,212	(191)	-	-	-	(191)
Real estate activities	161	-	-	-	161	-	-	-	-	-
	23,908	20,982	-	-	44,890	(191)	(703)	-	-	(894)
Stage 3										
Administrative and support service activities	-	-	5,052	-	5,052	-	-	(596)	-	(596)
Construction	2,530	-	-	-	2,530	(200)	-	-	-	(200)
Financial and insurance activities	27,406	-	21,045	-	48,451	(7,030)	-	(1,210)	-	(8,240)
Households and individuals	856	-	-	-	856	(62)	-	-	-	(62)
Real estate activities	14,838	-	-	-	14,838	-	-	-	-	-
Wholesale and retail trade, repairs of motor vehicles and motorcycles	351	-	-	-	351	(116)	-	-	-	(116)
	45,981	-	26,097	-	72,078	(7,431)	-	(1,806)	-	(9,214)
POCI										
Financial and insurance activities	426	-	-	-	426	(212)	-	-	-	(212)
	426	-	-	-	426	(212)	-	-	-	(212)
Total	2,834,173	59,416	49,881	-	2,943,470	(10,989)	(1,004)	(2,026)	-	(14,019)

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 extend credit, guarantees and other commitments										
As at 31 December 2023										
Accommodation and food service activities	-	292	-	-	292	-	(2)	-	-	(2)
Administrative and support service activities	-	-	951	-	951	-	-	(112)	-	(112)
Construction	55,027	-	-	-	55,027	-	-	-	-	-
Financial and insurance activities	-	-	25,527	-	25,527	-	-	(118)	-	(118)
Households and individuals	150,418	-	-	-	150,418	(16)	-	-	-	(16)
Professional, scientific and technical activities	8,540	-	-	-	8,540	(50)	-	-	-	(50)
Real estate activities	19,560	-	-	-	19,560	-	-	-	-	-
	233,545	292	26,478	-	260,315	(66)	(2)	(230)	-	(298)

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 table below 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, exclusive of accrued interest.

Below is a table showing financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements.

MeDirect Malta Group				Related amounts not offset in the statement of financial position		
	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	Amounts subject to master netting arrangements	Financial collateral pledged/(received (incl. cash)	Net amount
	€000	€000	€000	€000	€000	€000
As at 31 December 2024						
Financial assets						
Derivative financial instruments	175,310	-	175,310	396	-	175,706
Loans and advances to financial institutions	299,617	-	299,617	-	(33,077)	266,540
Investments - Securities Portfolio	692,852	-	692,852	-	(130,362)	562,490
Investments - Securitisation Portfolio	510,628	-	510,628	-	(123,697)	386,931
Investments - Asset-Backed Securitisation Portfolio	144,859	-	144,859	-	-	144,859
	1,823,266	-	1,823,266	396	(287,136)	1,536,526
Financial liabilities						
Derivative financial instruments	(32,681)	-	(32,681)	(396)	33,077	-
Amounts owed to financial institutions	(168,564)	-	(168,564)	-	254,059	85,495
	(201,245)	-	(201,245)	(396)	287,136	85,495

MeDirect Malta Group				Related amounts not offset in the statement of financial position		
	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	Amounts subject to master netting arrangements	Financial collateral pledged/(received (incl. cash)	Net amount
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Financial assets						
Derivative financial instruments	207,950	-	207,950	649	-	208,599
Loans and advances to financial institutions	352,793	-	352,793	-	(26,113)	326,680
Investments - Securities Portfolio	705,910	-	705,910	-	(157,322)	548,588
Investments - Securitisation Portfolio	605,340	-	605,340	-	(167,987)	437,353
	1,871,993	-	1,871,993	649	(351,422)	1,521,220
Financial liabilities						
Derivative financial instruments	(25,464)	-	(25,464)	(649)	26,113	-
Amounts owed to financial institutions	(373,117)	-	(373,117)	-	325,309	(47,808)
	(398,581)	-	(398,581)	(649)	351,422	(47,808)

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 2024, the Group's derivative financial liabilities subject to master-netting agreements have a fair value of €0.4 million (2023: €0.7 million). Within the table above, these have been capped at the fair value of the derivative assets of the Group amounting to €0.4 million (2023: €0.7 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.

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 provides oversight and ensures that decisions taken at Belgium ALCO are aligned to the interests of the Group. 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. This is executed under the leadership of the Group Head - ALM.

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 market to maximise granularity and by expanding outside Malta directly and 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 the ECB or at Eurex, 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 CLO structures or 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 (although it is the Group's strategy not to rely on the Central Bank for funding in the normal course of events, but instead only used as a secondary source of financing).

To ensure that the Group has adequate liquidity to meet its near-term obligations, the Treasury team maintains good liquidity buffers and projects the Group's expected liquidity position for each day over the subsequent week, as well as the "residual" cash balance that considers known inflows and outflows (for example settlements of asset purchases or sales) beyond this period.

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 2024 and 2023, the LCR was within both the regulatory minimum and the risk appetite set by the Group. As at 31 December 2024 and 2023, 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 2024 and 2023.

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.

The Treasury Operations and ALM team report the Group's expected liquidity position for each day over the subsequent week, as well as the "residual" cash balance that takes into account known inflows and outflows (for example settlements of asset purchases or sales) beyond this period.

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.

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 (including accrued interest)	171,500	-	-	-	-	35,368	206,868
Derivative financial instruments (including accrued interest)	396	-	2,254	23,058	149,091	511	175,310
Loans and advances to financial institutions (including accrued interest)	302,425	13,754	-	-	-	-	316,179
Loans and advances to customers (excluding IFRS basis adjustments)	23,083	51,700	174,986	1,168,771	1,650,495	-	3,069,035
- International Corporate Lending portfolio	1,378	-	231	198,965	5,351	-	205,925
- Dutch Mortgage portfolio	13,647	31,918	133,964	756,235	1,266,517	-	2,202,281
- Belgian Mortgage portfolio	3,181	6,292	27,182	118,689	210,036	-	365,380
- Maltese Business Lending portfolio	4,698	4,482	8,630	74,324	61,458	-	153,592
- Maltese Mortgage portfolio	7	647	3,367	17,897	107,133	-	129,051
- Consumer Finance receivables portfolio	172	345	1,550	2,661	-	-	4,728
- Accrued interest	-	8,016	62	-	-	-	8,078
Investments	-	29,331	9,943	490,028	829,518	-	1,358,820
- Securities portfolio (including accrued interest)	-	24,991	9,816	490,028	174,031	-	698,866
- Securitisation portfolio (including accrued interest)	-	3,914	127	-	510,628	-	514,669
- Asset-Backed Securitisation portfolio (including accrued interest)	-	426	-	-	144,859	-	145,285
Accrued income	1,473	-	-	-	-	-	1,473
Loans to related parties (incl. in other assets)	-	-	-	-	-	48	48
Other receivables (incl. in other assets)	-	-	-	-	-	1,048	1,048
Other assets (incl. in other assets)	-	-	-	-	-	23,315	23,315
Subtotal	498,877	94,785	187,183	1,681,857	2,629,104	60,290	5,152,096
- IFRS basis adjustment: International Mortgage portfolio	-	-	-	-	-	(142,246)	(142,246)
- IFRS basis adjustment: Maltese Business Lending portfolio	-	-	-	-	-	686	686
Total financial assets	498,877	86,769	187,121	1,681,857	2,629,104	(81,270)	5,010,536
Liabilities							
Derivative financial instruments	165	-	755	8,813	22,948	-	32,681
Amounts owed to financial institutions (including accrued interest)	22,600	157,177	-	-	-	-	179,777
Amounts owed to customers (including accrued interest)	3,165,521	150,342	421,194	142,909	69	-	3,880,035
Debt securities in issue (including accrued interest)	5,590	11,181	49,210	273,390	302,302	-	641,673
Subordinated liabilities (including accrued interest)	-	950	-	66,408	-	-	67,358
Lease liabilities (incl. in other liabilities)	109	413	755	1,942	70	-	3,289
Total financial liabilities	3,193,985	320,063	471,914	493,462	325,389	-	4,804,813
Liquidity gap	(2,695,108)	(225,278)	(284,731)	1,188,395	2,303,715		
Cumulative liquidity gap	(2,695,108)	(2,920,386)	(3,205,117)	(2,016,722)	286,993		

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 2023							
Assets							
Balances with central banks (including accrued interest)	237,135	34	-	-	-	28,281	265,450
Derivative financial instruments	199	-	1,102	27,958	178,180	511	207,950
Loans and advances to financial institutions (including accrued interest)	353,227	5,166	-	-	-	-	358,393
Loans and advances to customers (excluding IFRS basis adjustments)	17,754	37,317	261,737	1,032,974	1,587,070	-	2,936,852
- International Corporate Lending portfolio	-	-	97,890	230,616	-	-	328,506
- Dutch Mortgage portfolio	13,009	26,179	120,605	650,679	1,294,096	-	2,104,568
- Belgian Mortgage portfolio	2,428	4,382	20,003	81,908	146,216	-	254,937
- Maltese Business Lending portfolio	2,314	7	19,982	56,939	63,599	-	142,841
- Maltese Mortgage portfolio	3	265	2,340	12,832	83,159	-	98,599
- Accrued interest	-	6,484	917	-	-	-	7,401
Investments	-	19,059	81,859	436,689	784,029	-	1,321,636
- Securities portfolio (including accrued interest)	-	13,693	81,859	436,689	178,689	-	710,930
- Securitisation portfolio (including accrued interest)	-	5,366	-	-	605,340	-	610,706
Accrued income	914	-	-	-	-	-	914
Loans to related parties (incl. in other assets)	-	-	-	-	-	41	41
Other receivables (incl. in other assets)	-	-	-	-	-	1,024	1,024
Other assets (incl. in other assets)	-	-	-	-	-	21,365	21,365
Subtotal	609,229	61,576	344,698	1,497,621	2,549,279	51,222	5,113,625
- IFRS basis adjustment: International Mortgage portfolio	-	-	-	-	-	(183,180)	(183,180)
Total financial assets	609,229	61,576	344,698	1,497,621	2,549,279	(131,958)	4,930,445
Liabilities							
Derivative financial instruments	844	-	-	4,519	20,101	-	25,464
Amounts owed to financial institutions (including accrued interest)	322,848	1,183	50,928	-	-	-	374,959
Amounts owed to customers (including accrued interest)	2,687,867	30,826	356,319	235,447	10	-	3,310,469
Debt securities in issue (including accrued interest)	9,987	18,567	66,456	821,737	-	-	916,747
Subordinated liabilities (including accrued interest)	-	950	-	65,921	-	-	66,871
Lease liabilities (incl. in other liabilities)	370	50	785	3,030	104	-	4,339
Total financial liabilities	3,021,916	51,576	474,488	1,130,654	20,215	-	4,698,849
Liquidity gap	(2,412,687)	10,000	(129,790)	366,967	2,529,064		
Cumulative liquidity gap	(2,412,687)	(2,402,687)	(2,532,477)	(2,165,510)	363,554		

Current accounts and savings deposits payable on demand or at short notice of the Group amounted to €2,299 million (2023: €2,238 million), as at 31 December 2024. This amount is disclosed within the ‘Not more than 1 month’ maturity grouping. As at 31 December 2024, savings deposits with a withdrawal notice period of one month amounting to €339 thousand (2023: €777 thousand) are disclosed within the ‘Between 1 and 3 months’ maturity grouping. In addition, as at 31 December 2024, savings deposits with a withdrawal notice period of three to six months amounting to €82 million (2023: €151 million), are disclosed within the ‘Between 3 months and 1 year’ maturity grouping. Furthermore, as at 31 December 2024, savings deposits with a withdrawal notice period of one year for the Group amounting to €21 million (2023: €69 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 2024, unencumbered financial assets classified as Securities Investments measured at amortised cost with a carrying amount of €562.5 million (2023: €548.0 million), form part of the high quality liquid asset portfolio for LCR purposes. Accordingly, they may be liquidated within one month.

The Group's cash from margin balances amounting to €24.5 million (2023: €56.8 million), can be 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 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	70,776	-	1,090	-	69,686	-
Lease liabilities (included in other liabilities)	3,289	3,510	115	427	773	2,093	102
	4,772,132	4,829,352	3,194,233	321,748	479,579	463,067	370,725

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 2023							
Non-derivative liabilities							
Amounts owed to financial institutions							
- Due to clearing houses	231,016	231,489	210,791	285	20,413	-	-
- Due to other banks	143,943	145,002	112,207	897	31,898	-	-
Amounts owed to customers	3,310,469	3,323,200	2,687,918	30,898	359,635	244,738	11
Debt securities in issue	916,747	985,350	8,169	16,339	71,892	888,950	-
Subordinated liabilities	66,871	71,772	-	1,073	-	70,699	-
Lease liabilities (included in other liabilities)	4,339	4,883	437	67	799	3,427	153
	4,673,385	4,761,696	3,019,522	49,559	484,637	1,207,814	164

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
As at 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)

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
As at 31 December 2023							
Derivative assets							
Derivative financial instruments							
- Interest rate swaps	207,240	242,439	3,493	6,528	26,213	85,793	120,412
- Foreign exchange swaps	199	(210)	(210)	-	-	-	-
Inflows		21,289	21,289	-	-	-	-
Outflows		(21,499)	(21,499)	-	-	-	-
- Other derivative financial instruments (no maturity)	511	-	-	-	-	-	-
	207,950	242,229	3,283	6,528	26,213	85,793	120,412
Derivative liabilities							
Derivative financial instruments							
- Interest rate swaps	24,620	(28,830)	38	1,611	2,041	(21,313)	(11,207)
- Foreign exchange swaps	844	894	894	-	-	-	-
Inflows		69,493	69,493	-	-	-	-
Outflows		(68,599)	(68,599)	-	-	-	-
	25,464	(27,936)	932	1,611	2,041	(21,313)	(11,207)

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		
	Pledged as collateral	Other*	Available as collateral	Other**	Total
	€000	€000	€000	€000	€000
31 December 2024					
Balances with central banks and cash (including accrued interest)	-	35,368	171,487	15	206,870
Derivative financial instruments	-	-	-	175,310	175,310
Loans and advances to financial institutions (including accrued interest)	247,349	-	-	68,830	316,179
Loans and advances to customers	-	-	-	3,069,035	3,069,035
- International Corporate Lending portfolio	-	-	-	205,925	205,925
- Dutch Mortgage portfolio	-	-	-	2,202,281	2,202,281
- Belgian Mortgage portfolio	-	-	-	365,380	365,380
- Maltese Business Lending portfolio	-	-	-	153,592	153,592
- Maltese Mortgage portfolio	-	-	-	129,051	129,051
- Consumer Finance receivables portfolio	-	-	-	4,728	4,728
- Accrued interest	-	-	-	8,078	8,078
Investments	254,059	-	1,094,280	10,481	1,358,820
- Securities portfolio (including accrued interest)	130,362	-	562,490	6,014	698,866
- Securitisation portfolio (including accrued interest)	123,697	-	386,931	4,041	514,669
- Asset-Backed Securitisation portfolio (including accrued interest)	-	-	144,859	426	145,285
Accrued income	-	-	-	1,473	1,473
Loans and advances to related parties (included in other assets)	-	-	-	48	48
Other receivables (included in other assets)	-	-	-	1,048	1,048
Other assets (included in other assets)	-	-	-	23,315	23,315
	501,408	35,368	1,265,767	3,349,555	5,152,098

** 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.*

MeDirect Malta Group	Encumbered		Unencumbered		
	Pledged as collateral	Other*	Available as collateral	Other**	Total
	€000	€000	€000	€000	€000
31 December 2023					
Balances with central banks and cash (including accrued interest)	-	28,281	237,120	52	265,453
Derivative financial instruments	-	-	-	207,950	207,950
Loans and advances to financial institutions (including accrued interest)	303,587	-	-	54,806	358,393
Loans and advances to customers	-	-	-	2,936,852	2,936,852
- International Corporate Lending portfolio	-	-	-	328,506	328,506
- Dutch Mortgage portfolio	-	-	-	2,104,568	2,104,568
- Belgian Mortgage portfolio	-	-	-	254,937	254,937
- Maltese Business Lending portfolio	-	-	-	142,841	142,841
- Maltese Mortgage portfolio	-	-	-	98,599	98,599
- Accrued interest	-	-	-	7,401	7,401
Investments	325,310	-	966,527	29,799	1,321,636
- Securities portfolio (including accrued interest)	157,323	-	548,587	5,020	710,930
- Securitisation portfolio (including accrued interest)	167,987	-	417,940	24,779	610,706
Accrued income	-	-	-	914	914
Loans and advances to related parties (included in other assets)	-	-	-	41	41
Other receivables (included in other assets)	-	-	-	1,024	1,024
Other assets (included in other assets)	-	-	-	21,365	21,365
	628,897	28,281	1,203,647	3,252,803	5,113,628

** 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 2024					
Financial assets					
Balances with central banks and cash (including accrued interest)	206,870	-	-	-	206,870
Derivative financial instruments	175,310	-	-	-	175,310
Loans and advances to financial institutions (including accrued interest)	294,541	5,484	5,130	11,024	316,179
Loans and advances to customers (excluding IFRS basis adjustments)	3,047,369	21,213	453	-	3,069,035
- International Corporate Lending portfolio	184,428	21,044	453	-	205,925
- Dutch Mortgage portfolio	2,202,281	-	-	-	2,202,281
- Belgian Mortgage portfolio	365,380	-	-	-	365,380
- Maltese Business Lending portfolio	153,592	-	-	-	153,592
- Maltese Mortgage portfolio	129,051	-	-	-	129,051
- Consumer Finance receivables portfolio	4,728	-	-	-	4,728
- Accrued interest	7,909	169	-	-	8,078
Investments	1,358,820	-	-	-	1,358,820
- Securities portfolio (including accrued interest)	698,866	-	-	-	698,866
- Securitisation portfolio (including accrued interest)	514,669	-	-	-	514,669
- Asset-Backed Securitisation portfolio (including accrued interest)	145,285	-	-	-	145,285
Accrued income	1,471	2	-	-	1,473
Loans to related parties (included in other assets)	-	48	-	-	48
Other receivables (included in other assets)	1,048	-	-	-	1,048
Other assets (included in other assets)	23,315	-	-	-	23,315
	5,108,744	26,747	5,583	11,024	5,152,098
Financial liabilities					
Derivative financial instruments	32,681	-	-	-	32,681
Amounts owed to financial institutions (including accrued interest)	179,777	-	-	-	179,777
Amounts owed to customers (including accrued interest)	3,783,694	35,654	45,597	15,090	3,880,035
Debt securities in issue (including accrued interest)	641,673	-	-	-	641,673
Subordinated liabilities (including accrued interest)	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	

MeDirect Malta Group	EUR currency	GBP currency	USD currency	Other	Total
	€000	€000	€000	€000	€000
As at 31 December 2023					
Financial assets					
Balances with central banks and cash (including accrued interest)	265,453	-	-	-	265,453
Derivative financial instruments	207,755	195	-	-	207,950
Loans and advances to financial institutions (including accrued interest)	335,276	3,325	2,742	17,050	358,393
Loans and advances to customers (excluding IFRS basis adjustments)	2,892,114	43,000	1,730	8	2,936,852
- International Corporate Lending portfolio	284,625	42,515	1,366	-	328,506
- Dutch Mortgage portfolio	2,104,568	-	-	-	2,104,568
- Belgian Mortgage portfolio	254,937	-	-	-	254,937
- Maltese Business Lending portfolio	142,492	-	349	-	142,841
- Maltese Mortgage portfolio	98,599	-	-	-	98,599
- Accrued interest	6,893	485	15	8	7,401
Investments	1,321,636	-	-	-	1,321,636
- Securities portfolio (including accrued interest)	710,930	-	-	-	710,930
- Securitisation portfolio (including accrued interest)	610,706	-	-	-	610,706
Accrued income	914	-	-	-	914
Loans to related parties (included in other assets)	-	41	-	-	41
Other receivables (included in other assets)	938	86	-	-	1,024
Other assets (included in other assets)	21,365	-	-	-	21,365
	5,045,451	46,647	4,472	17,058	5,113,628
Financial liabilities					
Derivative financial instruments	24,620	293	551	-	25,464
Amounts owed to financial institutions (including accrued interest)	374,959	-	-	-	374,959
Amounts owed to customers (including accrued interest)	3,198,755	52,317	41,761	17,636	3,310,469
Debt securities in issue (including accrued interest)	916,747	-	-	-	916,747
Subordinated liabilities (including accrued interest)	62,691	4,180	-	-	66,871
Lease liabilities (included in other liabilities)	4,088	251	-	-	4,339
	4,581,860	57,041	42,312	17,636	4,698,849
Net on-balance sheet financial position		(10,394)	(37,840)	(578)	
Notional of derivative financial instruments		10,268	37,095	-	
Residual exposure		(126)	(745)	(578)	

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 tables above, 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 involves the asset and liability management process, which is the responsibility of the MeDirect Group/Belgium Treasury 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 provided by the Risk team, which operates independently of the Treasury 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 at various governance levels. For the First Line of Defence, these activities are reviewed and managed independently by the Group/MeDirect Belgium Asset and Liability Committee (ALCO). For the Second Line of Defence, the Enterprise Risk Management Committee oversees monitoring and reporting. Lastly, the Audit Committee provides governance for the Third Line of Defence, ensuring the integrity of the overall process.

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 – ΔNII;
- Group's projection and sensitivity of economic value of equity – ΔEVE; 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 ΔNII, ΔEVE and PV01.

The table below 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 addition, contractual terms may not be representative of the behaviour in respect of financial assets and liabilities. The carrying amounts presented in the following table are exclusive of accrued interest.

MeDirect Malta Group		Repricing in				
	Carrying amount	Not more than 3 months	Between 3 months and 1 year	Between 1 year 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	206,853	206,853	-	-	-	-
Loans and advances to financial institutions	299,617	299,617	-	-	-	-
Loans and advances to customers	2,919,397	401,980	189,543	440,142	546,898	1,340,834
- International Corporate Lending portfolio	205,925	205,925	-	-	-	-
- Dutch Mortgage portfolio	2,202,281	45,564	133,965	343,027	413,208	1,266,517
- Belgian Mortgage portfolio	365,380	9,473	27,182	65,114	53,575	210,036
- IFRS basis adjustment: International Mortgage portfolio	(142,246)	-	-	-	-	(142,246)
- Maltese Business Lending portfolio	153,592	140,095	13,497	-	-	-
- IFRS basis adjustment: Maltese Business Lending portfolio	686	-	-	-	-	686
- Maltese Mortgage portfolio	129,051	406	13,349	29,340	80,115	5,841
- Consumer Finance receivables portfolio	4,728	517	1,550	2,661	-	-
Investments	1,348,339	943,206	405,133	-	-	-
- Securities portfolio	692,852	297,717	395,135	-	-	-
- Securitisation portfolio	510,628	500,630	9,998	-	-	-
- Asset-Backed Securitisation portfolio	144,859	144,859	-	-	-	-
	4,774,206	1,851,656	594,676	440,142	546,898	1,340,834
Financial liabilities						
Amounts owed to financial institutions:	168,564	21,370	147,194	-	-	-
- Due to clearing houses	147,194	-	147,194	-	-	-
- Due to other banks	21,370	21,370	-	-	-	-
Amounts owed to customers	3,827,320	3,312,988	371,449	117,786	25,093	4
Debt securities in issue	638,952	14,050	49,210	177,245	96,145	302,302
Subordinated liabilities	65,969	10,720	55,249	-	-	-
	4,700,805	3,359,128	623,102	295,031	121,238	302,306
Interest rate repricing gap		(1,507,472)	(28,426)	145,111	425,660	1,038,528
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		(125,922)	356,174	(413,922)	204,770	52,301

MeDirect Malta Group	Carrying amount	Repricing in Not more than 3 months	Between 3 months and 1 year	Between 1 year and 3 years	Between 3 and 5 years	More than 5 years
	€000	€000	€000	€000	€000	€000
As at 31 December 2023						
Financial assets						
Balances with central banks	265,398	265,398	-	-	-	-
Loans and advances to financial institutions	352,793	352,793	-	-	-	-
Loans and advances to customers	2,746,271	441,714	217,119	388,546	431,893	1,266,999
- International Corporate Lending portfolio	328,506	263,181	65,325	-	-	-
- Dutch Mortgage portfolio	2,104,568	39,188	120,605	330,681	319,998	1,294,096
- Belgian Mortgage portfolio	254,937	6,810	20,003	44,604	37,304	146,216
- IFRS basis adjustment: International Mortgage portfolio	(183,180)	-	-	-	-	(183,180)
- Maltese Business Lending portfolio	142,841	132,381	10,460	-	-	-
- Maltese Mortgage portfolio	98,599	154	726	13,261	74,591	9,867
Investments	1,310,232	898,353	411,879	-	-	-
- Securities portfolio	705,910	294,031	411,879	-	-	-
- Securitisation portfolio	604,322	604,322	-	-	-	-
	4,674,694	1,958,258	628,998	388,546	431,893	1,266,999
Financial liabilities						
Amounts owed to financial institutions:	373,117	322,605	50,512	-	-	-
- Due to clearing houses	230,731	210,731	20,000	-	-	-
- Due to other banks	142,386	111,874	30,512	-	-	-
Amounts owed to customers	3,283,538	2,716,790	341,809	198,444	26,485	10
Debt securities in issue	910,848	22,655	66,456	235,035	586,702	-
Subordinated liabilities	65,485	-	54,982	10,503	-	-
	4,632,988	3,062,050	513,759	443,982	613,187	10
Interest rate repricing gap		(1,103,792)	115,239	(55,436)	(181,294)	1,266,989
Impact of hedging interest rate derivatives – notional amounts	182,620	995,400	952,650	(479,233)	(464,690)	(1,004,127)
Net interest rate repricing gap		(108,392)	1,067,889	(534,669)	(645,984)	262,862

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 Treasury 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 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.

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.

As at 31 December 2023, the Group's Securitisation Investment portfolio comprised an investment in the equity tranche of GH1-2019 amounting to €1.0 million. The returns relating to this financial instrument were variable, with repayments being equivalent to any residual amounts after the commitments relating to more senior tranches in GH1-2019 are repaid. In this regard, this financial instrument was not deemed to be subject to interest rate risk and had been excluded from the table above accordingly. This tranche was repaid in 2024.

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/TRS/2022/10) would be as follows:

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- NIM would decrease by €0.1 million in a parallel up scenario and decrease by €4.0 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.

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- NIM would decrease by €4.9 million in a parallel up scenario and decrease by €0.1 million in the parallel down scenario.
- Economic value of equity would increase by €0.8 million in a parallel up scenario and decrease by €0.9 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 ΔEVE 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 ΔNII 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 ΔNII and ΔEVE 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; 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 hold 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 Operational risk

In line with the Basel framework, operational risk is defined as the potential for loss arising from failed or inadequate internal processes, people, systems or from external events. Operational risks can arise from all business lines and from all activities which are carried out by the Group. Failure to manage operational risk may result in a direct or indirect financial loss, reputational damage, regulatory breaches or may even have a negative impact on the management of other risks such as credit, liquidity or market risk. There are various operational risk subtypes, including but not limited to fraud (internal/external), business disruption due to reduced or non-availability of systems, inadequate outsourcing arrangements, the Group's inability to attract, retain, train and develop the right people, failed or inadequate business processes, data risk and project execution risk.

Operational Risk Management ensures that the Group's risk appetite for operational risk is translated in a form that can be implemented and managed in practice. As covered in the Risk Appetite Statement, the Group has low tolerance for operational risk events that could jeopardise its financial performance, customer outcomes or reputation. The Group's objective is to manage operational risk to balance the avoidance of financial losses and damage to the Group's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity while maintaining risk taking within a tolerable limit.

The governance of Operational Risk follows the Group's Three Lines of Defence model. The First Line of Defence is accountable to manage its own risks, whilst the Operational Risk Management, which forms part of the Second Line of Defence oversees and challenges risk taking activities and ensures that operational risks are consistently identified and assessed, managed adequately, monitored and reported accordingly. The Third Line of Defence (Internal Audit) provides an independent assurance on the design and operating effectiveness of the control structure.

The Group also has an Operational Risk framework in place to make sure that it has a consistent and embedded approach for fully identifying and managing operational risks in an effective manner. The framework covers the following sections: Operational Risk Policy, Operational Risk Awareness, Operational Risk & Control Self-Assessment (RCSAs), Operational Risk Control Testing, Operational Risk Reporting and Incident Management & Business Continuity.

The Risk & Control Self-Assessment process, which at minimum, is carried out on an annual basis, is used to identify, document and assess the key risks and controls within the Group. The RCSA process provides a bottom-up approach to risk identification at granular level. The RCSA results are leveraged for creating key risk indicators and developing narratives for scenario analysis. The risk identification process is also supported through the use of audit findings and internal loss data. The Operational Risk Management function maintains a repository of loss data which captures and records operational loss events and “near misses” events.

Operational Risk is monitored through the development and ongoing evolution of the Key Risk Indicator (KRI) reporting process. Operational Risk Management aim to develop KRIs that allow for the monitoring of internal controls factors associated with significant risks. Operational Risk is also monitored through: Risk & Control Owners alerting Operational Risk Management of control deficiencies, Operational Risk Management identifying changes to the operational risk profiles and by Internal Audit through their assessment of Operational Risk Management and indirectly through their reviews of business areas. Control testing is also carried out using a risk-based approach to identify weaknesses in the control environment.

Operational Risk reporting provides management with a timely view of the Group’s Operational Risk profile and any breaches to the Risk Appetite Statement. Material risks and breaches are escalated to the Group’s governing bodies, such as Executive Committee and Board Committee, which serve as medium to ensure that corrective action plans are in place to mitigate significant risks and avoid reoccurrence of events impacting the Group’s operations. Operational risks are reported through the Monthly Group Risk Management Report, Incident Reporting, Internal Control Report and the annual ICAAP.

Operational Risk Management is also responsible to ensure that the Group has contingencies in the event of business disruption. The Group has in place a Business Continuity Plan (BCP) and an IT Disaster Recovery Plan (DRP), both of which are defined in separate documents respectively. Since the DRP focuses on the availability of IT/technology services, the document is maintained and tested by the IT department. The BCP is intended to provide the Group with a plan of actions necessary to restore critical business operations and ensuring the availability of resources whenever and wherever necessary and relies on the assumption that technology is available to support the business continuity efforts. The BCP is regularly tested to ensure the appropriateness of the responses in case of a business disruption.

A financial measurement of this risk is calculated by the Group for the purpose of allocating risk capital using the Basic Indicator Approach under Regulation (EU) No. 575/2013 of the European Parliament and of the Council of 26 June 2013, also known as the CRR. The risk weighted assets for operational risk under this method as at 31 December 2024 were calculated at €151 million (2023: €132.2 million).

ICT Security

ICT Risk is the risk of loss due to breach of confidentiality, failure of integrity of systems and data, inappropriateness or unavailability of systems and data or inability to change information technology within a reasonable time and with reasonable costs when the environment or business requirements change. This includes security risks resulting from inadequate or failed internal processes or external events including cyber-attacks or inadequate physical security.

There is a constantly evolving threat from cyberattacks that are increasing in terms of frequency, sophistication, impact and severity. Any failure in MeDirect's cybersecurity policies, procedures or controls, may result in significant financial losses, major business disruption, inability to deliver customer services, loss of data, and may cause associated reputational damage. The Group continues to invest in prevention and detection systems and controls on a risk-sensitive basis, throughout the lifecycle of a product or customer relationship to ensure this risk is managed effectively.

The ICT Security function, led by the CISO manages the Group ICT and Security Risk management framework. The Framework documents the Group's approach to managing ICT risks and is reviewed and approved annually by the Board. The Framework has been documented taking into consideration supervisory requirements, namely the EBA Guidelines on ICT and security risk management (EBA/GL/2019/04) and the Digital Operational Resilience Act (DORA).

Responsibility to manage and mitigate ICT risks lies with all Group employees, employees follow the Group's Information Security policies and procedures.

Residual ICT Security risks are managed in the context of the Group's Risk Appetite Statement. ICT Security critical and non-critical risk appetite limits have been defined by the Group. Breaches at different levels will trigger a course of action – risk appetite breaches and notification thresholds are reported to the Board every month.

The Group's ICT Security strategy is embedded within the overall ICT Strategy and is aligned with the Group's overall business strategy.

ICT Risk Identification and ICT Risk Mitigation:

ICT Risk Identification: the Group adopts several techniques to identify ICT risks. Risk sources include ICT security risk assessments, external security assessments, IT Security policy spot-checks, ICT security audits, ICT security policy exemptions, RCSAs, risks assessed as part of third-party due diligence, risks identified through ongoing monitoring of ICT infrastructure and risks identified through monitoring the cyber security threat landscape.

ICT Risk Mitigation: risks are documented in the ICT risk register and are followed up by the IT Security function. A risk treatment plan is documented for each risk. A control owner is defined and an implementation timeline for each control is documented. Implementation of controls is followed up by the IT Security function with the relevant control owner(s).

ICT Security controls implemented by the Group through the IT Security strategy are grouped into the following categories:

a) Physical Security;
b) Logical Security;
c) ICT Operations Security;
d) Security monitoring;
e) Information Security reviews, assessment and training; and
f) Information Security training and awareness.

ICT risk, risk appetite limits and key risk indicators form part of the CRO update to ExCo on a monthly basis and then CISO also provides an annual formal report to Group ExCo at least once a year. This includes coverage of selected IT risks, IT risk appetite limits and Key Risk Indicators ("KRIs").

Cyber security matters of interest are also reported to the Board. This includes updates on the Cyber security landscape, new and existing threats and how the Group is responding to such threats and results of external security tests.

Risk reports, security control test results and results from phishing awareness campaigns are presented to the Group ERMC and the Group Operations Committee.

2.6 Environmental, Social and Governance-related ("ESG") risk

During 2024, the Group continued to integrate sustainability into its internal organisational structure as part of the implementation of its ESG agenda.

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, UK and the Netherlands. 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 periodic updates (at least once a quarter) that are given during the routine Board meetings by the Head of Sustainability.

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 (Group Chief Financial Officer, Belgium Chief Financial Officer), Risk (Group Chief Risk Officer and Belgium Chief Risk Officer), 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, risk appetite, stress testing, compliance monitoring plans and internal audit plan.

The front-line business is responsible for identifying, assessing and managing sustainability 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, the wealth process and the procurement process. Business functions should follow the internal procedures related to CER/ESG in their day-to-day business operations.

The Risk Management function is responsible for developing and tracking a dashboard of relevant CER/ESG risk indicators, stress test and limits within the existing risk reporting frameworks of the Group, with continuous enhancement over time. It has integrated CER and ESG risks (both financial and non-financial) in their risk identification and management process comprehensively analysing the ways in which CER and ESG risks may affect different areas of the Group. MeDirect Sustainability Risk Policy outlines the Group's approach on integrating and managing sustainability risks in the Group's main processes including credit, wealth, procurement, remuneration and governance processes. During 2024, MeDirect has enhanced its ESG risk process by the integration of a dedicated Sustainability Risk Appetite Statement outlining the commitments and key risk indicators for each element within ESG. Additionally, it enhanced the transmission channels between traditional risks and ESG, including greenwashing risks. MeDirect is committed to continue improving upon its ESG risk assessment on different asset classes, particularly the retail and corporate lending portfolios.

The Compliance Function is responsible for preparing compliance plans that consider CER/ESG risk. It operates independently from the business units, albeit advising and assisting the business units and other internal functions to ensure that operations are in line with policies, procedures and regulations. In 2024, Regulatory Compliance took over the responsibility of the Regulatory Horizon Scanning, where it monitors all incoming regulatory and legislative changes, including sustainability-related regulations.

The Internal Audit Function ("IAF"), as the third line of defence, is responsible for the execution of a (risk and priority based) multi-year audit plan across the Group. In addition to a periodic review of internal control elements which encompass specific business segments and support processes, the IAF also covers the activities and performance of independent control functions (such as Risk Management and Compliance), ongoing projects and relevant third-party outsourcing and other intra-group business arrangements. In this context, the IAF considers ESG (governance) as a separate audit topic in its multi-year audit plan and embeds ESG/CER (where relevant) as a specific attention point in the audit scope and approach for specific business activity, support process and control function reviews. As the multi-year audit plan progresses, the IAF incrementally provide assurance that ESG/CER policies and procedures are adhered to and that related residual risks are appropriately addressed.

All the strategic objectives and commitments related to CER/ESG were incorporated in the ESG Strategy 2022-2024/25 "On the path to sustainability for 2022-2024/25". During the first half of 2024, the Group reviewed the ESG Strategy to ensure continued consistency with the CER Materiality Assessment. In its revision of the ESG Strategy, the Group revised its limit of exposure to sectors highly contributing to climate change and included new commitments. Additionally, a sub-strategy was adopted in relation to the transition towards decarbonisation and climate neutrality of the Group by 2050. Additional commitments relating to employees and society were adopted, including the equal pay gap monitoring, the selection of one or more ESG Champions selected through ESG hackathons, the implementation of a two-way communication system between the employees and HR representatives, compliance with the European Accessibility Act ("EAA") principles and the implementation of career plans and personal development plans for employees.

During 2024, 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 in its operational framework the risk of CER impacting its operational centres and reputation. The Business Continuity Plan ("BCP") includes scenarios related to natural hazards (e.g. storm, earthquake, flooding) and power failure, among others. The bank 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. The Operational & Reputational Risk Appetite Statement includes CER impact of the Group counterparties and Reputational Risk Management Policy includes ESG risk affecting reputation. In addition, the Planning and Budgeting Policy and Impairment and Accounting Policy were updated to include CER in budgeting process and impairment calculation whenever applicable.

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 2024, the Group reviewed its initial assessment 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 presented to the ESG Committee and was validated by the Board.

The assessment included all on-balance sheet elements and off-balance sheet elements, covering physical risks (floods/fluvial, sea level risk, drought/external heat, forest fire/wildfire, biodiversity loss, water stress) and transition risks (policy/regulations, stranding risk, market sentiment, technology change) including high-level impact horizons (short, medium and long-term). The Group used the European Climate Risk Typology, European Environment Agency maps and Moody's Investor Services analysis including sectoral heatmaps while analysing individual physical risks. To analyse transition risk, the Group used Moody's Analytics researches and Grantham Research Institute's report on Climate Change and the Environment that are publicly available. The assessment was conducted on a proportional and risk-based approach, utilising currently available sources and data. The materiality assessment was conducted by the Risk function with the support of the relevant business functions.

The materiality assessment continues to conclude that the overall strategic Group's exposure to CER is limited given the Group's business profile and its strategy. The direct impact of MeDirect operation is not material as the Group mainly operates in digital channels and its greenhouse gas emissions and resources consumption are limited. The impact is mainly indirect through financing clients from the sectors highly contributing to the climate change or through green financing. The assessment indicated that the assets could be impacted by CER primarily through credit risk (deterioration of collateral valuation and deterioration of credit standing of the borrower), retail funding primarily through reputational risk (deposit outflows), wholesale funding primarily through counterparty/country risk and deterioration of securities collateral valuation, wealth management services through market sentiment (fund classes) and operational centres through operational risk (higher energy requirements, physical risk of destruction or failure).

The Group assessment has shown a higher transition risk related to its residential mortgage portfolios in the Netherlands, Belgium and Malta driven by stranding assets risk and wealth management services driven by market sentiment The real estate portfolios of Belgium and Netherlands are the most exposed to these risks in the long-term due to their geographical location. The assessment was conducted in line with the approach adopted in the 2022 ECB Climate Stress Test, using a regional approach based on Eurostat's nomenclature of territorial units for statistics ("NUTS") for EU countries and European Climate Risk Typology ("ECRT") using CER scenarios. The Group's exposure to these portfolios represents almost €2.6 billion (51.3% of the Group 2024 assets) as presented in the table below.

	Balance sheet exposure	Group assets
	€000,000	**%**
Dutch NHG mortgage portfolio exposure	2,029	40%
Dutch Buy-to-let mortgage portfolio exposure	173	3%
Belgian mortgage portfolio exposure	366	7%

A relatively low proportion of the Group's Dutch mortgage portfolio is exposed to higher flood risk (3.5%) and none of the Belgian portfolio, while 17.9% of the Group's Dutch mortgage portfolio and 20.6% of the Belgium mortgage portfolio is exposed to higher sea hazard risk area.

	2024	2023
% of Dutch NHG mortgage portfolio exposure in high flood risk areas	**3.5%**	3.5%
% of Dutch NHG mortgage portfolio exposure in high sea hazard risk areas	**17.9%**	17.9%
% of Dutch Buy-to-let mortgage portfolio exposure in high flood risk areas	**3.6%**	4.4%
% of Dutch Buy-to-let mortgage portfolio exposure in high sea hazard risk areas	**9.6%**	3.1%
% of Belgian mortgage portfolio exposure in high flood risk areas	**0%**	0%
% of Belgian mortgage portfolio exposure in high sea hazard risk areas	**20.6%**	22.9%

The physical risk in the Dutch mortgage portfolio property is mitigated through property insurance or the National Mortgage Guarantee (NHG) protection. In Belgium, the Group implemented a contractual obligation for clients to purchase property insurance that automatically covers flood risk. Most of the Group's Belgian mortgages are already covered by property insurance.

Moreover, the Group implemented the portfolio limits related to high flood risk in Dutch and Belgian Risk Appetite Statement.

The transition risk related to sea level increase hazard in the Dutch and Belgium mortgage portfolio is a long-term risk. The Group monitors the exposure to this risk in the quarterly Risk Report and Dutch and Belgian Risk Appetite Statement the portfolio limits related to high coastal (sea-level) risk.

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 as not applicable.

2.7 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 II and Capital Requirements Directive ("CRD V").

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 unrealised gains included within the fair value reserve and subordinated liabilities in issue, which rank after the claims of all depositors (including financial institutions) and all other creditors.

	2024	2023
	%	%
CET 1 Ratio	**16.4**	16.7
Total Capital Ratio	**19.8**	20.3

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 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.

2.8 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.

2.8.1 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.

2.8.2 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.

2.8.3 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.

	As at 31 December 2024				As at 31 December 2023			
MeDirect Malta Group	**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								
- Securitisation investment portfolio	-	-	-	-	-	-	1,018	1,018
- Derivative financial instruments	-	**174,799**	**511**	**175,310**	-	207,439	511	207,950
Total financial assets	-	**174,799**	**511**	**175,310**	-	207,439	1,529	208,968
Liabilities								
Derivative financial instruments	-	**32,681**	-	**32,681**	-	25,464	-	25,464

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.

Level 3 assets consist of the following:

- As at 31 December 2023, the Group's investment in the equity tranche of GH1-2019 with a carrying amount of €1 million, for which a fair value was 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 took 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 made use of independently sourced market parameters including, for example, interest rate yield curves. The investment in the equity tranche of GH1-2019 was repaid during the year ended 31 December 2024.

- As part of a derecognition of loans and advances to a European corporation as a result of restructuring procedures that occurred in 2021, the Group obtained equity instruments as part of this restructuring procedure which it initially held at nil value due to the unlikely scenario of recovering any value on the equity at that time. During 2022, the Group was notified of an agreement to sell the corporation against which the Group would be receiving proceeds for the equity positions it held. Following the closing of this transaction in 2023 the Group received €5.3 million.
- Tax warrants and contingent value notes resulting from a loan restructuring arrangement, classified as derivative financial instruments amounting to €0.5 million (2023: €0.5 million).

The following table shows a reconciliation of the fair value measurements in Level 3 of the fair value hierarchy:

	Securitisation investment portfolio measured at fair value through profit or loss		Securities investment measured at fair value through profit or loss		Derivative financial instruments measured at fair value through profit or loss	
MeDirect Malta Group	**2024**	2023	**2024**	2023	**2024**	2023
	€000	€000	**€000**	€000	**€000**	€000
Year ended 31 December						
At beginning of year	**1,018**	572	**-**	5,292	**511**	80,572
Changes in fair value	**(125)**	446	**-**	-	**-**	(80,061)
Realised	**(893)**	-	**-**	(5,292)	**-**	-
At end of year	**-**	1,018	**-**	-	**511**	511

The Level 3 assets as at 1 January 2023 consisted of back-to-back structured interest rate swaps entered into by MeDirect that reinternalised interest rate risk of the securitised mortgage loan receivables. The valuation of these derivatives as at 31 December 2022 was performed based on the expected cashflows on the swap transaction measured until the First Optional Redemption Date (FORD) of these related securitisations transactions. The valuation included both market observable inputs interest rate curves) as well as mortgage loan prepayment estimates consistent with MeDirect IRRBB assumptions.

The Group did not hold any Level 3 assets as at 31 December 2024 and the level 3 assets held as at 31 December 2023 was not material. Accordingly, a sensitivity analysis of the fair value measurement to changes in observable inputs was not deemed relevant.

2.8.3.1 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 2024 and 31 December 2023.

2.8.4 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 (excluding accrued interest).

MeDirect Malta Group	As at 31 December 2024				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	€000	€000	€000	€000	€000
Assets					
Loans and advances to customers	-	45,475	2,218,949	2,264,424	2,640,404
- International Corporate Lending portfolio	-	45,475	27,187	72,662	72,743
- Dutch Mortgage portfolio	-	-	1,852,663	1,852,663	2,202,281
- Belgian Mortgage portfolio	-	-	339,099	339,099	365,380
Investments	679,792	144,838	509,459	1,334,089	1,348,339
- Securities portfolio	679,792	-	-	679,792	692,852
- Securitisation portfolio	-	-	509,459	509,459	510,628
- Asset-Backed Securitisation portfolio	-	144,838	-	144,838	144,859
Total financial assets	679,792	190,313	2,728,408	3,598,513	3,988,743
Liabilities					
Debt securities in issue	-	-	639,977	639,977	638,952
Subordinated liabilities	54,198	-	9,950	64,148	65,969
Total financial liabilities	54,198	-	649,927	704,125	704,921

MeDirect Malta Group	As at 31 December 2023				
	Level 1	Level 2	Level 3	Total fair values	Total carrying amount
	€000	€000	€000	€000	€000
Assets					
Loans and advances to customers	-	42,020	2,136,177	2,178,197	2,426,515
- International Corporate Lending portfolio	-	42,020	22,138	64,158	67,010
- Dutch Mortgage portfolio	-	-	1,875,134	1,875,134	2,104,568
- Belgian Mortgage portfolio	-	-	238,905	238,905	254,937
Investments	682,055	-	594,728	1,276,783	1,310,232
- Securities portfolio	682,055	-	-	682,055	705,910
- Securitisation portfolio	-	-	594,728	594,728	604,322
Total financial assets	682,055	42,020	2,730,905	3,454,980	3,736,747
Liabilities					
Debt securities in issue	-	-	914,409	914,409	910,848
Subordinated liabilities	53,012	-	11,340	64,352	65,485
Total financial liabilities	53,012	-	925,749	978,761	976,333

* The Group's International mortgage portfolios disclosed in the preceding tables are presented exclusive of the IFRS basis adjustment equivalent to €142.2 million (2023: €183.2 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 lend to MeDirect Malta as a subordinated loan, that is disclosed within the subordinated liabilities note.

The fair value of €10.0 million (2023: €11.3 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. In the absence of trades since issue of these loans in February 2021, 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 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. Loans and advances to customers forming part of the International Corporate Lending portfolio of the Group amounting to €205.9 million (2023: €239.1 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 €510.6 million (2023: €604.3 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 €2,202.3 million (2023: €2,104.5 million) and Belgium mortgages amounting to €365.4 million (2023: €254.9 million), included in Loans and advances to customers. In order to derive their fair value as at 31 December 2024 and 2023, 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.

As at 31 December 2024, the carrying amount for loans and advances to customers classified under the Maltese Business Lending portfolio amounting to €153.6 million (2023: €142.8 million), Maltese Mortgage portfolio amounting to €129.1 million (2023: €98.6 million) and Consumer Finance receivables portfolio amounting €4.7 million (2023: nil) approximates their fair value because these loans are repriceable at the Group's discretion.

The Group's financial instruments not measured at fair value also 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 2024, all the Group's exposures classified under loans and advances to financial institutions amounting to €299.6 million (2023: €352.8 million), and balances with central banks amounting to €206.9 million (2023: €265.4 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.

Fair values referred to above are estimated using discounted cash flows, applying market rates. These estimates are considered Level 3 fair value estimates.

The majority of the 'Amounts owed to financial institutions' of the Group as at 31 December 2024 amounting to €168.6 million (2023: €373.1 million), and 'Amounts owed to customers' of the Group amounting to €3.7 billion (2023: €3.1 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. These are considered Level 3 fair value estimates. 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.

2.8.5 Non-current assets held for sale

Non-current assets classified as held for sale with a carrying amount of €1.8 million as at 31 December 2023 comprised commercial properties that had been acquired in satisfaction of debt. The fair value of such properties is estimated by the Directors to approximate its carrying amount. The property was reclassified to investment property during the year ended 31 December 2024.

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 2025 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 unlikeliness-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 unlikeliness-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 unlikeliness 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 2024 and 2023, 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 2024 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 2024, 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 2024.

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 2024 and 2023 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 2024 and 2023, 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 judgment 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 judgment 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 judgment 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 judgment 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 judgment 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	
	2024	2023
	€000	€000
At amortised cost:		
Balances with central banks	**206,853**	265,398
Cash	**2**	3
Accrued interest	**15**	52
	206,870	265,453

As at 31 December 2024, balances held with central banks include reserve deposits of the Group amounting to €35.4 million (2023: €28.3 million) relating to the Minimum Reserve Requirement in terms of Regulation (EC) No 1745/2003 of the ECB, of which €7.1 million (2023: €6.4 million) relates to MeDirect Malta, bearing interest at 0% per annum. Other balances with central banks held with the National Bank of Belgium amounting to €114.0 million (2023: €154.7 million) are subject to a positive interest rate of 3% (2023: positive interest rate of 4%) per annum. The remaining balances that are held with Central bank of Malta are subject to a positive interest rate of 3% per annum (2023: 4% 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 2024 (2023: €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 (2023: 1 month) from the reporting date.

In 2023, the Group used over-the-counter interest rate swaps to hedge their 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 2023 attributable to the hedged risk were €0.6 million. The losses on the related hedging instruments for the Group during the year ended 31 December 2023 were €0.6 million. As at 31 December 2024 and 2023, the Group did not use such over-the-counter interest rate swaps.

The Group also 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 losses on the related hedging instruments during the year ended 31 December 2024 were €40.1 million (2023: losses of €86.4 million). The gains on the hedged items arising during the year attributable to the hedged risk were €39.8 million (2023: gains of €85.1 million).

The Group also started using over-the-counter interest rate swaps to hedge its exposure to interest rate risk emanating from a portfolio of fixed-rate corporate loans during 2024 (see Note below – macro fair value hedging under the EU carve-out version of IAS 39). The losses on the related hedging instruments during the year ended 31 December 2024 were €0.7 million. The gains on the hedged items arising during the year attributable to the hedged risk were €0.7 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	
	2024	2023
	€000	€000
Derivative financial assets - fair value	**175,310**	207,950
Derivative financial liabilities - fair value	**(32,681)**	(25,464)

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).

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
	2024	**2024**	2023	2023
	€000	**€000**	€000	€000
Derivatives held for trading – Assets				
Instrument type:				
- Foreign exchange swaps	**54,704**	**396**	21,289	199
- Other derivative financial instruments		**511**		511
		907		710
Derivatives held for trading – Liabilities				
Instrument type:				
- Foreign exchange swaps	**16,996**	**(165)**	68,599	(844)
		(165)		(844)
Net derivatives held for trading		**742**		(134)
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	**705,173**	**25,312**	1,080,923	29,060
More than five years				
- Macro hedges	**1,044,727**	**149,091**	1,031,277	178,180
		174,403		207,240
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	**1,170,550**	**(9,568)**	553,900	(4,519)
More than five years				
- Macro hedges	**401,500**	**(22,948)**	432,850	(20,101)
		(32,516)		(24,620)
Net derivatives designated as hedging instruments in fair value hedges		**141,887**		182,620

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 €142.2 million (2023: negative basis adjustment amounting to €183.2 million) also includes the accumulated unamortised fair value hedge adjustments of €0.1 million (2023: €1.2 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.

6. Loans and advances to financial institutions

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
At amortised cost:				
Repayable on call and at short notice	**268,023**	297,824	**224**	164
Term loans and advances	**31,818**	55,133	**-**	-
Accrued interest	**16,562**	5,600	**-**	-
	316,403	358,557	**224**	164

As at 31 December 2024, €205.5 million (2023: €205.4 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 €197.1 million (2023: €182.9 million) and in relation to the funding of the purchase of Belgium mortgages amounting to €8.4 million (2023: €22.2 million).

Besides the above, the Group has amounts of €23.7 million (2023: €40.1 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 2024, other loans and advances to financial institutions of the Group amounting to €14.7 million (2023: €49.7 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 (2023: €8.4 million) in the form of cash that has also 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 2024 and 2023 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 2024 and 2023.

7. Loans and advances to customers

	Group	
	2024	2023
	€000	€000
International Corporate Lending portfolio		
- Term loans and advances: corporate	**218,206**	340,950
Dutch Mortgage portfolio		
- Term loans and advances: retail	**2,202,532**	2,104,853
Belgian Mortgage portfolio		
- Term loans and advances: retail	**365,934**	255,290
IFRS basis adjustment - International mortgage portfolio	**(142,246)**	(183,180)
Maltese Business Lending portfolio		
- Repayable on call and short notice: corporate	**3,514**	4,909
- Term loans and advances: corporate	**151,200**	138,490
IFRS basis adjustment - Maltese Business Lending portfolio	**686**	-
Maltese Mortgage portfolio		
- Term loans and advances: retail	**129,383**	98,978
Consumer Finance receivables portfolio	**4,804**	-
Gross loans and advances to customers	**2,934,013**	2,760,290
Add: Accrued interest	**8,404**	7,699
Less: Credit loss allowances	**(14,942)**	(14,317)
	2,927,475	2,753,672

Group	Allowance booked under									
	Stage 1		**Stage 2**		**Stage 3**		**POCI**		**Total**	
	2024	2023	**2024**	2023	**2024**	2023	**2024**	2023	**2024**	2023
	€000	€000	**€000**	€000	**€000**	€000	**€000**	€000	**€000**	€000
Credit loss allowances:										
- International Corporate Lending	**(676)**	(2,577)	**(476)**	(703)	**(10,906)**	(8,952)	**(223)**	(212)	**(12,281)**	(12,444)
- Dutch Mortgage portfolio	**(114)**	(136)	**(120)**	(145)	**(17)**	(4)	**-**	-	**(251)**	(285)
- Belgian Mortgage portfolio	**(284)**	(249)	**(86)**	(46)	**(184)**	(58)	**-**	-	**(554)**	(353)
- Maltese Business Lending portfolio	**(357)**	(358)	**-**	-	**(765)**	(200)	**-**	-	**(1,122)**	(558)
- Maltese Mortgage portfolio	**(332)**	(379)	**-**	-	**-**	-	**-**	-	**(332)**	(379)
- Consumer Finance receivables portfolio	**(10)**	-	**(3)**	-	**(63)**	-	**-**	-	**(76)**	-
- Accrued interest	**(8)**	(31)	**(13)**	(6)	**(305)**	(261)	**-**	-	**(326)**	(298)
	(1,781)	(3,730)	**(698)**	(900)	**(12,240)**	(9,475)	**(223)**	(212)	**(14,942)**	(14,317)

The negative fair value/basis adjustment amounting to €142.2 million (2023: negative fair value/basis adjustment amounting to €183.2 million) is attributable to interest rate swaps entered into as part of the interest rate risk management on the International Mortgage portfolio 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 gains on hedged items attributable to the hedged risk amounting to €39.8 million (2023: gains of €85.1 million) as disclosed in Note 25 to these financial statements.

As at 31 December 2024, the 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 management on the Maltese Business Lending portfolio 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 gains on hedged items attributable to the hedged risk amounting to €0.7 million as disclosed in Note 25 to these financial statements.

As disclosed in further detail in Note 20, as at 31 December 2024, Dutch retail mortgages amounting to €1,140.3 million (2023: €1,153.3 million) have been securitised through three (2023: three) Residential Mortgage-Backed Security ("RMBS") transactions. As risks and rewards were deemed to have been retained by MeDirect Belgium, as at 31 December 2024 and 2023, 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 €173.5 million as at 31 December 2024 (2023: €85.3 million).

Loans and advances relating to exposures within the International Corporate Lending portfolio amounting to €18.5 million have been written off during the financial year (2023: €3.4 million). Consequently, during the financial year ended 31 December 2024, credit loss allowances amounting to €8.2 million (2023: €2.0 million) relating to such write-offs have been released to profit or loss.

Throughout the financial year ended 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 that were classified as hold to collect financial assets measured at amortised cost on initial recognition, but these were disposed of throughout 2024.

8. Securities and Securitisation Investment portfolios

Securities Investment portfolio

	Group	
	2024	2023
	€000	€000
Investments measured at amortised cost including basis adjustment attributable to the hedged risk		
- Debt and other fixed income securities	**692,947**	705,976
- Less: Credit loss allowances	**(95)**	(66)
	692,852	705,910
Accrued interest	**6,014**	5,020
	698,866	710,930

Group	Measured at amortised cost 2024	2023
	€000	€000
Debt securities and other fixed income securities		
Issued by public bodies		
- foreign national and regional governments	**243,696**	247,749
- supranational	**20,912**	20,505
Issued by other bodies		
- foreign banks	**428,244**	437,656
	692,852	705,910
Listing status		
- listed on foreign recognised exchanges	**692,852**	705,910
	692,852	705,910

	Measured at amortised cost		Measured at fair value through profit and loss	
Group	**2024**	2023	**2024**	2023
	€000	€000	**€000**	€000
Year ended 31 December				
At beginning of year	**705,910**	688,746	-	5,292
Additions	**77,000**	200,500	-	-
Redemptions	**(90,311)**	(183,437)	-	(5,292)
Gains on hedged items attributable to the hedged risk	**1,273**	907	-	-
Amortisation of premium/discount	**(991)**	(936)	-	-
Movement in credit loss allowances	**(29)**	130	-	-
At end of year	**692,852**	705,910	-	-

Investment securities with a nominal value of €669.0 million are held with Eurex to serve as collateral against the provision of borrowing facilities (2023: €606.7 million). These include investment securities that are held on balance sheet with a carrying amount of €562.5 million (2023: €605.2 million).

The cash value of unutilised borrowing facilities (headroom) of the Group as at 31 December 2024 which are secured by the investment securities referred to above amounted to €649.8 million (2023: €524.2 million).

As at 31 December 2024, an amount of €3.9 million (2023: €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.

A further €43.5 million in the form of High-Quality Liquid Assets as at 31 December 2024 (2023: €2.0 million) were also contributed to Eurex Clearing AG to cover for daily margining.

Furthermore, as at 31 December 2024, MeDirect Malta also held €5.5 million (2023: €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 €75.2 million (2023: €87.0 million) and a carrying amount of €75.3 million (2023: €87.0 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 2024, investment securities held by the Group with a nominal value of €2.2 million (2023: €2.2 million) and a fair value of €2.1 million (2023: €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, was 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. During the financial year ended 31 December 2023, the hedging of interest rate risk on an individual basis was ceased. As at 31 December 2024, the unamortised basis adjustment amounted to €1.0 million (2023: €2.4 million).

As at 31 December 2024 and 2023, the Group had no commitment to purchase further investment securities.

As referred to in note 2.8.3, throughout the financial year ended 31 December 2022, the Group recognised equity investments of €5.3 million acquired as part of a restructure of a European corporation that occurred in 2021, which were previously held at nil value. These were redeemed in 2023.

Securitisation Investment portfolio

	Group	
	2024	2023
	€000	€000
Investments measured at amortised cost		
- Debt and other fixed income securities	**510,679**	604,504
- Less: Credit loss allowances	**(51)**	(182)
	510,628	604,322
Investments mandatorily measured at fair value through profit or loss		
- Debt and other fixed income securities	**-**	1,018
	510,628	605,340
Accrued interest	**4,041**	5,366
	514,669	610,706

	Measured at amortised cost		Measured at fair value through profit and loss	
Group	**2024**	2023	**2024**	2023
	€000	€000	**€000**	€000
Year ended 31 December				
At beginning of year	**604,322**	573,429	**1,018**	572
Additions	**37,500**	31,250	**-**	-
Redemptions	**(131,404)**	(169)	**(893)**	-
Amortisation of premium/discount	**79**	(185)	**-**	-
Changes in fair value	**-**	-	**(125)**	446
Movement in credit loss allowances	**131**	(3)	**-**	-
At end of year	**510,628**	604,322	**-**	1,018

As at 31 December 2024, the Group had pledged €123.7 million of the securitisation investment portfolio in favour of third parties against the provision of borrowing facilities (2023: €168 million).

In July 2019, MeDirect Malta acquired a 5% vertical slice in each of the GH1-2019 structured note tranches for risk retention purposes, for the amount of €20.2 million. As at 31 December 2023, with the exception of the equity tranche amounting to €1.0 million and mandatorily measured at FVTPL, MeDirect Malta's investment in the remaining tranches amounting to €18.5 million was measured at amortised cost. These were repaid in 2024.

During the financial year ended 31 December 2024, the Group also acquired portions in CLO transactions amounting to €37.5 million (2023: €31.3 million) corresponding to tranches with the highest credit rating in such CLO structures which are managed by third party entities. These acquired portions in CLO transactions 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 2024, positions with a nominal value of €510.6 million (2023: €586.2 million) are held in a 'hold to collect' business model and measured at amortised cost.

As at 31 December 2024, the Group had pledged €150.0 million of the CLO transactions in favour of third parties in collateral upgrade transactions, where the Group instead received liquid assets 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 with a carrying amount of €919.5 million 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.

As at 31 December 2024, the Investments - Securities portfolio and the Investments - Securitisation portfolio included investments with a carrying amount of €227.4 million and €343.0 million respectively (2023: €203.9 million and €394.2 million) that were part of this reclassification that took place on 1 July 2022. The fair value of these investments as at 31 December 2024 was equivalent to €220.7 million for the investments in the Securities portfolio and €341.9 million for the investments in the Securitisation portfolio (2023: €191.2 million and €387.2 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 2024 fair value gains would have been recognised in other comprehensive income for the investments in the Securities portfolio equivalent to €5.4 million and fair value gains would have been recognised in other comprehensive income for the investments in the Securitisation portfolio equivalent to €14.1 million (2023: fair value losses of €2.7 million and fair value gains of €9.5 million respectively).

Asset-Backed Securitisation Investment portfolio

	Group	
	2024	2023
	€000	€000
Investments measured at amortised cost		
- Debt and other fixed income securities	**144,954**	-
- Less: Credit loss allowances	**(95)**	-
	144,859	-
Accrued interest	**426**	-
	145,285	-

	Group	
	2024	2023
	€000	€000
Measured at amortised cost		
Year ended 31 December		
Additions	**144,954**	-
Movement in credit loss allowances	**(95)**	-
At end of year	**144,859**	-

During the financial year ended 31 December 2024, the Group invested into ‘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 2024	2023
			%	%
MeDirect Bank (Malta) plc	Malta	Banking	**100**	100

Company	2024	2023
	€000	€000
Year ended 31 December		
At beginning of year	**254,538**	242,557
Share of results and reserves	**(5,866)**	11,981
At end of year	**248,672**	254,538

Company	2024	2023
	€000	€000
At 31 December		
Cost	**130,914**	130,914
Shareholders' contribution	**133,196**	133,196
Share of results and reserves	**(15,438)**	(9,572)
Net book amount	**248,672**	254,538

MeDirect Malta owns the following subsidiaries:

Name of subsidiary	Country of incorporation/ formation	Nature of business	Equity interest 2024	2023
			%	%
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 branches	**100**	100

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, the financing of Dutch and Belgian mortgages, including RMBS transactions and the provision of senior secured loans to foreign companies.

MeDirect Tech Limited was incorporated on 20 July 2011 and was acquired by MeDirect Malta on 4 January 2021 from Medifin Investments Limited. MeDirect Tech's 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	Fixture and fittings	Motor vehicles	Right-of-use assets	Total
	€000	€000	€000	€000	€000	€000	€000
As at 1 January 2023							
Cost	458	4,340	162	1,218	80	10,015	16,273
Accumulated depreciation	(233)	(2,490)	(108)	(475)	(20)	(5,373)	(8,699)
Net book amount	225	1,850	54	743	60	4,642	7,574
Year ended 31 December 2023							
At beginning of year	225	1,850	54	743	60	4,642	7,574
Additions	-	208	3	31	-	-	242
Modification of lease	-	-	-	-	-	260	260
Disposals	(26)	-	-	(10)	-	-	(36)
Depreciation for the year	(44)	(751)	(21)	(156)	(16)	(976)	(1,964)
Depreciation released on disposals	11	-	-	4	-	-	15
At end of year	166	1,307	36	612	44	3,926	6,091
As at 31 December 2023							
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**

The fair value of property, plant and equipment is estimated by the Directors to approximate the carrying amount.

As at 31 December 2024 and 2023 the Group operated from 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	
	2024	2023
	€000	€000
Premises	**2,887**	3,926

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 2023				
Cost	9,149	796	70	10,015
Accumulated depreciation	(4,507)	(796)	(70)	(5,373)
Net book amount	4,642	-	-	4,642
Year ended 31 December 2023				
At beginning of year	4,642	-	-	4,642
Modification of lease	260	-	-	260
Depreciation for the year	(976)	-	-	(976)
At end of the year	3,926	-	-	3,926
As at 31 December 2023				
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**

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 (2023: 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 2023						
Cost	461	23,757	4,108	474	-	28,800
Accumulated amortisation	-	(10,451)	(4,108)	(474)	-	(15,033)
Net book amount	461	13,306	-	-	-	13,767
Year ended 31 December 2023						
At beginning of year	461	13,306	-	-	-	13,767
Additions	-	6,257	-	-	-	6,257
Amortisation and impairment charges for the year	-	(3,608)	-	-	-	(3,608)
At end of year	461	15,955	-	-	-	16,416
As at 31 December 2023						
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**
Modifications throughout the year	**-**	**(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**

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 2024, the carrying amount of the internally generated software included within Computer software in the table above amounted to €9.3 million (2023: €8.1 million). Capitalised staff costs in respect of the financial year ended 31 December 2024, included within "Additions" to Computer software in the table above amounted to €3.3 million (2023: €3.6 million). Meanwhile, amortisation recognised during the year in respect of internally generated software amounts to €2 million (2023: €1.6 million).

Amortisation of amounts capitalised by the Group of €2.6 million (2023: €3.2 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 (2023: 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

As at 31 December 2023, the property that had been acquired in satisfaction of debt had a carrying amount of €1.8 million. In 2024 this property was reclassified to investment property, as it forms an integral part of an investment property acquired in the course of the year.

	MDB Group	
	2024	2023
	€000	€000
Year ended 31 December		
At beginning of year	**1,785**	1,785
Reclassification to investment property (Note 13)	**(1,785)**	-
At end of year	**-**	1,785

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 consists of a property in Malta comprising both commercial and residential units. At the end of the year under review, 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, at the end of the reporting year, as both properties are intended to be held for long-term rental income and capital appreciation.

Group	2024	2023
	€000	€000
Year ended 31 December		
Additions	15,257	-
Reclassification from non-current assets held for sale (Note 12)	1,785	-
At end of year	17,042	-

The Group accounts for its investment properties at historic cost less depreciation in line with IAS 40. On the basis of Article 355 (1) of Chapter 12 of the Laws of Malta (Cod Organisation and Civil Procedure), when a property is acquired through a judicial court auction, the debtor has the right of repurchase the immovable property, provided this right is exercised within four months from the date of registration of the act of adjudication in the Public Registry. Taking into account this legal restriction as at 31 December 2024 and also considering other matters, the directors deem that the fair value of the investment property as at 31 December 2024 is estimated to approximate the carrying amount.

14. Deferred tax assets and liabilities

	Group		Company	
	2024	2023	2024	2023
	€000	€000	€000	€000
Deferred tax assets	17,512	17,525	-	-
Deferred tax liabilities	(196)	(342)	-	-
Net deferred tax	17,316	17,183	-	-

Deferred tax assets and liabilities are attributable to the following:

	Group		Company	
	2024	2023	2024	2023
	€000	€000	€000	€000
Property and equipment	(1,075)	(1,036)	-	-
Investments measured at fair value through profit or loss	-	132	-	-
Derivative financial instruments	(95)	(95)	-	-
Unutilised tax losses	14,555	12,340	-	-
Unutilised notional interest deduction	-	77	-	-
Credit loss allowances	4,458	6,026	-	-
Taxation in overseas jurisdictions	(527)	(261)	-	-
	17,316	17,183	-	-

Deferred tax assets and liabilities amounting to €1.5 million (2023: €1.1 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% (2023: 35%) in relation to the Maltese jurisdiction and 25% (2023: 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 year	Recognised in profit or loss	At end of year
	€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**

Group	At beginning of year	Recognised in profit or loss	At end of year
	€000	€000	€000
Year ended 31 December 2023			
Property and equipment	(1,163)	127	(1,036)
Investments measured at fair value through profit or loss	(1,770)	1,902	132
Derivative financial instruments	(95)	-	(95)
Unutilised wear and tear allowances	131	(131)	-
Unutilised tax losses	16,248	(3,908)	12,340
Unutilised notional interest deduction	73	4	77
Credit loss allowances	6,251	(225)	6,026
Taxation in overseas jurisdictions	(2,509)	2,248	(261)
	17,166	17	17,183

As at 31 December 2024, deferred tax assets attributable to MeDirect Malta are equivalent to €9.9 million (2023: €9.9 million), while deferred tax assets attributable to MeDirect Belgium are equivalent to €7.6 million (2023: €7.6 million).

The recognised deferred tax assets as at 31 December 2024 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 provides an analysis of the deferred tax assets that 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	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Property and equipment	**1,799**	567	**-**	-
Unutilised tax losses	**15,560**	12,428	**-**	-
Unutilised notional interest deduction	**48,153**	41,057	**5,918**	5,915
Net deferred tax assets	**65,512**	54,052	**5,918**	5,915

15. Prepayments and accrued income

	Group	
	2024	2023
	€000	€000
Prepayments	**3,964**	3,833
Accrued income	**1,473**	914
	5,437	4,747

16. Other assets

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Amounts receivable from:				
- subsidiary companies	**-**	-	**12,994**	12,847
Dividend related refund	**584**	584	**-**	-
Deferred customer contract costs	**1,132**	587	**-**	-
Other receivables	**1,048**	1,024	**-**	-
Other assets	**23,340**	21,381	**25**	17
	26,104	23,576	**13,019**	12,864

As at 31 December 2024, the amounts receivable from subsidiary companies included a callable loan granted by MDB Group Limited to MeDirect Malta amounting to €11.7 million (2023: €11.5 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 2024 and 2023 are unsecured, interest free and repayable on demand.

As at 31 December 2024, the Group's 'other assets' includes balances amounting to €16.9 million (2023: €17.1 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 2024, the Group's 'other assets' includes balances amounting to €3.8 million (2023: €1.6 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 2024, 'other assets' include an amount of €0.8 million (2023: €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.

The total Irrevocable Payment Commitments ('IPC') made by the Group during the financial year ended 31 December 2023 amounted to €37 thousand. No Irrevocable Payment Commitments were made in the financial year ended 31 December 2024.

None of these assets are deemed credit-impaired at 31 December 2024 and 2023 and expected credit losses in relation to such balances were deemed to be insignificant.

17. Capital and reserves

	Group and Company	
	2024	2023
	No.	No.
Share capital		
Authorised:		
Ordinary 'A' shares of €1 each	**99,999,999**	99,999,999
Ordinary 'B' shares of €1 each	**1**	1
	100,000,000	100,000,000

	Group and Company	
	2024	2023
	€	€
Issued and fully paid up:		
Ordinary 'A' shares of €1 each	**56,406,546**	56,406,546
Ordinary 'B' shares of €1 each	**1**	1
	56,406,547	56,406,547

Rights and entitlements attached to ordinary shares

As at 31 December 2024 and 2023, issued share capital is stated net of share issue expenses amounting to €0.7 million.

The holders of Ordinary 'A' shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. Ordinary 'B' shareholders are not entitled to vote and do not carry any dividend entitlement. The holders of the Ordinary 'A' shares and the holders of the Ordinary 'B' shares shall be equally entitled to receive notice of general meetings of the Company.

Share premium

Share premium as at the reporting date represents the issue of shares in prior periods as follows:

Group and Company	Number of shares	Premium per share	Share premium 2024	Share premium 2023
		€	€000	€000
Issue date				
05 August 2009	39,520,969	0.3407	**13,464**	13,464
31 March 2010	1,214,991*	0.2400	**292**	292
			13,756	13,756

**Converted to one share on 27 June 2014*

Shareholders' 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.

Reserve for general banking risks

Banking Rule ("BR") 09 issued by the MFSA required banks in Malta to hold additional reserves for general banking risks in respect of non-performing loans. This reserve was required to be funded from retained earnings. This reserve, which was distributable subject to the formal consent of the Banking Regulator, represented 100% of the regulatory allocation by virtue of paragraph 38 of the Banking Rule.

Banking Rule 09 was revised as from 1 January 2023 and under the new rule banks are no longer required to hold this reserve given that banks are required to carry out deductions from Common Equity Tier 1 capital in line with the minimum coverage expectations as specified within the Capital Requirements Regulations for those loans that were classified as NPEs after 26 April 2019 and in line with minimum coverage expectations as set by the regulatory authorities for those loans that were classified as NPEs before such date.

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 proceeds and the carrying amount of the non-controlling interest has been reflected as an adjustment to equity.

As at 31 December 2024, other reserves also comprises of a legal reserve amounting to €0.9 million (2023: €0.7 million) that has 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	
	2024	2023
	€000	€000
Term deposits	**168,446**	373,058
Other	**118**	59
Accrued interest expense	**11,213**	1,843
	179,777	374,960

As at 31 December 2024, amounts owed to financial institutions amounting to €21.3 million (2023: €192.5 million) included in term 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	
	2024	2023
	€000	€000
Repayable on call and at short notice	**2,966,629**	2,453,657
Term deposits	**859,357**	828,474
Accrued interest expense	**52,716**	26,932
	3,878,702	3,309,063

As at 31 December 2024, amounts owed to customers of the Group included amounts due to ultimate parent company amounting to €0.6 million (2023: €0.8 million) and amounts due to immediate parent company amounting to €3 thousand (2023: €78 thousand).

Amounts due to ultimate parent company and immediate parent company are unsecured, interest free and repayable on demand.

20. Debt securities in issue

	Group	
	2024	2023
	€000	€000
Year ended 31 December		
At beginning of year	**910,848**	969,569
Amortisation of premium recognised in profit or loss	**7,375**	(1,028)
Amortisation of issue costs recognised in profit or loss	**(7,222)**	995
Repurchase	**(272,049)**	-
Redemptions	**-**	(58,688)
At end of year	**638,952**	910,848
As at 31 December		
Original face value of notes issued	**638,718**	910,766
Unamortised note premium	**1,467**	2,316
Unamortised note issue costs	**(1,233)**	(2,234)
Net carrying amount	**638,952**	910,848
As at 31 December		
Bastion 2020-1 NHG B.V.	**-**	271,555
Bastion 2021-1 NHG B.V.	**296,409**	297,822
Bastion 2022-1 NHG B.V.	**342,543**	341,471
Net carrying amount	**638,952**	910,848
Accrued interest expense	**2,721**	5,899
	641,673	916,747

Bastion 2020-1 NHG B.V.

By virtue of a base prospectus dated May 2020, MeDirect Belgium 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 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 1.00% per annum above 3-month Euribor (including floor at 0%) from the first optional redemption date being April 2025, payable quarterly. All bonds are redeemable at par and shall become due for final redemption in April 2057, 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 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 are reflected in the Group's financial statements.

On each of the Notes Payment Dates of Bastion 2020-1, falling on 23 January 2023, 24 April 2023, 24 July 2023 and 23 October 2023, amounts of €6.4 million, €5.6 million, €5.1 million and €6.7 million of Class A notes, pertaining to the senior tranche were redeemed.

During 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.

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 2023, 22 May 2023, 21 August 2023 and 20 November 2023, amounts of €8.0 million, €5.3 million, €10.6 million and €6.8 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 2023, 22 May 2023, 21 August 2023 and 20 November 2023, amounts of €5.7 million, €5.9 million, €7.2 million and €7.2 million of Class A notes, pertaining to the senior tranche were redeemed.

21. Subordinated liabilities

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Year ended 31 December				
At beginning of year	**65,485**	66,781	**10,503**	10,310
Foreign exchange differences	**193**	(1,558)	**-**	-
Transaction costs amortised to profit or loss	**292**	262	**218**	193
At end of year	**65,970**	65,485	**10,721**	10,503
Analysed as follows:				
5% Subordinated Unsecured Bonds 2022 – 2027	**20,131**	20,045	**-**	-
4% Subordinated Unsecured Bonds 2024 – 2029	**35,118**	34,937	**-**	-
9.75% Subordinated Notes 2031	**10,721**	10,503	**10,721**	10,503
	65,970	65,485	**10,721**	10,503
Accrued interest	**1,388**	1,386	**950**	950
	67,358	66,871	**11,671**	11,453

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 a 13 October 2025 early redemption option 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 2025 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 2024, the euro equivalent contractual amount due at maturity by the Group on the Subordinated Unsecured Bonds listed on the Malta Stock Exchange was €55.2 million (2023: €55.0 million).

In February 2021, MDB Group Limited issued €11.0 million fixed rate reset callable subordinated notes due on 10 February 2031. The notes bear a fixed rate of 9.75% per annum and thereafter a fixed rate of interest which will reset on 10 February 2026. 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 liabilities during the years ended 31 December 2024 and 2023.

22. Provisions for liabilities and other charges

	Group	
	2024	2023
	€000	€000
Credit loss allowances in respect of loan commitments and financial guarantee contracts		
Year ended 31 December		
At beginning of year	**298**	1,263
Change in expected credit losses	**(96)**	(965)
At end of year	**202**	298

23. Accruals and deferred income

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Accrued expenses	**8,621**	9,286	**13**	14
Deferred income	**3,075**	2,984	**-**	-
	11,696	12,270	**13**	14

24. Other liabilities

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Amounts due to other group companies	**-**	-	**39**	29
Indirect taxes payable	**1,137**	1,419	**-**	-
Lease liabilities	**3,289**	4,339	**-**	-
Other liabilities	**5,534**	7,749	**15**	8
	9,960	13,507	**54**	37

Amounts due to other group companies

Amounts due to other group companies 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		Company		Total	
	2024	2023	**2024**	2023	**2024**	2023
	€000	€000	**€000**	€000	**€000**	€000
Premises	**2,191**	3,280	**1,098**	1,059	**3,289**	4,339

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 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 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	
	2024	2023
	€000	€000
Year ended 31 December		
At beginning of year	**4,339**	5,071
Modification of lease	**-**	260
Payments	**(1,203)**	(1,177)
Interest charge	**153**	185
At end of year	**3,289**	4,339

The statement of comprehensive income reflects the following amounts relating to leases:

	Group	
	2024	2023
	€000	€000
Interest expense (Note 25)	**153**	185

Other liabilities

Other liabilities mainly consist of settlement accounts.

25. Net Interest Income

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Interest income				
Loans and advances to financial institutions	**57,368**	47,425	**-**	-
Loans and advances to customers				
- interest on loans and advances to customers	**126,447**	119,079	**-**	-
- losses representing ineffective portion of fair value hedges	**(283)**	(1,300)	**-**	-
Loans and advances to subsidiary company	**-**	-	**1,291**	1,267
Investment securities				
- interest on investment securities	**12,054**	9,419	**-**	-
- amortisation of net premiums on investment securities	**(912)**	(1,121)	**-**	-
- gains representing ineffective portion of fair value hedges	**-**	253	**-**	-
Total interest income	**194,674**	173,755	**1,291**	1,267
Interest expense				
Amounts owed to financial institutions	**41,179**	46,169	**-**	-
Amounts owed to customers	**72,519**	41,347	**-**	-
Lease liabilities	**153**	185	**-**	-
Subordinated liabilities	**3,770**	3,733	**1,291**	1,267
Total interest expense	**117,621**	91,434	**1,291**	1,267
Net interest income	**77,053**	82,321	**-**	-

An amount of €5.1 million (2023: €5.0 million) relating to credit-impaired financial assets is included within interest income from loans and advances to customers for the year ended 31 December 2024.

In the financial year ended 31 December 2023, fair value losses of the Group amounting to €0.7 million arising on derivatives designated in micro fair value hedge relationships and €0.9 million representing net increases in the fair value of the hedged items attributable to the hedged risk are included within the Group's net interest income. These hedging relationships compromise interest rate swaps hedging interest rate risk on specific fixed rate debt securities, on an individual asset basis. The losses are reflected within interest arising from investment securities, where interest on the hedged items is presented.

On the other hand, for the macro hedging relationships comprising interest rate swaps hedging interest rate risk on a portfolio of the Group's fixed rate mortgages, fair value losses of €40.1 million (2023: losses of €86.4 million) arising on derivatives designated in fair value hedge relationships and gains of €39.8 million (2023: gains of €85.1 million) representing net decrease (2023: decrease) in the fair value of the hedged items attributable to the hedged risk are included within the Group's net interest income. The gains are reflected within interest arising from loans and advances to customers, where interest on the hedged items is presented.

On the other hand, for the macro hedging relationships comprising interest rate swaps hedging interest rate risk on a portfolio of MeDirect Malta's corporate lending business, fair value losses of €0.7 million arising on derivatives designated in fair value hedge relationships and gains of €0.7 million representing net increase in the fair value of the hedged items attributable to the hedged risk are included within the Group's net interest income. The gains are reflected within interest arising from loans and advances to customers, where interest on the hedged items is presented.

	Group	
	2024	2023
	€000	€000
Micro hedging:		
Losses on hedging instruments (Securities Investments)	**-**	(654)
Gains on hedged items attributable to the hedged risk – basis adjustment to Securities Investments measured at amortised cost (see Note 8)	**-**	907
	-	253
Macro hedging:		
Losses on hedging instruments (International Mortgage portfolio)	**(40,100)**	(86,400)
Gains on hedged items attributable to the hedged risk – basis adjustment to International Mortgage portfolio (see Note 7)	**39,800**	85,100
Losses on hedging instruments (Maltese Business Lending portfolio)	**(669)**	-
Gains on hedged items attributable to the hedged risk – basis adjustment to Maltese Business Lending portfolio (see Note 7)	**686**	-
	(283)	(1,300)
Net losses representing ineffective portion of fair value hedges	**(283)**	(1,047)

26. Net fee and commission income

	Group	
	2024	2023
	€000	€000
Fee and commission income		
Corporate secured lending fee income	**2,022**	1,052
Banking transactions fee income	**1,920**	1,488
Investment services fee income	**8,064**	6,793
Other fee income	**458**	361
Total fee and commission income	**12,464**	9,694
Fee and commission expense		
Corporate secured lending fee expense	**1,789**	1,877
Banking transactions fee expense	**672**	718
Investment services transaction and custody fee expense	**2,532**	1,797
Other fee expense	**310**	202
Total fee and commission expense	**5,303**	4,594
Net fee and commission income	**7,161**	5,100

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 2024 includes income of €2.0 million (2023: €1.1 million) and expenses of €1.8 million (2023: €1.9 million) relating to such financial assets and liabilities.

The net revenue arising during 2024 (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 €2.1 million (2023: €2.0 million).

27. Net trading income

	Group	
	2024	2023
	€000	€000
Net income from foreign exchange activities	**1,600**	1,121
Net loss from held for trading financial instruments	**-**	(574)
	1,600	547

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	
	2024	2023
	€000	€000
Directors' emoluments		
- salaries	**3,301**	3,860
- defined contribution social security costs	**57**	62
- fees	**888**	817
- other emoluments	**155**	145
Staff costs		
- salaries	**23,514**	21,034
- defined contribution social security costs	**2,172**	2,007
Staff costs capitalised within Intangible Assets (Note 11)	**(3,259)**	(3,634)
	26,828	24,291

The directors of MeDirect Tech Limited do not receive any Directors' emoluments as they are employed within the MDB Group and their remuneration for 2024 and 2023 are presented above within 'Staff costs'.

As per above, in the financial year ended 31 December 2024, salary costs amounted to €26.8 million (2023: €24.9 million) with variable remuneration accounting for 10.4% (2023: 12.2%) of these amounts.

The salary costs include expenses for defined contributions plans amounting to €0.4 million (2023: €0.5 million).

The weekly average number of persons employed during the year, including executive directors, was as follows:

	Group	
	2024	2023
	No.	No.
Executive and senior management	**26**	25
Other managerial, supervisory and clerical	**332**	313
Other	**6**	6
	364	344

The number of persons employed by the Group as at the reporting date, including executive directors, was 370 (2023: 350).

As disclosed in the remuneration report, share-based payments are granted to certain executive directors and other material risk takers under a performance or 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.

	2024		2023	
	Vested	**Unvested**	Vested	Unvested
Group	**€000**	**€000**	€000	€000
Total outstanding deferred remuneration – share-based payments				
Year ended 31 December				
At beginning of year	**1,661**	**653**	1,586	810
Awarded throughout the year	**-**	**42**	-	587
Vested throughout the year	**196**	**(196)**	744	(744)
Paid throughout the year	**(650)**	**-**	(845)	-
Performance and other adjustments throughout the year	**139**	**(105)**	176	-
At end of year	**1,346**	**394**	1,661	653

The total expense recognised during the financial year ended 31 December 2024, disclosed within 'salaries' amounted to €0.8 million (2023: €0.4 million) and the resultant liability as at 31 December 2024, arising from deferred share-based payments and presented in the statement of financial position with 'Accruals and deferred income', amounted to €1.9 million (2023: €1.8 million).

29. Other administrative expenses

Other administrative expenses are analysed as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
IT support and telecommunication costs	**8,738**	8,072	**-**	-
Legal, professional and marketing expenses	**12,525**	17,811	**11**	12
Regulatory expenses	**7,946**	5,501	**1**	8
Indirect taxation	**4,179**	4,964	**2**	5
Other expenses	**5,512**	7,077	**2**	18
	38,900	43,425	**16**	43

Included in other administrative expenses are fees charged by the Group's independent auditors for the year as follows:

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Audit services	**668**	615	**11**	11
Other assurance services	**105**	59	**-**	-
Tax related services	**79**	-	**-**	-
Other non-audit services	**43**	194	**-**	-

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	
	2024	2023
	€000	€000
Change in expected credit losses		
Loans and advances to customers, including credit-related commitments		
- International Corporate Lending portfolio (including accrued interest)	**312**	3,189
- Dutch Mortgage portfolio	**34**	(100)
- Belgian Mortgage portfolio	**(200)**	(204)
- Maltese Business Lending portfolio	**35**	(345)
- Maltese Mortgage portfolio	**(5)**	(184)
- Consumer Finance receivables portfolio	**(76)**	-
Investments measured at amortised cost		
- Securities portfolio	**(29)**	130
- Securitisation portfolio	**131**	(3)
- Asset-Backed Securitisation portfolio	**(95)**	-
Other credit impairment charges		
Amounts written off on loans and advances to customers		
- International Corporate Lending portfolio	**(18,497)**	(3,428)
- Maltese Business Lending portfolio	**(870)**	-
- Consumer Finance receivables portfolio	**(72)**	-
	(19,332)	(945)

31. Tax expense

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Current tax expense				
- current year tax charge	**989**	2,425	**-**	-
Deferred tax (Note 14)				
- current year tax	**(133)**	(17)	**-**	-
Income tax charge	**856**	2,408	**-**	-

The tax recognised in profit or loss on the Group's and the Company's (loss)/profit 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	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
(Loss)/profit before tax	**(5,038)**	14,311	**(5,885)**	11,937
Tax at the applicable rate of 35%	**(1,763)**	5,009	**(2,060)**	4,178
Tax effect of:				
Non-deductible expenses	**1,443**	958	**7**	15
Unrecognised deferred tax movements (Note 14)	**2,401**	(541)	**-**	-
Non-temporary deferred tax differences	**574**	388	**-**	-
Income not subject to tax	**(1,595)**	(3,383)	**-**	-
Share of results of subsidiary undertaking	**-**	-	**2,053**	(4,193)
Effect of different tax rates	**(646)**	(694)	**-**	-
Other	**442**	671	**-**	-
Income tax charge	**856**	2,408	**-**	-

32. Earnings per share

The calculation of the basic earnings per share has been based on the (loss)/profit attributable to ordinary shareholders and the weighted average number of ordinary shares in issue during the financial year.

	Group	
	2024	2023
(Loss)/profit attributable to ordinary shareholders (€000)	**(5,894)**	11,903
Weighted average number of ordinary shares ('000)	**56,406**	56,406
Earnings per share (Basic and diluted) (€cents)	**(10)**	21

The Group has no instruments or arrangements which give rise to dilutive potential ordinary shares and accordingly, diluted earnings per share is equivalent to basic earnings per share.

33. Cash and cash equivalents

Balances of cash and cash equivalents as shown in the statements of cash flows are analysed below:

	Group		Company	
	2024	2023	**2024**	2023
	€000	€000	**€000**	€000
Analysis of cash and cash equivalents:				
Cash in hand	**2**	3	**-**	-
Call deposits	**67,971**	54,970	**224**	164
Target 2 overnight deposits	**171,500**	237,169	**-**	-
Amounts owed to financial institutions with original maturity of less than 3 months	**(179,777)**	(314,292)	**-**	-
Per Statement of cash flows	**59,696**	(22,150)	**224**	164
Adjustments to reflect:				
Other balances with central banks	**35,368**	28,281	**-**	-
Deposits with original maturity of over 3 months and encumbered deposits	**248,432**	303,587	**-**	-
Amounts owed to financial institutions with original maturity of over 3 months	**-**	(60,668)	**-**	-
Per Statement of financial position	**343,496**	249,050	**224**	164

		Group		Company	
		2024	2023	**2024**	2023
	Notes	**€000**	€000	**€000**	€000
Analysed as follows:					
Balances with central banks and cash	**4**	**206,870**	265,453	**-**	-
Loans and advances to financial institutions	**6**	**316,403**	358,557	**224**	164
Amounts owed to financial institutions	**18**	**(179,777)**	(374,960)	**-**	-
		343,496	249,050	**224**	164

34. Contingent liabilities

As at 31 December 2024, the Group had cash secured guarantee obligations amounting to €24.2 million (2023: €20.2 million).

35. Commitments

Commitments to lend

Commitments to lend represent undrawn formal standby facilities, credit facilities and other similar commitments to lend. As at 31 December 2024, the Group had undrawn commitments of €16.4 million (2023: €35.3 million) under international lending revolving credit facilities. In addition, lending commitments in relation to the Group's Dutch Mortgage portfolio amounted to €32.4 million (2023: €94.5 million), Belgian Mortgage portfolio amounted to €8 million (2023: €28.7 million) and Maltese Mortgage portfolio amounted to €27.2 million (2023: €27.0 million).

As at 31 December 2024, undrawn facilities on corporate term loans of the Group in Malta amounted to €103.5 million (2023: €54.7 million) and undrawn facilities under Consumer Finance receivables portfolio amounted to €1.1 million (2023: nil).

The expected credit losses on the above commitments to lend are disclosed in Notes 22 and 30.

Other commitments

Other contingent liabilities consist of possible future contributions payable to the Depositor Compensation Scheme ("DCS") and the Single Resolution Fund ("SRF"). 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 2024, assets pledged in favour of the DCS comprised debt securities measured at amortised cost with a carrying amount of €2.2 million (2023: €2.3 million). The Depositor Compensation Scheme reserve amounts to €2.0 million (2023: €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 2024, irrevocable payment commitments to the SRF by the Group amounted to €0.8 million (2023: €0.8 million), reflecting cash collateral to the SRF. The cash collateral is classified within 'Other assets' in the statement of financial position.

36. Related parties

Immediate and ultimate parent company

The ultimate controlling party of MDB Group Limited is AnaCap Financial Partners II L.P.

The ultimate parent company of the Company is Medifin Investments Limited, a non-cellular company incorporated and registered in Guernsey.

The immediate parent company of the Company is Medifin Finance Limited, a non-cellular company incorporated and registered in Guernsey.

Related parties of the Group and the Company include subsidiaries, the ultimate controlling party, the ultimate parent company, the immediate parent company, all entities controlled by 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 2024 (2023: €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:

	Year ended 31 December 2024		As at 31 December 2024		
Related party	Income from related parties	Expenses charged by related parties	Amounts owed by related parties	Amounts owed to related parties	Transaction/ balance type
	€000	€000	€000	€000	
Ultimate controlling party	-	98	-	-	Service charge fees
	-	-	-	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

	Year ended 31 December 2023		As at 31 December 2023		
Related party	Income from related parties	Expenses charged by related parties	Amounts owed by related parties	Amounts owed to related parties	Transaction/ balance type
	€000	€000	€000	€000	
Ultimate controlling party	-	98	-	-	Service charge fees
	-	-	-	955	Debt securities in issue
Ultimate parent company	5	-	-	-	Service charge fees
	-	-	-	1,407	Amounts owed to customers
Immediate parent company	5	-	-	-	Service charge fees
	-	-	-	841	Amounts owed to customers
Key management personnel	-	7	-	-	Interest expense
	-	-	-	4,207	Amounts owed to customers
	-	-	-	25	Subordinated liabilities

As regards the Company at 31 December 2024, 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 €11.7 million (2023: €11.5 million). The interest income on such amounts receivable in the financial year ended 31 December 2024 amounted to €1.3 million (2023: €1.3 million). Other amounts receivable from group companies amounted to €1.4 million (2023: €1.4 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.

37. Segmental information

The Group engages primarily in the business of lending conducted from Malta and Belgium through Dutch, Belgian and Maltese mortgage lending and retail consumer finance receivables in Malta together with the investment in high credit quality collateralised instruments such as covered bonds, guaranteed senior bank debt, sovereign related debt and investment in AAA tranches of securitisation special purpose entities and asset backed securities. The Group also has a lending portfolio consisting of international corporate lending and Malta corporate lending. Revenues secured through the above-mentioned assets are complemented by the revenues generated by the Group on its wealth management business.

The Group's internal management reporting to the Board of Directors and Senior Management, is mainly analysed by jurisdiction. For each jurisdiction, the Senior Management, reviews internal management reports in order to make decisions about allocating resources and assessing performance. Where applicable, such as in the case of international corporate lending, these internal management reports are also supplemented by reports in respect of the Group's revenue streams on a consolidated basis.

Further information about the products and services and geographical areas is set out in Notes 2, 7, 8, 25 and 26 to the financial statements which provide information about the financial risks, credit concentrations by sector and location, together with revenues from the single reportable segment. The investment portfolio is spread across a large number of exposures diversified in government, financial institutions and other corporates.

	2024			2023		
	Malta	Belgium	Total	Malta	Belgium	Total
	€000	€000	€000	€000	€000	€000
Turnover *	46,463	162,224	208,687	54,891	129,681	184,572
of which interest income	38,019	156,655	194,674	48,710	125,045	173,755
of which fee and commission income	6,835	5,629	12,464	5,069	4,625	9,694
of which other operating income/(loss)	1,609	(60)	1,549	1,112	11	1,123
Interest expense	(17,383)	(100,238)	(117,621)	(16,162)	(75,272)	(91,434)
Fee expense and other losses	(3,134)	(2,169)	(5,303)	(3,079)	(1,515)	(4,594)
Change in expected losses and other credit impairment charges						
- International Corporate Lending	(7,701)	(10,484)	(18,185)	(1,137)	898	(239)
- Dutch Mortgages	-	34	34	-	(100)	(100)
- Belgian Mortgages	-	(200)	(200)	-	(204)	(204)
- Maltese Business Lending	(835)	-	(835)	(345)	-	(345)
- Maltese Mortgages	(5)	-	(5)	(184)	-	(184)
- Consumer Finance Receivables	(148)	-	(148)	-	-	-
- Other	109	(102)	7	105	22	127
Total change in expected losses and other credit impairment charges	(8,580)	(10,752)	(19,332)	(1,561)	616	(945)
Depreciation and amortisation	(2,627)	(3,114)	(5,741)	(3,302)	(2,270)	(5,572)
Other operating expenses	(23,988)	(41,725)	(65,713)	(26,255)	(41,418)	(67,673)
(Loss)/profit before tax	(9,248)	4,226	(5,022)	4,533	9,822	14,355
Taxation	(36)	(820)	(856)	(394)	(2,014)	(2,408)
(Loss)/profit after tax	(9,284)	3,406	(5,878)	4,139	7,808	11,947
Capital expenditure	4,648	324	4,972	6,133	366	6,499

	2024			2023		
	Malta	Belgium	Total	Malta	Belgium	Total
Total assets (€million)	961	4,112	5,073	1,014	3,964	4,978
Total liabilities (€million)	905	3,917	4,822	948	3,773	4,721
Full time equivalent staff (No)	298	72	370	288	62	350

** 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 (2023: €0.4 million).*

Total assets allocated to Malta include investment property amounting to €17.0 million (2023: non-current assets held for sale amounting to €1.8 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. The Group has not received any public subsidies that relate to the Group's activities as a credit institution.

38. 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 2024 and 2023, MeDirect Malta was not required to pay any variable contribution to the Scheme.

39. 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.

As at 31 December 2024, the total assets held by the Group on behalf of customers amounted to €2,056.8 million (2023: €1,688.4 million).

40. Events after the reporting date

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

41. Comparative financial information

With effect from the current financial period, the accrued interest element is being aggregated to the respective financial asset or financial liability rather than classified within "Prepayments and accrued income" and "Accruals and deferred income" respectively.

In this respect, comparative figures disclosed in the main components of these financial statements and the notes have been reclassified to conform with the current period's presentation for the purpose of fairer presentation.

42. Statutory information

MDB Group Limited is a limited liability company and is incorporated in Malta.

The ultimate controlling party of MDB Group Limited is AnaCap Financial Partners II L.P., a limited partnership registered in Guernsey with its registered address at 2nd Floor, Windsor House, Lower Pollet, St Peter Port, Guernsey, GY1 1WF. The term of this partnership expired on 31 May 2024, following which it entered into dissolution. Its general partner was appointed as liquidating trustee and the partnership was placed into liquidation. The liquidation process will remain ongoing to permit the orderly exit of MDB Group Limited.

The ultimate parent company of MDB Group Limited is Medifin Investments Limited, a non-cellular company, which is incorporated and registered in Guernsey, with its registered address at 2nd Floor, Windsor House, Lower Pollet, St Peter Port, Guernsey, GY1 1WF.

The immediate parent company of MDB Group Limited is Medifin Finance Limited, a non-cellular company, which is incorporated and registered in Guernsey, with its registered address at 2nd Floor, Windsor House, Lower Pollet, St Peter Port, Guernsey, GY1 1WF.

Independent Auditor's Report

Building a better
working world

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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 37 to 200, which comprise the separate and consolidated statement of financial position as at 31 December 2024, 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 2024, and notes to the separate and consolidated financial statements, including a summary of 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 2024, and of their separate and consolidated financial performance and their separate and consolidated cash flows for the year ended 31 December 2024 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")* together with the ethical requirements that are relevant to our audit of the separate and consolidated financial statements 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*, and we have 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 international corporate lending portfolio and the Maltese business lending portfolios within the loans and advances to customers of the Group

The Group's international corporate lending and Maltese business lending portfolios, which comprise of syndicated loans and advances to international corporates and other facilities to Malta corporates amount to 7% and 5% of the gross loans and advances to customers of the Group, respectively. The expected credit losses (ECL) on such portfolios, as described and disclosed in notes 1.5, 2.2, 3.2, 7 and 30 represents 5.6% and 0.7% of the Group's portfolio. The total expected credit losses on loans and advances to customers on these two portfolios comprise 90% of the total ECL of the Group as at 31 December 2024.

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 PD and LGD models used for the measurement of credit loss allowances are developed by an external vendor, enabling the estimation of these key risk parameters at a facility level using statistical models, mainly by benchmarking exposure-specific characteristics against an underlying dataset.

INDEPENDENT AUDITOR'S REPORT

to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

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. 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.

Management re-calibrates its probability weights with the severity of the scenario using a weighting allocation approach whereby the latter represents the share of outcomes that are best approximated by a scenario (not the likelihood of a specific scenario occurring).

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 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.

Reasons for designation as a KAM

ECL calculations are based on complex statistical analyses and modelling assumptions and calibrated by reference to historical information in respect of default levels and loss severities. In view of 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.

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 unlikeliness-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. A high 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.

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, taking into consideration borrower's 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 each 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.

Audit procedures

Our audit procedures over the measurement and adequacy of expected credit losses included amongst others:

- Obtained understanding of the design and effectiveness 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) 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 the international and domestic corporate lending portfolio 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 Moody's tool and the volatility adjusted PD's;
  - the relevant data points for the determination of the LGD;
- Assessed other key assumptions and inputs including:
  - Expected maturities of individual borrower and performed back testing by assessing the historical accuracy of management's prediction of expected maturity to actual maturity;
  - Analytically reviewed and benchmarked the historical and projected PD's estimated by the model as at year end with PDs for exposures with similar credit quality issued by an independent credit rating agency and other sources;

  - Performed sensitivity analysis and benchmarked the LGDs estimated by the model with proposed LGDs for similar credit exposures by an independent credit rating agency, the European Banking Authority and other sources;
  - For a risk-based sample of borrowers, independently assessed the appropriateness of the credit grading;
  - For a sample of Stage 1 and Stage 2 borrowers, independently assessed the staging appropriateness;
- 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.

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 57% of the net assets as at year end, as disclosed in notes 1.15, 2.2.9, 3.3 and 5.

Derivative financial instruments mainly comprise 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.

Valuation of derivatives and hedge accounting of the Group

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.

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. 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.

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
Our audit procedures over the valuation of derivatives and hedge accounting included amongst others:

- Obtained understanding of the design and effectiveness of the 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;
- For 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;

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INDEPENDENT AUDITOR'S REPORT

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Report on the audit of the financial statements

Valuation of derivatives and hedge accounting of the Group

- 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 1.15, 2.2.9, 3.3 and 5 to 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.

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INDEPENDENT AUDITOR'S REPORT

to the Shareholders of MDB Group Limited

Report on the audit of the financial statements

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.

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;

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

- 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;
- 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 treats 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 consolidate 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

12 March 2025